Dear Shareholder,

On behalf of the Lynas Directors, I am pleased to enclose our Notice of Annual General Meeting for 2016. We look forward to seeing many of our shareholders at the Sheraton on the Park, Sydney at 1pm on Wednesday 30 November 2016.

I encourage you to read this letter in full and I would draw your attention to an important resolution, Resolution 4, that we are proposing for your consideration.

- Resolution 4 reflects improved terms for the debt facilities agreed with the Convertible Bondholders, including an extension to September 2020.
- Approval of Resolution 4 is a condition of improved terms for the debt facilities agreed with JARE taking effect, including an extension to June 2020.
- Lynas Directors unanimously recommend that shareholders vote in favour of Resolution 4, because approval of the amendments is important to assist the continued operation of the Lynas business as a going concern.

The Directors have been pleased to report that Lynas has continued to make good progress over the past 12 months. Significant production growth has capped a two-year trend of positive operational improvements, with 100% of NdPr production capacity now commissioned and operating.

During the past year, market prices for the Company’s Rare Earths products have been at sustained low levels after three years of continuous decline. Despite significant improvements in production and sales volumes and significant reductions in the unit operating costs, the sustained low market prices have resulted in the business continuing to operate at a break-even level before financing costs.

Given the continued low prices, meeting debt service commitments, both interest and principal remains a challenge. We have welcomed the support of both our lender groups throughout this period. Approval of Resolution 4 in the enclosed Notice of Annual General Meeting is a condition of further amendments agreed with our lenders, which are important to assist the continued operation of the Lynas business.

Lynas Directors unanimously recommend that shareholders vote in favour of Resolution 4 as they consider the amended terms of the convertible bonds and the Senior Facility with JARE are in the best interests of shareholders.

We have formed this recommendation after giving due consideration to market conditions and after having taken advice from external advisers.

The amendments to the facilities are summarized in the body of the Explanatory Memorandum and its annexures. The key amendments are as follows:

- The term of both debt facilities will be extended, with the JARE facility maturing in June 2020, and the convertible bond facility maturing in September 2020.
- The interest rates on both debt facilities will be reduced significantly. The JARE interest rate will reduce from the current rate of 6.0% per annum to a new rate of 2.5% per annum. The convertible bond interest rate will reduce from the current rate of 2.75% per annum to a new rate of 1.25% per annum. The interest rates of both the convertible bonds and the JARE facility may be adjusted based on the average sale price of NdPr products as set out in Annexures B and C. Over the four year term of the facilities, at the proposed new rates of 2.5% per annum and 1.25% per annum, the total interest saving will be approximately A$70 million (including past interest waived and future interest savings).
• There will be no fixed principal repayments from unrestricted cash during the term of the facilities. The principal balances of both facilities will be repayable in 2020. Without these amendments, fixed instalments totalling US$50 million would be payable under the JARE facility by December 2017.

• While there are no fixed principal repayments, under the proposed amendments to the JARE facility, there will be a cash sweep mechanism, whereby unrestricted cash balances above A$40 million will be applied as principal repayments.

The effect of these amendments to the financing terms is to provide Lynas with more time to deliver further improvements in the financial performance of the business, including a continued focus on reducing operating costs. Further, whilst pricing for Rare Earths products has remained low, demand, particularly for NdPr, remains strong and is forecast to continue to grow. Therefore there is potential that market prices for these products will increase in the future, which, if that occurs, should translate to improved financial returns for the Lynas business.

We recognise that shareholders may want to consider the potential downside to their position from changes proposed in Resolution 4 as follows:

• If the convertible bonds are converted in the future, then the existing Shareholders will be diluted. This is because the amendments include a reduction of the Conversion Price for the convertible bonds from A$0.5634 to A$0.10, and an adjustment of the exchange rate for the conversion of the convertible bonds from US$1.00 = A$0.9533 to A$1.00 = US$0.75.

• The degree of dilution under the amended Conversion Price of A$0.10 per Share and the amended exchange rate would be materially greater than under the existing Conversion Price and exchange rate. The ability for Shareholders to be diluted, and any control implications for Lynas that could arise upon conversion, remain subject to the takeover provisions of the Corporations Act and the application of relevant exceptions, as described in the enclosed Explanatory Memorandum.

• Lynas will issue to the Convertible Bondholders 348,843,837 warrants, each of which entitle the warrant holder to one share upon payment of the strike price of A$0.05 per share. The warrants are exercisable until the new maturity date of the convertible bonds, being 30 September 2020.

The various potential implications for Lynas as a result of the amendments to the terms of the convertible bonds and the issue of the new warrants are explained in detail in the Notice of AGM.

Notwithstanding the points mentioned above, the Directors have concluded that approval of Resolution 4 is important to assist the continued operation of the Lynas business as a going concern.

In considering this issue, please have regard to Note 2.2 on page 48 of the Annual Report as it outlines a number of factors that are relevant to the ability of the Company to continue to meet its financial obligations. Shareholders should note that the agreement between the Company and JARE to amend the terms of the JARE facility and the agreement between the Company and the Bondholders to amend the terms of the convertible bonds are inter-conditional. In other words, one will not proceed without the other.

If Resolution 4 is not approved, and the amendments proposed in respect of the JARE facility and the convertible bond facility are not able to be implemented, the Directors have concerns about whether Lynas will be able to continue as a going concern over time. Without the extensions to the maturity dates, without the reduction in the interest rates and without other ancillary benefits agreed with JARE and the Bondholders, retaining the current debt repayment profile would create uncertainty as to Lynas’ ongoing ability to carry on business. Implementation of the amendments to the convertible bond facility is also subject to Foreign Investment Review Board approval.

We believe the proposed amendments offer significant relief from the costs of the Company’s loan facilities and provide the best opportunity for Lynas to deliver improved financial outcomes in the future. The Directors commend the enclosed Notice of Meeting to you, and we thank our shareholders for their ongoing support of Lynas.

Yours sincerely,

Mike Harding
Chairman
NOTICE OF ANNUAL GENERAL MEETING

To be held on
Wednesday 30 November 2016
at 1.00 pm (Sydney time)
at Sheraton on the Park
161 Elizabeth Street, Sydney NSW

This is an important document. Please read it carefully.
If you are unable to attend the Annual General Meeting, please complete the Proxy Form enclosed at the back of this document and return it in accordance with the instructions.
Notice of Annual General Meeting

Notice is hereby given that the 2016 Annual General Meeting of shareholders of Lynas Corporation Limited ("Company") will be at the Sheraton on the Park at 161 Elizabeth Street, Sydney, NSW on 30 November 2016 at 1.00 pm (Sydney time) for the purpose of transacting the following Business.

Ordinary Business

2016 FINANCIAL STATEMENTS
To receive and consider the financial statements of the Company for the year ended 30 June 2016, consisting of the Annual Financial Report, the Directors’ Report and the Auditor’s Report.

RESOLUTION 1
REMUNERATION REPORT
To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the Remuneration Report of the Company for the year ended 30 June 2016 be adopted.”

Pursuant to section 250R(3) of the Corporations Act 2001, the vote on this resolution is advisory only and it does not bind the directors or the Company. The Company will disregard any votes cast on this resolution by a member of the Key Management Personnel, the details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2
RE-ELECTION OF KATHLEEN CONLON AS A DIRECTOR
To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That Kathleen Conlon, having retired as a director of the Company pursuant to Article 13.2 of the Company’s Constitution and, being eligible, having offered herself for re-election, be appointed as a director of the Company.”

Pursuant to article 13.2 of the Company’s Constitution, one-third of the directors of the Company (other than the managing director), or if their number is not a multiple of 3, then such number as is appropriate to ensure that no director other than alternate directors and the managing director holds office for more than 3 years, must retire at each Annual General Meeting and, being eligible, may offer themselves for re-election.
RESOLUTION 3
GRANT OF PERFORMANCE RIGHTS FOR THE BENEFIT OF CEO & MANAGING DIRECTOR – AMANDA LACAZE

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That pursuant to and in accordance with Listing Rule 10.14 of the ASX Listing Rules, and for all other purposes, the Company approves and authorises the Directors of the Company to grant, for the benefit of Amanda Lacaze, the following rights to subscribe for ordinary shares in the Company:

(a) FY16 STI: 2,453,488 Performance Rights with a 12-month vesting period commencing on 30 August 2016 and an exercise date in the first employee trading window after 30 August 2017, as a Short Term Incentive ("STI") award in respect of FY16, subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Rights Plan.

(b) LTI: A Long Term Incentive ("LTI") of up to 10,232,559 Performance Rights with a 3 year vesting period and a 2 year exercise period, and subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Rights Plan.”

The Company will disregard any votes cast on this resolution by a director of the Company who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and his / her associates, unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As described in the Explanatory Memorandum, the Performance Rights were valued by the Company and its advisers using the 5 day VWAP as at the date of Board approval on 30 August 2016, being $0.0645 per Performance Right.

The above number of LTI Performance rights has been calculated assuming that 120% of the LTI Performance rights with an NdPr Production hurdle may vest, as described in the Explanatory Memorandum.

RESOLUTION 4
AMENDMENT TO TERMS OF CONVERTIBLE BONDS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.1 of the ASX Listing Rules, and all other purposes, shareholders approve:

(a) the future issuance of the number of Shares described in the attached Explanatory Memorandum as a consequence of the amendments to the terms of the US$225,000,000 Convertible Bonds issued by the Company described in the attached Explanatory Memorandum, which amendments include a reduction in the Conversion Price from A$0.5634 to A$0.10 per share; an adjustment of the exchange rate for conversion of the Bonds to A$1.00 = US$0.75; and

(b) the issue to Bondholders of 348,843,836 warrants, each of which entitle the warrant holder to one Share upon payment of the strike price of A$0.05 per Share.”

The Company will disregard any votes on this resolution by the holders of the Convertible Bonds and their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

ENTITLEMENTS TO VOTE

A Proxy Form is enclosed with this Notice.

For the purposes of determining a person’s entitlement to vote at the meeting, a person will be recognised as a member and holder of shares if that person is registered as a holder of those shares at 7.00 pm on 28 November 2016.
LODGEMENT OF PROXY FORMS

For an appointment of a proxy for the meeting to be effective:

- the proxy’s appointment; and
- the power of attorney (if any) under which it is signed or satisfactory proof of that power or a certified copy of it,

must be received by the Company at the registered office or at the office of the Company’s share registry, Boardroom Pty Limited, by no later than 10.00am (Sydney time), Monday 28 November 2016:

**By hand:** Share Registry: Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia

**By mail:** Share Registry: Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 Australia

**By facsimile:** Share Registry: +61 2 9290 9655


By order of the Board

Andrew Arnold
Secretary

Date: 27 October 2016
Explanatory Memorandum

This Explanatory Memorandum contains information relevant to the Resolutions set out in the Notice of Annual General Meeting ("Notice") of Lynas Corporation Limited ACN 009 066 648 ("Company") and should be read carefully and in its entirety by shareholders before making any decision in relation to the Resolutions.

