

16 March 2011

## **Lynas Signs Master Agreement with Forge Resources for the sale and potential development of the Swan and Crown Deposits**

- **Lynas to grant Forge subleases over designated areas within the Mount Weld Mining Leases, being the areas containing the Crown and Swan deposits, which are considered non-core assets of Lynas.**
- **The proposed Forge subleases contain tantalum / niobium and phosphate deposits.**
- **Lynas to receive \$20.7 million cash consideration plus an option ("Lynas Option") to acquire up to 7 million ordinary shares in Forge ("Forge Shares").**
- **Lynas to receive ongoing royalty payments from Forge, should Forge successfully develop the Crown deposit or the Swan deposit.**
- **If the Crown / Swan deposits are developed, Lynas will have the right to purchase at international market prices any Rare Earths that are produced as a by-product from the Crown / Swan deposits, with no associated development costs to Lynas.**
- **Forge must use its best endeavours to produce intermediate Rare Earths by-products from any development of the Crown and Swan deposits.**
- **Forge to grant Lynas a right of first refusal to take delivery of any Rare Earths from any other mineral deposits that any member of the Forge Group acquires.**
- **Forge required to complete a capital raising which raises not less than \$30 million ("Forge Capital Raising").**
- **Lynas shareholders to vote on the proposed transaction ("Transaction") at an Extraordinary General Meeting likely to be held in May 2011. An Explanatory Memorandum setting out detailed information in relation to the Transaction is expected to be dispatched to shareholders in April 2011.**
- **The Independent Board Committee has engaged an Independent Expert to provide an opinion as to whether the proposed transaction is fair and reasonable to Lynas shareholders who are not associated with Forge and Mr Nicholas Curtis.**
- **The Independent Directors of Lynas intend to recommend that shareholders vote in favour of the Transaction, subject to the Independent Expert opining that the Transaction is fair and reasonable to Lynas shareholders who are not associated with Forge or Mr Nicholas Curtis.**

Lynas Corporation Limited ("Lynas") (ASX:LYC, OTC:LYSDY) is pleased to announce the signing of a Master Agreement with Forge Resources Limited ("Forge") (ASX:FRG) under which Lynas has agreed to grant Forge subleases over certain designated areas within the Mt Weld Mining Leases

that are commonly referred to as the Swan Deposit and the Crown Deposit ("Sublease Deposits") and the right to any minerals that are recovered from those areas, subject to satisfaction of a number of conditions including approval of the Transaction by shareholders of Lynas ("**Lynas Shareholders**") and approval of the Forge Capital Raising by shareholders of Forge.

Lynas Shareholders will be asked to approve the Transaction for the purpose of chapter 2E of the Corporations Act and all other purposes at an Extraordinary General Meeting ("EGM") likely to be in May 2011.

Although Lynas believes that shareholder approval of the Transaction is not strictly required for the purpose of chapter 2E of the Corporations Act, the Independent Directors have decided to seek shareholder approval to maintain good corporate governance in light of the fact that Lynas and Forge share a common director and that 2 Lynas directors are also shareholders in Forge.

An Explanatory Memorandum containing detailed information in relation to the Transaction including a description of the Transaction, potential advantages, benefits, disadvantages and risks and the recommendation of the Independent Directors is expected to be dispatched to Shareholders in April 2011.

Shareholders are encouraged to read the Explanatory Memorandum in its entirety before deciding whether or not to vote in favour of the Transaction at the EGM.

## Key Terms of the Transaction

Under the Master Agreement the parties agree to enter into the Transaction Documents which will provide:

- That Forge be granted subleases over the Sublease Deposits. A map showing the location of the Sublease Deposits at Mount Weld is attached as Annexure A. In this announcement, consistent with other recent ASX announcements by Lynas, the tantalum / niobium deposits shown on the attached map as "Crown" and "Coors" are collectively referred to as the "Crown Deposit".
- That Forge owns all tantalum, niobium, phosphate, Rare Earths and other minerals recovered by or for Forge from the areas the subject of the Sublease ("**Sublease Areas**").
- That Lynas is granted the right to purchase at prevailing international market prices all Rare Earths by-products produced by Forge from the Sublease Areas.

