

17 October 2018

UPDATE ON REGULATORY MATTERS IN MALAYSIA

Lynas Corporation Limited (ASX:LYC, OTC:LYSDY) notes that recent media reports have speculated on: (1) compliance with scheduled waste regulations, and (2) mitigation plans arising from the current review in Malaysia. The background to these issues is set out below.

1. Scheduled Waste Regulations

Lynas is compliant with the permissions that Lynas has received from the Malaysian regulators to store NUF at the LAMP.

NUF is one of the two solid residues produced at the LAMP. NUF is not a radioactive material - it is a magnesium rich gypsum. NUF is not toxic to humans, animals, vegetation or aquatic life. Tests carried out by an independent government-owned standards organization known as SIRIM in 2014 and 2017 confirmed that NUF does not exhibit characteristics of ignitability, reactivity or toxicity. NUF is not explosive, corrosive, a health hazard, an irritant, carcinogenic, ecotoxic or infectious. NUF is non-hazardous according to the Globally Harmonised System of classification and labelling of chemicals. NUF is not classified as a dangerous good by the criteria of international air, road and sea transport (UNT DG, IMDG, IATA).

Malaysian regulations provide two alternatives for management of this material:

1. Apply for the special management of the material to facilitate reuse (Regulation 7(i) of the Environmental Quality (Scheduled Waste) Regulations 2005) ("Option 1"); or
2. Dispose of the material at prescribed premises. (Order 3 of the Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Order 1989) ("Option 2").

As a lawful company, Lynas has sought to follow the policy direction of the government of Malaysia. For the past 5 years, the government's preference was for Option 1 (reuse) and therefore Lynas applied for (and received) temporary storage permissions pending reuse. During this time Lynas Malaysia did not apply for the LAMP to be licensed as prescribed premises for disposal of the material instead investing in research to identify suitable options for reuse. Lynas' current permission to store the NUF onsite is for the period ending 31 October 2018.

As a magnesium rich gypsum, NUF has a number of commercial uses, including in the construction industry (cement and plasterboard) and in agriculture (slow release fertiliser and soil conditioning). Lynas has submitted a number of proposals to the Malaysian regulator for the reuse of this material based on extensive independently conducted research.

When Lynas received indications that Option 1 (reuse) was unlikely to be the preference of the new government, Lynas lodged applications on a timely basis that are consistent with the above regulatory framework. Lynas has applied: (i) for an extension of the temporary storage permissions, and (ii) for the LAMP to be licensed as prescribed premises for disposal of the NUF, similar to other industrial plants in Malaysia.

Lynas has had a strong expectation that Lynas would be allowed to continue to store NUF at the LAMP, pending approval of the site as a prescribed premises for the disposal of the material, based on factors including: (i) the fact that NUF is not toxic and not radioactive, (ii) the long history of previous approvals, (iii) our approach to managing this material has been consistent with the regulatory framework described above, (iv) the absence of any change in circumstances at the LAMP that would warrant a sudden change in the regulatory approach without adequate time to



adjust to the change, (v) in July 2018, the Malaysian regulator approved a second NUF dry stacking facility at the LAMP, and (vi) the fact that other industrial sites in Malaysia have been licensed as prescribed premises for disposal of similar material.

Lynas' applications are currently before the regulators. If Lynas does not receive an extension for temporary storage by 31 October 2018, then the amount of NUF temporarily stored at the LAMP will exceed the prescribed limit under the Environmental Quality Regulation (Schedule Waste) 2005. This would not be a breach of the operating licence. Lynas will continue to press the Malaysian regulators for a response prior to 31 October 2018 (or at least for confirmation that no action will be taken while Lynas' applications are being considered).

For clarity, all the matters discussed above refer only to the NUF residue. Lynas is also compliant with permissions related to the storage of WLP residue.

2. Mitigation Plans

Lynas is committed to Malaysia and our preference is to continue our operations in their current form in Kuantan. Any prudent business will consider whether there are opportunities for future strategic growth and how they may be developed and implemented. In addition, like any prudent business, we manage risks and we develop mitigation plans for key risks as they emerge. The review in Malaysia has only recently been announced, and it would be premature to speculate on the outcome of this review process. Similarly, it would be premature to speculate on mitigation plans arising from the review.

Lynas will continue to engage with the Malaysian Government and we will provide further details of the review process as they become available.

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