



ACN 009 066 648

## **NOTICE OF ANNUAL GENERAL MEETING**

**To be held on Thursday 26 November 2009 at 10.00 am (Sydney time)  
at the Sydney Harbour Marriott Hotel  
30 Pitt 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 2009 Annual General Meeting of shareholders of Lynas Corporation Limited ("Company") will be at the Sydney Harbour Marriott Hotel, 30 Pitt Street, Sydney, NSW on 26 November 2009 at 10.00 am (Sydney time) for the purpose of transacting the following Business.

**ORDINARY BUSINESS**

**2009 Financial Statements**

To receive and consider the financial statements of the Company for the year ended 30 June 2009, 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 2009 be adopted."*

Pursuant to section 250R(3) of the <i>Corporations Act</i> 2001, the vote on this resolution is advisory only and it does not bind the directors or the Company.
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**Resolution 2 – 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.
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### **Resolution 3 – Amendment to Constitution**

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

*That the Constitution of the Company be amended by deleting Clause 12.20, which currently reads as follows:*

*“12.20 Holders of convertible notes (“Noteholders”) issued under a subscription deed between the Company, Horse Creek Mining Pty Limited ACN 100 130 265 and others dated in or about August 2003 (“Subscription Deed”), may vote on resolutions of Shareholders during such time as an Event of Default (as defined in the Subscription Deed) subsists. Noteholders will have one vote for every Share which they would have held had their notes been converted into Shares on the date on which entitlements to vote are taken prior to the meeting at which the resolution is to be considered (or the date of any adjournment of such meeting). During such time as an Event of Default subsists, the provisions of Article 12 will apply as if references to Shareholders included references to Noteholders.”*

### **Resolution 4 – 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 12,000,000 fully paid ordinary shares in the capital of the Company at an exercise price of \$0.66 per share with a 3 year vesting period and a 5 year term, as set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company's 1999 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 \$0.2342.

### **Resolution 5 – Issue of Options for the benefit of Non Executive Director and Lead Independent Director – Liam Forde**

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 Liam Forde, Options to subscribe for 1,400,000 fully paid ordinary shares in the capital of the Company at an exercise price of \$0.66 per share with a 3 year vesting period and a 5 year term, as set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company's 1999 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 \$0.2342.

#### **Resolution 6 – Issue of Options for the benefit of a non-executive Director – David Davidson**

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 David Davidson, Options to subscribe for 1,100,000 fully paid ordinary shares in the capital of the Company at an exercise price of \$0.66 per share with a 3 year vesting period and a 5 year term, as set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company's 1999 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 \$0.2342.

#### **Resolution 7 – Issue of Options for the benefit of a non-executive Director – Jacob Klein**

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 Jacob Klein, Options to subscribe for 1,100,000 fully paid ordinary shares in the capital of the Company at an exercise price of \$0.66 per share with a 3 year vesting period and a 5 year term, as set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Company's 1999 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 \$0.2342.

### **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 24 November 2009.

By order of the Board



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Andrew Arnold  
Secretary  
Date: 9 October 2009

## 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 2009 is set out in the Directors' Report on pages 28 to 33 of the 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 certain named executives.

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.

### RESOLUTION 2 – 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 18 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 is CEO of Sino Gold Mining Limited and a member of the NSW Asia Council. During the past three years the only other listed company directorship held by Mr Klein was in Sino Gold Mining Limited.

#### **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**

Sino Gold Mining Limited

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

Mr. Klein joined the Board on 25 August 2004.

### RESOLUTION 3 – AMENDMENT TO CONSTITUTION

Resolution 3 relates to the proposed deletion of Clause 12.20 from the Lynas Constitution.

Clause 12.20 related to a convertible note facility that was approved by Lynas shareholders at a shareholder meeting held on 26 September 2003. There are no convertible notes outstanding pursuant to the 2003 facility, and therefore it is appropriate that Clause 12.20 be deleted.

A full copy of the proposed amended Constitution will be available for inspection by shareholders at the offices of Lynas Corporation Limited 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.

