



ACN 009 066 648

## **NOTICE OF ANNUAL GENERAL MEETING**

**To be held on Wednesday 30 November 2011 at 10.00 am (Sydney time)  
at the Barnet Long Room, Customs House,  
31 Alfred Street, Sydney NSW**

*This is an important document. Please read it carefully.  
If you are unable to attend the Annual General Meeting, please complete the Proxy Form  
enclosed at the back of this document and return it in accordance with the instructions.*

**LYNAS CORPORATION LIMITED**  
**ACN 009 066 648**  
**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 2011 Annual General Meeting of shareholders of Lynas Corporation Limited ("Company") will be at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney NSW on 30 November 2011 at 10.00 am (Sydney time) for the purpose of transacting the following Business.

**ORDINARY BUSINESS**

**2011 Financial Statements**

To receive and consider the financial statements of the Company for the year ended 30 June 2011, consisting of the Annual Financial Report, the Directors' Report and Auditor's Report.

**Resolution 1 – Remuneration Report**

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

*"That the Remuneration Report of the Company for the year ended 30 June 2011 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 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 – Election of Liam Forde as a Director**

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

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

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

### **Resolution 3 – Confirmation of Appointment of Ziggy Switkowski as a Director**

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

*"That the appointment of Ziggy Switkowski 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, Mr Switkowski was appointed as an Independent 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 4 – Confirmation of Appointment of Kathleen Conlon as a Director**

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

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

On 22 September 2011, Ms Conlon was appointed as an Independent Director of the Company to take effect from 1 November 2011. 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 5 - Authorisation of issue of Options**

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

*"That, for the purpose of Rule 7.2 Exception 9 of the Listing Rules of ASX Limited and for all other purposes, the Company hereby approves the issue of Options under the Company's 1999 Option Incentive Plan, as amended, ("**Option Plan**") to persons eligible to participate in the Option Plan, on the terms and conditions set out in Annexure A."*

The total number of Options over unissued Shares in the Company that may be issued under this Option Plan and any other employee incentive plan at any time shall not exceed 10% of the total number of Shares on issue from time to time. The Company will disregard any votes cast on this resolution by any director and any other person that may participate in the proposed issue of Options and any associate of any such person 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 6 - Authorisation of issue of Performance Rights

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

*"That, for the purpose of Rule 7.2 Exception 9 of the Listing Rules of ASX Limited and for all other purposes, the Company hereby approves the issue of Performance Rights ("Rights") under the Lynas Corporation Ltd ACN 009 066 648 Performance Rights Plan, as amended, ("**Rights Plan**") to persons eligible to participate in the Rights Plan, on the terms and conditions set out in Annexure B."*

The total number of Rights over unissued Shares in the Company that may be issued under this Rights Plan and any other employee incentive plan at any time shall not exceed 10% of the total number of Shares on issue from time to time. The Company will disregard any votes cast on this resolution by any director and any other person that may participate in the proposed issue of Rights and any associate of any such person 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 7 – Issue of Options for the benefit of an Executive Director – Nicholas Curtis

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

*"That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to issue, for the benefit of Nicholas Curtis, Options to subscribe for 4,000,000 fully paid ordinary shares in the capital of the Company at an exercise price of \$1.69 per share with a 3 year vesting period and a 5 year term, and subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company's Option Incentive Plan."*

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

The value of each Option to be granted to the abovementioned director as calculated by the Company and its advisers using the Black & Scholes valuation model is \$0.5045.

## Entitlements to Vote

A Proxy Form is enclosed with this Notice

For the purposes of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and holder of shares if that person is registered as a holder of those shares at 7.00 pm on 28 November 2011.

By order of the Board



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Andrew Arnold  
Secretary  
Date: 5 October 2011

## 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 2011 is set out in the Directors' Report on pages 34 to 41 of the 2011 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.

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:

- (a) Prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:
  - (i) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
  - (ii) a Closely Related Party of such a member.

