

1 July 2011

## **Clarification of Potential Delay due to International Atomic Energy Agency Recommendations**

Lynas Corporation Limited (“Lynas”) (ASX:LYC, OTC:LYSDY) wishes to clarify the potential delay to the commissioning and start-up of the Lynas Advanced Materials Plant in Kuantan, Malaysia (LAMP) as a result of the International Atomic Energy Agency (“IAEA”) recommendations announced by the Malaysian Government on 30 June 2011 due to confusion within media articles on the same day.

Attached is a copy of the Joint Announcement that was released on 30 June 2011 by the Minister of International Trade and Industry and the Minister of Science, Technology and Innovation, together with a summary of the IAEA’s recommendations. Lynas accepts the IAEA’s recommendations, and together with the regulatory authorities we will implement the recommendations in full.

Please note that point 6(ii) of the Joint Announcement that was released today by the Minister of International Trade and Industry and the Minister of Science, Technology and Innovation states:

**“To move the project forward, Lynas will be required to provide - for AELB’s consideration and approval - a comprehensive long-term detailed plan for waste management, including at the decommissioning and remediation level. This must be done before any further licensing approval can be considered. The Government will ensure that Lynas complies fully with this recommendation of the IAEA Report. Until this is done, the status quo remains: there will be no importation of raw materials into the country, and no operational activities will be allowed on site.”**

This point reflects recommendations 1 and 2 of the IAEA report. It is this plan that needs to be approved by the AELB prior to receiving the pre-operational licence. The AELB is the Malaysian regulatory body with authority approve the plan and issue the pre-operational licence.

Upon issue of the pre-operational licence, which will allow start up of the plant and ramp-up to name plate capacity, Lynas will still have obligations related to the additional IAEA recommendations and this work will continue during the operational start-up of the LAMP.

We have received confirmation from the Malaysian government that no spokesperson for the government stated a 1 to 2 years delay as quoted by some media articles.

The confusion within the media may be related to the time reference in point 11, which states the IAEA could come back in 1 to 2 years time to review implementation of the recommendations – but this refers to all recommendations – not specifically to recommendations 1 and 2 which are the requirements to receive the pre-operational licence.

Lynas remains fully committed as an absolute priority to the safety of our employees, the environment and the communities in which we operate. In accordance with the recommendations of the report, Lynas will intensify our communication with interested and affected parties within the communities in which we operate.

The schedule impact of meeting the requirements of this report is estimated to result in commissioning being completed by the end of 2011, with full production capacity of Phase 1 of the LAMP achieved by the start of the second half of 2012. Lynas does not believe the schedule for Phase 2 will be impacted.

## **About Lynas Corporation**

Lynas owns the richest known deposit of Rare Earths, also known as Lanthanides, in the world at Mount Weld, near Laverton in Western Australia. This deposit underpins Lynas' strategy to create a reliable, fully integrated source of Rare Earths supply from the mine through to customers in the global Rare Earths industry.

Lynas will concentrate the ore mined at Mount Weld in a Concentration Plant approximately 1.5km from the mine. The concentrate produced by the Concentration Plant will be shipped in sea containers and transported by road and ship to the east coast of Malaysia to the Lynas Advanced Materials Plant (LAMP) within the Gebeng Industrial Estate, Kuantan, Pahang, Malaysia, to process the Mount Weld concentrate through to separated Rare Earths products.

Construction of Phase 1 of the Lynas Rare Earths Project is being funded from existing cash of Lynas. Construction of Phase 2 of the Lynas Rare Earths Project will be funded from the Sojitz/JOGMEC facilities. The Concentration Plant in Western Australia commenced feed of ore on 14 May 2011. Practical completion and commissioning of the LAMP are scheduled to be achieved before the end of 2011. Lynas has received all required approvals to construct the LAMP, and is in the process of applying for all pre-operation and operation approvals.

The company plans to become the benchmark for security of supply and a world leader in quality and environmental responsibility to an international customer base.

'Rare Earths' is the term given to fifteen metallic elements known as the lanthanide series, plus yttrium. They play a key role in green environmental products, from energy efficient compact fluorescent light bulbs (CFLs) to hybrid cars, automotive catalytic converters and wind turbine generators. They are also essential in the development and manufacturing of many modern technological products, from hard disc drives to flat panel displays, iPods and magnetic resonance imaging (MRI) scans.



Lynas American Depositary Receipts (**ADRs**) trade under the code LYSDY (CUSIP number 551073208). The Bank of New York Mellon is the depositary bank in respect of Lynas ADRs.

