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Lynas Corporation Limited
Annual General Meeting
Thursday 23 November 2006

Chairman's Address

I am very pleased to say that this year has been a very successful year for Lynas Corporation (Lynas). Our major achievements have been:

1. A rise in the share price from 15 cents per share to 40 cents per share today.
2. Completion of the feasibility study and the Basic Engineering Design for the proposed Chinese processing plant.
3. Signing of a Heads of Agreement with Rhodia, a major French Chemical company for long term supply of material to them.
4. Successful capital raising of $75 mln to enable construction to commence.
5. Decision to relocate the processing plant from China to Malaysia.

We have travelled a long way in the last year. We have moved from the business development phase of the company directly into the implementation phase. We have a robust plan, we have the money and we have a viable and strong business model. The team is now motivated, empowered and challenged to deliver against that business model and create sustainable shareholder value.

At the beginning of the financial year we were embroiled in litigation with a Canadian company, AMR Ltd (AMR). We were the largest shareholders in AMR with a 20% interest in the company. We had a vision of integrating AMR with Lynas to build a significant producer of Rare Earths able to compete in what we assessed would be a tightening market for Rare Earths raw material. The management of AMR however were able to convince their Board that greater shareholder value would be gained by purchasing a private equity company, Magnaquench. On that basis we decided to exit the register and sold our shares in July.

Our view of a significant tightening of raw materials supply was correct. Since the beginning of the financial year the basket price for Rare Earths oxide produced from Mount Weld has risen from US$4.77 to US$8.41.

This price increase can be almost directly attributed to two key factors in play within China. The first is the country's crackdown on environmentally damaging mining and processing operations in Rare Earths. The second is a reassessment of the actual commercially viable resources of Rare Earths available in the country.

We had foreseen this scenario and believe that China will be unable to satisfy global demand in Rare Earths in the foreseeable future. This view has been further reinforced recently by several initiatives of the Chinese Government. The issuance of export quotas for Rare Earths has been significantly tightened, VAT rebates for Rare Earths have been terminated and a 10% tariff has been imposed on the export of Rare Earths. The combined impact of the VAT and tariff imposition will in itself impact the pricing of raw and processed materials.

Possibly the most significant indicator of the tightening of Rare Earths in China has been the imposition of production quotas on the total volume of Rare Earths available for supply in China. Production quotas totalling 76,000 tns per annum have been imposed. This compares to production last year of 103,000 tns. Whilst we acknowledge that some ‘grey’ production, or production that is not legal, will occur, we see around 85,000 to 90,000 tns per annum as total available supply from China in the near term.

This contrasts with demand running over 100,000 tns per annum and growing at about 10,000 tns per annum. This ‘perfect storm’ of a structural shortfall in supply, fiscal imposts and very strong growth in demand has led quite directly to the significant increase in prices.

Conditions are now in place for this price rise to continue and to be sustained for the foreseeable future. The time for development of our project has come.

Lynas has taken advantage of this strong outlook to raise the capital required to build the plant. This year marks the beginning of the implementation phase of the Lynas journey. Not surprisingly the capital markets have responded strongly and favourably.

We initially secured an underwriting of $28 mln of convertible notes from RAB Capital. We are grateful to Transocean Securities, a boutique Sydney based investment bank closely allied to RAB Capital, for having secured this facility for us. We proceeded to issue the notes and were well oversubscribed, raising $35 mln in total from international institutional investors.

During that time we were approached by Phil Schofield at Patersons Securities Limited for a placement of shares to US institutional investors. I am delighted that we were able to complete the equity issue with Ospraie Management, a well known US hedge fund, and Goldman Sachs private equity group. We raised a further $40 mln at a premium to the prevailing market price. We were trading at about 27 cents per share and the equity issue was done at 31 cents per share. I believe that it was a very positive outcome for the company to raise over 100% of its market capitalisation at a premium to the prevailing market price.

This gave us the fuel to commence the implementation phase.

We have completed the Basic Engineering Design with Chinese Institutes. China has the processing knowledge of Rare Earths so we felt it very important to use Chinese Institutes for this stage of our design. In addition we hired several Chinese Rare Earths engineers to bring the process knowledge in-house to Lynas.

In September we finally resolved to change the location of the processing plant from China to the East Coast of Malaysia. This decision was taken after a careful assessment of possible alternatives. The change was prompted by the Chinese Government increasing control on the industry and our inability to clarify the position regarding the application of export quotas to any material we manufactured in China. We have very strong customer support for this move. Potential customers are very keen to find a competitive and reliable source of Rare Earths outside of China and one that will demonstrate the highest levels of environmental care and management. A number of our customers want a 'clean' supply chain that is transparent. We are the only alternative.

