

Lynas Corporation

Rare Earths – we touch them everyday

Capital Raising and Business Update

5 May 2014



**SAFE FOR PEOPLE
SAFE FOR THE ENVIRONMENT
SECURE FOR CUSTOMERS**



Lynas
CORPORATION LTD

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Equity Raising Summary



Equity raising	<ul style="list-style-type: none"> A Share Purchase Plan fully underwritten by Patersons Securities Limited in the amount of \$30 million. A “top-up” equity placement with the capacity to raise up to \$10 million.
Issue price	<ul style="list-style-type: none"> The issue price for both the SPP and the Placement will be a 17.5% discount to the average price during the 5 trading days up to and including the SPP shortfall date, rounded up to the nearest 0.1 cent.
Ranking	<ul style="list-style-type: none"> The new shares will rank equally with existing shares.
Pro Forma Balance Sheet	<ul style="list-style-type: none"> The Group’s pro forma cash balance as at 30 April following completion of the equity raising is \$61 million. Following completion of the proposed purchase and amendment of the Sojitz / JOGMEC senior secured facility, all the Group’s debt facilities would constitute non-current liabilities (totalling US\$440 million due in mid-2016). Completion of these equity raising transactions will cause some adjustment to the conversion price for the US\$225 million Mt Kellett Convertible Bond Facility (currently A\$1.15 per share). The adjustment amount will be known following completion of the Placement and the SPP and the adjustment will be announced to the ASX at that time.

Sources	A\$M	Uses	A\$M
Share Purchase Plan	30	Working Capital	38
Institutional Placement	10	Transaction costs	2
Total	\$40	Total	\$40



SPP details and Equity Raising Timetable



SPP details

Eligible shareholders	<ul style="list-style-type: none">• Open to eligible shareholders with registered addresses in Australia and New Zealand• No brokerage or other transaction costs will be incurred
Application amount	<ul style="list-style-type: none">• Opportunity to apply for up to A\$15,000 worth of Lynas' ordinary shares (subject to any scale-back)

Equity Raising Timetable

Event	Date
SPP record date	7:00pm (AEST), Friday, 2 May 2014
Dispatch of SPP booklet and SPP offer opens	Friday, 9 May 2014
SPP pricing period	Wednesday, 21 May 2014 to Tuesday, 27 May 2014 (inclusive)
SPP offer closes	5:00pm (AEST), Friday, 23 May 2014
SPP shortfall date	Tuesday, 27 May 2014
SPP and Placement results and pricing announcement	Thursday, 29 May 2014
Allotment of New Shares	Thursday, 29 May 2014
SPP and Placement shares commence trading	Thursday, 29 May 2014
Despatch of transaction confirmations under the SPP and, if applicable, a direct credit deposit or refund cheque	Thursday, 29 May 2014



Proposed Nomura transaction

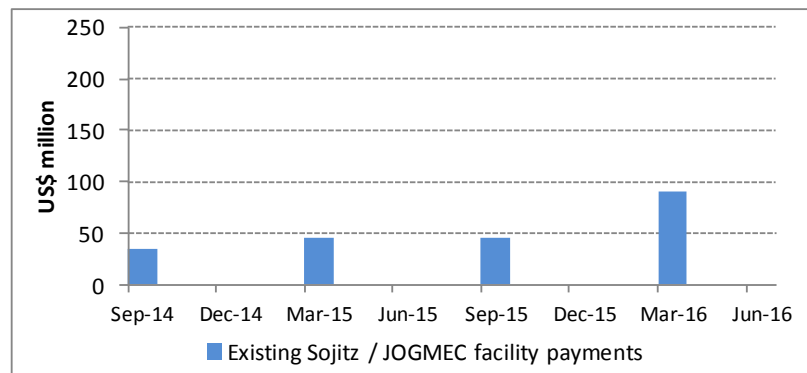
Key points

- Following receipt of expressions of interest from various financial industry participants, Lynas selected Nomura Australia Limited to arrange the purchase and amendment of the Sojitz / JOGMEC senior secured facility.
- Lynas has negotiated an indicative term sheet with Nomura Australia and consequently appointed Nomura Australia to act as Arranger. Nomura Australia is a wholly owned subsidiary of Nomura Holdings Inc., a financial services group headquartered in Japan.
- The detailed terms are subject to some further negotiation, and are conditional on matters including requisite approvals, completion of due diligence and definitive documentation. The transaction will be undertaken in accordance with the terms of the Group's other debt facilities and will not be binding on the parties until the above conditions are satisfied.
- The proposed transaction includes a replacement of the current Sojitz / JOGMEC repayment schedule with a single repayment of the entire facility in June 2016. Completion of this transaction would allow the Company time to further strengthen its financial profile through the build-up of cash flow from production and sales.
- The aim of Lynas and Nomura Australia is to complete this transaction well prior to September 2014, subject to satisfaction of various conditions. Further details will be provided as they are finalized.
- Lynas remains engaged with existing and potential financiers regarding the potential restructure of its existing financing facilities.

Note

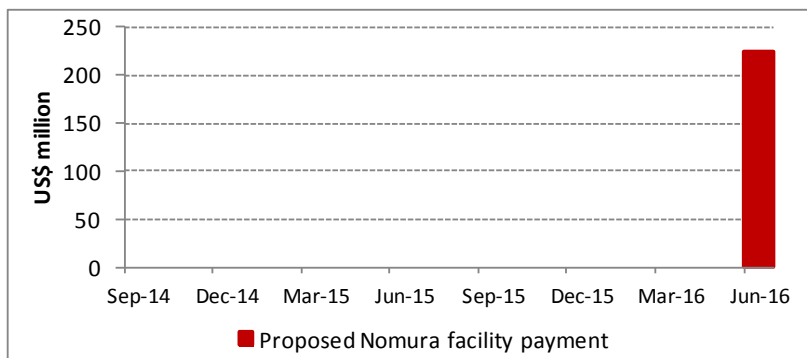
While the Nomura engagement letter is binding, the terms in the Nomura term sheet are not binding on the parties. Lynas and Nomura are committed to consummating the transactions contemplated by the term sheet, however there is no guarantee that all conditions will be satisfied or that definitive agreements will be entered into.

Existing Sojitz / JOGMEC senior facility repayments



Note: For further details see the Lynas Annual Report 2013 pages 90 and 91

Proposed senior facility repayments under Nomura transaction



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Company overview

The only new 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\$324m as of 1 May 2014
- 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
- Total production capacity of 22,000 tonnes per annum (“tpa”) REO

Location of key assets



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

Lynas' Sustainable Business Model

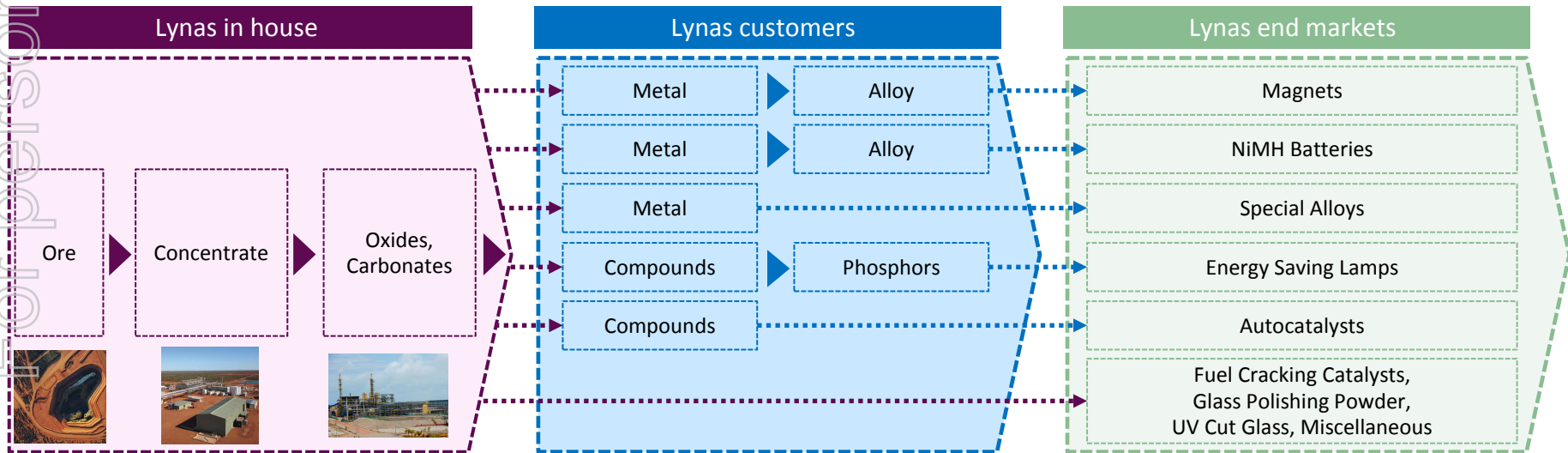
Independent Rare Earth supply

Proven ability to offer end users long term supply contracts securing quantities and prices