As consideration for the rights granted to Forge under the Transaction, Lynas is to receive:

- a cash payment of \$20.7 million on the Completion Date; and
- the Lynas Option (expiring 5 years from the date of the subleases) to acquire 7,000,000 Forge Shares for the average issue price of Forge Shares under the Forge Capital Raising.

Lynas will also receive:

- a royalty equal to 10% of the gross revenue received by any member of the Forge Group from any sales to third parties of Rare Earths recovered from the Sublease Areas during the preceding calendar month;
- a royalty equal to 1% of the gross revenue received by any member of the Forge Group from the sale of all minerals recovered from the Sublease Areas (other than Rare Earths) during the preceding calendar month;
- the right to purchase (through Lynas Malaysia or another related body corporate of Lynas) any Rare Earths produced as a by-product from the Sublease Areas and the Lynas entity may elect to enter into rolling 5 year off-take arrangements with Forge; and
- a right of first refusal to take delivery of any Rare Earths from any other mineral deposits that any member of the Forge Group acquires on commercial terms to be agreed between the parties.

In addition, to strengthen the relationship between Forge and Lynas, and to allow Lynas and its shareholders the opportunity to participate in the risks and rewards of Forge, Forge has also agreed to provide:

- Lynas with the opportunity, subject to the ASX Listing Rules, to subscribe for such percentage of Forge Shares that are to be issued in any placement or other non pro-rata issue of Forge Shares for cash consideration that Forge conducts during the 5 year period from the date of the subleases, as is equal to the percentage of Forge Shares held by Lynas immediately prior to the placement or other non pro-rata issue of Forge Shares for cash consideration, if the Lynas Option has been exercised;
- Lynas Shareholders as at the record date of the Lynas Extraordinary General Meeting ("**Record Date Shareholders**") in Australia and New Zealand with the opportunity to subscribe for a marketable parcel of Forge Shares with a value of between \$2,000 and \$5,000, up to an aggregate of \$12,500,000 for all Record Date Shareholders in the Forge Capital Raising. If aggregate subscriptions received from all Record Date Shareholders exceed \$12,500,000, a pro rata scale back will apply; and
- Record Date Shareholders who, at the relevant time are Sophisticated Investors or Professional Investors, with the opportunity to participate in any placement or other non pro-rata issue of Forge Shares for cash consideration that Forge conducts during the 3 year period from 15 March 2011.

## Independent Directors' Recommendation

Forge and Lynas share a common director in Mr Nicholas Curtis, who is the Chairman of Lynas as well as the Non-Executive Chairman of Forge and a Forge Shareholder. Further, Mr Jake Klein who is a director of Lynas, holds 200,000 Forge shares and 66,667 Forge options. Mr Klein's interest in Forge was acquired for \$40,000 in the initial public offering of Forge. Mr Klein has no involvement in the board or management of Forge.

To manage any conflicts of interest that could arise between Lynas and Forge, Lynas established an Independent Board Committee ("**IBC**") to consider all matters relevant to the Transaction. The IBC comprises Mr Liam Forde and Mr David Davidson. The independent directors, being Mr Liam Forde, Mr David Davidson and Dr Zygmunt Switkowski (together, the "**Independent Directors**"), do not have an interest in this transaction. Each of Mr Nicholas Curtis and Mr Jake Klein were excluded from participation in any evaluation of the Transaction by Lynas due to their interests in Forge, as described above.

The IBC has engaged an Independent Expert to provide an opinion as to whether the proposed transaction is fair and reasonable to Lynas Shareholders not associated with Forge and Mr Nicholas Curtis.

The Independent Directors of Lynas intend to recommend that Lynas Shareholders vote in favour of the Transaction, subject to the Independent Expert opining that the Transaction is fair and reasonable to Lynas Shareholders who are not associated with Forge or Mr Nicholas Curtis.

## Transaction Rationale and Benefits

The Independent Directors consider that the Proposed Transaction will deliver a number of benefits to Lynas, some of which are summarised below.

- *Disposal of Non-Core Asset for Cash*

The Sublease Deposits do not form part of Lynas' Rare Earth resource inventory and are regarded as non-core assets because they do not fit within Lynas' strategic vision or strategy.

The Transaction therefore represents an opportunity for Lynas to sell a non-core asset in return for a cash payment at the value that has been agreed between the parties.

