

LYNAS ANNUAL GENERAL MEETING 2013

ADDRESS BY CHAIRMAN, NICHOLAS CURTIS AM

Good morning ladies and gentlemen. I am Nicholas Curtis and I am the Chairman of your company. It is my great pleasure to welcome you all to this Annual General Meeting of Lynas Corporation Limited.

It has been a tumultuous year, but also one that saw a number of milestones reached.

- The Lynas Advanced Materials Plant, or LAMP, is complete and operational.
- We produced our first rare earth products for customers and generated our first sales.
- We continue to operate safely, with a lost time injury frequency ratio of 0.8.
- We completed the Phase 2 expansion of our Western Australian Concentration Plant and, subsequent to the end of the financial year, the construction of our Phase 2 expansion plant in Malaysia.
- In collaboration with a number of international research bodies, we have successfully transformed the solid residue from LAMP into commercial products. Independent laboratories have confirmed that these commercial products are not radioactive, are not toxic, and are not unintentionally leachable. We have submitted this data to the Malaysian authorities for approval.
- We have embarked on a renewal of your Board.

Eric will provide a more detailed discussion of our operations and our markets shortly.

I would also like to say that we do recognize that the past year also contained a number of difficult developments.

Chief amongst these is our share price, which is clearly distressing for all of us as shareholders.

Delays in achieving the nameplate Phase 1 production run rate on a sustainable basis has been a contributing factor, as has been the challenging macroeconomic environment. Again, I will leave the detailed dissertation on this to Eric, but suffice to say that commodities markets generally have experienced price volatility and erratic demand, and rare earths were no exception. We do, however, believe a corner has been turned and that

there are emerging signs that market conditions are beginning to improve.

While the issues encountered at LAMP while ramping up production are not that unusual for a plant of this nature, it is also true that we were surprised by some of them. We were so focused on the completion of our long journey to production that exuberance carried us away. When I mentioned last year that “the months ahead may bring further challenges” I certainly didn’t envisage that it would take us six months longer than expected to achieve 11,000 tonnes per annum run rate on a sustainable basis.

However, as Eric will explain shortly, the LAMP issues are largely dealt with and the plant is on track for target production by the end of the year.

Given that we have with us today in the audience the leader of a prominent anti-Lynas NGO and several of his associates, I should also note that another factor contributing to the delays we have experienced are the frustrating actions of this group. Much of what has been said about our company by them is not correct. Whether this is by design or simply because of incomprehension is not for me to say.

However, the facts are clear:

- LAMP is a chemical processing plant and not a nuclear facility.
- Lynas and LAMP are both fully compliant with all licence and regulatory conditions and obligations.
- All of our emissions data is publicly available. It is displayed in real time at LAMP and at the police station in Kuantan, and historical data can be accessed through the websites of the Atomic Energy Licensing Board and the Department of Environment.

As I wrote in the Annual Report, I look forward in future years to detailing our highlights in terms of production, sales and financial metrics. For FY2013, though, we measure our highlights in terms of concluding our construction phase, embarking on our journey into sustainable production, and having ongoing constructive conversations with our customers.

When we met last year, my expectation was that we might have delivered more substantial initial production and sales volumes than we did in calendar year 2013. Now, that year of initial production substance will be 2014.

While smaller than we would have liked, I believe that our production and sales volumes are significant nonetheless when considered in the context that they mark the reality of our status as a producer after our 12-year journey to achieve production.

This is a reality that is not yet reflected in our share price, but it is reflected in these purchasing and supply chain partnership conversations we are having with our customers. I should also point out that many of these companies are giants in their industries and all of them are supportive of what we are endeavouring to achieve.

I am speaking of our long held strategic aim of establishing a secure and sustainable alternative supply chain for rare earth consumers. Your directors are optimistic that as we demonstrate this production reality over the coming months we will also see some recognition in the share price.