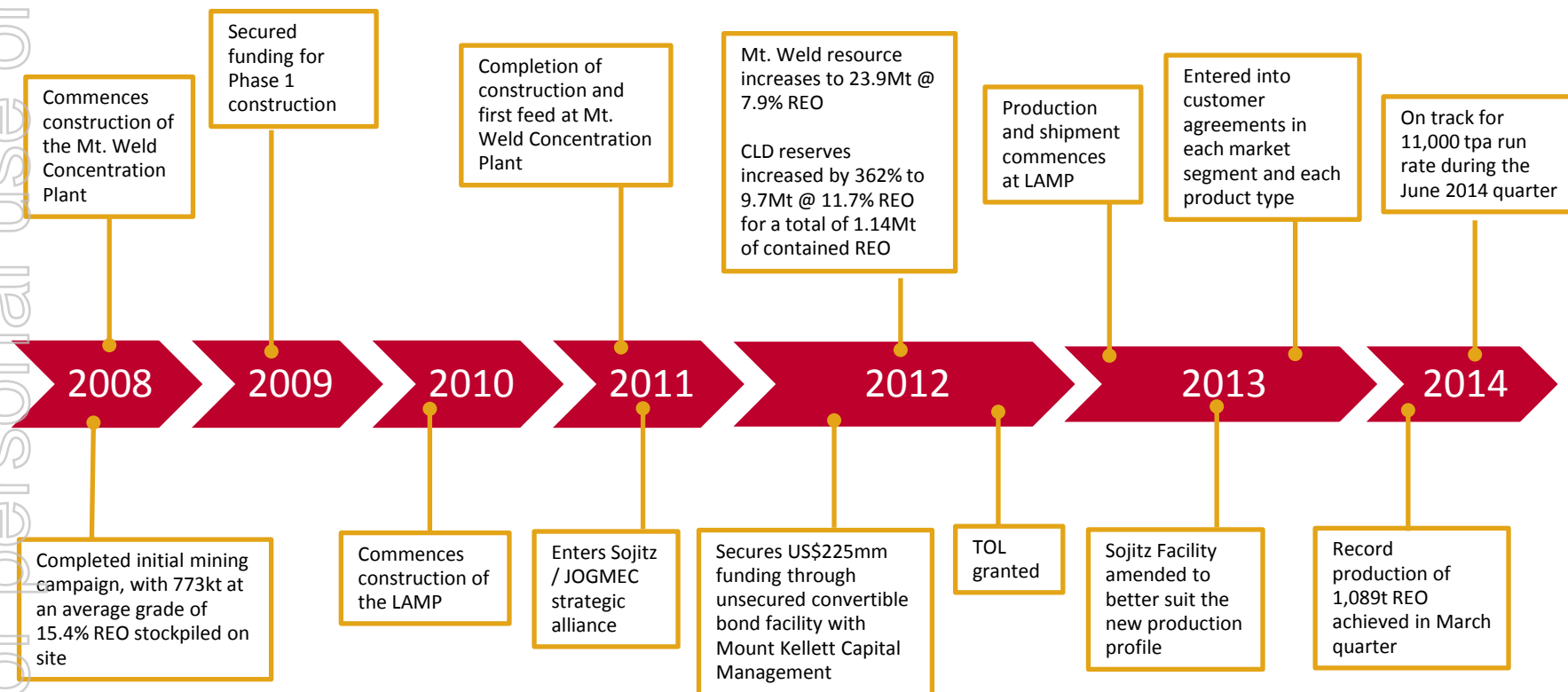
Proven ability to partner with downstream processors to secure supply chains to end users

Significant reserves of 1.1Mt REO versus today's annual global demand of ~100ktpa REO

Unique auditable safety and environmental world class standards



Lynas confident of achieving the 11,000tpa production rate during June 2014 quarter



Lynas has successfully transitioned to a producer of REO and is confident of achieving the targeted production rate of 11,000tpa REO by June 2014 quarter



Safe for People, Safe for Environment



Employee Safety

- The 12-month rolling LTI Frequency Rate for Lynas global operations as at the end of March was 1.1 (per millions hours worked)
- Western Australian operations achieved one year “Harm Free” during the March 2014 quarter.

Lynas’ goal is Zero Harm



Environmental Monitoring

- Lynas environmental emissions are strictly monitored and are well below permissible limits
 - Air emissions
 - Water treatment
 - Solid residues

Environmental monitors at the LAMP

AIR EMISSION QUALITY		
DET.	RESULTS	STANDARD
SO2	50.61	500 mg/m ³
SO3	1.04	200 mg/m ³
HF	0.08	200 mg/m ³
DUST	62.57	400 mg/m ³

EFFLUENT QUALITY		
DET.	RESULTS	STANDARD
pH	6.35	5.5-9.0
BOD5	19.82	50 mg/L
COD	35.00	200 mg/L
TSS	12.00	100 mg/L
Fe	0.67	5 mg/L
Mn	0.50	1 mg/L



Safe for People, Safe for Environment



Triple Certification

- Western Australian and Malaysian operations maintained certification to:
 - OHSAS 18001 (Occupational Health and Safety)
 - ISO 14001 (Environmental Management Systems)
 - ISO 9001 (Quality Management Systems)

ISO Certification



Solid Residues

- Road base products** – two “WLP” based products tested and proven to be:
 - non-leachable
 - non-radioactive
 - non-toxic
- Soil conditioning products**
 - Successful results from pot trials
 - Field trials ongoing

Canola field trials in Western Australia



Batching plant and RB-10 product



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Financial overview

March 2014 quarter

- Average selling price increased to US\$22.63/kg REO (revenue basis), from US\$21.48/kg REO (revenue basis) in the prior quarter, supported by a favourable sales mix.
- Total cash as at 31 March was A\$23.4m.
- During the quarter, the Company made the first scheduled principal repayment of US\$10m under the Sojitz / JOGMEC loan facility.

CASH FLOW	A\$M
OPENING CASH BALANCE 1 JANUARY 2014	74.7
INFLOWS	
Cash Receipts from the sale of goods	21.9
Interest income	0.5
Proceeds from sale of equity investment	0.7
TOTAL INFLOW OF FUNDS IN THE QUARTER	23.1
OUTFLOWS	
Malaysian Advanced Materials Plant – Phase 1	(0.1)
Malaysian Advanced Materials Plant – Phase 2	(6.2)
Other capital expenditure	(0.4)
Repayment of borrowings	(11.3)
Interest expense and other costs of finance	(9.2)
Ongoing operational, production and administration costs	(46.1)
Royalty costs	(1.0)
TOTAL OUTFLOW OF FUNDS IN THE QUARTER	(74.3)
Net exchange rate adjustment	(0.1)
CLOSING CASH BALANCE 31 MARCH 2014	23.4
Summary of Cash Balance	
Cash on Hand and at Call (incl. Term Deposits)	23.4
Funds for Sojitz interest (Restricted Cash)	-
CLOSING CASH BALANCE 31 MARCH 2014	23.4



LAMP operational update

March 2014 quarter

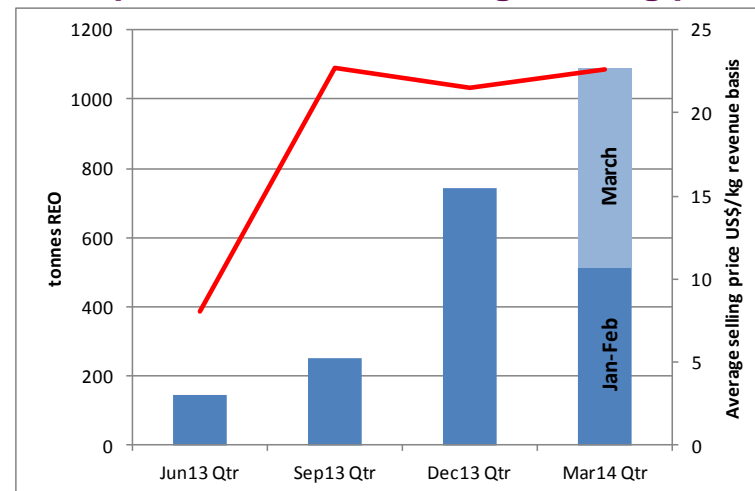
- Production: 1,089 tonnes REO equivalent products
- Shipments: 751 tonnes REO equivalent products
- Record production in the month of March of 575 tonnes was 62% higher than the previous monthly record.
- Average selling price achieved for the quarter increased by 5% to US\$22.63/kg (revenue basis).

