

Lynas Corporation

Rare Earths – we touch them everyday

Rare Earths: Famine or Feast?

12 September 2013



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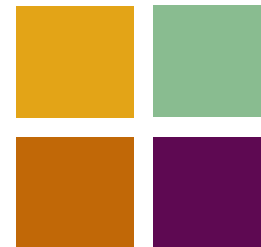


Rare Earths market data - Disclaimer



- The slides in this presentation containing Rare Earths market data have been sourced from independent analysis of end application demand, along with Lynas estimates of quantities of Rare Earths end use in various key applications.
- Although Lynas believes that the outcomes expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Forward-looking statements are based on assumptions and contingencies which are subject to change without notice. Factors that could cause actual results to differ materially from those in forward-looking statements include new Rare Earths applications, the development of economic Rare Earths substitutes, and general economic, market or business conditions. While Lynas has made every reasonable effort to ensure the veracity of the information presented, Lynas does not guarantee the accuracy and reliability of the estimates, forecasts and conclusions contained herein. Accordingly, the Rare Earths market data in this presentation should be used for general guidance only. There can be no guarantee that actual outcomes will not differ materially from forward-looking statements.

Agenda



Rare Earth Market Update

Lynas Overview



RE market outlook – key questions



Rare Earths: Famine or Feast?

What conditions led to the rare earth (“RE”) price crisis and did any positives eventuate from it?

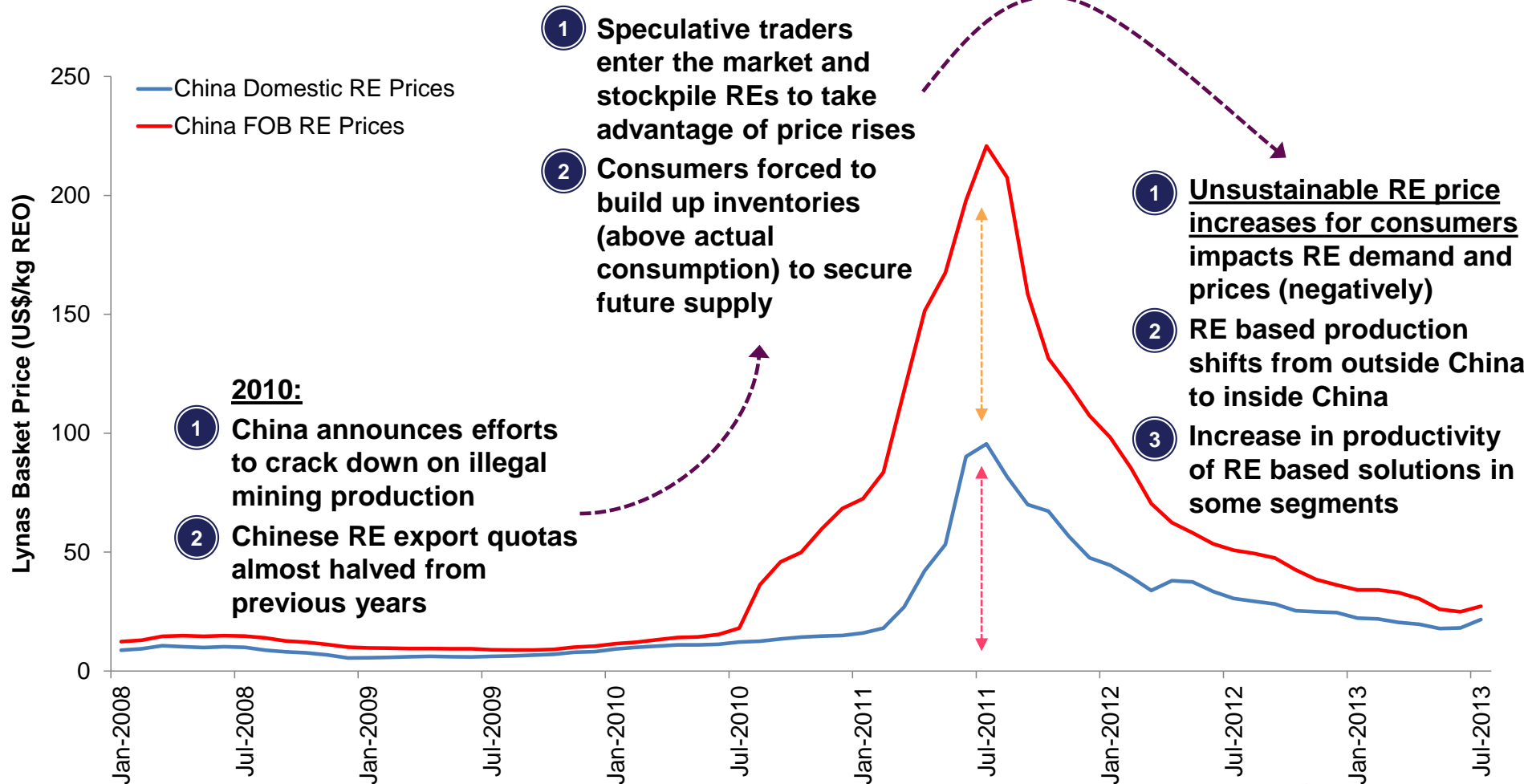
What is the current state of the RE market and when will it move again?

