

31 October 2016

### 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: “The Lynas 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. FY16 Short Term Incentive (STI) Award

STI awards create an “at risk” component with a value equal to approximately 50% of total fixed remuneration for senior executives (with 25% available to be paid in cash and 25% available to be paid in performance rights).

The goals and measures of the STI programme (including individual, team and company performance goals and measures), the relative weightings of those measures and goals, and STI target amounts are determined and approved at the commencement of each review period by the Remuneration Committee. During the financial year ended June 30, 2016, the STI Program had 4 goals as follows:

1. Lynas Group cash balance – 50%
2. NdPr production – 16.66%
3. Cost targets – 16.66%
4. Team / Individual Performance – 16.66%

The table below summarizes the STI outcomes for the financial year ended June 30, 2016:

<b>STI Targets</b>	<b>Status</b>
Cash balances	Failed
NdPr production volume	Passed
Costs	Passed
Team / Individual Performance	Passed

In accordance with the above criteria, 50% of the available STI awards will be made in respect of the financial year ended June 30, 2016. Those awards will be made half in cash and half in performance rights.

In addition, if there had been a fatality during the year (which there was not), no STI awards would have been made unless so resolved by the Board.

The FY16 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 30 August 2017. The FY16 STI performance rights were valued based on the 5 day VWAP at the date of the Board's decision to approve the award, being 30 August 2016. The FY16 STI performance rights were valued at \$0.0645 per performance right.

The proposed grant of 10,743,941 FY16 STI performance rights includes a proposed grant of 2,453,488 FY16 STI performance rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director. The proposed grant of FY16 STI performance rights for the benefit of Amanda Lacaze is subject to shareholder approval at the Lynas AGM on 30 November 2016.

## 2. Long Term Incentive (LTI) Performance Rights

LTI awards for senior executives are subject to Total Shareholder Return (TSR) and operating milestone performance hurdles, and are granted equal to approximately 25% of total fixed remuneration for senior executives, and 50% of total fixed remuneration for the Chief Executive Officer.

On this basis, Lynas proposes to grant up to 23,716,708 LTI performance rights for the benefit of its senior executives, including the Chief Executive Officer.

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 2016 to 30 June 2019, in accordance with the following sliding scale:
  - a. If cumulative NdPr production from 1 July 2015 to 31 December 2017 is at least 13,903 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 15,448 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 16,993 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 300 Metals & Mining Index 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 original 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 benchmark for the TSR hurdle is the ASX 300 Metals and Mining Index, of which Lynas is a member.

The LTI performance rights have been valued by the Company and its advisers based on the 5 day VWAP at the date of the Board's decision to approve the award, being 30 August 2016. The LTI performance rights were valued at \$0.0645 per performance right.

The proposed grant of up to 23,716,708 LTI performance rights includes up to 10,232,559 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 30 November 2016.

The total number of performance rights referred to in this announcement is up to 34,460,649 calculated as follows:

FY16 STI Performance Rights – CEO**:	2,453,488
FY16 STI Performance Rights – Other Employees:	8,290,453
LTI Performance Rights – CEO**:	up to 10,232,559*
LTI Performance Rights – Other Employees:	up to 13,484,149*
<b>TOTAL:</b>	<b>up to 34,460,649*</b>

\*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 30 November 2016.

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 2016 Notice of AGM. If the proposed grants of performance rights for the benefit of the CEO are approved by shareholders at the AGM on 30 November 2016, the total number of incentive securities granted by the Company will be 130,300,871. This represents approximately 3.7% 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 2016.

The Company has previously announced that Performance Rights granted for the benefit of Australian resident employees would be issued to the Trustee of an Employee Share Trust (“EST”). The proposed EST structure has not proven to be capable of providing the simplicity and efficiency that the Company had assumed. In addition, the Australian taxation rules concerning employee performance rights were amended in 2015. As a result, the EST structure will not be used. .

### **3. Cancellation of Proposed Employee Performance Rights**

In addition, the attached Appendix 3B reflects the cancellation of various classes of proposed performance rights due to the non-satisfaction of vesting conditions. The cancelled performance rights are as follows:

- (a) 1,237,127 performance rights were conditional on a Right First Time (RFT) hurdle measured over calendar year 2015. The RFT hurdle was not satisfied.
- (b) 1,030,940 performance rights were conditional on a Total Shareholder Return (TSR) hurdle benchmarked against ASX 200 companies over a 3 year vesting period expiring on September 23, 2016. The TSR hurdle was not satisfied.
- (c) 218,799 performance rights were conditional on the relevant employees remaining employed by Lynas as at 24 September 2016. The proposed performance rights were cancelled due to non-satisfaction of that condition.

**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  | 21,774,602 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"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>N/A</p>
<p>5 Issue price or consideration</p>	<p>The Performance Rights were valued as follows:</p> <p>FY16 STI: \$0.0645 per Performance Right LTI: \$0.0645 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>To be granted for the benefit of selected senior employees as incentive rewards.</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>	
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	

+ See chapter 19 for defined terms.

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 date of Board approval of the proposed grant of Performance Rights, being 30 August 2016.
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	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)	360,864	Class 1 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
	4,464,286	Performance Bonus Performance Rights exercisable for no further consideration on or before 6 May 2018
	25,686,920	STI Performance Rights exercisable for no further consideration in the first employee trading window after 28 July 2016
	47,709,315	LTI Performance Rights exercisable for no further consideration on or before 18 September 2020
	8,290,453	STI Performance Rights exercisable for no further consideration in the first employee trading window after 30 August 2017
	13,484,149	LTI Performance Rights exercisable for no further consideration on or before 30 August 2021
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	

+ See chapter 19 for defined terms.

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

## 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 <sup>+</sup>securities will be offered

14 <sup>+</sup>Class of <sup>+</sup>securities to which the offer relates

15 <sup>+</sup>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 <sup>+</sup>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 *in full* through a broker?
- 31 How do +security holders sell *part* 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

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+ 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

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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)

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

Number	+Class

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+ 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: \_\_\_\_\_  
Company Secretary)

Date: 31 October 2016

Print name: ANDREW ARNOLD

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+ See chapter 19 for defined terms.