



ACN 009 066 648

NOTICE OF ANNUAL GENERAL MEETING

**To be held on Friday 29 November 2013 at 10.00 am (Sydney time)
at the Ballroom, Level 2, the Establishment Hotel
at 252 George St, 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 2013 Annual General Meeting of shareholders of Lynas Corporation Limited ("**Company**") will be at the Ballroom, Level 2, the Establishment Hotel at 252 George St, Sydney, NSW on 29 November 2013 at 10.00 am (Sydney time) for the purpose of transacting the following Business.

ORDINARY BUSINESS

2013 Financial Statements

To receive and consider the financial statements of the Company for the year ended 30 June 2013, consisting of the Annual Financial Report, the Directors' Report and the 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 2013 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. The Company will disregard any votes cast on this resolution by a member of the Key Management Personnel, the details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member unless the vote is cast by a person as 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 proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Confirmation of Appointment of Eric Noyrez as a Director

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

"That the appointment of Eric Noyrez as a director of the Company since the previous Annual General Meeting pursuant to Article 13.5 of the Company's Constitution be confirmed."

During the year, Eric Noyrez was appointed as the Chief Executive Officer and Executive Director of the Company. Pursuant to Article 13.5 of the Company's Constitution, the existing directors of the Company may appoint a person as a director, subject to the Company confirming the appointment by resolution at the Company's next Annual General Meeting.

Resolution 3 – Re-election of Nicholas Curtis as a Director

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

"That Nicholas Curtis, 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 4 – Issue of Performance Rights for the benefit of an Executive Director – Eric Noyrez

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 Eric Noyrez, up to 2,802,840 performance rights 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 Performance Rights 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.

As described in the Explanatory Memorandum, those Performance Rights with a Right First Time (RFT) hurdle were valued by the Company and its advisers at \$0.4050 per Performance Right. Those Performance Rights with a Total Shareholder Return (TSR) hurdle were valued by the Company and its advisers at \$0.3132 per Performance Right.

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 (Sydney time) on 27 November 2013.

By order of the Board



Andrew Arnold
Secretary

Date: 1 October 2013

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Lynas Corporation Limited ACN 009 066 648 (“**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 for the year ended 30 June 2013 is set out in the Directors’ Report on pages 41 to 53 of the 2013 Annual 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 Key Management Personnel.

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 2001 (Cth) (“**Corporations Act**”).

Shareholders should note that the vote on Resolution 1 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company’s remuneration policy.

With effect from 1 August 2011, the Corporations Act prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, the details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 if:

- (i) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (ii) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above.

The Chair will not vote any undirected proxies in relation to Resolution 1 unless the shareholder specifically authorises the Chair to vote in accordance with the Chair’s stated voting intentions. If a shareholder wishes to nominate the Chair as their proxy for the purpose of Resolution 1 the shareholder must either tick the ‘for’ or ‘against’ box directing the Chair how to vote, or tick the box authorising the Chair to vote in accordance with his or her stated voting intentions, on the enclosed Proxy Form in order for their proxy vote to be counted. Alternatively, shareholders can nominate as their proxy for the purpose of Resolution 1 a proxy who is not a member of the Company’s Key Management Personnel. That person would be permitted to vote undirected proxies.

The Chair will vote all undirected proxies in favour of Resolution 1.

RESOLUTION 2 – CONFIRMATION OF APPOINTMENT OF ERIC NOYREZ 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 Noyrez:

Biographical details

Mr Noyrez is Managing Director and Chief Executive Officer of the Company and was appointed to the Board on March 31, 2013. Mr Noyrez joined Lynas as Chief Operating Officer in February 2010 and was given additional responsibilities as President in March 2011. Mr Noyrez has extensive senior management and board level experience in major multinational industrial and chemical companies. He also has detailed knowledge of the international rare earths industry.

