# Lynas Corporation

## Rare Earths – we touch them everyday

## Investor Presentation

**1 August 2013**

SHARED VALUES.
ONE VISION.

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# Key investment themes

## Company overview

1. Rare Earths production and shipments commenced at the LAMP
2. Focus on cost savings and “right-sizing” business, yet ready to respond to improved market conditions
3. Experienced management team
4. Off-take arrangements through strong customer relationships
5. Favorable long-term industry fundamentals with estimated above-GDP growth rates in key product demand
6. High quality, long life assets

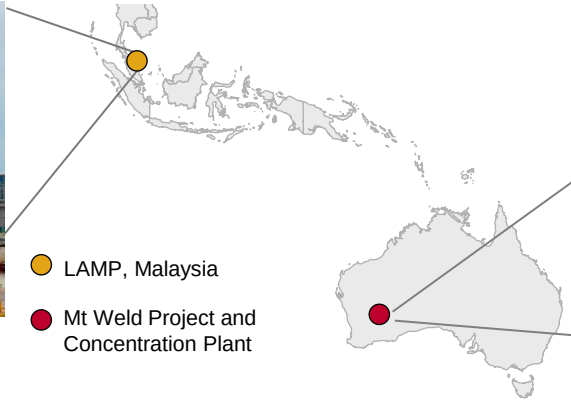
# Company overview



## Building a fully integrated source of Rare Earths from mine to customers

- Primarily involved in the exploration, development, mining and processing of Rare Earth minerals
  - ASX-listed, market capitalisation of A$800m as of July 31, 2013
- Owns and operates:
  - Mt. Weld – the highest grade known Rare Earths deposit in the world – located 35km south of Laverton in W.A.
  - Mt. Weld Concentration Plant – commissioned in 2011 and located 1.5km from site
  - Lynas Advanced Materials Plant ("LAMP") facility – located in the Gebeng Industrial Estate ("GIE") near the Port of Kuantan in Malaysia
- Phase 1 production capacity of 11,000 tonnes per annum ("tpa") REO and Phase 2 production capacity of 22,000tpa REO

## Location of key assets




**Lynas' vision is to be the leader in Rare Earths for a sustainable future**

# Agenda



Introduction

**Safety, environment and community engagement**

Operations:

- Western Australia
- Malaysia

Sales and Marketing

Financial overview



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# Lynas has a strong safety track record

## A safe, sustainable supply chain is a MUST for the industry

***Western Australia Operations***

- Externally certified to OHSAS18001:2007 OHS Systems Management
- Six Lost Time Injury ("LTI") incidents in the 5-year of construction/operational history
- Strong safety culture demonstrated by frequent hazard and near-miss reporting
- Ratio of 11.6 reports for every 100 employees/contractors in FY2013

***Malaysia operations***

- Achieved more than 8,800,000 hours LTI free on the LAMP (Phase 1) and 6,200,000 hours LTI free on LAMP (Phase 2) construction projects
- IAEA confirmed compliance of the LAMP design with international standards

***Company-wide***

- Lost time injury frequency rate ("LTIFR") of 0.9 for rolling last 12 months (as at June 2013).

**Gas Treatment**

# Environmental monitoring



**Lynas' operations are safe for our workers, host communities and the environment**

- Environmental protection measures include:
  - Waste water treatment (full neutralisation)
  - Gas cleaning system
  - Dust collection system
  - Solid waste management plan

**Environmental monitors at the LAMP**


# Lynas is committed to community engagement



## Lynas strives to create shared value through relationships with the community

***Malaysia***

- Lynas has conducted a large scale public consultation effort specifically focused on issues such as safety, health, emissions and safe handling and storage of plant residues
- Lynas communicates directly with local residents, community leaders, villagers and their families. Lynas' engagement with the Malaysian community will continue for the life of the plant.
- Lynas remains a sponsor of the Balok Ivory Tower Academic program in Kuantan, Malaysia
    - The program promotes learning opportunities for vulnerable students from underprivileged backgrounds to continue their education and secure placement at local universities
    - Lynas representatives regularly volunteer their time to mentor students throughout the year to discuss the importance of safe workplace practices and environmental protection

