

Lynas survives 'Make or Break' Election as Government Coalition Wins

✘ The ruling coalition in Malaysia has won Sunday's parliamentary election on Sunday. The turnout reached a record 80 percent. Lynas Corp (ASX: LYC | OTCQX: LYSDY), the Australian rare earths mining and processing company, also scored claim an important victory on Sunday. News of the current government Barisan Nasional (BN) coalition's win caused shares in Lynas to rise about 20% at one point in trading at the ASX. Many feared that Lynas's AUD\$ 800 million Advanced Material Plant (LAMP), which officially started producing rare earths last February, would have faced an uncertain future and a possible shutdown, should the opposition Pakatan Rakyat (PR) party won. Lynas's facility near the city of Kuantan, in Pahang state, is the largest outside China. PR took a populist stance supporting 'environmentalist groups that filed several lawsuits – all dismissed – against Lynas in its effort to bring LAMP to production. It so happens that the re-elected Prime Minister Najib Razak was re-elected in Mr. Razak's home state of Pahang.

The BN coalition had always backed Lynas and plan to make it one of the technology centers needed to attract more hi-tech sector industries and workers. The opposition Rakayat had hinted that their win would have spelled the end for Lynas in Malaysia. However, while highly populist, the BN had largely expressed itself in favor of Lynas, as have the Courts lately. Election jitters caused Lynas to lose more than 13% of its value ahead of the vote. Today, they have risen 20% at the ASX but Lynas must develop a way to manage the radioactive waste comes from the processing of rare earths. The anti-Lynas protest has now lost its main political backers, but the Company will still have to address its safety records and

mechanisms in order to ensure that Lynas will make no difference to investors whether the government or opposition or the government are in power. This time the BN edged but the PAK was close behind in the most hotly contested elections of the past two years.

The ominous election has kept the company and its investors on edge given the opposition threats to review Lynas's license and the support for the Save Malaysia Stop Lynas (SMSL) campaign. LAMP was approved last November after an extended approval process marred by legal battles. Lynas emerged from the legal quagmire just before the election after the Supreme Court dismissed SMSL appeals to halt the LAMP license. The Malaysian elections generated strong political risk concerns for a number of Malaysian stocks, which have performed much worse than their Asian equivalents in 2013. The Malaysian Ringgit also got a boost from the electoral win, heralding the start of a more favorable investment period and a more favorable outlook for Lynas Corp, which should be much freer to soar after surviving the electoral pressure.