

24 January 2012

Lynas secures long-term funding and provides market update for Phase 1 of the Lynas Advanced Materials Plant in Malaysia

HIGHLIGHTS

- US\$225 million to be raised through convertible bonds issue secures long-term low cost funding and enables retirement of unused working capital facility
- New strategic cornerstone investor
- Updated construction timetable and Phase 1 completion costs
- First feed to kiln and first production in Q2 2012, subject to regulatory compliance and issuance of the pre-operating licence in Malaysia

Lynas Corporation Limited (ASX:LYC, OTC:LYSDY) provides the following updates concerning funding and Phase 1 of the Lynas Advanced Materials Plant (LAMP) in Malaysia.

CONVERTIBLE BONDS ISSUE SECURES FULL BUDGETED PHASE 1 FUNDING FOR LAMP

Lynas is pleased to announce it has executed binding documentation for a US\$225 million unsecured convertible bonds issue. The bonds are being subscribed by funds managed by Mount Kellett Capital Management, a US-based investment firm, which will subscribe for US\$50 million of the convertible bonds on an unconditional basis on or about the date of this announcement, with the balance of US\$175 million of the convertible bonds to be subscribed upon the satisfaction of specific conditions precedent, including completion of technical due diligence (which are expected to be satisfied in February 2012).

Following the issue of the convertible bonds, Lynas will have sufficient funds to complete construction and commissioning of Phase 1 of the LAMP in Malaysia, and to provide for working capital needs through to cash flow from sales, in light of the project delay described below.

The 18-month working capital facility announced on 22 September 2011 has not been utilised and will be retired.

The key terms of the convertible bonds are:

Amount: US\$225 million

Term: 4.5 years

Coupon: 2.75% pa

No conversion for the first 6 months

Conversion Price: A\$1.25 per ordinary share, being a 14 % premium to the 10 day VWAP as at today's date and a 25 % premium to the closing price on 16 January 2012, being the date that non-binding terms were set, subject to detailed documentation.

The full terms and conditions of the convertible bonds are attached.

Lynas Executive Chairman Nicholas Curtis said: "Lynas is very pleased to accept this offer to cover our working capital needs and completion of Phase 1 in Malaysia. Because of its longer term and cheaper cost, the convertible bonds provide more attractive financing for Lynas than the unutilised working capital facility. Moreover, it represents a further strong vote of confidence in our project."

Mount Kellett co-founder Jason Maynard welcomed the opportunity to invest in Lynas. "We are delighted Lynas accepted our offer to become a significant investor and look forward to participating in the development of the world's first reliable, sustainable supply chain for rare earth elements outside of China."

PHASE 1 CONSTRUCTION UPDATE

Additional engineering completion requirements and consequential delays in procurement, as well as the recent monsoon season, are the primary causes of the delay for LAMP Phase 1. Based on the latest information from the construction manager, Lynas anticipates first feed to kiln and first production during the second quarter of 2012, subject to regulatory compliance and issuance of the pre-operating licence for the LAMP.

The additional capital cost requirements, as well as ongoing operational funding requirements at Mt Weld and Malaysia are estimated to aggregate between A\$90 million and A\$100 million. The increase in the total estimated capital cost of Phase 1 from the figures reported in the Lynas Quarterly Report for the period ending 30 September 2011 is approximately A\$40 million.

A more detailed breakdown of expenditure will be contained in the Lynas Quarterly Report for the period ending 31 December 2011, which is due to be released by 31 January 2012.



For further information please contact Alistair Reid or Liz Whiteway on +61 2 8259 7100 or visit www.lynascorp.com

For all media enquires please contact Michael Vaughan from FTI Consulting on +61 2 8298 6100

Further Information About Mount Kellett Capital Management:

Mount Kellett Capital Management LP ("Mount Kellett") is a multi-strategy investment firm focused on global special situations and opportunistic investing. The firm has approximately 100 employees with offices in New York, Hong Kong, London, and Mumbai. The firm closed its first fund, Mount Kellett Capital Partners, in December 2009 and currently manages over US\$6 billion. Mount Kellett was founded in 2008 by Mark McGoldrick and Jason Maynard.

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Lynas Corporation Limited

The Original Guarantors

Convertible Bond Deed Poll

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Date

By

Lynas Corporation Limited ACN 009 066 648 of Level 7, 56 Pitt Street, Sydney, NSW, Australia, 2000 (**Company**)

The parties listed in **schedule 1** (each an **Original Guarantor** and collectively the **Original Guarantors**)

In favour of:

Each person who is from time to time a Bondholder (as defined in this document)

Background

The Company will issue Convertible Bonds on the terms set out in this deed poll.

Declarations

1 Interpretation

1.1 Definitions

In this document:

Additional Guarantor means any person which becomes party to this document as a Guarantor in accordance with the terms of the Convertible Bond Subscription Agreement.

Affiliates means, with respect to any person, any other person directly or indirectly controlling, controlled by, or under common control with that person.

ASX means ASX Limited.

ASX Operating Rules means the Operating Rules made by ASX as enforced from time to time.

ASX's Official List means the official list of entities that ASX has admitted and not removed.

AU\$ Exchange Rate means, at any time, the spot exchange rate in Sydney (based on the rate displayed on the website of the Reserve Bank of Australia at <http://www.rba.gov.au/statistics/frequency/exchange-rates.html>) for that day for the purchase of AU\$ in the market with US\$ or if such rate is not available, the rate which appears on the Bloomberg Screen "USDAUD" page at or about 11:00am Sydney time on that day.

Bond Certificate means a certificate substantially in the form set out in **schedule 2**.

Bondholder means a person recorded in the Register as the holder of a Convertible Bond.

Bondholders Majority means a Bondholder or Bondholders who together hold more than 50% of all Convertible Bonds outstanding.

Business Day means a day which is not a Saturday, Sunday or bank or public holiday in Sydney, Australia and New York, the United States of America.

Cleansing Notice means a notice that complies with sections 708A(5) and 708A(6) of the Corporations Act.

Company Redemption Notice means a notice substantially in the form set out in **schedule 4**.

Completion of Phase 1 has the meaning given to that term in the Convertible Bond Subscription Agreement.

Constitution means the constitution of the Company.

Control has the meaning given under section 50AA of the Corporations Act.

Conversion Amount means in respect of each Convertible Bond, AU\$0.9533 per Convertible Bond.

Conversion Date means in respect of a Convertible Bond, the date 5 Business Days after the date on which the Bondholder exercises its conversion right by giving a Conversion Notice to the Company in accordance with **clause 6.1**.

Conversion Notice means a notice substantially in the form set out in **schedule 5**.

Conversion Period means the period beginning on the date which is 6 months after the Tranche 1 Subscription Date and ending on the date occurring 54 months after the Tranche 1 Subscription Date.

Conversion Price means:

- (a) if a Reset Event has not occurred, AU\$1.25 (**Initial Conversion Price**);
- (b) if a LAMP Rejection Event has occurred, the lower of:
 - (i) 120% of the VWAP for the 30 Trading Days commencing on the date of the LAMP Rejection Announcement; and
 - (ii) the Initial Conversion Price (as adjusted, if relevant, before the LAMP Rejection Announcement); or
- (c) if a LAMP Non-Approval Event has occurred, the lower of:
 - (i) 120% of the VWAP for the 30 Trading Days commencing on 16 October 2012; and
 - (ii) the Initial Conversion Price (as adjusted, if relevant, before 16 October 2012),

as adjusted under this document.

