

# Business Update and Capital Raising

29 September 2009

**Lynas**  
CORPORATION LTD

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS

# Disclaimer

This Presentation has been prepared by Lynas Corporation Limited (ABN 27 009 066 648) (**Lynas** or the **Company**). This Presentation contains summary information about Lynas and its subsidiaries (**Lynas Group**) and their activities current as at the date of this Presentation. The information in this Presentation is of general background and does not purport to be complete or to comprise all the information that a shareholder or potential investor in Lynas may require in order to determine whether to deal in Lynas shares. It should be read in conjunction with Lynas Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at [www.asx.com.au](http://www.asx.com.au). This document is not a prospectus or a product disclosure statement under the Corporations Act (Cth) 2001 (**Corporations Act**) and has not been lodged with the Australian Securities and Investments Commission (**ASIC**). In-principle relief has been granted by ASIC to allow Lynas to conduct the capital raising on an undocumented basis under sections 708A and 708AA of the Corporation Act as modified by ASIC Class Order 08/35. Formal instruments of relief have not yet been obtained and will be required before the offer to retail investors is made.

## **Not investment or financial product advice**

This Presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire Lynas shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction. Lynas is not licensed to provide financial product advice in respect of Lynas shares. Cooling off rights do not apply to the acquisition of Lynas shares.

## **Financial data**

All dollar values are in Australian dollars (A\$) unless stated otherwise and financial data is presented within the financial year end of 30 June 2009 unless stated otherwise. The pro forma historical financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

## **Past performance**

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

## **Future performance**

This Presentation contains certain "forward-looking statements". The words "expect", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Such forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

The historical information in this Presentation is, or is based upon, information that has been released to the market. For further information, please see announcements released to ASX including Full Year accounts for the financial year ending 30 June 2009 and released to the market on 29 September 2009.

## **Investment Risk and other risks**

An investment in Lynas shares is subject to investment and other known and unknown risks, some of which are beyond the control of Lynas Group, including risk factors associated with the industry in which Lynas Group operates, such as: nature of mineral exploration and production; mineral and ore reserves; construction risks; progressing risks; project developments; market price and demand risk; credit and market risks; regulatory, political and environmental risks; tax and other risks generally relating to equity investment. Please see Appendix A of this Presentation and the accompanying ASX announcement which was released to ASX on 29 September 2009 for further details regarding investment and other risks associated with investing in Lynas shares.

# Disclaimer

## Not an offer

This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any "U.S. person" (as defined in Regulation S under the U.S. Securities Act of 1933 (**Securities Act**) (**U.S. Person**)). Securities may not be offered or sold in the United States absent registration or pursuant to an exemption from, or in a transaction not subject to, registration. The securities to be offered and sold in the equity raising mentioned herein have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, any may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons unless the securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration. This document may not be distributed or released in the United States or to, or for the account or benefit of, any U.S. Person.

## Underwriter and Company's advisers

The underwriter and the Company's advisers have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Presentation and do not make or purport to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by the underwriter or the Company's advisers. The underwriter and the Company's advisers and their respective affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this document and make no representation or warranty as to the currency, accuracy, reliability or completeness of information.

# Business update

- ▶ On 1 May 2009, Lynas announced that it had entered into a Heads of Agreement with China Nonferrous Metal Mining (Group) Co., Ltd (“CNMC”) in relation to a proposed equity and debt investment
  - The transaction was subject to a number of conditions including the Australian Foreign Investment Review Board (“FIRB”) approval
- ▶ On 24 September 2009, Lynas announced that CNMC had terminated consideration of its proposed equity investment in Lynas because of additional undertakings sought by FIRB
- ▶ Lynas will now seek to raise up to approximately A\$450 million via a fully underwritten unconditional placement, a 1-for-1 non-renounceable entitlement offer and, subject to shareholder approval, a conditional placement
- ▶ Proceeds from the equity offer will be used to fund the completion of Phase 1 of the Rare Earths Project:
  - 10,500t Rare Earths Oxides (“REO”) production per annum at end of Phase 1