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

- (iii) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (iv) 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 – ELECTION OF LIAM FORDE 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 Forde:

### **Biographical details**

Mr Forde joined the Company as a Non-Executive Director in December 2007 and is the Lead Independent Director of the Company. Mr Forde has many years experience in senior finance and managerial positions in both Ireland and Australia. He is currently a director of Hastings Funds Management Limited and Chairman of Hastings Management Pty Ltd. In addition Mr Forde is a member of several advisory boards and is a member of the Australian Institute of Company Directors. Mr Forde was Chief Executive Officer of the Baulderstone Hornibrook Group from 2002 to 2005, following 15 years as its Chief Financial Officer for the Group. During the past three years Mr Forde has not held any other listed company directorships.

### **Details of relationships between the Candidate and the Company**

Mr. Forde is a non-executive Director and the Lead Independent 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 Forde**

Mr Forde joined the Board as a Non-Executive Director in December 2007.

## **RESOLUTION 3 – CONFIRMATION OF APPOINTMENT OF ZIGGY SWITKOWSKI 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 Switkowski:

### **Biographical details**

Dr Switkowski is Chancellor of RMIT University and a non-executive director of Suncorp-Metway, Tabcorp Holdings and Oil Search, and Chairman of Opera Australia. Dr Switkowski is the former chairman of the Australian Nuclear Science and Technology Organization, and a former chief executive of Telstra Corporation, Optus Communications and Kodak (Australia).

Dr Switkowski has a PhD in nuclear physics from the University of Melbourne and is a Fellow of the Australian Academy of Technological Sciences and Engineering, and of the Australian Institute of Company Directors.

### **Details of relationships between the Candidate and the Company**

Dr Switkowski is a non-executive Director of the Company

### **Details of relationships between the Candidate and Directors of the Company**

Not applicable

### **Other directorships held**

Dr Switkowski is a non-executive director of Suncorp-Metway, Tabcorp Holdings and Oil Search.

### **The term of office already served by Dr Switkowski**

Dr Switkowski joined the Board as a Non-Executive Director in February 2011.

## **RESOLUTION 4 – CONFIRMATION OF APPOINTMENT OF KATHLEEN CONLON 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 Ms Conlon:

### **Biographical details**

Ms Conlon is currently a non-executive director of CSR Limited and REA Group Limited. She also serves on the NSW council of the Australian Institute of Company Directors and is a member of Chief Executive Women.

Prior to her non-executive director career, Ms Conlon spent 20 years in professional consulting where she successfully assisted companies achieve increased shareholder returns through strategic and operational improvements in a diverse range of industries.

In 2003, Ms Conlon was awarded the Commonwealth Centenary medal for services to business leadership.

**Details of relationships between the Candidate and the Company**

Ms Conlon was appointed as a non-executive Director of the Company on 22 September 2011 to take effect from 1 November 2011

**Details of relationships between the Candidate and Directors of the Company**

Not applicable

**Other directorships held**

Ms Conlon is a non-executive director of CSR Limited and the REA Group Limited.

**The term of office already served by Ms Conlon**

Ms Conlon was appointed to the Board on 22 September 2011 to take effect from 1 November 2011.

**RESOLUTION 5 – AUTHORISATION OF ISSUE OF OPTIONS**

Under Listing Rule 7.1, the Company may issue equity securities equivalent to 15% of the total issued equity securities in the Company without obtaining shareholder approval. Listing Rule 7.2 Exception 9 contains an exception to the 15% limit where shareholders have approved the issue of securities under an employee incentive scheme within 3 years before the date of issue of securities. It is common for companies to obtain approvals of the issue of securities pursuant to an employee incentive scheme every 3 years, so that Listing Rule 7.2 Exception 9 continues to apply to the company's employee incentive scheme.

Shareholders of the Company last approved the issue of options pursuant to the Option Plan on 26 November 2008.

Given that by the time of this 2011 AGM of the Company, more than 3 years will have elapsed since the shareholders of the Company approved the issue of options pursuant to the Option Plan on 26 November 2008, the Company seeks shareholder approval at this 2011 AGM in the same terms as the approval granted on 26 November 2008.

