

17 August 2015

IMPORTANT NOTICE – EXPIRY OF \$0.09 15-SEP-2015 OPTIONS ASX CODE: LYCO

Dear Option Holder

The **\$0.09 Options** issued by the Company, pursuant to the Prospectus dated 29 September 2014, are due to expire at 5.00pm Eastern Standard Time on 15 September 2015.

In accordance with the terms and conditions of the option issue and the ASX Listing Rules, the Company is required to give you notice at least 20 business days before the expiry date.

In making a decision related to exercising these options, I would like to highlight recent developments at Lynas that I believe marks the end of the uncertainty regarding Lynas' business sustainability and the ability of the business to continue in its current shape.

- Over the last 14 months, Lynas has consistently improved business performance in all areas; production, sales, cost reduction and cash management. Lynas has made significant progress in its goal to be a sustainable supplier of quality, environmentally assured Rare Earth materials
- These performance improvements have been detailed in each quarterly report. In summary:
 - Production is now stable and at target rates. In the current quarter, production output is expected to be above 3,000 tonnes
 - Sales revenue has more than doubled and continues to grow as production output grows
 - A focus on product quality has enabled Lynas to build strong relationships with key customers, particularly in the Japanese market
 - Cost reductions of over \$40m per annum have been achieved well in excess of original targets. The company continues to work on further cost reductions.
 - The business reported positive cash flow in the June quarter
- Lynas announced on 17 August 2015 that it had agreed a long term, debt structure with its current debt providers, JARE and the Mt Kellett led bond holder group. The refinancing strengthens the Company's financial position, extends the debt maturity profile and underpins the recent initiatives to position Lynas as a sustainable and financially viable business
- The extended term allows Lynas to consolidate, and further improve on, the good progress made to date. Importantly, it provides time for Lynas to invest in market development and allows product designers to engineer in Rare Earth solutions confident that they have a sustainable supply source.
- Rare Earth materials provide the best technical solution for many of today's state-of-the-art technologies, including high powered magnets, wind turbines, catalytic converters, oil cracking and hybrid motor vehicles. We expect to see continued

growth for our key products and we are excited to grow our business as the market grows.

In accordance with the ASX Listing Rules the Company advises as follows:

1. The latest date for the exercise of the options *and* for payment of the exercise price is 15 September 2015;
2. The exercise price of the options is \$0.09 per option;
3. The consequence of non-payment of the exercise price is that the options will lapse;
4. The latest available market sale price of the Company's shares on ASX prior to the date of this letter was \$0.035 per Share on Friday 14 August 2015;
5. The highest and lowest closing prices of the underlying securities on the ASX during the three months prior to Friday 14 August 2015 are set out below:
 - i. Highest: \$0.045 per Share on 18 May 2015;
 - ii. Lowest: \$0.033 per Share on 10 July 2015.
6. The last date of quotation of LYCO options on the Australian Securities Exchange will be 8 September 2015.

Enclosed is an "**Application for Shares on Exercise of Options**"

To convert your LYCO options into LYC shares, complete the attached "**Application for Shares on Exercise of Options**" form in full, sign it and send it to the Company's share registry with the appropriate remittance amount by cheque made payable to Lynas Corporation Limited and crossed "Not Negotiable". Payments must be in Australian dollars only.

Alternatively, if you choose to use the BPay payment option set out in the form, please also forward to our share registry the "**Application for Shares on Exercise of Options.**"

The Company's share registry postal address is:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

If you have any queries in relation to the above please do not hesitate to contact Boardroom Pty Limited on 1300 737 760 or +61 2 9290 9600.

Yours sincerely,



Amanda Lacaze
CEO & Managing Director

Lynas Corporation Limited

Application for Shares on Exercise of Options

Options exercisable at A\$0.09 expiring at 5.00pm (Sydney Time) on 15 September 2015

**Number of Options
Registered in your name:**

To be completed by Optionholder:

Number of Options being exercised:	Multiplied by the exercise price of A\$0.09	Amount Paid:
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Payment may be made by BPAY or cheque. Cash will not be accepted via the mail or at the Lynas Corporation Limited Share Registry. Payments cannot be made at any bank. Please tick the relevant box below to confirm your method of payment.