Future milestones

- Production in April 2014 was 709 tonnes, more than 20% higher than the previous record month in March 2014.
- Based on the continuing improvement in performance in all operational areas, management is confident of achieving the targeted production run rate of 11,000tpa REO on a sustainable basis during the June 2014 quarter.
- At current REO prices, management expects the Company to be operating cashflow¹ neutral at a monthly sales rate of around 750 tonnes REO.

Note 1: Operating costs defined as all Group ongoing costs including overheads and excluding specific capital expenditure, financing costs and non-recurring items.

REO production and average selling price



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 and price visibility
- Estimated above-GDP growth rates in key product demand



The global chemical and technology companies who purchase Rare Earths include:



HITACHI
Inspire the Next



Panasonic
ideas for life



SIEMENS

GRACE
A Hexion Company



PHILIPS



CORNING

HOYA

TOSHIBA

ALBEMARLE®



AICHI STEEL



TDK



ShinEtsu

Johnson Matthey

ENVIRONMENTAL CATALYSTS AND TECHNOLOGIES

AGC



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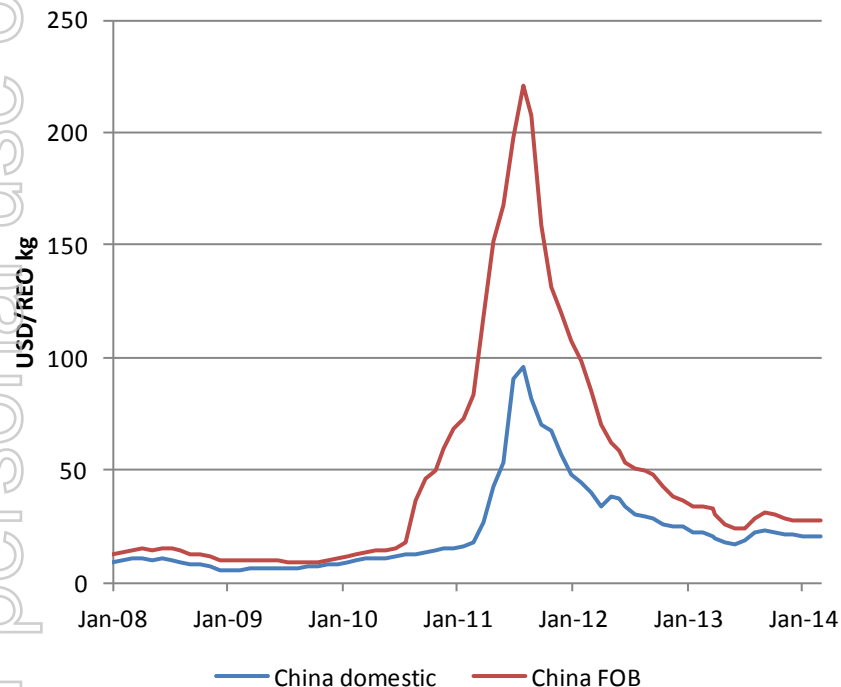
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Rare Earths prices

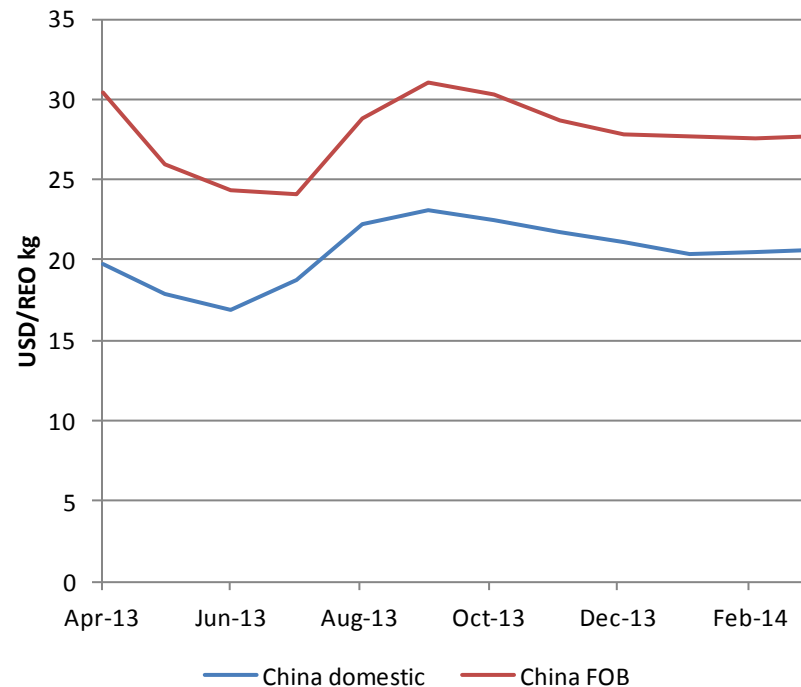


Mt Weld basket price history 2008-2014



Source: Asian Metals

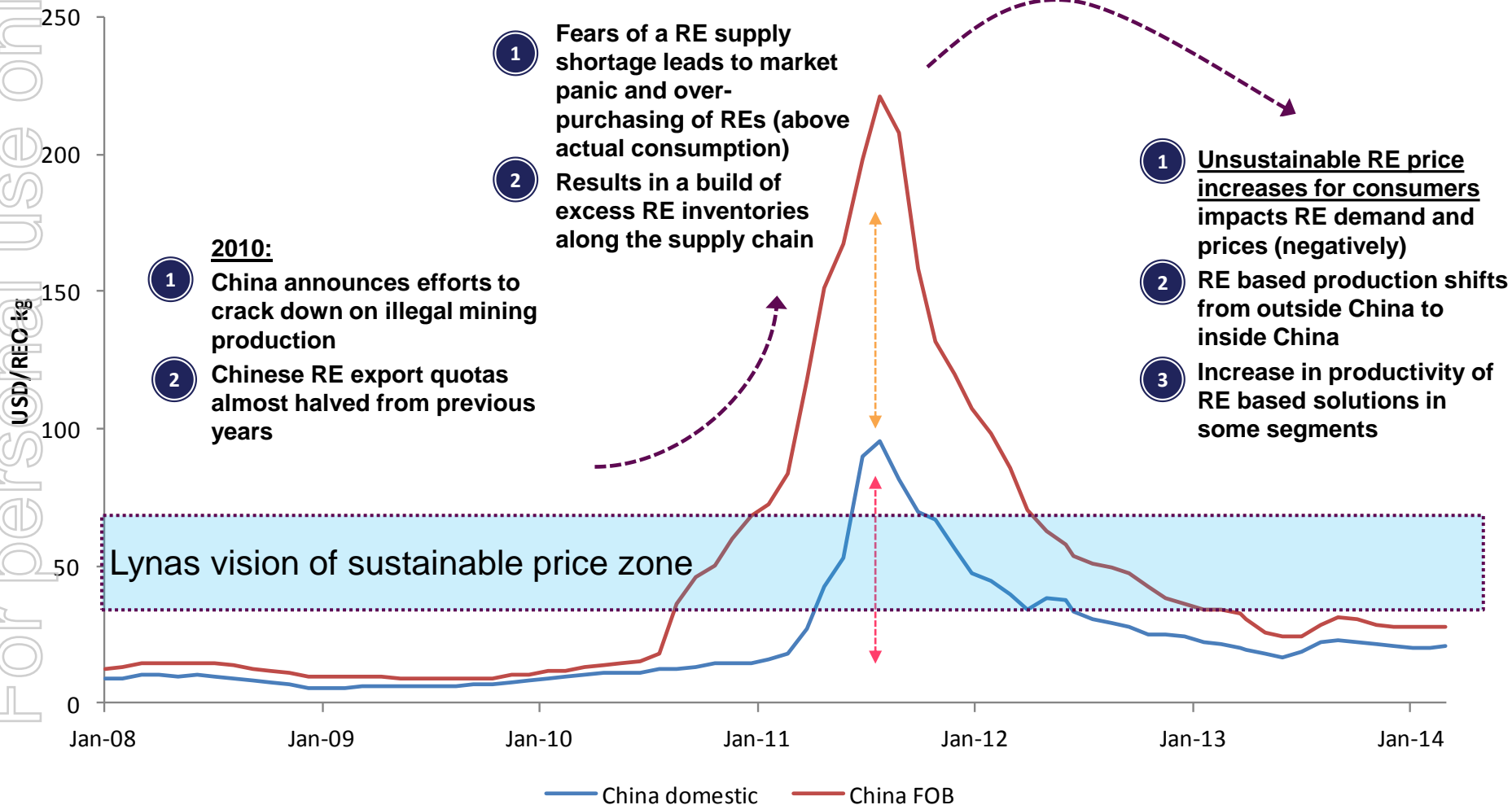
Mt Weld basket price history last 12 months



