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ACN 009 066 648

NOTICE OF ANNUAL GENERAL MEETING

To be held on Friday 28 November 2014
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.*



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2014 Annual General Meeting of shareholders of Lynas Corporation Limited ("**Company**") will be at the Sydney Sofitel Wentworth Hotel at 61-101 Phillip St, Sydney, NSW on 28 November 2014 at 10.00 am (Sydney time) for the purpose of transacting the following Business.

ORDINARY BUSINESS

2014 Financial Statements

To receive and consider the financial statements of the Company for the year ended 30 June 2014, consisting of the Annual Financial Report, the Directors' Report and the Auditor's Report.

Resolution 1 – Remuneration Report

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

"That the Remuneration Report of the Company for the year ended 30 June 2014 be adopted."

Pursuant to section 250R(3) of the *Corporations Act 2001*, the vote on this resolution is advisory only and it does not bind the directors or the Company. The Company will disregard any votes cast on this resolution by a member of the Key Management Personnel, the details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Confirmation of Appointment of Amanda Lacaze as a Director

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

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

Amanda Lacaze was appointed as a Non-Executive Director with effect from 1 January 2014 and, following her appointment as Chief Executive Officer & Managing Director, Amanda Lacaze became an Executive Director of the Company with effect from 25 June 2014. Pursuant to Article 13.5 of the Company's Constitution, the existing directors of the Company may appoint a person as a director, subject to the Company confirming the appointment by resolution at the Company's next Annual General Meeting.

Resolution 3 – Re-election of William Forde as a Director

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

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

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

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Resolution 4 – Re-election of Kathleen Conlon as a Director

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

"That Kathleen Conlon, having retired as a director of the Company pursuant to Article 13.2 of the Company's Constitution and, being eligible, having offered herself 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 5 – Subsequent Approval of Issue of Ordinary Shares to investors selected by Patersons Securities Limited pursuant to June Placement

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, and for all other purposes, the issue and allotment on 2 June 2014 of 106,194,692 ordinary shares at A\$0.113 per share pursuant to a placement ("June Placement") managed by Patersons Securities Limited is hereby approved."

The Company will disregard any votes on this resolution by the participants in the June Placement and their 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.

Resolution 6 – Subsequent Approval of Issue of Ordinary Shares to investors selected by Patersons Securities Limited pursuant to October Placement

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, and for all other purposes, the issue and allotment on 1 October 2014 of 150,000,000 ordinary shares at A\$0.08 per share pursuant to a placement ("October Placement") managed by Patersons Securities Limited is hereby approved:

The Company will disregard any votes on this resolution by the participants in the October Placement and their 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.

Resolution 7 – Subsequent Approval of Issue of Placement Options to investors selected by Patersons Securities Limited pursuant to October Placement

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, and for all other purposes, the issue and allotment on 27 October 2014 of 75,000,000 Placement Options with an exercise price of A\$0.09 per Share and an expiry date of 15 September 2015, pursuant to the October Placement managed by Patersons Securities Limited on the terms specified in the accompanying Explanatory Memorandum and in Annexure A, is hereby approved:

The Company will disregard any votes on this resolution by the participants in the October Placement and their 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.

Resolution 8 – Approval of Issue of Underwriter Options to underwriters and sub-underwriters of the October Rights Issue

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

"That for the purpose of Listing Rules 7.1 and 7.4 of ASX Limited, and for all other purposes, the proposed issue and allotment on or about 3 November 2014 and 5 December 2014 of a combined total of 221,767,997 Underwriter Options with an exercise price of A\$0.09 per Share and an expiry date of 15 September 2015, to underwriters and sub-underwriters of the Company's October Rights Issue, on the terms specified in the accompanying Explanatory Memorandum and in Annexure A, is hereby approved."

The Company will disregard any votes on this resolution by the proposed recipients of the Underwriter Options and their associates. The Company will also disregard any votes cast by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this resolution is passed (and the associates of such persons). 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.

Resolution 9A – Approval of Issue of Underwriter Options to Nicholas Curtis, who acted as a sub-underwriter of the October Rights Issue

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

"That pursuant to and in accordance with Listing Rule 10.11 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to issue 781,250 Underwriter Options with an exercise price of A\$0.09 per Share and an expiry date of 15 September 2015, to Nicholas Curtis, who acted as a sub-underwriter of the October Rights Issue, on the terms specified in the accompanying Explanatory Memorandum and in Annexure A:

The Company will disregard any votes on this resolution by Nicholas Curtis and his 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.

Resolution 9B – Approval of Issue of Underwriter Options to Amanda Lacaze, who acted as a sub-underwriter of the October Rights Issue

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

"That pursuant to and in accordance with Listing Rule 10.11 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to issue 312,500 Underwriter Options with an exercise price of A\$0.09 per Share and an expiry date of 15 September 2015, to Amanda Lacaze (a Director of the Company), who acted as a sub-underwriter of the October Rights Issue, on the terms specified in the accompanying Explanatory Memorandum and in Annexure A:

The Company will disregard any votes on this resolution by Amanda Lacaze and her 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.

Resolution 9C – Approval of Issue of Underwriter Options to Stephen Conlon, who acted as a sub-underwriter of the October Rights Issue

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

"That pursuant to and in accordance with Listing Rule 10.11 of ASX Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to issue 234,375 Underwriter Options with an exercise price of A\$0.09 per Share and an expiry date of 15 September 2015, to Stephen Conlon (the spouse of a Director of the Company), who acted as a sub-underwriter of the October Rights Issue, on the terms specified in the accompanying Explanatory Memorandum and in Annexure A:

The Company will disregard any votes on this resolution by Stephen Conlon and his 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.

Resolution 10 – Authorisation of Issue of Options

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

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

The aggregate number of Options and Performance Rights over unissued Shares in the Company that may be issued under all Lynas employee incentive plans at any time shall not exceed 5% of the total number of Shares on issue from time to time. The Company will disregard any votes cast on this resolution by: (i) any director (except a director who is ineligible to participate in any employee incentive scheme in relation to the Company), (ii) any member of the Key Management Personnel and their Closely Related Parties, (iii) any other person that may participate in the proposed issue of Options and (iv) any associate of any such person, unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 11 – Authorisation of Issue of Performance Rights

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

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

The aggregate number of Options and Performance Rights over unissued Shares in the Company that may be issued under all Lynas employee incentive plans at any time shall not exceed 5% of the total number of Shares on issue from time to time. The Company will disregard any votes cast on this resolution by: (i) any director (except a director who is ineligible to participate in any employee incentive scheme in relation to the Company), (ii) any member of the Key Management Personnel and their Closely Related Parties, (iii) any other person that may participate in the proposed issue of Performance Rights and (iv) any associate of any such person, unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 12 – Issue of Performance Rights for the benefit of CEO & Managing Director – Amanda Lacaze

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 Amanda Lacaze, the following rights to subscribe for ordinary shares in the Company:

- (a) **Sign-on bonus:** A sign-on bonus of 862,069 Performance Rights with a 12-month vesting period (and no other vesting conditions) and a 2 year exercise period, and subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Rights Plan;*
- (b) **Performance bonus:** A performance bonus of 1,086,957 Performance Rights with a 12-month vesting period and a 2 year exercise period, and subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Rights Plan;*
- (c) **LTI:** A Long Term Incentive ("LTI") of up to 6,226,416 Performance Rights with a 3 year vesting period and a 2 year exercise period, and subject to the conditions set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of the Rights Plan."*

The Company will disregard any votes cast on this resolution by a director of the Company who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and his / her associates, 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.

As described in the Explanatory Memorandum, the Performance Rights were valued by the Company and its advisers as follows:

Sign on bonus:	\$0.116 per Performance Right, total \$100,000
Performance bonus:	\$0.092 per Performance Right, total \$100,000
LTI with a Right First Time hurdle:	\$0.116 per Performance Right, total \$393,962
LTI with a Total Shareholder Return hurdle:	\$0.096 per Performance Right, total \$271,698.

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 26 November 2014.

Lodgement of Proxy Forms

For an appointment of a proxy for the meeting to be effective:

- the proxy's appointment; and
- the power of attorney (if any) under which it is signed or satisfactory proof of that power or a certified copy of it, must be received by the Company at the registered office or at the office of the Company's share registry, Boardroom Pty Limited, by no later than 10.00am (Sydney time), Wednesday 26 November 2014:

By hand: Share Registry: Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 Australia

By mail: Share Registry: Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 Australia

By facsimile: Share Registry: +61 2 9290 9655

Online Voting: Share Registry: www.votingonline.com.au/lynasagm2014

By order of the Board



Andrew Arnold
Secretary

Date: 16 October 2014

EXPLANATORY MEMORANDUM

This Explanatory Memorandum contains information relevant to the Resolutions set out in the Notice of Annual General Meeting ("Notice") of Lynas Corporation Limited ACN 009 066 648 ("**Company**") and should be read carefully and in its entirety by Shareholders before making any decision in relation to the Resolutions.

The Directors believe that it is in the best interests of Lynas that the Resolutions set out in the Notice be passed and, to the extent that they are permitted to make a recommendation, the Directors unanimously recommend that you vote in favour of the Resolutions. The Directors have abstained from Board discussions and from making any recommendation to shareholders in respect of those matters in which they have a personal interest.

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

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

RESOLUTION 1 – REMUNERATION REPORT

The Remuneration Report for the year ended 30 June 2014 is set out in the Directors' Report on pages 19 to 30 of the 2014 Annual Financial Report.

The Remuneration Report:

- (a) explains the Board's policies relating to remuneration of directors, secretaries and executives of the Company;
- (b) discusses the relationship between such policies and the Company's performance;
- (c) provides details of any performance conditions attached to such remuneration; and
- (d) 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 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.

RESOLUTION 2 – CONFIRMATION OF APPOINTMENT OF AMANDA LACAZE AS A DIRECTOR

In accordance with the commentary and guidance to Recommendation 2.4 of the ASX Corporate Governance Principles, the Company provides the following information concerning Ms Lacaze:

Biographical details

Ms Lacaze was appointed Managing Director and Chief Executive Officer of the Company on June 25, 2014 following her appointment as a Non-Executive Director of the Company on January 1, 2014.

Ms Lacaze is a highly credentialed director who brings more than 25 years of senior operational experience to Lynas, including as Chief Executive Officer of Commander Communications, Executive Chairman of Orion Telecommunications and Chief Executive Officer of AOL\7. Prior to that, Ms Lacaze was Managing Director of Marketing at Telstra and held various business management roles at ICI Australia (now Orica and Incitec Pivot). Ms Lacaze's early experience was in consumer goods with Nestle.

Ms Lacaze is currently a Non-Executive Director of ING Bank Australia Ltd and McPherson's Ltd, is on the Advisory Board of CMOS research group at UTS and is a member of Chief Executive Women and the Australian Institute of Company Directors. Ms Lacaze holds a Bachelor of Arts Degree from the University of Queensland and postgraduate Diploma in Marketing from the Australian Graduate School of Management.

