

# **Molycorp -- stock sales, increased output for rare earths mine**

**Tiffany Ray, Riverside Press-Enterprise, 1-26-11**

Molycorp Inc., the Colorado-based company that is working to reinvigorate rare earths mining in eastern San Bernardino County, plans to double capacity at its Mountain Pass mine to take advantage of higher prices and reduced supplies from China.

The company said it will issue mandatory convertible preferred shares of stock to raise funds for the project. The company also announced its three primary investors plan to sell about \$500 million of their common stock, although they will retain a substantial stake in the company.

Rare earths, also called lanthanides, are used to make everything from hybrid cars to cell phones to military weaponry. Rare earths mining began at Mountain Pass in the early 1950s but ceased in 2002 in the wake of environmental problems and increased competition from China.

Molycorp purchased the mine in 2008 and launched a \$531 million plan late last year to build a processing facility and resume mining to meet increasing global demand. Work is under way.

That initial plan would have brought mining capacity to 20,000 metric tons a year. With the second phase, that would increase to 40,000. The first phase is slated for completion in summer 2012. The second phase is expected to cost \$250 million, although Mark Smith, Molycorp's CEO, said a portion of that cost will finance a new product line for use in optical lenses. Phase 2 should be complete by the end of 2013.

Smith said starting the second phase now will help save on construction costs. He said the investors selling stock -- affiliates of Resources Capital Funds, Pegasus Capital Advisors LP and The Traxys Group -- would retain roughly a 50 percent stake after the stock sale.

Anthony Young, an analyst with investment banking firm Dahlman Rose & Co. in New York, said the effort to ramp up as quickly as possible "makes a lot of sense, given prices now." There is more demand currently than supply, he said, although if Chinese exports remain steady, the additional capacity could put a lid on prices to some extent.

Young said it's encouraging that the investors are selling such a small stake. "It seems that their belief is that the rare earth story is still in its early innings," he said.