17 August 2015

Lynas Announces New Long Term Debt Structure

Lynas Corporation Limited ("Lynas") (ASX: LYC, OTC:LYSDY) today announced it had agreed a long term debt structure with its current debt providers, Japan Australia Rare Earths B.V. ("JARE") and the Mt Kellett led bondholder group.

Lynas CEO Amanda Lacaze said, "The refinancing strengthens the Company's financial position, extends the debt maturity profile and underpins the recent initiatives to position Lynas as a sustainable and financially viable business."

Over the last 14 months, Lynas has made significant progress in its goal to be a sustainable supplier of quality, environmentally assured Rare Earth materials. Lynas has consistently improved business performance in all areas.

These improvements have been detailed in each quarterly report. In summary:

- Production is now stable and at target rates. In the current quarter, production output is expected to be above 3,000 tonnes
- Sales revenue has more than doubled and continues to grow as production output grows
- A focus on product quality has enabled Lynas to build strong relationships with key customers, particularly in the Japanese market
- Cost reductions of over A$40m per annum have been achieved well in excess of original targets. The company continues to work to achieve further reductions in the cost of production
- The business reported positive cash flow in the June quarter

This restructure of Lynas' debt agreements is the last step in positioning Lynas to be a sustainable and financially viable business.

Key elements of the debt restructure (full details of which are provided in Attachment 1) are:

- **Two year extension of principal debt maturity date.** The JARE facility, which previously matured on 30th June 2016, is extended to 30th June 2018. The Mt Kellett led bondholder facility which previously matured on 25th July 2016 is extended to 30th September 2018.

- **The Principal Repayments due prior to maturity under the JARE facility have been adjusted significantly.** Scheduled repayments in FY16 have reduced from US$205m to US$2m. A further US$20m is due in FY17 with the remainder of the loan payable in FY18.
- **Creation of an A$60 million liquidity buffer.** Interest repayments during the term of the facilities will continue to be deposited into restricted Lynas bank accounts for each facility. Interest liabilities will only be paid to the lenders to the extent that there is a total cash balance (unrestricted and restricted funds) in excess of A$60m. The balance in the restricted accounts is available, at the lenders' discretion, for reuse in the Lynas business.
- **Potential to reduce debt service costs over the term of the JARE facility.** Lynas has agreed an interest regime which provides Lynas with the ability to reduce the effective interest rate on the JARE facility from 7% per annum to a floor of 2.8% per annum over time. The initial interest rate is unchanged at 7% per annum, however the new framework sets specific targets that, if met, will effect a cascading decrease in the interest rate payable on the facility. Significantly, the interest coupon with the Mt Kellett led bond holder group, is maintained at the low level of 2.75% per annum.
- **174,365,466 Warrants will be granted to the Mt Kellett led bond holder group at a strike price of A$0.038 per share.** If these warrants are exercised it will provide the business with additional cash of up to A$6.6m and demonstrates the strong support of the bondholder group.

Lynas CEO Amanda Lacaze said, "This announcement marks the end of speculation and uncertainty for all stakeholders. Lynas now has a strong, sustainable financial platform which complements its significantly improved and continuously improving business performance. The elements of the debt restructure clearly illustrate the strategic nature of both of Lynas' debt providers.

The extended term allows Lynas to consolidate, and further improve on, the good progress made to date. Importantly, it provides time for Lynas to invest in market development and allows product designers to engineer in Rare Earth solutions confident they have a sustainable supply source.

Lynas Corporation HQ
PT17212 Jalan Gebeng 3, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur, Malaysia Tel: +60 9 582 5200 +60 9 582 5800
Fax: +60 9 582 5291 +60 9 582 5292
www.lynascorp.com
ACN 009 066 648

The terms relating to the payment of interest liabilities provide important protection for ongoing funding of operations and the agreed framework for reducing interest rates, on the JARE facility, is aligned to the delivery of elements that are imperative to business success.

This agreement is unreservedly good news for all stakeholders including shareholders, customers, staff, suppliers, debt providers, communities and regulatory authorities and government.

