

5 December 2018

## REVIEW COMMITTEE REPORT & REGULATORY UPDATE

### Review Committee Report

Lynas Corporation Ltd (ASX:LYC, OTC:LYSDY) is pleased to advise that the Review Committee report in respect of Lynas Malaysia was posted online last night. Shareholders can access a copy of the report via the following link (the report is in Bahasa Malay):

<https://www.mestecc.gov.my/web/en/laporanlamp/>

The report finds Lynas Malaysia's operations are low risk and compliant with applicable laws. This is consistent with our 'Zero Harm' philosophy and with the findings of all 7 previous reviews in Malaysia (comprising 2 IAEA reports, a Parliamentary Select Committee and 4 court challenges).

Lynas CEO Amanda Lacaze said: "We thank the Review Committee for its diligent and thorough approach. I would like to thank all our employees who have demonstrated their resilience and their commitment to Lynas Malaysia, to our communities, and to our high standards of safety and performance. I would also like to thank our local communities in the Gebeng area for their ongoing support of Lynas Malaysia."

The Review Committee conducted an extensive tour of Lynas' operations, reviewed data from Lynas' monitoring, relevant regulators and peer-reviewed research, and met with regulators, independent experts and local community members.

The Review Committee identified many positive aspects of Lynas Malaysia's operations, including:

- The operations are based on controlled technologies and procedures with low risk
- Lynas Malaysia voluntarily adopts international standards and practices.
- Lynas Malaysia meets quality investment criteria of high technology industries, with an emphasis on R&D and creating high-performance jobs with skills and knowledge-intensive jobs.
- Employees' exposures to radiation and non-radiation hazards were below the permitted level and occupational health surveillance does not show any disparity in health status.

We regard any review as an opportunity to improve and Committee and we will seek to voluntarily implement its recommendations. The recommendations include for Lynas to:

- Prepare and build safe storage sites for NUF residues and prepare an Environmental Impact Assessment (EIA) for this purpose.
- Determine the location and build a permanent disposal facility (PDF) for the WLP residue, including identifying sites for PDF construction before the renewal of the next licence.

- Be prepared to export WLP residues from Malaysia if the PDF location is not identified or approved.
- Continue all studies on recycling of NUF residue.
- Carry out studies to reduce the residues produced by looking at process improvement and modification to reduce waste generation based on residual waste management hierarchy that specify the reduction of waste as a primary criteria.
- Conduct groundwater monitoring and conduct studies on the Balok River aquatic ecosystem including biological monitoring.
- Devise more effective communication strategies to provide the public and NGOs with more accurate and up-to-date facts.

The Review Committee also provided the following recommendations for implementation by the government:

- Establish an independent Research and Development (R&D) Committee funded by Lynas. The scope of the R&D to be carried out should be expanded to include the development of downstream industries as well as other areas covering health, social sciences, socio-economic, entrepreneurship and others.
- Create a community health surveillance system.
- Establish a monitoring committee including relevant ministries/departments, experts in the identified field, representatives from non-governmental organizations, local representatives, Lynas management and other stakeholders.

The Review Committee noted the general public's confusion in assessing the impact of radiation from a Rare Earths plant processing material containing Naturally Occurring Radioactive Material (NORM) versus a nuclear plant.

The Review Committee also noted that high-tech industries that use NORM are the industries that will grow rapidly in the future. It recommended that the government look at the development of the industry holistically to create appropriate ecosystems supported by legislation, governance, education, human capital development, R&D&I (*research and development and innovation*) and ethics that meet the latest international standards to achieve sustainable development and investment.

## MINISTRY STATEMENT

The Minister for Energy, Science, Technology, Environment and Climate Change (MESTECC) also released a statement on 4<sup>th</sup> December relating to the decision of the Ministry to subject Lynas Malaysia to two new pre-conditions for its licence renewal on 2 September 2019 and future permission renewals in relation to residue management (detailed below). The statement is available at:

<https://twitter.com/MyMESTECC/status/1069873640429170688>

This is disappointing as the Ministry's intention to impose new conditions contradicts a media statement issued on 30 October 2018 by MESTECC which stated that Cabinet would review the Review Committee's report before any decisions were announced. This process does not appear to have been followed.

The statement issued yesterday refers to the management of the 2 solid residues, WLP and NUF. Lynas stores these residues in approved facilities that meet international best practice to ensure the safety of our people, surrounding communities and the

environment. We also note that this material is high in moisture ieMalaysian water represents over 40% of the volume of materials quoted in the Ministerial statement.

