
QUARTERLY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2009

HIGHLIGHTS

- Successful completion of \$450 million Equity Raising
- Recommencement of the engineering and procurement activities for the Rare Earths project
- New Chief Operating Officer appointed with detailed knowledge of the international Rare Earths industry.
- Engagement of United Group as alliance partner for engineering, procurement and construction of Lynas Advanced Materials Plant
- Supply Contract signed with Rhodia extended from a 5-year to a 10-year contract plus technical services support agreement.
- Completion of the acquisition of all of the mineral rights of CSBP Limited in relation to the mining leases located at Mount Weld, Western Australia
- Rare Earths prices recovering strongly; as at 25 January 2010 the average price for the Mount Weld Rare Earths composition was US\$12.58/kg

CORPORATE

Following the Company's announcement on 29 September 2009 of a fully underwritten issue of new fully paid ordinary shares in Lynas to raise \$450 million, Lynas is pleased to confirm that the equity raising was successfully completed and the full amount of \$450 million less expenses has been received.

The proceeds of the capital raising will be used to fund the completion of Phase 1 of the Lynas Rare Earths Project. This has enabled the Company to lift the suspension of the Project to complete construction and commissioning of both the Concentration Plant in Western Australia and the Advanced Materials Plant in Malaysia. All equipment and infrastructure vendors have been advised of the restart and engineering and procurement activities have resumed.

With the project suspension lifted Lynas has further engaged with existing and potential customers. Recently the Supply Contract signed with Rhodia (formerly Rhodia Electronics & Catalysis) for the supply of Mount Weld Rare Earths from the Advanced Materials Plant has been extended from a five-year to a ten-year contract.

Also during the quarter the Company completed the acquisition of all of the rights of CSBP Limited in relation to the mining leases located at Mount Weld, Western Australia. The rights acquired by Lynas relate to the apatite at Mount Weld. This transaction has simplified the legal ownership of the tenements and mineral rights at Mount Weld – Lynas will be the registered holder of all relevant tenements and all minerals rights within those tenements at Mount Weld.

This in turn will facilitate the potential development of both the Crown Polymetallic Resource and additional Rare Earths resources at Mount Weld by eliminating third party negotiations regarding the potential development of future resources which contain both apatite and other minerals. Mount Weld is known to host apatite mineralisation including a JORC Code compliant Indicated Resources of 60.4Mt @ 19.2% P2O5 (10% P2O5 cut-off). Pilot plant demonstrations have shown that a concentrate suitable for phosphate fertilizer manufacture could be produced from this resource. However Lynas will continue to focus on the development of Rare Earths from the Mount Weld tenements.

The Company was pleased to announce during the quarter that Eric Noyrez has been appointed as the new Chief Operating Officer of Lynas. Eric has extensive senior management and board level experience in major multinational industrial and chemical companies, including leading Rhodia's Silcea division which is a leading global supplier of products utilising Rare Earths and Rare Earths technologies and is a major consumer of Rare Earths. Eric therefore brings to Lynas a detailed knowledge of the international Rare Earths industry. In addition his extensive industrial experience will be an important addition to the current executive team.

ENGINEERING AND CONSTRUCTION UPDATE

CONCENTRATION PLANT AT MOUNT WELD

The focus for the past quarter has been on the remobilisation of engineering resources and the recommencement of engineering and procurement activities. Mintrex was re-engaged as the Concentration Plant Project Superintendant and Abesque Engineering and Construction has recommenced engineering and procurement activities.

ENGINEERING AND PROCUREMENT

Civil, structural and mechanical engineering are complete for the main processing areas with piping engineering and drafting well advanced. Engineering for site services, infrastructure and administration facilities has commenced.

Contracts with all equipment vendors which were previously suspended were recommenced in December 2009. Preferred vendors have been identified for all equipment packages that remained outstanding and negotiations are nearing completion for all items. Revalidation of previous infrastructure quotations have been requested from the original infrastructure vendors.

CONSTRUCTION

Construction works are anticipated to recommence on site early in the second quarter of 2010. This will allow sufficient time for construction, commissioning, production and shipment of concentrate for the commissioning of the Advanced Materials Plant in Malaysia.

ADVANCED MATERIALS PLANT IN MALAYSIA

A key activity this quarter has been reviewing procurement, engineering and contracting strategies as well as construction methodologies and commissioning logic as inputs for establishing a revised schedule for the Advanced Materials Plant in Gebeng, Malaysia.

