



# Dornbusch Partners

## Stock of the Week

### Lynas Corporation (LYC)

Date: 25 January 2011

#### Background

Lynas Corporation Ltd is an ASX 100 company, with the strategy to create a reliable, fully integrated source of Rare Earths from mine through to market. Rare earths are a bundle of elements commonly used in electronic components including Plasma TV's, iPhones and electric motors. China holds a monopoly on rare earths however have limited exports in the last few years creating a supply shortage.

Lynas has Mount Weld in Western Australia, the richest known deposit of Rare Earths in the world, and a state-of-the-art Rare Earths processing plant, the Lynas Advanced Materials Plant (LAMP), currently under construction near Kuantan in Pahang, Malaysia.

#### Outlook

Lynas is not without risk. They are really in a make or break position at present with a temporary license needing to be issued for the Malaysian plant to operate. There has been protestors in Malaysia trying to shut down the plant due to radiation risk. The Malaysian government is expected to announce whether or not they will issue the temporary license on January 30.

#### What Dornbusch Partners thinks of LYC.

Lynas is not for the conservative investor. They do not pay a dividend and there is a significant risk that the Malaysian plant does not obtain government approval. However, should the plant obtain approval and Lynas does become the first producer of rare earths outside China, there is considerable upside. This is a company that should you choose to purchase, you understand the risks. Contact your adviser to discuss Lynas further.

#### Consensus Estimates

	2011	2012	2013
EPS (cents)	-3.5	0.5	22.6
DPS (cents)	0.0	0.0	.0.0
P/E	0	260x	5.7x



#### Snapshot

Market Cap	\$2.2b
Share Price (as at 8.11.11)	\$1.30
12 mth high	\$2.70
12 mth low	\$0.86
Debt/equity	35%

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