# Equity offer details

- ▶ **A\$450 million fully underwritten equity offer comprising three tranches:**
  - Approximately A\$88 million unconditional placement (“Unconditional Placement”)
  - Approximately A\$295 million 1-for-1 non-renounceable entitlement offer (“Entitlement Offer”)
  - Approximately A\$67 million conditional placement (“Conditional Placement”)
    - Subject to shareholder approval at an EGM expected to be held on 9 November 2009
- ▶ **Ranking**
  - New shares issued rank equally with existing Lynas shares
- ▶ **Offer price of A\$0.45 per share**
  - 50.0% discount to last close of A\$0.90 (last trade on 23 September 2009, prior to trading halt)
  - 33.3% discount to TERP<sup>1</sup> of A\$0.675
- ▶ **Timetable**
  - Institutional Entitlement Offer and Placements<sup>2</sup> from 29 September 2009 to 30 September 2009
  - Trading on ASX expected to recommence on 1 October 2009
  - Retail Entitlement Offer opens on 7 October 2009 and closes on 23 October 2009

<sup>1</sup> Theoretical ex-rights price. Excludes the New Shares to be issued under the Unconditional Placement and the Conditional Placement

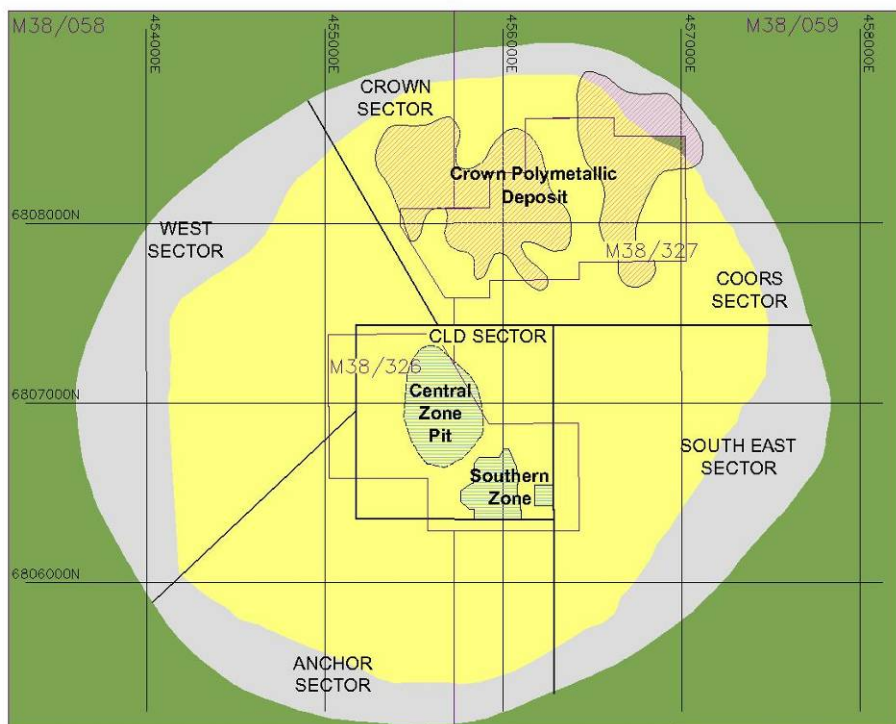
<sup>2</sup> Refers to both the Unconditional Placement and Conditional Placement

# Key investment highlights

- ✓ Lynas owns Rare Earths deposits and will be one of the only major suppliers outside of China
  - China supplies 95% of global demand and this supply is currently being limited by Chinese Government export and production quotas
- ✓ Lynas to benefit from positive demand / supply thematic
  - Demand is expected to grow; supply growth remains uncertain
  - Rare Earths underpins new technologies (e.g. hybrid vehicles, catalytic converters, wind turbine generators) alongside traditional applications (e.g. glass polishing, display phosphors, FCCs)
  - Substitutes are generally not available for these applications
- ✓ Funding will provide a clear path to production
  - Proceeds will be used to fund the completion of Phase 1 of the Rare Earths Project (i.e. complete construction of the key facilities which are currently well advanced)
  - Conservative balance sheet allows for future growth potential
- ✓ High quality resource base at Mt Weld
  - Average mine plan head grade of 15%
  - Large resource base - mine life in excess of 20 years
- ✓ Off-take agreements secured
  - ~70% of Phase 1 (10.5ktpa) production presold for a term of 3 - 5 years