Details of relationships between the Candidate and the Company

Ms Lacaze is the Chief Executive Officer and Managing Director of the Company.

Details of relationships between the Candidate and Directors of the Company

Not applicable.

Other directorships held

Ms Lacaze is a Non-Executive Director of each of ING Bank Australia Ltd and McPherson's Ltd.

The term of office already served by Ms Lacaze

Ms Lacaze became an Executive Director on June 25, 2014 (previously, a Non-Executive Director from January 1, 2014).

The Board (with Ms Lacaze abstaining) supports the election of Ms Lacaze as a director. As Ms Lacaze is an executive of the Company, she is not considered by the Board to be independent.

RESOLUTION 3 – RE-ELECTION OF WILLIAM FORDE AS A DIRECTOR

In accordance with the commentary and guidance to Recommendation 2.4 of the ASX Corporate Governance Principles, the Company provides the following information concerning Mr Forde:

Biographical details

Mr Forde joined the Company as a Non-Executive Director in December 2007 and is the Deputy Chairman of the Company. Mr Forde has many years' experience in senior finance and managerial positions in both Ireland and Australia. He is currently a Director of Hastings Funds Management Limited and Chairman of Hastings Management Pty Limited. Mr Forde is also a Director of Hastings High Yield Fund.

In addition, Mr Forde is a member of the Australian Institute of Company Directors. Mr Forde was Chief Executive Officer of the Boulderstone Hornibrook Group from 2002 to 2005, following 15 years as Chief Financial Officer for the group.

Details of relationships between the Candidate and the Company

Mr Forde is the non-executive Deputy Chair of the Company.

Details of relationships between the Candidate and Directors of the Company

Not applicable.

Other directorships held

Mr Forde is a Director of Hastings Funds Management Limited; the Chairman of Hastings Management Pty Limited; and a Director of Hastings High Yield Fund.

The term of office already served by Mr Forde

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

The Board (with Mr Forde abstaining) supports the re-election of Mr Forde as a director and considers him to be independent.

RESOLUTION 4 – RE-ELECTION OF KATHLEEN CONLON AS A DIRECTOR

In accordance with the commentary and guidance to Recommendation 2.4 of the ASX Corporate Governance Principles, the Company provides the following information concerning Ms Conlon:

Biographical details

Ms Conlon was appointed as a Non-Executive Director from November 1, 2011. Ms Conlon is currently a Non-Executive Director of each of CSR Limited, REA Group Limited, Aristocrat Leisure Limited and The Benevolent Society. She is also President of the NSW division of the Australian Institute of Company Directors, a member of the National Board of the Australian Institute of Company Directors and a member of Chief Executive Women. Prior to her Non-Executive Director career, Ms Conlon spent 20 years in professional consulting where she successfully assisted companies achieve increased shareholder returns through strategic and operational improvements in a diverse range of industries.

Ms Conlon is one of the pre-eminent thought leaders in the area of operations and change management, both in Australia and globally. In 2003, Ms Conlon was awarded the Commonwealth Centenary medal for services to business leadership.

Details of relationships between the Candidate and the Company

Ms Conlon is a Non-Executive Director of the Company.

Details of relationships between the Candidate and Directors of the Company

Not applicable.

Other directorships held

Ms Conlon is a Non-Executive Director of each of CSR Limited, REA Group Limited, Aristocrat Leisure Limited and The Benevolent Society.

The term of office already served by Ms Conlon

Ms Conlon joined the Board as a Non-Executive Director in November 2011.

The Board (with Ms Conlon abstaining) supports the re-election of Ms Conlon as a director and considers her to be independent.

RESOLUTION 5 – SUBSEQUENT APPROVAL OF ISSUE OF ORDINARY SHARES TO INVESTORS SELECTED BY PATERSONS SECURITIES LIMITED PURSUANT TO JUNE PLACEMENT

5.1 Summary of the June Capital Raising

In May and June of 2014, Lynas undertook a Capital Raising to raise approximately A\$42 million (before expenses). The June Capital Raising comprised the following:

- (a) a Share Purchase Plan fully underwritten by Patersons Securities Limited in the amount of approximately A\$30 million; and
- (b) a Placement to sophisticated and institutional investors in the amount of approximately A\$12 million ("June Placement").

Under both the Share Purchase Plan and the June Placement, Ordinary Shares were issued at A\$0.113 per Ordinary Share.

5.2 Use of Funds

The purpose of the June Capital Raising was to augment working capital during ramp-up at the Lynas Advanced Materials Plant in Malaysia ("LAMP"). The sources and uses of the funds raised were as summarised below:

Sources	A\$ million
Share Purchase Plan	30
June Placement	12
Total	42

Uses	A\$ million
Working Capital	40
Transaction Costs	2
Total	42

5.3 Background to Resolution 5

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

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

Approval is sought for the issue and allotment of 106,194,692 Ordinary Shares to Investors selected by Patersons Securities Limited in the June Placement at A\$0.113 per Share to permit Lynas to refresh its placement limit. Resolution 5 is being put to shareholders to enable Lynas to have the capacity to issue up to 15% of its issued ordinary securities over the next 12 months.

None of the investors in the June Placement were "related parties" of the Company under the Corporations Act.

For the purposes of Listing Rule 7.5:

- (a) the number of Ordinary Shares that Lynas issued and allotted pursuant to the June Placement was 106,194,692;

- (b) the price for the Ordinary Shares issued and allotted under the June Placement was A\$0.113 per Ordinary Share;
- (c) the Ordinary Shares were issued on the same terms as, and rank equally with, all other existing Lynas Ordinary Shares, from the time of issue;
- (d) the allottees were determined on the basis of a bookbuild conducted by the Company (through Patersons Securities Limited). As such, the allottees were clients or nominees of Patersons Securities Limited; and
- (e) Lynas applied the net proceeds from the June Placement in accordance with the use of funds set out in section 5.2.

5.4 What will happen if Resolution 5 is passed

5.4.1 Advantages

If Shareholders approve Resolution 5, Lynas will refresh its placement capacity. Although the Directors do not currently propose to issue further equity in the immediate future other than as set out in this Explanatory Memorandum, such a resolution provides funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise.

5.4.2 Disadvantages/Risks

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

The Board of Lynas is of the opinion that these potential disadvantages and risks are substantially outweighed by the potential advantages and benefits associated with the Company refreshing its placement capacity, and accordingly considers that Resolution 5 is in the best interests of Shareholders.

5.5 What will happen if Resolution 5 is not passed

If Shareholders do **not** approve Resolution 5:

- (a) if an opportunity of the type described in section 5.4.1 does arise, a Shareholder vote which does not approve Resolution 5 would constrain Lynas' ability to participate in that opportunity in a timely manner, or at all;
- (b) the Company will be restricted in raising further capital through a placement without shareholder approval; and
- (c) alternative funding sources may not be available.

RESOLUTION 6 – SUBSEQUENT APPROVAL OF ISSUE OF ORDINARY SHARES TO INVESTORS SELECTED BY PATERSONS SECURITIES LIMITED PURSUANT TO OCTOBER PLACEMENT

6.1 Summary of the October Capital Raising

On 29 September 2014, Lynas announced a Capital Raising to raise approximately A\$83 million (before expenses). The October Capital Raising comprised the following:

- (a) A Placement to sophisticated and institutional investors in the amount of approximately A\$12 million, i.e. 150,000,000 Ordinary Shares at A\$0.08 per Ordinary Share ("October Placement");
- (b) A Renounceable Rights Issue fully underwritten by Patersons Securities Limited in the amount of approximately A\$71 million, i.e. 887,071,988 Ordinary Shares at A\$0.08 per Ordinary Share ("October Rights Issue");
- (c) The issuance to participants in the October Placement of options to acquire Ordinary Shares at any time up to 15 September 2015 at an exercise price of A\$0.09 per Ordinary Share ("Placement Options"). A total of 75,000,000 Placement Options will be issued;
- (d) The issuance to participants in the October Rights Issue of options to acquire Ordinary Shares at any time up to 15 September 2015 at an exercise price of A\$0.09 per Ordinary Share ("Entitlement Options"). A total of 443,535,994 Entitlement Options will be issued; and
- (e) The issuance to the underwriters of the October Rights Issue of 221,767,997 options to acquire Ordinary Shares at any time up to 15 September 2015 at an exercise price of A\$0.09 per

Ordinary Share ("Underwriter Options"). Following settlement of the October Rights Issue, the Company will issue so many of the Underwriter Options as is permitted under ASX Listing Rule 7.1. To the extent that the Company does not have sufficient capacity to issue all of the Underwriter Options, the issuance of the remaining Underwriter Options will be subject to shareholder approval at the AGM. The total number of Underwriter Options for which shareholder approval will be sought will not exceed the total allocation of 221,767,997 Underwriter Options. If Underwriter Options are approved at the AGM, they will be issued within 5 business days after the date of the AGM. The Underwriter Options will be issued on the same terms as the Placement options and the Entitlement Options. Lynas intends to apply for ASX listing of the Underwriter Options.

The October Placement and the October Rights Issue were conducted at A\$0.08 per Ordinary Share.

6.2 Use of Funds

The October Capital Raising raised approximately A\$83 million (before expenses).

The purpose of the October Capital Raising was to provide additional liquidity headroom and funds to be used by Lynas for the purposes (and in the estimated amounts) set out in the table below.

Proposed use of funds	Estimated amount	Percentage of amount raised
Repayment from the Placement of the US\$10 million instalment under the Sojitz Facility	A\$11.0 million	13.25%
Restructuring costs required to reset the Company's cost base	A\$6.0 million	7.23%
Removal of bottlenecks to improve the quality of the Company's operations, and implementation of more efficient waste management processes in WA and Malaysia which will support ongoing increases in Lynas' production	A\$24.0 million	28.92%
Applications development, liquidity headroom and working capital	A\$36.6 million	44.10%
Transaction costs	A\$5.4 million	6.50%
TOTAL	A\$83.0 million	100%

6.3 Background to Resolution 6

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

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

Approval is sought for the issue and allotment of 150,000,000 Ordinary Shares to Investors selected by Patersons Securities Limited in the October Placement at A\$0.08 per Share to permit Lynas to refresh its placement limit. Resolution 6 is being put to shareholders to enable Lynas to have the capacity to issue up to 15% of its issued ordinary securities over the next 12 months.

None of the investors in the October Placement were "related parties" of the Company under the Corporations Act.

For the purposes of Listing Rule 7.5:

- (a) the number of Ordinary Shares that Lynas issued and allotted pursuant to the October Placement was 150,000,000;
- (b) the price for the Ordinary Shares issued and allotted under the October Placement was A\$0.08 per Ordinary Share;
- (c) the Ordinary Shares were issued on the same terms as, and rank equally with, all other existing Lynas Shares, from the time of issue;
- (d) the allottees were determined on the basis of a cornerstone process conducted by Patersons Securities Limited for the Company whereby institutions were invited to subscribe for shares in the Company; and
- (e) Lynas applied the net proceeds from the October Placement in accordance with the use of funds set out in section 6.2.