The total number of Options over unissued Shares in the Company that may be issued under this Option Plan and any other employee incentive plan at any time shall not exceed 10% of the total number of Shares on issue from time to time.

The following information is provided in accordance with Listing Rule 7.2 Exception 9:

1. a summary of the terms of the Option Plan is set out in Annexure A;
2. the number of current options issued under the Option Plan since the date of the last approval (on 26 November 2008) is 56,365,000.

**RESOLUTION 6 – AUTHORISATION OF ISSUE OF PERFORMANCE RIGHTS**

Under Listing Rule 7.1, the Company may issue equity securities equivalent to 15% of the total issued equity securities in the Company without obtaining shareholder approval. Listing Rule 7.2 Exception 9 contains an exception to the 15% limit where shareholders have approved the issue of securities under an employee incentive scheme within 3 years before the date of issue of securities.

On 25 October 2010, the Lynas Board of Directors approved the adoption of the "Lynas Corporation Limited (ACN 009 066 648) – Performance Rights Plan" ("Rights Plan"). The company is seeking shareholder approval of the issue of securities pursuant to the Rights Plan, so that Listing Rule 7.2 Exception 9 will apply to this employee incentive scheme.

The total number of Options over unissued Shares in the Company that may be issued under this Option Plan and any other employee incentive plan at any time shall not exceed 10% of the total number of Shares on issue from time to time.

The following information is provided in accordance with Listing Rule 7.2 Exception 9:

1. a summary of the terms of the Rights Plan is set out in Annexure B;
2. the number of Rights issued under the Rights Plan since the adoption of the Rights Plan (on 25 October 2010) is 5,543,036.

#### **RESOLUTION 7 – ISSUE OF OPTIONS FOR THE BENEFIT OF AN EXECUTIVE DIRECTOR – NICHOLAS CURTIS**

The Company proposes to issue 4,000,000 Options for the benefit of its Executive Director, Nicholas Curtis under the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) Option Incentive Plan ("Plan") as set out in Annexure A. The Options would be held via the Lynas Corporation Limited Employee Share Trust, details of which are set out in Annexure C.

The Options would be issued at an exercise price of A\$1.69 per option, which represents a 20% premium to the 5 day volume weighted average price of the Company's shares on the 5 trading days immediately prior to 22 September (being the day the Board resolved to issue the Options, subject to shareholder approval).

#### ***Listing Rule 10.14***

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

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

- (a) the Options will be issued to the trustee of the Lynas Corporation Limited Employee Share Trust (the "EST Trustee"). The EST Trustee will hold the options for the benefit of Nicholas Curtis, who is an executive director ("Participating Director"), as described in Annexure C;
- (b) the maximum number of Options to be granted under Resolution 7 is 4,000,000;
- (c) the Options will be granted as employee incentive options and accordingly the Options will be issued for no cash consideration. The exercise price of the Options will be A\$1.69 per share. The Options will have a 3 year vesting period and a 5 year term;
- (d) The Options are subject to the following performance hurdles:
  - (i) 50% will be conditional on the Lynas Kuantan plant having demonstrated the capacity to produce 22,000 tonnes per annum rare earth oxides (REO) over at least a 4-week period during the last calendar quarter of 2013; and
  - (ii) 50% will be conditional on the company's Total Shareholder Return (TSR) exceeding the 50th percentile of ASX 100 companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
    - (a) If the Lynas TSR exceeds the 50th percentile, 50% of the TSR portion will vest.
    - (b) If the Lynas TSR exceeds the 75th percentile, 100% of the TSR portion will vest.
    - (c) If the Lynas TSR is between the 50th percentile and the 75th 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 above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at Phase 1 of the Malaysian plant scheduled for Q4 2011, and Phase 2 due to be completed approximately 12 months later).

