

QUARTERLY REPORT
FOR THE PERIOD ENDING 31 MARCH 2010

HIGHLIGHTS

- The current estimated capital cost to complete Phase 1 of the Concentration Plant in Western Australia and the Advanced Materials Plant in Malaysia is A\$339 million.
- The forecast total cash requirement to the start of Phase 1 production is A\$407.32 million, with total cash at bank approximately A\$417 million, as at 31 March 2010.
- Mobilisation to site has occurred in Western Australia and is scheduled to commence in Malaysia in April 2010.
- Rare Earths prices continued to recover strongly, with the average price for the Mount Weld Rare Earths composition at US\$15.55/kg, as at 27 April 2010.

CORPORATE

LYNAS' GLOBAL REACH

There has been much recent global discussion, particularly in the United States, between the public and private sector, and consequently the media, about the imminent shortage of Rare Earths and the potential impact on industries that rely on its utilisation. The looming supply deficiency has been apparent for the past few years. Whilst China dominates the production of Rare Earths, the Chinese resource base is fragile. This, combined with the internal Chinese demand continually increasing, has subsequently lead to export quota decreasing. Lynas will provide the first supply outside of China to industries globally when production comes online as planned in 2011.

The market recovery of Rare Earths prices gathered speed over the course of the past quarter. This was demonstrated by Japanese import statistics showing a six fold increase for February 2010 compared to a year earlier, which was the low point of demand due to the Global Financial Crisis. The increased demand has pushed the average quarterly price for the Mount Weld Rare Earths composition up by 27 per cent over the quarter.

RARE EARTHS PROJECT OVERVIEW

In the quarter ending 31 March 2010, the Company announced the award of Engineering, Procurement and Construction Management (EPCM) contracts for both the Concentration Plant in Western Australia and the Advanced Materials Plant in Malaysia.

A letter of award was issued to Abesque Engineering Ltd ("Abesque") for a lump sum contract for the Concentration Plant. This contract replaces the existing separate engineering and construction works contracts with Abesque and being a lump sum contract will reduce the risk of variations from budgeted costs.

A letter of award was issued to UGL Limited (UGL) to provide EPCM services for the Advanced Materials Plant in Malaysia. UGL has an established relationship with Lynas, having undertaken a high level engineering review of the Advanced Materials Plant project earlier this financial year. The UGL contract is an alliance style contract, with both client and contractor jointly managing the schedule of works on an open book basis to better manage risk. UGL brings extensive construction experience and engineering design capability, and will utilise fully integrated 3D multi-disciplined engineering and materials management systems to help deliver the world class production facilities.

Since the restart of the Lynas Rare Earths Project in November 2009, a major focus of UGL, Abesque and Lynas has been to review and advance the project engineering to enable confirmation of a revised baseline capital cost estimate and schedule following the nine month suspension. This work was completed after the end of the quarter.

The key target dates for the Concentration Plant at Mount Weld in Western Australia are mobilisation to site in April 2010, which has been achieved, and First Ore Feed in December 2010, as previously announced.

Mobilisation to site in Malaysia commenced in April 2010. The first construction contractors to mobilise to site will progress the civil works package by commencement of pile capping in preparation for pouring the concrete slabs that will accommodate the rest of the plant. A detailed review of the schedule anticipates first concentrate feed to the kiln early in the third quarter of 2011.

Phase 1 of the Lynas Rare Earths Project will produce approximately 11,000 tonnes REO per annum while Phase 2 is scheduled to increase capacity to approximately 22,000 tonnes REO per annum by 2013. The final capital cost for expansion is still under investigation and is likely to be funded by a debt facility.

PERSONNEL NEWS

Lynas has welcomed Mr Ivo Polovineo back into the fold as an additional Company Secretary in the quarter. Mr. Polovineo has spent over 25 years in senior management roles in the resource sector, including over 20 years as Company Secretary of a number of listed public companies. His last position was Company Secretary of Sino Gold Mining Limited (formerly an ASX 100 company) until December 2009.

Mr. Andrew Arnold, the Company's General Counsel and Company Secretary, will continue to be responsible for communication with ASX in relation to listing rule matters.

