NOTICE OF ANNUAL GENERAL MEETING

To be held on Wednesday 24 November 2010 at 10.00 am (Sydney time)
at the Sydney Harbour Marriott Hotel
30 Pitt Street, Sydney, NSW

This is an important document. Please read it carefully.
If you are unable to attend the Annual General Meeting, please complete the Proxy Form
enclosed at the back of this document and return it in accordance with the instructions.
LYNAS CORPORATION LIMITED
ACN 009 066 648
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2010 Annual General Meeting of shareholders of Lynas Corporation Limited ("Company") will be at the Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney, NSW on 24 November 2010 at 10.00 am (Sydney time) for the purpose of transacting the following Business.

ORDINARY BUSINESS

2010 Financial Statements

To receive and consider the financial statements of the Company for the year ended 30 June 2010, consisting of the Annual Financial Report, the Directors' Report and Auditor's Report.

Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report of the Company for the year ended 30 June 2010 be adopted."

Pursuant to section 250R(3) of the Corporations Act 2001, the vote on this resolution is advisory only and it does not bind the directors or the Company.

Resolution 2 – Election of David Davidson as a Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That David Davidson having retired as a director of the Company pursuant to Article 13.2 of the Company's Constitution and, being eligible, having offered himself for re-election be appointed as a director of the Company."

Pursuant to article 13.2 of the Company's Constitution, one-third of the directors of the Company (other than the managing director), or if their number is not a multiple of 3, then such number as is appropriate to ensure that no director other than alternate directors and the managing director holds office for more than 3 years, must retire at each Annual General Meeting and being eligible may offer themselves for re-election.
Resolution 3 – Increase in Aggregate Directors’ Fees

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.17 of Australian Stock Exchange Limited and in accordance with Article 13.8 of the Company’s Constitution, the maximum aggregate amount to be paid to the directors of the Company by way of remuneration for their services, be increased from $500,000 to $750,000 per annum”.

The Company will disregard any votes cast on this resolution by the directors of the Company and any associate of any of them unless the vote is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote

Resolution 4 – Deed of Access, Indemnity and Insurance

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, the Company enter into a Deed of Access, Indemnity and Insurance with each of the present and future directors and secretaries of the Company from time to time, substantially in the form of the agreement set out in Annexure A of the Explanatory Memorandum which accompanies this Notice of Meeting”.

The Company will disregard any votes cast on this resolution by the directors and secretaries of the Company and any associate of any of them unless the vote is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote

Resolution 5 – Issue of Options for the benefit of an Executive Director – Nicholas Curtis

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to issue, for the benefit of Nicholas Curtis, Options to subscribe for 9,000,000 fully paid ordinary shares in the capital of the Company at an exercise price of $1.15 per share with a 3 year vesting period and a 5 year term, and subject to the
conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company’s Option Incentive Plan."

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned director as calculated by the Company and its advisers using the Black & Scholes valuation model is $0.8342.

Resolution 6 – Issue of Options for the benefit of Non Executive Director and Lead Independent Director – Liam Forde

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to issue, for the benefit of Liam Forde, Options to subscribe for 1,500,000 fully paid ordinary shares in the capital of the Company at an exercise price of $1.15 per share with a 3 year vesting period and a 5 year term, and subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company’s Option Incentive Plan."

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

The value of each Option to be granted to the abovementioned director as calculated by the Company and its advisers using the Black & Scholes valuation model is $0.8342.

Resolution 7 – Issue of Options for the benefit of a non-executive Director – David Davidson

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to issue, for the benefit of David Davidson, Options to subscribe for 1,200,000 fully paid ordinary shares in the capital of the Company at an exercise price of $1.15 per share with a 3 year vesting period and a 5 year term, and subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company’s Option Incentive Plan."
Resolution 8 – Issue of Options for the benefit of a non-executive Director – Jacob Klein

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to issue, for the benefit of Jacob Klein, Options to subscribe for 1,200,000 fully paid ordinary shares in the capital of the Company at an exercise price of $1.15 per share with a 3 year vesting period and a 5 year term, and subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company’s Option Incentive Plan."

Entitlements to Vote

A Proxy Form is enclosed with this Notice

For the purposes of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and holder of shares if that person is registered as a holder of those shares at 7.00 pm on 22 November 2010.

By order of the Board

Andrew Arnold
Secretary
Date: 13 October 2010
EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Lynas Corporation Limited ACN 009 066 645 ("Company") with sufficient information to assess the merits of the Resolutions contained in the Notice of Annual General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the above Resolutions.

The following information should be noted in respect of the various matters contained in the Notice of Annual General Meeting:

RESOLUTION 1 – REMUNERATION REPORT


The Remuneration Report:

- Explains the Board’s policies relating to remuneration of directors, secretaries and executives of the Company;
- Discusses the relationship between such policies and the Company’s performance;
- Provides details of any performance conditions attached to such remuneration; and
- Sets out remuneration details for each director and certain named executives.

The Board submits the Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution as required by the Corporations Act.

RESOLUTION 2 – ELECTION OF DAVID DAVIDSON AS A DIRECTOR

In accordance with the commentary and guidance to Recommendation 2.4 of the ASX Corporate Governance Principles, the Company provides the following information concerning Mr Davidson:

Biographical details
Mr. Davidson has had a distinguished career with ICI and DuPont. An Australian, he has lived and worked in Europe and North America and held a number of senior executive roles with global responsibilities. He is a former director of ICI America Inc. Since returning to Australia, Mr. Davidson has been providing executive and corporate advice on organisational development and strategy. During the past three years Mr. Davidson has not held any other listed company directorships.

Details of relationships between the Candidate and the Company
Mr. Davidson is a non-executive Director of the Company

Details of relationships between the Candidate and Directors of the Company
Not applicable

Other directorships held
Nil

The term of office already served by Mr Davidson
Mr. Davidson originally joined the Board on 28 March 2002. He resigned from the Board on 18 August 2005 and was re-appointed as a director on 8 December 2005.

RESOLUTION 3 – INCREASE IN AGGREGATE DIRECTORS’ FEES

Article 13.8 of the Company’s Constitution requires that the approval of members in general meeting be obtained in order to increase the fees payable to directors of the Company. Listing Rule 10.17 of the Listing Rules of Australian Securities Exchange Limited ("ASX") provides that an entity must not increase the total amount of fees payable by it without the approval of holders of its ordinary securities. This rule does not apply to the salary of an
executive director. The directors now seek member approval to increase the aggregate remuneration payable to
the directors to $750,000 per annum.

The proposed increase in the maximum aggregate remuneration payable to the directors:

- Provides scope to appoint additional non-executive directors to enhance the breadth of
  skills, and the diversity of membership, of the Board;
- Accommodates increases in fees payable to each non-executive director based on
  recommendations made by external remuneration consultants taking into account fees
  paid to non-executive directors of similar companies; and
- Reflects the increased complexity of the Company and demands on non-executive
  directors having regard to the additional responsibilities of directors, the increased
  role of both the Board and its committees and increased time commitments expected
  from directors.

The company believes that it is important that its Board reflects a diverse range of opinions, backgrounds and
experiences. In addition, the ASX has announced that its Corporate Governance Principles will be amended to
require adoption of a diversity policy and reporting on diversity issues on an “if not, why not” basis. These
amendments will become effective in the financial year commencing 1 July 2011, however earlier transition is
encouraged.

If the company proposes to issue any options to directors, an additional shareholder approval will be sought, providing
details of the terms and valuation of the proposed options.

The following information is provided for the purpose of Listing Rule 10.17.1:

Amount of the increase
The current approved amount for directors’ fees is $500,000 per annum. Accordingly, the amount of the proposed
increase is $250,000 per annum.

The last increase in directors’ fees was in November 2003 when the fees were increased from $250,000 per
annum to $500,000 per annum.

The maximum amount that may be paid to the directors as a whole
If Resolution 3 is passed, the maximum aggregate amount that may be paid to the directors (other than the salary
of executive directors) will be $750,000 per annum.

RESOLUTION 4 – DEED OF ACCESS, INDEMNITY AND INSURANCE

The directors propose that the Company enter into a Deed of Access, Indemnity and Insurance with each of the
present and future directors and secretaries (“Officers”) of the Company.

Consistent with the principles of good corporate governance, the directors have resolved to seek shareholder
approval in relation to the proposed entry by the Company into a Deed of Access, Indemnity and Insurance with
each of the present and future directors and secretaries of the Company.

The key components of the proposed Deed of Access, Indemnity and Insurance are as follows:

Access to documents
Provides rights to a director or secretary of the Company to gain access to the documents of the Company and
each subsidiary of the Company and each company in which the Company has an interest. The rights of access
also extend to privileged documents, however a director or secretary must undertake not to do anything that
would constitute a waiver of privilege.

