

28 September 2018

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 financial and operational measures, including EBIT, production output, and other operating KPIs, including, safety, customer development, environmental compliance, reputational management and community engagement. The long term incentive programme is focused on measures of shareholder value growth, including EBIT growth and Total Shareholder Return.”

The proposed grants of performance rights are as follows:

1. FY18 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, 2018, the STI Program had 4 goals as follows:

- | | |
|----------------------------------|-------|
| 1. Lynas Group cashflow | – 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, 2018 on Lynas Group Cashflow, NdPr Production Volumes and Operating Costs. Targets for Operating Costs were set at the start of FY18 based on NdPr unit operating costs, excluding employee share payments, after crediting non-NdPr realised revenue. Those figures are commercial-in-confidence because it is not in the interest of the Group to disclose those figures to third parties such as customers and competitors. The threshold was not met and no award was made for Operating Costs for FY18.

FY18 STI Goal	Target for of 80% Award	Target for of 100% Award	Target for of 120% Award	FY18 Outcome
Cashflow Available for Debt Service	A\$45,431K	A\$50,479K	A\$55,527K	A\$60,869K 120% of Award
NdPr production volume (PF output) (*the 85.73% award took into account approximately 200 tonnes lost due to external water supply issues)	5,486t	6,069t	6,676t	5,653t* 85.73% of Award
Operating Costs – Actual targets commercial in confidence				Threshold not met 0% of Award

As shown in the above table, three bands of performance were specified at the beginning of FY18 for the above STI goals, 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. The Board resolved to make an award at the 120% level for Team / Individual Performance in FY18 in light of the strong improvement in Lynas' performance during FY18, which benefitted all shareholders. This improvement included the following:

- (a) The increase in Lynas market capitalisation from \$386 million on 1 July 2017 to \$1.55 billion on 30 June 2018.
- (b) The increase in the share price from \$1.05 on 1 July 2017 to \$2.34 on 30 June 2018 (both calculated on a post-consolidation basis).
- (c) The reduction in debt from US\$425 million on 1 July 2017 to US\$165.24 million on 30 June 2018 (excluding deferred interest).
- (d) Delivery of a positive EBIT for the first time during FY18.
- (e) A significantly improved cash position, with Cashflow Available for Debt Service of \$61 million. This included bringing many of Lynas' trailing liabilities up to date, including: (i) payment of all historical interest on the two loan facilities other than 2016 interest on the JARE facility and the small number of unconverted bonds (which is scheduled to be paid on maturity), and (ii) bringing the AELB security deposits up-to-date.
- (f) The funding of Lynas Next from operating cashflows.

In accordance with the above calculations, the overall outcome was that 81.43% of the available STI awards will be made in respect of the financial year ended June 30, 2018. 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 FY18. 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 FY18 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 31 August 2018. The FY18 STI performance rights were valued based on the 5 day VWAP at the date of the Board's decision to approve the award, being 31 August 2018. Accordingly, the FY18 STI performance rights were valued at \$2.2086 per performance right.

In accordance with the above calculations, it is proposed to grant 120,055 FY18 STI performance rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director. In addition, 351,928 FY18 STI Performance Rights will be granted for the benefit of other members of the senior leadership team. The proposed grant of FY18 STI performance rights for the benefit of Amanda Lacaze is subject to shareholder approval at the Lynas AGM on 27 November 2018.

2. 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 financial or operational 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.

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

- (i) **EBIT Growth:** 50% will be conditional on the Company's average annual EBIT growth at the end of the period from 1 July 2018 to 30 June 2021, using the EBIT figure from 1 July 2017 to 30 June 2018 as the base figure, in accordance with the following sliding scale:
 - a. If the average annual EBIT growth at the end of the period from 1 July 2018 to 30 June 2021 is at least 7% per annum, then 50% of the EBIT portion will vest.
 - b. If the average annual EBIT growth at the end of the period from 1 July 2018 to 30 June 2021 is at least 10% per annum, then 100% of the EBIT portion will vest.
 - c. If the average annual EBIT growth at the end of the period from 1 July 2018 to 30 June 2021 is at least 15% per annum, then 120% of the EBIT portion will vest.

Awards would be prorated if the EBIT growth outcome falls between bands (a) and (b) or between bands (b) and (c). The EBIT for the base period from 1 July 2017 to 30 June 2018 was A\$81.0 million.

