

26 September 2017

Appendix 3B - Employee Performance Rights

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

Lynas Chairman Mike Harding commented: “The Lynas incentive structure focusses on specific objectives that align with the interests of shareholders.

The short term incentive programme is focused on operating measures, including cash management, production output, cost management and other operating KPIs, including, for example safety, customer development, environmental compliance, and reputational management and community engagement. The long term incentive programme is focused on measures of shareholder value growth, including EBITDA growth and Total Shareholder Return.

In addition, The Board believes it is important that the incentive programme is designed to retain the senior leadership team that has led the recent turnaround in the business and to ensure the effective delivery of strategic plans to grow shareholder value.”

The proposed grants of performance rights are as follows:

1. FY17 Short Term Incentive (STI) Award

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

The goals and measures of the STI programme (including individual, team and company performance goals and measures), the relative weightings of those measures and goals, and STI target amounts are determined and approved at the commencement of each review period by the Remuneration Committee. During the financial year ended June 30, 2017, the STI Program had 4 goals as follows:

1. Lynas Group unrestricted cash balance – 25%
2. NdPr production volume – 25%
3. Operating cost targets – 25%
4. Team / Individual Performance – 25%

The table below summarises the STI targets and outcomes for the financial year ended June 30 2017 for Cash Balance and NdPr Production.

Targets for Operating Costs were set at the start of FY17 based on NdPr unit operating costs, excluding employee share payments, after crediting non-NdPr realised revenue. Those figures are commercial-in-confidence as it is not in the interest of the Group to disclose those figures to third parties such as customers and competitors. However we confirm that the result for FY17 was a 21% reduction on the per NdPr unit Operating Costs result for FY16. Based on the targets set, an award was made for FY17 at the 105% level for Operating Costs.

FY17 STI Goal	Target for 80% of Award	Target for 100% of Award	Target for 120% of Award	FY17 Outcome
Unrestricted cash balance	AUD28,001,735	AUD39,412,640	AUD43,353,904	AUD35,857,798 94% of Award
NdPr production volume (PF output)	4,989t	4,989t	5,488t	5,238t 110% of Award

As shown in the above table, three bands of performance were specified at the beginning of FY17 for each STI goal, with awards to be made equal to 80%, 100% or 120% of the available STI award pool for each goal, depending on which performance band was achieved. Awards would be prorated if performance fell between the 80%, 100% or 120% targets.

In addition, 25% of the STI award pool was available based on Team / Individual Performance goals. Team / Individual Performance goals included safety performance, customer development, environmental compliance, reputational management and community engagement. In FY17, the Group maintained a very good safety record, with the Group-wide 12-month rolling Lost Time Injury Frequency Rate, as at the end of June 2017, at 2.2 per million hours worked. In addition, significant progress was made in each of the other goals specified above, as detailed in the Review of Operations and Financial Performance sections on pages 6 to 13 of the FY17 Financial Report that was released to the ASX on 19 September 2017. In assessing the award for Team / Individual Performance, the Board considered each of the outcomes on the goals specified above and the improved financial performance of the Group in FY17, as detailed in the Review of Operations and Financial Performance sections on pages 6 to 13 of the FY17 Financial Report that was released to the ASX on 19 September 2017. The Board concluded that the performance of the Executives had been excellent during FY17 and an award was made at the 110% level for Team / Individual Performance in FY17.

In accordance with the above calculations, the overall outcome was that 105% of the available STI awards will be made in respect of the financial year ended June 30, 2017. Those awards will be made 50% in cash and 50% in Performance Rights with a 12 month vesting period. After the end of the financial year, the Board calculates the STI award outcome based on the above criteria, and the Board reserves the right to adjust the outcome, or the timing of payments, based on factors such as cash availability to pay the proposed award. No such adjustment was made for FY17. In addition, if there had been a fatality during the year (which there was not), no STI awards would have been made unless so resolved by the Board.

The FY17 STI performance rights will vest after 1 year of employment with no other vesting conditions. The exercise date will be in the first employee trading window after 28 August 2018. The FY17 STI performance rights were valued based on the 5 day VWAP at the date of the Board's decision to approve the award, being 28 August 2017. The FY17 STI performance rights were valued at \$0.1558 per performance right.

