

2 October 2009

Dear Shareholder,

On 29 September 2009, Lynas announced a Capital Raising to fund to completion the Phase 1 of Lynas' Rare Earths Project and for working capital purposes.

An important element of the Capital Raising, the Conditional Placement, requires shareholder approval. I would like to summarise the key features and the reasons your Directors are unanimously recommending that you vote in favour of the resolutions outlined in the accompanying Notice of Meeting. Defined terms used in this letter are set out in the Glossary in the accompanying the Explanatory Memorandum.

Capital Raising

The Capital Raising will raise up to approximately A\$450 million and will include the following offers of New Shares:

- an Entitlement Offer (including an accelerated offer to institutional shareholders and certain institutional investors, and an offer to retail shareholders) to raise approximately A\$295 million;
- an Unconditional Placement to institutional investors to raise approximately A\$88 million; and
- a Conditional Placement to institutional investors, which is subject to shareholder approval to raise approximately A\$67 million.

The Capital Raising is being implemented at an Offer Price of A\$0.45 per New Share and the Conditional Placement will be subject to Shareholder approval at an EGM to be held on 9 November 2009.

Purpose of Capital Raising

The purpose of the Capital Raising is to fund completion of Phase 1 of Lynas' Rare Earths Project. Capital raised will also be used for working capital purposes. Further details on the application of funds were included in the ASX market announcement made on 29 September 2009.

Notice of Meeting

As detailed in the attached Notice of Meeting, Shareholder approval for the following resolutions will be sought at an EGM of Lynas to be held on 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.

Conditional Placement

The Directors unanimously and strongly recommend that Shareholders vote in favour of the resolution approving the Conditional Placement for the following reasons:

- it is an important element of the Capital Raising necessary to fund to completion the Phase 1 of the Rare Earths Project and to manage Lynas' capital requirements;
- if Shareholder approval is obtained, the Conditional Placement will be fully underwritten, providing Lynas with a certain further capital injection; and
- a Shareholder vote which does not approve the Conditional Placement will result in Lynas not having sufficient funds to complete Phase 1 of Lynas' Rare Earths Project.

Refreshing Lynas' placement capacity

The resolution relating to refreshing Lynas' placement capacity is necessary because the Unconditional Placement will fully utilise the existing placement capacity under the ASX Listing Rules for the next 12 months. The Directors unanimously and strongly recommend that Shareholders vote in favour of the resolution to refresh Lynas' placement capacity for the following reasons:

- although the Directors do not currently propose to issue further equity in the immediate future, such a resolution provides funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise; and
- if an opportunity does arise, a Shareholder vote which does not approve Resolution 2 would constrain Lynas' ability to participate in that opportunity in a timely manner, or at all.

Documents enclosed

It is my pleasure to provide you with the enclosed documents relating to the EGM and the Capital Raising.

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 Security Transfer Registrars in accordance with the instructions set out in the proxy form.
Retail Offer Booklet	The Retail Offer Booklet is important and, if you are an eligible retail Shareholder, requires your immediate attention. You should read the entire document carefully before deciding whether to invest in New Shares. In particular, you should consider the risk factors that could affect the performance of Lynas or the value of an investment in Lynas, some of which are outlined in the ASX announcement to the market on 29 September 2009.
Entitlement and Acceptance Form	Use this form if you wish to apply for New Shares under the Entitlement Offer. If you decide to participate in the Entitlement Offer, please complete and return your personalised Entitlement and Acceptance Form with the requisite Application Monies to Security Transfer Registrars, PO Box 535 Applecross WA 6953 OR pay your Application Monies via BPAY® by following the instructions set out in the Retail Offer Booklet and on the Application Form.

On behalf of the Directors, I thank you for your continued support of Lynas and encourage you to support the resolutions and to consider this investment opportunity.

