

29 May 2020

BY EMAIL

Sandra Wutete
Senior Adviser Listings Compliance
Australian Stock Exchange
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Sandra,

LYNAS CORPORATION LIMITED (LYC or LYNAS) – AWARE QUERY

In reply to your letter dated 27 May 2020, we answer your questions (using the same numbers) as follows:

1. Does LYC consider the Phase 1 Funding Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

Your letter dated 27 May 2020 defines 'Phase 1 Funding Information' as follows:

Phase 1 funding provided by the DOD will allow Lynas and Blue Line to complete detailed planning and design work for the construction of a U.S based Heavy Rare Earth separation facility, in line with DoD Phase 1 milestones. ('Phase 1 Funding Information').

The Phase 1 work, i.e. the detailed planning and design work for the construction of a U.S based Heavy Rare Earth separation facility will cost, at most, a couple of million Australian dollars. The description of this activity is sufficient for a reasonable person to understand that the Phase 1 funding amount was not material. Therefore, in accordance with the definitions in your letter, Lynas does not consider the Phase 1 Funding Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

The main subject of the Lynas ASX announcement dated 22 April 2020 was described in the following sentences: "[Lynas] has been advised by the U.S. Department of Defense ("DoD") of the DoD's intent to award a Phase I contract for a U.S. based Heavy Rare Earth separation facility to Lynas." "Successful completion of Phase I milestones may lead to further contracts for commercial scale production and operation of a U.S. Heavy Rare Earth separation facility, however, this is not guaranteed."

Lynas believes that the opportunity for potential future contracts described above, while not guaranteed, was the key information in the Lynas ASX announcement dated 22 April 2020.

2. If the answer to question 1 is "no", please advise the basis for that view.

As noted in our answer to question 1, the Phase 1 work, i.e. the detailed planning and design work for the construction of a U.S based Heavy Rare Earth separation facility will cost, at most, a couple of million Australian dollars. The description of this activity is sufficient for a reasonable person to understand that the Phase 1 funding amount was not material. Therefore, in accordance

with the definitions in your letter, Lynas does not consider the Phase 1 Funding Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

3. Does LYC consider the Decision to Defer Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No.

4. If the answer to question 3 is “no”, please advise the basis for that view.

There are many reasons for this view, and we list the main reasons below (not in order of importance).

- (a) Your letter dated 27 May 2020 defines ‘*Decision to Defer Information*’ as Lynas’ understanding that the U.S. government’s progress on Phase 1 is currently on hold.
- (b) As noted above, the total value of Phase 1 is, at most, a couple of million Australian dollars.
- (c) The Lynas ASX announcement dated 22 April 2020 indicated that “[Lynas] has been advised by the U.S. Department of Defense (“DoD”) of the DoD’s intent to award a Phase I contract for a U.S. based Heavy Rare Earth separation facility to Lynas.” “Successful completion of Phase I milestones may lead to further contracts for commercial scale production and operation of a U.S. Heavy Rare Earth separation facility, however, this is not guaranteed.” The Lynas ASX announcement dated 22 April 2020 gave no indication as to timing, as the advice received from the DoD did not provide any information on timing.
- (d) Lynas first became aware of the Decision to Defer Information on 29 April 2020, when Lynas received an email from a DoD officer indicating that the DoD was putting the Phase 1 process on hold while it conducted research into objections received.
- (e) It was unclear to Lynas what “on hold” meant, and whether the “hold” would be brief, or of longer duration.
- (f) Lynas sought clarification from government sources regarding the above points. Based on feedback received, Lynas understood that this was simply a pause in the Phase 1 process while political issues were addressed, and that nothing in the Lynas ASX announcement dated 22 April 2020 had changed. This understanding was supported by ongoing public statements by representatives of the Australian and U.S. governments about continuing to work together on critical minerals supply chain solutions.
- (g) Lynas also noted that negotiations between parties regularly slow down and speed up, which had been our experience to date in the tender process related to this matter, and that it is not required (or appropriate) to update the ASX on such timing matters, particularly when no expectation of timing was contained in the Lynas ASX announcement dated 22 April 2020.
- (h) At no point in time, either via written transmission or delivered verbally, has Lynas been informed -- nor had reason to believe -- that the DoD’s intent to award Phase I was in jeopardy or to be cancelled; Lynas has only ever been informed that the DoD award for Phase I was “on hold.”

