

28 March 2011

Independent Expert Concludes that Proposed Transaction with Forge Resources Limited is Fair and Reasonable to Non Associated Lynas Shareholders in the Absence of a Superior Proposal

Lynas Corporation Limited ("Lynas") (ASX:LYC, OTC:LYSDY) announces that Grant Samuel, the Independent Expert appointed to prepare a report on the proposed transaction with Forge Resources Limited ("Forge") (ASX:FRG) has concluded that the proposed transaction is fair and reasonable to the shareholders of Lynas not associated with Forge or Mr Nicholas Curtis in the absence of a superior proposal.

Transaction Overview

An overview of the proposed transaction with Forge ("Transaction") was set out in the Lynas ASX announcement dated 16 March 2011. Further details are set out in the Explanatory Memorandum, a copy of which is attached to this announcement and which will be dispatched to Lynas shareholders in early April 2011.

Under the Transaction, Lynas will grant Forge a sublease over designated areas within mining leases at Mount Weld covering the Crown polymetallic deposit and the Swan phosphate deposit in return for:

- \$20.7 million in cash;
- five year options to subscribe for up to 7 million ordinary shares in Forge ("Lynas Options") at a price equal to the average issue price under the proposed capital raising by Forge to raise not less than \$30 million ("Forge Capital Raising"). If any of the Lynas Options are exercised, Lynas will (subject to the ASX Listing Rules) also be offered the opportunity to subscribe for a percentage of the shares issued in each subsequent placement or other non pro-rata issue of shares for cash consideration that Forge conducts during the five year period from execution of the subleases, to enable Lynas to maintain its ownership interest in Forge;
- the right to purchase all rare earths produced from the sublease deposits at a price to be agreed based on international market prices appropriate for a similar intermediate product;
- to the extent that rare earths produced from the sublease deposits are sold by Forge to third parties (rather than Lynas), a 10% royalty on the rare earths sold; and
- a 1% royalty on all minerals (other than rare earths and other than phosphates on which royalties are already paid under existing royalty agreements) recovered from the sublease deposits and sold by Forge for a period of 20 years.

The Crown polymetallic deposit and the Swan phosphate deposit are non-core assets of Lynas. They are not rare earths deposits – the Crown polymetallic deposit is a tantalum / niobium deposit and the Swan deposit is a phosphate deposit.

Lynas shareholders in Australia and New Zealand who were Lynas shareholders at 7.00pm on the date of announcement of the Transaction on 16 March 2011 ("**Announcement Date Shareholders**") will be given the opportunity to subscribe for a marketable parcel of Forge Shares with a value of between \$2,000 and \$5,000 up to an aggregate of \$12,500,000 for all Announcement Date Shareholders in the Forge Capital Raising. If aggregate subscriptions received from all Announcement Date Shareholders exceed \$12,500,000, a pro rata scale back will apply. As an update to the Lynas ASX announcement dated 16 March 2011, it was decided to use the date of announcement of the Transaction on 16 March 2011 as the record date for the entitlement referred to in this paragraph in order to enable the proposed Forge Capital Raising to be launched in April 2011, and for completion of the Transaction to be scheduled for 25 May 2011, shortly after Lynas shareholders consider the Transaction at the Lynas Extraordinary General Meeting.

In addition, Forge has agreed to use its best efforts to give Lynas shareholders as at the record date of the Lynas Extraordinary General Meeting ("**Record Date Shareholders**") who, at the relevant time are Sophisticated Investors or Professional Investors, the opportunity to participate in any placement or other non pro-rata issue of Forge shares for cash consideration that Forge conducts during the 3 year period from 15 March 2011.

Extraordinary General Meeting

An Extraordinary General Meeting of Lynas shareholders will be held at 10am Sydney time on 18 May 2011 at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney. At the Extraordinary General Meeting, Lynas shareholders will be asked to approve the Transaction.

Attached is a copy of the Notice of Extraordinary General Meeting and Explanatory Statement prepared by Lynas, which includes the Independent Expert's Report in full as Annexure A.

These documents will be dispatched to Lynas shareholders in early April 2011.

Independent Directors' Recommendation

Forge and Lynas share a common director in Mr Nicholas Curtis, who is the Chairman of Lynas as well as the Non-Executive Chairman of Forge and a Forge Shareholder. Further, Mr Jake Klein who is a director of Lynas, holds 200,000 Forge shares and 66,667 Forge options. Mr Klein's interest in Forge was acquired for \$40,000 in the initial public offering of Forge. Mr Klein has no involvement in the board or management of Forge.

To manage any conflicts of interest that could arise between Lynas and Forge, Lynas established an Independent Board Committee ("IBC") to consider all matters relevant to the Transaction. The IBC comprises Mr Liam Forde and Mr David Davidson. The independent directors, being Mr Liam Forde, Mr David Davidson and Dr Zygmunt Switkowski (together, the "Independent Directors"), do not have an interest in this transaction. Each of Mr Nicholas Curtis and Mr Jake Klein were excluded from participation in any evaluation of the Transaction by Lynas due to their interests in Forge, as described above.

Each Independent Director of Lynas recommends that Lynas Shareholders vote in favour of the Transaction in the absence of a superior proposal and intends to vote each share over which he has the power to control voting in favour of the Transaction.

The transaction rationale and benefits were outlined in the Lynas ASX announcement dated 16 March 2011 and are discussed in further detail in the Explanatory Memorandum, a copy of which is attached to this announcement and which will be dispatched to Lynas shareholders in early April 2011.

About Lynas Corporation

Lynas owns the richest known deposit of Rare Earths, also known as Lanthanides, in the world at Mount Weld, near Laverton in Western Australia. This deposit underpins Lynas' strategy to create a reliable, fully integrated source of Rare Earths supply from the mine through to customers in the global Rare Earths industry.

Lynas will concentrate the ore mined at Mount Weld in a Concentration Plant approximately 1.5km from the mine. The concentrate produced by the Concentration Plant will be shipped in sea containers and transported by road and ship to the east coast of Malaysia to the Lynas Advanced Materials Plant (LAMP) within the Gebeng Industrial Estate, Kuantan, Pahang, Malaysia, to process the Mount Weld concentrate through to separated Rare Earths products

Engineering and construction of both the Concentration Plant in Western Australia and the LAMP remain within budget. The first feed of ore into the Concentration Plant in Western Australia is on target for the week commencing 31 March 2011. The first feed of concentrate to the kiln at the LAMP in Malaysia is on target for the third quarter of 2011. Lynas has received all required approvals to construct both plants.

Lynas completed the purchase of the Kangankunde Carbonatite Complex (KGK), Malawi, Africa in March 2011. Completed test work shows the deposit is amenable to a low cost gravity separation concentration process producing a 60% REO concentrate. The completion of the purchase of KGK now allows Lynas to commence development of the project.

The company plans to become the benchmark for security of supply and a world leader in quality and environmental responsibility to an international customer base, with production anticipated to commence in 2011.



'Rare Earths' is the term given to fifteen metallic elements known as the lanthanide series, plus yttrium. They play a key role in green environmental products, from energy efficient compact fluorescent light bulbs (CFLs) to hybrid cars, automotive catalytic converters and wind turbine generators. They are also essential in the development and manufacturing of many modern technological products, from hard disc drives to flat panel displays, iPods and magnetic resonance imaging (MRI) scans.

Lynas American Depositary Receipts (**ADRs**) trade under the code LYSDY (CUSIP number 551073208). Each Lynas ADR is equivalent to 10 ordinary shares of Lynas as traded on the Australian Securities Exchange (ASX). The Bank of New York Mellon is the depositary bank in respect of Lynas ADRs.

For further information please contact Andrew Arnold on +61 (0)2 8259 7100 or visit www.lynascorp.com

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ACN 009 066 648

NOTICE OF EXTRAORDINARY GENERAL MEETING & EXPLANATORY MEMORANDUM

**Meeting to be held on Wednesday, 18 May 2011 at 10.00 am (Sydney time)
at the Barnet Long Room, Customs House,
31 Alfred Street, Sydney NSW**

*This is an important document. Please read it carefully.
If you are unable to attend the Extraordinary General Meeting, please complete the Proxy Form
enclosed at the back of this document and return it in accordance with the instructions.*

For personal use only

IMPORTANT NOTICES

About this Explanatory Memorandum

This document is important.

You should read this Explanatory Memorandum in its entirety before deciding how to vote on the resolution to be considered at the Extraordinary General Meeting. If you are in doubt as to how to deal with this Explanatory Memorandum, please consult your legal, financial or other professional adviser as soon as possible.

Responsibility Statement

Lynas Corporation Limited ("**Lynas**") has provided and is responsible for the information in this Explanatory Memorandum, other than the Independent Expert's Report. Forge Resource Group Limited ("**Forge**") and its directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the information in this Explanatory Memorandum.

The information in this Explanatory Memorandum concerning Forge and Forge securities has been prepared by Lynas using publicly available information which has not been independently verified by Lynas. Accordingly, subject to the Corporations Act, none of Lynas or any of its directors, officers, employees or advisers, or any person involved in the preparation of this Explanatory Memorandum makes any representation or warranty express or implied in relation to or assumes any responsibility for the accuracy or completeness of such information.

Grant Samuel has prepared and is responsible for the Independent Expert's Report. Lynas and Forge and their respective directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the information in the Independent Expert's Report except, in the case of Lynas and Forge, in relation to information given by each of them respectively to the Independent Expert.

Role of ASIC & ASX

A copy of this Explanatory Memorandum has been lodged with ASIC for the purposes of section 218 of the Corporations Act. Neither ASIC nor any of its officers take any responsibility for the contents of this Explanatory Memorandum.

A copy of this Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Explanatory Memorandum.

Defined terms and interpretation

Terms used in this Explanatory Memorandum are defined in the Glossary.

Date of Explanatory Memorandum

This Explanatory Memorandum is dated 28 March 2011.

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EXPLANATORY MEMORANDUM

This Explanatory Memorandum is the explanatory statement that has been prepared pursuant to section 218 of the Corporations Act to explain the effect of the Transaction which the shareholders of Lynas not associated with Forge or Mr Nicholas Curtis ("**Shareholders**") are being asked to approve at the Extraordinary General Meeting of Lynas Corporation Limited (ACN 009 066 648) ("**Lynas**") to be held on Wednesday, 18 May 2011 at 10.00 am (Sydney time) at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney NSW ("**Meeting**"). This Explanatory Memorandum provides information which is material to the making of a decision by Shareholders about whether or not to vote in favour of the Resolution.

The Notice of Extraordinary General Meeting of Lynas is set out in Annexure C of this Explanatory Memorandum. Your Proxy Form in connection with the Meeting is enclosed.

An Independent Expert's Report has been prepared by Grant Samuel to consider whether the proposed transaction with Forge Resources Limited ACN 139 886 187 ("**Forge**") described in this Explanatory Memorandum is fair and reasonable to Shareholders not associated with Forge or Mr Nicholas Curtis. A full copy of the Independent Expert's Report is set out in Annexure A.

The Independent Directors recommend that Shareholders read this Explanatory Memorandum and the Independent Expert's Report in full before making any decision in relation to the Resolution.

HOW TO VOTE

The Notice of Meeting is set out in Annexure C together with the accompanying notes. Before voting you should read this Explanatory Memorandum and the Independent Expert's Report carefully and in their entirety.

Shareholders wishing to vote in person

Shareholders who are entitled to vote and wish to do so in person should attend the Meeting to be held on Wednesday, 18 May 2011 at 10.00 am (Sydney time) at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney NSW.

Shareholders wishing to vote by attorney or corporate representative

Shareholders who are entitled to vote and wish to do so by attorney or corporate representative should ensure that their attorney or corporate representative attends the Meeting at the time, date and place referred to above. If you are attending as an attorney, you should bring the original power of attorney or a certified copy, unless you have already provided a certified copy of the power of attorney to Lynas or the Share Registry. If you are attending as a representative of a corporate Shareholder please bring evidence of your appointment to attend on behalf of that Shareholder, unless previously lodged with Lynas or the Share Registry.

Shareholders wishing to vote by proxy

Shareholders who are entitled to vote and wish to do so by proxy should read the detailed notes relating to the appointment of proxies accompanying the Notice of Meeting set out in Annexure C. You should then complete the Proxy Form included with this Explanatory Memorandum.

Your completed Proxy Form must be:

- sent to the Share Registry (for Australian resident Shareholders, using the reply paid envelope included with this Explanatory Memorandum at GPO Box 3993, Sydney NSW 2001 and for non-Australian resident Shareholders using the return address envelope included with this Explanatory Memorandum at GPO Box 3993, Sydney NSW 2001 Australia); or
- faxed to 02 9279 0664 from within Australia or +612 9279 0664 from overseas; or
- sent to the registered office of Lynas at Level 7, 56 Pitt Street, Sydney NSW 2000,

in each case so that it is received by no later than 10.00 am (Sydney time) on Monday, 16 May 2011.

If an attorney signs a Proxy Form on your behalf, a certified copy of the power of attorney under which the Proxy Form was signed must be received by the Share Registry at the same time as the Proxy Form (unless you have already provided a certified copy of the power of attorney to Lynas or the Share Registry).

If you complete and return a Proxy Form, you may still attend the Meeting in person, revoke the proxy and vote at the Meeting.

Voting entitlement

All Shareholders who are registered on the Share Register at 7.00 pm (Sydney time) on Monday, 16 May 2011 may vote at the Meeting in person, by attorney, by corporate representative (in the case of corporate Shareholders) or by proxy. Any Excluded Shareholder, including Mr Nicholas Curtis, will not be entitled to vote at the Meeting.

1. OVERVIEW OF RESOLUTION

The Meeting will consider, and if thought fit approve, the following Resolution:

“That, for the purpose of Chapter 2E of the Corporations Act and all other purposes, Shareholders approve and authorise completion of the proposed transaction with Forge Resources Limited (ACN 139 886 187) on the terms and conditions set out in the Master Agreement entered into on 15 March 2011 which is summarised in the Explanatory Memorandum which the Notice of Meeting forms part of.”

The Resolution will approve Lynas performing its obligations under the Master Agreement. Obtaining such Shareholder approval of the Transaction is a condition precedent to the performance of obligations under the Master Agreement.

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party, subject to certain exceptions including if the transaction is on "arm's length terms" or it is approved by shareholders.

The approval of Shareholders is sought because Forge and Lynas share a common director and 2 Lynas directors are also Forge Shareholders. Lynas believes that approval is not strictly required under Chapter 2E of the Corporations Act because the Transaction is on "arm's length terms" and because Forge is not a related party of Lynas. However, it is arguable that Forge is a related party of Lynas because they share a director in Mr Nicholas Curtis and because Mr Curtis owns a significant number of Performance Shares in Forge which will convert into Forge Shares if the Transaction is completed. Therefore, Lynas is seeking Shareholder approval to maintain good corporate governance.

2. INTRODUCTION

On 16 March 2011, Lynas announced that it had entered into a Master Agreement ("**Master Agreement**") with Forge under which it is proposed that Forge will acquire subleases of designated areas within Western Australian Mining Leases 38/58, 38/59 and 38/327 ("**Mining Leases**") which are held by Mt Weld Mining Pty Ltd ("**MWM**"), a wholly-owned subsidiary of Lynas, and the minerals recovered under those subleases ("**Transaction**").

Forge was established in 2009 as a resource and energy exploration company and was listed on ASX in September 2010. Forge's primary objective is to build a resource and energy company at a time when the global demand for resources and energy is high. For further details in relation to Forge and its exploration assets, please refer to the Prospectus issued by Forge dated 30 July 2010, which is available from the ASX website at www.asx.com.au.

Forge and Lynas share a common director in Mr Nicholas Curtis, who is the Chairman of Lynas as well as the Non-Executive Chairman of Forge and a Forge Shareholder. Further, Mr Jake Klein who is a director of Lynas, is also a Forge Shareholder. Details in relation to the interests of Mr Nicholas Curtis and Mr Jake Klein in Forge are set out in section 6 of this Explanatory Memorandum.

Although Lynas believes for the reasons set out above that shareholder approval of the Transaction under Chapter 2E of the Corporations Act is not technically required, Lynas has decided to seek shareholder approval of the Transaction for the purpose of Chapter 2E of the Corporations Act in order to maintain good corporate governance.

Upon receipt of the proposal by Forge in relation to the Transaction, Lynas established the Independent Board committee ("**IBC**") to consider all matters relevant to the Transaction. The IBC comprised Mr Liam Forde and Mr David Davidson. Each of Mr Nicholas Curtis and Mr Jake Klein were excluded from participation in any evaluation of the Transaction due to their interests in Forge which are described in section 6 of this Explanatory Memorandum.

The IBC implemented protocols ("**Protocols**") which establish a framework for the assessment, negotiation and implementation of the Transaction. Amongst other things, the Protocols establish separate negotiating teams for each of Lynas and Forge, an information barrier between the Lynas and Forge negotiating teams, and rules that apply to dealings between members of Lynas management and Forge.

The IBC also appointed Allen & Overy as legal advisers and Grant Samuel as independent expert ("**Independent Expert**").

3. PROPOSED TRANSACTION

3.1 Key Elements

Under the Master Agreement MWM, a wholly-owned subsidiary of Lynas, has agreed to enter into the Transaction Documents to grant Forge subleases over certain designated areas within the Mining Leases that are commonly referred to as the Swan Deposit and the Crown Deposit (together, the "**Sublease Deposits**") and the right to any minerals that are recovered from those areas.

In return for receiving these rights, Forge has agreed to pay Lynas a cash sum of \$20.7 million, being the agreed value of the Sublease Deposits over which Forge will be granted rights, and to issue Lynas options to acquire up to 7,000,000 Forge Shares at the average issue price of Forge Shares under the Forge Capital Raising. Forge has also agreed to pay Lynas certain royalties and grant specified shareholders of Lynas the right to participate in future capital raisings conducted by Forge.

The key elements of the Transaction are set out below.

- The Mining Leases will be divided into 3 areas: a designated area in which only Lynas may conduct exploration activities ("**Lynas Exclusive Area**"), a designated area in which both parties will be entitled to conduct exploration activities ("**Co-Operation Area**") and designated areas over which Forge will acquire subleases ("**Sublease Areas**"). A map showing the Lynas Exclusive Area and the Sublease Areas is attached as Annexure B. The remainder of the Mining Leases comprises the Co-Operation Area.
- Forge will acquire subleases ("**Subleases**") over the Sublease Areas and MWM will continue to be the registered legal owner of the Sublease Areas.
- MWM will retain certain exploration rights over the Sublease Areas, however its exploration activities will be subordinated to those of Forge.
- Forge will have full ownership of all minerals in the Sublease Areas which are recovered by or for Forge, subject to MWM's right in certain circumstances to develop any Rare Earths deposit that is not being mined by Forge. MWM will retain all rights to non-mineral resources in the Sublease Areas.
- The Subleases will expire one day prior to expiry of the relevant underlying mining lease, subject to:
 - Lynas having the right to terminate if Forge has not made a formal decision to commence a commercial mining operation on any of the Sublease Areas within 5 years of the date the Subleases are granted; and
 - earlier termination upon Forge committing a material breach.
- Forge will be granted a licence to enter the Co-Operation Area for the purpose of conducting exploration activities provided that such activities do not materially interfere with any activities conducted by Lynas in the Co-Operation Area or the Lynas Exclusive Area. Forge must not conduct any mining activities in the Co-Operation Area without express written consent from

MWM. In the event that MWM consents to Forge conducting mining activities in the Co-Operation Area, a sublease may be granted to Forge in respect of that area.

3.2 Consideration

In return for the rights granted to Forge under the Transaction, Forge will:

- make a cash payment of \$20.7 million to Lynas on the date the Transaction completes ("**Completion Date**");
- grant to Lynas on the Completion Date options (expiring 5 years from the date of the Subleases) to acquire up to 7,000,000 Forge Shares ("**Lynas Options**") for the average issue price of Forge Shares under the Forge Capital Raising;
- pay a royalty equal to 10% of the gross revenue received by any member of the Forge Group from the sale to third parties of Rare Earths during the preceding calendar month;
- pay a royalty equal to 1% of the gross revenue received by any member of the Forge Group from the sale of all minerals recovered from the Sublease Areas (other than Rare Earths and phosphates on which royalties are already paid under existing royalty agreements) during the preceding calendar month;
- grant to Lynas Malaysia (a wholly-owned subsidiary of Lynas) or another related body corporate of Lynas, the right to receive delivery of Rare Earths produced from the Sublease Areas and the Lynas entity may elect to enter into rolling 5 year off-take arrangements with Forge; and
- grant Lynas a right of first refusal to take delivery of any Rare Earths from any other mineral deposits that any member of the Forge Group acquires a right to.

3.3 Conditions Precedent

Completion of the Transaction is subject to and conditional upon satisfaction of the following conditions precedent:

- (a) the IBC receiving a report from the Independent Expert stating that, in its opinion, the Transaction is fair and reasonable to the shareholders of Lynas not associated with Forge or Mr Nicholas Curtis, and such opinion not being withdrawn or modified by the Independent Expert;
- (b) Lynas Shareholders passing an ordinary resolution approving the Transaction, in accordance with Chapter 2E of the Corporations Act, ASX Listing Rule 10.1 if required by ASX and for all other purposes;
- (c) Forge Shareholders passing an ordinary resolution approving the Forge Capital Raising and the issue of the Lynas Options for the purpose of ASX Listing Rule 7.1;
- (d) Lynas obtaining the approval of the Department to the grant of the Subleases in respect of the proposed Sublease Areas; and
- (e) Forge completing a capital raising which raises not less than \$30 million ("**Forge Capital Raising**").

Forge has convened a meeting of Forge Shareholders ("**Forge Shareholder Meeting**") to consider the resolutions described in 3.3(c) above which is to be held on 18 May 2011. A copy of the notice of meeting in relation to the Forge Shareholder Meeting is available from ASX at www.asx.com.au. If the resolutions described in 3.3(c) above are approved by Forge Shareholders, the Forge Capital Raising will be completed during May 2011.

3.4 Deposits in the Sublease Area

The resources located within the Sublease Areas are the tantalum and niobium deposit within the Crown Deposit, and the phosphate deposit within the Swan Deposit. The Sublease Deposits are JORC compliant resources and are described in more detail in the Independent Expert's Report, a full copy of which is set out in Annexure A to this Explanatory Memorandum.

Whilst Lynas recognises that there is value in the Sublease Deposits, after conducting a technical review it has concluded that tantalum/niobium ore cannot be processed effectively using Lynas' existing infrastructure. Although it may be possible for Lynas to develop a process that more efficiently and effectively recovers tantalum/niobium, this would require the dedication of significant time and capital expenditure in order to bring tantalum/niobium resources into production.

A significant testwork programme has been carried out by the Guangzhou Research Institute for Non-Ferrous Metals in the period up to 2008 to review various potential flowsheet options. The niobium and tantalum occur in unusual minerals and to date the metallurgical work has not defined a practical flowsheet for the treatment of the Mt Weld niobium/tantalum mineralisation including the Sublease Deposits.

Further testwork, engineering studies and feasibility studies would be required to establish the commercial viability of development. Any feasibility study would require significant capital investment and take approximately 3-4 years to complete. Without identification of an extraction process, capital and operating costs are difficult to estimate and cash flow models cannot be developed, however Lynas believes that if an economic process is developed, development costs of a processing facility would be likely to exceed US\$1 billion which would require the introduction of a partner to assist in the development of the project.

The Sublease Deposits do not form part of Lynas' Rare Earth resource inventory. As the objective of Lynas is to create a reliable, fully integrated source of Rare Earth from mine through to market, Lynas regards the Sublease Deposits as non-core assets because they do not fit within Lynas' strategic vision or strategy. It is therefore unlikely that the funds and other resources that would be required for Lynas to develop the Sublease Deposits will be allocated for that purpose and accordingly, the Independent Board Committee believes that, in the absence of the Transaction, it is unlikely that any shareholder value will be realised directly from the Sublease Deposits in the medium term.

However, the Sublease Deposits do have the potential to produce significant quantities of Rare Earths as a by-product of extracting and processing tantalum, niobium and phosphate in the Sublease Areas. If such activities were undertaken by a third party, as proposed by Forge under the Transaction, it would be possible for Lynas and its Shareholders to realise value from the Rare Earths sourced from the Sublease Deposits without requiring Lynas to dedicate the significant resources and funding and alter its strategic focus which would otherwise be required for Lynas to develop the Sublease Deposits.

The Transaction will therefore provide Lynas with access to an additional source of Rare Earths without requiring Lynas to incur any additional capital expenditure or bear any associated development risk. In the event that Forge does not make a decision to commence commercial scale development on the Sublease Deposits within 5 years of the date the Subleases are granted, Lynas may elect to terminate all rights of Forge in relation to the Sublease Deposits.

3.5 Advantages and Disadvantages of the Transaction

The IBC considers the following advantages and disadvantages exist and should be taken into consideration by Shareholders when determining whether or not to vote in favour of the Resolution.

(a) Advantages of the Transaction

Potential Additional Source of Rare Earths

At present, Lynas does not have a clear path for development or monetisation of the Sublease Deposits which are considered non-core assets of Lynas. To advance the development and monetisation of those Sublease Deposits, Lynas would need to inject significant capital investment which would include commissioning a definitive feasibility study and capital costs which Lynas believes would be likely to exceed US\$1 billion.

However if the Transaction is approved, Forge will conduct exploration activities and may potentially proceed to develop the Sublease Deposits. In that event, Lynas would be in a position to benefit from the Rare Earth by-products that are yielded from the Sublease Deposits at prevailing international market prices without requiring Lynas to incur any expense or deviate from its current focus as a diversified Rare Earth producer and all risk associated with development of the Sublease Areas will rest with Forge.

If Forge does develop the Sublease Deposits and deliver Rare Earth by-products to Lynas, then that will constitute a long-term additional source of supply of Rare Earth feedstock for Lynas. Such additional Rare Earth feedstock will supplement Lynas' existing sources of supply, being the Lynas Rare Earth project at Mt Weld and the proposed Lynas development of the Kangakunde Rare Earth deposit in Malawi.

If Forge has not notified Lynas of its formal decision to commence commercial scale mining operations on one or more of the Sublease Areas within 5 years after the date of execution of the Subleases, Lynas may elect to terminate all rights of Forge in relation to the Sublease Deposits.

Opportunity to Invest in Forge

As part of the consideration under the Transaction, Lynas will receive the Lynas Options (expiring 5 years from the date of the Subleases) which will give Lynas the right to acquire up to 7,000,000 Forge Shares at the average issue price of Forge Shares under the Forge Capital Raising.

In the event that Lynas chooses to exercise any of the Lynas Options following completion of the Transaction, Lynas will be a shareholder of Forge. This will enable Lynas to participate in any financial benefits that are gained by Forge from its development of the tantalum, niobium and phosphate resources in the Sublease Areas.

To strengthen the relationship between Forge and Lynas, and to allow Lynas and its Shareholders the opportunity to participate in the risks and rewards of Forge, Forge has also agreed to:

- provide Lynas with the opportunity to subscribe for such percentage of Forge Shares that are to be issued in any placement or other non pro-rata issue of Forge Shares for cash consideration that Forge conducts during the 5 year period from the Completion Date as is equal to the percentage of Forge Shares held by Lynas immediately prior to the placement or other non pro-rata issue of Forge Shares for cash consideration, if any Lynas Options have been exercised;
- provide Lynas shareholders in Australia and New Zealand who were Lynas shareholders at 7.00pm on the date of announcement of the Transaction on 16 March 2011 ("**Announcement Date Shareholders**") with the opportunity to subscribe for a marketable parcel of Forge Shares with a value of between \$2,000 and \$5,000 up to an aggregate of \$12,500,000 for all Announcement Date Shareholders in the Forge Capital Raising. If aggregate subscriptions received from all Announcement Date Shareholders exceed \$12,500,000, a pro rata scale back will apply; and
- use its best efforts to provide Lynas shareholders who are entitled to vote at the Meeting ("**Record Date Shareholders**") who at the relevant time are Sophisticated Investors or Professional

Investors with the opportunity to participate in any placement or other non pro-rata issue of Forge Shares for cash consideration that Forge conducts during the 3 year period from the Commencement Date.

Shareholders who are eligible to participate in the Forge Capital Raising and any placement or other non pro-rata issue of Forge Shares for cash consideration will receive relevant documentation from Forge.

Relevantly, a Sophisticated Investor is defined to mean:

- a person in relation to whom a qualified accountant has given a certificate within the preceding 6 months indicating that:
 - the person has net assets of at least \$2.5 million; or
 - the person has had a gross income for each of the last 2 financial years of at least \$250,000 a year; or
- a company or trust controlled by a person that satisfies the above requirements.

Further, a Professional Investor is defined to mean:

- a financial services licensee;
- a body regulated by the Australian Prudential Regulatory Authority (other than a trustee of a superannuation fund, an approved deposit fund, a pooled superannuation trust, or a public sector superannuation scheme within the meaning of the Superannuation Industry (Supervision) Act 1993);
- a body registered under the Financial Corporations Act 1974;
- a trustee of a superannuation fund, an approved deposit fund, a pooled superannuation trust or a public sector superannuation scheme (within the meaning of the Superannuation Industry (Supervision) Act 1993) where the fund, trust or scheme has net assets of at least \$10 million;
- a listed entity or a related body corporate of a listed entity;
- an exempt public authority;
- a body corporate or unincorporated body that:
 - carries on a business of investment in financial products, interests in land or other investments; and
 - for those purposes, invests funds received (directly or indirectly) following an offer or invitation to the public, within the meaning of section 82 of the Corporations Act, the terms of which provided for the funds subscribed to be invested for those purposes;
- a foreign entity that, if established or incorporated in Australia, would be covered by one of the preceding paragraphs; and
- a person who has or controls gross assets of at least \$10 million (including any assets held by an associate or under a trust that the person manages).

Income Stream

Under the Transaction Lynas will also receive the ongoing benefit of payment of a monthly royalty from Forge which will be equal to:

- 10% of the gross revenue received by any member of the Forge Group from the sale to third parties of Rare Earths recovered from the Sublease Areas during the preceding calendar month; and

- 1% of the gross revenue received by any member of the Forge Group from the sale of all minerals recovered from the Sublease Areas (other than Rare Earths and phosphates on which royalties are already paid under existing royalty agreements) during the preceding calendar month.

Compatibility of Potential Rare Earths

Drilling work conducted to date indicates that the distribution of Rare Earths in the Crown Deposit to be similar to the distribution of Rare Earths in the Duncan Deposit (the CLD Deposit and the Duncan Deposit will remain entirely under the ownership and control of Lynas). As a result, the distribution of Rare Earths in the Crown Deposit has a greater proportion of "heavy" Rare Earths than the distribution of Rare Earths in the CLD Deposit. In addition, Lynas expects that if the Duncan Deposit is developed in the future, it should be possible to blend, in a relatively low risk and low cost way (compared to other potential feedstock), any Rare Earth feedstock that is retrieved by Forge from the Crown Deposit with Rare Earth feedstock from the Duncan Deposit in Lynas' processing and separation operations. Further, Lynas believes that the Transaction may provide the best opportunity for Lynas to secure a supply of heavy Rare Earths in the shortest possible timeframe.

Rare Earths Carbonate

Under the Transaction, Forge will be required to deliver any Rare Earths that it retrieves from the Sublease Deposits in the form of Rare Earths Carbonate, which is used at a late stage of the production process. Lynas will then be in a position to on-sell the Rare Earths Carbonate or to process it into separated Rare Earths products. The significant capital expenditure that Lynas would otherwise be required to spend in order to produce Tantalum, Niobium and Rare Earths concentrate and to process that material to produce a mixed Rare Earths Carbonate will therefore be borne by Forge and not Lynas. Any necessary capacity expansion at Lynas' Advanced Materials Plant in Malaysia that Lynas would need to undertake to process the Rare Earths Carbonate into separated Rare Earths products will be substantially lower compared to using Rare Earths concentrate from another source.

Disposal of Non-Core Asset for Cash

As noted above, the Sublease Deposits do not form part of Lynas' Rare Earth resource inventory and are regarded as non-core assets because they do not fit within Lynas' strategic vision or strategy. Given the unlikelihood that the funds and other resources that would be required for Lynas to develop the Sublease Deposits will be allocated for that purpose, the Sublease Deposits are not regarded by Lynas as core assets.

The Transaction therefore represents an opportunity for Lynas to sell a non-core asset in return for a cash payment at the market value that has been agreed between the parties and that the Independent Expert has determined is fair and reasonable to Lynas Shareholders who are not associated with Forge or Mr Nicholas Curtis in the absence of a superior proposal.

Speculative Nature of Niobium, Tantalum and Phosphate Development

Although there is a degree of risk associated with all mineral exploration including:

- uncertainty as to the calculation of all mineral resources which can only be considered estimates until such resources are actually processed and mined; and
- exploration, development and operating risk associated with all mining operations,

Lynas considers that the development of niobium, tantalum and phosphate is more speculative and therefore involves a higher degree of risk than development of Rare Earths because the Lynas Rare Earths project is at an advanced stage of construction and utilizes proven Rare Earths industry technology, whereas a practical flowsheet for the treatment of the Mt Weld niobium/tantalum mineralisation has not yet been developed.

(b) Risks and Disadvantages of the Transaction

The IBC believes that the advantages of the Transaction outweigh the disadvantages of the Transaction. However, in deciding whether to vote in favour of the Resolution, Shareholders should consider the following risks and disadvantages.

Counterparty Risk

Forge was admitted to the official list of ASX on 23 September 2010 and currently has 21,113,633 Forge Shares on issue with a market capitalisation of approximately \$23,000,000.¹ Assuming the Forge Capital Raising is conducted on the terms set out in the notice of meeting for the Forge Shareholder Meeting, after the Forge Capital Raising is conducted Forge is expected to have 77,308,945 Forge Shares on issue. The Prospectus prepared by Forge dated 30 July 2010 indicates that Forge holds interests in a number of exploration properties which require further expenditure for exploration programs with no guarantee that Forge will be able to exploit any successful discoveries.

Given the size and limited operating history of Forge together with the risks, expenses and difficulties frequently encountered by companies in their early stages of development, particularly in the mineral exploration and production sectors, there is a risk that Forge may not meet its obligations under the Transaction Documents.

Further, as part of the Transaction Lynas will have the right to purchase the Rare Earths produced by Forge from the Sublease Areas under an off-take agreement (the "**Off-take Agreement**"). Lynas intends to process such Rare Earths received from Forge under the Off-take Agreement and supply them to third parties under long-term supply agreements. As Lynas will not directly control the activities of Forge, it cannot guarantee that Forge will deliver the agreed volumes under the Off-take Agreement and therefore risks being unable to fulfil its obligations to supply processed Rare Earths under its long-term supply agreements with third parties.

Under the terms of the Master Agreement, each Sublease and the Off-take Agreement, Lynas may suspend and terminate the relevant Transaction Document in the event that Forge commits a material breach of a term of a Transaction Document which cannot be, or is not, remedied within 30 business days or if Forge suffers an insolvency event.

Development Technology

Currently, technology does not exist that will enable the tantalum and niobium resources within the Sublease Areas to be developed efficiently and effectively. However if such technology is developed and these resources can be efficiently and effectively exploited, Lynas will have foregone the opportunity to participate directly and fully in the financial benefits gained as a result of successfully exploiting its resources in the Sublease Areas.

Potential Liabilities

Although under the Transaction Documents Forge will provide certain indemnities and covenants to Lynas, MWM will remain the holder of the Mining Leases and will grant to Forge certain rights in respect of the Co-Operation Area and the Sublease Areas. As Lynas will not control the activities or operations of Forge, the inherent risk of exposure to liabilities that are commonly associated with the holding of mining tenements will continue to exist for Lynas. Such risks include the consequences following environmental incidents including remediation of any contamination, breach of environmental laws and regulations, liability to third parties, fines and the suspension, termination or revocation of any or all of the Mining Leases. While Lynas has negotiated indemnities and covenants which it considers appropriate and reasonable for the Transaction, Lynas cannot guarantee that any indemnity

¹ Based on the closing trading price of \$1.090 on 25 March 2011, being the last trading day before the date of this Explanatory Memorandum.

or covenant provided to it by Forge or insurance that Forge is obliged by the Transaction Documents to obtain will adequately cover all such risks.

Market Price for Rare Earths and Exploitation of Other Minerals

Under the Transaction, Lynas will receive the ongoing benefit of a payment of a monthly royalty from Forge which is based on gross revenues received by Forge for Rare Earths. In addition, as part of the Transaction, Lynas will receive the Lynas Options to acquire up to 7,000,000 Forge Shares. The value of the royalty will depend on the market price of Rare Earths and the profitability of Forge, and therefore the value of the Lynas Options are dependent, whether directly or indirectly, on the market price of Rare Earths, tantalum, niobium and phosphate.

3.6 Timetable

An indicative timetable for completion of the Transaction is set out below. This timetable is indicative only and subject to change.

| | |
|---|------------------------------------|
| Latest date for returning proxies for the Meeting | 10.00am on Monday, 16 May 2011 |
| Meeting Date | 10.00 am on Wednesday, 18 May 2011 |
| Forge Shareholder Meeting | Wednesday, 18 May 2011 |
| Completion of the Forge Capital Raising | 25 May 2011 |
| Completion of the Transaction | 25 May 2011 |

4. IMPACT ON LYNAS

The impact of the Transaction on the financial position of Lynas is illustrated below using pro-forma unaudited consolidated financial statements as at 31 December 2010.

| Income Statement | | | | |
|---|------|--|----------------------|---------------------------------|
| | Note | UNAUDITED - 6 months ended 31-Dec-10 \$'000 | Adjustment \$'000 | PROFORMA UNAUDITED \$'000 |
| REVENUE | | 5,960 | - | 5,960 |
| EXPENSES | | | | |
| Depreciation expense | | (522) | - | (522) |
| Salaries and employee benefits expense | | (7,759) | - | (7,759) |
| Share based payments expense | | (3,161) | - | (3,161) |
| Impairment of capitalised costs | | - | - | - |
| Other expenses from ordinary activities | | (7,444) | - | (7,444) |
| OTHER GAINS AND LOSSES | | | | |
| Foreign Exchange (Loss) / Gain | | 6,777 | | 6,777 |
| Gain from disposal of Mining Lease rights | 1 | - | 16,693 | 16,693 |
| PROFIT/ (LOSS) BEFORE INCOME TAX EXPENSE | | (19,703) | 16,693 | (3,010) |

Notes to the Income Statement

1. The effect of the Transaction is that Lynas will receive A\$20.7M cash for the disposal of some rights in respect to the Mining Leases. The Mining Lease rights currently carried on the Balance Sheet will be reduced by \$4.0M, and the remaining \$16.7M from the Transaction will appear in the Income Statement as a gain from the disposal of some of those rights.

Pro Forma Balance Sheet

| Assets | Actual Unaudited Dec 2010 \$'000 | Adjustments \$'000 | Proforma Unaudited \$'000 |
|----------------------------------|---|-----------------------|---------------------------------|
| Current Assets | | | |
| Cash | 271,550 | 20,700 | 292,250 |
| Trade receivables | 3,687 | | 3,687 |
| Pre-payments | 3,481 | | 3,481 |
| Restricted cash | 0 | | 0 |
| Total Current Assets | 278,718 | 20,700 | 299,418 |
| Non-Current Assets | | | |
| Inventories | 26,205 | | 26,205 |
| Property, plant and equipment | 245,375 | | 245,375 |
| Exploration and development | 24,690 | | 24,690 |
| Intangibles | 348 | | 348 |
| Other non-current assets | 7,465 | (4,007) | 3,458 |
| Other investments | 5,392 | | 5,392 |
| Total Non-Current Assets | 309,475 | (4,007) | 305,468 |
| Total Assets | 588,193 | 16,693 | 604,886 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade payables and accruals | (15,679) | | (15,679) |
| Provisions | (2,080) | | (2,080) |
| Total Current Liabilities | (17,759) | 0 | (17,759) |
| Non-Current Liabilities | | | |
| Provisions | (4,636) | | (4,636) |
| Non-Current Total | (4,636) | 0 | (4,636) |
| Total Liabilities | (22,395) | 0 | (22,395) |
| Net Assets | 565,798 | 16,693 | 582,491 |
| Equity | | | |
| Issued capital | 721,359 | | 721,359 |
| | 721,359 | 0 | 721,359 |
| Reserves | | | |
| Currency translation | (16,555) | | (16,555) |
| Share based payments | 18,108 | | 18,108 |
| Total Reserves | 722,912 | 0 | 722,912 |
| Accumulated losses | (157,114) | 16,693 | (140,421) |
| Net Equity | 565,798 | 16,693 | 582,491 |

5. INDEPENDENT EXPERT'S REPORT

Grant Samuel has been engaged by the IBC to evaluate the Transaction and prepare a report on the Transaction to Shareholders. Grant Samuel has concluded that the Transaction is fair and reasonable to Shareholders who are not associated with Forge or Mr Nicholas Curtis in the absence of a superior proposal.