Yours faithfully,



Nicholas Curtis

Executive Chairman

IMPORTANT INFORMATION

The securities described herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. 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, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) unless the securities are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

Notice of Extraordinary General Meeting

NOTICE IS GIVEN that an Extraordinary General Meeting of the shareholders of Lynas Corporation Limited ABN 27 009 066 648 (**Lynas** or the **Company**) will be held on 9 November 2009 at 10.00am (Sydney time) at Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney (the **EGM**).

The explanatory memorandum that accompanies and forms part of this Notice (**Explanatory Memorandum**) describes the various matters to be considered.

Ordinary business

Resolution 1: Approval of proposed issue of New Shares under the Conditional Placement¹

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

“That approval be given for all purposes, including pursuant to ASX Listing Rule 7.1, for the issue of up to 148,501,180 Shares to the Conditional Placement Investors¹ and/or the Underwriter¹, at the Offer Price of A\$0.45 per New Share, under the Conditional Placement on the terms specified in the accompanying Explanatory Memorandum”.

Resolution 2: Proposal to refresh placement capacity utilised by the Unconditional Placement¹

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

“That approval be given for all purposes, including pursuant to ASX Listing Rule 7.4, for the issue and allotment of 196,499,727 Shares to the Unconditional Placement Investors¹ and/or the Underwriter, at the Offer Price of A\$0.45 per New Share under the Unconditional Placement”.

By order of the Board



Andrew Arnold

General Counsel and Company Secretary

Date: 2 October 2009

¹ These terms are defined in the Glossary in the Explanatory Memorandum accompanying this Notice.

Notice of Extraordinary General Meeting continued

Notes

Voting exclusion statement

Lynas will disregard any votes cast, in respect of Resolution 1, by each person who may participate in the proposed Conditional Placement, and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 1 is passed, and their respective associates.

Lynas will also disregard any votes cast, in respect of Resolution 2, by each person who participated in the Unconditional Placement, and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 2 is passed, and their respective associates.

ASX has granted a waiver to enable Lynas to count the votes cast by Shareholders who are acting solely in a fiduciary, nominee or custodial capacity (**Nominee Holders**) on behalf of underlying beneficiaries who will not participate in the proposed Conditional Placement or Unconditional Placement (as the case requires) and are not persons who will obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 1 or Resolution 2 (as the case requires) is passed, and their respective associates.

The waiver was obtained to permit the votes of such beneficiaries to be counted if beneficiaries give instructions to the relevant Nominee Holder(s) on how to vote on the Resolutions, subject to compliance with the full terms and conditions of the waiver (as applicable).

In addition, in accordance with the ASX Listing Rules, Lynas need not disregard a vote if:

- it 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
- it 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.

Voting entitlements

- 1 The Proxy Form, including instructions for appointment of a proxy or proxies, is enclosed with this Notice.
- 2 For the purposes of the EGM, Shares will be taken to be held by the person(s) who are registered as holders of Shares as at close of business on Thursday, 5 November 2009. Transactions recorded after that time will be disregarded in determining entitlements to attend and vote at the EGM.

Important Notice

This Notice of Meeting and Explanatory Memorandum has been prepared by Lynas and should be read in conjunction with the Retail Offer Booklet. Lynas makes all statements, representations and undertakings in this Notice of Meeting and Explanatory Memorandum.

The information contained in this Notice of Meeting and Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position and particular needs. If you are in any

doubt in relation to these matters, you should consult your financial, legal, taxation or other professional adviser immediately.

This Notice and accompanying Explanatory Memorandum is not a prospectus and does not form part of any offer, invitation or recommendation in respect of securities, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy, any securities. It has been delivered to each shareholder solely for its information to permit it to vote on the matters before the Extraordinary General Meeting. The Retail Entitlement Offer and Conditional Placement described herein are being made solely to persons that are not in the United States and are not, and are not acting for the account or benefit of, U.S. Persons (**U.S. Persons**) (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**)). The securities described herein have not been, and will not be, registered under the U.S. 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, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) unless the securities are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

This Notice of Meeting and Explanatory Memorandum contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Notice of Meeting and Explanatory Memorandum reflect views only as at the date of this Notice of Meeting, and generally may be identified by the use of forward-looking words, such as “believe”, “expect”, “anticipate”, “intending”, “likely”, “should”, “may”, “estimate” or “potential”, or other similar words. Similarly, statements that describe Lynas’ objectives, plans, goals or expectations are or may be forward-looking statements.