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## **Joint Media Statement**

**By the Minister of International Trade & Industry, Dato' Sri Mustapa Mohamed**  
**and the Minister of Science, Technology and Innovation, Datuk Dr. Maximus**

**Johnity Ongkili**

**on the**

**Report of the IAEA Review Mission on the Radiation Safety Aspects of**

**the Lynas Project, Pahang**

**30 June 2011, 11.00am**

1. Two months ago, the Malaysian Government requested the International Atomic Energy Agency (IAEA) to undertake an independent review of the safety aspects of the proposed Lynas plant in Pahang, and to report its findings and recommendations to the Government. Towards this end, the IAEA appointed an expert panel of nine members – one each from Canada, India, the United Kingdom, the Netherlands and South Africa, and four from the IAEA. All are world renowned experts in disciplines related to radiological health and safety. The panel members visited Malaysia from 29 May to 3 June on a fact-finding mission and during the course of this consultation it also received submissions from a wide cross-section of the public, including residents associations, community groups, non-governmental organizations, professional bodies and political parties.
2. We are pleased to announce that the completed IAEA Report was submitted to the Malaysian Government today. (The Report can be accessed from 1.30pm (Malaysian time) at the IAEA's website (<http://www.iaea.org/newscenter/news/pdf/lynas-report2011.pdf>). It can also be viewed via hyperlink at MITI's website (<http://bit.ly/m431qy>) and MOSTI's website ([www.mosti.gov.my](http://www.mosti.gov.my)).
3. The 55-page Report covers issues dealing with:
  - i. Radiation protection (occupational, public health and safety, environment)
  - ii. Waste management
  - iii. Decommissioning and environmental remediation
  - iv. Transport

v. **Safety assessment**

**4. Main Finding**

The IAEA Report concluded that it did not find any instance of “any non-compliance with international radiation safety standards” in the Lynas project.

This finding is an endorsement of the work of the two regulatory bodies which started since 2007 – the Atomic Energy Licensing Board (AELB) and the Department of Environment – which have ensured that all aspects of the Lynas project have complied with international safety standards.

This conclusion of the IAEA is also consistent with the Government’s view that the AELB and DOE have professionally discharged their duties and ensured that the company complied with the necessary safety standards.

The IAEA Report further points out that Malaysian laws and regulations regarding radiation safety are “comprehensive” and “conform to IAEA standards”. It adds that in some cases, Malaysia’s regulations are stricter than internationally accepted safety standards.

**5. Recommendations**

The IAEA Report makes eleven (11) recommendations, based on their observations and public consultations on 29 May to 3 June, to improve the management of the regulatory function by AELB and other agencies. The Government accepts these recommendations and will announce a timeframe for their implementation.

The recommendations include the following:

i. **Atomic Energy Licensing Board (AELB)**

The IAEA Report stated that in its opinion, “the AELB is capable of carrying out its duties” . However, it recommends that the agency be strengthened so that it “has sufficient human, financial and technical resources, competence and independence” to do its job.

ii. **Improved Public Communications**

The Report emphasized the need to improve public understanding of actions taken by AELB, especially those relating to inspection and enforcement at the Lynas plant.

It recommends that there be more transparency and greater involvement of residents and other stakeholders in this process to develop more trust in the “competence, integrity and impartiality” of the regulatory bodies.

iii. **Waste Management**

The IAEA Report noted that waste management is ultimately the responsibility of the company, and that Lynas should be required to submit - before the start of operations - a comprehensive long-term waste management plan for the approval of AELB.

The plan should also deal with issues arising from the decommissioning and dismantling of the plant at the end of its life, and remediation of the environment.

The Report further recommends that a Fund, to be financed by Lynas, be set up to cover the cost of the long-term management of waste, including decommissioning and remediation.

6. **Government’s Position**

- i. The Government has consistently taken the position that the future of the Lynas project will be decided objectively based on facts and reason, not emotion or politics. This was the reason for its invitation to the IAEA to appoint an independent body of experts to give the people of Malaysia a second opinion on the safety aspects of the issue. This IAEA Report will contribute in a very constructive way to this debate by defining the issues that really matter.
- ii. To move the project forward, Lynas will be required to provide - for AELB’s consideration and approval - a comprehensive long-term detailed plan for waste management, including at the decommissioning and remediation level. This must be done before any further licensing approval can be considered. The Government will ensure that Lynas complies fully with this recommendation of the IAEA Report. Until this is done, the status quo remains: there will be no importation of raw materials into the country, and no operational activities will be allowed on site.

