

19 October 2006

## PROPOSED MALAYSIAN PROCESSING PLANT ENHANCES MOUNT WELD RARE EARTHS PROJECT

### **Key Points:**

- **Proposed new location decreases project risk and offers enhanced project returns**
- **Malaysian “Strategic Pioneer status” likely, with 10 year tax free period**
- **Excellent site identified with required infrastructure, public utilities and established manufacturers of key reagents**

Lynas Corporation (“Lynas”) (ASX code LYC) has reassessed the proposed location of its Rare Earths processing plant to process ore from its mine at Mount Weld, Western Australia. Directors believe this move will bring both strategic and financial benefits to the Lynas Rare Earths project.

Following a detailed evaluation of several possible sites Lynas has elected to locate the plant in the Teluk Kalong Industrial Estate, Kemaman, within the State of Terengganu on the east coast of Malaysia.

Kemaman has been chosen due to the favourable investment climate, the high quality workforce, and the excellent infrastructure servicing the proposed site. Important factors include:

1. Likely granting of “strategic pioneer status” in Malaysia, with a related 10 year tax free period
2. Access to a diligent, highly skilled and competitive labour force fluent in English and Mandarin easing integration of the company’s current engineering staff
3. Excellent infrastructure and public utilities including deep water port facilities
4. Established manufacturers of key reagents adjacent to the proposed site

Lynas is preparing to submit an application for a manufacturing licence and strategic pioneer status to the Malaysian Industrial Development Authority (MIDA) this month. MIDA advise they will then assess the application within 6 weeks. Following extensive discussions with the relevant Malaysian authorities, environmental approval work and site data collection has commenced. An application to the Malaysia Department of Environment (DoE) is scheduled to be submitted prior to the end of the year. The DoE will take 12 weeks to assess the application.

The company’s financial analysis of the project shows the new site enables a financial outcome significantly better than the current site in China, even after taking into account a potential 30%-40% increase in capital costs. The definitive capital cost will be available upon completion of the detailed design of the Malaysian plant. Management will seek to obtain the additional capital requirement as project finance debt from banks or from similar facilities.

Nicholas Curtis, Executive Chairman highlighted – *“The opportunity afforded by relocating to Malaysia is strategically and financially compelling. The financial benefit is of such a quantum that revision to our initial strategy was essential; any increase in capital cost is more than compensated for by the rise in our project’s NPV”.*



Previous planning and permissions were based on construction of a processing plant in Zibo, Shandong Province, China. The recent tightening of the regulatory environment in China with respect to the granting of export licences for Rare Earths, and the increase in production costs within the Chinese based industry, coupled with the strong global increase in demand for Rare Earths led to the detailed re-evaluation of the proposed plant location. Although the engineering focus will shift to the Malaysian location Lynas will maintain the Chinese site pending approval in Malaysia.

Project engineering will continue through the approval period. Most of the existing engineering completed by the Chinese Design Institutes will be directly applicable to the Kemaman site. Lynas is planning to appoint an international engineering company with experience in Malaysia to provide additional engineering support to assist with overall project management.

The project is still due to commence production in 2008. The plant site relocation is likely to delay the commissioning of the plant from the first half of 2008 to the second half of 2008.

Directors believe that this move significantly decreases the overall project risk and will lead to an important increase in the value of the project to shareholders.

## **About Lynas Corporation**

Lynas owns the richest deposit of Rare Earths in the world at Mount Weld, Western Australia. The strategy is to create a reliable, fully integrated source of Rare Earths supply from mine through to a diverse set of customers in the global Rare Earths industry.

The required capital has been raised and engineering design has commenced for the mine and plant required to produce a suite of Rare Earths products; including both light Rare Earths, with a high content of neodymium, and heavy Rare Earths, high in europium, suitable as raw material for downstream Rare Earths processing plants. All required Australian project and business approvals have been received for the development of Mount Weld, thereby enabling Lynas to become the benchmark for security of supply and world leader in quality and environmental responsibility to an international customer base.

For more information about the growing demand and applications of Rare Earths, including the role they play in reducing greenhouse gases, increasing energy efficiency and bringing colour and light to the many products we use everyday please visit [www.lynascorp.com](http://www.lynascorp.com) .

**For further details, please contact:**

**Nicholas Curtis**  
**Executive Chairman**  
+61 2 8259 7100

**Michael Kotowicz**  
**RADAR Investor Relations**  
+61 2 8256 3303