Introduction

I am very pleased to welcome all shareholders and visitors to today’s Annual General Meeting of Lynas Corporation.

Today is an important opportunity to explain to our shareholders the performance of your business, achievements for 2016 and how the matters we are putting to you for consideration today position the company in 2017 and beyond.

I can see some familiar faces in the audience today. Many of you have been shareholders in Lynas for many years now, well before I joined the company. I understand many of you have been disappointed in the performance of your investment. I thought it may be useful to gauge our progress against your expectations when you originally invested in the firm so I looked back over some of the earlier investor presentations made before I joined the company. These presentations referenced the expected ramp up timing, target production rates, target costs and (using assumed selling prices) expected cash flow outcomes.

When I first spoke to you two years ago as a newly-appointed CEO, we were behind on all these targets. I talked about the need to complete the ramp up of the LAMP, re-size the cost base of our operations, and importantly, ensure the safe and environmentally responsible operation of our facilities at Mt Weld and LAMP.

FY 2016 marks the delivery of many of the estimates in the original business case.
In 2016:

- Production ramp-up was complete. We are yet to achieve the total annual production of 22000 tonnes originally forecast. However, the production shortfall is primarily in the lower value La and Ce products.

- Nameplate production for NdPr is about 440 tonnes/month (depending on the number of days in the month). We are now operating consistently at over 90% of nameplate for production of NdPr – we have now recorded 6 months of production at 400 tonnes per month and are set to deliver another record month this month. We are also producing SEG, our second most valuable product, at nameplate rates.

- We are selling 100% of our production.

- We have significantly outperformed the original cost estimates of approximately US$14-$15/tonne. Today’s all in costs (including overheads and CAPEX) are in the range of US$11/kg and we have a plan to continue to drive that cost down further.

However, our results are not yet in line with the original investment case and this is a source of disappointment to all long term shareholders. The shortfall in performance is directly related to the sustained, low rare earth market prices – at levels not envisaged when the Lynas business was initially developed.

The continued low market pricing has capped returns and it is for this reason that we are proposing the changes to our financing agreements for your approval today. We do not know when the market price of rare earths will increase. But we do know that demand is strong, that we have control of the elements which are under our control (production, sales and costs) and that the most valuable thing we can do is to ensure the business has time to take advantage of any improvement in overall market conditions.
Production
Our operation at Mt Weld continues to run well. Production and costs are now better than design in all areas. You will recall I mentioned last year that our key challenges at Mt Weld were resource utilization, distance and water usage.

In 2016, we have continued to improve our performance in all 3 areas. We have increased the proportion of lower grade ore used, which not only monetizes more of the material we have already mined, but also delays the timing of our next mining campaign. Recoveries are now above design rates.

This year, we have further reduced logistics charges, on a per tonne basis, for both landside and ocean freight. Most importantly, we have implemented a water strategy which sees water usage now at half the rates of early production and below design rates.

We will commence our first mining campaign since 2008 early in the new calendar year.

Many of our long term shareholders will remember that our early bottleneck to production was in our Cracking & Leaching operation. Today, we are operating our kilns at up to 200% of nameplate capacity. We now feed downstream operations with 2 kilns operating and one on warm standby.

In 2016, Lynas increased the operating capacity of the LAMP by commissioning the fourth and final NdPr separation train in SX5. The commissioning of this final train means that we can bring NdPr production capacity to 100% of design. As I mentioned we are now operating at about 90% of design. This is contributed by varying performance on each of our 4 trains with one performing at about 105% of capacity. This gives us confidence that over time we will be able to deliver at over design rates.
Production capacity for NdPr in Product Finishing has been increased by a variety of means. Our focus now is to improve recovery rates for our La and Ce products and to sustainably improve quality outcomes for these products.

In 2016, we continued the two-year trend of positive improvements in the production process, throughput rates and quality of final output.

In achieving this result, I’d like to acknowledge our head of operations, Kam Leung and all of our production team who have worked really hard – and really smart – to deliver this result.

**Sales**

In 2016 we proved that we can sell all that we make. Lynas’ NdPr, a material used in the growing magnetic materials market, is the highest value material we produce (currently selling at about $US31 per kilo) and therefore identifying and developing a strategic, global customer base is particularly important. Our sales team, led by Pol Le Roux, who has a long experience in Rare Earths, has developed deep customer relationships which are key to our performance.

Lynas continues to grow our business with Japanese customers and you will see in our new lender agreements that we have further strengthened this commitment with a revised supply clause for supply to the Japanese market. We value our relationship with Solvay as a key part of our success with continuing strong sales of our Ce and LaCe products.

In addition, the team has developed excellent customer relationships with a select number of customers within China.
Looking into FY17 we will continue to engage productively with our strategic customers, to deliver quality product and build strategic, long-term relationships that will help us best meet our customers’ needs.

**Cost reductions**

2016 proved that we could sustain the lower cost structure that we set in 2015. Further reductions were achieved year over year in cash costs, driven by improved production control and management, improved control of raw materials inventory and some cost reductions from the selection of new suppliers.

Gaudenz Sturzenegger, our CFO has been the driving force behind many of our cost reductions in 2016. We are now embarking on a next phase of cost reduction activity with a particular focus on opportunities for process innovation to reduce the total cost of production.

**Rare earth market**

Unfortunately, throughout 2016 the rare earth market prices for our products remained stubbornly low which continues three years of decline. Lynas’ products were increasingly in demand, through product innovation and the demand for rare earth materials, particularly the magnetic materials (Nd and Pr) which our resource has in greater concentration than any other significant operating mine in the world. However, despite the strong demand, and improved production volumes, Lynas has continued to operate at a break-even level.