The Directors believe that it is in the best interests of Lynas that the Resolutions set out in the Notice be passed and, to the extent that they are permitted to make a recommendation, the Directors unanimously recommend that you vote in favour of the Resolutions. The Directors have abstained from Board discussions and from making any recommendation to shareholders in respect of those matters in which they have a personal interest.

If you have any doubt regarding the information contained in this Explanatory Memorandum or any action you should take in respect of such information, you should consult your financial, legal, taxation or other professional adviser.

Defined terms used in this Explanatory Memorandum are set out in the Glossary.

RESOLUTION 1
REMUNERATION REPORT


The Remuneration Report:
(a) explains the Board’s policies relating to remuneration of directors, secretaries and executives of the Company;
(b) discusses the relationship between such policies and the Company’s performance;
(c) provides details of any performance conditions attached to such remuneration; and
(d) sets out remuneration details for each director and Key Management Personnel.

The Board submits the Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution as required by the Corporations Act 2001 (Cth) ("Corporations Act").

Shareholders should note that the vote on Resolution 1 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company’s remuneration policy.

With effect from 1 August 2011, the Corporations Act prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:
(a) a member of the Key Management Personnel, the details of whose remuneration are included in the Remuneration Report; or
(b) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 if:
(i) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
(ii) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above.

The Chair will not vote any undirected proxies in relation to Resolution 1 unless the shareholder specifically authorises the Chair to vote in accordance with the Chair’s stated voting intentions. If a shareholder wishes to nominate the Chair as their proxy for the purpose of Resolution 1, the shareholder must either tick the ‘for’ or ‘against’ box directing the Chair how to vote, or tick the box authorising the Chair to vote in accordance with his or her stated voting intentions, on the enclosed Proxy Form for their proxy vote to be counted. Alternatively, shareholders can nominate as their proxy for the purpose of Resolution 1 a proxy who is not a member of the Company’s Key Management Personnel.
RESOLUTION 2
RE-ELECTION OF KATHLEEN CONLON AS A DIRECTOR

In accordance with the commentary and guidance to Recommendation 2.3 of the ASX Corporate Governance Principles, the Company provides the following information concerning Ms Conlon:

Biographical details
Ms Conlon was appointed as a Non-Executive Director from 1 November 2011. Ms Conlon is currently a Non-Executive Director of REA Group Limited, Aristocrat Leisure Limited and The Benevolent Society and a former Non-Executive Director of CSR Limited. She is also a member of Chief Executive Women and a former President of the NSW division of the Australian Institute of Company Directors and a former member of the National Board of the Australian Institute of Company Directors. Ms Conlon is also Chairperson of the Audit Committee of the Commonwealth Department of Health. Prior to her Non-Executive Director career, Ms Conlon spent 20 years in professional consulting where she successfully assisted companies achieve increased shareholder returns through strategic and operational improvements in a diverse range of industries.

Ms Conlon is one of the pre-eminent thought leaders in the area of operations and change management, both in Australia and globally. In 2003, Ms Conlon was awarded the Commonwealth Centenary medal for services to business leadership.

Details of relationships between the Candidate and the Company
Ms Conlon is a Non-Executive Director of the Company.

Details of relationships between the Candidate and Directors of the Company
Not applicable.

Other directorships held
Ms Conlon is a Non-Executive Director of REA Group Limited, Aristocrat Leisure Limited and The Benevolent Society. She is also a member of Chief Executive Women and Chairperson of the Audit Committee of the Commonwealth Department of Health.

The term of office already served by Ms Conlon
Ms Conlon joined the Board as a Non-Executive Director from 1 November 2011.

The Board (with Ms Conlon abstaining) supports the re-election of Ms Conlon as a director and considers her to be independent.

RESOLUTION 3
GRANT OF PERFORMANCE RIGHTS FOR THE BENEFIT OF CEO & MANAGING DIRECTOR – AMANDA LACAZE

Summary
In accordance with the terms of Amanda Lacaze’s employment contract (details of which were announced to the ASX on 25 June 2014), the Company proposes to grant up to the following number of Performance Rights for the benefit of its Chief Executive Officer and Managing Director, Amanda Lacaze:

(a) FY16 STI: 2,453,488 Performance Rights (value A$158,250) with a 12-month vesting period commencing 30 August 2016 and an exercise date in the first employee trading window after 30 August 2017, as an STI award in respect of FY16, subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Rights Plan (FY16 STI Performance Rights);

(b) LTI: A Long Term Incentive (“LTI”) of up to 10,232,559 Performance Rights (value A$660,000) with a 3 year vesting period commencing 30 August 2016 and a 2 year exercise period, and otherwise in accordance with the Rules of the Rights Plan (“LTI Performance Rights”). The above figure includes the potential award of 120% of the LTI Performance Rights that are subject to an NdPr production condition, as described below.

The proposed STI award equates to 12.5% of Ms Lacaze’s total fixed remuneration. The proposed STI award is for achieving significant milestones in increased NdPr production, reduced costs and improved team / individual performance, as described below.

The proposed LTI award equates to up to 50% of Ms Lacaze’s total fixed remuneration, however the proposed LTI award is subject to performance hurdles related to NdPr production over the 3 year vesting period and Total Shareholder Return over the 3 year vesting period.

Each Performance Right is a right to acquire one share in the Company (“Share”) in the future, subject to certain conditions. Unlike an Option, the holder of a Performance Right is not required to pay an exercise price in order to exercise his/her right to acquire Shares. The granting of Performance Rights is a recognized practice in Australia as part of the remuneration of senior executives.
Ms Lacaze is a highly credentialed director who brings more than 25 years of senior operational experience to Lynas, including management of both publicly listed and private companies. It is appropriate that her remuneration package is benchmarked to the market and that her remuneration package includes incentives for long term performance that align with the interests of shareholders.

Ms Lacaze’s remuneration package has not increased since she was appointed as CEO in June 2014. Her package was benchmarked to market based on data provided by Mercer, an external consulting firm. This benchmarked data was also used by the Company’s Nomination and Remuneration Committee to calculate a recommended number of Performance Rights to be granted to Ms Lacaze.

Listing Rule 10.14
Listing Rule 10.14 states that a company must not permit a Director or an associate of a Director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders.

The following information is provided to shareholders for the purpose of Listing Rule 10.15:

(a) The Performance Rights will be granted for the benefit of Amanda Lacaze, who is the Managing Director.

(b) The maximum number of Performance Rights to be granted under Resolution 3 is as follows:

(i) FY16 STI: 2,453,488 Performance Rights (value A$158,250).

(ii) LTI: 10,232,559 Performance Rights (value A$660,000) – This figure includes the potential award of 120% of the LTI Performance Rights that are subject to an NdPr production condition, as described below.

(c) The Performance Rights will be granted as employee incentives and accordingly, the Performance Rights will be granted for no additional cash consideration. No amount will be payable on the exercise of the Performance Rights. The FY16 STI Performance Rights will have a 12 month vesting period commencing 30 August 2016, and an exercise date in the first employee share trading window after 30 August 2017. The LTI Performance Rights will have a 3 year vesting period commencing 30 August 2016 and a 2 year exercise period.

(d) The Performance Rights are subject to the following vesting conditions and performance hurdles:

(i) FY16 STI: The FY16 STI Performance Rights have a 12-month vesting period commencing on 30 August 2016. They were awarded to Ms Lacaze, subject to shareholder approval, as an STI award following satisfaction of some of the STI hurdles that were set for Ms Lacaze’s performance in FY16. Those STI hurdles were as follows:

The FY16 STI Program had 4 hurdles as follows:
1. Cash balance – 50%
2. NdPr production – 16.66%
3. Cost targets – 16.66%
4. Team / Individual Performance – 16.66%

The table below shows which of the STI goals were satisfied by Ms Lacaze during the financial year ended 30 June 2016, and the proposed performance rights award:

<table>
<thead>
<tr>
<th>STI Test</th>
<th>Satisfied?</th>
<th>Proposed Performance Rights Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash balance</td>
<td>No</td>
<td>0</td>
</tr>
<tr>
<td>NdPr production</td>
<td>Yes</td>
<td>817,829</td>
</tr>
<tr>
<td>Cost targets</td>
<td>Yes</td>
<td>817,829</td>
</tr>
<tr>
<td>Team / Individual Performance</td>
<td>Yes</td>
<td>817,830</td>
</tr>
</tbody>
</table>

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.

(ii) LTI: The LTI Performance Rights will have a 3-year vesting period. The LTI Performance Rights are subject to the following performance hurdles:

(A) 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 2016 to 30 June 2019 is at least 13,903 tonnes, then 50% of the NdPr production portion will vest.

b. If cumulative NdPr production from 1 July 2016 to 30 June 2019 is at least 15,448 tonnes, then 100% of the NdPr production portion will vest.

c. If cumulative NdPr production from 1 July 2016 to 30 June 2019 is at least 16,993 tonnes, then 120% of the NdPr production portion will vest.

(B) 50% will be conditional on the company’s Total Shareholder Return (TSR) being at least at the 51st percentile of ASX 300 Metals and 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 Directors believe that the above performance hurdles are the most important measures of long-term success for the Group. The NdPr Production hurdle in paragraph (d)(iii)(A) above defines long-term success in the context of production of the Group’s most valuable product. In addition, the NdPr production hurdle is set at higher production rates than the equivalent JARE targets up to 31 December 2017, as set out in the Group’s JARE senior debt facility, and as announced to the ASX on 17 August 2015.

The TSR hurdle compares shareholder returns from Lynas to shareholder returns from ASX 300 Metals and Mining Index companies over the 3-year vesting period. Lynas is currently a member of the ASX 300 Metals and Mining Index, and therefore this was considered to be an appropriate benchmark for the TSR hurdle.

(e) The Performance Rights were valued by the Company and its advisers at the 5 day VWAP as at 30 August 2016, being the date that the Board approved the proposed award of Performance Rights, subject to shareholder approval. The 5 day VWAP on that date was $0.0645.

(f) Details of the securities granted under the Company’s Employee Options and Performance Rights Plans to persons referred to in Listing Rule 10.14 since the issuance of securities pursuant to the Company’s Employee Options Performance Rights Plans was approved by shareholders at the AGM on 28 November 2014 are set out below.