Prior to joining Lynas he was a member of the Executive Committee of Rhodia, a global specialty chemicals company and President of Rhodia Silcea, its rare earths, silicas and diphenols division. Before joining Rhodia, Mr Noyrez held Director and Senior Executive roles in several divisions at Shell between 1989 and 2000 after an earlier career with the Peugeot-Citroen Group. He holds a Masters degree in Engineering and Mechanicals from ENSM (Ecole Nationale Supérieure des Mines) in France.

Details of relationships between the Candidate and the Company

Mr Noyrez is the Chief Executive Officer and an 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 Noyrez

Mr Noyrez joined the Board as an Executive Director on March 31, 2013.

RESOLUTION 3 – RE-ELECTION OF NICHOLAS CURTIS 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 Curtis:

Biographical details

Mr Curtis is the Chair of the Company. He is Chair of Rutila Resources Limited (formerly Forge Resources Limited) and of the private corporate advisory firm, Riverstone Advisory. Mr Curtis serves as a Director of the Asia Society AustralAsia Centre and as Chairman of Faces in the Street Urban Mental Health Research Institute at St Vincent's Hospital Sydney. Mr Curtis also serves as a Governor of the Mining and Metals Industry Partnership Group at the World Economic Forum, and is Co Chair of the Global Growth Company community with the World Economic Forum. He was a Non-Executive Director of Conquest Mining Limited from May 12, 2010 to October 18, 2011 prior to the company's restructure to become Evolution Mining. From June 2004 to August 2011 he served as a Director of the Garvan Institute of Medical Research and from August 2004 to October 2009 he was Chairman of the Board of St Vincent's & Mater Health Sydney Limited. In addition he served as a Director of St Vincent's Health Australia Limited and St Vincent's Healthcare Limited from June 1, 2004 to October 1, 2010. His career spans more than 30 years in the resources and finance industries.

On June 13, 2011, Mr Curtis was awarded an AM (Member of the Order) for his services to the community through executive roles supporting medical research and healthcare organisations and also for his work fostering Australia-China relations.

Details of relationships between the Candidate and the Company

Mr. Curtis is the non-executive Chair of the Company. Prior to March 31, 2013, Mr Curtis was the Executive Chair of the Company.

Details of relationships between the Candidate and Directors of the Company

Not applicable

Other directorships held

Chairman of Rutila Resources Limited (formerly Forge Resources Limited), Chairman of Riverstone Advisory Pty Ltd, Director of the Asia Society AustralAsia Centre, Chairman of Faces in the Street Urban Mental Health Research Institute at St Vincent's Hospital Sydney.

The term of office already served by Mr Curtis

Mr Curtis joined the Board in June 2001. He was the Executive Chair of the Company from November 24, 2004 to March 31, 2013.

RESOLUTION 4 – ISSUE OF PERFORMANCE RIGHTS FOR THE BENEFIT OF AN EXECUTIVE DIRECTOR – ERIC NOYREZ

The Company proposes to issue up to 2,802,840 Performance Rights for the benefit of its Chief Executive Officer and Executive Director, Eric Noyrez, under the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) Performance Rights Incentive Plan (“**Plan**”) as set out in Annexure A. Each Performance Right is a right to acquire one share in the Company (“**Share**”) in the future, subject to certain conditions. Unlike an Option, the holder of a Performance Right is not required to pay an exercise price in order to exercise his/her right to acquire Shares. The Performance Rights would be held via the Lynas Corporation Limited Employee Share Trust, the details of which are set out in Annexure B.

The Company believes that it is appropriate to issue Performance Rights, and not Options, to Mr Noyrez this year. Over the past few years, the Lynas share price has closely tracked global Rare Earths prices, and the volatility of global Rare Earths prices would make it difficult to strike an appropriate exercise price for Options in the current market environment. Mr Noyrez is an international executive with extensive experience in the global Rare Earths industry. It is appropriate that his remuneration package is benchmarked to the market and that his remuneration package includes incentives for long term performance that aligns with the interests of shareholders.

An external consulting firm, Mercer, provided data relating to the 75th percentile of Total Remuneration based on company peer groups. This data was used by the Company’s Nomination and Remuneration Committee to calculate a recommended number of Performance Rights to be issued to achieve remuneration in line with the Company’s remuneration policy based on peer group comparison with Total Remuneration targeted at the 75th percentile.

