

1 May 2009

INTRODUCTION OF CNMC AS A NEW MAJORITY SHAREHOLDER TO LYNAS

Key Points:

- ***Lynas Corporation Ltd (Lynas) and China Non-Ferrous Metal Mining (Group) Co., Ltd (CNMC) sign a binding heads of agreement for CNMC to become a new majority shareholder in Lynas.***
- ***CNMC shall arrange provision of new capital through an equity subscription of 700 million new shares at A\$0.36 per share and Chinese bank finance for the completion of construction and commissioning of the Lynas Rare Earths project.***
- ***Total capital provision to Lynas will be over A\$500 million. US\$286 million to complete and commission the 1st phase of the Rare Earths project (10,500tpa REO), plus an estimated US\$80 million for the 2nd phase of the project (21,000tpa REO).***
- ***The transaction is subject to specified conditions including Australian and Chinese regulatory approvals as well as Lynas shareholders' approval.***
- ***The business model remains unchanged with the Concentration Plant to be built at Mount Weld, Western Australia, and the Advanced Materials Plant to be built in Malaysia. Lynas' marketing strategy remains unchanged with a focus on Japan, North America and the European Union including fulfilling existing sales contracts.***
- ***Mr Nicholas Curtis is to remain as Executive Chairman and the Lynas Board shall be expanded to eight Directors to include four Directors appointed by CNMC, with the Executive Chairman having a casting vote.***

Lynas Corporation Limited (ASX: LYC) is delighted to announce the introduction of a proposed new majority shareholder, China Nonferrous Metal Mining (Group) Co., Ltd (CNMC).

Lynas and CNMC have signed a binding Heads of Agreement whereby CNMC shall arrange provision of full funding for the Lynas Rare Earths project. This shall enable the company to lift the suspension of the project and complete construction and commissioning of both the Concentration Plant in Western Australia and the Advanced Materials Plant in Malaysia, allowing the company to deliver against our existing customer contracts in North America, Japan and the European Union – the business model remains unchanged.



The transaction is subject to the conditions set out in the Attachment, which include Australian and Chinese regulatory approvals as well as Lynas shareholders' approval at a special meeting anticipated to be held in 3 to 4 months time.

The key terms of the binding Heads of Agreement are, upon receipt of the required approvals CNMC will:

1. Subscribe in cash for 700,000,000 ordinary shares in Lynas at A\$0.36 per share. The total amount raised from this placement of shares will be A\$252,000,000.
2. Provide a corporate guarantee to a Chinese bank to provide to Lynas:
 - a. A senior loan of approximately US\$104,000,000 to bring the total capital provision to US\$286,000,000.
 - b. At the request of the Lynas Board, a further guarantee to support an increase of the senior loan to cover the capital required for the second phase of the Rare Earths project (approximately 21,000tpa REO), currently estimated at US\$80,000,000.

It is intended that the senior loan will be secured over the assets of Lynas in accordance with standard project financing provisions.

Therefore, including the estimated US\$80 million for the second phase, the company shall receive a total of US\$366 million (A\$522 million). The initial US\$286 million shall fund the first phase of the Lynas Rare Earths project at 10,500 tonnes per annum Rare Earths Oxide (REO) including project suspension and remobilisation costs, working capital, contingency, financing fees and corporate overheads until positive cash flow, as well as work towards a feasibility study on the balance of the Mount Weld resources.

Within approximately ten business days of the signing of the Heads of Agreement, CNMC will assist Lynas to obtain a US\$15,000,000 working capital facility, which upon receipt of approvals and satisfaction of the specified conditions, shall be replaced by the above facilities.

The placement price represents a control premium of 52.5% above the volume weighted average price of Lynas shares for the 30 trading day period prior to the date the binding Heads of Agreement was signed. Upon completion CNMC will be the majority shareholder with 51.6% of the shares on issue.

Mr Nicholas Curtis is to remain as Executive Chairman and the Lynas Board shall be expanded by four to include Directors appointed by CNMC. The Lynas Board shall therefore consist of eight Directors with the Executive Chairman having a casting vote. The current executive management team shall remain in place.

During construction, the Lynas sites will employ peak numbers of approximately 1,200 people, including 200 people at the Western Australian site. During the first phase of operation, the Lynas sites will employ approximately 390 people, including 90 people at the Western Australian site.

The Executive Chairman of Lynas, Mr Nicholas Curtis said "Lynas is delighted to have attracted such a strong shareholder who fully supports the development of our business model. This new shareholding by CNMC affirms the attractive economics of the project. The funding package will enable restart of the Lynas Rare Earths project with anticipated first production approximately



12 months from the receipt of funds, and will enable the company to fully implement the Lynas vision of being a global leader in Rare Earths for a sustainable future. I strongly believe the new shareholding of Lynas by CNMC will provide a stable foundation for further growth of the company.”

The President of CNMC Mr Luo Tao said, “CNMC is very pleased to be able to participate in an investment opportunity as exciting as Lynas. CNMC shares the Lynas vision and supports the Lynas development strategy for participation in this exciting industry. We have identified Lynas as a company that is well positioned to deliver its shareholders a very strong return from its high quality Mount Weld resource and CNMC is very happy to become a major shareholder.”

About CNMC

China Nonferrous Metal Mining (Group) Co., Ltd is an international mining company focused on nonferrous metals with both domestic China and overseas resource projects. CNMC activities in resource projects include exploration, design, construction, mining and refining. The company has representative offices and operation agencies in more than 20 countries and regions.

CNMC operates under the direct administration of State-owned Assets Supervision and Administration Commission of China (SASAC).

About Lynas Corporation

Lynas owns the richest 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 suspended work on the Lynas Rare Earths project in February 2009. Lynas has received all environmental approvals to build a Concentration Plant at Mount Weld and an Advanced Materials Plant to process the Mount Weld concentrate through to final Rare Earths oxides in the Gebeng Industrial Estate, Kuantan, Pahang, Malaysia. 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.

‘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.

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ATTACHMENT – CONDITIONS

The Heads of Agreement is expressed to be binding, but completion of the transactions contemplated by the Heads of Agreement is subject to the following conditions:

1. The parties obtaining all Australian and Chinese government regulatory approvals for the proposed transactions including from SASAC, the National Development & Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and the State Administration of Foreign Exchanges (SAFE) and the Australian Foreign Investment Review Board (FIRB).
2. Approval of all the transactions contemplated in the Heads of Agreement by the shareholders of Lynas.
3. Execution of all the transaction documents contemplated by the Heads of Agreement by all parties to such documents.
4. The discharge of all existing third party encumbrances over the assets of Lynas and its subsidiaries.
5. No material adverse event occurring in respect of Lynas.
6. No Lynas company taking any action or becoming subject to any event described in section 652C(1) and (2) of the Corporations Act or equivalent under the laws of any country.