- (e) the value of the Options to be granted as calculated by the Company and its advisers, Remuneration Strategies Group Pty Ltd, using the above assumptions and the Black & Scholes valuation model is A\$0.5045 per Option (details of the calculation of this valuation are set out below);
- (f) Details of the securities issued under the Plan since the last shareholder approval at the AGM held on 24 November 2010 are listed below. All of the options listed below were issued for no cash consideration, at an exercise price of \$1.15 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 24 November 2010:

Nicholas Curtis:	9,000,000 options
Liam Forde:	1,500,000 options
David Davidson:	1,200,000 options
Jacob Klein:	1,200,000 options.

- (g) the names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are: Nicholas Curtis, Liam Forde, David Davidson, Jacob Klein, Ziggy Switkowski and Kathleen Conlon;
- (h) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure C, the EST Trustee will provide an interest free loan to Nicholas Curtis equivalent to the value of the Options to enable Nicholas Curtis to subscribe for Share Units in the EST. The Share Units in the EST will be issued for a consideration equal to the value of the Options to be issued for the benefit of Nicholas Curtis;
- (i) the Options will be issued no later than 12 months after the date of this Annual General meeting;
- (j) the Options will be issued to the EST Trustee for the benefit of the Participating Director for no cash consideration;

**Related Party Transactions**

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

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

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

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

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

Nicholas Curtis.

***The nature of the financial benefit***

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

***Directors' recommendation***

All the Directors were available to consider the proposed Resolution 7.

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

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

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

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

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

The proposed Resolution 7 would have the effect of giving power to the Directors to grant Nicholas Curtis Options on the terms and conditions as set out in Annexure A and as otherwise mentioned above. The Company presently has on issue 1,713,846,913 ordinary shares and 88,179,418 unlisted Options and Performance Rights.

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

The highest closing price for fully paid ordinary shares in the Company trading on ASX during the past 12 months was A\$2.55 which occurred on 12 April 2011 and the lowest closing price of shares in the Company trading on ASX during the past 12 months was A\$0.875 which occurred on 26 September 2011. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A\$0.94 which occurred on 4 October 2011.

The other remuneration currently being received by the proposed recipient of the options is set out on page 38 of the 2011 Annual Report of the Company.

At the date of this Notice the proposed recipient of the options, Nicholas Curtis has an interest in 16,045,758 ordinary shares and 31,000,000 options.

These numbers of options 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 Options. The Company's Remuneration Committee took advice from an external consulting firm, Mercer, in determining the number of options to be allocated for the benefit of Nicholas Curtis. The Options component of the remuneration provides a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

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

#### ***Vesting Period and Performance Hurdles***

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

- (i) 50% will be conditional on the Lynas Kuantan plant having demonstrated the capacity to produce 22,000 tonnes per annum rare earth oxides (REO) over at least a 4-week period during the last calendar quarter of 2013; and
- (ii) 50% will be conditional on the company's Total Shareholder Return (TSR) exceeding the 50th percentile of ASX 100 companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
  - (a) If the Lynas TSR exceeds the 50th percentile, 50% of the TSR portion will vest.
  - (b) If the Lynas TSR exceeds the 75th percentile, 100% of the TSR portion will vest.
  - (c) If the Lynas TSR is between the 50th percentile and the 75th 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 above performance hurdles reflect the transition of the Company from a development phase company to an industrial company (with the first feed of concentrate to the kiln at Phase 1 of the Malaysian plant scheduled for Q4 2011, and Phase 2 due to be completed approximately 12 months later).

#### ***Valuation of Options***

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

The Company proposes to issue the Options effective 22 September 2011 (subject to shareholder approval), in accordance with the Company's usual remuneration practices, because Board approval of the grant of the options (subject to shareholder approval) occurred on 22 September and accordingly the options have been valued at that date.

On the days where the Share has not traded the previous day's closing price has been used. The resulting volatility figure is historical and this has been used as a guide to estimating Implied Volatility. It should be noted that volatility is a subjective input into the calculation of financial options using the Black Scholes Merton methodology with a Binomial Variation.