Strategy

Our focus has now shifted from the construction activities of recent years — building the concentration plant at Mt Weld and the LAMP in Malaysia – to ramping up our production to a sustainable minimum of 11,000 tonnes per annum. We are also now focused on achieving a product quality that meets individual customer specifications and to delivering value to our stakeholders.

We believe the achievement of our target production rate is imminent. Once achieved, we will be endeavouring to work even more collaboratively with our customers to create long term value for them and for us. We will do this by establishing ourselves as an integral part of their supply chains, constantly looking for opportunities for mutual benefit.

One of the great advantages Lynas now has is the significant scalability of our business. At Mt Weld, we have defined reserves to support the operation of the LAMP for more than 50 years at current target production rate, while at LAMP we now have an installed capacity that can allow us to double that production rate to 22,000 tonnes a year when market conditions support that decision.

We also have optionality – the ability to evaluate tangential growth opportunities. This can come in the form of brownfields expansion through existing reserves, assets, and intellectual property. Or it can come as greenfields or downstream expansion, either in collaboration with customers or on our own. I hasten to assure you that any such options will only proceed after the most rigorous evaluation.

Shared Value / The Lynas Way

Our unwavering commitment to shared value guides our decisions at Lynas – enshrined in our operations is the objective of creating sustainable value and economic prosperity for all of those associated with Lynas. Priority is given to those who invest in our company and to those who support us by purchasing our products, but just as important to us are our host communities, our employees and contractors, and our business partners.

We call the fundamental set of behaviours and principles that underpins all of our activities The Lynas Way. We are committed to ensuring that everything we do reflects The Lynas Way. As well as our commitments to safety and sustainability, this includes a policy of zero tolerance with respect to bribery and other forms of corrupt behaviour.

We have adopted a formal anti-bribery policy and a whistleblower policy, both of which operate in association with other policies such as the Lynas code of conduct. You can view these policies on our website, and all of them extend beyond directors and employees to also obligate contractors and suppliers to abide by our ethical principles.

We have also applied for membership of the World Economic Forum's Partnering Against Corruption Initiative, or PACI. This is a global, multi-industry, multi-stakeholder anti-corruption initiative set up to raise business standards and to contribute to a competitive, transparent, accountable and ethical business society. Initially focused just on improving compliance practices, PACI has begun devoting increasing effort to fostering high-level dialogue between business and governments on key corruption challenges.

On that note I would now like to hand over to your Chief Executive Officer Eric Noyrez to provide an update on our operations, the outlook for rare earths and also discuss the interaction of Lynas' sustainability practices with those of our customers.

[Eric Noyrez presentation].

Thank you Eric. Let me now talk briefly about our remuneration policies.

Remuneration

Your board has been progressively evolving the remuneration practices of Lynas to reflect the transition from development company to production company. Our remuneration philosophy is underpinned by market-competitive remuneration with rewards differentiated based on performance. This evolution will continue as the business matures, with an emphasis on enhancing alignment to shareholders by refining performance hurdles associated with the LTI plan.

For example, in 2011, we introduced a performance hurdle (net positive operating cash flow) into our LTI plan and then further enhanced the plan by assessing LTI against project milestones and relative total shareholder return (TSR).

In FY2013, we introduced a short term incentive (STI) plan to further link pay with performance and reflect the company's transition by recognising that we have important short-term goals based on successful commissioning and ramp-up, production volumes, cash flow, costs, and safety and community programs and meeting appropriate funds

employed, working capital and cash flow targets. This STI component is a substitution for remuneration previously paid as LTI. It is not an additional reward.

We also introduced a claw-back policy, in line with best practice in corporate governance.

Further, in anticipation of the CEO succession earlier this year, the Nomination & Remuneration Committee reviewed benchmark data for the CEO role. This analysis showed that while total reward was appropriate against the benchmark, the mix between cash and equity-based reward (LTI) that Lynas had previously adopted needed to be rebalanced to reflect the company's evolving producer status. As a result, the CEO package in FY2013 reflected a change of remuneration mix with the mix of reward being adjusted down in LTI with a consequential increase in total fixed pay and the establishment of an STI program.