- *Potential Additional Source of Rare Earths*

Studies conducted to date are yet to establish an economically feasible path for development or monetisation of the Sublease Deposits. To advance the development and monetisation of those Sublease Deposits, Lynas would need to inject significant capital investment which would include

commissioning a definitive feasibility study and capital costs which Lynas believes would be likely to exceed US\$1 billion.

However if the Transaction is approved, Forge will conduct exploration activities and may potentially proceed to develop the Sublease Deposits. In the event the Sublease Deposits are developed, Lynas would be in a position to benefit from the Rare Earth by-products that are yielded from the Sublease Deposits at prevailing international market prices without requiring Lynas to incur any expense or deviate from its current focus as a diversified Rare Earth producer and all risk associated with development of the Sublease Areas will rest with Forge.

If Forge does develop the Sublease Deposits and deliver Rare Earth by-products to Lynas, then that will constitute a long-term additional source of supply of Rare Earth feedstock for Lynas. Drilling work conducted to date indicates that the Crown Deposit contains similarly elevated quantities of heavy rare earths to the Duncan Deposit. Such additional Rare Earth feedstock will therefore form a valuable supplement to Lynas' existing sources of supply, being the Lynas Rare Earth project at Mt Weld and the proposed Lynas development of the Kangankunde Rare Earth deposit in Malawi.

- *Opportunity to Invest in Forge*

As part of the consideration under the Transaction, Lynas will receive the Lynas Option (expiring 5 years from the date of the Subleases) which will give Lynas the right to acquire 7,000,000 Forge Shares at the average issue price of Forge Shares under the Forge Capital Raising. In the event that Lynas chooses to exercise the Lynas Option following completion of the Transaction, Lynas will be a shareholder of Forge. This will enable Lynas to participate in any financial benefits that are gained by Forge from its development of the tantalum, niobium and phosphate resources in the Sublease Areas.

- *Potential Income Stream*

Under the Transaction Lynas will also receive the ongoing benefit of payment of a monthly royalty from Forge which will be equal to:

- 10% of the gross revenue received by any member of the Forge Group from any sales to third parties of Rare Earths recovered from the Sublease Areas during the preceding calendar month; and
- 1% of the gross revenue received by any member of the Forge Group from the sale of all minerals recovered from the Sublease Areas (other than Rare Earths) during the preceding calendar month.

- *Rare Earths Carbonate*

Under the Transaction, Forge will be required to deliver any Rare Earths that it recovers from the Sublease Deposits in the form of Rare Earths Carbonate, which is used at a late stage of the production process. Lynas will then be in a position to on-sell the Rare Earths Carbonate or to

process it into separated Rare Earths products. The significant capital expenditure that Lynas would otherwise be required to spend in order to produce Rare Earths concentrate and to process that material to produce a mixed Rare Earths Carbonate will therefore be borne by Forge and not Lynas.

## Conditions Precedent

Completion of the Transaction is subject to and conditional upon satisfaction of the following conditions precedent:

- the IBC receiving a report from the Independent Expert stating that, in its opinion, the Transaction is fair and reasonable to the shareholders of Lynas not associated with Forge or Mr Nicholas Curtis, and such opinion not being withdrawn or modified by the Independent Expert;
- Lynas Shareholders passing an ordinary resolution approving the Transaction, in accordance with Chapter 2E of the Corporations Act, Listing Rule 10.1 if required by ASX and for all other purposes;
- Forge Shareholders passing an ordinary resolution approving the Forge Capital Raising and the issue of the Lynas Option for the purpose of ASX Listing Rule 7.1;
- Lynas obtaining the approval of the WA Department of Mines and Resources to the grant of the Subleases in respect of the proposed Sublease Areas; and
- Forge completing the Forge Capital Raising which raises not less than \$30 million.

Further information in relation to the Transaction including the advantages, benefits, possible disadvantages and risks are set out in detail in the Explanatory Memorandum which is expected to be dispatched to Shareholders in April 2011.

The meetings of Forge and Lynas shareholders to approve the Transaction are likely to be held in May 2011.

## Mount Weld Phosphate Resource Estimate

The Sublease Areas contain the principal tantalum / niobium and phosphate deposits within the Lynas Mount Weld Mining Leases. Details of an updated phosphate resource estimate for the Lynas Mount Weld Mining Leases are set out in Annexure B.



