Lynas Rare Earths, making record profits and growing to meet the EV demand

written by InvestorNews | September 27, 2021

While the lithium-ion battery boom for EVs is getting most of the headlines, investors should not forget about the rare earths. The most valuable rare earths, neodymium (Nd), praseodymium (Pr), and dysprosium (Dy) are those used in the permanent magnets used in electric motors, key components in electric vehicles, EVs.

As shown on the graph below, China neodymium (Nd) prices are up 73% the past year as demand for the rare earth permanent magnet material continues to grow. Praseodymium (Pr) prices and dysprosium (Dy) prices are also on the rise.

Neodymium 5 year price chart

Source: Trading Economics

Lynas Rare Earths Limited (ASX: LYC) ("Lynas") is the second largest NdPr [The trade term for the neodymium-praseodymium blend, which is the standard item of trade in the rare earth magnet raw material production industry], producer in the world. Lynas owns the Mt Weld rare earth mine, which is one of the world's highest grade rare earths mines, and it operates there also the Mt Weld Ore Concentration Plant, both located in Western Australia.

Lynas has recently drilled up to 1 kilometer deep at Mt Weld discovering addititonal carbonatite below the current rare

earth open pit mine. Lynas stated: “The current exploration drillhole has ended in visible coarse grained REE mineralisation. First pass geochemical assay results, microscopic petrology, and mineralogical study reports are expected by November 2021 and the drilling report is expected to be completed in December 2021.”

Lynas also owns the Lynas Advanced Materials Plant (LAMP), which is an integrated manufacturing facility, preparing and separating the mixed rare earths from Mt. Weld into individual rare earth materials, located in Malaysia. In recent legal news, Lynas announced that: “….on 28 July 2021 the High Court of Malaysia at Kuala Lumpur dismissed the judicial review proceedings commenced by the anti-Lynas activists seeking review of the processes followed by the Government of Malaysia in reaching the August 2019 decision to renew Lynas Malaysia’s fourth operating licence. Lynas has received a notice of appeal by the anti-Lynas activists. Lynas intends to defend the appeal.”

In company news, Lynas recently announced a record net profit after tax of A$157 million for the 2021 financial year (July 1, 2020 to June 30, 2021). The profit was partly as a result of higher rare earths production, but mostly due to stronger rare earths pricing. Lynas stated: “Despite the global shortage of semi-conductors which affects all industries and in particular, the automotive industry, the NdFeB market is experiencing very strong growth, supporting the demand for NdPr and the Heavy Rare Earths’ blend produced by Lynas”

Lynas’ rare earth products (notably NdPr) are seeing strong demand and rising prices

Source: Lynas Rare Earths FY 21 results presentation

Latest progress at Lynas as part of their 2025 growth strategy

- **Kalgoorlie Rare Earths Processing Facility (Australia)** – Lynas is currently progressing their new Kalgoorlie Rare Earths Processing Facility, where site works have commenced and orders have been placed for all long lead time items. Fabrication of the five kiln shell sections is now complete. The final Environmental Review Document (ERD) has been submitted to the Australian EPA for the Kalgoorlie Project.
- **LRE/HRE separation & specialty materials facility (USA)** – Lynas has completed the Phase 1 detailed engineering and design work for a Heavy Rare Earths (HRE) separation facility in the USA, and it has been submitted to the US Government. The U.S, DoD is now conducting a merit evaluation of the submission. Lynas is progressing with site studies and planning for the American integrated Rare Earths Separation Facility.

Lynas current facilities and 2025 growth strategy

Source: Lynas Rare Earths FY 21 results presentation

Closing remarks

Lynas Rare Earths is performing very well, buoyed by strong rare earth prices. Most analysts are forecasting a strong decade ahead for rare earths based on growing demand for the powerful rare earth permanent magnets used in electric motors in the automotive, aerospace, and appliance industries.

Lynas is steadily working towards achieving its 2025 growth strategy of developing new facilities to enlarge its capacities for rare earths processing and separation in Australia and the

USA.

Investor interest in Lynas remains strong, because it is the largest non-Chinese based rare earth permanent magnet raw materials' producer. Lynas trades on a market cap of A$6.4 billion. It is certainly one to follow as it makes steady progress towards achieving its 2025 growth target.