

# Molycorp announces high-tech magnet venture

**Manuel Quinones, Environment & Energy Publishing, 11-28-11**

Rare earths giant Molycorp Inc. announced a new joint venture today to produce high-power magnets with elements from its mine in Mountain Pass, Calif.

Molycorp is partnering with Daido Steel Co. Ltd. and Mitsubishi Corp. to manufacture neodymium-iron-boron permanent rare earth magnets. It's an effort by the company to find an outlet for its raw materials and ensure long term profitability.

"It means that Molycorp continues to do exactly what it says it's going to do," CEO Mark Smith said in an interview, touting the company's mine-to-magnets strategy.

Rare earth magnets are essential in wind turbines, household appliances, cars and various technologies. Molycorp says the new joint venture will focus on the latter two and has provisionally secured a supply agreement with a "major automotive manufacturer." The company did not provide further details.

"We're still very excited about the wind sector," Smith said. "It is enormous and that is an area that we are still working on. That's still on the radar screen. We plan to execute on that as well."

Earlier this year, Molycorp announced an investment in Boulder Wind Power, a company that has designed a system with a magnet that does not require dysprosium.

Dysprosium is in the family of heavy rare earths, which can be harder to find. Molycorp says magnets manufactured under the new joint venture will not require as much dysprosium.

"These are really next-generation magnets," Smith said, "and people are getting really excited about them."

The announcement comes at a difficult time for the rare earths industry. Prices are down, stocks have taken a tumble and companies are said to be moving operations to China, which remains the world's top producer of the elements.

Molycorp was trading at around \$29 this morning before the announcement, compared to more than \$60 in May. Earlier this month, the company announced a 39 percent increase in third-quarter sales compared to the previous quarter to \$138.1 million.

"We still think prices are very attractive in this industry," Smith said, "and we are very [pleased] in terms of where we are in terms of revenue and cash flow."

The joint venture's newly formed company will open a factory in Japan that is expected to begin production in early 2013. A subsidy from the Japanese Ministry of Economy, Trade and Industry will help finance the company's development. Japan has been aggressive about securing rare earth elements for its magnets industry.

Plans also call for a U.S. facility in the near future, Smith said. While the United States wants to grow as a manufacturer of rare earth magnets, Asian countries remain leaders in the sector.

Smith said talks with Daido and Mitsubishi have been ongoing for almost a year. Similar talks with Hitachi broke down earlier this year.

"It really goes into the complexity of these joint venture arrangements," Smith said. "This is one of the most complex intellectual property agreements that I've ever had to deal."

In October, Molycorp announced plans to accelerate production at Mountain Pass. Also that month, the company announced four possible sources of heavy rare earths, including one within easy access of Mountain Pass.