Source: Asian Metals



Rare Earths pricing dynamics



Source: Metal Pages

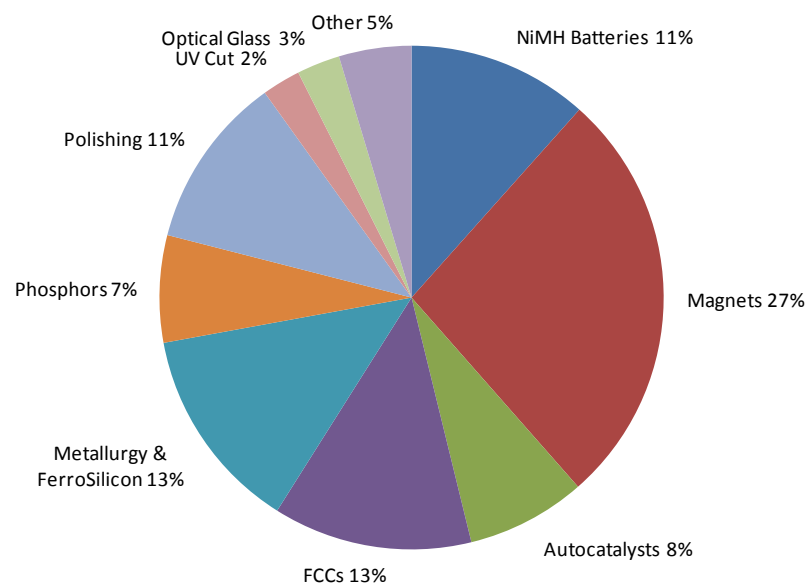
What are the demand drivers of Rare Earths?



REO demand growth outlook

Sector	CAGR 2012-2018	Rare Earths used
NiMH Batteries	10.1%	La, Nd
Magnets	9.7%	NdPr, Dy
Autocatalysts	5.9%	Ce
FCCs	8.0%	La
Metallurgy & FerroSilicon	3.0%	CeLa
Phosphors	-1.2%	Eu, Tb, Y, Ce, La
Polishing	4.2%	CeLa
UV Cut	3.0%	Ce
Optical Glass	5.0%	La, Gd
Other	3.0%	La, Ce, Nd, Pr, Sm, Gd, Y
Total demand	6.3%	

2015E Expected Global Rare Earths demand by application



Market size: ~100ktpa currently – expected to grow to ~140ktpa by the end of the decade



RE market outlook – key demand side trends

A number of key trends will drive the future growth of the global RE market

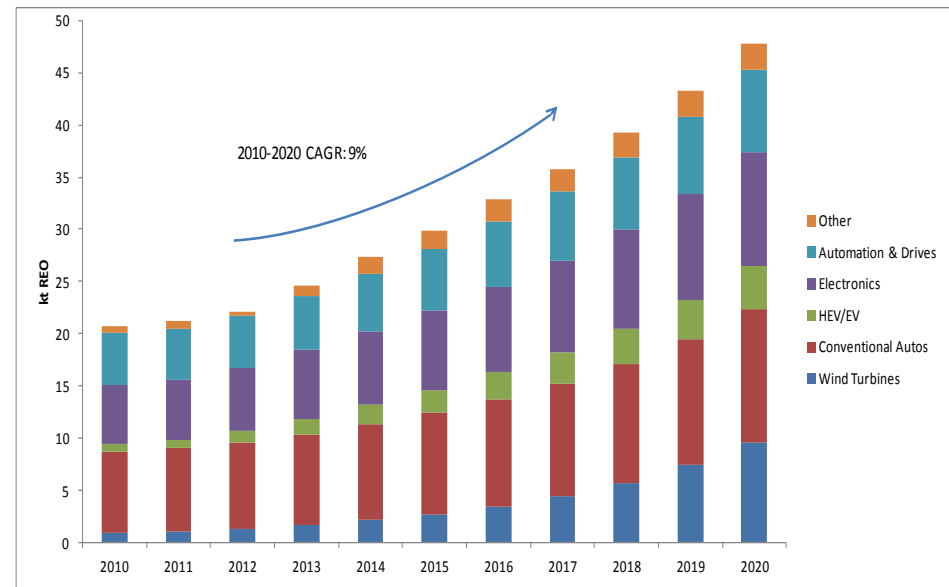
1 Energy efficient and green applications continue to accelerate strong NdPr demand growth

- ▶ Wind energy, HEV/EVs, general auto, energy efficient drives for household and industrial applications
- ▶ Subject to Dy reduction through innovation and restoring industry confidence in Rare Earth sourcing

2 Demand for REs will continue to be supported by large market segments with steady growth rates

- ▶ Autocatalyst market (Ce), FCC market (La), metallurgy & ferrosilicon market (La,Ce, mischmetal)

Estimated REO demand in magnet industry



Source: Lynas estimates and industry sources

RE market outlook – key demand side trends



A number of key trends will drive the future growth of the global RE market

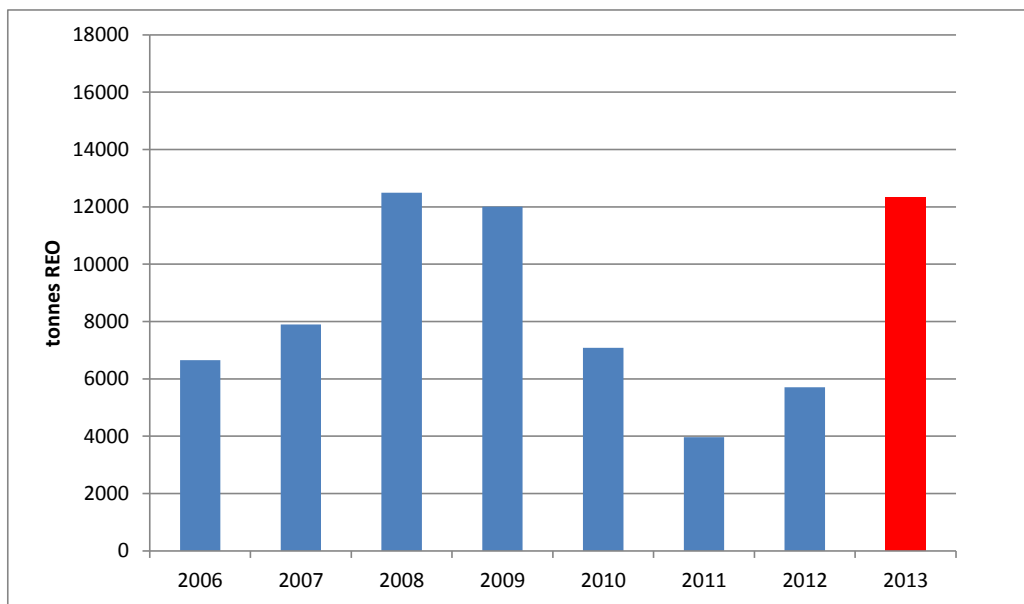
3 NiMH battery technology is continued to be used in HEVs, potentially securing La demand in the future

- ▶ Chinese exports of lanthanum have risen 216% in 2013, back to highest historic levels

4 While currently tight, there are questions in relation to the long run outlook for HREs

- ▶ Phosphors (Eu, Tb and Y) – how quickly will LED substitution take place globally? Or will the continued move to ban high energy consuming lamps globally grow the phosphors market? Yttrium in excess and decreasing demand
- ▶ Magnets (Dy) – how successful / unsuccessful will Dy reduction technologies be?

