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CHINA NONFERROUS METAL MINING (GROUP) CO., LIMITED'S PROPOSED INVESTMENT IN LYNAS

I understand that China Nonferrous Metal Mining (Group) Co., Limited (CNMC) and Lynas Corporation Limited have terminated their 30 April Agreement under which CNMC was to acquire new shares equal to a 51.66 per cent shareholding in Lynas, and 4 of 8 board seats.

CNMC's proposed investment required prior approval under Australia's foreign investment policy. CNMC is also a State-Owned Entity. The proposal has been the subject of an ongoing examination by the Foreign Investment Review Board (FIRB) since lodged on 5 June by CNMC.

The proposal was complex and has been the subject of both domestic and international interest due to the nature of the global rare earths' market, including China's current dominant position in the market, and the importance of a stable supply of rare earths to global manufacturing and the development of green products and technologies. Concerns have been expressed that CNMC's proposal may adversely affect the ability of rare earths end-users to access rare earth elements into the future that feed into their manufacturing processes.

Going forward, Australia, primarily through the Australian companies Lynas and Arafura Resources Ltd that are working to develop their greenfield rare earths projects, is expected to play a significant role in facilitating a stable supply of rare earths to the global market.

In February last year I released the six principles that guide the consideration of foreign government related investment in Australia. The principles include consideration of any implications for Australian Government policies. In July last year I indicated that Australian Government policy is that Australia remains a reliable supplier in the future to all current and potential trading partners. The examination of this proposal has focused on this aspect.

The proposal as lodged raised national interest concerns that needed to be addressed. As part of the FIRB's advisory role to me, it has undertaken significant work with the cooperation of CNMC (and also Lynas) towards undertakings that would ameliorate such concerns. I thank the parties for their cooperation during this process. The Government recently indicated to the CNMC, the terms on which it would be willing to facilitate its proposed investment in Lynas. This included CNMC acquiring no more than a 49.9 per cent shareholding in Lynas and nominating less than half of the directors on the Lynas board, as well as providing me with undertakings including on the marketing of Lynas product.

CNMC has subsequently made a commercial decision not to proceed with an investment in Lynas at this time. This is a commercial decision of the parties. The Government will continue to welcome equity investments in Australia's potential rare earth producers by foreign investors, including Chinese enterprises. Should the parties decide to seek foreign investment approval for a new proposal, the Government remains willing to consider such a proposal.

Contact: Contact person

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