Lynas Surges Ahead with Expansion Plans, Record Production & Solid Quarterly Results Despite Tesla's Rare Earths Comments

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Lynas Rare Earths Limited (ASX: LYC) ("Lynas") recently announced some positive news that the Malaysian authorities have advised that their license to import and process lanthanide concentrate is now valid until 1 January 2024, effectively a 6-month extension to get their Malaysian rare earths unit in line with environmental requirements.

Meanwhile, Lynas continues to oppose the Malaysian government's 'new' rules and is working on alternate facilities in Western Australia. Should the Malaysian situation not be resolved then Lynas has a backup plan. The announcement stated:

> *"The licence variation allows the Lynas Malaysia cracking and leaching plant to continue to operate until 1 January 2024 and will remove the requirement for a shutdown at the Lynas Malaysia plant prior to 1 January 2024."*

At the heart of the issue is that the Malaysian authorities say the cracking and leaching plant generates radioactive waste. Lynas argues that they are meeting the conditions as per their original agreement with the Malaysian government. Lynas stated:

> *"Lynas had applied to the MOSTI Minister for the removal of the conditions which limit operations at the Lynas Malaysia*

> *facility as they represent a significant variation from the conditions under which Lynas made the initial decision to invest in Malaysia.“*

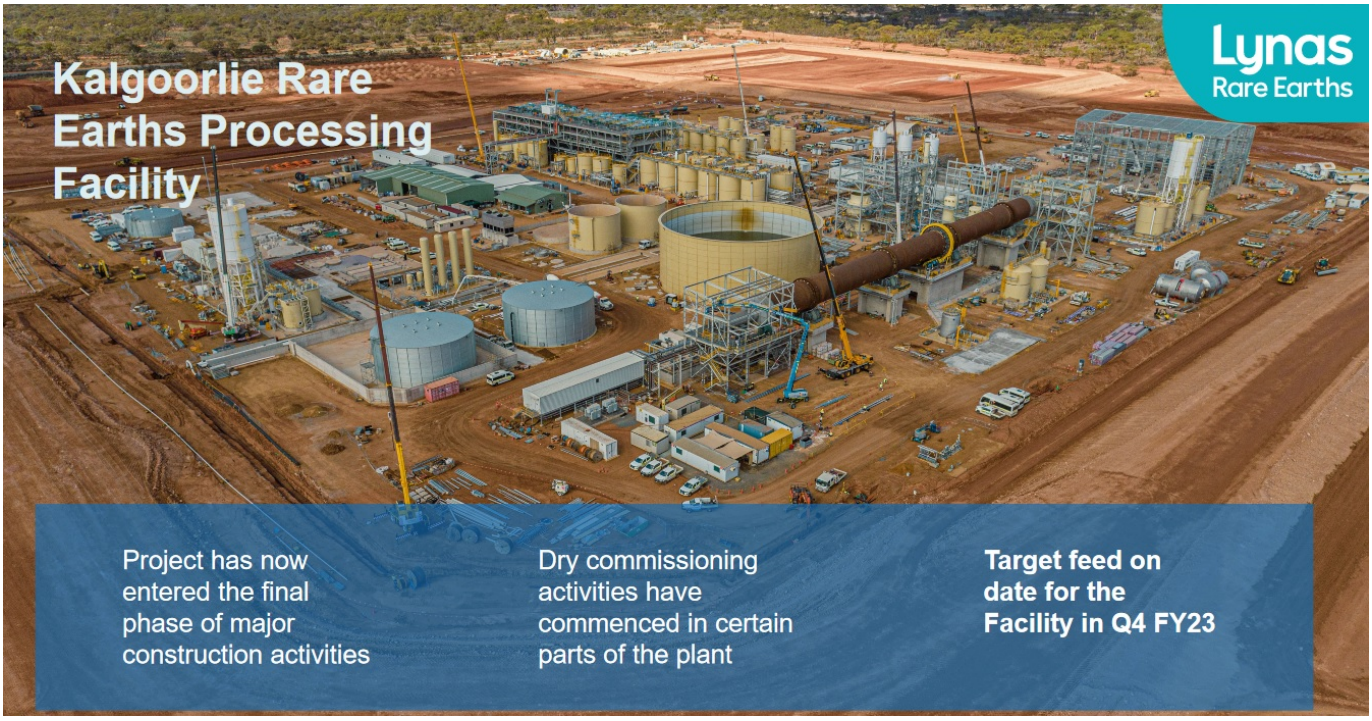
We will have to wait until January 1, 2024, to see what happens next regarding Lynas operating its cracking and leaching plant in Malaysia.

Lynas’ Kalgoorlie Rare Earths Processing Facility is in the final stages of construction, feed to start this quarter (Q4/FY23 – Ending June 30)

Lynas has been rapidly building a backup rare earths processing facility in Kalgoorlie, Western Australia. Lynas stated that the facility “has now entered the final phase of major construction activities, dry commissioning activities have commenced in certain parts of the plant, target feed on date for the Facility in Q4 FY23.”

Lynas plans to use rare earths carbonate feed from their Mt Weld Mine to feed the new Kalgoorlie rare earths processing facility once complete (noting a ramp-up period applies). The product would then be shipped to Malaysia for final processing.