The statements contained in this Notice of Meeting and Explanatory Memorandum about the impact that the implementation or non-implementation of the Capital Raising may have on the results of Lynas’ operations, its earnings and the advantages and disadvantages anticipated to result from the Capital Raising, are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by these forward-looking statements.

The operations and financial performance of Lynas are subject to various risks that are summarised in the Retail Offer Booklet, this Notice of Meeting and the documentation which accompanies it and which may be beyond the control of Lynas or its Directors. The historical financial performance of Lynas is no assurance of the future financial performance of Lynas (whether the Resolutions are approved or not). Those risks and uncertainties include factors and risks specific to the industry in which Lynas operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Lynas following implementation of the Capital Raising, as well as its actual advantages or disadvantages, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved or arise.

The risk factors described in this Notice of Meeting, Explanatory Memorandum and the documentation which it accompanies could affect future results, causing these results to differ materially from those expressed, projected or implied in any forward-looking statements. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have a material adverse effect on the future results of Lynas.

None of Lynas, its Directors, its officers, any persons named in this Notice of Meeting and Explanatory Memorandum with their consent or any persons involved in the preparation of this Notice of Meeting (including the Underwriter), makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed, projected or implied in any forward-looking statement, except to the

extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

All subsequent written and oral forward-looking statements attributable to Lynas or any person acting on its behalf are qualified by this notice. Subject to any continuing obligations under relevant laws or the ASX Listing Rules, Lynas does not give any undertaking to update or revise any such statements after the date of this Notice of Meeting, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Lynas undertakes no obligation to revise the forward-looking statements included in this Notice of Meeting or the documentation which accompanies it to reflect any future events or circumstances.

The Underwriter has not authorised, permitted or caused the issue, lodgment, submission, dispatch or provision of this Notice of EGM, Explanatory Memorandum and the documents which it accompanies and do not make or purport to make any statement in any of those documents and there is no statement in any of those documents which is based on any statement by the Underwriter. The Underwriter and its affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of those documents and make no representation or warranty as to the currency, accuracy, reliability or completeness of information.

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Explanatory Memorandum for Extraordinary General Meeting of Lynas

To be held on 9 November 2009 at 10.00am (Sydney time) at Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney.

1 Introduction

This Explanatory Memorandum contains information relevant to the Resolutions set out in the Notice and should be read carefully and in its entirety by Shareholders before making any decision in relation to the Resolutions.

The Directors believe that it is in the best interests of Lynas that the Resolutions set out in the Notice be passed and unanimously recommend that you vote in favour of the Resolutions.

If you have any doubt regarding the information contained in this Explanatory Memorandum or any action you should take in respect of such information, you should consult your financial, legal, taxation or other professional adviser.

Defined terms used in this Explanatory Memorandum are set out in the Glossary.

This Explanatory Memorandum was prepared by Lynas Corporation Limited. See the "Important Notice" in the Notice for more information on the basis of preparation.

2 Overview of Capital Raising

2.1 Summary of Capital Raising Structure

Lynas is currently in the process of undertaking a fully underwritten Capital Raising to raise up to approximately A\$450 million. The Capital Raising comprises the following offers of New Shares:

- (a) an Entitlement Offer (including an accelerated offer to institutional shareholders and certain institutional investors, and an offer to retail shareholders) to raise approximately A\$295 million;
- (b) an Unconditional Placement to institutional investors to raise approximately A\$88 million; and
- (c) a Conditional Placement to institutional investors to raise approximately A\$67 million subject to and conditional on Shareholders passing Resolution 1.

