

9 April 2019

Proposal to acquire Lynas Corporation – Update

On 26 March 2019, Wesfarmers announced that it had made a conditional, non-binding indicative proposal (Proposal) to the Board of Lynas Corporation (ASX:LYC) to acquire Lynas for \$2.25 a share, payable in cash, pursuant to a scheme of arrangement. The Proposal was at a premium of 44.7 per cent to the last closing price and a premium of 36.4 per cent to the 60-day volume weighted average price of Lynas to 25 March 2019.

The Proposal is conditional on, among other things, ensuring that relevant operating licences in Malaysia are in force and will remain in force for a satisfactory period following completion of the transaction. This important condition recognises the significant regulatory and licence uncertainty that Lynas has faced for many years, heightened since the Malaysian Government announced in December 2018 that further conditions would be applied to any licence renewal beyond 2 September 2019.

On Friday 5 April 2019, the Prime Minister of Malaysia, Tun Dr Mahatir Mohamad, commented at a press conference that Lynas may continue to operate if raw materials are brought to Malaysia after initial processing. As a licence condition, this would require Lynas to undertake the cracking and leaching process offshore. This decision is consistent with the Government's longstanding reluctance to accept further build-up of WLP waste in Malaysia.

On Monday 8 April 2019, Lynas acknowledged that it is well progressed with the planning of various options to geographically diversify processing, which would address this licence condition. Lynas has previously referred to this option as part of its growth strategy.

Wesfarmers views these announcements as positive progress towards satisfactory licence certainty. Wesfarmers expects that detailed licence conditions will be communicated in due course by the Malaysian Government. This will allow a detailed assessment of the costs and timeline to address the licence conditions.

Wesfarmers is disappointed at the mischaracterisation of its discussions with Malaysian Government officials and rejects any inference that these were inappropriate or intended to interfere with Government process.

As is customary in proposed transactions of this nature, Wesfarmers has engaged in discussions with the Malaysian Government to better understand the licensing and regulatory regime affecting Lynas' operations in Malaysia, and to present its credentials as a potential acquirer of Lynas. This is critical for Wesfarmers to address the conditionality of its Proposal, so stakeholders can consider the Proposal on its commercial merits. Based on usual practices, Wesfarmers understands that any change of control of Lynas would trigger a review process by the Malaysian Government under Lynas' operating licences.

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In all its discussions with the Malaysian Government, Wesfarmers advised that it does not speak for Lynas, that its Proposal remains subject to a number of conditions and that there is no certainty its Proposal would result in a transaction.

Wesfarmers Managing Director Rob Scott said, "We see the Prime Minister's statements as a positive step towards the resolution of longstanding regulatory and operating uncertainty for Lynas. With greater clarity around licence renewal and Lynas' plans to address these licence conditions, Wesfarmers remains open to engage with the Lynas Board on our Proposal, with a view to progressing a less conditional proposal. Wesfarmers is a disciplined, principled investor with opportunities to invest across a range of sectors, in addition to our core businesses."

For more information:

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