In accordance with the above calculations, it is proposed to grant 2,123,905 FY17 STI performance rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director. In addition, 5,338,876 FY17 STI Performance Rights will be granted for the benefit of other members of the senior leadership team. The proposed grant of FY17 STI

performance rights for the benefit of Amanda Lacaze is subject to shareholder approval at the Lynas AGM on 28 November 2017.

2. Strategic Performance Rights

The Board has approved a proposed grant of Strategic Performance Rights to senior executives of the company. The Strategic Performance Rights will have a 24-month vesting period commencing on 28 August 2017 and an exercise date in the first employee trading window after 28 August 2019, as an incentive to retain the senior leadership team that has led the turnaround of the business over recent years, and to implement the leadership team's 2 year plan to continue to grow shareholder value.

The proposed Strategic Performance Rights are subject to the following vesting conditions:

1. The senior leadership team members remaining employed by Lynas for at least the next 2 years and performing at an acceptable level; and
2. Meeting the strategic targets that have been set by the Lynas Board.

The key reasons for the proposed Strategic Performance Rights are as follows:

- Since her appointment in June 2014, Amanda Lacaze and the senior leadership team have executed a significant and difficult turnaround of the business. Net operating cash flows for FY17 were \$34.0m (FY16: \$4.1m) reflecting increased production volumes, reduced costs and improved selling prices towards the end of FY17. The Company's share price on 1 July 2016 was 5.7 cents. By 30 June 2017, the Company's share price had increased to 10.5 cents, and it has increased further since the end of FY17. The Company's closing share price on 25 September 2017 was 19 cents.
- The business is now well placed to move to its next growth phase. Ms Lacaze and the senior leadership team have led the company through the turnaround process and they have developed a specific and credible 2 year plan to continue to grow shareholder value. The strategic plan and the associated strategic targets that have been set by the Lynas Board are commercial-in-confidence.
- The directors believe that it would not be in shareholders' interests for disruption to the senior leadership team to occur over the next 2 years, while this plan is being executed.

The proposed Strategic Performance Rights also reflect the Group's requirement for a group of international calibre executives with the requisite skills and experience to operate and grow the business, and the need to retain such a team at our main operational site in Kuantan, in regional Malaysia. Since her appointment in June 2014, Ms Lacaze and the senior leadership team have demonstrated the capacity to lead significant improvements in the Company's production performance, to achieve major cost savings, and to establish the business as a key player in the global Rare Earths market. The Company will need to respond to numerous opportunities and challenges over the coming years, including changing regulatory environments in key jurisdictions,

new product applications, further expansions of production capacity and changing market dynamics.

The Strategic Performance Rights have been valued by the Company and its advisers based on the 5 day VWAP at the date of the Board's decision to approve the proposed award, being 28 August 2017. The Strategic Performance Rights were valued at \$0.1558 per performance right.

It is proposed to grant 8,091,065 Strategic Performance Rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director. In addition, it is proposed to grant 21,238,108 Strategic Performance Rights for the benefit of other members of the senior leadership team. Both the proposed 8,091,065 Strategic Performance Rights for the benefit of Ms Lacaze and the proposed 21,238,108 Strategic Performance Rights for the benefit of other members of the senior leadership team will only be issued if shareholders approve the proposed grant of Strategic Performance Rights for the benefit of Ms Lacaze at the Lynas AGM on 28 November 2017.

3. Long Term Incentive (LTI) Performance Rights

LTI awards for senior executives are subject to performance hurdles that are aligned with shareholder interests, such as Total Shareholder Return (TSR) and operational or financial milestones, and they are awarded in amounts equal to approximately 25% of total fixed remuneration for senior executives, and 50% of total fixed remuneration for the Chief Executive Officer.

On this basis, Lynas proposes to grant up to 4,236,201 LTI performance rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director, and 4,767,110 LTI Performance Rights for the benefit of other members of the senior leadership team.