Indemnity
In accordance with the provisions of the Corporations Act, under the proposed Deed of Access, Indemnity and
Insurance the Company indemnifies an Officer against all liability except in respect of those matters prohibited
under the Corporations Act.

Subject to the above, the indemnity covers any liability incurred by the Officer as a director or secretary of the
Company and its subsidiaries.

Loans to defend claims.
The proposed Deed permits the Company to loan money to the director/secretary to meet a claim against a
director or secretary, subject to certain rights of repayment.
Insurance
The Company must use its best endeavours to obtain a contract insuring Officers against liabilities not arising out of a willful breach of duty or from a contravention of sections 182 or 183 of the Corporations Act. The insurance will cover liability for costs and expenses incurred in defending proceedings whether civil or criminal, whatever their outcome.

Right to independent professional advice.
The proposed Deed permits Officers of the Company to obtain their own independent professional advice.

A copy of the Deed of Access, Indemnity and Insurance is set out in Annexure A

RESOLUTION 5 – ISSUE OF OPTIONS FOR THE BENEFIT OF AN EXECUTIVE DIRECTOR – NICHOLAS CURTIS

The Company proposes to issue 9,000,000 Options for the benefit of its Executive Director, Nicholas Curtis under the terms and conditions of the Lynas Corporation Limited (ACN 009 086 648) Option Incentive Plan ("Plan") as set out in Annexure B. The Options would be held via the Lynas Corporation Limited Employee Share Trust, details of which are set out in Annexure C.

The Options would be issued at an exercise price of A$1.15 per option, which represents a 20% premium to the 5 day volume weighted average price of the Company's shares on the 5 trading days immediately prior to 19 August 2010 (being the day the Company's Remuneration Committee resolved to issue the Options, subject to shareholder approval). The company's consultants, Remuneration Strategies Pty Ltd, believe that the options issued at this price provide an appropriate incentive for future performance.

Listing Rule 10.14
Listing Rule 10.14 states that a company must not permit a Director or an associate of a Director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders.

The following information is provided to shareholders for the purpose of Listing Rule 10.15:

(a) the Options will be issued to the trustee of the Lynas Corporation Limited Employee Share Trust (the "EST Trustee"). The EST Trustee will hold the options for the benefit of Nicholas Curtis, who is an executive director ("Participating Director"), as described in Annexure C;

(b) the maximum number of Options to be granted under Resolution 5 is 9,000,000;

(c) the Options will be granted as employee incentive options and accordingly the Options will be issued for no cash consideration. The exercise price of the Options will be A$1.15 per share. The Options will have a 3 year vesting period and a 5 year term;

(d) The Options are subject to the following performance hurdles:

(i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3 year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

The above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at the Malaysian plant scheduled for Q3 2011). The Company expects to transition to additional performance hurdles if further options are proposed in future years.

(e) the value of the Options to be granted as calculated by the Company and its advisers, Remuneration Strategies Group Pty Ltd, using the above assumptions and the Black & Scholes valuation model is A$0.8342 per Option (details of the calculation of this valuation are set out below);

(f) Details of the securities issued under the Plan since the last shareholder approval at the AGM held on 26 November 2009 are listed below. All of the options listed below were issued for no cash consideration, at an exercise price of $0.66 per share with a 3 year vesting period and a 5 year term, in accordance with the shareholder approval given at the AGM held on 26 November 2009:

Nicholas Curtis: 12,000,000 options
Liam Forde: 1,400,000 options
David Davidson: 1,100,000 options
Jacob Klein: 1,100,000 options.
(g) the names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are: Nicholas Curtis, Lian Forde, David Davidson and Jacob Klein;

(h) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure C, the EST Trustee will provide an interest free loan to Nicholas Curtis equivalent to the value of the Options to enable Nicholas Curtis to subscribe for Share Units in the EST. The Share Units in the EST will be issued for a consideration equal to the value of the Options to be issued for the benefit of Nicholas Curtis;

(i) the Options will be issued no later than 12 months after the date of this Annual General meeting;

(j) the Options will be issued to the EST Trustee for the benefit of the Participating Director for no cash consideration;

Related Party Transactions
Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

(a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

(b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors of the Company are considered to be related parties of the Company.

Resolution 5 provides for the grant of Options for the benefit of a Director of the Company, which is a financial benefit that requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related parties to whom the proposed resolutions would permit the financial benefit to be given
Nicholas Curtis.

The nature of the financial benefit
The proposed financial benefit to be given is the grant of Options for no cash consideration. The terms and conditions of the Options to be granted are set out in Annexure B to this Explanatory Memorandum. The Options cannot be sold, transferred, assigned or otherwise disposed of before the Options have vested, except with the approval of the Board of Directors.

Directors’ recommendation
All the Directors were available to consider the proposed Resolution 5.

Section 195 of the Corporations Act provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a “material personal interest” are being considered.

The Participating Director has an interest in the outcome of the proposed resolution because he will be issued Options in accordance with the proposed resolution. Accordingly, the Participating Director is unable to make a recommendation to shareholders concerning the proposed Resolution 5.

The other Directors of the Company (Non-Participating Directors) do not have an interest in the outcome of the proposed resolution and consider themselves justified in making a recommendation to shareholders concerning the proposed resolution 5. Each of the Non-Participating Directors considers that the proposed Resolution 5 is in the best interests of the Company and its shareholders. It is important that the remuneration of the Directors is linked to the medium term and long term strategies of the Company. Proposed Resolution 5 will provide Nicholas Curtis with additional incentives to successfully implement the Company’s strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 5.

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors
The proposed Resolution 5 would have the effect of giving power to the Directors to grant Nicholas Curtis Options on the terms and conditions as set out in Annexure B and as otherwise mentioned above. The Company presently has on issue 1,656,999,093 ordinary shares and 76,908,618 unlisted Options and Performance Rights.

If any Options granted as proposed above are exercised the effect would be to dilute the share holding of existing shareholders. The market price of the Company’s shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and shares are issued pursuant to the exercise of the Options, the Company’s ordinary shares may be trading at a price which is higher than the exercise price of the Options.
The highest closing price for fully paid ordinary shares in the Company trading on ASX during the past 12 months was A$1.60 which occurred on 13 October 2010 and the lowest closing price of shares in the Company trading on ASX during the past 12 months was A$0.48 which occurred on 29 October 2009. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A$1.60 which occurred on 13 October 2010.

The other remuneration currently being received by the proposed recipient of the options is set out on pages 30 and 31 of the enclosed 2010 Annual Report of the Company.

The shares and options currently held by the proposed recipient of the options are set out in Note 29 on pages 69 to 71 of the enclosed 2010 Annual Report of the Company.

The Company presently has on issue 1,656,999,093 ordinary shares. The total number of Company securities in which the Director currently has an interest is as follows:

- 23,045,758 ordinary shares
- 27,000,000 options

The total shareholding of the Director should he exercise all options available to him (including the options referred to in this Resolution) would be 59,045,758 ordinary shares.

The Company uses external industry benchmarks to set the total remuneration for key management personnel. Generally speaking, total remuneration is set at between the 50th and 75th percentiles. To assist in achieving this objective, the Company's Remuneration Committee links the nature and amount of Executive Directors' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are the retention and motivation of key executives, and attraction of quality management to the Company.

These numbers of options were chosen by the Company's Remuneration Committee in order to provide the Executive Director with an appropriate mix of cash remuneration and remuneration by way of Options. The Company's Remuneration Committee took advice from an external consulting firm, Remuneration Strategies Group Pty Ltd, in determining the number of options to be allocated for the benefit of Nicholas Curtis. The Options component of the remuneration provides a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

It is not considered that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits forgone by the Company resulting from the issue of the Options pursuant to Resolution 5.

**Vesting Period and Performance Hurdles**
The Options may only be exercised after the expiry of a 3 year vesting period. The Options have a 5 year term and are subject to the following performance hurdles:

(i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3 year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

The above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at the Malaysian plant scheduled for Q3 2011). The Company expects to transition to additional performance hurdles if further options are proposed in future years.

**Valuation of Options**
The Directors, in conjunction with the Company's advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model uses inputs including time to expiration, strike price, value of the underlying financial instrument, implied volatility and the risk free interest rate.

The Company proposes to issue the Options effective 19 August 2010 (subject to shareholder approval), in accordance with the Company's usual remuneration practices, because Remuneration Committee approval of the grant of the options (subject to shareholder approval) occurred on 19 August 2010 and accordingly the options were originally valued at that date.

On the days where the Share has not traded the previous day's closing price has been used. The resulting volatility figure is historical and this has been used as a guide to estimating Implied Volatility. The volatility figure has been discounted to take into account the fact that the Options are only exercisable during the period between
3 years and 5 years after the date of grant of the Option. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

Using this method of valuation Remuneration Strategies Group Pty Ltd determined on the date of this Explanatory Memorandum a value of A$0.8342 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if Resolution 5 is approved, would amount to A$7,507,800.