Using this method of valuation Remuneration Strategies Group Pty Ltd has determined a value of A\$0.5045 for each of the Options to be granted to the Director in terms of the Plan. On the basis of this calculation, the total financial benefit to be given to the Director, if Resolution 7 is approved, would amount to A\$2,018,000

The assumptions used by the company and its advisers in calculating the value of the Options were as follows:

Share Price	A\$1.41
Exercise Price	A\$1.69
Volatility	68.17%
Expected life of Options	5 years
Risk free rate	4.75% pa
Exercise Price Multiple	2
Dividends	Nil

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

## 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 OPTIONS

1. No monies will be payable for the issue of the Options.
2. A Certificate will be issued for the Options.
3. The Options shall expire five years after the day on which the Options are issued.
4. Notwithstanding any other terms and conditions of the Options, all Options may be exercised:
  - (a) during a Bid Period; or
  - (b) upon the occurrence of a Change of Control Event; or
  - (c) on an application under section 411 of the Corporations Act, if a court orders that a meeting be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.
5. Each Option shall carry the right in favour of the Option holder to subscribe for one Share.
6. Options may be exercised in whole or in part.
7. Shares allotted to Option holders on the exercise of Options shall be issued at the price specified in the resolution of Directors approving the issue of the Options.
8. The issue price of Shares the subject of the Options shall be deemed to have been paid in full on payment of the exercise price of the Options.
9. Subject to clause 21 of these Option Terms:
  - (a) Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option holder to exercise all or a specified number of Options held by him accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares; and
  - (b) an exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by him.
10. The Company shall allot the resultant Shares within five (5) Business Days of the exercise of the Option.
11. No application will be made for the Options to be listed for Official Quotation on ASX.
12. Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
13. The Company shall, in accordance with the Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.
14. If the Options are exercised before the record date of an entitlement, the Option holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option holder of the proposed issue at least nine (9) Business Days before the record date. Option holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.
15. In the event of any reorganisation of capital of the Company, all rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.
16. The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

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

$$O' = \frac{O - E[P - (S + D)]}{N + 1}$$

Where:

- O' = the new exercise price of the Option.
- O = the old exercise price of the Option.
- E = the number of underlying securities in the Company into which one option is exercisable.
- P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price for a security under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.
18. The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.
19. The Company shall notify each Option holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the exercise price.
20. Options may be converted into Shares to be held in the name of the Option holders' nominee.
21. The Option may be exercised in whole or in part in parcels of not less than 1,000, except if the Optionholder holds less than 1,000 Options in which case, all Options held by the Optionholder must be exercised together.
22. Options/Performance Rights to be issued during the financial year ended 30 June 2012 will, in addition to the condition that the recipient be employed by Lynas at the end of the 3-year vesting period, be subject to the following stretch vesting conditions:
- (iii) 50% will be conditional on the Lynas Kuantan plant having demonstrated the capacity to produce 22,000 tonnes per annum rare earth oxides (REO) over at least a 4-week period during the last calendar quarter of 2013
- (iv) 50% will be conditional on the company's Total Shareholder Return (TSR) exceeding the 50th percentile of ASX 100 companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
- (a) If the Lynas TSR exceeds the 50th percentile, 50% of the TSR portion will vest.
- (b) If the Lynas TSR exceeds the 75th percentile, 100% of the TSR portion will vest.
- (c) If the Lynas TSR is between the 50th percentile and the 75th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest.

Unless the context otherwise requires, capitalised terms used in these terms and not otherwise defined have the same meanings as in the ASX Listing Rules.

## **ANNEXURE B – 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:
  - (a) during a Bid Period; or
  - (b) upon the occurrence of a Change of Control Event; or
  - (c) on an application under section 411 of the Corporations Act, if a court orders that a meeting be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.
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.