6.4 What will happen if Resolution 6 is passed

6.4.1 Advantages

If Shareholders approve Resolution 6, Lynas will refresh its placement capacity. Although the Directors do not currently propose to issue further equity in the immediate future other than as set out in this Explanatory Memorandum, such a resolution provides funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise.

6.4.2 Disadvantages/Risks

This Resolution will have the effect of refreshing the Company's capacity to place further shares. If the Company does elect to issue further equity, the percentage holdings in Lynas of Shareholders who do not participate will be further diluted.

The Board of Lynas is of the opinion that these potential disadvantages and risks are substantially outweighed by the potential advantages and benefits associated with the Company refreshing its placement capacity, and accordingly considers that Resolution 6 is in the best interests of Shareholders.

6.5 What will happen if Resolution 6 is not passed

If Shareholders do **not** approve Resolution 6:

- (a) if an opportunity of the type described in section 6.4.1 does arise, a Shareholder vote which does not approve Resolution 6 would constrain Lynas' ability to participate in that opportunity in a timely manner, or at all;
- (b) the Company will be restricted in raising further capital through a placement without shareholder approval; and
- (c) alternative funding sources may not be available.

RESOLUTION 7 – SUBSEQUENT APPROVAL OF ISSUE OF PLACEMENT OPTIONS TO INVESTORS SELECTED BY PATERSONS SECURITIES LIMITED PURSUANT TO OCTOBER PLACEMENT

7.1 Background to Resolution 7

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

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

Approval is sought for the issue and allotment of 75,000,000 Placement Options to Investors selected by Patersons Securities Limited in the October Placement to permit Lynas to refresh its placement limit. Placement Options have an exercise price of A\$0.09 per Share and an expiry date of 15 September 2015, and are otherwise on the terms set out in Annexure A. Resolution 7 is being put to shareholders to enable Lynas to have the capacity to issue up to 15% of its issued ordinary

securities over the next 12 months. The scheduled issue date of the Placement Options is 27 October 2014. In other words, the Placement Options will be issued prior to the date of the AGM in accordance with the Company's existing ASX Listing Rule 7.1 capacity, which is why subsequent approval to refresh the capacity is sought under ASX Listing Rule 7.4.

None of the investors in the October Placement were "related parties" of the Company under the Corporations Act.

For the purposes of Listing Rule 7.5:

- (a) the number of Placement Options that Lynas issued and allotted pursuant to the October Placement was 75,000,000;
- (b) there was no additional consideration paid for the issuance of the Placement Options. The exercise price of the Placement Options is A\$0.09 per Share per Ordinary Share;
- (c) the expiry date of the Placement Options is 15 September 2015. The terms of the Placement Options are set out in Annexure A;
- (d) the allottees were determined on the basis of a cornerstone process conducted by Patersons Securities Limited for the Company whereby institutions were invited to subscribe for shares in the Company; and
- (e) Lynas applied the net proceeds from the October Placement in accordance with the use of funds set out in section 6.2. It is currently uncertain whether some or all of the Placement Options, the Entitlement Options and the Underwriter Options will be exercised. Lynas intends to apply the proceeds (if any) received from the exercise of the Placement Options, the Entitlement Options and the Underwriter Options on repayments of its senior debt facility and on additional working capital.

7.2 What will happen if Resolution 7 is passed

7.2.1 Advantages

If Shareholders approve Resolution 7, Lynas will refresh its placement capacity. Although the Directors do not currently propose to issue further equity in the immediate future other than as set out in this Explanatory Memorandum, such a resolution provides funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise.

7.2.2 Disadvantages/Risks

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

The Board of Lynas is of the opinion that these potential disadvantages and risks are substantially outweighed by the potential advantages and benefits associated with the Company refreshing its placement capacity, and accordingly considers that Resolution 7 is in the best interests of Shareholders.

However, Shareholders should consider their individual circumstances and make their own determination as to how to vote on Resolution 7.

7.3 What will happen if Resolution 7 is not passed

If Shareholders do **not** approve Resolution 7:

- (a) if an opportunity does arise, a Shareholder vote which does not approve Resolution 7 would constrain Lynas' ability to participate in that opportunity in a timely manner, or at all;
- (b) the Company will be restricted in raising further capital through a placement without shareholder approval; and
- (c) alternative funding sources may not be available.

RESOLUTION 8 – APPROVAL OF ISSUE OF UNDERWRITER OPTIONS TO UNDERWRITERS AND SUB-UNDERWRITERS OF THE OCTOBER RIGHTS ISSUE

8.1 Background to Resolutions 8 and 9

In consideration for the underwriters of the October Rights Issue entering into the underwriting agreement, Lynas agreed to:

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- (a) pay to Patersons Securities Limited an underwriting fee equal to 6% of the amount underwritten, plus agreed expenses; and
- (b) issue 221,767,997 Underwriter Options to the underwriters and sub-underwriters.

Underwriter Options are options to acquire Ordinary Shares at any time up to 15 September 2015 at an exercise price of A\$0.09 per Ordinary Share, and otherwise on the terms set out in Annexure A.

The underwriters and sub-underwriters of the October Rights Issue were sophisticated and institutional investors selected by Patersons Securities Limited. Except as set out in Resolution 9, none of the proposed recipients of the Underwriter Options are "related parties" of the Company under the Corporations Act.

On 3 November 2014, Lynas will issue such number of Underwriter Options as it is able to issue under its Listing Rule 7.1 capacity, up to the agreed number of 221,767,997 Underwriter Options. To the extent that Lynas is precluded by its Listing Rule 7.1 capacity from issuing all of the Underwriter Options on 3 November 2014, Lynas will be unable to issue the remaining Underwriter Options without obtaining shareholder approval under Listing Rule 7.1.

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

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

Subsequent approval is sought under Listing Rule 7.4 for the issue on or about 3 November 2014 of such number of Underwriter Options as Lynas is able to issue under its Listing Rule 7.1 capacity, up to the agreed number of 221,767,997 Underwriter Options. In addition, approval is sought under Listing Rule 7.1 to permit Lynas to issue the remaining Underwriter Options (up to an aggregate of the agreed number of 221,767,997 Underwriter Options) on or about 5 December 2014 without exceeding the 15% limit which applies to Lynas under ASX Listing Rule 7.1. Resolution 8 is being put to shareholders because Lynas does not currently have the capacity under ASX Listing Rule 7.1 to issue all of the Underwriter Options, and to enable Lynas to have the capacity to issue up to 15% of its issued ordinary securities over the next 12 months.

If Resolution 8 is not approved by Shareholders, then Lynas will not have the capacity under ASX Listing Rule 7.1 to issue all of the Underwriter Options. To the extent that Lynas is precluded by ASX Listing Rule 7.1 from issuing some of the Underwriter Options, Lynas has agreed instead that Lynas must, at Lynas' election, either:

- (a) pay an amount equal to the 5 day volume weighted average price of options in the same class as the Underwriter Options up to and including the date of the AGM for each Underwriter Option that would have been issued had shareholder approval been granted; or
- (b) subject to the Listing Rules, issue Shares in an amount equal to the same value of the Underwriter Options calculated in accordance with the 5 day VWAP price of Shares.

For example, assume that the 5 Day VWAP of the price of options in the same class as the Underwriter Options on the ASX up to and including the date of the AGM is A\$0.04 and that the 5 Day VWAP of Lynas shares on the ASX up to and including the date of the AGM is A\$0.12. Assume also that Lynas is unable to issue 100,000,000 of the Underwriter Options due to its ASX Listing Rule 7.1 capacity. Using those indicative figures, if Resolutions 8 is not approved by Shareholders, Lynas must, at Lynas' election, either:

- (a) pay an amount equal to A\$0.04 for each Underwriter Option that would have been issued had shareholder approval been granted (the indicative total amount is A\$4,000,000); or
- (b) subject to the Listing Rules, issue Shares with a total value equivalent to A\$0.04 for each unissued Underwriter Option, in an amount calculated in accordance with the 5 day VWAP price of Shares (the indicative number of shares is 33,333,333 shares).

The above example is indicative only, and the 5 Day VWAP of the Options and the Shares will vary between the date of this Explanatory Memorandum and the date of the AGM.

For the purposes of Listing Rule 7.3 and Listing Rule 7.5:

- (a) the maximum number of Underwriter Options that Lynas will issue to the underwriters and sub-underwriters of the October Rights Issue is 221,767,997;
- (b) the dates by which Lynas will allot the Underwriter Options are, as described above, on or about 3 November 2014 and on or about 5 December 2014 (and in any event no later than 3 months after the date of the AGM);
- (c) the Underwriter Options are issued to the underwriters and sub-underwriters of the October Rights Issue for no additional consideration. The Underwriter Options are options to acquire Ordinary Shares at any time up to 15 September 2015 at an exercise price of A\$0.09 per Ordinary Share, and otherwise on the terms set out in Annexure A;
- (d) the Underwriter Options will be issued to the underwriters and sub-underwriters of the October Rights Issue (none of which are related parties of the Company, except as detailed in Resolution 9);
- (e) the Ordinary Shares to be issued on exercise of the Underwriter Options will be on the same terms as, and will rank equally with, all other existing Ordinary Shares, from the time of issue; and
- (f) Lynas will apply the net proceeds (if any) from the exercise of the Underwriter Options to senior debt facility repayments and to provide additional working capital.

8.2 What will happen if Resolution 8 is passed

(a) Advantages

The key potential advantages associated with Resolution 8 are:

- If Shareholders approve the Resolution, Lynas will comply with its obligations to issue the Underwriter Options to the underwriters and sub-underwriters of the October Rights Issue. In that instance, Lynas will not need to pay an additional cash amount to the underwriters and sub-underwriters or to issue additional shares to the underwriters and sub-underwriters of the October Rights Issue, as detailed in section 8.1 above.
- If all the Underwriter Options are exercised, Lynas will receive A\$0.09 per exercised Underwriter Option, which could be as much as A\$19,959,120 in total. Lynas will apply the net proceeds from the exercise of the Underwriter Options to senior debt facility repayments and to provide additional working capital.

(b) Disadvantages/Risks

The key potential disadvantage and risk associated with Resolution 8 is:

- The exercise of the Underwriter Options would result in the issue of up to 221,767,997 additional Ordinary Shares and as a consequence, the percentage holdings in Lynas of Shareholders who were not underwriters and sub-underwriters of the October Rights Issue will be further diluted.

The Board of Lynas is of the opinion that this potential disadvantage and risk is substantially outweighed by the potential advantages and benefits associated with the issuance of the Underwriter Options, and accordingly the issuance of the Underwriter Options is in the best interests of Shareholders.

