



LYNAS CORPORATION LIMITED

PROSPECTUS

For a pro rata renounceable entitlement offer of New Shares, with
Entitlement Options by Lynas Corporation Limited ABN 27 009 066 648

The Offer is fully Underwritten by Patersons Securities Limited

This Offer closes at 5.00pm (Sydney time) on 20 October 2014.

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. If you do not understand its contents, or are in doubt as to course of action you should follow, you should consult your stockbroker, accountant or other professional adviser.

The New Shares and Options offered by this Prospectus should be considered speculative.

Important information

This Prospectus is important and requires your immediate attention.

This Prospectus is dated 29 September 2014 and a copy of this Prospectus was lodged with ASIC on that date. This Prospectus expires on the date 13 months after it was lodged (**Expiry Date**). No New Shares or Options will be allotted or issued on the basis of this Prospectus after the Expiry Date. ASIC and ASX take no responsibility for the contents of this Prospectus.

You should read all of this Prospectus carefully before deciding whether to invest in New Shares. In particular, you should consider the key risks that could affect the performance of Lynas or the value of an investment in Lynas, some of which are outlined in Section 7 of this Prospectus. Note, however, that the information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation, tax position or particular needs of individual investors.

Before deciding whether to apply for New Shares and Entitlement Options, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Entitlement Offer, you should contact your stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects of the Entitlement Offer will vary between investors. A summary of potential Australian tax implications is contained in Section 9 of this Prospectus. However, all investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

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

Within seven days after the date of this Prospectus, Lynas will apply to ASX for the New Shares and Options offered by this Prospectus to be quoted on ASX.

Prospectus availability

Eligible Shareholders will be mailed a copy of the Prospectus together with a personalised Entitlement and Acceptance Form.

Eligible Shareholders can also obtain a copy at the Lynas website at www.lynascorp.com or by calling the Lynas Entitlement Offer Information Line on the numbers listed below under the heading "Enquiries".

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Shareholders in jurisdictions outside Australia and New Zealand (including Shareholders in the United States) are not entitled to access a copy of this Prospectus on the Lynas website. The electronic version of this Prospectus on the Lynas website will not include an Entitlement and Acceptance Form.

Eligible Shareholders will only be entitled to take up their Entitlement by completing the Entitlement and Acceptance Form which accompanies this Prospectus and returning it with their cheque, bank draft or money order using the reply paid envelope provided or by paying all Application Monies by BPAY® (see Section 3.1 and 3.2 for further information).

Any references to documents included on Lynas' website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference in this Prospectus.

The distribution of this Prospectus (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Prospectus, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws. Neither this Prospectus nor the accompanying Entitlement and

Acceptance Form may be sent to persons in the United States or otherwise distributed or released in the United States.

Future performance and forward looking statements

Neither Lynas nor any other person warrants or guarantees the future performance of New Shares, or Options nor any return on any investment made pursuant to this Prospectus.

The pro forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of Lynas' view on its future financial condition and/or performance.

Certain "forward-looking statements" have been provided in this Prospectus. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Preparation of these forward-looking statements was undertaken with due care and attention, however, forward-looking statements remain subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of Lynas and its officers, employees, agents and advisers. Consequently, such factors may impact the performance of Lynas such that actual performance differs materially from any performance indicated in the forward-looking statements. Some of the risk factors that impact on forward-looking statements in this Prospectus are set out in Section 7. No assurance can be provided that actual performance will mirror the guidance provided.

Other than as required by law, none of Lynas, its Directors, officers, employees or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Prospectus will actually occur. You are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Prospectus reflect the views held only immediately before the date of this Prospectus, unless otherwise stated. Subject to the Corporations Act and any other applicable law, each of Lynas, its Directors, officers, employees and advisers disclaims any duty to disseminate after the date of this Prospectus any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

Australia and New Zealand

This Prospectus contains an offer to Eligible Shareholders in Australia or New Zealand of continuously quoted securities (as defined in the Corporations Act) of Lynas, and has been prepared in accordance with section 713 of the Corporations Act. In preparing this Prospectus, regard has been had to the fact that Lynas is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers whom investors may consult. Investors should therefore have regard to the other information disclosed to ASX in relation to Lynas before deciding whether to invest.

New Shares and Entitlement Options being offered under this Prospectus are also being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013*. This Prospectus is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Foreign jurisdictions

No action has been taken to register or qualify this Prospectus, New Shares or Options, or otherwise to permit a public offering of New Shares and Options, in any jurisdiction outside Australia and New Zealand. In particular, neither the Entitlements, the New Shares nor the Options have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States or by persons who are acting for the account or benefit of persons in the United States, and the New Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable United States state securities laws.

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia. No action has been taken to register or qualify the Entitlement Offer in any jurisdiction other than Australia and New Zealand. The Entitlement Offer is not being extended to any Shareholder outside Australia and New Zealand, other than to Eligible Institutional Participants. This Prospectus does not constitute an offer in the United States or to any person acting for the account or benefit of a person in the United States, or in any other place in which, or to any person to whom, it would not be lawful to make such an offer.

Hong Kong Notice

Warning: The contents of this document have not been received by any Hong Kong Regulatory authority. Participants resident in Hong Kong are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document you should obtain independent professional advice.

Competent Persons Statement

The Mineral Resources and Ore Reserves Statement in this Prospectus is based on, and fairly represents, information and supporting documentation prepared by Brendan Shand, who is a member of The Australasian Institute of Mining and Metallurgy. Brendan Shand is an employee of Lynas and 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brendan Shand consents to the inclusion in this Prospectus of the matters based on his information and supporting documentation in the form and context in which it appears.

Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Prospectus.

Any information or representation that is not in this Prospectus may not be relied on as having been authorised by Lynas, or its respective related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Lynas, or any other person, warrants or guarantees the future performance of Lynas or any return on any investment made pursuant to this Prospectus.

References to “you” and “your Entitlement”

In this Prospectus, references to “you” are references to Eligible Shareholders and references to “your Entitlement” (or “your Entitlement and Acceptance Form”) are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Shareholders.

Trading Entitlements

Lynas will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade Entitlements before they receive their Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by Lynas or the Share Registry or otherwise, or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.

Lynas will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares or Options its believes will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by Lynas or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares or Options in error or which they do not hold or are not entitled to. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be eligible to purchase Entitlements on ASX or take up or exercise Entitlements purchased on ASX or transferred from another person.

If you are in any doubt as to these matters you should first consult with your stockbroker, solicitor, accountant or other professional adviser.

Refer to Section 2.5 for more details about trading of New Shares and Entitlement Options and Entitlements.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings, which are set out in the glossary in Section 11, as are certain rules of interpretation that apply to this Prospectus.

A reference to times and dates in this Prospectus are indicative only and subject to change and refer to Sydney time unless otherwise stated. All financial amounts in this Prospectus are expressed in Australian currency unless otherwise stated.

Enquiries

If you have any questions in relation to the Entitlement Offer, please contact your stockbroker, solicitor, accountant or other professional adviser. If you have questions in relation to the calculation of your Entitlement, how to complete the Entitlement and Acceptance Form or how take up your Entitlement, please call the Lynas Entitlement Offer Information Line on the phone number set out below:

Within Australia 1300 737 760 (local call cost).

Outside Australia +61 2 9290 9600

The Lynas Entitlement Offer Information Line is open between 8.30am and 5.15pm (Sydney time) Monday to Friday during the Entitlement Offer Period.

Privacy

Please read the privacy statement located in Section 10.13. By submitting an Entitlement and Acceptance Form accompanying this Prospectus, you consent to the matters outlined in that statement.

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Letter from the Chairman

29 September 2014

Dear Shareholders

On behalf of the directors of Lynas, I am pleased to provide you with an invitation to participate in an underwritten pro rata renounceable entitlement offer of new fully paid Lynas ordinary shares.

Our position as an integrated source of Rare Earths from mine to customer has always held great potential. Rare Earths are essential inputs to high technology, high growth, future-facing industries and Lynas is uniquely placed to succeed in this market.

Since her appointment four months ago, CEO & MD Amanda Lacaze, has led the management team to achieve rapid improvements in performance, company-wide transformation initiatives, and a restructure of the Lynas' Senior Loan Facility. These are each essential in building a stable platform for growth.

We have invested strategically in a portfolio of integrated, high quality Rare Earth assets. The Mt. Weld Mine and Concentration Plant are operating effectively and safely at target rates and the commissioning of the Lynas Advanced Materials Plant (**LAMP**) in Malaysia is complete with production capability on track.

The business transformation from a start-up to a stable operating business is well underway with three key conditions for a sustainable business now satisfied.

- We have achieved a low-cost funding platform with the restructure of the JARE debt facility.
- The Full Operating Stage Licence (**FOSL**) for the LAMP was granted on 2 September 2014 creating operating stability.
- A new management structure with the right experience and skill set to optimise the value of the assets and deliver the full potential of the business is now in place.

Key performance indicators are improving with production volume, revenue, and cost savings all posting positive results in the past quarter. Importantly, the recent difficult operating period has led to the creation of a leaner, smarter approach. We have simplified our operating structure and reduced input costs, resulting in annualised A\$26 million in cost savings.

Lynas is still on the development path. Significant progress has been made in improving production, however, there is still work to be done in all areas of the business, particularly development of sales opportunities.

To assist in completion of the business transformation Lynas is now extending to you an invitation to participate in a pro rata underwritten renounceable entitlement offer of new fully paid Lynas ordinary shares (**New Shares**). The offer of New Shares is made at an offer ratio of five New Shares for every 14 existing Lynas shares (**Existing Shares**) at an offer price of A\$0.08 per New Share (**Offer Price**), plus one Entitlement Option (**Option**) for every two New Shares subscribed for (**Entitlement Offer**).

The Entitlement Offer is expected to raise approximately A\$71.0 million and is fully underwritten by Patersons Securities Limited.

In addition to the Entitlement Offer, Lynas will also raise up to approximately A\$12.0 million through an institutional placement. The Placement Shares will be issued at A\$0.08 and the subscribers under the Placement are also entitled to one Placement Option for every two Shares they subscribe for under the Placement. The Placement is expected to settle on Wednesday, 1 October 2014.

As the Placement will settle prior to the Record Date for the Entitlement Offer, subscribers under the Placement will also be entitled to participate in the Entitlement Offer. Subscribers under the Placement include institutions who focus specifically on the energy and industrial sectors. Participants in the Placement are also sub-underwriters to the Entitlement Offer.

The Entitlement Offer and the Placement are part of a transformational recapitalisation initiative that will see approximately A\$83.0 million (before transaction costs) raised in new equity alongside an amendment to the repayment schedule for Lynas' Senior Loan Facility. The purpose of the debt restructuring is to better align the Company's debt repayment obligations with its forecast growth rates, while the equity raising is to provide additional liquidity headroom and funds to be used by Lynas for the following purposes:

- repayment of the US\$10 million instalment under the Senior Facility due on 30 September 2014
- restructuring costs required to reset the Company's cost base;
- removal of bottlenecks, and more efficient waste management processes in WA and Malaysia;
- investment in applications development; and
- transaction costs.

A number of initiatives to improve the business including broadening our production focus to include quality and recovery rates is now beginning to be reflected in improving sales revenue. While it is still early days and much remains to be done before overall outcomes reflect the Company's potential, your Directors and I are confident in the ability of the Lynas management and staff to deliver growth in shareholder value.

Entitlement Offer

The Entitlement Offer is being conducted by way of an underwritten pro rata renounceable offer of New Shares with Entitlement Options. Under this Prospectus, Eligible Shareholders are invited to purchase five New Shares for every 14 existing Lynas Shares held at 7.00pm (Sydney time) on the Record Date of 3 October 2014 at the Offer Price of A\$0.08 per New Share. For every two New Shares subscribed for the applicant will be granted one Entitlement Option. The Option has an exercise price of A\$0.09 and may be exercised on or before 5.00pm (Sydney time) on Tuesday, 15 September 2015.

New Shares will rank equally with Existing Shares in all respects from allotment. The Options will constitute a new class of security and it is anticipated that they will trade under the ASX Code: LYCO.

This Prospectus contains important information about the Entitlement Offer and Lynas' business.

Accompanying this Prospectus is your personalised Entitlement and Acceptance Form which contains details of your Entitlement. Your Entitlement may have value and it is important that you determine whether to take up, sell or do nothing in respect of your Entitlement.

The Entitlement Offer closes at 5.00pm (Sydney time) on 20 October 2014. To participate, you need to ensure that you have completed your Application by paying Application Monies by Bpay®, or by lodging your Entitlement and Acceptance Form with your Application Monies paid by cheque, bank draft or money order so that they are received before this time in the manner described in this Prospectus. For information on how to take up all or part of your Entitlement see Section 3.

If you do not wish to take up your Entitlement, you may sell all or part of your Entitlement on ASX between 1 October 2014 and 13 October 2014 or transfer all or part of your Entitlement directly to another person. The assignment, transfer and exercise of Entitlements are restricted to persons meeting certain eligibility criteria, as described in Section 3.1.

If you choose to do nothing in respect of all or part of your Entitlement, all or part (as applicable) of your Entitlement will be acquired by the Underwriter. If holders at the end of the Entitlement Offer Trading

Period do not meet the eligibility criteria to exercise Entitlements, their Entitlements will also be acquired by the Underwriter at the Offer Price. In this case, there will be no premium payable to you in relation to your Entitlement.

If you have any questions, please call the Lynas Entitlement Offer Information Line on 1300 737 760 (local call cost within Australia) or +61 2 9290 9600 (outside Australia) between 8.30am and 5.15pm (Sydney time) Monday to Friday during the Entitlement Offer Period or consult your stockbroker, solicitor, accountant or other professional adviser.

I thank you for your continued support of Lynas and encourage you to consider carefully this investment opportunity. We are excited about our current position and the opportunities ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nicholas Curtis', with a stylized flourish at the end.

Nicholas Curtis AM

Chairman

Summary of the Entitlement Offer, Placement and Key Dates

Key Statistics

Entitlement Offer

Entitlement Offer ratio	Five New Shares for every 14 Existing Shares held as at the Record Date
Offer Price	A\$0.08 per New Share
Number of New Shares offered under the Entitlement Offer	887,071,988
Amount to be raised under the Entitlement Offer	A\$70,965,759
Number of Entitlement Options offered under the Entitlement Offer on the basis of one Entitlement Option for every two New Shares subscribed for under the Entitlement Offer	443,535,994
Number of Underwriter Options Offered*	221,767,997
Option Exercise Price	A\$0.09 per Option to acquire one Share

Placement

Amount to be raised under the Placement	A\$12,000,000
Number of Placement Shares to be issued	150,000,000
Price per Placement Share	A\$0.08
Exercise price per Placement Option	A\$0.09 per Option to acquire one Share
Number of Placement Options to be issued	75,000,000

Post-Entitlement Offer and Placement

Total number of Shares on issue at completion of the Entitlement Offer and Placement	3,370,873,554
Total number of Options to be issued at completion of the Entitlement Offer and Placement	740,303,991
Total amount that may potentially be raised if all Options (including Entitlement Options, Underwriter Options and Placement Options) are exercised by the Option Expiration Date	A\$66,627,359

* The issue of the Underwriter Options remains subject to shareholder approval under the Listing Rules (which will be sought at Lynas' upcoming AGM in November 2014). Refer to Sections 7.9.5 and 10.5.1.

Summary of key dates

Event	Date
Entitlement Offer announced	Monday, 29 September 2014
Prospectus lodged with ASIC and ASX	Monday, 29 September 2014
Issue of Placement Shares to institutions	Wednesday, 1 October 2014
"Ex" Date for the Entitlement Offer	Wednesday, 1 October 2014
Entitlements commence trading	Wednesday, 1 October 2014
Record Date for eligibility in the Entitlement Offer	7.00pm (Sydney time) Friday, 3 October 2014
Dispatch of Prospectus	Thursday, 9 October 2014
Entitlement Offer opens	Thursday, 9 October 2014
Entitlement trading ends	Monday, 13 October 2014
New Shares and Options commence trading on a deferred settlement basis	Tuesday, 14 October 2014
Entitlement Offer closing date	5.00pm (Sydney time), Monday, 20 October 2014
Issue of New Shares and Entitlement Options and Placement Options	Monday, 27 October 2014
Dispatch of holding statements for New Shares and Entitlement Options and Placement Options and cessation of deferred settlement trading	Monday, 27 October 2014
Commencement of normal settlement trading for New Shares and Entitlement Options and Placement Options	Tuesday, 28 October 2014
Option Expiration Date	5.00pm (Sydney time), Tuesday, 15 September 2015

The timetable above is indicative only and may be subject to change. Lynas reserves the right to amend any or all of these dates and times subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, Lynas reserves the right to extend the Closing Date, to accept late Applications under the Entitlement Offer (either generally or in particular cases) and to withdraw or vary the Entitlement Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares and Entitlement Options.

Quotation and ASX Codes

The commencement of quotation of New Shares and trading in Entitlements is subject to confirmation from ASX. It is expected that Entitlements for New Shares will trade under the ASX Code: **LYCR**.

Deferred settlement trading in the New Shares is expected to trade under the ASX Code: **LYCN**. Normal settlement trading of the New Shares will be under the ASX Code: **LYC**.

Deferred settlement trading in the Options is expected to trade under the ASX Code: **LYCO**. Normal settlement trading of the Options will also be under the ASX Code: **LCYO**.

No withdrawal

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted. Eligible Shareholders wishing to participate in the Entitlement Offer are encouraged to submit their personalised Entitlement and Acceptance Form as soon as possible after the Entitlement Offer opens.

What should you do?

This Prospectus contains important information in relation to the Entitlement Offer. You should read all of this Prospectus carefully, including Section 7 which identifies the key risks associated with an investment in Lynas and Section 9 which contains a general summary of the Australian tax implications associated with the Entitlement Offer for Eligible Shareholders. It is also important for you to read carefully and understand the information on Lynas and the Entitlement Offer made publicly available, including the information lodged by Lynas with ASX as part of its continuous disclosure obligations, prior to deciding whether to take up all or part of your Entitlement, sell or transfer all or part of your Entitlement or do nothing in respect of your Entitlement. In particular, please refer to the other announcements made available at <https://www.lynascorp.com/Pages/announcements.aspx> (including announcements which may be made by Lynas after publication of this Prospectus).

If you are in doubt as to the course of action you should follow, you should contact your stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

Section 1 - Investment Overview

Offers under this Prospectus		
What is being offered?	<p>This Prospectus contains a number of offers of Securities, including:</p> <ul style="list-style-type: none"> an Entitlement Offer of New Shares and Entitlement Options; an offer of Placement Options to a number of institutional investors; and an offer of Underwriter Options to Underwriters and sub-underwriters. 	Section 2.3
Entitlement Offer		
What is the Entitlement Offer?	The Entitlement Offer is a pro rata renounceable entitlement offer (with entitlement trading) to Eligible Shareholders to apply to purchase five New Shares for every 14 Existing Shares held as at the Record Date.	
What is a "renounceable" offer?	<p>This means that you may sell or transfer your Entitlements. If you sell or transfer your Entitlements, you may receive any value derived from such sale or transfer.</p> <p>Entitlements will trade on ASX commencing on Wednesday, 1 October 2014 and ceasing on Monday, 13 October 2014.</p>	Section 3.1
Who is eligible to participate?	<p>Eligible Shareholders include all shareholders on the register who have a registered address in Australia and New Zealand on the Record Date.</p> <p>A number of overseas institutions are participating as sub-underwriters to the Entitlement Offer. In order for them to participate in the shortfall offer limited overseas jurisdictions have been included for this purpose.</p>	Section 11 (Definition of "Eligible Shareholder")
What is the purpose of the Entitlement Offer?	<p>The purpose of the Entitlement Offer is to provide additional funds that, together with the restructured debt facilities, will provide additional liquidity headroom and be used by Lynas for the following purposes:</p> <ul style="list-style-type: none"> restructuring costs required to reset the Company's cost base; removal of bottlenecks, and more efficient waste management processes in WA and Malaysia; investment in applications development; and transaction costs. 	Section 2.1
What are the New Shares?	The New Shares represent fully paid ordinary shares in the capital of Lynas that will, from the time of allotment,	Section 11 (Definition of "New

	rank equally with Existing Shares, including with respect to payment of dividends.	Shares")
What is the price payable per New Share?	A\$0.08 per New Share.	Section 2.2
What are the Entitlement Options?	<p>Options issued to Eligible Investors as a consequence of subscribing for New Shares under the Entitlement Offer. Investors will receive one Entitlement Option for every two New Shares subscribed for under the Entitlement Offer.</p> <p>Entitlement Options are exercisable at any time following their issue until the Option Expiration Date of 5.00pm (Sydney time) on Tuesday, 15 September 2015. The Option Exercise Price is A\$0.09 and upon exercise, the Option Holder will be issued one New Option Share that will, from the time of allotment, rank equally with Existing Shares, including with respect to payment of dividends.</p> <p>The Terms of Issue of the Options are set out in full in Annexure A.</p>	Annexure A – Terms of Issue
How much will be raised through the Entitlement Offer	Approximately A\$71.0 million before transaction costs.	Chairman's Letter and Section 6.2.2
How much will be raised from the issue of the Options?	<p>No additional proceeds will be raised from the issue of the Options.</p> <p>There is no guarantee that the Options will be exercised. Additionally, in the case of the Underwriter Options, to the extent there is insufficient placement capacity, approval of shareholders will be required before some of the Underwriter Options can be issued (refer to Section 10.5.1).</p> <p>It is possible that Lynas could raise up to approximately A\$40.0 million from the exercise of all of the Entitlement Options.</p> <p>If all of the Entitlement Options, Placement Options and Underwriter Options are issued and exercised, then it is possible that Lynas could raise approximately A\$66.6 million.</p>	Key Statistics and Section 6.2
Are the Entitlement Options tradeable?	<p>Yes. The Terms of Issue of the Entitlement Options permit them to be transferred and the Company will make an application to have the Entitlement Options quoted on ASX.</p> <p>The Options are expected to trade on ASX under ASX Code: LYCO.</p>	Annexure A- Terms of Issue
Do I need to pay any additional amount for the Entitlement Options?	No. Under the Entitlement Offer, the Entitlement Options are issued to Eligible Investors who subscribe for New Share and you only need to pay A\$0.08 per Share.	Annexure A – Terms of Issue