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 Performance Rights will be issued to the trustee of the Lynas Corporation Limited Employee Share Trust (the “**EST Trustee**”). The EST Trustee will hold the Performance Rights for the benefit of Eric Noyrez, who is an Executive Director (“**Participating Director**”), as described in Annexure B.
- (b) The maximum number of Performance Rights to be granted under Resolution 4 is 2,802,840.
- (c) The Performance Rights will be granted as employee incentives and accordingly the Performance Rights will be issued for no cash consideration. No amount will be payable on the exercise of the Performance Rights. The Performance Rights will have a 3 year vesting period and a 5 year term.
- (d) In addition to the requirement that the recipient must be employed by Lynas at the end of the 3 year vesting period, the Performance Rights are subject to the following performance hurdles:
 - (i) 50% will be conditional on satisfaction of the following operational hurdle:

Consistency of Production – Right First Time (RFT): During the calendar year 2015, the percentage of first time conforming produced tonnes over total produced tonnes for Mt Weld and the LAMP must be at least 85% in accordance with the following sliding scale:

 - a. If the RFT is 85% or more, and less than 90%, then 50% of the RFT portion will vest.
 - b. If the RFT is 90% or more, and less than 92%, then 100% of the RFT portion will vest.
 - c. If the RFT is 92% or more, then an additional 20% of the RFT portion will vest, giving a total vested portion equal to 120% of the RFT portion;
 - (ii) 50% will be conditional on the company’s Total Shareholder Return (TSR) exceeding the 50th percentile of ASX 200 companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
 - a. If the Lynas TSR is at least the 51st percentile, 50% of the TSR portion will vest.
 - b. If the Lynas TSR is at least the 76th percentile, 100% of the TSR portion will vest.
 - c. If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

The Directors believe that the above performance hurdles are the most important measures of long-term

success for the Group. The Operations hurdle in paragraph (d)(i) above defines long-term success in the context of both plants consistently producing on spec products for our customers. Rare Earths products must conform to very tight customer specifications (such as purity levels, moisture content, other metals, structure and related matters). Rare Earths products are used in highly technical industrial applications and impurities that are outside specification cannot be tolerated in such applications. Based on many years of industry experience of Rare Earths producers, the Company has determined that a RFT success rate of 90% or more by tonnage is a very high standard. If a RFT success rate of 92% or more by tonnage could be achieved, that would be outstanding performance.

The TSR hurdle compares shareholder returns from Lynas to shareholder returns from other ASX 200 companies over the 3-year vesting period.

- (e) Those Performance Rights with a Right First Time (RFT) hurdle were valued by the Company and its advisers (KPMG) at \$0.4050 per Performance Right. Those Performance Rights with a Total Shareholder Return (TSR) hurdle were valued by the Company and its advisers (KPMG) at \$0.3132 per Performance Right. Details of the calculation of those valuations are set out below.
- (f) Details of the securities issued under the Company's Employee Options and Performance Rights Plans to persons referred to in Listing Rule 10.14 since the issuance of securities pursuant to the Company's Employee Options Performance Rights Plans was approved by shareholders at the AGM on 30 November 2011 are set out below. The options set out below were issued for no cash consideration, at an exercise price of \$1.69 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 30 November 2011:

Nicholas Curtis: 4,000,000 options – Issued on 30 November 2011.

- (g) The names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are: Eric Noyrez.
- (h) No loan is granted by the Company for the acquisition of the Performance Rights. As described in Annexure B, the EST Trustee will provide an interest free loan to Eric Noyrez equivalent to the value of the Performance Rights to enable Eric Noyrez 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 Performance Rights to be issued for the benefit of Eric Noyrez.
- (i) The Performance Rights will be issued no later than 12 months after the date of this Annual General meeting.
- (j) The Performance Rights 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 4 provides for the grant of Performance Rights 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

Eric Noyrez

The nature of the financial benefit

The proposed financial benefit to be given is the grant of Performance Rights for no cash consideration. The terms and conditions of the Performance Rights to be granted are set out in Annexure A to this Explanatory Memorandum. The Performance Rights cannot be sold, transferred, assigned or otherwise disposed of before the Performance Rights have vested.

