



## **Reality test for big bet on rare earths; Page Two**

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### **Body**

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The recent collapse in prices for key critical minerals is accelerating attempts by Western governments to use cheap loans, grants and tax breaks to break China's stranglehold on the processing of rare earths.

Success is far from guaranteed. But taxpayer funds are now the common ingredient to boost the processing of rare earths into the metals and magnets vital for everything from mobile phones to wind turbines to advanced defence technology.

The Australian government's announcement of \$840 million worth of cheap funding and grants to progress Arafura's proposed rare earths mine and refinery in the Northern Territory is part of this global battle.

It follows the Morrison government giving **Iluka Resources** a \$1.25 billion loan to build a refinery in Western Australia to separate rare earth oxides.

While Canberra has nothing like the financial firepower of the US, it is under growing pressure to also subsidise intermediate processing as well as mining of rare earths.

This new push inevitably brings up old questions about backing particular companies with taxpayer money - given they may still not be financially viable anyway. It's no surprise that first production at **Iluka's** refinery is delayed a year until 2026 while estimated building costs have increased by several hundred million dollars.

What is not disputed is the urgent need for a strategic counter to China's control - developed over decades - of processing technology and skills required to create the crucial metals and magnets essential for modern living and national security.

Just how much governments will pay and how feasible these alternative supply chains in all critical minerals remains a gamble. Final investment decisions are still a way off in most cases, even before protracted delays in building.

The 17 rare earth elements in the periodic table are a subset of the general category of critical minerals and found in minute quantities of much larger clay or hard rock mineral deposits. Their grade - typically measured in parts per

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million in clay or a small percentage in rock - is just one aspect of the challenge. Rare earth elements are neither rare nor that valuable in themselves, particularly at current prices.

But panicked Western governments belatedly realised their vulnerability to Beijing's ability to withdraw supply of the vital metals and magnets that result from processing them.

Complacency - compounded by the lure of China's cheap prices - meant other countries had not even tried to master complex chemistry processes and technology needed to turn concentrates into essential ingredients for modern living and defence needs.

Australia is a player not only because of its abundance of resources but also because its close relationship with the US means Australian projects or their American customers may be eligible for US government support.

That can include access to generous subsidies under the Biden administration's Inflation Reduction Act. US determination to compete with China and to derisk supply chains ensures some financial support will continue no matter who is president.

This explains why the US Export Import Bank, for example, has just provided non-binding pledges of loans to two small Australian rare earths companies, Australian Strategic Minerals and Meteoric Resources, to help them develop mines in NSW and Brazil respectively. Lynas, which has Australia's only operating rare earths mine, has a \$US258 million (\$395 million) grant from the US Department of Defence to build a refinery in Texas.

Angus Barker, chairman of Australian Rare Earths and former ministerial adviser and investment banker, says rare earths are at the intersection of two mega-trends globally - decarbonisation and geopolitics. "That's why governments are so interested and why they are throwing money at them," he says. "They want secure, reliable alternatives."

But the experience of Australian Rare Earths (AR3), which plans eventually to develop a clay-based project on the South Australian border, is typical of challenges facing Australian hopefuls.

As prices and recognition of critical minerals surged a few years ago, a host of speculative Australian investors and companies, including AR3, bet on rare earths as part of a new resources boom.

Depending on grade, the collapse in prices means it makes no commercial sense for most of these proposed mines to even consider developing their hard rock or clay deposits right now - perhaps indefinitely.

That's apart from the costs and complexity of developing domestic downstream processing beyond producing basic concentrate.

But although less than expected global demand, increased supply and China's manipulation of prices are curbing rare earths developments - along with lithium and nickel - entrepreneurial enthusiasm about the potential remains.

"In a tough environment, you focus on areas you can control - like opportunities in higher grade elements to find a path forward," says Barker.

Some Australian-owned projects are not even in Australia. Meteoric Resources is not the only Australian company with a project in Brazil.

In the US, American Rare Earths is listed on the ASX but focused on its attempt to develop a rare earths mine in the mining-friendly state of Wyoming. After releasing its scoping study this month, its managing director, Donald Swartz, is in Australia to talk to investors about the benefits of its particular allanite minerals geology in Wyoming enabling the company to apply simpler, cheaper conventional technology to develop its resource.

As well as the ability to access US tax credits, US agencies are also helping finance a joint venture research effort into more efficient processing technologies. Swartz maintains there's more understanding of rare earths among Australian investors than in his home country.

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Yet despite Australia's reputation for efficient mining, it has far less experience in the advanced, complex and extremely expensive processing of even intermediate material. It will be a reality test of Australia's ambitions.

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