

Pioneering Rare Earths Producer Lynas is Years Ahead of Competition

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Australia's **Lynas Corporation Limited** (ASX: LYC | OTCQX: LYSDY) has the rare and esteemed distinction of being a rare earth element operational miner and a *producer*. A pioneer in the rare earths space outside of China, Lynas mines rare earths from its Mount Weld Mine in Western Australia, concentrates it onsite and ships the materials to the Lynas Advanced Materials Plant (LAMP), near Kuantan in Pahang, Malaysia, where the concentrate is refined into final end-user ready rare earth products.

Last Friday, Lynas held its Annual General Meeting in Sydney. Founder and Chairman **Nicholas Curtis** addressed shareholders — and the leader of a prominent Malaysian anti-Lynas NGO, sitting in the audience — immediately acknowledging that 2013 has been a tumultuous year for the owner of the highest-grade deposit of rare earths on the planet. That said, many of the issues Lynas has experienced must be put in proper context, in the sense that they mark the reality of the industry leader's status as a REE producer. In recognizing that the past year contained “a number of difficult developments” (from an underperforming share price trading at all-time lows, to delays in achieving the nameplate Phase 1 production run rate on a sustainable basis, to the challenging macroeconomic environment), Mr. Curtis was understandably quick to highlight the major milestones Lynas has successfully achieved. For starters, the Lynas Advanced Materials Plant (LAMP) is complete and operational. 2013 saw Lynas produce its first rare earth products for end users and generated the company's first sales — arguably Lynas' most significant achievements to date.

Admittedly, Mr. Curtis looks forward to the future when Lynas will be detailing highlights in terms of production, sales and financials. But for the past year, however, Lynas has had to measure achievements in terms of concluding its construction phase and gradually transitioning into sustainable production.

“In collaboration with a number of international research bodies, we have successfully transformed the solid residue from LAMP into commercial products,” commented Curtis. “Independent laboratories have confirmed that these commercial products are not radioactive, are not toxic, and are not unintentionally leachable. While issues encountered while ramping up production [at LAMP] are not that unusual for a plant of this nature, it is also true that we were surprised by some of them. We were so focused on the completion of our [12-year] long journey to production that exuberance carried us away. The LAMP issues are largely dealt with and the plant is on track for target production by the end of the year. The year of initial production substance will be 2014.”

Faced with a series of technical and operational problems over the past three years (coupled with opposition from local residents and environmentalists), LAMP had been an ongoing source of delay and difficulty for Lynas; nevertheless, the company has managed to (slowly) turn things around. Although formidable Malaysian activists staged protests outside

the AGM, it should be noted that six international bodies (inspecting for radiation and pollution) have audited LAMP. All six have come back clear, with the plant operating within local and international standards. Furthermore, Lynas recently ran a tour for 80 health officials, aimed at improving the public's perception of the plant. It appears to have worked, as numerous local officials have made public statements proclaiming LAMP's safety. Addressing the prominent anti-Lynas protestors in attendance (members of Save Malaysia Stop Lynas — or SMSL — environmental group, who staged a similar protest in 2012), Mr. Curtis commented: "Another factor contributing to the delays we have experienced are the frustrating actions of this group. Much of what has been said about our company by them is not correct. Whether this is by design or simply because of incomprehension is not for me to say. However, the facts are clear. LAMP is a chemical processing plant and *not* a nuclear facility. Lynas and LAMP are both fully compliant with all license and regulatory conditions and obligations."

The state-of-the-art, industry-leading processing plant has received production limit approval thus far (11,000 tonnes of rare earth oxide per annum; Lynas anticipates achieving the target run rate in the first calendar quarter of 2014) for Phase 1 production, with Stage 2 approval to increase production to 22,000 tonnes per year. One of Lynas' key advantages is the significant scalability of its business. Mount Weld has defined reserves to support LAMP for more than 50 years (at the current target production rate), while LAMP now has installed capacity that can allow Lynas to double that production rate, when market conditions support the need.

Mr. Curtis restated Lynas' long-held strategic aim of establishing a secure and sustainable alternative supply chain for rare earth consumers and the company is confident that as it demonstrates this production reality over the coming months, shareholders will also see some recognition in Lynas' share price. "Commodities markets (generally) have experienced price volatility and erratic demand — and rare earths were no exception," said Curtis. "We do, however, believe a corner has been turned and that there are emerging signs that market conditions are beginning to improve."

Past issues aside, moving forward, the fact remains that Lynas is years ahead of its Australian (and rest of world, outside of China) competitors, with an operational mine and processing facility. Should rare earths prices rise as demand increases (with consistent growth in existing and new technology product applications), Lynas could be a true opportunity for investors at current prices.

In closing, Mr. Curtis stated: "We have built the world's biggest, most advanced and most environmentally friendly rare earths plant to complement the uniquely rich Mount Weld ore body. This allows us to offer customers an integrated, sustainable source of rare earths and makes our vision of being *'the global leader in rare earths for a sustainable future'* truly achievable."

Ty Facts about Lynas:

- LAMP is the world's premier rare earth production platform

- Lynas' operations are now scalable, cost effective and ready to respond to improved market conditions
- Demonstrably high-quality, long-life assets with favorable long-term fundamentals
- ISO Standards (quality, health & safety, and environment) compliant for both Lynas sites
- Offtake arrangements in place (contracts, premium/sustainability-based pricing) with major rare earth-consuming companies in Europe, Japan, Asia, and the US

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Ty Dinwoodie is a Senior Editor for InvestorIntel with a primary focus on critical materials, and a background in market analysis for the equities market. An internationally published author, executive editor and professional photographer; Ty has published over 300 feature articles, columns and interviews in 15 languages worldwide. He has worked extensively with former Governor of the State of California Arnold Schwarzenegger and has interviewed countless luminaries, including former U.S. President George H. W. Bush, Joe Weider, James Cameron, and Howard Stern.

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