Chinese exports of lanthanum products (REO equivalent)



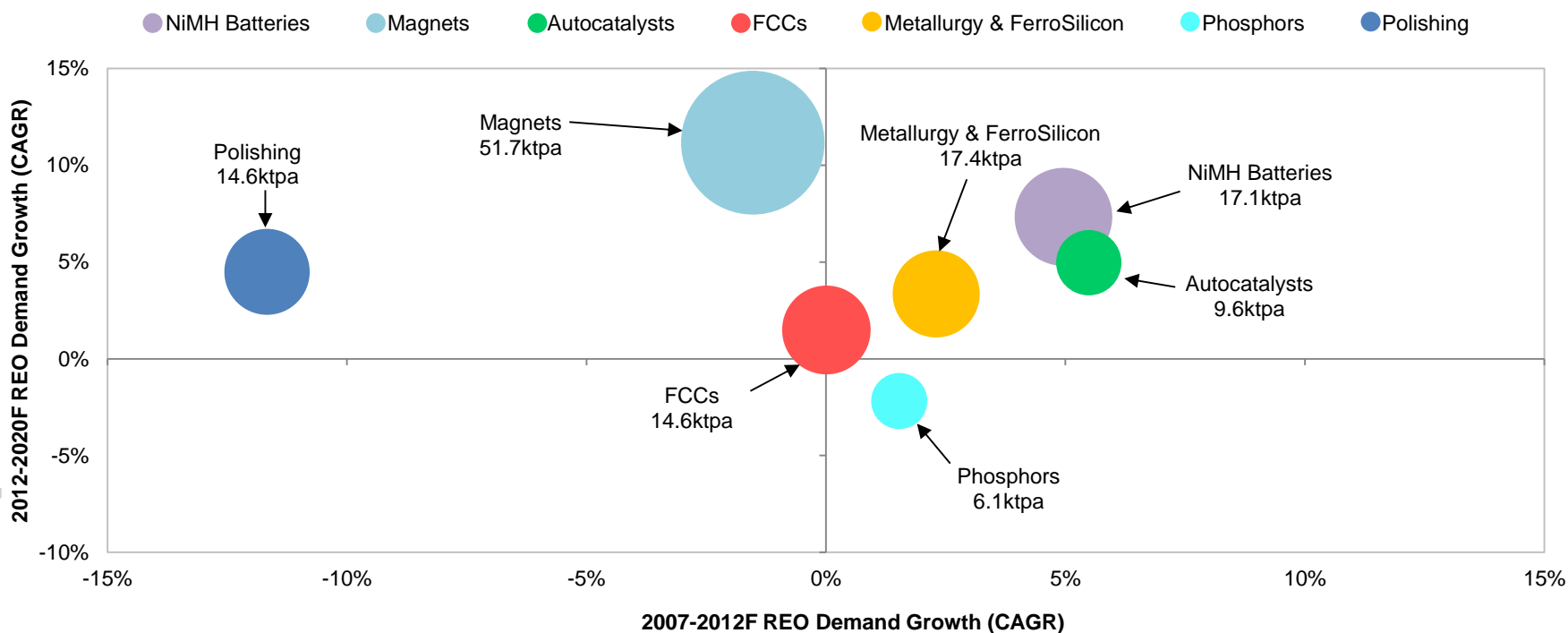
Source: Chinese customs statistics. Lanthanum products include metal, oxide, carbonate and chloride



Rare Earths market balance outlook

The NdFeB magnet market is forecast to be the highest growth end market for REs with a CAGR of over 10% from 2012-2020F

End Market Historic vs. Forecast RE Demand Growth⁽¹⁾⁽²⁾⁽³⁾



1. Bubble size is reflective of 2020 forecast REO demand

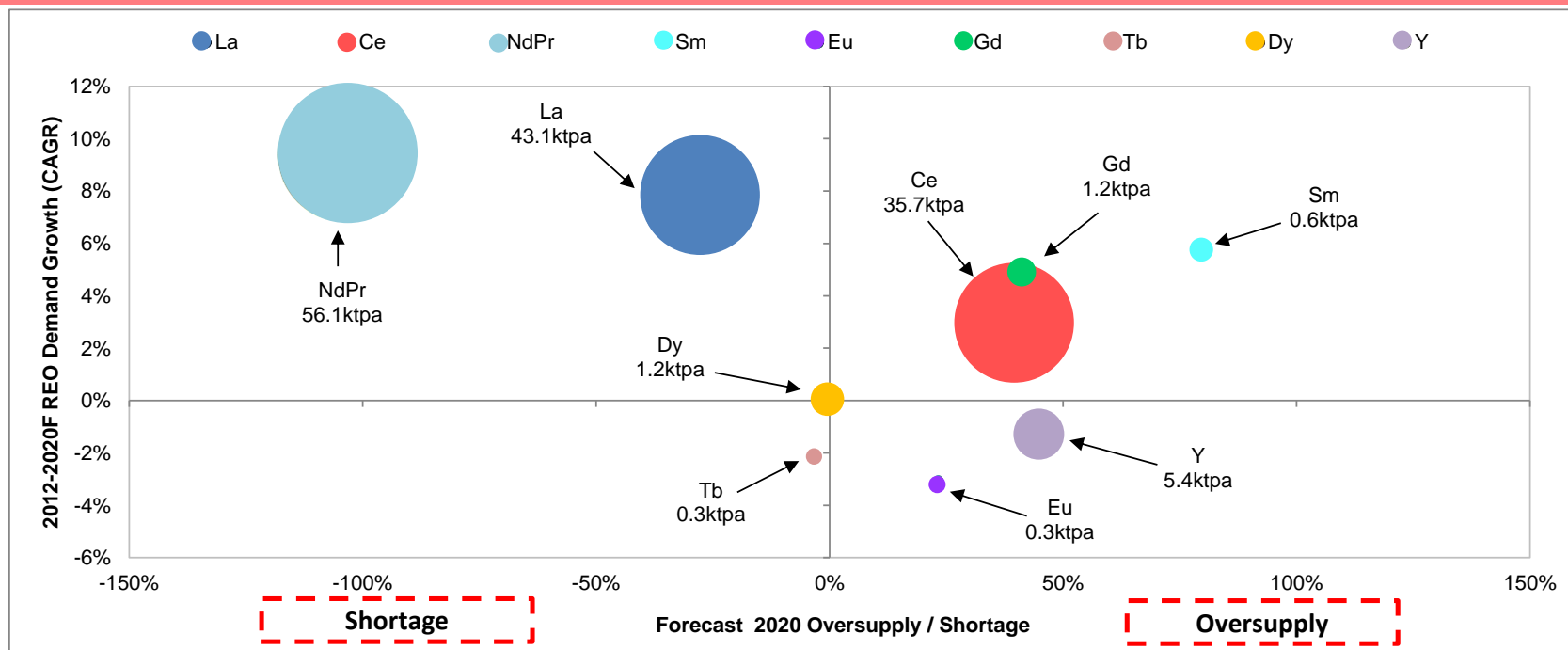
2. FCC market growth excludes impact of one-off RE demand reduction of approximately 4ktpa in 2012 due to change in FCC formulation from 3% RE to 2% RE as this formulation change is expected to be reversed in 2013 onwards

3. Scenario assumes HEV/EV takes ~10% market share of global vehicle sales in 2020. Lynas base case scenario assumes HEV/EV takes ~5% market share of global vehicle sales in 2020