***Western Australia***

- Lynas implemented the Mount Weld Community Consultative Committee in April 2012, a thorough stakeholder engagement program
    - The purpose of the program is to provide a forum for open discussion between Lynas and appointed Mt Weld Community representatives
    - The goal is to determine initiatives in accordance with the principle of creating shared value and building community resilience
- Lynas conducts an annual cultural awareness program at its Mount Weld facility to increase employee appreciation of local indigenous culture, build relationships and identify indigenous employment opportunities

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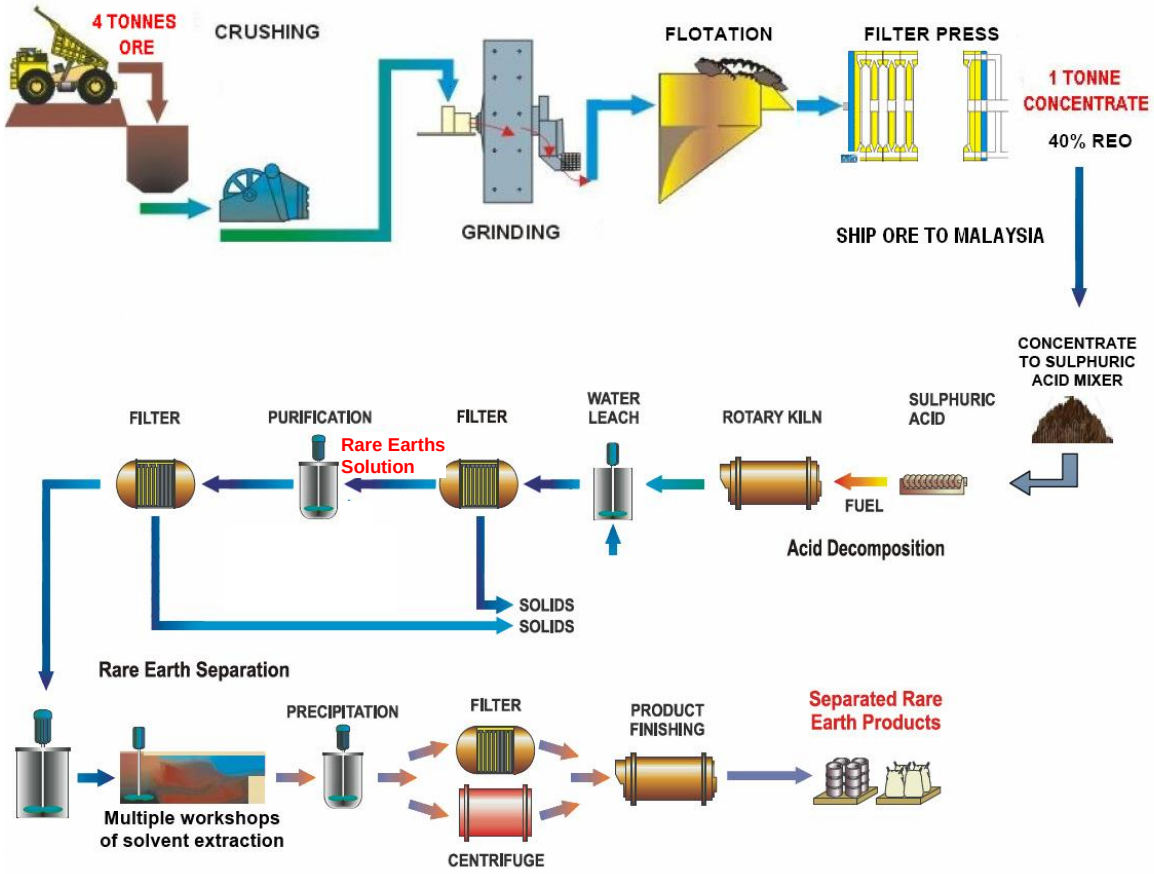
# Production process overview