Clause 12.20 of the Lynas Constitution currently reads as follows:

*12.20 Holders of convertible notes (“Noteholders”) issued under a subscription deed between the Company, Horse Creek Mining Pty Limited ACN 100 130 265 and others dated in or about August 2003 (“Subscription Deed”), may vote on resolutions of Shareholders during such time as an Event of Default (as defined in the Subscription Deed) subsists. Noteholders will have one vote for every Share which they would have held had their notes been converted into Shares on the date on which entitlements to vote are taken prior to the meeting at which the resolution is to be considered (or the date of any adjournment of such meeting). During such time as an Event of Default subsists, the provisions of Article 12 will apply as if references to Shareholders included references to Noteholders.”*

#### **RESOLUTION 4 – ISSUE OF OPTIONS FOR THE BENEFIT OF AN EXECUTIVE DIRECTOR – NICHOLAS CURTIS**

The Company proposes to issue 12,000,000 Options for the benefit of its Executive Director, Nicholas Curtis under the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) 1999 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 B.

The Options would be issued at an exercise price of A\$0.66 per option, which is equal to the 5 day volume weighted average price of the Company’s shares on the 5 trading days immediately prior to 8 October 2009 (being the day the board resolved to issue the Options, subject to shareholder approval). The company’s consultants, Remuneration Strategies Pty Ltd, believe that the options issued at this price provide an appropriate incentive for future performance.

#### **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 B;
- (b) the maximum number of Options to be granted under Resolution 7 is 12,000,000;
- (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\$0.66 per share. The Options will have a 3 year vesting period and a 5 year term;
- (d) 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\$0.2342 per Option (details of the calculation of this valuation are set out below);
- (e) no person referred to in Listing Rule 10.14 (which includes all Directors of the Company) has received securities under the Plan since the adoption of the Plan without the approval of holders of ordinary securities;
- (f) the name of the person referred to in Listing Rule 10.14 who is entitled to participate in the Plan is Nicholas Curtis;
- (g) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure B, 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;

- (h) the Options will be issued no later than 12 months after the date of this Annual General meeting;
- (i) 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 4 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 4.

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

The Participating Director has an interest in the outcome of the proposed resolution because he will be issued Options in accordance with the proposed resolution. Accordingly, the Participating Director is unable to make a recommendation to shareholders concerning the proposed Resolution 4.

The other Directors of the Company (**Non-Participating Directors**) do not have an interest in the outcome of the proposed resolution and consider themselves justified in making a recommendation to shareholders concerning the proposed resolution 4. Each of the Non-Participating Directors considers that the proposed Resolution 4 is in the best interests of the Company and its shareholders. It is important that the remuneration of the Directors is linked to the medium term and long term strategies of the Company. Proposed Resolution 4 will provide 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 4.

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

The proposed Resolution 4 would have the effect of giving power to the Directors to grant 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 654,999,093 ordinary shares and 42,100,000 unlisted Options. Following completion of the fundraising transactions that were announced to the ASX on 29 September 2009, the Company will have on issue approximately 1,654,999,093 ordinary shares and 42,100,000 unlisted Options.

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 price of fully paid ordinary shares in the Company trading on ASX during the past 12 months was A\$1.31 which occurred on 2 July 2008 and the lowest price of shares in the Company trading on ASX during the past 12 months was A\$0.125 which occurred on 4 March 2009. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A\$0.655 which occurred on 8 October 2009.



The other remuneration currently being received by the proposed recipient of the options is set out on pages 31 and 32 of the enclosed 2009 Annual Report of the Company.

The shares and options currently held by the proposed recipient of the options are set out in Note 30 on pages 76 and 77 of the enclosed 2009 Annual Report of the Company.

These numbers of options were chosen by the Company's 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, Remuneration Strategies Group Pty Ltd, 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 4.

#### ***Vesting Period***

The Options may only be exercised after the expiry of a 3 year vesting period. The Options have a 5 year term. The Company is currently in development phase and therefore it is not considered appropriate to assign other performance hurdles such as profitability or share price performance to options that are being issued by the Company at this stage.