	Upon exercise of the Entitlement Options, you will need to pay the Option Exercise Price of A\$0.09 for each New Option Share that you receive.	
How many new securities will be issued?	Under the Entitlement Offer, 887,071,988 New Shares and 443,535,994 Entitlement Options will be issued. Under the Underwriter Option Offer up to a further 221,767,997 Underwriter Options will be issued (some of which are subject to shareholder approval).	Key Statistics and Section 6.2.2
The Placement		
What is the Placement?	The Placement is an offer of Shares, with subscribers also receiving one Placement Option for every two Shares subscribed for, to certain institutional investors to raise A\$12,000,000.	Section 6.2.1
Who is eligible to participate in the Placement?	Only eligible institutions invited by Lynas are entitled to participate in the Placement. One of the key subscribers, and sub-underwriters for the Entitlement Offer, is an institutional investor with a specific focus on energy and industrial sectors in Asian markets.	Section 6.2.1
When will the Placement occur?	The subscribers have already entered into their commitment to participate in the Placement. The issue of New Shares under the Placement is expected to complete on Wednesday, 1 October 2014. The issue of Placement Options is intended to occur at the same time as the issue of the Entitlement Options occurs (which is 27 October 2014).	Summary of Key Dates
What are the proceeds of the Placement to be used for?	The proceeds of the Placement will be used primarily to fund repayments under Lynas' Senior Loan Facility. Lynas is required to pay US\$10 million under this facility within the 15 day period following 30 September 2014.	Section 6.2.1
What is the price payable per Share under the Placement?	A\$0.08 per Placement Share (which is the same price under the Entitlement Offer).	Section 6.2.1
What are the Placement Options?	The Placement Options are issued to Eligible Investors who subscribe for New Shares under the Placement. Subscribers under the Placement will receive one Placement Option for every two Placement Shares subscribed for under the Placement. As with the Entitlement Options, the Placement Options are exercisable at any time following their issue until the Option Expiration Date of 5.00pm (Sydney time) on Tuesday, 15 September 2015. The Option Exercise Price is A\$0.09 and upon exercise, the Option Holder will be issued one New Option Share that will, from the time of allotment, rank equally with Existing Shares, including with respect to payment of dividends.	Annexure A – Terms of Issue

How many new securities will be issued under the Placement	Under the Placement, 150,000,000 Placement Shares and 75,000,000 Placement Options will be issued.	Key Statistics and Section 6.2.1
What is the application process for the Entitlement Offer?		
How can I apply?	<p>There are two ways you can apply for your Entitlement if you are an Eligible Shareholder:</p> <ul style="list-style-type: none"> • submit your completed Entitlement and Acceptance Form together with a cheque, bank draft or money order; or • pay via BPAY® payment. 	Sections 3.1
What is my Entitlement?	Each Eligible Shareholder is entitled to subscribe for five New Shares for every 14 Existing Shares held by them as at the Record Date as set out in the personalised Entitlement and Acceptance Form which accompanies this Prospectus. Your Entitlement includes one Entitlement Option for every two New Shares subscribed for under the Entitlement Offer.	Entitlement and Acceptance Form
Can I apply for additional New Shares above my Entitlement?	<p>Yes.</p> <p>If you are an Eligible Investor, you may apply for New Shares in excess of your pro rata entitlement on the Record Date. However, you should note that the Underwriter has an obligation to subscribe or procure applications for any Shortfall and Lynas intends to give priority to the Underwriter and sub-underwriters who have made that commitment in allocating any shortfall.</p> <p>Accordingly, even if you apply for any excess, the Underwriter and Sub-Underwriters may be allocated any Shortfall Securities.</p> <p>In consultation with the Underwriter, the Company reserves the right to:</p> <ul style="list-style-type: none"> • allocate any Shortfall to the Underwriter and/ or sub-underwriters; • reject an application for Shortfall Securities, or • issue a lesser number of Shortfall Securities than applied for. <p>If the number of Shortfall Securities issued to an Eligible Shareholder is less than the number applied for, surplus application moneys will be refunded without interest.</p>	Section 2.8 and Entitlement and Acceptance Form

What happens if I am a Shareholder on the Record Date but not an Eligible Shareholder?	<p>You will not be entitled to subscribe for New Shares under the Entitlement Offer. Ineligible Shareholders will have their percentage shareholding in Lynas (held at the Record Date) diluted as a result of the Entitlement Offer.</p> <p>The Company will appoint a nominee to sell any Ineligible Shareholders Entitlements and Ineligible Shareholders will receive the net proceeds of that sale.</p>	Section 3.3
What is my Entitlement if I become a Shareholder after the Record Date?	You have no Entitlement if you become a Shareholder after the Record Date.	Section 11 (definition of "Eligible Shareholder")
Key Investment Highlights		
What are the key investment highlights?	<p>Lynas Operations</p> <ul style="list-style-type: none"> Lynas secured a Full Operating Stage Licence on 2 September 2014. This reduces political uncertainty about continuity of operations, and increases certainty for investors, customers, financiers, suppliers and employees. Lynas' financing package, as announced on ASX on 24 September 2014, involves a restructure of its debt repayments and better aligns them with the Company's financial growth profile. This provides sufficient liquidity headroom and ensures funding for specific works programs to debottleneck operations, improve management of waste and facilitate improved operational and financial outcomes. From June 2013 Lynas has experienced four successive quarters of strong increases in production and sales revenue from LAMP. The Company has strong engagement with its major customers. Lynas has high quality, long life reserves. The Company has more than 25 years of ore reserves in Australia and significant additional mineral resources available. Lynas has the world's largest Rare Earths separation plant at the LAMP. The LAMP is located within a cost competitive industrial and petrochemical estate. <p>Transformation Steps</p> <ul style="list-style-type: none"> Following a change of CEO in June, Lynas' priorities have been realigned to shift focus from production volume to quality and value of production. 	Section 4 and Section 5

	<ul style="list-style-type: none"> Steps have been taken to simplify the Company's operating structure through the relocation of its Head Office to Malaysia. Lynas has targeted improvements in productivity, yield management and ability to consistently deliver product quality to customer specification. 	
Key Risks		
What are the key risks of the Entitlement Offer and an investment in the Company?	<p>There are risks involved with participating in the Entitlement Offer and making an investment in Lynas. In particular, Lynas is still on the development path. Significant progress has been made in improving production, however, there is still work to be done in all areas of the business, particularly development of sale opportunities.</p> <p>Many of the key risks are outside the control of Lynas and its Board. These risks include those described in Section 7 and any other matters referred to in this Prospectus. Before making any investment decision, you should read the entire Prospectus and carefully consider these risk factors.</p> <p>Financial position</p> <p>The ability of the Company to continue as a going concern is contingent on successful completion of the Placement and Entitlement Offer, as well as its continued ability to make repayments under its Senior Loan Facility.</p> <p>Lynas is a party to certain debt facilities which have debt covenants, that, if breached, may constitute a default thereby allowing lenders to, among other things, require immediate repayment of money owed.</p> <p>Proceeds from the equity raising and its current debt financing arrangements may not be sufficient for the Company to fully execute its business strategy, in particular, if there is a decline in Rare Earth prices.</p> <p>Operational risks</p> <p>Lynas is exposed to many operational risks that are, by nature, out of Lynas' control. Amongst others, these relate to unanticipated financial, operational, political, economic or environmental events.</p> <p>Furthermore, there can be no assurance that anticipated tonnage and grades of ore will be achieved during production. Proceeding delays, equipment failures and cost increases can impact processing at the Mt. Weld concentration plant and limit profitability.</p> <p>Credit and market risks</p> <p>There is a risk that Lynas could be adversely affected by</p>	Section 7

	<p>foreign exchange rate fluctuations, default by contract counterparties, an inability to access capital to fund its large scale projects, as well as competition in the Rare Earth market.</p> <p>Regulatory, legal and environmental risks</p> <p>Changes to any applicable legislation may adversely impact Lynas. Lynas may also face threatened or actual legal action, changes to the way in which it is taxed and adverse treatment by government in jurisdictions in which Lynas conducts its operations. Lynas is also subject to an outstanding judicial review in relation to its licence.</p> <p>Risks relating to equity investments and markets</p> <p>Investing in an ASX listed entity expose an investor to a range of risks, including those related to economic conditions, investor sentiment, changes in monetary and government policy, and political conditions. Each of these factors may have an adverse impact on Lynas' share price.</p> <p>Risks associated with the Entitlement Offer</p> <p>There are certain risks associated with participating or not participating in the Entitlement Offer, including dilution for those who do not participate. There is also no guarantee that the value of the Options issued under the Entitlement Offer will increase or if there will be a liquid market for trading the Options.</p> <p>The Entitlement Offer is also subject to certain conditions, including termination events in respect to the underwriting arrangements.</p>	
Further Information		
Is the Entitlement Offer of New Shares underwritten?	Yes.	Sections 10.5
What are the Underwriting arrangements?	<p>Patersons Securities Limited has agreed to underwrite the offer of New Shares under the Entitlement Offer in the amount of approximately A\$71.0 million.</p> <p>Under the terms of the Underwriting Agreement, the Underwriter is obliged to apply for, or procure applications for, all of the Shortfall Securities, or in accordance with the terms of the Underwriting Agreement.</p>	Section 10.5
Do the underwriting arrangements have control implications for Lynas?	No. Having regard to the sub-underwriting arrangements entered into by the Underwriter with a large number of non-associated sub-underwriters, and the impact of the Placement on the Company's issued capital, the underwriting arrangements are not expected to give rise to any control implications for Lynas.	Section 10.5

What are the tax implications of investing in New Shares and Entitlement Options?	The tax implications of investing in New Shares and Entitlement Options will vary depending on the specific circumstances of individual investors. Investors should obtain their own professional advice as to the particular taxation treatment which will apply to them.	Section 9
How can further information be obtained?	<p>If you would like further information you can:</p> <ul style="list-style-type: none"> • contact your stockbroker, solicitor, accountant or other professional adviser; or • call the Lynas Entitlement Offer Information Line on 1300 737 760 (local call within Australia) or +61 2 9290 9600 (outside Australia) at any time between 8.30am and 5.15pm (Sydney time) Monday to Friday during the Entitlement Offer Period. 	Section 3.7

Section 2 – Details of the Entitlement Offer

2.1 Purpose of the Entitlement Offer and use of proceeds

The Entitlement Offer is expected to raise approximately A\$71.0 million, before transaction costs.

The purpose of the Entitlement Offer is to provide additional liquidity headroom and funds to be used by Lynas for the purposes set out in the table below.

Proposed use of funds	Estimated amount	Percentage of amount raised
Repayment from the Placement of the US\$10 million instalment under the Senior Facility	A\$11.0 million	13.25%
Restructuring costs required to reset the Company's cost base	A\$6.0 million	7.23%
Removal of bottlenecks to improve the quality of the Company's operations, and implementation of more efficient waste management processes in WA and Malaysia which will support ongoing increases in Lynas' production	A\$24.0 million	28.92%
Applications development, liquidity headroom and working capital	A\$36.6 million	44.10%
Transaction costs	A\$5.4 million	6.50%
TOTAL	A\$83.0 million	100%

The repayment of US\$10 million will be made before 15 October 2014 and the transaction costs will be paid shortly after settlement of the Entitlement Offer. The timeframe for the additional expenditure is yet to be finalised.

2.2 Overview of the Entitlement Offer

Under the Entitlement Offer, Eligible Shareholders are being offered the opportunity to purchase five New Shares for every 14 Existing Shares held as at 7.00pm (Sydney time) on Friday, 3 October 2014 (the **Record Date**), at the Offer Price of A\$0.08 per New Share.

For every two New Shares subscribed for under the Entitlement Offer, Applicants will also receive one Entitlement Option. The Entitlement Options will be tradeable on ASX and, upon exercise, entitle the holder to receive one Share. The Entitlement Options are exercisable at any time in the Exercise Period from their date of issue up to (and including) the Option Expiration Date of 5.00pm (Sydney time) on Tuesday, 15 September 2015 by:

- Option Holders completing the Option Exercise Form and providing it to the Share Registry; and
- making payment of the Option Exercise Price per New Shares. Payment may be made by cash, bank cheque made payable to the Company or cleared funds telegraphically transferred or transferred by other electronic means into a bank account nominated by the Company (see the Option Exercise Notice included at Annexure A).

The Entitlement Offer is underwritten by Patersons Securities Limited. Please refer to Section 10.5 for a summary of the Underwriting Agreement.

2.3 Your Entitlement

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as five New Shares for every 14 Existing Shares you hold as at the Record Date. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number of New Shares.

You will also receive one Entitlement Option for every two New Shares you subscribe for under the Entitlement Offer. If you apply for an odd number of New Shares, the number of Entitlement Options you receive will be rounded down to the nearest whole number.

If you have more than one registered holding of Shares, you may be sent more than one personalised Entitlement and Acceptance Form and you will have a separate Entitlement for each separate holding.

2.3.1 Allotment of New Shares and Entitlement Options under the Entitlement Offer

New Shares and the Entitlement Options under the Entitlement Offer will be allotted on the Allotment Date (expected to be 27 October 2014).

No certificates will be issued in respect of New Shares or Options. Following allotment, Shareholders will be sent a holding statement which sets out the number of New Shares and Options allotted to them.

2.3.2 Options issuable to the Underwriter and Placement Options

Under the terms of the Underwriting Agreement, Lynas has agreed to issue the Underwriter with the Underwriter Options, subject to shareholder approval in the event that there is insufficient placement capacity under the Listing Rules at its upcoming AGM. The offer of the Underwriter's Options is an offer made under this Prospectus and is an offer that may be accepted, subject to satisfaction of the conditions noted above, including obtaining shareholder approval, notwithstanding the close of the Entitlement Offer.

If shareholder approval is not obtained at the AGM, and Lynas does not have sufficient placement capacity under Listing Rule 7.1 to issue the Underwriter Options, then at Lynas' election the Underwriter will be entitled to a cash payment in lieu of any unissued Underwriter Options or it may be issued Shares, subject to compliance with the Listing Rules (see Section 10.5).

Only the Underwriter or its nominees may subscribe for Underwriter Options. Accordingly, do not complete an Underwriter Option Application Form unless you are directed to do so by the Underwriter.

The Placement Options are also offered under this Prospectus to subscribers under the Placement. Only a subscriber under the Placement may subscribe for Placement Options. Accordingly, do not complete a Placement Option Application Form unless you are directed to do so by the Underwriter. The issue of the Placement Options is intended to occur at the same time as issue of the Entitlement Options.

2.3.3 Rights attaching to New Shares and Options

A summary of the rights attaching to Shares, including the New Shares once issued, is set out in Section 10.8.

The Terms of Issue of the Options are set out in full in Annexure A. If Options are exercised, the Shares issued upon exercise will also have the rights described in Section 10.8.

2.3.4 Foreign Shareholders

It is the responsibility of each Applicant to ensure compliance with the laws of any country relevant to their Application. Nominees, trustees and custodians must not apply on behalf of any beneficial holder that would not itself be an Eligible Shareholder. Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. Lynas reserves the right to reject any Application which it believes comes from a person who is not an Eligible Shareholder.

This Prospectus and the Entitlement and Acceptance Form may not be distributed to, or relied upon by, persons in the United States or persons acting for the account or benefit of persons in the United States. Neither the Entitlements under the Entitlement Offer nor the New Shares or Options have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements under the Entitlement Offer may not be taken up by persons in the United States or by persons who are acting for the account or benefit of, persons in the United States, and the New Shares and Options may not be offered, sold or resold in the United States or to, or for the account or benefit of, persons in the United States.

2.4 Withdrawal of the Entitlement Offer

Subject to the Corporations Act and the Listing Rules, Lynas reserves the right to withdraw or vary all or part of the Entitlement Offer and this Prospectus at any time prior to the issue of New Shares and Options, in which case Lynas will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

2.5 ASX quotation and trading of New Shares and Options

Within seven days after the date of this Prospectus, Lynas will apply to ASX for the New Shares and Options to be quoted on ASX. While Lynas is not aware of any reason why quotation would be denied, there is no assurance that the application will be granted. If ASX does not grant quotation of the New Shares and Options, Lynas will refund all Application Monies in accordance with the Corporations Act and without payment of interest.

The fact that ASX may grant quotation of the New Shares and Options is not to be taken as an indication of the merits of Lynas or the New Shares or Options issued under the Entitlement Offer. Subject to approval being granted, it is expected that normal trading of New Shares and Options allotted under the Entitlement Offer will commence on Tuesday, 28 October 2014.

Holding statements are expected to be despatched by the Share Registry to Eligible Shareholders on Monday, 27 October 2014. It is the responsibility of each Applicant to confirm their holding before trading in New Shares and Entitlement Options. Any Applicant who sells New Shares or Entitlement Options before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. Lynas disclaims all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade New Shares or Entitlement Options before receiving their holding statement from the Share Registry, whether on the basis of confirmation of the allocation provided by Lynas or the Share Registry.

2.6 CHESS and issuer sponsored holdings

New Shares and Options will participate from the date of commencement of quotation in CHESS. New Shares and Options must be held in uncertificated form (i.e. no share certificate will be issued) on the CHESS subregister normally under sponsorship of a participant (usually a broker) or on the issuer-sponsored subregister. Arrangements can be made at any subsequent time,

through your controlling participant, to convert your holding from the issuer-sponsored subregister to the CHESSE subregister or vice versa.

2.7 Application Monies and interest

Application Monies will, until New Shares in respect of the Application Monies are issued, be held by Lynas in a trust account.

Lynas reserves the right to withdraw or vary all or part of the Entitlement Offer at any time, subject to applicable laws, in which case Lynas will refund Application Monies in relation to Entitlements or New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, each Applicant agrees that such Application Monies shall not bear or earn interest for the Applicant, irrespective of whether or not all or any New Shares applied for by the Applicant are issued to the Applicant, and that any interest earned on Application Monies held by Lynas shall be the property of Lynas.

2.8 Shortfall Allocation

The Underwriter has, subject to the term of the Underwriting Agreement, an obligation to subscribe for any Shortfall Securities and Lynas intends to give priority to the Underwriter and sub-underwriters who have made that commitment in allocating any shortfall.

Accordingly, there is no guarantee that there will be sufficient Shortfall Securities available to satisfy demand, if at all, for Eligible Investors who apply for Entitlement Shares and Options in excess of their Entitlement. Eligible Shareholders have no priority right to Shortfall Securities.

In consultation with the Underwriter, the Company reserves the right to:

- allocate any Shortfall to the Underwriter and/ or sub-underwriters;
- reject an application for Shortfall Securities; or
- issue a lesser number of Shortfall Securities than applied for.

If the number of Shortfall Securities issued to an Eligible Shareholder is less than the number applied for, surplus application moneys will be refunded without interest.

2.9 Reconciliation, Top-Up Shares and the rights of Lynas and the Underwriter

The Entitlement Offer is a complex process and in some instances, investors may believe that they will own more or fewer Shares than they ultimately did on the Record Date. This may result in a need for reconciliation.

If reconciliation is required, it is possible that Lynas may need to issue a small quantity of additional New Shares (**Top-Up Shares**) and Options (**Top-Up Options**) to ensure all Eligible Shareholders receive their full Entitlement. The price at which Top-Up Shares would be issued is not known but would not be lower than the Offer Price.

Any Top-Up Shares and Top-Up Options will be issued under this Prospectus and accordingly (without limiting other provisions of this Prospectus permitting variation of dates or acceptance of late Applications) the offers in this Prospectus remain open for acceptance in respect of such Shares until the date of issue of any Top-Up Shares and Top-Up Options.

Lynas also reserves the right to reduce the size of an Entitlement or number of New Shares and Options allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders or other applicable investors, if Lynas believes in its complete discretion that their claims to Entitlements are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, Lynas may, in its discretion, require the relevant

Shareholder to transfer oversubscribed New Shares (and Options) to the Underwriter at the Offer Price per New Share. If necessary, the relevant Shareholder may need to transfer Existing Shares held by them or to purchase additional Shares and Options on-market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for New Shares (and Options) in excess of their Entitlement and any actions they are required to take in this regard.

Investors who sell Entitlements to which they are not entitled, or who do not hold sufficient Entitlements at the time required to deliver those Entitlements, may be required by Lynas to otherwise acquire Entitlements or Shares or Options to satisfy these obligations.

By applying under the Entitlement Offer, including pursuant to acquisitions of Entitlements, those doing so irrevocably acknowledge and agree to do the above as required by Lynas in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of Lynas or the Underwriter to require any of the actions set out above.

2.10 Disclaimer

Lynas reserves the right to determine whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder. Lynas and the Underwriter disclaim all liability (to the maximum extent permitted by law) in respect of the determination as to whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder.

2.11 Notice to nominees and custodians

Without the consent of Lynas, nominees and custodians may not distribute this Prospectus or any other materials relating to the Entitlement Offer to, nor accept any Entitlement on behalf of any person in the United States or in any country outside Australia and New Zealand.

Section 3 – Actions required by Eligible Shareholders

3.1 Entitlements and acceptance

The number of New Shares and Entitlement Options to which you are entitled is shown in the Entitlement and Acceptance Form.

In determining Entitlements, any fractional entitlement will be rounded down to the nearest whole number.

Your acceptance of the Entitlement Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus.