Using the same method of valuation, Remuneration Strategies Group Pty Ltd determined on the date of the Remuneration Committee approval of the grant of the options a value of A$0.2761 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if Resolution 5 is approved, would amount to A$2,484,900.

The assumptions used by the company and its advisers in calculating the value of the Options on the date of this Explanatory Memorandum were as follows:

<table>
<thead>
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<th>Share Price</th>
<th>A$1.60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise Price</td>
<td>A$1.15</td>
</tr>
<tr>
<td>Volatility</td>
<td>52.7%</td>
</tr>
<tr>
<td>Vesting date</td>
<td>19 August 2013</td>
</tr>
<tr>
<td>Expected life of Options</td>
<td>3.25 years</td>
</tr>
<tr>
<td>Risk free rate</td>
<td>5.25% pa</td>
</tr>
<tr>
<td>Staff Turnover</td>
<td>5.0% pa</td>
</tr>
<tr>
<td>Exercise Multiple</td>
<td>2</td>
</tr>
<tr>
<td>Dividends</td>
<td>Nil</td>
</tr>
</tbody>
</table>

The assumptions used by the company and its advisers in calculating the value of the Options on the date of the Remuneration Committee approval of the grant of the options were as follows:

<table>
<thead>
<tr>
<th>Share Price</th>
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</tr>
<tr>
<td>Dividends</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Apart from the information set out in this Explanatory Memorandum there is not any other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass Resolution 5.

**RESOLUTION 6 – ISSUE OF OPTIONS FOR THE BENEFIT OF NON EXECUTIVE DIRECTOR AND LEAD INDEPENDENT DIRECTOR – LIAM FORDE**

The Company proposes to issue 1,500,000 Options for the benefit of Non-Executive Director and Lead Independent Director, Liam Forde under the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) Option Incentive Plan ("Plan") as set out in Annexure B. The Options would be held via the Lynas Corporation Limited Employee Share Trust, details of which are set out in Annexure C.

The Options would be issued at an exercise price of A$1.15 per option, which represents a 20% premium to the 5 day volume weighted average price of the Company's shares on the 5 trading days immediately prior to 19 August 2010 (being the day the Company's Remuneration Committee resolved to issue the Options, subject to shareholder approval). The company's consultants, Remuneration Strategies Pty Ltd, believe that the options issued at this price provide an appropriate incentive for future performance.

**Listing Rule 10.14**

Listing Rule 10.14 states that a company must not permit a Director or an associate of a Director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders.

The following information is provided to shareholders for the purpose of Listing Rule 10.15:

(a) the Options will be issued to the trustee of the Lynas Corporation Limited Employee Share Trust (the "EST Trustee"). The EST Trustee will hold the options for the benefit of Liam Forde, who is a non-executive director and lead independent director ("Participating Director"), as described in Annexure C;

(b) the maximum number of Options to be granted under Resolution 6 is 1,500,000;
(c) the Options will be granted as employee incentive options and accordingly the Options will be issued for no cash consideration. The exercise price of the Options will be A$1.15 per share. The Options will have a 3 year vesting period and a 5 year term;

(d) The Options are subject to the following performance hurdles:

(i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3 year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

The above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at the Malaysian plant scheduled for Q3 2011). The Company expects to transition to additional performance hurdles if further options are proposed in future years.

(e) the value of the Options to be granted as calculated by the Company and its advisers, Remuneration Strategies Group Pty Ltd, using the above assumptions and the Black & Scholes valuation model is A$0.8342 per Option (details of the calculation of this valuation are set out below);

(f) Details of the securities issued under the Plan since the last shareholder approval at the AGM held on 26 November 2009 are listed below. All of the options listed below were issued for no cash consideration, at an exercise price of $0.66 per share with a 3 year vesting period and a 5 year term, in accordance with the shareholder approval given at the AGM held on 26 November 2009:

Nicholas Curtis: 12,000,000 options
Liam Forde: 1,400,000 options
David Davidson: 1,100,000 options
Jacob Klein: 1,100,000 options

(g) the names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are: Nicholas Curtis, Liam Forde, David Davidson and Jacob Klein;

(h) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure C, the EST Trustee will provide an interest free loan to Liam Forde equivalent to the value of the Options to enable Liam Forde to subscribe for Share Units in the EST. The Share Units in the EST will be issued for a consideration equal to the value of the Options to be issued for the benefit of Liam Forde;

(i) the Options will be issued no later than 12 months after the date of this Annual General meeting;

(j) the Options will be issued to the EST Trustee for the benefit of the Participating Director for no cash consideration;

Related Party Transactions
Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

(a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

(b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors of the Company are considered to be related parties of the Company.

Resolution 6 provides for the grant of Options for the benefit of a Director of the Company, which is a financial benefit that requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related parties to whom the proposed resolutions would permit the financial benefit to be given

Liam Forde.

The nature of the financial benefit
The proposed financial benefit to be given is the grant of Options for no cash consideration. The terms and conditions of the Options to be granted are set out in Annexure B to this Explanatory Memorandum. The Options cannot be sold, transferred, assigned or otherwise disposed of before the Options have vested, except with the
approval of the Board of Directors.

**Directors' recommendation**

All the Directors were available to consider the proposed Resolution 6.

Section 195 of the *Corporations Act* provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered.

The Participating Director has an interest in the outcome of the proposed resolution because he will be issued Options in accordance with the proposed resolution. Accordingly, the Participating Director is unable to make a recommendation to shareholders concerning the proposed Resolution 6.

The other Directors of the Company (Non-Participating Directors) do not have an interest in the outcome of the proposed resolution and consider themselves justified in making a recommendation to shareholders concerning the proposed resolution 6. Each of the Non-Participating Directors considers that the proposed Resolution 6 is in the best interests of the Company and its shareholders. It is important that the remuneration of the Directors is linked to the medium term and long term strategies of the Company. Proposed Resolution 6 will provide Liam Forde with additional incentives to successfully implement the Company's strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 6.

**Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors**

The proposed Resolution 6 would have the effect of giving power to the Directors to grant Liam Forde Options on the terms and conditions as set out in Annexure B and as otherwise mentioned above. The Company presently has on issue 1,656,999,093 ordinary shares and 76,908,618 unlisted Options and Performance Rights.

If any Options granted as proposed above are exercised the effect would be to dilute the share holding of existing shareholders. The market price of the Company's shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and shares are issued pursuant to the exercise of the Options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the Options.

The highest closing price for fully paid ordinary shares in the Company trading on ASX during the past 12 months was A$1.60 which occurred on 13 October 2010 and the lowest closing price of shares in the Company trading on ASX during the past 12 months was A$0.46 which occurred on 29 October 2009. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A$1.60 which occurred on 13 October 2010.

The other remuneration currently being received by the proposed recipient of the options is set out on pages 30 and 31 of the enclosed 2010 Annual Report of the Company.

The shares and options currently held by the proposed recipient of the options are set out in Note 29 on pages 69 to 71 of the enclosed 2010 Annual Report of the Company.

The Company presently has on issue 1,656,999,093 ordinary shares. The total number of Company securities in which the Director currently has an interest is as follows:

- 1,000,000 ordinary shares
- 2,500,000 options

The total shareholding of the Director should he exercise all options available to him (including the options referred to in this Resolution) would be 5,000,000 ordinary shares.

These numbers of options were chosen by the Company's Remuneration Committee in order to provide the Non-Executive Director with an appropriate mix of cash remuneration and remuneration by way of Options. The Company's Remuneration Committee took advice from an external consulting firm, Remuneration Strategies Group Pty Ltd, in determining the number of options to be allocated for the benefit of Liam Forde. The Options component of the remuneration provides a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

It is not considered that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits forgone by the Company resulting from the issue of the Options pursuant to Resolution 6.

**Vesting Period and Performance Hurdles**

The Options may only be exercised after the expiry of a 3 year vesting period. The Options have a 5 year term and are subject to the following performance hurdles:

- (i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3
year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

The above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at the Malaysian plant scheduled for Q3 2011). The Company expects to transition to additional performance hurdles if further options are proposed in future years.

Valuation of Options

The Directors, in conjunction with the Company’s advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model uses inputs including time to expiration, strike price, value of the underlying financial instrument, implied volatility and the risk free interest rate.

The Company proposes to issue the Options effective 19 August 2010 (subject to shareholder approval), in accordance with the Company’s usual remuneration practices, because Remuneration Committee approval of the grant of the options (subject to shareholder approval) occurred on 19 August 2010 and accordingly the options were originally valued at that date.