The following Performance Rights were granted for the benefit of Amanda Lacaze, as approved by shareholders at the Annual General Meeting held on 23 November 2015:

(a) Performance bonus: A performance bonus of 4,464,286 Performance Rights with a 12-month vesting period and a 2 year exercise period, and subject to the Rules of the Rights Plan;
(b) STI: A Short Term Incentive ("STI") of 4,971,828 Performance Rights with a 12-month vesting period and an exercise period in the first employee share trading window after 28 July 2016, and subject to the Rules of the Rights Plan.
(c) LTI: A Long Term Incentive ("LTI") of up to 19,411,764 Performance Rights with a 3 year vesting period and a 2 year exercise period, and subject to the Rules of the Rights Plan.

Each of the above Performance Rights were granted as employee incentives and accordingly, he Performance Rights were granted for no additional cash consideration.

(g) The names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are: Amanda Lacaze.

(h) No loan is granted by the Company for the acquisition of the Performance Rights.

(i) The Performance Rights will be issued no later than 12 months after the date of this Annual General meeting.

Related Party Transactions
M s Lacaze is a Director of the Company, and accordingly she is a "related party" for the purposes of Chapter 2E of the Corporations Act. The proposed grant of Performance Rights for the benefit of Ms Lacaze, as described above, constitutes a "financial benefit" as described in the Corporations Act.

Under Chapter 2E of the Corporations Act a public company cannot give a financial benefit to a related party unless: (i) shareholders have resolved to approve the giving of the financial benefit, or (ii) an exception applies. Section 211(1) of the Corporations Act contains an exception where the financial benefit is remuneration given to an employee that is reasonable in the circumstances.

In the view of the Board, the proposed grant of Performance Rights for the benefit of Ms Lacaze, as a component of her remuneration, does not require shareholder approval under Chapter 2E of the Corporations Act because the exception in section 211(1) of the Corporations Act applies.

The Board considers that the proposed grant of Performance Rights for the benefit of Ms Lacaze constitutes reasonable remuneration given the circumstances of the Company and the responsibilities involved in Ms Lacaze’s role as CEO. In this respect, the Board has specifically considered the number of Performance Rights proposed to be granted, the number of Performance Rights previously granted to Ms Lacaze, the performance conditions to be attached to the Performance Rights, and the underlying value of the Performance Rights. Accordingly, the Company is not seeking shareholder approval under Chapter 2E of the Corporations Act for the proposed grant of Performance Rights.

Nonetheless, the information on Resolution 3 in this Explanatory Memorandum is equivalent to the information that would be provided if shareholder approval were being sought under Chapter 2E of the Corporations Act.

Directors’ recommendation and interests
All the Directors were available to consider the proposed Resolution 3.

Section 195 of the Corporations Act provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a “material personal interest” are being considered.
Amanda Lacaze has an interest in the outcome of the proposed resolution because she will be granted an interest in Performance Rights in accordance with the proposed resolution. Accordingly, Amanda Lacaze is unable to make a recommendation to shareholders concerning the proposed Resolution 3.

The other Directors of the Company (Non-Participating Directors) do not have an interest in the outcome of the proposed resolution and consider themselves justified in making a recommendation to shareholders concerning the proposed Resolution 3. Each of the Non-Participating Directors considers that the proposed Resolution 3 is in the best interests of the Company and its shareholders. It is important that the remuneration of the Directors is linked to the medium term and long term strategies of the Company. Proposed Resolution 3 will provide Amanda Lacaze with additional incentives to successfully implement the Company’s strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 3.

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors

The proposed Resolution 3 would have the effect of giving power to the Directors to grant Amanda Lacaze Performance Rights on the terms and conditions as set out in Annexure A and as otherwise mentioned above. The Company presently has on issue 3,488,438,369 ordinary shares. If the proposed Performance Rights to be granted for the benefit of Amanda Lacaze are approved by shareholders, the total number of Options and Performance Rights granted by the Company will be 130,300,871. This represents approximately 3.7% of the 3,488,438,369 ordinary shares that the Company has issued at the date of this Explanatory Memorandum.

If any Performance Rights granted as proposed above are exercised, the effect would be to dilute the shareholding of existing shareholders. The highest closing price for Shares trading on ASX during the past 12 months was A$0.130 which occurred on 26 November 2015 and the lowest closing price of Shares trading on ASX during the past 12 months was A$0.032 which occurred on 30 September 2015. The most recent closing price of Shares trading on the ASX prior to the date of this Explanatory Memorandum was A$0.066 which occurred on 26 October 2016.

The other remuneration currently being received by the proposed recipient of the Performance Rights is set out on page 34 of the 2016 Annual Report of the Company and in the Company’s ASX announcement dated 25 June 2014.

At the date of this Notice the proposed recipient of the Performance Rights, Amanda Lacaze, has an interest in 1,030,976 ordinary shares, and 37,023,320 employee performance rights that have been awarded.

The FY16 STI Performance Rights equate to 12.5% of Ms Lacaze’s total fixed remuneration. In addition, as announced to the ASX on 25 June 2014, Ms Lacaze may receive, in the Board’s discretion, an annual LTI Performance Rights award equal to up to A$600,000, which is approximately 50% of Ms Lacaze’s total fixed remuneration.

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.

It is not considered that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits forgone by the Company resulting from the grant of the Performance Rights pursuant to Resolution 3.

Below are tables setting out the maximum number of Performance Rights that could be exercised by Ms Lacaze if the vesting condition is satisfied, and if the NdPr Production and TSR conditions are wholly or partly satisfied.

<table>
<thead>
<tr>
<th>Class I - NdPr production from 1 July 2016 to 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Conditions</td>
</tr>
<tr>
<td>Percentage of LTI Performance Rights that may be Exercised</td>
</tr>
<tr>
<td>Number of LTI Performance Rights that may be Exercised</td>
</tr>
<tr>
<td>Value of those LTI Performance Rights at A$0.0645</td>
</tr>
</tbody>
</table>

Note: One LTI Performance Right in the above class was valued at A$0.0645 as at 30 August 2016.
Explanatory Memorandum

Class II - Three Year Total Shareholder Return (TSR) vs. ASX 300 Metals and Mining Index Companies

<table>
<thead>
<tr>
<th>Performance Conditions</th>
<th>at least 51st percentile</th>
<th>at least 76th percentile</th>
<th>between 51st and 76th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of LTI Performance Rights that may be Exercised</td>
<td>50% of TSR portion</td>
<td>100% of TSR portion</td>
<td>pro rata between 50% and 100% of the TSR portion</td>
</tr>
<tr>
<td>Number of LTI Performance Rights that may be Exercised</td>
<td>2,325,582</td>
<td>4,651,163</td>
<td>Between 2,325,582 and 4,651,163</td>
</tr>
<tr>
<td>Value of those LTI Performance Rights at A$0.0494</td>
<td>$150,000</td>
<td>$300,000</td>
<td>Between $150,000 and $300,000</td>
</tr>
</tbody>
</table>

Note: One LTI Performance Right in the above class was valued at A$0.0645 as at 30 August 2016.

Effect on the Company’s Issued Securities of Resolution 3

On the date of this Explanatory Memorandum, excluding the securities referred to in Resolution 3, the Company has on issue, or has agreed to issue, the following equity securities:

<table>
<thead>
<tr>
<th>Type of Security Issued or Agreed to be Issued</th>
<th>Equivalent Number of Ordinary Shares on a Fully Diluted Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Shares (ASX Code: LYC)</td>
<td>3,488,438,369</td>
</tr>
<tr>
<td>Unlisted Employee Options and Unlisted Employee Performance Rights</td>
<td>117,614,824</td>
</tr>
<tr>
<td>Unlisted Warrants – Exercise Price A$0.038, Expiry Date: 30 September 2018</td>
<td>174,365,466</td>
</tr>
<tr>
<td>US$225,000,000 Convertible Bonds maturing 30 September 2018, convertible at A$0.5634 per share (subject to adjustment) based on a fixed exchange rate of US$1.00 = A$0.9533</td>
<td>380,710,863</td>
</tr>
</tbody>
</table>

If all of the securities referred to in Resolution 3 were added to the above table, it would read as follows:

<table>
<thead>
<tr>
<th>Type of Security Issued or Agreed to be Issued</th>
<th>Approximate Equivalent Number of Ordinary Shares on a Fully Diluted Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Shares (ASX Code: LYC)</td>
<td>3,488,438,369</td>
</tr>
<tr>
<td>Unlisted Employee Options and Unlisted Employee Performance Rights referred to in Resolution 3</td>
<td>130,300,871</td>
</tr>
<tr>
<td>Unlisted Warrants – Exercise Price A$0.38, Expiry Date: 30 September 2018</td>
<td>174,365,466</td>
</tr>
<tr>
<td>US$225,000,000 Convertible Bonds maturing 30 September 2018, convertible at A$0.5634 per share (subject to adjustment) based on a fixed exchange rate of US$1.00 = A$0.9533</td>
<td>380,710,863</td>
</tr>
</tbody>
</table>

Note that the tables above do not include all of the securities referred to in Resolution 4.

RESOLUTION 4
APPROVAL FOR AMENDMENT TO TERMS OF CONVERTIBLE BONDS

Background

In February 2012, the Company issued convertible bonds (“Bonds”) in the amount of US$225,000,000 to Mount Kellett Capital Management LP (“Mount Kellett”) and other unrelated managed funds or entities to fund the commissioning and construction of the LAMP in Malaysia and working capital. The Bonds are repayable by the Company on 30 September 2018 and have an interest rate of 2.75% per annum.

The Bonds are currently convertible by Bondholders into ordinary shares in the Company at a Conversion Price of A$0.5634, and a fixed exchange rate for conversion of US$1.00 = A$0.9533. The number of shares issued if the Bonds are converted is determined by multiplying the face value of the Bonds (US$225,000,000) by the exchange rate for conversion, and then dividing that A$ amount by the Conversion...
Price. If all of the Bonds were converted at the current Conversion Price and exchange rate for conversion, this would result in the issue of 380,710,863 shares to Bondholders (9.1% of the shares in the Company on a fully diluted basis, assuming the securities referred to in resolution 3 are issued). At the current market price for shares in the Company, and at the current Conversion Price and exchange rate for conversion, it is unlikely that Bondholders would convert the Bonds.