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Conversion Shares means such number of Shares to be issued to a Bondholder upon conversion of Convertible Bonds, calculated in accordance with **clause 6.5**.

Convertible Bond means a convertible bond issued by the Company on the terms set out in this document.

Convertible Bond Subscription Agreement means the Convertible Bond Subscription Agreement between, among others, the Company and the Original Investors on or about the date of this document.

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

Default Interest Rate means 10% per annum.

Director means a director of the Company.

Enhanced Redemption Amount means an amount generating an IRR of 15% in the period from the relevant Subscription Date to the Redemption Date with respect to each of the Convertible Bonds of the relevant Bondholder.

EoD Redemption Amount means in respect of each Convertible Bond, the amount equal to:

- (a) the Face Value of the Convertible Bond; plus
- (b) all accrued but unpaid interest at the Default Interest Rate on the Convertible Bond up to and including the Redemption Date.

Face Value means US\$1.00 per Convertible Bond.

Financial Liabilities has the meaning given to that term in the Convertible Bond Subscription Agreement.

Governmental Agency means any government or any governmental, semi-governmental or judicial entity or authority, including any self-regulatory organisation established under statute or any stock exchange.

Group or **Group Companies** means the Company and its Subsidiaries and **Group Company** means any one of them.

Guarantor means any Original Guarantor or any Additional Guarantor.

Immediately Available Funds means bank cheque or telegraphic transfer of cleared funds to an account nominated by the payee at least two Business Days prior to drawdown.

Insolvency Event means any of the following:

- (a) a person is or states that the person is unable to pay from the person's own money all the person's debts as and when they become due and payable;
- (b) a person is taken or must be presumed to be insolvent or unable to pay the person's debts under any applicable legislation;
- (c) an application or order is made for the winding up or dissolution or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of a corporation;

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- (d) an administrator, provisional liquidator, liquidator or person having a similar or analogous function under the laws of any relevant jurisdiction is appointed in respect of a corporation or any action is taken to appoint any such person and the action is not stayed, withdrawn or dismissed within seven days;
- (e) a controller is appointed in respect of any property of a corporation;
- (f) a corporation is deregistered under the Corporations Act or notice of its proposed deregistration is given to the corporation;
- (g) a distress, attachment or execution is levied or becomes enforceable against any property of a person;
- (h) a person enters into or takes any action to enter into an arrangement (including a scheme of arrangement or deed of company arrangement), composition or compromise with, or assignment for the benefit of, all or any class of the person's creditors or members or a moratorium involving any of them;
- (i) a petition for the making of a sequestration order against the estate of a person is presented and the petition is not stayed, withdrawn or dismissed within seven days or a person presents a petition against himself or herself;
- (j) a person presents a declaration of intention under section 54A of the Bankruptcy Act 1966; or
- (k) anything analogous to or of a similar effect to anything described above under the law of any relevant jurisdiction occurs in respect of a person.

Interest Payment Date means the last Business Day of each Quarter.

Interest Rate means 2.75% per annum.

Original Investors has the meaning given to that term in the Convertible Bond Subscription Agreement.

IRR means the discount rate expressed on an annualised basis which, when applied to the series of outflows and inflows in respect of each Convertible Bond, produces a net present value of those cash values equal to zero, where:

- (a) the Face Value of each Bond is designated as an outflow; and
- (b) the following are designated as inflows:
 - (i) all amounts paid in respect of the relevant Convertible Bonds by way of interest under **clause 4**; and
 - (ii) any proceeds from the redemption or transfer of the relevant Convertible Bonds.

Issue Date means in respect of each Convertible Bond the date that the Convertible Bond is recorded in the Register as having been issued by the Company.

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LAMP means the Lynas Advanced Materials Plant for the processing of rare earths being constructed in the Gebeng Industrial Estate, Kuantan, State of Pahang, Malaysia.

LAMP Non-Approval Event means the Malaysia Pre-Operating Permit not being obtained by the Group on or before 15 October 2012.

LAMP Rejection Announcement means the announcement by the applicable Governmental Agency in Malaysia or notice to any member of the Group on or before 15 October 2012 of its decision to refuse to grant the Malaysia Pre-Operating Permit or any communication by the applicable Governmental Agency in Malaysia to the Company or any member of the Group having a similar effect.

LAMP Rejection Event means the occurrence of a LAMP Rejection Announcement.

Lynas Malaysia means Lynas Malaysia Sdn Bhd, Malaysian Company Number 752289-D.

Malaysia Pre-Operating Permit means the Temporary Operation Phase of the Class A Milling Licence to be issued by the Atomic Energy Licensing Board of Malaysia.

Maturity Date means in respect of each Convertible Bond (whenever issued), the date occurring 54 months after the Tranche 1 Subscription Date.

Official Quotation means official quotation on the ASX.

Permitted Financial Liabilities has the meaning given to that term in the Convertible Bond Subscription Agreement.

Permitted Security Interests has the meaning given to that term in the Convertible Bond Subscription Agreement.

Quarter means any of the following consecutive three month periods in any year:

- (a) 1 January to 31 March;
- (b) 1 April to 30 June;
- (c) 1 July to 30 September; and
- (d) 1 October to 31 December.

Redemption Amount means in respect of each Convertible Bond, the amount equal to:

- (a) US\$1.00; plus
- (b) all accrued but unpaid interest on the Convertible Bond up to and including the Redemption Date.

Redemption Date means in respect of a Convertible Bond:

- (a) in the event of a redemption by a Bondholder, the date five Business Days after the date on which the Bondholder exercises its redemption

right, in accordance with **clause 5.1**, by giving a Redemption Notice to the Company;

- (b) in the event of a redemption by the Company, the proposed date on which the Company intends to redeem such Convertible Bonds as set out in the Company Redemption Notice; or
- (c) in the event of a mandatory redemption, the Maturity Date.

Redemption Event means any of the circumstances described in **clause 5.2**.

Redemption Notice means a notice substantially in the form set out in **schedule 3**.

Redemption Period means the period commencing on the date occurring 42 months after the Tranche 1 Subscription Date and ending on the date occurring 54 months after the Tranche 1 Subscription Date.

Register means the register of Convertible Bonds and Bondholders maintained by the Company in accordance with **clause 3**.

Reset Event means the earlier to occur of a LAMP Rejection Event or a LAMP Non-Approval Event, as the case may be.

Restrictive Covenant means the restrictive covenants granted by the Company and the Guarantors under **clauses 7.2(a), (b) and (c)**.

Restrictive Covenant Release has the meaning given to that term in **clause 7.2(d)**.

Security Interest means any interest or right which secures the payment of a debt or other monetary obligation or the compliance with any other obligation. It includes any retention of title to any property and any right to set off or withhold payment of any deposit or other money.

Senior Debt Agreement has the meaning given to that term in the Convertible Bond Subscription Agreement.

Senior Lender means Japan Australia Rare Earths B.V.

Share means a fully paid ordinary share in the capital of the Company.

Share Issue Date means the date the Conversion Shares are issued.

Subscription Date means the Tranche 1 Subscription Date or the Tranche 2 Subscription Date, as the case may be.

Tax means a tax (including a tax in the nature of a goods and services tax), rate, levy, impost or duty (other than a tax on the net overall income of the Bondholder) and any interest, penalty or expense relating to any item.

