

Chairman's Address
Annual General meeting
26 November 2008

There is a Chinese curse;

“May you live in interesting times”

Clearly the world is now doing so! There is no doubt that these are the most difficult economic conditions of our generation. Credit has virtually ceased to be provided on an inter bank basis with a consequent flow on to capital markets generally, including hedge funds. Prime brokers have virtually shut down, limiting the capacity of funds to leverage their trades. There has been a reduction in consumer confidence and the availability of consumer finance is now obviously creating a very significant slowdown in the global economy. Redemptions on funds have massively increased.

This decline in consumer demand has rapidly led to a massive build up in inventory in various supply chains, resulting a rapid price fall off in many commodities as manufacturers use surplus inventory rather than purchase fresh raw material.

There is a large amount of uncertainty and the only thing that can be said with any certainty is that the appetite for risk by professional and private investors has changed completely in a very short time.

The market is now only really interested in companies with diverse sources of low risk cash flow. Lynas is in the middle of construction, without cash flow as yet. Whilst our funding is in place and the future is good for Lynas, the perceived risk for our company has substantially increased.

All of this has had a spectacularly negative effect on our share price. Whilst we benefited from the support of many hedge funds in New York and London over the recent years, it would be reasonable to say that the support has turned into a need for liquidity and risk reduction which has lead to selling of our stock. This need for liquidity in the midst of the uncertain economic outlook has seen all our shareholders lose significant value over the last six months.

I know that we are not alone, but that is scarce comfort when examining your own portfolio, so I want to acknowledge the loss shareholders have had, and state that we, as a board believe in our business model and we believe the restoration of shareholder value will happen when we remove any outstanding doubts in respect of our ability to be profitable in developing our vision of becoming;



“ A global leader in rare earths for a sustainable future.”

I would like to outline to you where we are at and why the Directors remain very confident about our future prospects.

Despite the poor economic conditions at the end of the year it has been a very productive year for Lynas.

At Mt Weld we have completed the first Mount Weld Rare Earths mining campaign lost-time-injury free, on budget and ahead of schedule.

We have mined 773,300 tonnes of ore with an average grade of 15.4% REO on stockpiles of different grades and mineralogy.

Reconciliation of mined ore versus exploration model shows a 9% increase in tonnes of REO actually mined. We have increased Mount Weld Central Lanthanide Deposit (CLD) Sector Rare Earths resource estimate by 29% to 1.18 million tonnes of REO.

We are now actively engaged in building the Rare Earths Concentration Plant at Mt Weld.

Following completion of the engineering by Worley Parsons we awarded a contractor management contract to Mintrex for the Mount Weld Concentration Plant to assist Lynas in the Construction Management.

Downer EDI have completed the site clearance and bulk earth works required for the concentration plant.

Construction contractor, Abesque Engineering, have now mobilized to site and we expect to be pouring concrete shortly.

In Malaysia we have awarded the Engineering, Procurement, and Construction Management (EPCM) contract to Ranhill WorleyParsons Sdn Bhd for the Advanced Materials Plant in located the Gebeng Industrial Estate next to Kuantan Port.

During the year we took the decision to increase final separation capacity at Malaysian Advanced Material Plant by 5,000 tonnes REO, all light Rare Earths will be separated to a final product in Malaysia.

We signed a sale & purchase agreement for the new site in Malaysia. Full payment has now been made

We received all approvals required to commence construction of the Advanced Materials Plant in Malaysia and have Commenced civil works aiming for start-up in the final quarter of 2009.

We have released in the past an estimate of the cost to complete. We are continuously reviewing the forecast cost to complete and have recently received an initial draft “bottom up review” from Worley Parsons to give a high level of accuracy to our forecast. This forecast is based on historical

construction and materials rates, which in the new economic climate have changed significantly, as well as historical foreign exchange rates

Using the above rates the forecast for total expenditure to the end of the project was above the \$415M previously announced however Lynas believes that following value engineering and using actual current market rates the project cost to complete will be within the funding available to Lynas.

As soon as the review is complete and the EPCM manager issues the final cost to complete number Lynas will make an announcement to the market.