ENGINEERING AND CONSTRUCTION UPDATE

CONCENTRATION PLANT AT MOUNT WELD

ENGINEERING AND PROCUREMENT OF THE CONCENTRATION PLANT

Engineering activities have progressed this quarter, with civil, structural, mechanical and piping engineering substantially complete for the main processing areas and most drawings released as approved for construction. Engineering for site services, infrastructure and administrative facilities are well advanced.

Purchase Orders for all outstanding equipment have been placed and delivery dates finalised. Delivery of long lead time items will commence in the upcoming quarter.

CONSTRUCTION OF THE CONCENTRATION PLANT

A lump sum fixed price contract has been awarded to Abesque with a value of A\$36,232,733 (excluding GST). This amount is within the Lynas budget and represents the bulk of the Mount Weld Concentration Plant future capital costs of approximately A\$45.05 million. The remaining amount is also committed under existing contracts. A letter of award was issued for the Tailings Storage Facility (TSF) after the end of the quarter for the amount of A\$4,160,200 (excluding GST). This is also within the Lynas budget.

As anticipated, Abesque has mobilised to site and recommenced construction work. The schedule has sufficient time for construction, commissioning, production and shipment of concentrate for the commissioning of the Advanced Materials Plant in Malaysia. The first feed of ore into the Concentration Plant is scheduled to occur in December 2010.

ADVANCED MATERIALS PLANT IN MALAYSIA

The key activity this quarter has been the finalisation of a revised baseline capital cost estimate and schedule, the continuation of engineering works and the mobilisation of construction resources.

The revised baseline capital cost estimate and schedule has now been completed. The future capex to complete the construction of Phase 1 of the Advanced Material Plant in Malaysia is A\$187.30 million, as at 31 March 2010. The additional cost to complete Engineering, Procurement and Construction Management (EPCM) is A\$65.71 million. In addition, Lynas has established a contingency of A\$25.71 million. The major variation between these amounts and the previous cost estimate is a significantly higher EPCM cost. The increase in the EPCM cost has resulted from a necessary revision of all engineering estimates, the undertaking of significant value engineering to keep original plant capital costs within previous projections and a revision of the construction management costs for the Advanced Material Plant in Malaysia.

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ENGINEERING AND PROCUREMENT OF THE ADVANCED MATERIALS PLANT

Recruitment of the engineering and procurement teams progressed through this quarter, with both teams now fully mobilised and the execution of deliverables well underway.

A key focus for the team through the quarter has been data interrogation, validation and the review of existing documentation to confirm the status of engineering previously completed. This was followed by the incorporation of all drawings into the 3D model and the completion of Material Take Offs (MTOs) for the finalisation of the baseline capital cost estimate.

Engineering effort has been focussed on critical areas, with civil and concreting drawings a high priority, enabling drawings to be issued to contractors to define pile cutting levels, commence the procurement of reinforcing bar and to plan site mobilisation.

Other key areas of focus include:

- Secondary Leaching
- Upstream and Downstream Extraction
- Post Treatment
- Substations
- Control Rooms

During this quarter, the list of procurement packages to be placed have been finalised, and the project teams have been mobilised in Beijing, Kuala Lumpur and Perth to progress these activities.

Expressions of interest from the steel fabricators, mechanical and piping installation contractors, and electrical and instrumentation contracts have been sought and now a shortlist of bidders will be prepared. Major orders for the plant control system, accretion removal device and freight forwarding were placed during the quarter.

CONSTRUCTION OF THE ADVANCED MATERIALS PLANT

Infrastructure, security and access have been set-up prior to establishment of the main contractor coming onsite.

The completion of the capital costs review and the schedule review has delayed the construction team mobilisation from February 2010 to April 2010. The first construction contractors to mobilise to site will advance the civil works package by the commencement of pile capping in preparation for concrete pouring. A detailed review of the schedule anticipates first concentrate feed to the kiln early in the third quarter of 2011. Notifications to restart and resume works have been issued to the piling contractor and concrete work contractor, with the issue of construction drawings and the site works planned for early in the second quarter this year.

Establishment of site office, communications and associated infrastructure for the Alliance team site personnel is being progressed to support the site works.

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OPERATIONAL UPDATE

WESTERN AUSTRALIA 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. The Western Australia employee count was 11, as at 31 March 2010.

Formal notification of Lynas' intention to restart construction works at Mount Weld was submitted to the West Australian Regulatory Authorities. Recruitment of the operations management and production team continued during the quarter. It was pleasing to see the strong desire of many former Lynas employees to return following the previous period of suspension.

