

27 September 2012

Appendix 3B - Employee Options and Performance Rights

Enclosed is an Appendix 3B in relation to options and performance rights that have been issued to employees of Lynas Corporation (ASX:LYC, OTC:LYSDY).

In addition, at the Board meeting on 25 September 2012, it was resolved to price proposed options to be issued to the executive chairman of the Company at an exercise price of \$1.02 per option, subject to shareholder approval at the AGM to be held on 20 November 2012. No options or performance rights are proposed to be issued to the non-executive directors of the Company.

Each of the options referred to below and in the attached Appendix 3B will have an exercise price of \$1.02, which represents a premium of approximately 20% to the 5 day VWAP to 25 September 2012.

In addition, all of the options and the performance rights referred to below and in the attached Appendix 3B are subject to the following performance hurdles:

- (i) 50% will be conditional on the Lynas Kuantan plant having demonstrated the capacity to produce at a rate equivalent to 22,000 tonnes per annum rare earth oxides (REO) before the end of calendar year 2013.
- (ii) 50% will be conditional on the company's Total Shareholder Return (TSR) being at least at the 51st percentile of ASX 100 companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
 - (a) If the Lynas TSR is at least at the 51st percentile, 50% of the TSR portion will vest.
 - (b) If the Lynas TSR is at least at the 76th percentile, 100% of the TSR portion will vest.
 - (c) If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

The proposed number of options to be issued to the executive chairman, Nicholas Curtis (subject to shareholder approval at the AGM to be held on 20 November 2012) is 4,000,000.



The total number of securities referred to in this announcement is 8,098,296, calculated as follows:

Employee Options (Refer to the attached Appendix 3B):	1,510,574
Employee Performance Rights (Refer to the attached Appendix 3B):	2,587,722
Executive Chairman Options (subject to shareholder approval):	4,000,000
TOTAL:	8,098,296

If the executive chairman options are approved by shareholders on 20 November 2012, the total number of incentive securities on issue will be 89,947,482. This represents approximately 5.24% of the issued shares in the company at the date of this announcement, which is below the 10% limit approved by shareholders of the company.

A handwritten signature in black ink, appearing to read "Andrew Arnold".

Andrew Arnold
Company Secretary

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

LYNAS CORPORATION LTD

ABN

27 009 066 648

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- 1 +Class of +securities issued or to be issued

1. Unlisted Options issued to the trustee of the Company's Employee Share Trust.
2. Unlisted Performance Rights issued to the trustee of the Company's Employee Share Trust.

- 2 Number of +securities issued or to be issued (if known) or maximum number which may be issued

1. 1,510,574
2. 2,587,722

- 3 Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)

1. The Employee Options are exercisable at \$1.02 per Option on or before 24 September 2017.
2. The Employee Performance Rights are exercisable without further consideration on or before 24 September 2017.

4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	N/A
5	Issue price or consideration	1. The Employee Options were valued at \$0.3310 per option. 2. The Employee Performance Rights were valued at \$0.7617 per performance right.
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Issued to the trustee of the Company's Employee Share Trust.
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	No
6b	The date the security holder resolution under rule 7.1A was passed	

+ See chapter 19 for defined terms.

6c	Number of +securities issued without security holder approval under rule 7.1					
6d	Number of +securities issued with security holder approval under rule 7.1A					
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)					
6f	Number of securities issued under an exception in rule 7.2					
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.					
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements					
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements					
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	25 September 2012				
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>1,716,159,363</td> <td>Ordinary shares</td> </tr> </tbody> </table>	Number	+Class	1,716,159,363	Ordinary shares
Number	+Class					
1,716,159,363	Ordinary shares					

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	500,000	Employee Options exercisable at \$1.06 on or before 31 December 2012
	1,000,000	Employee Options exercisable at 98 cents on or before 21 July 2013
	14,300,000	Employee Options exercisable at 66 cents on or before 24 September 2013
	2,700,000	Employee Options exercisable at 81 cents on or before 24 September 2013
	100,000	Employee Options exercisable at 16 cents on or before 5 January 2014
	24,500,000	Employee Options exercisable at 66 cents on or before 8 October 2014
	1,000,000	Employee Options exercisable at 66 cents on or before 1 July 2015
	23,400,000	Employee Options exercisable at \$1.15 on or before 19 August 2015
	1,608,618	Employee Performance Rights exercisable for no further consideration on or before 19 August 2015
	1,000,000	Employee Options exercisable at \$1.60 on or before 1 October 2015
	200,000	Employee Options exercisable at \$2.36 on or before 31 December 2015
	420,000	Employee Performance Rights exercisable for no further consideration on or before 6 June 2016
	8,145,000	Employee Options exercisable at \$1.69 on or before 22 September 2016
	20,245	Employee Performance Rights exercisable for no further consideration on or before 22 September 2015
	955,323	Employee Performance Rights exercisable for no further consideration on or before 22 September 2016
	2,000,000	Employee Options exercisable at \$1.57 on or before 12 December 2016
	225,000,000	2.75% Convertible Bonds due 2016
	1,510,574	Employee Options exercisable at \$1.02 on or before 24 September 2017
	2,587,722	Employee Performance Rights exercisable for no further consideration on or before 24 September 2017
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	n/a	

+ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

- | | | |
|----|---|--|
| 11 | Is security holder approval required? | |
| 12 | Is the issue renounceable or non-renounceable? | |
| 13 | Ratio in which the ⁺ securities will be offered | |
| 14 | ⁺ Class of ⁺ securities to which the offer relates | |
| 15 | ⁺ Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |

23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	
33	⁺ Despatch date	

⁺ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which
+quotation is sought

39 Class of +securities for which
quotation is sought

- 40 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

- 41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

- 42 Number and ⁺class of all ⁺securities quoted on ASX (including the securities in clause 38)

Number	⁺ Class

⁺ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:


.....
(Director/Company secretary)

Date: 27 SEPTEMBER 2012

Print name: ANDREW ARNOLD

=====

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	
Add the following: • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period Note: • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i>	
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	
“A”	

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of "A"	
"B"	0.15 <i>[Note: this value cannot be changed]</i>
Multiply "A" by 0.15	
Step 3: Calculate "C", the amount of placement capacity under rule 7.1 that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 Note: • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i>	
"C"	
Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1	
"A" x 0.15 <i>Note: number must be same as shown in Step 2</i>	
Subtract "C" <i>Note: number must be same as shown in Step 3</i>	
Total ["A" x 0.15] – "C"	<i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i>	
“E”	

+ See chapter 19 for defined terms.

Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 <i>Note: number must be same as shown in Step 2</i>	
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	
Total ["A" x 0.10] – "E"	<i>Note: this is the remaining placement capacity under rule 7.1A</i>