The decision was made, however, on the basis of economics. Despite an increase in capital costs associated with the Malaysian location of approximately 25%, the returns on the project have increased by moving to Malaysia.

We do not believe that operating costs will be significantly affected. In addition we immediately benefit from a 27% increase in revenue relative to locating in China as we will not pay VAT of 17% on costs and we will not need to pay a 10% export duty on our material. Effectively we will be 27% better off compared to any Chinese material sold FOB China for export.

As well as the significant revenue advantage, the fiscal regime in Malaysia is such that we should be able to obtain between a 10 and 15 year tax holiday, under the 'Pioneer Status' provision in Malaysia. All of this translates into an increase in the NPV of the project and the related value per share. Patersons Securities Limited and Austock Securities Limited have independently valued the shares well in excess of the current share price, recognising the increase in value relating to the relocation to the Malaysian location.

The change in location has led to significant activity in the company.

The chosen site has many advantages. It is within an industrial park with capacity to deliver us key reagents, particularly sulfuric acid and hydrochloric acid, and importantly it is located next to a deep water port very suitable for unloading our ore from Mount Weld. There is a readily available pool of skilled and unskilled workers given its proximity to Malaysia's key petrochemical hub. The medium of instruction is English and there exists a Westminster legal framework within which we can operate confidently.

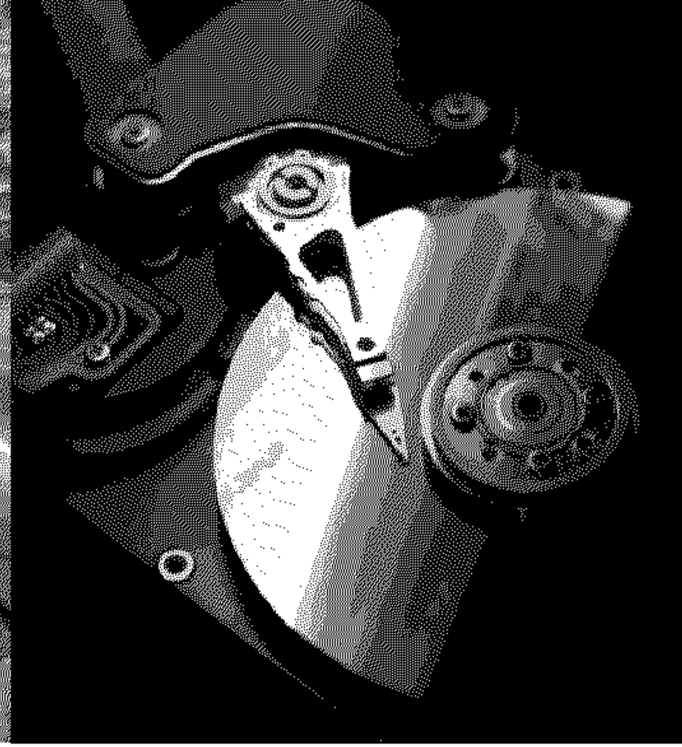
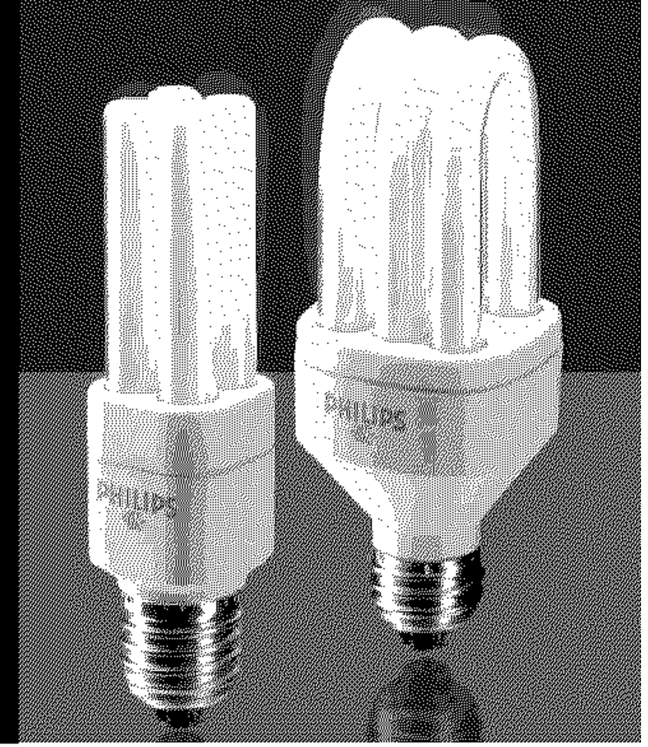
We are currently redoing the Basic Engineering Design to allow for the proposed new site in Malaysia. We are in the process of appointing an international engineering firm to undertake an EPCM contract for us for the construction of the plant. We expect this to be completed within a month. We have opened an office in Kemaman in Malaysia and are actively developing our local presence and relationships with the relevant Government authorities. We have had a very positive reception in Malaysia and look forward to very long and fruitful relationship with the community in that region.