A full copy of the Independent Expert's Report is attached as Annexure A of this Explanatory Memorandum. The Independent Directors recommend that Shareholders read the Independent Expert's Report in its entirety before deciding whether or not to vote in favour of the Transaction.

6. SHAREHOLDER APPROVAL

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party, subject to certain exceptions including if the transaction is on "arm's length terms" or it is approved by shareholders.

Approval of the Transaction by Shareholders is sought because Forge and Lynas share common a director and 2 Lynas directors are also Forge Shareholders. Lynas believes that approval is not strictly required under Chapter 2E of the Corporations Act because the Transaction is on "arm's length terms" and because Forge is not a related party of Lynas. However, it is arguable that Forge is a related party of Lynas because they share a director in Mr Nicholas Curtis and because Mr Curtis owns a significant number of Performance Shares in Forge which will convert into Forge Shares if the Transaction is completed. Therefore, Lynas is seeking Shareholder approval to maintain good corporate governance.

To assist Shareholders in deciding whether or not to vote in favour of the Resolution, the IBC provides Shareholders with the following additional information in accordance with section 219 of the Corporations Act.

The related parties to whom the proposed resolutions may permit a financial benefit to be given

Forge and Mr Nicholas Curtis

The nature of the financial benefit

Forge

The financial benefit that Forge will receive if the Transaction proceeds is the Subleases that Lynas will grant to Forge. Under the Subleases, Forge will have the right to conduct exploration and mining activities within the Sublease Areas and may, subject to non-interference with any activities being conducted by Lynas, conduct exploration activities in the Co-Operation Area. Forge will also have the rights, title and interests in all minerals extracted by Forge from the Sublease Areas and the Co-operation Area.

Mr Nicholas Curtis

Mr Nicholas Curtis currently has an interest in 16,045,758 ordinary shares in Lynas which represents an interest of less than 1% of Lynas' issued ordinary shares. Based on the closing trading price of Lynas Shares of \$2.14 on 25 March 2011, being the last trading day before the date of this Explanatory Memorandum, the value of Lynas Shares held by Mr Nicholas Curtis is approximately \$34,337,922.

Mr Nicholas Curtis also has an interest in 4,000,000 Forge Shares representing 15.9% of its issued ordinary shares. Based on the closing trading price of Forge Shares of \$1.090 on 25 March 2011, being the last trading day before the date of this Explanatory Memorandum, the value of Mr Nicholas Curtis' Forge Shares is approximately \$4,360,000. In addition Mr Nicholas Curtis has an interest in 1,333,334 Forge Options and 24,000,000 Performance Shares.

The Prospectus issued by Forge dated 30 July 2010 states that:

- each Performance Share will convert into one Forge Share upon either one of Forge's existing projects or, a project acquired after the date of Forge's admission to ASX (being 23 September 2010) ("**Admission Date**"), is identified as having a JORC compliant resource which supports a successful capital raising of at least \$15,000,000 at a price of not less than \$0.35 per Forge Share and Forge completing such a capital raising ("**Milestone**");
- the Performance shares expire 18 months after the Admission Date; and
- if the Milestone is not achieved by the date the Performance Shares expire, all Performance Shares will automatically convert into one Forge Share.

The IBC understands that if the Transaction proceeds, the Milestone will be satisfied and each Performance Share currently held by Mr Nicholas Curtis will convert into one Forge Share giving Mr Nicholas Curtis an interest in at least 28,000,000 Forge Shares. Assuming that the Forge Capital Raising raises \$31,000,000 at \$1.10 per Forge Share, following conversion of the Performance Shares into Forge Shares, Mr Nicholas Curtis will have an interest in 28,000,000 Forge Shares representing approximately 36.22% of all Forge Shares with a value of \$30,800,000 (assuming a price of \$1.10 per Forge Share).

As noted above, Mr Nicholas Curtis also holds 1,333,334 Forge Options. The Forge Options expire on 31 July 2014 and have an exercise price of \$0.20 per Forge Share. Assuming that each of the Forge Options is exercised, Mr Nicholas Curtis will hold an additional 1,333,334 Forge Shares giving him a total interest in 29,333,334 Forge Shares representing approximately 37.94% of all Forge Shares with a value of \$32,266,667 (assuming a price of \$1.10 per Forge Share).

The actual percentage of Forge Shares in which Mr Nicholas Curtis will have an interest following conversion of the Performance Shares into Forge Shares and the exercise of Forge Options may vary and will depend on the actual number of Forge Shares on issue at the time of conversion.

Directors' recommendation

Associated Directors

As the Non-Executive Chairman of Forge and a Forge Shareholder with an interest in 4,000,000 Forge Shares, 1,333,334 options and 24,000,000 Performance Shares which are likely to convert into Forge Shares following completion of the Transaction, Mr Nicholas Curtis has an interest in the outcome of the Resolution and accordingly has abstained from making a recommendation to Shareholders in relation to whether to vote in favour of the Resolution.

Mr Jacob Klein is a Forge Shareholder with an interest in 200,000 Forge Shares and 66,667 options to acquire Forge Shares. Mr Klein's interest in Forge was acquired for \$40,000 in the initial public offering of Forge. Mr Klein has no involvement in the board or management of Forge. Mr Klein has an interest in the outcome of the Resolution and accordingly has abstained from making a recommendation to Shareholders in relation to whether to vote in favour of the Resolution.

Independent Directors

Each of the Independent Directors, being Mr Liam Forde, Mr David Davidson and Dr Zygmunt Switkowski, do not have an interest in the outcome of the Resolution.

Each of the Independent Directors considers that the advantages of the Transaction set out in section 3.5(a) outweigh the risks and disadvantages of the Transaction set out in section 3.5(b). Each Independent Director therefore considers that the Transaction is in the best interests of Lynas and its Shareholders, and recommends that Shareholders vote in favour of the Resolution in the absence of a superior proposal. The Independent Directors have also had regard to the Independent Expert's Report. The Independent Expert has confirmed that the Transaction is fair and reasonable to the Shareholders not associated with Forge and Mr Nicholas Curtis in the absence of a superior proposal.

The Independent Directors therefore unanimously recommend that Shareholders vote in favour of the Resolution in the absence of a superior proposal. Each Independent Director intends to vote each Share over which he has the power to control voting in favour of the Resolution.

Other information that is reasonably required by members to make a decision and that is known to Lynas or any of its Directors

All information reasonably required by Shareholders in order to decide whether or not to vote in favour of the Resolution which is known to Lynas or any of its directors is set out in this Explanatory Memorandum and the Independent Expert's Report.

7. KEY TERMS OF THE TRANSACTION DOCUMENTS

7.1 Master Agreement

The Master Agreement sets out the terms and conditions upon which the Transaction will be implemented.

Under the Master Agreement the parties agree to enter into the Transaction Documents which will provide:

- that Forge owns all tantalum, niobium, phosphate, Rare Earths and other minerals recovered by or for Forge from the Sublease Areas and the Co-Operation Area; and
- Lynas the right to purchase at prevailing international market prices all Rare Earths Carbonate and Rare Earths Oxide produced by Forge.

As consideration for the rights granted to Forge under the Transaction, Lynas is to receive:

- a cash payment of \$20.7 million on the Completion Date; and
- the Lynas Options (expiring 5 years from the date of the Subleases) to acquire up to 7,000,000 Forge Shares for the average issue price of Forge Shares under the Forge Capital Raising.

Lynas will also receive the following benefits under the Transaction:

- a royalty equal to 10% of the gross revenue received by any member of the Forge Group from the sale to third parties of Rare Earths recovered from the Sublease Areas during the preceding calendar month;
- a royalty equal to 1% of the gross revenue received by any member of the Forge Group from the sale of all minerals recovered from the Sublease Areas (other than Rare Earths and phosphates on which royalties are already paid under existing royalty agreements) during the preceding calendar month;
- the right to purchase (through Lynas Malaysia or another related body corporate of Lynas) Rare Earths produced from the Sublease Areas and the Lynas entity may elect to enter into rolling 5 year off-take arrangements with Forge; and

- a right of first refusal to take delivery of any Rare Earths from any other mineral deposits acquired by any member of the Forge Group, on commercial terms to be agreed between the parties.

However the obligation of the parties to enter into the Transaction Documents is subject to and conditional upon satisfaction or waiver of the following conditions precedent:

- the Independent Directors of Lynas receiving a report from an independent expert stating that, in its opinion, the Transaction is fair and reasonable to the shareholders of Lynas not associated with Forge and Mr Nicholas Curtis, such opinion not being withdrawn or modified;
- Lynas Shareholders passing an ordinary resolution approving the Transaction for the purpose of Chapter 2E of the Corporations Act, ASX Listing Rule 10.1 if required by ASX and all other purposes;
- Forge Shareholder passing an ordinary resolution approving the Forge Capital Raising and the issue of the Lynas Options for the purpose of ASX Listing Rule 7.1;
- Lynas obtaining approval of the Department to the grant of the Subleases; and
- Forge completing the Forge Capital Raising.

The Master Agreement also contains provisions governing the parties' conduct in relation to and control of the Mining Leases. In particular, the Master Agreement includes a right for each party to conduct exploration activities in the Co-Operation Area and provides for the parties to share certain data that is recovered following works conducted in the Co-Operation Area and the Sublease Areas.

7.2 Subleases

Each Sublease provides for the sublease by MWM to Forge of an area of the relevant Mining Lease. It is intended that the Subleases are entered into on completion of the Transaction and will continue until the day before the expiration of the term of the relevant Mining Lease, unless they are terminated earlier in accordance with their terms.

Under the Subleases, MWM will continue to be the registered owner of the relevant Mining Leases and Forge will have the right to conduct any exploration, mining, concentration, processing and related activities within the Sublease Areas. Forge will have exclusive possession of the Sublease Areas, save that MWM and Lynas will be permitted to conduct certain exploration activities in the Sublease Areas provided that such activities would not adversely affect Forge's activities in any material way.

Each Sublease contains provisions governing the obligations of Forge in respect of the Sublease Areas, which provisions include an obligation to co-operate with Lynas to ensure that any minimum expenditure obligations or any obligation to lodge any performance bond in respect of the relevant Mining Lease is satisfied. Forge is also required to assume Lynas' obligations under existing phosphate royalty agreements and to rehabilitate the Sublease Area upon termination of the Sublease.

MWM may suspend and terminate the Sublease in the event that Forge commits a material breach of a term of a Transaction Document which cannot be, or is not, remedied within 30 business days or if Forge suffers an insolvency event. The Sublease restricts the circumstances in which Forge can assign, transfer, encumber or otherwise dispose of its rights under the Sublease.

7.3 Royalty Deed

The Royalty Deed provides for the payment by Forge of a royalty to Lynas for each month in which any mineral, Rare Earths Carbonate or Rare Earths Oxide (**Products**) is produced and sold or otherwise disposed of that is extracted and recovered from a Sublease Area.

The amount to be paid by Forge to Lynas is to comprise:

- the non-Rare Earths royalty, being 1% of all gross proceeds received by Forge or any of its Related Bodies Corporate from the sale or other disposal of minerals produced from the Sublease Areas (other than Rare Earths and other than phosphates on which royalties are already paid under existing royalty agreements); and
- the Rare Earths royalty, being 10% of all gross proceeds received by Forge or any of its Related Bodies Corporate from the sale or other disposal to third parties of Products produced from the Sublease Areas.

The obligation to pay the royalty in relation to the Sublease Areas will continue for the full term of the relevant Mining Lease, unless the Royalty Deed is terminated in accordance with its terms.

The obligation to pay the non-Rare Earths royalty will continue until 20 years from the date of the first commercial sale to a third party of tantalum or niobium from the Sublease Areas.

The Royalty Deed also restricts the circumstances in which Forge may assign, transfer, encumber or otherwise dispose of its rights under the Royalty Deed.

7.4 Off-take Agreement

Under the Off-take Agreement, Lynas (or another related body corporate of Lynas) has the right to purchase Products from Forge for rolling periods of 5 years from the date that Forge notifies Lynas that it has commenced concentration, processing or related activities in respect of rare earths recovered from a Sublease Area, for as long as Forge continues such activities.

Under the Off-take Agreement, Forge is obliged to produce at least a rare earths carbonate containing greater than 42% rare earths oxide content. The parties may, however, agree that Forge can produce something other than a rare earths carbonate. Forge will own all tantalum, niobium, phosphate, rare earths and other minerals extracted by, or for, Forge from the relevant Sublease Area.

Forge and Lynas are to agree on the volumes of Products to be delivered by Forge and purchased by Lynas in each 5-year period, prior to the commencement of that period. The price for the Products will be based on international market prices for a similar intermediate product and will be payable by Lynas on the earlier of 10 business days after the date on which Lynas (or another related body of Lynas) receives payment for the Products from its end customer or within 10 business days of the expiry of the relevant 6-month period (each 6-month period ending on either 30 June or 31 December in each year) in which such Products were received by Lynas.

The Products will be delivered to Lynas at the Lynas Malaysia facility at Gebeng, Malaysia and will be required to conform with a specification to be agreed by the parties. In the event that the parties are unable to agree, the specification will be determined by Lynas within a defined scope.

Either party may terminate the Off-take Agreement if the other party commits a material breach of a term of a Transaction Document which cannot be, or is not, remedied within 30 business days or suffers an insolvency event. In addition, Lynas may terminate the Off-take Agreement if Forge takes any action which could reasonably be expected to result in a reduction of more than 50% or permanent cessation of production of minerals from any Mining Lease or fails to make a formal decision to commence commercial scale mining within 5 years from the date of execution of the Subleases and, in either case, such default is not remedied within 30 business days.

The Off-take Agreement restricts the circumstances in which Forge can assign, transfer, encumber or otherwise dispose of its rights under the Off-take Agreement.

COMPETENT PERSON'S STATEMENT

The information in this document that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Brendan Shand, who is a member of The Australasian Institute of Mining and Metallurgy.

Brendan Shand is an employee of Lynas Corporation Limited.

Brendan Shand has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brendan Shand consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

For personal use only

GLOSSARY

"**Admission Date**" means the date Forge was admitted to the Official List of ASX, being 23 September 2010.

"**Announcement Date Shareholders**" means shareholders of Lynas at 7.00pm (Sydney time) on the date of announcement of the Transaction on 16 March 2011.

"**ASX**" means ASX Limited or the Australian Securities Exchange, as the context requires.

"**CLD Deposit**" means the Rare Earths deposit located within the Lynas Exclusive Area commonly referred to as the CLD deposit, as further described in the Independent Expert's Report.

"**Commencement Date**" means 15 March 2011, being the date of execution of the Master Agreement.

"**Completion Date**" means the date that the Transaction completes in accordance with the Master Agreement.

"**Co-Operation Area**" means the areas of the Mining Leases in which both Lynas and Forge will be entitled to conduct exploration activities.

"**Corporations Act**" means *Corporations Act 2001 (Cth)*.

"**Crown Deposit**" means the tantalum and niobium deposit located within the Sublease Area commonly referred to as the Crown polymetallic deposit, as further described in the Independent Expert's Report.

"**Department**" means the Department of Mines and Resources or that Department of the State of Western Australia for the time being charged with administration of the Mining Act 1978 (WA).

"**Director**" means a director of Lynas.

"**Duncan Deposit**" means the Rare Earths deposit located within the Lynas Exclusive Area commonly referred to as the Duncan deposit, as further described in the Independent Expert's Report

"**Excluded Shareholder**" means Forge, Mr Nicholas Curtis and their respective associates.

"**Forge**" means Forge Resources Limited ACN 139 886 187 of Level 5, 56 Pitt Street, Sydney NSW 2000.

"**Forge Capital Raising**" means the capital raising to be conducted by Forge which raises not less than \$30 million.

"**Forge Group**" means Forge and its Related Bodies Corporate.

"**Forge Option**" means an option to acquire a Forge Share.

"**Forge Share**" means a fully paid ordinary share in the issued capital of Forge.

"**Forge Shareholder Meeting**" means the meeting of Forge Shareholders to be convened to consider the resolutions approving the Forge Capital Raising and the issue of the Lynas Options for the purpose of Listing Rule 7.1

"**Forge Shareholders**" means holders of Forge Shares who are entitled to vote at a general meeting of Forge.

"**Grant Samuel**" means Grant Samuel & Associates Pty Limited ABN 28 050 036 372.

"**IBC**" or "**Independent Board Committee**" means the independent board committee established by Lynas on 16 December 2010, comprising Mr Liam Forde and Mr David Davidson.

"**Independent Directors**" means Mr Liam Forde, Mr David Davidson and Dr Zygmunt Switkowski.

"**Independent Expert**" means Grant Samuel.

"**Independent Expert's Report**" means the report prepared by the Independent Expert opining on whether the Transaction is fair and reasonable to Shareholders, a copy of which is set out in Annexure A.

"**JORC**" means the Australasian Joint Ore Reserves Committee.

"**Listing Rules**" means the official listing rules of ASX.

"**Lynas Exclusive Area**" means the areas of the Mining Leases over which only Lynas may conduct exploration activities.

"**Lynas Options**" means the options to be granted by Forge to Lynas on the Completion Date giving Lynas the right to acquire up to 7,000,000 Forge Shares.

"**Master Agreement**" means the master agreement between Forge, Lynas, Lynas Malaysia and MWM dated 15 March 2011.

"**Meeting**" means the Extraordinary General Meeting of the shareholders of Lynas to be held on Wednesday, 18 May 2011 at 10.00 am (Sydney time) at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney NSW the notice for which is set out in Annexure C.

"**Milestone**" means criteria which must be satisfied in order for the Performance Shares to convert into Forge Shares, as described in section 6 of this Explanatory Memorandum.

"**Mining Leases**" means Western Australian Mining Leases 38/58, 38/59 and 38/327 held by Mt Weld Mining Pty Limited.

"**MWM**" means Mt Weld Mining Pty Limited ACN 053 160 400 of Level 7, 56 Pitt Street, Sydney NSW 2000.

"**Notice of Meeting**" means notice of extraordinary general meeting of the shareholders of Lynas, a copy of which is set out in Annexure C.

"**Off-Take Agreement**" means the off-take agreement to be entered into by Lynas and Forge, the terms of which are summarised in section 7.

"**Performance Share**" means each Performance Share granted by Forge to Mr Nicholas Curtis on the terms and conditions set out in section 11.3 of the Prospectus prepared by Forge dated 30 July 2010.

"**Product**" means any mineral, Rare Earths Carbonate or Rare Earths Oxide produced and sold or otherwise disposed of, that is extracted and recovered by Forge from Mining Lease No. 38/59.

"**Professional Investor**" has the meaning given in section 708(11) of the Corporations Act.

"**Protocols**" means the protocols adopted by the IBC and described in section 2 of this Explanatory Memorandum.

"**Proxy Form**" means the proxy form for the Meeting enclosed with this Explanatory Memorandum.

"**Rare Earths**" means the fourteen lanthanides plus yttrium and scandium.

"**Rare Earths Carbonate**" means mixed Rare Earths carbonate containing greater than 42% Rare Earths Oxide content.

"**Rare Earths Oxide**" means Rare Earths Oxides (TREO) – being the most common oxide forms of the lanthanide element (atomic numbers (51 to 71)) plus yttrium and scandium.

"**Record Date Shareholders**" means shareholders of Lynas who are entitled to vote at the Meeting.

"**Related Bodies Corporate**" has the meaning given in the Corporations Act.

"**Resolution**" means the resolution set out in the Notice of Meeting which is to be considered by Shareholders at the Meeting.

"**Shareholder**" means the holder of one or more ordinary issued shares in the capital of Lynas.

"**Share Registry**" means Registries Limited ACN 003 209 863.

"**Sophisticated Investor**" has the meaning given in section 708(8)(c) and 708(8)(d) of the Corporations Act.

"**Subleases**" means the subleases to be granted by Lynas to Forge under the Transaction in relation to the Sublease Areas.

"**Sublease Areas**" means the areas of the Mining Leases over which Forge will be granted exploration rights under the Subleases.

"**Sublease Deposits**" means the Crown Deposit and the Swan Deposit together.

"**Swan Deposit**" means the phosphate deposit located within the Sublease Area commonly referred to as the Swan deposit, as further described in the Independent Expert's Report.

"**Transaction**" means the proposed transaction between Lynas and Forge to be effected in accordance with the Master Agreement.

"**Transaction Documents**" means each of the Subleases, the Royalty Deed and the Off-take Agreement, the terms of which are summarised in section 7.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT

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28 March 2011

The Independent Directors
Lynas Corporation Limited
Level 7, 56 Pitt Street
Sydney NSW 2000

Dear Independent Directors

Forge Resources Limited Proposal

1 Introduction

On 16 March 2011, Lynas Corporation Limited (“Lynas”) announced that it had entered into an agreement with Forge Resources Limited (“Forge”) to allow Forge to extract rare metals, rare earths and phosphates from the Crown polymetallic deposit and the Swan phosphate deposit at Mt Weld (the “Proposal”).

Under the Proposal, Lynas will grant Forge a sublease over an area covering the Crown polymetallic deposit and the Swan phosphate deposit (the “sublease deposits”) in return for:

- \$20.7 million in cash;
- five year options to subscribe for up to 7 million ordinary shares in Forge at a price equal to the average issue price under the proposed capital raising by Forge (“Lynas Options”). Exercise of the Lynas Options would give Lynas an interest in Forge’s issued ordinary share capital of up to 8.3% (up to 6.2% on a fully diluted basis)¹. If any of the Lynas Options are exercised, Lynas will (subject to the ASX Listing Rules) also be offered the opportunity to subscribe for a percentage of the shares issued in each subsequent placement conducted by Forge during the next five years to enable Lynas to maintain its ownership interest in Forge;
- the right to purchase all rare earths produced from the sublease deposits at an agreed price based on international market prices appropriate for a similar intermediate product;
- to the extent that rare earths produced from the sublease deposits are sold by Forge to third parties (rather than Lynas), a 10% royalty on the rare earths sold; and
- a 1% royalty on all minerals (other than rare earths and other than phosphates on which royalties are already paid under existing royalty agreements) recovered from the sublease deposits and sold by Forge for a period of 20 years (in total, the “consideration”).

Forge will undertake a capital raising of not less than \$30 million to fund the cash payment to Lynas and the evaluation and development of the sublease deposits. Lynas shareholders in Australia and New Zealand on the date of announcement of the Proposal will be offered the opportunity to participate in the Forge capital raising by subscribing for shares with a value of between \$2,000 and \$5,000 up to an aggregate value of \$12.5 million. Completion of the capital raising is a condition precedent to the Proposal proceeding.

¹ Lynas’ interest in Forge has been calculated assuming a \$31 million capital raising at \$1.10 per share resulting in the issue of 28,181,820 ordinary shares and conversion of the 24 million performance share rights into ordinary shares. The fully diluted calculation includes options over unissued shares (including 7,818,183 options to be issued as part of the capital raising).

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The Executive Chairman of Lynas, Mr Nicholas Curtis, is also the Chairman and largest shareholder in Forge with a 15.8% interest in Forge's issued ordinary share capital (11.8% on a fully diluted basis²). As Mr Curtis is a director of both Lynas and Forge and is a substantial shareholder in Forge, Forge is being treated as a related party to Lynas. Therefore, the directors of Lynas not associated with Forge (the "independent directors") are seeking approval of the Proposal from shareholders of Lynas not associated with Forge or Mr Nicholas Curtis (the "non associated shareholders") in accordance with the requirements of Chapter 2E of the Corporations Act, 2001 ("Corporations Act").

Although there is no requirement in these circumstances for an independent expert's report, the independent directors have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report to assist the independent directors to determine whether or not to recommend the Proposal and to assist Lynas shareholders to determine whether or not to approve the Proposal. The independent expert's report will set out whether, in Grant Samuel's opinion, the Proposal is fair and reasonable to the non associated shareholders of Lynas. A copy of this report will accompany the Notice of Extraordinary General Meeting & Explanatory Memorandum ("Explanatory Memorandum") to be sent to Lynas shareholders. This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Summary of Opinion

In Grant Samuel's opinion, the Proposal is fair and reasonable to the non associated shareholders of Lynas in the absence of a superior proposal.

While the consideration under the Proposal has a relatively small value in the context of the market capitalisation of Lynas, it involves a company, Forge, whose Chairman and major shareholder, Mr Nicholas Curtis, is also Executive Chairman of Lynas and who stands to personally benefit considerably if the Proposal is approved. Because of this relationship, the Proposal must be carefully scrutinised.

The sublease deposits are early stage exploration deposits and it is not possible to attribute "value" to these kinds of assets with any confidence. There are substantial uncertainties and risks attached to the future development and production of these deposits and there is no information available to enable the preparation of a discounted cash flow analysis. Therefore, in determining whether the Proposal is "fair", Grant Samuel has considered alternative parameters such as the historical acquisition cost (of \$15.8-22.6 million for all of the Mt Weld tenements, only a portion of which cost would be attributable to the sublease deposits) and implied multiples of resource. These parameters are less rigorous and involve considerably more subjectivity than usual valuation methodologies. Different parties could easily have widely divergent views as to the "value" of these deposits depending on their own perceptions of the attributes of the sublease deposits and their appetite for risk.

The minimum value attributed to the consideration under the Proposal is in the range \$22.2-22.7 million based on the cash payment of \$20.7 million and the value attributed to the Lynas Options. For the purposes of its analysis, Grant Samuel has not attributed any value to the other elements of the consideration (the right to receive rare earths at market prices or the royalty payments) on the basis that there is insufficient information and their potential value is too uncertain to be meaningful to shareholders. Any value ultimately generated from these elements of the consideration has been treated as upside for Lynas.

The minimum value attributed to the consideration under the Proposal is above the historical acquisition cost (after taking into account the portion of the total historical acquisition cost for the Mt Weld mining tenements that might be attributable to the sublease deposits). While the multiples of resource for the Crown polymetallic deposit implied by the consideration under the Proposal (assuming a value for the Swan phosphate deposit of \$4 million) are at a significant discount to relevant comparable trading and transaction multiples, in Grant Samuel's opinion this

² Based on Forge's issued ordinary shares and options but excluding performance share rights as at 25 March 2011.



level of discount is justified. Accordingly, in Grant Samuel's opinion, the Proposal is "fair" and therefore "reasonable".

The only way to reliably determine the market value of the sublease deposits would be through an open sale process. Lynas did not pursue an open sale process, and in Grant Samuel's opinion, this is the only basis on which the Proposal might be challenged. Lynas management has argued that the proximity of the sublease deposits to its critical Mt Weld rare earths project means that an important consideration in any transaction would be that Lynas can deal with a known and trusted party with whom a good relationship can be maintained. This may be a valid argument initially but the strength of the argument over the longer term is questionable because both Forge and the relationship with Forge will undoubtedly change over time. However, there is the opportunity for any other interested party to put forward an alternative proposal prior to the shareholder meeting scheduled for 18 May 2011, in which case the non associated shareholders could vote against the Proposal.

Other important factors which Lynas shareholders should take into account include the following:

- the current strategy of Lynas is to focus on becoming a leading vertically integrated rare earths producer. Lynas does not intend to allocate the significant capital and management resources required to investigate the exploitation of the sublease deposits in the foreseeable future. There is no certainty that Forge will successfully develop the sublease deposits but Forge will take on this development and financial risk;
- the Proposal has been negotiated on an arm's length basis by the independent directors of Lynas. Grant Samuel believes that Lynas and Forge had an equal bargaining position in negotiating the Proposal;
- Lynas and Lynas shareholders will have the opportunity to participate in the value created from any successful development of the sublease deposits through exercise of the Lynas Options and through participation in capital raisings by Forge; and
- the Proposal has other benefits for Lynas:
 - a first right of refusal to purchase rare earths from any other deposits acquired by Forge globally, providing additional feedstock for the Lynas Advanced Materials Plant ("LAMP");
 - an additional \$20.7 million of cash, albeit a relatively small amount, to fund the exploration and development of its rare earths deposits; and
 - a number of protections. In particular, Lynas will retain ownership of all of the Mt Weld tenements and the Forge rights can be terminated by Lynas if Forge has not made a formal decision to commence a commercial scale mining operation within five years.

3 Key Conclusions

- **While the Proposal is relatively small in the context of Lynas' market capitalisation, the involvement of Mr Nicholas Curtis as Chairman of, and a shareholder in, both Lynas and Forge means that the Proposal must be carefully scrutinised**

Lynas has a market capitalisation of approximately \$3.1 billion. The Proposal involves a cash payment of \$20.7 million which is relatively immaterial in comparison. However, the relationship between Lynas and Forge means that the Proposal must be carefully scrutinised.

The Executive Chairman of Lynas, Mr Nicholas Curtis, is also the Chairman and largest shareholder in Forge with a 15.8% interest in Forge's issued ordinary share capital (11.8% on a fully diluted basis). Mr Jacob Klein, a Non-Executive Director of Lynas, has a 0.8% interest in Forge's issued



ordinary capital (0.6% on a fully diluted basis)³. Both directors therefore have an interest in the outcome of the Proposal.

In addition, Mr Curtis stands to personally benefit considerably if the Proposal is approved. Mr Curtis holds 24 million performance share rights over unissued ordinary shares in Forge that convert into an equivalent number of ordinary shares in Forge for no consideration if certain criteria are met. The Proposal and the Forge capital raising of at least \$30 million meet these criteria and therefore it is expected that the performance share rights will be exercised. Exercise of the performance share rights will result in Mr Curtis' shareholding in Forge increasing to 36.1% (26.1% on a fully diluted basis)⁴.

- **The minimum value of the consideration under the Proposal is in the range \$22.2-22.7 million**

Grant Samuel has valued the consideration under the Proposal to be at least in the range \$22.2-22.7 million:

| Value of the Consideration under the Proposal (\$ millions) | | |
|---|-------------|-------------|
| | Low | High |
| Cash | 20.7 | 20.7 |
| Lynas Options | 1.5 | 2.0 |
| Right to rare earths at market prices | - | - |
| Royalties | - | - |
| Minimum value of consideration | 22.2 | 22.7 |

Grant Samuel has attributed a value in the range \$1.5-2.0 million to the Lynas Options based on the Black-Scholes option pricing model. Application of the Black-Scholes option pricing model supports a value for the Lynas Options in the range \$3-4 million. However, the Black-Scholes option pricing model is very sensitive to the Forge share price and to volatility in the Forge share price and was arguably not designed to value options over unissued shares in speculative mining exploration companies with limited trading histories. Grant Samuel has discounted the value range supported by application of the Black-Scholes option pricing model by 50% to reflect this additional uncertainty.

Grant Samuel has not attributed any value to the other elements of the consideration (the right to rare earths at market prices and the royalty payments) for the purpose of valuing the consideration due to the lack of information to form such views (in particular forecasts of future production volumes and prices). The potential value of these elements of the consideration is too uncertain and an attempt to quantify these elements of the consideration is neither meaningful nor useful for shareholders. To the extent that these elements of the consideration eventually have value, they represent upside and make the Proposal more attractive for Lynas.

- **It is not possible to attribute “value” to the sublease deposits with any confidence**

As the sublease deposits are at an early stage of exploration, their value is uncertain. The sublease deposits are not capable of being “valued” by applying usual methodologies. While the sublease deposits do contain JORC Code compliant resources of rare metals and phosphate, they have no identified JORC Code reserves. More importantly, a processing route to extract the rare metals has not been identified and there are no estimates of future capital expenditure and operating costs. There are substantial uncertainties and risks attached to the future exploration, development and

³ Mr Klein's interest in Forge was acquired for \$40,000 in the initial public offering of Forge and he has no involvement in the board or management of Forge.

⁴ Mr Curtis' interest in Forge if the Proposal is implemented has been calculated assuming a \$31 million capital raising at \$1.10 per share resulting in the issue of 28,181,820 ordinary shares and conversion of the 24 million performance share rights into ordinary shares. The fully diluted calculation includes options over unissued shares (including the option to subscribe for up to 7 million Forge shares under the Lynas Options and 7,818,183 options to be issued as part of the capital raising).

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production of any rare metals and phosphates from the sublease deposits and there is no information available to enable the preparation of a discounted cash flow analysis.

Grant Samuel has therefore had to rely on less rigorous parameters that involve considerably more subjectivity and judgement. In particular:

- analysis of historical acquisition cost of the sublease deposits. This involves review of a number of previous transactions with information only available on the acquisition cost of all of the Mt Weld tenements including those containing the Mt Weld rare earths project. Only a proportion of this cost would be allocated to the sublease deposits and there is no reliable basis on which to make this allocation; and
- analysis of implied multiples of resource provide some guidance but these multiples are very deposit specific and depend on factors that differ considerably from deposit to deposit, making direct comparison very difficult. As a result, the implied multiples are at best a crude proxy for determining value and it would be misleading to place much reliance on them.

Different parties could easily have widely divergent views as to the “value” of these deposits depending on their own perceptions of the attributes of the sublease deposits and their appetite for risk.

- **Notwithstanding the uncertainty in attributing value to the sublease deposits, Grant Samuel has considered the available valuation benchmarks in determining whether the Proposal is “fair”**

Grant Samuel has considered the following alternative parameters:

- the historical acquisition cost of \$15.8-22.6 million for all of the Mt Weld tenements (the range reflects estimates implied by separate transactions at different times). \$15.8-22.6 million is an assessment of the total historical cost of the Mt Weld tenements and cannot be directly compared to the sublease deposits which represent only part of the Mt Weld mining tenements. The balance of the Mt Weld mining tenements includes Lynas’ Mt Weld rare earths project which is currently under development and is expected to commence production by the third quarter of 2011. The area which Lynas is now developing is likely to have represented the more prospective and therefore more valuable part of the Mt Weld tenements at the time they were acquired. On this basis, any appropriate share of the cost attributable to the sublease deposits would be significantly less than the total historical acquisition cost; and
- multiples of resource for the Crown polymetallic deposit implied by the value of the consideration of \$31-32 per tonne (assuming a value for the Swan phosphate deposit of \$4 million). These multiples of resource are considerably lower than the multiples implied by the trading prices of relevant comparable listed companies and relevant comparable transactions. The discount (based on medians) is in the range 82-85%. However, multiples of resource vary considerably depending on the resource grade, development stage and geographic location of the deposits. In Grant Samuel’s opinion, there are valid reasons to justify the substantial discount in the case of the Crown polymetallic deposit. The relevant comparable companies and comparable transactions all involve projects which are much further advanced than the Crown polymetallic deposit in that they are undertaking or have completed feasibility studies. In contrast, a viable process route has not been defined to extract the rare metals at the Crown polymetallic deposit and a pre-feasibility study has not been undertaken. The acquisition of Elk Creek Resources is arguably the most comparable transaction as it involved an asset at the early exploration stage where the only work undertaken has been the preparation of drill hole studies. This transaction took place at a multiple of \$33 per tonne of niobium equivalent resource which is not dissimilar to the implied multiples for the Crown polymetallic deposit.

Grant Samuel has also reviewed the valuation of the sublease deposits prepared by Behre Dolbear Australia Pty Limited (“BDA”) dated 24 October 2010 and its subsequent independent technical review dated 15 March 2011. In its October 2010 report, BDA valued the sublease deposits in the range \$8.9-20.7 million. This valuation was used by Lynas in negotiating the Proposal although



BDA was not involved in the negotiations. The subsequent independent technical review did not raise any concerns or issues that might impact on BDA's earlier valuation.

■ **The Proposal is fair and reasonable to the non associated shareholders of Lynas**

The minimum value attributed to the consideration under the Proposal is above the historical acquisition cost of the Mt Weld mining tenements that might be attributable to the sublease deposits. While the multiples of resource for the Crown polymetallic deposit implied by the consideration under the Proposal (assuming a value for the Swan phosphate deposit of \$4 million) are at a significant discount to relevant comparable trading and transaction multiples, in Grant Samuel's opinion this level of discount is justified for the reasons set out above. Accordingly, in Grant Samuel's opinion, the Proposal is "fair" and therefore "reasonable".

■ **The Proposal does not involve any material opportunity cost for Lynas**

If the Proposal is implemented and Forge makes a formal decision to commence a commercial scale mining operation within five years, Lynas will give up the opportunity to develop the rare metals and phosphates mineralisations within the sublease deposits. Grant Samuel understands that this development is not part of Lynas' current strategy.

Lynas' strategy is to become a leading vertically integrated rare earths producer. The Mt Weld rare earths project is expected to achieve first production in 2011 and at its full production rate will make Lynas the largest producer of rare earths outside China. Lynas is committing all of its financial resources and management focus to its Mt Weld rare earths project. Phase 1 capital costs for the concentration plant and the LAMP are budgeted to be \$535 million, of which approximately \$292 million had been spent as at 31 December 2010. Of Lynas' available cash of \$272 million at 31 December 2010, \$243 million is expected to be utilised completing Phase 1 by the third quarter of 2011.

Based on exploration drilling undertaken to date, the sublease deposits primarily contain rare metals and phosphates. The further exploration and development of the sublease deposits would take considerable time and would require significant capital and management resources. Lynas has estimated that it will take 3-4 years to complete a feasibility study and, if an economic extraction process can be developed, the development costs are likely to exceed US\$1 billion. Lynas does not intend to allocate the significant capital and management resources to the sublease deposits in the foreseeable future as that does not fit with Lynas' rare earths strategy.

The Proposal creates the opportunity for Lynas to potentially access additional rare earths as feedstock for its LAMP at market prices without the need for Lynas to take on any significant risk or provide any capital or other commitment.

Forge has no experience developing rare metals and phosphate deposits and (currently) has limited financial resources. It was only established in October 2009 and was listed on the ASX in September 2010. Its current portfolio consists of interests in five gold and base metals projects in New South Wales and as at 31 December 2010 it had cash of \$3.2 million. This is a risk of the Proposal. However, Mr Nicholas Curtis, the Chairman of Forge, has a track record of success in raising capital for and developing early stage exploration companies. There is no certainty that Forge will successfully develop the sublease deposits but Forge will take this development and financial risk.

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■ **The Proposal was negotiated on an arm's length basis**

Grant Samuel believes that Lynas and Forge had an equal bargaining position in negotiating the Proposal:

- Lynas established an independent Board committee to consider the Proposal consisting of Mr Liam Forde and Mr David Davidson⁵. Lynas' other directors, Mr Nicholas Curtis and Mr Jacob Klein did not participate in the negotiation of the Proposal as they were not considered to be independent. Mr Curtis is Chairman of Forge and its major shareholder and Mr Klein is a shareholder in Forge³;
- the cash component of the consideration under the Proposal of \$20.7 million is at the very top end of the BDA valuation range. This suggests a desire on the part of both parties to negotiate a "fair" deal. Arguably, a total consideration below the top of BDA's valuation range might have been regarded as a reasonable outcome of the negotiations;
- Lynas is in a sound financial position, with cash of \$272 million as at 31 December 2010. It has sufficient funds to meet the remaining capital costs to complete Phase 1 of its Mt Weld rare earths project (of approximately \$243 million) and has entered into a strategic alliance with Sojitz Corporation for assistance in obtaining a US\$250 million financing package to fund Phase 2 construction. Lynas does not need the cash payment from the Proposal to fund the development of its Mt Weld rare earths project; and
- no further transactions are contemplated between Lynas and Forge other than the potential exercise of the Lynas Options and the opportunity for Lynas and certain Lynas shareholders to participate in capital raisings by Forge but this participation will be on the same terms as those on which other investors participate.