Trading Day has the meaning given to that expression in the ASX Operating Rules of the ASX from time to time.

Tranche 1 Convertible Bonds has the meaning given to that term in the Convertible Bond Subscription Agreement.

Tranche 1 Subscription Date has the meaning given to that term in the Convertible Bond Subscription Agreement.

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Tranche 2 Subscription Date has the meaning given to that term in the Convertible Bond Subscription Agreement.

Transaction Document means:

- (a) this document;
- (b) the Convertible Bond Subscription Agreement;
- (c) any document which the Original Investors and the Company agree in writing is a Transaction Document for the purposes of this document;
- (d) any agreement or instrument created under any of them; and
- (e) any document entered into for the purpose of amending, novating, restating or replacing any of them.

VWAP means, for any specified period, the average of the daily volume weighted average sale price (rounded to the nearest full cent) of the Shares sold on ASX during the relevant specified period or on the relevant days, calculated using the Bloomberg page 'AQR'.

1.2 Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) "includes" means includes without limitation;
- (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party drafted, put forward or would benefit from any term;
- (f) a reference to:
 - (i) a person includes a partnership, joint venture, unincorporated association, corporation and a Governmental Agency;
 - (ii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
 - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
 - (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
 - (v) a right includes a benefit, remedy, discretion or power;
 - (vi) "US\$" or "US dollars" is a reference to the currency of the United States of America;
 - (vii) "AU\$" or "Australian dollars" is a reference to Australian currency;

- (viii) this or any other document includes the document as novated, varied or replaced and despite any change in the identity of the parties;
 - (ix) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions;
 - (x) this document includes all schedules and annexures to it; and
 - (xi) a clause, schedule or annexure is a reference to a clause, schedule or annexure, as the case may be, of this document;
- (g) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day; and
- (h) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.

1.3 Headings

Headings do not affect the interpretation of this document.

2 Convertible Bonds

2.1 Terms of issue

The Convertible Bonds are issued on the terms set out in this document.

2.2 General terms

Each Convertible Bond:

- (a) is issued at Face Value and bears interest at the Interest Rate in accordance with **clause 4**;
- (b) constitutes a separate and individual acknowledgement of the indebtedness of the Company to the Bondholder in respect of the Redemption Amount for the Convertible Bond; and
- (c) may be:
 - (i) redeemed in accordance with **clause 5.1**; or
 - (ii) converted into Shares in accordance with **clause 6**.

2.3 Ranking of Convertible Bonds

- (a) Prior to the Restrictive Covenant Release, the payment obligations of the Company and the Guarantors in respect of the Convertible Bonds rank behind or pari passu to the payment obligations of the Company under the Facility Documents (as defined in the Senior Debt Agreement but excluding the documents in paragraph (e) of that definition) but otherwise at all times rank ahead of, and are senior to, all other present and future Financial Liabilities of the Company and the Guarantors (other than the Permitted Financial Liabilities, Permitted Security Interests and other

than any obligations mandatorily preferred by any law applying to companies generally).

- (b) Following the Restrictive Covenant Release, the obligations of the Company and the Guarantors in respect of the Convertible Bonds will at all times rank at least pari passu with all other present and future unsecured Financial Liabilities of the Company and the Guarantors other than any obligations mandatorily preferred by any law applying to companies generally.
- (c) The Convertible Bonds rank in all respects equally with each other and without any preference among themselves.

2.4 Rights

Convertible Bonds do not entitle Bondholders to have any right to vote at general meetings of the Company, to receive dividends or participate in any issue of securities other than in accordance with terms of this document.

2.5 Notices

Each Bondholder will have the same rights as a holder of Shares to receive notices of general meetings, reports and financial statements of the Company.

2.6 Bondholders Majority

Any matter under this document which requires the consent of or a decision to be made by the Bondholders (except for a decision to redeem or convert any convertible Bonds) will be deemed to be made where such consent is given or decision is made by the Bondholders Majority.

3 Register of Convertible Bonds

3.1 Establishing the Register

The Company must establish and maintain a Register and enter on the Register:

- (a) the name and address of each Bondholder;
- (b) the number of Convertible Bonds held by each Bondholder;
- (c) the following information in relation to each Convertible Bond:
 - (i) the Issue Date;
 - (ii) the Maturity Date;
 - (iii) the Face Value;
 - (iv) the Interest Rate; and
 - (v) the Conversion Price;
- (d) details of all transfers of Convertible Bonds made in accordance with this document, including the date of registration of such transfers;
- (e) in relation to Convertible Bonds no longer outstanding, particulars of their redemption or conversion into Shares; and

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- (f) such other information as is required by any applicable law.

3.2 Register available for inspection

- (a) The Register must be kept at the registered office or principal place of business of the Company or any other place permitted by the Corporations Act. Subject to any exemption granted under the Corporations Act, the Register must be open at all reasonable times during business hours for inspection by any person.
- (b) On the request and at the expense of any person inspecting the Register, the Company must provide to the person an extract from the Register as soon as practicable after the making of the request.

3.3 Register conclusive

In the absence of evidence to the contrary, the Register is proof of the matters shown in the Register.

4 Interest

4.1 Interest Rate

The Company must pay interest on each Convertible Bond at the Interest Rate.

4.2 Computation of interest

Interest on each Convertible Bond will:

- (a) accrue from day to day on the Face Value;
- (b) be computed from and including the Issue Date until but excluding the earlier of:
 - (i) the Redemption Date
 - (ii) the Conversion Date; and
 - (iii) the Maturity Date;
- (c) be calculated on the actual number of days elapsed on the basis of a 365 day year; and
- (d) subject to **clause 4.3**, be due and payable on the Interest Payment Date.

4.3 Payment of interest on redemption or conversion

- (a) Where a Convertible Bond is redeemed on a date other than an Interest Payment Date, any interest which accrues between the last Interest Payment Date and the Redemption Date will form part of the Redemption Amount and will be paid to the Bondholder in accordance with **clause 5**.
- (b) Where a Convertible Bond is converted on a date other than an Interest Payment Date, any interest on that Convertible Bond which accrues between the last Interest Payment Date and the Conversion Date must be paid in Immediately Available Funds by the Company within five Business Days of the conversion of that Bond.

4.4 Gross-up

If the Company is required by law to deduct or withhold Taxes from any payment it must:

- (a) make the required deduction and withholding;
- (b) pay the full amount deducted or withheld in accordance with the relevant law;
- (c) deliver to the Bondholders evidence that the payments have been made; and
- (d) pay an additional amount with such payment so that, after all applicable deductions or withholding, the Bondholder actually receives for its own benefit the full amount which would have been payable to the Bondholder if no deduction or withholding had been required.

5 Redemption

5.1 Redemption by Bondholders

Subject to **clause 5.5**, a Bondholder may, at any time following the occurrence of a Redemption Event, require the Company to redeem some or all of the Convertible Bonds held by the Bondholder on the Redemption Date by delivering to the Company:

- (e) an executed Redemption Notice; and
- (f) Bond Certificates in respect of the number of Convertible Bonds to be redeemed.