# Mt Weld has an attractive resource base and significant growth potential

## Mt Weld Tenements



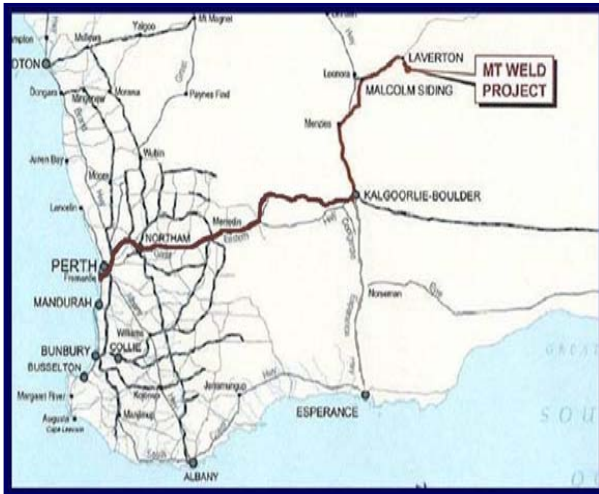
## The Total CLD Sector Mineral Resource (2.5% REO cut-off) March 2008

Category	Tonnes (Mt)	Grade (%REO)	Tonnes (kt) REO
Measured	2.21	14.7	324
Indicated	3.84	11.5	441
Inferred	6.19	6.8	418
<b>Total</b>	<b>12.24</b>	<b>9.7</b>	<b>1,184</b>

- Two defined zones: Central and the new Southern zone (Heavy REO)



# Lynas Mt Weld will be the 1st fully integrated new source of supply outside of China



## Mining - Australia

- Open pit mining at Mt Weld
- Contractor mining on a campaign basis

## Rare Earths Concentration - Australia

- Concentrator using flotation to be constructed at Mt Weld
- Containers used to ship concentrate to Malaysia



## Cracking and Initial Separation - Malaysia

- Purpose built processing plant to produce intermediate Rare Earths products

## Separation to Individual Rare Earths - Malaysia

- Rare Earths separated into individual Rare Earths of various purities for commercial use, different Rare Earths depending upon the application



# First mining campaign at Mt Weld and surface ore stockpiles completed – on budget & time

- ▶ 770,000t mined and on surface





# Concentration Plant Status at Mt Weld

- ▶ Engineering Design completed
- ▶ All Approvals in place
- ▶ All major equipment procured and to be stored in Australia

## ▶ Contract Status on-site

▪ Bulk earth works	Downer EDI	Completed
▪ Construction contract	Abesque Engineering	On hold
▪ Steam generation	RCR Energy Systems	On hold
▪ Power station	Kalgoorlie Power Systems	On hold
▪ Reverse Osmosis Plant	Osmoflow	On hold



Mount Weld Concentration Plant site – Ball Mill foundations

# Lynas has secured land for the processing plant on Malaysia's east coast

## Satellite Photo of Gebeng Industrial Area



- ▶ **Strong Federal, State, and Local Government support**
  - Lynas granted “strategic pioneer status” with 12 year tax free period
- ▶ **Excellent infrastructure in Gebeng**
  - Close to Kuantan Port with bulk material, liquid and container berths
  - Available public utilities
  - Key reagents products located nearby
- ▶ **Skilled labour force**
  - Large chemical industry on the east coast
  - Access to a diligent, skilled and competitive labour force with good English skills

# Malaysian Advanced Material Plant Status

- ▶ Engineering Design substantially completed
- ▶ All Approvals in place
- ▶ Contract Status on-site
  - Bulk earth works Substantially completed
  - Piling Completed
  - Concreting works On hold
  - Other construction contracts Yet to be let, on hold
- ▶ Majority of equipment purchased or preferred vendor identified, including for all long lead time items



# Supply agreements have been signed

## 1st Customer Agreement - Supply Contract

- ~US\$90M<sup>1</sup>
- Long term 5 year contract
- Cerium, Europium, Terbium & Lanthanum

## 2nd Customer Agreement - Supply Contract

- ~US\$200M<sup>1</sup>
- Long term 5 year contract
- Neodymium & Praseodymium

## 3rd Customer Agreement - Supply Contract

- ~US\$20M<sup>1</sup>
- Long term multiple year contract
- Product from Phase I & Phase II of final separation and product finishing plant in Malaysia

## 4th Customer Agreement – Letter of Intent

- ~US\$80M<sup>1</sup>
- Long term multiple year contract
- Product from Phase I & Phase II of final separation and product finishing plant in Malaysia

## 6th Customer Agreement – Supply Contract

- Long term multiple year contract
- Product from Phase I & Phase II of final separation and product finishing plant in Malaysia

## 5th Customer Agreement – Letter of Intent

- ~US\$80M<sup>1</sup>
- Long term multiple year contract
- Product from Phase I & Phase II of final separation and product finishing plant in Malaysia