■ **Lynas and Lynas shareholders will have the opportunity to participate in any value created by Forge**

Lynas and Lynas shareholders will have the opportunity to participate in any value created from the successful development of the sublease deposits through exercise of the Lynas Options and through participating in capital raisings by Forge:

- if any of the Lynas Options are exercised (giving Lynas an interest in Forge of up to 8.3%) Lynas will be given the opportunity to maintain this interest through participation in any subsequent capital raisings by Forge⁶;
- Lynas shareholders in Australia and New Zealand⁷ will be given the opportunity to participate in the capital raising by Forge; and
- sophisticated and institutional Lynas shareholders⁸ will be given the opportunity, where it is practical to do so, to participate in any subsequent placements conducted by Forge within the next three years.

Lynas will also have representation on the Forge board as long as Lynas holds an interest of 5% or more in Forge.

⁵ Dr Zygmunt Switkowski is also an independent director but was not a member of the independent Board committee.

⁶ Subject to the ASX Listing Rules.

⁷ On the date of announcement of the Proposal.

⁸ As at the record date for the Lynas shareholder meeting to vote on the Proposal.

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■ **There are other benefits for Lynas under the Proposal**

The Proposal has other benefits for Lynas:

- Lynas will have a first right of refusal to purchase rare earths from any other deposits acquired by Forge globally (based on commercial terms to be negotiated at the time of acquisition), which would provide additional feedstock for the LAMP;
- the Proposal provides additional cash which could be used by Lynas to fund development expenditure. Funding for Phase 2 construction of the Mt Weld rare earths project has not yet been committed, although \$20.7 million represents only a small proportion of the total funding required. The cash could also be used to fund the further exploration and development of the recently acquired Kangankunde rare earths deposit in Malawi, Africa; and
- the Proposal includes a number of protections for Lynas:
 - Lynas retains ownership of all of the Mt Weld tenements;
 - Lynas can terminate the rights granted to Forge if Forge has not made a formal decision to commence a commercial scale mining operation within five years;
 - Lynas may, on presentation of a pre-feasibility study, develop a stand-alone rare earths development within the sublease deposits provided that it does not (in Forge's reasonable opinion) impede existing Forge activities; and
 - Lynas will retain the rights to all non-mineral resources in the sublease deposits.

■ **The only basis on which the Proposal might be challenged is that an open sale process has not been pursued by Lynas**

Forge and Lynas have negotiated the Proposal on an exclusive basis and Lynas has not undertaken a sale process to determine the value of the sublease deposits in an open market. This means that there cannot be certainty that Lynas will receive maximum value for the sublease deposits. Lynas management has argued that the proximity of the sublease deposits to its critical Mt Weld rare earths project means that it needs to deal with known and trusted parties with whom a good relationship can be maintained. If the opportunity had gone to tender, price would have only been one of a number of considerations taken into account. While the expectation of a good relationship with Forge may be a valid argument initially, the strength of the argument over the longer term is questionable because both Forge and the relationship with Forge will undoubtedly change over time.

However, there is the opportunity for any other interested party to put forward an alternative proposal prior to the shareholder meeting to consider the Proposal scheduled for 18 May 2011. If an alternative proposal was put forward, the non associated shareholders of Lynas could vote against the Proposal. The Proposal does not contain any lock up provisions, does not give Forge the right to match any alternative proposal price and does not provide for payment of a break fee in the event that an alternative proposal is implemented. Forge has no shareholding in Lynas and Mr Nicholas Curtis has an interest of less than 1% in Lynas' issued shares so a proposal from a third party could succeed without the agreement of Forge or Mr Curtis (and in any event would probably not require shareholder approval).

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Lynas shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Memorandum issued by Lynas in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who

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are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Lynas or Forge. This is an investment decision independent of a decision on whether to vote for or against the Proposal upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

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**Financial Services Guide
and
Independent Expert's Report
in relation to the Proposal by
Forge Resources Limited**

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

28 March 2011

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Lynas Corporation Limited in relation to the proposal from Forge Resources Limited ("the Lynas Report"), Grant Samuel will receive a fixed fee of \$400,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 7.3 of the Lynas Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 October 2007. The following information in relation to the independence of Grant Samuel is stated in Section 7.3 of the Lynas Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationships with Lynas or Forge or any financial or other interest in Lynas or Forge that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel advises that no Grant Samuel group executive holds any shares in Lynas or Forge.

Grant Samuel commenced analysis for the purposes of this report in December 2010 prior to the announcement of the Proposal. Although the terms of the Proposal changed during this period, this work did not involve Grant Samuel participating in the setting the terms of, or any negotiations leading to, the Proposal.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$400,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Lynas Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.



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1 Terms of the Proposal

On 16 March 2011, Lynas Corporation Limited (“Lynas”) announced that it had entered into an agreement with Forge Resources Limited (“Forge”) to allow Forge to extract rare metals, rare earths and phosphates from the Crown polymetallic deposit and the Swan phosphate deposit at Mt Weld (the “Proposal”).

Forge is a mining exploration company with five base metal and gold projects in New South Wales. It listed on the Australian Securities Exchange (“ASX”) in September 2010 and had a market capitalisation of approximately \$23 million¹ as at 25 March 2011.

Under the Proposal, Lynas will grant Forge a sublease over an area covering the Crown polymetallic deposit and the Swan phosphate deposit (the “sublease deposits”) in return for:

- \$20.7 million in cash;
- five year options to subscribe for up to 7 million ordinary shares in Forge at a price equal to the average issue price under the proposed capital raising by Forge (“Lynas Options”). Exercise of the Lynas Options would give Lynas an interest in Forge’s issued ordinary share capital of up to 8.3% (up to 6.2% on a fully diluted basis)². If any of the Lynas Options are exercised, Lynas will (subject to the ASX Listing Rules) also be offered the opportunity to subscribe for a percentage of the shares issued in each subsequent placement conducted by Forge during the next five years to enable Lynas to maintain its ownership interest in Forge;
- the right to purchase all rare earths produced from the sublease deposits at an agreed price based on international market prices appropriate for a similar intermediate product;
- to the extent that rare earths produced from the sublease deposits are sold by Forge to third parties (rather than Lynas), a 10% royalty on the rare earths sold; and
- a 1% royalty on all minerals (other than rare earths and other than phosphates on which royalties are already paid under existing royalty agreements) recovered from the sublease deposits and sold by Forge for a period of 20 years (in total, the “consideration”).

Forge will undertake a capital raising of not less than \$30 million to fund the cash payment to Lynas and the evaluation and development of the sublease deposits. Lynas shareholders in Australia and New Zealand on the date of announcement of the Proposal will be offered the opportunity to participate in the Forge capital raising by subscribing for shares with a value of between \$2,000 and \$5,000 up to an aggregate value of \$12.5 million. Completion of the capital raising is a condition precedent to the Proposal proceeding.

Other terms of the proposed transaction include:

- Lynas can terminate the rights granted to Forge if Forge has not made a formal decision to commence a commercial scale mining operation within five years from the grant of the sublease;
- if Lynas presents a pre-feasibility study to Forge that demonstrates an economically viable stand alone rare earths deposit within the sublease deposits, Lynas will be entitled to develop that deposit provided that it does not (in Forge’s reasonable opinion) impede on Forge’s existing activities;
- Lynas will retain all rights to non-mineral resources in the sublease deposits, including rights to any water and thermal energy;

¹ Forge’s market capitalisation excludes 4.25 million ordinary shares held in escrow.

² Lynas’ interest in Forge has been calculated assuming a \$31 million capital raising at \$1.10 per share resulting in the issue of 28,181,820 ordinary shares and conversion of the 24 million performance share rights into ordinary shares. The fully diluted calculation includes options over unissued shares (including 7,818,183 options to be issued as part of the capital raising).



- a right of first refusal for Lynas to purchase rare earths from any other deposits acquired by Forge globally, based on commercial terms to be negotiated at the time of acquisition;
- Lynas will be entitled to nominate one representative for appointment to the board of Forge for so long as Lynas holds an interest of 5% or more in Forge; and
- Forge will, provided it is practical to do so, offer Lynas shareholders at the record date for the Lynas shareholder meeting to vote on the Proposal who are sophisticated or professional investors the opportunity to participate in any placement or other non pro-rata issue of shares for cash consideration conducted by Forge within the next three years³.

The Executive Chairman of Lynas, Mr Nicholas Curtis, is also the Chairman and largest shareholder in Forge with a 15.8% interest in Forge's issued ordinary share capital (11.8% on a fully diluted basis⁴). Mr Curtis also holds less than a 1% interest in Lynas' issued ordinary capital (2.7% on a fully diluted basis³).

The detailed terms of the proposal are set out in Section 3 of the Notice of Extraordinary General Meeting & Explanatory Memorandum ("Explanatory Memorandum").

The Proposal is subject to the following conditions:

- the directors of Lynas not associated with Forge (the "independent directors") receiving an opinion from an independent expert that the Proposal is fair and reasonable to Lynas shareholders not associated with Forge or Mr Nicholas Curtis (the "non associated shareholders") and the independent expert not withdrawing or amending its opinion;
- Lynas shareholder approval of the Proposal in accordance with the requirements of Chapter 2E of the Corporations Act, 2001 ("Corporations Act"), ASX Listing Rule 10.1 if required by the ASX and for all other purposes;
- Forge shareholder approval of the proposed capital raising and the issue of the Lynas Options for the purpose of ASX Listing Rule 7.1;
- Lynas obtaining approval of the Western Australia Department of Mines and Resources to grant the subleases; and
- Forge completing its capital raising.

Each of the conditions precedent (other than the opinion from an independent expert, which can only be waived by Lynas in writing) can be waived with the agreement of both parties in writing.

The independent directors intend to recommend that non associated shareholders of Lynas vote in favour of the Proposal subject to the independent expert concluding that the Proposal is fair and reasonable to the non associated shareholders of Lynas.

³ Lynas acknowledges that this term of the Proposal is not intended to limit the ability of Forge to make placements in connection with urgent capital raisings or to strategic investors, vendors, co-venturers and the like, where the circumstances or timetable make it impractical to offer shares to such Lynas shareholders.

⁴ Based on Forge's and Lynas' issued ordinary shares and options but excluding performance share rights as at 25 March 2011.

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2 Scope of the Report

2.1 Purpose of the Report

The Proposal is subject to the approval of the non associated shareholders of Lynas in accordance with Section 208(1) of the Corporations Act (“Section 208(1)”). Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless the giving of the benefit is approved by shareholders or it falls within specified exceptions. The Proposal involves the provision of financial benefits to Forge. Mr Nicholas Curtis is a director of both Lynas and Forge and is a substantial shareholder in Forge and on this basis Forge is being treated as a related party to Lynas. Therefore, Lynas is seeking the approval of non associated shareholders under Section 208(1) for the giving of those financial benefits. An independent expert’s report is not required for the purposes of Section 208(1).

The Proposal does not fall within ASX Listing Rule 10.1 which prohibits an entity from disposing of an asset worth more than 5% of its net assets to a related party without the approval of non associated shareholders as the Proposal amounts to a disposal of less than 5% of Lynas’ net assets.

Although there is no requirement in these circumstances for an independent expert’s report pursuant to the Corporations Act or the ASX Listing Rules, the independent directors have engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to prepare an independent expert’s report to assist the independent directors determine whether or not to recommend the Proposal and to assist Lynas shareholders to determine whether or not to approve the Proposal. The independent expert’s report will set out whether, in Grant Samuel’s opinion, the Proposal is fair and reasonable to the non associated shareholders of Lynas and state reasons for that opinion.

The sole purpose of this report is as an expression of Grant Samuel’s opinion as to whether the Proposal is fair and reasonable having regard to the interests of the non associated shareholders of Lynas. A copy of the report will accompany the Explanatory Memorandum to be sent to shareholders by Lynas.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Lynas shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Memorandum issued by Lynas in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

This report does not purport to consider the investment merits of Lynas or Forge. Whether to buy, hold or sell shares in Lynas or Forge is a separate investment decision upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

Neither the ASX nor the Australian Securities & Investments Commission (“ASIC”) provide specific guidance as to the analysis required in assessing whether a proposed transaction is fair and reasonable to non associated shareholders for the purposes of Section 208(1).

ASIC has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert’s reports under the Corporations Act. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by



selective capital reduction or buyback), it comments on the meaning of “fair and reasonable” and continues earlier regulatory guidelines that created a distinction between “fair” and “reasonable”. For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. This involves a judgement on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not.

In December 2010, ASIC published Consultation Paper 143 on Expert Reports and Independence of Experts: Updates to Regulatory Guide 111 and Regulatory Guide 112 (incorporating a revised draft Regulatory Guide 111 and Regulatory Guide 112) which does provide specific guidance as to the analysis required in assessing related party transactions. In particular, draft Regulatory Guide 111 paragraph 55 states that where an expert assesses whether a related party transaction is “fair and reasonable”, this test should not be applied as a composite test and there should be a separate assessment of whether the transaction is “fair” and “reasonable”, as in a control transaction. While the Proposal is not a control transaction and the recommendations set out in Consultation Paper 143 have not yet been incorporated into Regulatory Guide 111, Grant Samuel has adopted the guidelines set out in the consultation paper in assessing the Proposal.

ASIC draft Regulatory Guide 111 paragraph 56 states that a proposed related party transaction is “fair” if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity and that this comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. In valuing the financial benefit given and the consideration received by the entity, all material terms of the proposed transaction should be taken into account.

Reasonableness is said to involve an analysis of other factors that shareholders might consider prior to voting for a proposal. ASIC draft Regulatory Guide 111 paragraph 61 states that the factors considered might include:

- the financial situation and solvency of the entity (including benefits such as the provision of new capital to exploit business opportunities, a reduction in debt and interest payments or a needed injection of working capital if the consideration for the financial benefit is cash);
- opportunity costs;
- the alternative options available to the entity and the likelihood of those options occurring;
- the entity’s bargaining position;
- whether there is selective treatment of any shareholder, particularly the related party;
- the related party’s pre-existing voting power in the securities in the entity;
- any special value of the transaction to the purchaser such as particular technology or the potential to write off outstanding loans from the target; and
- the liquidity of the market in the entity’s securities.

Fairness is a more demanding criteria. A “fair” proposal will always be “reasonable” but a “reasonable” proposal will not necessarily be “fair”. A proposed related party transaction could be considered “reasonable” if there were valid reasons to accept or vote in favour notwithstanding that it was not “fair”.

As they contain early stage exploration deposits, the sublease deposits are not capable of being “valued” by applying usual methodologies such as discounted cash flow or earnings multiples analysis. Therefore, Grant Samuel has determined whether the Proposal is fair by considering alternative parameters such as an assessment of historical acquisition cost and implied multiples of resource and comparing these with the value of the consideration offered under the Proposal. The



Proposal will be fair if these alternative parameters indicate a “value” that is equal to or less than the value of the consideration under the Proposal. Grant Samuel has also reviewed the valuation of the sublease deposits prepared by Behre Dolbear Australia Pty Limited (“BDA”) (refer to Section 2.4 below for details). In considering whether the Proposal is reasonable, the factors that have been considered include:

- the terms of the Proposal and their impact on shareholders;
- the opportunity cost of approving the Proposal;
- Lynas’ bargaining position in negotiating the Proposal;
- whether further transactions are planned between Lynas and Forge;
- the likelihood of alternative transactions which could realise better value and the likely consequences if the Proposal did not proceed;
- any other advantages and benefits arising from the Proposal; and
- the costs, disadvantages and risks of the Proposal.

2.3 Sources of Information

The following information was utilised and relied upon or had regard to (as appropriate), without independent verification, in preparing this report:

Publicly Available Information

- Explanatory Memorandum (including earlier drafts);
- annual reports of Lynas for the five years ended 30 June 2010;
- half year financial report for Lynas for the six months ended 31 December 2010;
- quarterly activities reports for Lynas for the twelve months ended 31 December 2010;
- Forge Prospectus dated 30 July 2010;
- annual report of Forge for the period ended 30 June 2010;
- half year financial report for Forge for the six months ended 31 December 2010;
- quarterly activities report for Forge for the three months ended 31 December 2010;
- press releases, public announcements, media and analyst presentation material and other public filings by Lynas and Forge including information available on their websites;
- brokers’ reports and recent press articles on Lynas and Forge (where available) and the rare earths, rare metals and phosphate industries; and
- sharemarket data and related information on Australian and international listed companies engaged in the rare metals industry and on acquisitions of companies and businesses in this industry.

Non Public Information provided by Lynas

- management accounts for Lynas for the six months ended 31 December 2010;
- construction budgets for Mt Weld and the Malaysian operations dated September 2010;
- Independent Technical Review and Valuation of Mt Weld Rare Metals and Phosphate Resources prepared by BDA dated 24 October 2010; and
- other confidential documents, board papers, presentations and working papers.

***Non Public Information provided by Forge***

- management accounts for Forge for the six months ended 31 December 2010; and
- strategy presentation prepared by Forge management dated November 2010.

In preparing this report, representatives of Grant Samuel held discussions with, and obtained information from, senior management of Lynas and its advisers and senior management of Forge.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Lynas and its advisers. Grant Samuel has considered and relied upon this information. Lynas has represented in writing to Grant Samuel that to its knowledge the information provided by it was complete and not incorrect or misleading in any material aspect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposal is fair and reasonable having regard to the interests of the non associated shareholders of Lynas. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Lynas or Forge. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The sublease deposits are at the early exploration stage and there is limited financial or other information available in relation to these deposits. There are no development plans for the deposits and a processing method to extract the rare metals has not been identified. Without identification of an extraction process, capital and operating costs cannot be estimated and cash flow models cannot be developed. Consequently forward looking information of this nature was not provided by Lynas or Forge.

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BDA was appointed to provide specialist technical advice to Grant Samuel and to prepare a specialist's technical assessment report in relation to the sublease deposits. BDA's review included a review of the resource estimates, exploration potential, prior development studies including capital and operating cost estimates and process flowsheets (including their viability and comparison, as appropriate, to process flowsheets used by other producers) and Forge's potential development plans. The technical review prepared by BDA dated 15 March 2011 ("March 2011 BDA report") is attached (as Appendix 2) to, and forms part of, this report. Grant Samuel has relied on the March 2011 BDA report in forming its opinion. BDA had previously prepared a valuation of the sublease deposits dated 24 October 2010 ("October 2010 BDA report") and this report was used by BDA to assist in its preparation of the specialist's technical assessment report prepared for Grant Samuel. The October 2010 BDA report was used by Lynas in negotiating the Proposal although BDA was not involved in the negotiations. Grant Samuel has reviewed, but has not relied on, the October 2010 BDA report in forming its opinion.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Explanatory Memorandum sent by Lynas to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.



3 Profile of Lynas

3.1 Background

Lynas is involved in the exploration and development of rare earths minerals. Its primary assets are a number of tenements at Mt Weld in Western Australia, which were acquired over the period from 1999 to 2009:

- Lynas earned the right to acquire an initial 35% interest in the rare earths and tantalum projects at Mt Weld owned by Ashton Mining Limited (“Ashton”) in 1999 by agreeing to provide up to \$3.2 million to fund the completion of a feasibility study;
- in 2000, Lynas acquired the right to a 50% interest in the Mt Weld rare earths project under an agreement with Anaconda Nickel Limited (“Anaconda”) and Ashton. That agreement provided for the establishment of a new joint venture with Anaconda for development of the Mt Weld rare earths project. Lynas agreed to pay \$3.2 million for those rights. In addition, Anaconda acquired the company that owned three mining tenements at Mt Weld (ML38/58, ML38/59 and ML38/326). A dedicated phosphate tenement at Mt Weld known as ML38/327 was retained by CSBP Limited, a wholly owned subsidiary of Wesfarmers Limited (“Wesfarmers”);
- in 2002, Lynas acquired the company that owned three mining tenements at Mt Weld (ML38/58, ML38/59 and ML38/326) and the remaining interests in the rare earths and tantalum projects at Mt Weld for \$5 million; and
- in August 2009, Lynas consolidated its ownership of all mining tenements at Mt Weld by acquiring ML38/327 from Wesfarmers for \$4 million.

The Mt Weld tenements contain rare earths, rare metals and phosphate deposits. There are four major deposits within the Mt Weld tenements, the central lanthanide deposit (“CLD”), the Duncan deposit, the Crown polymetallic deposit and the Swan phosphate deposit:

- the CLD and the Duncan deposit contain the bulk of the rare earths oxides at Mt Weld. CLD is a zone of high grade rare earths oxides mineralisation and forms the basis for the Mt Weld rare earths project. Cerium, lanthanum and neodymium are the predominant rare earths within the CLD. The Duncan deposit is a lower grade zone of mineralisation with a higher proportion of heavy rare earths elements;
- the Crown polymetallic deposit contains the majority of rare metals identified at Mt Weld (principally niobium and tantalum). Other titanium and niobium deposits known as the Anchor, Eastern and Western deposits have been identified within ML 38/58. These deposits also contain other elements such as titanium, zirconium, uranium and rare earths in variable amounts; and
- the Swan phosphate deposit contains phosphates. The Crown polymetallic deposit’s rare metal concentrations partially overlay the Swan phosphate deposit.

Lynas also recently completed the acquisition of the Kangankunde rare earths deposit in Malawi, Africa for US\$4 million. The Kangankunde deposit has a Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”) inferred resource of 107,000 tonnes of rare earths oxides⁵. The concentrate represents another source of feed for the Lynas Advanced Materials Plant (“LAMP”) in Malaysia (refer to Section 3.3 for further details on the LAMP) and is expected to yield up to 5 ktpa⁶ of separated rare earths products.

Lynas’ strategy is to become a leading supplier of rare earths by establishing a fully integrated operation based on the Mt Weld deposit.

⁵ At an average grade of 4.2% based on a cut off grade of 3.5% rare earths oxide.

⁶ ktpa = thousand tonnes per annum

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3.2 Overview of Rare Earths Industry

Description

Rare earths are a group of 15 metallic elements known as the lanthanide series which includes lanthanum, neodymium, dysprosium, terbium, cerium, samarium, praseodymium and europium as well as yttrium⁷. While rare earths are available in relatively high concentrations in the earth's crust, economic and minable concentrations are less common than for most other ores.

The rare earths elements have unique structures that give them unusual physical and chemical properties:

- catalytic (i.e. change the rate of chemical reactions through oxygen storage and release);
- powerful magnetic properties;
- fluorescence and a high refractive index;
- high electrical conductivity; and
- efficient at storing hydrogen in alloy form.

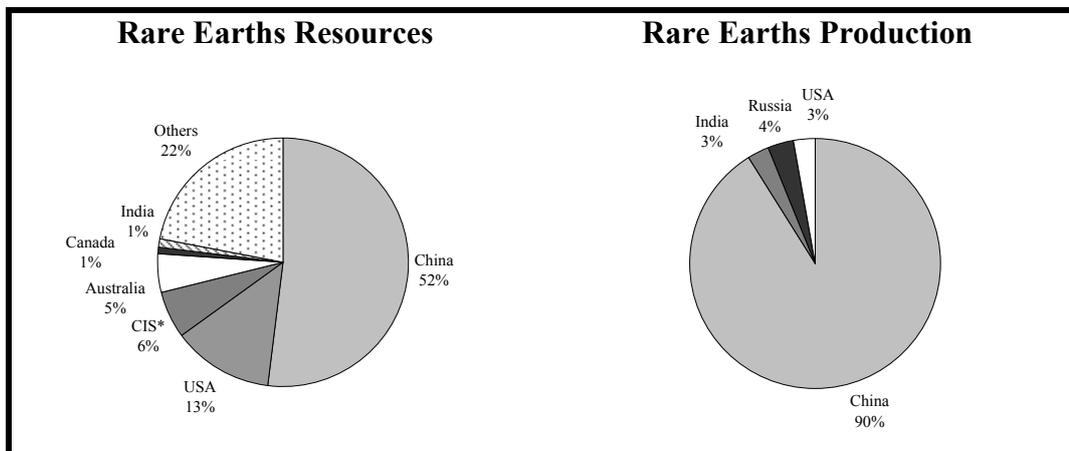
Applications

Rare earths elements are used in a wide range of industries and due to their unique physical and chemical properties, have significantly expanded the scope of their applications, particularly in modern technology. Common applications include:

- high tech industries such as the manufacture of lifestyle products (such as iPods and liquid crystal display panels);
- industrial applications such as petroleum refining and the glass and metallurgical industry; and
- green technologies such as super magnets, energy efficient lighting and rechargeable batteries.

Supply and Demand

Supply of rare earths is dominated by China which accounts for approximately 90% of global rare earths production:



Source: UBS (Sep 09), Asian Metals Ltd
*Commonwealth of Independent States

Source: Lynas research

⁷ Although yttrium is not strictly a rare earth element, it is generally included in rare earths because it is found in the same ore deposits as lanthanides and exhibits similar chemical properties.



About 50% of global supply comes from the Baotou mine in China which is operating at its capacity limit. China's large reserves of rare earths and its price advantage from subsidised capital, subsidised energy and reagents and low environmental compliance costs has resulted in most of the rare earths mining operations in other parts of the world being uneconomic. This has strengthened China's position as the leading supplier of rare earths.

China is also the largest consumer of rare earths. Demand for rare earths is expected to grow rapidly, primarily driven by growth in technologically advanced products. In 2010, global sales of rare earths oxides were approximately 136,000 tonnes. Global demand for rare earths is expected to increase by around 10% per annum over the medium term, increasing to around 205,000 tonnes by 2015. By this time it is expected that China's demand will exceed its own production:

| Global Demand for Rare Earths (tonnes) | | |
|--|---------|---------|
| | 2010 | 2015 |
| Chinese production | 100,000 | 100,000 |
| Chinese demand | 74,000 | 110,000 |
| Global (non Chinese) demand | 62,000 | 95,000 |

Source: Lynas

To protect its domestic interests, China has introduced rare earths mining quotas, export quotas and export tariffs. In July 2010, China reduced rare earths export quotas by 72%⁸ (compared to the prior year) and has imposed a reduction of 35% for the first half of 2011 (compared to the first half of 2010). China's dominance in the rare earths market is expected to result in a significant shortfall in supply in the short to medium term that will need to be satisfied by markets outside of China.

India, Russia and the United States are the only other countries currently actively mining rare earths elements. Projects that are expected to commence production over the next few years are Mountain Pass in the United States (owned by MolyCorp Minerals, LLC.) and Mt Weld in Australia (owned by Lynas). There are also a number of rare earths projects in advanced stages of exploration/studies, primarily in Australia and Canada.

Market Outlook

The general outlook for companies producing rare earths is positive due to:

- increasing fundamental demand and a lack of practical substitutes; and
- Chinese export policies. Exports of rare earths are tightly controlled by the Chinese government and regulations and quota restrictions have been established over the last few years. Given increasing Chinese domestic consumption of rare earths metals, consumers will be forced to look elsewhere for supply.

Rare earths are currently traded between buyers and sellers primarily under short term off-take contracts. With global demand growing, the imbalance between supply and demand has increased pricing volatility and affected industry confidence. Major rare earths users such as Mitsubishi, Toyota, Phillips, Panasonic, Sony and Samsung are keen to establish secure, long term supply of rare earths materials from outside of China. Currently, light rare earths oxides are priced in the range US\$90-150 per kilogram and heavy rare earths oxides are priced in the range US\$400-800 per kilogram. Prices are likely to be maintained and could potentially rise further given that new significant resources to supply the rest of the world in the short term are limited.

⁸ Source: UBS, "Australian Resources Weekly", 26 November 2010.

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3.3 Mt Weld Rare Earths Project

The Mt Weld rare earths project is an integrated development with open cut mining and concentration at Mt Weld in Australia and final processing at the LAMP in Malaysia to produce up to 22 ktpa of rare earths oxides. A feasibility study for the project was completed in 2005 with the CLD forming the basis of the open cut mine plan.

The JORC Code compliant resources for the Mt Weld rare earths project as at 31 December 2010 are set out below:

| Mt Weld Rare Earths Project – Resources⁹ as at 31 December 2010 | | | | |
|---|-------------------------------|--|--|---------------------------------------|
| | Tonnes (thousands) | Rare Earths Oxides¹⁰ (%) | Total Lanthanide Oxides (%) | Yttrium (ppm¹¹) |
| CLD | | | | |
| Measured | 3,550 | 14.4 | 14.3 | 820 |
| Indicated | 1,440 | 8.2 | 8.1 | 960 |
| Inferred | 4,884 | 8.6 | 8.5 | 1,120 |
| Total resources | 9,880 | 10.7 | 10.6 | 990 |
| Duncan deposit | | | | |
| Measured | 3,650 | 5.5 | 5.2 | 2,700 |
| Indicated | 3,560 | 4.1 | 3.9 | 2,460 |
| Inferred | 410 | 4.3 | 4.1 | 2,360 |
| Total resources | 7,620 | 4.8 | 4.5 | 2,570 |
| Total rare earths resources | 17,490 | 8.1 | 7.9 | 1,680 |

Source: Lynas

The company is planning to undertake further resource drilling in 2011 within the CLD which is expected to result in an expansion of the mine plan and pit design. The resource estimate for the Duncan deposit was increased significantly in September 2010 following further drilling and this deposit is also expected to be developed as an open cut mine. Lynas is currently undertaking a pre-feasibility study to determine the optimal process flow sheet to recover the rare earths from this deposit.

Mine development at Mt Weld commenced in 2007 and the first mining campaign was completed in 2008 with approximately 773 kt¹² of rare earths material stockpiled on site. The open cut mine is expected to provide feed for the LAMP for approximately 20 years based on expected production rates. The concentration plant is expected to be commissioned and commence operations in early 2011. Construction of the LAMP is underway and is expected to be completed in 2011 with the first concentrate fed into the plant in the third quarter of 2011. Lynas has received all required approvals to construct both plants.

Production is planned to be ramped up over two phases. Phase 1 production is planned to reach 11 ktpa of rare earths oxides by the third quarter 2011 and full production levels of 22 ktpa under Phase 2 are expected to be reached by the end of 2012.

Lynas has customer off-take arrangements in place covering 70% of production from the project. It has signed six supply contracts including one with Rhodia Group and has two letters of intent with undisclosed customers.

⁹ Resources are based on a cut-off grade of 2.5%.

¹⁰ Rare earth oxides include the total lanthanide oxides (the lanthanide series) and yttrium.

¹¹ ppm = parts per million

¹² kt = thousand tonnes

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Phase 1 capital costs for the concentration plant and the LAMP are budgeted to be \$535 million, including a \$20 million contingency. As at 31 December 2010, approximately \$292 million of the capital budget had been spent, leaving \$243 million of future expenditure, including a \$20 million contingency. The company expects Phase 1 to be completed within budget.

Lynas initially funded the Mt Weld rare earths project through bank borrowings, a United States bond issue and equity capital raisings. However, financing issues resulted in Lynas suspending development of the project in 2009 while it sought alternative funding. After a funding proposal from China Non-Ferrous Metals Corporation fell through in 2009 due to conditions imposed by the Foreign Investment Review Board, Lynas undertook an underwritten \$450 million equity raising to fund Phase 1 of the Mt Weld rare earths project and development of the project resumed in 2010. In November 2010, Lynas entered into a strategic alliance with Sojitz Corporation under which Lynas agreed to provide a 10 year supply of rare earths to Japan in return for assistance in obtaining a US\$250 million financing package to fund Phase 2 construction.

The Mt Weld rare earths project is now at a stage where first production of rare earths is expected to commence in the third quarter of 2011. The development of the Mt Weld rare earths project would make Lynas the leading producer of rare earths outside of China.

3.4 Financial Performance and Position

Lynas has generally incurred annual losses since listing in 1986 reflecting its nature as an exploration company and its development of the Mt Weld rare earths project. It does not generate any operating earnings. In the year ended 30 June 2010, Lynas incurred a net loss of \$43 million, mainly representing exploration and development costs and general administration expenses.

The financial position of Lynas as at 30 June 2010 and 31 December 2010 is summarised below:

| Lynas - Financial Position (\$ millions) | | |
|--|--|--|
| | As at 30 June 2010 actual | As at 31 December 2010 actual |
| Debtors and prepayments | 1.9 | 7.2 |
| Inventories | 23.9 | 26.2 |
| Creditors, accruals and provisions | (18.0) | (15.7) |
| Net working capital | 7.8 | 17.7 |
| Property, plant and equipment (net) | 178.6 | 245.4 |
| Deferred exploration, evaluation and development costs (net) | 23.3 | 24.7 |
| Intangible assets (net) | 0.3 | 0.3 |
| Provisions | (3.5) | (6.8) |
| Other assets | 7.4 | 7.5 |
| Investments | - | 5.4 |
| Total funds employed | 213.9 | 294.2 |
| Cash and deposits | 405.2 | 271.6 |
| Bank loans, other loans and finance leases | - | - |
| Net cash | 405.2 | 271.6 |
| Net assets | 619.1 | 565.8 |

Source: Lynas and Grant Samuel analysis

Lynas' net cash position reflects the \$450 million equity raising completed in November 2009 to fund completion of Phase 1 of the Mt Weld rare earths project. Inventories relate to stockpiled ore at the open cut mine at Mt Weld and chemicals purchased for use in the concentration plant while property, plant and equipment mainly consists of capitalised project costs (for the LAMP and concentration plant). Investments represent an 8.0% interest in Northern Minerals Limited ("Northern Minerals") acquired by Lynas in August 2010. Northern Minerals is a rare earths

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exploration company and owns the Browns Range Rare Earths project, a heavy rare earths exploration project also located in Western Australia.

3.5 Capital Structure and Ownership

As at 25 March 2011, Lynas had the following securities on issue:

- 1,663,749,093 ordinary shares;
- 82,400,000 options over unissued ordinary shares; and
- 1,908,618 performance share rights over unissued ordinary shares.

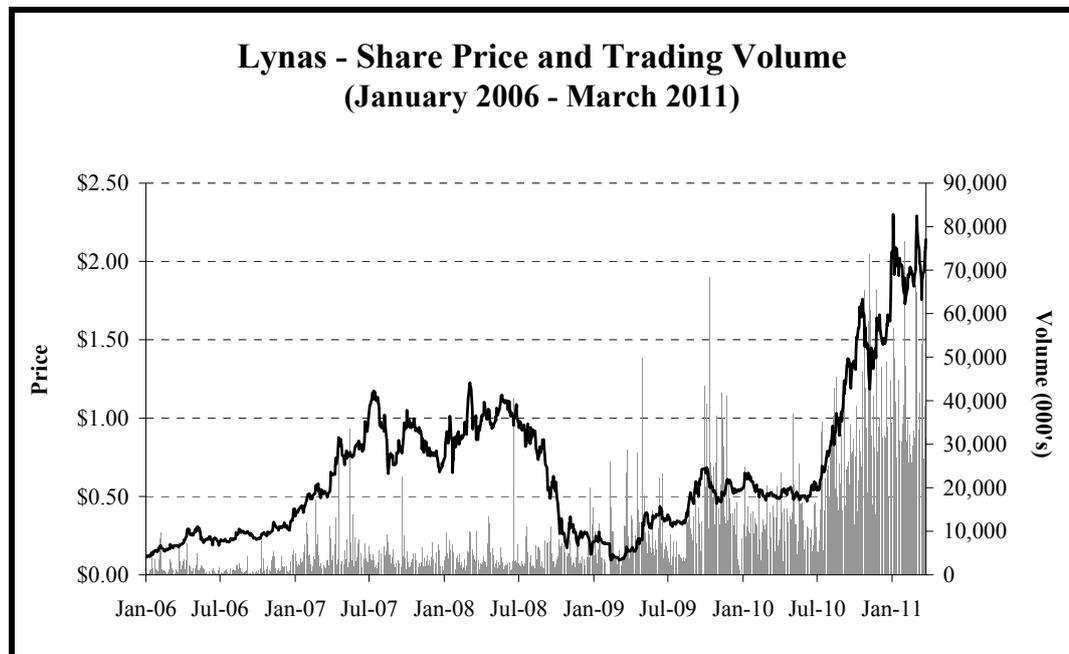
Each option is exercisable into one ordinary share and has no dividend entitlement or voting right. Options are issued for a term of five years and are exercisable from the third anniversary of the date of grant. The expiry dates of the options range from 30 June 2011 to 1 October 2015. The options lapse on the expiry date and, at the discretion of the directors, on termination of employment. The options have exercise prices that range from \$0.11 to \$1.60.

The performance share rights are exercisable for no further consideration and expire on 19 August 2015.

The top ten registered shareholders in Lynas account for approximately 69% of the issued ordinary shares and are principally institutional nominee or custodian companies. Mr Nicholas Curtis holds 16,045,758 ordinary shares and 31 million options, giving him an interest of less than 1% in Lynas' issued ordinary shares (2.7% on a fully diluted basis).

3.6 Share Price Performance

The following graph illustrates the movement in the Lynas share price and trading volumes since 1 January 2006:



Source: IRESS

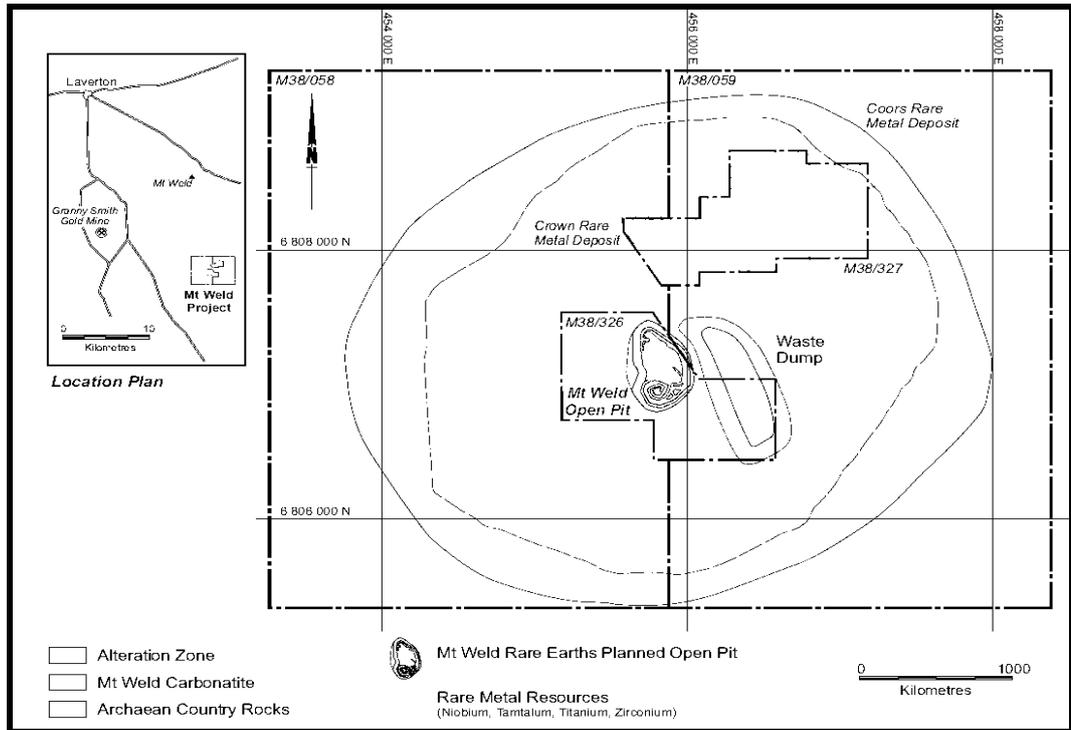
The Lynas share price has shown high levels of volatility over the last five years. The significant increase in the share price since mid 2010 is likely to be in part attributable to the continued progress of the Mt Weld rare earths project (following suspension of the project in 2009) as well as the increase in rare earths oxides prices over this period (following China's reduction in export quotas in July 2010).