The Mount Weld site Safety, Health, Environment and Emergency Response staff mobilised to site to prepare for the arrival of the contractor construction crews early in the next quarter. An updated agreement was finalised between Lynas and Barrick Gold to facilitate accommodating the Lynas construction and production crews at the nearby Barrack Granny Smith mine camp.

Significant Working Capital savings were realised for the Western Australian operations for the period through to commencement of production at the Advanced Materials Plant in Malaysia. Specifically, the Concentration Plant operations have been optimised from a four shift roster targeted plan to a one shift roster during the ramp up period, realising a saving in Working Capital costs of approximately A\$12 million.

MALAYSIA OPERATIONS

There were zero personnel injuries or reportable environmental incidents for the quarter. The planning and execution of commissioning and operations projects continued during the quarter. Over the past quarter, 12 new staff have joined the Lynas Malaysia team, increasing the employee count to 30, as at 31 March 2010.

With the engineering work now well progressed, the optimisation phase has commenced for the Advanced Materials Plant Working Capital requirements, which have been rescheduled to align with first production.

SUPPLY CHAIN UPDATE

Supply chain activity in the areas of chemical vendor engagement and supply chain logistics continued this quarter. In Western Australia, progress was made with the supply of all input chemicals finalised. The timetable for deliveries shall be finalised when the detailed start-up and ramp-up schedule for the Concentration Plant is set.

All supply contracts for the Malaysian facility remain in good standing, with contracts renegotiated to align with the scheduled start-up dates.

GLOBAL MARKET ACTIVITY

COMMERCIAL DISCUSSIONS

Lynas attended the Technology and Rare Earth Metals Conference held in Washington on the 16 and 17 March 2010. At the conference, divergent views were expressed on the purported "looming crisis" regarding the future security of Rare Earths supply to meet the demand of companies and government agencies within the United States of America.

Whilst China does currently dominate the global supply of Rare Earths, accounting for approximately 90 per cent of world supply, the situation has been developing over the last decade and in fact the "looming crisis" for Rare Earths supply has been emerging for a number of years.

Commercial solutions are increasingly available. Lynas asserted at the conference in Washington, that it is not necessary for overarching government intervention to address the situation, but rather for commercial entities, and government agencies responsible for purchasing, to put commercial strategies in place to seek out and support suppliers who can meet their needs in term of product specification, cost competitiveness and environmental compliance standards.

Lynas now has a mine developed and first production of separated Rare Earths products will commence early in the third quarter of 2011. In addition, the customer-base with whom we have contracts have the ability to manufacture Rare Earths magnets and other important industrial applications based on Rare Earths outside China. Specifically, there are a number of Japanese companies who can use the product Lynas will produce next year to manufacture Rare Earths magnets in Japan. Thus, the required refining and processing for magnets and other products already exists outside China.

INDUSTRY NEWS

In the quarter, China's Ministry of Industry and Information Technology and Ministry of Land and Resources issued Rare Earths production quotas in 2010 for both concentrates and smelting and separating products. The concentrate production quota has increased to 89,200 tonnes on a REO basis, which represents an increase of 8 per cent from 2009. The smelting and separating Rare Earths products quota in China is 86,000 tonnes REO in 2010. However, this concentrate quota represents approximately only 80,000 tonnes of separated REO products after processing, which is significantly below the estimated market demand of 134,000 tonnes of REO for 2010.

The production quota has been allocated to Inner Mongolia 50,000 tonnes, Sichuan 22,000 tonnes, Shandong 1,500 tonnes, and the Southern Ionic Clay region 15,700 tonnes. The largest increase from 2009 was in the Southern Ionic Clay region, increasing from 10,020 tonnes to 15,700 tonnes, however this remains significantly below the estimated actual annual concentrate production rate of approximately 40,000 to 50,000 tonnes.

RARE EARTHS PRICES

The market recovery accelerated through the first quarter of 2010. Japanese import statistics for Rare Earths showed a six fold increase for February 2010 compared to a year earlier, which was



the low point of demand due to consumption of domestic inventory and cash preservation, resulting from the Global Financial Crisis. Imports increased for neodymium, and other Rare Earths used for permanent magnets in cars and electric appliances; for cerium oxide, which is used as polishing agents for plasma and liquid crystal display panels; and lanthanum oxide, which is used for optical glass for applications, such as digital cameras.