You may participate in the Entitlement Offer as follows:

- (a) if you wish to accept your Entitlement in full and apply for additional New Shares and Entitlement Options which may be available if not all Shareholders accept their Entitlement in full:
 - (i) pay the amount determined by multiplying the number of New Shares you wish to apply for (including your Entitlement) by the issue price of A\$0.08 via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (Sydney time) on the Closing Date; or
 - (ii) complete the Entitlement and Acceptance form, including the section regarding applying for additional Shares and Options in excess of your Entitlement and attach your cheque for the appropriate application monies (at A\$0.08 per New Share) so that it is received before 5.00pm (Sydney time) on the Closing Date;
- (b) if you wish to accept your Entitlement in full:
 - (i) pay the amount indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (Sydney time) on the Closing Date; or
 - (ii) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form so that it is received before 5.00pm (Sydney time) on the Closing Date;
- (c) if you only wish to accept part of your Entitlement:
 - (i) pay a lesser amount than indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (Sydney time) on the Closing Date; or
 - (ii) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate application monies (at A\$0.08 per Share) so that it is received before 5.00pm (Sydney time) on the Closing Date; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything;
- (e) If you wish to sell all or part of your Entitlement on ASX:

If you wish to sell all or part of your Entitlement on the ASX, please follow the instructions set out on the reverse of the Entitlement and Acceptance Application Form under the section marked "Sale of your Entitlement in full or in part by your Stockbroker".

Entitlements trading commences on Wednesday, 1 October 2014. You must deal with your Entitlement by close of trading on the ASX on Monday, 13 October 2014, when Entitlements trading ceases.

- (f) if you wish to transfer all or part of your Entitlement (other than on market using ASX):
- If you wish to transfer all or part of your Entitlement to another person or party other than on market using the ASX, then you must forward the completed standard renunciation and transfer form (obtainable from your stockbroker or the Company's share registry) so that it is received before 5.00pm (Sydney time) on the Closing Date and ensure a renunciation and transfer form completed by the transferee and attaching the transferee's cheque for the amount indicated on your renunciation and transfer form is received before 5.00pm (Sydney time) on the Closing Date.

3.2 Payment by cheque, money order or bank draft

When making payment by way of cheque, money order or bank draft, include your completed Application Form in the same envelope, and send it to one of the following.

Postal Delivery:

Lynas Corporation Limited
Entitlement Offer
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Hand Delivery:

Lynas Corporation Limited
Entitlement Offer
C/- Boardroom Pty Limited
Level 7, 207 Kent Street
SYDNEY NSW 2001

3.3 Ineligible Shareholders

The Company is of the view that it is unreasonable to make an offer to Ineligible Shareholders having regard to the number of Ineligible Shareholders, the number and value of the Entitlements that would be offered to Ineligible Shareholders, and the cost of complying with the legal and regulatory requirements in the relevant jurisdiction.

Lynas has appointed the Underwriter as its nominee to sell Entitlements of Ineligible Shareholders. The Underwriter intends to sell the Entitlements of Ineligible Shareholders on ASX during the Entitlements Trading Period. The Company will pay the Underwriter a fee of 1% (plus GST) of the value of the Entitlements sold in respect of Entitlements sold. The proceeds of such sale will be paid to Ineligible Shareholders, in proportion to their share of such Entitlements, (net of brokerage commission and other expenses), as soon as practicable following completion of the Entitlement Offer. Payment will be made to the Ineligible Shareholders nominated bank account or by cheque. You will be paid by direct credit to the nominated account as noted on Lynas' share register.

The nominee will have the absolute and sole discretion to determine the timing and the price at which the Entitlements may be sold and the manner of any such sale. Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements or to sell them at a particular price.

If, in the reasonable opinion of the nominee, there is not a viable market for the Entitlements or a surplus over the expenses of sale cannot be obtained for the Entitlements that would have been offered to the Ineligible Shareholders, then the Entitlements will be allowed to lapse and they will form part of the Shortfall.

3.4 Shortfall Securities

Any Entitlements that are not applied for will form the Shortfall Securities. The offer to issue Shortfall Securities is a separate offer under this Prospectus.

Under this Prospectus, the Company is offering to issue the Shortfall Securities to persons at the same price as the Offer Price under the Entitlement Offer. Eligible Shareholders may apply for any Shortfall Securities at the time they apply to take up their Entitlements by applying for New Shares in excess of their Entitlements, as set out in the relevant section of the Entitlement and Acceptance Form, and making payment as set out in Section 3.2.

Any application for Shortfall Securities, together with payment of the relevant Application Monies, does not guarantee allotment of any Shortfall Securities. The Shortfall Securities will be placed at the discretion of the Underwriter following consultation with Lynas (see Section 2.8). All Application Monies in relation to which Shortfall Securities are not allocated will be returned without interest.

Subject to the terms of the Underwriting Agreement, the Underwriter is obliged to take up and subscribe for all Shortfall Securities.

3.5 Representations by acceptance

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY® or otherwise applying to participate (including after having acquired Entitlements in New Shares), you will be deemed to have represented and warranted on behalf of yourself and each person or account for which you are acting to Lynas that you are an Eligible Shareholder and:

- acknowledge that you have read and understand this Prospectus and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of the Entitlement Offer, the provisions of this Prospectus, and the Constitution;
- authorise Lynas to register you as the holder(s) of New Shares allotted to you;
- declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- acknowledge that once Lynas receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your Application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the Offer Price per New Share;
- authorise Lynas, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;

- acknowledge that the information contained in this Prospectus and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Prospectus is given in the context of Lynas' past and ongoing continuous disclosure announcements to ASX;
- acknowledge the statement of risks contained in Section 7 of this Prospectus, and that investments in Lynas are subject to risk;
- acknowledge that none of Lynas or its respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Lynas, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- authorise Lynas to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an Application and that you are otherwise eligible to participate in the Entitlement Offer;
- represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- understand and acknowledge that neither the Entitlements nor New Shares have been, and none of them will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States. The Entitlements under the Entitlement Offer may not be taken up, purchased or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States;
- represent and warrant you have not and will not send this Prospectus, the Entitlement and Acceptance Form or any other materials relating to the Entitlement Offer to any person in the United States or any other country outside Australia and New Zealand;
- declare that if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in regular transactions on ASX or otherwise where neither you nor any person acting on your behalf know, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or is acting for the account or benefit of a person in the United States; and
- declare that if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States (to that extent), and you have not sent this Prospectus, the Entitlement and Acceptance Form or any information relating to the Entitlement Offer to any such person.

3.6 Representations by acquirers of Entitlements

Investors who acquire Entitlements on ASX or otherwise will, by acquiring those Entitlements, and by applying to take up all or part of those Entitlements, be deemed to agree to make and be subject to the representations, declarations, warranties and agreements in Section 3.5 above (with references to the personalised Entitlement and Acceptance Form to be read as including any other form provided or required to be provided to Lynas, the Share Registry or the person's stockbroker).

If you purchase Entitlements in a transaction on ASX or otherwise, in order to take up those Entitlements and subscribe for New Shares you must be either:

- an Eligible Shareholder; or
- a resident in Australia or New Zealand,

provided in each case you are not in the United States or acting for the account or benefit of a person in the United States.

If you do not satisfy the above conditions, you will not be entitled to take up Entitlements or subscribe for New Shares.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for exercise. If holders of Entitlements after the end of the Entitlement Offer Trading Period do not meet the eligibility criteria, they will not be able to exercise the Entitlements. In the event that holders are not able to take up their Entitlements, those Entitlements will form part of the Shortfall Securities and holders will receive no value for them.

3.7 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions, please contact the Lynas Entitlement Offer Information Line on 1300 737 760 (local call cost within Australia) or +61 2 9290 9600 (outside of Australia). The Lynas Entitlement Offer Information Line will be open between 8.30am and 5.15pm (Sydney time), Monday to Friday during the Entitlement Offer Period. Alternatively, you can access information about the Entitlement Offer online at www.lynascorp.com. If you have any further questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.

3.8 Lynas' discretion to extend the Entitlement Offer to other Shareholders

Lynas has decided that it is unreasonable to make offers under the Entitlement Offer to Shareholders who are not Eligible Shareholders, having regard to the small number of such holders in those places and the number and value of the New Shares that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. Lynas may (in its absolute discretion) extend the Entitlement Offer to Shareholders who have registered addresses outside Australia and New Zealand in accordance with applicable law.

Section 4 – Overview of Lynas

4.1 Overview of Lynas

Lynas is an integrated source of Rare Earths from mine to customer. Rare Earths are essential inputs to high technology, high growth, future-facing industries, especially those involved in energy efficient sectors.

Lynas has a portfolio of aligned assets to explore, develop, mine and process Rare Earth minerals. These assets are:

- Mt. Weld – the highest grade Rare Earths mine in the world, located 35km south of Laverton in WA;
- Mt. Weld Concentration Plant – commissioned in 2011 and located 1.5km from the mine site; and
- Lynas Advanced Materials Plant (**LAMP**) – an integrated manufacturing facility, separating and processing RE materials, located in the Gebeng Industrial Estate (GIE) near the Port of Kuantan in Malaysia.

LAMP was granted a Full Operational Stage License (**FOSL**) from Malaysia's Atomic Energy Licensing Board (**AELB**) on 2 September 2014. The LAMP is now supplying Rare Earths products to customers in Japan, China, Vietnam, Europe and North America. The Company's Japanese customer base continues to grow and currently represents about 60% of sales revenue.

Lynas is attractive to key customers as a stable and integrated supplier of high quality Rare Earths, particularly the strategically significant neodymium, praseodymium and certain heavy Rare Earth materials.

Unique chemical, catalytic, electrical, magnetic, metallurgical, and optical properties enable Rare Earths to play a key role in the advancement of materials technology. Rare Earths already play a critical role in the electronics, automotive, environmental protection and petrochemical sectors. Industry analysts expect demand in key end use markets to grow well ahead of global GDP per annum, creating strong demand for Rare Earth materials.

The key applications and their associated Rare Earths elements are shown in Table 4.1 below.

Table 4.1

Summary of Key Rare Earth Applications and Growth Drivers

LAMP	Make-up of Production (%)	Major Applications
Nd / Pr oxide, Nd oxide and Pr oxide	24.5	Magnets, NiMH Batteries, Automotive Catalysis
SEG + Heavy Rare Earths	4.3	Lighting, Magnets
Ce carbonate, oxide	23.6	Automotive Catalysis, NiMH Batteries, Oil Refining Catalysis, UV-cut glass
La carbonate, oxide	12.3	Oil Refineries, NiMH Batteries
Ce / La and Ce / La / Pr carbonate, oxide	36.3	Polishing, NiMH Batteries

4.2 Lynas' Strategy

Lynas has invested in a portfolio of assets which positions the Company as an integrated source of Rare Earths from mine to customer. Lynas derives significant value from each of the assets within the portfolio and additional value from the combination of those assets. Initial value accrues from the nature of the resource deposit which is acknowledged as the highest grade Rare Earths mine in the world. In addition, each of the processing facilities (Mt. Weld and LAMP) is industry leading and built to exacting safety and environmental standards. Additional value accrues from the combination of these assets as Lynas is able to control quality and environmental processes throughout production. Importantly, the use of a single feed source (Mt. Weld) allows the company to optimise processes at the LAMP.

The development of these assets has been the primary focus of Lynas' strategy to date.

Achievements have included:

- the start-up of the Mt. Weld concentration plant which is now operating efficiently and safely at target rates;
- the commissioning and operation of the LAMP. Identified bottlenecks have been resolved and current performance indicates that further improvements in volume, quality and yield will be delivered as planned;
- the establishment of key channels to market and direct relationships with key customers; and
- the development and implementation of safety and environmental standards and practices to ensure that Lynas is safe for its staff, safe for the environment and safe for its communities.

The focus of the business strategy is to fully realise the value resident within this asset portfolio.

As noted earlier, key end use markets for which Rare Earth products are important inputs, are growing strongly offering substantial opportunities for growth in the Lynas business. Further, the

nature of the Rare Earths market offers Lynas significant opportunity to establish leadership positions in the Rare Earth market based on technical, product and service differentiation.

Core elements of the strategy include:

- (a) Continued improvement in the performance of the Mt. Weld and LAMP production facilities with increased throughput at lower costs, increased focus on quality performance and improved Rare Earth Oxide (**REO**) recovery rates at all stages of the process.
- (b) Investment in process technology and applications development for the higher value elements Nd and Pr and SEG. These elements constitute approximately 30% of the Rare Earth composition of Mt. Weld concentrate but their unique properties and relative scarcity means they represent approximately 90% of Lynas' sales revenue. Specific initiatives include:
 - (i) improving product purity by developing novel technologies to remove natural impurities such as other metals;
 - (ii) developing techniques to deliver to customer-defined quality specification; and
 - (iii) partnering with customers to develop new applications and reduce cost through the value chain.
- (c) Executing a "go to market" strategy focused on supplying key customers in high value target segments. For example:
 - (i) partnering with Sojitz to capture a high share of the Japanese market;
 - (ii) expanding reach to new geographic markets;
 - (iii) developing new offers including preferred supply arrangements;
 - (iv) engaging directly with end use customers to find new and better ways to utilise Rare Earth products and to ensure the Rare Earth product is adding value to the finished product; and
 - (v) realising price premiums for additional customer value add.
- (d) Continuing to enhance Safety and Environmental practices. For example:
 - (i) investing in ongoing safety management tools including training and equipment;
 - (ii) investing in environmental protection equipment and processes to maintain environmentally sustainable manufacturing practices;
 - (iii) investing in new waste water and tailings management in WA to improve water re-use and tailings management; and
 - (iv) investing in waste management strategies in Malaysia including the use of waste product in commercial applications.
- (e) Continuing to improve the quality of community engagement in each location in which Lynas operates.

Executing this strategy will allow Lynas to create sustainable competitive advantage built on:

- supply reliability;
- quality differentiation;
- leading technology; and
- environmental leadership.

In doing so, Lynas will build greater resilience into its ability to deliver shareholder value growth. Once the Placement and Entitlement Offer are completed, Lynas estimates it will have approximately A\$82 million of cash (after payment of the Senior Facility instalment of US\$10 million).

4.3 Recent initiatives

The Company has undertaken the following recent initiatives.

- (a) Office locations have been rationalised:

The offices in both Sydney and Kuala Lumpur are closing and Head office will move to Kuantan, Malaysia. Together with elimination of duplicated services in other locations and a reduction in the use of contract labour, to date, the overhead cost savings on an annualised basis is approximately A\$16 million.
- (b) The Executive leadership team has been restructured:
 - 39% reduction in leaders at GM level or higher (18 to 11).
 - Flatter structure, with removal of Chief Operating Officer role.
 - Increased focus on both Production and Commercial leadership roles.
 - Introduction of a new role focused on business processes and controls.
- (c) Procurement focus and practices have been enhanced:

To date, annualised savings of approximately A\$10 million have been achieved. This focus will continue with further savings expected to be realised.
- (d) Production processes have been refocused to deliver significant improvements in right quality product.

4.4 Production update and sales revenue update

Lynas has experienced four consecutive quarterly increases since June 2013 in production volume and sale revenue as follows:

- production has continued to increase each quarter, with a compound quarterly growth rate of approximately 70% since the June 2013 quarter;
- sales revenue has been increasing, with a compound quarterly growth rate of approximately 110% since the June 2013 quarter;
- Lynas is on track for a fifth consecutive quarter of production increases. The improved proportion of “on spec” production being achieved in the September 2014 quarter should underpin continued strong growth in sales revenue; and
- Lynas is experiencing a step change in quality, achieving approximately, 99% “on spec” production of NdPr in September 2014. NdPr constitutes approximately 70% of Lynas' sales revenue.

4.5 History of Lynas

Shares in Lynas have been listed on the ASX since 1986. Originally, Lynas was a gold exploration and mining company. In 1999, Lynas first acquired an interest in the mine site at Mt. Weld in Western Australia (Mt. Weld Rare Earths deposit) and now owns mining tenements covering 100% of the Mt. Weld Rare Earths deposit.

Lynas completed a feasibility study on the Rare Earths project in 2005. Mining of the first stage of the open pit at Mt. Weld was completed in April 2008. Commissioning of the Mt. Weld

concentration plant took place in May 2011 and first feed to kiln and commencement of operations at the LAMP in Malaysia occurred in November 2012.

4.6 Mine and Resources at Mt. Weld

Lynas has an open pit Rare Earths mine at Mt. Weld and mining operations are co-ordinated according to demand for concentrate from the LAMP.

The reserve and resource estimates for the Mt. Weld deposit are shown in Table 4.2.

Table 4.2

Mt. Weld Mineral Reserves (4-7% REO cut off depending on type of ore)

Reserves	Ore (mmt)	REO(%)¹	Cont. REO (kt)
Proved	5.6	13.0%	720
Probable	4.1	10.0%	410
Total	9.7	11.7%	1,130

Mt. Weld Mineral Resources (2.5% REO cut off)

Resources	Ore (mmt)	REO (%)¹	Cont. REO (kt)
Measured	11.3	9.4%	1,050
Indicated	10.9	6.9%	750
Inferred	1.7	4.3%	70
Total	23.8	7.9%	1,870

Note: The ore reserve estimate is taken from Lynas' ASX announcement dated 21 September 2012 with a minor adjustment for depletion of stockpiles. The Company confirms that all material assumptions and technical parameters underpinning the estimated mineral resources and ore reserves continue to apply and have not materially changed.

The mineral resource estimate is taken from Lynas' ASX announcement dated 18 January 2012 with a minor adjustment for depletion of stockpiles. The Company confirms that all material assumptions and technical parameters underpinning the estimated mineral resources continue to apply and have not materially changed.

The mineral resource estimate is inclusive of the ore reserve estimate.

This resource base is capable of supporting operations at full LAMP capacity for more than 25 years.

4.7 Processing Operations at Mt. Weld

The Mt. Weld processing and infrastructure facilities comprise a concentration plant, power and water supply facilities, site access roads and associated administration facilities.

The stockpiled Rare Earths ore undergoes crushing and grinding, before being fed into a flotation circuit to produce Rare Earths concentrate containing approximately 40% REO. A filter press is used to reduce moisture before bagging. The concentrate is then placed in sealed bulker bags and transported in shipping containers from Fremantle Port (Western Australia) to Kuantan Port in Malaysia. A simplified diagram of the production process is contained in Figure 4.1.

A significant inventory of Rare Earths concentrate has been created at Mt. Weld. The Plant is run to meet demand from the LAMP.

4.8 Operations at the LAMP

The Malaysian processing and infrastructure facilities comprise the LAMP and associated utilities and services facilities.

Upon arrival at the Kuantan Port, Rare Earths concentrate containers are transferred onto trucks for transport by road to the LAMP site within the Gebeng Industrial Estate. At the LAMP, the Rare Earths concentrate undergoes three key stages of processing:

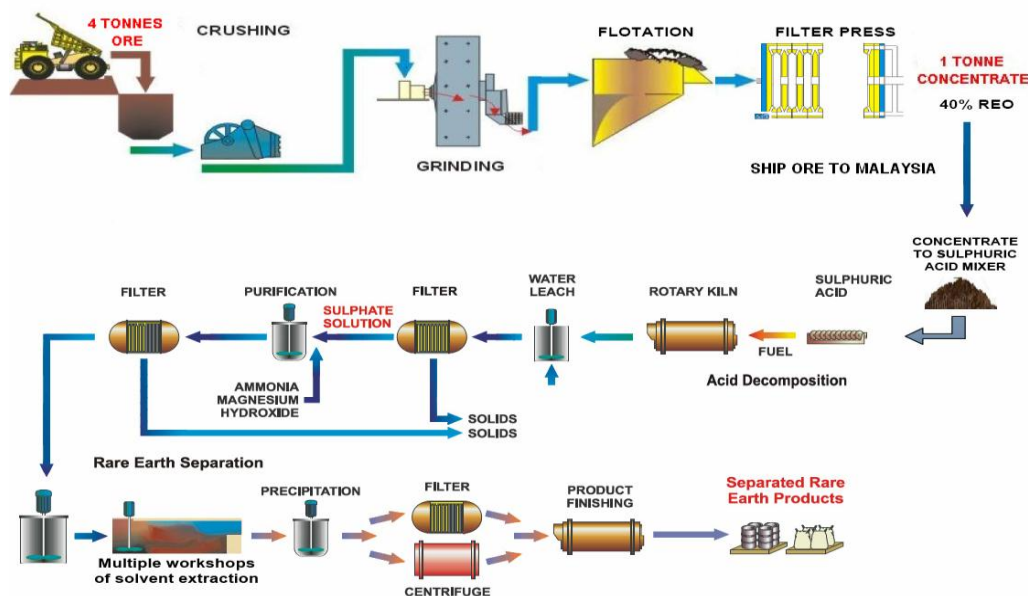
- **Cracking and Leaching (C&L)** – Rotary kilns and acid are used to dissolve the Rare Earths elements into a liquid sulphate form.
- **Solvent Extraction (SX)** – In the upstream SX section, the soluble Rare Earths elements are recovered and concentrated from their sulphate host solutions. In the downstream SX section, hydrochloric acid-based solutions are created, and the individual Rare Earths elements, or groups of elements, are separated.
- **Product Finishing (PF)** – The solutions containing separated Rare Earths elements are neutralised to precipitate high purity elements. The centrifuged products are treated in tunnel furnaces to produce high purity REO products.

The technology employed and the design of the LAMP is state-of-the-art and is in compliance with all applicable regulatory requirements.

Production and quality at the LAMP has been ramping up since the commencement of operations in November 2012. During the June 2014 quarter, the Lynas Group increased REO production and sales from the LAMP for a fourth successive quarter. Total production for the quarter was 1,882 tonnes, on an REO equivalent basis, a 73% increase on the prior quarter. Total volume shipped was 1,630 tonnes, on an REO equivalent basis, up 117% on the prior quarter. Sales revenue for the quarter was 23% higher than the previous quarter, and represented 45% of total sales for FY2014.

Figure 4.1

Production Process Overview



4.9 Board and Senior Management

4.9.1 Board of Directors

Lynas' Board of Directors is as follows.

