

Lynas Gets Temporary Rare-Earth Refining License in Malaysia  
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By Manirajan Ramasamy

Feb. 1 (Bloomberg) -- Malaysia's Atomic Energy Licensing Board granted Lynas Corp. a temporary operating license to begin refining rare earths under certain conditions following public protests.

The Sydney-based miner will be able to start refining under conditions that include a plan for a permanent disposal facility and paying the government a \$50 million security bond in installments, the board said in an e-mailed statement today.

Lynas's plant would be the world's largest refinery of the minerals with total capacity of 22,000 tons per year should a second phase be approved and completed, the company said on Nov.

16. Its plan to start production in September was delayed after the government imposed extra safety standards recommended by an international review panel after residents expressed fears over possible radiation and contamination.

The Australian company, which has rejected the health concerns, has been unable to start exporting ore to Malaysia for refining after opening its A\$100 million (\$107 million) Mount Weld mine in Western Australia in August.

Lynas's plant is near Kuantan, the capital city of the central Pahang state. Protests by residents and non-governmental organizations over the past 10 months included a march on Malaysia's parliament and the Australian High Commission in Kuala Lumpur.

#### iPods, Flat-Screens

China, which accounts for more than 90 percent of global output of rare earths used in flat-screen televisions and hybrid cars, cut export quotas last year. Once in operation, Lynas's project may account for about 39 percent of the world's supply outside of China.

"While delays to construction and permitting may be frustrating, we do believe that the necessary permits will be granted and that, on completion of the Lynas Advanced Minerals Plant, Lynas should be able to move rapidly to a positive cash generation position," Ian Preston, an analyst at Goldman Sachs Group Inc. said in a report on Jan. 24.

Rare earths, 17 chemically similar elements, are used in Apple Inc.'s iPod music players, flat-screen televisions, magnets and hybrid cars.

Lynas agreed last week to sell \$225 million of convertible bonds to help fund its Malaysia project. New York-based Mount Kellett Capital Management LP agreed to buy \$50 million of the bonds initially on behalf of funds it manages and the balance once conditions are met, the miner said in a Jan. 24 statement.

Lynas rose 0.8 percent to A\$1.335 in Sydney today. The Australian benchmark S&P/ASX 200 Index dropped 0.9 percent.

China has been limiting rare-earth output and exports since

2009 on concerns mining activities caused pollution and depletion in natural resources. This tightened global supplies, prompting key users such as Japan to seek alternative sources.

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