



Government should fund acid plant: Lynas

Australian Financial Review

July 24, 2024 Wednesday

Print & First Editions

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Section: COMPANIES AND MARKETS; Pg. 19

Length: 417 words

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Body

Lynas Rare Earths says the Albanese government should contribute funding to a chemical plant that would supply sulphuric acid, after the end of produce from BHP's nickel business.

Lynas said yesterday it might need to produce its own acid to feed a new \$800 million rare earths processing plant at Kalgoorlie in Western Australia. Industry sources indicated it could cost about \$130 million to build a plant capable of producing 1000 tonnes of sulphuric acid a year.

Lynas, led by managing director Amanda Lacaze, has a contract with BHP for the supply of sulphuric acid from either the Kalgoorlie nickel smelter or imported sources. The contract runs until 2027, and Lynas has said it intends to hold BHP to the terms.

Sulphuric acid is a byproduct of nickel smelting, but BHP will suspend operations in WA, along with nickel mining, from October.

Ms Lacaze said Kalgoorlie needed better infrastructure, including power supply, and there was a strong case for the government to do more to help now that Lynas and others faced an issue with sulphuric acid supply.

BHP also supplies some of the acid needed by Glencore to run its Murrin Murrin nickel laterite mine.

"It's one thing to have a policy that says we want to have a critical minerals industry. It is another to put the enabling infrastructure in place for that to let us be successful," Ms Lacaze said. "One of the benefits of a sulfuric acid plant is that it produce energy, which means that you can capture that energy, and it gives you a significant benefit in terms of electricity usage."

Ms Lacaze said Lynas could consider building a plant in partnership with others if the government met part of the cost. More than \$2 billion of taxpayer funds has been pumped into rare earth projects at **Iluka Resources** and Arafura **Resources** that are slated to compete with Lynas, the world's biggest non-China supplier.

Iluka said yesterday that it remained in talks with the government on funding on top of a \$1.25 billion finance package, after cost blowouts on a rare earths refinery it is building in WA.

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Lynas faces a number of issues apart from sulphuric acid supply as rare earths prices hover at a five-year low.

UBS noted that operational issues at the Lynas processing hub in Malaysia meant the company missed its output target in the three months to June 30.

Lynas produced 2188 tonnes of rare earths oxide in the June quarter, down from 3545 tonnes in the previous period, and 4455 tonnes a year ago.

Lynas shares closed 3¢ lower yesterday at \$6.02.

Load-Date: July 26, 2024

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