8.3 What will happen if Resolution 8 is not passed

If Shareholders do **not** approve Resolution 8:

As noted in section 8.1, at the date of this Explanatory Memorandum, Lynas' capacity under ASX Listing Rule 7.1 does not allow Lynas to issue all of the proposed 221,767,997 Underwriter Options. If Resolution 8 is not approved by Shareholders, then Lynas will not be able to issue all of the proposed 221,767,997 Underwriter Options. To the extent that Lynas is precluded by ASX Listing Rule 7.1 from issuing some of the Underwriter Options, Lynas has agreed instead that Lynas must, at Lynas' election, either:

- (a) pay an amount equal to the 5 day volume weighted average price of options in the same class as the Underwriter Options up to and including the date of the AGM for each Underwriter Option that would have been issued had shareholder approval been granted; or
- (b) subject to the Listing Rules, issue Shares in an amount equal to the same value of the Underwriter Options calculated in accordance with the 5 day VWAP price of Shares.

8.4 Effect of the issue of the Underwriter Options on the Company

On the date of this Explanatory Memorandum, the Company has on issue, or has agreed to issue, the following equity securities:

Type of Security Issued or Agreed to be Issued	Equivalent Number of Ordinary Shares on a Fully Diluted Basis
Ordinary Shares (ASX Code: LYC)	3,370,873,554
Unlisted Employee Options and Unlisted Employee Performance Rights	45,194,729
Placement Options – Exercise Price A\$0.09, Expiry Date 15 September 2015	75,000,000
Entitlement Options – Exercise Price A\$ A\$0.09, Expiry Date 15 September 2015	443,535,994
USD225,000,00 Convertible Bonds maturing 25 July 2016, convertible at A\$0.98 per share (subject to adjustment) based on a USD/AUD exchange rate of 0.9533	218,869,898

The Underwriter Options are options to acquire Ordinary Shares at any time up to 15 September 2015 at an exercise price of A\$0.09 per Ordinary Share, and otherwise on the terms set out in Annexure A. If any of the Underwriter Options are exercised, the effect would be to dilute the shareholding of existing shareholders. The market price of the Ordinary Shares during the term of the Underwriter Options will normally determine whether or not the Underwriter Options are exercised. At the time any Underwriter Options are exercised, Ordinary Shares may be trading at a price which is higher than the exercise price of the Underwriter Options. The highest closing price for Shares trading on ASX during the past 12 months was A\$0.43 which occurred on 16 September 2013 and the lowest closing price of Shares trading on ASX during the past 12 months was A\$0.079 which occurred on 1 October 2014. The most recent closing price of Shares trading on the ASX prior to the date of this Explanatory Memorandum was A\$0.083 which occurred on 2 October 2014.

Type of Security Issued or Agreed to be Issued	Equivalent Number of Ordinary Shares on a Fully Diluted Basis
Ordinary Shares (ASX Code: LYC)	3,370,873,554
Unlisted Employee Options and Unlisted Employee Performance Rights	45,194,729
Placement Options – Exercise Price A\$0.09, Expiry Date 15 September 2015	75,000,000
Entitlement Options – Exercise Price A\$0.09, Expiry Date 15 September	443,535,994
Proposed Underwriter Options – Exercise Price A\$0.09, Expiry Date 15 September 2015	221,767,997
USD225,000,00 Convertible Bonds maturing 25 July 2016, convertible at A\$0.98 per share (subject to adjustment) based on a USD/AUD exchange rate of 0.9533	218,869,898

RESOLUTIONS 9A, 9B AND 9C – APPROVAL OF ISSUE OF UNDERWRITER OPTIONS TO CERTAIN RELATED PARTIES WHO ACTED AS SUB-UNDERWRITERS OF THE OCTOBER RIGHTS ISSUE

9.1 Background to Resolutions 9A, 9B and 9C

Two of the Directors, Nicholas Curtis (Chairman) and Amanda Lacaze (CEO & Managing Director), agreed to act as sub-underwriters to the October Rights Issue as follows:

- Nicholas Curtis agreed to sub-underwrite A\$250,000 of Shares; and
- Amanda Lacaze agreed to sub-underwrite A\$100,000 of Shares.

In addition, Stephen Conlon, the spouse of Kathleen Conlon (Director) agreed to sub-underwrite A\$75,000 of Shares.

The terms of the sub-underwriting arrangements for Mr Curtis, Ms Lacaze and Mr Conlon were the same as those applicable to other sub-underwriters.

Accordingly, as part of the sub-underwriting arrangements, and subject to shareholder approval, Nicholas Curtis, Amanda Lacaze and Stephen Conlon are entitled to receive the following numbers of Underwriter Options:

- Nicholas Curtis - 781,250 Underwriter Options;
- Amanda Lacaze - 312,500 Underwriter Options; and
- Stephen Conlon – 234,375 Underwriter Options.

The terms of the Underwriter Options are set out in Section 8.1 and Annexure A.

9.2 Listing Rule 10.11

Listing Rule 10.11 states unless one of the exceptions in Listing Rule 10.12 applies, a company must not issue or agree to issue equity securities without the approval of ordinary shareholders to, among others, a related party. Each of Mr Curtis, Ms Lacaze and Mr Conlon are related parties for the purposes of Listing Rule 10.11.

The following information is provided to shareholders for the purpose of Listing Rule 10.13:

- The related parties are Nicholas Curtis, Amanda Lacaze and Stephen Conlon.
- The maximum number of Underwriter Options to be issued to the related parties under the separate Resolutions 9A, 9B and 9C are as follows:
 - Nicholas Curtis - 781,250 Underwriter Options;
 - Amanda Lacaze - 312,500 Underwriter Options; and
 - Stephen Conlon – 234,375 Underwriter Options.
- Subject to shareholder approval, Lynas intends to issue the Underwriter Options to the related parties by 5 December 2014.
- Nicholas Curtis and Amanda Lacaze are Directors of the Company. In addition, Stephen Conlon is the spouse of Kathleen Conlon (Director).
- The Underwriter Options will be issued for no additional consideration. The Underwriter Options are options to acquire Ordinary Shares at any time up to 15 September 2015 at an exercise price of A\$0.09 per Ordinary Share, and otherwise on the terms set out in Annexure A.
- Lynas will apply the net proceeds from the exercise of the Underwriter Options to senior debt facility repayments and to provide additional working capital.

Each of Resolutions 9A, 9B and 9C will be put to the AGM as separate resolutions.

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RESOLUTION 10 – AUTHORISATION OF ISSUE OF OPTIONS

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

Shareholders of the Company last approved the issue of options pursuant to the Option Plan on 30 November 2011.

Given that by the time of this 2014 AGM of the Company, more than 3 years will have elapsed since the shareholders of the Company approved the issue of options pursuant to the Option Plan on 30 November 2011, the Company seeks shareholder approval at this 2014 AGM in the same terms as the approval granted on 30 November 2011.

The aggregate number of Options and Performance Rights over unissued Shares in the Company that may be issued under all Lynas employee incentive plans at any time shall not exceed 5% of the total number of Shares on issue from time to time.

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

1. a summary of the terms of the Option Plan is set out in Annexure B;
2. the number of current options issued under the Option Plan since the date of the last approval (on 30 November 2011) is 4,827,787
3. A voting exclusion statement appears under the resolution in the Notice of Annual General Meeting.

RESOLUTION 11 – AUTHORISATION OF ISSUE OF PERFORMANCE RIGHTS

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

It is common for companies to obtain approvals of the issue of securities pursuant to an employee incentive scheme every 3 years, so that Listing Rule 7.2 Exception 9 continues to apply to the company's employee incentive scheme.

Shareholders of the Company last approved the issue of Performance Rights pursuant to the Rights Plan on 30 November 2011.

Given that by the time of this 2014 AGM of the Company, more than 3 years will have elapsed since the shareholders of the Company approved the issue of Performance Rights pursuant to the Rights Plan on 30 November 2011, the Company seeks shareholder approval at this 2014 AGM in the same terms as the approval granted on 30 November 2011.

The aggregate number of Options and Performance Rights over unissued Shares in the Company that may be issued under all Lynas employee incentive plans at any time shall not exceed 5% of the total number of Shares on issue from time to time.

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

1. a summary of the terms of the Rights Plan is set out in Annexure C;
2. the number of current Rights issued under the Rights Plan since the date of last approval (on 30 November 2011) is 18,062,191.

RESOLUTION 12 – ISSUE OF PERFORMANCE RIGHTS FOR THE BENEFIT OF CEO & MANAGING DIRECTOR – AMANDA LACAZE

Summary

In accordance with the terms of Amanda Lacaze's employment contract (details of which were announced to the ASX on 25 June 2014), the Company proposes to issue up to the following number of Performance Rights for the benefit of its Chief Executive Officer and Executive Director, Amanda Lacaze:

- (a) **Sign-on bonus:** A sign-on bonus of 862,069 Performance Rights (value \$100,000) with a 12-month vesting period (and no other vesting conditions) and a 2 year exercise period, and otherwise in accordance with the terms and conditions of the Lynas Corporation Limited (ACN 009 066 648) Performance Rights Incentive Plan ("**Rights Plan**") as set out in Annexure C ("**Sign-on Bonus Performance Rights**");
- (b) **Performance bonus:** A performance bonus of 1,086,957 Performance Rights (value \$100,000) with a 12-month vesting period and a 2 year exercise period, and otherwise in accordance with the Rules of the Rights Plan ("**Performance Bonus Performance Rights**");
- (c) **LTI:** A Long Term Incentive ("**LTI**") of up to 6,226,416 Performance Rights (value \$665,660) with a 3 year vesting period and a 2 year exercise period, and otherwise in accordance with the Rules of the Rights Plan ("**LTI Performance Rights**"). This figure includes the potential award of 120% of the LTI Performance Rights that are subject to an RFT condition, as described below.

Each Performance Right is a right to acquire one share in the Company ("**Share**") in the future, subject to certain conditions. Unlike an Option, the holder of a Performance Right is not required to pay an exercise price in order to exercise his/her right to acquire Shares. The Performance Rights would be held via the Lynas Corporation Limited Employee Share Trust, the details of which are set out in Annexure D.

The Company believes that it is appropriate to issue Performance Rights, and not Options, to Ms Lacaze this year. Over the past few years, the Lynas share price has closely tracked global Rare Earths prices, and the volatility of global Rare Earths prices would make it difficult to strike an appropriate exercise price for Options in the current market environment. Ms Lacaze is a highly credentialed director who brings more than 25 years of senior operational experience to Lynas, including management of both publicly listed and private companies. It is appropriate that her remuneration package is benchmarked to the market and that her remuneration package includes incentives for long term performance that aligns with the interests of shareholders.

An external consulting firm, Mercer, provided data relating to the 75th percentile of Total Remuneration based on company peer groups to assist the Company to benchmark the remuneration package of the previous CEO. The remuneration package of Ms Lacaze was announced to the ASX on 25 June 2014, with a base salary 30% less than the base salary of the previous CEO and a Total Remuneration equivalent to the Total Remuneration of the previous CEO (i.e. Ms Lacaze has more remuneration at risk). This data was also used by the Company's Nomination and Remuneration Committee to calculate a recommended number of Performance Rights to be issued to achieve remuneration in line with the Company's remuneration policy based on peer group comparison with Total Remuneration targeted at the 75th percentile.