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

The Directors, in conjunction with the Company's advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model 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 8 October 2009 (subject to shareholder approval), in accordance with the Company's usual remuneration practices, because remuneration committee approval of the grant of the options (subject to shareholder approval) occurred on 8 October 2009 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. The volatility figure has been discounted to take into account the fact that the Options are only exercisable during the period between 3 years and 5 years after the date of grant of the Option. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

Using this method of valuation Remuneration Strategies Group Pty Ltd has determined a value of A\$0.2342 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\$2,810,765.

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

Share Price	<b>A\$0.66</b>
Exercise Price	<b>A\$0.66</b>
Volatility	<b>44.36%</b>
Vesting date	<b>8 October 2012</b>
Expiry date	<b>8 October 2014</b>
Risk free rate	<b>3.25% pa</b>
Staff Turnover	<b>5% pa</b>
Exercise Multiple	<b>2</b>
Dividends	<b>Nil</b>

Apart from the information set out in this Explanatory Memorandum there is not any other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass Resolution 4.

#### **RESOLUTION 5 – ISSUE OF OPTIONS FOR THE BENEFIT OF NON EXECUTIVE DIRECTOR AND LEAD INDEPENDENT DIRECTOR – LIAM FORDE**

The Company proposes to issue 1,400,000 Options for the benefit of its Lead Independent Director, Liam Forde under the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) 1999 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 B.

The Options would be issued at an exercise price of A\$0.66 per option, which is equal to the 5 day volume weighted average price of the Company's shares on the 5 trading days immediately prior to 8 October 2009 (being the day the board resolved to issue the Options, subject to shareholder approval). The company's consultants, Remuneration Strategies Pty Ltd, have recommended that this is the appropriate issue price for the options.

#### **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 Liam Forde, who is a non executive director ("Participating Director"), as described in Annexure B;
- (b) the maximum number of Options to be granted under Resolution 5 is 1,400,000;
- (c) the Options will be granted as incentive options and accordingly the Options will be issued for no cash consideration. The exercise price of the Options will be A\$0.66 per share. The Options will have a 3 year vesting period and a 5 year term;
- (d) 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\$0.2342 per Option (details of the calculation of this valuation are set out below);
- (e) no person referred to in Listing Rule 10.14 (which includes all Directors of the Company) has received securities under the Plan since the adoption of the Plan without the approval of holders of ordinary securities;
- (f) the name of the person referred to in Listing Rule 10.14 who is entitled to participate in the Plan is Liam Forde ;
- (g) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure B, the EST Trustee will provide an interest free loan to Liam Forde equivalent to the value of the Options to enable Liam Forde 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 Liam Forde;
- (h) the Options will be issued no later than 12 months after the date of this Annual General meeting;
- (i) 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 5 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***  
Liam Forde.

### ***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 5.

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 5.

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 5. Each of the Non-Participating Directors considers that the proposed Resolution 5 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 5 will provide Liam Forde with additional incentives to successfully implement the Company's strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 5.

### ***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 5 would have the effect of giving power to the Directors to grant Liam Forde Options on the terms and conditions as set out in Annexure A and as otherwise mentioned above. The Company presently has on issue 654,999,093 ordinary shares and 42,100,000 unlisted Options. Following completion of the fundraising transactions that were announced to the ASX on 29 September 2009, the Company will have on issue approximately 1,654,999,093 ordinary shares and 42,100,000 unlisted Options.

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 price of fully paid ordinary shares in the Company trading on ASX during the past 12 months was A\$1.31 which occurred on 2 July 2008 and the lowest price of shares in the Company trading on ASX during the past 12 months was A\$0.125 which occurred on 4 March 2009. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A\$0.655 which occurred on 8 October 2009.

The other remuneration currently being received by the proposed recipient of the options is set out on pages 31 and 32 of the enclosed 2009 Annual Report of the Company.

The shares and options currently held by the proposed recipient of the options are set out in Note 30 on pages 76 and 77 of the enclosed 2009 Annual Report of the Company.