As a result of reviewing our contracting strategy during the quarter, Lynas has engaged United Group Limited's Resources division (UGL) to complete the engineering, procurement and construction management through to the pre-commissioning stage for the Advanced Materials Plant. This engagement is via an Alliance Contract structure where the compensation arrangements embrace risk sharing through "gain-share" / "pain-share" arrangements based on performance criteria around forecast costs and completion dates.

ENGINEERING AND PROCUREMENT

UGL has mobilised its engineering and procurement teams. Priorities for the quarter included ensuring all design information was received from Ranhill WorleyParsons and reviewing the status of equipment drawings and vendor information. In addition engineering work in this quarter focused on advancing the 3-Dimensional engineering design model of the Advanced Materials Plant. Reviews of this computer model allow mitigation of potential construction clashes hence reducing on-site rework and overall construction timeframes.

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All existing equipment vendor packages which were previously suspended have been restarted with no equipment delivery dates anticipated to be on the critical path.

CONSTRUCTION

The focus of this quarter was the alignment of engineering activities with construction planning to allow early works to proceed; specifically the completion of concrete works which will enable an early commencement of pre-engineered buildings, structural works and key mechanical activities within major process areas.

A pre-mobilisation and site facilities programme is being finalised with a local contractor to ensure infrastructure, security and access is set up prior to establishment of the main contractor on site.

The construction team shall mobilise in preparation for the recommencement of the construction programme in Malaysia scheduled for February 2010.

OPERATIONAL UPDATE

MOUNT WELD OPERATIONS

There were zero personnel injuries or reportable environmental incidents for the quarter. The mine has continued with routine compliance inspections for statutory obligations, including Safety and Environmental reporting. Contact with stakeholders, including vendors and service providers have remained ongoing to keep them informed of progress, and ensure a smooth recommencement of the project. Good progress has been made in the remediation of drill-hole sites from prior exploration drilling programmes while geological work continued on the generation of an in-house resource model.

With the project suspension lifted recruitment activity has recommenced for the Mount Weld Operations.

EXPLORATION DRILLING

The Northern Zone and Southern Zone, located immediately to the north and south of the current mine pit respectively, are known to contain Rare Earth resources with a higher distribution of the heavier and higher value Rare Earths such as yttrium, europium, terbium and dysprosium and complement the Central Lanthanide Zone (CLZ) resources which are rich in the lighter Rare Earths such as lanthanum, cerium, praseodymium and neodymium.

Initial exploration drilling results from these zones were provided in the March 2009 Quarterly Report, with the remaining assays to be completed upon refinancing of the project. The balance of the samples from the exploration drilling were assayed during this quarter and the results of these assays are appended to this report (Appendix A).

The average grade of the assays received for the Northern Zone was 6.2% Rare Earths Oxide (REO) with 10.1% of the REO distribution as Heavy Rare Earths plus Yttrium. The average grade of the assays received for the Southern Zone was 3.1% REO with 17.4% of the REO distribution

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as Heavy Rare Earths plus Yttrium. The results for the Southern HRE zone are from the most southern holes in the drilling program. These holes were designed to delineate the southern boundary however the grades indicate the southern HRE zone remains open to the south.

MALAYSIA OPERATIONS

There were zero personnel injuries or reportable environmental incidents for the quarter. The continuation of planning and execution of commissioning and operations projects continued during the quarter. In support of this, Rhodia and Lynas signed a Technical Co-operation Agreement (TCA). The TCA outlines technical support to be provided by Rhodia for the separation and product finishing sections of the Advanced Materials Plant during the operations planning, commissioning and ramp-up of the plant. Rhodia is uniquely qualified to assist Lynas in this area as Rhodia currently operates similar plants in both France and China. Both Lynas and Rhodia anticipate that co-operation on the development of the separation processing of the Advanced Materials Plant would bring significant benefits of acceleration and de-risking of the commissioning and ramp-up of the plant leading to more assured on-specification product deliveries to customers.

The Malaysian team hosted UGL members of our Alliance team in Gebeng to allow them to familiarise and understand the site and local industrial infrastructure as well as to meet local contractors and consultants. Recruiting activities also resumed this quarter.

SUPPLY CHAIN UPDATE

Supply Chain activity recommenced this quarter. In Western Australia, logistics and freight forwarding vendors were contacted to finalise contract terms and set timings for awarding international freight contracts. It is anticipated that these contracts will be initiated in the third quarter of 2010. All previous supply contracts for the Malaysian facility remain intact.

An inventory of critical first fill chemicals is being built to mitigate potential vendor production capacity constraints thereby reducing start-up risk for the extraction process in Malaysia.

Pricing for key reagents have not moved significantly in the past quarter, hence the estimated cash cost of US\$5.65 +/- 10% remains valid.