**Vertically integrated operations from mining at Mt. Weld to oxide production at the LAMP**



# Mt. Weld Mine & Concentration Plant



## Overview of Australian assets

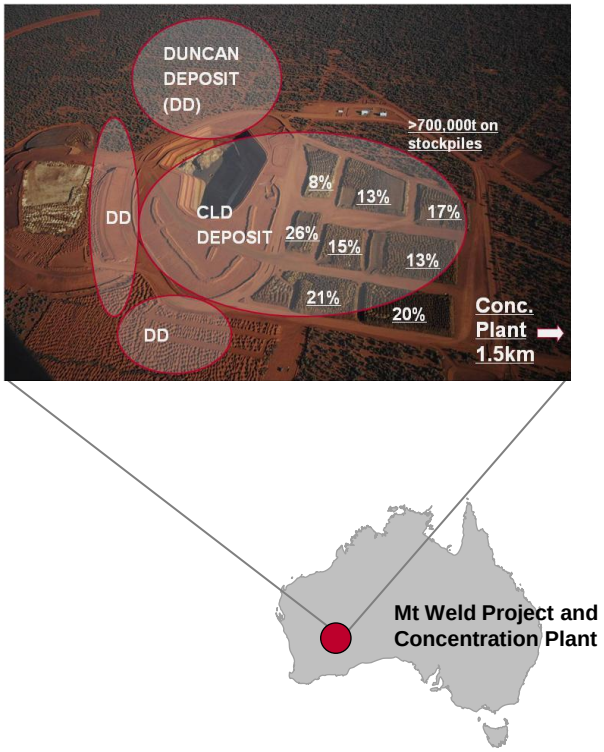
### Mt. Weld Mine

- The highest grade known deposit of Rare Earths in the world
- Consists of the Central Lanthanide Deposit ("CLD") and Duncan Deposit
- Located 35km south of Laverton in W.A.
- Simple, conventional open-pit mining operation
- Stockpiled ore is sufficient to sustain Phase 1 steady state production for 6 years
- 773kt mined at 15.4% REO (116kt contained REO)

### Mt. Weld Concentration Plant

- Commissioned in May 2011
- Located 1.5km from Mt. Weld mine
- Phase 1 capacity: 33,000tpa REO concentrate
- Expected capacity including Phase 2: 66,000tpa REO concentrate
- Proven REO flotation technology
- ~15kt of dry bagged concentrate ready for shipment to Malaysia

**Location of the Mt. Weld Project & Concentration Plant**



# Resources and reserves



## Mt. Weld contains one of the world's largest and highest grade Rare Earth resources

- CLD reserves are sufficient to imply a mine life in excess of 25 years at the Phase 2 production rate of 22,000tpa REO
- Greater proportion of the higher value heavy Rare Earths located at the Duncan deposit

### Mt. Weld Ore Reserves (4-7% REO cut off)

| Reserves | Ore (Mt) | REO(%)[1] | Cont. REO (kt) |
|---|---|---|---|
| Proved | 5.6 | 13.0% | 728 |
| Probable | 4.1 | 10.0% | 410 |
| **Total** | **9.7** | **11.7%** | **1,138** |

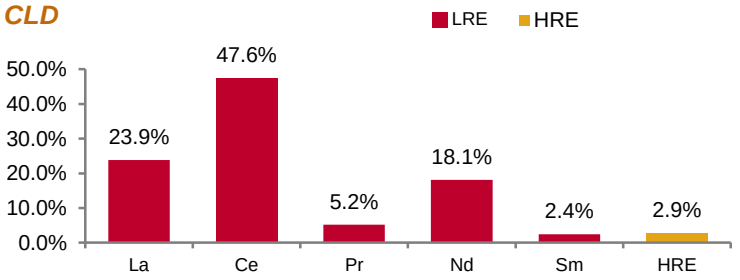
### Mt. Weld Mineral Resources (2.5% REO cut off)

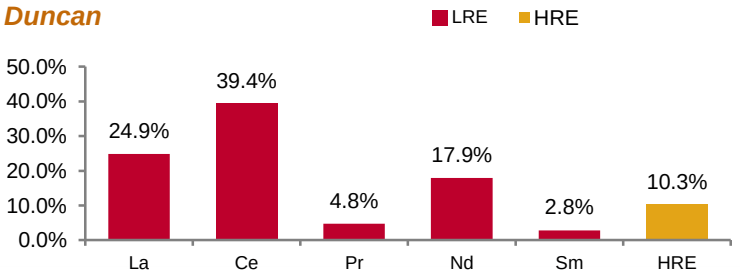
| Resources | Ore (Mt) | REO (%)[1] | Cont. REO (Mt) |
|---|---|---|---|
| Measured | 11.4 | 9.4% | 1.1 |
| Indicated | 10.9 | 6.9% | 0.8 |
| Inferred | 1.7 | 4.3% | 0.1 |
| **Total** | **23.9** | **7.9%** | **1.9** |

