

Lynas AGM 2014

Chairman's Address

It is my honour to be addressing this Annual General Meeting of Lynas for the 14th year in a row. This will be my final Annual General Meeting as Chairman of Lynas. The vision has been created. We now have an industrial base which will become the global leader for Rare Earths for a sustainable future. We are now an operating company not a development company. My job is done.

I had the opportunity to take a controlling position in the junior gold mining company Lynas Gold Ltd early in 2001. Having spent a considerable time involved in the Chinese metals industry before that, I had been well advised about this exotic and special suite of metals known as Rare Earths. China then, as it does today, dominated the supply of global Rare Earths. Lynas had an option to buy the world's highest grade Rare Earths deposit at Mt Weld. Our team believed that there was a huge future in Rare Earths; metals that even then were underpinning a technological revolution underway. More powerful, smaller, consumer electronic devices powered by Rare Earths permanent magnets; lighter and cleaner cars, environmental protection through things like more efficient catalytic converters, lower energy consumption through more energy efficient lighting, were all major industrial directions demanded by global needs. These irreversible trends pointed to an ever increasing demand for Rare Earths at growth rates well above normal GDP growth. And yet it was also obvious that the major international corporations delivering this amazing technological revolution using these almost miraculous elements, Rare Earths, should not be required to rely completely on an environmentally poor, heavily fractured, and non-transparent Chinese supply chain to support

their billions of dollars of investment in new technology. An opportunity existed to disrupt the industry and change its fundamental dynamics by creating a sustainable and reliable non-Chinese source of Rare Earths, founded on the extraordinary quality of the Mt Weld deposit. Put simply there was a disconnect between the quality of the end users of Rare Earths and the quality of the Rare Earths upstream supply chain.

So the vision of creating a company to be “the Global leader in Rare Earths for a sustainable future” was founded and the journey to build a company began. Little did we know how long and hard, but exciting, that journey would be? The way forward would have to be constantly reassessed, and sometimes reinvented, reacting to external changes constantly and adapting and growing to survive. Lynas had a market capitalisation of only \$12 million dollars, and as it transpired well over \$ 1 billion, and nearly 14 years would be required to make the vision an industrial reality with the ability to generate a positive cash flow.

But we have made it an industrial reality. We have moved on from the concept and construction phase and are now very close to the end of our development phase. We are an important global industrial organisation that is capable of servicing a large percentage of global needs in Rare Earths in a sustainable and reliable manner.

Critically, the fundamental market conditions, the drivers that were the foundation of the company, are as clear today as they were then. Despite the industrially highly disruptive events of the Rare Earths boom of 2011, demand growth continues well above GDP, underpinned by exactly the same irreversible trends towards a more efficient and cleaner world using more

powerful and sophisticated technology developed in part because of the unique elemental properties of Rare Earths.

The industrial journey has been successful. We expect that the assets we have built will continue to be the largest and highest quality integrated Rare Earths operations in the world for probably decades to come. They are becoming deeply integrated in and critical to important global supply chains. We are indebted to our customer base and look forward to working more closely with them.

We recognise that the company can only exist if the community in which it operates gives it a “social licence to operate”. Despite the persistent noise from a politically motivated group in Malaysia, Lynas has a social licence to operate in Malaysia. We have consulted the community widely and we have ensured that we are always operating in a manner that is consistent with the values and expectations of all the communities in which we operate. We exist to benefit the community as much as we exist to benefit shareholders. We will continue to hold this principle dearly within Lynas.

I do acknowledge that it has been far costlier, and taken far longer than I could ever have imagined. And as a consequence the financial outcome for the loyal and long standing shareholders who have come on the journey has been completely unsatisfactory. The original 92 million shares on issue have had to become over 3,500,000,000 in order to survive. This massive dilution effect is currently compounded by the extreme negativity in equity markets towards the resources sector, and the extraordinarily sharp drop in the Rare Earths prices from the height of the 2011 boom, to result in the lowest equity price in the entire 14 year journey.

I am very sorry about this. I empathise with and share the disappointment this causes.

Despite this, we have preserved the equity base of the company and have ensured that we have only taken on reasonably priced debt. The balance sheet still needs to be shaped better, and debt needs to be reduced, but the recent equity raising and debt restructuring by JARE was a crucial step to giving us the room to develop the business into its full potential.

It is not financial engineering that makes a real business. It is a team of people committed to a common purpose, working together as a high performance team to deliver high performance outcomes across a range of skills. A team of people committed to the values of the company and driven by the vision and potential of the company.

Most importantly the company exists today because we have had at various times the skills and energy within the team to take the company to the next stage, to grow towards our vision. There are too many people who have been involved in the journey to make it reasonable to mark anyone out, so I just want to acknowledge and thank them all.

I am confident that once again we have put in place the best possible team to take the company to the next level and transform it from a development company to a highly profitable industrial company. Amanda Lacaze recently took over from Eric Noyrez as CEO. I thank Eric for his service to the company. In Amanda we have found an energetic and enthusiastic professional manager who has already made a marked difference. Amanda has reorganised the company and transformed the cost base in a short time. Amanda is focussed on the right things to create value for our shareholders. The Board stands

strongly behind her, confident that she and her team will deliver. Amanda will speak about her plans and vision shortly.

With the renewed energy and direction that Amanda is leading we are again reinventing and renewing the spirit of the company. We are in the process of renewing the Board. A search is underway and we expect to appoint a new Chairman in the near future.

It has been an exciting journey, but it is time to let a new team deliver on the extraordinary potential that this company has.

I want to thank the management team and the Board for all the support I have had and all they have given the company. It simply wouldn't exist without you.

I will watch from the sidelines with great interest as this company grows to be a world leader in Rare Earths helping society deliver a sustainable future.

Many thanks

Nick