### About Lynas Corporation

Lynas owns the richest known deposit of Rare Earths, also known as Lanthanides, in the world at Mount Weld, near Laverton in Western Australia. This deposit underpins Lynas' strategy to create a reliable, fully integrated source of Rare Earths supply from the mine through to customers in the global Rare Earths industry.

Lynas will concentrate the ore mined at Mount Weld in a Concentration Plant approximately 1.5km from the mine. The concentrate produced by the Concentration Plant will be shipped in sea containers and transported by road and ship to the east coast of Malaysia to the Lynas Advanced Materials Plant (LAMP) within the Gebeng Industrial Estate, Kuantan, Pahang, Malaysia, to process the Mount Weld concentrate through to separated Rare Earths products

Engineering and construction of both the Concentration Plant in Western Australia and the LAMP remain within budget. The first feed of ore into the Concentration Plant in Western Australia is on target for March 2011. The first feed of concentrate to the kiln at the LAMP in Malaysia is on target for the third quarter of 2011. Lynas has received all required approvals to construct both plants.

Lynas completed the purchase of the Kangankunde Carbonatite Complex (KGK), Malawi, Africa in March 2011. Completed test work shows the deposit is amenable to a low cost gravity separation concentration process producing a 60% REO concentrate. The completion of the purchase of KGK now allows Lynas to commence development of the project.

The company plans to become the benchmark for security of supply and a world leader in quality and environmental responsibility to an international customer base, with production anticipated to commence in 2011.

'Rare Earths' is the term given to fifteen metallic elements known as the lanthanide series, plus yttrium. They play a key role in green environmental products, from energy efficient compact fluorescent light bulbs (CFLs) to hybrid cars, automotive catalytic converters and wind turbine generators. They are also essential in the development and manufacturing of many modern technological products, from hard disc drives to flat panel displays, iPods and magnetic resonance imaging (MRI) scans.

Lynas American Depositary Receipts (**ADRs**) trade under the code LYSDY (CUSIP number 551073208). Each Lynas ADR is equivalent to 10 ordinary shares of Lynas as traded on the Australian Securities Exchange (ASX). The Bank of New York Mellon is the depositary bank in respect of Lynas ADRs.