- (i) Based on all of the above, Lynas' view was that the Decision to Defer Information was not information of the type referred to in ASX Listing Rule 3.1.
- (j) On 22 May 2020, Lynas received an inquiry from a media organization regarding the Decision to Defer Information. Based on the wording of the media inquiry, Lynas became concerned that the media organization may publish an article about the Decision to Defer Information that could potentially give shareholders an incomplete understanding of the Decision to Defer Information. Accordingly, at 5.30pm Sydney time on 22 May 2020, Lynas released an ASX announcement containing the Decision to Defer Information, even though Lynas did not consider the Decision to Defer Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.
- (k) Lynas checked the box "Yes" under the "Market Sensitive" heading when uploading its first ASX announcement dated 22 April 2020 for the reasons described in our answer to question 1. The ASX categorized the first ASX announcement dated 22 April 2020 as "Market Sensitive" when the ASX released the announcement.
- (l) Lynas checked the box "No" under the "Market Sensitive" heading when uploading its second ASX announcement dated 22 May 2020. Despite this, it appears that the ASX categorized the second ASX announcement dated 22 May 2020 as "Market Sensitive" before releasing the announcement.
- (m) Lynas notes that at the close of trading on Friday 22 May 2020 (prior to the release of the Lynas ASX announcement), the Lynas share price was A\$2.12. At the close of trading on Monday 25 May 2020, (one full trading day after the release of the Lynas ASX announcement) the Lynas share price was A\$2.10, a movement of less than 1%. At the close of trading on Wednesday 27 May 2020, (three full trading days after the release of the Lynas ASX announcement) the Lynas share price was A\$2.11, a movement of less than 0.5%.
- (n) For completeness, we point out that the chronology on page 1 of your letter dated 27 May 2020 inadvertently shows relevant events out of order. In fact, point D on page 1 of your letter occurred before Point C. The Lynas ASX announcement dated 22 May 2020 (Point D) was released at 5.30pm Sydney time. The media article dated 22 May 2020 (Point C) was first released at 11.19pm Sydney time.

5. When did LYC first become aware of the Decision to Defer Information?

As noted in our answer to question 4 above:

- (a) Lynas first became aware of the Decision to Defer Information on 29 April 2020, when Lynas received an email from a DoD officer indicating that the DoD was putting the Phase 1 process on hold while it conducted research into objections received.
- (b) It was unclear to Lynas what "on hold" meant, and whether the "hold" would be brief, or of longer duration.
- (c) Lynas sought clarification from government sources regarding the above points. Based on feedback received, Lynas understood that this was simply a pause in the Phase 1 process while political issues were addressed, and that nothing in the Lynas ASX announcement dated 22 April 2020 had changed. This understanding was supported by

ongoing public statements by representatives of the Australian and U.S. governments about continuing to work together on critical minerals supply chain solutions.

- (d) Lynas also noted that negotiations between parties regularly slow down and speed up, which had been our experience to date in the tender process related to this matter, and that it is not required (or appropriate) to update the ASX on such timing matters, particularly when no expectation of timing was contained in the Lynas ASX announcement dated 22 April 2020.
 - (e) At no point in time, either via written transmission or delivered verbally, has Lynas been informed -- nor had reason to believe -- that the DoD's intent to award Phase I was in jeopardy or to be cancelled; Lynas has only ever been informed that the DoD award for Phase I was "on hold."
6. If LYC first became aware of the Decision to Defer Information before the release of the Decision to Defer Announcement, did LYC make any announcement prior to that date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe LYC was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps LYC took to ensure that the information was released promptly and without delay.

Our answer to question 4 above provides the context as to why Lynas first released the Decision to Defer Information on 22 May 2020. The reasons why Lynas first released the Decision to Defer Information on 22 May 2020 are summarized below. For the reasons set out below, Lynas was not at any time obliged to release the information under Listing Rules 3.1 and 3.1A, and therefore no Listing Rules requirement to release the information promptly or otherwise arose at any time.

- (a) As noted above, the total value of Phase 1 is, at most, a couple of million Australian dollars.
- (b) The Lynas ASX announcement dated 22 April 2020 indicated that "[Lynas] has been advised by the U.S. Department of Defense ("DoD") of the DoD's intent to award a Phase I contract for a U.S. based Heavy Rare Earth separation facility to Lynas." "Successful completion of Phase I milestones may lead to further contracts for commercial scale production and operation of a U.S. Heavy Rare Earth separation facility, however, this is not guaranteed." The Lynas ASX announcement dated 22 April 2020 gave no indication as to timing, as the advice received from the DoD did not provide any information on timing.
- (c) Lynas first became aware of the Decision to Defer Information on 29 April 2020, when Lynas received an email from a DoD officer indicating that the DoD was putting the Phase 1 process on hold while it conducted research into objections received.
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ongoing public statements by representatives of the Australian and U.S. governments about continuing to work together on critical minerals supply chain solutions.

