

Lynas wins another legal battle against SMSL

✘ The Australian rare earth producer Lynas Corp (ASX: LYC) announced today that the Kuantan High Court has rejected yet another application by environmental activists (seven residents of the Kuantan area) to repeal the Temporary Operating License (TOL) for its LAMP rare earth processing plant in Kuantan. Lynas reported that the Court blocked the request by the residents, backed and encouraged by the activist group known as "Save Malaysia, Stop Lynas". Lynas said that now there are no legal or regulatory obstacles preventing LAMP from continuing operations; however, three other Kuantan residents are scheduled to make another appeal on February 5.

Lynas shares traded 1.5% higher in Sydney. This is the second time that SMSL's appeals fail to receive the Court's assent. Last December, the High Court had already rejected an SMSL effort to obtain a reversal of the TOL. On that occasion, moreover, the Court ruled in Lynas's favor over the legal expenses. Lynas is developing one of the most prolific rare earth resources in the world at its Mount Weld property in Western Australia.

Lynas's LAMP processing facility in Malaysia has had to overcome several legal hurdles. Its latest Court victory certainly confirms that the authorities want to see the facility and the Company succeeding in order to turn Malaysia into a rare earth production leader. This is further suggested by the fact that SMSL hired a German engineer to produce a detailed, 114 page long, technical report outlining problems with LAMP suggesting that the processing plant's waste recycling mechanisms would fail. That the Court rejected the SMSL appeal in the backdrop of a 100,000 people strong demonstration of bare-footed activists supporting the

political opposition led by Anwar Ibrahim (who has exploited the Lynas issue for political leverage in the forthcoming general election – which must be held until April). It was one of the largest political rallies ever held in Malaysia and its failure to influence the Court's decision suggests just how far Lynas has come in the past few months.

The Court's decision should also help bring or – keep – foreign and domestic investors to Malaysia despite the political level wrangling over projects to gain political points. The Malaysian government should address corporate responsibility issues and environmental matters but it should also offer investors more assurances that contracts would not be scrapped simply to gain political advantages. Foreign investors to Malaysia in the next legislature – the election will likely take place in March – may even get some further guarantees to this effect, should make it more difficult for governments to cancel agreements. The uncertainty that Lynas had to endure in 2012 was highly motivated by political calculations because of the election. That it still managed to emerge successful in the end is a vindication its LAMP facility and project. Plans to build a nuclear reactor in Malaysia had also been postponed because of the social protest against Lynas. However, the authorities have merely pushed back the feasibility study by a few months (i.e. allow the elections to take place and then proceed). The study will now be released in late 2014 with construction for the first reactor starting in 2021.