Thus Eric Noyrez's remuneration, based on benchmark data, comprises:

- Base pay - \$1.8 million (including \$0.5 million of expat benefits including accommodation, school fees, health insurance, and his former French pension)
- STI entitlement - \$0.9 million
- LTI entitlement - \$0.9 million

Board Renewal

The past year has been significant in terms of board changes and renewal. On March 31, in a long-planned move to coincide with our transition from development to production, I handed over executive responsibilities and became Non-Executive Chairman. Eric Noyrez was appointed to the board as an Executive Director and promoted to the position of Chief Executive Officer.

Eric is one of the rare earth industry's outstanding executives and this move has been part of your board's thinking for some time.

At the same time, Liam Forde was appointed to a new board position of Deputy Chairman. Liam was previously Lead Independent Director.

In August, David Davidson and Zygmunt Switkowski announced their departure from the Lynas board. We are seeking to appoint up to two new non-executive directors and have engaged executive search firm Egon Zehnder to assist in identifying suitable candidates, preferably with experience in global industrial or chemical operations. We have already met with several outstanding candidates. However, we are not yet in a position to make any further announcements on this front.

I have previously thanked David and Ziggy for their counsel and their contributions to the

company through its development phase, and I unreservedly do so again. Ziggy has accepted the position of Executive Chairman of the National Broadband Network, a position of enormous strategic importance to all Australians, and we wish him every success in that challenging role.

I have also previously acknowledged David's contribution to helping to shape the culture and organisation of Lynas, and indicated we would formally recognise his particular focus on the zero harm principles that are a priority for us.

Safety Award

I am now pleased to announce the establishment of a safety award in David's name. In his role as a Lynas director since 2002 and specifically in his role as Chairman of the Lynas Risk and Safety, Health & Environment Committee for 7.5 years, David demonstrated an extraordinary passion and leadership for safety. David's stewardship was hands on, and included:

- Helping to define the critical risks at Mt Weld and at LAMP,
- Coaching and supporting executives in relation to occupational health & safety strategy and policy development, and
- Considering incident and audit report findings and challenging the outcomes when appropriate.

Given David's active role in safety, one of our overriding priorities, your board considers it fitting that we establish this award in his honour to recognise those who exhibit exemplary behaviour or leadership in keeping our operations safe.

The award will celebrate discipline and innovation in the key OH&S due diligence focus areas. These are:

- Management and/or reduction of key OH&S risks,
- Implementation of OH&S management systems, and
- Compliance with OH&S legal requirements

The award will be known as the David Davidson Safety Leadership Award. Individuals and teams from across Lynas' global operations (including Lynas contractors) will be eligible for consideration, and we will honour winners at an annual ceremony hosted by David. Lynas will also provide a donation to a community charity of each winner's choice.

The Future

As a board we are confident in the company's prospects, and remain ever conscious of the important role we play in society. We intend delivering significant progress during the



coming year and expect to do so without any diminishment of our focus on our customers or the growth of our business.

In Eric Noyrez and Jean Claude Steinmetz, who joined Lynas as Chief Operating Officer in August, I believe Lynas now has two of the most qualified and capable senior executives who between them provide more than 70 years of rare earths, chemicals and industrial company management expertise. They lead an outstanding team that is creating an organisation of real global significance.

I would like to thank our customers who continue to offer support and encouragement as we bring our production on line, our employees and contractors whose wholehearted endeavours are integral to our success, our suppliers and business partners, and the communities in Western Australia and Pahang who have accepted us as their neighbours. Most importantly, I would also like to thank each of you for your ongoing support.

We have built the world's biggest, most advanced, and most environmentally-friendly rare earths plant to complement the uniquely rich Mt Weld orebody. This allows us to offer customers an integrated, sustainable source of rare earths and makes our vision of being "the global leader in rare earths for a sustainable future" truly achievable.

Thank You.