Listing Rule 10.14

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

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

- (a) The Performance Rights will be issued to the trustee of the Lynas Corporation Limited Employee Share Trust (the "**EST Trustee**"). The EST Trustee will hold the Performance Rights for the benefit of Amanda Lacaze, who is an Executive Director ("**Participating Director**"), as described in Annexure D.

- (b) The maximum number of Performance Rights to be granted under Resolution 12 is as follows:
- (i) **Sign-on bonus:** 862,069 Performance Rights (value \$100,000).
 - (ii) **Performance bonus:** 1,086,957 Performance Rights (value \$100,000).
 - (iii) **LTI:** 6,226,416 Performance Rights (value \$665,660 – This figure includes the potential award of 120% of the LTI Performance Rights that are subject to an RFT condition, as described below).
- (c) The Performance Rights will be granted as employee incentives and accordingly, except as described in Annexure D, the Performance Rights will be issued for no additional cash consideration. No amount will be payable on the exercise of the Performance Rights. The Sign On Bonus and Performance Bonus Performance Rights will have a 12 month vesting period and a 2 year exercise period. The LTI Performance Rights will have a 3 year vesting period and a 2 year exercise period.
- (d) The Performance Rights are subject to the following vesting conditions and performance hurdles:
- (i) **Sign-on bonus:** The Sign-on Bonus Performance Rights have a 12-month vesting period and no other vesting conditions.
 - (ii) **Performance bonus:** The Performance Bonus Performance Rights have a 12-month vesting period and they were awarded to Ms Lacaze, subject to shareholder approval, conditional on the following performance hurdle being satisfied:

Funding Condition: Secure funding solution which delivers a sustainable, ongoing funding structure by 30 September 2014.

Measure: Execute documentation prior to 30 September.

The above Funding Condition has now been satisfied, and accordingly, subject to shareholder approval, it is now proposed to issue this tranche of Performance Bonus Performance Rights to Ms Lacaze.

- (iii) **LTI:** The LTI Performance Rights will have a 3 year vesting period. In addition to the requirement that the recipient must be employed by Lynas at the end of the 3 year vesting period, the LTI Performance Rights are subject to the following performance hurdles:
 - (A) 50% will be conditional on satisfaction of the following operational hurdle:

Consistency of Production – Right First Time (RFT): During the calendar year 2016, the percentage of first time conforming produced tonnes over total produced tonnes for Mt Weld and the LAMP must be at least 85% in accordance with the following sliding scale:

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

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

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

- (e) The Performance Rights were valued by the Company and its advisers (KPMG) as follows:
 - (i) **Sign-on bonus:** The Sign-on bonus Performance Rights were valued by the Company and its advisers (KPMG) at \$0.116 per Performance Right. Details of the calculation of those valuations are set out below.
 - (ii) **Performance bonus:** The Performance bonus Performance Rights were valued by the Company and its advisers (KPMG) at \$0.092 per Performance Right. Details of the calculation of those valuations are set out below.
 - (iii) **LTI:** Those LTI Performance Rights with a Right First Time (RFT) hurdle were valued by the Company and its advisers (KPMG) at \$0.116 per LTI Performance Right. Those LTI Performance Rights with a Total Shareholder Return (TSR) hurdle were valued by the Company and its advisers (KPMG) at \$0.096 per LTI Performance Right. Details of the calculation of those valuations are set out below.
- (f) Details of the securities issued under the Company's Employee Options and Performance Rights Plans to persons referred to in Listing Rule 10.14 since the issuance of securities pursuant to the Company's Employee Options Performance Rights Plans was approved by shareholders at the AGM on 30 November 2011 are set out below.

Nicholas Curtis: 4,000,000 Options – Issued on 30 November 2011. These Options were issued for no cash consideration, at an exercise price of \$1.69 per share with a 3 year vesting period and a 2 year exercise period, in accordance with the shareholder approval given at the AGM held on 30 November 2011. As noted in the Appendix 5B lodged by the Company on 31 January 2014, 2,000,000 of these Options have been forfeited due to non-satisfaction of the operations hurdle.

Eric Noyrez: 2,802,840 Performance Rights – Issued on 29 November 2013. These Performance Rights were issued for no cash consideration, at a nil exercise price with a 3 year vesting period and a 2 year exercise period, in accordance with the shareholder approval given at the AGM held on 29 November 2013. As noted in the Appendix 3B lodged by the Company on 20 August 2014, these Performance Rights have been forfeited due to non-satisfaction of the vesting condition.
- (g) The names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are: Amanda Lacaze.
- (h) No loan is granted by the Company for the acquisition of the Performance Rights. As described in Annexure D, the EST Trustee will provide an interest free loan to Amanda Lacaze equivalent to the value of the Performance Rights to enable Amanda Lacaze to subscribe for Share Units in the EST. The Share Units in the EST will be issued for a consideration equal to the value of the Performance Rights to be issued for the benefit of Amanda Lacaze.
- (i) The Performance Rights will be issued no later than 12 months after the date of this Annual General meeting.
- (j) The Performance Rights will be issued to the EST Trustee for the benefit of the Participating Director for no additional cash consideration, except as set out in Annexure D.

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

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

Amanda Lacaze

The nature of the financial benefit

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

Directors' recommendation and interests

All the Directors were available to consider the proposed Resolution 12.

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 she will be issued Performance Rights in accordance with the proposed resolution. Accordingly, the Participating Director is unable to make a recommendation to shareholders concerning the proposed Resolution 12.

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 12. Each of the Non Participating Directors considers that the proposed Resolution 12 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 12 will provide Amanda Lacaze with additional incentives to successfully implement the Company's strategies.

Therefore, each Non Participating Director recommends that shareholders vote in favour of Resolution 12.

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 12 would have the effect of giving power to the Directors to grant Amanda Lacaze Performance Rights on the terms and conditions as set out in Annexure C and as otherwise mentioned above. The Company presently has on issue (or has agreed to issue) 3,370,873,554 ordinary shares. If the proposed Performance Rights to be issued for the benefit of Amanda Lacaze are approved by shareholders, the total number of Options and Performance Rights on issue will be 45,194,729. This represents approximately 1.34% of the 3,370,873,554 ordinary shares that the Company has issued (or agreed to issue) at the date of this Explanatory Memorandum.

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

The highest closing price for fully paid ordinary shares in the Company trading on ASX during the past 12 months was A\$0.43 which occurred on 16 September 2013 and the lowest closing price of shares in the Company trading on ASX during the past 12 months was A\$0.076 which

occurred on 13 October 2014. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Memorandum was A\$0.081 which occurred on 15 October 2014.

The other remuneration currently being received by the proposed recipient of the Performance Rights is set out on page 26 of the 2014 Annual Financial Report of the Company and in the Company's ASX announcement dated 25 June 2014.

At the date of this Notice the proposed recipient of the Performance Rights, Amanda Lacaze, has an interest in 82,500 ordinary shares, nil options and nil performance rights. Ms Lacaze has indicated that she intends to take her rights under the 5 for 14 Entitlement Offer that was announced by the Company on 29 September 2014. In addition, Resolution 9 relates to the proposed issue of 312,500 Underwriter Options to Ms Lacaze.

These numbers of Performance Rights were chosen by the Company's Nomination and Remuneration Committee in order to provide the Executive Director with an appropriate mix of cash remuneration and remuneration by way of Performance Rights. An external consulting firm, Mercer, provided data relating to the 75th percentile of Total Remuneration based on company peer groups to assist the Company to benchmark the remuneration package of the previous CEO. The remuneration package of Ms Lacaze was announced to the ASX on 25 June 2014, with a base salary 30% less than the base salary of the previous CEO and a Total Remuneration equivalent to the Total Remuneration of the previous CEO (i.e. Ms Lacaze has more remuneration at risk). This data was also used by the Company's Nomination and Remuneration Committee to calculate a recommended number of Performance Rights to be issued to achieve remuneration in line with the Company's remuneration policy based on peer group comparison with Total Remuneration targeted at the 75th percentile. The Performance Rights component of the remuneration provides a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders.

It is not considered that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits forgone by the Company resulting from the issue of the Performance Rights pursuant to Resolution 12.

Vesting Period and Performance Hurdles

The Performance Rights have the vesting periods and terms referred to above on pages 21 and 22. The Performance Rights are subject to the performance hurdles set out on pages 21 and 22.

Valuation of Performance Rights

(a) **Valuation of Sign-on bonus and LTI Performance Rights:**

The Directors, in conjunction with the Company's advisers, have determined the value of the Sign-on bonus and LTI Performance Rights as follows.

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

5 day VWAP Price	A\$0.116
Volatility	87.01%
Dividend Yield	0.00%
Lynas Beta	1.984
Issue Date	23 September 2014
3 year risk free rate	2.83% pa

The Sign On Bonus Performance Rights and the LTI Performance Rights with a Right First Time (RFT) hurdle were valued by the Company and its advisers (KPMG) at A\$0.016 per Performance Right. The Sign On Bonus Performance Rights and the LTI Performance Rights with a RFT hurdle were valued at the 5 day VWAP from 17 – 23 September 2014 less the present value of dividends between issue and maturity. Under the current assumptions (dividend yield is 0%) the value of those Performance Rights is taken to be equal to the 5 day VWAP. As the RFT vesting condition is a "non-market" condition, that condition was not included in the valuation. For the purposes of valuation, it has been assumed that RFT will be 92% or more in the relevant period and that 120% of the LTI Performance Rights with a RFT hurdle will vest. Each Performance Right will convert to shares of the company at a ratio of 1 LTI Performance Right to 1 Share.

The 5 day VWAP period from 17–23 September 2014 was selected by the Company as the appropriate VWAP period. This is consistent with the valuation of LTI awards by the Company in previous years, which has occurred at the date of award in late September (subject to shareholder approval). In addition, this method is considered fairest to shareholders because it excludes the effect of the recent equity raising announced by the Company. If a later VWAP period had been chosen it is likely that a larger number of Performance Rights would have been awarded. Accordingly, the Company proposes to issue the Sign On Bonus Performance Rights and the LTI Performance Rights effective 23 September 2014 (subject to shareholder approval), consistent with the Company's remuneration practices in previous years.

Those LTI Performance Rights with a Total Shareholder Return (TSR) hurdle were valued by the Company and its advisers (KPMG) at A\$0.096 per Performance Right. Total shareholder return for Lynas and ASX 200 constituents was simulated 25,000 times using Monte Carlo simulation. A Geometric Brownian Motion ("GBM") evolution process was used with expected returns based on a Capital Asset Pricing Model ("CAPM") approach. The percentiles vesting were then calculated for each simulation. For each simulation, the value of the option was calculated using risk-neutral pricing, and this was multiplied by the percentage vesting.