Directors' recommendation

All the Directors were available to consider the proposed Resolution 4.

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 Performance Rights in accordance with the proposed resolution. Accordingly, the Participating Director is unable to make a recommendation to shareholders concerning the proposed Resolution 4.

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 4. Each of the Non-Participating Directors considers that the proposed Resolution 4 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 4 will provide Eric Noyrez with additional incentives to successfully implement the Company’s strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 4.

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 4 would have the effect of giving power to the Directors to grant Eric Noyrez Performance Rights on the terms and conditions as set out in Annexure A and as otherwise mentioned above. The Company presently has on issue 1,961,060,594 ordinary shares and 58,745,372 unlisted Options and Performance Rights. If the proposed Performance Rights to be issued for the benefit of Eric Noyrez are approved by shareholders, the total number of Options and Performance Rights on issue will be 61,548,212. This represents approximately 3.14% of the issued shares in the Company at the date of this Explanatory Memorandum.

If any Performance Rights granted as proposed above are exercised the effect would be to dilute the shareholding of existing shareholders.

The highest closing price for fully paid ordinary shares in the Company trading on ASX during the past 12 months was A\$0.87 which occurred on 9 October 2012 and the lowest closing price of shares in the Company trading on ASX during the past 12 months was A\$0.36 which occurred on 27 June 2013. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A\$0.40 which occurred on 30 September 2013.

The other remuneration currently being received by the proposed recipient of the Performance Rights is set out on page 49 of the 2013 Annual Report of the Company.

At the date of this Notice the proposed recipient of the Performance Rights, Eric Noyrez, has an interest in zero ordinary shares, 8,500,000 options and 1,312,853 performance rights.

These numbers of Performance Rights were chosen by the Company’s Nomination and Remuneration Committee in order to provide the Executive Director with an appropriate mix of cash remuneration and remuneration by way of Performance Rights. An external consulting firm, Mercer, provided data relating to the 75th percentile of Total Remuneration based on company peer groups. This data was used by the Company’s Nomination and Remuneration Committee to calculate a recommended number of Performance Rights to be issued to achieve remuneration in line with the Company’s remuneration policy based on peer group comparison with Total Remuneration targeted at the 75th percentile. The Performance Rights 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 Performance Rights pursuant to Resolution 4.

Vesting Period and Performance Hurdles

The Performance Rights may only be exercised after the expiry of a 3 year vesting period. The Performance Rights have a 5 year term and are subject to the performance hurdles set out on page 6.

Valuation of Performance Rights

The Directors, in conjunction with the Company’s advisers, have determined the value of the Performance Rights.

The assumptions used by the Company and its advisers (KPMG) in calculating the value of the Performance Rights were as follows:

Spot Price	A\$0.405
Volatility	64.6%
Dividend Yield	0.00%
Lynas Beta	1.843
Issue Date:	23 September 2013

Vesting Date:	23 September 2016
Expiry Date:	23 September 2018
3 year risk free rate	3.18% pa

Those Performance Rights with a Right First Time (RFT) hurdle were valued by the Company and its advisers (KPMG) at \$0.4050 per Performance Right. The RFT Performance Rights were valued at the current stock price less the present value of dividends between issue and maturity. Under the current assumptions (dividend yield is 0%) the value of the RFT Performance Rights is taken to be equal to the current stock price. As the vesting condition is a "non-market" condition, that condition was not included in the valuation. For the purposes of valuation, it has been assumed that RFT will be 92% or more in the relevant period and that 120% of the Performance Rights will vest. Each Performance Right will convert to shares of the company at a ratio of 1 Performance Right to 1 Share.