On the days where the Share has not traded the previous day’s closing price has been used. The resulting volatility figure is historical and this has been used as a guide to estimating implied Volatility. The volatility figure has been discounted to take into account the fact that the Options are only exercisable during the period between 3 years and 5 years after the date of grant of the Option. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

Using this method of valuation Remuneration Strategies Group Pty Ltd determined on the date of this Explanatory Memorandum a value of A$0.8342 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if this Resolution is approved, would amount to A$1,251,300.

Using the same method of valuation, Remuneration Strategies Group Pty Ltd determined on the date of the Remuneration Committee approval of the grant of the options a value of A$0.2761 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if this Resolution is approved, would amount to A$414,150.

The assumptions used by the company and its advisors in calculating the value of the Options on the date of this Explanatory Memorandum were as follows:

<table>
<thead>
<tr>
<th>Share Price</th>
<th>A$1.60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise Price</td>
<td>A$1.15</td>
</tr>
<tr>
<td>Volatility</td>
<td>52.7%</td>
</tr>
<tr>
<td>Vesting date</td>
<td>19 August 2013</td>
</tr>
<tr>
<td>Expected life of Options</td>
<td>3.25 years</td>
</tr>
<tr>
<td>Risk free rate</td>
<td>5.25% pa</td>
</tr>
<tr>
<td>Staff Turnover</td>
<td>5.0% pa</td>
</tr>
<tr>
<td>Exercise Multiple</td>
<td>2</td>
</tr>
<tr>
<td>Dividends</td>
<td>Nil</td>
</tr>
</tbody>
</table>

The assumptions used by the company and its advisors in calculating the value of the Options on the date of the Remuneration Committee approval of the grant of the options were as follows:

<table>
<thead>
<tr>
<th>Share Price</th>
<th>A$0.96</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise Price</td>
<td>A$1.15</td>
</tr>
<tr>
<td>Volatility</td>
<td>52.7%</td>
</tr>
<tr>
<td>Vesting date</td>
<td>19 August 2013</td>
</tr>
<tr>
<td>Expected life of Options</td>
<td>3.25 years</td>
</tr>
<tr>
<td>Risk free rate</td>
<td>5.25% pa</td>
</tr>
<tr>
<td>Staff Turnover</td>
<td>5.0% pa</td>
</tr>
<tr>
<td>Exercise Multiple</td>
<td>2</td>
</tr>
<tr>
<td>Dividends</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Apart from the information set out in this Explanatory Memorandum there is not any other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company’s interest to pass Resolution 6.
RESOLUTION 7 – ISSUE OF OPTIONS FOR THE BENEFIT OF A NON EXECUTIVE DIRECTOR – DAVID DAVIDSON

The Company proposes to issue 1,200,000 Options for the benefit of a Non-Executive Director, David Davidson under the terms and conditions of the Lynas Corporation Limited (ACN 009 068 648) Option Incentive Plan (“Plan”) as set out in Annexure B. The Options would be held via the Lynas Corporation Limited Employee Share Trust, details of which are set out in Annexure C.

The Options would be issued at an exercise price of A$1.15 per option, which represents a 20% premium to the 5 day volume weighted average price of the Company’s shares on the 5 trading days immediately prior to 19 August 2010 (being the day the Company’s Remuneration Committee resolved to issue the Options, subject to shareholder approval). The company’s consultants, Remuneration Strategies Pty Ltd, believe that the options issued at this price provide an appropriate incentive for future performance.

Listing Rule 10.14
Listing Rule 10.14 states that a company must not permit a Director or an associate of a Director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders.

The following information is provided to shareholders for the purpose of Listing Rule 10.15:

(a) the Options will be issued to the trustee of the Lynas Corporation Limited Employee Share Trust (the “EST Trustee”). The EST Trustee will hold the options for the benefit of David Davidson, who is a non-executive director (“Participating Director”), as described in Annexure C;

(b) the maximum number of Options to be granted under Resolution 7 is 1,200,000;

(c) the Options will be granted as employee incentive options and accordingly the Options will be issued for no cash consideration. The exercise price of the Options will be A$1.15 per share. The Options will have a 3 year vesting period and a 5 year term;

(d) The Options are subject to the following performance hurdles:

(i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3 year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

The above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at the Malaysian plant scheduled for Q3 2011). The Company expects to transition to additional performance hurdles if further options are proposed in future years.

(e) the value of the Options to be granted as calculated by the Company and its advisers, Remuneration Strategies Group Pty Ltd, using the above assumptions and the Black & Scholes valuation model is A$0.8342 per Option (details of the calculation of this valuation are set out below);

(f) Details of the securities issued under the Plan since the last shareholder approval at the AGM held on 26 November 2009 are listed below. All of the options listed below were issued for no cash consideration, at an exercise price of $0.66 per share with a 3 year vesting period and a 5 year term, in accordance with the shareholder approval given at the AGM held on 26 November 2009:

Nicholas Curtis: 12,000,000 options
Liam Forde: 1,400,000 options
David Davidson: 1,100,000 options
Jacob Klein: 1,100,000 options.

(g) the names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are: Nicholas Curtis, Liam Forde, David Davidson and Jacob Klein;

(h) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure C, the EST Trustee will provide an interest free loan to David Davidson equivalent to the value of the Options to enable David Davidson to subscribe for Share Units in the EST. The Share Units in the EST will be issued for a consideration equal to the value of the Options to be issued for the benefit of David Davidson;

(i) the Options will be issued no later than 12 months after the date of this Annual General meeting;
(j) the Options will be issued to the EST Trustee for the benefit of the Participating Director for no cash consideration;

**Related Party Transactions**
Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

(a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

(b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors of the Company are considered to be related parties of the Company.

Resolution 7 provides for the grant of Options for the benefit of a Director of the Company, which is a financial benefit that requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

**The related parties to whom the proposed resolutions would permit the financial benefit to be given**
David Davidson.

**The nature of the financial benefit**
The proposed financial benefit to be given is the grant of Options for no cash consideration. The terms and conditions of the Options to be granted are set out in Annexure B to this Explanatory Memorandum. The Options cannot be sold, transferred, assigned or otherwise disposed of before the Options have vested, except with the approval of the Board of Directors.

**Directors’ recommendation**
All the Directors were available to consider the proposed Resolution 7.

Section 195 of the Corporations Act provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a “material personal interest” are being considered.

The Participating Director has an interest in the outcome of the proposed resolution because he will be issued Options in accordance with the proposed resolution. Accordingly, the Participating Director is unable to make a recommendation to shareholders concerning the proposed Resolution 7.

The other Directors of the Company (Non-Participating Directors) do not have an interest in the outcome of the proposed resolution and consider themselves justified in making a recommendation to shareholders concerning the proposed resolution 7. Each of the Non-Participating Directors considers that the proposed Resolution 7 is in the best interests of the Company and its shareholders. It is important that the remuneration of the Directors is linked to the medium term and long term strategies of the Company. Proposed Resolution 7 will provide David Davidson with additional incentives to successfully implement the Company’s strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 7.

**Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors**
The proposed Resolution 7 would have the effect of giving power to the Directors to grant David Davidson Options on the terms and conditions as set out in Annexure B and as otherwise mentioned above. The Company presently has on issue 1,056,999,093 ordinary shares and 76,908,618 unlisted Options and Performance Rights.

If any Options granted as proposed above are exercised the effect would be to dilute the shareholding of existing shareholders. The market price of the Company’s shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and shares are issued pursuant to the exercise of the Options, the Company’s ordinary shares may be trading at a price which is higher than the exercise price of the Options.

The highest closing price for fully paid ordinary shares in the Company trading on ASX during the past 12 months was A$1.60 which occurred on 13 October 2010 and the lowest closing price of shares in the Company trading on ASX during the past 12 months was A$0.46 which occurred on 29 October 2009. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A$1.60 which occurred on 13 October 2010.

The other remuneration currently being received by the proposed recipient of the options is set out on pages 30 and 31 of the enclosed 2010 Annual Report of the Company.

The shares and options currently held by the proposed recipient of the options are set out in Note 29 on pages 69
to 71 of the enclosed 2010 Annual Report of the Company.

The Company presently has on issue 1,656,999,093 ordinary shares. The total number of Company securities in which the Director currently has an interest is as follows:

935,000 ordinary shares
1,900,000 options

The total shareholding of the Director should he exercise all options available to him (including the options referred to in this Resolution) would be 4,036,000 ordinary shares.

These numbers of options were chosen by the Company’s Remuneration Committee in order to provide the Non-Executive Director with an appropriate mix of cash remuneration and remuneration by way of Options. The Company’s Remuneration Committee took advice from an external consulting firm, Remuneration Strategies Group Pty Ltd, in determining the number of options to be allocated for the benefit of David Davidson. The Options component of the remuneration provides a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

It is not considered that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits foregone by the Company resulting from the issue of the Options pursuant to Resolution 7.