The maximum number of Sign On Bonus and LTI Performance Rights that could be issued to Ms Lacaze pursuant to this Resolution is as follows:

Sign On Bonus Performance Rights:	862,069
LTI Performance Rights with a Right First Time (RFT) hurdle:	up to 3,396,227*
LTI Performance Rights with a Total Shareholder Return (TSR) hurdle:	2,830,189
TOTAL:	up to 7,088,485*

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

Based on many years of industry experience of Rare Earths producers, the Company has determined that a RFT success rate of 90% or more by tonnage is a very high standard. If a RFT success rate of 92% or more by tonnage could be achieved, that would be outstanding performance.

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

Class I - Right First Time (RFT)			
Performance Conditions	85% or more but less than 90%	90% or more but less than 92%	92% or more
Percentage of LTI Performance Rights that may be Exercised	50% of RFT portion	100% of RFT portion	120% of RFT portion
Number of LTI Performance Rights that may be Exercised	1,415,095	2,830,189	3,396,227
Value of those LTI Performance Rights at \$0.116	\$164,151	\$328,302	\$393,962

Note: One LTI Performance Right in the above class was valued at A\$0.116 as at 23 September 2014.

Class II - Total Shareholder Return (TSR)

Performance Conditions	at least 51st percentile	at least 76th percentile	between 51st and 76th percentile
Percentage of LTI Performance Rights that may be Exercised	50% of TSR portion	100% of TSR portion	pro rata amount of between 50% and 100% of TSR portion
Number of LTI Performance Rights that may be Exercised	1,415,095	2,830,189	Between 1,415,095 and 2,830,189
Value of those LTI Performance Rights at \$0.096	\$135,849	\$271,698	Between \$135,849 and \$271,698

Note: One LTI Performance Right in the above class was valued at A\$0.096 as at 23 September 2014.

(b) Valuation of Performance Bonus Performance Rights:

The Directors, in conjunction with the Company's advisers, have determined the value of the Performance bonus Performance Rights as follows.

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

5 day VWAP Price	A\$0,092
Dividend Yield	0.00%
Issue Date:	30 September 2014

The Performance Bonus Performance Rights were valued by the Company and its advisers (KPMG) at \$0.092 per Performance Right. The Performance Bonus Performance Rights were valued at the 5 day VWAP from 19 – 30 September 2014 less the present value of dividends between issue and maturity. Under the current assumptions (dividend yield is 0%) the value of those Performance Rights is taken to be equal to the 5 day VWAP. Each Performance Right will convert to shares of the company at a ratio of 1 LTI Performance Right to 1 Share.

The 5 day VWAP period from 19 – 30 September 2014 was selected by the Company as the appropriate VWAP period because:

- It relates to the period immediately prior to Board approval of the grant of the Performance Bonus Performance Rights (subject to shareholder approval), which occurred on 1 October 2014; and
- The period up to and including 30 September 2014 was the period over which the applicable Funding Condition for the Performance Bonus Performance Rights was measured.

Accordingly, the Company proposes to issue the Performance Bonus Performance Rights effective 30 September 2014 (subject to shareholder approval), in accordance with the Company's usual remuneration practices.

The maximum number of Performance Bonus Performance Rights that could be issued to Ms Lacaze pursuant to this Resolution is 1,086,957.

Apart from the information set out in this Explanatory Memorandum, there is no other material 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 the Resolutions set out in this Notice of AGM.

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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);

ANNEXURE A

TERMS OF PLACEMENT OPTIONS, ENTITLEMENT OPTIONS
AND UNDERWRITER OPTIONS

1. Each Option entitles the registered holder of that Option (**Optionholder**) to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) (subject to adjustment in accordance with clause 12, 13, 14 or 15).
2. The exercise price of each Option is A\$0.09 (**Exercise Price**) (subject to adjustment in accordance with clause 12, 13, 14 or 15).
3. The Company must do all things necessary to ensure that the Options may freely trade on the Australian Securities Exchange (**ASX**) including, applying for quotation of the Options in accordance with the Listing Rules of the ASX (**Listing Rules**) within seven days of the date of the prospectus at its own cost and using its best endeavours at its own cost to obtain quotation of the Options.
4. The Company must:
- deliver or cause to be delivered to the relevant Optionholder a statement of holding (or statements of holding, as applicable) for the Options; and
 - prepare and lodge on a prompt and timely basis all documents required by the Listing Rules as necessary to perform its obligations under these Terms of Issue.
5. An Option is exercisable during the period commencing at 9.00am (Sydney time) on 27 October 2014 and expiring at 5.00pm (Sydney time) on Tuesday, 15 September 2015 (the **Exercise Period**). Options not validly exercised during the Exercise Period will lapse immediately upon the expiry of the Exercise Period.
6. An Option may only be validly exercised by the Optionholder delivering to the Company, at its registered office prior to the end of the Exercise Period, an exercise notice in substantially the form set out in the schedule to these Terms of Issue (an **Option Exercise Notice**), with all required details in the Option Exercise Notice completed and the Option Exercise Notice validly executed on behalf of the Optionholder, accompanied by the Exercise Price for that Option in Immediately Available Funds and the Option Certificates (if any) for those Options. For this purpose, **Immediately Available Funds** means cash, bank cheque made payable to the Company or cleared funds telegraphically transferred or transferred by other electronic means into a bank account nominated by the Company. An Option Exercise Notice may apply to more than one Option.
7. If an Optionholder validly exercises an Option in accordance with these Terms of Issue, the Company will:
- issue and allot to that Optionholder the number of Shares to which that Optionholder is entitled by not later than 5.00pm (Sydney time) on the day that is three ASX trading days after the date of the Option Exercise Notice; and
 - on the date on which those Shares are issued apply, at its own cost, for those Shares to be officially quoted on ASX (and use its best endeavours to procure official quotation on ASX of those Shares as soon as possible thereafter).
8. Shares issued on exercise of the Options will rank equally in all respects with all other existing Shares from the date of issue.
9. Subject to the applicable law, the Optionholder may transfer some or all of the Options at any time before the end of the Exercise Period:
- if the Options are quoted on ASX, by a proper transfer or any other method permitted by the applicable law; or
 - by an instrument of transfer in compliance with clause 10.
10. An instrument of transfer of an Option must be:
- in writing;
 - in any usual form or in any other form approved by the directors of the Company that is otherwise permitted by law;
 - subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee;
 - stamped, if required by a law about stamp duty; and
 - delivered to the registered office of the Company, together with the certificate (if any) of the Option to be transferred and any other evidence as the directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
11. An Option does not entitle the Optionholder to:
- participate in any new issue of securities by the Company unless the Option has been validly exercised, and Shares issued in response to that exercise, prior to the record date for that new issue;
 - participate in dividends or other distributions until the Option has been validly exercised, and Shares issued in response to that exercise, prior to the record date for that dividend; or
 - vote on resolutions at any meeting of the Company.
12. If a reconstruction (including consolidation, reduction or return) of the issued capital of the Company occurs between the date of issue of the Options and the end of the Exercise Period, the Exercise Price in respect of each Option and/or the number of Options remaining unexercised at the relevant time will be adjusted to take account of the reconstruction in accordance with Listing Rule 7.22.
13. The parties agree to amend these Terms of Issue to the extent necessary to ensure that the rights of the Optionholder are changed to comply with the Listing Rules applying to a reconstruction at the time of any such reconstruction to the extent the Listing Rules so require.
14. If the Company makes a pro rata issue (other than a bonus issue) of Shares (excluding the pro rata issue announced by the Company on 29 September 2014), the Exercise Price will be reduced in accordance with the following formula:

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

Where:

- O'** is the Exercise Price of the Option after the pro rata issue;
- O** is the Exercise Price of the Option before the pro rata issue;
- E** is the number of underlying Shares into which one Option is exercisable;
- P** is the volume weighted average price per Share recorded on ASX during the 5 trading days immediately preceding the ex-rights date or ex-entitlement date for the pro rata issue;
- S** is the subscription price for a Share under the pro rata issue;
- D** is the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N** is the number of Shares with rights or entitlements that must be held to receive a right to one New Option Share under the pro rata issue.

15. If there is a bonus issue to the holders of Shares between the date of issue of the Options and the end of the Exercise Period, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
16. No fractions of a Share will be issued on the exercise of any Option and no refund will be made to an Optionholder exercising their rights in respect of that part of the subscription moneys which represent such a fraction (if any), provided that if more than one Option is exercised at the same time by the same Optionholder then, for the purposes of determining the number of Shares issuable upon the exercise of such Options and whether (and, if so, what) fraction of Shares arises, the number of Shares arising on the exercise of each Option is to first be aggregated.
17. These Terms of Issue may be changed if the holders of Shares (whose votes are not to be disregarded) approve such a change by ordinary resolution. However, these Terms of Issue may not be changed to reduce the Exercise Price, increase the number of Shares received on exercise of an Option or change the Exercise Period.
18. These Terms of Issue are governed by the laws of New South Wales. In relation to it and related non contractual matters, the Company and the Optionholder irrevocably submit to the non exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

ANNEXURE B

TERMS OF THE LYNAS EMPLOYEE OPTION PLAN

1 Name

This Plan shall be called the Lynas Corporation Limited (ACN 009 066 648) – Option Incentive Plan.

2 Purpose

The Purpose of this Plan is to:

- (1) recognise the ability and efforts of the directors, employees and consultants of the Company who have contributed to the success of the Company;
- (2) provide an incentive to the directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the Company; and
- (3) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its directors, employees and consultants.

3 Commencement

This Plan shall take effect from such date as is resolved by the Board of Directors.

4 Interpretation

In these rules, unless the context otherwise requires:

“**ASX**” means ASX Limited;

“**Board of Directors**” means the Board of Directors of the Company from time to time acting by resolutions made in accordance with the Corporations Act and the Constitution of the Company;

“**Business Day**” means a day on which trading banks are open for business in Sydney, Australia;

“**Change of Control Event**” means a shareholder, or a group of associated shareholders, acquiring relevant interests in sufficient shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board of Directors and that ability is successfully exercised.

“**Company**” means Lynas Corporation Limited ACN 009 066 648;

“**Corporations Act**” means the *Corporations Act 2001* (Cth).

“**Director**” means an executive or non-executive director of the Company, from time to time;

“**Eligible Person**” means each individual or corporate entity that is a full-time or part-time employee or consultant of the Company, a Director or an Officer of the Company. The Board of Directors has determined that non-executive Directors may not participate in the Plan;

“**Listing Rules**” means the Listing Rules of ASX;

“**Offeree**” means a person to whom Options are offered under this Plan;

“**Officer**” has the same meaning as is ascribed to that term in the Corporations Act;

“**Official Quotation**” means quotation on the Official List of ASX;

“**Option Holder**” means a person to whom options are issued under this Plan;

“**Options**” means the options granted under this Plan to subscribe for Shares;

“**Plan**” means this Plan as amended from time to time;

“**Rules**” means these rules as from time to time amended; and

“**Shares**” means the ordinary fully paid shares in the capital of the Company.

“**Vesting Date**” means, in respect of an Option, the date three (3) years after the date of grant of the Option.

5 Eligibility

All Eligible Persons shall be entitled to participate in the Plan.