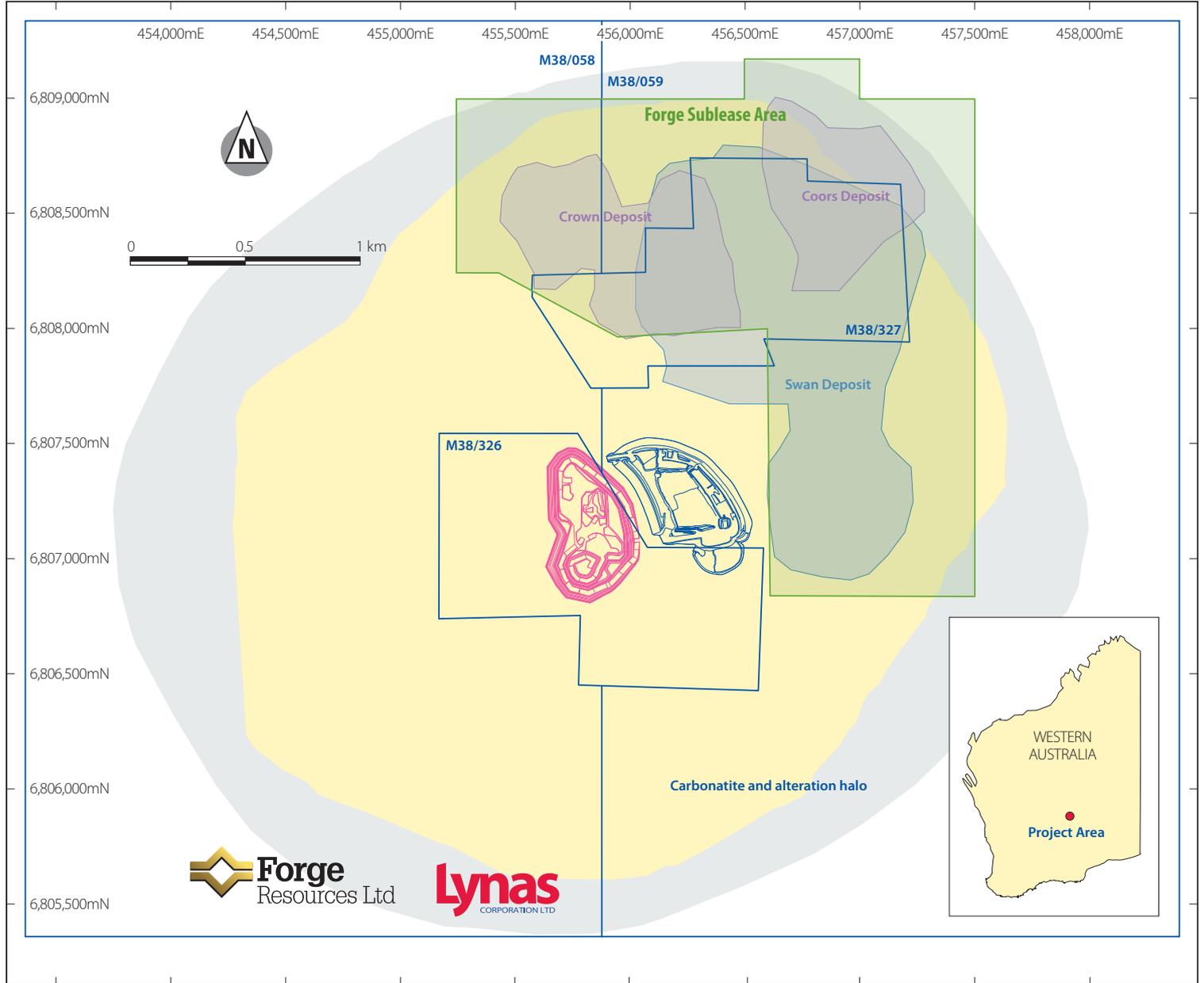


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# Annexure A

Figure 1: Proposed Sublease Area



# *H & S Hellman & Schofield Pty Ltd*

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16 March 2011

The Directors  
Lynas Corporation Ltd

## Phosphate Resource Update

Dear Sirs,

In 1990, after adoption of the JORC Code by the ASX, phosphate resource estimates were reviewed and, in accordance with the JORC Code, reported by Mr Robert Duncan. A total Indicated and Inferred resource of approximately 250Mt averaging 18% P<sub>2</sub>O<sub>5</sub>, including an Indicated resource of 60Mt within the Swan deposit, all at a 10% P<sub>2</sub>O<sub>5</sub> cut off (see Table 1, below) was reported. This resource is confined to the phosphate-rich lower portion of the carbonatite regolith known as the "Residual Apatite Zone". It occurs within the Swan deposit and largely contained within M38/327 in the north-eastern sector of the carbonatite.

**Table 1**  
**Mt Weld Phosphate Resource - 1990 Estimate**

Area/Category	Tonnage Mt	Grade % P <sub>2</sub> O <sub>5</sub>
Indicated - Swan Deposit	60	19.2
Inferred	190	18.0
<b>Total</b>	<b>250</b>	<b>18.1</b>

*Note; P<sub>2</sub>O<sub>5</sub> in apatite; cut off 10% P<sub>2</sub>O<sub>5</sub>*

As part of our work on the proposed Forge Resources Sublease we have re-estimated total phosphate levels in the Mt Weld regolith. A total resource of 213Mt at 13.9% P<sub>2</sub>O<sub>5</sub> using a 10% P<sub>2</sub>O<sub>5</sub> cut off occurs in the whole area (see Table 2, below). This resource is not confined to the Residual Apatite and represents phosphate mineralisation within the overall carbonatite regolith and is based on a considerably larger drilling database than that available to Utah in 1984.

In addition, we report additional potential mineralisation of between 15 and 30 Mt of similar grades to the resources. These are defined as "Exploration Results" and do not constitute "Resource Estimates" and there is no guarantee that they will be upgraded to resources with further drilling.

Given the different assumptions and estimation approaches used, these estimates are broadly comparable to the 1990 results (above). Reports detailing the original (Utah) work on which the 1990 figures are based are no longer available.