These numbers of options were chosen by the Company's Remuneration Committee in order to provide the lead independent 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, Remuneration Strategies Group Pty Ltd, in determining the number of options to be allocated for the benefit of Liam Forde. 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 5.

### ***Vesting Period***

The Options may only be exercised after the expiry of a 3 year vesting period. The Options have a 5 year term. The Company is currently in development phase and therefore it is not considered appropriate to assign other performance hurdles such as profitability or share price performance to options that are being issued by the Company at this stage.

### **Valuation of Options**

The Directors, in conjunction with the Company's advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model 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 8 October 2009 (subject to shareholder approval), in accordance with the Company's usual remuneration practices, because remuneration committee approval of the grant of the options (subject to shareholder approval) occurred on 8 October 2009 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. The volatility figure has been discounted to take into account the fact that the Options are only exercisable during the period between 3 years and 5 years after the date of grant of the Option. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

Using this method of valuation Remuneration Strategies Group Pty Ltd has determined a value of A\$0.2342 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 5 is approved, would amount to A\$327,923.

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

Share Price	<b>A\$0.66</b>
Exercise Price	<b>A\$0.66</b>
Volatility	<b>44.36%</b>
Vesting date	<b>8 October 2012</b>
Expiry date	<b>8 October 2014</b>
Risk free rate	<b>3.25% pa</b>
Staff Turnover	<b>5% pa</b>
Exercise Multiple	<b>2</b>
Dividends	<b>Nil</b>

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 5.

### **RESOLUTION 6 – ISSUE OF OPTIONS FOR THE BENEFIT OF A NON EXECUTIVE DIRECTOR – DAVID DAVIDSON**

The Company proposes to issue 1,100,000 Options for the benefit of its Non-Executive Director, David Davidson under the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) 1999 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 B.

The Options would be issued at an exercise price of A\$0.66 per option, which is equal to the 5 day volume weighted average price of the Company's shares on the 5 trading days immediately prior to 8 October 2009 (being the day the board resolved to issue the Options, subject to shareholder approval). The company's consultants, Remuneration Strategies Pty Ltd, have recommended that this is the appropriate issue price for the options.

#### **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 David Davidson, who is a non executive director ("Participating Director"), as described in Annexure B;
- (b) the maximum number of Options to be granted under Resolution 6 is 1,100,000;
- (c) the Options will be granted as incentive options and accordingly the Options will be issued for no cash consideration. The exercise price of the Options will be A\$0.66 per share. The Options will have a 3 year vesting period and a 5 year term;

- (d) 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\$0.2342 per Option (details of the calculation of this valuation are set out below);
- (e) no person referred to in Listing Rule 10.14 (which includes all Directors of the Company) has received securities under the Plan since the adoption of the Plan without the approval of holders of ordinary securities;
- (f) the name of the person referred to in Listing Rule 10.14 who is entitled to participate in the Plan is David Davidson ;
- (g) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure B, the EST Trustee will provide an interest free loan to David Davidson equivalent to the value of the Options to enable David Davidson 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 David Davidson;
- (h) the Options will be issued no later than 12 months after the date of this Annual General meeting;
- (i) 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 6 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***

David Davidson.

***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 6.

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 6.

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 6. Each of the Non-Participating Directors considers that the proposed Resolution 6 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 6 will provide David Davidson with additional incentives to successfully implement the Company's strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 6.

***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 6 would have the effect of giving power to the Directors to grant David Davidson

Options on the terms and conditions as set out in Annexure A and as otherwise mentioned above. The Company presently has on issue 654,999,093 ordinary shares and 42,100,000 unlisted Options. Following completion of the fundraising transactions that were announced to the ASX on 29 September 2009, the Company will have on issue approximately 1,654,999,093 ordinary shares and 42,100,000 unlisted Options.

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 price of fully paid ordinary shares in the Company trading on ASX during the past 12 months was A\$1.31 which occurred on 2 July 2008 and the lowest price of shares in the Company trading on ASX during the past 12 months was A\$0.125 which occurred on 4 March 2009. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A\$0.655 which occurred on 8 October 2009.

