

10 April 2019

Dear Shareholder,

Re: Non-Binding Highly Conditional Indicative Proposal Received from Wesfarmers

As you may be aware, Lynas Corporation (ASX: LYC, OTC: LYSDY) received a confidential, unsolicited, highly conditional, indicative non-binding proposal from Wesfarmers Limited (ASX: WES) to acquire 100 per cent of the ordinary shares at A\$2.25 cash per share (the **Indicative Proposal**) in March 2019. Wesfarmers subsequently chose to publicly announce the proposal.

We are writing to you today to ensure you have the information you need as a shareholder to understand your Board's response.

Your Board evaluated the proposal and, as stated in our ASX release on 27 March 2019, the Board concluded that it would not engage with Wesfarmers on the terms outlined in the proposal.

There are many reasons for coming to this conclusion, including the Board's extensive knowledge of stakeholder interests, and current market and operating conditions. In this letter we will set out some of these views in more detail. We look forward to keeping you informed on this matter.

Shareholders do not need to take any action in relation to the Indicative Proposal.

The Board has appointed an advisory team comprising Luminis Partners, Moelis New York, King & Wood Mallesons and Cannings, to assist with advising on protecting, preserving and building long term value for shareholders. Each of these advisers brings core expertise to the team and in each instance, Lynas is benefitting from the support of senior personnel.

Luminis Partners has an impressive record in delivering excellent shareholder outcomes and is a specialist defence adviser. Luminis' prior engagements include advising Oil Search on its successful defence from the \$11.2bn unsolicited proposal from then Michael Chaney-led Woodside. Lynas has worked with the specialist Mining and Metals team in the Moelis New York office over the past 2 years, including understanding of global opportunities. King & Wood Mallesons is recognised as one of the leading law firms, particularly in corporate and Mergers & Acquisition activity. Cannings has worked with Lynas for over 4 years and will continue to lead our communications strategy.

This team of experienced and capable advisers will work closely with the Board and the Executive team to ensure best value outcomes for Lynas shareholders.

Lynas' unique value and irreplaceable assets

Our shareholders tell us they have invested in Lynas because of our unique position as the only pure play listed Rare Earths miner and processor outside China, and because of our irreplaceable assets. These include:

- The Mt Weld ore body which is a Tier 1, long life, high grade asset
- Lynas' unique position as the only significant Rare Earths miner and processor outside China
- The substantial in-house capability and Intellectual Property that Lynas has created over the past six years
- The deep commercial relationships that allow it to be successful in the Rare Earths market

The Lynas Board and management team has a strong track record

The track record of the Lynas Board and management supports our confidence that we can deliver better value for shareholders than outlined in the Indicative Proposal. Our team has demonstrated excellent stewardship of capital, including with the recent \$35 million Lynas NEXT project which was delivered early and under budget.

We have demonstrated that we are innovative and effective problem solvers, having resolved many technical and operational problems in the ramp up phase of the plant. We have a proven record as efficient managers of cost whilst increasing throughput, and we have built a team of recognised experts in the Rare Earths market, with deep customer relationships.

Lynas has developed significant intellectual property (IP) in engineering, processing and product development. This IP is valuable in its own right, and its value is not reflected in the Indicative Proposal from Wesfarmers.

We continue to have the strong support of our people, our customers and our lenders. This support underpins our ability to deliver excellent results.

Our senior lender is Japan Australia Rare Earths (JARE). Japan Oil, Gas and Metals National Corporation (JOGMEC), one of the JARE partners, commented:

“Lynas plays an important role as a key supplier to the Japanese manufacturing sector. JOGMEC has worked closely with Lynas over the past 8 years as Lynas has developed a strong business. JOGMEC confirms our strong and continued support for Lynas, its management and the company’s future growth opportunities.”

Regulatory Matters

We have been open with you about the regulatory challenges that we have faced in Malaysia over the past several months. Without these challenges, we do not believe your company would have received the highly opportunistic conditional proposal.

As we have indicated on many occasions, we continue to engage with the Malaysian government to reach an outcome that will be good for Malaysia and good for our company.

As noted in our ASX announcements on 8 April 2019, the Prime Minister of Malaysia made comments about Lynas during a press conference on 5 April 2019. We welcome the Prime Minister’s message about the continuation of Lynas operations in Malaysia and we look forward to receiving further clarification from the Malaysian government.

Next Steps

We understand there is strong interest in our business because we serve a market with impressive growth prospects.

According to Roskill:

“Rare earth demand in permanent magnets is forecast to grow at 6.7%py between 2018 and 2028 as the global automotive industry continues to adopt electric vehicles.”

We have been working on plans to grow with the market and to deliver long term shareholder value, for some months. Our objective in developing these plans is to add to, not to replace, our current operations.



We believe this is still an achievable path. These plans will also assist the company to mitigate risk from any future regulatory changes in Malaysia.

At this time, no decisions have been made on the final growth plans, however, we look forward to sharing our plans with you in the coming weeks.

We are confident of our ability to deliver the increase in capacity required to grow with the market, and to do this faster, cheaper and with less risk than any other company. In doing so, we can present you with a compelling case for supporting the company in its current form.

What can you expect?

There has been a lot of media attention because of the way this unsolicited, non-binding, highly conditional proposal has been progressed by Wesfarmers. We expect this to continue and we will continue to put our case forward strongly on your behalf.

We would also like to acknowledge the feedback received from many shareholders that they are surprised and disappointed with the reported conduct of Wesfarmers, in particular, their decision to engage with the Malaysian government at a time of sensitive and complex regulatory negotiations. Thank you to all who have spoken with us. We take your feedback seriously and we are alert to these matters.

On behalf of the Lynas Board and management team, we thank you for your continued support as we maintain our focus on building shareholder value by fully realising the Company's assets and skills.

A handwritten signature in black ink, appearing to read "D. M. Harding".

Mike Harding
Chairman

A handwritten signature in black ink, appearing to read "Amanda Lacaze".

Amanda Lacaze
CEO & Managing Director