



ACN 009 066 648

## **NOTICE OF ANNUAL GENERAL MEETING**

**To be held on Tuesday 20 November 2012 at 10.00 am (Sydney time)**

**at the Sydney Sofitel Wentworth Hotel  
61 – 101 Phillip 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 2012 Annual General Meeting of shareholders of Lynas Corporation Limited ("**Company**") will be at the Sydney Sofitel Wentworth Hotel, 61 – 101 Phillip Street, Sydney, NSW on 20 November 2012 at 10.00 am (Sydney time) for the purpose of transacting the following Business.

**ORDINARY BUSINESS**

**2012 Financial Statements**

To receive and consider the financial statements of the Company for the year ended 30 June 2012, 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 2012 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 – Re-election of David Davidson as a Director**

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

*"That David Davidson 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 – Re- election of Jacob Klein as a Director**

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

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

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

### **Resolution 4 – Amendment to Constitution**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*"That clause 12.7(a)(i) of the Constitution of the Company be amended to read as follows:*

*'each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative or, subject to this Constitution, by direct vote.'*

*That the following clause be inserted into the Constitution of the Company as a new clause 12.20:*

*'The Directors may determine that, at any general meeting of Shareholders, a Shareholder who is entitled to attend and vote at that meeting is entitled to a direct vote. A direct vote includes a vote delivered to the Company by post, facsimile transmission or other electronic means approved by the Directors. The Directors may prescribe rules to govern direct voting including rules specifying the form, method and timing of giving the direct vote in order for the vote to be valid.'*

### **Resolution 5 – Increase in Aggregate Directors' Fees**

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

*"That, for the purposes of Listing Rule 10.17 of ASX Limited and in accordance with Article 13.8 of the Company's Constitution, the maximum aggregate amount to be paid to the directors of the Company by way of remuneration for their services, be increased from \$750,000 to \$1,250,000 per annum".*

The Company will disregard any votes cast on this resolution by the directors of the Company and any associate of any of them unless the vote 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

## **Resolution 6 – Subsequent Approval of Issue of Convertible Bonds to funds managed or selected by Mt Kellett Capital Management**

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

*“That for the purpose of Listing Rule 7.4 of ASX Limited, the issue and allotment on 28 February 2012 of the following securities subscribed by funds managed or selected by Mt Kellett Capital Management is hereby approved:*

- *US\$225,000,000 in principal of Bonds which are initially convertible into approximately 171,594,000 Ordinary Shares based on the Initial Conversion Price of AU\$1.25 (which is subject to adjustment) and an exchange rate of US\$1.00 = AU\$0.9533.”*

The Company will disregard any votes on this resolution by the subscribers of the Convertible Bonds and their associates and Mt Kellett Capital Management and its associates. However, the Company 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 the directions on the proxy form to vote as the proxy decides.

## **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 18 November 2012.

By order of the Board

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Andrew Arnold  
Secretary  
Date: 28 September 2012

## 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 2012 is set out in the Directors' Report on pages 39 to 50 of the 2012 Annual Report.

The Remuneration Report:

- explains the Board's policies relating to remuneration of directors, secretaries and executives of the Company;
- discusses the relationship between such policies and the Company's performance;
- provides details of any performance conditions attached to such remuneration; and
- sets out remuneration details for each director and Key Management Personnel.

The Board submits the Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution as required by the Corporations Act 2001 (Cth) ("**Corporations Act**").

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

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

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

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

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

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

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

### RESOLUTION 2 – RE-ELECTION OF DAVID DAVIDSON 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 Davidson:

**Biographical details**

Mr Davidson is a Non-Executive Director of the Company and originally joined the Board on 28 March 2002. He resigned from the Board on 18 August 2005 and was re-appointed as a Director on 8 December 2005. Mr Davidson has had a distinguished career with ICI and DuPont. An Australian, he has lived and worked in Europe and North America and held a number of senior executive roles with global responsibilities. He is a former director of ICI America Inc. Since returning to Australia, Mr Davidson has been providing executive and corporate advice on organisation development and strategy. During the past three years Mr Davidson has not held any other listed company directorships.

