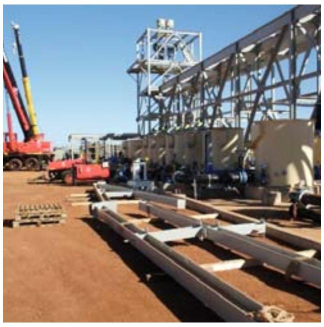


ANNUAL REPORT 2010

COUNTDOWN TO OUR FUTURE

Lynas CORPORATION LTD

ABN 27 009 066 648

ABOUT LYNAS

Vision:

Be a global leader in Rare Earths for a sustainable future.

Our Values:

- Excellence in **safety**, health and the **environment**.
- Learn from our **differences** and be open to change.
- Operate in an **honest**, candid and **transparent** manner.
- Inquire and **innovate**.
- Deliver **high quality** products through excellence in processes.
- Always respect and **contribute** to the **communities** in which we live.
- **Respect**, support and **empower** our employees.

A lot has happened in 12 months.

With construction of our processing plants well underway, and our Operations team hard at work ensuring a smooth start-up, the future is exciting here at Lynas. We are set to deliver the first new source of supply of Rare Earths outside of China in 2011 at a time when the world thirsts for these elements. Rare Earths remain a vital ingredient in countless 21st century technologies; we touch Rare Earths everyday.

Our countdown starts now...

CONTENTS

WHAT ARE RARE EARTHS?

Rare Earths are a unique group of 15 chemical elements in the periodic table known as the Lanthanide series, plus yttrium.

Rare Earths are essential for many hundreds of applications. Their versatile yet specific metallurgical, chemical, catalytic, electrical, magnetic and optical properties have given them a level of technological, environmental and economic importance considerably greater than might be expected from their relative obscurity.

La Lanthanum **MEDICINE**	**Ce** Cerium **ENVIRONMENT**	**Pr** Praseodymium **ENERGY**
Nd Neodymium **MAGNETIC**	**Sm** Samarium **SPACE**	**Eu** Europium **LIGHT**
Gd Gadolinium **RESOLUTION**	**Tb** Terbium **COLOUR**	**Dy** Dysprosium **SUSTAINABILITY**
Ho Holmium **TECHNOLOGY**	**Er** Erbium **SPEED**	**Tm** Thulium **X-RAY**
Yb Ytterbium **SECURITY**	**Lu** Lutetium **INNOVATION**	**Y** Yttrium **DIGITAL**

Executive Chairman's Report

The future is upon us now. Lynas is set to be the first new source of supply of Rare Earths outside of China at a time when the world searches for a solution to the looming crisis of short supply in these vital elements.

red. RareEarthsDirect® ZERO HARM CONTRIBUTING TOWARDS SUSTAINABLE DEVELOPMENT

RARE EARTHS DIRECT

Our Rare Earths products will be sold under the Rare Earths Direct (RED) brand. We are set to make the brand a global benchmark for quality and demonstrated continuity of supply.

Lynas RED brand presents three key value propositions:

- Building a fully integrated supply system from mine to customer;
- Producing Rare Earths that meet international environmental standards; and
- Marketing an international brand of guaranteed quality.

ZERO HARM

Lynas will continually strive to achieve our goal of Zero Harm, focused on three key areas – Caring Leadership, Safe Behaviour and the Continuous Improvement of Management Systems.

SUSTAINABLE DEVELOPMENT

Lynas is committed to Sustainable Development. Through our commitment, expertise and capacity for innovation we will continually explore and improve our contribution to Sustainable Development outcomes.

The turbulent landscape of the past year proved that the foundations of our business have set us in good stead for the road ahead. Significant milestones have been achieved, including moving forward the engineering and construction of our processing facilities, the Concentration Plant near Laverton in Western Australia and the Lynas Advanced Materials Plant (LAMP) in the Gebeng Industrial Estate in Pahang, Malaysia. We are on track for first feed of concentrate from the Mount Weld mine into the "cracking" kiln, the front end of the LAMP, in the third quarter of 2011.

The outlook at the beginning of the year was somewhat uncertain, with suspension of the Rare Earths Project due to withdrawal of the Company's previously arranged debt funding. Continued determination was rewarded when the Company raised approximately $450 million from the equity markets in November 2009. The capital raising was achieved through a one-for-one non-renounceable pro-rata entitlement offer to Australian and New Zealand shareholders, as well as an institutional placement, all fully underwritten by JP Morgan.

The proceeds of the capital raising are being used to fund the completion of Phase 1 of the Rare Earths Project. The funds raised in November 2009 enabled the Company to lift the suspension of the project to complete construction and commissioning of both the Concentration Plant and the LAMP.

After the recommencement of the Rare Earths Project, Lynas engaged UGL as the Engineering Contractor for the LAMP at the beginning of 2010. LAMPSOn, an alliance between Lynas and UGL specialists, was formed to complete the engineering, procurement and construction of the LAMP. Engineering and construction of the Concentration Plant recommenced in December 2009, with Abesque Engineering Ltd (Abesque) re-engaged by the Company to complete the engineering design. In early 2010, a design and construct contract was formalised with Abesque. The mobilisation to site occurred in April 2010 at both plants, and engineering and construction remain on time and within budget.

We are building from scratch a significant industrial complex. I am delighted that over the last year our industrial expertise has continued to build across all of our sites preparing us well for the efficient operation of our plants and giving us the capacity to continuously improve and grow our operations when they are commissioned. Mr Éric Noyrez joined Lynas in February 2010 as Chief Operating Officer. He brings to the company extensive senior management and board level experience in major multinational industrial and chemical companies. He also has detailed knowledge of the international Rare Earths industry. Éric spent nine years with the Rhodia Group of companies. He was a member of the Group Executive Committee and President of the division that looks after Rare Earths amongst other activities. He also spent 11 years with the Shell group of companies in France and abroad. Éric's roles at Shell included managing chemical and industrial businesses.

Growth will be required, because the global industrial systems need our materials. We are excited about the future we are building for the Company and the position we are set to achieve in the global marketplace. The emerging reality of our production is leading to active engagement with many potential end users of our product. We are working with our customers, current and prospective, to ensure that we are in a position to secure their future needs in Rare Earths, so they can confidently develop the technology of the future.

With China announcing a 40% cut to its export quota for 2010, in conjunction with its crackdown on illegal mining, we have been witness to the dramatic increase in the average Mount Weld composition price with the tightening of supply and strong demand. While the world searches for answers to what could be a looming crisis in the source of supply of Rare Earths, focus and a steady hand is the approach adopted here at Lynas.

As we progress with the development of our processing facilities, Lynas is set to provide the first new source of supply of Rare Earths outside of China when we come into production as aforementioned in the third quarter of next year. We believe this timeframe puts us well ahead of our competitors. Our customers' requirements and commitments are driving the business development strategy for products to be produced, growth of production and collaboration with partners in the value chain.

Underpinning all our business objectives is a dedication to the overriding safety and wellbeing of our employees and the communities in which we operate. We will continue to strive to make a positive contribution to Sustainable Development through applying best practices to all our operations. Significant operational steps have been undertaken to ensure we remain true to this commitment.

We value that our products are a foundation material for green technologies in use right now around the world, whether it be wind turbines, hybrid cars, fuel catalytic converters or energy-saving light bulbs.

As part of our corporate social responsibility and in line with our company values, the Company is privileged to sponsor the Balok Ivory Tower Academic Programme. This project assists local students from underprivileged backgrounds with gaining placement at local universities. The project is under the patronage of the Pahang Crown Prince and managed by the National University of Malaysia. 114 students have been selected from secondary schools, namely SMK Beserah, SMK Baging and SMK Pelabuhan, to participate in the project.

Looking back on the past year, I feel considerable momentum is afoot and our successes are bringing us closer to achieving our vision to be a global leader in Rare Earths for a sustainable future.

The Company has all the necessary requirements, including expertise, processes, knowledge and assets, to capitalise on what is emerging as a lucrative Rare Earths' market to operate in. Lynas began this journey with a focus on achieving the highest industry standards, and optimising the potential of its resources and assets and I believe we remain on track. I would like to thank my team here at Lynas, including the wisdom and guidance of the Board, for delivering a sound year of business advancements. As always, we are resolute about ensuring long-term value for our shareholders and remaining true to our vision and values.

Nicholas Curtis
Executive Chairman

MOUNT WELD MINING AND CONCENTRATION PLANT

COUNTDOWN TO START-UP...

Mount Weld, Lynas' mine in Western Australia, is the richest known deposit of Rare Earths in the world. The first mining campaign is complete, with ore stockpiles ready for processing. The Concentration Plant, located near the mine, is the first crucial step in the Company's Rare Earths processing. The past year has brought much progress in the engineering and construction of the plant, with a finish date of December 2010 and first feed of ore set for early 2011.

JUNE 2002

Generation of JORC Code compliant resource estimate through validation of geological, drilling and assay information.

JUNE 2003

Successful Concentration Pilot Plant at AMMTEC completed.

JUNE 2004

Initial Feasibility Study for mining and concentration completed. Environmental approvals were received as well as confirmation that Mount Weld Mining Leases were not subject to Aboriginal Heritage and Native Title claims.

JUNE 2007

With all approvals in place, mining operations were commenced by Downer EDI Mining with the first drill and blast of Mount Weld.

MAY 2008

The first campaign, completed on schedule, on budget and loss-time-injury free, mined 773,300 tonnes with an average grade of 15.4% Rare Earth Oxide.

JULY 2008

Reconciliation of as-mined ore against the resources estimates from the exploration and the grade control model confirmed the accuracy and confidence in the geological modelling.

DEC 2008

Bulk earth works completed and construction contract with Abesque Engineering well underway.

NOV 2009

After project suspension in February 2009 due to the withdrawal of project funding, the Company raised the required funds for the project development in the equity markets in November 2009. The project was suspended at a logical point so that works could recommence once funding was secured. Detailed engineering design was completed and all major equipment procured to be stored in Australia.

2010

The design and construction, and the preparation for plant operations, were the major activities for the year, with construction on track to finish December 2010 and operations commencing at the beginning of 2011.

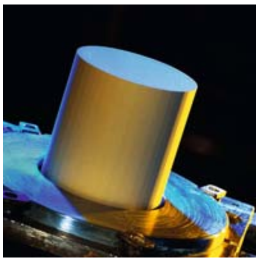
Both the stockpile of extracted Mount Weld ore and the foundations of the plant remained in excellent condition during the suspension period.

Engineering and construction of the Concentration Plant recommenced in December 2009 with Abesque Engineering Ltd (Abesque) engaged by the Company to complete the engineering design. In early 2010, a design and construct contract was formalised with Abesque and mobilisation to site occurred in April 2010.

Concrete works have advanced to a point where the mill feed, the mill and the flotation areas are now complete. Concrete works for the pipe rack, reagents and concentrate thickening areas are also nearing completion.

Structural and mechanical works have commenced in the flotation and mill feed areas, ready for the delivery of major mechanical items, such as the ball mill and flotation cells.

The Tailings Storage Facility (TSF) and Evaporation Pond (EP) design was revised and completed in early 2010, and the construction contract awarded to 3D Earthmoving.



2011

Construction of the Concentration Plant is scheduled for completion for December 2010. The Operations team will then take ownership to commence the commissioning stage.

Phase 1 production at the Concentration Plant is set to begin at the start of 2011.

The stockpiled Mount Weld ore will be concentrated by flotation to produce a Rare Earths concentrate at a target grade of 40% Rare Earths Oxide (REO). The concentrate will be placed in two tonne bulker bags, loaded into sea containers at site and then trucked to the Western Australian Port of Fremantle. At the port the containers will be transferred to container ships and sea freighted to the port of Kuantan in Pahang, Malaysia. It is then a short 5km trip for delivery to the Lynas Advanced Materials Plant (LAMP) to be stockpiled ready for the LAMP start-up.

Beyond

Phase 1 production at the Concentration Plant has a name plate capacity of 33,000 tonnes of concentrate at a grade of 40% REO.

In addition, in line with the corporate strategy to expand our production to meet the needs of the market, the Concentration Plant shall be expanded to at least double production capacity through the addition of further equipment. This expansion has already been designed into the initial plant layout and plant utilities.

LYNAS ADVANCED MATERIALS PLANT

COUNTDOWN TO START-UP...