**Table 2**  
**Phosphate Resources for Mt Weld Carbonatite Regolith**

<b>Category</b>	<b>Area</b>	<b>Tonnage (Mt)</b>	<b>Grade %P2O5</b>
Indicated	CLD	10.4	14.49
Indicated	Crown	17.7	13.64
Indicated	Coors	15.1	13.45
Indicated	Anchor	2.7	14.69
Indicated	Eastern	0.3	18.63
Indicated	Western	10.1	16.54
Indicated	<b>Total</b>	<b>56.3</b>	<b>14.34</b>
<b>Category</b>	<b>Area</b>	<b>Tonnage (Mt)</b>	<b>Grade %P2O5</b>
Inferred	CLD	12.7	13.87
Inferred	Crown	19.8	13.92
Inferred	Coors	24.0	13.44
Inferred	Anchor	30.7	13.55
Inferred	Eastern	24.4	13.76
Inferred	Western	44.9	13.83
Inferred	<b>Total</b>	<b>156.4</b>	<b>13.72</b>
<b>Category</b>	<b>Area</b>	<b>Tonnage (Mt)</b>	<b>Grade %P2O5</b>
Total Resource	CLD	23.1	14.15
Total Resource	Crown	37.4	13.79
Total Resource	Coors	39.1	13.44
Total Resource	Anchor	33.4	13.64
Total Resource	Eastern	24.6	13.81
Total Resource	Western	55.0	14.33
<b>Total Resource</b>	<b>Total</b>	<b>212.7</b>	<b>13.88</b>

Figure 1 shows the +10% P2O5 areas (Indicated and Inferred) as well as the proposed Forge Sublease and the Exclusion Zone. The six areas (termed sectors) such as CLD (Central Lanthanide Deposit), Crown, Coors, Eastern, Anchor and Western are also shown.

Table 3 details the updated phosphate resources above a 10% P2O5 cut-off grade for the proposed Forge Sublease. The potentially valuable oxides Nb2O5, Ta2O5 and TReO+Y (total rare earth oxides plus Y2O3) are also tabulated. In addition to these resources there is approximately 10-15 Mt of Potential Mineralisation at similar grades (though about 10% lower). These, however, do not constitute "resource estimates" and there is no guarantee that they will be upgraded to resources with further drilling.