5.2 Redemption Event

Each of the following is a Redemption Event (whether or not caused by anything outside the control of any party):

- (a) **non-payment:** the Company does not pay any money due for payment by it under or in connection with the Convertible Bonds within ten Business Days of its due date;
- (b) **ranking of Financial Liabilities:** a Group Company does not comply with its obligations under **clause 7.2(a), (b) or (c)**;
- (c) **other non-compliance:** a Group Company does not comply with any other material obligation under a Transaction Document and if that default is capable of rectification it is not rectified within ten Business Days after notice of the breach has been provided to the relevant Group Company;
- (d) **untrue warranty:** a representation, warranty or statement made or deemed to be made by a Group Company in a Transaction Document or document contemplated by or relating to a Transaction Document is untrue or misleading in any material respect and if that default is capable of rectification it is not rectified within ten Business Days after notice of the breach has been provided to the relevant Group Company;

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- (e) **void document:** a Transaction Document is void, voidable or otherwise unenforceable;
- (f) **compliance unlawful:** it is unlawful for a Group Company to comply with any of its material obligations under a Transaction Document or it is claimed to be so by a Group Company;
- (g) **Insolvency Event:** an Insolvency Event occurs in relation to a Group Company;
- (h) **default under document:** a default or event occurs which is, is deemed to be or is defined to be, a default or an event of default that is material by or in relation to a Group Company under a Transaction Document and if that default is capable of rectification it is not rectified within ten Business Days after notice of the breach has been provided to the relevant Group Company;
- (i) **cross default:**
- (i) financial indebtedness of a Group Company in excess of US\$15,000,000 becomes due for payment or capable of being declared due for payment before its stated maturity other than by the exercise of an option of the Group Company to pay it before its maturity; or
 - (ii) a Group Company fails to pay when due for payment (or within any originally applicable grace period) any financial indebtedness in excess of US\$15,000,000;
- (j) **cessation of business:** a Group Company ceases or threatens to cease to carry on its business or a substantial part of its business which is likely to be materially adverse to the Group as a whole;
- (k) **moratorium or nationalisation:** any step is taken by any person, including a Government Agency:
- (i) to effect any moratorium on, or delay in the performance of, any of the obligations of a debtor or other counterparty of a Group Company that are likely to be materially adverse to the Group as a whole;
 - (ii) with a view to the seizure, compulsory acquisition, expropriation, confiscation, requisition, destruction or nationalisation of all or a material part of the assets of the Group; or
 - (iii) to effect the imposition on the Group of any restrictions which have a materially adverse effect on the business of the Group,
- and is not set aside within 20 Business Days of the relevant act occurring by the Government Agency;
- (l) **change in Control:** the change of Control of any member of the Group; and
- (m) **delisting:** the removal of the Company from ASX's Official List or ending of quotation of the Shares.

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5.3 Notification of a Redemption Event

The Company will promptly (and in any event within two Business Days of becoming aware of it) give notice in writing to the Bondholders of any Redemption Event or event that is likely to lead to a Redemption Event.

5.4 Obligation to redeem

On the Redemption Date, the Company must pay to the Bondholder where the Redemption Notice is in respect of:

- (a) any of the Redemption Events set out in **clauses 5.2(a) to (k)**, the EoD Redemption Amount;
- (b) either of the Redemption Events set out in **clauses 5.2(l) or (m)**, the Enhanced Redemption Amount,

for such number of Convertible Bonds being redeemed in Immediately Available Funds.

5.5 Redemption by the Company

- (a) Subject to the right of Bondholders to convert the Convertible Bonds at any time, if at any time during the Redemption Period the 30-day VWAP of the Shares is equal to or exceeds 160% of the Conversion Price, the Company may give notice of its intention to redeem all of the Convertible Bonds on issue by delivering a Company Redemption Notice to Bondholders.
- (b) The Company Redemption Notice must specify:
 - (i) the number of Convertible Bonds held by the Bondholder;
 - (ii) the proposed date on which the Company intends to redeem such Convertible Bonds, which must be not less than 20 Business Days after the date of Company Redemption Notice; and
 - (iii) that the Bondholder may elect to convert some or all of the Convertible Bonds the subject of the Company Redemption Notice by giving a Conversion Notice to the Company in accordance with **clause 6.1** at any time before the date 5 Business Days before the Redemption Date.
- (c) Where a Company Redemption Notice is given to a Bondholder under **clause 5.5(a)**, unless the Company receives a Conversion Notice from the Bondholder before the Redemption Date, the Company must redeem the Convertible Bonds set out in the Company Redemption Notice (or where conversion of some Convertible Bonds has been elected by some Bondholders, the remaining Convertible Bonds) on the Redemption Date by paying to the Bondholder the Redemption Amount for such number of Convertible Bonds being redeemed in Immediately Available Funds.
- (d) Following payment of the Redemption Amount in accordance with **clause 5.5(c)**, the Bondholder must surrender to the Company all Bond Certificates relating to the number of Convertible Bonds which have been redeemed.

- (e) Unless the Convertible Bonds have already been redeemed under this **clause 5.5**, upon the receipt of a Redemption Notice, the Company's rights to redeem the Convertible Bonds under this **clause 5.5** will cease with immediate effect.

5.6 Irrevocable direction

Subject to **clause 5.4(e)**, a Redemption Notice or Company Redemption Notice given in accordance with this document is irrevocable.

5.7 Mandatory redemption

On the Maturity Date, the Company must redeem all Convertible Bonds held by Bondholders that have not otherwise been redeemed or converted by paying the Redemption Amount to each Bondholder in Immediately Available Funds.

6 Conversion

6.1 Conversion by Bondholders

Subject to **clauses 6.9** and **6.10**, a Bondholder may convert some or all of the Convertible Bonds held by the Bondholder into Shares at any time during the Conversion Period by delivering to the Company:

- (a) an executed Conversion Notice specifying the number of Convertible Bonds to be redeemed and converted; and
- (b) Bond Certificates in respect of the number of Convertible Bonds to be redeemed and converted.

6.2 Time of conversion

A Bondholder's conversion right is deemed to have been exercised on the Conversion Date and provided that the Conversion Date occurs before the Maturity Date, a Bondholder is entitled to convert its Convertible Bonds despite the fact that any Shares to be issued following such conversion may be issued after the Maturity Date.

6.3 Conversion

If a Bondholder exercises its conversion right under **clause 6.1**, the Company must comply with the Conversion Notice by:

- (a) redeeming the number of Convertible Bonds specified in the Conversion Notice for the Conversion Amount; and
- (b) applying the Conversion Amount as subscription funds for the Conversion Shares which are to be issued to the Bondholder at the Conversion Price in accordance with **clause 6.7**.

6.4 Irrevocable direction

A Conversion Notice given in accordance with this document is irrevocable.

6.5 Calculation of Conversion Shares

The Conversion Shares will be calculated in accordance with the following formula:

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$$CS = \frac{A}{B}$$

where:

- CS** = number of Conversion Shares to be issued to a Bondholder.
- A** = the aggregate Conversion Amount for the number of Convertible Bonds being converted by the Bondholder.
- B** = the Conversion Price.

6.6 Rounding

Where the total number of Conversion Shares calculated in accordance with **clause 6.5** results in a fraction of a Share, that fraction will be rounded down and disregarded.