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

Mr. Davidson is a non-executive Director of the Company

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

Not applicable

**Other directorships held**

Nil

**The term of office already served by Mr Davidson**

Mr Davidson re-joined the Board as a Non-Executive Director in August 2005.

**RESOLUTION 3 – RE-ELECTION OF JACOB KLEIN 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 Klein:

**Biographical details**

Mr Klein is a Non-Executive Director of the Company and joined the Board on 25 August 2004. He has over 20 years experience in senior finance and managerial positions in both South Africa and Australia. He joined Macquarie Bank in 1991 and in 1995, as an Associate Director at Macquarie, he participated in the formation of Asia Resource Capital Limited, a joint venture between Macquarie Bank and China National Non-Ferrous Metal Industry Corporation (CNNC). From 1996 to June 2000 he worked for Sino Mining International. Mr Klein was CEO and a Director of Sino Gold Mining Limited until December 2009. Mr Klein is a previous president of the NSW Branch of the Australia China Business Council and served on the NSW Asia Business Council. Mr Klein is Executive Chairman of Evolution Mining Limited and a Non-Executive Director of Oceana Gold Corporation.

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

Mr Klein is a non-executive Director of the Company

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

Not applicable

**Other directorships held**

Mr Klein is Executive Chairman of Evolution Mining Limited and a Non-Executive Director of Oceana Gold Corporation.

**The term of office already served by Mr Klein**

Mr Klein joined the Board as a Non-Executive Director in August 2004.

**RESOLUTION 4 – AMENDMENT TO CONSTITUTION**

Resolution 4 relates to the amendment to clause 12.7(a)(i) and the addition of a new clause 12.20 in the Constitution of the Company.

Direct Voting is a form of voting that allows shareholders to cast their vote, either online or by completing their personalised voting form, on resolutions of a meeting without having to attend the meeting in person and without needing to appoint a proxy to vote on their behalf.

A full copy of the proposed amended Constitution will be available for inspection by shareholders at the offices of Lynas Corporation at Level 7, 56 Pitt Street Sydney during business hours from the date of this Explanatory Memorandum until the date of the Annual General Meeting. Full copies of the proposed amended Constitution will also be available at the Annual General Meeting.

**RESOLUTION 5 – INCREASE IN AGGREGATE DIRECTORS’ FEES**

Each Non-Executive Director receives a fee for being a Director of the Company, and fees for Committees on which they sit. The Non-Executive Director fees, including Committee fees, include statutory superannuation contributions where appropriate.

Article 13.8 of the Company’s Constitution requires that the approval of members in general meeting be obtained in order to increase the fees payable to directors of the Company. Listing Rule 10.17 of the Listing Rules of ASX Limited (“ASX”) provides that an entity must not increase the total amount of fees payable by it without the approval of holders of its ordinary securities. This rule does not apply to the salary of an executive director. The directors now seek member approval to increase the aggregate remuneration payable to the non-executive directors to \$1,250,000 per annum.

The proposed increase in the maximum aggregate remuneration payable to the directors provides scope to:

- 1. appoint an additional non-executive director to enhance the breadth of skills, and the diversity of membership, of the Board; and
- 2. prepare for transition to the appointment of a Non Executive Chairman of the Board.

The Company believes that it is important that its Board reflects a diverse range of opinions, backgrounds and experiences. The proposed new limit on aggregate remuneration for non-executive directors of \$1,250,000 per annum is consistent with the limits of other comparable ASX listed companies, and in particular ASX listed companies with a Non Executive Chairman.

