

CHINA NONFERROUS METALS MINING GROUP CO., LTD (CNMC) – PROPOSED ACQUISITION OF 49.9 PER CENT OF LYNAS CORPORATION LIMITED

Talking points

- Australia’s foreign investment screening regime ensures that investment occurs in a manner that is consistent with Australia’s national interest.
- In February 2008, the Government enhanced the transparency of Australia’s screening regime by setting out six principles that are used in determining whether proposed investments by SWFs and SOEs are consistent with Australia’s national interest.
 - All investments are screened on a case-by-case basis. Assessing the national interest in any given case requires a balanced view of the proposal against these principles.
 - The principles include consideration of any implications for Australian Government policies.
- The Australian Government’s policy is that Australia remains a reliable supplier in the future to all current and potential trading partners.
 - This is an important consideration when examining if a foreign investment proposal may be contrary to the national interest.
- I am aware of international concerns regarding access to rare earths and that there are currently limited potential new suppliers.
- Australia’s two new rare earths projects, once completed, would be an important source of international supply of rare earths.
 - The off-take from these projects should be available to all current and potential trading partners.
 - The undertakings from the parties facilitate an open market for Lynas off-take.

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- I will continue to welcome equity investments in Australia’s potential rare earth producers by foreign investors, including Chinese enterprises.

Background

- Rare earths are important in technological items such as fluorescent lights, superconductors, miniaturised magnets, rechargeable batteries such as in hybrid cars, and TV screens.
- Lynas has a high grade rare earths deposit at Mt. Weld. [S45]
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- Australia's two potential projects (Lynas and Arafura Resources) at target full production are likely to be double China's expected export quota.
- The GFC led to Lynas' debt providers withdrawing support and the February suspension of construction work.
- On 30 April the Chinese SOE CNMC agreed with Lynas to acquire a 51.66 per cent shareholding and four of eight board seats in exchange for \$252 million, as well as debt guarantees for China sourced project debt funding of US\$184 million.
- In May, you approved a Chinese Provincial Government entity's acquisition of 25 per cent of Australia's other emerging producer, Arafura Resources Limited.
- Concerns have been raised, by rare earths end-users outside of China, that control of Lynas would [S33]
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