6 Limitation on Total Number of Options

The combined number of Options and performance rights over unissued Shares in the Company that may be issued under this Plan and under any other employee incentive plan at any time shall not exceed 5% of the total number of Shares on issue from time to time.

7 Number of Options

The number of Options an Eligible Person is to be allocated shall be determined by the Board of Directors in its sole and absolute discretion. The number of Options that Directors are to be allocated will be subject to the approval of shareholders in general meeting.

8 Terms and Conditions of Options

The terms and conditions of each allocation of Options shall be determined by the Board of Directors in its sole and absolute discretion. The expiry date of Options shall be up to five (5) years after the date on which the Options were granted. In addition to the requirement that the Offeree must be an Eligible Person on the Vesting Date, Options may be issued subject to such additional vesting conditions as are determined by the Board of Directors in its sole and absolute discretion.

9 Recipient of Shares

Subject to Rule 18, an Eligible Person may only apply in his/her own name to take up his/her entitlement, or part thereof, to Options under the Plan.

10 Offer Letter and No Certificates

The Company shall issue a letter to each Offeree setting out the number of Options offered and the deadline for acceptance of the offer. If an Offeree does not accept the offer before the deadline for acceptance, the offer will lapse and those Options will not be issued.

No certificates will be issued for the Options, and the Company's register of Option Holders will be conclusive evidence of the matters set out therein.

11 Terms and Conditions of Options to be Issued to Eligible Persons

11.1 Monies may be payable for the issue of the Options.

11.2 If a Change of Control Event occurs, Options do not vest automatically. The general position is that Options will remain in effect, with no change to the Vesting Date.

Ultimately, a discretion remains with the Board as to whether Options will vest upon a Change of Control Event, and if so, how many. The key criteria to be applied by the Board is what is reasonable in the circumstances. For example, if the management team remains intact following a

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Change of Control Event, the general position is that Options will remain in effect, with no change to the Vesting Date.

- 11.3 Despite anything contained elsewhere in these Rules, but subject to Rules 11.4 and 12.2, an Option is only exercisable, if immediately following the Vesting Date, the Option Holder is an Eligible Person.
- 11.4 The Board of Directors may waive or amend the operation of Rule 11.3 (but so as not to increase the period for the exercise of an Option) as it applies to an Option Holder in the case of hardship or for any other just reason.
- 11.5 Each Option shall carry the right in favour of an Option Holder to subscribe for one Share.
- 11.6 Shares allotted to Option Holders on the exercise of Options shall be issued at the price which is no less than the weighted average price of the Company's shares on the ASX over the five trading days prior to the date of offer of the Options.
- 11.7 The issue price of Shares the subject of the Options shall be payable in full on exercise of the Options.
- 11.8 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. An exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by him.
- 11.9 The Company shall allot the resultant Shares within five (5) business days of the exercise of the Option.
- 11.10 Options shall not be listed for Official Quotation on ASX.
- 11.11 An Option Holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of an Option. The Board of Directors may waive or amend the operation of this Rule as it applies to an Option Holder in cases of hardship or for any other just reason.
- 11.12 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.
- 11.13 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.
- 11.14 Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.
- 11.15 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.
- 11.16 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.
- 11.17 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:

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

Where:

- O'** is the new exercise price of the Option.
 - O** is the old exercise price of the Option.
 - E** is the number of underlying securities in the Company into which one option is exercisable.
 - P** is 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** is the subscription price for a security under the pro rata issue.
 - D** is the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).
 - N** is the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.
- 11.18 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.
 - 11.19 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.

12 Termination of Right to Exercise Option

- 12.1 Options issued under this Plan shall immediately terminate if prior to the Vesting Date:
 - (1) the Option Holder ceases to be an Eligible Person by reason of the cessation of employment, directorship or consultancy, for whatever reason, including without limitation resignation or retirement, other than the circumstances referred to in Rule 12.2 or Rule 12.3; or
 - (2) Options have been assigned in accordance with Rule 11.11 and the original Option Holder ceases to be an Eligible Person for whatever reason, other than the circumstances referred to in Rule 12.2 or Rule 12.3.
- 12.2 The exercise of Options under this Plan shall be not ineffective if the Option Holder ceases to be an Eligible Person in the following circumstances:
 - (1) where an Option Holder dies and at the date of his death that Option Holder held any Unexercised Options. In such circumstances, those Unexercised Options are automatically transferred to the estate of the deceased Option Holder and shall continue as provided for by the terms of the Plan notwithstanding the Option Holder is no longer an Eligible Person;

ANNEXURE B – TERMS OF THE LYNAS EMPLOYEE OPTION PLAN continued

- (2) where the relevant Eligible Person is a Director and ceases to hold such office by reason of removal pursuant to a resolution duly passed by the members of the Company. In such circumstances, the Option Holder's Unexercised Options shall continue as provided for by the terms of the Plan notwithstanding the Option Holder is no longer an Eligible Person; or
- (3) where the Eligible Person ceases to be an Eligible Person by reason of ill health or accident (resulting in permanent disability). In such circumstances, the Eligible Person's right to exercise Unexercised Options shall not be terminated and shall continue as provided for by the terms of the Plan prior to the occurrence of the illness or permanent disability notwithstanding the Option Holder is no longer an Eligible Person.

- 12.3 The Board of Directors may (by simple majority vote of the Directors) extend or waive the application of any provision of Rule 12.1 or 12.2.

13 Restrictions on Alterations to the Plan

The Plan may be amended at any time by resolution of the Board of Directors of the Company subject to the requirements from time to time of the Corporations Act and the Listing Rules. Any such amendment however shall not adversely affect the rights of Option Holders who are granted Options prior to such amendment without the consent of the Option Holder, unless such amendment is required by, or necessitated by amendments to, either the Corporations Act or the Listing Rules.

14 Rights of Employees

The Plan shall not form part of any contract of employment between the Company and any of its employees or Directors and shall not confer directly or indirectly on any Eligible Person the right to be employed by or to continue to be employed by or hold any position in relation to the Company.

15 Powers of the Directors

The Plan shall be administered by the Board of Directors who shall have the power to:

- 15.1 determine procedures from time to time for administration of the Plan consistent with these rules;
- 15.2 resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and
- 15.3 delegate to any one or more persons for such period and on such conditions as may be determined by the Board of Directors, the exercise of any of the Board of Directors' powers or discretions arising under the Plan.

16 Termination of Plan

The Plan may at any time be terminated by the Board of Directors but such termination shall not affect the rights of holders of Options issued prior to termination.

17 Governing Law

This Plan shall be governed by, administered and construed in accordance with the Laws of New South Wales.

18 Employee Share Trust

Despite anything contained elsewhere in these Rules, Options may be issued to the trustee of the Lynas Corporation Limited Employee Share Trust or a successor trust (the EST Trustee) to be allocated for the benefit of a specified Eligible Person. Any requirement in these Rules that an Option Holder be an Eligible Person is satisfied where the EST Trustee holds Options for the benefit of an Eligible Person.

ANNEXURE C

TERMS OF THE LYNAS EMPLOYEE PERFORMANCE RIGHTS PLAN

1 Name

This Plan shall be called the Lynas Corporation Limited (ACN 009 066 648) – Performance Rights Plan.

2 Purpose

The Purpose of this Plan is to:

- (1) recognise the ability and efforts of the directors, employees and consultants of the Company who have contributed to the success of the Company;
- (2) provide an incentive to the directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the Company; and
- (3) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its directors, employees and consultants.

3 Commencement

This Plan shall take effect from such date as is resolved by the Board of Directors.

4 Interpretation

In these rules, unless the context otherwise requires:

"**ASX**" means ASX Limited;

"**Board of Directors**" means the Board of Directors of the Company from time to time acting by resolutions made in accordance with the Corporations Act and the Constitution of the Company;

"**Business Day**" means a day on which trading banks are open for business in Sydney, Australia;

"**Change of Control Event**" means a shareholder, or a group of associated shareholders, acquiring relevant interests in sufficient shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board of Directors and that ability is successfully exercised.

"**Company**" means Lynas Corporation Limited ACN 009 066 648;

"**Corporations Act**" means the *Corporations Act 2001* (Cth).

"**Director**" means an executive or non-executive director of the Company, from time to time;

"**Eligible Person**" means each individual or corporate entity that is a full-time or part-time employee or consultant of the Company, a Director or an Officer of the Company. The Board of Directors has determined that non-executive Directors may not participate in the Plan;

"**Listing Rules**" means the Listing Rules of ASX;

"**Offeree**" means a person to whom Rights are offered under this Plan;

"**Officer**" has the same meaning as is ascribed to that term in the Corporations Act.

"**Official Quotation**" means quotation on the Official List of ASX;

"**Plan**" means this Plan as amended from time to time;

"**Rights Holder**" means a person to whom Rights are issued under this Plan;

"**Rights**" means the Rights granted under this Plan to subscribe for Shares;

"**Rules**" means these rules as from time to time amended; and

"**Shares**" means the ordinary fully paid shares in the capital of the Company.

"**Vesting Date**" means, in respect of a Right, the date three (3) years after the date of grant of the Right.

5 Eligibility

All Eligible Persons shall be entitled to participate in the Plan.

6 Limitation on Total Number of Rights

The combined number of options and performance rights over unissued Shares in the Company that may be issued under this Plan and under any other employee incentive plan at any time shall not exceed 5% of the total number of Shares on issue from time to time.

7 Number of Rights

The number of Rights an Eligible Person is to be allocated shall be determined by the Board of Directors in its sole and absolute discretion. The number of Rights that Directors are to be allocated will be subject to the approval of shareholders in general meeting.

8 Terms and Conditions of Rights

The terms and conditions of each allocation of Rights shall be determined by the Board of Directors in its sole and absolute discretion. The expiry date of Rights shall be up to five (5) years after the date on which the Rights were granted. In addition to the requirement that the Offeree must be an Eligible Person on the Vesting Date, Rights may be issued subject to such additional vesting conditions as are determined by the Board of Directors in its sole and absolute discretion.

9 Recipient of Shares

Subject to Rule 18, an Eligible Person may only apply in his/her own name to take up his/her entitlement, or part thereof, to Rights under the Plan.

10 Offer Letter and No Certificates

The Company shall issue a letter to each Offeree setting out the number of Rights offered and the deadline for acceptance of the offer. If an Offeree does not accept the offer before the deadline for acceptance, the offer will lapse and those Rights will not be issued.

No certificates will be issued for the Rights, and the Company's register of Rights Holders will be conclusive evidence of the matters set out therein.

11 Terms and Conditions of Rights to be Issued to Eligible Persons

11.1 Monies may be payable for the issue of the Rights.

11.2 If a Change of Control Event occurs, Rights do not vest automatically. The general position is that Rights will remain in effect, with no change to the Vesting Date.

Ultimately, a discretion remains with the Board as to whether Rights will vest upon a Change of Control Event, and if so, how many. The key criteria to be applied by the Board is what is reasonable in the circumstances. For example, if the management team remains intact following a Change of Control Event, the general position is that Rights will remain in effect, with no change to the Vesting Date.