- (ii) **Total Shareholder Return (TSR):** 50% will be conditional on the company's TSR being at least at the 51st percentile of ASX 200 companies calculated over the 3-year vesting period, in accordance with the following

sliding scale:

- a. If the Lynas TSR is at least at the 51st percentile, 50% of the TSR portion will vest.
- b. If the Lynas TSR is at least at the 76th percentile, 100% of the TSR portion will vest.
- c. If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

Three year performance testing periods apply to the EBIT 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 EBIT 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 200 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 31 August 2018. The LTI performance rights were valued at \$2.2086 per performance right.

It is proposed to grant 324,353 LTI performance rights for the benefit of Amanda Lacaze, the Lynas CEO and Managing Director. In addition, 365,651 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 27 November 2018.

The total number of performance rights referred to in this announcement is up to 1,161,987 calculated as follows:

FY18 STI Performance Rights – CEO**:	120,055
FY18 STI Performance Rights – Other Employees:	351,928
LTI Performance Rights – CEO**:	up to 324,353*
LTI Performance Rights – Other Employees:	up to 365,651*
TOTAL:	up to 1,161,987*

*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 EBIT 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 27 November 2018.

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 2018 Notice of AGM. If the proposed grants of performance rights for the benefit of the CEO are approved by shareholders at the AGM on 27 November 2018, the total number of incentive securities granted by the Company will be 12,178,595. This represents approximately 1.84% 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 2018.

3. Cancellation and Vesting of Employee Performance Rights

The attached Appendix 3B also reflects the cancellation of some performance rights due to the partial non-satisfaction of vesting conditions. The cancelled performance rights were calculated as follows:

2,580,342 LTI Performance Rights, granted as part of the FY16 LTI plan, were conditional on the Company's cumulative NdPr production from 1 July 2015 to 31 December 2017 in accordance with the following table:

Minimum NdPr Production from PF: 1 July 2015 to 31 December 2017	Number of LTI Performance Rights to Vest
a) 10,440 tonnes	1,075,143
b) 11,391 tonnes	2,150,285
c) 12,530 tonnes	2,580,342

Awards would be prorated if performance fell between band (a) and (b) or between band (b) and (c).

The actual NdPr production from Product Finishing in the period 1 July 2015 to 31 December 2017 was 11,814 tonnes, which falls between band (b) and band (c).

Accordingly, of the 2,580,342 Performance Rights with an NdPr production condition that were available for vesting in the financial year ended June 30, 2018, using a pro-rata calculation:

- (a) 2,310,006 will vest; and
- (b) 270,336 will be forfeited.

In addition, 1,908,481 LTI Performance Rights, granted as part of the FY16 LTI plan, were conditional on Total Shareholder Return (TSR) being at least at the 51st percentile of ASX 200 companies over a three year vesting period expiring on 18 September 2018 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 Lynas TSR was at the 99th percentile (Lynas was the third ranked company overall) compared to ASX 200 companies over the three year period expiring on 18 September 2018. Accordingly, 100% of those TSR-related performance rights will vest and will be exercisable during the 2 year exercise period expiring on 18 September 2020.

For all media enquiries please contact Jennifer Parker or Lauren Stutchbury 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 | 717,579 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
	<p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	
5	Issue price or consideration	The Performance Rights were valued at \$2.2086 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)

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

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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.

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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

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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

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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 31 August 2018

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

Number	+Class
662,547,136	Ordinary shares

	Number	+Class	
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	4,218,487	LTI Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 18 September 2018 to 18 September 2020
		2,218,578	LTI Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 30 August 2019 to 30 August 2021
		746,284	STI Performance Rights exercisable for no further consideration in the first employee trading window after 28 August 2018
		2,932,923	Strategic Performance Rights exercisable for no further consideration, subject to vesting conditions, in the first employee trading window after 28 August 2019
		900,336	LTI Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 28 August 2020 to 28 August 2022
		351,928	STI Performance Rights exercisable for no further consideration in the first employee trading window after 28 August 2018
		365,651	LTI Performance Rights exercisable for no further consideration, subject to vesting conditions, in the period 28 August 2020 to 28 August 2022
		15,242,003.79	US\$15,242,003.79 of Convertible Bonds at 1.875% p.a. maturing 30 September 2020, convertible at A\$1.00 per share based on an exchange rate of A\$1.00 = US\$0.75. Fractions of a share are rounded down on conversion.
		23,256,258	Warrants exercisable at \$0.50 on or before 30 September 2020

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

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- 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

Part 3 - Quotation of securities

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

+ See chapter 19 for defined terms.

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: 28 September 2018

Print name:

ANDREW ARNOLD

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+ See chapter 19 for defined terms.