In each case, the New Shares will be issued at the Offer Price of A\$0.45 per New Share

2.2 Intended Use of Funds

The purpose of the Capital Raising is to fund to completion the Phase 1 of Lynas' Rare Earths Project. Capital raised will also be used for working capital purposes. Further details on the application of funds were included in the ASX market announcement made on 29 September 2009 and as summarised below:

Sources	A\$ million
Existing cash balances	4.1
Proceeds from Capital Raising	450.0
Total	454.1

Uses	A\$ million
Construction and other capital costs – Phase 1	314.5
Working capital and production ramp-up costs – Phase 1	120.6
Estimated fees and expenses	19.0
Total	454.1

Shareholders should note that this section provides only a high-level overview of the Capital Raising. Shareholders are urged to read this Explanatory Memorandum and the Retail Offer Booklet carefully and in their entirety for a full description of the Capital Raising and the impact of the Capital Raising and the other activities being undertaken by the Company.

2.3 Conditional Placement Underwriting

Under the underwriting agreement dated 29 September 2009 (**Underwriting Agreement**), J.P. Morgan Australia Limited (the **Underwriter**) agreed, subject to Shareholder approval and other customary conditions, to fully underwrite the Conditional Placement.

3 Resolution 1

3.1 Background

It is proposed that Lynas will issue approximately 148,501,180 New Shares to the Conditional Placement Investors and/or the Underwriter at the Offer Price of A\$0.45 per New Share in the Conditional Placement.

Listing Rule 7.1 requires approval of the holders of ordinary securities of a listed company for an issue by an entity of equity securities if, over a 12 month period, the number of the equity securities issued is more than 15% of the number of ordinary securities on issue at the start of that 12 month period (subject to certain exceptions set out in Listing Rule 7.2).

Approval is sought for the proposed issue of New Shares to the Conditional Placement Investors and/or the Underwriter in Resolution 1 to permit Lynas to issue those New Shares without exceeding the 15% limit which applies to Lynas under ASX Listing Rule 7.1. Resolution 1 is necessary because the Unconditional Placement will fully utilise the existing placement capacity under Listing Rule 7.1.

For the purposes of Listing Rule 7.3:

- (a) the maximum number of New Shares that Lynas will issue to the Conditional Placement Investors and/ or the Underwriter (none of which are related parties of the Company) under the Conditional Placement is 148,501,180;

- (b) the date by which Lynas will allot the New Shares under the Conditional Placement is 12 November 2009;
- (c) the Offer Price for the New Shares to be issued under the Conditional Placement is A\$0.45 per New Share;
- (d) the New Shares will be issued to the Conditional Placement Investors and/or the Underwriter (none of which are related parties of the Company);
- (e) the New Shares will be issued on the same terms as, and will rank equally with, all other existing Lynas Shares, from the time of issue and, to the extent they are issued to the Underwriter, will be issued under the terms of the Underwriting Agreement; and
- (f) Lynas will apply the net proceeds from the Conditional Placement in accordance with the intended use of funds set out in section 2.2.

3.2 What will happen if Resolution 1 is passed

(a) Advantages

If Shareholders approve the Resolution, Lynas will receive fully underwritten proceeds of up to \$67 million which will complete the amount that the Company is seeking to fund Phase 1 of the Rare Earths Project to completion.

(b) Disadvantages/Risks

The key potential disadvantages and risks associated with Resolution 1 are:

- the Conditional Placement will result in the issue of 148,501,180 additional New Shares and as a consequence, the percentage holdings in Lynas of Shareholders who did not participate will be further diluted; and
- fewer alternative recapitalisation proposals are likely to be made available to Lynas upon completion of the Conditional Placement.

The Board of Lynas is of the opinion that these potential disadvantages and risks are substantially outweighed by the potential advantages and benefits associated with the Conditional Placement, and accordingly the Conditional Placement is in the best interests of Shareholders.