Four supply contracts and two letters of intent signed

<sup>1</sup> Values reflect market prices at signing of contract

# Sources and Uses

Sources	A\$m
Existing cash balances	\$4.1
Proceeds from equity raising	\$450.0
<b>Total</b>	<b>\$454.1</b>

Uses	A\$m
Construction and other capital costs – Phase 1	\$314.5
Working capital and production ramp-up costs – Phase 1	\$120.6
Estimated fees and expenses	\$19.0
<b>Total</b>	<b>\$454.1</b>

Proceeds from the equity raising will be used to fund the completion of Phase 1 of the Rare Earths Project

# Summary of estimated capital and operating costs to fund Phase 1 of the Rare Earths Project

Construction & Other Capital Costs	Total A\$m	Capex spent to date A\$m	Future capex A\$m
WA Concentration Plant	\$59.5	\$13.6	\$45.9
Gebeng Cracker & Separator Plant	233.5	40.9	192.6
Engineering & Project Management Costs	100.0	69.7	30.3
Other Capex including Land at Gebeng	74.1	54.4	19.7
Contingency (approximately 9%)	26.1	0.0	26.1
<b>Total<sup>1</sup></b>	<b>\$493.1</b>	<b>\$178.6</b>	<b>\$314.5</b>

Working Capital & Production Ramp-up Costs	Future spend A\$m
Western Australia	\$42.9
Gebeng	52.2
Finance, Admin, Marketing, Technical & Corporate Overheads (incl. suspension costs)	25.5
<b>Total<sup>1</sup></b>	<b>\$120.6</b>

<b>Total Cash Requirement<sup>1</sup></b>	<b>\$435.1</b>
---	----------------

Significant proportion of equipment and procurement capital costs are contracted

<sup>1</sup> Totals may not add up to sum of individual line items due to rounding



# Pro forma 30 June 2009 balance sheet (adjusted for the capital raise)

<b>Assets</b>	<b>30 June 09 (A\$'000)</b>	<b>Pro forma 30 June 09 (A\$'000)</b>
Cash and cash equivalents	\$16.7	\$447.7
PPE	151.5	151.5
Other Assets	49.7	49.7
<b>Total Assets</b>	<b>\$217.9</b>	<b>\$648.9</b>

<b>Liabilities</b>	<b>30 June 09 (A\$'000)</b>	<b>Pro forma 30 June 09 (A\$'000)</b>
Debt	\$0.0	\$0.0
Other Liabilities	19.9	19.9
<b>Total Liabilities</b>	<b>\$19.9</b>	<b>\$19.9</b>

<b>Net Assets</b>	<b>\$198.0</b>	<b>\$629.0</b>
-------------------	----------------	----------------

Source: FY2009 Preliminary Final Report

# Offer timetable

Event	Date
Institutional Entitlement Offer and Placements <sup>1</sup> open	Tuesday, 29 September 2009
Record date to determine eligibility to participate in the entitlement offer	5.00pm (WAST) Tuesday, 29 September 2009
Institutional Entitlement Offer and Placements <sup>1</sup> close	Wednesday, 30 September 2009
Trading halt lifted and shares recommence trading	Thursday, 1 October 2009
Retail Entitlement Offer opens	Wednesday, 7 October 2009
Settlement of Institutional Entitlement Offer and Unconditional Placement	Monday, 12 October 2009
Expected trading date of New Shares issued under the Institutional Entitlement Offer and Unconditional Placement	Tuesday, 13 October 2009
Retail Entitlement Offer closes	5.00pm (WAST) Friday, 23 October 2009
Expected trading date of New Shares issued under the Retail Entitlement Offer	Wednesday, 4 November 2009
Date of EGM to vote on the Conditional Placement	Monday, 9 November 2009
Settlement of Conditional Placement (if approved)	Wednesday, 11 November 2009
Expected trading date of New Shares issued under the Conditional Placement (if approved)	Thursday, 12 November 2009

Note: All dates are indicative only and subject to change. All references to time are West Australian Standard Time unless otherwise stated

<sup>1</sup> Refers to both the Unconditional Placement and Conditional Placement

# Appendix A

- ▶ Key risk factors

# Key risk factors

## 1) Introduction

A number of risks and uncertainties, which are both specific to Lynas and of a more general nature, may affect the future operating and financial performance of Lynas and the value of Lynas shares. You should carefully consider the following risk factors, as well as the other information provided to you by Lynas in connection with the Capital Raising, and consult your financial and legal advisers before deciding whether to invest in the New Shares. The risks and uncertainties described below are not the only ones facing Lynas. Additional risks and uncertainties that Lynas is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Lynas' operating and financial performance.