Nicholas Curtis AM, BA (Hons), FAICD – Chairman

Mr Curtis is Chairman of the Company. He has previously served as Managing Director and as Executive Chairman of the Company. He became a Non-Executive Chairman in April 2013. He is Executive Chairman of Rutila Resources Limited and of the private corporate advisory firm, Riverstone Advisory. Mr Curtis serves as a Director of the Asia Society Australia. Mr Curtis also served as a Governor of the Mining and Metals Industry Partnership Group at the World Economic Forum, and as Co-Chair of the Global Growth Company community with the World Economic Forum. He was a Non-Executive Director of Conquest Mining Limited from 12 May 2010 to 18 October 2011 prior to the company's restructure to become Evolution Mining. From June 2004 to August 2011 he served as a Director of the Garvan Institute of Medical Research and from August 2004 to October 2009 he was Chairman of the Board of St Vincent's & Mater Health Sydney Limited. In addition he served as a Director of St Vincent's Health Australia Ltd and St Vincent's Healthcare Ltd from 1 June 2004 to 1 October 2010. His career spans more than 30 years in the resources and finance industries.

On 13 June 2011, Mr Curtis was awarded an AM (Member of the Order) for his services to the community through executive roles supporting medical research and healthcare organisations and also for his work fostering Australia-China relations.

William (Liam) Forde BSc (Econ), MAICD – Deputy Chairman

Mr Forde joined the Company as a Non-Executive Director in December 2007 and is the Deputy Chairman of the Company. Mr Forde has many years' experience in senior finance and managerial positions in both Ireland and Australia. He is currently a Director of Hastings Funds Management Limited and Chairman of Hastings Management Pty Limited. Mr Forde is also a Director of Hastings High Yield Fund.

In addition, Mr Forde is a member of the Australian Institute of Company Directors. Mr Forde was Chief Executive Officer of the Boulderstone Hornibrook Group from 2002 to 2005, following 15 years as Chief Financial Officer for the group.

Amanda Lacaze BA, MAICD – Managing Director

Ms Lacaze was appointed Managing Director and Chief Executive Officer of the Company on 25 June 2014 following her appointment as a Non-Executive Director of the Company on January 2014.

Ms Lacaze is a highly credentialed manager who brings more than 25 years of senior operational experience to Lynas, including as Chief Executive Officer of Commander Communications, Executive Chairman of Orion Telecommunications and Chief Executive Officer of AOL[7]. Prior to that, Ms Lacaze was Managing Director of Marketing at Telstra and held various business management roles at ICI Australia (now Orica and Incitec Pivot). Ms Lacaze's early experience was in consumer goods with Nestle.

Ms Lacaze is currently a Non-Executive Director of ING Bank Australia Ltd and McPherson's Ltd, is on the Advisory Board of CMOS research group at UTS and is a member of Chief Executive Women and the Australian Institute of Company Directors. Ms Lacaze holds a Bachelor of Arts

Degree from the University of Queensland and postgraduate Diploma in Marketing from the Australian Graduate School of Management.

Kathleen Conlon BA (Econ)(Dist), MBA, FAICD – Non-Executive Director

Ms Conlon was appointed as a Non-Executive Director from 1 November 2011. Ms Conlon is currently a Non-Executive Director of CSR Limited, REA Group Limited, Aristocrat Leisure Limited and The Benevolent Society. She is also President of the NSW division of the Australian Institute of Company Directors, a member of the National Board of the Australian Institute of Company Directors and a member of Chief Executive Women. Prior to her Non-Executive Director career, Ms Conlon spent 20 years in professional consulting where she successfully assisted companies achieve increased shareholder returns through strategic and operational improvements in a diverse range of industries.

Ms Conlon is one of the pre-eminent thought leaders in the area of operations and change management, both in Australia and globally. In 2003, Ms Conlon was awarded the Commonwealth Centenary medal for services to business leadership.

Jake Klein BCom (Hons), ACA – Non-Executive Director

Mr Klein is a Non-Executive Director of the Company and joined the Board on 25 August 2004. Mr Klein has also been Executive Chairman of Evolution Mining since October 2011, a company formed following the merger of Conquest Mining Limited (of which he was Executive Chairman from May 2010 until the merger) and Catalpa Resources Limited. Prior to that, Mr Klein was President and Chief Executive Officer of Sino Gold Mining Limited, where he managed (with Mr Curtis who was Chairman until November 2005) the development of that company into the largest foreign participant in the Chinese Gold Industry. Sino Gold Mining Limited was listed on the ASX in 2002 with a market capitalisation of A\$100 million and was purchased by Eldorado Gold Corporation in late 2009 for over A\$2 billion. Sino Gold Mining Limited was an ASX 100 company, operating two award-winning gold mines and engaging over 2,000 employees and contractors in China. Mr Klein resigned as a Director of Sino Gold Mining Limited in December 2009.

Prior to joining Sino Gold Mining Limited in 1995, Mr Klein was employed at Macquarie Bank and PricewaterhouseCoopers. Mr Klein is a past president of the NSW Branch of the Australia China Business Council and previously served on the NSW Asia Business Council.

4.9.2 Lynas senior management team

Lynas' key executives are as follows:

Amanda Lacaze BA, MAICD – Managing Director

Please refer to Ms Lacaze's profile above at 4.9.1.

Jean Claude Steinmetz BSc, MSc – Chief Commercial Officer

Jean-Claude Steinmetz joined Lynas as Chief Operating Officer, based in Malaysia, in August 2013. In July 2014, he became Chief Commercial Officer with specific responsibility for all aspects of commercial activity in the Company. This includes all customer-facing activity and relationships, procurement and supply chain activities, and corporate and customer communications.

Mr Steinmetz has worked for three major chemical and electrical corporations in various countries for more than 30 years. He started his career with Dupont de Nemours in 1979 as a technical engineer and then joined General Electric in 1984 where he held several positions in Marketing, Commercial, and Business Development in different countries. In 1999 he joined Rhodia as President & General Manager of Rhodia Engineering Plastics and Industrial Yarns-Automotive business. In 2006 he was appointed President for Automotive Business & Sustainable Development.

Mr Steinmetz holds a degree in Chemical Engineering and a Masters Degree in Industrial Management (MSc) from Birmingham University.

Kam Leung BE (Chemical), PhD– Vice President, Production

Kam Leung joined Lynas as the General Manager WA in May 2012. His responsibilities expanded in 2014 when he also assumed responsibility for all LAMP operations in Kuantan, Malaysia. He leads Lynas' production, health and safety, product quality, production planning, maintenance and engineering services, ensuring consistent management from the mine to finished product.

Mr Leung has had over 30 years in the resources sector and has worked for Mt Isa Mines, BHP Billiton and Iluka Resources prior to joining Lynas. His previous experience includes the development and operation of silver-lead-zinc mining and processing operations in the Northern Territory and Northwest Queensland, operation of mineral sands separation and synthetic rutile plants in Western Australia and corporate risk management.

Mr Leung has a Bachelor of Engineering (Chemical) and a PhD (Metallurgical Engineering) from the University of Queensland.

Luisa Catanzaro BCom, FCA, MAICD – Chief Financial Officer

Luisa Catanzaro joined Lynas in December 2011 as Chief Financial Officer. Prior to joining Lynas, Luisa was with Dairy Farmers Group as the CFO and Company Secretary and was part of the executive team instrumental in the turnaround of the business and its sale to Kirin Group. Having started her career in a major accounting firm, she was also the CFO and Company Secretary of Australian Agricultural Company Limited during the time of its IPO. Ms Catanzaro is well regarded for her achievements in each of these roles in finance, mergers and acquisitions and strategy. She has significant experience in manufacturing, supply chain and branded product environments and her extensive experience makes her well suited to a leadership role at Lynas.

Ms Catanzaro has a Bachelor of Commerce from the University of NSW, is a Fellow of the Institute of Chartered Accountants in Australia and is also a Graduate of the Australian Institute of Company Directors.

After Lynas announced that its head office functions were moving to Malaysia, Ms Catanzaro indicated that she was not able to move to Malaysia. Accordingly, Lynas has commenced a search for a replacement CFO, and it is intended that the CFO role will be transitioned once a suitable replacement CFO has been appointed.

Andrew Arnold LLB (Hons), BCom – General Counsel and Company Secretary

Andrew Arnold was appointed as General Counsel and Company Secretary to the Group on 23 July 2008, following 15 years as a lawyer at Deacons, including six years as a Partner. During that time Mr Arnold also spent two years on secondment at Riddell Williams, Seattle. In his role at Deacons he had been overseeing the legal work of Lynas since 2001. Mr Arnold is the responsible person for communication with the ASX in relation to listing rule matters.

Dato Mashal Ahmad BSc – Vice President, Managing Director Lynas Malaysia

Dato Mashal Ahmad joined Lynas in 2008 as Country Manager responsible for establishing the operations and system in Malaysia, and for securing all appropriate regulatory clearances and licences. He has more than 35 years' experience in the chemical, LNG, petroleum refining, polymer and Rare Earth industries, and worked for ICI, Eastman Chemicals and PETRONAS before joining Lynas.

He has a Bachelor of Science (Production Engineering) from Nottingham University in the UK, and was conferred Darjah Indera Mahkota Pahang in 2010. Dato Mashal is Chairman of PETRONAS Vendor Development Program for MLNG and ABF, and is a Member of the Research Council, University Teknologi Petronas.

Section 5 – Debt Financing

5.1 The Existing Terms of the Senior Loan Facility

The Senior Loan Facility in the principal amount of US\$225 million was received from a Special Purpose Company established by Sojitz Corporation and Japan Oil, Gas and Metals National Corporation (**JOGMEC**) (**Senior Loan Facility**). JOGMEC's role is to secure a stable supply of key natural resources for Japanese industry. Sojitz Corporation is a diversified Japanese trading group whose activities include being the largest trader of Rare Earths in Japan.

The Senior Loan Facility is secured over all of the assets of the Group, other than the Malawi Assets.

Interest on the principal accrues daily on the basis of the actual number of days based on a 360-day year and is payable semi-annually. The rate of interest for each interest period is currently the London Interbank Offer Rate published semi-annually plus a margin of 5.25%. There is also a requirement to pay withholding tax on this interest.

The principal can be prepaid in whole or in part at any time by giving 10 business days' prior written notice to Sojitz. If the prepayment is made on a day other than the last day of a semi-annual interest period, a break fee may be payable by Lynas.

The Senior Loan Facility agreement imposes certain restrictions on the Company relating to capital and dividend returns to shareholders, and limitations on the incurrence of new indebtedness. Each time that the Lynas Group conducts a debt raising (subject to an exceptions for permitted financial liabilities up to US\$80 million), 50% of the amount raised must be used for a partial prepayment (without penalty or break costs) of the Senior Loan Facility. This obligation ceases to apply once a total principal amount of US\$125 million is repaid.

The Senior Loan Facility agreement also contains customary default events, and customary covenants which restrict the Lynas Group from creating or allowing any security to exist over its assets or disposing of any of its assets (other than certain permitted encumbrances and disposals).

The current repayment schedule is as follows:

Repayment Date:	Instalment
19 January 2014	US\$10 million (already paid)
30 September 2014	US\$35 million
31 March 2015	US\$45 million
30 September 2015	US\$45 million
31 March 2016	US\$90 million

In addition, if, by 31 March 2015, the Lynas Group has not met certain production volume and cash operating margins under a "Completion of Phase 2 Test", the Lynas Group is required to make an additional principal repayment of US\$35 million (with a corresponding reduction in the 31 March 2016 repayment).

The obligations of Lynas under the Senior Loan Facility are guaranteed by the Lynas Group's subsidiaries excluding Lynas Africa Holdings Pty Ltd and Lynas Africa Limited (the **Guarantors**).

Any wholly-owned subsidiary that becomes a member of the Lynas Group is required to accede to the Senior Loan Facility agreement.

5.2 Term Sheet dated 24 September 2014 – Amendments to the Senior Loan Facility

On 24 September 2014, the parties to the Senior Loan Facility executed a binding term sheet (**Term Sheet**) setting out agreed amendments to the Senior Loan Facility to take effect from 30 September 2014. Signing of the Term Sheet by all three parties to the Senior Facility demonstrates their continuing commitment to the development of Japanese industries that require a secure supply of Rare Earths products.

The key amendments in the Term Sheet are as follows:

5.2.1 Rare Earths Supply

Lynas confirms its commitment to supporting Japanese industries diversifying their Rare Earths supply sources, in accordance with the agreements that were announced on 30 March 2011. In addition, Lynas will provide additional assurances regarding prioritised Nd/Pr (neodymium/praseodymium) supply from the LAMP to the Japanese market.

5.2.2 Interest Rate

The Interest Rate is fixed at 7.00% per annum.

5.2.3 Repayment Schedule

The repayment schedule is amended to the following:

Repayment Date:	Instalment
19 January 2014	US\$10 million (already paid)
30 September 2014	US\$10 million
31 March 2015	US\$15 million
30 June 2015	US\$15 million
30 September 2015	US\$30 million
21 December 2015	US\$20 million
31 March 2016	US\$20 million
30 June 2016	US\$105 million

The repayment of US\$10 million that is due on 30 September 2014 may be made up to 15 calendar days after 30 September 2014. Lynas will apply the proceeds of the Placement to make that repayment. In addition, if, by 31 March 2016 the Lynas Group has not met certain production volume and cash operating margins under a “Completion of Phase 2 Test”, the Lynas Group is required to make an additional principal repayment of US\$35 million (with a corresponding reduction in the 30 June 2016 repayment).

5.2.4 First Ranking Securities

The Senior Lender’s first ranking securities will remain in place throughout the term of the Senior Facility.

5.2.5 Additional matters

The parties agree that a cash sweep mechanism will be put in place (the terms of which are to be agreed). In conjunction with the new agreed terms, Lynas agrees to commit to its ongoing business improvement plans.

5.3 Mt Kellett Convertible Bonds

On 24 January 2012, Lynas executed binding documentation for a US\$225 million unsecured convertible bonds issue (**Convertible Bonds**) with Mt Kellett Capital Management (**Mt Kellett**), a US-based investment firm. Initially funding for the Convertible Bonds was received on 25 January 2012 (US\$50 million) with the final payment of US\$175 million being received on 28 February 2012. As at the date of this Prospectus, none of the Convertible Bonds had been converted into shares.

The proceeds from the Convertible Bond issue have been used to fund construction and commissioning of Phase 1 of the LAMP in Malaysia and for operational expenses. Interest accrues daily on the basis of the actual number of days based on a 365-day year and is payable quarterly. The rate of interest is 2.75% per annum. Each bond entitles the holder to convert to one share at an initial conversion price of A\$1.25 per share (at a set US\$ to A\$ exchange rate). Conversion may occur at any time between 25 July 2012 and 25 July 2016. The conversion price may be adjusted as a result of certain equity related transactions such as the issue of shares, payment of dividends, rights issues or redemptions. The current conversion price is A\$0.98 per share.

A bondholder may, at any time following the occurrence of a defined redemption event, require Lynas to redeem some or all of the Convertible Bonds held by the bondholder. The redemption events include, for example, an insolvency event occurring in relation to a Lynas Group Company, a Lynas Group Company ceasing (or threatening to cease) to carry on all or part of its business which is likely to be materially adverse to the Lynas Group as a whole, a cross default by the Lynas Group in relation to certain other financial indebtedness (including the Senior Loan Facility), and a change in control of any member of the Lynas Group.

If, at any time during the period between 25 July 2015 and 25 July 2016, the 30-day volume weighted average price of the shares is equal to or exceeds 160% of the conversion price, the Company may give notice of its intention to redeem all of the Convertible Bonds on issue by delivering a redemption notice to bondholders.

The Convertible Bonds are unsecured. The Mt Kellett Convertible Bond subscription documents contain customary covenants which restrict the Lynas Group from incurring any financial liabilities or creating any security interests which in each case would rank senior to or equally with the Convertible Bonds, subject to specified exceptions which include the Senior Loan Facility and additional permitted financial liabilities up to US\$80 million. Those restrictions are released upon the Lynas Group achieving Completion of Phase 1 Test at the LAMP, which occurs once the Lynas Group meets certain production volume and cash operating margin tests. After the Lynas Group achieves Completion of Phase 1 Test at the LAMP, the obligations of Lynas and the Guarantors in respect of the Convertible Bonds must at all times rank at least equally with all other present and future unsecured financial liabilities.

On 25 July 2016, Lynas must redeem all Convertible Bonds held by bondholders that have not otherwise been redeemed or converted by paying the relevant redemption amount to each bondholder.

Completion of the Placement and Entitlement Offer will cause an adjustment to the conversion price for the US\$225 million Mt Kellett Convertible Bonds (currently A\$0.98 per share). Once known, the adjustment amount will be announced to the ASX.

Section 6 – Financial Information

6.1 Introduction

The financial information for Lynas contained in this Section 6, which has been prepared for inclusion in this Prospectus, includes:

- (a) the consolidated historical Statement of Cash Flows for the 12 months ended 30 June 2014; and
- (b) the consolidated historical Statement of Financial Position as at 30 June 2014;
(collectively, the **Historical Financial Information**)
- (c) the consolidated pro forma historical Statement of Cash Flows for the 12 months ended 30 June 2014; and
- (d) the consolidated pro forma historical Statement of Financial Position as at 30 June 2014,
(collectively, the **Pro Forma Historical Financial Information**),
(the Historical Financial Information and Pro Forma Historical Financial Information collectively, the **Financial Information**).

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand dollars.

This Prospectus does not include any prospective financial information. The Board determined that the audited consolidated Financial Report is the most effective basis for communication of past financial performance and that Sections 4.3 and 4.4 provide an update on recent initiatives as well as production and sales.

6.2 Basis of preparation and presentation of Financial Information

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards other than it includes certain adjustments which have been prepared in a manner consistent with Australian Accounting Standards that reflect the impact of certain transactions as if they had occurred on 30 June 2014 in the Historical Financial Information.

The Financial Information is presented in an abbreviated format and does not contain all of the presentations, disclosures, statements or comparative information provided in an annual report prepared in accordance with the Corporations Act. Investors should refer to financial reports for the year ended 30 June 2014 and related announcements on ASX's website www.asx.com.au should they wish to obtain more detailed disclosure and commentary on Historical Financial Information in relation to Lynas. Section 10.4 of this Prospectus contains further details of how these documents can be requested by investors.

The Historic Financial Information has been extracted from the consolidated Financial Report for the 12 months ended 30 June 2014 which has been audited by Ernst & Young, who have issued an unqualified audit opinion in respect of this period. The audit opinion does include an Emphasis of Matter paragraph relating to the Lynas Group's funding requirements. Refer to Section 7.2.1 for more details on the Emphasis of Matter included in the Financial Report.

The Financial Information in this Section 6 should also be read in conjunction with the significant accounting policies outlined in Lynas' audited Financial Report for the year ended 30 June 2014.

Lynas has not prepared a pro forma historical Statement of Comprehensive Income on the grounds that it is not impacted by the proposed transactions at 30 June 2014.

The consolidated pro forma historical Statement of Cash Flows for the 12 months ended 30 June 2014 and the consolidated pro forma historical Statement of Financial Position as at 30 June 2014 have been derived from the consolidated historical Statement of Cash Flows for the 12 months ended 30 June 2014 and the consolidated historical Statement of Financial Position as at 30 June 2014 after adjusting for the following events and assumptions:

6.2.1 Placement

Lynas is proposing to issue 150,000,000 New Shares through a Placement of New Shares. Pursuant to the Placement, one Option will be granted for every two New Shares issued (resulting in the issue of 75,000,000 Options). The combined issue price for one New Share and one Option for every two Shares is A\$0.08. Based on the theoretical ex-rights price (excluding the impact of options) of A\$0.104, each Option is valued at A\$0.038 per Option and each Share is valued at A\$0.061 per share. In return for managing the Placement, Lynas will pay a fee to the Underwriter of A\$0.7 million.

As a result of the Placement, Lynas will raise a net amount of A\$11.3 million (being A\$12.0 million net of cash expenses to the Underwriter of A\$0.7 million). In the consolidated pro forma historical Statement of Financial Position, Lynas will record A\$2.9 million in an Option Reserve in equity (being 75,000,000 Options valued at A\$0.038 per Option), and A\$8.4 million in share capital (being 150,000,000 shares valued at A\$0.061 per Share less cash transaction costs of A\$0.7 million).

While the Placement Options may lead to another share issue, following the exercise of the Options, of up to A\$6.8 million on or before 15 September 2015, Lynas has not recognised this additional share capital in the consolidated pro forma historical Statement of Financial Position on the basis that the exercise of the Placement Options is uncertain and has not been assumed to have occurred at 30 June 2014.

The consolidated pro forma historical Statement of Financial Position has been adjusted to reflect the impact of the above transactions as though the above had occurred on 30 June 2014.

The consolidated pro forma historical Statement of Cash Flows for the year ended 30 June 2014 has been adjusted to reflect the closing cash and cash equivalents balances and the cash flow from financing activities balances as if the above transaction had taken place at 30 June 2014.

Lynas has not prepared a consolidated pro forma historical statement of comprehensive income on the grounds that it is not impacted by the proposed transactions at 30 June 2014.

The proceeds of the Placement will be used primarily to fund repayments under Lynas' Senior Loan Facility. Lynas is required to pay US\$10 million under this facility within the 15 day period following 30 September 2014.

6.2.2 Entitlement Offer

Lynas is proposing to issue 887,071,988 New Shares through an underwritten five for 14 Entitlement Offer. Pursuant to the Entitlement Offer, one Option will be granted for every two New Shares issued (resulting in the issue of 443,535,994 Entitlement Options). The combined issue price for one New Share and one Entitlement Option for every two shares is A\$0.08. Based on the theoretical ex-rights price (excluding the impact of options) of A\$0.104, each Option is valued at A\$0.038 per Option and each New Share is valued at A\$0.061 per share.

In return for underwriting the equity issue, Lynas will pay a fee to the underwriters of A\$4.2 million and grant one option for every four shares underwritten (221,767,997 Underwriter Options). These Underwriter Options are valued at A\$8.4 million. In addition to the costs to the underwriter, Lynas will incur additional transaction costs of A\$0.5 million.

As a result of the Entitlement Offer, Lynas will raise a net amount of A\$66.3 million (being A\$71.0 million net of cash expenses to the underwriter of A\$4.2 million and other cash expenses of A\$0.5 million). In the consolidated pro forma historical Statement of Financial Position, Lynas will record A\$25.3 million in an Option Reserve in equity (being 665,303,991 options valued at A\$0.038 per option), and A\$41.0 million in share capital (being 887,071,988 shares valued at A\$0.061 per share less cash transaction costs of A\$4.7 million and A\$8.4 million of Underwriter Option costs).