The Lynas Advanced Materials Plant (LAMP) incorporates state-of-the-art technology and is set to be the largest Rare Earths processing plant in the world, located in Pahang, Malaysia. Initial capacity is designed at 11,000 tonnes of separated Rare Earths Oxide (REO) per annum, with an expansion to 22,000 tonne per annum. It is a plant designed to realise Lynas' vision of being a global leader in Rare Earths for a sustainable future, and will come online in 2011.

AUG 2007

Selection of the Gebeng Industrial Area, Pahang. Site has significant advantages in terms of port access and reagent availability.

OCT 2007

Environmental baseline work undertaken on the cleared, filled and levelled site at Gebeng Industrial Area.

JAN 2008

Australian High Commissioner visited the Lynas plant site. The project received high level support from both the Malaysian and Australian governments.

MAR 2008

Bulk earthworks undertaken using local contractors. These works were completed lost-time-injury free.

JUN 2008

Piling works progressed. Piling of 7,500 piles substantially completed.

DEC 2008

Stormwater detention pond completed. All plant run-offs are contained within the site in accordance with Malaysian Department of Environment (DoE) standards.

NOV 2009

After project suspension in February 2009 due to the withdrawal of project funding, the Company raised the required funds for the project development in the equity markets in November 2009. Foundations for the main electrical substation were completed prior to the suspension.

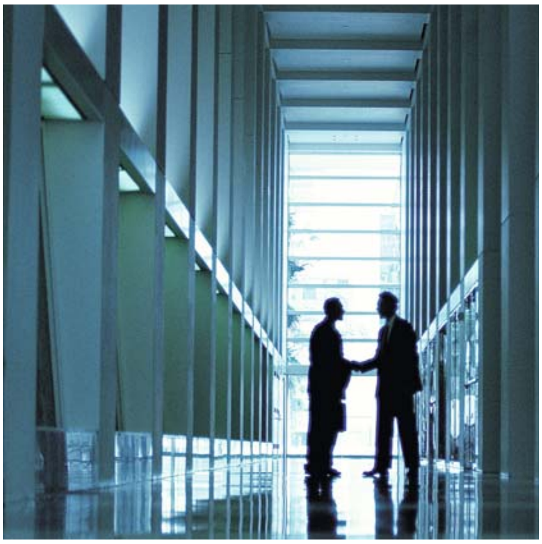
2010

An alliance between Lynas and the Engineering, Procurement, and Construction Management (EPCM) contractor, UGL, for the LAMP was formed this year. The team is known as the LAMPSOn team. The LAMPSOn team has the responsibility for completion of the LAMP on time and within budget in the third quarter of 2011.

The major focus of the LAMPSOn team for the 2010 financial year was completion of the engineering in an integrated three dimensional engineering computer model. Reviews of the model allow mitigation of potential construction clashes which reduces on-site rework. In addition, construction drawings and fabrication drawings are created directly out of this model, reducing risk of errors during fabrication of steelworks and construction. These risk mitigation attributes reduce overall construction timeframes.

The LAMPSOn team mobilised to site and recommenced construction in April 2010.

Major concrete pours have been completed and construction at the site is progressing well.



2011

Construction works are scheduled for completion at the LAMP in mid-2011.

Commissioning will follow shortly after the Operations team taking ownership of the plant, with first feed to kiln scheduled for the third quarter of 2011.

The LAMP will process the Rare Earths concentrate produced by the Concentration Plant in Western Australia.

A suite of products will be produced comprising of individual Rare Earths elements. These products can be used directly in selected industries or subjected to further downstream processing by customers.

The finished products from the plant will be packaged in containers and transported to the Port of Kuantan for shipment to Lynas' global customers.

Beyond

First production at the LAMP has a name plate capacity of 11,000 tonnes of REO.

As discussed in the global markets section of this report, the Rare Earths market is forecast to be in short supply through to at least 2015, therefore the Company plans to at least double production capacity at the LAMP. This expansion has already been incorporated into the plant design and lay-out.

During this expansion the product range within the Lynas product suite will also be expanded. Our customers' requirements and commitments are driving the business development strategy for products to be produced, the growth of production and collaboration with partners in the value chain.

Operations Overview

The Lynas Operations team has successfully completed many milestones over the past year. The team is looking forward to a rewarding future once the completed plants are handed over and production starts in the third quarter of 2011 at the Lynas Advanced Materials Plant (LAMP). Underpinning Operations are four pillars; Marketing and Sales, Industrial, Research and Technologies, and Business Excellence.

When construction of the Concentration Plant in Western Australia and the Lynas Advanced Materials Plant (LAMP) in Malaysia recommenced in April 2010, the organisational design of Operations evolved to better support and enhance the production activities from first commissioning and beyond. Four organisational pillars now support the Company's manufacturing operations to optimise the value inherent to our business model; Marketing and Sales, Industrial, Research and Technologies, and Business Excellence.

Marketing and Sales is in essence focused on serving our customers. By fostering further understanding of customer requirements, Sales and Marketing can provide the demand input for plant extensions and new facilities. Specifically in light of the significant current market changes of reduced Chinese export quota, Marketing and Sales will address the span of the product offering over the next 12 months with key customers. Customer commitments in long-term contracts for new product development will underpin capital investments, generating sustainable returns.

Industrial is accountable for improving plant operations. The key value drivers of Industrial are responsible care, customer satisfaction, asset optimisation and growth management. Industrial is focused on ensuring the safe start-up of the two sites for employees, surrounding communities and the environment. Once in production Industrial shall drive continual process improvement through the reduction of variability, as well as capacity expansion by removing bottlenecks from our production assets. Furthermore, Industrial will lead the implementation of all new production facilities at the two sites according to the market demands. Industrial will use best practice and international industry standards to baseline all manufacturing processes.

Research and Technologies will continue to develop processing technologies. Upstream processing technologies are required to handle new sources of raw materials, as the Company secures mineral resources in addition to the current resource within the mine plan at Mount Weld. Downstream processing technologies are also required for product diversification of the current separated Rare Earths product suite. Research and Technologies will work closely with customers to analyse and develop the technologies that will cost-effectively enable enhanced product offerings which meet specific customer needs.

Business Excellence provides and optimises services to support cost-effective operations at the processing plants. These include:

- A secured long-term access to critical raw materials, energy and a logistic network to ensure a seamless flow of operations from mine to customers.
- Continuous business improvements through business process management and resource optimisation.
- Information systems that enable timely business decisions, information security and knowledge management.

READY FOR START-UP PROGRAMME

Lynas has identified 144 internal projects in its preparation for commencement of operations. The projects are part of the Company's Ready For Start-Up (RFSU) programme. The project management of each project is in accordance with best practice and monitored closely by our Project Management Office to ensure projects meet their objectives in a timely and efficient manner. As at the end of the financial year, 126 of the 144 projects were underway and all required projects are expected to be completed on time, with 20% already completed.

Flotation building under construction at the Concentration Plant, Western Australia.

AUSTRALIAN OPERATIONS

The major operational activities in Western Australia for the year have been supporting the design and construction of the Concentration Plant, and preparation for commissioning and operation of the plant upon hand-over by the construction team, scheduled for early 2011.

In the earlier part of the year, whilst site works remained under suspension, planning continued for the recommencement of construction activity at Mount Weld, and to ensure a fully prepared crew was ready to operate the Concentration Plant.

Following the successful capital raising completed in November 2009, recruitment commenced against the organisational plan for the initial members of the Western Australian Operations team. It was pleasing to see many former Lynas employees, who had to leave during the suspension, wish to return to work for the Company. Preparations and staff training to ensure readiness to operate the plant following construction are on-track for completion in a timely manner.

The Mount Weld site Safety, Health, Environment and Emergency Response staff mobilised to site in March 2010 to prepare for the arrival of the contractor construction crews. 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.

Visits to site by regulatory authorities throughout the year had positive outcomes, with no problems encountered to date. With required approvals in place, dialogue with the regulators remains ongoing to ensure no unexpected issues arise from their viewpoint during commissioning or operations of the completed plant.

The budgeted plant operating schedule is continuously optimised to closely match the concentrate outputs from Western Australia to the feed requirements of our downstream processing plant in Malaysia, the Lynas Advanced Materials Plant (LAMP). This has resulted in significant budgeted operational costs savings for the first two years of operations. Both the stockpile of extracted Mount Weld ore and the mine pit remain in excellent condition, and the excellent safety record at the site has continued with zero Lost Time Injuries (LTI).

The Rare Earths Mineral Resource at Mount Weld has been updated in September 2010 and divided into two deposits. The Central Lanthanide Deposit (CLD), which includes the area of the current mine plan, remains essentially unchanged and is shown in the table below. The Mineral Resource estimate for the deposit with a higher distribution of Heavy Rare Earths, formerly known as the Southern Zone, has increased threefold to 7.62 million tonnes at a grade of 4.8% REO for a total of 366,000 tonnes REO, and has been renamed the Duncan Deposit. The combined Mineral Resource estimate has increased to 17.49 million tonnes at 8.1% REO.

THE TOTAL RARE EARTHS RESOURCE (2.5% REO CUT-OFF)

JORC CODE COMPLIANT RESOURCE	'000 TONNES	REO (%)*	TLnO (%)**	Y2O3 (ppm)
Total Central Lanthanide Deposit	9,880	10.7	10.6	990
Total Duncan Deposit	7,620	4.8	4.5	2,570
Total Rare Earths Mineral Resource	17,490	8.1	7.9	1,680

* REO (%) includes all the lanthanide elements plus yttrium

** TLnO (%) includes all the lanthanides elements only (i.e. yttrium is not included)

Once construction of the Lynas Advanced Materials Plant (LAMP) is complete, the Operations team will assume responsibility of commissioning the plant and the ramp-up of production, with first feed to kiln scheduled for the third quarter of 2011.

Programmes of metallurgical test work continue on several Rare Earths bearing materials available to the Company outside of the current ore reserve. The results to date are encouraging, and increases to the reserves base may be possible in the next 12 to 18 months. Additional resource drilling is also planned during the next financial year, specifically to the west of the current pit with the aim of gaining more data which may enable an enlarged and optimised mine plan to be designed.

MALAYSIA OPERATIONS

The recruitment of all senior positions in the Malaysian Operations team is complete. More than 50 employees are now focused on ensuring the commissioning of the Lynas Advanced Materials Plant (LAMP) occurs smoothly in the third quarter of 2011.

All operational activities in Malaysia are planned and project managed in accordance with the Company's Ready For Start-Up (RFSU) programme. Strong progress has been made, with completion ahead of schedule as at 30 June 2010.

Various critical projects were carried out under the framework of a Technical Cooperation Agreement (TCA) with Rhodia. Rhodia are adding significant value and risk mitigation to operations of the LAMP through these projects, which include:

- Review of the operating manuals and standard operating procedures.
- Consultation in the LAMP commissioning plans.
- Training for operations staff, with process training in Kuantan, as well as both classroom and field training at Rhodia's Rare Earths plants.
- Planning the pre-loading of solvent extraction batteries, which will enable a short commissioning and ramp-up schedule.
- Review of the laboratory equipment and sampling requirements.
- Review of safety hazards.
- Establishment of a committee to identify and de-risk critical areas during construction, commissioning, plant operations and plant reliability.
- Review of the appropriate manning levels for the Malaysian operations.

The Lynas Malaysian team has been heavily involved in providing engineering design inputs to the LAMPSOn engineering and construction team with regards to local requirements, standards and practices, authorities' approval, and operability and maintainability issues.

Sustainability is fundamental to Lynas' operations. The LAMP is utilising the best industrial technology and expertise of industry leaders in the areas of gas and water management. The design and construction of the gas treatment facility has been outsourced to ATEA, a European manufacturer, and the design and construction of the water treatment plant has been outsourced to Ranhill Water Treatment.

Pile cutting in progress at the Lynas Advanced Materials Plant (LAMP), Malaysia.

As part of the production process, the LAMP in Malaysia will produce some gypsum-based Synthetic Mineral Products. These products may be used in various product applications within Malaysia. Significant progress has been made in the commercialisation of these Synthetic Mineral Products, an important element of the company's goal to contribute towards sustainable development. Potential customers have been engaged and Lynas has worked with the University of Malaysia in Pahang to produce samples for potential customers, and will continue to work closely with customers to ensure the product specifications meet their requirements.

In line with our company values, Lynas is committed to being an active contributor to the communities in which we operate. As part of this corporate social responsibility Lynas has sponsored the Balok Ivory Tower Academic Programme in Malaysia, which assists local students from underprivileged backgrounds in qualifying for university places. The programme is under the patronage of the Pahang Crown Prince and managed by the National University of Malaysia. 114 students have been selected from secondary schools, namely SMK Beserah, SMK Baging and SMK Pelabuhan, to participate in the programme.