I want to now turn to our funding for the project. I am delighted that we took the opportunity during the buoyant market to put in place funding for project development. As I said earlier we believe this funding can carry us through to project completion and positive cash flow

As you are aware Lynas entered into a US\$95 million convertible note facility in March 2008. The proceeds from this facility are sitting in a USD denominated interest bearing bank account pending satisfaction of specified conditions precedent to the release of the funds. The interest on the notes is 9.25% pending drawdown of these funds in escrow, and 8.25% pa after drawdown following satisfaction of the conditions precedent.

Satisfaction of those conditions precedent is now substantially completed. The remaining conditions precedent relate to execution of specified documents, including a security trust deed, various charges, contracts and tripartite agreements with key contractors and customers. Lynas understands that these documents are now substantially in agreed form.

The notes effectively have a conversion price in USD, and following the recent drop in the AUD/USD rate this effective conversion price is now approximately AUD2.30 per share.

Another key plank of our financing is our senior banking facility. Lynas entered into a US\$105 million senior loan facility with Bayerische Hypo und Vereinsbank in May 2008. Drawdown under this facility is subject to satisfaction of similar conditions precedent to release of the convertible note funds from escrow.

We are aiming to have completed all of the conditions precedent by around the end of this year.

In addition as of today we have approximately AUD 88m mln cash on hand.

Finally, the demand outlook for Rare Earths remains very strong, whilst supply continues to tighten up. There is no doubt that a slowdown in consumer spending will see some slowdown in rare earths demand, but it appears that inventories of Rare Earths are not extensive, and export quotas prevent dumping of any excess Chinese production onto the international market.

On the supply side the industry continues to be dominated by China but it is notable that costs appear to have substantially increased. The 2008-Q3 report of Baotou Steel Rare Earth High-tech, the largest Rare Earths company in China, states that whilst the revenues in Q3 were up 110% compared with the same period last year, their total costs were up over 200% for the similar period. This resulted in a net profit margin of barely 3% against the revenue, suggesting that even

at last years very good prices they barely break even, itself suggesting a higher cost base than expected.

This continued supply and demand tightness and increase in Chinese costs are evidenced by the fact that in the context of the global markets for commodities the Rare Earths prices have remained relatively stable.

Current prices are US\$11.40/kg, down from a Q1 '08 average of US\$13.70/kg, or a drop of 17%. This compares to a drop of 70% for molybdenum and 67% for nickel from Q1 '08 averages to current prices.

We believe that demand growth for Rare Earths remains in place. This is due to the growth of applications which drive energy efficient and environmental applications. In many cases government policy and legislation underpin the growth of these applications.

For example whilst the overall automotive market may be declining, the hybrid vehicle, which is a major consumer of Rare Earths, has strong government support both in Japan and from recent comments also in the US. Toyota Motor Corporation has identified the hybrid vehicle as one growth area in their business despite a downturn in the total number of cars being sold.

Part of the reason is that governments are embarking world wide on providing direct economic stimulus by supporting industrial development, and in the automotive industry this will be through the development of next generation "clean cars".

We think the governments are correct in focusing on sustainable industries of the future and we are proud to be involved in an industry which is so critical to future industrial production in a sustainable manner. Lynas itself is establishing a sustainable platform for long term operations in a business which we know will be very important in providing sustainable technology to the world. This is a business that will make a difference, and we, as a team, are very proud of that. I would like to thank all the team who are part of making this business real. Some have been with me on this journey for years; others have just joined the company this year. I want to thank them all; they all contribute critical skills and energy to ensuring our success. I also want to thank our Board, whose wisdom and advice is highly valued by the entire team. Together we know we are building an important business that will generate significant returns to shareholders for the long term. We look forward to providing our shareholders with these returns.

Thank You

Notes:

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Rob Duncan and Brendan Shand, who are members of The Australasian Institute of Mining and Metallurgy.

Both Rob Duncan and Brendan Shand are employees of Lynas Corporation Limited.

Rob Duncan and Brendan Shand have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Rob Duncan and Brendan Shand consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.