Amendments to the terms of the Bonds
As part of a broader restructure of the Company’s debt, it is now proposed to amend the terms of the Bonds in certain respects. Those amendments include:

(a) extending the maturity date for the Convertible Bonds by two years to 30 September 2020;
(b) reducing the Conversion Price from A$0.5634 to A$0.10;
(c) adjusting the exchange rate for conversion from US$1.00 = A$0.9533 to US$1.00 = A$(1 / 0.75);
(d) reducing the interest rate on the Bonds from 2.75% to 1.25% per annum.

In addition, the Bondholders will be issued 348,843,837 warrants, each of which entitle the warrant holder to one Share upon payment of the strike price of A$0.05 per Share (“New Warrants”). The New Warrants are exercisable until the new maturity date of the Convertible Bonds, being 30 September 2020.

These, and the other amendments, are summarised in more detail in Annexure B.

Proposed restructure of Lynas’ debt arrangements
As stated above, the proposed amendments to the terms of the Bonds are part of a broader proposed restructure of the Company’s debt arrangements. As Shareholders will be aware, the Company has two significant debt arrangements in place, being (i) a US$225 million senior debt facility with JARE with a balance outstanding of US$203 million (“Senior Facility”); and (ii) the Bonds. The proposed restructure involves not only the amendments to the terms of the Bonds described above, but also certain amendments to the JARE Senior Facility, including:

(a) extending the final maturity date for the Senior Facility by two years from 30 June 2018 to 30 June 2020; and
(b) reducing the interest rate (currently 6.0% per annum) to 2.5% per annum.

These and other amendments are summarised in more detail in Annexure C.

Importantly, the agreement between the Company and JARE to amend the terms of the JARE Senior Facility and the agreement between the Company and the Bondholders to amend the terms of the Bonds and issue the New Warrants are inter-conditional. In other words, one will not proceed without the other.

For the reasons described below, the proposed amendments to the terms of the Convertible Bonds require shareholder approval in the form of Resolution 4. Because the proposed restructure of the Senior Facility and the Bonds are inter-conditional, if that shareholder approval is not obtained, none of the proposed amendments to the terms of the Bonds, the issue of the New Warrants or the proposed amendments to the JARE Senior Facility, will proceed.

Requirement for shareholder approval for the Amendments to the Convertible Bonds
ASX Listing Rule 7.1 provides that a listed company may not issue or agree to issue ‘equity securities’ in any 12 month period where the total number of equity securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except where an exception applies or with the prior approval of members of the Company in general meeting of the terms and conditions of the proposed issue. “Equity securities” include convertible securities, such as the Bonds. One of the exceptions to this rule is for an issue of shares on conversion of convertible securities, provided that the listed company complied with the listing rules when it issued the convertible securities.

When the Bonds were issued in February 2012, the issue was within the Company’s 15% placement capacity under Listing Rule 7.1, so no approval was required under Listing Rule 7.1. Despite this, the issue of the Bonds was subsequently ratified for the purposes of Listing Rule 7.1 at the Company’s Annual General Meeting on 20 November 2012.

As discussed above, it is now proposed to amend the terms of the Bonds, including by reducing the Conversion Price, adjusting the exchange rate for conversion and to issue further warrants to Bondholders. If these amendments are to proceed, it is necessary for the Company to obtain a Listing Rule 7.1 approval, as the proposed changes would result in the Company agreeing to issue a materially higher number of shares in the Company if the Bonds are converted.

Technically, shareholder approval is not required under Listing Rule 7.1 for the issue of the New Warrants alone, as the issue of those New Warrants, when aggregated with previous issues of equity securities in the last 12 months, will not cause Lynas to exceed its 15% placement capacity for the purposes of Listing Rule 7.1. However, given that the issue of New Warrants is part of the proposed restructure which also includes the amendments of the terms of the Bonds, which does require Listing Rule 7.1 approval, approval is being sought for the issue of the New Warrants as well under Listing Rule 7.1.
Disclosure required by Listing Rule 7.1

The following information is provided in accordance with Listing Rule 7.3.

(a) **Maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue**

If Resolution 4 is approved, and the amendments to the terms of the Bonds proceed:

(a) the maximum number of shares that can be issued by Lynas on conversion of the Bonds is 3,000,000,000 (US$225,000,000 multiplied by the amended exchange rate for conversion of US$1.00/A$\(1 / 0.75\)), and then divided by the amended Conversion Price of A$0.10; and

(b) the maximum number of shares that can be issued by Lynas on exercise of the New Warrants is 348,843,837.

Note that both the Bond terms and the terms of the New Warrants provide for the adjustment of the Conversion Price or strike price upon the occurrence of certain prescribed events, such as certain issues of further capital by Lynas or other capital management initiatives (see Annexure B). Approval of Resolution 4 constitutes approval for the issue of the above number of securities, as adjusted by those adjustment mechanisms in the terms of the Bonds and the terms of the New Warrants.

(b) **Date by which the entity will issue the securities**

The Bondholders are entitled to convert the Bonds, in whole or in part, into ordinary shares on or before the amended maturity date of 30 September 2020 (assuming Resolution 4 is approved). If Resolution 4 is passed, the New Warrants will be issued upon satisfaction of the conditions precedent summarized in Annexure B (which is expected to be in December 2016). The New Warrants are exercisable until the new maturity date of the Convertible Bonds, being 30 September 2020.

Any Shares issued upon a conversion of Bonds will be Shares issued “on the conversion of convertible securities”. Accordingly, Listing Rule 7.2 Exception 4 will apply to the issue of such Shares. However, the issue of the New Warrants does not fall under this exception, and accordingly the New Warrants must be issued within 3 months after the AGM.

(c) **Issue price of the securities, which must be either a fixed price or a minimum price**

If Resolution 4 is approved, and the amendments to the terms of the Bonds proceed, the Bonds will have a Conversion Price of A$0.10. As discussed above, the aggregate number of shares to be issued on conversion is determined by multiplying the face value of the Bonds of US$225,000,000 by the adjusted exchange rate for conversion of US$1.00/A$\(1 / 0.75\)), and then dividing that number by the Conversion Price of A$0.10.

If Resolution 4 is approved, and the amendments to the terms of the Bonds proceed, the New Warrants will be issued for no cash consideration but will have a strike price of A$0.05 per Share.

As discussed above, both the Bond terms and the terms of the New Warrants provide for the adjustment of the Conversion Price or strike price upon the occurrence of certain prescribed events, such as certain issues of further capital by Lynas or other capital management initiatives (see Annexure B).

(d) **Names of the persons to whom Lynas will issue the securities (if known) or the basis upon which those persons will be identified or selected**

The Bonds are currently held by the following investor groups:

<table>
<thead>
<tr>
<th>Bondholders</th>
<th>No. of Convertible Bonds</th>
<th>No. of Convertible Bonds held by Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mount Kellett Group</td>
<td>150,000,000</td>
<td></td>
</tr>
<tr>
<td>– Mount Kellett Capital Partners (Ireland) II Limited</td>
<td>138,238,006</td>
<td></td>
</tr>
<tr>
<td>– Lantau Overseas Master Fund II LP</td>
<td>4,572,282</td>
<td></td>
</tr>
<tr>
<td>– Lantau Overseas Master Fund II-A LP</td>
<td>3,151,876</td>
<td></td>
</tr>
<tr>
<td>– Vista Asset Funding (Ireland) Limited</td>
<td>4,037,836</td>
<td></td>
</tr>
<tr>
<td>Fortress Group</td>
<td>25,000,000</td>
<td></td>
</tr>
<tr>
<td>– FCCD Limited</td>
<td>17,500,000</td>
<td></td>
</tr>
<tr>
<td>– FCCO DAC</td>
<td>7,500,000</td>
<td></td>
</tr>
<tr>
<td>Och-Ziff Group</td>
<td>23,500,000</td>
<td></td>
</tr>
<tr>
<td>– Sculptor Finance (MD) Ireland Limited</td>
<td>16,090,450</td>
<td></td>
</tr>
<tr>
<td>– Sculptor Finance (AS) Ireland Limited</td>
<td>6,977,150</td>
<td></td>
</tr>
<tr>
<td>– Sculptor Finance (SI) Ireland Limited</td>
<td>432,400</td>
<td></td>
</tr>
</tbody>
</table>
The New Warrants are proposed to be issued to Bondholders in the same proportions that they hold Convertible Notes.

(e) The terms of the securities
The terms of the Bonds were originally disclosed in the Notice of Meeting for the Annual General Meeting held in 2012. The existing terms, and the amendments, are summarised in Annexure B.

The terms of the New Warrants are summarised in Annexure B.

(f) Intended use of proceeds of issue of the securities
The proceeds of US$225,000,000 raised from the issue of the Bonds have been used by Lynas for the commissioning and construction of the LAMP in Malaysia and for working capital. The proceeds of US$225,000,000 were paid in full on issuance of the Bonds, and no further cash is payable upon a future conversion of the Bonds into ordinary shares. There are no additional proceeds payable by Bondholders for the issue of the New Warrants.

(g) The date of allotment or a statement that allotment will occur progressively
The Bonds were issued in February 2012. It is not yet known when, or if, shares will be issued on conversion of the Bonds. This is because it is not yet known whether that conversion will occur, particularly if the market price of the Company’s shares remains below the relevant Conversion Price. Any conversion of the Bonds, and subsequent issue of Shares, will need to occur on, or before, the adjusted Maturity Date of 30 September 2020 (assuming Resolution 4 is approved).

The New Warrants will be issued upon the debt restructure referred to above becoming unconditional. If issued, the New Warrants are exercisable until the new maturity date of the Convertible Bonds, being 30 September 2020.

Additional considerations relevant to how shareholders may decide to vote in relation to Resolution 4
In addition to the information set out above that is prescribed by the Listing Rules for an approval sought in connection with Listing Rule 7.1, there are a number of other matters that the Directors of Lynas consider to be relevant to how a shareholder may vote. These considerations are set out below.

(a) Effect on control of Lynas of the proposed amendments
If the proposed amendments to the terms of the Bonds proceed, and if the Bonds are converted or if the New Warrants are exercised, then, subject to the takeovers provisions of the Corporations Act referred to below, Bondholders will be entitled to be issued a materially greater number of ordinary shares in the Company than would have been the case prior to the amendments.

At present, excluding any shares which would be issued on conversion of the Bonds, the Company has a fully diluted share capital of 3,796,215,038 shares, comprised as follows:

<table>
<thead>
<tr>
<th>Securities</th>
<th>Total Diluted Shares (excluding the Bonds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Shares on issue</td>
<td>3,488,438,369</td>
</tr>
<tr>
<td>Warrants previously issued to the Bondholders, each of which entitle the warrant holder to one Share upon payment of the strike price of A$0.038 per Share (Existing Warrants)</td>
<td>174,365,466</td>
</tr>
<tr>
<td>Employee Performance Rights</td>
<td>130,300,871*</td>
</tr>
<tr>
<td>Total Diluted Share Capital (excluding the Bonds)</td>
<td>3,793,104,706</td>
</tr>
</tbody>
</table>

* Note that this assumes that Resolution 3 is approved and the 12,686,047 employee performance rights referred to in Resolution 3 are granted.