In particular, I am delighted that our debt providers have recommitted to the business and we welcome the opportunity to continue to work with them to improve business outcomes," Ms Lacaze concluded.

Mr. Hisashi Sakaue, General Manager of Chemical Resources Department of Sojitz commented, "Sojitz on behalf of JARE is very pleased that the recent rescheduling of Lynas' debt will provide Lynas with a sound financial foundation to continue as a sustainable supplier to Japanese industry for the long term.

"Rare Earths are a vital input for many of today's state-of-the-art technologies, including high powered magnets, wind turbines, catalytic converters, oil cracking and hybrid motor vehicles. Japan is a leader in many of these fields, and Japan requires a secure, long term independent source of Rare Earths.

"With its recent improvements in operational performance, supply reliability and product quality, we have confidence in Lynas as our key strategic Rare Earths partner," Mr Sakaue concluded.

Roy Campbell, on behalf of the Mt Kellett led bondholder group commented, "Under the stewardship of Amanda Lacaze, we have seen substantial improvement over the past 14 months in all areas of the company's performance. We believe Lynas is exceptionally well-positioned to capitalize on opportunities coming out of the reshaping of the Rare Earth market."

Lynas CEO Amanda Lacaze said, "Rare Earth materials provide the best technical solution for many of the products that consumers demand today. We expect to see continued growth for our products and we are excited to grow our business as the market grows."

Further details of the new debt arrangements including the benefits to the business are included in the attachment to this release.

Japan Australia Rare Earths B.V. (JARE) is Lynas' senior secured lender. JARE is a special purpose company established by Sojitz Corporation and Japan Oil, Gas and Metals National Corporation (JOGMEC). Sojitz Corporation is a major Japanese trading house and the largest trader of Rare Earths in the Japanese market.

For all media enquiries please contact Renee Bertuch from Cannings Corporate Communications on +61 2 8284 9990.

ATTACHMENT 1

The following summary provides further detail on each element of the new debt arrangements.

Maturity Date

Both facilities have extended their final maturity dates.

Facility	Current	New
JARE	30th June 2016	30th June 2018
Bondholder group	25th July 2016	30th September 2018

Demand for Rare Earths products is expected to grow significantly over the next 3 years. The extension in maturity date provides Lynas with the opportunity to invest in market development with its partners, direct customers and end use formulators.

Market volatility and uncertainty over the past 5 years has, in some cases, translated to conservatism in usage of Rare Earths products. This new agreement provides customers with the confidence to formulate using Rare Earths products sourced from Lynas.

Principal Repayment Schedule

The Principal Repayments due prior to maturity under the JARE facility have been adjusted significantly.

Existing		New	
19 January 2014	US$10m (paid)	19 January 2014	US$10m (paid)
2 October 2014	US$10m (paid)	2 October 2014	US$10m (paid)
30 September 2015	US$30m	30 June 2016	US$2m
21 December 2015	US$20m	21 December 2016	US$5m
31 March 2016	US$20m	30 June 2017	US$15m
30 June 2016	US$135m	21 December 2017	US$30m
		30 June 2018	US$153m

Liquidity Buffer

Interest repayments during the term of the facility will continue to be deposited into restricted Lynas bank accounts for each facility. Interest liabilities will only be paid to the lenders to the extent that there is a total cash balance (unrestricted and restricted funds) in excess of A$60m. The balance in the restricted accounts is available, at the lenders' discretion, for reuse in the Lynas business.

This accommodation offers significant value to the business. In providing this liquidity buffer, the lenders have recognised the ongoing volatility in the RE market and have provided Lynas with a platform to continue to compete for quality customers in quality segments. This will ensure that Lynas is well placed to benefit when market fundamentals return to more sustainable settings.