**Vesting Period and Performance Hurdles**

The Options may only be exercised after the expiry of a 3 year vesting period. The Options have a 5 year term and are subject to the following performance hurdles:

(i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3 year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

The above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at the Malaysian plant scheduled for Q3 2011). The Company expects to transition to additional performance hurdles if further options are proposed in future years.

**Valuation of Options**

The Directors, in conjunction with the Company’s advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model uses inputs including time to expiration, strike price, value of the underlying financial instrument, implied volatility and the risk free interest rate.

The Company proposes to issue the Options effective 19 August 2010 (subject to shareholder approval), in accordance with the Company’s usual remuneration practices, because Remuneration Committee approval of the grant of the options (subject to shareholder approval) occurred on 19 August 2010 and accordingly the options were originally valued at that date.

On the days where the Share has not traded the previous day’s closing price has been used. The resulting volatility figure is historical and this has been used as a guide to estimating Implied Volatility. The volatility figure has been discounted to take into account the fact that the Options are only exercisable during the period between 3 years and 5 years after the date of grant of the Option. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

Using this method of valuation Remuneration Strategies Group Pty Ltd determined on the date of this Explanatory Memorandum a value of A$0.8342 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if this Resolution is approved, would amount to A$1,001,040.

Using the same method of valuation, Remuneration Strategies Group Pty Ltd determined on the date of the Remuneration Committee approval of the grant of the options a value of A$0.2761 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if this Resolution is approved, would amount to A$331,320.

The assumptions used by the company and its advisers in calculating the value of the Options on the date of this Explanatory Memorandum were as follows:

| Share Price | A$1.60 |
| Exercise Price | A$1.15 |
Volatility 52.7%
Vesting date 19 August 2013
Expected life of Options 3.25 years
Risk free rate 5.25% pa
Staff Turnover 5.0% pa
Exercise Multiple 2
Dividends Nil

The assumptions used by the company and its advisers in calculating the value of the Options on the date of the Remuneration Committee approval of the grant of the options were as follows:

Share Price A$0.96
Exercise Price A$1.15
Volatility 52.7%
Vesting date 19 August 2013
Expected life of Options 3.25 years
Risk free rate 5.25% pa
Staff Turnover 5.0% pa
Exercise Multiple 2
Dividends Nil

Apart from the information set out in this Explanatory Memorandum there is not any other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass Resolution 7.

RESOLUTION 8 – ISSUE OF OPTIONS FOR THE BENEFIT OF A NON EXECUTIVE DIRECTOR – JACOB KLEIN

The Company proposes to issue 1,200,000 Options for the benefit of a Non-Executive Director, Jacob Klein under the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) Option Incentive Plan ("Plan") as set out in Annexure B. The Options would be held via the Lynas Corporation Limited Employee Share Trust, details of which are set out in Annexure C.

The Options would be issued at an exercise price of A$1.15 per option, which represents a 20% premium to the 5 day volume weighted average price of the Company's shares on the 5 trading days immediately prior to 19 August 2010 (being the day the Company's Remuneration Committee resolved to issue the Options, subject to shareholder approval). The company's consultants, Remuneration Strategies Pty Ltd, believe that the options issued at this price provide an appropriate incentive for future performance.

Listing Rule 10.14
Listing Rule 10.14 states that a company must not permit a Director or an associate of a Director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders.

The following information is provided to shareholders for the purpose of Listing Rule 10.15:

(a) the Options will be issued to the trustee of the Lynas Corporation Limited Employee Share Trust (the "EST Trustee"). The EST Trustee will hold the options for the benefit of Jacob Klein, who is a non-executive director ("Participating Director"), as described in Annexure C;

(b) the maximum number of Options to be granted under Resolution 8 is 1,200,000.

(c) the Options will be granted as employee incentive options and accordingly the Options will be issued for no cash consideration. The exercise price of the Options will be A$1.15 per share. The Options will have a 3 year vesting period and a 5 year term;

(d) The Options are subject to the following performance hurdles:

(i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3 year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

The above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at the Malaysian plant scheduled for Q3 2011). The Company expects to transition to additional performance hurdles if further options are proposed in future years.
(e) the value of the Options to be granted as calculated by the Company and its advisers, Remuneration Strategies Group Pty Ltd, using the above assumptions and the Black & Scholes valuation model is A$0.8342 per Option (details of the calculation of this valuation are set out below);

(f) Details of the securities issued under the Plan since the last shareholder approval at the AGM held on 26 November 2009 are listed below. All of the options listed below were issued for no cash consideration, at an exercise price of $0.66 per share with a 3 year vesting period and a 5 year term, in accordance with the shareholder approval given at the AGM held on 26 November 2009:

Nicholas Curtis: 12,000,000 options
Liam Forde: 1,400,000 options
David Davidson: 1,100,000 options
Jacob Klein: 1,100,000 options.

(g) the names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are: Nicholas Curtis, Liam Forde, David Davidson and Jacob Klein;

(h) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure C, the EST Trustee will provide an interest free loan to Jacob Klein equivalent to the value of the Options to enable Jacob Klein to subscribe for Share Units in the EST. The Share Units in the EST will be issued for a consideration equal to the value of the Options to be issued for the benefit of Jacob Klein;

(i) the Options will be issued no later than 12 months after the date of this Annual General meeting;

(j) the Options will be issued to the EST Trustee for the benefit of the Participating Director for no cash consideration;

**Related Party Transactions**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

(a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

(b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors of the Company are considered to be related parties of the Company.

Resolution 8 provides for the grant of Options for the benefit of a Director of the Company, which is a financial benefit that requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

**The related parties to whom the proposed resolutions would permit the financial benefit to be given**

Jacob Klein.

**The nature of the financial benefit**

The proposed financial benefit to be given is the grant of Options for no cash consideration. The terms and conditions of the Options to be granted are set out in Annexure B to this Explanatory Memorandum. The Options cannot be sold, transferred, assigned or otherwise disposed of before the Options have vested, except with the approval of the Board of Directors.

**Directors’ recommendation**

All the Directors were available to consider the proposed Resolution 8.

Section 195 of the Corporations Act provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a “material personal interest” are being considered.

The Participating Director has an interest in the outcome of the proposed resolution because he will be issued Options in accordance with the proposed resolution. Accordingly, the Participating Director is unable to make a recommendation to shareholders concerning the proposed Resolution 8.

The other Directors of the Company (Non-Participating Directors) do not have an interest in the outcome of the proposed resolution and consider themselves justified in making a recommendation to shareholders concerning the proposed resolution 8. Each of the Non-Participating Directors considers that the proposed Resolution 8 is in the best interests of the Company and its shareholders. It is important that the remuneration of the Directors is
linked to the medium term and long term strategies of the Company. Proposed Resolution 8 will provide Jacob Klein with additional incentives to successfully implement the Company’s strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 8.

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors

The proposed Resolution 8 would have the effect of giving power to the Directors to grant Jacob Klein Options on the terms and conditions as set out in Annexure 3 and as otherwise mentioned above. The Company presently has an issue 1,656,999,093 ordinary shares and 76,908,618 unlisted Options and Performance Rights.

If any Options granted as proposed above are exercised the effect would be to dilute the share holding of existing shareholders. The market price of the Company’s shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and shares are issued pursuant to the exercise of the Options, the Company’s ordinary shares may be trading at a price which is higher than the exercise price of the Options.

The highest closing price for fully paid ordinary shares in the Company trading on ASX during the past 12 months was A$1.60 which occurred on 13 October 2010 and the lowest closing price of shares in the Company trading on ASX during the past 12 months was A$0.46 which occurred on 29 October 2009. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A$1.60 which occurred on 13 October 2010.

The other remuneration currently being received by the proposed recipient of the options is set out on pages 30 and 31 of the enclosed 2010 Annual Report of the Company.

The shares and options currently held by the proposed recipient of the options are set out in Note 29 on pages 69 to 71 of the enclosed 2010 Annual Report of the Company.

The Company presently has an issue 1,656,999,093 ordinary shares. The total number of Company securities in which the Director currently has an interest is as follows:

2,080,580 ordinary shares
1,900,000 options

The total shareholding of the Director should he exercise all options available to him (including the options referred to in this Resolution) would be 5,180,580 ordinary shares.

These numbers of options were chosen by the Company’s Remuneration Committee in order to provide the Non-Executive Director with an appropriate mix of cash remuneration and remuneration by way of Options. The Company’s Remuneration Committee took advice from an external consulting firm, Remuneration Strategies Group Pty Ltd, in determining the number of options to be allocated for the benefit of Jacob Klein. The Options component of the remuneration provides a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

It is not considered that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits forgone by the Company resulting from the issue of the Options pursuant to Resolution 8.