Payment Option 1 – BPAY (tick the relevant box)



Billers Code: 248617
Ref:

Telephone & Internet Banking - BPAY®

Contact your bank, credit union or building society to make this payment from your cheque or savings account.
More info: www.bpay.com.au
© Registered to BPAY Ltd ABN 69 079 137 518

- If paying by BPAY you must still return this exercise notice with your signature(s) below
- The amount of your payment received in the account divided by the exercise price will be deemed to be the total number of options you are exercising

Payment Option 2 – Cheque (Record cheque details below)

DRAWER	CHEQUE NO.	BSB NO.	ACCOUNT NO.	AMOUNT \$AUD
				\$

- Only cheques or bank drafts in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque or bank draft must be made payable to "Lynas Corporation Limited" and crossed Not Negotiable and should be attached to this form.
- The amount of your payment received in the account divided by the exercise price will be deemed to be the total number of options you are exercising

To the Directors

Lynas Corporation Limited ('Company')

I/We being the registered holders Options each to acquire one Fully Paid Ordinary Share in the Company hereby give notice of the exercise of Options and attach hereto my/our cheque payable to "LYNAS CORPORATION LIMITED" in payment of such exercise.

I/We agree to my/our name/s being placed on the Register of Members in respect to the number of shares in the Company allotted and to be bound by the Constitution of the Company.

Please sign here:

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director & Company Secretary	Director	Director / Company Secretary

Telephone No. (Business Hours) () _____ Date _____

Lodgement of Application

Lynas Corporation Limited C/- Boardroom Pty Limited, GPO Box 3993, SYDNEY NSW 2001

Neither Boardroom Pty Limited nor the Company accepts any responsibility if you lodge this Application at any other address or by any other means