6.7 Issue of Conversion Shares

On the Conversion Date, the Company must:

- (a) issue the Conversion Shares to the Bondholder;
- (b) apply for Official Quotation of the Conversion Shares in accordance with the Listing Rules and ensure within three Business Days approval has been given for Official Quotation conditional only on the usual conditions required by ASX;
- (c) provide the ASX with a Cleansing Notice in respect of the relevant Conversion Shares, such notice to confirm that the Company has not withheld any excluded information for the purposes of section 708A(6)(e) of the Corporations Act (except a Cleansing Notice will not be required to the extent the relevant Conversion Shares can be immediately on-sold to retail investors without disclosure to investors as a result of either (i) the satisfaction of the requirements set out under section 708A(12C) of the Corporations Act and ASIC Class Order [CO 10/322]) as modified or varied by ASIC; or (ii) the Company has obtained specific ASIC relief);
- (d) issue to the Bondholder a holding statement for its Conversion Shares; and
- (e) deliver to the Bondholder a Bond Certificate in respect of any Convertible Bonds which have not been converted but were included in the Bond Certificates delivered to the Company under **clause 6.1**.

6.8 Ranking of Shares

Shares issued on the conversion of Convertible Bonds will rank in all respects equally with all other Shares on issue other than where the Conversion Shares are issued after a record date for a dividend that remains unpaid.

6.9 Tranche 1 Conversion Shares

The Company is seeking relief from ASIC so that the Conversion Shares resulting from a conversion of the Tranche 1 Convertible Bonds can be immediately on-sold to retail investors without the disclosure to investors required by ASIC Class Order [CO 10/322]. If the Company does not obtain

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that relief, the Bondholders may only convert the Tranche 1 Convertible Bonds into Conversion Shares on either (or both) of only two Conversion Dates (as determined by the Bondholders), both of which must be not be within 15 Business Days of end of the full or half-year financial period for the Company.

6.10 Compliance with law

Following a Reset Event, the ability of any Bondholder to convert is conditional on compliance by that Bondholder with any applicable laws, including (without limitation) compliance with the notice and no objection provisions of the *Foreign Acquisition and Takeovers Act 1975* (Cth) and Chapter 6 of the Corporations Act.

7 Further obligations

7.1 Matters requiring Bondholders consent

For so long as the Bondholders hold Convertible Bonds, the Company must not, and must procure that any other Group Company or any officer or employee of a Group Company does not take any action in respect of any of the matters referred to in schedule 2 to the Convertible Bond Subscription Agreement, except with the prior written consent of the Bondholders (which, in respect of the matters referred to in paragraph 2 of schedule 2 to the Convertible Bond Subscription Agreement, consent will not be unreasonably withheld or delayed to the extent such delay or withholding is likely to result in a breach of directors duties or law by the Company or its directors).

7.2 Other indebtedness

- (a) Each of the Company and the Guarantors must not, and the Company procures that each of the Group Companies must not:
 - (i) incur any Financial Liabilities;
 - (ii) or create any Security Interests over any Group Company, which in each case would rank senior or pari passu with the Convertible Bonds except for:
 - (iii) the Permitted Financial Liabilities; and
 - (iv) the Permitted Security Interests.
- (b) Each of the Company and the Guarantors must, and the Company procures that each of the Group Companies must:
 - (i) ensure that any Financial Liabilities it incurred by the relevant Group Company (except for Permitted Financial Liabilities) after the date of this document shall be contractually subordinated to the Convertible Bonds, and
 - (ii) not create or permit to subsist any Security Interest (other than Permitted Security Interests) upon the whole or any part of the property undertaking, assets or revenues, present or future, of the relevant Group Company to secure any Financial Liabilities (other

than Permitted Financial Liabilities), unless at the same time or before:

- (A) the obligations of the Company and the Guarantors to the Bondholders under the Transaction Documents:
 - (1) are secured so that they rank senior to any such Financial Liabilities; or
 - (2) have the benefit of such other Security Interest as is approved by the Bondholders (acting reasonably); or
 - (B) the relevant Group Company enters into an agreement of priority with the counterparties under such Financial Liabilities which provides that the obligations of the Company and the Guarantors under the Transaction Documents rank senior to such Financial Liabilities.
- (c) Each of the Company and the Guarantors must, and the Company must procure that each of the other Group Companies must, remain in compliance with **clause 7.2(a)** and **(b)** until the Restrictive Covenant Release.
- (d) The Restrictive Covenant will be irrevocably and unconditionally released by the Bondholders and cease to be binding on any Group Member on the date which is five Business Days after the Company has:
- (i) notified the Bondholders that Completion of Phase 1 has occurred; and
 - (ii) provided evidence of Completion of Phase 1 to the satisfaction of the Bondholders (acting reasonably),
- (the **Restrictive Covenant Release**).

7.3 ASIC Class Order [CO 10/322]

For so long as any Convertible Bonds are outstanding, the Company must ensure that it is in a position to comply with the requirements of section 708A(12C) of the Corporations Act and ASIC Class Order [CO 10/322] including ensuring that the Shares remain continuously quoted on the ASX without suspension for more than five Trading Days in any 12 month period or otherwise issues a Cleansing Notice or obtains ASIC relief so that Conversion Shares can be immediately on-sold to retail investors following their issue.

7.4 Financial Report

For so long as any Convertible Bonds are outstanding, the Company must ensure that it complies with section 708A(12E) of the Corporations Act (as inserted by ASIC Class Order [CO 10/322]) in relation to the Convertible Bonds or otherwise issues a Cleansing Notice or obtains ASIC relief so that Conversion Shares can be immediately on-sold to retail investors following their issue.

8 Cancellation of Convertible Bonds

All Convertible Bonds redeemed or converted in accordance with this document will automatically be cancelled and may not be re-issued.

9 Conversion Price Adjustment

The Conversion Price shall be subject to adjustment upon the occurrence of any of the events described in **schedule 6**.

10 Transfer

To the extent permitted by Chapter 6D of the Corporations Act without the need for disclosure to the transferee, a Bondholder may transfer the legal or beneficial interest in a Convertible Bond to any person by giving written notice to the Company specifying the name and address of the transferee and the number of Convertible Bonds being transferred.

11 Cancellation and replacement of Bond Certificates

- (a) If any Bond Certificate is worn out or defaced then, on production of it to the Company, the Directors must cancel it and issue a new Bond Certificate in its place.
- (b) If a Bond Certificate is lost or destroyed, then:
 - (i) on proof of the loss or destruction to the satisfaction of the Directors; or
 - (ii) on evidence satisfactory to the Directors that the Company will be indemnified for the issue of a new Bond Certificate and any of out-of-pocket expenses,

a new Bond Certificate will be sent to the persons entitled to the lost or destroyed Bond Certificate. An entry as to the issue of the new Bond Certificate and indemnity (if any) will be made in the Register.

12 Terms binding on parties and successors

This document will enure for the benefit of and be binding on the parties and their respective successors and permitted substitutes and assigns and (where applicable) legal personal representatives.