4 The Crown Polymetallic Deposit and the Swan Phosphate Deposit

4.1 Overview

The Crown polymetallic deposit and the Swan phosphate deposit are located within Lynas' Mt Weld tenements:



Source: Lynas

A detailed description of the Crown polymetallic deposit and the Swan phosphate deposit is set out in the report by BDA included as Appendix 2 to this report.

4.2 Overview of the Rare Metals and Phosphates Industries

4.2.1 Rare Metals

Niobium

Description

The primary mineral from which niobium is obtained is pyrochlore. Niobium possesses a unique combination of properties including heat resistance, high thermal conductivity, elasticity, corrosion resistance and the ability to form a stable and adhesive layer of oxide.

Applications

Niobium is predominantly used to make stainless steel and as an alloy for the production of a high strength low alloy, ferro-niobium, which is used in the production of "super steel". Super steel is characterised by its strength, endurance and high temperature resistance to corrosion and cracking. These steels are used in large diameter pipelines for oil and natural gas and in the frames and wheels of cars and trucks. Niobium containing micro-alloyed steels are used in automobiles, bridges, buildings, oil and gas pipelines and other applications where a high strength to weight ratio is an important engineering consideration. Niobium is also used in cobalt, iron and nickel based superalloys for jet engine components, rocket subassemblies and combustion equipment where strength at high temperature is critical.



Supply and Demand

Brazil produces approximately 90% of the world’s annual demand for niobium, with the majority of the output being in the form of ferro-niobium. The major global producers of niobium are set out in the table below:

| Major Niobium Producers | | | |
|--|---------------------|------------------------------|---------------------|
| Mine | Araxá | Catalão | Niobec |
| Location | Brazil | Brazil | Canada |
| Ownership | CBMM ¹³ | Anglo American ¹⁴ | IAMGOLD Corporation |
| Reserves | >500 million tonnes | >16 million tonnes | 20 million tonnes |
| Grade (% Nb₂O₅) | 2.50% | 1.20% | 0.65% |
| Mining | Open pit | Open pit | Underground |
| Production | 90 ktpa | 6.7 ktpa | 6.8 ktpa |
| Mine Life | >400 years | >20 years | ~18 years |
| Expansion | 150 ktpa by 2013 | No expansion plans | 8.5 ktpa by 2011 |

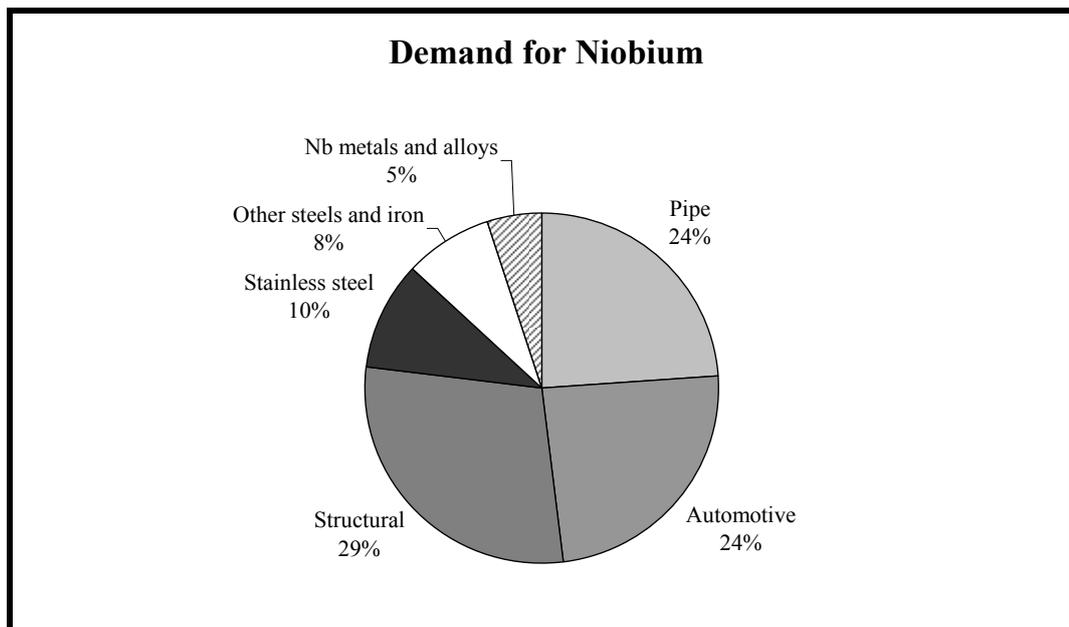
Source: Forge Resources

Note: Anglo American is in the process of divesting Catalão as part of a recent restructure to sell all non-core assets

Possible new sources of pyrochlore include Kanyika in Malawi, Africa and Sanguenay in Canada, while potential new sources of niobium from columbite-tantalite ores include Ghurayyah in Saudi Arabia, Blue River in Canada, Abu Dabbab in Egypt and Mt Weld in Australia.

Production of high strength low alloy steel currently accounts for about 90% of overall niobium usage and has been responsible for most of the increase in overall niobium consumption¹⁵. While high strength low alloy steels form only a small part of the overall steel sector (currently about 10% of total steel output) it is likely to grow significantly.

Demand for niobium is primarily from the automotive industry where it is used in the manufacture of pipes:



Source: Forge Resources

¹³ Companhia Brasileira de Metalurgia e Mineração

¹⁴ Anglo American Brasil Mineração Catalão

¹⁵ Source: Globe Metals & Mining, “Niobium Market Update”, 28 April 2009

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Demand for natural gas pipeline is strong and likely to be sustained. The long term prospects for niobium in the automobile industry are also strong given the general trend towards greater use of high strength low alloy steel.

Market Outlook

Global consumption of ferro-niobium is over 200 million pounds per year and growing at 5-7% per year. Europe and North America import the majority of niobium, with the balance accounted for by China, Japan and other countries. China is the fastest growing market, representing approximately 35% of all ferro-niobium consumption and more than 50% of consumption growth¹⁶. The growth in consumption of niobium has resulted from both the overall growth in total steel consumption and a shift from mild steels to higher quality steels, which often contain niobium. This trend is forecast to continue.

The majority of niobium ores are contracted at pre-agreed pricing between buyers and suppliers via off-take contracts. Without a large, transparent and traded spot market, trends in pricing can only be gauged from anecdotal evidence. While niobium prices have been very stable historically, they began to climb sharply in 2007. From 1990-2006 the Brazilian ferro-niobium export price was around US\$13 per kilogram. By May 2008, prices had risen to around US\$40 per kilogram. In November 2008 a benchmark contract price of US\$43-46 per kilogram was reported. The general market view appears to suggest that pricing will remain at around US\$40 per kilogram¹⁷.

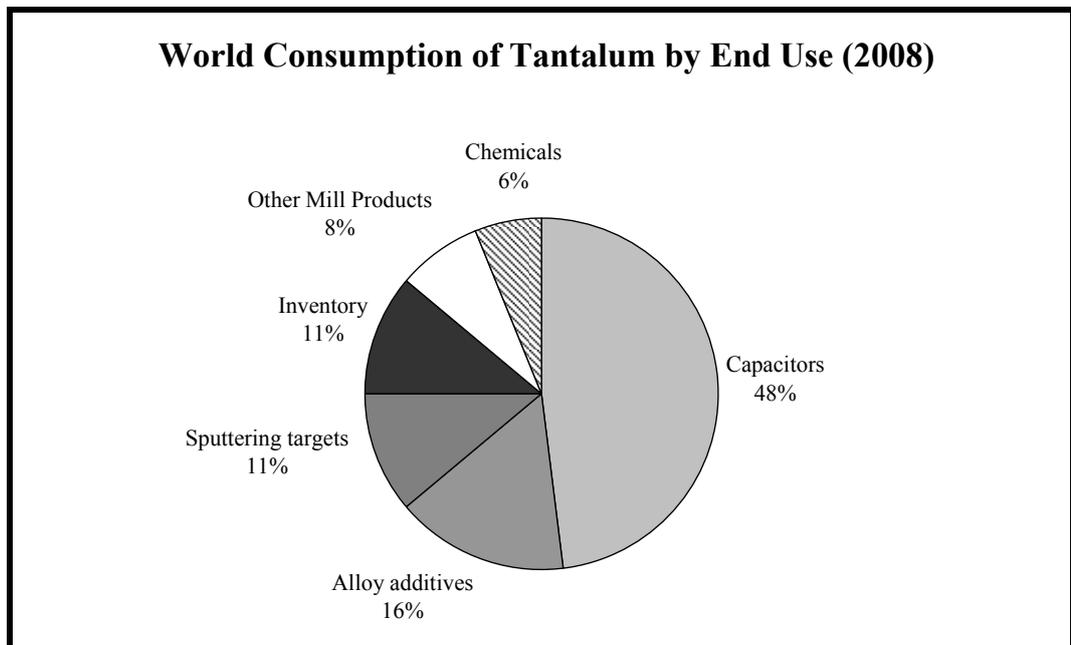
Tantalum

Description

Tantalum is a rare metal that is extraordinarily resistant to heat (with a melting point of 3,017°C), corrosion and wear.

Applications

As a result of its properties, tantalum widely used in almost all electronic devices and the electronics industry accounted for approximately 60% of total tantalum consumption in 2008:



Source: Rittenhouse International Resources

¹⁶ Source: TASEKO MINING website (http://www.tasekomines.com/tko/Aley.asp?ReportID=271722&_Title=About-Niobium) and Globe Metals and Mining website (<http://www.globemetalsandmining.com.au/>)

¹⁷ Source: Roskill "The Economics of Niobium, 11th edition 2009"

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Capacitors account for approximately 50% of overall demand for tantalum. The next largest market for tantalum is for use as an alloy additive. Super alloys containing tantalum, ferro-niobium and nickel-niobium are mainly used in the manufacture of aircraft jet engine blades and land-based gas turbines for electricity generation, where tantalum content can be up to 10% by weight. Tantalum is also used to make super alloys for space vehicles, nuclear reactors, power plants and cutting tools.

Supply and Demand

Global tantalum supply comes from primary mining sources (approximately 70%) as well as secondary sources such as recycled scrap material (approximately 20%), inventory stockpiles and tin slags. Roskill estimated global supply of tantalum in 2008 at approximately 2,430 tonnes with a fall to 1,650 tonnes in 2009. The reduction was mainly a result of the suspension of mining activities by Australia's Talison Minerals Limited ("Talison") at the end of 2008.

Historically, the largest primary producing region for tantalum was Australia with Africa, Asia, Brazil and Canada supplying the balance of material. Talison's Wodgina mine in Western Australia was the world's largest tantalum operation, supplying approximately 30% of the world's tantalum demand prior to being placed in care and maintenance during the global financial crisis in 2008.

In 2009, approximately 50% of primary tantalum production came from Africa, mainly the Democratic Republic of Congo. If initiatives by industry and government to control or halt "conflict tantalum" supply are successfully implemented, this could have a major impact on the global tantalum market. However, it is likely this impact will be mitigated by the reopening of the Wodgina and Greenbushes tantalum operations in Western Australia which was announced on 17 January 2011.

The largest economic reserves in production are located in Brazil. Abu Dabbab in Egypt, Commerce Resources in British Columbia and Ghurayyah in Saudi Arabia all contain tantalum resources but there are no clear timelines for these deposits to be brought into production and all would require significant capital expenditure. Many known tantalum deposits are owned by junior developers but the experience and ability to develop an economic tantalum mining operation is limited.

Market Outlook

Demand for tantalum is expected to continue to grow, primarily driven by continuing growth in the electronics industry. It is uncertain whether future supply will be sufficient to meet demand:

- there is growing pressure to control or halt the supply of "conflict tantalum" from Central Africa, specifically from the Democratic Republic of Congo;
- many of the greenfield projects are not new discoveries and have been known to the market for several years. Most appear unlikely to be commercialised in the medium term due to operational issues, position on the cost curve or funding constraints;
- supplies of scrap appear to be declining as it becomes harder to recover small quantities of tantalum from electronic devices due to continued miniaturisation; and
- the three major sources of stockpiled material – tin slag, United States government stockpiles and the industry supply chain – are either exhausted or at low levels.

Most of the world's tantalum is sold via long term off-take agreements between the miner and the tantalum refiner/metal producer. In late 2008 when Talison suspended production, the spot price of tantalum was around US\$45 per pound. The spot price for tantalum is currently almost US\$100 per pound. If a substantial supply/demand imbalance was to occur, tantalum prices would be likely to continue to rise over the short to medium term (some forecasters have suggested prices could increase to US\$120 per pound in the short term).

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4.2.2 Phosphates

Phosphorous is usually formed in phosphate rock. Phosphate rock is not rare, however it is a non-renewable resource that takes 10-15 millions years to form from seabed to uplift and weathering, and current known reserves are likely to be depleted in the next 50 to 100 years¹⁸.

Phosphates are produced in over forty countries with China, the United States and Morocco the largest producing nations accounting for approximately 68% of global production¹⁹. Active mining also occurs in Russia, Tunisia, Jordan, Brazil, Israel, South Africa, Syria, Togo and Senegal.

Currently about 90% of world phosphate rock production is used by the fertiliser industry to manufacture phosphate fertilisers, with the remainder being used to manufacture animal feeds, detergents and chemicals²⁰.

Demand for phosphate is increasing globally due to an increasing per capita and overall demand for food in developing countries, from increasing population and higher income levels. While total arable land is expected to continue rising, arable land per capita will continue to fall, necessitating increased productivity per unit of land.

4.3 Crown Polymetallic Deposit

Resource

In October 2004, Lynas announced a JORC Code compliant indicated and inferred resource of 37.7 million tonnes for the Crown polymetallic deposit:

| Crown Polymetallic Deposit – Niobium and Tantalum Resource²¹ | | | | | | |
|--|-----------------------|-------------------------------|------------------------------|---------------------|---------------------------|-----------------------------|
| Category | Million tonnes | Tantalum pentoxide ppm | Niobium pentoxide ppm | Zirconia ppm | Titanium Dioxide % | Rare Earths Oxides % |
| Measured | - | - | - | - | - | - |
| Indicated | 1.5 | 370 | 14,000 | 3,200 | 5.8 | 1.7 |
| Inferred | 36.2 | 240 | 10,600 | 3,000 | 3.9 | 1.1 |
| Total | 37.7 | 240 | 10,700 | 3,000 | 4.0 | 1.2 |

Source: Lynas

Lynas has not undertaken any work since 2004 to categorise further JORC Code resources for rare metals at Mt Weld. Lynas management has stated that, given its focus on developing the Mt Weld rare earths project, further work on rare metals is not a priority.

Potential Development

There are a number of uncertainties with respect to the potential to develop a viable niobium/tantalum mining and processing operation at Mt Weld.

A significant testwork programme has been carried out by the Guangzhou Research Institute for Non-Ferrous Metals to review various potential flowsheet options. The niobium and tantalum occur in unusual minerals and to date metallurgical work has not defined a practical flowsheet for the treatment of the Mt Weld niobium/tantalum mineralisation.

¹⁸ Source: Northern Minerals website.

¹⁹ Source: Phosphate Resources Limited website.

²⁰ Source: Primary Industries and Resources, South Australia.

²¹ Cut off based on “positive net value blocks” with costs and metal values provided by Lynas.

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Further testwork, engineering studies and feasibility studies would be required to establish whether development is commercially viable. Any feasibility study would require significant capital investment and take approximately 3-4 years to complete. Should an economic process be developed, development costs of a processing facility would be likely to exceed US\$1 billion, requiring the introduction of a partner to assist in the development of the project.

4.4 Swan Phosphate Deposit

Resource

Early 1984 resource estimates (pre-JORC Code) suggested a total potential phosphate resource of 250±37 million tonnes²². Approximately 60 million tonnes of this resource was allocated to the Swan phosphate deposit which occurs partly below the Crown polymetallic deposit.

In 1990, after adoption of the JORC Code by the ASX, the resource estimate was reviewed and qualified in accordance with JORC Code recommendations. The Swan phosphate deposit was categorised as an indicated resource of 60 million tonnes²³ within a total indicated and inferred resource of 250 million tonnes²⁴.

The total phosphate resource was re-estimated by Hellman & Schofield (“H&S”) in 2011. H&S estimated a total resource of 213 million tonnes²⁵ and reported additional potential mineralisation of between 15 and 30 million tonnes at similar grades (although the latter do not constitute resource estimates and there is no guarantee that they will be upgraded to resources with further drilling). The H&S resource estimate for the Crown polymetallic sectors covering the Swan phosphate deposit of approximately 77 million tonnes²⁶ accords reasonably well with the 1984 and 1990 estimates for the Swan phosphate deposit. Lynas has updated the 1990 phosphate resource based on these figures.

While there is significant potential to identify further areas of high grade phosphate concentrations within the Mt Weld tenements, further drilling would be required, including determining if rare earths are concentrated with the phosphate.

Potential Development

Testwork on the Swan phosphate deposit was conducted by Wesfarmers in the mid-1980s. This testwork showed that a concentrate suitable for the manufacture of phosphate fertilizer could be produced from the Swan phosphate deposit but the project was deemed uneconomic due to the high transportation costs from Mt Weld to port. Although rare earths credits could be used to overcome transportation costs, it is not known whether a resource exists that contains sufficient grades of phosphate and rare earths with low impurity levels (iron, aluminium, magnesium and thorium) suitable for fertilizer feedstock.

²² At 18% P₂O₅ and at a 10% P₂O₅ cut off

²³ At 19% P₂O₅

²⁴ Averaging 18% P₂O₅ and at a 10% P₂O₅ cut off

²⁵ At 13.9% P₂O₅ and at a 10% P₂O₅ cut off

²⁶ At an average of 13.6% P₂O₅

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5 Profile of Forge

5.1 Background

Forge was established in October 2009 as a resource and energy exploration company with the intention of capitalising on escalating global demand in these sectors. Its strategy is to pursue mineral and energy assets both domestically and internationally, with the goal of developing into a specialty metal commodity house. To achieve this, Forge intends to build strong relationships within Asia, in particular China.

Forge's current portfolio consists of interests in five gold and base metals projects in the Lachlan Ford Belt in central and south-west New South Wales:

| Forge – Project Summary | | | | | |
|-------------------------|--------|--------------------------------|-----------------------------------|-------------------------|----------------------------|
| Project Name | Title | Expiry | Forge Ownership Interest | Area (km ²) | Minimum Annual Exploration |
| Captains Flat | EL6381 | 21 February 2010 ²⁷ | 49% reducing to 25% ²⁸ | 279 | \$121,000 |
| | EL6840 | 19 July 2011 | | | \$35,500 |
| Mayfield | EL6358 | 23 December 2010 | 46.55% ²⁹ | 49 | \$48,000 |
| Mayfield North | EL6691 | 21 December 2010 | 100% | 151 | \$86,000 |
| Michelago | EL6376 | 9 February 2011 | 100% | 132 | \$79,000 |
| Wymah | EL7397 | 18 September 2011 | 100% | 75 | \$33,000 |

Source: Forge

While all five projects have gold and base mineralisation potential (Mayfield contains a JORC Code compliant resource estimate), the projects are very early stage and further exploration and drilling is required to evaluate their potential.

Forge acquired the tenements from Australian-American Mining Corporation N.L. ("AAMC"), a uranium and gold explorer developing projects in United States, in exchange for three million Forge shares. The AAMC Chairman, Jim Malone, has been appointed to the Forge board.

Forge listed on the ASX in September 2010, raising \$3.8 million in a heavily oversubscribed float. At the time of the initial public offer, half of the listing proceeds were earmarked for exploration and development of the New South Wales projects over the next two years, with the remainder set aside for identification of new development assets and general working capital.

Forge has signed an office lease which commences in March 2011. Forge currently does not have corporate infrastructure or full time dedicated personnel.

Mr Nicholas Curtis joined the Forge Board as Chairman in July 2010, just prior to its initial public offer, on the basis of his expertise in the natural resources sector and his strong relationship with China. Mr Curtis had worked in China and with Chinese state owned mining entities since the early 1990s.

²⁷ EL6381 is currently subject to renewal application.

²⁸ Captains Flat is a joint venture with NSW Base Metals Pty Ltd ("NSW Base Metals") (a subsidiary of Swiss mining conglomerate Glencore International AG) and ASX listed Ironbark Zinc Ltd ("Ironbark Zinc"). Forge intends to dilute its existing 49% interest in the Captains Flat project to 25% by allowing NSW Base Metals and Ironbark Zinc to fully fund the planned \$600,000 two year exploration program.

²⁹ Mayfield is a joint venture with Capital Mining Limited.



5.2 Financial Performance and Position

Forge incurred a net loss of \$1.49 million in the 12 months ended 31 December 2010. This mainly represented the expensing of the 24 million performance shares which had been independently valued at \$1.32 million. Forge is currently in the development phase with its New South Wales gold and base metals projects and is not generating operating earnings.

The financial position of Forge as at 31 December 2010 is summarised below:

| Forge - Financial Position (\$ millions) | |
|--|--|
| | As at 31 December 2010 actual |
| Debtors and prepayments | - |
| Inventories | - |
| Creditors, accruals and provisions | (0.1) |
| Net working capital | (0.1) |
| Property, plant and equipment (net) | - |
| Deferred exploration, evaluation and development costs | 0.8 |
| Intangible assets | - |
| Provisions | - |
| Total funds employed | 0.7 |
| Cash and deposits | 3.2 |
| Bank loans, other loans and finance leases | - |
| Net cash | 3.2 |
| Net assets | 3.9 |

Source: Forge and Grant Samuel analysis

The net cash position of Forge reflects the listing proceeds of \$3.8 million from its September 2009 initial public offer of 19 million ordinary shares. Deferred exploration, evaluation and development costs are capitalised development costs relating to the Mayfield North and Michelago projects.

5.3 Capital Structure and Ownership

As at 25 March 2011, Forge had the following securities on issue:

- 25,363,633 ordinary shares (4,250,000 of which are held in escrow and will be released over the period from May 2011 to September 2012);
- 19,969,939 options over unissued ordinary shares (13,416,666 of which are held in escrow and will be released over the period from May 2011 to September 2012); and
- 24,000,000 performance share rights over unissued ordinary shares.

Each option is exercisable into one ordinary share and has no dividend entitlement or voting right. Options are transferrable and can be exercised at any time. All of the options have an exercise price of \$0.20 and expire on 31 July 2014.

The performance share rights are held by Mr Nicholas Curtis. They are exercisable for no consideration and convert into an equivalent number of ordinary shares if an existing or newly acquired Forge project has a JORC Code compliant resource that supports a successful capital raising in excess of \$15 million at a minimum price of \$0.35 within 18 months of listing.

The top ten shareholders in Forge account for approximately 43% of the issued ordinary shares. Forge has received substantial shareholder notices from Wilkes Holdings Pty Ltd (a company

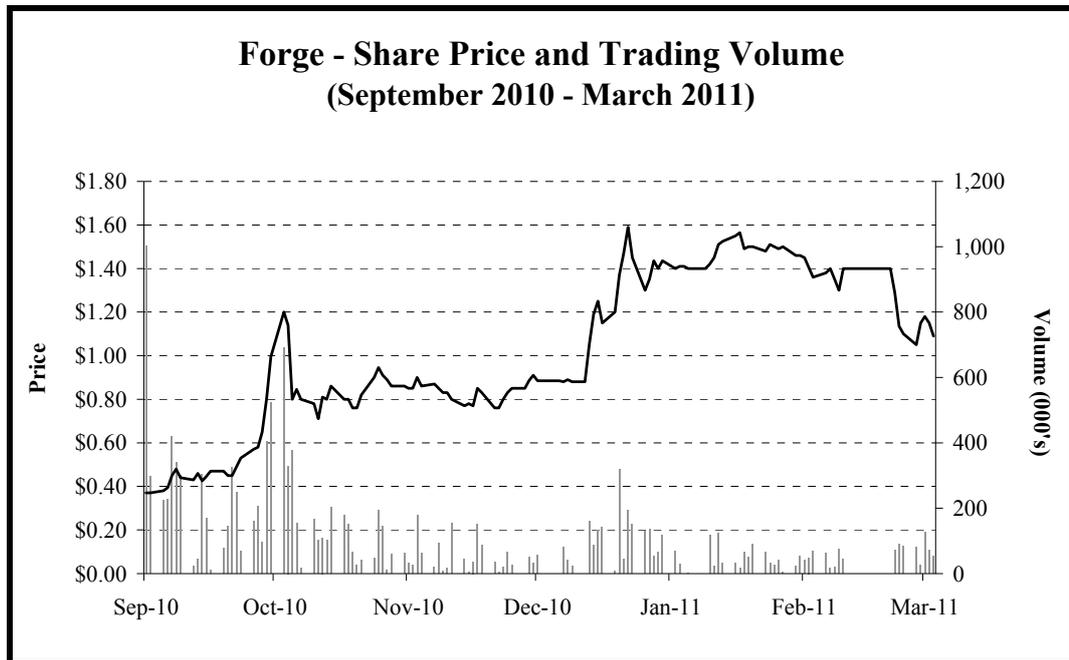


associated with Mr Nicholas Curtis (15.8%) and AAMC (11.8%). The remainder of the top ten shareholders in Forge are principally institutional nominee or custodian companies.

In addition to his holding of 4 million ordinary shares, Mr Nicholas Curtis holds 1.33 million options, giving him a fully diluted interest³⁰ of 11.8% in Forge. Other Forge directors hold a total of 1,050,001 ordinary shares (a combined 4.1% interest) and 850,004 options (a combined 4.2% fully diluted interest) in Forge.

5.4 Share Price Performance

The following graph illustrates the movement in the Forge share price and trading volumes since 23 September 2010:



Source: IRESS

The issue price of Forge shares in its initial public offer in September 2010 was \$0.20 per share. Forge shares commenced trading on 23 September 2010, opening at \$0.30, reaching a high of \$0.385 and closing at \$0.37. The Forge share price has continued to increase considerably since listing, closing at \$1.09 on 25 March 2011 and has exhibited considerable volatility, in both its intraday high-low price and based on closing daily prices.

The share price peaked at \$1.26 on high trading volumes in late October 2010 and at \$1.60 in mid January 2011. The October 2010 peak coincided with the announcement that Forge was in the process of negotiating the potential purchase of a material project. The reason for the increase in Forge’s share price in January 2011 is not clear. The share price increased from \$1.20 to \$1.60 over a period of four days, prompting the ASX to issue a price query notice to which Forge responded it was unaware of any information concerning it that had not been announced, that if known, could be an explanation for recent trading in the securities.

³⁰ Based on Lynas’ issued ordinary shares and options but excluding performance share rights.

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6 Evaluation of the Proposal

6.1 Conclusion

In Grant Samuel's opinion, the Proposal is fair and reasonable to the non associated shareholders of Lynas in the absence of a superior proposal.

While the consideration under the Proposal has a relatively small value in the context of the market capitalisation of Lynas, it involves a company, Forge, whose Chairman and major shareholder, Mr Nicholas Curtis, is also Executive Chairman of Lynas and who stands to personally benefit considerably if the Proposal is approved. Because of this relationship, the Proposal must be carefully scrutinised.

The sublease deposits are early stage exploration deposits and it is not possible to attribute "value" to these kinds of assets with any confidence. There are substantial uncertainties and risks attached to the future development and production of these deposits and there is no information available to enable the preparation of a discounted cash flow analysis. Therefore, in determining whether the Proposal is "fair", Grant Samuel has considered alternative parameters such as the historical acquisition cost (of \$15.8-22.6 million for all of the Mt Weld tenements, only a portion of which cost would be attributable to the sublease deposits) and implied multiples of resource. These parameters are less rigorous and involve considerably more subjectivity than usual valuation methodologies. Different parties could easily have widely divergent views as to the "value" of these deposits depending on their own perceptions of the attributes of the sublease deposits and their appetite for risk.

The minimum value attributed to the consideration under the Proposal is in the range \$22.2-22.7 million based on the cash payment of \$20.7 million and the value attributed to the Lynas Options. For the purposes of its analysis, Grant Samuel has not attributed any value to the other elements of the consideration (the right to receive rare earths at market prices or the royalty payments) on the basis that there is insufficient information and their potential value is too uncertain to be meaningful to shareholders. Any value ultimately generated from these elements of the consideration has been treated as upside for Lynas.

The minimum value attributed to the consideration under the Proposal is above the historical acquisition cost (after taking into account the portion of the total historical acquisition cost for the Mt Weld mining tenements that might be attributable to the sublease deposits). While the multiples of resource for the Crown polymetallic deposit implied by the consideration under the Proposal (assuming a value for the Swan phosphate deposit of \$4 million) are at a significant discount to relevant comparable trading and transaction multiples, in Grant Samuel's opinion this level of discount is justified. Accordingly, in Grant Samuel's opinion, the Proposal is "fair" and therefore "reasonable".

The only way to reliably determine the market value of the sublease deposits would be through an open sale process. Lynas did not pursue an open sale process, and in Grant Samuel's opinion, this is the only basis on which the Proposal might be challenged. Lynas management has argued that the proximity of the sublease deposits to its critical Mt Weld rare earths project means that an important consideration in any transaction would be that Lynas can deal with a known and trusted party with whom a good relationship can be maintained. This may be a valid argument initially but the strength of the argument over the longer term is questionable because both Forge and the relationship with Forge will undoubtedly change over time. However, there is the opportunity for any other interested party to put forward an alternative proposal prior to the shareholder meeting scheduled for 18 May 2011, in which case the non associated shareholders could vote against the Proposal.

Other important factors which Lynas shareholders should take into account include the following:

- the current strategy of Lynas is to focus on becoming a leading vertically integrated rare earths producer. Lynas does not intend to allocate the significant capital and management



resources required to investigate the exploitation of the sublease deposits in the foreseeable future. There is no certainty that Forge will successfully develop the sublease deposits but Forge will take on this development and financial risk;

- the Proposal has been negotiated on an arm's length basis by the independent directors of Lynas. Grant Samuel believes that Lynas and Forge had an equal bargaining position in negotiating the Proposal;
- Lynas and Lynas shareholders will have the opportunity to participate in any value created from any successful development of the sublease deposits through exercise of the Lynas Options and through participation in capital raisings by Forge; and
- the Proposal has other benefits for Lynas:
 - a first right of refusal to purchase rare earths from any other deposits acquired by Forge globally, providing additional feedstock for the LAMP;
 - an additional \$20.7 million of cash, albeit a relatively small amount, to fund the exploration and development of its rare earths deposits; and
 - a number of protections. In particular, Lynas will retain ownership of all of the Mt Weld tenements and the Forge rights can be terminated if Forge has not made a formal decision to commence a commercial scale mining operation within five years.

6.2 Fairness

6.2.1 Summary

The minimum value attributed to the consideration under the Proposal is in the range \$22.2-22.7 million based on the cash payment and the value attributed to the Lynas Options. For the purposes of its analysis, Grant Samuel has not attributed any value to the other elements of the consideration (the right to receive rare earths at market prices or the royalty payments) on the basis that there is insufficient information and their potential value is too uncertain to be meaningful to shareholders. Any value ultimately generated from the right to receive rare earths at market prices and the royalty payments has been treated as upside (see Section 6.2.2 of this report).

As early stage exploration deposits with no process identified to extract the rare metals, the sublease deposits are not capable of being "valued" by applying usual methodologies such as discounted cash flow analysis. Therefore, in determining whether the Proposal is "fair", Grant Samuel has considered alternative parameters such as historical acquisition cost and implied multiples of resources. The value analysis is set out in Section 6.2.3 of this report.

The minimum value attributed to the consideration under the Proposal is above the historical acquisition cost of the sublease deposits (based on a historical acquisition cost of \$15.8-22.6 million for all of the Mt Weld tenements, only a portion of which would be attributable to the sublease deposits). While the multiples of resource for the Crown polymetallic deposit implied by the consideration under the Proposal (assuming a value for the Swan phosphate deposit of \$4 million) are at a significant discount to relevant comparable trading and transaction multiples, in Grant Samuel's opinion this level of discount is justified. Accordingly, in Grant Samuel's opinion, the Proposal is "fair" and therefore "reasonable".

However, the value analysis undertaken for both the consideration under the Proposal and the sublease deposits needs to be treated with caution:

- the value attributed to the Lynas Options is very sensitive to the Forge share price and to volatility in the Forge share price. Forge has a limited share trading history as it only listed on the ASX in September 2010 and its subsequent trading history has been characterised by very high volatility. The Forge share price has increased considerably since listing despite Forge not making any substantive announcements to the market (other than the October 2010 announcement that Forge was in the process of negotiating the potential purchase of a material project);

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- the sublease deposits are early stage exploration deposits and it is not possible to attribute “value” to these kinds of assets with any degree of confidence. While the sublease deposits do contain JORC Code compliant rare metals and phosphate resources, they have no identified reserves in accordance with the JORC Code. More importantly, a processing route to extract the rare metals has not been identified and there are no estimates of likely future capital expenditure and operating costs. There are substantial uncertainties and risks attached to the future exploration, development and production of any rare metals and phosphates from the sublease deposits and there is no information available to enable the preparation of a discounted cash flow or earnings multiple analysis. In assessing whether the Proposal is “fair”, Grant Samuel has had to rely on less rigorous parameters that involve considerably more subjectivity and judgement. In particular:

 - analysis of the historical acquisition cost of the sublease deposits. This involves review of a number of previous transactions with information only available on the acquisition cost of all of the Mt Weld tenements including those containing the Mt Weld rare earths project. Only a proportion of this cost would be allocated to the sublease deposits and there is no reliable basis on which to make this allocation; and
 - analysis of implied multiples of resource provide some guidance but direct comparison is very difficult:
 - multiples of resource are very deposit specific and depend on factors that differ considerably from deposit to deposit such as resource grade, development status and geographic location; and
 - there are very few pure niobium exploration companies. Many of the companies analysed also have interests in other valuable minerals. Conversion of other mineral resources into a niobium equivalent resource based on current market prices is at best simplistic and perhaps even crude given that different resources may be of different qualities and at varying stages of development.

As a result, the implied multiples are at best a crude proxy for determining value and it would be misleading to place much reliance on them.

Different parties could easily have widely divergent views as to the “value” of these deposits depending on their own perceptions of the attributes of the sublease deposits and their appetite for risk.

6.2.2 Value of the Consideration under the Proposal

Summary

Grant Samuel has valued the consideration under the Proposal to be at least in the range \$22.2-22.7 million:

| Value of the Consideration under the Proposal (\$ millions) | | |
|--|-------------|-------------|
| | Low | High |
| Cash | 20.7 | 20.7 |
| Lynas Options | 1.5 | 2.0 |
| Right to rare earths at market prices | - | - |
| Royalties | - | - |
| Minimum value of consideration | 22.2 | 22.7 |

Lynas Options

Grant Samuel has attributed a value in the range \$1.5-2.0 million to the Lynas Options based on the Black-Scholes option pricing model.

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The following assumptions were used as inputs to the Black-Scholes pricing model:

- European style option³¹;
- exercise price in the range \$1.00-1.40 (the actual exercise price will be the issue price under the Forge capital raising);
- Forge share price in the range \$0.80-1.60;
- time to expiry of five years, the term of the Lynas Options;
- risk free rate of 5.7%, based on the Australian 10 year government bond rate;
- volatility in the range 40-60% based on historical volatility in the Forge share price, the S&P/ASX300 Metals & Mining Index and judgements as to the likely long term volatility;
- dividend yield of 0%; and
- dilution factor of approximately 7% as the Lynas Options are not over existing shares and Forge will be required to issue up to 7 million new shares on exercise of the options.

Grant Samuel has considered a range of Forge share prices and volatilities in attributing a value to the Lynas Options:

| Value of Lynas Options based on Black-Scholes Pricing Model (\$ millions) | | | | | | | | | | |
|--|-------------------------------|------|------|------|------|------|------|------|------|------|
| | Forge share price (\$) | | | | | | | | | |
| | | 0.80 | 0.90 | 1.00 | 1.10 | 1.20 | 1.30 | 1.40 | 1.50 | 1.60 |
| Annual volatility (%) (exercise price of \$1.10) | 20 | 0.8 | 1.2 | 1.7 | 2.2 | 2.7 | 3.3 | 3.8 | 4.4 | 5.1 |
| | 40 | 1.7 | 2.2 | 2.6 | 3.1 | 3.6 | 4.2 | 4.7 | 5.3 | 5.8 |
| | 60 | 2.5 | 3.0 | 3.5 | 4.0 | 4.6 | 5.1 | 5.7 | 6.2 | 6.8 |
| | 80 | 3.2 | 3.8 | 4.3 | 4.9 | 5.4 | 6.0 | 6.6 | 7.1 | 7.7 |
| | 100 | 3.8 | 4.4 | 5.0 | 5.5 | 6.1 | 6.7 | 7.3 | 7.9 | 8.5 |

The Black-Scholes option pricing model is extremely sensitive to key assumptions such as the Forge share price and volatility:

- Forge has a limited share trading history as it only listed on the ASX in September 2010 and its subsequent trading history has been characterised by very high volatility. The Forge share price has increased considerably since listing despite Forge not making any substantive announcements to the market (other than the October 2010 announcement that Forge was in the process of negotiating the potential purchase of a material project). The issue price per share in the initial public offer was \$0.20, the shares closed at \$0.37 on the first day of trading and the share price on 25 March 2011 was \$1.09. However, it is possible that the share price could fall in the short term. In particular, a significant fall in the Forge share price (below the exercise price) close to its expiry date would result in the Lynas Options having no value; and
- one approach to estimate volatility is to use historical data for the company. However, Forge's limited share trading history and the considerable volatility in its share price since listing could be potentially misleading in forming a view on annual volatility over the longer term. In addition, it is arguable that the considerable increase in Forge's share price since

³¹ The Lynas Options may be exercised at any time before the expiry date and are therefore akin to American style options. For an American style option, early exercise is a consideration whenever the benefits of holding the underlying asset outweigh the costs of surrendering the option early. Generally speaking, on the day before an ex-dividend date, it may make sense to exercise an equity call option early to collect the dividend. On this basis, equity call options should only be exercised early on the day before an ex-dividend date, and only then for deep in-the-money options. As Forge is not currently paying dividends and is unlikely to do so over the five year term of the Lynas Options, Grant Samuel believes it is more appropriate to value the Lynas Options as European style options, which can only be exercised on the expiry date. Lynas may however choose to exercise the options prior to expiry for other strategic reasons and the ability to do so can only imply additional value.

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listing is at least in part attributable to its October 2010 announcement that it was in the process of negotiating the potential purchase of a material project, the outcome of which is the Proposal. This distorts Forge's volatility and limits its usefulness as an input. The annualised volatility in Forge's share price based on trading since listing on 23 September 2010 to 4 March 2011 was 163%. However, it is unlikely that this high level of volatility would be sustained over the longer term. Due to the lack of historical data for Forge, Grant Samuel has also considered the annual volatility of a number of comparable market indices:

| Annual Volatility – Market Indices | | |
|---|-----------------------------|-----------------------------------|
| | Forge trading period | Average over last 10 years |
| Forge | 163% | nc |
| S&P/ASX Metals and Mining Index | 17% | 28% |
| S&P/ASX Small Resources Index | 19% | 26% |
| S&P/ASX Small Ordinaries Index | 13% | 16% |
| S&P/ASX 300 Resources Index | 15% | 26% |
| S&P/ASX 300 Index | 11% | 16% |

Source: IRESS

Market indices are more diversified and therefore will tend to have lower volatility than an individual company. On the basis of this analysis, Grant Samuel considers that volatility in the range 40-60% is appropriate for the purpose of attributing value to the Lynas Options.

Application of the Black-Scholes option pricing model supports a value for the Lynas Options in the range \$3-4 million. However, the Black-Scholes option pricing model was arguably not designed to value options over unissued shares in speculative mining exploration companies with limited trading histories. Grant Samuel has discounted the value range supported by application of the Black-Scholes option pricing model by 50% to reflect this additional uncertainty, attributing a value to the Lynas Options in the range \$1.5-2.0 million.