What will be the key drivers of growth of the RE market in the future?

Who will supply REs to meet the growth in RE demand?

What conditions are required for the RE market to grow to its full potential?

Recap on the RE price crisis



Source: Metal Pages



Where is the RE market today?



Since the peak of the RE crisis in mid 2011 when prices became unsustainable for RE consumers, RE prices have decreased to levels that are now unsustainable for RE producers again, due to:

- ▶ RE consumers working through large inventories of REs built up along the supply chain during the RE crisis
- ▶ Demand reduced for REs in some end markets due to productivity improvements, formulation changes and some 'switch' back to older technologies
- ▶ Slower global economic growth conditions impacting end market demand

However, there are emerging signs of 'green shoots' as the RE market moves towards the right balance

In recent months, prices for a number of RE products have moved again as a result of:

- ▶ First signs of improved supply discipline inside China, moving towards more sustainably producing players
- ▶ Reduced excess of inventories for both RE products and RE based (semi) finished goods
- ▶ End market demand improvement



RE market outlook – key supply side trends



Moving towards supply discipline inside China – aiming at sustainable production

- China currently produces ~90% of the world's RE supply and consumes greater than 50% of this in its own market which itself continues to grow
- The Chinese Ministry of Industry and Information Technology (MIIT) recently estimated that in 2012 illegal mining of REs amounted to over 40,000 tonnes and illegal smelting and separation of RE products amounted to over 50,000 tonnes
- The Chinese government is making a concerted and sustained effort to crack down on illegal RE mining and improve the environmental and safety compliance of the Chinese RE industry
- **This will lead to a more stable, regulated supply of REs in the future**
- **Chinese economics of production are also likely to reflect the environmental sustainability standards**

Chinese RE producers along with outside China RE producers can meet global RE demand and enable the market to grow to its full potential

**Shift to sustainable producers:
Lynas is safe for people, safe for the environment and secure for customers**

RE market outlook – key demand side trends



A number of key trends will drive the future growth of the global RE market

1 Energy efficient and green applications continue to accelerate strong NdPr demand growth

- ▶ Wind energy, HEV/EVs, general auto, energy efficient drives for household and industrial applications
- ▶ This will only occur under long term sourcing sustainability of raw materials – price and quantity

2 Demand for REs will continue to be supported by large market segments with steady growth rates

- ▶ Autocatalyst market (Ce), FCC market (La), metallurgy & ferrosilicon market (La,Ce, mischmetal)

3 NiMH battery technology is continued to be used in HEVs, potentially securing La demand in the future

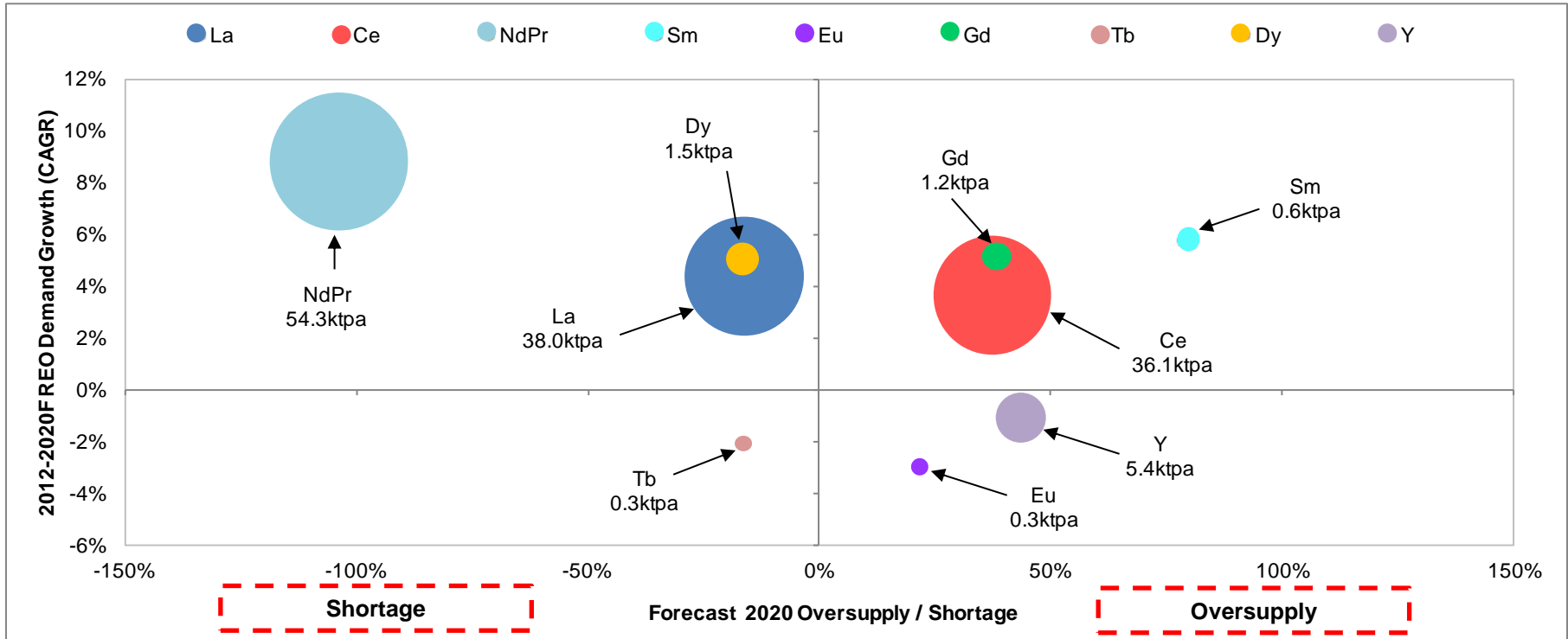
4 While currently tight, there are questions in relation to the long run outlook for HREs

