

20 June 2011

Malaysian Minister of International Trade and Industry authors newspaper article on the Lynas Advanced Materials Plant

Lynas Corporation Limited (“Lynas”) (ASX:LYC, OTC:LYSDY) wishes to update shareholders with respect to an article by Datuk Seri Mustapa Mohamed, Malaysia’s Minister of International Trade and Industry, which appeared in the Malaysian press on 19 June 2011. The Minister’s article is as follows.

“Lynas project: Public safety to be priority, says Mustapa”

KUALA LUMPUR (June 19, 2011): On June 4, the International Panel of Independent Experts appointed to review the Lynas project returned to Vienna to complete its work.

The panel had been in Malaysia to study safety aspects of the proposed rare earth processing plant in Gebeng, Pahang, and will submit its report to the government at the end of the month.

This completes one phase of a decision-making process that has important implications for the government and the nation. Public safety will not be compromised by this 'People's First' Government.

Let me explain.

The economic considerations:

Lynas Corporation Ltd is an Australian company which was given a licence in January 2008 to set up a manufacturing plant in Pahang.

As a foreign investor, the company is no different from other foreign investors here. They come to our shores because they think they can earn a decent return on their investment, and because they believe they will be treated fairly, according to established rules and regulations.

We welcome foreign investments because they help us to modernise and grow our economy. Not any investment, of course, but the right type of investment.

When we evaluate an investment proposal, we ask questions like: What benefits will it bring? Will there be spin-offs that can benefit other sectors of the economy? Will it create jobs? What kind of jobs? Will there be any transfer of technology or skills? And so on.

These are standard factors we take into account when evaluating a foreign investment proposal. A comprehensive due diligence exercise will be undertaken for this purpose, and a 'yes' or 'no' decision will be made, depending on its findings.

Issues of governance:

When the Lynas investment proposal was first submitted to the Government in 2006, however, it raised questions that went beyond the ambit of these economic considerations. Issues of public safety and health, and environment were also involved.

The Government was well aware then that the rare earth industry was associated with health and safety issues, especially after the experience of the Asian Rare Earth (ARE) project in Perak in the early nineties.

So, it was pertinent to ask what impact the Lynas project would have on public health. How will it affect the environment and the livelihood of people living in its vicinity? Are these risks measurable, and within acceptable limits? Do we have the rules, regulations and institutional framework to monitor and manage these risks?

Critical to the Government's decision was the fact that the authorities had, by then, learnt from the ARE experience and had a better understanding of how to manage radiological risks.

By 2008, the rules and regulations governing such activities had been revised and brought up to international standards. A repeat of ARE was not possible under the new regulatory regime.

This explains why, when Lynas was granted its manufacturing licence, the company was specifically required to comply with the safety standards and good practices established by the Atomic Energy Licensing Board (AELB), the regulator for the Atomic Energy Licensing Act 1984, and the Department of Environment (DOE), the regulator for the Environmental Quality Act 1974.

Among other things, these standards define the amount of radiation exposure that is considered dangerous to workers, the public and the environment.

These standards apply to all phases of the Lynas project: construction, pre-operations, operations, transportation, waste management, decommissioning and remediation.

A key feature of the work procedure involved is the staged-approval process Lynas has to undergo.

For example, the company must meet safety standards imposed at the construction phase before it can proceed to engage in pre-operations activities.

And it cannot do the latter without first satisfying the AELB and DOE that the safety standards applicable in this next phase can be met.

This approval process, therefore, ensures that the safety standards imposed by the regulatory bodies cannot be bypassed, postponed or avoided. Monitoring is continuously carried out to ensure they are adhered to.

At this point in time, Lynas has not applied for, nor has it received approval, to proceed to the pre-operations stage.

Independent Panel of International Experts:

The Lynas project was discussed at public briefings in Kuantan and in Parliament in 2009, but became a topic of more extensive debate only after the Fukushima incident on March 11, this year.

It soon became clear that some people living in the vicinity of the Lynas site believed the project would pose unacceptable health and safety risks to human life and the environment. In the views of some, at least, the project should be terminated.

This, despite assurances by AELB and DOE that Lynas had, to date, complied with all safety standards required of it.

While the government remained confident in the integrity of the decisions taken by the regulatory bodies, it felt it owed the public, and the people of Kuantan in particular, a duty to ensure that their health and safety would not be compromised.

This was, and remains, the government's highest priority, and overrides all other considerations.

Accordingly, on April 22, I announced the government's decision to invite the International Atomic Energy Agency (IAEA) to appoint an independent panel of international experts to study all safety issues related to the Lynas project.

The IAEA nominated a nine-member panel to do the job. The panel consisted of a leader and eight members. All are world-renowned experts on issues of radiological safety.

Four members are from the IAEA itself, and the rest are from the Netherlands, Canada, India, United Kingdom and Italy. No one from Australia, China or Malaysia was invited to be a panel member to avoid any possibility of a conflict of interest.

The panel began its work immediately and visited Malaysia from May 29 to June 4, to meet members of the public, representatives of Lynas, government officials and visit the Lynas site.

The government also made elaborate arrangements to ensure that anyone who wanted to make representations to the expert panel could do so either in person or in writing. Public announcements outlining these arrangements were made in all mainstream newspapers in Bahasa Malaysia, English, Chinese and Tamil.

In the event, representatives from residents' associations, NGOs, community organisations, political parties and professional bodies did take advantage of the opportunity to meet the expert panel and make their submissions at meetings held in Kuantan and Putrajaya.

Among the political parties which participated in the sessions were UMNO, MCA, PKR, PAS and DAP. Of course, YB Fuziah Salleh, the MP for Kuantan, was invited and she used the opportunity to submit her case to the expert panel.

The panel has undertaken to submit its findings and recommendations to the government by the end of this month, and the government will make the report public.

Where do we go from here? How will the Lynas issue be resolved?

The government's decision on the future of the project will be guided by a few fundamentals. First, the health and safety of the rakyat is the No. 1 priority. This overrides all other considerations, and any decision on Lynas will not be made at its expense.

Second, any decision taken will be based on facts, not emotion or political considerations. The IAEA-appointed expert panel will determine the facts in this case, and the government's decisions will be guided by its findings and recommendations.

Thirdly, the government continues to welcome constructive public discussion of this issue, and views it as an important component of the democratic process.

On its part, the government has sought to contribute to this process by making sure that anyone who wants to make a submission to the expert panel is able to do so, either in person or in writing.

Fourthly, the government will continue to act transparently in its dealings with the public on this issue. All public information and reports related to the Lynas project are accessible through relevant web links.

These guidelines will ensure integrity in the government's decision-making and in the decisions that will finally have to be made.

There are about 10 days to go before the expert panel submits its report. Until then, it is appropriate that all parties refrain from making comments that may pre-judge the panel's findings.

I think investors will welcome the fact that this government makes its decisions based on facts and reason, and does not act arbitrarily.

This incident also highlights the need for investors to be responsible corporate citizens in their host country. They should adhere to standards of conduct and governance which are not in any way inferior to those practised in their home country.

I think these are legitimate expectations, and no enlightened investor will have any quarrel with them.



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 of the LAMP is scheduled for September 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, with production anticipated to commence in 2011.

'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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