## 2) Operational risks

Lynas is investing a significant amount of capital on a single project, the Rare Earths Project. The Project may be further delayed or be unsuccessful for many reasons, including unanticipated financial, operational or political events, cost overruns, decline in Rare Earths commodity prices and demand, equipment and labour shortages, technical concerns including possible reserves and deliverability difficulties, environmental impacts, increases in operating cost structures, community or industrial actions or other circumstances which may result in the delay, suspension or termination of Lynas' capital projects, the total or partial loss of the investment and a material adverse effect on Lynas' results of operations and financial condition.

### a) Nature of mineral exploration and production

Mineral exploration and production involves risks, which even a combination of experience, knowledge and careful evaluation may not be able to be adequately mitigated. Mining operations are subject to hazards normally encountered in exploration and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment, which may cause a material adverse impact on Lynas' operations and its financial results. Commissioning of production at all projects may not proceed to plan with potential for delay in the timing of targeted production, and Lynas may not achieve the level of targeted production. Production levels may also be affected by factors beyond Lynas control.

### b) Mineral and ore reserves

No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the indicated level of recovery will be realised. Material price fluctuations, as well as increased production costs or reduced recovery rates, may render ore reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such ore reserves. Moreover, short-term operating factors relating to ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades may cause a mining operation to be unprofitable in any particular accounting period.

### c) Construction risks

Whilst the current cost estimates regarding the construction of its Mt Weld Concentration Plant and Malaysian Advanced Materials Plant are the best estimates currently available, there is no guarantee that final costs will equal current estimates.

### d) Processing risks

Whilst a pilot concentration plant has been completed there is no certainty that the full-scale concentration plant will perform to design specifications.

The Rare Earths Cracking section of the Malaysian AMP has been pilot plant tested, however, there is no certainty on the time it will take to achieve steady state operation, due to scale-up and other potential commissioning issues.

The solvent extract and finishing section of the Malaysian AMP is based on well understood industry accepted technology but there can be no certainty on achieving design capacity.

### e) Project developments

Project developments in which Lynas is, or may become, involved are subject to risks, including technical risk. Changes in reserves, commodity prices, exchange rates, constructions costs, design requirements and delays in construction may adversely affect the commerciality and economics of project development.

### f) Other operational risks

In addition, industrial and labour disputes, work stoppages and accidents, logistical and engineering difficulties may also have an adverse effect on Lynas' profitability and share price.

# Key risk factors (cont.)

## 3) Rare Earths market demand and price risks

Lynas' business relies primarily on the production and sale of Rare Earths products to a variety of buyers. Fluctuations in the global Rare Earths market may materially affect Lynas' financial performance. Demand for, and pricing of, Rare Earths products remain sensitive to external economic and political factors, many of which are beyond Lynas' control, including: worldwide Rare Earths supply and demand; the level of economic activity in the markets Lynas serves; regional political developments in Rare Earths-producing countries and regions (in particular China as the major producer of Rare Earths); the weather; the price and availability of new technology; and the availability and cost of Rare Earths substitutes. Accordingly, it is impossible to predict future Rare Earths price movements with certainty. Any sustained low Rare Earths prices or further declines in the price of Rare Earths will adversely affect Lynas' business, results of operations and its ability to finance planned capital expenditures, including development projects.

Sales contracts with various counterparties have been, and are further expected to be, entered into in relation to the Project, including two letters of intent (which are subject to entry into definite documentation). The conditionality and ability of the counterparties to meet their commitments under such arrangements may impact on Lynas' investment in the Project.

## 4) Credit and market risks

### a) Currency risk

Lynas' operations incur expenditures principally in the local currencies of Malaysia and Australia. Revenue from operations and certain other capital and operating costs are in US dollars. Accordingly, Lynas is exposed to foreign exchange rate fluctuations which may materially affect its financial position and operating results.

### b) Counterparty risk

As part of its ongoing commercial activities, Lynas enters into sales contracts with various third parties for the supply of chemicals and other materials. The ability of counterparties to meet their commitments under such an arrangement may impact on Lynas' business and financial condition.

### c) Access to capital risk

Lynas' business and, in particular, development of large scale projects, relies on access to debt and equity financing. There is a risk that Lynas may not be able to access capital from these markets which would impact the ability to develop these projects.