Given the continued low prices, meeting debt service commitments, both interest and principal remains a challenge. We have welcomed the support of both our lender groups throughout this period. It is for this reason that Lynas, with the support of our lenders, has proposed amendments to the debt facilities which give us time to allow the rare earths market to improve.
In 2016 we got our production right, we got the costs right, we sold everything we produced, however, as the market pricing has not shown any recovery from these low levels, we are of a strong view that the proposed amendments provide the best opportunity for Lynas to deliver improved financial outcomes in the future.

Resolution 4

Now, I’d like to take a step back and provide shareholders with an overview of the debt amendments that will be voted on today in Resolution 4.

The most important thing is that it provides the company with time. We’ve negotiated additional time through to mid-2020 on the JARE facility and the 30th of September 2020 on the convertible bonds. This is the most valuable concession in the new agreements. As everybody who’s observed the rare earths market knows, at present price does not reflect demand. We expect that at some stage those two things will normalize. At that time we’re in a very good position to deliver a better outcome.

We’ve significantly reduced the interest liabilities. The current interest rate on JARE is 6%. It drops to 2.5%. The current interest rate on the convertible bonds is 2.75%. It drops to 1.25%. The interest rate savings and waived interest total around $70 million at the new interest rates of 2.5% and 1.25%.

We have significantly improved our principal amortization schedule. Previously we had a fixed amortization schedule for repayment of principal on the JARE facility. Under the current agreement we have US $50 million payable as principal between now and the 31st of December 2017. In the new agreement that is due at the end of the loan. Until then, we will only make payments depending upon how much cash we have in the business. By tying repayments to the cash flow of the business we are recognizing the inherent market volatility.
Now let’s look at what we have had to give in return for this. The things that Lynas has needed to bring to the table, and one of these is very important to you, our shareholders, is that we’ve agreed to reset the conversion price for the convertible bonds to $0.10 per share. That’s still at a 30-40% premium to current price. In agreeing this price, the Lynas Board took external valuation advice prior to recommending it to shareholders, as described in the Notice of AGM. In addition we have agreed to grant 10% warrants at an exercise price of $0.05 to the convertible bondholder group. Finally we have agreed a new availability agreement with JARE to ensure that we continue to supply the Japanese market with NdPr.

We believe these amendments are a strong signal to all market participants that Lynas is here to stay and that these amendments provide the best opportunity for shareholder returns in the future.

**Malaysian Ad campaign**

During the fourth quarter this year, Lynas launched a new communication campaign in Malaysia to positively engage with the local and broader communities.

Lynas has now been operating for 4 years at the LAMP with clear data which shows that our operations are safe for our people, safe for the environment and safe for our surrounding communities. Each of the advertisements includes data to address the areas that were considered controversial at the time the plant was built. The advertisements appear in English, Malay and Chinese language newspapers. The new campaign has been welcomed by many of our key stakeholders in Malaysia.

These advertisements were published in The Star, the Metro Ahad, Nanyang and the Sin Chew Daily. You will have seen copies of the ads on the display walls, but just in case I am going to share with you what we published.
• All Lynas operations are safe for our people, the community and the environment – the International Atomic Energy Authority has rated the Lynas operations as “intrinsically low risk”.
• Lynas operates transparently – taking proper care and consideration for our surrounding communities and environment by providing online real time operational readings directly to authorities which are available to the public.
• Lynas contributes directly to improvements in our local communities – every year we contribute over RM300 million to the Malaysian economy and employ over 550 Malaysian staff. We also contribute over RM2 million per year on research with local partners.
• Lynas products are essential for manufacturers all over the world now and in the future – our rare earths are exported from Malaysia to manufacturers around the world, and are essential in a variety of electronic appliances such as televisions and mobile phones.
• Lynas is a committed member of the Kuantan and broader Malaysian communities. We have donated school uniforms and accessories to local students in need, assisted in cleaning and beautifying parts of our community and regularly assist disadvantaged members of our local community through joint programs with our local village communities.

Another great achievement for 2016 that reaffirms many of the points I just mentioned, was that the LAMP had its Full Stage Operating License renewed.

Renewal of FOSL
On 2\textsuperscript{nd} of September 2016, the Malaysian Atomic Energy Licensing Board (AELB) renewed our Full Operating Stage License (FOSL) for a further three years until September 2019. This renewal followed a rigorous review undertaken by the AELB and other independent regulatory bodies in Malaysia, all of whom have concluded that the LAMP is in compliance with applicable regulations.
Lynas now has four years of operational data which shows there has been no increase in background radiation levels 1km, 5km, 10km or 20km from the plant. There has been no adverse impact on the nearby residents of Kuantan or the surrounding villages and all water discharges have been measured to be safe at all times for the community. We continue to provide online real time operational readings directly to the authorities which are also accessible to the public via the websites of the AELB and the DOE, and we have clear evidence and certifications from independent bodies that our operations and emissions are safe.

We will continue this level of open and transparent operations and improved safety at both Mt Weld and the LAMP into 2017.

Lynas is actively engaged in community support programs at both locations. It is true, that even with a legal license to operate, every business needs a community license to operate. More importantly, it is impossible for any firm to sustainably prosper if it doesn’t contribute to the prosperity of the communities in which it operates. But most of all, contributing to our communities is a positive and rewarding experience for all our staff.

At Lynas we have an excellent resource, a processing facility that is the envy of the industry, an excellent customer portfolio, and a highly experienced and disciplined management team. Whilst the market is currently difficult, the approval of Resolution 4 today will mean that Lynas will be well placed to benefit from any future increases in price and demand.

Thank you to everyone who has come here today. I will now hand back to the Chairman, and I will be more than happy to answer any questions you may have.