

8 October 2015

Appendix 3B - Employee Performance Rights

Enclosed is an Appendix 3B in relation to proposed grants of performance rights for the benefit of employees of the Lynas Corporation group (ASX:LYC, OTC:LYSDY).

Lynas Chairman Mike Harding commented: "In FY15, we have restructured our executive team and our executive remuneration under the leadership of our CEO, Amanda Lacaze. The incentive structure has been simplified and these proposed awards have been made only where specific objectives that underpin improved business performance have been delivered."

The proposed grants of performance rights are as follows:

1. Ex Gratia Award at the end of FY15

Notwithstanding that the Lynas Short Term Incentive (STI) Gateway for FY15 was not satisfied, the Board concluded after the end of FY15 that it was appropriate to make an ex gratia award to selected executives, in recognition of recent achievements and as part of the Group's retention policies.

In approving the awards, the executives' contributions to the following key performance areas were assessed:

- (a) Improved production rates
- (b) Decreased costs
- (c) Improved cash management, and achievement of positive cash flow performance
- (d) Rescheduling of the debt facilities to provide 3 years of runway.

Recognizing the importance of cash conservation, the award to senior executives was approved as an award of performance rights (and not cash). The performance rights are equal to approximately 15% of total fixed remuneration.

The FY15 STI performance rights will vest after 1 year of service with no other vesting conditions. The exercise date will be in the first employee trading window after 28 July 2016. The FY15 STI performance rights were valued based on the 5 day VWAP at the date of the Board's decision to approve the award, being 28 July 2015. The FY15 STI performance rights were valued at \$0.0383 per performance right.

The proposed grant of 25,007,364 FY15 STI performance rights includes a proposed grant of 4,971,828 FY15 STI performance rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director. The proposed grant of FY15 STI performance rights for the benefit of Amanda Lacaze is subject to shareholder approval at the Lynas AGM on 23 November 2015.

2. Long Term Incentive (LTI) Performance Rights

Lynas proposes to grant up to 47,709,315 LTI performance rights for the benefit of its senior executives.

The LTI performance rights are subject to the condition that the recipient be employed by Lynas at the end of a 3-year vesting period. In addition, the LTI performance rights are subject to the following performance hurdles:

- (i) 50% will be conditional on the Company's cumulative NdPr production from 1 July 2015 to 31 December 2017, in accordance with the following sliding scale:
 - a. If cumulative NdPr production from 1 July 2015 to 31 December 2017 is at least 10,440 tonnes, then 50% of the NdPr production portion will vest.
 - b. If cumulative NdPr production from 1 July 2015 to 31 December 2017 is at least 11,391 tonnes, then 100% of the NdPr production portion will vest.
 - c. If cumulative NdPr production from 1 July 2015 to 31 December 2017 is at least 12,530 tonnes, then 120% of the NdPr production portion will vest:
- (ii) 50% will be conditional on the company's Total Shareholder Return (TSR) being at least at the 51st percentile of ASX 200 companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
 - a. If the Lynas TSR is at least at the 51st percentile, 50% of the TSR portion will vest.
 - b. If the Lynas TSR is at least at the 76th percentile, 100% of the TSR portion will vest.
 - c. If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

The above performance hurdles have been selected because they provide clear measures of success for the Lynas business and they are aligned with key shareholder objectives. The NdPr hurdle is also aligned with the interest rate reduction hurdles in the Company's JARE debt facility that were announced on 17 August 2015. The TSR hurdle is directly aligned with shareholder returns.

The LTI performance rights have been valued by the Company and its advisers as follows:

LTI with an NdPr Production hurdle: \$0.0391 per Performance Right
LTI with a Total Shareholder Return hurdle: \$0.0289 per Performance Right

The proposed grant of up to 47,709,315 LTI performance rights includes up to 19,411,764 LTI performance rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director. The proposed grant of LTI performance rights for the benefit of Ms Lacaze is subject to shareholder approval at the Lynas AGM on 23 November 2015.

3. Performance Bonus

As originally announced to the ASX on 25 June 2014, Amanda Lacaze's employment contract included a performance bonus of up to \$600,000, subject to completion of three specified milestones. The performance bonus was to be paid in three instalments of \$200,000 each (split between \$100,000 in cash and \$100,000 in performance rights). All performance rights were to be subject to vesting conditions requiring Ms Lacaze to be continuously employed by Lynas for at least 12 months after the allocation date.

Following satisfaction of the first milestone relating to delivery of a sustainable funding structure, the first tranche of these performance rights was approved by shareholders at the Lynas AGM on 28 November 2014. On 6 May 2015, the Lynas Board concluded that the second and third milestones have been satisfied relating to positive operating cash flow for at least 2 consecutive months and comprehensive plans being in place to manage residues at both the LAMP and Mt Weld.

Accordingly, at the Lynas AGM on 23 November 2015, it is proposed to put to shareholders that the second and third tranches of these performance rights with a total value of approximately \$200,000 be approved.

The Performance Bonus performance rights have been valued using the 5 day VWAP as at 6 May 2015, being \$ 0.0448 per performance right. The total number of the proposed Performance Bonus performance rights is 4,464,286.