GLOBAL MARKET ACTIVITY

COMMERCIAL DISCUSSIONS

In November, Lynas sponsored the Metal Events and Roskill '5th International Rare Earths Conference' held in Hong Kong, where 170 delegates set a new attendance record for the event. The delegates were a mix of end-users, producers, processors, analysts, researchers, media, junior exploration companies, financiers, and consultants. There were representatives from around the world – a confirmation that this conference is “the” conference for the Rare Earths industry.

A number of themes emerged from the conference. The key theme was forecast shortage of Rare Earths within the next five years. An independent analyst forecasts demand to reach 180,000 tonnes REO by 2014.

Another strong theme to emerge from the conference is the need for the future Rare Earths supply chain to be environmentally sound. The Chinese government is striving to improve the environmental performance of the Chinese Rare Earths industry, which has had international media coverage regarding the environmental damage caused by illegal practices in China – particularly in the south of China.

As noted earlier in this report, Lynas announced, post quarter-end that the Supply Contract signed with Rhodia for the supply of Mount Weld Rare Earths from the Advanced Materials Plant has been extended from a five-year to a ten-year contract.

This contract extension by a globally significant consumer of Rare Earths reinforces that the 'Rare Earths Direct' (RED) brand of Lynas is establishing itself as the benchmark for the security of supply in the Rare Earths market and is welcomed by customers at a time when demand is increasing strongly but current supply is restricted and ever more uncertain. The core company values of excellence in health, safety and environment also enhance the RED brand value proposition to companies such as Rhodia.

The contracted quantities account for a significant portion of the cerium and heavier Rare Earths, including europium and terbium, as well as other products such as lanthanum from the Advanced Materials Plant's initial 11,000 tonnes REO capacity.

A recent marketing trip to Japan confirmed Rare Earths markets are recovering well with most application manufacturers operating above 80% of their pre-downturn level, with some at 100% capacity. In addition stability of orders appears to have returned to their markets, allowing them forecast with better certainty than in 2009.

RARE EARTHS PRICES

With the continued market recovery through the final quarter of 2009, demand has driven the average quarterly price for the Mount Weld Rare Earths composition up by 10%. Neodymium Oxide and Praseodymium Oxide were the main contributors to this price movement. These elements are the main Rare Earths used in high strength Rare Earths magnets. This trend continued after the end of the quarter, and as at 25 January 2010 the average price for the Mount Weld Rare Earths composition was US\$12.58/kg with Neodymium Oxide and Praseodymium Oxide prices increasing to US\$26.50/kg and US\$25.20/kg respectively.

Rare Earths Prices FOB China (US\$/kg)					
Rare Earths Oxide	Mt Weld Composition % Rare Earth Oxide*	Average Price Over Quarter			
		Q4 2008	Q3 2009	Q4 2009	
Purity 99% min					
Lanthanum Oxide	25.50%	8.45	5.75	5.43	
Cerium Oxide	46.74%	4.60	3.92	4.11	
Neodymium Oxide	18.50%	18.18	14.50	18.38	
Praseodymium Oxide	5.32%	18.02	14.50	17.91	
Samarium Oxide	2.27%	4.80	4.80	4.75	
Dysprosium Oxide	0.12%	112.20	110.90	112.31	
Europium Oxide	0.44%	500.80	491.50	490.00	
Terbium Oxide	0.07%	515.40	360.00	360.00	
Av. Mt Weld Composition		11.45	9.41	10.32	

* in final product form, other Rare Earths account for 1.04%

The table above shows the average quarterly price for a 'standard' 99% purity of individual elements and for the generic composite of Rare Earths equivalent to the Rare Earths distribution for the Central Zone resource of the CLD Sector at Mount Weld, on a Freight On Board (FOB) China basis. Weekly updates of these prices can be found on the Lynas website, www.lynascorp.com, under "What Are Rare Earths?", then "What are their prices?".

FINANCE

The consolidated cash movement during the last quarter is set out below:

CASHFLOW		AUD M
OPENING CASH BALANCE 1 OCTOBER 2009		7.1
Interest and other income received	2.4	
Equity contribution net of fees and expenses	431.5	
TOTAL CASH INFLOW		433.9
Less		
Western Australia Concentration Plant	0.3	
Malaysian Advanced Materials Plant	7.6	
CSBP phosphate rights	4.0	
Operating Costs	5.9	
TOTAL CASH OUTFLOW		17.8
CLOSING CASH BALANCE 31 DECEMBER 2009		423.2

During the quarter, Lynas successfully launched and completed the A\$450 million equity raising with the assistance of JP Morgan. All funds were received by mid-November 2009 and are currently on deposit with HSBC and NAB.