Other Elements of the Consideration

As part of the consideration under the Proposal Lynas will also receive from Forge:

- the right to receive all rare earths recovered from the sublease deposits at market prices;
- a 10% royalty on any rare earths recovered from the sublease deposits that are sold by Forge to third parties; and
- a 1% royalty on all minerals (other than rare earths and other than phosphates on which royalties are already paid under existing royalty agreements) recovered from the sublease deposits and sold by Forge.

Grant Samuel has not attributed any value to these elements for the purpose of assessing the value of the consideration under the Proposal due to the lack of the information to form such views (in particular forecasts of future production volumes and prices). The potential value of these elements of the consideration (particularly the royalty payments, as the right to rare earths at market prices would have minimal value) is too uncertain. At one extreme these elements of the consideration could be worth nothing (if exploration does not reveal economically viable quantities, if no economic extraction method is able to be developed or if funding for development is not able to be raised etc). At the other extreme, these elements of the consideration could ultimately be worth several hundred million dollars. Any attempt to quantify these elements of the consideration at this point in time is neither meaningful nor useful for shareholders.

To the extent that these elements of the consideration do eventually have value, they represent upside and make the Proposal more attractive for Lynas.

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6.2.3 Value Analysis

Summary

Given the early exploration stage of the sublease deposits with no JORC Code compliant identified reserves (although there are JORC Code compliant resources), no processing route to extract the rare metals and the lack of estimates of likely future capital expenditure and operating costs, it is not possible to perform any meaningful discounted cash flow or earnings multiples analysis. Therefore, in considering whether the Proposal is “fair”, Grant Samuel has considered alternative parameters, in particular, the historical acquisition cost and implied multiples of resource.

The historical acquisition cost of \$15.8-22.6 million is for all of the Mt Weld tenements including the Mt Weld rare earths project currently being developed by Lynas. The range reflects estimates implied by separate transactions at different times. The sublease deposits represents only part of the Mt Weld mining tenements so only a portion of this total historical cost would be attributable to the sublease deposits.

The multiples of resource for the Crown polymetallic deposit implied by the consideration under the Proposal (assuming a value for the Swan phosphate deposit of \$4 million) of \$18.2-18.7 million have been compared to the multiples of resource for relevant comparable listed companies and transactions. While the multiples implied by the consideration under the Proposal of \$31-32 per tonne are at a substantial discount to the relevant comparable trading and transaction multiples, in Grant Samuel’s opinion this high level of discount is justified.

The approach adopted by Grant Samuel and the parameters and benchmarks utilised are discussed in more detail in the following sections of this report.

Approach

Typically, the most reliable evidence as to the value of a business or asset is the price at which comparable businesses or assets have been bought and sold in arm’s length transactions. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses or assets:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies is appropriate in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business or asset involved.

The sublease deposits are early stage exploration deposits. There are no production, capital expenditure or operating cost estimates for the deposits to undertake a discounted cash flow or capitalisation of earnings value analysis. Similarly, it is not possible to estimate the proceeds from an orderly realisation of assets since they consist of rights to mining tenements with an undetermined market value. The only way of reliably determining the value of these deposits today would be through an open sale process, which has not been pursued by Lynas.

Given the lack of available information, in forming its view on whether the Proposal is “fair”, Grant Samuel has analysed the following industry rules of thumb:

- historical acquisition cost; and
- multiples of resource. Multiple of resource is the primary rule of thumb used in the resources sector for exploration assets. Grant Samuel has considered the trading multiples of listed comparable companies and the multiples implied by recent transactions. However, given the

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vast differences between exploration assets in terms of resource grade, development stage and geographic location, only limited comparisons can be made and these must necessarily be treated with caution.

Grant Samuel has also reviewed the valuation of the sublease deposits prepared by BDA dated 24 October 2010 and its subsequent independent technical review dated 15 March 2011.

Historical Acquisition Cost

There have been a number of transactions involving the Mt Weld mining tenements over the last 20 years. The table below summarises the most recent transactions that provide relevant valuation benchmarks:

| Mt Weld Transaction History | | | | | |
|--------------------------------------|---|--|---|---|--|
| Date | Rare Earths | | | | Phosphates |
| | July 1999 | November 2000 | April 2002 | April 2006 | August 2009 |
| Transaction | Right to acquire a 35% interest in the rare earths and tantalum projects | Sale by Ashton of 100% of its interest in Mt Weld deposits to Lynas and Anaconda | Lynas acquired Anaconda's interest in the Mt Weld deposits | Lynas and Ashton agreed to restructure the contingent payment and the royalty | Lynas acquired 100% of the phosphates mining right from Wesfarmers |
| Details | Lynas earned this interest by agreeing to provide funding to complete a feasibility study | Included all mining tenements except phosphates | Included all mining tenements except phosphates | Included all mining tenements except phosphates | |
| Acquisition cost | \$3.2 million | <ul style="list-style-type: none"> ▪ \$3.2 million up front payment ▪ \$7.5 million contingent payment deferred until development ▪ 1% royalty capped at \$10.7 million | <ul style="list-style-type: none"> ▪ \$5 million ▪ assumed Anaconda's 50% share of the \$7.5 million contingent payment and 1% royalty to be paid to Ashton | Series of cash payments totalling \$8.6 million | \$4 million |
| Implied 100% acquisition cost | \$9.1 million | \$21.4 million (unrisked and undiscounted) | \$28.2 million (unrisked and undiscounted) | \$11.8-18.6 million (risked and discounted) | \$4 million |

Source: company announcements, Lynas management

This historically complex ownership structure and agreements for the Mt Weld mining tenements makes it difficult to ascertain a definitive historical acquisition cost for 100% from any single transaction:

- the July 1999 transaction was effectively superseded by the November 2000 transaction;
- the November 2000 and April 2002 transactions represent the optimal reference point for the total value of the Mt Weld mining tenements (excluding phosphates) but these imply a consideration on an unrisked and undiscounted basis;
- the cancellation of the contingent payment and royalties in return for cash payments totalling \$8.6 million in April 2006 effectively risks and discounts these payments and implies a consideration for 100% of the Mt Weld mining tenements (excluding phosphates) of \$11.8-18.6 million. Lynas' effective acquisition cost of \$16.8 million (based on the \$3.2 million paid in November 2000, the \$5 million paid in April 2002 and the \$8.6 million agreed to be

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paid in April 2006) is within this range of implied historical acquisition costs (albeit these payments were made over the period from 2000 to 2006); and

- the more recent (August 2009) acquisition of the Swan phosphate deposit from Wesfarmers for \$4 million provides a useful benchmark for historical acquisition cost.

On this basis, the total historical acquisition cost for the Mt Weld mining tenements is summarised below:

| Historical Acquisition Cost for Mt Weld Mining Tenements (\$ millions) | | |
|---|-------------|-------------|
| | Low | High |
| Rare earths and rare metals tenements | 11.8 | 18.6 |
| Phosphates tenement (Swan deposit) | 4.0 | 4.0 |
| Total historical acquisition cost | 15.8 | 22.6 |

\$15.8-22.6 million is an assessment of the total historical cost of the Mt Weld tenements and this cannot be directly compared to the sublease deposits which represent only part of the Mt Weld mining tenements. The balance of the Mt Weld mining tenements includes Lynas' Mt Weld rare earths project which is currently under development and is expected to commence production by the third quarter of 2011. The area which Lynas is now developing is likely to have represented the more prospective and therefore more valuable part of the Mt Weld tenements at the time they were acquired. On this basis, any share of the cost attributable to the sublease deposits would be significantly less than the total historical acquisition cost.

Lynas has advised that expenditure to date on exploration targeting the niobium and tantalum potential has been of the order of \$1.5 million. No figures have been provided for metallurgical testwork expenditure. Even allowing for an uplift in value as a result of establishing initial resource estimates through drilling by Lynas, the "value" of the sublease deposits would be below the total historical acquisition cost for the Mt Weld tenements.

Assessment of Implied Multiples

Another useful value benchmark is to consider the multiples implied by the consideration under the Proposal.

The consideration under the Proposal is for the sublease deposits which include the Crown polymetallic deposit and the Swan phosphate deposit. Given the recent (August 2009) acquisition of the Swan deposit for \$4 million, it would not be unreasonable to assume that this represents a proxy for its current value. Lynas management has indicated that Wesfarmers reviewed a number of options for the Swan phosphate deposit to maximise the return on its investment, with the sale to Lynas for \$4 million representing the best outcome. Grant Samuel believes this transaction represents the most relevant valuation benchmark for the Swan phosphate deposit.

Assuming a value for the Swan phosphate deposit of \$4 million, the value of the consideration under the Proposal implies a minimum value for the Crown polymetallic deposit in the range \$18.2-18.7 million:

| Implied Value of the Crown Polymetallic Deposit (\$ millions) | | |
|--|-------------|-------------|
| | Low | High |
| Minimum value of consideration | 22.2 | 22.7 |
| Value attributed to the Swan phosphate deposit | (4.0) | (4.0) |
| Implied minimum value of the Crown polymetallic deposit | 18.2 | 18.7 |

The Crown polymetallic deposit mineralisation is predominantly niobium with smaller amounts of tantalum, rare earths and other minerals. Therefore, the focus was to identify listed companies



with, and comparable transactions involving, assets with primarily niobium deposits at a similar stage of exploration/development.

Given the limited information available, the only useful market parameter that is able to be calculated for early stage exploration assets is enterprise value per unit of resource. To enable calculation of multiples on a consistent basis for those companies with resources of several valuable commodities, Grant Samuel has converted non-niobium reserves into “niobium equivalent” reserves by determining a market value for each commodity resource based on current spot prices and dividing the total market value by the current niobium spot price. While this methodology is not completely accurate, it enables a comparison of multiples on a more consistent basis.

The implied minimum value of the Crown polymetallic deposit of \$18.2-18.7 million implies a multiple of \$31-32 per tonne of niobium equivalent resource:

| Crown Polymetallic Deposit – Implied Multiples | | | |
|--|---|------------|-------------|
| | Parameter | Low | High |
| | Implied minimum value of the Crown polymetallic deposit (\$ millions) | 18.2 | 18.7 |
| | Implied multiple of niobium equivalent resource (A\$/tonne) | 31 | 32 |
| <i>Discount to relevant trading and transaction multiples</i> | | | |
| | - to range of relevant trading multiples | 71-92% | 71-92% |
| | - to median of relevant trading multiples | 82% | 82% |
| | - to range of relevant transaction multiples | 6-93% | 3-93% |
| | - to median of relevant transaction multiples | 85% | 85% |

Grant Samuel has identified a number of listed companies with rare metals assets at a similar stage of exploration/development to the sublease deposits to provide a market based valuation benchmark. Grant Samuel also considered the multiples implied by listed companies producing niobium from operating mines. Although these companies are not directly comparable, they provide a useful valuation benchmark for niobium assets at a much more advanced stage.

³² Tantalum resources have been converted to niobium equivalent resources based on current market prices. Rare earths oxides resources have been converted to niobium equivalent resources based on Lynas’ estimate of pricing for the rare earths carbonate to be delivered by Forge under the terms of the Proposal.

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The multiples for selected listed rare metals companies are set out below:

| Trading Multiples for Selected Listed Rare Metals Companies | | | | |
|--|---------------------------------------|--|--|---|
| | Enterprise value (AS millions) | Niobium Equivalent Resources (000 tonnes) | Multiple of Niobium Equivalent Resources (AS/tonne) | Stage of development |
| Exploration/Development | | | | |
| Alkane Resources | 386.7 | 1,730.0 | 223 | Feasibility study completed 2002 Production scheduled for 2013 |
| Commerce Resources | 97.3 | 62.6 | 1,556 | Evaluating economic potential |
| Quantum | 35.0 | 323.1 | 108 | Drill hole studies being undertaken |
| MDN | 28.7 | 69.4 | 414 | Feasibility study being undertaken, expected to be completed June 2011 |
| Gippsland | 23.8 | 21.3 | 1,119 | Feasibility study completed October 2004 Production a few years away |
| Globe Metals & Mining | 28.0 | 216.4 | 129 | Feasibility study due to commence first quarter of 2011 |
| Production | | | | |
| IAMGOLD | 8,281.7 | 1,187.9 | 6,972 | In production |
| Noventa | 93.0 | 7.6 | 12,195 | In production |

Source: Grant Samuel analysis (refer to Appendix 1)

The implied multiples vary considerably from company to company reflecting a range of factors including resource grade, development stage and geographic location. Many of the comparable businesses are also involved in the exploration and development of other minerals such as gold and tin.

The four most comparable companies are Alkane Resources Limited (“Alkane Resources”), Quantum Rare Earths Developments Corp (“Quantum”), MDN Inc. (“MDN”) and Globe Metals & Mining Limited (“Globe”). All of these companies have interests in niobium projects at an early exploration/feasibility study stage. However, most are still more advanced in their development compared to the Crown polymetallic deposit having completed or at least in the process of completing pre-feasibility studies. These more relevant comparable companies are trading at resource multiples in the range \$108-414 per tonne of niobium equivalent resource.

Commerce Resources Corp. (“Commerce Resources”) and Gippsland Limited (“Gippsland”) have projects that are far more advanced and relatively closer to production. This is evident in the substantially higher multiples at which they are trading compared to the other companies analysed. Similarly, the producers IAMGOLD Corporation (“IAMGOLD”) and Noventa Limited (“Noventa”) are not considered appropriate benchmarks for the Crown polymetallic deposit.

Grant Samuel has taken a similar approach to establishing valuation benchmarks on the basis of recent niobium transactions. Set out below is a summary of recent transactions for which there is sufficient information to calculate meaningful valuation parameters:

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Recent Transaction Evidence – Rare Metals

| Date Announced | Target/Acquirer | Consideration (A\$ millions) | Niobium Equivalent Resources (000 tonnes) | Multiple (A\$/tonne) | Stage of development |
|-----------------------|--|-------------------------------------|--|-----------------------------|--|
| 10 Jan 2011 | Globe/ECE | 93.8 | 216.4 | 434 | Equity raised to be used to fund bankable feasibility study |
| 15 Dec 2010 | Noventa/Institutional and other investors | 75.1 | 7.6 | 9,849 | Close to production |
| 3 May 2010 | Elk Creek Resources/Quantum | 10.6 | 323.1 | 33 | Early exploration stage (drill hole studies have been prepared) |
| 14 Sep 2009 | Commerce Resources/Institutional and other investors | 51.9 | 67.3 | 771 | Evaluating economic potential |
| 2 Jun 2009 | MCI/MDN | 20.0 | 96.7 | 207 | Feasibility study about to commence Commercial production expected in three years |

Source: Grant Samuel analysis (refer to Appendix 1)

As is the case with the trading multiples, the transaction multiples vary significantly reflecting the specific nature and characteristics of each transaction.

Grant Samuel has included in the analysis equity capital raisings by Noventa and Commerce Resources. While the new shareholders were buying a material interest in each company (32% and 13% respectively), these were not change of control transactions. In addition, the niobium deposits held by these two companies were at a far more advanced stage of development and are therefore not directly comparable.

The most relevant transactions are those involving Globe, Elk Creek Resources Corp. (“Elk Creek Resources”) and Les Mineraux Crevier Inc. (“MCI”). In each case, the acquirer bought more than 50% of the target company and the niobium deposits acquired were at a pre-production stage of development. These more relevant transactions have taken place at resource multiples in the range \$33-434 per tonne of niobium equivalent resource. The Elk Creek Resources acquisition is arguably the most relevant given it is the only acquisition at an early exploration stage.

The multiples of resource implied by the consideration attributed to the Crown polymetallic deposit are considerably lower than the multiples implied from the trading prices of relevant comparable listed companies and relevant comparable transactions. The discount (based on medians) is in the range 82-85%. In Grant Samuel’s opinion, there are valid reasons to justify this discount:

- the relevant comparable companies and comparable transactions all involve projects which are much further advanced than the Crown polymetallic deposit in that they are undertaking or have completed feasibility studies. In contrast, a viable process route has not been defined to extract the rare earths at the Crown polymetallic deposit and a pre-feasibility study has not been undertaken. Despite being a relatively crude analysis, the implied multiples do show that there is a significant increase in value the further a company is down the exploration/development path;
- the acquisition of Elk Creek Resources is arguably the most comparable transaction as it involved an asset at the early exploration stage where the only work undertaken had been the preparation of drill hole studies. This transaction took place at a multiple of \$33 per tonne of niobium equivalent resource which is not dissimilar to the implied multiples for the Crown polymetallic deposit; and

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- the implied multiples for the Crown polymetallic deposit of \$31-32 per tonne have been calculated on the basis of a minimum value of the consideration under the Proposal which does not attribute any value to the right to receive rare earths and the royalty payments. On this basis, these multiples could potentially be understated (or at least minimum multiples).

BDA Valuation and Independent Technical Review

Grant Samuel has reviewed the valuation of the sublease deposits prepared by BDA for Lynas in October 2010. The BDA valuation was used by Lynas in negotiating the Proposal with Forge, however BDA was not involved in the negotiations and had no interest in the final outcome. The October 2010 BDA report valued the sublease deposits in the range \$8.9-20.7 million based on consideration of past expenditure, relevant transactions and yardstick measures. In BDA's opinion, this valuation is indicative of the amount a willing buyer would pay a willing seller in an arm's length transaction where each party acted knowledgeably, prudently and without compulsion.

BDA was subsequently appointed as technical specialist to provide an independent technical review of the sublease deposits. BDA's review included a review of the resource estimates, exploration potential, prior development studies including capital and operating cost estimates and process flowsheets (including their viability and comparison, as appropriate, to process flowsheets used by other producers) and Forge's potential development plans. BDA's report dated 15 March 2011 is attached as Appendix 2 to this report. Grant Samuel has relied on the independent technical review in forming its opinion.

The March 2011 BDA report did not raise any issues or concerns that might impact its valuation of the sublease deposits in the October 2010 BDA report. In particular:

- BDA reviewed the resource estimates and in its view the work undertaken provides a reasonable guide to the likely future resource potential (albeit this will be required to be confirmed with more detailed infill drilling). There were no changes to the niobium/tantalum resource estimates from October 2010 to February 2011 and although there was a small reduction in the phosphate resource (from 221 million tonnes to 213 million tonnes), this reduction is not considered material for the purposes of Grant Samuel's analysis;
- while the geology of the Mt Weld area is reasonably well defined and understood, in BDA's opinion, significant exploration potential remains for the better definition of the rare metals and phosphate potential; and
- the results of prior development studies in relation to the extraction of the rare metals were of limited success and have resulted in the consideration of alternative processing separation techniques on which more rigorous testwork needs to be undertaken, the outcome of which may involve prohibitive operating costs.

6.3 Reasonableness

6.3.1 Overview

Lynas has a market capitalisation of approximately \$3.1 billion. The Proposal involves a cash payment of \$20.7 million (although there are other elements of the consideration) which is relatively immaterial in comparison. However, the relationship between Lynas and Forge means that the Proposal must be carefully scrutinised.

The Executive Chairman of Lynas, Mr Nicholas Curtis, is also the Chairman and largest shareholder in Forge with a 15.8% interest in Forge's issued ordinary share capital (11.8% on a fully diluted basis). Mr Jacob Klein, a Non-Executive Director of Lynas, has a 0.8% interest in

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Forge's issued ordinary capital (0.6% on a fully diluted basis)³³. Both directors therefore have an interest in the outcome of the Proposal.

In addition, Mr Curtis stands to personally benefit considerably if the Proposal is approved. Mr Curtis holds 24 million performance share rights over unissued ordinary shares in Forge that convert into an equivalent number of ordinary shares in Forge for no consideration if an existing or newly acquired Forge project has a JORC Code compliant resource that supports a capital raising in excess of \$15 million at a minimum price of \$0.35 within 18 months of listing. The Proposal and the Forge capital raising of at least \$30 million meet these criteria and therefore it is expected that the performance share rights will be exercised. Exercise of the performance share rights will result in Mr Curtis' shareholding in Forge increasing to 36.1% (26.1% on a fully diluted basis)³⁴.

6.3.2 Opportunity Cost

The Proposal does not involve any material opportunity cost for Lynas given its current strategy.

If the Proposal is implemented and Forge makes a formal decision to commence a commercial scale mining operation within five years, Lynas will give up the opportunity to develop the rare metals and phosphates mineralisations within the sublease deposits. Grant Samuel understands that this development is not part of Lynas' current strategy.

Lynas' strategy is to become a leading vertically integrated rare earths producer. The Mt Weld rare earths project is expected to achieve first production in 2011 and at its full production rate will make Lynas the largest producer of rare earths outside China. Lynas is committing all of its financial resources and management focus to its Mt Weld rare earths project. Phase 1 capital costs for the concentration plant and the LAMP are budgeted to be \$535 million, of which approximately \$292 million had been spent as at 31 December 2010. Of Lynas' available cash of \$272 million at 31 December 2010, \$243 million is expected to be utilised completing Phase 1 by the third quarter of 2011.

Based on exploration drilling undertaken to date, the sublease deposits primarily contain rare metals and phosphates. The further exploration and development of the sublease deposits would take considerable time and would require significant capital and management resources. Lynas has estimated that it will take 3-4 years to complete a feasibility study and, if an economic extraction process can be developed, the development costs are likely to exceed US\$1 billion. Lynas does not intend to allocate the significant capital and management resources to the sublease deposits in the foreseeable future as these are non-core assets that do not fit with Lynas' rare earths strategy.

The Proposal creates the opportunity for Lynas to potentially access additional rare earths as feedstock for its LAMP at market prices (or otherwise receive royalty payments on rare earths) without the need for Lynas to take on any significant risk or provide any capital or other commitment. There is no certainty that Forge will successfully develop the sublease deposits but Forge will take this development and financial risk.

³³ Mr Klein's interest in Forge was acquired for \$40,000 in the initial public offering of Forge and he has no involvement in the board or management of Forge.

³⁴ Mr Curtis' interest in Forge if the Proposal is implemented has been calculated assuming a \$31 million capital raising at \$1.10 per share resulting in the issue of 28,181,820 ordinary shares and conversion of the 24 million performance share rights into ordinary shares. The fully diluted calculation includes options over unissued shares (including the option to subscribe for up to 7 million Forge shares under the Lynas Options and 7,818,183 options to be issued as part of the capital raising).

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6.3.3 Alternatives

In weighing up any proposal, shareholders need to have regard to the alternatives that are realistically available to them.

There are two alternatives available to Lynas shareholders other than the Proposal:

- retain full ownership and control over the sublease deposits (i.e. do not enter into the sublease). This represents the current position and will be the outcome if the Proposal is not approved; or
- enter into a sublease or some other arrangement with a third party, possibly at a higher price. Forge and Lynas have negotiated the Proposal on an exclusive basis and Lynas has not undertaken an open sale process to determine the value of the sublease deposits in an open market. This means that there cannot be certainty that Lynas will receive maximum value for the sublease deposits. Lynas management has argued that the proximity of the sublease deposits to its critical Mt Weld rare earths project means that it needs to deal with known and trusted parties with whom a good relationship can be maintained. If the opportunity had gone to tender, price would have only been one of a number of considerations taken into account. While this may be a valid argument initially, the strength of the argument over the longer term is questionable because both Forge and the relationship with Forge will undoubtedly change over time.

However, there is the opportunity for any other interested party to put forward an alternative proposal prior to the shareholder meeting to consider the Proposal scheduled for 18 May 2011. If an alternative proposal was put forward, the non associated shareholders of Lynas could vote against the Proposal. The Proposal does not contain any lockup provisions, does not give Forge the ability to match any alternative proposal price and does not provide for payment of a break fee in the event that an alternative proposal is implemented. Forge has no shareholding in Lynas and Mr Nicholas Curtis has an interest of less than 1% in Lynas' issued shares so a proposal from a third party could succeed without the agreement of Forge or Mr Curtis (and in any event would probably not require shareholder approval).

6.3.4 Lynas' Bargaining Position

The Proposal was negotiated on an arm's length basis. Grant Samuel believes that Lynas and Forge had an equal bargaining position in negotiating the Proposal:

- Lynas established an independent Board committee to consider the Proposal consisting of Mr Liam Forde and Mr David Davidson³⁵. Lynas' other directors, Mr Nicholas Curtis and Mr Jacob Klein did not participate in the negotiation of the Proposal as they were not considered to be independent. Mr Curtis is Chairman of Forge and its major shareholder and Mr Klein is a shareholder in Forge³³. Mr Curtis was also excluded from Forge's discussions in relation to the Proposal;
- the cash component of the consideration under the Proposal of \$20.7 million is at the very top end of the valuation range in the October 2010 BDA report. This suggests a desire on the part of both parties to negotiate a "fair" deal. Arguably, a total consideration below the top of BDA's valuation range might have been regarded as a reasonable outcome of the negotiations;
- Lynas is in a sound financial position, with cash of \$272 million as at 31 December 2010. It has sufficient funds to meet the remaining capital costs to complete Phase 1 of its Mt Weld rare earths project (of approximately \$243 million) which will enable production of rare earths to commence by the third quarter of 2011. Lynas has also entered into a strategic alliance with Sojitz Corporation under which Lynas has agreed to provide a 10 year supply of rare earths to Japan in return for assistance in obtaining a US\$250 million financing package

³⁵ Dr Zygmunt Switkowski is also an independent director but was not a member of the independent Board committee.



to fund Phase 2 construction. Lynas does not need the cash payment from the Proposal to fund the development of its Mt Weld rare earths project; and

- no further transactions are contemplated between Lynas and Forge other than the potential exercise of the Lynas Options and the opportunity for Lynas and certain Lynas shareholders to participate in capital raisings by Forge but this participation will be on the same terms as those on which other investors participate.

6.3.5 Other Advantages and Benefits

The Proposal has other benefits for Lynas and Lynas shareholders:

- Lynas and Lynas shareholders will have the opportunity to participate in any value created from the successful development of the sublease deposits through exercise of the Lynas Options and through participating in capital raisings by Forge:
 - Lynas will be granted options to subscribe for up to 7 million Forge shares at the same issue price as the capital raising (giving it an interest in Forge of up to 8.3%, up to 6.2% on a fully diluted basis) and, if any of the options are exercised, will be given the opportunity to maintain this interest through participation in any subsequent capital raisings by Forge³⁶;
 - Lynas shareholders in Australia and New Zealand³⁷ will be given the opportunity to participate in the capital raising by Forge (by subscribing for \$2,000-\$5,000 of shares, up to a maximum of \$12.5 million); and
 - sophisticated and institutional Lynas shareholders³⁸ will be given the opportunity, where it is practical to do so, to participate in any subsequent placements conducted by Forge within the next three years.

Participation in Forge's capital raisings is a matter for individual Lynas shareholders. This is an investment decision independent of a decision on the Proposal upon which Grant Samuel does not offer an opinion.

Lynas will also have representation on the Forge board as long as Lynas holds an interest of 5% or more in Forge. Exercise of the Lynas Options would give Lynas an interest in Forge's issued ordinary capital of 8.3%, which is in excess of the 5% interest required for Lynas to retain representation on the Forge board;

- Lynas will have a first right of refusal to purchase rare earths from any other deposits acquired by Forge globally (based on commercial terms to be negotiated at the time of acquisition), which would provide additional feedstock for the LAMP;
- the Proposal provides additional cash which could be used by Lynas to fund development expenditure. Funding for Phase 2 construction of the Mt Weld rare earths project has not yet been committed, although \$20.7 million represents only a small proportion of the total funding required. The cash could also be used to fund the further exploration and development of the recently acquired Kangankunde rare earths deposit in Malawi, Africa; and
- the Proposal includes a number of protections for Lynas:
 - Lynas retains ownership of all of the Mt Weld tenements;
 - Lynas can terminate the rights granted to Forge if Forge has not made a formal decision to commence a commercial scale mining operation within five years from the grant of the sublease;

³⁶ Subject to the ASX Listing Rules.

³⁷ On the date of announcement of the Proposal.

³⁸ As at the record date for the Lynas shareholder meeting to vote on the Proposal.

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- if Lynas presents a pre-feasibility study to Forge demonstrating an economically viable stand-alone rare earths development within the area subleased to Forge which is not at the time being mined by Forge, Lynas may develop the deposit provided that it does not (in Forge's reasonable opinion) impede existing Forge activities; and
- Lynas will retain the rights to all non-mineral resources in the sublease deposits including rights to any water and thermal energy.

6.3.6 Disadvantages and Risks

Apart from a limited opportunity cost the Proposal has no material disadvantages. There are also limited risks arising from the Proposal.

The main risk is that Forge has no experience developing rare metals and phosphate deposits and (currently) has limited financial resources. It was only established in October 2009 and was listed on the ASX in September 2010. Its current portfolio consists of interests in five gold and base metals projects in New South Wales and as at 31 December 2010 it had cash of \$3.2 million. However, Mr Nicholas Curtis, the Chairman of Forge, has a track record of success in raising capital for and developing early stage exploration companies. In addition, the primary component of the consideration under the Proposal is cash and only the upside (i.e. the right to receive rare earths at market prices and the royalty payments) depend on Forge's future performance.

6.3.7 Other Matters

Lynas has estimated that the total transaction costs of the Proposal will be approximately \$780,000, the vast majority of which will have been incurred prior to the time that non associated shareholders of Lynas vote on the Proposal. These costs are one off and are not material in the overall context of Lynas, representing approximately 0.02% of the current market capitalisation of Lynas. While the transaction costs represent a larger percentage of the value of the Proposal (approximately 3.5%), this is not unusual given the relatively small value of the Proposal.

6.4 Shareholder Decision

The decision whether to vote for or against the Proposal is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposal, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Lynas or Forge. This is an investment decision independent of a decision on whether to vote for or against the Proposal upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

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7 Qualifications, Declarations and Consents

7.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services, manages specialist funds and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 450 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Ross Grant BSc (Hons) MCom (Hons) MBA, Atagün Bensan BSc (Hons) LLB and Jaye Gardner BCom LLB (Hons) CA SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Bronwyn Skinner BEcon MBA and Bo Jing BCom assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

7.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposal is fair and reasonable to the non associated shareholders of Lynas. Grant Samuel expressly disclaims any liability to any Lynas shareholder or independent director who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Explanatory Memorandum issued by Lynas and has not verified or approved any of the contents of the Explanatory Memorandum. Grant Samuel does not accept any responsibility for the contents of the Explanatory Memorandum (except for this report).

7.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationships with Lynas or Forge or any financial or other interest in Lynas or Forge that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel advises that no Grant Samuel group executive holds any shares in Lynas or Forge.

Grant Samuel commenced analysis for the purposes of this report in December 2010 prior to the announcement of the Proposal. Although the terms of the Proposal changed during this period, this work did not involve Grant Samuel participating in the setting the terms of, or any negotiations leading to, the Proposal.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.



Grant Samuel will receive a fixed fee of \$400,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007.

7.4 Declarations

Lynas has agreed that it will indemnify Grant Samuel and any director, officer, employee, consultant or adviser of Grant Samuel or of any of its related bodies corporate (collectively, the "relevant persons") in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability finally determined by the courts to be primarily caused by the gross negligence or wilful misconduct of Grant Samuel or any of the other relevant persons. Lynas has also agreed to indemnify Grant Samuel for time spent and reasonable legal costs and expenses incurred by Grant Samuel or any of its related bodies corporate or any of the relevant persons in relation to any inquiry or proceeding initiated by any person whatsoever as a result of or in connection with, directly or indirectly, the assignment or the report. Any claims by Lynas are limited to an amount equal to the fees paid to Grant Samuel. Where it is finally determined by the courts that Grant Samuel or any of the other relevant persons are guilty of gross negligence or wilful misconduct, then Grant Samuel shall reimburse to Lynas on demand that proportion of the fees, costs and expenses as is attributable to such gross negligence or wilful misconduct.

Advance drafts of this report were provided to Lynas and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. In addition, BDA subsequently reissued its report updating the phosphate resource figures, which resulted in changes being made to the factual sections of the report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Explanatory Memorandum to be sent to shareholders of Lynas. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

7.6 Other

The accompanying letter dated 28 March 2011 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

28 March 2011

Grant Samuel & Associates



Appendix 1

Market Evidence

1 Valuation Evidence from Sharemarket Prices

Grant Samuel has identified a number of listed companies with rare metals assets at a similar stage of development to those owned by Lynas to provide a market based valuation benchmark. Companies with niobium assets were selected given Lynas' Crown polymetallic deposit mineralisation is predominantly niobium with only a smaller amount of tantalum and other minerals.

The multiples for selected listed rare metals companies are set out below:

| Trading Multiples for Selected Listed Rare Metals Companies | | | | | |
|---|---|---------------------------------------|--------------------------------------|--|---|
| Company | Enterprise Value ¹ (A\$ millions) | Variables ² | | Multiples ³ | |
| | | Niobium Equivalent Resources (tonnes) | Niobium Equivalent Reserves (tonnes) | Niobium Equivalent Resources (A\$/tonne) | Niobium Equivalent Reserves (A\$/tonne) |
| Exploration/Development | | | | | |
| Alkane Resources | 386.7 | 1,730,016 | na | 223 | nc |
| Commerce Resources | 97.3 | 62,563 | na | 1,556 | nc |
| Quantum ⁴ | 35.0 | 323,080 | na | 108 | nc |
| MDN | 28.7 | 69,352 | na | 414 | nc |
| Gippsland | 23.8 | 21,255 | na | 1,119 | nc |
| Globe Metals & Mining | 28.0 | 216,382 | na ⁵ | 129 | nc ⁶ |
| <i>Minimum</i> | | | | 108 | nc |
| <i>Maximum</i> | | | | 1,556 | nc |
| <i>Median</i> | | | | 319 | nc |
| Production⁷ | | | | | |
| IAMGOLD | 8,281.7 | 1,187,903 | 578,819 | 6,972 | 14,308 |
| Noventa ⁸ | 93.0 | 7,629 | na | 12,195 | nc |

Source: Grant Samuel analysis

A brief description of each company is set out below:

Alkane Resources Limited ("Alkane")

Alkane is a multi-commodity explorer and miner focussed in the central west of New South Wales, Australia. The 100% owned Dubbo Zirconia Project contains a mix of niobium, tantalum and rare earth

¹ Based on sharemarket prices and exchange rates as at 24 March 2011. Enterprise value is the sum of the market capitalisation, plus borrowings less cash (as at the latest balance date).

² Resources and reserves are as at the last reported date.

³ Represents enterprise value divided by niobium equivalent resources or reserves.

⁴ Reported resources are currently non-compliant with Canada's National Instrument 43-101.

⁵ na = not available.

⁶ nc = not calculated.

⁷ Meaningful analysis is not possible for the two major producers of niobium, Companhia Brasileira de Metalurgia e Mineração ("CBMM") and Anglo American Brasil Mineração Catalão ("Anglo American") as the former is not listed and the latter is a large diversified mining company.

⁸ Noventa's tantalum project in Mozambique has not identified any niobium resources. Reported resources and corresponding multiples relate to tantalum.



oxides. A feasibility study was completed in 2002 and the company commissioned a demonstration pilot plant in March 2008. Alkane is currently revising the feasibility study with production scheduled for 2013.

Commerce Resources Corp. (“Commerce Resources”)

Commerce Resources is an exploration and development company listed on the Toronto Stock Exchange (“TSX”) with a particular focus on deposits of rare metals and rare earth elements. The company’s most advanced development is the Blue River niobium/tantalum project in British Columbia, Canada. Commerce Resources currently has sufficient capital to continue evaluating the economic potential of this deposit and is focused on bringing the Upper Fir deposit into commercial production. Commerce Resources also has two other less developed rare earths projects with no reported resource estimates.

Quantum Rare Earths Developments Corp (“Quantum”)

Quantum is a junior exploration company listed on the TSX with a focus on seeking out potentially economic deposits of rare earth elements in North America and elsewhere in the world. In May 2010, Quantum acquired the Elk Creek Carbonatite, one of the largest known carbonatites in North America. Elk Creek is potentially one of the largest global resources of niobium and rare-earth elements. Drill hole studies are currently in progress to confirm resource estimates according to Canada’s National Instrument 43-101 standard.

MDN Inc. (“MDN”)

MDN is a Canadian mining company that holds a portfolio of mineral interests in Quebec and Tanzania. The company’s main focus is in gold mining with over ten development projects and a 30% interest in a small operating gold mine in Tanzania. MDN owns a 67.5% interest in the Crevier niobium-tantalum project in Quebec and is currently undertaking a feasibility study with completion expected around June 2011.

Gippsland Limited (“Gippsland”)

Gippsland is listed on the Australian Securities Exchange (“ASX”). Its prime asset is a 50% interest in the Abu Dabbab tantalum project in Egypt. A bankable feasibility study was completed in October 2004 which identified the project’s potential to become a major supplier of tantalum at a low operating cost. Gippsland has also completed an Abu Dabbab Environmental Impact Assessment which has been approved by the Egyptian Environmental Affairs Agency. While reserves have been proven through extensive studies, production is still a few years away. Gippsland also has a 40% free carried interest in the Tasmanian Heemskirk Tin Project, the largest known hard rock tin deposit in Australia. This is a far less developed project and a feasibility study is yet to be completed.

Globe Metals & Mining Limited (“Globe”)

Globe is an Australian listed company that holds a portfolio of mining interests in the adjoining African countries of Malawi and Mozambique. The company’s largest and most developed project is the multi-commodity Kanyika niobium project in Malawi where Globe is targeting rare metals. A full feasibility study is due to commence in the first quarter of 2011. Globe currently holds a 100% interest in the Kanyika project and due to complete a major equity capital raising with East China Mineral Exploration and Development Bureau (“ECE”) in April 2011.

IAMGOLD Corporation (“IAMGOLD”)

IAMGOLD is a mid tier gold mining company listed on the TSX and the New York Stock Exchange. It produces approximately 1 million ounces of gold annually from eight gold mines on three continents. While primarily a gold mining company, IAMGOLD also operates the Niobec niobium mine in Quebec, which is one of only three major niobium producing mines in the world. The Niobec mine is currently producing approximately 7% to 8% of world consumption with mine life estimated at 18 years.

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Noventa Limited (“Noventa”)

Noventa is listed on the TSX and the Alternative Investment Market (“AIM”) operated by the London Stock Exchange. Its activities are the mining, extraction and production of tantalum concentrate in Mozambique. The company restarted production at its Marropino mine in April 2010 and has made its first shipments of concentrate material to customers under off-take contracts. Noventa’s board recently approved a new three year strategic plan to upgrade Marropino’s plant capacity from the current 300,000 pounds per annum to 500,000 pounds per annum during 2010-2011. The company is also conducting extensive work on nearby deposits Morrua and Mutala with the aim of bringing those into production before 2015.

2 Valuation Evidence from Transactions

Set out below is a summary of recent transactions involving rare metals businesses for which there is sufficient information to calculate meaningful valuation parameters:

| Recent Transaction Evidence – Rare Metals | | | | | | |
|---|-----------------------------------|-----------------------------------|-------------------|---|---|------------------------------------|
| Date Announced | Target | Acquirer | % Acquired | Consideration ⁹ (A\$ millions) | Niobium Equivalent Resources ¹⁰ (tonnes) | Multiple ¹¹ (A\$/tonne) |
| 10 Jan 2011 | Globe | ECE | 51% ¹² | 93.8 | 216,382 | 434 |
| 15 Dec 2010 | Noventa ¹³ | Institutional and other investors | 32% | 75.1 | 7,629 | 9,849 |
| 3 May 2010 | Elk Creek Resources ¹⁴ | Quantum | 100% | 10.6 | 323,080 | 33 |
| 14 Sep 2009 | Commerce Resources | Institutional and other investors | 13% ¹² | 51.9 | 67,301 | 771 |
| 2 Jun 2009 | MCI | MDN | 75% | 20.0 | 96,660 | 207 |

Source: Grant Samuel analysis

A brief summary of each transaction is set out below:

Globe/ECE

Globe announced a strategic equity investment by ECE in January 2011 under which ECE will acquire a 51% stake in Globe for a cash payment of \$47.85 million. Globe and ECE will enter into a strategic partnership and ECE will be committed to assist Globe in securing project funding for the Kanyika Niobium project from Chinese banks and investment funds. The equity raised from the transaction will be used by Globe to complete a bankable feasibility study on the Kanyika niobium project. Transaction approvals have been obtained from all relevant government agencies and completion is expected in April 2011 pending the outcome of an Extraordinary General Meeting of shareholders.