According to the statement, the two new pre-conditions are:

1. The export of Water Leach Purification (WLP) residue before 2 September 2019.

This pre-condition is inconsistent with the Review Committee's recommendation that Lynas Malaysia should determine the location of and build a permanent disposal facility (PDF) for the WLP residue, including identifying sites for PDF construction, before the renewal of the licence. The Review Committee noted that Lynas should be prepared to export WLP residues from Malaysia only if the PDF location is not identified or approved.

Lynas' PDF planning Framework and Site Selection Plan have already been approved by the AELB and the Pahang State government has given an undertaking to site the PDF in Pahang, should it be required.

The potential construction of a PDF for WLP residue has always been part of our planning. It is provided for in our financial statements and by way of the PDF bond in excess of US\$34 million that is held by the Malaysian regulator.

Lynas has complied with all AELB licence conditions. These conditions were developed after extensive reviews by the Malaysia's Atomic Energy Licensing Board (AELB) with the help of the International Atomic Energy Agency (IAEA) and they are monitored by the AELB.

Lynas' licence conditions explicitly state that residues should be recycled, and if that fails, then they should be stored in a PDF. Export should only be considered if a PDF is not possible. The recommendations of the Review Committee are consistent with this sequence of events.

In addition, Lynas is one of a number of industries in Malaysia with feedstock that produces residues with low level radioactivity. Malaysia has strict regulations in place for residue management and there should not be one rule for other industries and one rule for Lynas.

We will consider all options available to us to achieve an appropriate outcome prior to 2 September 2019, including legal options.

2. Submission of an action plan on the disposal of NUF (current approval valid until 15 February 2019).

Lynas has already submitted an action plan and we will seek to accelerate our work with the Department of Environment to allow the execution of this plan including having the Lynas Malaysia plant designated as prescribed premises for the management and disposal of the NUF residue.

## **OUR CONTRIBUTION AS A FOREIGN DIRECT INVESTOR**

The Review Committee's report states that Lynas' investment meets quality investment criteria of high technology industries, including establishing value chains for industries, capital-intensive, export-oriented, high value-added products, emphasis on R&D and creating high-performance jobs with skills and knowledge-intensive jobs.

In addition to ensuring the safety of our operations, we recognise our duty as a foreign direct investor to provide employment opportunities for our local communities, and to successfully create economic value for Malaysia. To date, Lynas Malaysia has created over 1000 direct jobs and over 4000 local jobs in total. 97% of our staff are Malaysian and our employees benefit from skilled jobs that pay 4 times the average salary in Pahang, and 2.5 times the national average salary.

Since 2008, Lynas has contributed RM2.6Bn in Foreign Direct Investment, including capital investment in our state-of-the-art plant. In addition, our suppliers have made capital investments of RM300m. We have established a capable supply chain that can be used to develop further downstream local industries.

Our people are active members of our local communities and we contribute to improved education and health outcomes for local community members. We offer school, intern and graduate programs and many of our employees are involved as supporters and volunteers for local community services.

## **OTHER ANNOUNCEMENT**

Lynas notes 2 other matters which were included in the Parliament Select Committee Special Statement which was tabled in Malaysian Parliament on the 4 December 2018.

The first is the formation of a newly created parliamentary committee on reform and governance, comprising senior members from both the government and the opposition. This committee will be chaired by PKR president Dato Seri Anwar Ibrahim with DAP's Lim Kit Siang as his deputy. The document notes that one of its initial tasks will be to review Lynas. We welcome the inclusion of Lynas in the matters to be considered by this committee.

It also noted that the proposed setting up of a Parliamentary Caucus, previously announced by one of the anti Lynas actors, on monitoring Lynas had been put on hold.

## **SUMMARY**

Lynas is pleased that the Review Committee's report has finds Lynas Malaysia's operations are low risk and that Lynas Malaysia complies with applicable laws. We welcome the opportunity to continue to improve our business by based on the Review Committee's recommendations.

We are surprised with the Ministry's decision to impose a pre-condition that does not follow the process outlined in October, and which is inconsistent with the science, inconsistent with the expert Review Committee's recommendations and is contrary to international best practice.

"This appears to be policy based on politics, not policy based on science. It is very disappointing to receive this on the same day that the Review Committee report was released" commented Amanda Lacaze, Lynas MD & CEO. "However, we are confident we are well placed to manage potential changes and our long term investment thesis remains strong."



Lynas is recognised as a global leader in the Rare Earths industry. We have a strong commitment to Malaysia and we are continuing to explore opportunities to grow with the markets in which we operate.

**For all media enquiries please contact Jennifer Parker or Lauren Stutchbury from Cannings Corporate Communications on +61 2 8284 9990.**

Andrew Arnold  
Company Secretary