OPERATIONS SUPPLY CHAIN AND LOGISTICS

Lynas continues to move to an operational footing within every aspect of the business as we approach first production. The Rare Earths Direct (RED) integrated supply chain from mine to customers has been constructed around a number of best in class operating principals. These include integrated information systems and integrated methods to balance supply and demand.

Lynas is using Sales and Operations Planning (S&OP) to align all aspects of the business around a common financial demand and supply plan.

This information flows through to Supply and Logistics Planning in Enterprise Resource Planning systems and associated production models. Lynas will be able to optimise production to meet customer commitments with supply requirements from all vendors in a way that maximises profitability, as well as maintains tight control on working capital. The use of this approach has seen Lynas complete and activate procurement planning for chemicals required for the Concentration Plant and the LAMP.

Lynas has appointed a company to manage concentrate logistics from Fremantle, Western Australia through to the LAMP in Malaysia. This has seen the Malaysian business start the development of logistics plans that will be activated once the production of Rare Earth concentrate in Western Australia has been initiated. To ensure seamless import and export of Rare Earths concentrate, as well as finished Rare Earth products, Lynas continues to ensure that relevant Malaysian authorities are consulted regarding logistics plans.

Rare Earths Direct (RED)

Signed Customer Agreements

Rhodia, Electronics and Catalysts Division

SUPPLY CONTRACT

- Long-term 10 year contract with extension terms.
- Product from the plant's initial 11,000 tonnes REO capacity.
- The contract includes cerium, lanthanum, and mixed heavier Rare Earths which includes europium, dysprosium, terbium and yttrium.
- The pricing structure of the contract includes floor and ceiling pricing for the cerium and lanthanum sales for the initial five years, after which pricing is related to market. The mixed heavier Rare Earths is related to market pricing.

Customer – Agreement 2

SUPPLY CONTRACT

- Long-term five year contract with extension terms.
- Product from the plant's initial 11,000 tonnes REO capacity.
- The contract covers neodymium and praseodymium.
- The pricing structure of the contract is related to the market price, however it includes a minimum floor price without a maximum ceiling price for the product sales over the term of the contract.

Customer – Agreement 3

SUPPLY CONTRACT

- Long-term multiple-year contract with extension terms.
- Product from the plant's initial 11,000 tonnes REO capacity and additional product from the expansion phase to 22,000 tonnes REO.
- The contract includes cerium and lanthanum.
- The pricing of the contract reflects the value of surety of supply from a reliable, fully-integrated source of supply from mine through to customer.

Digital by Rare Earths chemistry

Science ⟫⟫ Demand ⟫⟫ Innovation ⟫⟫

FLAT PANEL DISPLAYS

Liquid Crystal Display (LCD) and Plasma (PDP) televisions, as well as computer monitors are coated with phosphors containing Rare Earths, which generate the colours red, blue, and green.

Rare Earths used:

Yttrium (Y_2O_3)
Europium (Eu_2O_3)
Terbium (Tb_4O_7)

Rare Earths Demand:

Annual average growth rate 2010 – 2014
Phosphors (LCD and PDP):

22%

Polishing Powders:

10%

Polishing powders that contain Rare Earths are used to polish PDP and LCD glass.

Customer – Agreement 4
LETTER OF INTENT

- Long-term multiple-year agreement with extension terms.
- Product from the plant's initial 11,000 tonnes REO capacity and the expansion phase to 22,000 tonnes REO.
- The agreement covers neodymium, praseodymium and lanthanum.
- The pricing structure is related to the market price, however a minimum floor price does apply which will be set when the binding contract is signed.

Customer – Agreement 5
LETTER OF INTENT

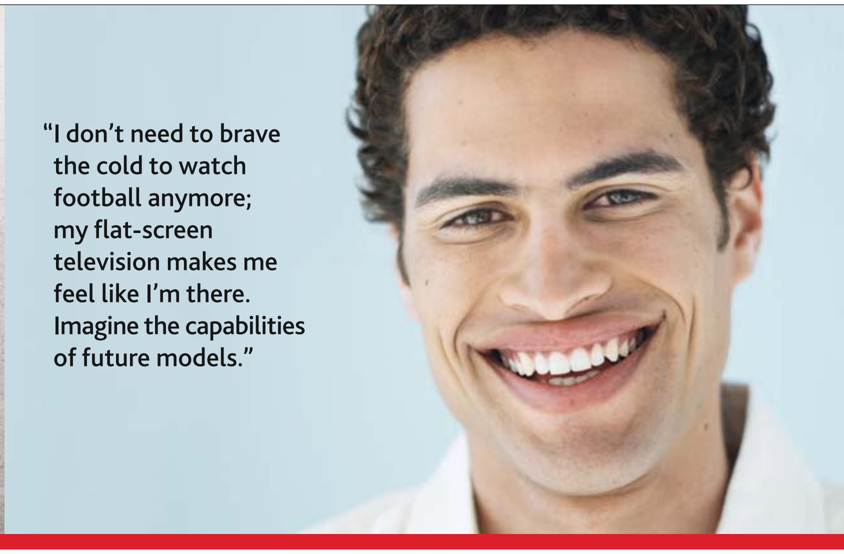
- Long-term multiple-year agreement with extension terms.
- Product from the plant's initial 11,000 tonnes REO capacity and the expansion phase to 22,000 tonnes REO.
- The pricing structure reflects the surety of supply from a reliable, fully integrated source of supply from mine through to customer.
- The parties are moving towards a binding contract which will set out all the detailed terms and conditions of supply.

Customer – Agreement 6
SUPPLY CONTRACT

- Long-term multiple-year contract with extension terms.
- Product from the plant's initial 11,000 tonnes REO capacity and the expansion phase to 22,000 tonnes REO.
- Option to include higher purity products which have higher prices than standard products.
- The pricing of the contract reflects the value of surety of supply from a reliable, fully-integrated source of supply from mine through to customer.

Flat Panel Displays »»

Consumer benefit »»



Sustainability

Our goals of Zero Harm and contributing towards Sustainable Development are inherent to all that we do at Lynas. We will continually protect and contribute to the health and safety of our employees, business partners, the community and our environment.

During the year, safety and environmental performance was high. Lynas recorded zero Lost Time Injuries (LTI), and also complied with all necessary legislative and environmental licencing conditions in both Western Australia and Malaysia.

The Lynas Risk Management and Safety, Health, Environment and Community (SHEC) Committee met on three occasions (July 2009, December 2009 and May 2010) to ensure appropriate governance over the Company's activities to construct the processing plants, the Concentration Plant in Western Australia and the Lynas Advanced Materials Plant (LAMP) in Malaysia, and to start-up our operations in a safe and environmentally responsible manner.

In December 2009, the Lynas Leadership Team and Board endorsed our Zero Harm and Towards Sustainable Development strategic plans. The plans are publicly available via the Lynas website and describe the ways in which Lynas intends to achieve Zero Harm and make an important contribution towards Sustainable Development.

During the year our sites were internally audited against the Lynas SHEC Management System Standards to establish baseline performance results and set performance targets for the start-up of our operations.

The Lynas Leadership Team and Board also endorsed our Risk Management Framework and Crisis Management Plan. Activities to imbed these principles in our culture and processes have commenced, and will be systematically rolled out during the latter half of the 2010 calendar year.

WESTERN AUSTRALIA

Our Mount Weld mine site was subject to routine inspections and compliance management for all monitoring and environmental obligations throughout the year.

Project planning to ensure a safe and environmentally responsible start-up of the Western Australia operation has commenced. An emergency response capability has been established at site and a number of SHE procedures and processes have been developed and implemented.

The Mount Weld site joined the Ruggies Recycling programme, which is managed by the Princess Margaret Foundation of the Hospital for Children. This initiative assists Lynas with the recycling of batteries, cans, cardboard and many other recyclable materials.

Illuminated by Rare Earths chemistry

Science »» Demand »» Innovation »»

COMPACT FLUORESCENT LIGHT

Energy efficient lighting is a major application of Rare Earths phosphors. The Compact Fluorescent Light (CFL) cuts energy use by 75% compared to the standard incandescent light bulb.

Rare Earths used:

Yittrium (Y_2O_3)
Europium (Eu_2O_3)
Terbium (Tb_4O_7)

Rare Earths Demand:

Annual average growth rate 2010-2014 Phosphors (CFL):

12%

The phosphors which create the light in these lamps are dependent upon a number of Rare Earths, especially europium, terbium and yttrium.

Lynas representatives maintained open communication and consultation with local stakeholders and financial support for a number of local initiatives was provided during the year.

MALAYSIA

Our site in Kuantan was subject to routine inspections and environmental compliance management throughout the year. A two year extension of our site and construction licence was approved.

Project planning to ensure a safe and environmentally responsible start-up of the Malaysian operation commenced and a number of SHEC procedures have been developed.

During the year, Rhodia and Lynas signed a Technical Cooperation Agreement (TCA). The TCA outlines technical support to be provided by Rhodia during the operations planning, commissioning and ramp-up of the LAMP. Rhodia is assisting with SHE risk mitigation to our operations by reviewing operating manuals, standard operating procedures and key safety hazards for the separation and product finishing sections of the LAMP.

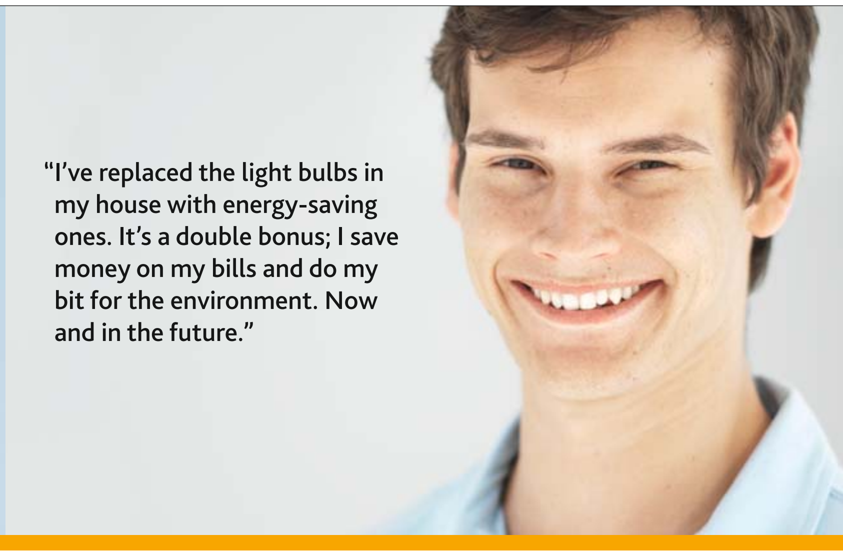
Lynas has sponsored the Balok Ivory Tower Academic Programme which assists local Kuantan students from underprivileged backgrounds with gaining placement at local universities. The programme is under the patronage of the Pahang Crown Prince and managed by the National University of Malaysia. 114 students have been selected from secondary schools, namely SMK Beserah, SMK Baging and SMK Pelabuhan, to participate in the programme.

Students in Kuantan, Malaysia participating in the Balok Ivory Tower Academic Programme sponsored by Lynas.

General Manager Safety, Health, Environment and Community, Tony Duhne, speaks to the students about safety and the environment as part of this programme.

Compact Fluorescent Lights »»

Consumer benefit »»



Global Market Activity

The global demand for Rare Earths is growing substantially. With the looming shortage of these vital elements, tension is stirring in the market-place. Lynas is set to provide the first new source of Rare Earths outside of China when it comes into production in 2011.

GLOBAL DEMAND

The chemical properties of Rare Earths differ from the main group of elements in the periodic table due to their unique electron configuration. It is these properties which are so important to the many applications which utilise Rare Earths and the reason why there are no substitutes for these elements for most applications.

CATALYTIC PROPERTIES

Environmental catalysts are primarily used to control pollutant emissions from automotive engines, and the automotive market is the key driver of the environmental catalyst industry. Tougher emissions legislation around the world has driven demand growth at 10% per annum in recent years. This is expected to continue as the impending legislation continues to grow the auto-catalyst market beyond normal vehicle growth. In addition, the legislative umbrella is covering an increasingly wide selection of vehicles, such as trucks, buses and non-road machinery, all of which will add to future growth. Cerium is the main Rare Earth element used in auto-catalysts. Cerium balances the oxygen environment within the catalyst for optimal performance and also provides high temperature stability which allows the auto-catalyst to operate more efficiently.