Vesting Period and Performance Hurdles

The Options may only be exercised after the expiry of a 3 year vesting period. The Options have a 5 year term and are subject to the following performance hurdles:

(i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3 year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

The above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at the Malaysian plant scheduled for Q3 2011). The Company expects to transition to additional performance hurdles if further options are proposed in future years.

Valuation of Options

The Directors, in conjunction with the Company’s advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model uses inputs including time to expiration, strike price, value of the underlying financial instrument, implied volatility and the risk free interest rate.
The Company proposes to issue the Options effective 19 August 2010 (subject to shareholder approval), in accordance with the Company's usual remuneration practices, because Remuneration Committee approval of the grant of the options (subject to shareholder approval) occurred on 19 August 2010 and accordingly the options were originally valued at that date.

On the days where the Share has not traded the previous day's closing price has been used. The resulting volatility figure is historical and this has been used as a guide to estimating implied Volatility. The volatility figure has been discounted to take into account the fact that the Options are only exercisable during the period between 3 years and 5 years after the date of grant of the Option. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

Using this method of valuation Remuneration Strategies Group Pty Ltd determined on the date of this Explanatory Memorandum a value of A$0.8342 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if this Resolution is approved, would amount to A$1,001,040.

Using the same method of valuation, Remuneration Strategies Group Pty Ltd determined on the date of the Remuneration Committee approval of the grant of the options a value of A$0.2761 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if this Resolution is approved, would amount to A$331,320.

The assumptions used by the company and its advisers in calculating the value of the Options on the date of this Explanatory Memorandum were as follows:

<table>
<thead>
<tr>
<th>Share Price</th>
<th>A$1.60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise Price</td>
<td>A$1.15</td>
</tr>
<tr>
<td>Volatility</td>
<td>52.7%</td>
</tr>
<tr>
<td>Vesting date</td>
<td>19 August 2013</td>
</tr>
<tr>
<td>Expected life of Options</td>
<td>3.25 years</td>
</tr>
<tr>
<td>Risk free rate</td>
<td>5.25% pa</td>
</tr>
<tr>
<td>Staff Turnover</td>
<td>5.0% pa</td>
</tr>
<tr>
<td>Exercise Multiple</td>
<td>2</td>
</tr>
<tr>
<td>Dividends</td>
<td>Nil</td>
</tr>
</tbody>
</table>

The assumptions used by the company and its advisers in calculating the value of the Options on the date of the Remuneration Committee approval of the grant of the options were as follows:

<table>
<thead>
<tr>
<th>Share Price</th>
<th>A$0.96</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise Price</td>
<td>A$1.15</td>
</tr>
<tr>
<td>Volatility</td>
<td>52.7%</td>
</tr>
<tr>
<td>Vesting date</td>
<td>19 August 2013</td>
</tr>
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</tr>
<tr>
<td>Exercise Multiple</td>
<td>2</td>
</tr>
<tr>
<td>Dividends</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Apart from the information set out in this Explanatory Memorandum there is not any other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass Resolution 8.
GLOSSARY

"ASX" means ASX Limited;

"Corporations Act" means Corporations Act 2001 (Cth);

"Director" means a director of the Company.
ANNEXURE A – DEED OF ACCESS, INDEMNITY AND INSURANCE

Deed dated

Parties Lynas Corporation Ltd ABN 27 009 066 648
of Level 7, 56 Pitt Street, Sydney NSW 2000
(Company)

The parties named in the Schedule as the Directors and Company Secretaries
(collectively Officers, and individually each an Officer)

Introduction

A. The Company is a company incorporated under the Corporations Act 2001.

B. The Officers are the directors and company secretaries of the Company at the date of this Deed.

C. The Company enters into this Deed in consideration of the Officers continuing to provide their services to the Company.

It is agreed

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

(1) Board Papers means, in relation to a Director:

(a) all documents sent, given or made available to that Director or to any other director of the Company during the time that he or she is a director of the Company, including:

(i) notices, board papers, submissions, minutes, letters, memoranda, board committee and subcommittee papers;

(ii) monthly management accounts, annual accounts and any other periodical accounts prepared by the Company; and

(iii) all other documents referred to in or annexed to any of the above documents;

(2) Deed means this document, including any schedule or annexure to it; and

(3) Related Body Corporate and Subsidiary each has the meaning given in section 9 of the Corporations Act 2001.

1.2 Interpretation

(1) Reference to:

(a) the singular includes the plural and the plural includes the singular; and
(b) a party includes the party’s executors, administrators, successors and permitted assigns; and

(c) a statute, regulation or provision of a statute or regulation (Statutory Provision) includes:

(i) that Statutory Provision as amended or re-enacted from time to time;

(ii) a statute, regulation or provision enacted in replacement of that Statutory Provision; and

(iii) another regulation or other statutory instrument made or issued under that Statutory Provision.

(2) “Including” and similar expressions are not words of limitation.

(3) Headings and any table of contents or index are for convenience only and do not form part of this Deed or affect its interpretation.

(4) If an Officer who is or becomes a party to this Deed is also an officer of a Subsidiary of the Company, reference to the Officer or to the Officer as an officer of the Company must be treated not only as reference to the Officer as an officer of the Company, but also as reference to the Officer as an officer of the Subsidiary.

2. ACCESS TO BOARD PAPERS

2.1 The Company must, by its secretary, while a person is an officer of the Company and for 7 years after that person ceases to be a officer of the Company retain a set of all Board Papers:

(1) in the original form of the Board Papers or in another form, including microfilm or electronic storage approved by the officers for the time being of the Company;

(2) in a secure site; and

(3) in chronological order or catalogued in such a way that specific Board Papers can be readily located.

2.2 If during the period of 7 years referred to in clause 2.1 (Retention Period) legal proceedings are commenced or threatened, or enquiries authorised by law are commenced, threatened or announced, which relate to or call in question an act or omission of an Officer as officer of the Company, the Retention Period is extended until the Company becomes aware or is notified by the relevant authority that the legal proceedings or enquiries have been concluded.

2.3 The Company must allow an Officer and a reasonable number of the Officer’s advisers unlimited access to the set of Board Papers:

(1) at the Company’s registered office or at some other venue agreed between the Company and the Officer;

(2) during ordinary business hours; and

(3) on reasonable notice to the Company’s secretary.

2.4 On request by an Officer, the Company must provide the Officer with copies of any Board Paper, at no cost to the Officer.

2.5 The Company’s obligation to give an Officer access to any privileged Board Papers is subject to the Officer first giving an undertaking not to do anything that would constitute a waiver of privilege in respect of those Board Papers.
If the Company gives a Officer access to any privileged Board Papers:

(1) those Board Papers:

(a) remain the exclusive property of the Company; and

(b) must be dealt with at the Company's direction; and

(2) the disclosure or giving of those Board Papers to the Director is not a waiver of the privilege in respect of those Board Papers.

An Officer must maintain the confidentiality of any Board Papers except to the extent that it may be considered reasonably necessary by the Officer to use the Board Papers in court proceedings or otherwise as required by law.

INDEMNITY

Subject to clauses 3.7 and 3.8, the Company indemnifies each Officer against any liability incurred by that Officer in his or her capacity as an officer of the Company or of a Subsidiary of the Company:

(1) to any other person (other than the Company or a Subsidiary), including liability arising from negligence, breach of statutory duty or for any other reason, unless the liability arises out of conduct involving a lack of good faith; and

(2) for costs and expenses:

(a) in defending or resisting proceedings, whether civil or criminal, in which judgment is given in favour of the Officer or in which the Officer is acquitted; and

(b) in connection with an application in relation to those proceedings, in which the court grants relief to the Officer under the Corporations Act 2001.

The Company must pay to the Officer all liabilities, costs and expenses referred to in clause 3.1, whether or not the Officer has paid or satisfied them.

An Officer who receives an amount from the Company pursuant to clause 3.1 must repay it to the Company if a court determines that the Officer was not entitled to it.

After the Company pays a liability of an Officer under clause 3.1, the Company is subrogated to any other rights of the Officer in respect of the liability.

An Officer must:

(1) give notice to the Company promptly on becoming aware of any Claim against the Officer that may give rise to a right to be indemnified under clause 3.1;

(2) take such action as the Company or its insurer reasonably requests to avoid, dispute, resist, appeal against, compromise or defend any Claim or any adjudication of a Claim;

(3) not make any admission of liability in respect of or settle any Claim without the prior written consent of the Company;

(4) allow the Company or its insurer to assume the conduct, negotiation or defence of anyClaim and, on request by the Company, render all reasonable assistance and co-operation to the Company or its insurer in the conduct of any Claim, including giving the Company or its insurer any document, authority or direction that the Company or its insurer may reasonably require for the prosecution or advancement of any counterclaim or cross-claim;
(5) on request by the Company or its insurer, do everything necessary or desirable which the Company reasonably requests to enable the Company or its insurer (so far as it is possible) to be subrogated to and enjoy the benefits of the Officer’s rights in relation to any counterclaim or cross-claim or any claims against any third party and render such assistance as may be reasonably requested by the Company or its insurer for that purpose; and

(6) notify any Claim to an insurer or any other person who may be liable to indemnify the Officer in respect of that Claim and promptly take all reasonable steps to enforce all the Officer’s rights against the insurer or other person.