Rare Earths market balance outlook

Elemental market balances and demand growth rates

RE Element Forecast Demand Growth vs. Forecast Supply Balance⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾



1. Bubble size is reflective of 2020 forecast REO demand

2. Oversupply / Shortage equal to $(\text{REO Supply} - \text{REO Demand}) / \text{REO Supply}$; i.e. 10ktpa Supply, 20ktpa Demand equal to -100% Shortage

3. Lynas's 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 in 2020), plus 5ktpa non-Chinese production and that the only additional non-Chinese capacity to come on line is Lynas at 22ktpa and Molycorp at 19ktpa

4. Scenario assumes HEV/EV takes ~10% market share of global vehicle sales in 2020. Lynas base case scenario assumes HEV/EV takes ~5% market share of global vehicle sales in 2020

China RE market moving towards sustainability



Moving towards supply discipline inside China – aiming at sustainable production

- The Chinese government is actively cracking down on illegal RE mining to improve the environmental and safety compliance of the RE industry
- Capital required to make REs in an environmentally sustainable fashion accounts for ~40-50% of the total investment and 30-40% of operating costs, including for Chinese companies
- Consequently, the Chinese government is consolidating all Chinese producers
- This will lead to a more stable, regulated supply of REs in the future
- Chinese economics of production is increasingly reflecting the enforcement of environmental sustainability standards

China consumes 50-60% of global RE production already and this will continue to grow, due to fast growing Chinese domestic demand

At this pace China will become a net importer of REs in the medium term

Chinese RE producers along with outside China RE producers can meet global RE demand and enable the market to grow to its full potential

**Shift to sustainable producers:
Lynas is already safe for people and the environment and secure for customers**

The market needs other such suppliers



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Key investment highlights



Company overview

- 1 **World's largest Rare Earths separation plant at the LAMP**
 - located within one of the most cost competitive industrial and petrochemical estates
- 2 **High quality, long life assets**
 - more than 25 years of proven reserves in Australia and significant additional resources available
- 3 **Favorable long-term market fundamentals**
 - estimated above-GDP growth rates in key product demand
- 4 **Focus on cost efficiency and “right-sizing” business**
 - ready to respond to improved market conditions
- 5 **Experienced management team**
 - from the Rare Earths, automotive and chemicals industries
- 6 **Rare Earths experts from the main RE locations (Europe, China, Brazil, India)**
 - Industrial, Product development, Sales, Laboratory, Product Quality, Process Control
- 7 **Off-take arrangements through strong customer relationships**
 - Contracts, sustainability-based pricing
- 8 **ISO standards (Quality, Health & Safety and Environment) for both Lynas sites**
 - Sustainability-based customer audit implemented for the LAMP



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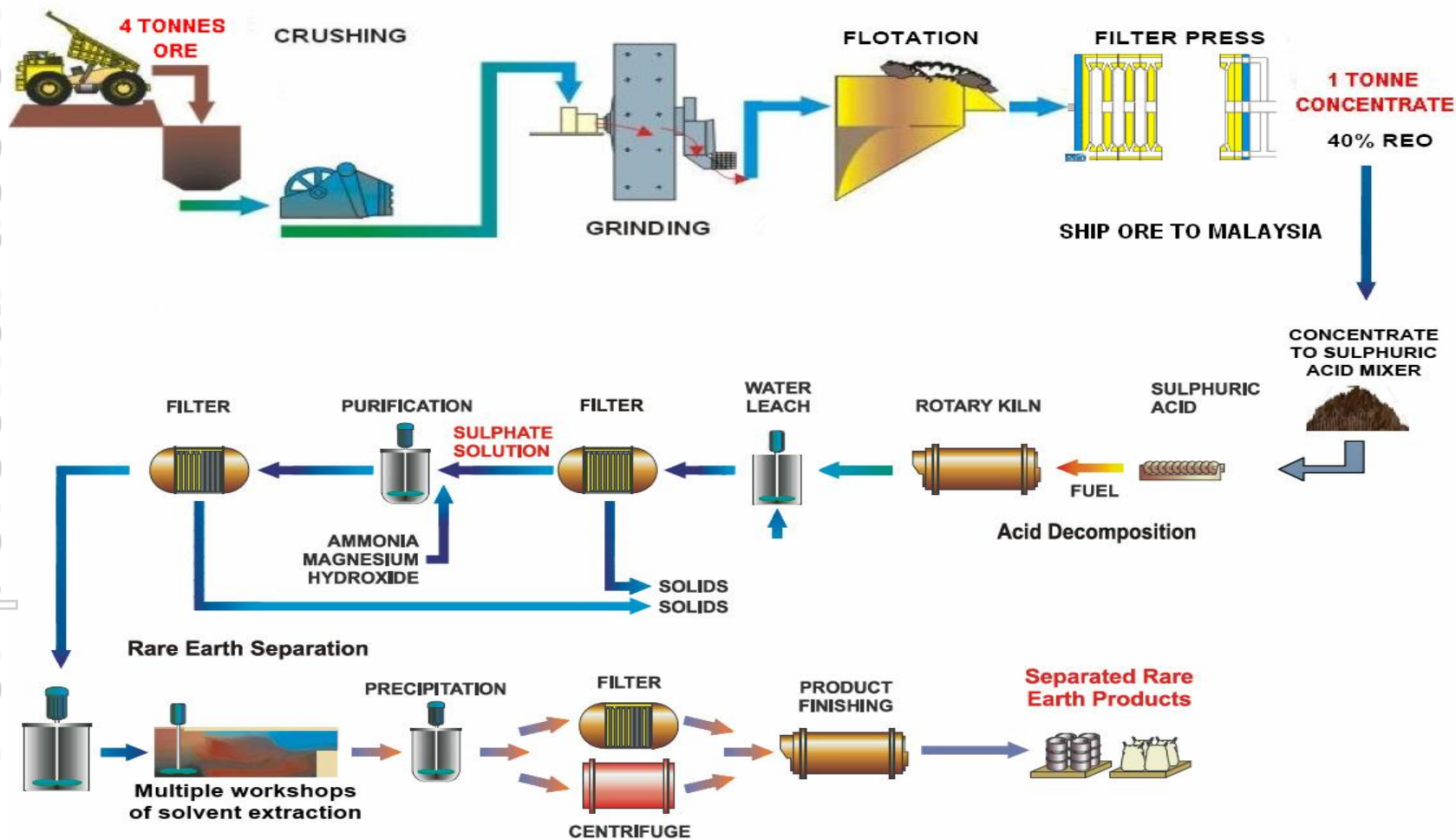
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Production process overview



Lynas RE distribution: 45% Cerium, 25% Lanthanum, 25% NdPr, 5% Heavies



LAMP PHASE 1 + 2 – 22,000t REO CAPACITY	ANTICIPATED VOLUMES (tpa)	Major Applications
Ce carbonate, oxide	5,200	Automotive Catalysis, NiMH Batteries, Oil Refining Catalysis, UV-cut glass
La carbonate, oxide	2,700	Oil Refineries, NiMH Batteries
Ce / La and Ce / La / Pr carbonate, oxide	8,000	Polishing, NiMH Batteries
Nd / Pr oxide, Nd oxide and Pr oxide	5,400	Magnet, NiMH Batteries, Automotive Catalysis
SEG + Heavy Rare Earths	960	Lighting, Magnets
Total	22,000	



Western Australia operations

Overview of Australian assets

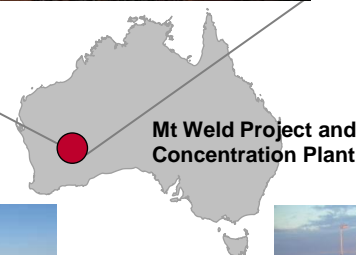
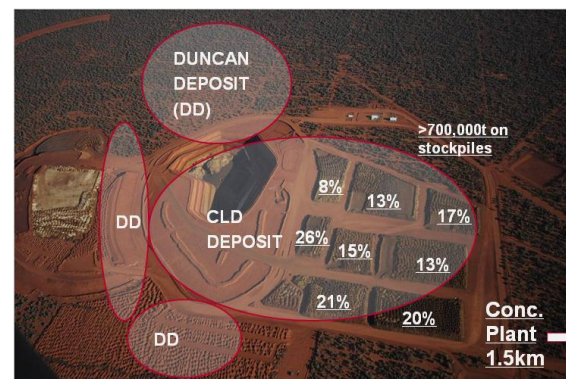
Mt Weld Mine