- (f) Lynas also noted that negotiations between parties regularly slow down and speed up, which had been our experience to date in the tender process related to this matter, and that it is not required (or appropriate) to update the ASX on such timing matters, particularly when no expectation of timing was contained in the Lynas ASX announcement dated 22 April 2020.
 - (g) At no point in time, either via written transmission or delivered verbally, has Lynas been informed -- nor had reason to believe -- that the DoD's intent to award Phase I was in jeopardy or to be cancelled; Lynas has only ever been informed that the DoD award for Phase I was "on hold."
 - (h) Based on all of the above, Lynas' view was that the Decision to Defer Information was not information of the type referred to in ASX Listing Rule 3.1.
 - (i) On 22 May 2020, Lynas received an inquiry from a media organization regarding the Decision to Defer Information. Based on the wording of the media inquiry, Lynas became concerned that the media organization may publish an article about the Decision to Defer Information that could potentially give shareholders an incomplete understanding of the Decision to Defer Information. Accordingly, at 5.30pm Sydney time on 22 May 2020, Lynas released an ASX announcement containing the Decision to Defer Information, even though Lynas did not consider the Decision to Defer Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.
 - (j) Lynas notes that at the close of trading on Friday 22 May 2020 (prior to the release of the Lynas ASX announcement), the Lynas share price was A\$2.12. At the close of trading on Monday 25 May 2020, (one full trading day after the release of the Lynas ASX announcement) the Lynas share price was A\$2.10, a movement of less than 1%. At the close of trading on Wednesday 27 May 2020, (three full trading days after the release of the Lynas ASX announcement) the Lynas share price was A\$2.11, a movement of less than 0.5%.
7. Please confirm that LYC is complying with the Listing Rules and, in particular, Listing Rule 3.1

We confirm that Lynas is complying with the Listing Rules and, in particular, Listing Rule 3.1.

8. Please confirm that LYC's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of LYC with delegated authority from the board to respond to ASX on disclosure matters.

We confirm that Lynas' responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy and by its board.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Arnold', with a long horizontal flourish extending to the right.

Andrew Arnold
Company Secretary



27 May 2020

Reference: 18742

Mr Andrew Arnold
Company Secretary
Lynas Corporation Limited

By email

Dear Mr Arnold

Lynas Corporation Limited('LYC'): Aware Query

ASX refers to the following:

- A. LYC's announcement entitled "Lynas Selected for Phase 1 of US HRE Separation Facility" lodged on the ASX Market Announcements Platform and released at 4:43 PM on 22 April 2020, disclosing that LYC had been advised by the US Department of Defence ("DoD") of the DOD's intent to award a Phase 1 contract for US based heavy rare earth separation facility to LYC, following LYC's tender submission to the DOD in December 2019 ('Phase 1 Announcement'). The announcement stated that *Phase 1 funding provided by the DOD will allow Lynas and Blue Line to complete detailed planning and design work for the construction of a U.S based Heavy Rare Earth separation facility, in line with DoD Phase 1 milestones.* ('Phase 1 Funding Information').
- B. The change in price in LYC's securities from a closing price of \$1.395 on 22 April 2020 to an intra-day high \$1.685 on 23 April 2020.
- C. An online article published by Reuters News entitled "Exclusive: Pentagon halts rare earths funding program pending "further research"" ("Reuters Article"), that was released on 22 May 2020. The Reuters Article disclosed the following, amongst other things:
 - On April 29, the Pentagon informed applicants that the decision had been "put on hold until further research can be conducted," according to a document seen by Reuters. Lynas confirmed the Pentagon's move in a statement on Friday ("Decision to Defer Announcement").
- D. LYC's announcement entitled "Update on US Heavy Rare Earths Separation Facility" lodged on the ASX Market Announcements Platform and released at 5:30 PM on 22 May 2020 ('Decision to Defer Announcement'), advising that LYC was aware of media reports in the US of political debate on the "merits of supply from the U.S., supply from U.S. allies, and supply from other sources". LYC disclosed that it "understands that the U.S. government's progress on Phase 1 is currently on hold while those political issues are addressed." ('Decision to Defer Information').
- E. The change in price in LYC's securities from a closing price of \$2.12 on 22 May 2020 to a closing price of \$2.07 on 26 May 2020.
- F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

I. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for Information

Having regard to the above, ASX asks LYC to respond separately to each of the following questions and requests for information:

1. Does LYC consider the Phase 1 Funding Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. Does LYC consider the Decision to Defer Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
4. If the answer to question 3 is “no”, please advise the basis for that view
5. When did LYC first become aware of the Decision to Defer Information?
6. If LYC first became aware of the Decision to Defer Information before the release of the Decision to Defer Announcement, did LYC make any announcement prior to that date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe LYC was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps LYC took to ensure that the information was released promptly and without delay.
7. Please confirm that LYC is complying with the Listing Rules and, in particular, Listing Rule 3.1.

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8. Please confirm that LYC's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of LYC with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than the **commencement of trading (i.e. before 6:30 AM AWST) on Friday, 29 May 2020**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, LYC's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph and may require LYC to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to LYC's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that LYC's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in LYC's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Sandra Wutete
Senior Adviser, Listings Compliance (Perth)