Note: Figures may not sum due to rounding

[1] REO (%) includes all the lanthanide elements plus yttrium

### CLD and Duncan REO distribution



# Central Lanthanide Deposit



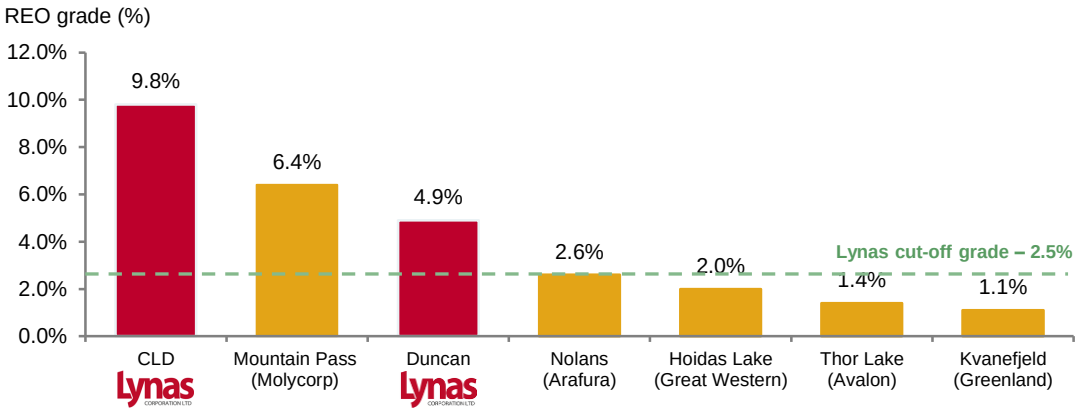
## CLD is the world's highest grade known Rare Earths orebody

- Recent drilling on the western side of the CLD has increased confidence levels in the resource with a large portion of the resources in the measured and indicated categories
- Above a REO cut-off of 2.5%, the CLD has a resource of 14.9mt at an average grade of 9.8% REO for a total of 1,460,000 tonnes of REO

| CLD resource category | Ore (mmt) | REO (%)[1] |
|---|---|---|
| Measured | 6.9 | 12.2 |
| Indicated | 7.0 | 8.1 |
| Inferred | 1.1 | 4.6 |
| **Total** | **14.9** | **9.8** |

Note: Figures may not sum due to rounding
[1] REO (%) includes all the lanthanide elements plus yttrium

**Rare Earth Grade – Mt. Weld vs. some other projects**




Source: Company filings

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- **Malaysia**

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# Malaysia operations – Lynas Advanced Materials Plant



## The LAMP facility is strategically located in Malaysia

- Stable operating environment and a sovereign credit rating of A3
- Gebeng is a hub into Asia with exceptional infrastructure
- Located in close proximity to Kuantan deep-water port with bulk material, liquid and container berths
- Key reagent products located nearby due to large chemical industry on the east coast of Malaysia
- Established supplier / manufacturer network within the Gebeng Industrial Estate
- High quality and well-maintained infrastructure and utilities
- Access to skilled and competitive labour force
- Tax free period granted by the Malaysian Industrial Development Association under “strategic pioneer status”

# Lynas Advanced Materials Plant – operational update



## June 2013 quarter

- **Production:** 144 tonnes REO equivalent products
- **Shipments:** 117 tonnes REO equivalent products
- Some issues identified relating to clogging and premature wearing of equipment that are affecting the ability to operate continuously at nameplate production capacity. A series of work programs involving equipment changes and materials handling have and will continue to be implemented over the coming months.

## Future milestones

- Optimise production at the Phase 1 capacity level of 11,000tpa REO until market prices recover
- Start-up of Phase 2 expected in Q3 2013
- Subsequent ramp-up of Phase 2 production will be determined by various factors, primarily being market conditions

# LAMP Phase 1 ramping up operations
# LAMP Phase 2 start-up expected Q3 2013

| PHASE 1 – 11,000t REO CAPACITY | ANTICIPATED VOLUMES (tpa) | Major Applications |
|---|---|---|
| Ce carbonate | 2,600 | Autocat, Chemical Catalysis |
| La carbonate | 1,350 | FCC, NiMH batteries |
| Ce / La carbonate | 4,000 | Polishing, NiMH batteries |
| Nd / Pr oxide | 2,700 | Magnet, NiMH batteries |
| SEG + Heavy Rare Earths | 480 | Lighting, Magnets |
| **PHASE 2 – ADDITIONAL 11,000t REO CAPACITY. Phase 2 will provide additional flexibility, with capacity to produce up to the following approximate volumes:** | | |
| Ce carbonate, oxide | 2,600 | Autocat, Chemical Catalysis, UV cut |
| La carbonate, oxide | 1,350 | FCC, NiMH batteries |
| Ce/La and Ce/La/Pr carbonate, oxide | 4,000 | Polishing, NiMH batteries |
| Nd oxide and Pr oxide | 2,700 | Magnets, NiMH batteries, Autocat |
| SEG + Heavy Rare Earths | 480 | Lighting, Magnets |