3.6 In clause 3.5 Claim means:

(1) any writ, summons, cross-claim, counterclaim, application or other originating legal or arbitral process against an Officer as an officer of the Company;

(2) any hearing, complaint, inquiry, investigation, proceeding or application commenced or originating against an Officer as an officer of the Company; or

(3) any written or oral demand or threat that might result in the Officer reasonably believing that any such process, hearing, complaint, inquiry, investigation, proceeding or application referred to in clause 3.6(1) or clause 3.6(2) may be initiated.

3.7 The indemnity in clause 3.1 applies only:

(1) to the extent the Company is not precluded by law from indemnifying the Officer; and

(2) to the extent and for the amount that the Officer is not otherwise entitled to be indemnified and is not actually indemnified by another person (including a Related Body Corporate or an insurer).

3.8 Where the liability is incurred in or arises out of the conduct of the business of another body corporate or in the discharge of the duties of the Officer in relation to another body corporate, the indemnity in clause 3.1 applies only to the extent and for the amount that the Officer is not entitled to be indemnified and is not actually indemnified out of the assets of that body corporate.
4. TAXATION

4.1 Any indemnity amount paid or payable by the Company to the Officer under clause 3 must be calculated having regard to the impact of taxation laws upon the Officer in relation to amounts paid or payable by, or to, the Officer.

4.2 If for any reason any amount paid or payable by the Company to the Officer under this deed (initial amount) is assessed by any revenue or taxation authority on receipt as assessable income of the Officer (or is otherwise taxable in the hands of the Officer), the Company must pay to the Officer an additional or further amount (extra amount) so that, after deducting from the extra amount all tax paid or payable in respect of the receipt of the initial amount and of the extra amount (if any), the balance of the initial amount plus the extra amount is equal to the amount due and payable under the indemnity contained in clause 3.

4.3 In calculating any extra amount which the Company is required to pay to the Officer under this clause 4, the extra amount must be reduced to the extent that the Officer is entitled to receive any tax deduction, rebate, credit or other allowance or offset in respect of the liability for which the Officer is being indemnified under clause 3.

4.4 Any amount payable under this clause 4 is only payable to the extent that the Company is not precluded by law, including the Corporations Act 2001, from paying that amount.

5. LOANS TO OFFICERS TO DEFEND CLAIMS

5.1 If an Officer incurs legal costs in circumstances where, depending upon the outcome of legal proceedings, the Company is obliged to indemnify the Officer for those legal costs under clause 3, the Company must, within 30 days after receiving a written request from the Officer which specifies those legal costs and which is accompanied by reasonable documentary evidence of those legal costs, lend to the Officer an amount equal to those legal costs.

5.2 Interest accrues on any loan provided in accordance with clause 5.1 at the lowest overdraft rate charged by the Company's bankers to commercial clients for overdrafts equivalent to the amount of the loan, calculated daily.

5.3 Subject to clause 5.4, any loan provided in accordance with clause 5.1 and the interest accrued on it is payable 30 days after final determination of the proceedings or any appeals from those proceedings.

5.4 If the Company is required to indemnify the Officer in accordance with clause 3, the loan to the Officer and the interest accrued on it must be repaid from the amount the Company is required to pay to the Officer under the indemnity.

5.5 The Company need not provide a loan to the Officer in accordance with clause 5.1 to the extent that the Officer is actually reimbursed for legal costs as they fall due under an insurance policy.

6. INSURANCE

6.1 The Company must (subject to the Corporations Act), where the officers consider it appropriate to do so, use its best endeavours to obtain as far as practical (having regard to the cost of coverage and its availability) a contract or contracts insuring an Officer against any of the following liabilities incurred by the Officer as an officer, namely:

(1) any liability which does not arise out of conduct involving:

  (a) a wilful breach of duty in relation to the Company; or
(b) without limiting clause 6.1(1)(a), a contravention of section 182 or section 183 of the Corporations Act 2001; and

(2) any liability for costs and expenses incurred by the Officer in defending proceedings, whether civil or criminal, whatever their outcome, and without the qualifications set out in clause 6.1(1).

6.2 Any premium paid pursuant to this clause 6 is paid in addition to remuneration paid to the Director by the Company pursuant to the constitution of the Company.

6.3 If insurance is available which covers the Officer in respect of liabilities arising out of conduct referred to in clause 6.1(1) (prohibited liabilities) the Company may only obtain the insurance if the insurer endorses the policy to state that the insurance comprises 2 separate contracts, one in respect of the prohibited liabilities and the other in respect of the other liabilities covered, and allocates a separate premium for the insurance in respect of the prohibited liabilities, and the Officer pays that separate premium.

7. OFFICER VOTING ON CONTRACT OF INSURANCE

7.1 Despite anything in the constitution of the Company, an Officer is not precluded from voting in respect of any contract or proposed contract of insurance, merely because the contract insures or would insure the Officer against a liability incurred by the Officer as an officer of the Company or of a Related Body Corporate.

8. MAINTENANCE OF INSURANCE

8.1 If at the date of this Deed there is a contract insuring the Officers against any of the liabilities referred to in clause 6, or if the Company enters into a contract of that nature while an Officer is an officer of the Company, the Company must, where the officers consider it appropriate to do so, while the Officer continues to be an officer of the Company and for a period of 7 years after the Officer ceases to be an officer of the Company:

1. use its best endeavours to continue to insure the Officer against at least the same liabilities and on terms not materially less favourable to the Officer;

2. pay the premiums in respect of that insurance; and

3. after the Officer ceases to be an officer, provide the Officer, upon request, a copy of the insurance policy.

9. FORMER OFFICERS

9.1 In relation to each Officer, the rights and obligations contained in this Deed continue in force after the Officer ceases to be an officer of the Company and despite the Officer ceasing to be an officer.

9.2 Despite clause 9.1 the rights of access contained in clause 2 only continue for 7 years after the Officer ceases to be an officer of the Company, except that if during that period legal proceedings are commenced or threatened, or enquiries authorised by law are commenced, threatened or announced, which relate to or call in question an act or omission of the Officer as officer of the Company, the rights of access are extended until the Company becomes aware or is notified that the legal proceedings or enquiries have been concluded.

10. INDEPENDENT PROFESSIONAL ADVICE

10.1 If, in relation to the Officer’s duties to the Company, the Officer obtains independent professional advice, the Company must meet the reasonable costs of the advice if prior approval to the obtaining of the advice was given by:
(1) the chair of the board of directors; or
(2) the board of directors.

10.2 Clause 10.1 does not exclude any other right which the Officer may have to obtain reimbursement from the Company for costs of obtaining independent professional advice.

11. ASSIGNMENT

11.1 A party may not assign or otherwise deal with this Deed except with the prior written consent of every other party. A party is not required to give consent or to justify the withholding of consent.

12. SEVERABILITY

12.1 If anything in this Deed is unenforceable, illegal or void then it is severed and the rest of this Deed remains in force.

12.2 If anything in this Deed is unenforceable, illegal or void in 1 jurisdiction but not in another jurisdiction, it is severed only in respect of the operation of this Deed in the jurisdiction where it is unenforceable, illegal or void.

13. GOVERNING LAW AND JURISDICTION

13.1 The law of New South Wales governs this Deed.

13.2 The parties submit to the non-exclusive jurisdiction of the courts of New South Wales and of the Commonwealth of Australia.

The Schedule
List of Directors and Secretaries

Name
Directors
Nicholas Anthony Curtis
William Forde
David Oliver Davidson
Jacob Klein

Company Secretaries
Andrew Peter Arnold
Ivo John Polovineo

Executed as a deed and delivered on the date shown on the first page.
ANNEXURE B – TERMS OF OPTIONS

1. No monies will be payable for the issue of the Options.

2. A Certificate will be issued for the Options.

3. The Options shall expire five years after the day on which the Options are issued.

4. Notwithstanding any other terms and conditions of the Options, all Options may be exercised:
   (a) during a Bid Period; or
   (b) upon the occurrence of a Change of Control Event; or
   (c) on an application under section 411 of the Corporations Act, if a court orders that a meeting be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

5. Each Option shall carry the right in favour of the Option holder to subscribe for one Share.

6. Options may be exercised in whole or in part.

7. Shares allotted to Option holders on the exercise of Options shall be issued at the price specified in the resolution of Directors approving the issue of the Options.