**Base Fees**

Non-Executive Director fees are determined by the Company’s Nomination and Remuneration Committee and fall within the aggregate amount approved by shareholders. In 2011 the Committee engaged Egon Zender to provide advice on the appropriate levels for Non-Executive Directors’ fees and Committee fees. Fees paid during the year to Egon Zender totalled \$125,988 (2011: \$219,991). As a result of this review the level of Non-Executive Director fees and Committee fees were increased effective 1 February 2011 (but did not exceed the Non-Executive Director aggregate pool). There has been no increase in Non-Executive Director fees since 1 February 2011. As noted above, the proposed increase will provide scope to appoint additional non-executive directors to enhance the breadth of skills, and the diversity of membership, of the Board.

Base fees for Non-Executive Directors for the financial year ended June 30, 2012 were:

- Lead Independent Director \$125,000 per annum; and
- Non-Executive Director \$100,000 per annum.

**Committee Fees**

<b>Board Committee</b>	<b>Chair \$</b>	<b>Member \$</b>
Audit Committee	30,000	15,000
Risk Management, Safety, Health, Environment and Community Committee	25,000	12,500
Nomination and Remuneration Committee	25,000	12,500

The Company has previously announced that it will no longer issue options (or equivalent securities) to non-executive directors.

The following information is provided for the purpose of Listing Rule 10.17.1:

**Amount of the increase**

The current approved amount for directors’ fees is \$750,000 per annum. Accordingly, the amount of the proposed increase is \$500,000 per annum.

The last increase in directors’ fees was in November 2010 when the fees were increased from \$500,000 per annum to \$750,000 per annum.

**The maximum amount that may be paid to the directors as a whole**

If Resolution 5 is passed, the maximum aggregate amount of fees that may be paid to the directors (other than the salary of executive directors) will be \$1,250,000 per annum.

## **RESOLUTION 6 – SUBSEQUENT APPROVAL OF ISSUE OF CONVERTIBLE BONDS TO FUNDS MANAGED OR SELECTED BY MT KELLETT CAPITAL MANAGEMENT**

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period where the total number of equity securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except where an exception applies or with the prior approval of members of the Company in general meeting of the terms and conditions of the proposed issue.

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.

Resolution 6 seeks shareholder approval for the purpose of Listing Rule 7.4 of the issue on 28 February 2012 to funds managed or selected by Mt Kellett Capital Management (“**Mt Kellett**”) of US\$225,000,000 in principal of convertible bonds (“**Convertible Bonds**”) which were initially convertible into approximately 171,594,000 ordinary shares in the Company (“**Shares**”) based on an initial conversion price of AU\$1.25 (which is subject to adjustment as noted below) and an exchange rate of US\$1.00 = AU\$0.9533.

None of the funds managed or selected by Mt Kellett are “related parties” of the Company under the Corporations Act.

The following information is provided to shareholders for the purpose of Listing Rule 7.5:

### **The number of securities allotted**

On 24 January 2012, the Company, Mount Kellett Capital Partners (Ireland) II Limited (“**MKCPI**”), Lantau (Ireland) Limited (“**LIL**”) and Vista Asset Funding (Ireland) Limited (“**VAFIL**”) and, together with MKCPI and LIL, the “**Original Investors**”) and the wholly-owned subsidiaries of the Company (“**Guarantors**”) entered into a convertible bond subscription agreement (“**Subscription Agreement**”) pursuant to which the Company agreed to issue 225,000,000 Convertible Bonds.

The Convertible Bonds are initially convertible into approximately 171,594,000 Shares based on the initial conversion price of AU\$1.25. As noted below, the initial conversion price may be adjusted and the number of Shares to be issued will increase if the initial conversion price is reduced. The table below sets out examples of a range of outcomes for conversion prices between AU\$1.25 and AU\$1.10. A constant exchange rate of US\$1.00 = AU\$0.9533 applies to any conversion.

### **The issue price of the securities**

The Convertible Bonds were each issued with an issue price (or face value) of US\$1.00 (“**Subscription Amount**”).