However, Shareholders should consider their individual circumstances and make their own determination as to how to vote on the Resolution.

3.3 What will happen if Resolution 1 is not passed

If Shareholders do **not** approve Resolution 1:

- (a) the Phase 1 of the Rare Earths Project will not be able to be progressed to completion without alternative funding sources being sought;
- (b) alternative funding sources may not be available; and
- (c) fees of approximately \$2.67 million are payable to the Underwriter in respect of the Conditional Placement irrespective of whether or not the Conditional Placement is approved.

4 Resolution 2

4.1 Background

As noted above, Listing Rule 7.1 requires approval of the holders of ordinary securities of a listed company for an issue by an entity of equity securities if, over a 12 month period, the number of the equity securities issued is more than 15% of the number of ordinary securities on issue at the start of that 12 month period (subject to certain exceptions set out in Listing Rule 7.2).

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and shareholders subsequently approve the issue.

Approval is sought for the issue and allotment of 196,499,727 New Shares to Unconditional Placement Investors and/or the Underwriter under the Unconditional Placement, at the Offer Price of A\$0.45 per New Share to permit Lynas to refresh its placement limit. Resolution 2 is necessary because, otherwise, the Unconditional Placement will fully utilise the existing placement capacity under Listing Rule 7.1 thereby constraining Lynas' funding flexibility for the next 12 months.

For the purposes of Listing Rule 7.5:

- (a) the number of New Shares that Lynas issued and allotted to the Unconditional Placement Investors and/ or the Underwriter under the Unconditional Placement is 196,499,727;
- (b) the Offer Price for the New Shares issued and allotted under the Unconditional Placement was A\$0.45 per New Share;
- (c) the New Shares were issued on the same terms as, and will rank equally with, all other existing Lynas Shares, from the time of issue and, to the extent they are issued to the Underwriter, will be issued under the terms of the Underwriting Agreement;
- (d) the allottees were determined on the basis of a bookbuild conducted by the Company (through the Underwriter) from 29 September 2009 to 30 September 2009. As such, the allottees are clients or nominees of the Underwriter; and
- (e) Lynas will apply the net proceeds from the Unconditional Placement in accordance with the intended use of funds set out in section 2.2.

4.2 What will happen if Resolution 2 is passed

(a) Advantages

If Shareholders approve Resolution 2, Lynas will refresh its placement capacity. Although the Directors do not currently propose to issue further equity in the immediate future, such a resolution provides funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise.

(b) Disadvantages/Risks

The key potential disadvantage and risk associated with Resolution 2 is:

- if the Company issues further equity, the percentage holdings in Lynas of Shareholders who do not participate will be further diluted.

The Board of Lynas is of the opinion that these potential disadvantages and risks are substantially outweighed by the potential advantages and benefits associated with the Company refreshing its

placement capacity, and accordingly considers that Resolution 2 is in the best interests of Shareholders.

However, Shareholders should consider their individual circumstances and make their own determination as to how to vote on Resolution 2.

4.3 What will happen if Resolution 2 is not passed

If Shareholders do **not** approve Resolution 2:

- (a) if an opportunity does arise, a Shareholder vote which does not approve Resolution 2 would constrain Lynas' ability to participate in that opportunity in a timely manner, or at all;
- (b) the Company will be restricted in raising further capital through a placement without shareholder approval; and
- (c) alternative funding sources may not be available.

5 Directors' interests

As at the date of this Explanatory Memorandum, the Directors have the following interests in issued securities of Lynas, either directly or indirectly:

Director	Interest in Lynas Shares	Options over Lynas Shares
Nicholas Curtis	27,156,478	15,000,000
Jake Klein	1,580,580	800,000
David Davidson	935,000	800,000
William Forde	250,000	1,100,000

6 Directors' recommendations and intentions

The Directors unanimously recommend to Shareholders that they vote in favour of the Resolutions.