The other remuneration currently being received by the proposed recipient of the options is set out on pages 31 and 32 of the enclosed 2009 Annual Report of the Company.

The shares and options currently held by the proposed recipient of the options are set out in Note 30 on pages 76 and 77 of the enclosed 2009 Annual Report of the Company.

These numbers of options were chosen by the Company's Remuneration Committee in order to provide the non-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, Remuneration Strategies Group Pty Ltd, in determining the number of options to be allocated for the benefit of David Davidson. 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 6.

#### ***Vesting Period***

The Options may only be exercised after the expiry of a 3 year vesting period. The Options have a 5 year term. The Company is currently in development phase and therefore it is not considered appropriate to assign other performance hurdles such as profitability or share price performance to options that are being issued by the Company at this stage,

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

The Directors, in conjunction with the Company's advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model 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 8 October 2009 (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 8 October 2009 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. The volatility figure has been discounted to take into account the fact that the Options are only exercisable during the period between 3 years and 5 years after the date of grant of the Option. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

Using this method of valuation Remuneration Strategies Group Pty Ltd has determined a value of A\$0.2342 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 6 is approved, would amount to A\$257,653.

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

Share Price	<b>A\$0.66</b>
Exercise Price	<b>A\$0.66</b>
Volatility	<b>44.36%</b>
Vesting date	<b>8 October 2012</b>
Expiry date	<b>8 October 2014</b>
Risk free rate	<b>3.25% pa</b>
Staff Turnover	<b>5% pa</b>

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 6.

#### **RESOLUTION 7 – ISSUE OF OPTIONS FOR THE BENEFIT OF A NON EXECUTIVE DIRECTOR – JACOB KLEIN**

The Company proposes to issue 1,100,000 Options for the benefit of its Non-Executive Director, Jacob Klein under the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) 1999 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\$0.66 per option, which is equal to the 5 day volume weighted average price of the Company's shares on the 5 trading days immediately prior to 8 October 2009 (being the day the board resolved to issue the Options, subject to shareholder approval). The company's consultants, Remuneration Strategies Pty Ltd, have recommended that this is the appropriate issue price for the options.

#### ***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 Jacob Klein, who is a non executive director ("Participating Director"), as described in Annexure B;
- (b) the maximum number of Options to be granted under Resolution 7 is 1,100,000;
- (c) the Options will be granted as incentive options and accordingly the Options will be issued for no cash consideration. The exercise price of the Options will be A\$0.66 per share. The Options will have a 3 year vesting period and a 5 year term;
- (d) 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\$0.2342 per Option (details of the calculation of this valuation are set out below);
- (e) no person referred to in Listing Rule 10.14 (which includes all Directors of the Company) has received securities under the Plan since the adoption of the Plan without the approval of holders of ordinary securities;
- (f) the name of the person referred to in Listing Rule 10.14 who is entitled to participate in the Plan is Jacob Klein ;
- (g) no loan is granted by the Company in relation to the acquisition of Options. As described in Annexure B, the EST Trustee will provide an interest free loan to Jacob Klein equivalent to the value of the Options to enable Jacob Klein 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 Jacob Klein;
- (h) the Options will be issued no later than 12 months after the date of this Annual General meeting;
- (i) 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***  
Jacob Klein.

***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 Jacob Klein 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 Jacob Klein Options on the terms and conditions as set out in Annexure A and as otherwise mentioned above. The Company presently has on issue 654,999,093 ordinary shares and 42,100,000 unlisted Options. Following completion of the fundraising transactions that were announced to the ASX on 29 September 2009, the Company will have on issue approximately 1,654,999,093 ordinary shares and 42,100,000 unlisted Options.

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 price of fully paid ordinary shares in the Company trading on ASX during the past 12 months was A\$1.31 which occurred on 2 July 2008 and the lowest price of shares in the Company trading on ASX during the past 12 months was A\$0.125 which occurred on 4 March 2009. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A\$0.655 which occurred on 8 October 2009.

The other remuneration currently being received by the proposed recipient of the options is set out on pages 31 and 32 of the enclosed 2009 Annual Report of the Company.