The main petroleum catalyst for the production of fuels and other petroleum derivatives is used in a process known as Fluid Catalytic Cracking (FCC). Due to strong demand from the gasoline and petrochemical market, petroleum catalysts are forecast to grow at 4% per annum through to 2014. Lanthanum stabilises the molecular sieve used in the FCC process which increases the life of the catalyst and increases oil refinery yields by approximately 7% per annum. To put a 7% yield benefit into perspective, US$500 million of lanthanum sales into the FCC application creates approximately US$150 billion in yield benefit for the refineries globally. This example also shows that the demand for lanthanum is not dependent upon the price.

MAGNETIC PROPERTIES

The neodymium Rare Earths magnets market is forecast to grow rapidly at 15% per annum through to 2014. Rare Earths magnets are used in most computer hard disk drives, audio speakers, air conditioning compressors and electric motors. Electric motors which use Rare Earths magnets are smaller, lighter and more powerful than comparable electric motors with other magnets.

Generated by Rare Earths chemistry

Science ››› Demand ››› Innovation ›››

WIND TURBINE

The Wind Turbine uses natural wind energy to generate green zero emission electricity with magnets moving past stationery coils of wire.

Rare Earths used:

Neodymium (Nd_2O_3)
Praseodymium (Pr_6O_{11})
Terbium (Tb_4O_7)
Dysprosium (Dy_2O_3)

Rare Earths demand:

Annual average growth rate 2010 – 2020 Neo Magnets (Wind Turbine):

18%

The average consumption of Rare Earths per wind turbine is approximately half a tonne on a REO basis. This is mainly neodymium and is also likely to contain praseodymium and dysprosium.

The automotive market is an important demand driver for Rare Earth magnets. A car has numerous electric motors, and Rare Earths magnets are penetrating these applications to reduce the car's weight. However, the main growth application for magnets in the automotive industry is the hybrid electric motor which drives a hybrid vehicle at low speed using battery power. This hybrid motor also doubles as a generator to recharge the battery during deceleration and braking. Approximately two to three kilograms of Rare Earths are used in high strength Rare Earths magnets in the hybrid car. Analysts predict approximately an additional 1.8 million hybrid vehicles per annum shall be produced between 2010 and 2014, which would account for approximately 25% of the total magnet market growth.

OPTICAL PROPERTIES

Legislation is already taking effect around the world to ban the energy inefficient incandescent light bulb, replacing it with a more energy efficient light bulb, such as the Compact Fluorescent Lamp (CFL). This market is forecast to grow at a rate of 10% per annum. The phosphors which create the light in these lamps, and in plasma and liquid crystal displays, are dependent upon a number of Rare Earths, especially europium, terbium and yttrium.

Another important optical property of Rare Earths allowed the development of high refractive index, low dispersion glass. The most familiar example of dispersion is probably a rainbow, in which dispersion causes the separation of white light into components of different colours. Low dispersion glass is used in camera lens and has allowed the miniaturisation of today's digital cameras. These lenses typically contain 30% lanthanum, and whilst this market is relatively small it is experiencing strong growth.

Cerium is also added to automotive glass, particularly in Japan, as it reduces the transmission of UV light, and therefore heat entering the car, thereby reducing air conditioning loads.

METALLURGICAL PROPERTIES

Nickel Metal Hydride (NiMH) technology is used extensively in consumer electronics, the power tool market and hybrid vehicles. A state-of-the-art NiMH battery for a hybrid vehicle with the size and performance of the Toyota Prius, for example, uses between 12 and 20 kilograms of Rare Earths, primarily lanthanum and cerium with some neodymium and praseodymium, in its overall construction.

Most of the hybrid cars built in the last decade are still on the road and provide daily testimony to the reliability of the NiMH battery. This reliability factor is a large hurdle for potential alternative battery technologies, such as the lithium-ion battery. NiMH battery sales in hybrid vehicles are forecast by battery market analysts to continue to grow until 2018.

GLOBAL MARKET SIZE

The overall Rare Earths market recovered strongly during the financial year from July 2009 to June 2010 following the global downturn experienced the year prior. Most application manufacturers, the purchasers of separated Rare Earths products, were returning to typical demand levels by the end of 2009, and expressing more confidence looking forward.

Wind Turbines »

Consumer benefit »

"If we can help protect our environment by using clean energy generated by technology such as wind turbines, let's do it. It's the way of the future."

The total market is forecast to be approximately 136,000 tonnes on a Rare Earths Oxide (REO) basis in 2010, with an annual growth rate of approximately 9% through to 2014 to give a total market in 2014 of approximately 190,000 tonnes REO. This equates to a total market of value of US$7.8 billion and US$11.2 billion in 2010 and 2014 respectively using prices as at 30 August 2010.

The Lynas market forecasts have been derived by assembling the customer demand estimates within each application for the market outside China, combined with the data published by the China Rare Earths Information Centre for the market inside China. Lynas estimates the market outside of China will grow to approximately 90,000 tonnes REO by 2014, representing approximately 47% of the total market.

GLOBAL SUPPLY

Chinese companies continued to dominate world's supplies with over 90% of Rare Earths production. The main mine in China is the Bayun Obo mine near Baotou in Inner Mongolia. This is controlled by a large State Owned Enterprise (SOE), Baotou Iron and Steel, and produces approximately 55,000 tonnes REO per annum. A second region is located in Sichuan province and is less consolidated. The Sichuan region has lower value resources and mining is now underground, as opposed to open pit mining. Sichuan has an estimated capacity of up to 20,000 tonnes REO. The third Rare Earths producing region within China mines 'ionic clay' deposits. This region is known as the southern region as it comprises of Jiangxi, Guangdong, Hu'nan and Fujian provinces, and here most of the "heavy" Rare Earths are produced. Europium, terbium, dysprosium and yttrium are the key heavy Rare Earths in demand today. Accurate production figures are unavailable due to the artisanal mining in this region; however it is estimated at approximately 35,000 tonnes REO.

PRODUCTION REGULATIONS IN CHINA

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.

During the year China's Ministry of Industry and Information Technology (MIIT) and Ministry of Land and Resources issued Rare Earths production quotas for 2010. The concentrate production quota increased to 89,200 tonnes on a REO basis, which represents an increase of 8% from 2009. However, this concentrate quota represents approximately only 80,000 tonnes of separated REO products after processing, which is significantly below the estimated market demand 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 production rate.

There are signals that the industry within China is likely to come under stronger state supervision and regulation of production. The MIIT drafted "The Entrance Conditions for Rare Earths Industry", which is likely to be the catalyst for consolidation and conformity in the Chinese domestic Rare Earths industry. The MIIT has draft regulations for many aspects of the industry, such as the scale of production, technology and equipment, and energy consumption.

CHINESE EXPORT QUOTA

With the downturn of global demand in 2009, Chinese export quota for Rare Earths was readily available in the first half of the financial year, July to December 2009.

As demand picked up in the first half of 2010, Chinese export quota became increasingly tight and the cost per tonne of export quota began increasing. This coincided with a report in China, quoting a government official, recognising that one third of the Rare Earths exports from China in 2008, were exported outside of the export quota system. The report stated that recommendations to tighten the regulation and related measures to reduce this smuggling have been submitted to the Chinese Government State Council for consideration. The reaction was swift as China's Ministry of Commerce released a dramatic cut in the Rare Earths export

Driven by Rare Earths chemistry

Science »» Demand »» Innovation »»

HYBRID VEHICLE

The Hybrid Vehicle cuts fuel use **by combining a petrol engine and electric motor which captures energy from breaking.** Neo-magnets reduce the weight of the vehicle and cut energy consumption.

Rare Earths used:

Lanthanum (La_2O_3)
Neodymium (Nd_2O_3)
Praseodymium (Pr_6O_{11})
Terbium (Tb_4O_7)
Dysprosium (Dy_2O_3)

Rare Earths Demand:

Annual average growth rate 2010 – 2020 Hybrid Vehicles:

16%

Overall a typical hybrid vehicle contains approximately 15-16kg of Rare Earths, with the majority contained in the batteries.
A typical NiMH battery would use over 12kg of Rare Earths.

quota for second half of 2010. In total the export quota for 2010 is 30,259 tonnes, 40% less than the total export quota for 2009.

PRICING

At the end of the financial year prices had recovered strongly. The recovery in demand and tightening of supply through the measures discussed above resulted in the Mount Weld average composition price on a China Freight On Board (FOB) basis increasing to US$17.42 per kilogram REO as the end of June 2010, just above previous highs of 2008.

However, the 40% reduction in export quota, announced on 9 July 2010 has had a dramatic impact. With a significant decrease in product availability for export, any remaining stocks in inventory through the supply chain outside China were in high demand. Prices increased rapidly, and at 30 August 2010 the Mount Weld average composition price on a China FOB basis increased to US$44.83 per kilogram REO.

Lynas benefits from the taxes which are applied to Rare Earths exports. Chinese producers have to pay Value Added Tax of 17%, as well as an Export Tariff on Rare Earths. The Export Tariff is applied to Rare Earths to ensure the rapidly growing Chinese economy has sufficient Rare Earths resources for their internal needs, as well as to encourage foreign application manufacturers to move more value adding production processes to China. The Export Tariff is 25% for europium, terbium, dysprosium, yttrium; 15% for all other Rare Earth as oxides, carbonates, and chlorides; 15% for neodymium as metal, and 25% for all other Rare Earths as metal.

These taxes increase the FOB price compared to the price inside China, and Lynas can capture this price difference with its contracts to Japanese, European and North American customers.

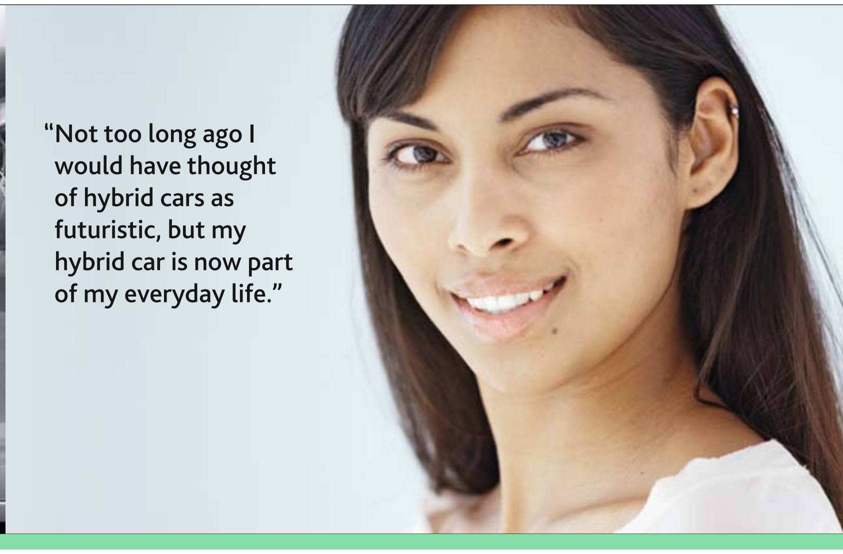
Forecasts are based on Lynas' current expectations and are subject to change.

RARE EARTHS PRICES FOB CHINA (US$/KG)

RARE EARTHS OXIDE (PURITY 99% MIN)	PRICE JUN–05	PRICE JUN–06	PRICE JUN–07	PRICE JUN–08	PRICE JUN–09	PRICE JUN–10	PRICE CHANGE 09 – 10	PRICE AUG–10
Lanthanum Oxide	1.45	2.15	2.82	8.83	5.90	8.10	37%	35.00
Cerium Oxide	1.37	1.65	2.63	4.38	3.80	7.00	84%	35.00
Neodymium Oxide	6.05	11.07	31.15	32.88	14.50	37.00	155%	63.00
Praseodymium Oxide	7.55	10.70	30.37	32.61	14.50	37.00	155%	61.50
Samarium Oxide	2.60	2.40	3.12	4.80	4.75	3.40	-28%	30.40
Dysprosium Oxide	36.40	70.44	88.30	120.80	112.00	231.00	106%	286.00
Europium Oxide	286.20	240.00	311.00	491.00	495.00	535.00	8%	605.00
Terbium Oxide	300.00	434.00	575.40	740.00	360.00	520.00	44%	620.00
Av. Mt Weld Composition	4.15	5.50	11.40	15.22	9.52	17.42	83%	44.83
Av. Baotou Composition	3.08	4.33	9.42	12.67	7.65	14.89	95%	42.34

Hybrid Vehicles »»

Consumer benefit »»



Board of Directors

3.