15. Performance Rights/Options to be issued during the financial year ended 30 June 2012 will, in addition to the condition that the recipient be employed by Lynas at the end of the 3-year vesting period, be subject to the following stretch vesting conditions:
- (v) 50% will be conditional on the Lynas Kuantan plant having demonstrated the capacity to produce 22,000 tonnes per annum rare earth oxides (REO) over at least a 4-week period during the last calendar quarter of 2013
  - (vi) 50% will be conditional on the company's Total Shareholder Return (TSR) exceeding the 50th percentile of ASX 100 companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
    - (a) If the Lynas TSR exceeds the 50th percentile, 50% of the TSR portion will vest.
    - (b) If the Lynas TSR exceeds the 75th percentile, 100% of the TSR portion will vest.
    - (c) If the Lynas TSR is between the 50th percentile and the 75th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest.

## ANNEXURE C – DETAILS OF THE EMPLOYEE SHARE TRUST

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

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

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

1. Lynas has found that a traditional employee option plan on its own does not facilitate retention of shares by employees after exercise of their options. The reason is that many employees find it necessary to immediately sell their shares in order to fund the exercise of their options. The EST structure enables the exercise of employee options to be funded from the EST, as described below. This will enable shares to be retained in the EST for the benefit of employees following the exercise of options.
2. Facilitating the retention of shares for the benefit of employees after the exercise of options will also assist with the retention of key employees.
3. A traditional employee option plan on its own creates complex taxation issues for employees. The taxation issues for employees arising from the EST are simpler because the employees own Share Units in the EST and they do not directly own options in the Company.

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

1. Lynas issues the options to the EST. Lynas makes a contribution to the EST equal to the value of the options (as determined under AASB2) and the options are issued to the EST at that value.
2. The EST provides an interest free loan to the Employee equivalent to the value of the options to enable the Employee to subscribe for Share Units in the EST. The loan is non-recourse. The Share Units in the EST are issued for a consideration equal to the value of the options issued for the benefit of the Employee.
3. After the applicable vesting period (usually three years) the Employee can direct the EST to exercise the options. If the EST requires additional cash to exercise the options, this amount may be advanced by Lynas to the EST, subject to repayment by the employee as described below.
4. If, following exercise of the options, the underlying shares are to be sold, the Employee’s Share Units are redeemed and the Employee receives an amount equivalent to the net consideration from the sale of the underlying shares (less repayment of any loans and other amounts owing by the Employee).
5. The total number of options in the Company that may be issued under the Lynas Option Incentive Plan at any time cannot exceed 10% of the total number of shares on issue from time to time.

FOR ALL ENQUIRIES CALL:  
(within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

FACSIMILE  
+61 2 9290 9655

ALL CORRESPONDENCE TO:  
Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001  
Australia

## Name and Address

### 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 on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 10.00 am (Sydney time) ON MONDAY 28 NOVEMBER 2011

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

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

#### Proxy which is a Body Corporate

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

#### Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

### STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

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

### STEP 3 Sign the Form

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders must sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting that is by **10.00 am on Monday 28 November 2011**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged using the reply paid envelope or:

**BY MAIL** - Share Registry – Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia

**BY FAX** - + 61 2 9290 9655

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

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

# Lynas Corporation Ltd

<Address 1>  
 <Address 2>  
 <Address 3>  
 <Address 4>  
 <Address 5>  
 <Address 6>

<BARCODE>

## STEP 1 - Appointment of Proxy

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

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

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Lynas Corporation Ltd to be held at the Barnet Long Room, Customs House, 31 Alfred Street Sydney, NSW 2000 on Wednesday 30 November 2011 at 10.00am** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of resolutions 1, 5, 6 & 7, please mark this box. *By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the Meeting for those resolutions, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called. By marking this box I/we acknowledge the Chairman of the Meeting can exercise my/our proxy even though he has an interest in the outcome of the resolution and unless a specific voting direction has been specified below, the Chairman of the Meeting is directed to vote in accordance with his voting intention as set out below.*

*The Chair will vote all undirected proxies in favour of resolutions 1, 5, 6 & 7.*

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

Ordinary Business		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Liam Forde	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Confirmation of Appointment of Ziggy Switkowski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Confirmation of Appointment of Kathleen Conlon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Authorisation of Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Authorisation of Issue of Performance Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Options to Executive Director – N. Curtis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

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

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name .....

Contact Daytime Telephone ..... Date / / 2011