To the extent they are permitted to vote, each of the Directors currently intends to vote all Shares held or controlled by them in favour of the Resolutions.

Nicholas Curtis, as Chairman of the EGM, currently intends to vote all undirected proxies in favour of the Resolutions.

7 Capital Structure after the Capital Raising

Time	Total No. of Shares on issue (million)
As at the date of the Notice	654,999,093
After Capital Raising (other than Conditional Placement)	1,506,497,913
After Conditional Placement	1,654,999,093

8 No other material information

Other than as set out in the Notice of EGM, this Explanatory Memorandum and the Retail Offer Booklet, there is no other information that is known to any of the Directors which is material to the decision on how to vote on the Resolutions that has not been previously disclosed to all Shareholders.

9 Glossary

Term	Meaning
Approved U.S. Security Holders	means Shareholders located in the United States or that are, or are acting for the account or benefit of, U.S. Persons that the Company and the Underwriter have determined to be QIBs or Eligible U.S. Fund Managers that satisfy the definition of QIBs except that they are acting for the account of non-U.S Persons, and whose participation in the Entitlement Offer and the Unconditional Placement the Company and the Underwriter (in its capacity as administration agent with respect to the Entitlement Offer and the Unconditional Placement) have expressly approved.
ASIC	means the Australian Securities and Investments Commission.
associate	has the meaning given to that term under section 11 and sections 13 to 17 of the Corporations Act. Section 13 is to be applied as if it was not confined to associate references occurring in Chapter 7 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691.

Term	Meaning
ASX Listing Rules	means, the listing rules of ASX as amended from time to time, including to the extent of any express written waiver by ASX in their application to the Company, and “Listing Rule” means any one of them.
Board	means the Board of Directors.
Capital Raising	means the Unconditional Placement, the Entitlement Offer and the Conditional Placement.
Conditional Placement	means a placement of 148,501,180 New Shares to the Conditional Placement Investors, which is subject to Shareholders passing Resolution 1.
Conditional Placement Investors	means a person to whom an offer of New Shares may be made under the Conditional Placement: <ul style="list-style-type: none"> • in Australia without a disclosure document (as defined in the Corporations Act) on the basis that such person is exempt from the disclosure requirements of Part 6D.2 in accordance with Sections 708(8) or 708(11) of the Corporations Act and who is not a U.S. Person or acting for the account or benefit of a U.S. Person; or • outside Australia and the U.S. without registration, lodgement or approval of a formal disclosure document or other filing in accordance with the laws of that foreign jurisdiction (except to the extent Lynas, in its absolute discretion, is willing to comply with such requirements) and who is not a U.S. Person or acting for the account or benefit of a U.S. Person.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
Eligible U.S. Fund Manager	means a dealer or other professional fiduciary organized, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not U.S. Persons for which it has, and is exercising, investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the U.S. Securities Act.
Entitlement Offer	means the 1-for-1 underwritten accelerated non-renounceable pro-rata entitlement offer to existing Shareholders to raise approximately A\$295 million.

Term	Meaning
Extraordinary General Meeting or EGM	means the extraordinary general meeting of Shareholders convened by the Notice, to be held on 9 November 2009 at 10.00am (Sydney time) at Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney.
Lynas or the Company	means Lynas Corporation Limited ABN 27 009 066 648.
New Shares	means shares offered in the Capital Raising.
Notice	means the Notice of Extraordinary General Meeting of which this Explanatory Memorandum forms part.
Offer Price	the issue price of A\$0.45 per New Share at which New Shares will be offered in the Capital Raising.
QIB	means "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act.
Resolution 1	means the resolution proposed in the Notice relating to the conditional placement proposed as part of the Capital Raising.
Resolution 2	means the resolution proposed in the Notice relating to refreshing Lynas' placement capacity.
Resolutions	means Resolution 1 and Resolution 2.
Retail Offer Booklet	means the information booklet containing the terms of the Retail Entitlement Offer and other information in connection with the Capital Raising, which is to be sent to eligible retail Shareholders of Lynas.
Shareholders	means the members of Lynas who are registered as the holders of one or more of the Shares as at the relevant time.
Shares	means fully paid ordinary shares in Lynas.
U.S. or the United States	means the United States of America.