2.

4.

1.

1. Nicholas Curtis
2. David Davidson
3. William (Liam) Forde
4. Jacob Klein

NICHOLAS CURTIS

EXECUTIVE CHAIRMAN

Mr Curtis is the Executive Chairman of the Company. He is also Chairman of Forge Resources Limited, a Non-Executive Director of Conquest Mining Limited, Chairman of the private corporate advisory firm, Sino Resources Capital Pty Ltd, Chairman of Faces in the Street Urban Mental Health Research Institute at St Vincent's Hospital Sydney, a Director of St Vincent's Health Australia Ltd and a Director of the Garvan Institute of Medical Research. From August 2004 to October 2009 Mr Curtis served as Chairman of the Board of St Vincents & Mater Health Sydney Limited. His background is in resources, banking and financing based on more than 25 years as a professional in the futures, commodities and stockbroking industries. During the past three years Mr Curtis has not held any other listed company directorships.

WILLIAM (LIAM) FORDE

LEAD INDEPENDENT DIRECTOR

Mr Forde joined the Company as a Non-Executive Director in December 2007 and is the Lead Independent Director of the Company. Mr Forde has many years experience in senior finance and managerial positions in both Ireland and Australia. He is currently a director of Westpac Banking Corporation's Westpac Funds Management Limited and Chairman of Hastings Funds Management Limited. In addition Mr Forde is a member of several advisory boards and is a member of the Australian Institute of Company Directors. Mr Forde was Chief Executive Officer of the Baulderstone Hornibrook Group from 2002 to 2005, following 15 years as its Chief Financial Officer for the Group. During the past three years Mr Forde has not held any other listed company directorships.

JACOB KLEIN

NON-EXECUTIVE DIRECTOR

Mr Klein is a Non-Executive Director of the Company and joined the Board on 25 August 2004. He has over 18 years experience in senior finance and managerial positions in both South Africa and Australia. He joined Macquarie Bank in 1991 and in 1995, as an Associate Director at Macquarie, he participated in the formation of Asia Resource Capital Limited, a joint venture between Macquarie Bank and China National Non-Ferrous Metal Industry Corporation (CNNC). From 1996 to June 2000 he worked for Sino Mining International. Mr Klein was CEO and a Director of Sino Gold Mining Limited until December 2009 and is a member of the NSW Asia Council. Mr Klein is also Executive Chairman of Conquest Mining Limited and a Non-Executive Director of Oceana Gold Corporation. During the past three years Mr Klein has not held any other listed company directorships.

DAVID DAVIDSON

NON-EXECUTIVE DIRECTOR

Mr Davidson is a Non-Executive Director of the Company and originally joined the Board on 28 March 2002. He resigned from the Board on 18 August 2005 and was re-appointed as a Director on 8 December 2005. Mr Davidson has had a distinguished career with ICI and DuPont. An Australian, he has lived and worked in Europe and North America and held a number of senior executive roles with global responsibilities. He is a former Director of ICI America Inc. Since returning to Australia, Mr Davidson has been providing executive and corporate advice on organisation development and strategy. During the past three years Mr Davidson has not held any other listed company directorships.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

The Directors submit their report for the year ended 30 June 2010.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as set out below. All Directors were in office for this entire period unless otherwise stated.

Names, Experience, and Special Responsibilities

Nicholas Curtis

Mr Curtis is the Executive Chairman of the Company. He is also Chairman of Forge Resources Limited, a Non-Executive Director of Conquest Mining Limited, Chairman of the private corporate advisory firm, Sino Resources Capital Pty Ltd, Chairman of Faces in the Street Urban Mental Health Research Institute at St Vincent's Hospital Sydney, a Director of St Vincent's Health Australia Ltd and a Director of the Garvan Institute of Medical Research. From August 2004 to October 2009 Mr Curtis served as Chairman of the Board of St Vincents & Mater Health Sydney Limited. His background is in resources, banking and financing based on more than 25 years as a professional in the futures, commodities and stockbroking industries. During the past three years Mr Curtis has not held any other listed company directorships.

William (Liam) Forde

Mr Forde joined the Company as a Non-Executive Director in December 2007 and is the Lead Independent Director of the Company. Mr Forde has many years experience in senior finance and managerial positions in both Ireland and Australia. He is currently a director of Westpac Banking Corporation's Westpac Funds Management Limited and Chairman of Hastings Funds Management Limited. In addition Mr Forde is a member of several advisory boards and is a member of the Australian Institute of Company Directors. Mr Forde was Chief Executive Officer of the Baulderstone Hornibrook Group from 2002 to 2005, following 15 years as its Chief Financial Officer for the Group. During the past three years Mr Forde has not held any other listed company directorships.

Jacob Klein

Mr Klein is a Non-Executive Director of the Company and joined the Board on 25 August 2004. He has over 18 years experience in senior finance and managerial positions in both South Africa and Australia. He joined Macquarie Bank in 1991 and in 1995, as an Associate Director at Macquarie, he participated in the formation of Asia Resource Capital Limited, a joint venture between Macquarie Bank and China National Non-Ferrous Metal Industry Corporation (CNNC). From 1996 to June 2000 he worked for Sino Mining International. Mr Klein was CEO and a Director of Sino Gold Mining Limited until December 2009 and is a member of the NSW Asia Council. Mr Klein is also Executive Chairman of Conquest Mining Limited and a Non-Executive Director of Oceana Gold Corporation. During the past three years Mr Klein has not held any other listed company directorships.

David Davidson

Mr Davidson is a Non-Executive Director of the Company and originally joined the Board on 28 March 2002. He resigned from the Board on 18 August 2005 and was re-appointed as a Director on 8 December 2005. Mr Davidson has had a distinguished career with ICI and DuPont. An Australian, he has lived and worked in Europe and North America and held a number of senior executive roles with global responsibilities. He is a former Director of ICI America Inc. Since returning to Australia, Mr Davidson has been providing executive and corporate advice on organisation development and strategy. During the past three years Mr Davidson has not held any other listed company directorships.

COMPANY SECRETARIES

Andrew Arnold

Mr Arnold was appointed as General Counsel and Company Secretary to the Company on 23 July 2008, following 15 years as a lawyer at Deacons, including 6 years as a Partner. During that time Mr Arnold also spent 2 years on secondment at Riddell Williams, Seattle. In his role at Deacons he had been overseeing the legal work of the Company since 2001. Mr Arnold is the responsible person for communication with ASX in relation to listing rule matters.

Ivo Polovineo

Mr Polovineo was appointed as additional Company Secretary on 15 March 2010. He has spent over 25 years in the resource sector including over 20 years as Company Secretary of a number of listed companies. His last full time position was Company Secretary of Sino Gold Mining Limited (formerly an ASX 100 company) until December 2009. Mr Polovineo is also a non-executive director of ASX listed Galaxy Resources Limited.

Interests in the Shares and Options of the Company and Related Bodies Corporate

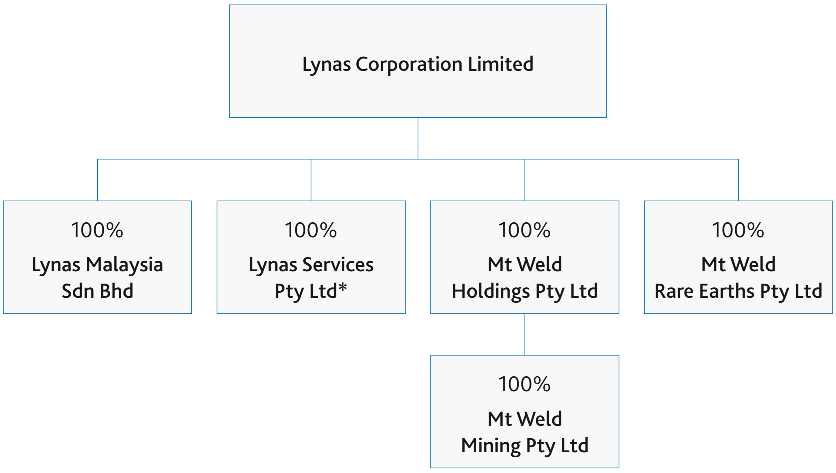
As at the date of this report, the interests of the Directors in the shares and options of the Lynas Corporation Limited ("the Company") were:

	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
Nicholas Curtis	23,045,758	27,000,000
William Forde	1,000,000	2,500,000
David Davidson	935,000	1,900,000
Jacob Klein	2,080,580	1,900,000

CORPORATE INFORMATION

Corporate Structure

Lynas Corporation Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the Group's corporate structure:



* Lynas Services Pty Ltd was formerly known as Lynas Transales Pty Ltd.

Nature of Operations and Principal Activities

The principal activities of the entities within the Group continued to be:

- Planning, design and construction of a Concentration Plant in Western Australia, and an Advanced Materials Processing Plant in Malaysia for the production and distribution of Rare Earth Oxides;
- Exploration and development of Rare Earths deposits; and
- Exploration for other mineral resources.

PERFORMANCE REVIEW

The Board together with management monitor the Group's overall performance, from implementation of the mission statement and strategic plan through to the performance of the Company against operating and financial plans.

REVIEW AND RESULTS OF OPERATIONS

Group Overview

CONSOLIDATED OPERATING RESULTS FOR THE YEAR	2010 A$'000	2009 A$'000
Revenue	9,130	4,088
Operating expenses	(30,650)	(33,064)
Impairment of capitalised cost	–	(1,160)
Depreciation expense	(1,158)	(639)
Borrowing costs expense	–	(6,876)
Net accounting gain on convertible notes	–	12,917
Net accounting gain/(loss) on foreign currency valuation	2,337	(4,548)
De-recognition of assets	(22,700)	–
NET LOSS	**(43,041)**	**(29,282)**
CONSOLIDATED FINANCIAL POSITION FOR THE YEAR		
Capitalised development costs	209,678	179,185
Inventory	23,887	21,009
Working capital	(11,566)	(6,830)
Provisions	(8,101)	(12,036)
Cash and cash equivalents	405,245	16,710
NET ASSETS	**619,143**	**198,038**
Net increase/(decrease) in cash and cash equivalents	**386,696**	**(127,542)**

The key financial events for the Group for the year are summarised below with details of each item disclosed in the financial statements.

On 29 September 2009, the Company announced an underwritten issue of $450 million fully paid ordinary shares. The equity raising was successfully completed with the $450 million less expenses received by mid-November 2009. The proceeds of the equity raising have been and will continue be used to fund the completion of Phase 1 of the Rare Earths Project.

For the year ended June 2010, Lynas incurred a net loss of $43.0 million (2009: $29.3 million) after charging $22.7M for de-recognition of previously capitalised engineering & design costs that with the restart of the project in 2010, the Directors considered would no longer deliver any future economic benefit.

Despite a charge for additional suspension costs of $5M, Operating expenses decreased to $30.7 million (2009: $33.1 million) reflecting reduced operational activity in the first half of the financial year associated with last year's project suspension. In addition movements in foreign exchange rates resulted in a net accounting gain of $2.3 million.

The overall net assets of the group increased by $421.1 million.

LOSS PER SHARE

	2010	2009
Basic loss per share (cents)	(3.23)	(4.50)
Diluted loss per share (cents)	(3.23)	(4.50)

DIVIDENDS

No dividend has been recommended since the end of the financial year.

REVIEW OF OPERATING ACTIVITIES

Rare Earths

The proceeds of the equity raising in November 2009 is being used to fund the completion of Phase 1 of the Rare Earths Project. This has enabled the Company to lift the suspension of the Project and to resume construction and commissioning of both the Concentration Plant in Western Australia and the Advanced Materials Plant in Gebeng, Malaysia.

In December 2009, the Company completed a $4.2 million acquisition of rights relating to apatite at Mount Weld. The Company is now the registered holder of all relevant tenements controlling all minerals rights within those tenements at Mount Weld.

The market recovery for Rare Earths gathered speed in the second half of the financial year. This was demonstrated by Japanese import statistics showing a six fold increase for February 2010 compared to the same period in the prior year; the low point of demand due to the Global Financial Crisis.