### d) Competition

Lynas' Rare Earths supply contracts and profits may be adversely affected by the introduction of new mining and development facilities and any increase in competition in the global Rare Earths market either of which could increase the global supply of Rare Earths and thereby potentially lower prices.

# Key risk factors (cont.)

## 5) Regulatory and environmental risks

### a) General regulatory risks

Lynas' business is subject, in each of the countries in which Lynas operates, to various national and local laws and regulations relating to the development, production, marketing, pricing, transportation and storage of Lynas' products. Permits from a variety of regulatory authorities are required for many aspects of mine operation and processing. A change in the laws which apply to Lynas' business or the way in which it is regulated could have a material adverse effect on Lynas' business and financial condition. Other changes in the regulatory environment (including applicable accounting standards) may have a material adverse effect on the carrying value of material assets or otherwise have a material adverse effect on Lynas' business and financial condition.

### b) Environmental risks

Lynas' activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and interests of local communities. In the context of obtaining environmental permits, including the approval of reclamation plans, Lynas must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. With increasingly heightened government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent, and Lynas could be subject to increasing environmental responsibility and liability, including laws and regulations dealing with air quality, water and noise pollution and other discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of certain of its properties, greenhouse gas emissions, the storage, treatment and disposal of wastes and the effects of its business on the water table and groundwater quality.

Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. These laws sometimes apply retroactively. In addition, a party can be liable for environmental damage without regard to that party's negligence or fault.

In addition, the Australian Federal Government has proposed a national emissions trading scheme. While it is currently proposed that the scheme will be implemented by 2011, there is no certainty it will occur in this timeframe. If the scheme is introduced in the form currently proposed by the Government (which is not certain), Lynas may be exposed to additional operating costs which will have an adverse impact on its financial performance. However, until the scheme is finalised, the impact of the scheme on Lynas' business and financial condition is uncertain.

### c) Government actions

Lynas' operations could be affected by government actions in Australia, Malaysia and other countries or jurisdictions in which it has interests. These actions include government legislation, guidelines and regulations in relation to the environment, the Rare Earths sector, competition policy, native title and cultural heritage. Such actions could impact on land access, the granting of licenses and other tenements, the approval of developments and freedom to conduct operations.

The possible extent of introduction of additional legislation, regulations, guidelines or amendments to existing legislation that might affect Lynas' business is difficult to predict. Any such government action may require increased capital or operating expenditures and could prevent or delay certain operations by Lynas, which could have a material adverse effect on Lynas' business and financial condition.

### d) Security of Tenure

The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on Lynas being successful in obtaining required statutory approvals for proposed activities. While Lynas anticipates that subsequent renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

# Key risk factors (cont.)

## 6) Tax risks

Lynas is subject to taxation and other imposts in Australia and Malaysia. Future changes in taxation laws in those countries, including changes in interpretation or application of existing laws by the courts or taxation authorities in those jurisdictions, may affect taxation treatment of Lynas securities or the holding or disposal of those securities.

In addition to the normal level of income tax imposed on all industries, companies in resources sector are required to pay government royalties, direct and indirect taxes and other imposts. The profitability of companies in these industries can be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

## 7) Political risks

Lynas has operations in Australia and Malaysia. Lynas is subject to a risk that it may not be able to carry out its overseas operations as it intends to and ensure the security of its assets located outside Australia, and is subject to risks of, among other things, loss of revenue, property and equipment as a result of hazards such as expropriation, war, insurrection and acts of terrorism and other political risks and increases in taxes and government royalties. The effects of these factors are difficult to predict and any combination of one or other of the above may have a material adverse effect on Lynas.

## 8) Dividend policy

Lynas has paid no dividends on Shares since its date of incorporation nor does it anticipate paying dividends on Shares during the current financial year. Lynas expects to retain all earnings and other cash resources in the short term for the future operation and development of its business. Payment of any future dividends will be at the discretion of Lynas' board of directors after taking into account many factors, including Lynas' operating results, financial condition and current and anticipated cash needs.

## 9) Risks relating to equity investments and markets

Investors should be aware that there are risks associated with any investment listed on ASX. The value of Lynas shares may rise above or fall below the Offer Price, depending on the financial condition and operating performance of Lynas. Further, the price at which Lynas shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of Lynas and over which Lynas and its directors have no control. These external factors include:

- Economic conditions in Australia and overseas;
- Investor sentiment in the local and international stock markets;
- Changes in fiscal, monetary, regulatory and other government policies; and
- Geo-political conditions such as acts or threats of terrorism or military conflicts

Investors should note that the historic share price performance of Lynas shares provides no guidance as to its future share price performance.