While the Entitlement Options and Underwriter Options may lead to another equity issue, following exercise of the Options, of up to A\$59.9 million on or before 15 September 2015, Lynas has not recognised this additional share capital in the consolidated pro forma historical Statement of Financial Position on the basis that the exercise of the Options is uncertain and has not been assumed to have occurred at 30 June 2014.

The consolidated pro forma historical Statement of Financial Position has been adjusted to reflect the impact of the above transactions as though the above had occurred on 30 June 2014.

The consolidated pro forma historical Statement of Cash Flows for the year ended 30 June 2014 has been adjusted to reflect the closing cash and cash equivalents balances and the cash flow from financing activities balances as if the above transaction had taken place at 30 June 2014.

Lynas has not prepared a consolidated pro forma historical statement of comprehensive income on the grounds that it is not impacted by the proposed transactions at 30 June 2014.

The purpose of the Entitlement Offer is to provide additional funds that, together with the restructured debt facilities, will provide additional liquidity headroom and be used by Lynas for the following purposes:

- restructuring costs required to reset the Company's cost base;
- removal of bottlenecks, and more efficient waste management processes in WA and Malaysia;
- investment in applications development; and
- transaction costs.

6.2.3 Amendment of the Senior Loan Facility

As noted in Section 5.2, on 24 September 2014, the parties to the Senior Loan Facility executed a binding Term Sheet setting out agreed amendments to the Senior Loan Facility to take effect from 30 September 2014.

As a result of the amended repayment schedule, in the consolidated pro forma historical Statement of Financial Position, Lynas will reduce the Current Borrowings by A\$79.6 million to A\$42.5 million and increase the Non-Current Borrowings by A\$79.6 million to A\$401.1 million.

The consolidated pro forma historical Statement of Financial Position has been adjusted to reflect the impact of the above transactions as though they had occurred on 30 June 2014.

The consolidated pro forma historical Statement of Cash Flows has not been adjusted on the grounds that it is not impacted by the proposed transactions at 30 June 2014.

The consolidated pro forma historical Statement of Comprehensive Income has not been adjusted to reflect break costs that may have been payable if the transaction had taken place at 30 June 2014.

6.2.4 Key financial assumptions

The above adjustments have been calculated based on the A\$ to US\$ exchange rate applying to Lynas' 30 June 2014 Financial Report of 0.9419.

The value of the Options have been calculated using a theoretical ex-rights price (excluding the impact of options) of A\$0.104 per share, an exercise price of A\$0.09 per share and a volatility of 83%.

6.3 Historical consolidated Statement of Cash Flows and Historical pro forma consolidated Statement of Cash Flows

12 months ended 30 June 2014	Pro forma adjustment for				
	Historical Audited	Placement	Entitlement Offer	Senior Facility	Historical Pro forma
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Net cash flows from (used in) operating activities	(103,208)	-	-	-	(103,208)
Net cash flows from (used in) investing activities	(8,594)	-	-	-	(8,594)
Cash flows from financing activities					
Interest received	2,457	-	-	-	2,457
Interest and other financing costs paid	(22,960)	-	-	-	(22,960)
Proceeds from the issue of share capital and options	42,079	12,000	70,966	-	125,045
Payment of transaction costs – Issue of shares	(2,106)	(720)	(4,714)	-	(7,540)
Proceeds from the issue of share capital resulting from the exercise of options	16	-	-	-	16
Repayment of Long-term borrowing (Senior Loan Facility)	(11,270)	-	-	-	(11,270)
Net cash from (used in) financing activities	8,216	11,280	66,252	-	85,748
Net increase (decrease) in cash and cash equivalents	(103,586)	11,280	66,252	-	(26,054)
Cash and cash equivalents at the beginning of the year	141,371	-	-	-	141,371
Effect of exchange rate fluctuations (net) on cash held	359	-	-	-	359
Closing cash and cash equivalents	38,144	11,280	66,252	-	115,676

The pro forma adjustments made to the historical consolidated cash flows from financing activities of Lynas reflect the transactions outlined in Section 6.2.

6.4 Consolidated historical Statement of Financial Position and consolidated pro forma historical Statement of Financial Position

30 June 2014

Pro forma adjustment for

	Historical Audited A\$'000	Placement A\$'000	Entitlement Offer A\$'000	Senior Facility A\$'000	Historical Pro forma A\$'000
Assets					
Cash and cash equivalents	38,144	11,280	66,252	-	115,676
Other current assets	77,902	-	-	-	77,902
Total current assets	116,046	11,280	66,252	-	193,578
Total non-current assets	736,300	-	-	-	736,300
Total assets	852,346	11,280	66,252	-	929,878
Liabilities					
Borrowings (note 6.6.2)	122,094	-	-	(79,626)	42,468
Other current liabilities	48,719	-	-	-	48,719
Total current liabilities	170,813	-	-	(79,626)	91,187
Borrowings (note 6.6.2)	321,477	-	-	79,626	401,103
Other non-current liabilities	58,016	-	-	-	58,016
Total non-current liabilities	379,493	-	-	79,626	459,119
Total liabilities	550,306	-	-	-	550,306
Net assets	302,040	11,280	66,252	-	379,572
Equity (note 6.7)					
Share capital	1,034,634	8,430	40,970	-	1,084,034
Retained earnings (accumulated deficit)	(776,179)	-	-	-	(776,179)
Reserves	43,585	2,850	25,282	-	71,717
Total equity attributable to the equity holders of the Company	302,040	11,280	66,252	-	379,572

The pro forma adjustments made to the consolidated historical Statement of Financial Position reflect the transactions outlined in Section 6.2.

6.5 Cash and cash equivalents

As at 30 June 2014

Pro forma Adjustment for

	Historical Audited A\$'000	Placement A\$'000	Entitlement Offer A\$'000	Senior Facility A\$'000	Historical Pro forma A\$'000
Cash at bank and on hand	33,289	11,280	66,252	-	110,821
Restricted cash (1)	4,855	-	-	-	4,855
Total cash and cash equivalents	38,144	11,280	66,252	-	115,676

Note 1 - Restricted cash represents funds provided under the Senior Loan Facility (refer to note 24 in the Financial Report) which is available to fund the next semi-annual interest payment due to JARE in September 2014.

6.6 Debt Finance Facilities

6.6.1 Senior Loan Facility

On 24 September 2014, the parties to the Senior Loan Facility executed a binding term sheet (**Term Sheet**) setting out agreed amendments to the Senior Loan Facility to take effect from 30 September 2014. The following is a summary of the amended terms of the Senior Loan Facility following the amendment.

Interest rate: Fixed 7% per annum payable quarterly.

Repayment schedule: The repayment schedule is amended to the following:

Repayment Date:	Instalment
19 January 2014	US\$10 million (already paid)
30 September 2014	US\$10 million
31 March 2015	US\$15 million
30 June 2015	US\$15 million
30 September 2015	US\$30 million
21 December 2015	US\$20 million
31 March 2016	US\$20 million
30 June 2016	US\$105 million

The repayment that is due on 30 September 2014 may be made up to 15 calendar days after 30 September 2014. In addition, if, by 31 March 2016 the Lynas Group has not met certain production volume and cash operating margins under a “Completion of Phase 2 Test”, the Lynas Group is required to make an additional principal repayment of US\$35 million (with a corresponding reduction in the 30 June 2016 repayment).

Security: The Senior Lender’s first ranking securities will remain in place throughout the term of the Senior Facility.

Maturity: The loan matures on 30 June 2016.

Cash sweep: The parties agree that a cash sweep mechanism will be put in place (the terms of which are to be agreed).

6.6.2 Borrowings

As at 30 June 2014

		Pro forma Adjustment for		
	Historical Audited	Placement and Entitlement Offer	Senior Facility Amendment	Historical Pro forma
	A\$'000	A\$'000	A\$'000	A\$'000
Current borrowings				
Senior Loan Facility	122,094	-	(79,626)	42,468
Non-current borrowings				
Senior Loan Facility	106,168	-	79,626	185,794
Mt Kellett convertible bonds	215,309	-	-	215,309
Total Non-current borrowings	321,477	-	79,626	401,103
Total borrowings	443,571	-	-	443,571
Senior Debt Facility				
Principal value of senior debt facility	228,262	-	-	228,262
Unamortised transaction costs	-	-	-	-
Total financial liability carrying amount	228,262	-	-	228,262
Mt Kellett Convertible Bonds (1)				
Principal value of Mt Kellett convertible bonds	238,879	-	-	238,879
Unamortised equity component	(23,335)	-	-	(23,335)
Unamortised transaction costs	(235)	-	-	(235)
Total financial liability carrying amount	215,309	-	-	215,309
Total borrowings	443,571	-	-	443,571

Note 1 - As noted in the 30 June 2014 Financial Report, the net Mt Kellett Convertible Bond borrowing reflects the gross debt value of US\$225 million (A\$238.9 million) less the value of transaction costs and the value recognised as a component of equity.

6.6.3 Liquidity risk - borrowings

The following table sets out contractual cash flows for all Borrowings (being principal plus interest).

In A\$'000	Total	1 month or less	1 to 3 months	3 months to 1 year	1 to 5 years
June 30, 2014					
Borrowings per audited Financial Report					
Senior Loan Facility	244,560	-	43,536	127,424	73,600
Mt Kellett convertible bonds	253,330	-	1,806	5,419	246,105
Historical total per audited Financial Report	497,890	-	45,342	132,843	319,705
Pro forma adjustment for :					
Amendment of Senior Loan Facility	11,542	-	(26,446)	(87,956)	125,944
Total pro forma adjustment	11,542	-	(26,446)	(87,956)	125,944
Pro forma liquidity risk - borrowings	509,432	-	18,896	44,887	445,649

6.7 Equity

	Historical Audited		Adjust (1) Number of Shares '000	Pro forma Adjustment for				Historical Pro forma	
				Placement		Entitlement offer			
	Number of			Number of	Number of	Number of			
	Shares '000	A\$'000		Shares '000	Shares '000	A\$'000	Shares '000	A\$'000	Shares (2) '000
Share capital	2,333,661	1,034,634	140	150,000	8,430	887,072	40,970	3,370,873	1,084,034
Retained earnings (accumulated deficit)		(776,179)			-		-		(776,179)
Other reserves		43,585			-		-		43,585
Option reserve		-			2,850		25,282		28,132
Total Reserves		43,585			2,850		25,282		71,717
Total Equity		302,040			11,280		66,252		379,572

Note 1 - On 12 August 2014, Lynas issued 140,000 shares pursuant to the Employee Share plan for no consideration.

Note 2 - The number of Shares on Issue after the Placement and Entitlement Offer (3,371 million shares) has the potential to be increased through the exercise of approximately 740 million Options and Underwriter Options.

The changes to Equity in the consolidated historical Statement of Financial Position reflect the transactions outlined in Section 6.2.

Section 7 – Risk Factors

7.1 Introduction

Investing in New Shares involves a degree of risk. Before applying for New Shares and Options, you should consider whether they are a suitable investment for you.

You should be aware that there are risks involved with participating in the Entitlement Offer and holding New Shares or exercising the Entitlement Options to acquire Shares. Some of these risks are specific to an investment in Lynas, while others relate generally to any investment in the equity markets. The occurrence of these risks may have an adverse impact on Lynas' business, results of operations, financial condition and performance or the price of Shares, and also impact its ability to continue as a "going concern" (see Section 7.2.1).

This Section 7 discusses some of the key risks associated with an investment in Lynas. It should be read in conjunction with Section 4, Section 5, and Section 6, which contain further details on Lynas. The risks set out below do not necessarily constitute an exhaustive list of all the risks involved with an investment in Lynas. Many such risks are outside the control of Lynas and its Board.

You should read all of this Prospectus carefully and consider your personal circumstances and consult your stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

7.2 Financial position

7.2.1 Ability to continue as a going concern

Note 2.2 of the Company's financial report for the year ended 30 June 2014 sets out the basis upon which the financial report has been prepared using the going concern assumption. Any failure to obtain the additional funding required by Lynas would cast significant doubt about Lynas' ability to continue as a going concern and therefore, whether Lynas is able to realise its assets and discharge its liabilities in the normal course of business.

Lynas has taken the following steps to mitigate this risk.

- Lynas has agreed to amendments to the Senior Loan Facility repayment schedule, as detailed in Section 5.2.
- In conjunction with the amendments to the Senior Loan Facility, Lynas plans to complete the Placement and the Entitlement Offer.
- Lynas requires this additional equity to meet the amended principal repayments due under the Senior Loan Facility, particularly the next payment for US\$10 million which is due under the binding Term Sheet no later than 15 October 2014, as well as to ensure it has the funding required to allow Lynas to restructure its cost base and for general liquidity headroom purposes.
- The directors and management, having obtained a signed underwriting agreement, are confident that there are reasonable grounds to believe that the additional equity funding will be obtained in a timely manner over the course of October 2014 to satisfy both the Lynas cash requirements and meet the next US\$10 million Senior Loan Facility principal repayment due no later than 15 October 2014.

7.2.2 Level of debt and covenants

As set out in Section 5, Lynas has in place both a Senior Loan Facility and Convertible Bonds and is under an obligation to make repayments on specified dates. Should a number of the risks outlined in this Section 7 eventuate, then Lynas may experience difficulty in making the repayments as and when they fall due. There is no guarantee that the proceeds derived from the Entitlement Offer (or the Placement) will necessarily be sufficient to ensure that repayment obligations can be met in all cases.

In addition, Lynas' existing debt facilities are subject to a range of covenants. In the course of operating a prudent financing strategy, particularly in current market conditions, Lynas can employ a range of strategies in order to meet its debt covenants. If there were a significant further decline in revenue or earnings, this could cause Lynas to not comply with these debt covenants.

A failure to comply with any of these debt covenants may require Lynas to seek amendments, waivers of covenant compliance or alternative borrowing arrangements. There is no assurance that its lenders would consent to such an amendment or waiver in the event of non-compliance, or that such consent would not be conditional upon the receipt of a cash payment, revised payout terms, increased interest rates, or restrictions in the expansion of debt facilities in the foreseeable future, or that its lenders would not exercise rights that would be available to them, including among other things, calling an event of default and demanding immediate payment of outstanding borrowings.

If such a demand was made and appropriate forbearance or refinance arrangements could not be reached, Lynas may not have sufficient available funds to meet that demand.

7.2.3 Proceeds from the refinancing may not provide sufficient funding to execute the Company's business strategy

Lynas' business strategy is reliant upon access to debt funding over an extended period of time and at an acceptable cost of debt. The Company's existing facility agreements restrict its ability to incur further debt except in certain circumstances. Should the Company experience a protracted decline in earnings, there is a possibility that the quantum of debt and/ or equity funding available to the Company would not be sufficient to execute its strategy which could have a negative impact on the future financial performance or position of Lynas.

7.3 Operational Risks

Lynas is exposed to various operational risks including unanticipated financial, operational or political events, cost overruns, decline in Rare Earths commodity prices and demand, equipment and labour shortages, equipment failure, technical concerns including possible reserves and deliverability difficulties, environmental impacts, increases in operating cost structures, community or industrial actions, natural disasters, interruptions to the supply of power, water, chemical or fuel, 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. In addition the ramp up of operational assets can be subject to unexpected problems of delays.

7.3.1 Development stage business

Lynas is still on the development path. Significant progress has been made in improving production, however, there is still work to be done in all areas of the business, particularly development of sale opportunities.

7.3.2 Nature of mining

Mineral mining involves risks, which even with 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 mining. 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. Projects may not proceed to plan with potential for delay in the timing of targeted output, and Lynas may not achieve the level of targeted mining output. Mining output levels may also be affected by factors beyond Lynas' control.

7.3.3 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. Mineral resource and ore reserve estimates are based upon estimates made by Lynas personnel and independent consultants. Estimates are inherently uncertain and are based on geological interpretations and inferences drawn from drilling results and sampling analyses. There is no certainty that any mineral resources or ore reserves identified by Lynas will be realised, that any anticipated level of recovery of minerals will be realised, or that an identified ore reserve or mineral resource will be a commercially mineable (or viable) deposit which can be legally and economically exploited.

Further, the grade of mineralisation which may ultimately be mined may differ materially from what is predicted. The quantity and resulting valuation of ore reserves and mineral resources may also vary depending on, amongst others, metal prices, cut-off grades and estimates of future operating costs (which may be inaccurate). Production can be affected by many factors. Any material change in quantity of ore resources, mineral reserves, grade, or stripping ratio may affect the economic viability of any project undertaken by Lynas.

Lynas' estimated mineral resources and ore reserves should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations. Investors should be cautioned not to place undue reliance on any estimates made by Lynas. Lynas cannot be certain that its mineral resource and ore reserve estimates are accurate and cannot guarantee that it will recover the expected quantities of metals. Future production could differ dramatically from such estimates for the following reasons:

- actual mineralisation or Rare Earth grade could be different from those predicted by drilling, sampling, feasibility or technical reports;
- increases in the capital or operating costs of the mine;
- decreases in REO prices;
- changes in the life-of-mine plan;
- the grade of Rare Earths may vary over the life of a Lynas project and Lynas cannot give any assurances that any particular mineral reserve estimate will ultimately be recovered; or
- metallurgical performance could differ from forecast.

The occurrence of any of these events may cause Lynas to adjust its mineral resource and reserve estimates or change its mining plans. This could negatively affect Lynas' financial condition and results of operations. Moreover, short-term factors, such as the need for additional development of any Lynas project or the processing of new or different grades, may adversely affect Lynas.

7.3.4 Processing/ ramp-up risks

While the Mt. Weld concentration plant has operated successfully on a campaign basis (synchronised to LAMP demand) in recent months, there is no guarantee that the plant will perform to design specifications when it operates on a continuous basis. In addition, the Company is engaged in discussions and planning with regulators and vendors for the improvement and expansion of the tailings storage facility at Mt. Weld which may require further capital investment. There is no guarantee that additional ramp up will be completed on a timely basis and delays in the completion of projects may result in increased costs and reduced profitability. Additionally, there are always inherent risks in production including equipment failures, quality issues and cost increases that could limit production and profitability.

While the LAMP will continue to ramp up there are no guarantees that the targeted production run-rates will be consistently achieved. There are inherent risks in the full start up of Phase 2 capacity which may limit the ability of Lynas to operate the additional capacity in a cost effective and continuous basis.

7.3.5 Other ongoing operational risks

(a) Reliance on key personnel

Lynas' execution capacity is substantially attributable to the role played by a group of its senior management and key employees. Lynas' future success depends significantly on the full involvement of these key executives and employees and its ability to continue to retain and recruit high-level personnel. The loss of key employees could significantly impact Lynas operations.

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.

(b) Processing operations

Lynas' operations are subject to the operating risks associated with Rare Earth processing, including the related risks associated with storage and transportation of raw materials, products and wastes. These operating risks have the potential to cause personal injury, property damage and environmental contamination, and may result in the shutdown of affected facilities and in business interruption and the imposition of civil or criminal penalties, and negatively impact the reputation of Lynas.

The hazards associated with Lynas' mining and processing operations and the related storage and transportation of products and wastes include:

- pipeline and storage tank leaks and ruptures;
- explosions and fires;
- mechanical failures; and
- chemical spills and other discharges or releases of toxic or hazardous substances or gases.

These hazards may cause personal injury and loss of life, damage to property and contamination of the environment, which may result in suspension of operations and the imposition of civil or criminal penalties, including fines, expenses for remediation and claims brought by governmental entities or third parties. Although Lynas maintains property, business interruption and casualty insurance of types and in the amounts that it believes is customary for the chemicals industry, Lynas is not fully insured against all potential hazards incidental to its businesses.

7.3.6 Supply Chain

Lynas is dependent on contractors and suppliers to supply vital goods and services to its operations. The Company is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers. Any disruption to services or supplies may have an adverse effect on the financial performance of the Company.

7.3.7 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, 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 price and availability of new technology; and
- the availability and cost of Rare Earths substitutes.

Strong Rare Earth prices, as well as real or perceived disruptions in supply, may create economic incentives to identify or create alternate technologies that ultimately could depress future long-term demand for Rare Earths. This may, at the same time, incentivise the development of additional mining properties to produce Rare Earths. If industries reduce their reliance on Rare Earth products, the resulting change in demand could have a material adverse effect on Lynas' business. In particular, if prices or demand for Rare Earths were to decline, this could impair Lynas' ability to obtain financing for current or additional projects and its ability to find purchasers for its products at prices acceptable to Lynas.

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. The conditionality and ability of the counterparties to meet their commitments under such contracts may impact on Lynas' investment in the project.

7.4 Credit and market risks

7.4.1 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. Further, Lynas' borrowings are denominated in US dollars. Consequently, to the extent possible, Lynas takes advantage of natural offsets. Nevertheless, Lynas is exposed to foreign exchange rate fluctuations which may materially affect its financial position and operating results.

7.4.2 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 contracts may impact on Lynas' business and financial condition.

7.4.3 Access to capital risk

Lynas' business and, in particular, its 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.

7.4.4 Competition

Lynas' Rare Earths supply contracts and profits may be adversely affected by the introduction of new Rare Earths 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.

7.5 Regulatory and environmental risks

7.5.1 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 mining, production, marketing, pricing, transportation and storage of Lynas' products and residues. Permits from a variety of regulatory authorities are required for many aspects of Lynas' operations. Many of those permits are subject to conditions, and a change in the conditions attaching to those permits, or the imposition of new conditions, could have a material adverse effect on Lynas' business and financial condition. A change in the laws which apply to Lynas' business or the way in which it is regulated could also 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.

7.5.2 Environmental risks

Lynas' activities are subject to extensive laws and regulations controlling not only the mining of, exploration for and processing of 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.

7.5.3 Disposal of Residues

At both Mt. Weld and the LAMP, Lynas operations generate residue materials in the form of solids, liquids and gases. Lynas believes it has appropriate plans in place for the treatment, sale or disposal each of those residues. Failure to implement those plans could have a material effect on Lynas' licensing conditions and may adversely affect its operations.