The LTI performance rights are subject to the following performance hurdles:

- (i) **EBITDA Growth:** 50% will be conditional on the Company's average annual EBITDA growth at the end of the period from 1 July 2017 to 30 June 2020, using the annualized figure from 1 January 2017 to 30 June 2017 as the base figure, in accordance with the following sliding scale:
 - a. If the average annual EBITDA growth at the end of the period from 1 July 2017 to 30 June 2020 is at least 21% per annum, then 50% of the EBITDA portion will vest.
 - b. If the average annual EBITDA growth at the end of the period from 1 July 2017 to 30 June 2020 is at least 25% per annum, then 100% of the EBITDA portion will vest.
 - c. If the average annual EBITDA growth at the end of the period from 1 July 2017 to 30 June 2020 is at least 30% per annum, then 120% of the EBITDA portion will vest.

Awards would be prorated if the EBITDA growth outcome falls between bands (a) and (b) or between bands (b) and (c). The EBITDA figure that will be used to measure the outcome will be an adjusted EBITDA figure (after removing non-cash expenses such as employee share based

payments). The annualized adjusted EBITDA for the base period from 1 January 2017 to 30 June 2017 was A\$58.8 million.

- (ii) **Total Shareholder Return (TSR):** 50% will be conditional on the company's TSR being at least at the 51st percentile of ASX 300 Metals & Mining Index companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
- a. If the Lynas TSR is at least at the 51st percentile, 50% of the TSR portion will vest.
 - b. If the Lynas TSR is at least at the 76th percentile, 100% of the TSR portion will vest.
 - c. If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

Three year performance testing periods apply to the EBITDA growth and TSR targets and performance is calculated and tested against the respective target as at the end of the third year.

The above performance hurdles have been selected because they provide clear measures of success for the Lynas business and they are aligned with key shareholder objectives. The Adjusted EBITDA hurdle is aligned with improved financial outcomes for the benefit of shareholders. The TSR hurdle is directly aligned with shareholder returns. The benchmark for the TSR hurdle is the ASX 300 Metals and Mining Index, of which Lynas is a member.

The LTI performance rights have been valued by the Company and its advisers based on the 5 day VWAP at the date of the Board's decision to approve the award, being 28 August 2017. The LTI performance rights were valued at \$0.1558 per performance right.

It is proposed to grant 4,236,201 LTI performance rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director. In addition, 4,767,110 LTI Performance Rights will be granted for the benefit of other members of the senior leadership team. The proposed grant of LTI performance rights for the benefit of Ms Lacaze is subject to shareholder approval at the Lynas AGM on 28 November 2017.

The total number of performance rights referred to in this announcement is up to 45,795,265 calculated as follows:

FY16 STI Performance Rights – CEO**:	2,123,905
FY16 STI Performance Rights – Other Employees:	5,338,876
Strategic Performance Rights – CEO**:	8,091,065
Strategic Performance Rights – Other Employees**:	21,238,108
LTI Performance Rights – CEO**:	up to 4,236,201*
LTI Performance Rights – Other Employees:	up to 4,767,110*
TOTAL:	up to 45,795,265*

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

**Subject to shareholder approval at the Lynas AGM on 28 November 2017.

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

Further details in relation to the proposed grants of performance rights for the benefit of the CEO will be set out in the 2017 Notice of AGM. If the proposed grants of performance rights for the benefit of the CEO are approved by shareholders at the AGM on 28 November 2017, the total number of incentive securities granted by the Company will be 129,291,105. This represents approximately 2.54% of the number of shares in the Company currently on issue.

No options or performance rights are proposed to be granted to the non-executive directors of the Company. Other than the Performance Rights referred to in this announcement, the Company does not expect to grant any other Performance Rights in 2017.