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# Sales and marketing – customer agreements



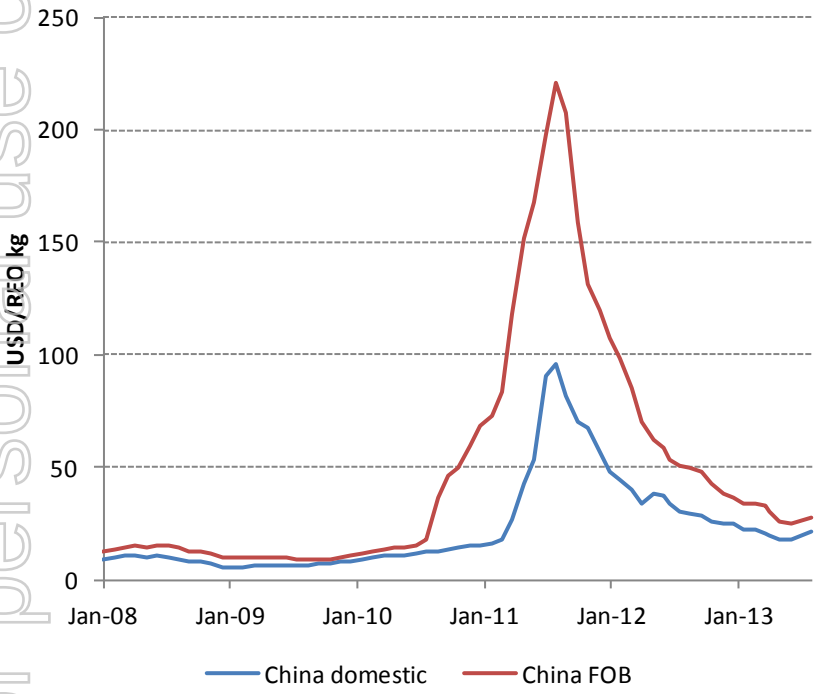
**Lynas has agreements to supply Rare Earths products to credit-worthy counterparties globally**

- Based on current customer agreements and negotiations, Lynas currently expects to sell its annual Phase 1 production
- Market growth is expected to be secured through
  - growth in existing and new technology product applications
  - Lynas' long-term environmentally sustainable supply visibility
- Estimated above-GDP growth rates in key product demand