8. The issue price of Shares the subject of the Options shall be deemed to have been paid in full on payment of the exercise price of the Options.

9. Subject to clause 21 of these Option Terms:
   (a) Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option holder to exercise all or a specified number of Options held by him accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares; and
   (b) an exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by him.

10. The Company shall allot the resultant Shares within five (5) Business Days of the exercise of the Option.

11. No application will be made for the Options to be listed for Official Quotation on ASX.

12. Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.

13. The Company shall, in accordance with the Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.

14. If the Options are exercised before the record date of an entitlement, the Option holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option holder of the proposed issue at least nine (9) Business Days before the record date. Option holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.

15. In the event of any reorganisation of capital of the Company, all rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.

16. The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

17. In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

29
O' = \frac{O - \frac{E[P - (S + D)]}{N + 1}}{\text{Where:}}

\begin{align*}
O' &= \text{the new exercise price of the Option.} \\
O &= \text{the old exercise price of the Option.} \\
E &= \text{the number of underlying securities in the Company into which one option is exercisable.} \\
P &= \text{the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.} \\
S &= \text{the subscription price for a security under the pro rata issue.} \\
D &= \text{the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).} \\
N &= \text{the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.}
\end{align*}

18. The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.

19. The Company shall notify each Option holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the exercise price.

20. Options may be converted into Shares to be held in the name of the Option holders’ nominee.

21. The Option may be exercised in whole or in part in parcels of not less than 1,000, except if the Optionholder holds less than 1,000 Options in which case, all Options held by the Optionholder must be exercised together.

22. The 2010 Options are subject to the following performance hurdles:

(i) 50% of the grant is conditional on the recipient remaining employed by Lynas at the end of the 3 year vesting period; and

(ii) 50% of the grant is conditional on both: (A) the company achieving net positive operating cash flow for the period 1 July 2012 to 31 December 2012 and (B) the recipient remaining employed by Lynas at the end of the 3 year vesting period.

Unless the context otherwise requires, capitalised terms used in these terms and not otherwise defined have the same meanings as in the ASX Listing Rules.
ANNEXURE C – DETAILS OF THE EMPLOYEE SHARE TRUST

The Company has established the Lynas Corporation Limited Employee Share Trust (EST). The EST Trustee is a special purpose company known as Lynas Corporation Employee Share Plan Pty Ltd. The beneficial interest in the EST is divided into Share Units.

The EST operates in conjunction with the existing Lynas Option Incentive Plan, as described below.

The EST allows certain directors and employees selected by the Board of Directors to be offered the benefit of shares and options in Lynas. The key reasons for the establishment of the EST are:

1. Lynas has found that a traditional employee option plan on its own does not facilitate retention of shares by employees after exercise of their options. The reason is that many employees find it necessary to immediately sell their shares in order to fund the exercise of their options. The EST structure enables the exercise of employee options to be funded from the EST, as described below. This will enable shares to be retained in the EST for the benefit of employees following the exercise of options.

2. Facilitating the retention of shares for the benefit of employees after the exercise of options will also assist with the retention of key employees.

3. A traditional employee option plan on its own creates complex taxation issues for employees. The taxation issues for employees arising from the EST are simpler because the employees own Share Units in the EST and they do not directly own options in the Company.

The key steps that will occur when options are issued to the EST under the Lynas Option Incentive Plan for the benefit of a director or an employee (the “Employee”) are as follows:

1. Lynas issues the options to the EST. Lynas makes a contribution to the EST equal to the value of the options (as determined under AASB2) and the options are issued to the EST at that value.

2. The EST provides an interest free loan to the Employee equivalent to the value of the options to enable the Employee to subscribe for Share Units in the EST. The loan is non-recourse. The Share Units in the EST are issued for a consideration equal to the value of the options issued for the benefit of the Employee.

3. After the applicable vesting period (usually three years) the Employee can direct the EST to exercise the options. If the EST requires additional cash to exercise the options, this amount may be advanced by Lynas to the EST, subject to repayment by the employee as described below.

4. If, following exercise of the options, the underlying shares are to be sold, the Employee’s Share Units are redeemed and the Employee receives an amount equivalent to the net consideration from the sale of the underlying shares (less repayment of any loans and other amounts owing by the Employee).

5. The total number of options in the Company that may be issued under the Lynas Option Incentive Plan at any time cannot exceed 10% of the total number of shares on issue from time to time.
YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE
10.00 am (Sydney time) ON MONDAY 22 NOVEMBER 2010

Reference Number: <HIN/SRN>

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy
Indicate here who you want to appoint as your Proxy
If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you
wish to appoint someone other than the Chairman of the Meeting as your proxy
please write the full name of that individual or body corporate. If you leave this
section blank, or your named proxy does not attend the meeting, the Chairman
of the Meeting will be your proxy. A proxy need not be a security holder of the
company. Do not write the name of the issuer company or the registered
securityholder in the space.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body
corporate attending the meeting must have provided an “Appointment of Corporate
Representative” prior to admission. An Appointment of Corporate Representative
form can be obtained from the company’s securities registry.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote on a
poll. If you wish to appoint a second proxy, an additional Proxy Form may be
obtained by telephoning the company’s securities registry or you may copy this
form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage
of your voting rights or the number of securities applicable to that form. If
the appointments do not specify the percentage or number of votes that
each proxy may exercise, each proxy may exercise half your votes.
Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy
You can tell your Proxy how to vote
To direct your proxy how to vote, place a mark in one of the boxes opposite each
item of business. All your securities will be voted in accordance with such a
direction unless you indicate only a portion of voting rights are to be voted on any
item by inserting the percentage or number of securities you wish to vote in the
appropriate box or boxes. If you do not mark any of the boxes on a given item, your
proxy may vote as he or she chooses. If you mark more than one box on an item
your vote on that item will be invalid.

STEP 3 Sign the Form
The form must be signed as follows:
Individual: This form is to be signed by the securityholder.
Joint Holding: where the holding is in more than one name, all the securityholders must
sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it
with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this
form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a
Company Secretary. Where the company has a Sole Director who is also the Sole
Company Secretary, this form must be signed by that person. Please indicate the office
held by signing in the appropriate place.

STEP 4 Lodgement of a Proxy
This Proxy Form (and any Power of Attorney under which it is signed) must be received at
an address given below not later than 48 hours before the commencement of the meeting
that is by 10.00 am Sydney time on Monday, 22 November 2010. Any Proxy
Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged using the reply paid envelope or:

BY MAIL - Share Registry – Registrars Limited, GPO Box 3993,
Sydney NSW 2001 Australia

BY FAX - +61 2 9290 9655

IN PERSON - Share Registry – Registrars Limited,
Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Attending the Meeting
If you wish to attend the meeting please bring this form with you to assist registration.
**STEP 1 - Appointment of Proxy**

If we are members of Lynas Corporation Ltd and entitled to attend and vote hereby appoint

☐ the Chairman of the Meeting (mark with an 'X') OR ___________

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the Annual General Meeting of Company Limited to be held on Wednesday 24 November 2010 at 10.00 am (Sydney time) at the Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney, NSW

and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

☐ If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of a resolution, please mark this box. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the Meeting for those resolutions, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called. The Chair intends to vote all undirected proxies in favour of the resolution.

**STEP 2 - Voting directions to your Proxy – please mark □ to indicate your directions**

<table>
<thead>
<tr>
<th>Ordinary Business</th>
<th>For</th>
<th>Against</th>
<th>Abstain*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolution 1</td>
<td></td>
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<tr>
<td>Adoption of Remuneration Report</td>
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<td>Resolution 2</td>
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<tr>
<td>Election of Mr David Davidson</td>
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<td>Resolution 3</td>
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<tr>
<td>Increase in Aggregate Directors' Fees</td>
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<td>Resolution 4</td>
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<tr>
<td>Deed of Access, Indemnity and Insurance</td>
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<tr>
<td>Resolution 5</td>
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<tr>
<td>Options to Executive Director – N. Curtis</td>
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<td>Resolution 6</td>
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<tr>
<td>Options to Non Executive Director – L. Forde</td>
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<td>Resolution 7</td>
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<td>Options to Non Executive Director – D. Davidson</td>
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<td>Resolution 8</td>
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<tr>
<td>Options to Non Executive Director – J. Klein</td>
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</tbody>
</table>

In addition to the intentions advised above. The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**STEP 3 - PLEASE SIGN HERE** This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1 ___________ Securityholder 2 ___________ Securityholder 3 ___________

Sole Director and Sole Company Secretary Director Director/Company Secretary

Contact Name .................................. Contact Daytime Telephone .......................... Date / / 2010