- The richest 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 full steady state production for more than 2 years
- 773kt of ore mined at an average 15.4% REO

Mt Weld Concentration Plant

- Commissioned in May 2011 and expansion completed in April 2013
- Designed to process 250,000tpa of ore
- Total production capacity: 66,000tpa 40% REO concentrate
- Proven REO flotation technology
- ~15kt of dry bagged REO concentrate ready for shipment to Malaysia

Location of the Mt Weld Mine & Concentration Plant



Resources and Reserves

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

- Ore reserves sufficient to sustain total production of 22,000tpa REO for over 25 years
- Greater proportion of the higher value heavy Rare Earths located at the Duncan deposit
- Mt Weld tenements also include the undeveloped Crown and Swan deposits

Mt. Weld Mineral Reserves (4-7% REO cut off depending on type of ore)

Reserves	Ore (mmt)	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)

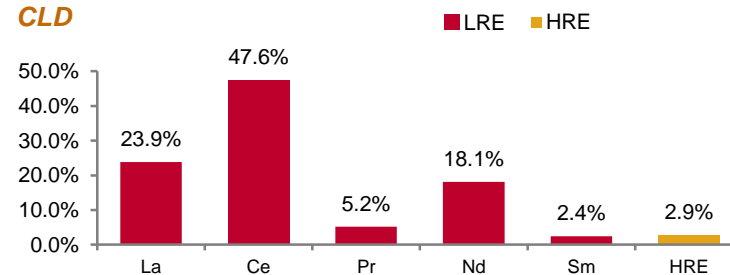
Resources	Ore (mmt)	REO (%) ¹	Cont. REO (kt)
Measured	11.4	9.4%	1,069
Indicated	10.9	6.9%	753
Inferred	1.7	4.3%	71
Total	23.9	7.9%	1,893

Note: Figures may not sum due to rounding

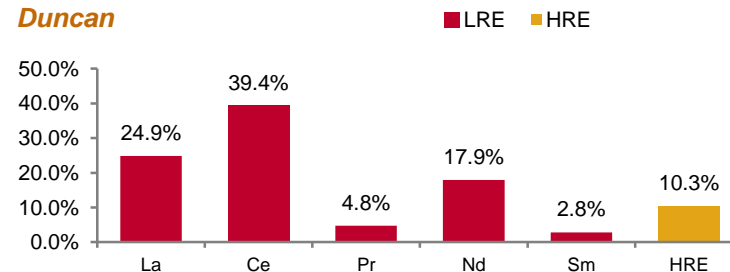
¹ REO (%) includes all the lanthanide elements plus yttrium

CLD and Duncan REO distribution

CLD



Duncan



Malaysia operations

The LAMP facility is strategically located in Malaysia and uses proven, mature industry technology

- Stable operating environment and a sovereign credit rating of A-
- Gebeng is a hub into Asia with exceptional infrastructure (incl. Petronas, BASF, BP)
- Located in close proximity to Kuantan deep-water port with bulk material, liquid and container berths
- World-class cost competitive gas and base chemical supply
- Established supplier / manufacturer network within the Gebeng Industrial Estate
- Access to skilled and competitive labour force
- Tax free period granted by the Malaysian Industrial Development Association for 12 years
- Proven design through Solvay Technical Co-operation Agreement



Synthetic minerals products program



Lynas is committed to the development and commercialisation of LAMP co-products

Product	Source	Target applications	Development status
Synthetic gypsum	Desulfurisation of flue gases (FGD)	<ul style="list-style-type: none"> • Plasterboard • Gypsum fibreboard 	Evaluation of product formulations and engagement with end users
Magnesium-rich synthetic gypsum	Water neutralisation (NUF)	<ul style="list-style-type: none"> • Fertiliser additives 	Finalised specifications for 3 granulated products for use in broad acre trials
IronPhospho-gypsum	Water leaching (WLP)	<ul style="list-style-type: none"> • Road sub-base • Construction 	Evaluating the construction of a road using roadbase materials containing WLP



Key risk factors

1) Introduction

A number of risks and uncertainties, which are both specific to Lynas and of a more general nature, may affect the future operating and financial performance of Lynas and the value of Lynas shares. You should carefully consider the following risk factors, as well as the other information provided to you by Lynas in connection with the Institutional Placement or the Share Purchase Plan, and consult your financial and legal advisers before deciding whether to invest in the New Shares. The risks and uncertainties described below are not the only ones facing Lynas. Additional risks and uncertainties that Lynas is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Lynas' operating and financial performance.

2) Operational risks

Lynas is investing a significant amount of capital on a single project, the Rare Earths Project. The Project may be further delayed or be unsuccessful for many reasons, including unanticipated financial, operational or political events, cost overruns, decline in Rare Earths commodity prices and demand, equipment and labour shortages, equipment failure, technical concerns including possible reserves and deliverability difficulties, environmental impacts, increases in operating cost structures, community or industrial actions, natural disasters, interruptions to the supply of power, water, chemical or fuel, or other circumstances which may result in the delay, suspension or termination of Lynas' capital projects, the total or partial loss of the investment and a material adverse effect on Lynas' results of operations and financial condition.

a) Nature of mineral exploration and production

Mineral exploration and production involves risks, which even with a combination of experience, knowledge and careful evaluation may not be able to be adequately mitigated. Mining operations are subject to hazards normally encountered in exploration and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment, which may cause a material adverse impact on Lynas' operations and its financial results. Commissioning or ramp-up of production at all projects may not proceed to plan with potential for delay in the timing of targeted production, and Lynas may not achieve the level of targeted production. Production levels may also be affected by factors beyond Lynas' control.

b) Mineral and ore reserves

No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the indicated level of recovery will be realised. Material price fluctuations, as well as increased production costs or reduced recovery rates, may render ore reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such ore reserves. Moreover, short-term operating factors relating to ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades may cause a mining operation to be unprofitable in any particular accounting period.

c) Processing/ ramp-up risks

While the Mt Weld Concentration Plant has operated successfully on a campaign basis (synchronised to LAMP demand) in recent months, there is no guarantee that the Plant will perform to design specifications when it operates on a continuous basis. In addition, the Company is engaged in discussions and planning with regulators and vendors for the improvement and expansion of the tailings storage facility at Mt Weld which may require further capital investment. There is no guarantee that this project will be completed on a timely basis. Any delays in the completion of this project may result in increased costs and reduced profitability.

While there has been continued and accelerated improvement in performance in all operational areas at the LAMP, there is no guarantee that the targeted Phase 1 production run-rate of 11,000tpa REO will be achieved during the June 2014 quarter. Any proposed ramp up of the LAMP beyond 11,000 tpa REO will be subject to there being sufficient customer demand at the time to justify the proposed ramp up.

d) Project developments

Project developments in which Lynas is, or may become, involved are subject to risks, including technical risk. Changes in reserves, commodity prices, exchange rates, constructions costs, design requirements and delays in construction may adversely affect the commerciality and economics of project development.

e) Other operational risks

In addition, industrial and labour disputes, work stoppages and accidents, logistical and engineering difficulties may also have an adverse effect on Lynas' profitability and share price.



Key risk factors (cont'd)



3) Rare Earths market demand and price risks

Lynas' business relies primarily on the production and sale of Rare Earths products to a variety of buyers. Fluctuations in the global Rare Earths market may materially affect Lynas' financial performance. Demand for, and pricing of, Rare Earths products remain sensitive to external economic and political factors, many of which are beyond Lynas' control, including: worldwide Rare Earths supply and demand; the level of economic activity in the markets Lynas serves; regional political developments in Rare Earths-producing countries and regions (in particular China as the major producer of Rare Earths); the weather; the price and availability of new technology; and the availability and cost of Rare Earths substitutes. Accordingly, it is impossible to predict future Rare Earths price movements with certainty. Any sustained low Rare Earths prices or further declines in the price of Rare Earths will adversely affect Lynas' business, results of operations and its ability to finance planned capital expenditures, including development projects.