The Chinese export quota is reportedly becoming tight and the price per tonne of export quota is increasing, representing another indicator of increased demand. Prices have reacted accordingly, with demand driving the average quarterly price for the Mount Weld Rare Earths composition up by 27 per cent. Neodymium oxide and praseodymium oxide continued to be the main contributors to this price movement.

Rare Earths Prices FOB China (US\$/kg)				
Rare Earths Oxide	Mt Weld Composition	Average Price Over Quarter		
Purity 99% min	% Rare Earth Oxide*	Q1 2009	Q4 2009	Q1 2010
Lanthanum Oxide	25.50%	7.28	5.43	6.08
Cerium Oxide	46.74%	4.58	4.11	4.46
Neodymium Oxide	18.50%	14.50	18.38	27.56
Praseodymium Oxide	5.32%	14.50	17.91	26.13
Samarium Oxide	2.27%	4.75	4.75	3.40
Dysprosium Oxide	0.12%	96.46	112.31	156.50
Europium Oxide	0.44%	448.85	490.00	512.40
Terbium Oxide	0.07%	370.77	360.00	478.90
Av. Mt Weld Composition		9.91	10.32	13.13

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

The table above shows the average quarterly price for a 'standard' 99 per cent 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?.

The price trend continued after the end of the quarter, and as at 26 April 2010, the average price for the Mount Weld Rare Earths composition was US\$15.55/kg, with neodymium oxide and praseodymium oxide prices increasing to US\$32.70/kg and US\$32.30/kg respectively.

FINANCE

The consolidated cash movement for the quarter ended 31 March 2010 is set out below:

CASHFLOW		A\$M
OPENING CASH BALANCE 31 DECEMBER 2009		423.2
Interest income	5.7	
TOTAL CASH INFLOW		5.7
Less		
WA Concentration Plant	0.2	
Gebeng Cracker & Separator Plant	3.0	
Operating Costs	8.0	
TOTAL CASH OUTFLOW		11.2
CLOSING CASH BALANCE 31 MARCH 2010		417.7

LATEST ESTIMATED COSTS

The estimated total capital cost for Phase 1 of both the Concentration Plant in Western Australia and the Advanced Materials Plant in Malaysia is now A\$530.30 million (previously A\$493.2 million). The major variation is a significantly higher EPCM fee estimate (previously A\$100 million), which has increased to A\$136.4 million. This increase is due to a thorough revision of all engineering estimates together with significant value engineering reviews to keep original plant capital costs within previous projections, and a revision of construction management costs for the Advanced Materials Plant.

Changes to operating schedules and employment timing, as well as a reassessment of working capital requirements ahead of first feed to the kiln, have significantly reduced the amount of working capital required ahead of first production in Malaysia. The latest estimated working capital requirement to first production is \$68 million after taking into account \$6 million of interest income.

Final capital costs, use of contingency, revenue at the time of first production and speed of ramp up may vary from current estimates. Depending on the final amounts for these items, it is possible that a further \$25 million working capital facility may be required. Lynas currently has no debt and believes that a working capital facility will be available should the need arise.

The following table shows the latest estimated capital expenditure and operating costs for the period April 2010 to first production.

CONSTRUCTION & OTHER CAPITAL COSTS	TOTAL A\$M	ACTUAL TO DATE A\$M	SPEND TO FIRST PRODUCTION A\$M
Mount Weld Concentration Plant	61.49	16.44	45.05
Advanced Materials Plant, Malaysia	232.40	45.10	187.30
Engineering & Project Management Cost	136.40	70.69	65.71
Other Capex including Land at Gebeng	74.30	58.88	15.42
Contingency	25.71	-	25.71
TOTAL CAPITAL COSTS	\$530.30	\$191.11	\$339.19

PRODUCTION RAMP-UP COSTS	SPEND TO FIRST PRODUCTION A\$M
Mount Weld Concentration Plant	28.10
Advanced Materials Plant, Malaysia	22.42
Finance, Admin, Marketing, Technical & Corporate Overheads	17.61
TOTAL OPERATING COSTS	\$68.13

TOTAL CASH REQUIREMENTS AS AT 31 MARCH 2010	\$407.32
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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.