# Rare Earths prices

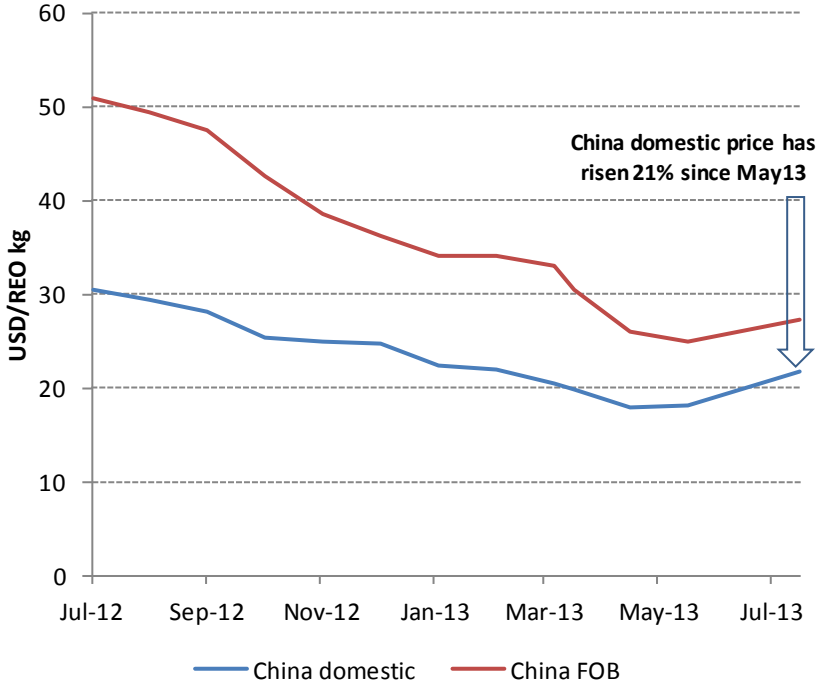


## Mt Weld basket price history 2008-2013




Source: Asian Metals

## Mt Weld basket price history last 12mths




Source: Asian Metals

# Rare Earths market data - Disclaimer



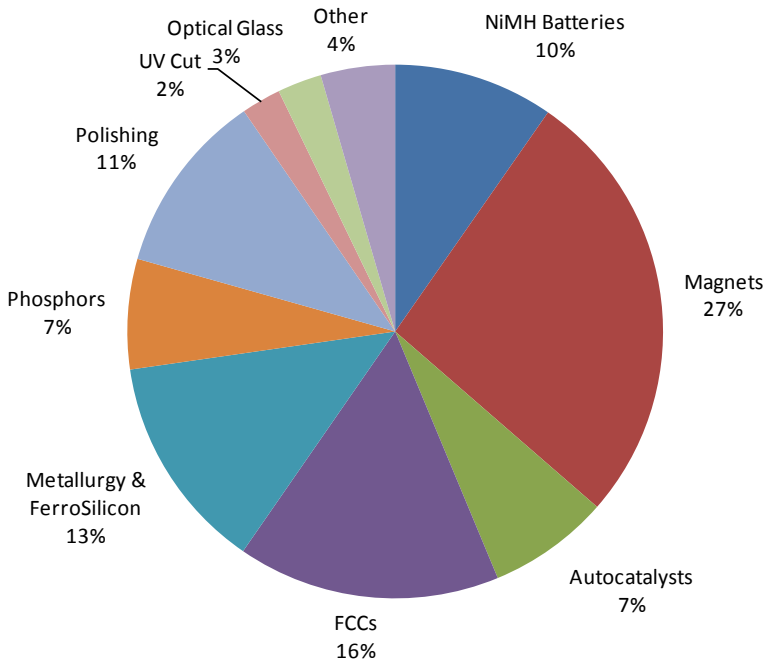
- The slides in this presentation containing Rare Earths market data have been sourced from independent analysis of end application demand, along with Lynas estimates of quantities of Rare Earths end use in various key applications.
- Although Lynas believes that the outcomes expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Forward-looking statements are based on assumptions and contingencies which are subject to change without notice. Factors that could cause actual results to differ materially from those in forward-looking statements include new Rare Earths applications, the development of economic Rare Earths substitutes, and general economic, market or business conditions. While Lynas has made every reasonable effort to ensure the veracity of the information presented, Lynas does not guarantee the accuracy and reliability of the estimates, forecasts and conclusions contained herein. Accordingly, the Rare Earths market data in this presentation should be used for general guidance only. There can be no guarantee that actual outcomes will not differ materially from forward-looking statements.