⁹ Implied consideration if 100% of the company or business had been acquired.

¹⁰ Resources are as at last reported date prior to the announcement of the transaction. Non-niobium resources have been converted to niobium equivalent resources by determining a market value for each commodity resource based on current spot prices and dividing the total market value by the current niobium spot price. The use of current spot prices is a simplistic assumption. However, the lack of a transparent market for trading the majority of these commodities means that it is difficult to access spot prices at particular points in time and, in any event, the majority of the resource for the comparable transactions is niobium.

¹¹ Represents consideration divided by niobium equivalent resources.

¹² For equity capital raisings with institutional and other investors, the percentage acquired is calculated as the number of new shares issued divided by the total number of shares outstanding post the capital raising.

¹³ Noventa’s tantalum project in Mozambique has not identified any niobium resources. The reported resources and corresponding multiple relate to tantalum.

¹⁴ Reported resources are currently non-compliant with Canada’s National Instrument 43-101.

***Noventa/Institutional and other investors***

In December 2010, Noventa completed an equity placement with institutional and other investors raising £15.2 million. The new shares issued represented an approximate 32% interest in the company post transaction. The net proceeds from the placement were applied to fund equipment, installation and infrastructure, engineering, procurement, construction and management costs and indirect construction costs at Noventa's Marropino mine and for general working capital purposes. While this was not a control transaction, it provides a benchmark for the value of rare metals assets that are very close to production.

Elk Creek Resources Corp. ("Elk Creek Resources")/Quantum

Quantum acquired 100% of Elk Creek Carbonatite through the acquisition of Elk Creek Resources in May 2010. Through a series of agreements, Elk Creek Resources held an option to acquire the mineral rights to the project. The agreements were in the form of a five-year pre-paid lease, with an option to purchase the mineral rights at the end of the lease. The acquisition consideration was in the form of cash and Quantum shares.

Commerce Resources/Institutional and other investors

In September 2009, Commerce Resources completed a C\$6.7 million private placement with a group of institutional and other investors. The new shares issued represented approximately 13% of the company's issued shares post transaction. Although this was a relatively small transaction with the new investors acquiring less than 15% of the company, it is still a useful benchmark for transactions involving early stage development assets.

Les Mineraux Crevier Inc. ("MCI")/MDN

MDN entered into an agreement with MCI in June 2009 to acquire up to 75% of the shares of MCI. MCI owned the Crevier niobium/tantalum property located in the Lac St-Jean area of Quebec. The transaction consideration had three components, an upfront cash payment of C\$2.3 million, payment for a feasibility study over three years of up to C\$7.5 million and an additional cash payment at MDN's discretion over three years of C\$3.5 million. For the purposes of calculating a transaction multiple, the total consideration of C\$13.3 million was assumed to be paid up front.

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Appendix 2

March 2011 Report by Behre Dolbear Australia Pty Limited

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15 March 2011

Mr Atagiin Bensan
Grant Samuel
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Mr Andrew Arnold
Lynas Corporation Limited
Level 7, 56 Pitt Street
SYDNEY NSW 2000

Dear Sirs

INDEPENDENT TECHNICAL REVIEW

MT WELD RARE METALS AND PHOSPHATE RESOURCES - LYNAS CORPORATION LIMITED

BEHRE DOLBEAR AUSTRALIA

1.0 INTRODUCTION

Lynas Corporation Limited (“Lynas” or “the company”) is the owner of the Lynas Rare Earth (“RE”) deposit located at Mt Weld near Laverton in Western Australia (“WA”) (Figure 1). Lynas has commenced open pit mining and stockpiling of RE ores at Mt Weld and is in the process of constructing a concentrator on site and a RE processing plant in Kuantan in Malaysia (the Lynas Advanced Materials Plant or “LAMP”).

The Mt Weld carbonatite complex also contains concentrations of calcium phosphate or apatite within the Swan deposit which could potentially provide the feedstock to a fertiliser plant producing phosphate fertilisers or phosphoric acid. Within the Mt Weld complex there are also areas rich in niobium, tantalum, titanium and zirconium, specifically the Crown and Coors polymetallic or rare metals deposits. The Swan, Crown and Coors deposits lie to the north and northeast of Lynas’ Mt Weld rare earths deposit (Figure 2).

In this report, consistent with recent ASX announcements by Lynas, the Crown and Coors deposits are collectively referred to as the “Crown polymetallic deposit” or simply the “Crown deposit”.

Lynas has advised that its priority at this point in time is development of the RE business, and that it is considering transactions with third parties to allow the separate development of the phosphate and polymetallic resources. Under any such transaction it is proposed that Lynas would retain the rights to any REs mined in combination with the other materials, or produced as part of any reject product from the processing of the phosphates or rare metals.

Grant Samuel has been engaged by Lynas to prepare an Independent Expert’s Report in relation to a potential transaction with Forge Resources Limited (“Forge”) under which Forge would acquire the rights to exploit the Crown polymetallic deposit and the Swan deposits for rare metals and phosphates. Lynas would have the right to acquire the rare earths recovered by Forge at market prices. Lynas and Forge would co-operate to explore the deposits and other areas of interest at Mt Weld.

Grant Samuel has requested that Behre Dolbear Australia Pty Limited (“BDA”) prepare a Technical Specialist’s Report (“Technical Report” or “Report”) that Grant Samuel will rely upon for its report. The scope of BDA’s Report, as instructed by Grant Samuel is to:

- review estimates of the resources for the Crown and Swan deposits
- review and comment on the exploration potential for rare metals and phosphates within Lynas’ Mt Weld tenements

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- review and comment on prior development studies and work on exploiting the Crown and Swan deposits including
 - any capital and operating cost estimates
 - process flowsheets (including their viability and comparison, as appropriate, to process flowsheets used by other producers)
- review and comment on the potential development plans of Forge (if available and to the extent sufficiently developed)
- provide a description of the Crown and Swan deposits and, to the extent necessary, the Mt Weld rare earths project.

BDA specialises in technical due diligence and review work on mining and processing projects, primarily for financial institutions. BDA has been involved in numerous such studies and Independent Engineer assignments in recent years, and is well qualified to undertake the work required. BDA is the Australian subsidiary of Behre Dolbear & Company Inc., an international minerals industry consulting group which has operated continuously worldwide since 1911, with offices in Denver, New York, Toronto, Vancouver, Guadalajara, Santiago, London, Hong Kong and Sydney. Behre Dolbear specialises in mineral evaluations, due diligence studies, independent expert reports, independent engineer certification, valuations, and technical audits of resources, reserves, mining and processing operations and project feasibility studies. BDA has used engineering consultants from the Sydney office in this review.

BDA has previously prepared independent technical reviews and valuations of the Lynas mineral assets as part of assignments for potential financiers and others. However, BDA has not undertaken any technical consulting for Lynas and considers that the previous work does not affect the independence of BDA in preparing the current Technical Report. BDA will be paid fees and expenses only for preparation of the Technical Report, and payment will not be dependent on the outcome of the Report. In accordance with Australian Securities and Investment Commission regulatory guide 112 (“RG112”), BDA considers it is independent of Lynas and that it is able to be engaged by Grant Samuel for the purpose of preparing an independent specialist report in accordance with criteria set out in RG112.

BDA’s Technical Report has been prepared in accordance with the Valmin Code for the Technical Assessment and Valuation of Mineral Assets and Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and as amended and updated in 2005.

Resources and reserves defined within the Mt Weld tenements have been reviewed; however, BDA has not undertaken an audit of the data, or re-estimated the resources or reserves. Categorisations are stated in accordance with the Australasian Code for Reporting Identified Mineral Resources and Ore Reserves prepared by the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2004 update (“the JORC Code”).

BDA has not conducted a detailed review of the status of the various tenements or legal agreements. However, Lynas has advised that all material tenements and agreements are in good standing.

This Technical Report is based on BDA’s review of information provided by Lynas. The sole purpose of this BDA Report is for the use of Grant Samuel, to assist Grant Samuel in its preparation of its Independent Expert’s Report, and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without BDA’s prior written consent to the form and context in which it appears.

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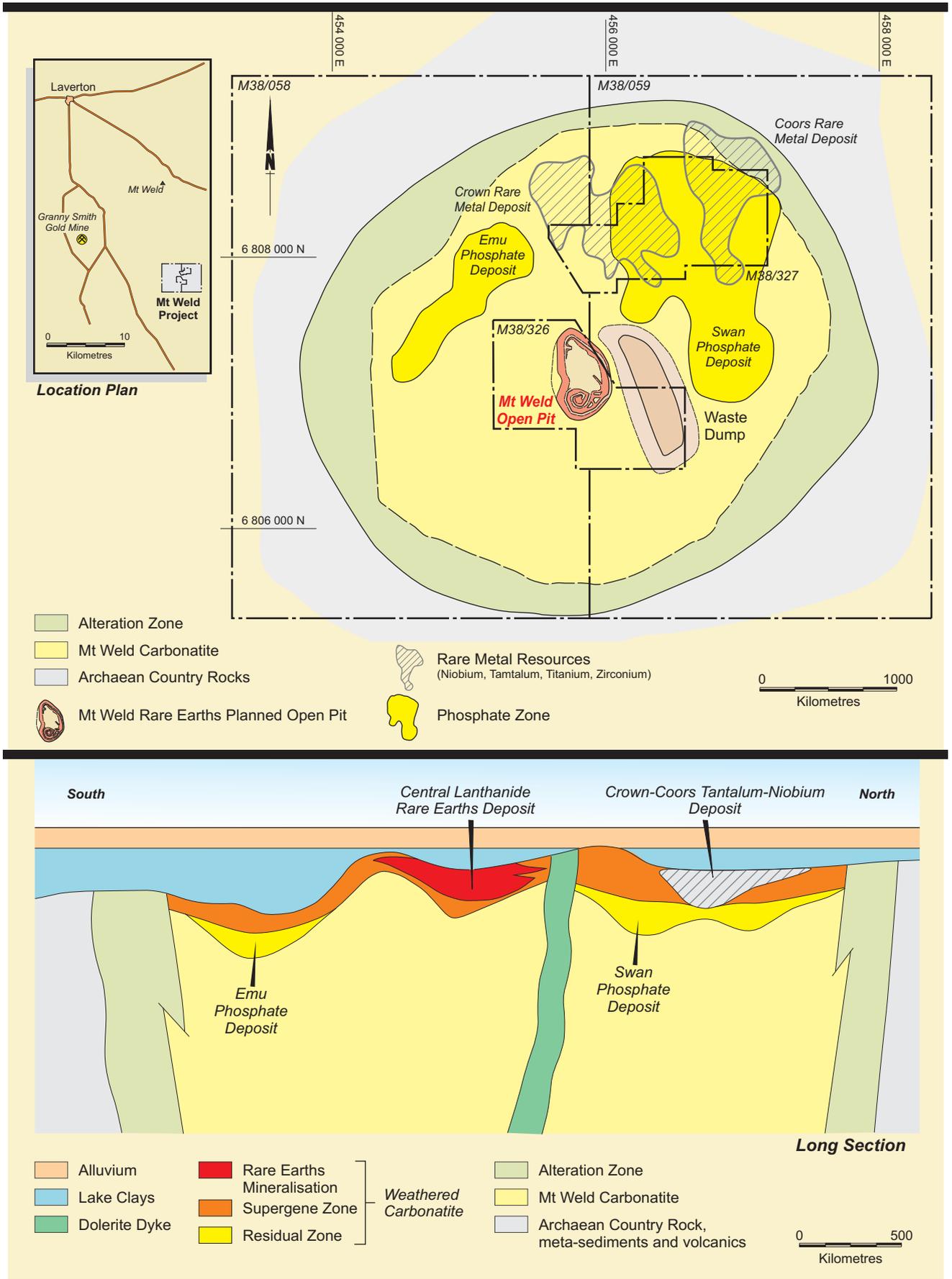
Mt Weld Project

Lynas Corporation Limited

Figure 1

GENERAL LOCATION PLAN - WESTERN AUSTRALIA

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Mt Weld Project

Lynas Corporation Limited

Figure 2

MT WELD PLAN AND SECTION - WESTERN AUSTRALIA

2.0 SUMMARY

2.1 Background

This BDA report primarily focuses on the Crown polymetallic deposit (rare metals including niobium, tantalum, titanium and zirconium) and the Swan phosphate deposits. However, these deposits and their potential development need to be considered in the context of the adjacent Lynas Mt Weld rare earths project where initial mining and stockpiling has already taken place and project construction and development is already underway. The summary description below deals first with the background of the rare earths project and then with the polymetallic rare metals and phosphate deposits.

Mt Weld is located in the Northeastern Goldfields of WA, approximately 32 kilometres (“km”) southeast of Laverton, and 10km east of the Barrick Gold Corporation (“Barrick”) Granny Smith gold mine, formerly owned by Placer Dome (Figures 1 and 2). The area is arid, with sparse vegetation. Annual rainfall averages 230 millimetres (“mm”) with an annual evaporation rate of 3,070mm. Temperatures range from a winter mean minimum of around 5°C to a summer mean maximum of around 36°C.

The Mt Weld area is covered by four mining leases (Figure 2), namely M38/58, M38/59, M38/326 and M38/327. Lynas, through its wholly-owned subsidiary, Mt Weld Mining Pty Limited (“MWM”), was the registered holder of three leases, with the fourth lease (M38/327) owned by CSBP Limited (“CSBP”). MWM had the rights to the rare earth (non-phosphate) ores, (specifically all minerals other than ‘fertiliser feedstock’) within the CSBP lease while CSBP had the right to the apatite (phosphate) ores within the MWM leases. On 13 August 2009 Lynas announced that it had signed a formal sales agreement with CSBP to acquire the apatite (phosphate fertiliser feedstock) rights at Mt Weld previously owned by CSBP, and legal title to the CSBP mining lease M38/327). The consideration for the acquisition was A\$4.0 million (“M”). Lynas now owns exclusive title to all the Mt Weld tenements and to all the minerals, rare earths, phosphates and polymetallics within the leases. BDA has not undertaken any legal due diligence on the status of the tenements or Native Title issues but Lynas has advised that all material tenements are in good standing.

Lynas’ current focus is on the development of the Mt Weld rare earths deposit and on construction of a rare earths concentrator at Mt Weld and a rare earths processing plant (LAMP) at Kuantan on the east coast of Malaysia. Lynas has no current plans to develop the rare metals or phosphate deposits within the Mt Weld carbonatite. Forge has proposed a potential transaction whereby Forge would acquire the rights to exploit the Crown polymetallic deposit and the Swan deposit for rare metals and phosphates. Lynas would have the right to acquire the rare earths recovered by Forge at market prices. Lynas and Forge would co-operate to explore the deposits and other areas of interest at Mt Weld.

2.2 Lynas Rare Earth Project

The Lynas rare earths project is based on the Mt Weld carbonatite deposit, a concentration of RE elements (the fifteen lanthanides plus yttrium) within the residual weathered horizon overlying the circular Mt Weld carbonatite intrusive.

The Mt Weld carbonatite intrusive was discovered in 1966 by follow-up investigation of a circular magnetic anomaly. Various parties have owned, or held interests, in the deposit. Lynas first acquired its interest in the project through the acquisition of Mt Weld Rare Earths Pty Limited in November 2000, and acquired 100% control of Mt Weld Mining Pty Limited (the tenement holding company) in April 2002. The deposit has been largely defined by air core and reverse circulation (“RC”) drilling with some limited diamond drilling.

The Mt Weld carbonatite is a 3.5km diameter near-vertical plug of igneous calcitic to dolomitic carbonate, intruded into an Archaean volcanic and sedimentary sequence of the Yilgarn Craton (Figure 2). The carbonatite is cut by a steeply-dipping north to northwest trending dolerite dyke, approximately 100 metres (“m”) wide.

The upper portion of the carbonatite has been weathered and lateritised. Within the residual 20-60m weathered profile, rare earth elements have been concentrated to ore grade levels. The carbonatite intrusion and residual weathered profile have been largely buried by freshwater lacustrine sediments, mostly clays. The lacustrine sediments themselves are buried by a blanket of transported alluvial sand and gravel.

Two separate zones of rare earth mineralisation have been identified within ML 38/326 as follows:

- a zone of high grade rare earth oxide (“REO”) mineralisation near the centre of the carbonatite, termed the Central Lanthanide Deposit or CLD; this zone forms the basis for the open pit mine plan
- a zone to the east and southeast of the CLD known as the Duncan Deposit, of generally lower grade but where the REO mineralisation contains a higher proportion of heavy rare earth elements.

A separate zone of niobium/tantalum mineralisation comprising the Crown polymetallic deposit (including the Coors deposit) is located largely within M38/327, approximately 1km north and northeast of the CLD (Figure 2). Further areas of niobium/tantalum mineralisation have been identified within the carbonatite.

Within the CLD, two rare earth ore types have been designated which together comprise 65% of the deposit:

- CZ - soft phosphatic siltstone regolith, the main ore type and basis of the Mt Weld rare earths Feasibility Study and reserves; fine grained, friable, low density siltstone
- LI - limonitic carbonatite regolith; poorer concentration and recovery performance than CZ and can be more cemented, nodular or concretionary; it is planned to treat the LI material later in the mine life.

It is proposed to mine the rare earths ore from the Central Lanthanide Deposit ("CLD") at Mt Weld (Figure 2) by open pit methods in a series of mining campaigns. The first mining campaign has been completed and approximately 770,000t of RE mineralised material has been stockpiled on site according to lithology and grade. The deposit has an average overburden thickness of 25-30m comprising clay lake sediments and alluvial sands and gravels. The ore zone has an average thickness of 35m with a maximum thickness of around 60m. The maximum planned pit depth is approximately 90m.

The RE ore will be mined, crushed and stockpiled and concentrated by flotation in the concentrator constructed at Mt Weld to produce a RE concentrate for export. Concentrate will be packed in one tonne bulker bags which will be loaded into containers at site and then trucked to the WA port city of Fremantle. At the port the containers will be transferred to ships for sea freight to the port of Kuantan in eastern Malaysia.

From the port at Kuantan the concentrate will be trucked to the LAMP in the nearby Gebeng Industrial Estate ("GIE") for processing, which will comprise acid decomposition, water leaching, solvent extraction, precipitation and product finishing.

Plant construction work is underway. Concentrator construction at Mt Weld is largely complete and commissioning has commenced. Earthworks, concrete construction and steelwork erection have commenced at the GIE and completion of construction and commissioning is scheduled for the third quarter ("Q3") of 2011. The project is planned to ramp up to close to full production levels by Year 3 (2014), processing approximately 240,000tpa of ore through the concentrator and producing around 70,000tpa of RE concentrate averaging approximately 40% REOs. The final product after cracking, extraction and purification will comprise approximately 22,000t of REOs.

2.3 Crown Polymetallic Deposits

The northern part of the carbonatite regolith, approximately 500-1,000m north and northeast of the Central Zone, is enriched in rare metals, principally niobium and tantalum together with zirconium and titanium; two deposits, the Crown and Coors deposits have been outlined (Figure 2). In this report, consistent with recent ASX announcements by Lynas, the Crown and Coors deposits are generally collectively referred to as the "Crown polymetallic deposit" or simply the "Crown deposit". The rare metals polymetallic mineralisation lies in the upper part of the regolith at a similar horizon to the rare earths concentration, and there is a significant rare earth component combined with the rare metals mineralisation. The Crown rare metal concentrations partially overly the Swan phosphate deposit.

A resource estimate was undertaken by Hellman and Schofield ("H&S") in October 2004. Resource tonnages and grades are shown in Table 2.1 for the various tantalum/niobium deposits within the Mt Weld tenements utilising the available drilling data and applying a 5,000 parts per million ("ppm") cut off for Nb₂O₅. H&S also carried out an estimate based on "positive net value blocks" with costs and metal values provided by Lynas; these estimates are shown in Table 2.2. In addition, H&S reported additional potential mineralisation of between 100 and 180Mt of similar grades to the resources. These, however, do not constitute "resource estimates" and there is no guarantee that they will be upgraded to resources with further drilling.

Table 2.1

Mt Weld Niobium and Tantalum Resources

| Deposit | Indicated | | | Inferred | | | Total | | |
|--------------|------------|------------------------------------|------------------------------------|-------------|------------------------------------|------------------------------------|-------------|------------------------------------|------------------------------------|
| | Mt | Nb ₂ O ₅ ppm | Ta ₂ O ₅ ppm | Mt | Nb ₂ O ₅ ppm | Ta ₂ O ₅ ppm | Mt | Nb ₂ O ₅ ppm | Ta ₂ O ₅ ppm |
| Crown | 1.5 | 13,519 | 362 | 12.8 | 10,633 | 278 | 14.3 | 10,943 | 287 |
| Coors | 0.2 | 7,336 | 227 | 3.5 | 9,200 | 202 | 3.7 | 9,110 | 203 |
| Anchor | | | | 0.2 | 11,404 | 209 | 0.2 | 11,404 | 209 |
| Eastern | | | | 0.4 | 8,197 | 223 | 0.4 | 8,197 | 223 |
| Western | | | | 21.0 | 8,108 | 188 | 21.0 | 8,108 | 188 |
| Total | 1.7 | 12,878 | 348 | 38.0 | 9,080 | 220 | 39.7 | 9,245 | 226 |

Note: ppm= parts per million; Niobium cut off is 5,000ppm (or 0.50%)

Table 2.2

Mt Weld Crown Polymetallic Deposit - Niobium and Tantalum Resources

| Category | Mt | Ta ₂ O ₅ ppm | Nb ₂ O ₅ ppm | ZrO ₂ ppm | TiO ₂ % | REO % |
|--------------|-------------|------------------------------------|------------------------------------|----------------------|--------------------|------------|
| Indicated | 1.5 | 370 | 14,000 | 3,200 | 5.8 | 1.7 |
| Inferred | 36.2 | 240 | 10,600 | 3,000 | 3.9 | 1.1 |
| Total | 37.7 | 240 | 10,700 | 3,000 | 4.0 | 1.2 |

Note: ppm= parts per million; cut off based on 'positive net value blocks' with costs and metal values provided by Lynas

In 2004 Lynas commissioned a report by HBH Consultants Pty Limited ("HBH") on the likely development cost of a processing facility to treat and extract the rare metals; HBH estimated a cost in excess of US\$1 billion. Lynas has undertaken various testwork programmes to examine potential processing routes for the rare metals, but this work has largely been put on hold to concentrate on the development of the rare earths project.

There are a number of uncertainties with respect to the development of a viable niobium/tantalum mining and processing operation at Mt Weld. A significant testwork programme has been carried out by the Guangzhou Research Institute for Non-Ferrous Metals ("GZRINM") to review various potential flowsheet options. Potential processing options considered include:

- *Concentrate* - roasting, magnetic separation, and flotation to produce a rare metals concentrate
- *Ferro-Niobium* - flotation, metal chlorination, hydrolysis, and smelting to produce NbFe, Ta chloride and Ti chloride
- *Metal* - roasting, magnetic separation, alkali and acid leaching and hydrometallurgical separation to produce Nb and Ta metals, and Ti and RE oxides.

To date the metallurgical work has not yet defined a practical flowsheet for the treatment of the rare metals ores. Mineral processing technologies have been tested and have resulted in very little upgrading and no saleable concentrates. The niobium and tantalum occur in minerals which for the most part are modified by weathering and at this stage it is not certain that an appropriate metallurgical process is available to treat the Mt Weld niobium/tantalum mineralisation. The testwork thus far has indicated that the conventional means of treating niobium-bearing ores as used in Canada and in Brazil are not successful. GZRINM has not had any success with magnetic separation, gravity separation or flotation. When Anaconda Nickel Limited ("ANL") owned the project a process was proposed which incorporated caustic leaching of run-of-mine ("ROM") material to remove the alumina and calcium phosphates. The residue was to be smelted to produce a pig iron and the slag would be chlorinated to produce Nb, Ta, Ti and Zr chlorides which then could be separated using distillation techniques. The separated chlorides would be reduced to metal using magnesium metal with magnesium recovery from the resultant magnesium chlorides. The REOs would be recovered as mixed oxides from the chlorination steps. This flowsheet was never tested and has been set aside by subsequent owners.

GZRINM now proposes to undertake testwork to investigate two options. The first option would be to study the effect of a reduction roast of ROM ore followed by magnetic separation, acid leaching and sulphating roast followed by solvent extraction ("SX") recovery of the Nb, Ta, Ti and REOs. The second option to be studied incorporates the same reduction roast followed by magnetic separation to remove the Fe components followed by a strong acid leach and then separation using SX to recover Ti, Nb and REOs.

Considerable additional drilling will also be required to develop resources in accordance with the JORC code. Forge has proposed that it would undertake this work together with metallurgical testwork, engineering studies and feasibility studies and complete a Definitive Feasibility Study over the next 3-4 years to determine the commercial viability of development.

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2.4 Swan Phosphate Deposit

Calcium phosphate mineralisation is ubiquitous in the primary carbonatite and in the overlying regolith. The principal phosphate minerals present are apatite, $\text{Ca}_5(\text{PO}_4)_3(\text{F},\text{Cl},\text{OH})$, and crandallite, a calcium aluminium phosphate present in the upper regolith.

The average phosphate grade in the primary carbonatite is around 3.5% P_2O_5 , although local concentrations as high as 50% can occur in apatite-rich phases. However, generally the primary carbonatite is of too low a grade to provide a potential fertiliser feedstock.

Above the irregular unweathered primary carbonatite surface, typically at a depth of 50-100m, lie sub-horizontal sheets, 6-30m thick, of apatite-rich sands, variably re-cemented, where much of the primary carbonate has been removed by weathering and solution processes. These zones can reach grades of 10-36% P_2O_5 , and constitute the principal potential fertiliser feedstock resource.

Higher up in the regolith the principal phosphate mineral is crandallite, which is higher in aluminium and generally lower grade and not suitable for fertiliser feedstock.

The apatite-rich zones lie between the rare earth and polymetallic concentrations above, and the unweathered primary carbonatite below. Within the 3.5km diameter Mt Weld carbonatite deposit, two principal areas of phosphate concentration have been identified, the Swan and Emu deposits, to the northeast and northwest of the CLD respectively (Figure 2); only the Swan deposit to the northeast is included in the proposed transaction with Forge.

Early 1984 resource estimates (pre-JORC) suggested a total potential regolith-hosted phosphate resource of $250 \pm 37\text{Mt}$ at 18% P_2O_5 at a 10% P_2O_5 cut off. Approximately 60Mt of this resource was allocated to the Swan deposit which occurs partly below the Crown polymetallic deposit.

In 1990, after adoption of the JORC Code by the ASX, the resource estimation was reviewed and qualified in accordance with JORC Code recommendations. The Swan deposit was categorised by project geologist Mr Robert Duncan ("Duncan") as an Indicated resource of 60Mt at 19% P_2O_5 within a total Indicated and Inferred resource of 250Mt averaging 18% P_2O_5 all at a 10% P_2O_5 cut off.

Total phosphate resources in the Mt Weld regolith were re-estimated by Hellman & Schofield in 2011. H&S estimated a total resource of 213Mt at 13.9% P_2O_5 at a 10% P_2O_5 cut off which included crandallite and rare earth phosphate in addition to residual apatite phosphate. In addition H&S reported additional potential mineralisation of between 15-30Mt at similar grades. These however do not constitute resource estimates and there is no guarantee that they will be upgraded to resources with further drilling.

H&S estimated the resource within the Crown/Coors polymetallic deposit area (area generally defining the Swan deposit) at 77Mt averaging 13.6% P_2O_5 which accords reasonably with the 1984 and 1990 tonnage estimates, although at a somewhat lower grade; the lower grade of the H&S estimate is partially a function of inclusion of the lower grade overlying crandallite and other regolith zones. Lynas has updated the 1990 phosphate resources based on the above figures.

The Swan deposit occupies approximately one third of the total area known to host significant apatite mineralization. The estimate is based on relatively close-spaced drilling with support from large diameter bulk sample drilling, mineralogical logging and the results of pilot plant flotation concentration studies. Significant potential exists to identify further areas of high grade apatite phosphate concentrations within the Mt Weld carbonatite regolith.

There has been a significant amount of metallurgical testwork conducted in the 1980s on the Mt Weld material for recovery of phosphate. BHP, CSIRO, AMDEL, Mintek and others looked at treating the phosphate bearing material from Mt Weld. Beneficiation testwork undertaken included pilot plant operations which focussed on flotation, gravity separation and magnetic separation. Flotation testwork demonstrated that a concentrate suitable for manufacture of phosphate fertiliser could be produced with 50-70% recoveries to a concentrate grading around 38% P_2O_5 and less than 3% Fe_2O_3 . The quality of the flotation product was generally dependent on the apatite occurring as clean, uncoated primary residual crystal fragments in a soft matrix. The degree of cementing and crystal overgrowth of the apatite by secondary iron oxide, phosphate and silica impacts on the flotation recovery. Gravity separation was also successful to a degree but to a lesser extent than flotation. Wet and dry, high intensity and low intensity magnetic separation techniques were also successful. Use of on-site water proved to be a significant detriment to flotation thereby suggesting that either wet or dry magnetic separation may prove more economically viable than flotation.

In August 2009, CSBP, the registered holder of lease M38/327 which overlies much of the Swan deposit, and with rights to all 'fertiliser feedstock' minerals both within its lease and within the MWM leases, determined not to proceed with any phosphate mining or development at Mt Weld and signed a formal sales agreement with Lynas to sell its apatite (phosphate fertiliser feedstock) rights at Mt Weld and legal title to the mining lease M38/327 for A\$4M.

Forge plans to undertake additional drilling and update the resource estimate of the Swan deposit as much of the previous drilling was carried out 20 years ago before the dewatering activities were undertaken and prior to the existence of the JORC Code. Forge plans also to re-assess the beneficiation testwork to determine both phosphate and rare earth concentrations and to assess the optimum process route and potential viability of a phosphate mining and processing project.

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3.0 BACKGROUND

3.1 Rare Metals

Mt Weld

The Mt Weld Crown polymetallic deposits hosts niobium and tantalum mineralisation (jointly classified as 'rare metals') together with zirconium, titanium and rare earths. The main niobium and tantalum host mineral in the Mt Weld regolith is variably altered pyrochlore (calcium niobate, or its strontium variety, pandaite), and crandallite (calcium aluminium phosphate) pseudomorphs after pyrochlore. Minor amounts of niobium and tantalum also occur in anatase, iron oxides, psilomelane and crandallite aggregates.

Occurrence and Production of Niobium and Tantalum

The primary mineral from which niobium is obtained is known as pyrochlore $(\text{Na,Ca})_2(\text{Nb,Ta})(\text{O,F})_7$ which is commonly associated with rare earths and found in alkalic rocks. Most tantalum is obtained from the mineral tantalite, $(\text{Fe, Mn})\text{Ta}_2\text{O}_6$ an oxide of iron, manganese and tantalum which often contains small amounts of tin and tungsten and varies in composition from pure tantalite to columbite, where the tantalum is variably replaced by niobium. Tantalite generally occurs in association with granitic rocks and pegmatites.

While tantalite/columbite can contain varying quantities of niobium, and some niobium is recovered when such ores are processed for tantalum, the bulk of niobium production comes from pyrochlore ores.

The main producers of niobium are Brazil and Canada, with lesser production from the Democratic Republic of Congo, Ethiopia, Mozambique, Nigeria, Rwanda and Uganda. The main producer of tantalum is Australia from the Greenbushes and Wodgina mines in Western Australia; other producers are China, Brazil, Canada, Ethiopia and Mozambique.

Uses of Niobium and Tantalum

Niobium is used in the production of high strength steel and stainless steel alloys for structural steel and pipelines; niobium superalloys are used in jet engine and turbine applications. Niobium is used in capacitors in electronic circuits. Niobium carbide is used in high temperature cutting tools. Niobium oxide is used as a coating for camera lenses and computer screens.

Tantalum has a range of similar uses in high strength alloys and superalloys and in capacitors and resistors used in mobile phones, computers and automotive components.

Major Niobium Producers

The discussion below focuses on niobium rather than tantalum producers as the niobium producers are generally producing from deposits with some similarities to the alkalic Mt Weld Crown polymetallic mineralisation, whereas the principal tantalum producers typically are mining granitic and pegmatite deposits quite different to the Mt Weld mineralisation.

The principal niobium producers are Companhia Brasileira de Metalurgia e Mineração ("CBMM") in Brazil, Anglo American of South America Ltda ("Anglo American") also from a Brazilian operation and Iamgold Corporation ("Iamgold") from Canada. CBMM produces around 75% of annual world production and the three companies combined produce around 85% of world demand. CBMM annual niobium production is around 60,000t, while Anglo American and Iamgold produce around 5,000t and 4,000t respectively. CBMM has announced an intention to increase production up to around 90,000t by 2013.

The CBMM niobium mine is located in the state of Araxá in Brazil. It is reportedly the largest pyrochlore deposit in the world, with reserves sufficient to supply current world demand for about 500 years. Anglo American operates the Mineração Catalão de Goiás ("Catalao") niobium mine located in the state of Goiás in Brazil and Iamgold operates the Niobec Mine in Quebec, Canada.

In all three facilities, the ore mineral is pyrochlore, processed to give a concentrate ranging from 55-60% Nb_2O_5 . Output is generally in the form of ferro-niobium with a nominal 60% Nb_2O_5 content.

As noted, some tin-tantalum operations produce niobium as a by-product. Typically the ore is processed into a cassiterite-tantalite/columbite concentrate and the tantalite/columbite-containing slag is processed to yield a ferro-niobium-tantalum alloy containing niobium and tantalum.

Niobium Projects

For further background and comparison with the Crown polymetallic deposit, the following are the principal new niobium projects under feasibility review.

Globe Metals & Mining Limited ("Globe") - an ASX-listed company with a portfolio of mineral interests in Malawi and Mozambique. Its principal project is the polymetallic Kanyika niobium project in Malawi where Globe is targeting rare metals (niobium and tantalum) along with uranium and zirconium mineralisation in an alkalic granitoid. The current Measured and Indicated resource estimate based on a cut off grade of 1,500ppm Nb₂O₅ is 23Mt grading approximately 3,300ppm Nb₂O₅ and 150ppm Ta₂O₅. A higher grade exploration target grading around 4,000ppm Nb₂O₅ has also been identified. The deposit remains open along strike.

Globe proposes to produce ferro-niobium for the steel industry, as well as oxides of niobium, tantalum and uranium, and possibly zircon. The deposit could be mined by open-pit methods with a relatively low stripping ratio of less than 1:1. A scoping study was completed in 2008 and updated in May 2009, based on a 1.5-2.5Mtpa mining rate producing around 3,000tpa Nb and 190tpa Ta₂O₅ with an initial capital cost of US\$155M and an operating cost of US\$40/t. A feasibility study is in progress.

MDM Inc ("MDM") - a TSX listed company with a portfolio of mineral interests in Quebec and Tanzania including a 67.5% interest in a niobium-tantalum project in Quebec. The current Measured and Indicated resource estimate based on a 1,000ppm Nb₂O₅ cut-off grade is 25.4Mt grading approximately 2,000ppm Nb₂O₅ and 230ppm Ta₂O₅.

A preliminary economic assessment conducted in 2009 was based on the processing of 1.4Mtpa of ore grading 1,500ppm Nb₂O₅ and 180ppm Ta₂O₅ to produce 1,680tpa Nb and 180tpa Ta₂O₅ of a niobium and tantalum product respectively with an 18 year mine life. The initial capital cost was estimated at US\$316M with an operating cost of US\$47/t. A feasibility study is in progress.

3.2 Phosphates

Mt Weld

The Mt Weld area hosts significant phosphate resources. The average phosphate grade in the primary carbonatite is around 3.5% P₂O₅, generally too low a grade to provide a potential fertiliser feedstock. However, above the irregular unweathered primary carbonatite surface, typically at a depth of 50-100m, lie sub-horizontal sheets, 6-30m thick, of apatite-rich sands, variably re-cemented, where much of the primary carbonate has been removed by weathering and solution processes. These zones can reach grades of 10-36% P₂O₅, and constitute the principal potential fertiliser feedstock resource. Higher up in the regolith the principal phosphate mineral is crandallite, which is higher in aluminium and generally lower grade and again not suitable for fertiliser feedstock.

Within the 3.5km diameter Mt Weld carbonatite deposit two principal areas of phosphate concentration have been identified, the Swan and Emu deposits, to the northeast and northwest respectively. Only the Swan deposit to the northeast is included in the proposed transaction with Forge. Lynas has identified an overall exploration potential of around 220Mt grading around 14% P₂O₅; within the better drilled areas of the Swan deposit an Indicated resource has been defined of approximately 60Mt grading around 19% P₂O₅.

CSBP formerly had the rights to all the apatite ores ('fertiliser feedstock') within the Mt Weld deposit, within its own lease and within the Lynas MWM leases. CSBP, after reviewing development and sale options for its interests in the fertilizer feedstock and the tenements, decided to sell them to Lynas for A\$4M pursuant to a formal sales agreement which it signed on 13 August 2009.

Access to the high grade phosphate resources requires removal of the overlying regolith including material containing rare earths and rare metals. Any phosphate mining operation therefore would need to be conducted with consideration also given to the appropriate stockpiling of these resources. Depending on the timing of the operations some of the overburden may already have been removed if the rare metals project proceeds ahead of the phosphate extraction.

Handling the in-pit water may become a significant mining and environmental issue. BDA has no knowledge of any hydrological work conducted specifically in relation to the phosphate mineralisation, but based on the water issues identified with the mining of the rare earth pit, mining to a deeper elevation to access the phosphate could involve a significant dewatering and water handling operation.

Occurrence and Use of Phosphate

Phosphates are largely used in the production of phosphate fertilisers for use in agriculture. Phosphates are treated with sulphuric acid to produce superphosphates which are more soluble in the soil.

Phosphate deposits are relatively widespread and occur primarily as crystalline apatite deposits, $\text{Ca}_5(\text{PO}_4)_3(\text{F},\text{Cl},\text{OH})$, associated with alkaline intrusive rocks or pegmatites or as flat lying bedded deposits (phosphorite rock) formed by marine deposition or residual/detrital action on phosphate bearing sediments. The best known crystalline deposit occurs in the Kola Peninsula of Russia, but other significant crystalline deposits occur in the USA, Mexico, Canada, South Africa, Switzerland and Spain. The primary source however for current phosphate production is bedded deposits, with major producing areas including the USA (Florida, Idaho, Wyoming, Montana, Utah), North Africa (Morocco, Algeria, Tunisia, Egypt), the Middle East (Israel, Jordan, Iraq, Saudi Arabia) and Oceania (Nauru, Australia).

The sale of CSBP's phosphate interests in Mt Weld for A\$4M suggest that, while parts of the deposit could produce commercial grades of fertiliser feedstock, the economics of commercial production of phosphate fertiliser from Mt Weld has still to be proved.

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4.0 MT WELD - GEOLOGY AND MINERALISATION

Exploration

The Mt Weld carbonatite was discovered as a result of follow-up work on a strong, circular magnetic anomaly identified by an airborne survey carried out by the Australian Bureau of Mineral Resources in 1966. Subsequent exploration was carried out by Utah Development Company, Union Oil, Wesfarmers-CSBP, Carr-Boyd, Ashton, Anaconda and Lynas. Exploration work has been primarily based on drilling.