Discussions globally, and particularly in the United States, have highlighted the imminent shortage of Rare Earths and the potential impact on industries that rely their utilisation. Although China dominates the production of Rare Earths, the Chinese resource base is fragile. This, combined with the continually increasing internal Chinese demand, has subsequently led to the significant decreases in China's export quota. The Ministry of Commerce of the People's Republic of China recently released the second tranche of the 2010 export quota, which resulted in a 40% drop in total export quota for 2010 compared to 2009.

Although the industry was anticipating an export quota decrease, there was general surprise at the magnitude of the reduction. This is likely to put significant pressure on supply chains outside of China, especially for the higher volume, lower value elements, such as lanthanum and cerium.

The Company will provide the first new source of supply of Rare Earths outside of China when it comes into production during the third quarter of 2011, and believes that this timeframe places it well ahead of its competitors. Customer requirements and commitments are driving the Company's business development strategy for products to be produced, growth of production and collaboration with its partners in the value chain.

As a result of the activities mentioned above, Rare Earths prices have risen strongly during the financial year. As at 30 June 2010, the average Mount Weld Rare Earths composite price was US$17.42/kg (US$9.78/kg at 30 June 2009). The average Mt Weld Rare Earths composite price at 06 September 2010 was US$50.52/kg.

De-recognition of Assets

A comprehensive review was completed in the current year to assess whether all of the capitalised project costs in relation to the Advanced Material Plant in Gebeng, Malaysia were still expected to provide a future economic benefit or whether some of the capitalised costs should be de-recognised based on the project restart in the current financial year.

Based on this analysis the Company identified costs of $22.7 million which were no longer expected to render any future economic benefit. These costs primarily represent issues around the change in 2009 in the engineering, design and construction management contractor which, due to the complicated nature of the transition after project suspension, resulted in significant rework and duplicated costs.

REVIEW OF FINANCIAL CONDITION

Capital Structure

At the start of the year the Company had 654,799,093 ordinary shares on issue. During the year an additional 1,000,700,000 shares were issued as follows:

Shares on issue 30 June 2009	654,799,093
Equity raising – November 2009	1,000,000,000
Issue of new shares pursuant to option conversion	700,000
Shares on issue 30 June 2010	**1,655,499,093**

In addition to the ordinary shares on issue there were 65,000,000 unlisted options for ordinary shares on issue. Overall, the issue of new shares during the period resulted in an increase in issued capital of $431,542,915.

RISK MANAGEMENT

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and than the Group's objectives and activities are aligned with these risks and opportunities.

The Company believes that it is crucial for Board members to be a part of this process, and as such has established a Risk Management and Safety, Health, Environment & Community Committee.

STATEMENT OF COMPLIANCE

The report is based on the guidelines in The Group 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes occurred during the financial year ending 30 June 2010.

Equity Raising and Recommencement of the Rare Earths Project

- On 29 September 2009, the Company announced the underwritten issue of $450 million fully paid ordinary shares. The equity raising was successfully completed with the $450 million less expenses received by mid-November 2009.
- The proceeds of the equity raising has enabled the Company to lift the suspension Project and to resume construction and commissioning of both the Concentration Plant in Western Australia and the Advanced Materials Plant in Gebeng, Malaysia.

Processing Facilities

- Abesque Engineering Ltd was awarded the Design and Construction contract for the Concentration Plant in Western Australia.
- UGL Ltd was awarded the Engineering, Procurement and Construction Management (EPCM) contract for the Advanced Materials Plant in Gebeng, Malaysia.
- Mobilisation to site for the Concentration Plant in Western Australia occurred in April 2010, and mobilisation to site for the Advanced Materials Plant in Gebeng, Malaysia occurred in April 2010.
- Engineering and construction of the Concentration Plant and the Advanced Materials Plant remains on time and within budget with the first feed to kiln on target for the third quarter of 2011.

Sales Contracts and Pricing

- Supply contract with Rhodia Operations ("Rhodia") extended from a 5 year contract to a 10 year contract.
- As at 30 June 2010, the Mt Weld composite price had increased to US$17.42/kg (US$9.78/kg at 30 June 2009).
- The average Mt Weld Rare Earths composite price at 06 September 2010 was US$50.52/kg.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Increase in Resource Estimate

On 6 September 2010 the Company announced an increase in the Rare Earths mineral resource estimate at Mount Weld, Western Australia. The new resource estimate is 1.416 million tonnes of Rare Earths Oxide (REO) and represents a 19.4% increase from the previous resource estimate.

The revised estimate resulted from the completion of a grade control drilling program within the area of the current mine plan and a drilling program within areas of the elevated heavy Rare Earths named the Duncan Deposit. The drilling results generated a large amount of new data warranting a new resource model to update the Rare Earths resource estimate.

SHARE OPTIONS

Unissued Shares

As at year end the Company had on issue the following options to acquire ordinary fully paid shares:

DESCRIPTION	NUMBER	EXERCISE PRICE	EXPIRY DATE
Incentive Plan options	7,850,000	$0.11	June 2011
Incentive Plan options	50,000	$0.13	October 2011
Incentive Plan options	700,000	$0.52	March 2012
Incentive Plan options	50,000	$0.64	April 2012
Incentive Plan options	11,150,000	$1.01	June 2012
Incentive Plan options	100,000	$0.91	July 2012
Incentive Plan options	50,000	$0.81	August 2012
Incentive Plan options	200,000	$1.08	October 2012
Incentive Plan options	500,000	$1.06	December 2012
Incentive Plan options	200,000	$1.09	April 2013
Incentive Plan options	1,000,000	$0.98	July 2013
Incentive Plan options	14,850,000	$0.66	September 2013
Incentive Plan options	2,700,000	$0.81	September 2013
Incentive Plan options	1,100,000	$0.16	January 2014
Incentive Plan options	24,500,000	$0.66	October 2014
TOTAL	**65,000,000**		

Shares Issued as a Result of the Exercise of Options

During the financial year 700,000 options were exercised.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers of Lynas Corporation Ltd against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was $58,000. This amount is not included as part of the Directors remuneration in Note 29.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is bound by the requirements and guidelines of the relevant environmental protection authorities for the management and rehabilitation of tenements owned or previously owned by the Group. Tenements are being maintained and rehabilitated following these guidelines. There have been no known breaches of any of these conditions.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lynas Corporation Limited seek to ensure appropriate and effective corporate governance. The Company's Corporate Governance Statement is contained in the following section of this annual report.

DIRECTORS' MEETINGS

The number of Directors' meetings held during the year and the number of meetings attended by each Director was as follows:

		MEETINGS OF COMMITTEES		
	DIRECTORS' MEETINGS	AUDIT	NOMINATION AND REMUNERATION	SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY
Number of meetings held:	11	2	3	3
Number of meetings attended:				
N. Curtis	11	–	–	3
W. Forde	11	2	3	3
D. Davidson	11	2	3	3
J. Klein	10	2	–	3

Committee Membership

As at the date of this report, the Company has an Audit Committee, a Nomination and Remuneration Committee, and a Safety, Health, Environment and Community (SHEC) Committee of the Board of Directors.

Members Acting on the Committees of the Board During the Year were:

AUDIT	NOMINATION AND REMUNERATION	SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY
W. Forde(c)	D. Davidson(c)	D. Davidson(c)
D. Davidson	W. Forde	N. Curtis
J. Klein		W. Forde
		J. Klein

(c) Designates the chairman of the committee

As summarised in the Corporate Governance Statement, the Audit Committee is comprised of independent Directors.

REMUNERATION REPORT – AUDITED

This Remuneration Report outlines the remuneration arrangements of Directors and Key Management Personnel of the Company and the Group in accordance with the *Corporations Act 2001* and its regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent Company, and the executives receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, Chief Operating Officer, Chief Financial Officer, Vice Presidents, General Managers and Company Secretaries of the Group.

Details of Key Management Personnel, including the highest remunerated executives of the Company at the date of this report, are as follows:

DIRECTORS:

N. Curtis	Executive Chairman
W. Forde	Non-Executive Director
D. Davidson	Non-Executive Director
J. Klein	Non-Executive Director

EXECUTIVES:

A. Arnold	General Counsel and Company Secretary
J. Brien	General Manager Human Resources
M. James	Vice President – Corporate & Business Development
E. Noyrez	Chief Operating Officer (appointed 16 February 2010)
J. G. Taylor	Chief Financial Officer
M. Vaisey	Vice President – Technical Development

Remuneration Philosophy

The Company's objective is to provide maximum stakeholder benefit from the retention of a high quality Board and executive management team by remunerating Directors and key executives fairly and appropriately, consistent with relevant employment market conditions. The Company uses external industry benchmarks to set the total remuneration for key management personnel. Generally speaking, total remuneration is set at between the 50th and 75th percentiles.

To assist in achieving this objective, the Nomination and Remuneration Committee links the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are the retention and motivation of key executives, and attraction of quality management to the Company.

For details of all monetary and non-monetary remuneration for all Key Management Personnel, refer to Table A of this report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and of individual during the year. The Company provides no retirement benefits, other than statutory superannuation.

Nomination and Remuneration Committee

The Board is responsible for determining and reviewing remuneration arrangements for the Directors themselves and Key Management Personnel. The Nomination and Remuneration Committee which is comprised of the Non-Executive Directors, assesses the appropriateness of the nature and amount of remuneration of Key Management Personnel on a regular basis.

Remuneration Structure

In accordance with best practice corporate governance, the structure and remuneration of Non-Executive Directors and Key Management Personnel is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board sets aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre at a cost which is acceptable to shareholders.

Structure

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The last determination was at the annual general meeting held on 26 November 2003. An amount not exceeding the amount determined is then divided amongst the Directors as agreed. Each Director receives a fee for being a Director of the Company, however no additional fee is paid for Board committees on which a Director sits.

The aggregate remuneration to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed by the Board annually. The Board considers advice where required from external consultants as well as taking into account fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

It is considered good governance for Directors to have a stake in the Company. Non-Executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the Director on market). Non-Executive Directors of the Company are eligible to participate in the Executive and Employee Option Plan. The remuneration for Non-Executive Directors for the years ended 30 June 2010 and 30 June 2009 is detailed in Tables A and B respectively of this report.

Key Management Personnel Remuneration

Objective

The Company aims to reward Key Management Personnel with remuneration commensurate with their position and responsibilities within the Company so as to:

- reward them for Company, business unit and individual performance against agreed targets set by reference to appropriate benchmarks;
- align their interests with those of shareholders;
- link their reward with the strategic goals and performance of the Company; and
- ensure their total remuneration is competitive by market standards.

Structure

In determining the level and make-up of Key Management Personnel remuneration, the Nomination and Remuneration Committee may engage external consultants as required to provide independent advice detailing market levels of remuneration for comparable roles.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation)
- Variable remuneration
  - Short Term Incentive (STI); and
  - Long Term Incentive (LTI)

The proportion of fixed and variable remuneration is decided by the Nomination and Remuneration Committee after consideration of the overall performance of the Company and the individual. The remuneration for Key Management Personnel for the years ended 30 June 2010 and 30 June 2009 is detailed in Tables A and B respectively of this report.

Service Agreements

It is the Nomination and Remuneration Committee's policy that employment agreements shall only be entered into with the Chief Executive Officer. To this extent the Company entered into an agreement with Mr N. Curtis for the provision of Mr Curtis's services as Chief Executive Officer on reasonable commercial terms and conditions. The key provisions of this agreement are:

- The agreement expires on 31 July 2011.
- Mr Curtis may give three months written notice of his intention to resign. On resignation any unvested options may be forfeited subject to the discretion of the board.
- The Company may terminate the agreement by providing one month's written notice. On termination any unvested options will be forfeited.
- Upon the Company terminating the agreement, the Company will pay a benefit for past services equal to the lesser of:
  1) the amount permitted under Part 2D.2 of the *Corporations Act 2001*; or
  2) the balance of Mr Curtis's salary over the greater of (a) one year, or (b) the remaining term of the agreement at the time of termination.
- The Company may terminate the agreement at any time without notice if serious misconduct has occurred.

All termination payments may be subject to shareholder approval.

Employment conditions for all other Key Management Personnel are on the following terms:

- Each may give one month's written notice of their intention to resign.
- The Company may terminate the employment by providing one month's written notice.
- On resignation or termination all unvested options may be forfeited subject to the discretion of the Board.
- The Company may terminate employment at any time without notice if serious misconduct has occurred.

In accordance with the Company policy that governs trading of Company shares by Directors and employees, Directors and executives are not permitted to hedge their options prior to the options vesting.