7.5.4 Community acceptance and reputation

Lynas recognises that a strong mutual relationship with each community in which it operates is a pre-condition to successful operations. Failure to maintain those relationships and the acceptance by those communities may have an adverse effect on Lynas' operations.

In addition Lynas recognises the importance of maintaining its reputation with all of its stakeholders including shareholders, regulatory authorities, communities, customers and suppliers. Failure to maintain its reputation with some or all of its stakeholders may have a negative impact on the future performance of Lynas.

7.5.5 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.

7.5.6 Obtaining, maintaining and renewing permits, approvals and mining tenements

The maintaining of permits, approvals and mining tenements, obtaining renewals, or getting permits, approvals and mining tenements granted, often depends on Lynas being successful in obtaining the required statutory approvals for proposed activities. There is no assurance that Lynas will be able to obtain, maintain or renew permits, approvals or mining tenements as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

7.5.7 Legal action

Lynas and the Malaysian government have to date been successful in defending several challenges to the issuance of the TOL to Lynas. However, there is an outstanding judicial review challenge, which is referred to as the "second judicial review challenge" in the Lynas Quarterly Activities Report released on 31 July 2013, which has not yet been heard by the Courts. There is no guarantee that Lynas and the Malaysian government will be successful in defending that challenge or any potential challenge to the issuance of the FOSL.

It is possible that in the future, Lynas could be exposed to other litigation or proceedings, either from shareholders, financiers, regulators and the communities in which the Company operates.

7.6 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.

7.7 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 operations as it intends, including because of a change in government, legislation, regulation or policy.

Lynas also may not be able to ensure the security of its assets, 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' business and financial position.

7.8 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 and Options may rise above or fall below the Offer Price or the Option Exercise Price (as applicable), depending on the financial condition and operating performance of Lynas. Further, the price at which Lynas Shares or Options 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.

7.9 Risks associated with the Entitlement Offer

7.9.1 Inability to complete the Entitlement Offer

The Entitlement Offer is subject to a range of conditions and termination events as outlined in the Underwriting Agreement and summarised in Section 10.5. In the event the Underwriting Agreement is terminated, there is no guarantee that the Entitlement Offer will continue in its current form or continue at all.

If the Entitlement Offer does not proceed, then there is significant uncertainty as to whether the Company will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise the assets and extinguish its liabilities in the normal course of operations and at the amounts stated in its statutory Statement of Financial Position.

7.9.2 Renouncing Entitlements under the Entitlement Offer

If you sell or transfer all or part of your Entitlement or do not participate in the Entitlement Offer, you will forgo any exposure to future increases or decreases in the value of New Shares that would have been allotted to you had you taken up your Entitlement (or any value for your Entitlement which may have been achieved through its sale on ASX or otherwise) and your percentage shareholding in Lynas (held at the Record Date) will be diluted to the extent of your non-participation in the Entitlement Offer. Ineligible Shareholders' percentage ownership in Lynas (held at the Record Date) will also be diluted as a result of the Entitlement Offer.

Additionally, if you transfer your Entitlement or do not participate in the Entitlement Offer, then you will not receive the Entitlement Options that you would be issued if you subscribe for New Shares under the Entitlement Offer. Accordingly, you will not be able to exercise such Entitlement Options, nor realise any value that may attach to those options should the trading price of Lynas' shares at the time of exercise be above the Option Exercise Price.

The final impact of the Entitlement Offer on a Shareholder's percentage holding in Lynas is dependent on a number of factors, including the individual Shareholder's level of take-up and the level of take-up by other Eligible Shareholders under the Entitlement Offer. If you are an Eligible Shareholder you may receive value for your Entitlement if you transfer it; however, this cannot be assured.

The tax consequences from selling Entitlements or from doing nothing (and allowing your Entitlements to be acquired by the Underwriter) may be different. Before selling Entitlements or choosing to do nothing in respect of Entitlements, you should seek independent tax advice and may wish to refer to the tax disclosure contained in Section 9.

7.9.3 Value of the Options

The Options that are issued as part of the Entitlement Offer and the Placement, and to the Underwriter, are issued for no additional consideration but require the Option Exercise Price to be paid at the time of exercise. If the prevailing trading price of Lynas' shares during the Option Exercise Price is lower than the Option Exercise Price, then it is likely that the Options will not be exercised. In this case, for investors, the unexercised Options will not have value and will lapse on the Option Expiration Date.

If the Options are not exercised, or only some of the Options are exercised, then Lynas may not receive the proceeds that would otherwise be generated if holders pay the Option Exercise Price. This possibility may reduce the amount of capital that Lynas would receive if all of the Options are exercised on or before the Option Expiration Date by up to A\$66.6 million.

7.9.4 Liquidity of the Options

Although the Options are proposed to be listed on ASX, there can be no guarantee that there will be a liquid market for trading of the Options.

7.9.5 Risks associated with obtaining shareholder approval at the AGM

The issue of those Underwriter Options that Lynas is unable to issue under ASX Listing Rule 7.1 is conditional upon the Shareholders of Lynas passing certain resolutions at the upcoming AGM. To the extent that those approvals are not obtained, Lynas will not have capacity under the Listing Rules to issue all the Underwriter Options to the Underwriter and may instead at Lynas' election need to make a payment in an amount equal to the price of an Option calculated by reference to the 5 day VWAP up to and including the AGM for every Underwriter Option that would otherwise have been issued or alternatively issue Shares of equivalent value (subject to placement capacity being available under the Listing Rules).

7.10 General risks

7.10.1 General economic conditions

Lynas' operating performance and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates, exchange rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or decrease in consumer and business demand, could be expected to have an adverse impact on Lynas' business, results of operations or financial condition and performance.

7.10.2 Changes in tax rules or their interpretation

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. In addition, an investment in the Shares or Options involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Lynas.

7.10.3 Accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of Lynas and its Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance or financial position of Lynas.

7.10.4 Interest rate fluctuations

Both the Term Sheet and Convertible Bonds have fixed rates of interest. At the maturity of these facilities, any increase in interest rates may affect Lynas' costs of servicing its borrowings which may adversely affect its financial position.

7.10.5 Force majeure events

Events may occur within or outside Lynas' key markets that could impact upon the global economies and the operations of Lynas. The events include, but are not limited, to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Lynas' product offering and services and its ability to conduct business.

7.11 Other risks

The above risks are not an exhaustive list of the risks. The risks outlined above and other risks may materially affect the future performance of Lynas. Accordingly, no assurances or guarantees of future performance, profitability, distributions, or returns of capital are given by Lynas.

Section 8 – Key People, Interests and Benefits

8.1 Interests and benefits

8.1.1 Directors' interests

Other than as set out in this Prospectus:

- (a) no Director or proposed Director holds at the date of this Prospectus, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - (i) the formation or promotion of Lynas;
 - (ii) property acquired or proposed to be acquired by Lynas in connection with its formation or promotion or the Entitlement Offer; or
 - (iii) the Entitlement Offer; and
- (b) no one has paid or agreed to pay any amount, or given or agreed to give any benefit, whether in cash or shares or otherwise, to any Director or proposed Director, either:
 - (i) to induce them to become, or qualify them as, a Director; or
 - (ii) in connection with services provided by them,

in connection with the formation or promotion of Lynas or in connection with the Entitlement Offer.

(c) Holdings of Shares

As at the date of this Prospectus, relevant interests held by Directors in Shares are set out in the table below:

Director	Number of Shares	Options over Shares
Mr Nicholas Curtis	3,378,501	18,500,000
Mr William Forde	1,161,184	2,150,000
Ms Amanda Lacaze	82,500	-
Ms Kathleen Conlon	262,258	-
Mr Jacob Klein	2,082,236	1,700,000

(d) Remuneration

The Constitution contains several provisions as to remuneration of executive and non-executive Directors. As remuneration for services, each non-executive Director is to be paid an amount determined by the Board, subject to a maximum aggregate amount determined in general meeting. That aggregate maximum has been set at A\$1,250,000 per annum.

Any Director who performs services outside the ordinary duties of a Director (such as serving on committees or devoting special attention to the business of Lynas) may be paid extra remuneration as determined by the Board.

In addition, every Director is entitled to be paid all reasonable travel, accommodation and other expenses incurred by the Director in attending meetings of Lynas, of the Board or of any committees, or while engaged in the business of Lynas.

(e) CEO Remuneration

Amanda Lacaze's CEO Contract was previously announced to the market on 25 June 2014 and contains the following items:

- Base salary (inclusive of superannuation) of A\$1,200,000.
- Sign on bonus of performance rights to the value of A\$100,000.
- A performance bonus of up to A\$600,000 payable in the first year only, subject to completion of agreed milestones. Any performance bonus will be paid in up to three instalments of A\$200,000 (split between A\$100,000 in cash and A\$100,000 in performance rights).
- STI entitlement of up to A\$600,000, comprising STI entitlement of A\$300,000 and deferred STI entitlement of up to A\$300,000 in equity.
- LTI entitlement of up to \$600,000 in equity.

Each proposed issuance of equity securities is subject to Lynas shareholder approval. The interests outlined above are in addition to the approximately 30 million performance rights referred to in Section 8.2 that may be issued to senior managers in 2014.

(f) Indemnity and insurance

In accordance with the Constitution, Lynas has entered into a Director's Deed with each Director. Each Director's Deed provides:

- an ongoing indemnity to the relevant Director against any liability incurred by the Director in or arising out of either the conduct of the business of Lynas or in or arising out of the discharge of the duties of that Director, to the extent permitted by law;
- that Lynas will maintain normal insurance policies for the benefit of that Director against liability arising as a result of them acting in their official capacity, with that Director being afforded the protection of such policies for the term of their appointment and for seven years following their retirement; and
- each Director with a right of access to Board papers relating to their period as a Director and for a period of seven years following their retirement as a Director, subject to confidentiality obligations.

(g) Intentions of Directors and sub-underwriting

Each Director will be entitled to participate in the Entitlement Offer to the extent that the Director holds Existing Shares at the Record Date. Each Director intends to participate in the Entitlement Offer to the extent of subscribing for their Entitlement.

Two of the directors, Nicholas Curtis and Amanda Lacaze, have agreed to sub-underwrite part of the Entitlement Offer. The spouse of Kathleen Conlon, has also agreed to act as a sub-underwriter. Please refer to Section 10.6 for a description of the applicable terms.

8.1.2 Interests of experts and advisers

Patersons Securities Limited is acting as the Underwriter of the Entitlement Offer. The Underwriter is entitled to receive the fees and commissions described in the summary of the Underwriting Agreement in Section 10.5. Patersons Securities Limited acted as Underwriter to the Company's Share Purchase Plan and Lead Manager to a top up placement in May 2014 and received a fee of \$2,103,924 (excluding GST and expenses) for that role.

Allens has acted as Australian legal adviser to Lynas in connection with the Entitlement Offer. Lynas has agreed to pay approximately A\$150,000 (excluding GST and disbursements) for legal services in connection with the Entitlement Offer to the date of this Prospectus. Further amounts may be paid to Allens in accordance with its usual time-based charges.

Other than as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (each, a relevant person) holds at the date of this Prospectus, or has held in the two years prior to the date of this Prospectus, any interest in:

- the formation or promotion of Lynas;
- the Entitlement Offer; or
- any property acquired or proposed to be acquired by Lynas in connection with its formation or promotion of the Entitlement Offer.

Other than as set out in this Prospectus, no one has paid or agreed to pay any amount, or given or agreed to give any benefit, to such relevant persons for services provided in connection with the formation or promotion of Lynas or the Entitlement Offer.

8.2 Performance Rights

In September/ October of each year, Lynas will usually make an award of performance rights under its Long Term Incentive Plan (**LTI Plan**) for the benefit of certain members of senior management.

It is expected that the awards for 2014 will amount to approximately 30 million performance rights; however, the final details have not yet been determined. The exact awards remain subject to, among other things, share price movements, the approval of the Lynas Board, and, in the case of CEO Amanda Lacaze, shareholder approval.

An announcement will be made to the market once the awards have been determined.

Section 9 – Australian Taxation Implications

9.1 Introduction

This Section 9 provides a general summary of the key Australian tax implications arising for certain Shareholders in relation to the Entitlement Offer. It applies only to Shareholders who:

- already hold Existing Shares at the time the entitlements to New Shares or Options are issued under the Entitlement Offer and acquired their Existing Shares on or after 20 September 1985;
- are issued the entitlements to New Shares or Options because of their ownership of Existing Shares or New Shares (as applicable);
- hold their Existing Shares (and will hold any New Shares or New Option Shares) on capital account; and
- did not acquire their Existing Shares pursuant to an employee share scheme.

As such, this summary does not apply to Shareholders who:

- acquired any entitlements to New Shares or Options otherwise than because they are a Shareholder in the Company (for example, because the entitlements to New Shares or Options were acquired on the ASX subsequent to being issued);
- hold their Existing Shares (or will hold their New Shares or New Option Shares) as revenue assets (for example, where the relevant Shares are held by Shareholders in connection with a business of share trading, banking or investment) or as trading stock; or
- acquired their Existing Shares (or will acquire their New Shares or New Option Shares) pursuant to an employee share scheme.

The Australian tax implications arising to a Shareholder may differ depending on whether the Shareholder is a resident of Australia for tax purposes. For that reason, the comments which follow consider separately the tax consequences arising to both Australian resident and non-resident Shareholders as a consequence of the Entitlement Offer.

The tax implications of the Entitlement Offer will vary depending on the particular circumstances of the Shareholders. Shareholders should seek and rely upon their own independent taxation advice before concluding on the particular tax treatment that will apply to them, whether or not those Shareholders participate in the Entitlement Offer and acquire New Shares or New Option Shares.

The Company, its officers and advisers do not accept any liability or responsibility in respect of any statement concerning the tax implications of the Entitlement Offer or in respect of the tax consequences themselves.

9.2 General

Unless otherwise indicated, the comments in this Section 9 are based on the Australian tax law enacted at the date of the Prospectus and do not take into account or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practices).

9.3 Tax Implications for Australian Resident Shareholders

9.3.1 Grant of entitlements to New Shares or Options

The grant of the entitlements to subscribe for New Shares should not result in an amount being included in the assessable income of a Shareholder. Similarly, the grant of any Options to subscribe for New Option Shares should not result in an amount being included in the assessable income of the Shareholder on the basis that the Options are granted because of the New Shares held by the Shareholder.

For capital gains tax (**CGT**) purposes, the acquisition date of the entitlements to New Shares should be the same as the acquisition date of the Existing Shares held by the Shareholders and the acquisition date of the Options should be the same as the acquisition date of the New Shares acquired on exercise of the entitlements to New Shares.

9.3.2 Exercise of entitlements to New Shares or Options

On exercise of the entitlements to New Shares or Options, Shareholders should not make any capital gain or capital loss, derive any assessable income or incur a deductible loss for tax purposes.

Shareholders who exercise their entitlements to New Shares or Options and subscribe for New Shares or New Option Shares will acquire those New Shares or New Option Shares with a cost base for CGT purposes equal to the Offer Price, plus certain incidental costs incurred in acquiring the New Shares or New Option Shares (provided those costs are not otherwise deductible for tax purposes).

9.3.3 Disposal of entitlements to New Shares or Options

If Eligible Shareholders dispose of the entitlements to New Shares or Options (for example, by way of transfer or sale), a capital gain may arise to the extent the capital proceeds received on disposal of the entitlements to New Shares or Options exceed the cost base of the entitlements to New Shares or Options (which should include any non-deductible incidental costs associated with the acquisition or disposal of the entitlements to New Shares or Options). A capital loss may arise to the extent the capital proceeds received are less than the reduced cost base of the entitlements to New Shares or Options (noting that the reduced cost base of the entitlements to New Shares or Options should generally be calculated in a similar manner to the cost base).

Any capital gain realised in respect of the disposal of the entitlements to New Shares or Options should be included in the assessable income of Shareholders. Individuals, complying superannuation entities or trustees of trusts that have held their Existing Shares for at least 12 months prior to the date of disposal of the entitlements to New Shares may be eligible to apply a CGT discount to any net capital gain realised from that disposal (after the application of any capital losses). The amount of the discount should be 50% for individuals and trustees and 33 1/3% for complying superannuation entities.

Any capital loss may be offset against other capital gains realised by the Shareholders in the same income year or carried forward to be offset against future capital gains, subject to the satisfaction of applicable loss utilisation tests. However, any capital loss incurred on disposal of the entitlements to New Shares or Options cannot be used to offset other types of assessable income derived by Shareholders.

9.3.4 Expiration of entitlements to New Shares or Options

No capital gain should arise for Shareholders on expiry of the entitlements to New Shares or Options (that is, where Shareholders do not exercise their entitlements to New Shares or Options). However, Shareholders may be entitled to a capital loss on expiry of the entitlements to

New Shares or Options equal to any non-deductible incidental costs incurred in relation to the entitlements to New Shares or Options.

No assessable income or deductible loss should arise for Shareholders on expiry of the entitlements to New Shares or Options (as applicable).

9.3.5 New Shares and New Option Shares

Shareholders will acquire New Shares on exercise of the entitlements to New Shares and New Option Shares on exercise of the Options. In this regard, the tax consequences for Shareholders in respect of the holding and disposal of New Shares or New Option Shares (for example, the taxation of dividends or other distributions received) should generally be the same as for Existing Shares held by the Shareholders.

On any future disposal of the New Shares or New Option Shares, Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares or New Option Shares. The cost base of the New Shares and New Option Shares is described at subsection 9.3.2 of this Section above.

New Shares will be treated for CGT purposes as having been acquired when the Shareholder exercises their entitlements to New Shares. Similarly, New Option Shares will be treated as having been acquired for CGT purposes when the Shareholder exercises their Options. Accordingly, in order to qualify for the CGT discount in respect of a disposal of the New Shares or New Option Shares, the New Shares or New Option Shares must have been held for at least 12 months after the date of exercise of the entitlements to New Shares or Options (as applicable).

9.3.6 Taxation of Financial Arrangements

The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 (TOFA)* amended the operation of the Australian tax law in relation to gains or losses arising from certain “financial arrangements”. The TOFA regime applies to income years commencing on or after 1 July 2010 for certain taxpayers (unless a valid election has been made for the regime to apply from an earlier date).

An entitlement to a New Share or Option should generally be a “financial arrangement”. However, depending on the circumstances of the particular taxpayer, the TOFA regime may not be applicable. As the application of the TOFA regime depends on the particular facts and circumstances of taxpayers, Shareholders should obtain independent taxation advice to confirm the tax implications that may arise under the regime, based on their own particular circumstances.

9.3.7 Other Australian taxes

No Australian goods and services tax (**GST**) implications should generally arise in respect of the grant or exercise of the entitlements to New Shares or Options, or the acquisition of the New Shares or New Option Shares.

On the basis that the Company will be listed on the ASX and will be quoted at relevant times, no stamp duty implications should generally arise in respect of the grant or exercise of the entitlements to New Shares or Options, or the acquisition of the New Shares or New Option Shares.

9.4 Tax Implications for Non-Resident Shareholders

The comments contained in this subsection apply only to those Shareholders who are not resident in Australia for tax purposes (referred to in this subsection as **Non-resident**

Shareholders). Eligible Shareholders should obtain independent taxation advice to confirm whether this is the case in their particular circumstances.

As indicated previously, the summary provided in this Section only covers the potential Australian tax consequences which may arise to Shareholders as a result of the Entitlement Offer. Accordingly, it is recommended that Non-resident Shareholders obtain independent taxation advice pertaining to the tax consequences which may arise in their jurisdiction of residence (in addition to those which may arise under Australian law).

In addition to the assumptions listed at Section 9.1, it is assumed for the purposes of this subsection that no Non-resident Shareholder holds their Existing Shares (or will hold their New Shares or New Option Shares) as part of a business carried on by them through a permanent establishment in Australia.

9.4.1 Grant of entitlements to New Shares or Options

The grant of the entitlements to subscribe for New Shares should not result in an amount being included in the assessable income of a Non-resident Shareholder. Similarly, the grant of any Options to subscribe for New Option Shares should not result in an amount being included in the assessable income of the Non-resident Shareholder on the basis that the Options are granted because of the New Shares held by the Non-resident Shareholder.

For CGT purposes, the acquisition date of the entitlements to New Shares should be the same as the acquisition date of the Existing Shares held by the Non-resident Shareholders and the acquisition date of the Options should be the same as the acquisition date of the New Shares acquired on exercise of the entitlements to New Shares.

9.4.2 Exercise of entitlements to New Shares or Options

On exercise of the entitlements to New Shares or Options, Non-resident Shareholders should not make any capital gain or capital loss, derive any assessable income or incur a deductible loss for tax purposes.

Non-resident Shareholders who exercise their entitlements to New Shares or Options and subscribe for New Shares or New Option Shares will acquire those New Shares or New Option Shares with a cost base for CGT purposes equal to the Offer Price, plus certain incidental costs incurred in acquiring the New Shares or New Option Shares (provided those costs are not otherwise deductible for tax purposes).

9.4.3 Disposal of entitlements to New Shares or Options

If Non-resident Shareholders dispose of the entitlements to New Shares or Options (for example, by way of transfer or sale), a capital gain may arise to the extent the capital proceeds received on disposal of the entitlements to New Shares or Options exceed the cost base of the entitlements to New Shares or Options (which should include any non-deductible incidental costs associated with the acquisition or disposal of the entitlements to New Shares or Options). A capital loss may arise to the extent the capital proceeds received are less than the reduced cost base of the entitlements to New Shares or Options (noting that the reduced cost base of the entitlements to New Shares or Options) should generally be calculated in a similar manner to the cost base.

However, any capital gain or capital loss otherwise arising to a Non-resident Shareholder should be disregarded for tax purposes unless, broadly, the Non-resident Shareholder (together with its associates) holds at least 10% of the Shares in the Company and the Company is “land rich” for Australian income tax purposes. Under existing Australian tax law, the Company will generally be “land rich” for these purposes where the market value of its assets is principally comprised by Australian real property and/or mining, quarrying or prospecting rights over minerals, petroleum or quarry materials located in Australia. It should be noted that the Federal Government has

announced possible changes to existing Australian tax law which could also include the market value of intangible assets connected to mining, quarrying or prospecting rights (for example, mining, quarrying or prospecting information) when determining the market value of the rights themselves.