To achieve all that is ahead Lynas must build capacity. We have begun the process of expanding our senior team. I am very pleased that Ramesh Kana has joined us as Chief Financial Officer. Ramesh brings significant experience to Lynas. He spent 12 years at Shell in a variety of jobs and regions and brings a fresh perspective to what we are doing, solidly based on the core skills he has honed through his successful professional career.

We will continue to build up our senior team to complement the excellent skills already in the company, and ensure that we have their right team with the competence to deliver this project. I believe we have an excellent team already, and want to thank Mike Vaisey, Matthew James, Harry Wang and all the employees of Lynas for their enormous efforts to date. I know they are all as excited as I am about the road ahead.

I also want to thank the Directors of Lynas, Jake Klein and David Davidson, for their invaluable guidance and support through this process. Their advice is greatly appreciated.

The challenges ahead are significant, but I am very confident that we will develop a unique and very valuable business, delivering key ingredients to enable modern day living, and in the process creating significant shareholder value.

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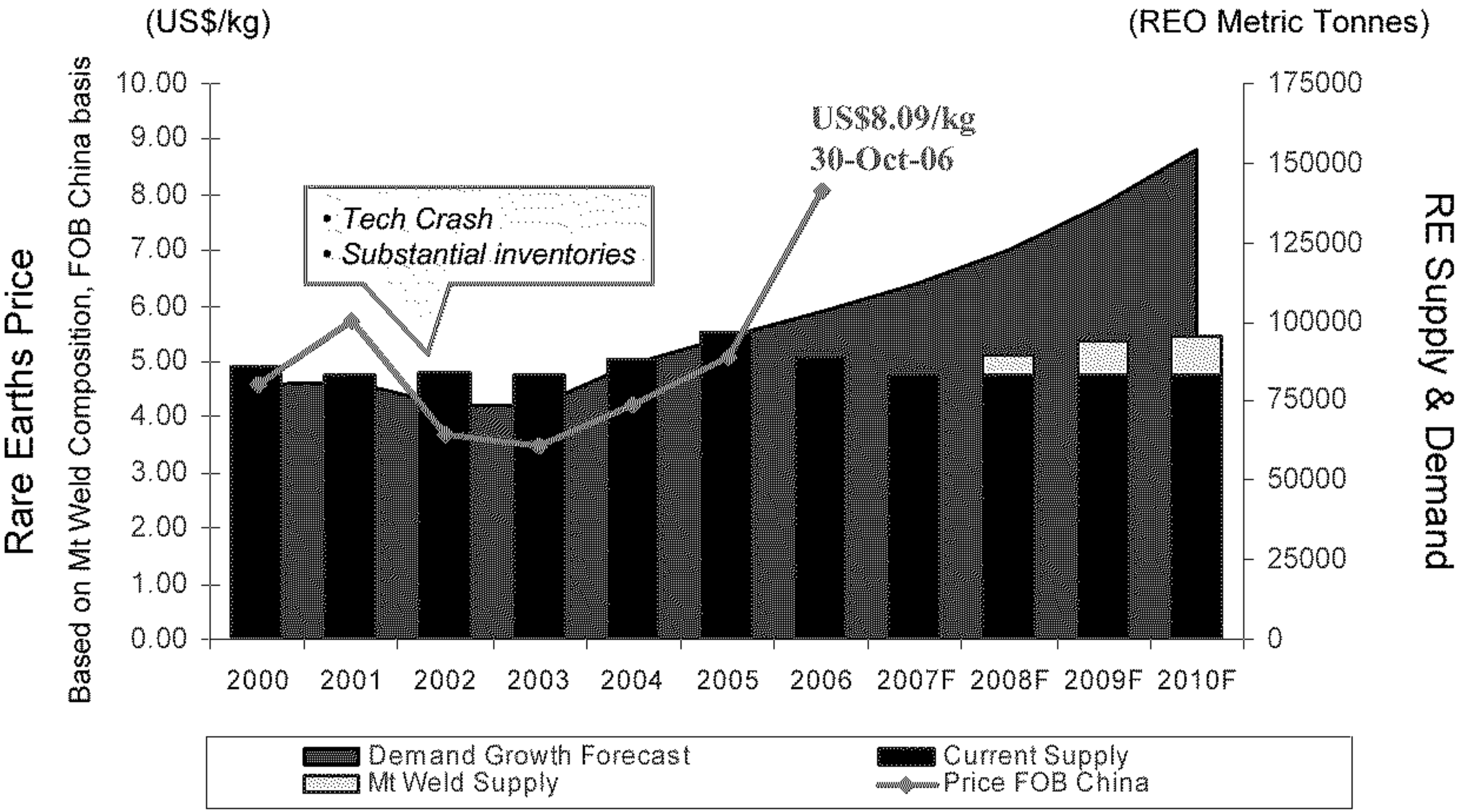
Share Price 2005-2006