# Appendix B

- ▶ Foreign selling restrictions

# Foreign selling restrictions

## United States

The securities in the proposed offering have not been and will not be registered under the U.S. Securities Act, or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the securities in the proposed offering may not be offered, or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

This Presentation does not constitute an offer, invitation or recommendation to subscribe for or purchase any security and neither this Presentation nor anything contained in it shall form the basis of any contract or commitment. In particular, this Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any U.S. Person. This Presentation may not be distributed or released in the United States or to, or for the account or benefit of, any U.S. Person.

## New Zealand

The information in this announcement is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). This Presentation may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain. The New Shares will be offered to the public of New Zealand under the Retail Entitlement Offer Booklet in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

## United Kingdom

Neither the information in this Presentation nor any accompanying other document has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of FSMA) has been published or is intended to be published in respect of the New Shares.

Each of Lynas and the underwriter have:

- (a) complied and will comply with all applicable provisions of Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA") with respect to anything done by it in relation to the New Shares in, from or otherwise involving the United Kingdom; and
- (b) only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of the New Shares in circumstances in which Section 21(1) of FSMA does not apply to Lynas.

## Switzerland

The New Shares may not and will not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and no solicitation for investments in the New Shares may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of article 652a of the Swiss Code of Obligations ("CO") or of article 3 of the Swiss Federal Act on Collective Investment Schemes ("CISA").

New Shares may only be offered to qualified investors such as banks, securities dealers, insurance institutions, fund management companies and high net worth individuals in circumstances such that there is no public offering.

The information in this Presentation does not constitute a public offering prospectus within the meaning of article 652a and may not comply with the information standards required thereunder.

Lynas has not applied for a listing of the New Shares on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this Presentation does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange.

# Foreign selling restrictions (cont.)

## European Economic Area (which includes Belgium, Sweden, Luxembourg, the Netherlands and Germany)

The information in this Presentation has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as implemented in Member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of securities.

Accordingly any person making or intending to make any offer within the EEA of New Shares which are subject to the placement contemplated in the information should only do so in circumstances in which no obligation arises for Lynas or the underwriter to produce a prospectus for such offer. Neither Lynas nor the underwriter has authorised, nor do they authorise the making of any offer of New Shares through any financial intermediary, other than offers made by the underwriter which constitute the final placement of New Shares contemplated in the information in this Presentation.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any New Shares may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any New Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year or in Sweden, each of last two financial years; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) to fewer than 100 natural or legal persons (other than defined as qualified investors in the Prospectus Directive) subject to obtaining the prior consent of Lynas and the underwriter for any such offer; or
- (d) in any other circumstances falling within Article 3(2)(a) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by Lynas of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any New Shares to be offered so as to enable an investor to decide to purchase any New Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each subscriber for or purchaser of New Shares in the offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of the local law of the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive ("Qualified Investor") or, if such implementation has not taken place, within the meaning of Article 2(1)(e) of the Prospectus Directive respectively. In the case of any New Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted to and agreed with the underwriter and Lynas that: (i) the New Shares acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors, as that term is defined by the local law of the Relevant Member State or as defined in the Prospectus Directive respectively, or in circumstances in which the prior consent of the underwriter has been obtained to each such proposed offer or resale.

## Liechtenstein

The New Shares have not been offered or sold and will not be offered, sold, or delivered directly or indirectly in Liechtenstein by way of public offering, except to 'qualified investors' as defined in art. 3 para. 1 lit. g of the Liechtenstein Securities Prospectus Act (LGBl. 2007/196) only.