To the extent that a capital gain arising to a Non-resident Shareholder is not disregarded, it should be included in the assessable income of that Non-resident Shareholder. No CGT discount should ordinarily be available to a Non-resident Shareholder to reduce the amount of the gain that is included in assessable income.

To the extent that a capital loss arising to a Non-resident Shareholder is not disregarded, it may be offset against other capital gains realised by the Non-resident Shareholder in the same income year or carried forward to be offset against future capital gains, subject to the satisfaction of applicable loss utilisation tests. However, any capital loss incurred on disposal of the entitlements to New Shares or Options cannot be used to offset other types of assessable income derived by Non-resident Shareholders.

9.4.4 Expiration of entitlements to New Shares or Options

No capital gain should arise for Non-resident Shareholders on expiry of the entitlements to New Shares or Options (that is, where Non-resident Shareholders do not exercise their entitlements to New Shares or Options). However, a Non-resident Shareholder may be entitled to a capital loss on expiry of the entitlements to New Shares or Options equal to any non-deductible incidental costs incurred in relation to the entitlements to New Shares or Options, broadly provided that the Company is “land rich” for Australian income tax purposes and the Non-resident Shareholder (together with its associates) holds at least 10% of the Shares in the Company.

No assessable income or deductible loss should arise for Non-resident Shareholders on expiry of the entitlements to New Shares or Options (as applicable).

9.4.5 New Shares and New Option Shares

Non-resident Shareholders will acquire New Shares on exercise of the entitlements to New Shares and New Option Shares on exercise of the Options. In this regard, the tax consequences for Non-resident Shareholders in respect of the holding and disposal of New Shares or New Option Shares (for example, the taxation of dividends or other distributions received) should generally be the same as for Existing Shares held by the Non-resident Shareholders.

On any future disposal of the New Shares, Non-resident Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares or New Option Shares. However, any capital gain or capital loss otherwise arising to a Non-resident Shareholder should be disregarded for tax purposes unless, broadly, the Non-resident Shareholder (together with its associates) holds at least 10% of the Shares in the Company and the Company is “land rich” for Australian income tax purposes; refer to Subsection 9.4.3 for further details. Ordinarily, Non-resident Shareholders should not be entitled to the CGT discount in relation to any capital gains arising on disposal of the New Shares or New Option Shares (although a modified CGT discount may be available for capital gains derived on disposal of Existing Shares in certain circumstances).

9.4.6 Taxation of Financial Arrangements

The TOFA regime amended the operation of the Australian tax law in relation to gains or losses arising from certain “financial arrangements”. The TOFA regime applies to income years commencing on or after 1 July 2010 for certain taxpayers (unless a valid election has been made for the amendments to apply from an earlier date).

An entitlement to a New Share or Option should generally be a “financial arrangement”. However, depending on the circumstances of the particular taxpayer, the TOFA regime may not be applicable. As the application of the TOFA regime depends on the particular facts and circumstances of taxpayers, Non-resident Shareholders should obtain independent taxation advice to confirm the tax implications that may arise under the regime, based on their own particular circumstances.

9.4.7 Other Australian taxes

No GST implications should generally arise in respect of the grant or exercise of the entitlements to New Shares or Options, or the acquisition of the New Shares or New Option Shares.

On the basis that the Company will be listed on the ASX and will be quoted at relevant times, no stamp duty implications should generally arise in respect of the grant or exercise of the entitlements to New Shares or Options, or the acquisition of the New Shares or New Option Shares.

Section 10 – Additional Information

10.1 Introduction

This Section 10 sets out a number of matters of which you should be aware that have not been addressed in detail elsewhere in this Prospectus. It gives details of the availability of certain other important documents and a summary of some of these documents that are relevant for your investment decision. In addition, certain other prescribed details in respect of the Entitlement Offer have been set out in this Section 10.

10.2 Nature of this Prospectus

This Prospectus is a prospectus to which the special content rules under section 713 of the Corporations Act apply. Those rules allow the issue of a more concise prospectus in relation to offers of securities in a class which has been continuously quoted by ASX for the three months prior to the date of the prospectus. The issue of the New Shares complies with those rules.

This Prospectus is a prospectus for continuously quoted securities. The information in this Prospectus principally concerns the terms and conditions of the Entitlement Offer and information necessary for investors to make an informed assessment of:

- the effect of the Entitlement Offer on Lynas;
- the rights and liabilities attaching to New Shares; and
- the rights and liabilities attaching to the Options and Shares.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offering of shares.

As an ASX listed company, Lynas has provided ASX with a substantial amount of information regarding its activities and that information is publicly available. This Prospectus is intended to be read in conjunction with that publicly available information. Therefore, Eligible Shareholders who are considering subscribing for New Shares should also have regard to that publicly available information before making any investment decision.

10.3 Reporting and disclosure obligations

Lynas is a “disclosing entity” for the purposes of Part 1.2A of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules.

These obligations require ASX to be notified periodically and on a continuous basis of information about specific events and matters as they arise for the purpose of ASX making the information available to the financial market operated by ASX. See Section 10.4 for details on how to obtain these documents.

In particular, Lynas has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning Lynas, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of Lynas' securities. Lynas is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

10.4 Availability of other documents

ASX maintains detailed records of company announcements for all companies listed on ASX. Lynas' announcements may be viewed on the ASX website (www.asx.com.au).

ASIC also maintains records in respect of documents lodged with it by Lynas, and these may be obtained from or inspected at any office of ASIC.

Lynas will provide, or cause to be provided, a copy of each of the following documents, free of charge, to any person on request during the Entitlement Offer Period:

- Lynas' annual financial report for FY2014 lodged with ASX on 29 September 2014 (being the annual financial report most recently lodged); and
- any continuous disclosure notices given by Lynas to ASX after the lodgement of Lynas' annual financial report for FY2014 and before the lodgement of this Prospectus with ASIC.

All requests for copies of the above documents should be addressed to:

The Company Secretary
Lynas Corporation Limited
Level 7, 56 Pitt Street
Sydney NSW 2000

or can be made by phoning the Lynas Entitlement Offer Information Line on 1300 737 760 (local call cost within Australia) or +61 2 9290 9600 (outside Australia) between 8.30am and 5.15pm (Sydney time) Monday to Friday during the Entitlement Offer Period. The above information may also be obtained from ASX's website (www.asx.com.au).

There may be additional announcements made by Lynas after the date of this Prospectus and throughout the Entitlement Offer Period that may be relevant to your consideration of whether to take up, sell or do nothing in respect of your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by Lynas by visiting the ASX website before submitting your Application, or selling or transferring your Entitlement.

10.5 Underwriting Agreement

The following is a summary of the principal provisions of the Underwriting Agreement for the Entitlement Offer.

10.5.1 Control implications

Having regard to the sub-underwriting arrangements entered into by the Underwriter with a large number of non-associated sub-underwriters (refer to Section 10.6), and the impact of the Placement on the Company's issued capital, the underwriting arrangements are not expected to give rise to any control implications for Lynas.

10.5.2 Fees, costs and expenses

On completion of the Entitlement Offer, Lynas has agreed to pay an underwriting fee and grant Underwriter Options to the Underwriter as consideration for its underwriting obligation under the Underwriting Agreement. The fee payable to the Underwriter is 6% of the total amount underwritten under the Entitlement Offer and managed under the Placement, which is equal to A\$5.0 million.

In addition, the Underwriter is entitled to be issued Underwriter Options on the basis of one Option for every four New Shares of underwriting committed by the Underwriter. The aggregate number of Underwriter Options issuable to the Underwriter is 221,767,997. Lynas has agreed to issue the Underwriter Options within five Business Days after New Shares are allotted under the

Entitlement Offer to the extent to which there is capacity for Lynas to do so under Listing Rule 7.1. To the extent that there is insufficient placement capacity to issue all of the Underwriter Options, Lynas will seek approvals at its upcoming AGM.

In the event that Shareholders do not approve the grant of Underwriter's Options, the Company must pay an amount equal to the Option Exercise Price calculated by reference to the 5 day volume weighted average price of Options up to and including the date of the AGM for each Underwriter Option that would have been issued to the Underwriter had shareholder approval been granted or, at its election and subject to the Listing Rules, Lynas must issue Shares in an amount equal to the same value of the Underwriter Options calculated in accordance with the 5 day VWAP price of Shares.

In addition to the above fees, Lynas will also pay the reasonable costs and expenses of the Underwriter incidental to the Entitlement Offer. These costs and expenses include advertising and marketing costs, legal expenses and accommodation and travelling expenses relating to the Entitlement Offer.

Lynas will also pay the Underwriter of 1% (plus GST) of the value of the Entitlements sold on behalf of Ineligible Shareholders, as set out in Section 3.3.

10.5.3 Lynas' representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings by Lynas to the Underwriter.

The representations, warranties and undertaking given by Lynas relate to matters such as the conduct of Lynas, its power and authorisations, the content of this Prospectus, the holding of necessary permits and licenses, compliance with laws and the Listing Rules, the provision of information and the conduct of the Entitlement Offer.

Lynas also provides additional representations, warranties and undertakings in connection with matters including to its assets, litigation, solvency, accounts, uncalled capital and register of members.

Lynas also provides undertakings that during the three month period following the date of the Underwriting Agreement, no Lynas Group company will:

- reduce its capital or otherwise alter its share capital, other than as previously disclosed to the ASX;
- amend its constitution, excepted as required by law or the ASX Listing Rules;
- pass or take any steps to pass a resolution under section 260A of the Corporations Act regarding financial assistance;
- dispose or agree to dispose of the whole or a substantial part of its business or property;
- activate any share buy-back scheme or arrangement; or
- issue or agree to issue any Shares, options or other securities, except pursuant to exceptions which include securities issued under the Prospectus or as disclosed to ASX, with the prior written consent of the Underwriter, or the issue of options and/ or grant of performance rights in accordance with the Company's customary incentive arrangements.

10.5.4 Termination events

The Underwriter may terminate the Underwriting Agreement without incurring costs or liabilities at any time prior to completion of the Entitlement Offer where:

- (a) any of the All Ordinaries Index, the S&P or the ASX200 Materials Index fall to a level that is 90% or less of the level as at the close of business the day prior to the Underwriting Agreement;
- (b) the Term Sheet is breached or revoked, rescinded, avoided, amended, varied, superseded or replaced in any way;
- (c) approval (or approval subject to customary conditions) is refused or not granted for quotation of the New Shares or Options the specified timeframe, or ASX withdraws, qualifies (other than by customary conditions) or withholds such approval;
- (d) Lynas is prevented from allotting the New Shares and Options within the specified time frame required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation by ASX or ASIC or order of a court of competent jurisdiction, any governmental or semi-governmental agency or authority;
- (e) the Underwriter forms the view that a supplementary or replacement prospectus is required and Lynas fails to lodge a supplementary or replacement prospectus or Lynas lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter;
- (f) this Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of the effect of the Entitlement Offer on Lynas and the rights and liabilities attaching to the New Shares and Entitlement Options;
- (g) there is a statement in this Prospectus that is misleading or deceptive or is likely to mislead or deceive, or there is an omission from the Prospectus or if any statement from this Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of this Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (h) any person who has consented to being named in this Prospectus withdraws that consent;
- (i) an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to this Prospectus and as at the date at which Lynas must give the Underwriter notice of the shortfall, the application has not been dismissed or withdrawn;
- (j) ASIC gives notice of an intention to hold a hearing, examination or investigation, or it requires information to be disclosed in connection with the Entitlement Offer or the Company;
- (k) the Takeovers Panel makes a declaration of unacceptable circumstances or an application for such a declaration is made to the Takeovers Panel and the Takeovers Panel elects to hear the application;
- (l) any authorisation which is material to anything referred to in the Entitlement Offer is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (m) a director or a senior manager of a Lynas Group company is charged with an indictable offence.

10.5.5 Termination events subject to materiality

The Underwriter may terminate the Underwriting Agreement without incurring costs or liabilities at any time prior to completion of the Entitlement Offer where any of the following events have a

Material Adverse Effect or could give rise to liability of the Underwriter under the Corporations Act or otherwise:

- (a) Lynas defaults or breaches the Underwriting Agreement;
- (b) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Malaysia, Indonesia, the United Kingdom, the United States of America or the People's Republic of China;
- (c) any representation, warranty or undertaking given by Lynas in the Underwriting Agreement is or becomes untrue or incorrect;
- (d) a Lynas Group Company contravenes any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (e) an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Lynas Group company including, without limitation, if any forecast disclosed to ASX prior to the date of the Underwriting Agreement becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- (f) there was an error in the due diligence process which caused the material to be false, misleading or deceptive or there was an omission from the due diligence documents;
- (g) a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (h) without the prior approval of the Underwriter a public statement is made by Lynas in relation to the Entitlement Offer;
- (i) any material information supplied at any time by Lynas or any person on its behalf to the Underwriter in respect of any aspect of the Entitlement Offer or the affairs of any Lynas Group Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (j) the quotation of the New Shares and Options is qualified or conditional (which includes conditions other than the allotment or New Shares and Options);
- (k) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (l) where a Lynas Group company:
 - (i) converts any of its Shares;
 - (ii) resolves to reduce share capital;
 - (iii) enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement;
 - (iv) makes an issue of Shares or grants any options other than the Entitlement Offer;
 - (v) issues or agreeing to issue convertible notes;
 - (vi) disposes of the whole or a substantial part of its business or property;

- (vii) charges or agrees to charge, the whole or the substantial part, of its business or property;
 - (viii) resolves to be wound up;
 - (ix) appoints a liquidator or provisional liquidator;
 - (x) an administrator is appointed;
 - (xi) a deed of company arrangement is executed; or
 - (xii) a receiver or receiver or manager is appointed to the whole or substantial part of the property of the Lynas Group company.
- (m) Lynas suspends payment of its debts;
 - (n) an event of insolvency occurs in respect of a Lynas Group company;
 - (o) a judgment in an amount exceeding A\$500,000 is obtained against a Lynas Group company and is not set aside or satisfied within 7 days;
 - (p) litigation, arbitration, administrative or industrial proceedings are, after the date of the Underwriting Agreement, commenced or threatened against any Lynas Group company, other than any claims disclosed to the ASX prior to the date of the Underwriting Agreement;
 - (q) there is a change in the composition of the Board or a change in the senior management of Lynas before Completion without the prior written consent of the Underwriter;
 - (r) there is a material change in the major or controlling shareholdings of a Lynas Group company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Lynas Group company;
 - (s) there is a delay in any specified date in the timetable which is greater than 3 Business Days;
 - (t) a Force Majeure affecting Lynas' business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
 - (u) a Lynas Group company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
 - (v) any Lynas Group company alters its capital structure in any manner not contemplated by the Entitlement Offer;
 - (w) any person is appointed under any legislation in respect of companies to investigate the affairs of a Lynas Group company;
 - (x) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets;
 - (y) all New Shares issued pursuant to the Entitlement Offer and in accordance with the terms of the Underwriting Agreement do not, from the date of allotment, rank equally in all respects with other fully paid ordinary shares in Lynas or are not issued free from all encumbrances; or
 - (z) the Company is removed from the official list of the ASX or, after the date of the Underwriting Agreement, the Shares become suspended from trading and that suspension is not lifted within three trading days following such suspension.

10.5.6 Indemnity

Lynas has agreed to indemnify and keep indemnified the Underwriter and its officers, employees, agents and advisers for all Losses (as defined in the Underwriting Agreement) suffered, incurred, paid or liable to be paid directly or indirectly arising out of or in respect of:

- (a) the Entitlement Offer;
- (b) non-compliance with or breach of any legal requirement or the Listing Rules in relation to this Prospectus or any documents in respect of the Entitlement Offer that accompany this Prospectus;
- (c) any statement, misstatement, misrepresentation, non-disclosure, inaccuracy in or omission from this Prospectus;
- (d) any advertising, publicity, announcements, statements or reports in relation to the Entitlement Offer made with the agreement of Lynas; and
- (e) any breach or failure by Lynas to observe any of the terms of the Underwriting Agreement or any breach of the representations and warranties given by Lynas in the Underwriting Agreement (see Section 10.5.2).

10.6 Sub-underwriting arrangements

The Underwriter has sought sub-underwriting commitments from a number of sub-underwriters. Sub-underwriters do not have any direct contractual relationship with Lynas and do not have the ability to terminate the underwriting of the Entitlement Offer.

The sub-underwriters are entitled to a fee payable by the Underwriter on the amount they sub-underwrite and are also entitled to be paid Underwriter Options on the basis of one Underwriter Option for every four New Shares they sub-underwrite. The issue of a portion of the Underwriter Options may be subject to Shareholder approval (see Section 10.5).

10.7 Sub-underwriting arrangements with Directors

Two of the Directors, Nicholas Curtis (Chairman) and Amanda Lacaze (Managing Director), have agreed to act as sub-underwriters to the Entitlement Offer. Under this proposal:

- Nicholas Curtis has agreed to sub-underwrite up to A\$250,000 New Shares; and
- Amanda Lacaze has agreed to sub-underwrite up to A\$100,000 New Shares.

In addition, Stephen Donovan Conlon, the spouse of Kathleen Conlon (Director) has agreed to sub-underwrite up to A\$75,000 of New Shares.

The terms of the sub-underwriting arrangements for Mr Curtis, Ms Lacaze and Mr Conlon are the same as those applicable to other sub-underwriters. Refer to Section 10.6 above.

10.8 Rights and liabilities attaching to New Shares

New Shares issued under the Entitlement Offer will be fully paid and will rank equally with Existing Shares in all respects.

This Section 10.8 contains a summary of the rights and liabilities attaching to Shares (and therefore New Shares) as at the date of this Prospectus. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders, which can involve complex questions of law arising from the interaction of Lynas' Constitution and statutory, common law and Listing Rules requirements. To obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, investors should seek their own advice.

10.8.1 Voting rights

At a general meeting, subject to the Constitution and any rights or restrictions attached to a class of Shares, on a show of hands each Shareholder present in person or by duly appointed representative, proxy or attorney has one vote.

On a poll, each Shareholder present in person or by duly appointed representative, proxy or attorney has:

- one vote for each fully paid Share held; and
- for each partly paid Share held, a vote in respect of the Share which carries the same proportionate value as the proportion of the amount paid up (excluding amounts credited) on the Share bears to the total issue price of the Share.

10.8.2 Dividends

Subject to the rights of, or any restrictions attached to, a class of Shares, the person entitled to the dividend on a Share is entitled to:

- the entire dividend if the Share is fully paid; or
- where the Share is partly paid, Lynas retains a lien over the dividend until such time as that Share is fully paid.

10.8.3 Variation or cancellation of class rights

The rights attached to any class of Shares, unless otherwise provided for by the terms of issue of those Shares, may only be varied or cancelled with:

- (a) a special resolution of Lynas; and
- (b) the consent in writing of the holders of three-quarters of the issued Shares in the relevant class, or with the sanction of a special resolution passed at a meeting of the holders of the Shares in that class.

10.8.4 Transfer of Shares

Shares, when listed on ASX, are transferable by:

- a written transfer in the usual or common form or in any form the Board may prescribe or in a particular case accept, duly stamped (if necessary) and executed by or on behalf of the transferor and (if required by Lynas) by the transferee, being delivered to Lynas with any ancillary documents;
- a proper transfer, which is to be in the form required or permitted by the Corporations Act or the ASX Settlement Operating Rules; or
- any other method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules.

The Board may, subject to the requirements of the Corporations Act and the Listing Rules, refuse to register any transfer of Shares in the following circumstances:

- where the Listing Rules ASX Operating Rules permit the Company to do so;
- where the Listing Rules or ASX Operating Rules require the Company to do so; or
- the transfer is in breach of the Listing Rules or any escrow agreement relating to certain securities that are considered "restricted" by the ASX entered into by the Company under the Listing Rules.

Where the Board refuses to register a transfer of a Share, the Board must give written notice in accordance with the Listing Rules of the refusal to the transferee.

10.8.5 Issue of further Shares

The Board may grant options on the Shares, issue or otherwise dispose of the Shares on the terms and conditions, at the time and for the consideration that the Board determines in its absolute discretion.

10.8.6 General meetings and notices

Each Shareholder is entitled to receive notice of general meetings of Lynas and to receive all notices, financial statements and other documents required to be sent to Shareholders under the Constitution and the Corporations Act. Lynas may serve a notice on a Shareholder by giving the notice to the Shareholder in person, sending it by post to the Shareholder's registered address, sending it to the fax number or electronic address (if any) nominated by the Shareholder, notifying the Shareholder of the notice's availability by an electronic means nominated by the Shareholder for that purpose or any other means permitted by the Corporations Act.

10.8.7 Winding up

Subject to any rights or restrictions attached to a class of Shares, on a winding up of Lynas, any surplus must be divided among the Shareholders in the proportions which the amount paid (including the amounts credited) on the Shares of a Shareholder is of the total amounts paid and payable (including amounts credited) on the Shares of all Shareholders. The liquidator may, with the sanction of a special resolution of Shareholders, distribute the whole or any part of Lynas' property among Shareholders and decide how to distribute the property as between Shareholders or different classes of Shareholders. The liquidator may also, with the sanction of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit.

10.9 Terms of Issue of the Options

The Terms of Issue of the Options are set out in full in Annexure A of this Prospectus.

The Terms of Issue also contain the form of Option Exercise Notice which Options Holders will need to complete and submit to the Share Registry if they wish to exercise their Options.

10.10 Litigation and regulatory issues

The only material litigation to which Lynas is a party are the legal challenges by Malaysian protesters to Lynas' Temporary Operating Licence (TOL) for the LAMP. In total, there have been three legal challenges to the TOL. The first challenge related to the decision of the Atomic Energy Licensing Board (AELB) in February 2012 to approve the TOL. That challenge has been dismissed by the Kuala Lumpur High Court, the Malaysian Court of Appeal and the Malaysian Federal Court. There are no further avenues for that challenge to be appealed.