The Company received the first tranche amount of US\$50,000,000 on 25 January 2012 and it was agreed that US\$175,000,000, being the balance of the Subscription Amount, would be paid upon the satisfaction of certain conditions precedent. The parties subsequently agreed to increase the number of Convertible Bonds to be issued as part of the second tranche subscription from 175,000,000 to 225,000,000 (“**Tranche 2 Convertible Bonds**”) and for the first tranche of 50,000,000 Convertible Bonds (“**Tranche 1 Convertible Bonds**”) to be redeemed early. The redemption of the Tranche 1 Convertible Bonds and the issue of the Tranche 2 Convertible Bonds occurred simultaneously. The final payment of US\$175,000,000 was received on 28 February 2012.

As noted below, the initial conversion price for the Shares issued on conversion of the Convertible Bonds is AU\$1.25. However, the conversion price is subject to adjustment.

### **The terms of the securities**

Each Convertible Bond is issued on the following terms:

- (a) **Initial Conversion Price:** AU\$1.25.
- (b) **Maturity:** 4.5 years.
- (c) **Coupon:** 2.75% per annum.
- (d) **Issuer redemption:** After the expiry of 3.5 years (or 42 months) from the Tranche 1 Convertible Bond subscription date, if the 30 day VWAP of the Shares is equal to or exceeds 160% of the then applicable conversion price, the Company may redeem all of the Convertible Bonds.
- (e) **Conversion Price:** The initial conversion price is AU\$1.25. Customary anti-dilution adjustments apply to the conversion price. In addition, under the terms of the Convertible Bonds, if a “Reset Event” had occurred, the conversion price would have been the lower of AU\$1.25 and 120% of

the VWAP for the 30 trading days commencing on: (i) where the Temporary Operating Licence (“TOL”) is not obtained on or before 15 October 2012, 16 October 2012; or (ii) where the Malaysian government communicates its decision to the Group on or before 15 October 2012 to refuse to grant the TOL, the date of such announcement. The Malaysian government issued the TOL on 5 September 2012, and therefore the Company believes that these “Reset Events” are no longer applicable. A range of potential outcomes at different conversion prices is set out in the table below.

- (f) **Holder redemption:** Holders can require the Company to redeem the Convertible Bonds on specified redemption events which are customary for a transaction of this type.
- (g) **Ranking:** The Convertible Bonds will rank parri passu without any preference among themselves. On conversion of the Convertible Bonds into Shares, new Shares will be issued which will rank equally with the Shares then on issue.

**Intended use of the funds raised**

The funds were raised to provide funding for construction and commissioning of Phase 1 of the Lynas Advanced Materials Plant in Malaysia, and for operating expenses.

**Effect of the issue of the Convertible Bonds on the Company**

The principal effects of the issue of the Convertible Bonds on the Company were to:

- (a) increase the Company’s cash reserves by US\$225,000,000 (before deducting the Company’s estimated expenses associated with the issue of the Convertible Bonds);
- (b) give rise to an obligation on the part of the Company to pay interest on each Convertible Bond at the rate of 2.75% per annum, payable on the last business day of each quarter plus, where applicable, interest withholding tax;
- (c) give rise to an obligation on the part of the Company to pay to the holder of a Convertible Bond (a “**Bondholder**”), in respect of each Convertible Bond held by the Bondholder, an amount equal to US\$1.00, plus all accrued but unpaid interest until the date of redemption, upon redemption of the Convertible Bonds (if they are not converted early) on 25 July 2016, or earlier upon an event of default occurring; and
- (d) give rise to an obligation on the part of the Company to pay to a Bondholder, in respect of each Convertible Bond held by the Bondholder, an amount generating an internal rate of return of 15% in the period from the relevant subscription date to the date of redemption if:
  - (i) there is a change in control of any member of the Group;
  - (ii) the Company is removed from ASX’s Official List; or
  - (iii) the Company’s Shares cease to be quoted.

The Convertible Bonds are treated as debt for tax purposes.