4. Cancellation and Vesting of Employee Performance Rights

The attached Appendix 3B also reflects the cancellation of various classes of performance rights due to the non-satisfaction of vesting conditions and employee departures prior to the relevant vesting date. The cancelled performance rights are as follows:

- (a) 7,641,510 performance rights that were granted as part of the 2014 LTI programme were due to vest on 23 September 2017. Those LTI performance rights were conditional on a Right First Time (RFT) hurdle measured over calendar year 2016. The threshold for vesting was 85% RFT in 2016. The overall RFT percentage in 2016 was approximately 77%. Accordingly, the 7,641,510 Performance Rights have been cancelled.
- (b) 3,653,609 performance rights were cancelled due to employee departures prior to the relevant vesting dates.

In addition, 6,367,925 performance rights that were granted as part of the 2014 LTI programme were conditional on a Total Shareholder Return (TSR) hurdle measured over a 3 year period expiring on 23 September 2017. If the Lynas TSR was at the 51st percentile of ASX 200 companies, then 50% of the TSR-related performance rights would vest. If the Lynas TSR was at the 76th percentile or above of ASX 200 companies, then 100% of the TSR-related performance rights would vest. A sliding scale applied for TSR performance between those two levels. The Lynas TSR was at the 78th percentile compared to ASX 200 companies over the three year period expiring on 23 September



2017, and accordingly 100% of those TSR-related performance rights will vest and will be exercisable during the 2 year exercise period expiring on 23 September 2019.

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

Andrew Arnold
Company Secretary

Appendix 3B

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

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

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

Name of entity

LYNAS CORPORATION LTD

ABN

27 009 066 648

We (the entity) give ASX the following information.

Part 1 - All issues

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

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Unlisted Performance Rights |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 10,105,986 Performance Rights |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | The Employee Performance Rights are exercisable without further consideration on the dates specified in the attached ASX announcement and in section 9. |

4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?	N/A If the additional securities do not rank equally, please state: <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
5	Issue price or consideration	The Performance Rights were valued at \$0.1558 per Performance Right
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	To be granted for the benefit of selected senior employees as incentive rewards.
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	No
6b	The date the security holder resolution under rule 7.1A was passed	
6c	Number of +securities issued without security holder approval under rule 7.1	
6d	Number of +securities issued with security holder approval under rule 7.1A	

+ See chapter 19 for defined terms.

6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)

--

6f Number of securities issued under an exception in rule 7.2

--

6g If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.

--

6h If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements

--

6i Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements

--

7 Dates of entering +securities into uncertificated holdings or despatch of certificates

The Performance Rights will be granted with effect from the date of Board approval of the proposed grant of Performance Rights, being 28 August 2017

8 Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)

Number	+Class
5,084,483,409	Ordinary shares

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	3,537,736	Class 2 Employee Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 23 September 2017 to 23 September 2019
	2,830,189	LTI Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 23 September 2017 to 23 September 2019
	44,888,179	LTI Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 18 September 2018 to 18 September 2020
	10,054,019	STI Performance Rights exercisable for no further consideration in the first employee trading window after 30 August 2017
	22,185,717	LTI Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 30 August 2019 to 30 August 2021
	5,338,876	STI Performance Rights exercisable for no further consideration in the first employee trading window after 28 August 2018
	4,767,110	LTI Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 28 August 2020 to 28 August 2022
	126,500,000	US\$126,500,000 of Convertible Bonds at 1.25% p.a. maturing 30 September 2020, convertible at A\$0.10 per share based on an exchange rate of A\$1.00 = US\$0.75
	273,648,609	Warrants exercisable at \$0.05 on or before 30 September 2020

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

+ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

- | | | |
|----|---|--|
| 11 | Is security holder approval required? | |
| 12 | Is the issue renounceable or non-renounceable? | |
| 13 | Ratio in which the +securities will be offered | |
| 14 | +Class of +securities to which the offer relates | |
| 15 | +Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has +security holders who will not be sent new issue documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |

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

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

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

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

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

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

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

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

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

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

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

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

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

--

41 Reason for request for quotation now

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

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

--

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

Number	+Class

+ See chapter 19 for defined terms.

Quotation agreement

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

2 We warrant the following to ASX.

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

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

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

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

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



Sign here:

Company Secretary)

Date: 26 September 2017

Print name:

ANDREW ARNOLD

== == == == ==

+ See chapter 19 for defined terms.