The shares and options currently held by the proposed recipient of the options are set out in Note 30 on pages 76 and 77 of the enclosed 2009 Annual Report of the Company.

These numbers of options were chosen by the Company's Remuneration Committee in order to provide the non-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, Remuneration Strategies Group Pty Ltd, in determining the number of options to be allocated for the benefit of Jacob Klein. 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***

The Options may only be exercised after the expiry of a 3 year vesting period. The Options have a 5 year term. The Company is currently in development phase and therefore it is not considered appropriate to assign other performance hurdles such as profitability or share price performance to options that are being issued by the Company at this stage.

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

The Directors, in conjunction with the Company's advisers, have determined the value of the Options using the Black & Scholes model for pricing of financial options. The Black & Scholes valuation model 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 8 October 2009 (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 8 October 2009 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. The volatility figure has been discounted to take into account the fact that the Options are only exercisable during the period between 3 years and 5 years after the date of grant of the Option. It should be noted that volatility is a subjective input into the calculation of financial options using the Black & Scholes method.

Using this method of valuation Remuneration Strategies Group Pty Ltd has determined a value of A\$0.2342 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\$257,653.

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

Share Price	<b>A\$0.66</b>
Exercise Price	<b>A\$0.66</b>
Volatility	<b>44.36%</b>
Vesting date	<b>8 October 2012</b>
Expiry date	<b>8 October 2014</b>
Risk free rate	<b>3.25% pa</b>
Staff Turnover	<b>5% pa</b>
Exercise Multiple	<b>2</b>
Dividends	<b>Nil</b>

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.

## 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.

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.

## GLOSSARY

"**ASX**" means ASX Limited;

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

"**Director**" means a director of the Company.

## ANNEXURE B – DETAILS OF THE EMPLOYEE SHARE TRUST

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

The EST operates in conjunction with the existing Lynas 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 retained in the EST, the Employee can repay the exercise price to the EST over time by salary sacrifice.
5. 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).

6. 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.

**LYNAS CORPORATION LIMITED  
ACN 009 066 648  
PROXY FORM**

The Company Secretary  
Lynas Corporation Limited  
C/- The Share Registry  
770 Canning Highway  
APPLECROSS WA 6153

Facsimile: +61 8 9315 2233

I/We (name of shareholder) .....  
of (address) .....  
being a member/members of Lynas Corporation Limited HEREBY APPOINT  
(name) .....  
of (address) .....

or failing that person then the Chairperson of the meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held on 26 November 2009 and at any adjournment of the meeting.

*Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below:*

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Election of Mr Jacob Klein	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Amendment to Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Options to Executive Director – N. Curtis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Options to Non Executive Director – L. Forde	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Options to Non Executive Director – D. Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Options to Non Executive Director – J. Klein	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

In relation to undirected proxies, the Chairman intends to vote in favour of all Resolutions.

If you wish to appoint the Chairman as your proxy and you do not wish to direct the Chairman how to vote, please place a mark in the box.

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

**Shareholders may appoint up to 2 proxies (whether shareholders or not) to attend the Meeting and vote. If you wish to appoint 2 proxies, please obtain a second form by telephoning (02) 8259 7100. Both forms should be completed with the nominated number or percentage of your voting rights clearly printed on each form. If you do not specify a number or percentage of your voting rights, each proxy may exercise half of your voting rights. Please return both proxy forms together.**

Dated .

If the shareholder is an individual:

Signature: \_\_\_\_\_

If the shareholder is a company:

Affix common seal (if required by Constitution)

\_\_\_\_\_  
Director/Sole Director and Secretary

\_\_\_\_\_  
Director/Secretary

\_\_\_\_\_  
Print name

\_\_\_\_\_  
Print name

### INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by each of the joint shareholders, personally or by a duly authorised attorney.
3. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
4. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting **that is by 10.00am Sydney time on 24 November 2009** by post or facsimile to the respective addresses stipulated in this proxy form.
5. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
  - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
  - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
  - (c) if the proxy is Chairperson, the proxy must vote on a poll and must vote that way, and
  - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.