Term	Meaning
U.S. Persons	means that term defined in Regulation S under the U.S. Securities Act.
U.S. Securities Act	means the U.S. Securities Act of 1933, as amended.
Unconditional Placement	means a placement of 196,499,727 New Shares to the Unconditional Placement Investors, which is subject to Shareholders passing Resolution 2.
Unconditional Placement Investors	<p>means a person to whom an offer of New Shares may be made under the Unconditional Placement:</p> <ul style="list-style-type: none"> • in Australia without a disclosure document (as defined in the Corporations Act) on the basis that such person is exempt from the disclosure requirements of Part 6D.2 in accordance with Sections 708(8) or 708(11) of the Corporations Act; or • outside Australia without registration, lodgement or approval of a formal disclosure document or other filing in accordance with the laws of that foreign jurisdiction (except to the extent Lynas, in its absolute discretion, is willing to comply with such requirements); <p>provided that, in each case, if such an investor is in the United States or is, or is acting for the account or benefit of, a U.S. Person, it is only an Unconditional Placement Investor if it (and any person for whom such person is acting) is an Approved U.S. Security Holder.</p>
Underwriter	means J.P. Morgan Australia Limited ABN 52 002 888 011, and for the purposes only of the Resolutions and the Notice, any other underwriter or sub-underwriter to the Conditional Placement or other persons who may be allocated Shares under the Underwriting Agreement.
Underwriting Agreement	means an underwriting agreement dated 29 September 2009 between the Company and the Underwriter.

Important Information

The securities described herein have not been, and will not be, registered under the U.S. 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, or for the account or benefit of, U.S. Persons unless the securities are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

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PROXY FORM

**APPOINTMENT OF PROXY
LYNAS CORPORATION LIMITED
ACN 009 066 648**

I/We

of

being a member of Lynas Corporation Limited, and entitled to attend and vote at the Extraordinary General Meeting, hereby

Appoint

_____ Name of proxy

OR the Chair of the Extraordinary General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Extraordinary General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Extraordinary General Meeting to be held at 10.00 am (Sydney time), on 9 November 2009 at Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

If the Chair of the Extraordinary General 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 the Resolutions please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Extraordinary General Meeting may exercise your proxy even if he has an interest in the outcome of the Resolutions and that votes cast by the Chair of the Extraordinary General Meeting for the 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 Chair will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the Resolutions.

OR

Voting on Business of the Extraordinary General Meeting

Resolution	Description	FOR	AGAINST	ABSTAIN
Resolution 1	Conditional Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Refresh placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Signature of Shareholder(s):

Date: _____

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director/Company Secretary	Director	Director/Company Secretary

Contact Name:

Contact Ph (daytime):

Instructions for appointment of proxy and completing the Proxy Form

- 1 **(Appointing a Proxy):** A Shareholder entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If a Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a Shareholder of the Company.
- 2 **(Direction to Vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
- 3 **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the Shareholders must sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
 - **(Attending the Meeting):** Completion of the Proxy Form will not prevent individual Shareholders from attending the EGM in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the EGM in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the EGM.
- 4 **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (1) In Person: Security Transfer Registrars, 770 Canning Highway, Applecross WA 6153
 - (2) By Post: Lynas Corporation Limited, C/- Security Transfer Registrars, PO Box 535, Applecross WA 6953
 - (3) By Facsimile: 08 9315 2233 (within Australia)
 - (4) By Facsimile: +61 8 9315 2233 (outside Australia),so that it is received not later than 10.00 am (Sydney time) on 7 November 2009. **Proxy Forms received later than this time will be invalid.**