Sales contracts with various counterparties have been, and are further expected to be, entered into in relation to the Project. The conditionality and ability of the counterparties to meet their commitments under such contracts may impact on Lynas' investment in the Project.

4) Credit and market risks

a) Currency risk

Lynas' operations incur expenditures principally in the local currencies of Malaysia and Australia. Revenue from operations and certain other capital and operating costs are in US dollars. Accordingly, Lynas is exposed to foreign exchange rate fluctuations which may materially affect its financial position and operating results.

b) Counterparty risk

As part of its ongoing commercial activities, Lynas enters into sales contracts with various third parties for the supply of chemicals and other materials. The ability of counterparties to meet their commitments under such contracts may impact on Lynas' business and financial condition.

c) Access to capital risk

Lynas' business and, in particular, its development of large scale projects, relies on access to debt and equity financing. There is a risk that Lynas may not be able to access capital from these markets which would impact the ability to develop these projects.

d) Competition

Lynas' Rare Earths supply contracts and profits may be adversely affected by the introduction of new mining and development facilities and any increase in competition in the global Rare Earths market, either of which could increase the global supply of Rare Earths and thereby potentially lower prices.

5) Regulatory and environmental risks

a) General regulatory risks

Lynas' business is subject, in each of the countries in which Lynas operates, to various national and local laws and regulations relating to the development, production, marketing, pricing, transportation and storage of Lynas' products. Permits from a variety of regulatory authorities are required for many aspects of mine operation and processing. A change in the laws which apply to Lynas' business or the way in which it is regulated could have a material adverse effect on Lynas' business and financial condition. Other changes in the regulatory environment (including applicable accounting standards) may have a material adverse effect on the carrying value of material assets or otherwise have a material adverse effect on Lynas' business and financial condition.



Key risk factors (cont'd)



b) Environmental risks

Lynas' activities are subject to extensive laws and regulations controlling not only the mining of, exploration for and processing of mineral properties, but also the possible effects of such activities upon the environment and interests of local communities. In the context of obtaining environmental permits, including the approval of reclamation plans, Lynas must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. With increasingly heightened government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent, and Lynas could be subject to increasing environmental responsibility and liability, including laws and regulations dealing with air quality, water and noise pollution and other discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of certain of its properties, greenhouse gas emissions, the storage, treatment and disposal of wastes and the effects of its business on the water table and groundwater quality. Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. These laws sometimes apply retroactively. In addition, a party can be liable for environmental damage without regard to that party's negligence or fault.

In addition, to the extent the Australian Federal Government continues to operate a national emissions trading scheme, Lynas may be exposed to additional operating costs which will have an adverse impact on its financial performance.

c) Government actions

Lynas' operations could be affected by government actions in Australia, Malaysia and other countries or jurisdictions in which it has interests. These actions include government legislation, guidelines and regulations in relation to the environment, the Rare Earths sector, competition policy, native title and cultural heritage. Such actions could impact on land access, the granting of licenses and other tenements, the approval of developments and freedom to conduct operations.

The possible extent of introduction of additional legislation, regulations, guidelines or amendments to existing legislation that might affect Lynas' business is difficult to predict. Any such government action may require increased capital or operating expenditures and could prevent or delay certain operations by Lynas, which could have a material adverse effect on Lynas' business and financial condition.

d) Security of Tenure

The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on Lynas being successful in obtaining required statutory approvals for proposed activities. While Lynas anticipates that subsequent renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

e) Conversion of Temporary Operating Licence (TOL) into a Full Operating Stage Licence (FOSL) for the LAMP

The TOL for the LAMP is due to expire in September 2014 and a FOSL for the LAMP is due to be issued in September 2014. Lynas has provided, and will continue to provide, to the relevant authority in Malaysia evidence of Lynas' compliance with the TOL conditions and with the prerequisites for the issuance of a FOSL. However, there remains no guarantee that the FOSL will be granted to Lynas on a timely basis. Furthermore, there is no guarantee that persons or groups opposed to Lynas and the LAMP will not seek to challenge the issuance of the FOSL to Lynas.

f) Judicial challenges to the TOL

Lynas and the Malaysian government have to date been successful in defending several challenges to the issuance of the TOL to Lynas. However, there is an outstanding judicial review challenge, which is referred to as the "second judicial review challenge" in the Lynas Quarterly Activities Report released on 31 July 2013, which has not yet been heard by the Courts. There is no guarantee that Lynas and the Malaysian government will be successful in defending that challenge or any potential challenge to the issuance of the FOSL.

Key risk factors (cont'd)



6) Tax risks

Lynas is subject to taxation and other imposts in Australia and Malaysia. Future changes in taxation laws in those countries, including changes in interpretation or application of existing laws by the courts or taxation authorities in those jurisdictions, may affect taxation treatment of Lynas securities or the holding or disposal of those securities.

In addition to the normal level of income tax imposed on all industries, companies in resources sector are required to pay government royalties, direct and indirect taxes and other imposts. The profitability of companies in these industries can be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

7) Political risks

Lynas has operations in Australia and Malaysia. Lynas is subject to a risk that it may not be able to carry out its overseas operations as it intends, including because of a change in government, legislation, regulation or policy. Lynas also may not be able to ensure the security of its assets located outside Australia, and is subject to risks of, among other things, loss of revenue, property and equipment as a result of hazards such as expropriation, war, insurrection and acts of terrorism and other political risks and increases in taxes and government royalties. The effects of these factors are difficult to predict and any combination of one or other of the above may have a material adverse effect on Lynas.

8) Dividend policy

Lynas has paid no dividends on Shares since its date of incorporation nor does it anticipate paying dividends on Shares during the current financial year. Lynas expects to retain all earnings and other cash resources in the short term for the future operation and development of its business. Payment of any future dividends will be at the discretion of Lynas' board of directors after taking into account many factors, including Lynas' operating results, financial condition and current and anticipated cash needs.

9) Risks relating to equity investments and markets

Investors should be aware that there are risks associated with any investment listed on ASX. The value of Lynas shares may rise above or fall below the Offer Price, depending on the financial condition and operating performance of Lynas. Further, the price at which Lynas shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of Lynas and over which Lynas and its directors have no control. These external factors include:

- Economic conditions in Australia and overseas;
- Investor sentiment in the local and international stock markets;
- Changes in fiscal, monetary, regulatory and other government policies; and
- Geo-political conditions such as acts or threats of terrorism or military conflicts

Investors should note that the historic share price performance of Lynas shares provides no guidance as to its future share price performance.

10) Nomura Term Sheet concerning the purchase and amendment of the senior secured Sojitz/ JOGMEC facility

While the Nomura engagement letter is binding, the terms in the Nomura term sheet are not binding on the parties. The parties are committed to consummating the transactions contemplated by the term sheet, however there is no guarantee that all conditions to the transaction will be satisfied or that definitive agreements will be entered into.

Assuming completion of the proposed Nomura transaction the following debt will fall due in 2016:

- US\$215 million under the Nomura senior secured facility
- US\$225 million of unsecured convertible bonds issued to Mt Kellett Capital Management (unless converted into ordinary shares). The conversion price will be adjusted in accordance with customary anti-dilution clauses to reflect the proposed capital raising referred to in this presentation.



Foreign selling restrictions



International Offer Restrictions

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

European Economic Area - Belgium, Germany, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

Hong Kong

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Malaysia

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Foreign selling restrictions



New Zealand

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- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Company ("initial securities") in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The New Shares may not be offered or sold, directly or indirectly, in Norway except:

- a) to "professional investors" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876);
- b) any natural person who is registered as a professional investor with the Norwegian Financial Supervisory Authority (No. Finanstilsynet) and who fulfils two or more of the following: (i) any natural person with an average execution of at least ten transactions in securities of significant volume per quarter for the last four quarters; (ii) any natural person with a portfolio of securities with a market value of at least €500,000; and (iii) any natural person who works, or has worked for at least one year, within the financial markets in a position which presuppose knowledge of investing in securities;
- c) to fewer than 100 natural or legal persons (other than "professional investors"); or
- d) in any other circumstances provided that no such offer of New Shares shall result in a requirement for the registration, or the publication by the Company or an underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

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Foreign selling restrictions



Switzerland

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Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

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United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

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United States

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Competent person's statement



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 2012 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 – 2012 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 2012 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.

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.

