

17 July 2015

## Lynas Pleased with Amendments to Supply Contract

Lynas Corporation Limited (“Lynas”) (ASX:LYC, OTC:LYSDY) today announced amendments to its contract with the supplier of two major chemical reagents for the Lynas Advanced Materials Plant (LAMP).

As reported in its Half Year Results on 13 March 2015, Lynas has carried a provision for onerous contracts, which represented the expected value of obligations arising under “take or pay” clauses of the supply agreement. Since signing this contract, Lynas has paid a total of approximately A\$25.1 million in “take or pay” payments and other penalties. As usage is forecast to continue at rates significantly below the original contracted quantities. Lynas had provided for an overall liability of A\$42.3 million at 31 December 2014.

However, as foreshadowed in the Half Year Results, Lynas has now successfully completed negotiations with the supplier, and further penalties are not expected to be payable under the amended agreement.

The original “take or pay” contract was signed in 2011, and the supplier constructed a new manufacturing plant to supply the LAMP. The proximity of the plant is highly desirable and Lynas and the supplier are both committed to maintaining a strong relationship. The key amendments to the contract include:

1. The “take or pay” volumes have been reduced to current and expected future volumes of consumption. Resetting the volumes to current and expected future volumes of consumption significantly de-risks this contract for Lynas.
2. The term of the amended supply contract will expire in January 2025.
3. Over the next 6 months, Lynas will pay approximately MYR1.3 million per month (approximately A\$0.46 million per month) in 6 monthly instalments to discharge an existing “take or pay” amount.
4. A further existing “take or pay” amount of approximately MYR12.4 million (approximately A\$4.41 million) is being settled by the issuance of Lynas shares with a total value of approximately A\$4.41 million to the Supplier. The price per share is the closing price on the ASX on 17 July 2015. An Appendix 3B and a cleansing statement in respect of the share subscription are expected to be lodged with the ASX on 20 July 2015.\*
5. Following payment of the 6 monthly instalments referred to above and the issuance of the shares referred to above, the previous “take or pay” volumes will be fully discharged. This includes the waiver of “take or pay” amounts claimed to date by the supplier, but not paid, in the amount of approximately A\$7.6 million. The “onerous contract” provision referred to in note 15 of the Lynas financial statements for the half year ended 31 December 2014 in the amount of approximately A\$42.3 million is expected to be significantly reduced in Lynas’ annual financial statements for the year ending 30 June 2015. Following



payment of the final instalment referred to in paragraph 3 above, the “onerous contract” provision is expected to be fully removed from the accounts of Lynas.

The new contract conditions are now aligned to the needs of a sustainable Lynas business and are expected to support positive outcomes for Lynas and this key supplier. We are pleased with this outcome and look forward to a long and constructive relationship.

**For all media enquiries please contact Renee Bertuch from Cannings Corporate Communications on +61 2 8284 9990.**

\*The Exchange Rate assumed in this announcement is A\$1.00 = MYR 2.8120. The figures referred to in paragraph 4 above will be finalized on 20 July 2015, based on the closing price of Lynas shares on the ASX on 17 July 2015 and the Closing Middle Rate of the Interbank Foreign Exchange Market as published by Bank Negara Malaysia on 17 July 2015.

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