Those Performance Rights with a Total Shareholder Return (TSR) hurdle were valued by the Company and its advisers (KPMG) at \$0.3132 per Performance Right. Total shareholder return for Lynas and ASX 200 constituents was simulated 25,000 times using Monte Carlo simulation. A Geometric Brownian Motion ("GBM") evolution process was used with expected returns based on a Capital Asset Pricing Model ("CAPM") approach. The percentiles vesting were then calculated for each simulation. For each simulation, the value of the option was calculated using risk-neutral pricing, and this was multiplied by the percentage vesting.

The maximum number of Performance Rights that could be issued to Mr Noyrez pursuant to this Resolution is as follows:

Performance Rights with a Right First Time (RFT) hurdle:	up to 1,528,822
Performance Rights with a Total Shareholder Return (TSR) hurdle:	1,274,018
TOTAL:	up to 2,802,840*

*Each of the figures referred to above is calculated based on the most optimistic case, i.e. the figures above assume that RFT is 92% or more in the relevant period, and that the Lynas TSR is at least at the 76th percentile in the relevant period.

On the basis of this calculation, the total financial benefit that may be given to the Director, if Resolution 4 is approved, would amount to A\$1,018,195.19.

Based on many years of industry experience of Rare Earths producers, the Company has determined that a RFT success rate of 90% or more by tonnage is a very high standard. If a RFT success rate of 92% or more by tonnage could be achieved, that would be outstanding performance. If a RFT of 90% is achieved in the relevant period, and if the Lynas TSR is at least at the 76th percentile in the relevant period, the number of Performance Rights that could be exercised by Mr Noyrez under that scenario (assuming that he is employed by Lynas at the end of the 3 year vesting period) is as follows:

Performance Rights with a Right First Time (RFT) hurdle:	1,274,018
Performance Rights with a Total Shareholder Return (TSR) hurdle:	1,274,018
TOTAL:	2,548,036

Under that scenario, on the basis of the above calculations, the total financial benefit that could be exercised by Mr Noyrez, if Resolution 4 is approved, would amount to A\$914,999.73.

Below are tables setting out the number of Performance Rights that could be exercised by Mr Noyrez if the vesting condition is satisfied, and if the RFT and TSR conditions are wholly or partly satisfied.

Class I - Right First Time (RFT)			
Performance Conditions	85% or more but less than 90%	90% or more but less than 92%	92% or more
Percentage of Performance Rights that may be Exercised	50% of RFT portion	100% of RFT portion	120% of RFT portion
Number of Performance Rights that may be Exercised	637,009	1,274,018	1,528,822
Value of those Performance Rights at 23 September 2013	\$257,988.65	\$515,977.29	\$619,172.75

Note: One Performance Right in the above class was valued at A\$0.4050 as at 23 September 2013.

Class II - Total Shareholder Return (TSR)			
Performance Conditions	at least 51st percentile	at least 76th percentile	between 51st and 76th percentile
Percentage of Performance Rights that may be Exercised	50% of TSR portion	100% of TSR portion	pro rata amount of between 50% and 100% of TSR portion
Number of Performance Rights that may be Exercised	637,009	1,274,018	Between 637,009 and 1,274,018
Value of those Performance Rights at 23 September 2013	\$199,511.22	\$399,022.44	Between \$199,511.22 and \$399,022.44

Note: One Performance Right in the above class was valued at A\$0.3132 as at 23 September 2013.

The Company proposes to issue the Performance Rights effective September 23, 2013 (subject to shareholder approval), in accordance with the Company's usual remuneration practices, because Board approval of the grant of the Performance Rights (subject to shareholder approval) occurred on September 23, 2013 and accordingly the Performance Rights have been valued at that date.

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 4.

GLOSSARY

ASX means ASX Limited;

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth);

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

Director means a director of the Company.

Key Management Personnel has the same meaning as in the accounting standards (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executor or otherwise, of the Company);

Notice of Annual General Meeting means the notice of annual general meeting to which this Explanatory Memorandum is attached.