- ▶ Phosphors (Eu,Tb and Y) – how quickly will LED substitution take place globally? Or will the continued move to ban high energy consuming lamps globally grow the phosphors market?
- ▶ Magnets (Dy) – how successful / unsuccessful will Dy reduction technologies be?

RE market outlook – forecast elemental balance in 2020



Elemental market balances and demand growth rates



Notes: Bubble size is reflective of 2020 forecast REO demand. Oversupply / Shortage equal to (REO Supply – REO Demand) / REO Supply; i.e. 10ktpa Supply, 20ktpa Demand equal to -100% Shortage

Lynas' assumptions in relation to RE supply are Chinese official production remains flat at ~94ktpa to 2020 (no allowance has been made for additional illegal mining supply in China) and that the only additional non-Chinese capacity to come on line is Lynas at 22ktpa and Molycorp at 19ktpa.

RE market outlook – summary



Based upon forecast demand in key end markets, the global RE market could grow at 5-6% per annum to 2020 with demand for some elements growing at higher rates

- **However, the RE market will not grow to its full potential unless there is long term price visibility and volume security to justify investment by both customers and producers**
 - ▶ Reduced volatility and “wild” fluctuations in RE prices
 - ▶ RE consumers: increased visibility of supply sustainability at price levels that remain competitive with alternative technologies
 - ▶ RE producers: increased visibility that RE prices support the environmentally sustainable development of RE resources to meet demand growth

Lynas’ goal is to support the RE market in growing to its full potential

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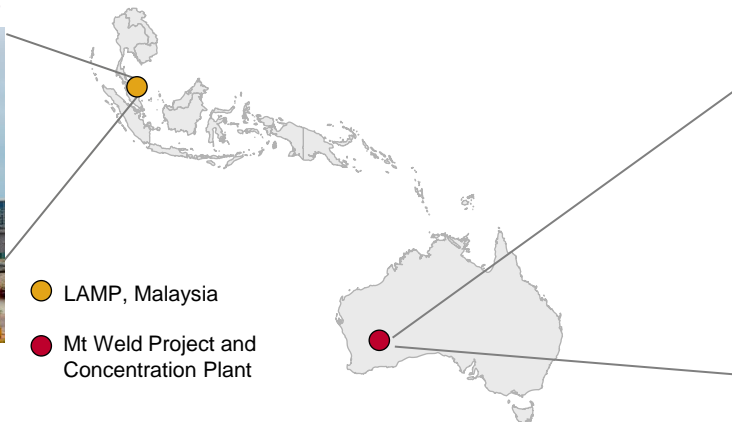
Lynas company overview



Building a fully integrated source of REs from mine to customers

- Primarily involved in the exploration, development, mining and processing of RE minerals
 - ASX-listed, market capitalisation of A\$750m as of August 28, 2013
- Owns and operates:
 - Mt. Weld - highest grade known RE deposit in the world – located 35km south of Laverton in W.A.
 - ▶ Significant reserves of 1.1Mt REO versus today's annual global demand of ~100ktpa REO
 - Mt. Weld Concentration Plant – commissioned in 2011 (phase 1) and in 2013 (phase 2)
 - Lynas Advanced Materials Plant ("LAMP") facility – located in the Gebeng Industrial Estate near the Port of Kuantan in Malaysia
- Phase 1 production capacity of 11,000 tonnes per annum ("tpa") rare earth oxide ("REO") and Phase 2 production capacity of 22,000tpa REO