The second challenge relates to the decision of the Minister of Science, Technology and Innovation to dismiss a statutory appeal of the AELB's decision to approve the TOL. That challenge is expected to be heard by the Kuantan High Court during 2015.

The third challenge relates to the decision of the AELB in September 2012 to issue the TOL. That challenge has been dismissed by the Kuala Lumpur High Court, the Malaysian Court of Appeal and the Malaysian Federal Court. There are no further avenues for that challenge to be appealed.

10.11 Consents

Each of the parties referred to as "consenting parties" who are named below:

- (a) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus in the form and context in which it is named;
- (b) has not made, or purported to make, any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in paragraph (a) above;
- (c) has not authorised or caused the issue of this Prospectus, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this Prospectus;
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement.

Role	Consenting Party
Underwriter	Paterson Securities Limited
Auditor	Ernst & Young
Australian Legal Advisor	Allens
Competent Person	Brendan Shand
Share Registry	Boardroom Pty Limited

10.12 Costs of the Entitlement Offer

The total estimated cash related expenses of the Entitlement Offer, in aggregate, will be approximately A\$5.4 million (inclusive of GST), which includes advisory and underwriting fees, disbursements, and printing and registry costs.

10.13 Privacy

As a Shareholder, Lynas and the Share Registry have already collected certain personal information from you. If you apply for Entitlements or New Shares and Options, Lynas and the Share Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of the Entitlement or New Shares and Options, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, Lynas and the Share Registry may disclose your personal information for purposes related to your shareholdings to their agents, contractors or third party service providers to whom they outsource services, in order to assess your Application, the Share Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation of the distribution of Shareholder information and for handing of mail, or as otherwise provided under the *Privacy Act 1988* (Cth).

If you do not provide us with your personal information we may not be able to process your Application. In most cases you can gain access to your personal information held by (or on behalf of) Lynas or the Share Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this please contact us if any of the

details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it. You can request access to your personal information by telephoning or writing to Lynas through the Share Registry as follows:

Boardroom Pty Ltd
GPO Box 3993
SYDNEY NSW 2001

Telephone Australia: 1300 737 760
Telephone International: 61 2 9290 9600

Email: enquiries@boardroomlimited.com.au

Please contact the Share Registry if you do not consent to Lynas or the Share Registry using or disclosing your personal information. If you do not contact the Share Registry, by investing in Lynas, you will be taken to have consented to these uses and disclosures.

You can obtain a copy of Lynas' privacy policy electronically at <http://www.boardroomlimited.com.au/Privacy.html>.

10.14 ASX confirmations

In connection with the Entitlement offer, ASX has approved the Terms of Issue of the Options as being appropriate and equitable for the purposes of ASX Listing Rule 6.1.

10.15 Governing law

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

10.16 Consent to lodgement

Each of the Directors has consented to the lodgement of this Prospectus.

Section 11 – Glossary

Definitions

The following definitions have been used throughout this Prospectus unless stated otherwise:

A\$	Australian dollars.
ABN	Australian Business Number.
AELB	The Malaysian Atomic Energy Licensing Board.
AGM	The annual general meeting of Lynas to be held on 28 November 2014.
Allotment Date	The date of issue and allotment of the New Shares and Options which is expected to be Monday, 27 October 2014.
Applicants	Persons who submit valid Applications pursuant to this Prospectus.
Application	An application to subscribe for New Shares pursuant to the Entitlement Offer.
Application Monies	Monies received from Applicants in respect of their Applications.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market operated by that entity known as the Australian Securities Exchange.
ASX Settlement Operating Rules	The business rules of the ASX Settlement Pty Ltd (ABN 49 008 504 532), the securities clearing house approved under the Corporations Act to operate CHESS.
Australian Accounting Standards	The Australian International Financial Reporting Standards, as issued by the Australian Accounting Standards Board.
Board	The board of Directors of Lynas.
Borrowings	As defined under Australian Accounting Standards.
BPAY®	BPAY Pty Limited (ABN 69 079 137 518).
CGT	Capital Gains Tax.
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited.
Closing Date	7.00pm (Sydney time) on Friday, 20 October 2014, being the latest time and day by which completed Entitlement and Acceptance Forms and BPAY® payments of Application Monies will be accepted (subject to variation).
Completion of Phase 1 Test	A test that, pursuant to the terms of the Convertible Bonds, results in the release of certain restrictions on additional securities and borrowings under the terms of the Convertible Bonds. Completion of Phase 1 means the time at which:

	<p>(a) there has been an average level of production over a period of 6 consecutive months of not less than 650 metric tonnes per month of Rare Earths Products; and</p> <p>(b) the cash operating costs (excluding depreciation and corporate overheads) over the same period of 6 consecutive months is not more than 75% of the revenue from sales of Rare Earths Products.</p>
Completion of Phase 2 Test	<p>A test in the Senior Loan Facility agreement. Completion of Phase 2 means the time at which:</p> <ul style="list-style-type: none"> there has been an average level of production over a period of 3 consecutive months of not less than 1300 metric tonnes per month of Rare Earths Products; and the cash operating costs (excluding depreciation and corporate overheads) over the same period of 3 consecutive months is not more than 75% of the revenue from sales of Rare Earths Products.
Concentration Plant	The Lynas Rare Earths concentration plant located at Mt. Weld, Western Australia.
Constitution	The constitution of Lynas, as amended from time to time.
Convertible Bonds	The unsecured bonds issued to funds associated with Mt. Kellett for US\$225 million on 28 February 2012.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CY	Calendar year, ended or ending on 31 December in the year stated.
Director	A director of Lynas.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBITDAI	Earnings before interest, tax, depreciation, amortisation and impairment.
Eligible Shareholder	<p>A person who, as determined by the Company at its absolute discretion:</p> <ul style="list-style-type: none"> is a Shareholder as at the Record Date; has a registered address on the Lynas share register in Australia or New Zealand (or resides in such other jurisdiction where Lynas determines to extend the Entitlement Offer, having regard to, among other things, the requirements of applicable law); and is not in the United States and is not acting for the account or benefit of a person in the United States.
Entitlement	The number of New Shares for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer, being five

	New Shares for every 14 Existing Shares held as at the Record Date, with one Entitlement Option for every two New Share subscribed for under the Entitlement Offer, subject to rounding up and to the terms of the Entitlement Offer.
Entitlement and Acceptance Form	The Entitlement and Acceptance Form accompanying this Prospectus.
Entitlement Offer	The entitlement offer made under this Prospectus.
Entitlement Offer Period	The period from the date of this Prospectus until (and including) the Closing Date.
Entitlement Offer Trading Period	Wednesday, 1 October 2014 to Monday, 13 October 2014.
Entitlement Options	The Options offered under the Entitlement Offer to Eligible Shareholders.
Existing Share	A Share on issue at the Record Date.
Financial Information	The Historical Financial Information and the Pro Forma Historical Financial Information.
Force Majeure	Any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the Lynas Group or the Underwriter.
FOSL	Full Operating Stage Licence.
FY	Financial year, ended or ending on 30 June in the year stated.
GIE	The Gebeng Industrial Estate, Malaysia.
Gross Debt	Current borrowings plus non-current borrowings.
Historical Financial Information	The consolidated historical Statement of Cash Flows of the Company the 12 months ended 30 June 2014 and the consolidated historical Statement of Financial Position as at 30 June 2014 of the Company as described in Section 6.1.
IFRS	International Financial Reporting Standards.
Ineligible Shareholder	A Shareholder as at the Record Date who is not an Eligible Shareholder and who Lynas and the Underwriter determine should not receive an offer under the Entitlement Offer in accordance with Listing Rule 7.7.1(a).
JOGMEC	Japan Oil, Gas and Metals National Corporation.
LAMP	Lynas Advanced Materials Plant – Lynas' facility, which is located within the GIE, for the Cracking & Leaching and Separation of concentrate produced at the Concentration Plant, and the production of Rare Earths products.
Listing Rules	The listing rules of ASX, except to the extent of any written waiver granted by ASX.
Lynas Entitlement Offer Information Line	Within Australia 1300 737 760 Outside Australia +61 2 9290 9600

	and in each case, open from 8.30am to 5.15pm (Sydney time) Monday to Friday during the Offer Period.
Lynas Group	Lynas and all its Subsidiaries, associates and joint ventures or the Subsidiary company and its associates and joint ventures as the context requires.
Lynas or Company	Lynas Corporation Limited (ABN 27 009 066 648) and, where the context requires, its Subsidiaries.
Malawi Assets	The assets of the Lynas Group companies, Lynas Africa Holdings Pty Ltd and Lynas Africa Limited, being primarily the interest of the Lynas Group in the Kangankunde Rare Earths Deposit, Malawi.
Material Adverse Effect	<p>In relation to the Underwriting Agreement means:</p> <ul style="list-style-type: none"> (a) a material adverse effect on the outcome of the Entitlement Offer or on the subsequent market for the New Shares and the Options (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in New Shares or Options); (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Lynas Group either individually or taken as a whole; (c) the Underwriter's obligations under the Underwriting Agreement becoming materially more onerous than those which exist at the date of the Underwriting Agreement; or (d) a material adverse effect on the tax position of the Lynas Group either individually or taken as a whole.
Mt Kellett	Mount Kellett Capital Management LP.
Net Debt	Current and non-current borrowings less cash or cash equivalents.
New Option Share	The Share issued on the exercise of an Option.
New Shares	The Shares offered under the Entitlement Offer.
Non-resident Shareholder	As defined in Section 9.4.
Offer Price	A\$0.08 per New Share.
Option	An option to acquire a Share in the Company at the Option Exercise Price in accordance with the Terms of Issue of the Options, as set out in Annexure A, and includes the Entitlement Options, the Underwriter's Options and the Placement Options.
Option Exercise Notice	The notice for the exercise of the Options by an Option

	Holder, the form of which is included at Annexure A.
Option Exercise Price	A\$0.09.
Option Expiration Date	5.00pm (Sydney time) Tuesday, 15 September 2015.
Option Holder	The holder of an Option.
Phase 1 of the LAMP	The first phase of the LAMP, with a nameplate capacity of 11,000 tonnes per annum Rare Earths Oxide.
Phase 2 of the LAMP	The second phase of the LAMP, with a nameplate capacity of an additional 11,000 tonnes per annum Rare Earths Oxide
Placement	The proposed issue on 1 October 2014 of 150,000,000 Placement Shares and 75,000,000 Entitlement Options.to institutional investors to raise A\$12,000,000.
Placement Options	The Options offered to institutions who participated in the Placement.
Placement Shares	The Shares offered to institutions who participated in the Placement.
Pro Forma Historical Financial Information	The consolidated pro forma historical Statement of Cash Flows of the Company for the 12 months ended 30 June 2014 and the consolidated pro forma historical Statement of Financial Position as at 30 June 2014 of the Company as described in Section 6.1.
Prospectus	This prospectus dated 29 September 2014.
Rare Earth(s)	<p>Name commonly used for the 15 naturally occurring lanthanide elements from lanthanum (atomic number 57) to lutetium (atomic number 71), plus yttrium (atomic number 39). Rare Earths are used in a variety of key technologies, including permanent magnets, battery alloys, energy efficient lighting, polishing powders and catalytic converters.</p> <p>Rare Earths are often classified as either Light Rare Earth Elements (LREEs) or Heavy Rare Earth Elements (HREEs) based on their atomic weight (electron configuration). HREEs generally command higher prices as they are less common than LREEs.</p>
Record Date	The time and date for determining which Shareholders are entitled to participate in the Entitlement Offer, being 7.00pm (Sydney time) on Friday, 3 October 2014.
Renunciation and Transfer Form	The form that must be completed by an Eligible Shareholder who wishes to transfer all or part of their Entitlement otherwise than on ASX, as described in Section 3.1.
REO	Rare Earths Oxides. REO is the common form for expressing the Rare Earths composition of materials other than metals.
Senior Loan Facility	The loan facility of US\$225 million to the Lynas from the Special Purpose Vehicle set up by Sojitz Corporation and JOGMEC dated 30 March 2011, as amended from time to time.

Share	A fully paid ordinary share in Lynas.
Share Registry	Boardroom Pty Ltd (ACN 003 209 836).
Shareholder	A registered holder of a Share.
Shortfall Securities	The Shares and Options that would be issued to Eligible Shareholders if they took up their Entitlements but which have not been applied for by the Closing Date.
Statement of Cash Flows	The statement of cash flow of the Company as found in Section 6.3.
Subsidiaries	Has the meaning given to it in the Corporations Act.
Terms of Issue of the Options	The terms upon which the Options are issued, as set out in Annexure A.
TFN	Tax File Number.
Theoretical Ex-Rights Price or TERP	The theoretical price at which Shares should trade immediately after the ex-date for the Entitlement Offer calculated by reference to Lynas' closing price on 24 September 2014. This is a theoretical calculation and the actual price at which Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may differ from the Theoretical Ex-Rights Price.
TOL	The Temporary Operating Licence approved by the AELB on 1 February 2012 and issued to Lynas on 3 September 2012. This is one of the stages of the Class A licence for the LAMP.
Top-Up Options	Has the meaning given in Section 2.9.
Top-Up Shares	Has the meaning given in Section 2.9.
Underwriter	Patersons Securities Limited (ACN 008 896 311).
Underwriter Options	221,767,997 Options that the Company has agreed to issue to the Underwriter under the Underwriting Agreement, subject to shareholder approval under the Listing Rules at Lynas' upcoming AGM.
Underwriting Agreement	The underwriting agreement dated on or around the date of this Prospectus between the Company and the Underwriter, the terms of which are summarised in Section 10.5.
Underwritten Amount	A\$70,965,759.
US\$	US dollars, the lawful currency of the United States.
US or United States	The United States of America, its territories and possessions, each state of the United States and the District of Columbia.
US Securities Act	U.S. Securities Act of 1933, as amended.

Interpretation

In this Prospectus, unless the context otherwise requires:

- the singular includes the plural, and vice versa;
- words importing one gender include all genders;
- a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances or by-laws issued under that statute;
- a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- a reference to a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a body (including an institute, association or authority), whether statutory or not:
 - that ceases to exist; or
 - the powers or function of which are transferred to another body,is a reference to the body that replaces it or substantially succeeds to its powers or functions;
- other grammatical forms of a word or phrase defined in this Prospectus have a corresponding meaning; and
- a reference to a Section is a reference to a Section of this Prospectus.

Annexure A – Terms of Issue of the Options

This document sets out the terms of issue of options (**Options**) to be issued by Lynas Corporation Limited (ACN 009 066 648) (**Company**) under a prospectus in respect of the capital raising announced by the Company to ASX on 29 September 2014 (the **Terms of Issue**). A reference in these Terms of Issue to a **clause** is to clauses of these Terms of Issue.

1. Each Option entitles the registered holder of that Option (**Optionholder**) to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) (subject to adjustment in accordance with clause 12, 13, 14 or 15).
2. The exercise price of each Option is A\$0.09 (**Exercise Price**) (subject to adjustment in accordance with clause 12, 13, 14 or 15).
3. The Company must do all things necessary to ensure that the Options may freely trade on the Australian Securities Exchange (**ASX**) including, applying for quotation of the Options in accordance with the Listing Rules of the ASX (**Listing Rules**) within seven days of the date of the prospectus at its own cost and using its best endeavours at its own cost to obtain quotation of the Options.
4. The Company must:
 - (a) deliver or cause to be delivered to the relevant Optionholder a statement of holding (or statements of holding, as applicable) for the Options; and
 - (b) prepare and lodge on a prompt and timely basis all documents required by the Listing Rules as necessary to perform its obligations under these Terms of Issue.
5. An Option is exercisable during the period commencing at 9.00am (Sydney time) on 27 October 2014 and expiring at 5.00pm (Sydney time) on Tuesday, 15 September 2015 (the **Exercise Period**). Options not validly exercised during the Exercise Period will lapse immediately upon the expiry of the Exercise Period.
6. An Option may only be validly exercised by the Optionholder delivering to the Company, at its registered office prior to the end of the Exercise Period, an exercise notice in substantially the form set out in the schedule to these Terms of Issue (an **Option Exercise Notice**), with all required details in the Option Exercise Notice completed and the Option Exercise Notice validly executed on behalf of the Optionholder, accompanied by the Exercise Price for that Option in Immediately Available Funds and the Option Certificates (if any) for those Options. For this purpose, **Immediately Available Funds** means cash, bank cheque made payable to the Company or cleared funds telegraphically transferred or transferred by other electronic means into a bank account nominated by the Company. An Option Exercise Notice may apply to more than one Option.
7. If an Optionholder validly exercises an Option in accordance with these Terms of Issue, the Company will:
 - (a) issue and allot to that Optionholder the number of Shares to which that Optionholder is entitled by not later than 5.00pm (Sydney time) on the day that is three ASX trading days after the date of the Option Exercise Notice; and
 - (b) on the date on which those Shares are issued apply, at its own cost, for those Shares to be officially quoted on ASX (and use its best endeavours to procure official quotation on ASX of those Shares as soon as possible thereafter).

8. Shares issued on exercise of the Options will rank equally in all respects with all other existing Shares from the date of issue.
9. Subject to the applicable law, the Optionholder may transfer some or all of the Options at any time before the end of the Exercise Period:
 - (a) if the Options are quoted on ASX, by a proper transfer or any other method permitted by the applicable law; or
 - (b) by an instrument of transfer in compliance with clause 10.
10. An instrument of transfer of an Option must be:
 - (a) in writing;
 - (b) in any usual form or in any other form approved by the directors of the Company that is otherwise permitted by law;
 - (c) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee;
 - (d) stamped, if required by a law about stamp duty; and
 - (e) delivered to the registered office of the Company, together with the certificate (if any) of the Option to be transferred and any other evidence as the directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
11. An Option does not entitle the Optionholder to:
 - (a) participate in any new issue of securities by the Company unless the Option has been validly exercised, and Shares issued in response to that exercise, prior to the record date for that new issue;
 - (b) participate in dividends or other distributions until the Option has been validly exercised, and Shares issued in response to that exercise, prior to the record date for that dividend; or
 - (c) vote on resolutions at any meeting of the Company.
12. If a reconstruction (including consolidation, reduction or return) of the issued capital of the Company occurs between the date of issue of the Options and the end of the Exercise Period, the Exercise Price in respect of each Option and/or the number of Options remaining unexercised at the relevant time will be adjusted to take account of the reconstruction in accordance with Listing Rule 7.22.
13. The parties agree to amend these Terms of Issue to the extent necessary to ensure that the rights of the Optionholder are changed to comply with the Listing Rules applying to a reconstruction at the time of any such reconstruction to the extent the Listing Rules so require.
14. If the Company makes a pro rata issue (other than a bonus issue) of Shares (excluding the pro rata issue announced by the Company on 29 September 2014), the Exercise Price will be reduced in accordance with the following formula:

$$O' = O - \frac{E(P - (S + D))}{(N + 1)}$$

- Where:

O' is the Exercise Price of the Option after the pro rata issue;

- O** is the Exercise Price of the Option before the pro rata issue;
- E** is the number of underlying Shares into which one Option is exercisable;
- P** is the volume weighted average price per Share recorded on ASX during the 5 trading days immediately preceding the ex-rights date or ex-entitlement date for the pro rata issue;
- S** is the subscription price for a Share under the pro rata issue;
- D** is the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N** is the number of Shares with rights or entitlements that must be held to receive a right to one New Option Share under the pro rata issue.

15. If there is a bonus issue to the holders of Shares between the date of issue of the Options and the end of the Exercise Period, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
16. No fractions of a Share will be issued on the exercise of any Option and no refund will be made to an Optionholder exercising their rights in respect of that part of the subscription moneys which represent such a fraction (if any), provided that if more than one Option is exercised at the same time by the same Optionholder then, for the purposes of determining the number of Shares issuable upon the exercise of such Options and whether (and, if so, what) fraction of Shares arises, the number of Shares arising on the exercise of each Option is to first be aggregated.
17. These Terms of Issue may be changed if the holders of Shares (whose votes are not to be disregarded) approve such a change by ordinary resolution. However, these Terms of Issue may not be changed to reduce the Exercise Price, increase the number of Shares received on exercise of an Option or change the Exercise Period.
18. These Terms of Issue are governed by the laws of New South Wales. In relation to it and related non-contractual matters, the Company and the Optionholder irrevocably submit to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

Schedule

Option Exercise Notice

Lynas Corporation Limited – 2014 Options

To: The Company Secretary
Lynas Corporation Limited
Level 7, 56 Pitt Street
Sydney NSW 2000

This Option Exercise Notice is given pursuant to clause 6 of the Terms of Issue of the Options issued by Lynas Corporation Limited (ACN 009 066 648) as part of the capital raising announced by the Company to ASX on 29 September 2014 (the **Terms of Issue**). Terms used in this Exercise Notice have the meaning given to them in the Terms of Issue.

1. The Optionholder (whose full name and registered address is specified below) hereby exercises the number of Options specified below, of which it is the registered holder, in accordance with the Terms of Issue:

Name of Optionholder:	
Address of Optionholder:	
Number of Options being exercised under this Option Exercise Notice:	
Aggregate Exercise Price payable in A\$ in respect of the Options being exercised	

2. The Optionholder consents to becoming a member of the Company, and agrees to be bound by the Company's constitution upon the issue of the Shares in accordance with the Terms of Issue.

Dated: _____

Signed for and on behalf of the Optionholder by its duly authorised officer (who, by signing this Option Exercise Notice, represents and warrants that it has the requisite authority to bind the Optionholder):

Authorised Officer's Signature

Print Name

Corporate directory

Company

Lynas Corporation Limited
Registered Office
Level 7, 56 Pitt Street
Sydney NSW 2000

Underwriter

Patersons Securities Limited
Level 23, Exchange Plaza
2 The Esplanade
Perth WA 6000

Auditor

Ernst & Young
680 George Street
Sydney NSW 2000

Australian Legal Adviser

Allens
Level 28 Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Entitlement Offer enquiries

Lynas Entitlement Offer Information Line
Within Australia 1300 737 760
Outside Australia +61 2 9290 9600