Geology

The Mt Weld rare earth, phosphate and rare metal deposits are centred on the Mt Weld carbonatite, a 3.5km diameter near-vertical plug of igneous calcitic to dolomitic carbonate, intruded into an Archaean volcano-sedimentary sequence of the Yilgarn Craton (Figure 2). The carbonatite intrusion has been dated at around 2,000M years. The carbonatite is cut by a steeply-dipping NW-SE trending dolerite dyke, approximately 100m wide.

The upper portion of the carbonatite has been weathered and lateritised. Within the residual weathered lateritic ferricrete profile rare earth elements and in selected portions, rare metals, have been concentrated to ore grade levels. The weathered profile ranges from 20-60m in thickness. Towards the base of this profile and underlying the rare earth and rare metal concentrations lies a zone of apatite (phosphate) concentration, where the ground water solutions have dissolved much of the original carbonate. These phosphate zones grading up to 10-36% P₂O₅, typically lie in sub-horizontal sheets, 6-30m thick, comprising apatite-rich sands, variably re-cemented, blanketing the irregular underlying primary carbonatite.

It is suggested the regolith was developed post Permian (220-270My) and pre the deposition of overlying Eocene (40-60My) lacustrine sediments.

The topographic irregularities of the carbonatite intrusion and associated residual profile have been largely buried by freshwater lacustrine sediments, mostly clays. The lacustrine sediments and inliers of carbonatite regolith themselves are buried by a blanket of transported alluvial sand and gravel. A simplified stratigraphic sequence is shown in Table 4.1.

Table 4.1

Mt Weld Stratigraphic Sequence

| Unit | Code | Age | Thickness | Comment |
|----------------------|------|-------------------------------|--------------------|--|
| Sands and Gravels | A | Recent | 18-24m | Transported alluvial sands and gravels overlying lacustrine clays and carbonatite regolith |
| Lacustrine Sediments | B | Eocene – 40-60My | 0-50m | Lacustrine clays unconformably overlying regolith |
| Mt Weld Regolith | C | Mesozoic/Tertiary 60-220My | 20-60m | Residual weathered horizon post Permian glaciation, lying above a karsitic surface of fresh carbonatite; rare earths, rare metals and phosphate concentrations |
| Dolerite Dyke | | Proterozoic/Palaeozoic | 100m wide | Vertical dyke cross-cutting the carbonatite |
| Mt Weld Carbonatite | D | Palaeo-Proterozoic 2000My | 3.5km diameter | Intrusive calcitic and dolomitic carbonate body |
| Yilgarn Craton | | Archaean | Many kilometres | Sedimentary, volcanic and volcanoclastic units, variably regionally metamorphosed, folded, with granitic intrusives |

Mineralisation

Rare Earths

Rare earths are distributed throughout the regolith, but a zone of high grade REO mineralisation has been identified near the centre of the carbonatite, termed the Central Lanthanide Deposit or CLD (Figure 2). The CLD is bounded to the east by the dolerite dyke and by fresh carbonatite to the south; to the west the regolith thins significantly and appears to have been eroded pre-deposition of the lacustrine clays; to the north there is a gradational drop off in lanthanide grade.

The mineralised regolith comprises secondary and supergene mineralisation within amorphous and variably cemented iron oxides and phosphates. Much of the rare earth content exists as phosphatic intergrowths with the iron oxides, and the mineral suite is termed secondary rare earth phosphates. The dominant gangue mineralogy is limonite, comprising goethite, maghaematite and haematite. Iron oxide levels tend to vary inversely with REO content; the REO grade plus the iron oxide content of the ore typically comprise 70% of the regolith.

Two major ore types have been designated which together comprise 65% of the rare earth deposit:

- CZ - soft phosphatic siltstone regolith; main ore type and basis of Feasibility Study and reserves; fine grained friable low density siltstone
- LI - limonitic carbonatite regolith; poorer concentration and recovery performance than CZ; can be more cemented, nodular or concretionary; not included in Feasibility Study reserves.

Rare Metals

Tantalum and niobium mineralisation are present, concentrated to the north and northeast within the Crown polymetallic deposit. This deposit lie partially within M38/327, formerly owned by CSBP. Additional tantalum/niobium deposits, known as Anchor, Eastern and Western, have been identified within M38/58 and M38/59. The main niobium and tantalum host mineral in the Mt Weld regolith is variably altered pyrochlore, (calcium niobate, or its strontium variety pandaite), and crandallite (calcium aluminium phosphate) pseudomorphs after pyrochlore. Minor amounts of niobium and tantalum also occur in anatase, iron oxides, psilomelane and crandallite aggregates. Variable amounts of other elements such as titanium, zirconium, uranium and REOs are also present.

Phosphates

Calcium phosphate mineralisation is ubiquitous in the primary carbonatite and in the overlying regolith. The principal phosphate minerals present are apatite, $\text{Ca}_5(\text{PO}_4)_3(\text{F},\text{Cl},\text{OH})$, and crandallite, a calcium aluminium phosphate present in the upper regolith.

Beneath the rare earth and rare metals zone is a layer of enriched phosphate where much of the original carbonate has been depleted. In places, most notably in the Swan area in the northeast of the deposit layered sheets 6-30m thick of apatite sand, variably re-cemented, and grading 10-36% P_2O_5 , overlie the primary unweathered carbonatite surface. A similar occurrence, though less well defined, has been identified as the Emu deposit in the northwest, but this is not included in the proposed transaction with Forge.

Conclusion

In BDA's opinion the geology is reasonably well understood. The principal zones of rare earth mineralisation appear reasonably well defined, however, the carbonatite is blanketed at surface by a layer of alluvial sands, gravels and lacustrine clays, and the knowledge of the deposit (until the recent open pit mining) is largely based on drilling. The bulk of the detailed drilling has been restricted to the CLD, Crown and Swan areas, and deeper drilling has been restricted due to the high water table and significant groundwater flows. Outside the CLD, drill spacing is commonly only sufficient to identify mineralisation potential or Inferred resources. In BDA's opinion, significant exploration potential remains for the better definition of the rare metals and phosphate potential.

5.0 RESOURCES AND RESERVES

5.1 Standards and Definitions

The Mt Weld resources and reserves have been reviewed in accordance with the Australasian Joint Ore Reserve Committee (JORC) Code requirements. The JORC Code differentiates between resources, which are effectively an inventory of mineralisation, and reserves, which represent that part of the resource which is planned to be mined, including mining dilution and mining losses, and for which the necessary mine planning and design work has been carried out.

A mineral resource is defined in the JORC Code as an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered. Resources are classified as Measured, Indicated or Inferred according to the degree of confidence in the estimate. A Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known. An Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability. An Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An ore reserve is defined in the JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Reserve figures incorporate mining dilution and allow for mining losses, and are based on an appropriate level of mine planning, mine design and scheduling. Proved and Probable Reserves are based on Measured and Indicated Resources respectively. Under the JORC Code, Inferred Resources are deemed to be too poorly delineated to be transferred into a reserve category. In this report, reserves are quoted as a component part of the resource, rather than the resource being additional to the reserve.

5.2 Geological Data

Geological Supervision

Although a number of different organisations have been involved in the exploration and drill definition of the Mt Weld deposits, much of the work has been undertaken under the supervision of a single geologist, R K Duncan, thereby providing continuity and standardisation of processes and procedures. The geological data have been independently reviewed and verified by Mining Resource Technology Pty Limited ("MRT") - Golder Associates ("Golder") in 2000-2001 and by H&S in 2002 and 2004.

Drilling

H&S reports approximately 1,484 holes and 98,000m have been drilled at Mt Weld, with phosphates, lanthanides, tantalum and niobium the focus of various campaigns. Drilling includes diamond holes, reverse circulation holes, rotary air blast ("RAB") holes, air core holes and large diameter bulk sampling holes for metallurgical testing. The bulk of the historical drilling has been air core reverse circulation. Drill hole spacing within the CLD area averages around 20m. Outside this area drill hole spacing averages 80-100m.

Resource estimation data is primarily based on drilling campaigns post 1991. Exploration drilling prior to that time was difficult and sampling was commonly considered unsatisfactory due to sticky clays, unconsolidated ground and high groundwater flows. Rotary air blast, conventional RC and small diameter core drilling had limited success with poor recovery. Large diameter core drilling (PQ size) gave acceptable recoveries, but the costs were prohibitive for routine exploration. The aircore reverse circulation system was found to be the most satisfactory; however, high groundwater flows remained a problem.

In 1991, Placer Dome installed a borefield to provide water for the nearby Granny Smith gold processing operation. This resulted in a significant lowering of the water table, reduction in groundwater flows and institution of a more satisfactory sampling regime. Drilling post 1991 has generally encountered significant groundwater only at depths below approximately 55m.

Survey

A survey grid based on AMG coordinates was installed in 1981. More recent drill hole collars have been independently surveyed using differential GPS. All holes have been drilled vertically. No down-hole camera or other down-hole survey techniques have been used but given that the holes are relatively shallow, any down-hole deviation is not considered material for resource estimation purposes.

Sampling

Early sampling of cores and RC samples was considered unsatisfactory due to poor ground conditions and high water flows. The situation improved significantly with the dewatering associated with the Granny Smith borefield. Aircore drilling was found to give the most satisfactory samples for routine exploration and infill drilling. Sampling was initiated at the top of the recognisable carbonatite regolith, generally from depths of around 20m. Samples were generally based on a 1m intercept; with wet samples up to 3m runs were collected. RC and air core samples were collected from the drill cyclone in a polywoven bag which allowed the draining of water from wet samples without the loss of the sample pulp.

Dry samples were crushed and riffle split and a 1-2kg sample split prepared for submission to the assay laboratory. Where samples comprised of sticky clays or could not be satisfactorily homogenised, the assay sample selected using a hand auger or small pointed trowel. Duplicate samples were taken to test the accuracy of the sampling process. Samples were submitted to Genalysis Laboratories in Perth ("Genalysis") where they were dried, pulverised and split.

Given the variety of drilling methods adopted over the years, the variable recoveries and the presence in some holes of high water flows, Lynas applied a quality designation to the samples ranging from 1 (low) to 5 (high). Only samples with a confidence level of 3 or greater were used for the estimation of Indicated resources.

Assay

Most routine analyses have been carried out by Genalysis in Perth. Early samples were analysed by XRF, with spectrophotometric determination of phosphate. From late 1989, Inductively Coupled Plasma - Mass Spectrometer (ICP-MS) was also used, with ICP-OES (Optical Emission Spectrometer) for major elements. Analyses were conducted for up to around 30 elements. Most recent programmes have been based on XRF pressed powder analyses.

Standards made up from the Mt Weld material were routinely submitted to monitor assay accuracy and precision, along with repeat field samples to monitor sampling quality. Independent check assaying has been carried out by UltraTrace Pty Limited ("UltraTrace") using both ICP-MS and OES standard and fusion preparation; samples were also resubmitted for further check analysis by XRF. Precision of assaying between Genalysis and UltraTrace was generally good. H&S concluded that the results of the standards analyses indicated reasonable precision for most elements except tantalum, which showed material variations over time.

Density

Density determinations were carried out by Coffey Partners International ("Coffey") in 1986 on six diamond drill holes. Average dry densities within the mineralised zone range from 1.6-2.1. A constant value of 1.7 for Zone C was used in the 2004 H&S estimate.

5.3 Resources

Rare Earths

Rare earth resource estimates have been defined but are not further discussed in this review which deals only with the rare metals and phosphate resources.

Rare Metals - Niobium/Tantalum

The northern part of the carbonatite regolith, approximately 500-1000m north and northeast of the Central Zone, is enriched in niobium and tantalum; two deposits, the Crown and Coors deposits have been outlined (Figure 2). In this report, consistent with recent ASX announcements by Lynas, the Crown and Coors deposits are collectively referred to as the "Crown polymetallic deposit" or simply the "Crown deposit". The most recent resource estimate work was undertaken by H&S in October 2004.

Geological interpretation was carried out on 100m spaced cross sections, with 25m sections constructed in areas of more detailed drilling. The major regolith zones, transported alluvium, lake sediments, oxidised bedrock and carbonatite and cross-cutting dykes were interpreted and digitised. The weathered and oxidised bedrock (Zone C) forms the host lithology for the mineralisation and was used as the envelope to define the limits of the rare metals mineralisation.

For grade estimation the assay samples were composited into three-metre down hole composites, with approximately 4,700 composites having niobium and tantalum values. H&S undertook variography for the various elements of interest; mineralisation trends were generally near horizontal, with variable east-west to northwest-southeast orientations. Grades were estimated using Ordinary Kriging into a 50 x 50 x 3m (elevation) block model. Kriging was undertaken in four passes with progressively increasing search distances from 30m to 155m.

Validation was carried out both statistically and by visual checking of block grades against drill hole plan and section data.

Resource tonnages and grades are shown in Table 5.1 for the various tantalum/niobium deposits within the Mt Weld tenements applying a 5,000 parts per million ("ppm") cut off for Nb₂O₅.

Table 5.1

Mt Weld Niobium and Tantalum Resources

| Deposit | Indicated | | | Inferred | | | Total | | |
|--------------|------------|------------------------------------|------------------------------------|-------------|------------------------------------|------------------------------------|-------------|------------------------------------|------------------------------------|
| | Mt | Nb ₂ O ₅ ppm | Ta ₂ O ₅ ppm | Mt | Nb ₂ O ₅ ppm | Ta ₂ O ₅ ppm | Mt | Nb ₂ O ₅ ppm | Ta ₂ O ₅ ppm |
| Crown | 1.5 | 13,519 | 362 | 12.8 | 10,633 | 278 | 14.3 | 10,943 | 287 |
| Coors | 0.2 | 7,336 | 227 | 3.5 | 9,200 | 202 | 3.7 | 9,110 | 203 |
| Anchor | | | | 0.2 | 11,404 | 209 | 0.2 | 11,404 | 209 |
| Eastern | | | | 0.4 | 8,197 | 223 | 0.4 | 8,197 | 223 |
| Western | | | | 21.0 | 8,108 | 188 | 21.0 | 8,108 | 188 |
| Total | 1.7 | 12,878 | 348 | 38.0 | 9,080 | 220 | 39.7 | 9,245 | 226 |

Note: ppm= parts per million; Niobium cut off is 5,000ppm (or 0.50%)

H&S also carried out an estimate based on "positive net value blocks" with costs and metal values provided by Lynas; these estimates are shown in Table 5.2. In addition, H&S reported additional potential mineralisation of between 100 and 180Mt of similar grades to the resources. These, however, do not constitute "resource estimates" and there is no guarantee that they will be upgraded to resources with further drilling.

Table 5.2

Mt Weld Crown Polymetallic Deposit - Niobium and Tantalum Resources

| Category | Mt | Ta ₂ O ₅ ppm | Nb ₂ O ₅ ppm | ZrO ₂ ppm | TiO ₂ % | REO % |
|--------------|-------------|------------------------------------|------------------------------------|----------------------|--------------------|------------|
| Indicated | 1.5 | 370 | 14,000 | 3,200 | 5.8 | 1.7 |
| Inferred | 36.2 | 240 | 10,600 | 3,000 | 3.9 | 1.1 |
| Total | 37.7 | 240 | 10,700 | 3,000 | 4.0 | 1.2 |

Note: ppm= parts per million; cut off based on 'positive net value blocks' with costs and metal values provided by Lynas

The tantalum and niobium drill and assay database for the Crown polymetallic deposit is of variable quality. There remain a number of uncertainties with respect to the potential for developing a viable niobium/tantalum mining operation, not least of which is the ability to develop an appropriate metallurgical process to economically recover the metals.

Phosphate

Calcium phosphate mineralisation is ubiquitous in the primary carbonatite and in the overlying regolith. The principal phosphate minerals present are apatite, Ca₅(PO₄)₃(F,Cl,OH), and crandallite, a calcium aluminium phosphate present in the upper regolith. The average phosphate grade in the primary carbonatite is around 3.5% P₂O₅; generally the primary carbonatite is of too low a grade to provide a potential fertiliser feedstock.

Above the irregular unweathered primary surface, typically at a depth of 50-100m, lie sub-horizontal sheets, 6-30m thick, of apatite-rich sands, variably re-cemented, where much of the primary carbonate has been removed by weathering and solution processes. These zones can reach grades of 10-36% P₂O₅, and constitute the principal potential fertiliser feedstock resource.

The apatite-rich zones lie between the sediments and rare earth and polymetallic concentrations above, and the unweathered primary carbonatite below. Higher up in the regolith the principal phosphate mineral is crandallite, which is higher in aluminium and generally lower grade and not suitable for fertiliser feedstock.

Within the 3.5km diameter Mt Weld carbonatite deposit two principal areas of phosphate concentration have been identified, the Swan and Emu deposits, to the northeast and northwest respectively. Only the Swan deposit to the northeast is included in the proposed transaction with Forge.

Early 1984 resource estimates (pre-JORC) carried out by Utah suggested a total potential regolith-hosted resource of 250±37Mt at 18% P₂O₅ at a 10% P₂O₅ cut off. Approximately 60Mt of this resource was allocated to the Swan deposit which occurs to the northeast, partly below the Crown polymetallic deposit, and approximately 20Mt was allocated to the Emu deposit to the northwest.

In 1990, after adoption of the JORC Code by the ASX, the resource estimation was reviewed and qualified in accordance with JORC Code recommendations. Mr Robert Duncan reported a total Indicated and Inferred resource of approximately 250Mt averaging 18% P₂O₅, including an Indicated resource of 60Mt within the Swan deposit, all at a 10% P₂O₅ cut off (see Table 5.3). This resource is confined to the phosphate-rich lower

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portion of the carbonate regolith known as the residual apatite zone. It occurs within the Swan deposit and is largely contained within M38/327 in the northeastern sector of the carbonatite.

Table 5.3

Mt Weld Phosphate Resource - 1990 Estimate

| Area/Category | Tonnage Mt | Grade % P ₂ O ₅ |
|--------------------------|---------------|--|
| Indicated - Swan Deposit | 60 | 19.2 |
| Inferred | 190 | 18.0 |
| Total | 250 | 18.1 |

Note; P₂O₅ in apatite; cut off 10% P₂O₅

Total phosphate levels in the Mt Weld regolith were re-estimated by Hellman & Schofield in 2011. H&S estimated a total resource of 213Mt at 13.9% P₂O₅ at a 10% P₂O₅ cut off (see Table 5.4). This resource is not confined to the basal apatite and represents phosphate mineralisation within the overall carbonatite regolith; it is also based on a considerably larger drilling database than that available to Utah in 1984. In addition, H&S reported additional potential mineralisation of between 15 and 30Mt at similar grades; these, however, do not constitute resource estimates and there is no guarantee that they will be upgraded to resources with further drilling. Given the different assumptions and estimation approaches used, the estimates are broadly comparable.

Table 5.4

Mt Weld Phosphate Resource

| Deposit | Indicated | | Inferred | | Total | |
|--------------|-------------|---------------------------------|--------------|---------------------------------|--------------|---------------------------------|
| | Mt | % P ₂ O ₅ | Mt | % P ₂ O ₅ | Mt | % P ₂ O ₅ |
| CLD | 10.4 | 14.5 | 12.7 | 13.9 | 23.1 | 14.2 |
| Crown | 17.7 | 13.6 | 19.8 | 13.9 | 37.4 | 13.8 |
| Coors | 15.1 | 13.4 | 24.0 | 13.4 | 39.1 | 13.4 |
| Anchor | 2.7 | 14.7 | 30.7 | 13.6 | 33.4 | 13.6 |
| Eastern | 0.3 | 18.6 | 24.4 | 13.8 | 24.6 | 13.8 |
| Western | 10.1 | 16.5 | 44.9 | 13.8 | 55.0 | 14.3 |
| Total | 56.3 | 14.3 | 156.4 | 13.7 | 212.7 | 13.9 |

Note; P₂O₅ in apatite; cut off 10% P₂O₅

H&S estimated the resource within the Crown/Coors polymetallic deposit area (area generally defining the Swan deposit) at 77Mt averaging 13.6% P₂O₅ which accords reasonably with the 1984 and 1990 tonnage estimates, although at a somewhat lower grade; the lower grade of the H&S estimate is partially a function of inclusion of the lower grade overlying crandallite and other regolith zones. Lynas has updated the 1990 phosphate resources based on the above figures.

The Swan deposit occupies approximately one third of the total area known to host significant apatite mineralisation. The estimate is based on relatively close-spaced drilling with support from large diameter bulk sample drilling, mineralogical logging and the results of pilot plant flotation concentration studies. Significant potential exists to identify further areas of high grade apatite phosphate concentrations within the Mt Weld carbonatite regolith.

5.4 Reserves

The reserve comprises that portion of the Measured and Indicated resource which is planned to be mined and on which appropriate mine planning and design work has been undertaken. Reserve tonnages and grades have been defined for the rare earth resource but the work on the rare metals and phosphate deposits is at too early a stage to appropriately define reserves.

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Conclusions

Initial drilling and sampling was subject to some uncertainties due to the high water flows, but later work post the 1991 dewatering appears satisfactory. The geological data collection has been professionally undertaken, and although the work has been conducted by a number of different companies, the continuity of geological supervision for a number of the programmes is a significant benefit. The database has been reviewed by MRT-Golder and more recently by H&S. Density data is somewhat limited, however the data is considered generally satisfactory.

The resource estimation work has been carried out by independent specialists and the results are considered to provide a reasonable guide to the in situ mineralisation. The main focus over the years has been estimation of the rare earth resource and the work carried out on the rare metals deposits and the phosphate mineralisation has been less detailed. H&S has chosen to classify the rare metals and phosphate mineralisation as exploration potential or Inferred at best. Nevertheless, BDA considers the estimates provide a reasonable guide to the likely future resource potential, which will require to be confirmed with more detailed infill drilling.

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6.0 METALLURGICAL TESTWORK AND PROCESS DESIGN

6.1 Polymetallic Rare Metals

Mineralogy

Limited mineralogical investigation has been undertaken on the rare metals mineralisation other than some optical microscope work with electron microprobe analyses on individual minerals. Little mineralogical investigation has been conducted on the products from ore treatment.

In the Mt Weld samples investigated by GZRINM the main gangue minerals are crandallite (phosphate mineral) and limonite (iron oxide) as well as magnetite and hematite. The main NbTa minerals are ferro-tantalite, ilmeno-rutile, pandaite and Nb rutile. Zircon is contained as baddeleyite while the Ti is associated with the iron minerals and a pseudo-rutile. The principal iron mineral present is goethite.

All minerals examined were heavily weathered and the material, on the whole, was friable and prone to sliming when ground. When crushed and screened through a 2mm screen, almost 33% of the material was finer than 5 microns ("µm").

Processing

The conventional processing routes for both weathered and fresh carbonatite deposits bearing niobium, tantalum and titanium involve crushing and grinding followed by magnetic separation to remove iron with froth flotation recovery of the Nb minerals from the non-magnetic material. Desliming the flotation feed product is common and the flotation concentrates are generally acid leached using hydrochloric acid to reduce the apatite content. The flotation concentrates which are generally pyrochlore concentrates are further treated using aluminothermic reduction to produce a ferro-niobium material which is then treated by chlorination and calcination to produce a niobium oxide. To produce niobium metal the oxides are blended with aluminium powder and reduced in a furnace reactor to produce an impure niobium ingot or "derby" which can be vacuum refined to produce niobium metal.

Testwork

The testwork undertaken by GZRINM was conducted in late 2007 and early 2008, working on two separate 150kg samples from Mt Weld identified as ICC and ILI. The testwork investigated a number of physical mineral separation techniques. Some mineralogy was conducted as discussed above. Each process is discussed below. Analytical results from the two samples are shown in Table 6.1.

Table 6.1
Lynas Rare Metal Head Grades

| Sample | Nb ₂ O ₅ % | Ta ₂ O ₅ % | ZrO ₂ % | TiO ₂ % | Fe % | REO % |
|--------|-------------------------------------|-------------------------------------|-----------------------|-----------------------|---------|----------|
| ICC | 2.12 | 0.071 | 0.26 | 7.69 | 25.1 | 2.93 |
| ILI | 1.75 | 0.052 | 0.19 | 5.82 | 35.1 | 2.22 |

The two samples were generally similar in chemical make-up except for the iron content (higher in the ILI sample) and TiO₂ (higher in the ICC sample).

Size Analyses

A single screen analysis was conducted on the ICC sample only. Table 6.2 summarises the results for a sample of ICC material that had been crushed to 4mm and then ground to provide a size distribution with 80% passing a size of 80 microns ("P₈₀=80µm").

Table 6.2
ICC Size-by-Size Distribution

| Particle Size mm | Mass % | Nb ₂ O ₅ | | TiO ₂ | | Fe | | REO | |
|---------------------|-----------|--------------------------------|--------|------------------|--------|---------|--------|---------|--------|
| | | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % |
| +2 | 1.15 | 1.45 | 0.79 | 5.22 | 0.75 | 31.65 | 1.49 | 2.07 | 0.79 |
| -2 +0.08 | 15.53 | 1.71 | 12.46 | 9.00 | 17.44 | 31.19 | 19.80 | 2.31 | 11.92 |
| -0.08 +0.043 | 9.48 | 1.90 | 8.45 | 11.29 | 13.35 | 28.98 | 11.23 | 2.63 | 8.29 |
| -0.043 +0.01 | 47.89 | 2.04 | 45.84 | 8.43 | 50.37 | 24.70 | 48.37 | 3.05 | 48.55 |
| -0.01 +0.005 | 7.50 | 2.26 | 7.95 | 5.58 | 5.22 | 20.84 | 6.39 | 3.38 | 8.42 |
| -0.005 | 18.45 | 2.83 | 24.51 | 5.59 | 12.87 | 16.84 | 12.72 | 3.59 | 22.03 |
| Feed | 100.00 | 2.13 | 100.00 | 8.02 | 100.00 | 24.45 | 100.00 | 3.01 | 100.00 |

The material indicates a significant amount of fines or “slimes” with almost 26% passing 10µm and over 75% passing 43µm. For the most part the metal distribution follows the particle size distribution. The Fe and TiO₂ drops in grade at the finer sizes while both REOs and niobium increase in grade at the finer sizes.

Magnetic Separation

Each sample was tested with magnetic separation after grinding to P₈₀=80µm. Two tests were conducted with an initial test using a field strength of one Tesla (“1T”) and the second test with increasing field strengths from 0.1T to 1T. Tables 6.3 and 6.4 summarise the results of the magnetic separation testing for both samples.

Table 6.3

ICC Magnetic Separation Results

| ICC Sample | Mass % | Nb ₂ O ₅ | | TiO ₂ | | Fe | |
|-----------------------------|--------|--------------------------------|-------|------------------|-------|---------|-------|
| | | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % |
| Single Test at 1T | | | | | | | |
| Magnetic Concentrate | 59.7 | 0.24 | 57.1 | 9.83 | 74.9 | 30.4 | 75.0 |
| Non-Magnetic Concentrate | 40.4 | 0.26 | 42.9 | 4.88 | 25.1 | 15.0 | 25.0 |
| Calculated Feed Grade | 100 | 0.25 | | 7.83 | | 24.2 | |
| Gradual Field Change | | | | | | | |
| 0.1T | 7.1 | | | 18.9 | 16.8 | 44.6 | 13.0 |
| 0.2T | 6.7 | | | 17.7 | 14.9 | 38.9 | 10.7 |
| 0.4T | 14.6 | | | 11.0 | 20.2 | 37.6 | 22.7 |
| 0.5T | 9.1 | | | 6.5 | 7.4 | 29.8 | 11.1 |
| 1.0T | 16.4 | | | 6.5 | 13.7 | 20.6 | 13.9 |
| Non-Magnetic Concentrate | 46.2 | | | 4.88 | 27.0 | 15.0 | 28.5 |
| Head Grade Calculated | 100.0 | | | 8.0 | | 24.2 | |
| Total Magnetics Calculated | 53.8 | | | 10.7 | 73.0 | 32.2 | 71.5 |

Table 6.4

ILI Magnetic Separation Results

| ICC Sample | Mass % | Nb ₂ O ₅ | | TiO ₂ | | Fe | |
|-----------------------------|--------|--------------------------------|-------|------------------|-------|---------|-------|
| | | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % |
| Single Test at 1T | | | | | | | |
| Magnetic Concentrate | 73.27 | 1.63 | 70.4 | 6.68 | 83.3 | 39.9 | 83.2 |
| Non-Magnetic Concentrate | 26.73 | 1.88 | 29.6 | 3.66 | 16.7 | 21.9 | 16.8 |
| Calculated Feed Grade | | 1.70 | | 5.87 | | 35.1 | |
| Gradual Field Change | | | | | | | |
| 0.18T | 1.8 | 1.0 | 0.9 | 12.9 | 4.2 | 47.3 | 2.5 |
| 0.5T | 25.9 | 1.7 | 22.9 | 6.7 | 30.9 | 41.6 | 31.1 |
| 1.0T | 50.8 | 2.0 | 52.9 | 5.7 | 51.5 | 35.5 | 51.9 |
| Non-Magnetic Concentrate | 21.5 | 2.12 | 23.3 | 3.5 | 13.4 | 23.5 | 14.8 |
| Head Grade Calculated | | 1.96 | | 5.59 | | 34.7 | |
| Total Magnetics Calculated | 78.5 | 1.91 | 76.7 | 6.16 | 86.6 | 37.8 | 85.5 |

The ILI sample contains a higher amount of magnetic material, which is as expected due to the higher Fe content. The two tests effectively indicate that there is a small amount of Fe liberated and recoverable at the lower field strength. However, the higher field strength of 1T provides the best iron, niobium and titanium recovery to the magnetic concentrate. The magnetics material shows a slightly higher metal recovery than mass recovery. The magnetics upgrading is minor for the Ti and Fe while the Nb₂O₅ reduces slightly.

Gravity Separation

A gravity separation test was conducted on the ICC sample using a shaking table with the material ground to P₈₀=80µm. Table 6.5 provides a summary of the results.

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Table 6.5
ICC Gravity Separation Results

| Product (mm) | Mass % | Nb ₂ O ₅ | | TiO ₂ | | Fe | | REO | |
|--------------|--------|--------------------------------|-------|------------------|-------|---------|-------|---------|-------|
| | | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % |
| -0.4 + 0.2 | 6.35 | 1.62 | 4.9 | 6.13 | 5.2 | 30.9 | 7.9 | 1.23 | 0.3 |
| Con 1 | 3.14 | 1.44 | 2.2 | 6.76 | 2.8 | 39.5 | 5.0 | 0.11 | 0.1 |
| Con 2 | 1.61 | 1.84 | 1.4 | 5.89 | 1.3 | 24.7 | 1.6 | 0.14 | 0.1 |
| Tails | 1.60 | 1.74 | 1.3 | 5.12 | 1.1 | 20.5 | 1.3 | 0.15 | 0.1 |
| -0.2 + 0.08 | 26.61 | 1.81 | 22.9 | 9.61 | 34.2 | 30.5 | 32.7 | 2.43 | 22.6 |
| Con 1 | 4.90 | 1.22 | 2.9 | 19.55 | 12.8 | 43.3 | 8.5 | 0.76 | 1.3 |
| Con 2 | 15.37 | 1.95 | 14.3 | 8.19 | 16.8 | 30.7 | 18.9 | 2.57 | 13.8 |
| Tails | 6.34 | 1.91 | 5.8 | 5.39 | 4.6 | 20.4 | 5.2 | 3.36 | 7.5 |
| -0.08 | 67.04 | 2.26 | 72.2 | 6.77 | 60.6 | 22.1 | 59.4 | 3.28 | 77.1 |
| Con 1 | 4.90 | 1.42 | 3.3 | 24.97 | 16.3 | 39.7 | 7.8 | 0.61 | 1.1 |
| Con 2 | 2.63 | 1.94 | 2.4 | 10.36 | 3.6 | 34.6 | 3.7 | 2.00 | 1.8 |
| Tails | 59.51 | 2.34 | 66.4 | 5.11 | 40.6 | 20.1 | 48.0 | 3.56 | 74.2 |
| Feed | 100.00 | 2.10 | 100.0 | 7.49 | 100.0 | 24.9 | 100.0 | 2.92 | 100.0 |
| Con 1 | 12.94 | 1.35 | 8.3 | 18.50 | 32.0 | 41.0 | 21.3 | 0.55 | 2.5 |
| Con 2 | 19.61 | 1.94 | 18.1 | 8.29 | 21.7 | 30.7 | 24.2 | 2.29 | 15.8 |
| Tails | 67.45 | 2.29 | 73.5 | 5.14 | 46.3 | 20.1 | 54.5 | 3.46 | 81.8 |

There is some upgrading in the first concentrate for TiO₂ and Fe while the most upgrading for Nb₂O₅ and REOs occurs in the gravity tails. However, the recoveries to concentrate are low. The second concentrate (middlings) shows the same characteristics but to a lesser degree. In addition, there was a test conducted on the gravity products of ICC followed with magnetic separation. Table 6.6 summarises the results from this gravity/magnetic separation testwork.

Table 6.6
ICC Gravity/Magnetic Separation Results

| Product (mm) | Mass % | Nb ₂ O ₅ | | TiO ₂ | | Fe | | REO | |
|---------------|--------|--------------------------------|-------|------------------|-------|---------|-------|---------|-------|
| | | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % |
| Magnetics | 3.58 | 1.08 | 1.94 | 30.58 | 13.75 | 42.44 | 6.27 | n/a | |
| Non-Magnetics | 0.2 | n/a | n/a | 7.59 | 0.19 | 12.38 | 0.1 | 1.91 | 0.13 |
| Con1 | 3.78 | | 1.94 | 29.4 | 13.94 | 40.8 | 6.37 | | 0.13 |
| Magnetics | 4.59 | 1.32 | 3.1 | 18.28 | 10.7 | 41.6 | 7.88 | n/a | n/a |
| Non-Magnetics | 1.61 | n/a | n/a | 4.83 | 1.0 | 12.0 | 0.79 | 4.38 | 2.4 |
| Con 2 | 6.20 | 1.3 | 3.1 | 14.8 | 11.7 | 33.9 | 8.67 | 4.4 | 2.4 |
| Magnetics | 51.62 | 2.08 | 53.96 | 7.67 | 50.45 | 28.62 | 61.0 | n/a | n/a |
| Non-Mags | 38.4 | n/a | n/a | 4.89 | 23.92 | 15.11 | 23.96 | 3.83 | 49.04 |
| Tails | 90.02 | 2.1 | 53.96 | 6.5 | 74.37 | 22.9 | 84.96 | 3.8 | 49.04 |
| Magnetics | 59.79 | 2.0 | 58.95 | 9.9 | 74.9 | 30.4 | 75.15 | | |
| Non-Magnetics | 40.21 | n/a | n/a | 4.9 | 25.1 | 15.0 | 24.85 | 3.8 | 51.52 |
| Total | 100 | | | 7.9 | 100 | 24.2 | 100 | | |

These results are similar to those obtained with the gravity separation and magnetic separation tests. The use of gravity separation followed by magnetic separation is not much different to the use of magnetic separation alone on the ground feed material.

The ILI material was tested in a combined magnetic separation test followed by gravity using shaking tables with a magnetic 'clean-up' of the gravity concentrate; Table 6.7 presents a summary of these results.

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Table 6.7
ILI Gravity/Magnetic Separation Results

| Product | Mass % | Nb ₂ O ₅ | | TiO ₂ | | Fe | | |
|---------|-----------------------------|--------------------------------|-------|------------------|-------|---------|-------|--------|
| | | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % | |
| Con 1 | Final concentrate | 5.91 | 1.34 | 4.5 | 17.45 | 18.7 | 53.1 | 9.1 |
| Con 2 | Non magnetics | 1.05 | 0.84 | 0.5 | 15.04 | 2.9 | 41.0 | 1.3 |
| Con 3 | Table middlings | 8.69 | 1.27 | 6.2 | 8.48 | 13.4 | 44.6 | 11.2 |
| Con 4 | Non magnetics gravity con | 0.28 | 0.36 | 0.1 | 0.76 | 0.0 | 2.4 | 0.0 |
| Con 5 | Non-magnetics middlings | 1.24 | 0.45 | 0.3 | 0.73 | 0.2 | 3.0 | 0.1 |
| Tails 1 | Magnetics gravity tails | 62.86 | 1.87 | 66.2 | 4.53 | 51.6 | 35.1 | 63.9 |
| Tails 2 | Non-magnetics gravity tails | 19.97 | 1.98 | 22.3 | 3.69 | 13.3 | 25.0 | 14.5 |
| Feed | | 100.00 | 1.78 | 100.00 | 5.52 | 100.00 | 34.57 | 100.00 |

The test results are similar to the previous tests with a reasonable grade final concentrate but with very low recoveries for TiO₂ and Fe. The Nb₂O₅ reports mostly to the tailings products. The REOs probably followed the same pattern although they were not analysed.

Roasting/Magnetic Separation

GZRINM also tested roasting ROM material with coal at about 880°C for an hour to convert the limonite and hematite to magnetite to allow better separation of the iron minerals. Tables 6.8 and 6.9 summarise the results for the two samples.

Table 6.8
ICC Roasting/Magnetic Separation Results

| Coal (g) | Mass % | Nb ₂ O ₅ | | TiO ₂ | | Fe | | |
|----------|-------------------|--------------------------------|------------|------------------|------------|-------------|-------------|-------------|
| | | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % | |
| 10 | Mag 0.1T | 22.7 | 1.5 | 14.8 | 7.0 | 17.5 | 41.4 | 32.6 |
| | Mag 0.18T | 59.7 | 2.6 | 68.3 | 9.5 | 62.5 | 27.0 | 55.8 |
| | Non-Mags | 17.6 | 2.2 | 17.0 | 10.0 | 20.0 | 19.2 | 11.7 |
| | Feed | 100.0 | 2.3 | 100.0 | 9.0 | 100.0 | 28.9 | 100.0 |
| | <i>Total Mags</i> | <i>82.4</i> | <i>2.3</i> | <i>83.0</i> | <i>8.8</i> | <i>80.0</i> | <i>31.0</i> | <i>88.3</i> |
| 5 | Mag 0.1T | 14.5 | 1.6 | 9.9 | 7.1 | 10.9 | 39.1 | 20.0 |
| | Mag 0.18T | 44.2 | 2.5 | 47.6 | 9.2 | 43.0 | 28.3 | 45.1 |
| | Non-Mags | 41.4 | 2.4 | 42.5 | 10.5 | 46.1 | 23.9 | 34.9 |
| | Feed | 100.0 | 2.4 | 100.0 | 9.4 | 100.0 | 28.0 | 100.0 |
| | <i>Total Mags</i> | <i>58.7</i> | <i>2.3</i> | <i>57.6</i> | <i>8.6</i> | <i>53.9</i> | <i>30.9</i> | <i>65.1</i> |

The results indicate that the roasting did provide more magnetic recoverable iron. The higher coal addition provided better results. On this basis the ILI sample was tested at only the 10g coal addition as shown in Table 6.9. However the TiO₂ and Nb₂O₅ results were not improved significantly

Table 6.9
ILI Roasting/Magnetic Separation Results

| Coal (g) | Mass % | Nb ₂ O ₅ | | TiO ₂ | | Fe | | |
|----------|-------------------|--------------------------------|------------|------------------|------------|-------------|-------------|-------------|
| | | Grade % | Rec % | Grade % | Rec % | Grade % | Rec % | |
| 10 | Mag 0.1T | 31.2 | 1.6 | 24.7 | 6.6 | 30.5 | 43.4 | 34.2 |
| | Mag 0.18T | 49.8 | 2.3 | 57.1 | 7.1 | 52.6 | 40.9 | 51.5 |
| | Non-Mags | 19.0 | 1.9 | 18.2 | 6.0 | 16.9 | 29.6 | 14.2 |
| | Feed | 100.0 | 2.0 | 100.0 | 6.8 | 100.0 | 39.5 | 100.0 |
| | <i>Total Mags</i> | <i>81.0</i> | <i>2.0</i> | <i>81.8</i> | <i>6.9</i> | <i>83.2</i> | <i>41.8</i> | <i>85.8</i> |

These results indicate a better Fe concentrate grade, primarily due to the higher grade Fe in the feed.