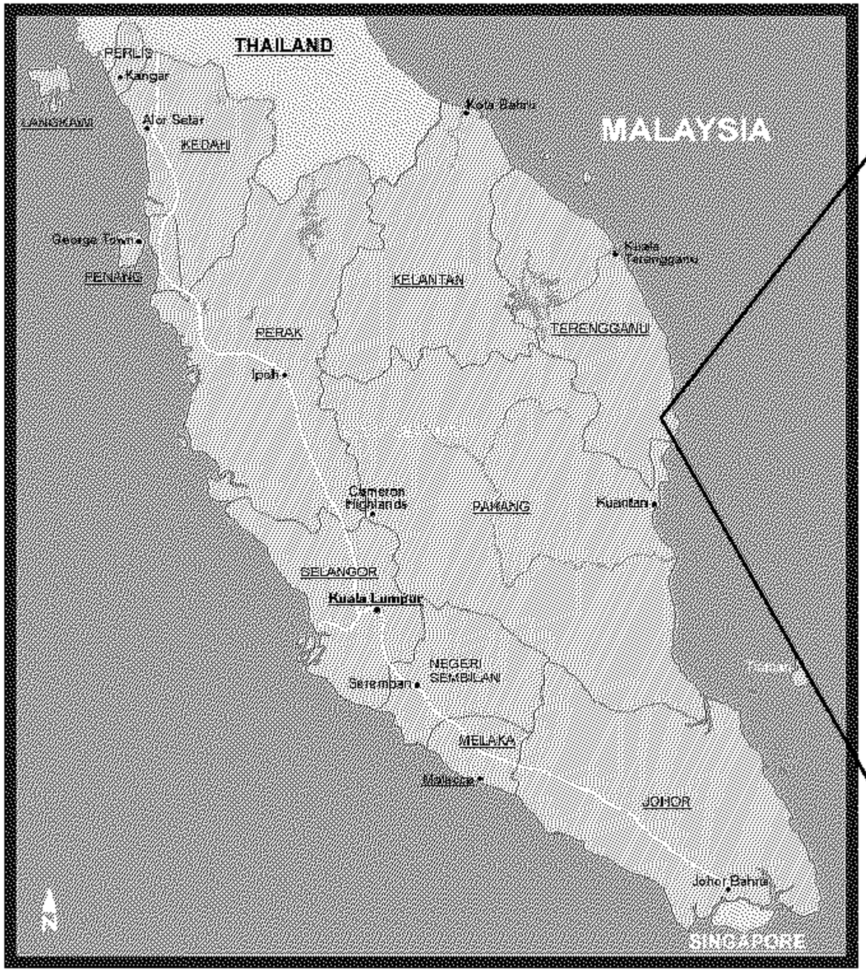
Supply - demand imbalance suggest the price increases will continue over the next few years

Rare Earths market history and independent forecast



Source : BCC Research report, see www.lynascorp.com

Malaysian environmental and project approvals are underway



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Commissioning of the plant in Malaysia is planned for H2 2008

- **MIDA application has been submitted**
  - Strategic Pioneer Status with associated 10 year tax break
  - Manufacturing Licence
  - 6 week review period
- **Engineering design underway**
  - Review basic engineering design for Malaysian site
  - Hired 5 Rare Earths engineers, working with experienced Chinese design institutes on process
  - Support with international firm for civil and structural work in Malaysia
- **Commercial contacts established**
  - Low cost public utilities (gas, water, electricity)
  - Established manufacturers of key re-agents in Teluk Kalong Industrial Estate (sulfuric acid, hydrochloric acid, sodium hydroxide, lime)
  - Excellent port facilities

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Rare Earths outlook

- A perfect storm has hit the Rare Earths market, with demand growing strongly and supply restrictions in place
- Lynas has the only commercially viable deposit outside China, and will be one of the lowest cost producers in the world
- The plant in Malaysia brings significant tax advantages, a 10 year tax free period and a 17% revenue advantage compared to China which must absorb 17% VAT
- We are well positioned to grow strongly as a key supplier of essential raw materials

Summary

In achieving our Vision we will:

- Create a globally unique strategic supplier of advanced materials – underpinned by the cashflow from our Rare Earths asset
- Create sustainable long term earnings with exposure to growth through technology advancement
- Create shareholder value in excess of current share price