

# Ucore Steps into the American Rare Earths Processing Ring in Louisiana.

written by | October 19, 2022

[Ucore Rare Metals Inc.](#) (TSXV: UCU | OTCQX: UURAF) just announced a [mutual commitment](#) between themselves and the State of Louisiana to establish a rare earth separation facility in the state which Ucore refers to as a Strategic Metals Complex (SMC). This is a change in direction from the earlier management drive to build a facility in Alaska. The government of Alaska had committed to supporting this approach through a bond of US\$145 million to develop the Bokan Project for infrastructure and construction costs. This is a significant shift – which, I view as positive.

From their [news release](#), they point to some advantages “Critical markers for success, such as streamlined inbound and outbound freight, ample supply and proximity of chemicals and reagents, attractive energy costs, the robustness of labor pools, room for ramp-up and production expansion and community support, including technical education infrastructure were all part of the size-up.” In addition, they are evaluating several brownfield sites which typically come with infrastructure already in place like power and buildings which would reduce the capital investment.

The Louisiana Economic Development (LED) sent a non-binding Letter of Intent (LOI) to Ucore last week. The LED laid out a 10-year US\$9.6 million economic incentive package in consideration for Ucore’s projected investment of US\$55 million. There may also be additional incentive’s once a site has been chosen which could bring the total package up to US\$11 million

from the LED.

According to the LOI, the following were identified:

- The financial, economic and tax incentive offers described in the LOI are estimates based on the Company's commitment to and fulfillment of its capital investment, employment and expected payroll schedules for the Louisiana SMC. This includes: (i) a total capital investment by the Company for the Louisiana SMC of at least US\$55 million by December 31, 2026; and (ii) new jobs in Louisiana at the Louisiana SMC in the amount of 45 jobs in 2025 with an annual payroll of US\$2.4 million rising to 80 jobs in 2034 with an annual payroll of US\$5.2 million.
- Louisiana's Industrial Tax Exemption Program can offer up to a 10-year tax exemption to the Company. LED estimates that the exemption may result in up to US\$6.0 million in tax savings for the Company. The State's Industrial Tax Exemption Program is administered by and will be subject to a contract to be finalized between the Company and the Louisiana Board of Commerce and Industry and requires approval from Parish and municipal governing bodies as well as the Parish school board.
- Louisiana's Quality Jobs Program provides a 4% or 6% payroll rebate on the gross annual payroll for qualifying new jobs for up to 10 years. The program also refunds state sales/use tax paid on construction materials purchased during construction or a 1.5% project facility expense rebate on certain capital expenditures. LED estimates that the value of this program could be up to US\$3.6 million for the Company. The Quality Jobs Program is administered by and will be subject to a contract to be finalized between the Company and the Louisiana Board of Commerce and Industry.

Initial plans are to build a plant that will produce 2,000 tonnes per year (TPY) of separated rare earths by the second half of 2024. Plans would be to expand to a world scale production level of 5,000 TPY by 2026. The technology to be used is Ucore's wholly owned Innovation Metals Inc. Rapid SX™ technology. This has been piloted for some time now at Kingston Process Metallurgy (KPM) to develop knowledge of the process and design parameters.

This appears to be the first major investment in rare earth separation processes in the USA, although there are others also talking about this including [Lynas Rare Earths Ltd.](#) (ASX: LYC) and [MP Materials Corp.](#) (NYSE: MP) with grants from the Department of Defense (DoD). MP received US\$35 million and Lynas US\$120 million. This begs the question of whether or not the DoD will support Ucore with this plan of action. With a current market cap of approximately US\$30 million raising the funds through equity financing would be very dilutive to existing shareholders so either the DoD assists or Ucore gains a strategic partner or a combination of these two will allow the financing of the SMC.

I am sure more news will be forthcoming as engineering and construction will likely need to start by mid-2023 to achieve the stated target of production in 2024-H2.

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