Terms of Options Lynas Corporation Limited

1. Each Option entitles the registered holder of that Option (**Optionholder**) to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) (subject to adjustment in accordance with clause 12, 13, 14 or 15).
2. The exercise price of each Option is A\$0.09 (**Exercise Price**) (subject to adjustment in accordance with clause 12, 13, 14 or 15).
3. The Company must do all things necessary to ensure that the Options may freely trade on the Australian Securities Exchange (**ASX**) including, applying for quotation of the Options in accordance with the Listing Rules of the ASX (**Listing Rules**) within seven days of the date of the prospectus at its own cost and using its best endeavours at its own cost to obtain quotation of the Options.
4. The Company must:
 - (a) deliver or cause to be delivered to the relevant Optionholder a statement of holding (or statements of holding, as applicable) for the Options; and
 - (b) prepare and lodge on a prompt and timely basis all documents required by the Listing Rules as necessary to perform its obligations under these Terms of Issue.
5. An Option is exercisable during the period commencing at 9.00am (Sydney time) on 27 October 2014 and expiring at 5.00pm (Sydney time) on Tuesday, 15 September 2015 (the **Exercise Period**). Options not validly exercised during the Exercise Period will lapse immediately upon the expiry of the Exercise Period.
6. An Option may only be validly exercised by the Optionholder delivering to the Company, at its registered office prior to the end of the Exercise Period, an exercise notice in substantially the form set out in the schedule to these Terms of Issue (an **Option Exercise Notice**), with all required details in the Option Exercise Notice completed and the Option Exercise Notice validly executed on behalf of the Optionholder, accompanied by the Exercise Price for that Option in Immediately Available Funds and the Option Certificates (if any) for those Options. For this purpose, **Immediately Available Funds** means cash, bank cheque made payable to the Company or cleared funds telegraphically transferred or transferred by other electronic means into a bank account nominated by the Company. An Option Exercise Notice may apply to more than one Option.
7. If an Optionholder validly exercises an Option in accordance with these Terms of Issue, the Company will:
 - (a) issue and allot to that Optionholder the number of Shares to which that Optionholder is entitled by not later than 5.00pm (Sydney time) on the day that is three ASX trading days after the date of the Option Exercise Notice; and
 - (b) on the date on which those Shares are issued apply, at its own cost, for those Shares to be officially quoted on ASX (and use its best endeavours to procure official quotation on ASX of those Shares as soon as possible thereafter).
8. Shares issued on exercise of the Options will rank equally in all respects with all other existing Shares from the date of issue.
9. Subject to the applicable law, the Optionholder may transfer some or all of the Options at any time before the end of the Exercise Period:
 - (a) if the Options are quoted on ASX, by a proper transfer or any other method permitted by the applicable law; or
 - (b) by an instrument of transfer in compliance with clause 10.
10. An instrument of transfer of an Option must be:
 - (a) in writing;
 - (b) in any usual form or in any other form approved by the directors of the Company that is otherwise permitted by law;
 - (c) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee;
 - (d) stamped, if required by a law about stamp duty; and
 - (e) delivered to the registered office of the Company, together with the certificate (if any) of the Option to be transferred and any other evidence as the directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
11. An Option does not entitle the Optionholder to:
 - (a) participate in any new issue of securities by the Company unless the Option has been validly exercised, and Shares issued in response to that exercise, prior to the record date for that new issue;
 - (b) participate in dividends or other distributions until the Option has been validly exercised, and Shares issued in response to that exercise, prior to the record date for that dividend; or
 - (c) vote on resolutions at any meeting of the Company.
12. If a reconstruction (including consolidation, reduction or return) of the issued capital of the Company occurs between the date of issue of the Options and the end of the Exercise Period, the Exercise Price in respect of each Option and/or the number of Options remaining unexercised at the relevant time will be adjusted to take account of the reconstruction in accordance with Listing Rule 7.22.
13. The parties agree to amend these Terms of Issue to the extent necessary to ensure that the rights of the Optionholder are changed to comply with the Listing Rules applying to a reconstruction at the time of any such reconstruction to the extent the Listing Rules so require.
14. If the Company makes a pro rata issue (other than a bonus issue) of Shares (excluding the pro rata issue announced by the Company on 29 September 2014), the Exercise Price will be reduced in accordance with the following formula:

$$O' = O - \frac{E(P - (S + D))}{(N + 1)}$$
 - Where:
 - O'** is the Exercise Price of the Option after the pro rata issue;
 - O** is the Exercise Price of the Option before the pro rata issue;
 - E** is the number of underlying Shares into which one Option is exercisable;
 - P** is the volume weighted average price per Share recorded on ASX during the 5 trading days immediately preceding the ex-rights date or ex-entitlement date for the pro rata issue;
 - S** is the subscription price for a Share under the pro rata issue;
 - D** is the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
 - N** is the number of Shares with rights or entitlements that must be held to receive a right to one New Option Share under the pro rata issue.
15. If there is a bonus issue to the holders of Shares between the date of issue of the Options and the end of the Exercise Period, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
16. No fractions of a Share will be issued on the exercise of any Option and no refund will be made to an Optionholder exercising their rights in respect of that part of the subscription moneys which represent such a fraction (if any), provided that if more than one Option is exercised at the same time by the same Optionholder then, for the purposes of determining the number of Shares issuable upon the exercise of such Options and whether (and, if so, what) fraction of Shares arises, the number of Shares arising on the exercise of each Option is to first be aggregated.
17. These Terms of Issue may be changed if the holders of Shares (whose votes are not to be disregarded) approve such a change by ordinary resolution. However, these Terms of Issue may not be changed to reduce the Exercise Price, increase the number of Shares received on exercise of an Option or change the Exercise Period.
18. These Terms of Issue are governed by the laws of New South Wales. In relation to it and related non-contractual matters, the Company and the Optionholder irrevocably submit to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.