**Table 3**  
**Phosphate Resources for Proposed Forge Sublease, Mt Weld Carbonatite Regolith**

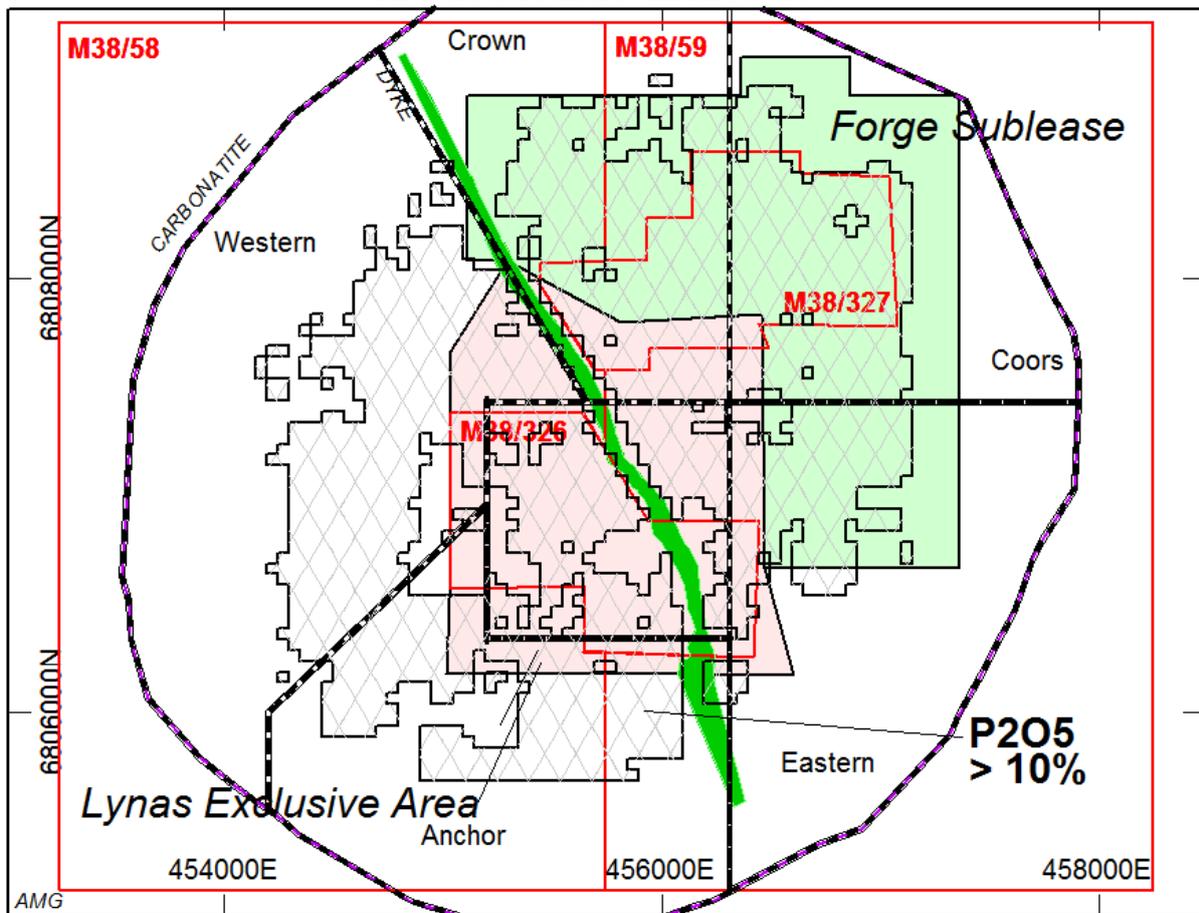
<b>Category</b>	<b>Tonnage (Mt)</b>	<b>P2O5%</b>	<b>Nb2O5</b>	<b>Ta2O5</b>	<b>TReO+Y%</b>
Indicated	83.4	13.72	5947	163	0.81
Inferred	30.6	13.6	7124	186	0.95
<b>Total</b>	<b>52.8</b>	<b>13.79</b>	<b>5265</b>	<b>147</b>	<b>0.73</b>

The estimation methodology used for this resource update is broadly similar to that used in the 2004 Rare Metals Project study (Resource Estimation of Rare Metals, Mt Weld WA - Hellman and Schofield, October

2004). A consideration, however, of the results of estimates using what had been designated high and low quality samples led to the Code 1 (high quality samples) being used to estimate Indicated Resources and the Code 3 (lower quality samples) were used with the Code 1 samples to estimate Inferred resources. Ordinary Kriging was used with three passes based on differing data and search distance criteria. Pass 1 (Indicated) uses 10-32 data (3m composites) in a search of 105 x 105 x 18 metres. Pass 2 (Inferred) is based on 8-32 data and a search of 155 x 155 x 30 metres. Pass 3 was used to define Potential Mineralisation ("Exploration Results" in the meaning of the JORC Code) and is based on 4 - 32 data and a search of 310 x 310 x 60 metres.