ANNEXURE C – TERMS OF THE LYNAS EMPLOYEE PERFORMANCE RIGHTS PLAN continued

- 11.3 Despite anything contained elsewhere in these Rules, but subject to Rules 11.4 and 12.2, a Right is only exercisable, if immediately following the Vesting Date, the Rights Holder is an Eligible Person.
- 11.4 The Board of Directors may waive or amend the operation of Rule 11.3 (but so as not to increase the period for the exercise of a Right) as it applies to a Rights Holder in the case of hardship or for any other just reason.
- 11.5 Each Right shall carry the right in favour of a Rights Holder to subscribe for one Share.
- 11.6 Shares allotted to Rights Holders on the exercise of Rights shall be issued for no additional monetary consideration.
- 11.7 Rights shall not be listed for official quotation on ASX.
- 11.8 A Rights Holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of a Right. The Board of Directors may waive or amend the operation of this Rule as it applies to a Rights Holder in cases of hardship or for any other just reason.
- 11.9 Rights may be issued on the basis that (subject to satisfaction of the vesting conditions) they will be automatically exercised on a specified date without further action required by the Rights Holder. Subject to satisfaction of the vesting conditions, all other Rights shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Rights Holder to exercise all or a specified number of Rights held by him. An exercise of only some Rights shall not affect the rights of the Rights Holder to the balance of the Rights held by him.
- 11.10 The Company shall allot the resultant Shares within five (5) business days of the exercise of the Rights.
- 11.11 Shares allotted pursuant to an exercise of Rights shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 11.12 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Rights listed for Official Quotation.
- 11.13 Rights Holders do not have a right to participate in new issues without exercising their Rights in accordance with Listing Rule 6.19.
- 11.14 In the event of any reorganisation of capital of the Company, all rights of the Rights 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.
- 11.15 The Rights will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Rights.
- 11.16 The number of Shares to be issued pursuant to the exercise of Rights will be adjusted for bonus issues made prior to exercise of Rights. The effect will be that upon exercise of the Rights the number of Shares received by the Rights Holder will include the number of bonus Shares that would have been issued if the Rights had been exercised prior to the record date for bonus issues. The exercise price of the Rights shall not change as result of any such bonus issue.
- 11.17 The Company shall notify each Rights Holder and ASX within one (1) month after the record date for a bonus issue of the adjustment to the number of Shares over which the Rights exist.

12 Termination of Rights

- 12.1 Rights issued under this Plan shall immediately terminate if prior to the Vesting Date:
- (1) the Rights Holder ceases to be an Eligible Person by reason of the cessation of employment, directorship or consultancy, for whatever reason, including without limitation resignation or retirement, other than the circumstances referred to in Rule 12.2 or Rule 12.3; or
 - (2) Rights have been assigned in accordance with Rule 11.11 and the original Rights Holder ceases to be an Eligible Person for whatever reason, other than the circumstances referred to in Rule 12.2 or Rule 12.3.
- 12.2 The exercise of Rights under this Plan shall be not ineffective if the Rights Holder ceases to be an Eligible Person in the following circumstances:
- (1) where a Rights Holder dies and at the date of his death that Rights Holder held any Unexercised Rights. In such circumstances, those Unexercised Rights are automatically transferred to the estate of the deceased Rights Holder and the Vesting Date will become the first Business Day of the first Lynas employee trading window following the event referred to in this paragraph, notwithstanding the Rights Holder is no longer an Eligible Person;
 - (2) where the relevant Eligible Person is a Director and ceases to hold such office by reason of removal pursuant to a resolution duly passed by the members of the Company. In such circumstances, those Unexercised Rights are automatically transferred to the estate of the deceased Rights Holder and the Vesting Date will become the first Business Day of the first Lynas employee trading window following the event referred to in this paragraph, notwithstanding the Rights Holder is no longer an Eligible Person; or
 - (3) where the Eligible Person ceases to be an Eligible Person by reason of ill health or accident (resulting in permanent disability). In such circumstances, those Unexercised Rights are automatically transferred to the estate of the deceased Rights Holder and the Vesting Date will become the first Business Day of the first Lynas employee trading window following the event referred to in this paragraph, notwithstanding the Rights Holder is no longer an Eligible Person.
- 12.3 The Board of Directors may (by simple majority vote of the Directors) extend or waive the application of any provision of Rule 12.1 or 12.2.

13 Restrictions on Alterations to the Plan

The Plan may be amended at any time by resolution of the Board of Directors of the Company subject to the requirements from time to time of the Corporations Act and the Listing Rules. Any such amendment however shall not adversely affect the rights of Rights Holders who are granted Rights prior to such amendment without the consent of the Rights Holder, unless such amendment is required by, or necessitated by amendments to, either the Corporations Act or the Listing Rules.

14 Rights of Employees

The Plan shall not form part of any contract of employment between the Company and any of its employees or Directors and shall not confer directly or indirectly on any Eligible Person the right to be employed by or to continue to be employed by or hold any position in relation to the Company.

15 Powers of the Directors

The Plan shall be administered by the Board of Directors who shall have the power to:

- 15.1 determine procedures from time to time for administration of the Plan consistent with these rules;
- 15.2 resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and
- 15.3 delegate to any one or more persons for such period and on such conditions as may be determined by the Board of Directors, the exercise of any of the Board of Directors' powers or discretions arising under the Plan.

16 Termination of Plan

The Plan may at any time be terminated by the Board of Directors but such termination shall not affect the rights of holders of Rights issued prior to termination.

17 Governing Law

This Plan shall be governed by, administered and construed in accordance with the Laws of New South Wales.

18 Employee Share Trust

Despite anything contained elsewhere in these Rules, Rights may be issued to the trustee of the Lynas Corporation Limited Employee Share Trust or a successor trust (the EST Trustee) to be allocated for the benefit of a specified Eligible Person. Any requirement in these Rules that a Rights Holder be an Eligible Person is satisfied where the EST Trustee holds Rights for the benefit of an Eligible Person.

ANNEXURE D

DETAILS OF THE EMPLOYEE SHARE TRUST

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

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

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

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

The key steps that will occur when performance rights are issued to the EST under the Lynas Performance Rights Incentive Plan for the benefit of a director or an employee (the "**Employee**") are as follows:

1. Lynas issues the performance rights to the EST. Lynas makes a contribution to the EST equal to the value of the performance rights (as determined under AASB2) and the performance rights are issued to the EST at that value.
2. The EST provides an interest free loan to the Employee equivalent to the value of the performance rights to enable the Employee to subscribe for Share Units in the EST. There is no cash outlay by the EST or Lynas in connection with this loan. The loan is non-recourse. The Share Units in the EST are issued for a consideration equal to the value of the performance rights issued for the benefit of the Employee.
3. After the applicable vesting period (usually three years) the Employee can direct the EST to exercise the performance rights.
4. If, following exercise of the performance rights, the underlying shares are to be sold, the Employee's Share Units are redeemed and the Employee receives an amount equivalent to the net consideration from the sale of the underlying shares (less repayment of any loans and other amounts owing by the Employee).
5. The total number of options and performance rights in the Company that may be issued under Lynas Employee Incentive Plans at any time cannot exceed 5% of the total number of shares on issue from time to time.

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For personal use only

Lynas

CORPORATION LTD

ACN 009 066 648

Level 7, 56 Pitt Street, Sydney
NSW 2000 Australia



ALL CORRESPONDENCE TO:

By Mail:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
Level 7, 207 Kent Street
Sydney NSW 2000 Australia

By Fax:

+61 2 9290 9655

Online:

www.boardroomlimited.com.au

By Phone:

(Within Australia) 1300 737 760
(Outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10.00am (Sydney time) on Wednesday 26 November 2014.**

TO VOTE ONLINE

STEP 1: VISIT www.votingonline.com.au/lynasagm2014

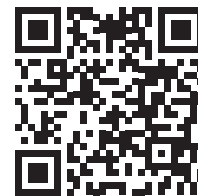
STEP 2: Enter your holding/investment type:

STEP 3: Enter your Reference Number:

STEP 4: Enter your VAC:

PLEASE NOTE: For security reasons it is important you keep the above information confidential.

BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1: Appointment of Proxy

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair 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 Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

STEP 2: Voting Directions to your Proxy

You can tell your Proxy how to vote.

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

Proxy which is a Body Corporate

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

STEP 3: Sign the Form

The form must be signed as follows:

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

Joint Holding: Where the holding is in more than one name, all the securityholders should sign.

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

Companies: This form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person.

Please indicate the office held by signing in the appropriate place.

STEP 4: Lodgement

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10.00am (Sydney Time) on Wednesday, 26 November 2014.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

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

Online www.votingonline.com.au/lynasagm2014

By Fax + 61 2 9290 9655

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

In Person Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000 Australia

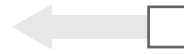
Attending the Meeting

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

Lynas Corporation Limited

ABN 27 009 066 648

YOUR ADDRESS:



This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

STEP 1: Appoint a Proxy

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

the **Chair of the Meeting** (mark box with an "X")

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Sydney Sofitel Wentworth Hotel at 61-101 Phillip Street, Sydney, NSW on Friday 28 November 2014 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.

Important Notice: If you appoint the Chair of the Meeting as your proxy (or the Chair of the Meeting becomes your proxy by default) and you do not direct your proxy how to vote on Item 1, 10, 11 and 12, you expressly authorise the Chair of the Meeting to exercise the proxy in relation to Items 1, 10, 11 and 12 even though the resolution is connected with the remuneration of members of the Key Management Personnel and even if the Chair of the Meeting has an interest in the outcome of the resolution.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business. If you do not want the Chair of the Meeting to vote your proxies in this manner, complete Step 2 below.

STEP 2: Voting Directions to your Proxy – please mark **X** to indicate your directions

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

	For	Against	Abstain*		For	Against	Abstain*
Res 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 8 Approval of Issue of Underwriter Options to underwriters and sub-underwriters of the October Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 2 Confirmation of Appointment of Amanda Lacaze as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 9A Approval of Issue of 781,250 Underwriter Options to Nicholas Curtis in the October Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 3 Re-election of William Forde as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 9B Approval of Issue of 312,500 Underwriter Options to Amanda Lacaze in the October Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 4 Re-election of Kathleen Conlon as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 9C Approval of Issue of 234,375 Underwriter Options to Stephen Conlon in the October Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5 Subsequent Approval of Issue of Ordinary Shares to Investors selected by Patersons Securities Limited pursuant to June Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 10 Authorisation of Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 6 Subsequent Approval of Issue of Ordinary Shares to Investors selected by Patersons Securities Limited pursuant to October Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 11 Authorisation of Issue of Performance Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 7 Subsequent Approval of Issue of Placement Options to Investors selected by Patersons Securities Limited pursuant to October Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 12 Issue of Performance Rights for the benefit of CEO & Managing Director – Amanda Lacaze	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3: Signature of shareholders

This form *must* be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name:

Contact Daytime Telephone:

Date: / / 2014