FIGURE 1: Lynas’ under construction rare earths processing facility in Kalgoorlie Western Australia

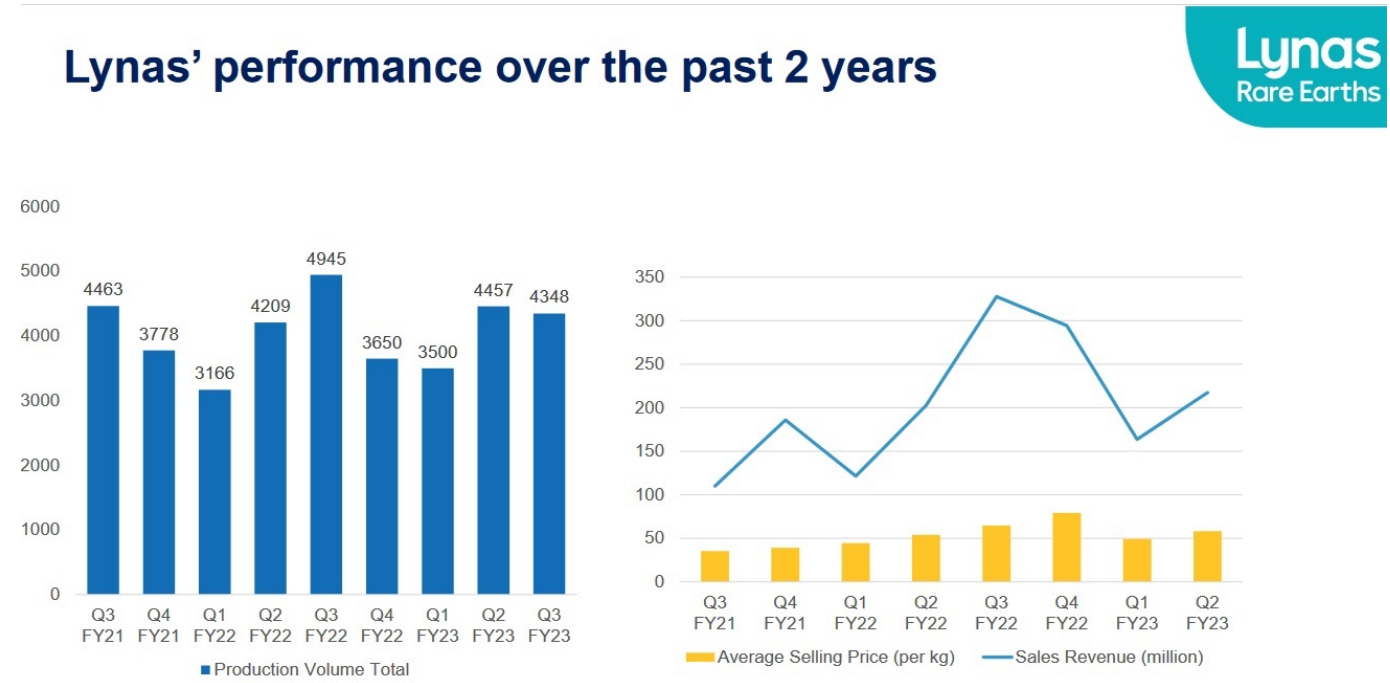


Source: Lynas company presentation

Lynas achieved record NdPr production in Q3/FY23 (Ending March 31)

In Q3/FY23 Lynas produced 4,348 tonnes of total rare earths oxide and a record 1,725 tonnes of Neodymium-Praseodymium ("NdPr"). This resulted in A$237.1 million of revenue for the quarter. The chart below shows Lynas' revenue trending slightly higher over the past 2 years on the back of solid production and prices.

FIGURE 2: Lynas' last 2 years Total Rare Earth Oxides ("TREO") production volumes and sales revenues



Source: [Company presentation]

USA LRE and HRE facilities update

The USA Light Rare Earth ("LRE") and Heavy Rare Earth ("HRE") facilities plan to be able to process both light and heavy rare earths.

Lynas has secured a greenfield site in an existing industrial zone in Texas, further progressed the detailed engineering design, and engaged a preferred U.S. Engineering, Procurement, Construction, and Management ("EPCM') contractor.

Tesla plans to use non-rare earths motors in their next generation vehicle

Lynas CEO, Amanda Lacaze, stated in the [Q3, FY 2023 earnings call]:

"The neodymium iron boron [NbFe] magnet technology is the most

energy efficient, because it is the lightest motor, and over the life time of the vehicle it gives you the best efficiency… …and it has the lowest CO2 emissions… …more are choosing NbFe technology than the alternative… …today we find that demand still is ahead of our ability to service everyone who would like to buy Lynas NdPr… …the current (price) softness is very much about internal China dynamics… …but we at Lynas remain very confident of the long term trend and we know that the Chinese rare earth firms share that confidence. We remain committed to growing to meet the market and that's one of the reasons why our ambitious capital investment plan continues."

Closing remarks

Lynas is very well positioned in 2023 with A$1.12 billion in cash (as of March 31, 2023) and is on target with its expansion plans.

The 6-month Malaysian extension also means that Lynas' rare earths production can continue uninterrupted, at least until January 1, 2024. At that point, the Kalgoorlie facility should hopefully be operating smoothly and ramping up production and offer an alternative should the Malaysia cracking and leaching plant need to be shut down on January 1, 2024.

Lynas Rare Earths trades at a market cap of A$6.82 billion and a PE ratio (TTM) of 12.39.