Remuneration and Group Performance

Currently, the remuneration of the Company's Key Management Personnel including any component of the remuneration that consists of securities in the Company is not formally linked to the performance of the Company. The rationale for this approach is that the Company is in development phase, and it is currently not appropriate to link remuneration to factors such as profitability or share price. It is anticipated that this will change once the Company transitions into its operational phase.

A comparison is provided below of the remuneration provided to Key Management Personnel during the past 5 years against the movement in the Company's average share price over the same period. The increase in remuneration from one year to the next reflects additional executives joining the Company to facilitate the group beginning the transition from a development entity to an operating entity.

FINANCIAL YEAR ENDED	30/06/2006	30/06/2007	30/06/2008	30/06/2009	30/06/2010
Number of Key Management Personnel					
Directors	5	3	4	4	4
Other	4	5	6	6	7
Remuneration paid					
Directors	468,105	515,156	670,467	906,267	1,180,000
Other	562,777	805,853	1,425,597	1,633,067	2,390,353
	1,030,882	**1,321,009**	**2,096,064**	**2,539,334**	**3,570,353**
Share based remuneration					
Directors	16,167	308,333	1,366,667	2,095,339	2,983,382
Other	27,667	146,026	1,177,183	2,049,646	2,146,587
	43,834	**454,359**	**2,543,850**	**4,144,985**	**5,129,969**
Total remuneration	**1,074,716**	**1,775,368**	**4,639,914**	**6,684,319**	**8,700,322**
Annual average share price	$ 0.206	$ 0.662	$ 1.228	$ 0.518	$ 0.551
Closing share price at financial year end	$ 0.280	$ 1.300	$ 1.300	$ 0.465	$ 0.545

Table A: Details of Remuneration

FINANCIAL YEAR 2010

	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		SHARE-BASED PAYMENTS		
NAME	CASH SALARY AND FEES	BONUS PAYMENTS	NON-MONETARY BENEFITS	TERMINATION PAYMENTS	SUPER	SHARE-BASED PAYMENTS	% OF TOTAL	TOTAL
Executive Director								
N. Curtis	590,000	300,000	–	–	–	2,472,449	74%	3,362,449
Non-Executive Directors								
W. Forde	100,917	–	–	–	9,083	204,363	65%	314,363
D. Davidson	38,927	–	–	–	51,073	153,285	64%	243,285
J. Klein	85,665	–	–	–	4,335	153,285	70%	243,285
Key Management Personnel								
A. Arnold	284,404	155,000	–	–	25,596	419,956	47%	884,956
J. Brien	243,119	–	–	–	21,881	42,267	14%	307,267
M. James	298,165	–	–	–	26,835	940,805	74%	1,265,805
E. Noyrez	210,807	–	–	–	18,360	284,630	55%	513,797
J. G. Taylor	214,404	77,500	–	–	95,596	53,334	12%	440,834
M. Vaisey	269,287	–	–	–	20,712	330,417	56%	620,416
M. Wolley*	52,752	–	–	340,774	35,161	75,178	15%	503,865
TOTAL	**2,388,447**	**532,500**	**–**	**340,774**	**308,632**	**5,129,969**		**8,700,322**

* resigned on 31 August 2009

FINANCIAL YEAR 2009

	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		SHARE-BASED PAYMENTS		
NAME	CASH SALARY AND FEES	BONUS PAYMENTS	NON-MONETARY BENEFITS	TERMINATION PAYMENTS	SUPER	SHARE-BASED PAYMENTS	% OF TOTAL	TOTAL
Executive Director								
N. Curtis	626,053	–	–	–	–	1,789,338	74%	2,415,391
Non-Executive Directors								
W. Forde	96,330	–	–	–	8,670	124,667	54%	229,667
D. Davidson	75,688	–	–	–	9,526	90,667	52%	175,881
J. Klein	82,569	–	–	–	7,431	90,667	50%	180,667
Key Management Personnel								
A. Arnold	244,855	–	–	–	22,037	283,333	51%	550,225
J. Brien	202,294	–	–	–	18,206	42,267	16%	262,767
M. James	298,165	–	–	–	26,835	855,417	72%	1,180,417
W. Moss	10,205	–	–	–	855	173,500	94%	184,560
I. Polovineo	–	–	–	–	–	68,333	100%	68,333
J. G. Taylor	140,014	–	–	–	12,601	26,667	15%	179,282
M. Vaisey	308,055	–	–	–	23,945	330,417	50%	662,417
M. Wolley	298,165	–	–	–	26,835	269,712	45%	594,712
TOTAL	**2,382,393**	**–**	**–**	**–**	**156,941**	**4,144,985**		**6,684,319**

Table B: Share-Based Remuneration

The following table details the options issued for the benefit of Directors and Key Management Personnel during the 2010 and 2009 financial years and those options vested at each respective year end.

30 JUNE 2010	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUN-ERATION	OPTIONS EXERCISED/ CANCELLED	NET CHANGE	BALANCE AT END OF PERIOD	VESTED AT 30 JUNE 2010
A. Arnold	2,000,000	2,400,000	–	2,400,000	4,400,000	–
J. Brien	700,000	–	–	–	700,000	–
N. Curtis	15,000,000	12,000,000	–	12,000,000	27,000,000	10,000,000
D. Davidson	800,000	1,100,000	–	1,100,000	1,900,000	–
W. Forde	1,100,000	1,400,000		1,400,000	2,500,000	–
M. James	4,750,000	1,500,000	–	1,500,000	6,250,000	3,000,000
J. Klein	800,000	1,100,000	–	1,100,000	1,900,000	–
E. Noyrez	–	5,000,000	–	5,000,000	5,000,000	–
J. G. Taylor	1,000,000	–	–	–	1,000,000	–
M. Vaisey	2,750,000	–	–	–	2,750,000	1,750,000
M. Wolley	3,450,000	–	(1,000,000)*	(1,000,000)	2,450,000	–
TOTAL	**32,350,000**	**24,500,000**	**(1,000,000)**	**23,500,000**	**55,850,000**	**14,750,000**

* options cancelled

30 JUNE 2009	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUN-ERATION	OPTIONS EXERCISED/ CANCELLED	NET CHANGE	BALANCE AT END OF PERIOD	VESTED AT 30 JUNE 2009
A. Arnold	-	2,000,000	-	2,000,000	2,000,000	-
J. Brien	200,000	500,000	-	500,000	700,000	-
N. Curtis	10,000,000	5,000,000	-	5,000,000	15,000,000	5,000,000
D. Davidson	-	800,000	-	800,000	800,000	-
W. Forde	-	1,100,000		1,100,000	1,100,000	-
M. James	3,000,000	1,750,000	-	1,750,000	4,750,000	1,000,000
J. Klein	-	800,000	-	800,000	800,000	-
W. Moss	300,000	1,000,000	-	1,000,000	1,300,000	-
I. Polovineo	500,000	-	-	-	500,000	500,000
J. G. Taylor	-	1,000,000	-	1,000,000	1,000,000	-
M. Vaisey	1,750,000	1,000,000	-	1,000,000	2,750,000	750,000
M. Wolley	1,700,000	1,750,000	-	1,750,000	3,450,000	-
TOTAL	**17,450,000**	**16,700,000**	**-**	**16,700,000**	**34,150,000**	**7,250,000**

Fair value of options

The fair value of each option is estimated on the date the options are granted using a Black and Schools valuation model. The following assumptions were considered in the valuation of options issued throughout the year:

Dividend yield	Nil
Expected volatility	44.37%
Risk-free interest rate	3.25%
Life of option	5 years

No dividends have been paid in the past and hence it is not appropriate to estimate future possible dividends in arriving at the fair values of the options. The life of the options is based on a 5 year expiry from date of issue and therefore not necessarily indicative of exercise patterns that may occur. The resulting weighted average fair values per option for those options issued during the year for the benefit of Directors and Key Management Personnel are:

NAME	NUMBER OPTIONS	GRANT DATE	FAIR VALUE PER OPTION AT GRANT DATE	EXERCISE PRICE PER OPTION	EXPIRY DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE
A. Arnold	2,400,000	08/10/2009	$0.234	$0.66	08/10/2014	08/10/2012	08/10/2014
N. Curtis	12,000,000	08/10/2009	$0.234	$0.66	08/10/2014	08/10/2012	08/10/2014
D. Davidson	1,100,000	08/10/2009	$0.234	$0.66	08/10/2014	08/10/2012	08/10/2014
W. Forde	1,400,000	08/10/2009	$0.234	$0.66	08/10/2014	08/10/2012	08/10/2014
M. James	1,500,000	08/10/2009	$0.234	$0.66	08/10/2014	08/10/2012	08/10/2014
J. Klein	1,100,000	08/10/2009	$0.234	$0.66	08/10/2014	08/10/2012	08/10/2014
E. Noyrez	5,000,000	08/10/2009	$0.234	$0.66	08/10/2014	08/10/2012	08/10/2014

All options granted for the benefit of directors and key management personnel have 3 year vesting periods. The options are exercisable between 3 and 5 years after the options have been granted.

Adjustment to the exercise price of options

A component of the capital raising announced on 29 September 2009 was a 1 for 1 entitlement offer to existing shareholders of the Company.

In accordance with ASX Listing Rule 6.22, the entitlement offer resulted in a $0.19 reduction in the exercise price of all employee options granted before 29 September 2009 as compensation to the option holders for the dilutive effect of the entitlement offer. The amounts stated under the heading “Weighted average exercise price” have been adjusted by $0.19 where applicable.

Bonus payment to Director and Key Management Personnel

The cash salary and fees and superannuation payments to the following Director and Key Management Personnel during the year included the following cash bonus payments:

N. Curtis	A$300,000
A. Arnold	A$155,000
J. G. Taylor	A$ 77,500

The cash bonuses were paid in full on 6 November 2009. The cash bonuses were granted in recognition of the significant contribution of the relevant Director and Key Management Personnel to the successful completion of the capital raising announced on 29 September 2009.

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 the Company and 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.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, which follows the Directors' Report.

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of Lynas Corporation Limited

In relation to our audit of the financial report of Lynas Corporation Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Michael Elliott
Partner
Sydney

22 September 2010

Signed in accordance with a resolution of the Directors.

Nicholas Curtis
Executive Chairman
Sydney
22 September 2010

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lynas Corporation Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Lynas Corporation Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the ASX Corporate Governance Council's recommendations, the Corporate Governance Statement must contain certain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. Lynas Corporation Limited's corporate governance principles and policies are therefore structured with reference to the ASX Corporate Governance Council's best practice recommendations.

Lynas Corporation Limited's corporate governance practices were in place throughout the financial year ended 30 June 2010, and complied with all of the ASX Corporate Governance Council's Principles and Recommendations except as noted below in relation to Recommendations 2.2 and 2.3. In addition, as noted below, the Company did not follow one aspect of the commentary that follows Recommendation 8.2. Details of the Company's corporate governance practices are as follows.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Functions reserved to the board and delegated to senior executives

The Company has established the functions reserved to the Board and the functions delegated to senior executives. The functions reserved to the Board include:

(1) oversight of the Company, including its control and accountability systems;
(2) appointing and removing the CEO (or equivalent), including approving remuneration of the CEO and the remuneration policy and succession plans for the CEO;
(3) ratifying the appointment and, where appropriate, the removal of the CFO (or equivalent) and the Secretary;
(4) input into the final approval of management's development of corporate strategy and performance objectives;
(5) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
(6) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
(7) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
(8) approving and monitoring financial and other reporting;
(9) appointment and composition of committees of the Board;
(10) on recommendation of the Audit Committee, appointment of external auditors; and
(11) on recommendation of the Nomination and Remuneration Committee, initiating Board and director evaluation.

The functions delegated to senior executives include:

(1) implementing the company's vision, values and business plan;
(2) managing the business to agreed capital and operating expenditure budgets;
(3) identifying and exploring opportunities to build and sustain the business;
(4) allocating resources to achieve the desired business outcomes;
(5) sharing knowledge and experience to enhance success;
(6) facilitating and monitoring the potential and career development of the company's people resources;
(7) identifying and mitigating areas of risk within the business;
(8) managing effectively the internal and external stakeholder relationships and engagement strategies;
(9) sharing information and making decisions across functional areas;
(10) determining the senior executives' position on strategic and operational issues; and
(11) determining the senior executives' position on matters that will be referred to the Board.

Recommendation 1.2 – Performance evaluation of senior executives

The Company has detailed written Key Responsibility Areas and Key Performance Indicators for each senior executive. The performance of senior executives is periodically reviewed against their Key Performance Indicators, at least once every 12 months, as part of the Company's formal performance review procedures.