Schedule 1

The Original Guarantors

No.	Guarantor	Address
1.	Lynas Services Pty Ltd ACN 103 936 232	Level 7, 56 Pitt Street, Sydney, NSW, Australia, 2000
2.	Mt Weld Holdings Pty Ltd ACN 073 998 106	Level 7, 56 Pitt Street, Sydney, NSW, Australia, 2000
3.	Mt Weld Mining Pty Ltd ACN 053 160 400	Level 7, 56 Pitt Street, Sydney, NSW, Australia, 2000
4.	Mt Weld Rare Earths Pty Ltd ACN 053 160 302	Level 7, 56 Pitt Street, Sydney, NSW, Australia, 2000
5.	Lynas Malaysia Sdn Bhd (Company No. 752289-D)	c/o Level 7, 56 Pitt Street, Sydney, NSW, Australia, 2000
6.	Lynas Africa Holdings Pty Ltd ACN 148 189 511	Level 7, 56 Pitt Street, Sydney, NSW, Australia, 2000
7.	Lynas Africa Limited (Company No. 8409)	c/o Level 7, 56 Pitt Street, Sydney, NSW, Australia, 2000

Schedule 2

Form of Bond Certificate

Bond Certificate (No. [●])

[Tranche 1/Tranche 2 Convertible Bonds]

Lynas Corporation Limited

(Company)

Issue of [*insert number*] Convertible Bonds.

This is to certify that [*insert name*] is the registered holder of [*insert number*] [**Tranche 1 Convertible Bonds / Tranche 2 Convertible Bonds – delete as applicable**] Convertible Bonds in the Company issued under the Convertible Bond Deed dated 24 January 2012 (**Convertible Bond Deed**).

Each Convertible Bond entitles the holder to the rights and benefits described in the Convertible Bond Deed which are incorporated in and form part of this certificate.

A term defined in the Convertible Bond Deed has the same meaning when used in this Bond Certificate.

This Bond Certificate must be returned to the Company for cancellation on redemption or conversion in accordance with the Convertible Bond Deed.

If this Bond Certificate is not cancelled on or before the Maturity Date, it must be returned to the Company on the Maturity Date.

Number of Convertible Bonds:

Face Value per Convertible Bond:

Interest Rate:

Maturity Date:

Dated

Executed by)
)

.....
Company Secretary/Director

.....
Director

.....
Name of Company Secretary/Director
(print)

.....
Name of Director (print)

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Schedule 3

Redemption Notice

To: Lynas Corporation Limited (**Company**)

From: *[insert]* (**Company/Bondholder**)

Notice of redemption of Convertible Bonds

The Bondholder hereby gives notice of the redemption of Convertible Bonds in accordance with the Convertible Bond Deed made by the Company dated 24 January 2012 (**Convertible Bond Deed**).

Redemption Amount:

Number of Convertible Bonds to be redeemed in accordance with the calculation set out in the Convertible Bond Deed

Signature of Witness

Signature of Authorised Officer

Name of Witness(BLOCK LETTERS)

Name of Authorised Officer (BLOCK LETTERS)

Address of company

Dated 20 .

Note: A term defined in the Convertible Bond Deed has the same meaning when used in this notice.

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Schedule 4

Company Redemption Notice

To: [insert] (Bondholder)

From: Lynas Corporation Limited (Company)

Notice of intention to redeem Convertible Bonds

The Company hereby gives notice of its intention to redeem Convertible Bonds in accordance with the Convertible Bond Deed made by the Company dated 24 January 2012 (**Convertible Bond Deed**).

Number of Convertible Bonds to be redeemed:

Total number of Convertible Bonds to be redeemed from all Bondholders:

Redemption Date:

In accordance with **clause 6.1** of the Convertible Bond Deed, you may elect to convert some or all of the Convertible Bonds which are intended to be redeemed by the Company by giving a Conversion Notice to the Company any time before the proposed Redemption Date set out above.

Dated

Executed by [insert])
)

.....
 Company Secretary/Director

.....
 Director

.....
 Name of Company Secretary/Director
 (print)

.....
 Name of Director (print)

Note: A term defined in the Convertible Bond Deed has the same meaning when used in this notice.

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Schedule 5

Conversion Notice

To: Lynas Corporation Limited (**Company**)

From: *[insert]* (**Bondholder**)

Notice of Conversion of Convertible Bonds

The Bondholder hereby gives notice of its election to convert the number of Convertible Bonds specified below by into Shares in the Company calculated in accordance with the Convertible Bond Deed dated 24 January 2012 (**Convertible Bond Deed**).

Number of Convertible Bonds to be redeemed and converted:

The Bondholder applies for such number of Shares as is equal to the Conversion Shares as calculated in accordance with the Convertible Bond Deed and requests that you issue the Conversion Shares to it.

The Bondholder agrees to be bound by the Constitution of the Company.

Dated

Executed by *[insert]*)
)

.....
Company Secretary/Director

.....
Director

.....
Name of Company Secretary/Director
(print)

.....
Name of Director (print)

Note: A term defined in the Convertible Bond Deed has the same meaning when used in this notice.

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Schedule 6

Adjustment Events

1 Adjustment of Conversion Price

The Conversion Price shall be subject to adjustment upon the occurrence of any of the events described in this **schedule 6**.

2 Consolidations, reclassifications or subdivisions

If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

- A** is the aggregate number of Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and
- B** is the aggregate number of Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

3 Capitalisation of profits or reserves

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders as a class by way of capitalisation of profits or reserves other than:

- (a) where any such Shares are or are to be issued instead of the whole or part of a cash Dividend which the Shareholders would or could otherwise have elected to receive or received; or
- (b) where the Shareholders may elect to receive a cash Dividend in lieu of such Shares,

the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A** is the aggregate amount of the issued Shares immediately before such issue; and
- B** is the aggregate amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares.

4 Dividends

If and whenever the Company shall pay or make any Dividend to the Shareholders as a class, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the relevant Dividend by the following fraction:

$$\frac{A - B}{A}$$

where:

- A**
- (a) is the Current Market Price of one Share immediately preceding the date the Shares are first traded ex the relevant Dividend; or
 - (b) in the case of:
 - (i) a Dividend which made for a purchase, redemption or buy-back of Shares (or any receipts or certificates representing Shares) by or on behalf of the Company or any Subsidiary of the Company, or
 - (ii) a Dividend which is a Spin-Off,

is the Current Market Price of a Share immediately preceding the first date on which the Shares are traded ex- the relevant Spin-Off; and

- B** is the portion of the Fair Market Value of the aggregate of the Dividend attributable to one Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Shares entitled to receive the relevant Dividend (or, in the case of a Dividend which is for the purchase, redemption or buy-back of Shares (or any receipts or certificates representing Shares) by or on behalf of the Company or any Subsidiary of the Company, by the number of Shares on issue immediately prior to such purchase).

Such adjustment shall become effective on the date on which such Dividend is paid or made or, in the case of a purchase, redemption or buy-back of Shares (or any receipts or certificates representing Shares), on the date such purchase

is made or, in any such case if later, the first date upon which the Fair Market Value of the Dividend is capable of being determined as provided herein.

For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in **paragraph (a)** of the definition of **Dividend** and in the definition of **Fair Market Value**) be determined as at the date of the first public announcement by the Company of the relevant Dividend, and in the case of a Dividend which is a Spin-Off, the fair market value of the relevant Dividend shall be the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property or assets.

5 Rights issues, new issues and similar issues in respect of Shares

If and whenever the Company shall issue or grant (**Issue**):

- (a) Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Shares; or
- (b) new Shares, convertible instruments, options, warrants or other rights to subscribe for or purchase Shares,

in each case at a price per Share which is less than 95% of the Current Market Price per Share on the date of the first public announcement by the Company of the terms of issue of such Securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A** is the number of Shares on issue at close of business on the Dealing Day immediately before first public announcement by the Company of the terms of the issue;
- B** is the number of Shares which the aggregate consideration (if any) receivable:
 - (a) for the Ordinary Shares issued by way of rights; or
 - (b) for the options or warrants or other rights issued by way of rights, plus for the total number of Shares deliverable on the exercise thereof,
 would purchase at such Current Market Price per Share on the date of such announcement; and
- C** is the number of Shares issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights (calculated as at the date of

issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase, or other rights of acquisition) in respect thereof at the initial conversion, exchange, subscription, purchase or acquisition price or rate,

provided that if at the time that such relevant Securities or rights are first quoted ex entitlement (the 'Specified Date') such number of Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this **condition 5, C** shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX.