Successful dialogue continued with all vendors where packages had previously been suspended and arrangements made to bring these packages on stream in the coming months. We anticipate that additional progress payments will be made in the coming quarter.

Estimated capital expenditure provided in the last quarter remains current and discussions are underway with a local Western Australian contractor for a lump sum price to deliver the Western Australia Concentration Plant. In addition, we are working closely with United Group Limited on an alliance style contract for the completion of the Advanced Materials Plant at Gebeng.

FOREX MANAGEMENT

Taking advantage of the strong Australian Dollar during the quarter, Lynas converted \$200 million into Malaysian Ringgit and a further \$38.5 million into American Dollars, providing a significant hedge against our two main currency exposures.

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Brendan Shand, who is a member of The Australasian Institute of Mining and Metallurgy. Brendan Shand is an employee of Lynas Corporation Limited. Brendan Shand has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brendan Shand consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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Northern Heavy Rare Earths Zone								
Hole_Id	From	To	Length	TLnO	LLnO	HLnO	Y2O3	Nb2O5
RC1043	33	94	61	10.17	9.78	0.38	0.06	0.15
RC1044	26	125	99	6.13	5.71	0.42	0.25	0.27
RC1045	48	109	61	3.42	2.99	0.43	0.31	0.28
RC1047	40	57	17	12.19	11.63	0.56	0.08	0.11
RC1048	40	61	21	11.32	10.91	0.41	0.06	0.33
RC1049	37	112	75	11.44	10.93	0.51	0.09	0.11
RC1050	24	113	89	7.65	7.15	0.50	0.15	0.18
RC1051	32	105	73	3.81	3.43	0.37	0.25	0.14
RC1052	34	74	40	1.92	1.62	0.30	0.40	0.35
RC1053	30	95	65	7.35	6.92	0.43	0.14	0.28
RC1054	24	77	53	5.37	4.88	0.49	0.39	0.15
RC1055	21	78	57	2.39	2.05	0.34	0.38	0.23
RC1056	22	67	45	3.87	3.50	0.37	0.20	0.29
RC1057	24	53	29	5.25	4.77	0.49	0.48	0.24
RC1058	34	50	16	3.18	2.86	0.31	0.26	0.15
RC1059	24	42	18	3.89	3.63	0.26	0.11	0.20
RC1060	26	52	26	3.65	3.37	0.28	0.16	0.21
RC1061	22	46	24	5.19	4.81	0.38	0.28	0.28
RC1062	26	38	12	3.01	2.77	0.25	0.10	0.16
RC1063	28	42	14	3.05	2.77	0.28	0.15	0.37
RC1064	22	38	16	3.44	3.19	0.24	0.11	0.41
RC1065	26	38	12	3.12	2.77	0.35	0.29	0.28
RC1069	12	22	10	5.07	4.69	0.38	0.12	0.30

Southern Heavy Rare Earths Zone								
Hole_Id	From	To	Length	TLnO	LLnO	HLnO	Y2O3	Nb2O5
RC1078	28	54	26	3.89	3.37	0.51	0.35	0.26
RC1079	25	32	7	4.04	3.56	0.49	0.27	0.26
RC1080	22	30	8	3.23	2.98	0.25	0.11	0.30
RC1161	40	44	4	2.45	2.16	0.29	0.20	0.51
RC1162	32	34	2	2.52	2.31	0.21	0.12	0.59
RC1163	26	36	10	3.06	2.82	0.23	0.12	0.42
RC1164	36	40	4	2.63	2.31	0.32	0.25	0.70
RC1165	30	44	14	2.79	2.49	0.30	0.16	0.42
RC1166	40	44	4	2.26	2.00	0.26	0.14	1.31
RC1168	30	52	22	2.52	2.30	0.22	0.15	0.27
RC1169	30	54	24	2.39	2.13	0.26	0.15	0.36
RC1170	32	40	8	2.13	1.88	0.25	0.13	1.38
RC1171	34	56	22	3.21	2.85	0.36	0.21	0.55
RC1172	32	56	24	2.36	2.01	0.35	0.31	0.97
RC1173	38	48	10	2.64	2.34	0.30	0.16	0.60

The drilling was carried out using 110mm Aircore. Sampling was carried out on 1 and 2 metre intervals. Intercepts are for assays above 2% TLnO with internal intervals up to 4 metres less than 2% TLnO. The internal intervals less than 2% are high in heavy TLnO's.

LLnO are the light lanthanide oxides from CeO2 to Nd2O3.

HLnO are the heavy lanthanide oxides from Sm2O3 to Lu2O3.

