

Lynas AGM 2014

CEO's Address

I am very pleased to welcome all shareholders and visitors to today's Annual General Meeting of Lynas Corporation.

It is good to see so many attendees and the level of interest and engagement from shareholders. We understand that many of you have been both frustrated and disappointed by the performance of the Company and that you see today as an opportunity to air that frustration. Your Board understands this and we are serious about responding to your concerns today.

However I would ask that you demonstrate courtesy and respect for all at this meeting.

Now, let's talk about the business: Lynas is here to stay.

For Lynas, the equation is simple:

Assets + Production Performance + Sales = Business Success

Our big investments in assets are complete. We have an unmatched set of integrated assets in the Mt Weld mine, the Mt Weld concentration plant, and the LAMP. We have established solid foundations for our business.

Mt Weld has an estimated mine life of over 25 years and is acknowledged as the highest grade Rare Earths mine in the world.

Our production processes at Mt Weld and at the LAMP are simple, yet complex. In simple terms, we mine Rare Earths ore, we concentrate it, we separate it, and we sell it.

The complexities in our process include:

- (1) operating within tight controls;
- (2) ensuring discipline at key points in the process;
- (3) addressing some novel materials handling challenges; and
- (4) using precise chemistry to deliver stable outcomes.

Mt Weld processes are stable and operating within design rates. We are continuing to focus on improving key performance elements including REO yield and water usage and management. As is the case in all areas of our business, we continue to work to drive costs down, including identifying options to reduce logistics costs.

As those of you who have been shareholders for some time would know, we have faced many challenges in the ramp up of production at the LAMP. We have identified key bottlenecks and are addressing them in a methodical fashion. We have made significant progress and are now focusing on developing reliability and resilience in all aspects of our operation.

Our production trends from the LAMP are consistently improving.

One example of this has been the improvement in performance of our rotary kilns at the LAMP. We can now operate the kilns at 120% of their design capacity. For a few weeks during November, two of our rotary kilns were shut down for planned maintenance. Despite running only two kilns out of four during those weeks, we have been able to maintain high quality feed rates at better than design rates. Our C&L team are skilled and experienced in kiln

operation and have achieved this outcome by addressing each of the areas of underperformance in a structured way.

We are now commencing the process of commissioning the Phase 2 solvent extraction circuits. Solvent extraction is the final area of the Phase 2 assets to be commissioned. Once the Phase 2 assets are all online, we have the potential to double the production capacity of the LAMP.

Product Finishing is the third production step. We are now operating the tunnel furnaces at design rates and are implementing modifications to improve throughput without having to invest significant capital.

The increased production has been accompanied by an increase in sales performance. Our ongoing task is to earn the business of our existing customers and to acquire new customers.

It is important to note that whilst significant progress has been made in improving production, there is still work to be done in all areas to ensure we deliver strong and sustainable performance.

Some of our key achievements in the 2014 financial year included the following:

- (1) FY14 was our first full year of production. Lynas achieved strong increases in production and sales in each quarter.
- (2) We simplified our company structure, we reduced contract labour and we restructured our executive leadership team.
- (3) We introduced programs to improve productivity, procurement, yield and on-spec production.

In the September quarter:

- (1) We made more – production tonnes up 8.5%
- (2) We sold more – cash receipts up 24%
- (3) We spent less – cash costs down 13%.

Other recent achievements include:

- (1) JARE confirmed its support of our business and agreed to reschedule its debt facility.
- (2) We received \$83 million (less costs) from our recent equity raising.
- (3) The Full Operating Stage Licence for the LAMP was granted in September 2014.
- (4) Our leadership team has relocated to the LAMP.

As part of the relocation and restructuring of our leadership team, Luisa Catanzaro has decided to stand down as CFO. I would like to thank Luisa for all her contributions to the Company since her appointment in December 2011. I am pleased to announce today the appointment of Gaudenz Sturzenegger as our new CFO, based at the LAMP. Both Luisa and Gaudenz are in the audience today, and I would ask them both to stand briefly please.

In addition, Lynas delivered a step change in quality for NdPr in the September quarter. Ninety-nine percent of NdPr has been produced to specification since mid-August, compared to 48% at the beginning of the September quarter. We consider this a significant achievement because product which does not meet customer specification is typically cleared at a substantial discount. During the September quarter, Lynas cleared 109 tonnes of off-spec NdPr. If all NdPr sold in the September quarter had been on-spec, sales revenue would have been approximately \$2m higher in that quarter.

To ensure continuing business improvement, our key focus areas will include the following:

(1) Increasing the value of our production.

A key focus will be on our higher value elements Nd, Pr and SEG. These elements constitute approximately 30% of the Rare Earths composition of Mt. Weld concentrate but their unique properties and relative scarcity means they represent approximately 90% of Lynas' sales revenue.

The RE separation process does not guarantee that each month's production will be in line with the natural resource. Actively managing the proportion of total production contributed by these high value products is essential.

The other key determinant on the value of total production is yield, that is the rate at which we convert ore to final product. This means managing our loss rates at every stage of our production. Any additional finished product "yielded" at the end of the process contributes directly to profit as there is no increase in total ore consumed or total cost of production.

(2) Safety and Environment.

Safety has always had the highest priority at Lynas, and this is reflected in our excellent safety record. Our Company-wide 12-month rolling Lost Time Injury Frequency Rate for FY14 was 1.5 per million hours worked.

We actively manage all parts of our operations to meet:

- (a) best practice safety benchmarks; and
- (b) industry leading environmental standards.

Our customers use our products in environmentally significant applications, and therefore careful stewardship of environmental standards is important throughout our operations. By using Lynas products, our customers can be confident of their environmental positioning.

In Mt Weld we are particularly focused on improving water consumption by employing a number of new and improving techniques to re-use and conserve water.

At the LAMP, we have implemented a number of industry leading technologies to manage our waste streams and ensure our local communities are fully informed.

(3) Customer Engagement and Service

Our customer offering focuses on:

- (a) Product Quality – I talked earlier about our important step change in NdPr quality. Meeting customer specifications remains a key focus.
- (b) Process Quality – We are working with customers to drive costs out of the full supply chain.
- (c) Reliability – We are able to offer 100% In Full In Time delivery.
- (d) Price – We offer flexible pricing including options matched to customer product life cycles.

(4) Community Engagement

One of the first priorities that Andrew Arnold and I undertook when we recently moved to Kuantan was to sit down with the leaders of the local

Balok community. I am pleased to confirm that the local community recognizes that Lynas brings jobs and economic opportunities to the Kuantan area. Our engagement with, and support for, our local stakeholders are very important. Our commitment is ongoing.

(5) Growing the Rare Earths Market

We are working with our customers and other industry participants with our key focuses including:

- (a) Providing the certainty of supply that supports investments in technology and innovation;
- (b) Focusing on end use customers;
- (c) Investing in new applications, including separated Nd and Pr;
- (d) Partnering with our customers on further innovations.

Despite the energy and commitment that my whole team and I bring to the task, the job of accelerating performance and of addressing areas of underperformance, both operating and financial, is not a simple task. We continue to encounter challenges – we are meeting them with discipline.

Lynas is here to stay. We have passed the early stage start up phase.

We are producing safely
We are producing quality product
We are producing efficiently
We are environmentally sound
We are engaged in our communities
We are increasing capacity

Thank you again for attending today. I will be very happy to answer your questions later, but first we will move to the formal part of proceedings.