Notwithstanding the above and following the issue of the Tranche 2 Convertible Bonds, if the aggregate consideration receivable for any or all Issues at less than the Current Market Price per Share announced at any time prior to the Restrictive Covenant Release exceed US\$50,000,000 (excluding any Issues to fund the consideration for any merger and acquisition transactions by a Group Company), the Conversion Price shall be the lower of the:

- (a) Conversion Price that will result in a Conversion Proportion immediately after the adjustment that is equal to the Conversion Proportion immediately after the Tranche 2 Subscription Date; or
- (b) Conversion Price as adjusted by the fraction set out above in this **condition 5**.

6 Rights issues and similar issues in respect of Securities other than Shares

If and whenever the Company shall:

- (a) issue any Securities (other than Shares or options, warrants or other rights to subscribe for or purchase any Shares) to Shareholders as a class by way of rights; or
- (b) grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares),

the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

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where:

- A** is the Current Market Price of one Share on the Dealing Day immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX; and
- B** is the Fair Market Value (on the Dealing Day immediately preceding the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX) of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on ASX.

7 Modification of certain rights

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such Securities (other than the Convertible Bonds) as are mentioned in **condition 5** above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) the formula set out in **condition 5** must be reapplied to the Conversion Price based on the rights of conversion, exchange or subscription attaching to any such Securities as modified with effect as at the date of the initial adjustment but as if the prior conversion under **condition 5** did not occur.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

8 Other offers of Securities

If and whenever the Company or any Subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary of the Company) any other company, person or entity shall offer any Securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under **conditions 3, 4, 5, 6** or **7** above the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

- A** is the Current Market Price of one Share on the Dealing Day immediately preceding the date on which the terms of such offer are first publicly announced by the Company; and
- B** is the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Share.

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Such adjustment shall become effective on the first date on which the Shares are traded ex-rights on ASX.

9 Other events or circumstances

- (a) If one or more events or circumstances affecting the Company, the capital structure of the Company, the Group or the capital structure of the Group not referred to in **conditions 2 to 8** above or which is otherwise specifically excluded from the operation of **conditions 2 to 8** above occurs, or if ASX requires amendment to any of the adjustment provisions referred to in **conditions 2 to 5** above the Company shall immediately notify the Bondholders, and shall consult in good faith with the Bondholders to determine and agree as soon as practicable what adjustment (if any) to the Conversion Price, or to these conditions, is fair and reasonable to protect the rights and interests of the Bondholders taking account of that event or circumstance and the intent and spirit of this **schedule 6**.
- (b) If the Company and the Bondholders cannot within two Business Days agree on the appropriate adjustment, then if the Bondholders so elect and with the cost of the Independent Financial Adviser to be shared equally between the Company and the Bondholders, the Bondholders shall request the Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to protect the rights and interests of the Bondholders taking account of that event or circumstance and the intent and spirit of this **schedule 6** and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this **condition 9** if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.
- (c) Notwithstanding the foregoing provisions, where the events or circumstances giving rise to any adjustment pursuant to this **schedule 6** have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Company (acting reasonably and in good faith), a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result and provided further that, for the avoidance of doubt, the issue of Shares

pursuant to the exercise of the Convertible Bonds shall not result in an adjustment to the Conversion Price.

10 No adjustments for employee share plan within permitted limits

No adjustment will be made to the Conversion Price when Shares or other Securities are issued, offered or granted to employees (including directors) of the Company pursuant to publicly disclosed employee share or option scheme which is in compliance with the Corporations Act and the Listing Rules, but only to the extent where such issues as at the date of issue do not (in aggregate) amount to, relate to, or entitle such persons to receive, shares or rights to or options for Shares in excess of 10% of the issued capital of the Company or other Securities having a Fair Market Value as at the date of issue in excess of the dollar amount represented by 10% of the issued capital of the Company.

11 No adjustment for intra-group transactions

Despite any other provision of this **schedule 6**, no adjustments will be made to the Conversion Price in relation to any corporate action that relates only to transactions between Group Companies, including in relation to (but not limited to) any dividend paid by any Group Company to another Group Company, any transfers of assets between Group Companies, or any transfers, buy-backs or cancelations of Securities held in one Group Company by another Group Company. For the purpose of this **condition 11**, **Group Companies** means the Company and its wholly owned Subsidiaries.

12 Determination of consideration or price

For the purpose of any calculation of the consideration receivable or price pursuant to **conditions 5, 6** or **7** the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Shares issued for cash shall be the amount of such cash;
- (b) the:
 - (i) aggregate consideration receivable or price for Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities; and
 - (ii) aggregate consideration receivable or price for Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Company to such rights of subscription or, as the case may be, such options,

warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement by the Company of the terms of issue of such Securities or, as the case may be, such options, warrants or rights,

plus in the case of each of (i) and (ii) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights; and

- (iii) the consideration receivable or price per Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (i) or (ii) above (as the case may be) divided by the number of Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than Australian dollars it shall be converted into Australian dollars at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on the date of the first public announcement by the Company of the terms of issue of such Securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available); and
- (d) in determining consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Shares or Securities or otherwise in connection therewith.

13 Retroactive Adjustments

If the Conversion Date in relation to any Convertible Bond shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in **conditions 3, 4, 5, 6, 7 and 8** which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under this **schedule 6** (such adjustment, a "Retroactive Adjustment"), the Company shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the relevant Bondholder, in accordance with the instructions contained in the Conversion Notice, such additional number of Shares (if any) (the "Additional Shares") as, together with the Shares issued or to be issued on conversion of the relevant Convertible Bond (together with any fraction of an Share not so issued), is equal to the

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number of Shares which would have been required to be issued on conversion of such Convertible Bond if the relevant adjustment (more particularly referred to in the said provisions of this **schedule 6**) to the Conversion Price had in fact been made and become effective immediately after the relevant record date.

14 Decision of an Independent Financial Adviser

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, and following consultation between the Company and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest or proven error.

15 Rounding down

On any adjustment, the resultant Conversion Price, if not an integral multiple of AU\$0.01, shall be rounded down to the nearest whole multiple of AU\$0.01. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

16 Notice of adjustment to the Conversion Price

Notice in writing of any adjustments to the Conversion Price shall be given to Bondholders immediately after the determination thereof.

17 General

For the avoidance of doubt, all adjustments in this **schedule 6** (except in the case of **condition 2**) are only applicable to the calculation of the Conversion Price if the application of any such adjustment has the effect on reducing the Conversion Price from the value it would have been without the application of such an adjustment.

18 Definitions and Interpretation

In this **schedule 6**, unless otherwise provided:

Business Day means:

- (a) in respect of a named place, any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in that place; or
- (b) otherwise, any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Sydney and New York and, in the case of presentation or surrender of a Convertible Bond, in the place of the specified office of the Registrar.