**Effect of the issue of the Shares on the Company**

The Convertible Bonds have a principal amount of US\$225,000,000, which if converted immediately would result in the issue of approximately 171,594,000 Shares based on the Initial Conversion Price of AU\$1.25 and an exchange rate of US\$1 = AU\$0.9533. As noted above, the Initial Conversion Price may be subject to adjustment under the terms of issue of the Convertible Bonds, or if agreed to by the Company and the Original Investors. The following table illustrates different outcomes based on a range of different conversion prices:

<b>Conversion price</b>	<b>No. of Shares</b>
AU\$1.25	171,594,000
AU\$1.20	178,743,750
AU\$1.15	186,515,217
AU\$1.10	194,993,181

It is important to note that this is an illustration only based on a range of possible conversion prices and the actual adjustments may result in a different conversion price.

As at the date of this Explanatory Memorandum, none of the Convertible Bonds have been converted into Shares.

On the date of this Explanatory Memorandum, the Company has on issue the following securities:

<b>Type of security</b>	<b>No. of securities</b>
Shares (ASX Code: LYC)	1,716,159,363
Unlisted Employee Options and Unlisted Employee Performance Rights	85,947,482

If any of the Convertible Bonds are converted into Shares, the effect would be to dilute the share holding of existing shareholders. The market price of the Shares during the term of the Convertible Bonds will normally determine whether or not Bondholders convert their Convertible Bonds into Shares. At the time any Convertible Bonds are converted into Shares, the Shares may be trading at a price which is higher than the conversion price of the Convertible Bonds. The highest closing price for Shares trading on ASX during the past 12 months was AU\$1.59 which occurred on 2 February 2012 and the lowest closing price of Shares trading on ASX during the past 12 months was AU\$0.595 which occurred on 5 September 2012. The most recent closing price of Shares trading on the ASX prior to the date of this Explanatory Memorandum was AU\$0.80 which occurred on 27 September 2012.

The number of new Shares to be issued to Bondholders (if any) will depend on whether the Convertible Bonds are converted in whole or in part and the applicable conversion price.

By way of examples:

**Example A**

If all of the Tranche 2 Convertible Bonds are converted in whole by all of the Bondholders at a time when the relevant conversion price is the Initial Conversion Price of AU\$1.25, the number of new Shares to be issued would be 171,594,000. The issue of 171,594,000 new Shares to Bondholders would give the Bondholders an aggregate relevant interest in the Company of approximately 9.09% based on the total number of Shares on issue as of the date of this Explanatory Memorandum<sup>1</sup> and the issue of the new Shares to the Bondholders pursuant to the Convertible Bonds, being 1,887,753,363 Shares.

**Example B**

If all of the Tranche 2 Convertible Bonds are converted in whole by all of the Bondholders at a time when the relevant conversion price is the Initial Conversion Price of AU\$1.10, the number of new Shares to be issued would be 194,993,181. The issue of 194,993,181 new Shares to Bondholders would give the Bondholders an aggregate relevant interest in the Company of approximately 10.20% based on the total number of Shares on issue as of the date of this Explanatory Memorandum<sup>2</sup> and the issue of the new Shares to the Bondholders pursuant to the Convertible Bonds, being 1,911,152,544 Shares.

It is, however, important to note that these examples are illustrations only based on full conversion of the Convertible Bonds.

The actual outcome, if the Bondholders elect to convert the Convertible Bonds in whole or in part, will depend on the timing of the election and the Conversion Price. In addition, the ability to convert by any Bondholder under the terms of the Convertible Bond Deed Poll is conditional on compliance by that Bondholder with any applicable laws, including (without limitation) compliance with the notice and no objection provisions of the Foreign Acquisition and Takeovers Act 1975 (Cth) and Chapter 6 of the Corporations Act.

**Pro forma Statement of Financial Position of the Group taking account of the issue of the Convertible Bonds**

Set out in Table 1 below is an unaudited pro-forma consolidated Statement of Financial Position as at 31 December 2011 for the Group (i.e. at the time of issuance of the Convertible Bonds), based on the unaudited half-year consolidated Statement of Financial Position as at 31 December 2011, adjusted to reflect the issue of (but not the conversion of) the Convertible Bonds. This has been prepared on the basis of the accounting policies normally adopted by the Group and the assumptions set out in Table 1.