# Demand drivers – Rare Earth uses

## REO demand growth outlook

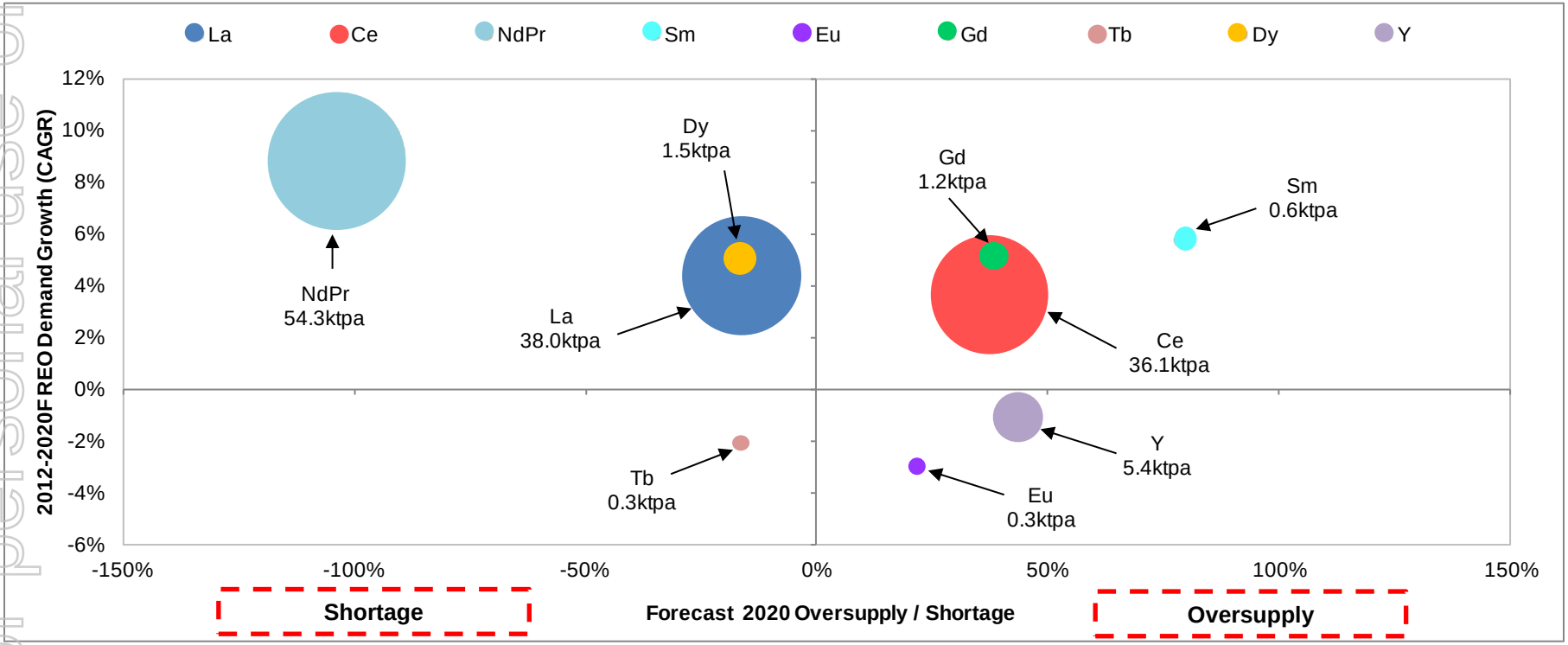
| Sector | CAGR 2012-2018 | Rare Earths used |
|---|---|---|
| NiMH Batteries | 3.3% | La, Nd |
| Magnets | 10.1% | NdPr, Dy |
| Autocatalysts | 6.0% | Ce |
| FCCs | 8.0% | La |
| Metallurgy & FerroSilicon | 3.4% | CeLa |
| Phosphors | -1.2% | Eu, Tb, Y, Ce, La |
| Polishing | 4.8% | CeLa |
| UV Cut | 3.0% | Ce |
| Optical Glass | 5.0% | La, Gd |
| Other | 3.0% | La, Ce, Nd, Pr, Sm, Gd, Y |
| **Total demand** | **5.8%** | |

***2015E Expected Global Rare Earths demand by application***



# Rare Earths market balance outlook

## Elemental market balances and demand growth rates




Notes: Bubble size is reflective of 2020 forecast REO demand. Oversupply / Shortage equal to (REO Supply – REO Demand) / REO Supply; i.e. 10ktpa Supply, 20ktpa Demand equal to -100% Shortage
Lynas' assumptions in relation to RE supply are Chinese official production remains flat at ~94ktpa to 2020 (no allowance has been made for additional illegal mining supply in China) and that the only additional non-Chinese capacity to come on line is Lynas at 22ktpa and Molycorp at 19ktpa.