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Flotation

Some preliminary testwork was conducted by GZRINM investigating the use of froth flotation to recover the REO minerals. Table 6.10 summarises the two tests conducted.

Table 6.10

ICC and ILI REO Flotation Results

| | ICC | | | ILI | | |
|-------------|-------|-------------|-----------|-------|-------------|-----------|
| | Mass | REO Grade % | REO Rec % | Mass | REO Grade % | REO Rec % |
| Feed | 100.0 | 2.9 | 100.0 | 100.0 | 2.1 | 100.0 |
| Concentrate | 11.6 | 4.1 | 16.3 | 7.3 | 2.9 | 10.3 |
| Middlings | 37.9 | 2.7 | 34.9 | 33.5 | 2.5 | 40.0 |
| Tailings | 50.5 | 2.8 | 48.9 | 59.2 | 1.8 | 49.7 |

The flotation approach taken by GZRINM was to imitate the flotation parameters used by Lynas for the main REO recovery plant. GZRINM concluded that the results were poor due to the high amount of crandallite and limonite as gangue minerals and that the REO minerals were not liberated.

Future Work

Based on the testwork performance as discussed above, GZRINM concluded that the use of conventional mineral processing separation techniques will not provide saleable rare metal and REO products. More recently, GZRINM has proposed a new testwork programme as presented in the document “*Conceptual Metallurgical Process Test Schedule for ICC Rare Metal Ore from Mt Weld of West Australia*”.

GZRINM proposes the following scope of work:

- Undertake a market research function for the rare metals industry including market analysis and forecast along with a competition analysis and a risk analysis.
- Conduct detailed testwork looking at two process options:
 - *Option 1* - a low temperature reduction roast of ROM material using coal at about 1,050°C, followed by crushing and grinding and magnetic separation, with the non-magnetics acid leached and with the residue from the leach step further treated using a sulphating roast, with acid leaching followed by liquid-solid separation; the liquor would be treated using solvent extraction and precipitation and calcination techniques to produce a REO product, a meta-titanic acid and a NbTa-enriched material
 - *Option 2* - the ROM material would be reduced using an agent not yet identified followed by magnetic separation to produce a ferro-alloy, while the non-magnetic material would be acid leached with the leach liquor treated to produce a NbTi product and an REO product
- If an acceptable flowsheet can be determined, GZRINM proposes that a bulk sample pilot plant test run would be undertaken.

6.2 Phosphates

Mineralogy

The phosphate minerals in the Swan deposit comprise principally apatite and crandallite. Apatite-bearing phosphate rock will comprise the major source of any potential fertiliser feedstock according to the consolidated testwork report of CSBP, 1991. The Swan deposit is reported as 40% apatite and 5% crandallite, together with goethite, hematite and magnetite.

Testwork

Historical testwork undertaken on the Mt Weld phosphate mineralisation is compiled and summarised in a single report produced by CSBP in July 1991 entitled ‘*Review of Mt Weld Beneficiation Testwork 1983-90*’. This report summarises the results obtained from a number of testwork programmes completed by various laboratories. The majority of the testwork focussed on froth flotation recovery of the apatite. This approach is conventional and follows the flowsheet used by Phosphate Development Corporation at Phalaborwa in the Republic of South Africa, where the primary source rock is also a carbonatite.

The objective of the testwork was to produce a superphosphate feed product which has the basic requirement of P₂O₅ >35% and Fe₂O₃ <2.5%.

Ore Characteristics

The sample (C2) tested by AMDEL had a head grade as shown in Table 6.11. The main diluent minerals are iron oxides and dolomite/calcite.

Table 6.11

Mt Weld Phosphate - Sample Head Grade

| P ₂ O ₅ | Fe ₂ O ₃ | Al ₂ O ₃ | MgO | CaO |
|-------------------------------|--------------------------------|--------------------------------|------|-------|
| 24.08 | 27.9 | 2.22 | 0.91 | 12.72 |

Table 6.12 summarises the size analysis of one of the samples tested by AMDEL. The sample was crushed to 4mm; screen analysis indicates only 13% passing 53µm containing only 7.3% of the P₂O₅ suggesting that the finer material could be rejected thereby making flotation easier.

Table 6.12

Mt Weld Phosphate Size-by-Size Analysis

| Size micron | Weight | | P ₂ O ₅ % | P ₂ O ₅ Distribution | Cum Distribution |
|----------------|----------|--------------|---------------------------------|---|------------------|
| | Retained | Cum Retained | | | |
| 3,350 | 7.8 | 7.8 | 23.9 | 9.7 | 9.7 |
| 1,700 | 12.2 | 20.0 | 21.2 | 13.4 | 23.1 |
| 850 | 11.1 | 31.1 | 17.3 | 10.0 | 33.1 |
| 425 | 11.7 | 42.8 | 15.6 | 9.5 | 42.6 |
| 212 | 16.3 | 59.1 | 20.1 | 17.0 | 59.6 |
| 125 | 13.6 | 72.7 | 23.5 | 16.7 | 76.3 |
| 53 | 14.3 | 87.0 | 22.1 | 16.4 | 92.7 |
| 10 | 8.3 | 95.3 | 13.3 | 5.7 | 98.4 |
| -10 | 4.7 | 100.0 | 6.7 | 1.6 | 100.0 |

Flotation Recovery

Through the 1980s, nine different laboratories conducted flotation testwork on Mt Weld phosphate samples. The majority of the relevant results were produced by AMDEL, Molycorp and Mintek. Table 6.13 summarises the results on selected samples.

Table 6.13

Mt Weld Phosphate Flotation Results

| Sample | Laboratory | P ₂ O ₅ | | Fe ₂ O ₃ Grade | Deslimed |
|--------|-------------|-------------------------------|----------|---|----------|
| | | Grade | Recovery | | |
| RC-174 | Mintek | 41.7 | 43.0 | 1.0 | Yes |
| | | 40.0 | 47.0 | 1.1 | No |
| | | 39.0 | 60.0 | 2.2 | No |
| | | 41.0 | 57.0 | 1.8 | Yes |
| | AMDEL | 36.3 | 46.0 | 3.5 | Yes |
| | | 37.2 | 73.2 | 4.3 | No |
| | | 36.0 | 70.0 | 6.8 | No |
| | Berel-Nobel | 39.0 | 69.0 | 2.8 | No* |
| | | 41.0 | 39.0 | 1.0 | No* |
| | | 36.5 | 85.0 | 0.9 | Yes |
| RC-175 | Mintek | 36.5 | 85.0 | 0.9 | Yes |
| | AMDEL | 36.5 | 52.1 | 2.0 | Yes |
| | | 36.3 | 79.9 | 2.5 | No |

*Using Special Collector

The principal parameters and conclusions from this testwork were as follows:

- The flotation reagents were fatty acids although some work was conducted using a proprietary collector with similar results.
- The optimum grind size was determined to be P₉₀=105µm or an estimated P₈₀=75µm.
- Desliming generally improved the results of tests with a lower P₂O₅ recovery.
- Most testwork was conducted using domestic tap water; the use of site water was detrimental to flotation performance but guar gum and starch modified this effect.

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- Based on all the testwork, the average flotation concentrate is likely to grade 38% P₂O₅ with 65-75% P₂O₅ recovery, with Fe₂O₃ at 1.5-2.5%, Al₂O₃ at 0.5% and MgO at 0.5%.

CBSP suggested the following optimisation work:

- fines removal before grinding
- low intensity magnetic separation (“LIMS”) on ground material ahead of flotation
- study of grind size versus flotation performance
- flotation reagent optimisation
- study of deslimed versus non-deslimed
- study of the impact of water quality
- relationship of ore grade and concentrate quality
- review of the presence of radioactive minerals.

Magnetic Separation

The use of Wet High Intensity Magnetic Separation (“WHIMS”) has been reviewed as a pre-concentrator mechanism by removing iron metals before grinding. Preliminary testwork has shown that with a mass removal of about 3%, an iron reduction of 6-20% can be achieved with less than 1% P₂O₅ loss.

WHIMS was tested as a substitute for flotation but results indicated a less favourable outcome. The tests were preliminary and can be optimised, but it was noted that WHIMS is unlikely to be as effective as flotation for variable ores. Table 6.14 summarises the results of testwork from a number of WHIMS vendors, compared with results from flotation.

Table 6.14
Mt Weld Phosphate WHIMS and Flotation Results Comparisons

| WHIMS Vendor | Sample | Beneficiation Method | P ₂ O ₅ | | Fe ₂ O ₃ % | Al ₂ O ₃ % | MgO % |
|--------------|--------|----------------------|-------------------------------|---------|----------------------------------|----------------------------------|-------|
| | | | Recovery % | Grade % | | | |
| Jones | RC-52 | Magnetic | 72.5 | 35.1 | 6.1 | 2.1 | n/a |
| | | Flotation | 41.7 | 37.4 | 4.0 | 0.4 | 0.1 |
| | RC-109 | Magnetic | 65.8 | 36.1 | 5.0 | 0.3 | n/a |
| | | Flotation | 53.1 | 37.6 | 2.8 | 0.1 | 0.2 |
| Krupp | RC-52 | Magnetic | 42.3 | 33.4 | 8.4 | 3.0 | n/a |
| | | Flotation | 35.1 | 37.0 | 4.2 | 0.9 | 0.1 |
| | RC-115 | Magnetic | 14.5 | 34.4 | 8.1 | 0.9 | 0.2 |
| | | Flotation | 57.7 | 35.5 | 7.6 | 0.7 | 0.2 |
| Eriez | RC-109 | Magnetic | 32.6 | 35.3 | 3.2 | 0.7 | 0.2 |
| | | Flotation | 38.4 | 36.9 | 4.0 | 0.6 | 0.3 |
| | RC-115 | Magnetic | 42.4 | 32.4 | 1.9 | 0.4 | 0.5 |
| | | Flotation | 56.5 | 39.8 | 1.8 | 0.3 | 0.3 |
| Boxmag | RC-52 | Magnetic | 37.9 | 36.2 | 3.0 | 1.0 | 0.1 |
| | | Flotation | 33.2 | 40.2 | 3.8 | 0.2 | 0.1 |
| | RC-113 | Magnetic | 40.7 | 35.3 | 2.5 | 1.4 | 0.2 |
| | | Flotation | 63.2 | 37.8 | 3.3 | 0.8 | 0.2 |
| Sala | RC-109 | Magnetic | 65.1 | 32.6 | 4.8 | 0.4 | n/a |
| | | Flotation | 66.7 | 35.9 | 4.6 | 0.2 | 0.3 |
| | RC-112 | Magnetic | 58.3 | 33.1 | 3.4 | 0.5 | n/a |
| | | Flotation | 59.2 | 33.6 | 10.6 | 0.2 | 0.2 |
| Chinese | RC-109 | Magnetic | 58.1 | 36.3 | 2.9 | 0.2 | 0.2 |

The results are somewhat ambiguous but do suggest that the application of WHIMS may offer some possibilities.

A test was conducted using a dry high magnetic separation approach. A non-magnetics product reported a P₂O₅ grade of 37% with 50% recovery and 3.2% Fe₂O₃ and 1.06% Al₂O₃. This result was close to flotation results but the Al₂O₃ grade is deleterious, supporting the concept that flotation may be more flexible.

Gravity Testwork

Gravity separation was briefly reviewed for the Swan mineralisation but was rejected on the basis that gravity techniques are most successful for particle size distributions of 0.1-0.8mm. Two laboratories investigated gravity separation using heavy liquid sink/float procedures and spiral separation testwork. The spirals work indicated a good product in the gravity tails but with high Fe (>11%). This could be used as a beneficiation step

prior to flotation, reducing the feed to the flotation plant. The heavy liquids separation testwork showed that a good product could be achieved with a P_2O_5 grade of 38%, recovery of >73% and Fe_2O_3 at 2.4%.

Chemical Dissolution

The use of chemical leaching of the Mt Weld ores would not be economic for the high apatite material, however, there may be an application when treating the much lower grade crandallite material.

Pilot Plant Testwork

A pilot plant flotation testwork programme was conducted by AMDEL on a total of 46t of phosphate material, with the following conclusions:

- the primary flotation concentrates were good quality at 2-5% Fe_2O_3 but with only 27% P_2O_5 recovery
- the secondary flotation concentrates produced 3-7% Fe_2O_3 with only 26-44% P_2O_5 recovery
- combining the two concentrates would produce a product of 2-5% Fe_2O_3 at 56-67% P_2O_5 recovery
- using WHIMS on the flotation concentrates, iron removal was effective with low P_2O_5 loss
- chemicals to counter the detrimental effects of the poor quality site water were not successful in the pilot testwork.

Conclusions

The rare metals metallurgical testwork undertaken by GZRINM represents a reasonable first stage review. The mineral beneficiation work has tested the obvious mineral processing techniques available and used by existing operating plants. The results however were of limited success and this has prompted a proposal to conduct some further studies looking at the technical viability of roasting, magnetic separation and leaching.

The beneficiation tests have not been pursued in any great detail, and there has been minimal mineralogical diagnostic work on the process products to determine if liberation is a problem or if entrainment or perhaps chemical problems exist. The fact that the material is highly weathered and that much of the iron is in the form of goethite is likely to present separation problems. However, by investigating polished sections of the various concentrates, middlings and tailings products BDA would expect that significant information would be obtained on liberation sizes, interfering minerals and other characteristics that would lead to a better, more organised approach to separating the valuable minerals and eventually the metals.

The proposed future testwork would undoubtedly provide additional data but BDA suggests that this be linked to a more rigorous and organised mineral beneficiation programme incorporating extensive modal and mineralogical investigations which may lead to a more practicable flowsheet to recover the valuable REOs and rare metals as well as iron products. If the only means of recovering the rare metals from the Mt Weld deposits involves extensive ROM roasting followed by leaching and solvent extraction, the operating costs may be prohibitive. A full analysis of the processing options, including capital and operating costs, will be necessary.

Work conducted by CSBP and various laboratories on the phosphate mineralisation has covered the main mineral beneficiation techniques and has provided a reasonable guide to expected recoveries and grades; it would appear that with further refinement satisfactory phosphate and contaminant grades can be achieved to meet the requirements of a potential fertiliser feed material. The CSBP work has provided no detailed recommendations regarding future testwork, but a conceptual plant design to treat the apatite phosphate mineralisation has been developed. In BDA's opinion further optimisation work is warranted but basic economic studies should also be carried out to determine the likely viability of the project given the local site conditions and size of the deposit.

7.0 INFRASTRUCTURE, ENVIRONMENTAL AND LICENCES

7.1 Water Issues

Water management is an important issue at Mt Weld. The water table was intersected at around 371mRL (approximately 30m depth) during grade control drilling, and in the initial mining campaign, Phase 1 mining was halted at 375mRL, some 13m above the planned depth, due to the difficulties caused by the high water table and significant potential flows. While lowering the water table should be manageable with an appropriately planned dewatering programme, high water flows present some practical issues and regular ongoing dewatering will be required to ensure there is no interruption to production.

Hydrological studies have been carried out and a dewatering programme has been planned. Four water bores, west of the pit, with a tested capacity of 40 litres per second ('L/s') have been installed. The final plan for additional bores is being reviewed including both sacrificial bores inside the pit and to the north and west. Allowances have been made for an additional five bores to be equipped in Year 1, giving a projected additional pumping rate of 50-70L/s.

The Mt Weld area provides a source of water for the nearby Barrick mining operation. Any surplus water over and above the concentrator requirements and Barrick's requirements will be pumped through Barrick's pipeline to the Winditch pit (water storage dam) at the Granny Smith operation as per the existing water agreement.

Detailed hydrological information is not available over the Crown polymetallic deposit, but it would be prudent to assume the same dewatering issues will need to be addressed. The Swan phosphate deposit is at a greater depth and dewatering requirements are likely to be significant.

Water quality at the Mt Weld deposit appears detrimental to the beneficiation of the Swan material into a superphosphate concentrate. Bench testwork provided encouragement that chemical addition to the flotation step would counter this detrimental effect. However, the pilot plant tests did not experience similar results. This problem will have to be resolved either by water treatment or by better results with chemical addition.

7.2 Power Requirements

No detailed plant design has been developed at this time for either a rare metals or phosphate processing plant, but one major infrastructure item required will be the need to generate electricity. A generating plant utilising high speed diesel fired engines is being constructed to power the REO flotation plant and this could be expanded to satisfy the requirements for the rare metals project and the phosphate plant. The total demand is yet to be determined but if it becomes sufficiently high the use of gas powered generating units may warrant review.

7.3 Environmental, Licensing and Approvals Issues

BDA has not undertaken any legal due diligence on ownership, tenement or licensing issues. The following notes are based on information provided by Lynas. Approvals have been given to the rare earths mining proposal and to construction and operation of a rare earths concentrator. Approval for the transport of rare earths concentrate and shipping from Fremantle was given in July 2009.

Mining Tenements

A schedule of tenements applying to the Mt Weld deposit and adjoining areas is shown in Table 7.1. BDA has not conducted legal due diligence on these titles, but has examined the tenement summaries extracted from the WA Mining Tenement Register; Lynas advises that all the tenements are in good standing.

Table 7.1
Mining Tenements

| Licence | Area (ha) | Grant Date | Expiry Date | Holder |
|---------|-----------|------------|-------------|--|
| M38/58 | 931.95 | 26/11/84 | 25/11/2026 | Mt Weld Mining Pty Ltd - Lynas Corporation Ltd |
| M38/59 | 861.90 | 26/11/84 | 25/11/2026 | Mt Weld Mining Pty Ltd - Lynas Corporation Ltd |
| M38/326 | 103 | 27/11/91 | 26/11/2012 | Mt Weld Mining Pty Ltd - Lynas Corporation Ltd |
| M38/327 | 103 | 27/11/91 | 26/11/2012 | Mt Weld Mining Pty Ltd - Lynas Corporation Ltd |
| L38/98 | 64.50 | 20/11/03 | 19/11/2024 | Mt Weld Mining Pty Ltd - Lynas Corporation Ltd |

Note: ha = hectare; M38/327 formerly held by CSBP Ltd, but sale agreement 13 August 2009

The proposed rare earth open pit area lies within M38/326, which was granted in 1991 for an initial term of 21 years. On 13 August 2009 Lynas announced that it had signed a formal sale agreement with CSBP to acquire apatite (phosphate) rights at Mt Weld formerly owned by CSBP, and legal title to the former CSBP mining lease M38/327. BDA understands that the proposed agreement with Forge will not involve any transfer of title but merely a sublease arrangement giving the rights to the rare metals and phosphate mineralisation.

Rehabilitation Bond

A statutory requirement of the WA Department of Industry and Resources (“DIR”) is the deposit of a site rehabilitation performance bond prior to the commencement of mining operations. The current performance bond calculated by the DIR for Mt Weld mine tenements for the rare earths operation is A\$1.527M. Lynas has lodged this amount with the DIR.

Groundwater Resources Access and Management

Access to the groundwater resources of the Mt Weld carbonatite is provided through an agreement between Lynas and Barrick. Groundwater Well Licence (“GWL”) No. 59529 issued by the WA DEC allows for the extraction of up to 4 gigalitres per year. Based on the currently planned projects of Lynas and Barrick total extraction is not expected to exceed 25% of the approved amount.

Conclusions

No detailed infrastructure plans have been developed for the potential rare metals or phosphate operations. These will need to be addressed once the process development options become clearer, but no major issues are envisaged given the other mining and processing operations already existing in the Laverton district.

No change to the current tenement holdings is envisaged as the proposed agreement with Forge will be based on a sublease agreement, with no change to the underlying tenement ownership.

Any rare metals mining is likely to face the same water issues as encountered by the rare earths operation; additional pumping will facilitate the overall drawdown of the water table. Phosphate mining will be more sensitive to water inflows due to the greater depth of the phosphate mineralisation. Environmental impact assessments will be part of any future project development proposal.

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8.0 SOURCES OF INFORMATION

BDA has not undertaken a site visit to the Mt Weld mine site area for the purpose of this report. BDA has previously visited Mt Weld and the site of the proposed Malaysian process plant at Kuantan, but this valuation assessment has been undertaken on a desk-top basis using data and reports provided by Lynas. BDA has reviewed the data and held discussions with Lynas management. The principal reports and documents reviewed are listed below:

Lynas - Public Information

- Annual Reports 2009
- Quarterly Reports and Stock Exchange and Press Announcements – 2008, 2009 and 2010
- Executive Chairman's Presentation June 2010 (Powerpoint)

Lynas Rare Metals Project

- Mt Weld Metals Scoping Study, HBH Consultants, September 2000
- Resource Estimation of Rare Metals, Mt Weld WA - Hellman and Schofield, October 2004
- Unlock and Maximise Value of Mt Weld Rare Metals Resources - H Wang, April 2007
- Beneficiation Process Test Report on ICC, 1LI Rare Metals Samples - GZRINM, Dec 2007
- Conceptual Metallurgical Process Test Schedule for ICC Rare Metal Ore from Mt Weld of West Australia. GZRINM
- GZ Mineralogy Study on ICC. Guangzhou Research Institute of Nonferrous Metals, January 2008
- GZ Mineralogy Study on 1LI. Guangzhou Research Institute of Nonferrous Metals, January 2008
- Mt Weld Mineralogical Research on ICC Sample - GZRINM, Feb 2008
- 080717 Scoping Model.xls - Lynas, July 2008
- Memo New Flowsheet - H Wang, Sept 2008
- Resource and Exploration Potential.xls - P Hellman, 2009
- Solicitor's Report on Mt Weld Tenements - Deacons, July 2009
- Scoping Model for RM mpj 29 Sept 10 proce update.xls - Lynas, Sept 2010
- Resource Estimate Rare Metals - P Hellman, 2011

Lynas Phosphate Project

- Review of Mt Weld Beneficiation Testwork 1983-1990 - CSBP Farmers, July 1991
- Apatite Phosphate Resources, Mt Weld Carbonatite Regolith - R Duncan, June 2009
- CSBP Sale Agreement Letter - July 2009
- Phosphate Sale Agreement - Lynas , August 2009
- Phosphate Spec - NSTEK, Feb 2010
- MOU Apatite Rare Earth Plant using Mt Weld Feedstock - Norsk and Lynas, May 2010

General Data

- Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves - Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2004
- Code for the Technical Assessment and valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports - the VALMIN Code 2005 Edition.

9.0 STATEMENT OF CAPABILITY

This report has been prepared by Mr Malcolm Hancock and Mr John McIntyre, Directors of BDA, and Mr Roland Nice and Mr Bill Kable, BDA Senior Associate. A summary of the professional qualifications and experience of the various consultants engaged in the technical review and valuation is included below.

BDA is a full service engineering and financial consulting firm, specialising in due diligence and Independent Expert reviews and valuations, Independent Engineer assignments and technical audits of resources, reserves, mining and processing operations and project feasibility studies. The parent company, Behre Dolbear & Company Inc., was founded in 1911 and is the oldest continuously operating mineral industry consulting firm in North America. Behre Dolbear has offices in Denver, New York, Toronto, London, Vancouver, Guadalajara, Santiago and Sydney.

Mr Malcolm Hancock (BA, MA, FAusIMM, FGS, MIMM, MGSA, MMICA) is Executive Director of BDA. He is a qualified geologist, with over 30 years experience of exploration and mining projects principally in Australia, Africa and South East Asia. He has extensive experience in the areas of resource/reserve estimation, reconciliation, project feasibility and development, mine geology and mining operations. Mr Hancock has been involved in the feasibility and assessment of many mining operations and has worked on both open pit and underground mines. He has been closely involved with the development of the BDA Independent Engineer capability and has managed and directed many of the assignments completed to date.

Mr John McIntyre (BE (Min) Hon., FAusIMM, CP (Min), MMICA) is Managing Director of BDA. He is a qualified mining engineer who has been involved in the mining industry for more than 30 years, with operational and management experience in base metals, gold and coal in open pit and underground operations. He has been involved in numerous mining projects and operations, feasibility studies and technical and operational reviews in Australia, West Africa, New Zealand, North and South America, PNG and South East Asia. He has been a consultant for 17 years, primarily involved in the management of BDA since 1994, and in the development of the independent engineering and technical audit role.

Mr Roland Nice (BSc, FAusIMM, LMCIM, MAIME, MIEAust, Chartered Engineer) is a Senior Associate of BDA with almost 40 years as a professional metallurgical engineer. He has extensive experience in process engineering and operations, project evaluation, technical design and analysis. He has held senior management positions, including General Manager, Metallurgy (12 years) and Concentrator Manager (4 years). Mr Nice has been closely involved with the development and construction of gold, copper, non ferrous and base metal mines, including process plant design, as well as numerous other metallurgical projects. He has worked in Australia, South East Asia, Africa, South America and Canada.

Mr Bill Kable (CGeol, BEcon, BComm, MAusIMM, SIA(Aff), MPESA) is an economic geologist with over 30 years experience in the minerals, oil and gas and broking industries. His specialisation is financial modelling and due diligence studies for public reports, corporate mergers, acquisitions and company floats. He has wide experience of projects throughout Australia, South East Asia and Africa.

10.0 STATEMENT OF INDEPENDENCE

Neither the Principals nor Associates of BDA have any material interest or entitlement in the securities or assets of Lynas, or any associated companies. BDA will be paid a fee for this report comprising its normal professional rates and reimbursable expenses. The fee is not contingent on the conclusions of this report.

11.0 LIMITATIONS AND CONSENT

This assessment has been based on BDA's review of data, reports and other information made available by Lynas and referred to in this report. Lynas has advised BDA that all relevant documentation has been provided and that the information is complete as to material details and is not misleading. A draft copy of this report has been provided to Lynas for comment as to any errors of fact, omissions or incorrect assumptions.

BDA has reviewed the data, reports and information provided and has used consultants with appropriate experience and expertise relevant to the various aspects of the project. The opinions stated herein are given in good faith. BDA believes that the basic assumptions are factual and correct and the interpretations are reasonable.

The resource estimates cited as having been prepared by Hellman & Schofield Pty Ltd were prepared by Dr Phillip Hellman BSc (Hons), PhD, FAIG, a Director of H&S. He is a Competent Person as defined by the 2004 JORC Code. Information in this report relating to the H&S resource estimates is based on and accurately reflects information provided by Dr Hellman who consents to the inclusion in the report of the resource estimates which have been attributed to H&S and to the matters based on his information in the form and

context in which they appear. H&S has accepted in good faith the drill-hole and assay database provided by Lynas and has not examined issues such as the quality of sampling and assaying, adequacy of density determinations, drill sample recoveries, or accuracy of surveying.

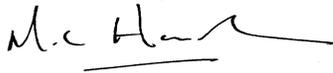
Estimates relating to the 1990 phosphate Swan resource were reported by Mr Rob Duncan, FAusIMM, a Director of R K Duncan & Associates Pty Ltd. He is a Competent Person as defined by the 2004 JORC Code and he consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

BDA does not accept any liability to any individual, organisation or company and takes no responsibility for any loss or damage arising from the use of this report, or information, data, or assumptions contained therein. With respect to the BDA report and use thereof by Grant Samuel, to the extent permitted by law, Lynas agrees to indemnify and hold harmless BDA and its shareholders, directors, officers, and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions.

This Technical Specialist Report is provided to Grant Samuel in connection with the requested technical review and to assist Grant Samuel in preparation of its Independent Expert's Report, and should not be used or relied upon for any other purpose. This report does not constitute a legal audit. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any purpose without BDA's written consent to the form and context in which it appears.

Yours faithfully

BEHRE DOLBEAR AUSTRALIA PTY LTD



Malcolm C Hancock
Executive Director - BDA



John McIntyre
Managing Director - BDA

*Prepared by Behre Dolbear Australia Pty Limited
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North Sydney NSW 2060 Australia
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APPENDIX I

GLOSSARY

APPENDIX I

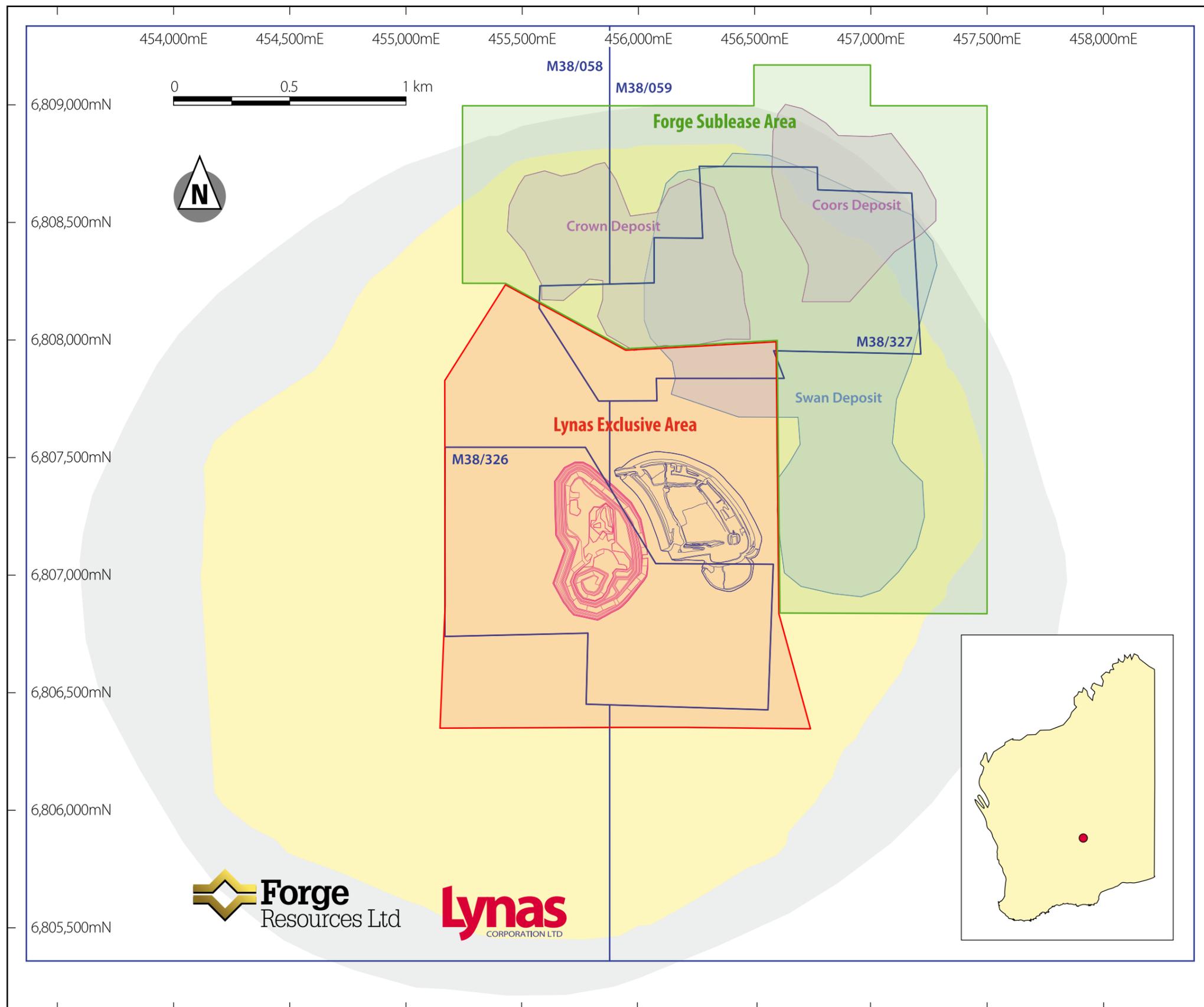
GLOSSARY

| Term/Abbreviation | Description |
|-------------------|---|
| A\$ | Australian Dollar |
| AMDAD | Australian Mine Design and Development Pty Limited |
| Barrick | Barrick Gold Corporation |
| BDA | Behre Dolbear Australia Pty Limited |
| Catalao | Mineração Catalão de Goiás |
| CBMM | Companhia Brasileira de Metalurgia e Mineração |
| CLD | Central Lanthanide Deposit |
| CSBP | CSBP Limited |
| CZ | Phosphatic Siltstone Regolith |
| DIR | Department of Industry and Resources |
| Genalysis | Genalysis Laboratories |
| GIE | Gebeng Industrial Estate |
| Globe | Globe Metals and Mining Limited |
| Golder | Golder Associates |
| GWL | Groundwater Well Licence |
| GZRINM | Guangzhou Research Institute for Non-Ferrous Metals |
| H&S | Hellman and Schofield |
| Iamgold | Iamgold Corporation |
| JORC | Joint Ore Reserve Committee |
| km | Kilometre |
| L | Litre |
| L/s | Litres Per Second |
| LAMP | Lynas Advanced Materials Plant |
| LI | Limonitic Carbonatite Regolith |
| LIMS | Low Intensity Magnetic Separation |
| Lynas | Lynas Corporation Limited |
| M | Million |
| m | Metre |
| MCI | Les Minéraux Crevier Inc |
| MDM | MDM Inc |
| ML | Megalitres |
| mm | Millimetre |
| MRT | Mining Resource Technology Pty Limited |
| Mt | Million Tonnes |
| Mtpa | Million Tonnes Per Annum |
| MWM | Mount Weld Mining Pty Limited |
| µm | Microns |
| ppm | Parts Per Million |
| P ₈₀ | Size Distribution with 80% passing a certain size |
| RC | Reverse Circulation Drilling |
| RE | Rare Earths (all Lanthanides plus Yttrium) |
| REO | Rare Earth Oxides (all Lanthanide Oxides plus Yttrium Oxide) |
| ROM | Run-of-Mine |
| t | Tonne |
| TLn | Total Lanthanides |
| TLnO | Total Lanthanide Oxides |
| tpa | Tonnes Per Annum |
| UltraTrace | UltraTrace Pty Limited |
| US\$ | US Dollar |
| Valmin Code | Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports |
| WA | Western Australia |
| WHIMS | Wet High Intensity Magnetic Separation |

ANNEXURE B – MAP

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ANNEXURE C – NOTICE OF MEETING

LYNAS CORPORATION LIMITED

ACN 009 066 648

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of shareholders of Lynas Corporation Limited ("Company") will be held at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney, NSW on Wednesday 18 May 2011 at 10.00 am (Sydney time) for the purpose of transacting the following Business.

ORDINARY BUSINESS

Resolution – Transaction with Forge Resources Limited

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of Chapter 2E of the Corporations Act and all other purposes, Shareholders approve and authorise completion of the proposed transaction with Forge Resources Limited, ACN 139 886 187 on the terms and conditions set out in the Master Agreement entered into on 15 March 2011 which is summarised in the Explanatory Memorandum which this Notice of Meeting forms part of”.

Lynas will disregard any votes cast on this resolution by or on behalf of Forge Resource Limited and Mr Nicholas Curtis and any of their associates unless the vote is cast by them as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Entitlements to Vote

For the purposes of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and holder of shares if that person is registered as a holder of those shares at 7.00 pm (Sydney time) on Monday, 16 May 2011.

A Proxy Form is enclosed with this Notice of Meeting.

By order of the Board



Andrew Arnold

Secretary

Date: 28 March 2011

ACCOMPANYING NOTES

Shareholders entitled to vote at the Meeting may vote:

- by attending the meeting and voting in person; or
- by appointing an attorney to attend the meeting and vote on their behalf, or in the case of corporate shareholders or proxies, a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying this notice. A proxy must be an individual or a body corporate.

Shareholders or their attorneys or proxies who plan to attend the Meeting are asked to arrive at the venue 30 minutes prior to the time designated for the Meeting, if possible, so that shareholdings may be checked against the Register and attendances noted.

Jointly held securities

If the Shares are jointly held, only one of the Shareholders is entitled to vote. If more than one Shareholder votes in respect of jointly held Shares, only the vote by the Shareholder who is present (either in person, by proxy, attorney or corporate representative) whose name appears first in the Share Register will be counted.

Voting in person

To vote in person at the Meeting, you must attend the Meeting to be held on Wednesday, 18 May 2011 at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney NSW. The Meeting will commence at 10.00 am (Sydney time).

A Shareholder who wishes to attend and vote at the Meeting in person will be admitted to the Meeting and given a voting card upon disclosure at the point of entry to the Meeting of their name and address.

Voting by proxy

If you cannot attend the Meeting or you prefer to vote by proxy, you may appoint a proxy. A personalised Proxy Form is enclosed with this notice. You may appoint up to two proxies to attend and act for you at the Meeting if you hold more than one Share. Each proxy will have the right to vote on a poll and also to speak at the Meeting. A proxy need not be an Shareholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

A proxy will be admitted to the Meeting and given a voting card upon providing at the point of entry to the Meeting written evidence of their name and address. Appointing a proxy does not stop you from attending the Meeting in person and voting at the Meeting instead of your proxy.

If you do not instruct your proxy on how to vote, your proxy may vote as the proxy sees fit at the Meeting. Shareholders who submit their proxies but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, Lynas Secretary or any Director which do not contain a direction will be used to approve the Resolution.

Please note that proxies must be received by Lynas or the Share Registry by no later than 10.00 am (Sydney time) on Monday, 16 May 2011. Proxies received after this time will be invalid.

The Proxy Form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act or the law of their place of incorporation. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney (certified by a statement in writing that it is a true copy of the document), or the power of attorney itself, must be received by Lynas or the Share Registry by no later than 10.00 am (Sydney time) on Monday, 16 May 2011. If facsimile transmission is used, the power of attorney must be certified.

A vote given in accordance with the terms of a proxy is valid despite the revocation of the proxy, unless notice in writing of the revocation has been received by the Share Registry by 10.00 am (Sydney time) on Monday, 16 May 2011.

Voting by attorney

An attorney will be admitted to the Meeting and given a voting card upon providing at the point of entry to the Meeting written evidence of their appointment (original or certified copy unless evidence has already been provided to Lynas or the Share Registry), their name and address and the identity of their appointer. The sending of a power of attorney will not preclude a Shareholder from attending in person and voting at the Meeting if the Shareholder is entitled to attend and vote.

Voting by corporate representative

If you are a corporation, your authorised corporate representative may attend and vote at the Meeting. You must ensure that your authorised corporate representative brings evidence of his or her appointment (which must comply with section 250D of the Corporations Act) as a corporate representative, including any authority under which it is signed, to the Meeting unless evidence has already been provided to Lynas or the Share Registry. An authorised corporate representative will be admitted to the Meeting and given a voting card upon providing at the point of entry to the Meeting the said evidence and the authority under which it is signed disclosing the identity of the appointer.

Lodgement of proxies and queries

Proxies, powers of attorney and authorities should be sent to the Share Registry using the enclosed reply paid envelope, or as indicated on the Proxy Form. If you have any questions regarding the Meeting you can visit the Lynas website at www.lynascorp.com.

FOR ALL ENQUIRIES CALL:
(within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

Name and Address

ALL CORRESPONDENCE TO:
Registries Limited
GPO Box 3993
Sydney NSW 2001
Australia

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE
10.00 AM (Sydney time) ON MONDAY 16 MAY 2011

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

Reference Number: <HIN/SRN>

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting that is by **10.00am Sydney time on Monday 16 May 2011**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged using the reply paid envelope or:

BY MAIL - Share Registry – Registries Limited, GPO Box 3993,
Sydney NSW 2001 Australia

BY FAX - + 61 2 9290 9655

IN PERSON - Share Registry – Registries Limited,
Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Lynas Corporation Ltd

<Co Name>
<Address 1>
<Address 2>
<Address 3>
<Address 4>
<Address 5>

<BARCODE>

STEP 1 - Appointment of Proxy

I/We being a member/s of Lynas Corporation Ltd and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the Extraordinary General Meeting of Company Limited to be held on **Wednesday 18 May 2011 at 10.00 am (Sydney time) at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney, NSW** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of a resolution, please mark this box. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the Meeting for those resolutions, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called. The Chair intends to vote all undirected proxies in favour of the resolution.

STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

| Ordinary Business | For | Against | Abstain* |
|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 Approval of the proposed transaction with Forge Resources Limited | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

In addition to the intentions advised above. The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.
*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name Contact Daytime Telephone Date / / 2011