The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

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<sup>1</sup> 1,716,159,363 Shares

<sup>2</sup> 1,716,159,363 Shares

**Table 1 - Pro-forma consolidated Statement of Financial Position as at 31 December 2011 for the Group (i.e. at the time of issuance of the Convertible Bonds)**

<b>LYNAS CORPORATION LIMITED AND SUBSIDIARY COMPANIES</b>			
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
	<b>Actual [Unaudited]</b>	<b>Proceeds from Convertible Bonds less interest &amp; estimated transaction costs</b>	<b>Pro-forma on completion</b>
	<b>31-Dec-11</b>	<b>Adjustments</b>	<b>31-Dec-11</b>
	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	35,315	209,565	244,880
Restricted cash	180,233		180,233
Trade and other receivables	603		603
Prepayments	2,647		2,647
Inventories	45,116		45,116
<b>TOTAL CURRENT ASSETS</b>	<b>263,914</b>	<b>209,565</b>	<b>473,479</b>
<b>NON-CURRENT ASSETS</b>			
Inventories	13,683		13,683
Property, plant and equipment	532,355		532,355
Deferred exploration, evaluation and development	23,282		23,282
Intangible assets	284		284
Other non-current assets	18,182		18,182
Other investments	5,059		5,059
<b>TOTAL NON-CURRENT ASSETS</b>	<b>592,845</b>	<b>0</b>	<b>592,845</b>
<b>TOTAL ASSETS</b>	<b>856,759</b>	<b>209,565</b>	<b>1,066,324</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	41,775		41,775
Provisions	2,841		2,841
<b>TOTAL CURRENT LIABILITIES</b>	<b>44,616</b>	<b>0</b>	<b>44,616</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	4,197		4,197
Interest bearing liability	221,152		221,152
Convertible bonds		169,588	169,588
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>225,349</b>	<b>169,588</b>	<b>394,937</b>
<b>TOTAL LIABILITIES</b>	<b>269,965</b>	<b>169,588</b>	<b>439,553</b>
<b>NET ASSETS</b>	<b>586,794</b>	<b>39,977</b>	<b>626,771</b>
<b>EQUITY</b>			
Issued capital	820,810	40,109	860,919
Retained earnings	(237,841)	(132)	(237,973)
Share-based payment reserve	29,631		29,631
Foreign currency translation reserve	(28,109)		(28,109)
Investment revaluation reserve	2,303		2,303
<b>TOTAL EQUITY</b>	<b>586,794</b>	<b>39,977</b>	<b>626,771</b>

The fair value of the debt component of the Convertible Bonds at the issue date of the Convertible Bonds was estimated to be US\$182,000,000 (or 81% of the principal amount), with the equity component estimated at US\$43,000,000 (or 19% of the principal amount).

The estimated AU\$0.8 million of transaction costs directly related to the issue of the Convertible Bonds will be deducted from either debt or equity on the same proportional basis (i.e. 81% debt, 19% equity). The portion which is deducted from debt will then be amortised over the 4.5 year term of the Convertible Bonds.

The Convertible Bond initially gives rise to a deferred tax liability of AU\$12.3 million. This deferred tax liability has not been reflected in the pro-forma consolidated statement of financial position as the Group has unutilised carry forward tax losses that could be offset against the deferred tax liability. If the deferred tax liability had been reflected it would reduce Issued Capital by AU\$12.3 million and increase Provisions by the same amount.

## 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.

#### 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 SUNDAY 18 NOVEMBER 2012

## 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 Sunday 18 November 2012**. 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.

**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 Sydney Sofitel Wentworth Hotel, 61 – 101 Phillip Street, Sydney, NSW on Tuesday 20th November 2012 at 10.00 am (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of resolutions 1 & 5, 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.*

**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	Re-election of David Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Jacob Klein	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Amendment to Constitution – Direct Voting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Increase in Aggregate Directors Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Subsequent Approval of Issue of Convertible Bonds – Mt Kellett	<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 / / 2012