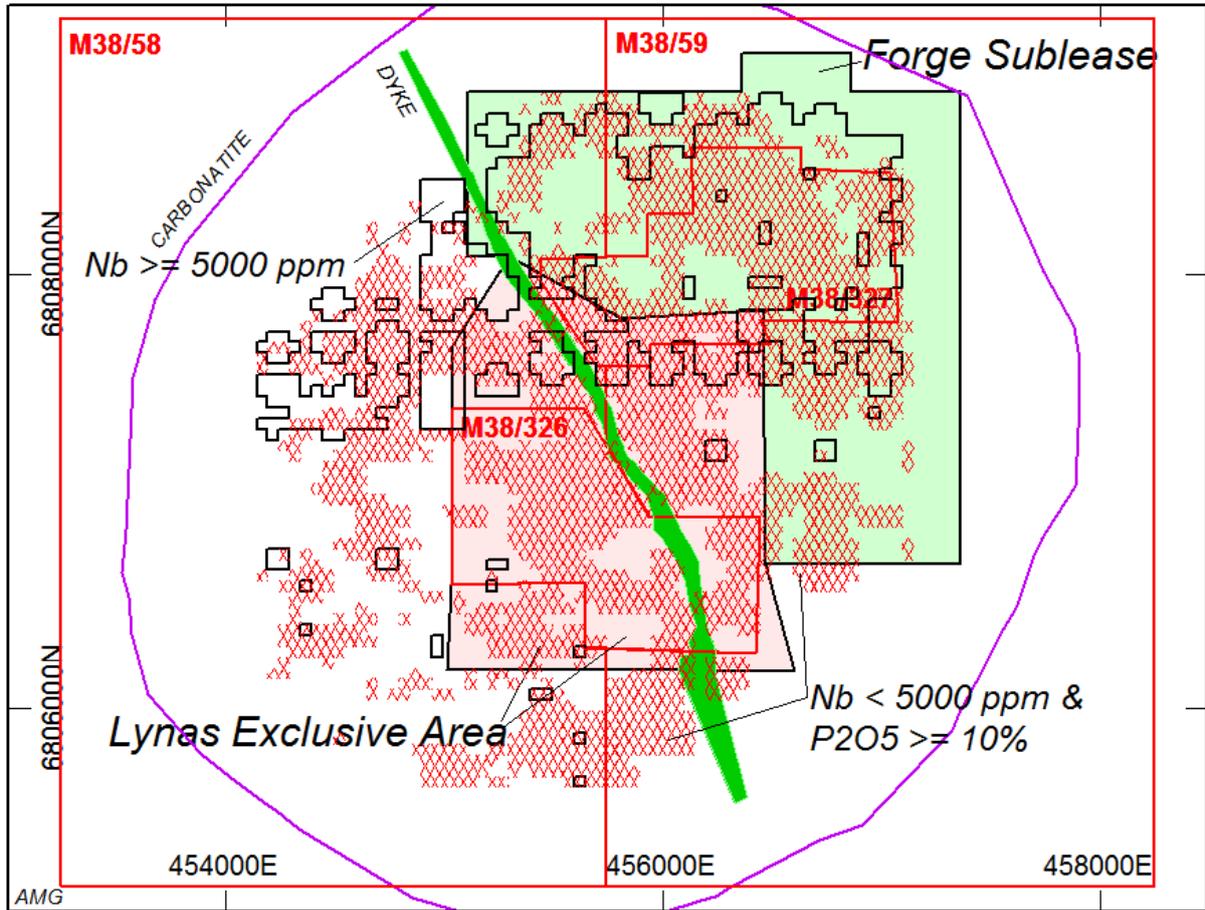
All data used are from the logged carbonatite regolith and the same three dimensional block model (50 x 50 x 3metres) as had been constructed in 2004 was used to store estimates in the regolith blocks. As with the 2004 study a density of 1.8 has been used.

**Figure 1**  
Mt Weld Carbonatite with P2O5 > 10%



These resources are not necessarily additional to the rare metal mineralisation discussed in our 2004 study. There is some overlap because elevated niobium grades may occur with the phosphate. Figure 2 (below) illustrates the elevated areas of niobium with thick black outlines. Zones of elevated phosphate that have low niobium are marked with cross hatched red areas.

Figure 2  
Mt Weld Carbonatite



Yours Faithfully,

Phillip Hellman

Director  
Hellman and Schofield Pty Ltd

### **Competent Persons' Statement**

The resource estimates cited as having been prepared by Hellman & Schofield Pty Ltd ("H&S") were prepared by Dr Phillip Hellman BSc (Hons) PhD FAIG, a Director of H&S. He is a Competent Person as defined by the 2004 JORC Code. Information in this release relating to the H&S resource estimates is based on and accurately reflects information provided by Dr Hellman who consents to the inclusion in the report of the resource estimates which have been attributed to H&S and to the matters based on his information in the form and context in which they appear. H&S has accepted in good faith the drill-hole and assay database provided by Lynas and has not examined issues such as the quality of sampling and assaying, adequacy of density determinations, drill sample recoveries, accuracy of surveying, etc. Significant figures quoted do not imply precision and are to minimise round-off errors.

Estimates relating to the 1990 phosphate Swan resource were reported by Mr Rob Duncan, FAusIMM a Director of R K Duncan & Associates Pty Ltd. He is a Competent Person as defined by the 2004 JORC Code and he consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.