- iii. The Government reiterates its position that public safety remains its highest priority, and that it will do whatever is necessary to ensure that this is not compromised.**
  
- iv. The Government is of the view that the rare earth industry must be properly managed but not avoided. Rare earth minerals are used in the manufacture of many modern day appliances and machinery, and are critical to the production of the next generation of high technology and green technology products. The key issue is the proper management of such an operation, and the Government remains wholly focused on getting this right.**
  
- v. We like to reiterate that the Government has accepted all the Recommendations of the IAEA Report, and will ensure that they will be implemented. The relevant regulatory bodies will continue to undertake the necessary monitoring and enforcement measures to ensure that all aspects of public health and safety are satisfactorily addressed.**

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**Summary of the findings and recommendations of**  
**International Review Mission on the**  
**Radiation Safety Aspects of**  
**a Proposed Rare Earths Processing Facility**  
**(the Lynas Project)**

**Main findings**

The review team provides the following independent expert opinion, recommendations and suggestions for good practice:

*Compliance with international radiation standards*

The review team was not able to identify any non-compliance with international radiation safety standards. However, the review team identified 10 issues for which it considered that improvements were necessary before the next licensing phases of the Lynas project. Those recommendations are listed below and discussed in more detail in the report. The review team also added an 11<sup>th</sup> recommendation dealing with the manner in which recommendations 1–10 should be acted upon.

**Recommendations**

Where the review team considered that improvements were necessary, it made recommendations. The report presents and discusses the situations and bases for each of those recommendations separately. The following 11 important recommendations are made:

*Technical recommendations*

1. The AELB should require Lynas to submit, before the start of operations, a plan setting out its intended approach to the long term waste management, in particular management of the water leach purification (WLP) solids after closure of the plant, together with a safety case<sup>1</sup> in support of such a plan. The safety case should address issues such as:
  - (a) Future land use (determined in consultation with stakeholders);
  - (b) The dose criterion for protection of the public;
  - (c) The time frame for the assessment;
  - (d) Safety functions (e.g. containment, isolation, retardation);
  - (e) The methodology for identification and selection of scenarios – this must include the scenario in which the residue storage facility at the Lynas site becomes the disposal facility for the WLP solids;

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<sup>1</sup> In terms of the IAEA Safety Glossary, a safety case is a collection of arguments and evidence in support of the safety of a facility or activity. This will normally include the findings of a safety assessment and a statement of the confidence in these findings.

(f) Any necessary measures for active and/or passive institutional control.

As the safety case is developed, the radiological impact assessment (RIA) for the facility as a whole should be updated accordingly.

2. The AELB should require Lynas to submit, before the start of operations, a plan for managing the waste from the decommissioning and dismantling of the plant at the end of its life. The RIA and decommissioning plan should be updated accordingly.
3. The AELB should require that the results of exposure monitoring and environmental monitoring once the plant is in operation be used to obtain more reliable assessments of doses to workers and members of the public, and the RIA updated accordingly. The AELB should also require that dose reduction measures be implemented where appropriate in accordance with the international principle of optimization of radiation protection.
4. The AELB should develop criteria that will allow the flue gas desulphurization (FGD) and neutralization underflow (NUF) residues to be declared non-radioactive for the purposes of regulation, so that they can be removed from the site and, if necessary in terms of environmental regulation, controlled as scheduled waste.
5. The AELB should implement a mechanism for establishing a fund for covering the cost of the long term management of waste including decommissioning and remediation. The AELB should require Lynas to make the necessary financial provision. The financial provision should be regularly monitored and managed in a transparent manner.
6. For regulating the Lynas project, the Malaysian Government should ensure that the AELB has sufficient human, financial and technical resources, competence and independence.
7. The AELB and the relevant Ministries should establish a programme for regularly and timely updating the Regulations in accordance with the most recent international standards. In particular, regulations pertinent to NORM activities relevant to the proposed rare earths processing facility should be considered to be updated.

*Public communications recommendations*

8. The AELB should enhance the understanding, transparency and visibility of its regulatory actions in the eyes of the public, particularly those actions related to inspection and enforcement of the proposed rare earths processing facility.
9. The AELB should intensify its activities regarding public information and public involvement. In particular, it should:
  - (a) Develop and make available easily understandable information on radiation safety and on the various steps in the licensing and decision making processes;
  - (b) Inform and involve interested and affected parties of the regulatory requirements for the proposed rare earths processing facility and the programme for review, inspection and enforcement;

- (c) Make available, on a routine basis, all information related to the radiation safety of the proposed rare earths processing facility (except for security, safeguards and commercially sensitive information) and ensure that the public knows how to gain access to this information.
10. Lynas, as the party responsible for the safety of the proposed rare earths processing facility, should be urged to intensify its communication with interested and affected parties in order to demonstrate how it will ensure the radiological safety of the public and the environment.

*Follow-up recommendation*

11. Based on recommendations 1–10 above, the Government of Malaysia should prepare an action plan that:
- (a) Indicates how the above-mentioned recommendations are to be addressed;
  - (b) Sets out the corresponding time schedule for the actions;
  - (c) Is geared to the possibility of an IAEA-organized follow-up mission, which will review the fulfilment of recommendations 1–10 above in, say, one to two years' time, in line with other IAEA review missions.