**NdPr and La markets expected to be the key value drivers for Lynas**

# Sector outlooks



## Demand outlook

| | |
|---|---|
| **NiMH Batteries** | • The main growth application for NiMH batteries is in Hybrid Electric Vehicles (~14% CAGR from 2012-2017)<br>• Other applications for NiMH batteries also include small electrical appliances<br>• Toyota has indicated it will continue with NiMH battery technology until at least 2018 |
| **Magnets** | • High potential growth market driven by automotive, renewable energy generation and electronics industries<br>• Dy reduction technologies are ongoing which is easing the cost pressures on NdFeB magnets<br>• Stable raw materials prices and supply important to drive future growth |
| **Autocatalysts** | • Expected 3-4% annual growth in global vehicle sales<br>• By 2016, Lynas expects 100% of new cars produced globally to be fitted with autocatalysts (from ~85% today) due to increasingly stringent government regulations |
| **FCC** | • FCC unit growth expected to be in line with global gasoline demand growth of 1% p.a.<br>• Quantity of La used in FCCs impacted by supply stability/visibility of RE raw materials<br>• Recent decline in RE content in FCCs (from 3% to 2%) expected to reverse due to improved supply availability |
| **Polishing** | • Demand for RE-based polishing powders is highly price elastic. Recent price volatility has driven manufacturing productivity and recycling improvements leading to a decline in RE demand<br>• Following these manufacturing process changes, Lynas expects ~5% CAGR demand growth driven by a number of end markets such as LCD screens, tablets, HDD and precision optical devices |
| **Phosphors** | • Demand for RE-based phosphors expected to decline due to market penetration of LED technologies.<br>• In the backlighting for LCD screens, LED has already largely replaced RE-based lighting technology |

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# Cash costs



## Key points

- Estimated cash costs at steady-state 22,000 tonne per annum REO production capacity is US$14-15/kg REO
- Estimated cash cost split – 70% variable, 30% fixed
- Costs include WA and Malaysia overheads and WA royalties
- Cost optimisation programs exist and will be pursued
- Lynas expected cash costs are competitive with Chinese producer costs
- Unit cash costs will be higher during ramp-up to steady-state production capacity

# Lynas cash balance and June quarter cashflow



| CASH FLOW | A$M |
|---|---|
| **OPENING CASH BALANCE 1 APRIL 2013** | **193.8** |
| **INFLOWS** | |
| Cash receipts from the sale of goods | 0.6 |
| Interest income | 1.6 |
| **TOTAL INFLOW OF FUNDS IN THE QUARTER** | **2.2** |
| **OUTFLOWS** | |
| Mt Weld Concentration Plant – Phase 1 | - |
| Malaysian Advanced Materials Plant – Phase 1 | (1.2) |
| Mt Weld Concentration Plant – Phase 2 | (9.4) |
| Malaysian Advanced Materials Plant – Phase 2 | (5.0) |
| Other capital expenditure | (0.2) |
| Investments and Security Deposits | (1.0) |
| Interest expense and other costs of finance | (2.5) |
| Ongoing operational, production and administration costs | (37.8) |
| **TOTAL OUTFLOW OF FUNDS IN THE QUARTER** | **(57.1)** |
| **Net exchange rate adjustment** | **2.5** |
| **CLOSING CASH BALANCES 30 JUNE 2013** | **141.4** |
| **Summary of Cash Balance** | |
| Cash on Hand and at Call (incl. Term Deposits) | 125.7 |
| Funds for Phase 2 Construction (Restricted Cash) | 15.7 |
| **CLOSING CASH BALANCES 30 JUNE 2013** | **141.4** |

# Conclusion

## Highlights

| | | |
|---|---|---|
| 1 | **Rare Earths production and shipments at the LAMP** | • Production and shipments commenced at the LAMP<br>• Customer qualification process ongoing |
| 2 | **Focused on cost savings, ready to respond to improved market conditions** | • Enhanced use of Group shared services<br>• Ramp-up of Phase 2 production to be determined by various factors, primarily being market conditions<br>• Consequent deferral of discretionary operating and capital expenditure |
| 3 | **High quality, long life assets** | • CLD resource – 14.9mmt @ 9.8% REO with expected mine life of >25 years<br>• Highest grade Rare Earth orebody in the world |
| 4 | **Strong customer relationships** | • Entered into customer agreements in each market segment and each product type<br>• Lynas is changing the industry dynamics from spot supply to long term supply certainty for customers |
| 5 | **Favorable industry fundamentals** | • China controls the bulk of global supply and limited new supply is expected in the medium term<br>• Estimated above-GDP growth rates in key product demand |
| 6 | **Experienced management team** | • Led by a Lynas management team with extensive experience in international Rare Earths and chemicals industries |

# NOTE

*The information in this presentation 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 and 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 presentation of the matters based on his information in the form and context in which it appears.*

*The Ore Reserves statement in this presentation has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2004 Edition). The Ore Reserves have been compiled by Ross Bertinshaw of Golder Associates, who is a fellow of Australasian Institute of Mining and Metallurgy and a Chartered Professional (Mining). Mr Bertinshaw has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Bertinshaw consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.*