As stated above, it is unlikely that Bondholders would convert the Bonds at the current market price for shares in the Company of A$0.066, and the current Conversion Price of A$0.5634. However if all of the Bonds were to be converted at the current Conversion Price and exchange rate for conversion, this would result in the issue of 380,710,863 shares to Bondholders. Further, if all of the Existing Warrants were exercised,
this would result in the issue of 174,365,466 shares to Bondholders. In addition, if the Employee Performance Rights are exercised, this would result in the issue of 130,300,871 shares to the holders of those Performance Rights. Assuming that the Bondholders did not hold any other shares in the Company at the time, and no other changes to the share capital, then following:

- the conversion of the Bonds;
- the exercise by the Bondholders of the Existing Warrants, and
- the exercise of the Employee Performance Rights,

the Bondholders, as a group, would hold 555,076,329 of 4,173,815,569 shares on issue (representing 13% of the issued shares at that time).

If the terms of the Bonds are amended as proposed, including by reducing the Conversion Price to A$0.10, then it becomes more likely that the Bonds would be converted in the future in the event of an increase in the price of the shares, and a greater number of shares will be issued on conversion than before the amendments. Further additional shares will be issued on any exercise of the New Warrants. If the terms are amended, assuming that the Bondholders did not hold any other shares in the Company at the time, and no other changes to the share capital, then following:

- the conversion of the Bonds;
- the exercise by the Bondholders of the Existing Warrants;
- the exercise by the Bondholders of the New Warrants; and
- the exercise of the Employee Performance Rights (including the 12,686,047 Employee Performance Rights referred to in Resolution 3),

the Bondholders, as a group, would hold 3,523,209,303 of 7,141,948,543 shares on issue (representing 49% of the issued shares at that time).

This, however, treats all Bondholders as a group. At present, of the Bondholders, only Mount Kellett and Fortress are regarded as associates in relation to Lynas for Corporations Act purposes. If the terms of the Bonds are amended, assuming that Mount Kellett and Fortress did not hold any other shares in the Company at the time, and no other changes to the share capital (including the other Bondholders not converting any of their Bonds or exercising any of their warrants), then following:

- conversion by Mount Kellett and Fortress of their Bonds,
- the exercise by Mount Kellett and Fortress of their Existing Warrants;
- the exercise by Mount Kellett and Fortress of their New Warrants, and
- the exercise of the Employee Performance Rights (including the 12,686,047 Employee Performance Rights referred to in Resolution 3),

Mount Kellett and Fortress would collectively hold 2,740,273,902 of 6,359,013,142 shares on issue (representing 43% of the issued shares at that time).

While a 43% shareholding would potentially give Mount Kellett and Fortress control of the Company, whether the amended Bonds are converted, and whether the Existing Warrants and New Warrants are exercised, will be heavily influenced by the prevailing market price of shares in the Company at the relevant time.

It is also important to note that in converting their Bonds, or exercising their Existing Warrants or New Warrants, Mount Kellett and Fortress will be subject to the takeovers provisions of the Corporations Act. In summary, those provisions prohibit a person acquiring voting shares in a listed company if as a result of the acquisition that person, together with its associates, would have relevant interests in more than 20% of the voting shares in the company, unless an exception applies. Those provisions do not prevent a person such as Mount Kellett or Fortress acquiring Bonds or warrants, as those securities are not voting shares, but the provisions do regulate the acquisition of voting shares in Lynas upon conversion of the Bonds or exercise of the warrants.

The most relevant exceptions to the 20% takeover rule are (i) where the acquisition has been approved by a subsequent resolution of shareholders of the company in general meeting, on which the person acquiring the shares and their associates cannot vote; and (ii) the ‘creep rule’, under which an acquirer who has at least 19%, increases its relevant interest in voting shares by no more than 3% in any 6-month period. In converting their Bonds, or exercising their Existing Warrants or New Warrants, Mount Kellett and Fortress would need to have obtained Lynas shareholder approval in the future, or to come within one of the other exceptions in order to acquire voting power of more than 20% in Lynas in aggregate. It should be noted that the takeover provisions of the Corporations Act do not regulate the conversion of the Bonds or the exercise of the warrants by Mount Kellett or Fortress so long as such conversion or exercise does not result in their voting power in Lynas increasing to more than 20% at any one time. The Company has agreed to seek shareholder approval, if the Majority Bondholders request it to do so in the future, for the issuance of shares to the Bondholders upon exercise of the Warrants or conversion of the Bonds to the extent that such issuance would result in Mount Kellett and Fortress increasing their voting power in the Company to more than 20% and it is a condition to the effectiveness of the amendments to the Bonds that the Foreign Investment Review Board approve the issuance of the Warrants and the amendments to the Bonds and the issuance by the Company to the Bondholders of the shares issuable upon conversion of the Bonds and the exercise of the Warrants.

(b) Reasons to vote in favour of Resolution 4

There are a number of reasons why the Directors consider shareholders could vote in favour of Resolution 4.

(i) Amendments to the financing terms will enable Lynas to continue as a going concern

As described in Note 2.2 on page 48 of the 2016 Annual Report, the ability of the Company to continue to meet its financial obligations will depend on a range of factors summarized in Note 2.2. The Directors have concluded that the amendments to the loan facilities summarized in this Resolution 4 are important to assist the continued operation of the business as a going concern.
If Resolution 4 is not approved, and the amendments proposed in respect of the Bonds and the Senior Facility with JARE are not able to be implemented, the Directors have concerns about whether Lynas will be able to continue as a going concern. Without the extensions to the maturity dates, without the reduction in the interest rates and without other ancillary benefits agreed with JARE and the Bondholders, the current debt repayment profile would create uncertainty as to Lynas’ ability to carry on business.

(ii) Fairness of the adjusted Conversion Price when weighed against concessions from the Bondholders

The amended Conversion Price of A$0.10 per Share represents 152% of the closing price of the Company’s shares on ASX on 26 October 2016. The Directors have concluded that the amended Conversion Price of A$0.10 per Share is appropriate to reflect current market conditions, including the sustained very low global prices for the Company’s Rare Earths products. Prior to the proposed amendments, the Conversion Price was A$0.5634, as detailed in Annexure B. In determining the amended Conversion Price, the Directors had regard to:

- the book value of Lynas’ assets (excluding debt) in Lynas’ financial report for the year ended 30 June 2016;
- advice obtained from KPMG Corporate Finance to the value of the Shares based on managements’ operational assumptions; and
- a comparison, prepared by KPMG Corporate Finance, of the metrics implied by the proposed conversion price of A$0.10 to KPMG Corporate Finance’s assessed value of the Shares and to recent trading prices in Lynas shares, compared with the metrics implied by other recent Convertible Bond issues in the Australian marketplace.

Having regard to these factors, the Directors consider the adjusted conversion price to be fair, particularly when weighed against the concessions made by the Bondholders, including the two year extension of the maturity date to 30 September 2020.

In addition, the Directors have concluded that the proposed grant of 348,843,837 new warrants to the Bondholders with a four year term expiring on 30 September 2020 at a strike price of A$0.05 per Share is fair compensation to the Bondholders for the reduction in the interest rate from 2.75% to 1.25% per annum over the four year term of the Bonds. The value of the interest foregone by the Bondholders over the four year term is approximately A$19.5 million (calculated at an exchange rate of A$1.00 = US$0.75). In determining the proposed number of warrants to be granted, the Directors had regard to advice obtained from KPMG Advisory as to the value of the proposed warrants. As at 26 September 2016, KPMG Advisory valued the proposed warrants at A$13.4 million.

(iii) Amendments to the financing terms provide additional time for the business to deliver improved financial outcomes

The amended funding arrangements proposed by the Bondholders and JARE represent a more viable financial future for Lynas and its ongoing mining and production activities.

The pricing for Lynas Rare Earths products has been at sustained low levels for over 1 year after 3 years of continuous decline. Despite significant increases in production and sales volumes and significant reductions in the unit cost of production, the business continues to operate at a break-even level before financing costs.

Demand for Rare Earths products, particularly NdPr, remains strong and is forecast to continue to grow. Therefore there is potential that market prices for these products will increase in the future, which, if that occurs, should translate into improved financial returns for the Lynas business.

The effects of the amendments to the financing terms are to provide Lynas with the opportunity to effect further improvements in business operations and to take advantage of any future increases in market pricing.

(iv) Inter-conditionality of the amendments proposed to the financing arrangements

As noted above, the amendments agreed to by Lynas with each of JARE and the Bondholders will only be implemented if all conditions are met. If Resolution 4 is approved, over the four year term of the facilities, the total interest saving will be approximately A$70 million (including past interest waived and future interest savings).

If Resolution 4 is not approved, the amendments to the terms of the Bonds and the issue of the New Warrants will not occur and Lynas will not only not receive the benefit of concessions made pursuant to the amended terms of the Bonds, such as the extension of the maturity date and the reduction of the interest rate, but it will also not enjoy the benefit of those amendments agreed with JARE. In summary, this would mean:

(A) under the Senior Facility with JARE, Lynas would need to repay:
   - US$5 million in December 2016;
   - US$15 million in June 2017;
   - US$30 million in December 2017; and

(B) the current interest rate for the Senior Facility would continue to apply, being 6.0% per annum, subject to any reduction for meeting specific targets;

(C) the principal amount of US$225 million due under the Bonds would be repayable in September 2018;

(D) the current interest rate on the Bonds, being 2.75%, would continue to apply; and

1 KPMG Corporate Finance is a division of KPMG Financial Advisory Services (Australia) Pty Ltd
(E) Interest under both loan facilities for calendar year 2016 would be due in December 2016, in the aggregate amount of approximately US$19 million.

If shareholders approve the changes, each of these liabilities is avoided in its current form. If shareholders do not approve the changes, there is uncertainty over whether the company could meet these scheduled payments.

(c) Reasons to vote against Resolution 4

There are a number of reasons the Directors consider shareholders may take into account when deciding whether to vote against Resolution 4.