ANNEXURE A – TERMS OF PERFORMANCE RIGHTS

1. No monies will be payable for the issue of the Rights.
2. Notwithstanding any other terms and conditions of the Rights, all Rights will immediately vest upon a shareholder, or a group of associated shareholders, acquiring relevant interests in sufficient shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board of Directors and that ability is successfully exercised (“Change of Control Event”), provided that the Board may in its discretion resolve that this clause will not apply to specified Rights, in whole or in part.
3. Shares issued to Rights Holders shall be issued for no monetary consideration.
4. Rights shall not be listed for Official Quotation on ASX.
5. A Rights Holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of a Right. The Board of Directors may waive or amend the operation of this Rule as it applies to a Rights Holder in cases of hardship or for any other just reason
6. Rights may be issued on the basis that (subject to satisfaction of the vesting conditions) they will be automatically exercised on a specified date without further action required by the Rights Holder. Subject to satisfaction of the vesting conditions, all other Rights shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Rights Holder to exercise all or a specified number of Rights. An exercise of only some Rights shall not affect the entitlement of the Rights Holder to the balance of the Rights held by him.
7. The Company shall allot the resultant Shares within five (5) business days of the exercise of Rights.
8. Shares allotted pursuant to Rights shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
9. The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to Rights listed for Official Quotation.
10. Rights Holders do not have a right to participate in new issues until after Shares have been allotted pursuant to the Rights.
11. In the event of any reorganisation of capital of the Company, the entitlements of Rights Holders 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.
12. The Rights will not give any right to participate in dividends until Shares are allotted pursuant to the Rights.
13. The number of Shares to be issued pursuant to the Rights will be adjusted for bonus issues made prior to the Vesting Date. The effect will be that the number of Shares to be received by the Rights Holder will include the number of bonus Shares that would have been issued if the Vesting Date had occurred prior to the record date for the bonus issue.
14. The Company shall notify each Rights Holder and ASX within one (1) month after the record date for a bonus issue of the adjustment to the number of Shares to which the Rights relate.

ANNEXURE B – 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 Performance Rights 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, options and performance rights 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 performance rights are issued to the EST under the Lynas Performance Rights Incentive Plan for the benefit of a director or an employee (the “**Employee**”) are as follows:

1. Lynas issues the performance rights to the EST. Lynas makes a contribution to the EST equal to the value of the performance rights (as determined under AASB2) and the performance rights 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 performance rights to enable the Employee to subscribe for Share Units in the EST. There is no cash outlay by the EST or Lynas in connection with this loan. The loan is non-recourse. The Share Units in the EST are issued for a consideration equal to the value of the performance rights 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 performance rights.
4. If, following exercise of the performance rights, 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 and performance rights in the Company that may be issued under Lynas Employee Incentive Plans at any time cannot exceed 5% of the total number of shares on issue from time to time.

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10.00am (Sydney time) on Wednesday 27 November 2013.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate 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.

Appointment of a Second Proxy

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

To appoint a second proxy you must:

- 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.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark 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 securities are to be voted on any item by inserting the percentage or number that 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 for all your securities your vote on that item will be invalid.

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.

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 should 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 should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10.00am (Sydney time) on Wednesday 27 November 2013.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** 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.

Your Address
 This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Lynas Corporation Limited** and entitled to attend and vote hereby appoint

Appoint the **Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

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 the Company to be held at **the Ballroom, Level 2, The Establishment Hotel at 252 George St, Sydney, NSW on Friday 29 November 2013 at 10.00am (Sydney time)** 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 as your proxy in respect of Resolutions 1 or 4, please place a mark in the box. *By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of these resolutions, and that votes cast by the Chairman of the Meeting for Resolutions 1 or 4 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 on Resolutions 1 or 4, the Chairman will not cast your vote on Resolutions 1 or 4 and your vote will not be counted in calculating the required majority if a poll is called on Resolutions 1 or 4.*

The Chairman of the Meeting will vote all undirected proxies in favour of Resolutions 1 and 4.

STEP 2 VOTING DIRECTIONS
 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 vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Confirmation of Appointment of Mr Eric Noyrez as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr Nicholas Curtis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Performance Rights for the benefit of an Executive Director - Mr Eric Noyrez	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS
 This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... Date / / 2013