Conversion Proportion means the proportion that the maximum number of Shares that could be issued on conversion of all Convertible Bonds (on a fully

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diluted basis and assuming that no redemption or conversion has occurred) bears to the total number of Shares on a fully diluted basis at the relevant time.

Current Market Price means, in respect of an Share at a particular date, the arithmetic average of the VWAP of an Share for each of the ten consecutive Dealing Days ending on the Dealing Day immediately preceding such date; provided that if at any time during the said ten-dealing-day period the VWAP shall have been based on a price ex-Dividend (or ex-any other entitlement) and during some other part of that period the VWAP shall have been based on a price cum-Dividend (or cum-any other entitlement), then:

- (a) if the Shares to be issued do not rank for the Dividend (or entitlement) in question, the VWAP on the dates on which the Shares shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share as at the date of first public announcement by the Company of such Dividend (or entitlement) (excluding, in any case, any associated tax credit); or
- (b) if the Shares to be issued do rank for the Dividend (or entitlement) in question, the VWAP on the dates on which the Shares shall have been based on a price ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount,

and provided further that, if the VWAP of an Share is not available on one or more of the said ten Dealing Days, then the arithmetic average of such VWAPs which are available in that ten-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such VWAP is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

Dealing Day means a day on which ASX or relevant stock exchange or securities market is open for business, other than a day on which ASX or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time.

Dividend means any dividend or distribution (including a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

- (a) where a cash Dividend is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of a cash Dividend, then for the purposes of this definition the Dividend in question shall be treated as a Dividend of the greater of:
 - (i) such cash Dividend; and

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- (ii) the Fair Market Value (on the date of the first public announcement by the Company of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined) of such Shares or other property or assets;
- (b) any issue of Shares falling within **condition 3** shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Company by the Company or any Subsidiary of the Company shall not constitute a Dividend unless, in the case of purchases or buy backs of Shares by or on behalf of the Company or any of its Subsidiaries, the weighted average price per Share (before expenses) on any one day (a "Specified Share Day") in respect of such purchases or buy backs (converted, if not in Australian dollars, into Australian dollars at the spot rate ruling at the close of business on such day as determined in good faith by an Independent Financial Adviser (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available) exceeds the arithmetic average of the closing prices of the Shares on ASX (as published by or derived from ASX) on the five Dealing Days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases approved by a general meeting of Shareholders of the Company or any notice convening such a meeting of Shareholders) has been made of the intention to purchase Shares at some future date at a specified price, on the five Dealing Days immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Dividend in Australian dollars to the extent that the aggregate price paid (before expenses) in respect of such Shares purchased by the Company or, as the case may be, any of its Subsidiaries (converted, where appropriate, into Australian dollars as provided above) exceeds the product of:
- (i) 105% of the arithmetic average closing price of the Shares determined as aforesaid; and
- (ii) the number of Shares so purchased; and
- (d) if the Company or any of its Subsidiaries shall purchase any receipts or certificates representing Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser.

Fair Market Value means, with respect to any property or consideration on any date, the fair market value of that property or consideration as determined in good faith by an Independent Financial Adviser provided, that:

- (a) the Fair Market Value of a cash Dividend paid or to be paid shall be the amount of such cash Dividend;

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- (b) the Fair Market Value of any other cash amount shall be the amount of such cash;
- (c) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an Independent Financial Adviser), the fair market value of:
- (i) such Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Spin-Off Securities; and
 - (ii) such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights,
- in the case of both (i) and (ii) during the period of five Dealing Days on the relevant market commencing on such date (or, if later, the first such Dealing Day such Spin-Off Securities, options, warrants or other rights are publicly traded); and
- (d) in the case of (a) converted into Australian dollars (if declared or paid in a currency other than Australian dollars) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in Australian dollars; and in any other case, converted into Australian dollars (if expressed in a currency other than Australian dollars) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available).

Independent Financial Adviser means a reputable financial adviser appointed by mutual agreement between the Bondholders and the Company (or failing such agreement, appointed by the President of the Law Society of New South Wales) with the cost of the financial adviser to be shared equally between the Company and the Bondholders unless expressly provided otherwise in these Conditions.

Shares means fully paid ordinary shares in the capital of the Company.

Securities means any securities including, without limitation, Shares, or options, warrants or other rights to subscribe for or purchase or acquire Shares.

Shareholders means the holders of Shares.

Spin-Off means:

- (a) a distribution of Spin-Off Securities by the Company to Shareholders or other security holders as a class; or
- (a) any transfer of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Company) to Shareholders or other security holders as a class,

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pursuant in each case to any arrangements with the Company or any other member of the Group.

Spin-Off Securities means capital of or securities of any form in an entity other than the Company.

Subsidiary of an entity means another entity which:

- (a) is a subsidiary of the first entity within the meaning of the Corporations Act;
- (b) is controlled by the first entity within the meaning of the Corporations Act; or
- (c) is part of the consolidated entity constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares, or would be if the first entity was required to prepare consolidated financial statements.

VWAP means, in respect of an Share or, as the case may be, a Spin-Off Security the average of the daily volume-weighted average price (rounded to the nearest full cent) of an Share or, as the case may be, a Spin-Off Security, calculated using the Bloomberg page 'AQR' or (in the case of a Spin-Off Security) from the relevant principal stock exchange or securities market on which such Spin-Off Securities are then listed or quoted or dealt in, if any, or, in any such case, such other source as shall be determined to be appropriate by an Independent Financial Adviser on such Dealing Day, provided that on any such Dealing Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Share or, as the case may be, a Spin-Off Security in respect of such Dealing Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined.

Executed as a deed poll

**Executed by Lynas Corporation)
Limited ACN 009 066 648:)**

.....
Company Secretary/Director

.....
Director

.....
Name of Company Secretary/Director
(print)

.....
Name of Director (print)

**Executed by Lynas Services Pty Ltd)
ACN 103 936 232:)**

.....
Company Secretary/Director

.....
Director

.....
Name of Company Secretary/Director
(print)

.....
Name of Director (print)

**Executed by Mt Weld Holdings Pty)
Ltd ACN 073 998 106:)**

.....
Company Secretary/Director

.....
Director

.....
Name of Company Secretary/Director
(print)

.....
Name of Director (print)

**Executed by Mt Weld Mining Pty Ltd)
ACN 053 160 400:)**

.....
Company Secretary/Director

.....
Director

.....
Name of Company Secretary/Director
(print)

.....
Name of Director (print)

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**Executed by Mt Weld Rare Earths)
Pty Ltd ACN 053 160 302:)**

.....
Company Secretary/Director

.....
Director

.....
Name of Company Secretary/Director
(print)

.....
Name of Director (print)

**Executed by Lynas Malaysia Sdn)
Bhd Company No. 752289-D by its)
duly appointed representative in the)
presence of:**

.....
Witness

.....
Authorised Representative

.....
Name of Witness (print)

.....
Name of Authorised Representative
(print)

**Executed by Lynas Africa Holdings)
Pty Ltd ACN 148 189 511:)**

.....
Company Secretary/Director

.....
Director

.....
Name of Company Secretary/Director
(print)

.....
Name of Director (print)

**Executed by Lynas Africa Limited)
Company No. 8409 by its duly)
appointed representative in the)
presence of:**

.....
Witness

.....
Authorised Representative

.....
Name of Witness (print)

.....
Name of Authorised Representative
(print)

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