(i) Subject to the takeover provisions of the Corporations Act referred to above, there is future potential for control to pass to the Bondholders and/ or Mount Kellett and Fortress

As indicated above, following amendment of the Bond terms, in an assumed conversion scenario, there is the potential for control of Lynas to pass to the Bondholders or to Mount Kellett and Fortress in certain circumstances if the Bonds are converted and the Warrants are exercised. In this case, the maximum percentage holding of voting shares in Lynas, based on the assumptions referred to above, could be 43% for Mount Kellett and Fortress, or 49% for the Bondholders as a group, if each of those holders converted and/ or exercised. As noted above, the Company has agreed to seek shareholder approval, if the Majority Bondholders request it to do so in the future, for the issuance of shares to the Bondholders upon exercise of the Warrants or conversion of the Bonds to the extent that such issuance would result in Mount Kellett and Fortress increasing their voting power in the Company to more than 20% at any one time.

Also as discussed above, the ability of Mount Kellett and Fortress, or any other person, to acquire voting power in more than 20% of Lynas at any one time will be regulated by the takeover provisions of the Corporations Act which requires that in converting their Bonds, or exercising their Existing Warrants or New Warrants, Mount Kellett and Fortress would need to have obtained Lynas shareholder approval in the future, or to come within one of the other exceptions in order to acquire more than 20% of the shares in Lynas in aggregate.

(ii) Dilution of existing shareholders

If the Convertible Bonds are converted, then existing Shareholders will be diluted. The degree of dilution under the amended Conversion Price of A$0.10 per Share and the amended exchange rate on conversion, will be materially greater than the dilution under a conversion scenario based on the existing Conversion Price and exchange rate.

Again, the adjusted Conversion Price remains substantially above the current trading price of the Company’s shares and any dilution from the Convertible Bonds would likely only occur as the result of a significant increase in the price of the shares.

(iii) Alternative proposals or improved operating environment

Shareholders may consider that there are other alternatives which would represent a better outcome for Lynas than the proposed amendments to the terms of the Bonds and the Senior Facility with JARE.

In relation to this consideration, the Board notes that the position described in this Explanatory Memorandum has been the culmination of months of engagement and negotiation with the financiers, other market participants and potential investors. The Board has also taken advice from KPMG Corporate Finance as part of its deliberations in determining its recommendation on what is in the best interest of shareholders.

Directors’ Recommendation

The Directors unanimously recommend shareholders vote in favour of Resolution 4.

For the reasons outlined above, the Directors consider the amended terms of the Bonds and the Senior Facility with JARE are in the best interests of shareholders.

Further the Directors once again draw shareholders’ attention to the aforementioned uncertainty for Lynas to continue as a going concern if these amendments are not approved by shareholders.

No director has a material personal interest in the outcome of Resolution 4, other than in their capacity as a shareholder.

Voting exclusion statement

In accordance with Listing Rule 14.11.1, none of the Bondholders or their associates are permitted to vote in relation to Resolution 4.
Glossary

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**Board** means the board or Directors of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

(a) a spouse or child of the member;
(b) a child of the member’s spouse;
(c) a dependant of the member or of the member’s spouse;
(d) anyone else who is one of the member’s family and may be expected to influence the member, or be influenced by the member, in the member’s dealings with the entity;
(e) a company the member controls; or
(f) a person prescribed by the Corporations Regulations 2001 (Cth).

**Corporations Act** means Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Key Management Personnel** has the same meaning as in the accounting standards (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executor or otherwise, of the Company).
Annexures

Annexure A

Terms of the Lynas Employee Performance Rights Plan (Resolution 3)

1. Name
This Plan shall be called the Lynas Corporation Limited (ACN 009 066 648) – Performance Rights Plan.

2. Purpose
The Purpose of this Plan is to:

1) recognise the ability and efforts of the directors, employees and consultants of the Company who have contributed to the success of the Company;

2) provide an incentive to the directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the Company; and

3) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its directors, employees and consultants.

3. Commencement
This Plan shall take effect from such date as is resolved by the Board of Directors.

4. Interpretation
In these rules, unless the context otherwise requires:

“ASX” means ASX Limited;

“Board of Directors” means the Board of Directors of the Company from time to time acting by resolutions made in accordance with the Corporations Act and the Constitution of the Company;

“Business Day” means a day on which trading banks are open for business in Sydney, Australia;

“Change of Control Event” means a shareholder, or a group of associated shareholders, acquiring relevant interests in sufficient shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board of Directors and that ability is successfully exercised.

“Company” means Lynas Corporation Limited ACN 009 066 648;

“Corporations Act” means the Corporations Act 2001 (Cth).

“Director” means an executive or non-executive director of the Company, from time to time;

“Eligible Person” means each individual or corporate entity that is a full-time or part-time employee or consultant of the Company, a Director or an Officer of the Company. The Board of Directors has determined that non-executive Directors may not participate in the Plan;

“Listing Rules” means the Listing Rules of ASX;

“Offeree” means a person to whom Rights are offered under this Plan;

“Officer” has the same meaning as is ascribed to that term in the Corporations Act.

“Official Quotation” means quotation on the Official List of ASX;

“Plan” means this Plan as amended from time to time;

“Rights Holder” means a person to whom Rights are issued under this Plan;

“Rights” means the Rights granted under this Plan to subscribe for Shares;

“Rules” means these rules as from time to time amended; and

“Shares” means the ordinary fully paid shares in the capital of the Company.

“Vesting Date” means, in respect of a Right, the date three (3) years after the date of grant of the Right.
5. Eligibility
All Eligible Persons shall be entitled to participate in the Plan.

6. Limitation on Total Number of Rights
The combined number of options and performance rights over unissued Shares in the Company that may be issued under this Plan and under any other employee incentive plan at any time shall not exceed 5% of the total number of Shares on issue from time to time.

7. Number of Rights
The number of Rights an Eligible Person is to be allocated shall be determined by the Board of Directors in its sole and absolute discretion. The number of Rights that Directors are to be allocated will be subject to the approval of shareholders in general meeting.

8. Terms and Conditions of Rights
The terms and conditions of each allocation of Rights shall be determined by the Board of Directors in its sole and absolute discretion. The expiry date of Rights shall be up to five (5) years after the date on which the Rights were granted. In addition to the requirement that the Offeree must be an Eligible Person on the Vesting Date, Rights may be issued subject to such additional vesting conditions as are determined by the Board of Directors in its sole and absolute discretion.

9. Recipient of Shares
Subject to Rule 18, an Eligible Person may only apply in his/her own name to take up his/her entitlement, or part thereof, to Rights under the Plan.

10. Offer Letter and No Certificates
The Company shall issue a letter to each Offeree setting out the number of Rights offered and the deadline for acceptance of the offer. If an Offeree does not accept the offer before the deadline for acceptance, the offer will lapse and those Rights will not be issued.

No certificates will be issued for the Rights, and the Company’s register of Rights Holders will be conclusive evidence of the matters set out therein.

11. Terms and Conditions of Rights to be Issued to Eligible Persons

11.1 Monies may be payable for the issue of the Rights.

11.2 If a Change of Control Event occurs, Rights do not vest automatically. The general position is that Rights will remain in effect, with no change to the Vesting Date. Ultimately, a discretion remains with the Board as to whether Rights will vest upon a Change of Control Event, and if so, how many. The key criteria to be applied by the Board is what is reasonable in the circumstances. For example, if the management team remains intact following a Change of Control Event, the general position is that Rights will remain in effect, with no change to the Vesting Date.

11.3 Despite anything contained elsewhere in these Rules, but subject to Rules 11.4 and 12.1, a Right is only exercisable, if immediately following the Vesting Date, the Rights Holder is an Eligible Person.

11.4 The Board of Directors may waive or amend the operation of Rule 11.3 (but so as not to increase the period for the exercise of a Right) as it applies to a Rights Holder in cases of hardship or for any other just reason.

11.5 Each Right shall carry the right in favour of a Rights Holder to subscribe for one Share.

11.6 Shares allotted to Rights Holders on the exercise of Rights shall be issued for no additional monetary consideration.

11.7 Rights shall not be listed for official quotation on ASX.

11.8 A Rights Holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of a Right. The Board of Directors may waive or amend the operation of this Rule as it applies to a Rights Holder in cases of hardship or for any other just reason.

11.9 Rights may be issued on the basis that (subject to satisfaction of the vesting conditions) they will be automatically exercised on a specified date without further action required by the Rights Holder. Subject to satisfaction of the vesting conditions, all other Rights shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Rights Holder to exercise all or a specified number of Rights held by him. An exercise of only some Rights shall not affect the rights of the Rights Holder to the balance of the Rights held by him.

11.10 The Company shall allot the resultant Shares within five (5) business days of the exercise of the Rights.

11.11 Shares allotted pursuant to an exercise of Rights shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.

11.12 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Rights listed for Official Quotation.

11.13 Rights Holders do not have a right to participate in new issues without exercising their Rights in accordance with Listing Rule 6.19.

11.14 In the event of any reorganisation of capital of the Company, all rights of the Rights Holder will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.

11.15 The Rights will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Rights.
11.16 The number of Shares to be issued pursuant to the exercise of Rights will be adjusted for bonus issues made prior to exercise of Rights. The effect will be that upon exercise of the Rights the number of Shares received by the Rights Holder will include the number of bonus Shares that would have been issued if the Rights had been exercised prior to the record date for bonus issues. The exercise price of the Rights shall not change as a result of any such bonus issue.

11.17 The Company shall notify each Rights Holder and ASX within one (1) month after the record date for a bonus issue of the adjustment to the number of Shares over which the Rights exist.

12. Termination of Rights

12.1 Despite anything contained elsewhere in this Plan, if a Rights Holder ceases to be an Eligible Person prior to the specified Vesting Date of his / her Rights, then unless otherwise determined by the Board at its sole discretion, the unvested Rights held by the Rights Holder will continue to be subject to the rules of the Plan until the Vesting Date of the Rights, at which time the Rights will vest in accordance with the rules of the Plan.

12.2 If the Board exercises its discretion to cancel such Rights, such Rights will be cancelled within 6 months of the Board decision, except where the Rights Holder has been retrenched where cancellation will occur within 36 months of the Board decision.

13. Restrictions on Alterations to the Plan

The Plan may be amended at any time by resolution of the Board of Directors of the Company subject to the requirements from time to time of the Corporations Act and the Listing Rules. Any such amendment however shall not adversely affect the rights of Rights Holders who are granted Rights prior to such amendment without the consent of the Rights Holder, unless such amendment is required by, or necessitated by amendments to, either the Corporations Act or the Listing Rules.

14. Rights of Employees

The Plan shall not form part of any contract of employment between the Company and any of its employees or Directors and shall not confer directly or indirectly on any Eligible Person the right to be employed by or to continue to be employed by or hold any position in relation to the Company.