# Foreign selling restrictions (cont.)

## Italy

The information in this Presentation and any other materials in connection with the offer of the New Shares relating to Italy are for distribution, in compliance with any applicable law and regulation, only to qualified investors in Italy pursuant to Article 100(a) of Legislative Decree No. 58 of February 24, 1998 (the “Unified Financial Act”) and the implementing regulation issued by Commissione Nazionale per le Società e la Borsa (“CONSOB”) and Article 2.1(e) of the Prospectus Directive (the “Qualified Investors”), all as amended. The distribution of this Presentation and of any other materials in connection with the offer of the New Shares relating to Italy does not constitute and it is not intended to be an “offer to the public” within the meaning of Article 1.1(t) of the Unified Financial Act. In no circumstances should these documents circulate among, or be distributed in Italy to, individuals or entities falling outside the definition of Qualified Investors. New Shares may not be offered or sold, directly or indirectly, in Italy or to a resident of Italy, other than to a Qualified Investor and in compliance with the forms and procedures set forth in any applicable law and regulation. Any such offer or any distribution of this Presentation and any other materials in connection with the offer of the New Shares relating to Italy within Italy must be conducted either by banks, investment firms (as defined in the Unified Financial Act) or financial intermediaries enrolled in the special register provided for by Article 107 of Legislative Decree No 385 of September 1 1993, as amended, to the extent such entities are duly authorised to perform the service of subscription and/or placement with firm underwriting commitment or standby commitments to issuers and/or placement without firm or standby commitment to issuers in Italy in accordance with the relevant provisions of the Unified Financial Act and in compliance with any applicable notification requirement or limitation imposed upon the offer of shares by CONSOB or the Bank of Italy. Any investor purchasing New Shares is solely responsible for ensuring that any offer or resale of such New Shares occurs in compliance with applicable laws and regulations. This Presentation and any other materials in connection with the offer of the New Shares relating to Italy are intended for the use of the identified recipient only and are not to be distributed for any reason to any third party resident or located in Italy. No person resident or located in Italy other than the original recipients of this Presentation and any other materials in connection with the offer of the New Shares may rely on this Information and any other such materials. This Presentation and any other materials in connection with the offer of the New Shares relating to Italy have not been and will not be registered with CONSOB pursuant to Italian securities legislation and accordingly may not be distributed to the public in Italy or used in connection with any offer to purchase or sell any rights or shares to the public in Italy.

## Norway

This Information has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007, as amended. Accordingly, neither the Information nor any other offering material relating to the New Shares constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The New Shares may not be offered or sold, directly or indirectly, in Norway except:

- in respect of an offer of New Shares addressed to investors subject to a minimum purchase of New Shares for a total consideration of not less than €50,000 per investor;
- to “professional investors” as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876, being:
  - legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
  - any legal entity which is registered as a professional investor with the Oslo Stock Exchange (in Norwegian: Oslo Børs) and which has two or more of
    - an average of at least 250 employees during the last financial year;
    - a total balance sheet of more than €43,000,000; and
    - an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- any natural person which is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and which has two or more of
  - an average execution of at least ten – 10 – transactions in securities of significant volume per quarter for the last four quarters;
  - a portfolio of securities with a market value of at least €500,000 and
  - worked or works, for at least one year, within the financial markets in a position which presuppose knowledge of investing in securities;
- to fewer than 100 natural or legal persons (other than “professional investors” as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876) subject to obtaining the prior consent of the Sole Lead Manager for any such offer;
- in any other circumstances provided that no such offer of New Shares shall result in a requirement for the registration, or the publication by Lynas or the underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

# Foreign selling restrictions (cont.)

## Hong Kong

The contents of this Presentation have not been reviewed or approved by any regulatory authority in Hong Kong.

The information in this Presentation has not been, and will not be, registered as a prospectus in Hong Kong under the Companies Ordinance (Cap 32)("CO") nor has it been authorized by the Securities and Futures Commission ("SFC") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) of the Laws of Hong Kong (the "SFO"). Accordingly, the information must not be issued, circulated or distributed in Hong Kong other than:

- to "professional investors" within the meaning of SFO and any rules made under that ordinance ("Professional Investors"); or
- in other circumstances which do not result in the information in this Presentation being a "prospectus" as defined in the CO nor constitute an offer to the public which requires authorisation by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

No person allotted New Shares may sell, or offer to sell, such Shares to the public in Hong Kong within six months following the date of issue of such New Shares.

This offering is not an offer for sale to the public in Hong Kong and it is not the intention of Lynas that the New Shares be offered for sale to the public in Hong Kong.

## Singapore

The offer of New Shares by Lynas is made only to and directed at, and the New Shares are only available to, persons in Singapore who are existing holders of the Shares previously issued by Lynas.

The information in this Presentation has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the information and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Shares may not be circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an existing holder of Shares pursuant to Section 273(1)(cd)(i) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or (ii) pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

## Other jurisdictions

The New Shares may not be offered or sold in any other jurisdiction under the Capital Raising, except to persons to whom such offer, sale or distribution is permitted under applicable law.

# Appendix C

- ▶ Note on reserves and resources

# Note on reserves and resources

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Brendan Shand, who is a member of The Australasian Institute of Mining and Metallurgy. Brendan Shand is an employee of Lynas Corporation Limited. Brendan Shand has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brendan Shand consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.