Recognizing the importance of cash conservation, Ms Lacaze has elected not to be paid the cash component of these performance bonuses totalling \$200,000 at this stage.

The total number of performance rights referred to in this announcement is up to 77,180,965, calculated as follows:

FY15 STI Performance Rights – CEO**:	4,971,828
FY15 STI Performance Rights – Other Employees:	20,035,536
LTI Performance Rights – CEO**:	up to 19,411,764*
LTI Performance Rights – Other Employees:	up to 28,297,551*
CEO Performance Bonus**:	4,464,286
TOTAL:	up to 77,180,965*

*Each of the LTI performance rights numbers referred to in this announcement is calculated based on the most optimistic case, i.e. the figures in this announcement assume that 120% of the NdPr production portion may vest, and that 100% of the TSR portion may vest. If the vesting conditions are satisfied, after 3 years each Performance Right is convertible into one share in Lynas. If the vesting conditions are not satisfied, the relevant Performance Rights will be forfeited.

**Subject to shareholder approval at the Lynas AGM on 23 November 2015.

Some of the figures in this announcement have been adjusted for rounding.

Further details in relation to the proposed grants of performance rights for the benefit of the CEO will be set out in the 2015 Notice of AGM. If the proposed grants of performance rights for the benefit of the CEO are approved by shareholders at the AGM on 23 November 2015, the total number of incentive securities granted by the Company will be 97,647,532. This represents approximately 2.8% of the number of shares in the Company currently on issue.

No options or performance rights are proposed to be granted to the non-executive directors of the Company. Other than the Performance Rights referred to in this announcement, the Company does not expect to grant any other Performance Rights in 2015.

In addition, the attached Appendix 3B reflects the forfeiture of the employee options and employee performance rights that were originally granted on 25 September 2012, subject to a Total Shareholder Return condition over the 3 year vesting period. The Total Shareholder Return condition was not satisfied and the following have been forfeited:

679,758 employee options
432,489 employee performance rights.

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

Andrew Arnold
Company Secretary

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

LYNAS CORPORATION LTD

ABN

27 009 066 648

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Unlisted Performance Rights granted to the trustee of the Company's Employee Share Trust. |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 48,333,087 Performance Rights |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | The Employee Performance Rights are exercisable without further consideration on the dates specified in the attached ASX announcement and in section 9. |

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>N/A</p>
<p>5 Issue price or consideration</p>	<p>The Performance Rights were valued as follows:</p> <p>FY15 STI: \$0.0383 per Performance Right LTI with an NdPr Production hurdle: \$0.0391 per Performance Right LTI with a Total Shareholder Return hurdle: \$0.0289 per Performance Right</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Granted to the trustee of the Company's Employee Share Trust.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b - 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	

+ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A					
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)					
6f	Number of securities issued under an exception in rule 7.2					
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.					
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements					
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements					
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	The Performance Rights will be granted with effect from the following dates: FY15 STI: 28 July 2015 LTI with an NdPr Production hurdle: 18 September 2015 LTI with a Total Shareholder Return hurdle: 18 September 2015				
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>3,488,438,369</td> <td>Ordinary shares</td> </tr> </tbody> </table>	Number	+Class	3,488,438,369	Ordinary shares
Number	+Class					
3,488,438,369	Ordinary shares					

	Number	+Class	
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	579,663	Class 1 Employee Performance Rights exercisable for no further consideration on or before 23 September 2018
		2,268,067	Class 2 Employee Performance Rights exercisable for no further consideration on or before 23 September 2018
		9,443,395	Class 2 Employee Performance Rights exercisable for no further consideration on or before 23 September 2019
		862,069	Sign-On Performance Rights exercisable for no further consideration on or before 23 September 2017
		1,086,957	Performance Bonus Performance Rights exercisable for no further consideration on or before 23 September 2017
		6,226,416	LTI Performance Rights exercisable for no further consideration on or before 23 September 2019
		20,035,536	STI Performance Rights exercisable for no further consideration on or before 31 December 2016
		28,297,551	LTI Performance Rights exercisable for no further consideration on or before 18 September 2020
		225,000,000	2.75% Convertible Bonds due 30 September 2018
		174,365,466	Warrants exercisable at \$0.038 on or before 30 September 2018

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A
----	--	-----

+ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

- 11 Is security holder approval required?
- 12 Is the issue renounceable or non-renounceable?
- 13 Ratio in which the +securities will be offered
- 14 +Class of +securities to which the offer relates
- 15 +Record date to determine entitlements
- 16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?
- 17 Policy for deciding entitlements in relation to fractions
- 18 Names of countries in which the entity has +security holders who will not be sent new issue documents
Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.
- 19 Closing date for receipt of acceptances or renunciations
- 20 Names of any underwriters
- 21 Amount of any underwriting fee or commission
- 22 Names of any brokers to the issue
- 23 Fee or commission payable to the broker to the issue

- | | | |
|----|---|--|
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do +security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |
| 32 | How do +security holders dispose of their entitlements (except by sale through a broker)? | |
| 33 | +Despatch date | |

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

--

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

--

42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)

Number	+Class

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: Date: 8 October 2015
Company Secretary)

Print name: ANDREW ARNOLD

== == == == ==

+ See chapter 19 for defined terms.