15. Powers of the Directors

The Plan shall be administered by the Board of Directors who shall have the power to:

15.1 determine procedures from time to time for administration of the Plan consistent with these rules;
15.2 resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and
15.3 delegate to any one or more persons for such period and on such conditions as may be determined by the Board of Directors, the exercise of any of the Board of Directors' powers or discretions arising under the Plan.

16. Termination of Plan

The Plan may at any time be terminated by the Board of Directors but such termination shall not affect the rights of holders of Rights issued prior to termination.

17. Governing Law

This Plan shall be governed by, administered and construed in accordance with the Laws of New South Wales.

18. Employee Share Trust

Despite anything contained elsewhere in these Rules, Rights may be issued to the trustee of the Lynas Corporation Limited Employee Share Trust or a successor trust (the EST Trustee) to be allocated for the benefit of a specified Eligible Person. Any requirement in these Rules that a Rights Holder be an Eligible Person is satisfied where the EST Trustee holds Rights for the benefit of an Eligible Person.
## Annexure B

### Proposed Amendments to the Bonds (Resolution 4)

<table>
<thead>
<tr>
<th>Term</th>
<th>Existing Convertible Bond</th>
<th>Proposed Amended Convertible Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maturity Date</strong></td>
<td>30 September 2018</td>
<td>30 September 2020 (or if the Senior Facility has been earlier repaid in full, then the date that is 3 months after such early repayment date of the Senior Facility).</td>
</tr>
<tr>
<td><strong>Conversion Period</strong></td>
<td>Any time during period up to and including the Maturity Date, being 30 September 2018.</td>
<td>To be amended to allow conversion up to (and including) the new Maturity Date, being 30 September 2020.</td>
</tr>
<tr>
<td><strong>Coupon</strong></td>
<td>2.75% per annum</td>
<td>On and from the effective date, the interest rate is reduced to 1.25% per annum, subject to the following. If, on the last day of any calendar month (“Test Date”) the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is US$38 per kilogram or greater, the interest rate will increase to 1.875% per annum, effective on and from the day after the Test Date. The interest rate will remain 1.875% per annum until there have been 6 consecutive Test Dates on which the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is less than US$38 per kilogram, in which case the interest rate will revert to 1.25% per annum effective on and from the day after such 6th consecutive Test Date and will remain 1.25% per annum until any Test Date on which the weighted average realized sale price of NdPr products sold by the Group in the immediately preceding 6 calendar month is US$38 per kilogram or greater.</td>
</tr>
<tr>
<td><strong>Interest Payment Dates</strong></td>
<td>Interest periods on the Senior Facility and the Bonds have been aligned (i.e. interest periods ending on: June 30 and December 31).</td>
<td>Interest periods on the Senior Facility and the Bonds have been aligned (i.e. interest periods ending on: June 30 and December 31) with a final interest period for the Bonds ending on 30 September 2020). The interest payment date will be the last day of each interest period, with the last interest payment date being the Maturity Date.</td>
</tr>
<tr>
<td><strong>Interest Deferral</strong></td>
<td>All interest payments that were scheduled to be made to both lender groups from January 2016 to September 2016 are postponed to the end of December 2016 without additional interest or penalty.</td>
<td>The payment of interest in respect of the period commencing on 1 January 2016 and ending on 31 December 2016 will be deferred to the Maturity Date (with no penalty, and no additional interest).</td>
</tr>
<tr>
<td><strong>Restricted Interest Account Release</strong></td>
<td>No equivalent mechanism</td>
<td>Any amounts released to the Bondholders from the Bond restricted interest account will be applied first to pay accrued and unpaid interest on and thereafter principal of the Bonds. Such payment will occur within 5 Business Days after the first date after 31 July 2017 on which the Group’s unrestricted cash balance exceeds A$25 million. The Bondholder Majority may, in its sole discretion, extend the repayment and interest payment for a period of 6 months, at which time the Bondholders will review the position in their discretion, having regard to the expected cash flows of Lynas and rare earth market conditions. Future interest payments will be made directly to the Bondholders from unrestricted cash and not via the Bond restricted interest account. The entire balance (if any) remaining in the Bond restricted interest account will be paid to the Bondholders at the final repayment date under the Senior Facility.</td>
</tr>
</tbody>
</table>
Annexures

<table>
<thead>
<tr>
<th>Term</th>
<th>Existing Convertible Bond</th>
<th>Proposed Amended Convertible Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion Price</td>
<td>The Conversion Price of the Bonds is set at A$0.5634 per share, subject to adjustment pursuant to the section of this Annexure B headed “Anti-Dilution Adjustment”.</td>
<td>On and from the effective date, the Conversion Price is reduced to AU$0.10, subject to the section of this Annexure B headed “Anti-Dilution Adjustment”.</td>
</tr>
<tr>
<td>Conversion exchange rate</td>
<td>The Conversion Amount per Bond is fixed at US$1 = A$0.9533. This is applied as subscription funds at the Conversion Price.</td>
<td>On and from the effective date the Conversion Amount is fixed at US$1 = A$(1 / 0.75).</td>
</tr>
</tbody>
</table>

Anti-Dilution Adjustment

Anti-dilution adjustments apply for customary events including:
- consolidations, reclassifications or subdivisions;
- capitalisation of profits or reserves;
- payment of dividends;
- rights issues, new issues and similar issues in respect of shares or other securities;
- modification of certain rights;
- other offers of securities; and
- certain other events or circumstances.

In addition, if there is any issue at less than the highest of:
(i) the Current Market Price per Share on the date of the first public announcement by the Company of the terms of issue of the Securities;
(ii) the closing price per Share on the ASX on the last Dealing Day completed before the first public announcement of the terms of issue of the Securities; or
(iii) if the announcement referred to in paragraph (ii) above was made while the Company is in a trading halt or suspension of trading, the last trading price per Share on the ASX before the trading halt or suspension took effect, (excluding any issues to fund the consideration for any merger and acquisition transactions by a Group Company), the Conversion Price shall be adjusted after each such Issue is made to the lower of the:
(a) Conversion Price that will result in the Bondholders receiving a proportion of shares equal to 8.40% of the issued shares on a fully diluted basis; or
(b) Conversion Price as adjusted by the following fraction:

\[
\frac{A + B}{A + C}
\]

Where:
A = the number of Shares on issue at close of business on the Dealing Day immediately before first public announcement of the terms of an issuance
B = the number of Shares which the aggregate consideration for the issuance would purchase at the current market price per Share
C = the number of Shares issued in the issuance.

The existing anti-dilution adjustment mechanism applies if there is any issue of equity securities at less than or equal to the current market price per Share on the date of the first public announcement by the Company of the terms of issue of the equity securities.

The exception for Issues to fund the consideration for any merger and acquisition transactions by a Group Company is deleted.

The proportion of 8.40% referred to in paragraph (a) of the adjustment clause is amended to 42.19%, to reflect the change in the Conversion Price from A$0.5634 to A$0.10.

In addition, the definition of “VWAP” in Schedule 6 of the Convertible Bond Deed Poll is amended to read:

“VWAP means on any Dealing Day, in respect of an Share or, as the case may be, a Spin-Off Security the daily volume-weighted average sale price (rounded to the nearest 1/10 of a cent) of Shares sold on ASX or, as the case may be, a Spin-Off Security, calculated using the Bloomberg page ‘AQR’ or (in the case of a Spin-Off Security) from the relevant principal stock exchange or securities market on which such Spin-Off Securities are then listed or quoted or dealt in, if any, or, in any such case, such other source as shall be determined to be appropriate by an Independent Financial Adviser on such Dealing Day, provided that on any such Dealing Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Share or, as the case may be, a Spin-Off Security in respect of such Dealing Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined.”
<table>
<thead>
<tr>
<th>Term</th>
<th>Existing Convertible Bond</th>
<th>Proposed Amended Convertible Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warrants</td>
<td>On 7 September 2015, Lynas issued warrants to the Mount Kellett led Bondholder group, for 174,365,466 shares at a strike price of A$0.038 per share.</td>
<td>The Bondholders or their affiliates will be issued an additional 348,843,837 warrants on the effective date, at a strike price of A$0.05 per share. The warrants must be issued within 2 trading days after the effective date. The warrants are issued at no cost and are not attached to the Bonds and allow the warrant holder to exercise the warrants at any time from issuance up to 30 September 2020 and to receive 1 ordinary share for every 1 warrant that is exercised. The other substantive terms of the warrants will be the same as the terms of the warrants that were issued by the Company on 7 September 2015.</td>
</tr>
<tr>
<td>Exercise of Warrants and conversion of Bonds</td>
<td>The warrants can be exercised at any time from the issue of the warrants until 5.00pm (Sydney time) on 30 September 2018, at which point, any warrants that have not been exercised will automatically lapse. Bondholders are currently entitled to convert the Bonds and may continue to do so until the Maturity Date, being 30 September 2018.</td>
<td>A Bondholder shall not be permitted to exercise any warrants, nor convert any Bonds, and nor shall Lynas be required to issue any shares in Lynas upon either exercise or conversion (as applicable) of the warrants or Bonds, to the extent that it would result in a breach of section 606 of the Corporations Act. At the request of Majority Bondholders, the Company shall from time to time as soon as practicable call a general meeting of shareholders to seek approval for issuance to the Bondholders of the Shares issuable upon exercise of the Warrants and/or conversion of the Bonds, and prepare a circular for shareholder approval of such issuance.</td>
</tr>
<tr>
<td>Conditions Precedent</td>
<td>No conditions precedent remain outstanding.</td>
<td>The following conditions precedent apply to the proposed amendments to the Bonds: 1. that Lynas executes with JARE a binding term sheet with JARE that effectuates amendments to the Senior Facility that conform to the summary attached in Annexure C – [this condition has been satisfied]; 2. there is no default on any indebtedness of any obligor; 3. the shareholders of the Company pass Resolution 4; 4. the Foreign Investment Review Board approves the following and the Bondholders provide evidence of such approval to Lynas: • the issuance of the Warrants and the issue of Shares on exercise of the Warrants; and • the acquisition of a substantial interest in Shares on the adjustment of the Conversion Price of the Bonds contemplated by this term sheet and the issue of Shares on the conversion of the Convertible Bonds by the Bondholders. 5. ASX confirms that the terms of the Warrants and the terms of the Convertible Bonds as amended by this term sheet are appropriate and equitable for the purposes of Listing Rule 6.1.</td>
</tr>
</tbody>
</table>
Annexures C

Proposed Amendments to the Senior Debt Facility with JARE (Resolution 4)

<table>
<thead>
<tr>
<th>Term</th>
<th>Existing JARE Senior Facility</th>
<th>Proposed Amended JARE Senior Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity Date</td>
<td>30 June 2018</td>
<td>30 June 2020</td>
</tr>
<tr>
<td><strong>Principal Repayments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment Schedule</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment Date</td>
<td>Amount</td>
<td></td>
</tr>
<tr>
<td>30 June 2016</td>
<td>US$2m (paid)</td>
<td></td>
</tr>
<tr>
<td>21 December 2016</td>
<td>US$5m</td>
<td></td>
</tr>
<tr>
<td>30 June 2017</td>
<td>US$15m</td>
<td></td>
</tr>
<tr>
<td>21 December 2017</td>
<td>US$30m</td>
<td></td>
</tr>
<tr>
<td>30 June 2018</td>
<td>US$153m</td>
<td></td>
</tr>
</tbody>
</table>

A US$3 million principal repayment will be payable to JARE on 27 October 2016 from the balance in the JARE restricted interest account.

