

2 October 2009

Dear Shareholder

LYNAS CORPORATION LIMITED ENTITLEMENT OFFER — NOTIFICATION TO INELIGIBLE RETAIL SHAREHOLDERS

On Tuesday, 29 September 2009, Lynas Corporation Limited (**Lynas**) announced that it was conducting a capital raising (**Capital Raising**) of up to approximately A\$450 million in new Lynas ordinary shares (**New Shares**), comprising a non-renounceable pro-rata entitlement offer (**Entitlement Offer**), unconditional institutional placement (**Placement**) and conditional institutional placement (subject to shareholder approval) (**Conditional Placement**) each at the offer price of \$0.45 per New Share.

The proceeds of the offer will be used to fund the completion of Phase 1 of the Lynas Rare Earths Project (**Project**), enabling the company to lift the suspension of the Project and complete construction and commissioning of both the Concentration Plant in Western Australia and the Advanced Materials Plant in Malaysia.

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). The Institutional Entitlement Offer raised approximately \$130 million, and the Retail Entitlement Offer will raise approximately \$165 million. The Placement raised \$88 million and the Conditional Placement will raise \$67 million (subject to shareholder approval).

Documents relating to the Capital Raising were lodged with ASX on 29 September 2009.

This notice is to inform you that under the terms of the Retail Entitlement Offer, you are not eligible to subscribe for New Shares. This notice is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

Why am I not eligible to participate in the Retail Entitlement Offer?

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are those persons who:

- a) are registered as a holder of ordinary shares in Lynas as at 5.00pm (WAST), 29 September 2009 (**Record Date**);
- b) have a registered address in Australia or New Zealand;
- c) are not in the United States and are neither "U.S. persons" (as defined under Regulation S under the United States Securities Act of 1933, as amended (**Securities Act**)) (**US Persons**) nor acting for the account or benefit of US Persons;
- d) did not receive an offer to participate (other than as nominee), or were otherwise ineligible to participate, in the Institutional Entitlement Offer;
- e) are not an institutional shareholder (whether or not eligible to participate in the institutional component of the Entitlement Offer); and
- f) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Lynas has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to shareholders in all countries outside Australia and New Zealand in connection with the Retail Entitlement Offer. Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Retail Shareholder stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), Lynas wishes to advise you that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer. You will not be sent the

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documents relating to the Retail Entitlement Offer or be able to subscribe for New Shares under the Retail Entitlement Offer.

As the Retail Entitlement Offer is non-renounceable, you will not receive any payment or value for entitlements in respect of any New Shares that would have been offered to you if you were eligible to participate in the Retail Entitlement Offer.

Notice of EGM

As detailed in the enclosed Notice of Extraordinary General Meeting (**Notice**), shareholder approval for the following resolutions will be sought at an Extraordinary General Meeting (**EGM**) of Lynas to be held on Monday, 9 November 2009 at 10.00am (Sydney time) at Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney:

- a resolution relating to the Conditional Placement proposed as part of the Capital Raising; and
- a resolution relating to refreshing Lynas' placement capacity.

Documents enclosed

I am pleased to provide you with the enclosed documents in relation to the EGM.

Document enclosed	Action
Notice and Explanatory Memorandum	Read the Notice carefully and decide whether, and if so how, you wish to vote at the EGM, either by lodging a proxy or attending in person.
Proxy Form	Use this form if you wish to lodge a proxy for the EGM. Please ensure the proxy is returned to C/- Security Transfer Registrars Pty Ltd, PO Box 535, Applecross WA 6953 by no later than 10.00am (Sydney time) on 7 November 2009.

If you have any questions in relation to any of the above matters, please contact the Lynas Share Registry on (+61 8) 9315 2333 from 8.00am to 5.00pm (WAST) Monday to Friday during the Retail Entitlement Offer period. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

On behalf of the Board and Management of Lynas, thank you for your continued support.

Yours sincerely



Nicholas Curtis
Executive Chairman
Lynas Corporation Limited

UNITED STATES LAWS: This notice does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any "U.S. person" (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act") ("US Person") or to any person acting for the account or benefit of a US Person. The New Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US Person or to any person acting for the account or benefit of a US Person absent registration or an exemption from the registration requirements of the Securities Act or such other securities laws.

IMPORTANT NOTICE TO NOMINEES: Because of legal restrictions, you must not send copies of this letter or any material relating to the Entitlement Offer to any of your clients (or any other person) in the United States or to any US Person or any person acting for the account or benefit of a US Person. Failure to comply with these restrictions may result in violations of applicable securities laws.

The provision of this notice is not, and should not be considered as, financial product advice. The information in this notice is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.