Location of key assets



Lynas' vision is to be the leader in Rare Earths for a sustainable future



Lynas operational update



June 2013 quarter

- First sales made in Q2 2013

Future milestones

- Optimise production at the Phase 1 capacity level of 11,000tpa REO until market prices recover
- Commissioning of Phase 2 almost completed
- Subsequent ramp-up of Phase 2 production will be determined by various factors, primarily being market conditions



LAMP Phase 1 ramping up operations

LAMP Phase 2 commissioning expected Q3 2013



PHASE 1 – 11,000t REO CAPACITY	ANTICIPATED VOLUMES (tpa)	Major Applications
Ce	2,600	Autocat, Chemical Catalysis
La	1,350	FCC, NiMH batteries
Ce / La	4,000	Polishing, NiMH batteries
Nd / Pr	2,700	Magnet, NiMH batteries
SEG + Heavy Rare Earths	480	Lighting, Magnets

PHASE 2 – ADDITIONAL 11,000t REO CAPACITY. Phase 2 will provide additional finishing flexibility, with capacity to produce up to the following approximate volumes:

Ce	2,600	Autocat, Chemical Catalysis, UV cut
La	1,350	FCC, NiMH batteries
Ce / La and Ce / La / Pr	4,000	Polishing, NiMH batteries
Nd / Pr, Nd and Pr	2,700	Magnets, NiMH batteries, Autocat
SEG + Heavy Rare Earths	480	Lighting, Magnets



What does Lynas offer the market?



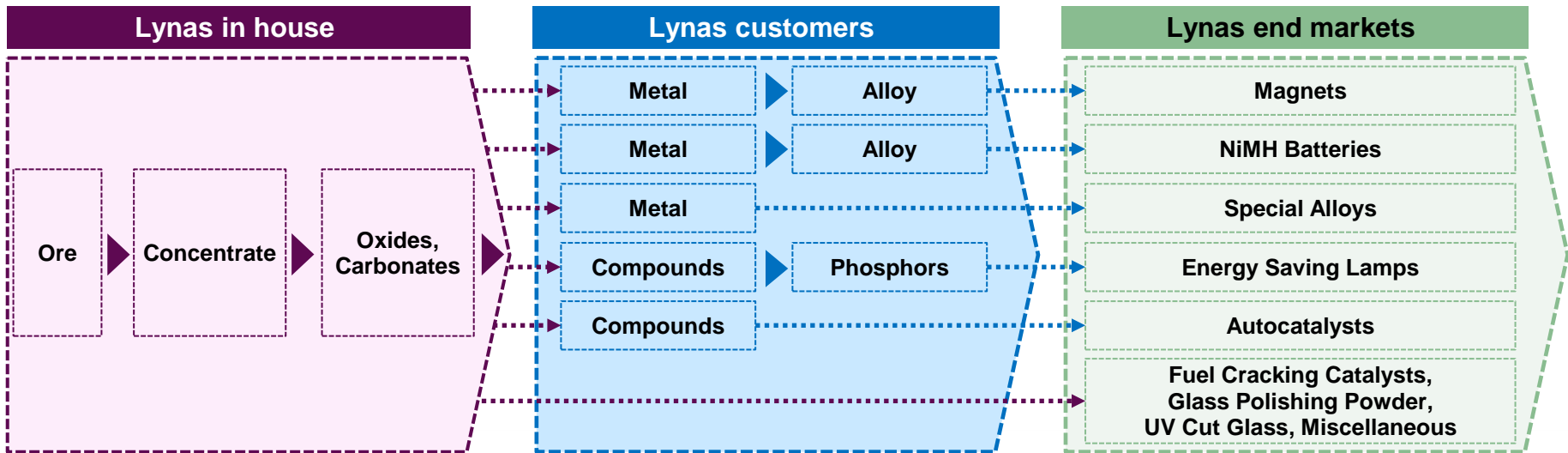
An additional environmentally sustainable source of RE supply

The ability for end users to enter into long term supply contracts

Specific partnerships with customers in order to secure the supply chain to end users

Already defined reserves of 1.1Mt REO versus today's annual global demand of ~100ktpa REO

World class safety and environmental standards highlighted by a strong track record



NOTE



The information in this presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brendan Shand consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

The Ore Reserves statement in this presentation has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2004 Edition). The Ore Reserves have been compiled by Ross Bertinshaw of Golder Associates, who is a fellow of Australasian Institute of Mining and Metallurgy and a Chartered Professional (Mining). Mr Bertinshaw has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Bertinshaw consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