A principal repayment from the remaining balance in the JARE restricted interest account would occur if the balance in unrestricted cash exceeds A$25 million on any date after 31 July 2017. In addition, JARE may call for the principal repayment from the remaining balance in the JARE restricted interest account if the Bond restricted interest account is closed following a conversion of the Bonds. JARE has the option to extend the repayment referred to in this paragraph for a period of 6 months, having regard to the expected cash flows of Lynas and rare earth market conditions.

There is a principal repayment test on each Interest Payment Date commencing on 31 December 2016. On each Interest Payment Date any balance in Lynas’ unrestricted cash accounts above A$40 million is paid as a principal repayment to JARE pursuant to a cash sweep mechanism. If Lynas receives the proceeds of a future equity raising then at least 50% of the proceeds will be exempt from the cash sweep.

When the full balance in the JARE restricted interest account is repaid as a principal repayment, interest for the period from 1 October 2014 to 31 December 2015 will be forgiven.

Except as indicated above there are no compulsory principal repayments due until the Maturity Date.

Additional voluntary principal repayments can be made without penalty at any time.
<table>
<thead>
<tr>
<th>Term</th>
<th>Existing JARE Senior Facility</th>
<th>Proposed Amended JARE Senior Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest Rate</strong></td>
<td>The current interest rate on the Senior Facility is 6.0% per annum. The Company has agreed</td>
<td>Effective from completion, the interest rate under the Senior Facility becomes 2.5% per annum. If,</td>
</tr>
<tr>
<td></td>
<td>an interest regime which provides Lynas with the ability to reduce the interest rate on the</td>
<td>on the last day of any calendar month (&quot;Test Date&quot;) the weighted average sale price of NdPr products</td>
</tr>
<tr>
<td></td>
<td>Senior Facility from its initial 7% per annum to a floor of 2.8% per annum over time. The</td>
<td>sold by the Group in the immediately preceding 6 calendar months is US$38 per kilogram or greater,</td>
</tr>
<tr>
<td></td>
<td>framework sets specific targets that, if met, will effect a cascading decrease in the interest</td>
<td>the interest rate will increase to 3.75% per annum, effective on and from the day after the Test Date.</td>
</tr>
<tr>
<td></td>
<td>rate payable on the Senior Facility. This is based on meeting certain milestones for</td>
<td>The interest rate will remain 3.75% per annum until there have been 6 consecutive Test Dates on which</td>
</tr>
<tr>
<td></td>
<td>cumulative NdPr production from 1 July 2015.</td>
<td>the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6</td>
</tr>
<tr>
<td><strong>Scheduled Repayments</strong></td>
<td>Each time a scheduled repayment is fully paid on or before its scheduled repayment date, the</td>
<td>calendar months is less than US$38 per kilogram, in which case the interest rate will revert to 2.5%</td>
</tr>
<tr>
<td></td>
<td>interest rate decreases by 0.3% per annum effective from the day after the repayment is made.</td>
<td>per annum effective on and from the day after such 6th consecutive Test Date, and will remain 2.5%</td>
</tr>
<tr>
<td><strong>Principal Prepayments</strong></td>
<td>If, at any time on or before 21 December 2016, the total repayment and prepayment amount</td>
<td>per annum until any Test Date on which the weighted average realized sale price of NdPr products sold</td>
</tr>
<tr>
<td></td>
<td>(including the US$20m already repaid by 2 October 2014) is equal to or greater than US$50m,</td>
<td>by the Group in the immediately preceding 6 calendar month is US$38 per kilogram or greater.</td>
</tr>
<tr>
<td></td>
<td>the interest rate decreases by 1.0%. An additional 0.5% reduction applies if, at any time on</td>
<td></td>
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<td></td>
<td>or before 30 June 2017, the total repayment and prepayment amount (including the US$20m</td>
<td></td>
</tr>
<tr>
<td></td>
<td>already repaid by 2 October 2014) is equal to or greater than US$70m. In the alternative, if,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>at any time on or before 30 June 2017, the total repayment and prepayment amount (including</td>
<td></td>
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<tr>
<td></td>
<td>the US$20m already repaid by 2 October 2014) is equal to or greater than US$50m, the interest</td>
<td></td>
</tr>
<tr>
<td></td>
<td>rate decreases by 0.4%.</td>
<td></td>
</tr>
<tr>
<td><strong>Interest Payment Dates</strong></td>
<td>Interest periods on the Senior Facility and the Bonds have been aligned (i.e. interest</td>
<td>The interest payment date will be the last day of each interest period, with the last interest</td>
</tr>
<tr>
<td></td>
<td>periods ending on June 30 and December 31).</td>
<td>payment date being the Maturity Date.</td>
</tr>
<tr>
<td><strong>Interest Deferral</strong></td>
<td>All interest payments that were scheduled to be made to both lender groups from January 2016</td>
<td>The payment of interest in respect of the period commencing on 1 January 2016 and ending on 31</td>
</tr>
<tr>
<td></td>
<td>to September 2016 are postponed to the end of December 2016 without additional interest or</td>
<td>December 2016 will be deferred to the Maturity Date (with no penalty, and no additional interest).</td>
</tr>
<tr>
<td><strong>Restricted Interest Account Release</strong></td>
<td>The balance in the restricted accounts is available, at the lenders’ discretion, for reuse in the Lynas business.</td>
<td>Future interest payments will be made directly to JARE from unrestricted cash and not via the JARE restricted interest account. The entire balance (if any) remaining in the JARE restricted interest account will be paid to JARE at the final repayment date under the Senior Facility.</td>
</tr>
</tbody>
</table>
### Additional Capital Restrictions

**Existing JARE Senior Facility**
Without the prior written consent of JARE, Lynas shall not enter into the following during the term of the Senior Facility:

1. dividends;
2. share buy-backs;
3. capex above A$25 million in a 6 month period; and
4. liabilities other than a list of pre-approved “Permitted Financial Liabilities”.

**Proposed Amended JARE Senior Facility**
No amendments

### Priority NdPr Supply to Japan

**Existing JARE Senior Facility**
Any fundraising will not hinder Lynas’ ability to support Japanese industries diversifying their rare earths supply sources, in accordance with the Availability Agreement announced on 30 March 2011.
Lynas to prioritize NdPr supply from the LAMP to the Japanese market.

**Proposed Amended JARE Senior Facility**
Lynas shall ensure that in the event of competing demands from the Japanese market and a non-Japanese market for the supply by the Borrower or Lynas Malaysia for NdPr produced from the LAMP, the Japanese market shall have priority of supply up to 3,600 tonnes per year subject to the terms of the Availability Agreement and to the extent that Lynas will not have any opportunity loss. This clause survives any failure to satisfy the Conditions Precedent below.

### Conditions Precedent

**Existing JARE Senior Facility**
No conditions precedent remain outstanding.

**Proposed Amended JARE Senior Facility**
The following conditions precedent apply to the proposed amendments to the Senior Facility:

1. that Lynas executes with the Bondholders a binding term sheet that effectuates amendments to the Bonds that conform to the summary attached in Annexure B [this condition has been satisfied]; and
2. that any conditions precedent in the binding term sheet executed with the Bondholders are satisfied.
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CORPORATE DIRECTORY

ABN 27 009 066 648

Registered Office
Level 1, 7 Tully Road
East Perth WA 6004 Australia
Tel: +61 8 6241 3800
Fax: +61 8 9242 7219
general@lynascorp.com

Principal Administrative Office
PT17212 Jalan Gebeng 3
Kawasan Perindustrian Gebeng
26080 Kuantan, Pahang Darul Makmur
Malaysia
Tel: +60 9 582 5200
Fax: +60 9 582 5291
general@lynascorp.com

Share Register
Boardroom Pty Ltd
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000 Australia
Tel: +61 2 9290 9600
Fax: +61 2 9279 0664
enquiries@boardroomlimited.com.au

Auditors
Ernst & Young
The EY Centre, 200 George Street
Sydney NSW 2000 Australia
YOUR VOTE IS IMPORTANT
For your vote to be effective it must be recorded before 1.00pm (Sydney Time) on Monday 28 November 2016.

TO VOTE ONLINE
STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)
STEP 3: Enter your Voting Access Code (VAC):

PLEASE NOTE: For security reasons it is important you keep the above information confidential.

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1: Appointment of Proxy
Indicate who you want to appoint as your Proxy
If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company’s securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2: Voting Directions to your Proxy
You can tell your Proxy how to vote
To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an “Appointment of Corporate Representative” prior to admission. An Appointment of Corporate Representative form can be obtained from the company’s securities registry.

STEP 3: Sign the Form
The form must be signed as follows:
Individual: This form is to be signed by the securityholder.
Joint Holding: Where the holding is in more than one name, all the securityholders should sign.
Power of Attorney: To sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: This form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person.
Please indicate the office held by signing in the appropriate place.

STEP 4: Lodgement
Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by 1.00pm (Sydney Time) on Monday, 28 November 2016. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:
By Fax + 61 2 9290 9655
By Mail Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
In Person Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000 Australia

Attending the Meeting
If you wish to attend the meeting please bring this form with you to assist registration.
STEP 1: Appoint a Proxy

I/We being a member/s of Lynas Corporation Limited (Company) and entitled to attend and vote hereby appoint:

☐ the Chair of the Meeting (mark box with an "X")

OR If you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at Sheraton on the Park, 161 Elizabeth St, Sydney NSW 2000 on Wednesday 30 November 2016 at 1:00pm (Sydney Time) and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1 and 3, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1 and 3 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1 and 3). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.