Lynas Corporation HQ
PT17212 Jalan Gebeng 3, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur, Malaysia Tel: +60 9 582 5200 +60 9 582 5800
Fax: +60 9 582 5291 +60 9 582 5292
www.lynascorp.com
ACN 009 066 648

Debt Service Costs

The interest coupon on the bondholder facility remains at 2.75% for the duration of the loan. The interest payment dates are set at 30 June and 31 December each year. Interest payable on the Bonds in respect of the interest periods ending 31 March, 30 June, 30 September, 31 December 2015 and 31 March 2016 are deferred until 30 June 2016 without penalty.

The interest coupon on the JARE facility remains at 7%. The interest payment dates are set at 30 June and 31 December each year. Interest payable on the facility in respect of the interest periods ending 31 March, 30 June, 30 September, 31 December 2015 and 31 March 2016 are deferred until 30 June 2016 without penalty.

Under the new agreement, Lynas has the ability to reduce the effective interest rate on the JARE facility from 7% to a minimum floor of 2.8% over time. This is based on meeting certain milestones as shown below.

Production Target

Cumulative NdPr Production from 1 July 2015		Interest reduction	Interest penalty
31 December 2015	1860 tonnes	0.5%	0.25%
30 June 2016	3840 tonnes	0.5%	Nil
31 December 2016	5940 tonnes	0.5%	0.25%
30 June 2017	8040 tonnes	0.25%	0.25%
31 December 2017	10440 tonnes	0.25%	0.25%

If the target of 3840 tonnes is not met by 30 June 2016, Lynas agrees to start up SX5 Train 4 production. Lynas is continuously assessing the appropriate time to start up SX5 Train 4 which is largely dependent on market conditions.

Scheduled Repayments

Each time a scheduled repayment is fully paid on or before its scheduled repayment date, the interest rate decreases by 0.3% per annum effective from the day after the repayment is made.

Principal Prepayments

If, at any time on or before 21 December 2016, the total repayment and prepayment amount (including the US$20m already repaid by 2 October 2014) is equal to or greater than US$50m, the interest rate decreases by 1.0%. An additional 0.5% reduction applies if, at any time on or before 30 June 2017, the total repayment and prepayment amount (including the US$20m already repaid by 2 October 2014) is equal to or greater than US$70m.

Lynas believes that the production and repayment milestones are achievable providing significant potential to reduce the cash cost of servicing this debt facility. Importantly each of the milestones is aligned with the elements the business believes will underpin sustained success.

Lynas Corporation HQ
PT17212 Jalan Gebeng 3, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur, Malaysia Tel: +60 9 582 5200 +60 9 582 5800
Fax: +60 9 582 5291 +60 9 582 5292
www.lynascorp.com
ACN 009 066 648

Warrants

Lynas has agreed to issue warrants to the Mt Kellett led bondholder group, for 174,365,466 shares at a strike price of A$0.038 per share. This is a favourable condition for the company. If these warrants are exercised, they will provide additional cash to the business of up to A$6.6m. Further details of the terms of the warrants are set out below.

Key Term	Description
Overview	
Subscribers of Warrants	The Mt Kellett led bondholder group
No. of Warrants	174,365,466 Warrants
Warrant issue price	The Warrants are being issued to the Subscribers at no cost. Accordingly, no additional funds will be raised by Lynas in connection with the issue of the Warrants to the Subscribers.
Warrant issue date	Within five trading days of this announcement.
Quotation	The Warrants will not be listed for quotation on ASX or any other securities exchange.
Exercise of Warrants	
Warrant exercise price	A$0.038 (subject to adjustment) per Warrant being exercised.
Warrant exercise period	The Warrants can be exercised at any time from the issue of the Warrants until 5.00pm (Sydney time) on 30 September 2018, at which point, any Warrants that have not been exercised will automatically lapse.
Entitlement	Each Warrant entitles the holder to subscribe for one fully paid ordinary share in Lynas upon exercise of each Warrant. Warrants are exercisable by giving notice to Lynas during the exercise period for the Warrants.
Ranking and quotation of shares issued on exercise	Each Lynas share issued upon exercise of a Warrant will rank *pari passu* with existing issued fully paid ordinary shares in Lynas. Lynas will apply for the issued shares to be listed for quotation on ASX and any other securities exchange on which Lynas shares are listed.