Recommendation 1.3 – Performance evaluation of senior executives during the financial year

An evaluation of senior executives took place during the financial year. The evaluation was in accordance with the procedure disclosed in relation to Recommendation 1.2.

The matters reserved for the Board are disclosed in relation to Recommendation 1.1. In addition, these matters are summarized in the Company's Board Charter, a copy of which is available on the Company's website, www.lynascorp.com. The matters delegated to senior executives are disclosed in relation to Recommendation 1.1.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – A majority of the Board should be independent Directors

Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of unfettered and independent judgement.

The Board has a majority of independent Directors. In accordance with the definition of independence above, and the materiality thresholds set, David Davidson, Jake Klein and Liam Forde are viewed as independent Directors. Whilst Mr Forde acts as Chairman (and receives fees accordingly) of the Lamps On Board which oversees the construction of the Company's Malaysian Advanced Materials Plant, the Board does not view this as interfering with the exercise of unfettered and independent judgement.

Nick Curtis is the Executive Chairman and Chief Executive Officer of the Company. As the Chief Executive Officer of the Company, Mr Curtis is not an independent Director of the Company in accordance with the definition above.

Recommendation 2.2 – The chair should be an independent director

Nick Curtis is the Executive Chairman and Chief Executive Officer of the Company. Mr Curtis has a 1.42% shareholding in the Company and the Board does not view this as interfering with the exercise of unfettered and independent judgement.

The Company is in development phase and the Board believes that Nick Curtis is the best person to perform both the roles of Chairman and Chief Executive Officer at this stage of the Company's growth.

The dual role of Mr Curtis is balanced by the presence of a clear majority of independent directors on the Board. In addition Mr Forde acts as the lead independent director of the Company. The role of the lead independent director includes chairing meetings of the Board on matters where the chairman is unable to act in that capacity, for example due to a lack of independence.

Recommendation 2.3 – The roles of chair and chief executive officer should be separated

As disclosed in relation to Recommendation 2.2, Nick Curtis acts as both Executive Chairman and Chief Executive Officer of the Company. The reasons why Mr Curtis performs that dual role are disclosed in relation to Recommendation 2.2.

Recommendation 2.4 – Nomination Committee

The Board has established a Nomination and Remuneration Committee. A copy of the Charter of the Nomination and Remuneration Committee is available from the Company's website, www.lynascorp.com.

Recommendation 2.5 – Process for evaluating the performance of the Board

In accordance with the Charter of the Nomination and Remuneration Committee, the Committee is responsible for the:

(1) annual evaluation and review of the performance of the Board against both measurable and qualitative indicators established by the Committee;

(2) evaluation and review of the performance of individual directors against both measurable and qualitative indicators established by the Committee;

(3) review of and making of recommendations on the size and structure of the Board; and

(4) review of the effectiveness and programme of Board meetings.

Recommendation 2.6 – Additional information concerning the Board and Directors

In accordance with Recommendation 2.6, the Company provides the following additional information:

(1) The skills and experience of each Director is set out in the Directors section of the Director's Report.

(2) The period of office of each Director is as follows:

NAME	TERM IN OFFICE
N. Curtis	8 years
J. Klein	5 years
D. Davidson	4 years 7 months*
W. Forde	2 years 5 months

* Mr Davidson was previously a Director of the Company from March 2002 until August 2005. He rejoined the Board in December 2005.

(3) The reasons why Messrs Klein, Davidson and Forde are considered to be independent Directors are disclosed in relation to Recommendation 2.1.

(4) There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

(5) Details of the names of members of the nomination and remuneration committee and attendance at meetings are set out in the Directors Meetings section of the Director's Report.

(6) An evaluation of the performance of the Board, its committees and individual directors took place during the financial year. That evaluation was in accordance with the process disclosed.

(7) The Nomination and Remuneration Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of:

   (a) a plan for identifying, assessing and enhancing director competencies; and

   (b) a succession plan that is designed to ensure that an appropriate balance of skills, experience and expertise is maintained on the Board.

The Charter of the Nomination and Remuneration Committee requires that prior to identifying an individual for nomination for directorship, the Committee must evaluate the range of skills, experience and expertise currently existing on the Board to ensure that the Committee identifies the particular skills, experience and expertise that will most effectively complement the Board's current composition. If a new candidate is approved by the Nomination and Remuneration Committee, the appointment of that new candidate is ultimately subject to shareholder approval in accordance with the *Corporations Act 2001* and the Company's Constitution.

(8) Pursuant to Article 13.2 of the Company's Constitution, one-third of the directors of the Company (other than the Chief Executive Officer), or if their number is not a multiple of 3, then such number as is appropriate to ensure that no director other than alternate directors and the managing director holds office for more than 3 years, must retire at each Annual General Meeting and being eligible may offer themselves for re-election. If a candidate is approved by the Nomination and Remuneration Committee for re-election, the re-election of that candidate is subject to shareholder approval in Annual General Meeting.

(9) The Board's policy for the nomination and appointment of Directors is summarized above. Further details are set out in the Charter of the Nomination and Remuneration Committee. A copy of the Charter of the Nomination and Remuneration Committee is available from the Company's website, www.lynascorp.com.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1 – Code of Conduct

The Company has established a code of conduct as to the:

(1) practices necessary to maintain confidence in the Company's integrity;

(2) practices necessary to take into account the Company's legal obligations and the expectations of stakeholders; and

(3) responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A copy of the code of conduct is available from the Company's website, www.lynascorp.com.

Recommendation 3.2 – Share Trading Policy

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees. A copy of the share trading policy is available from the Company's website, www.lynascorp.com.

Recommendation 3.3 – Availability of Code of Conduct and Share Trading Policy

As noted above, copies of the Company's code of conduct and share trading policy are available from the Company's website, www.lynascorp.com.

PRINCIPLE 4 – VERIFY AND SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1 – Audit Committee

The Company has established an Audit Committee.

Recommendation 4.2 – Structure of the Audit Committee

The Company's Audit Committee complies with each of the requirements of Recommendation 4.2 as follows:

(1) The Audit Committee consists only of non-executive directors. The members of the Audit Committee are Messrs. Forde, Davidson and Klein. Further details are provided in the Directors Meetings section of the Director's Report.

(2) All of the members of the Audit Committee are independent directors.

(3) The Audit Committee is chaired by Liam Forde, who is an independent director and who is not chair of the Board.

(4) The Audit Committee has three members.

Recommendation 4.3 – Audit Committee Charter

The Company has adopted an Audit Committee Charter.

Recommendation 4.4 – Additional Information concerning the Audit Committee

In accordance with Recommendation 4.4, the Company provides the following additional information concerning the Audit Committee:

(1) The members of the Audit Committee are Messrs. Forde, Davidson and Klein. Details of the qualifications of the members of the Audit Committee are set out in the Directors section of the Director's Report.

(2) Two meetings of the Audit Committee were held during the financial year. All members of the Audit Committee attended those meetings.

(3) A copy of the Audit Committee Charter is available from the Company's website, www.lynascorp.com.

(4) The Audit Committee is responsible for reviewing and recommending to the Board the appointment, remuneration and terms of engagement of the external auditors.

(5) In accordance with the *Corporations Act 2001*, if an external audit engagement partner plays a significant role in the audit of the Company for 5 successive financial years, that partner is not eligible to play a significant role in the audit of the Company for a later financial year unless the partner has not played a significant role in the audit of the Company for at least 2 successive financial years.

PRINCIPLE 5 – PROMOTE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – ASX Listing Rule Disclosure Requirements

The Company has established a written policy designed to ensure:

(1) compliance with ASX Listing Rules disclosure; and

(2) accountability at a senior executive level for that disclosure.

Recommendation 5.2 – Continuous Disclosure Policy

A copy of the Company's continuous disclosure policy is available from the Company's website, www.lynascorp.com.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1 – Shareholder Communications Policy

The Company has adopted a shareholder communications policy for:

(a) promoting effective communication with shareholders; and

(b) encouraging shareholder participation at AGMs.

A copy of the Company's shareholder communications policy is available from the Company's website, www.lynascorp.com.

Recommendation 6.2 – Availability of Shareholder Communications Policy

As noted above, a copy of the Company's shareholder communications policy is available from the Company's website, www.lynascorp.com.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1 – Risk Management Policies

The Company has established policies for the oversight and management of its material business risks as follows:

(1) The Audit Committee oversees financial risks pursuant to the Audit Committee Charter. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

(2) The finance department of the Company manages financial risks.

(3) The risk management, safety, health, environment and community committee oversees the Company's other material business risks.

(4) The risk management, safety, health, environment and community departments of the Company manage the Company's other material business risks

(5) The Company has adopted the following policies for the oversight and management of other material business risks: risk management policy, environmental policy, community policy and occupational health and safety policy.

Copies of the following documents referred to in this section are available from the Company's website, www.lynascorp.com:

(1) Audit Committee Charter;

(2) Risk Management, Safety, Health, Environment and Community Committee Charter;

(3) Risk management policy;

(4) Environmental policy;

(5) Community policy;

(6) Occupational health and safety policy.

The categories of risk reported on or referred to in the annual report are: financial risk, environmental risk, community risk, and occupational health and safety risk.

Recommendation 7.2 – Risk Management and Internal Control System

The Board has required management to design and implement a risk management and internal control system to manage the Company's business risks.

The Board has required management to report to it on whether those risks are being managed effectively.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3 – Statement from the Chief Executive Officer and the Chief Financial Officer

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.

Recommendation 7.4 – Additional Information concerning Risk Management

In accordance with Recommendation 7.4, the Company provides the following additional information concerning risk management:

(1) The Board has received the report from management under Recommendation 7.2.

(2) The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer under Recommendation 7.3.

(3) As noted above in relation to Recommendation 7.1, copies of the Company's policies on risk oversight and management of material business risks are available from the Company's website, www.lynascorp.com.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 – Remuneration Committee

The Company has established a Nomination and Remuneration Committee.

Recommendation 8.2 – Remuneration of Executive Directors, Executives and Non-Executive Directors

The remuneration of executive directors and senior executives during the financial year comprised the following:

(1) Fixed remuneration and superannuation payments.

(2) Share options issued for the benefit of the relevant individuals pursuant to the Company's employee share option plan.

Details of the remuneration of executive directors and senior executives during the financial year are set out in the Remuneration Report section of the Director's Report.

The remuneration of non-executive directors during the financial year comprised the following:

(1) Cash fees and superannuation payments.

(2) Share options for the benefit of the relevant non-executive directors pursuant to the Company's employee share option plan.

Details of the remuneration of non-executive directors during the financial year are set out in the Remuneration Report section of the Director's Report.

The fixed remuneration paid to executive directors and senior executives is clearly distinguished from the cash fees paid to non-executive directors.

The Company's Nomination and Remuneration Committee took advice from an external consulting firm in determining the terms of options to be issued for the benefit of non-executive directors. The Company is in project development mode, and therefore it is appropriate to conserve the Company's cash resources by including options in the remuneration of non-executive directors. In addition, the options component of remuneration provides a link to the medium term and long term strategies of growing the Company for the benefit of all shareholders. It is also noted that the issuance of options to non-executive directors was approved by the Company's shareholders at the Annual General Meeting held on 26 November 2009.

The Company complies with Recommendation 8.2 by clearly distinguishing the structure of non-executive directors' remuneration from that of executive directors and senior executives. The commentary that follows each Recommendation does not form part of the Recommendation. The commentary is provided to, among other things, highlight factors which may be relevant to consider and to make suggestions for implementation. The commentary that follows Recommendation 8.2 includes the suggestion that non-executive directors should not receive options. For the reasons discussed above, in the Company's particular circumstances it was considered appropriate for options to be issued to non-executive directors during the financial year. Therefore, during the financial year, the Company did not follow the suggestion in the commentary to Recommendation 8.2 that non-executive directors should not receive options.

Recommendation 8.3 – Additional Information concerning Remuneration

In accordance with Recommendation 8.3, the Company provides the following additional information concerning remuneration:

(1) The members of the Nomination and Remuneration Committee are David Davidson and Liam Forde. There were three formal meetings of the committee during the year, which were attended by both members. In addition, there were several informal meetings.

(2) The Company has no schemes for retirement benefits for non-executive directors, other than superannuation.

(3) A copy of the Charter of the Nomination and Remuneration Committee is available from the Company's website, www.lynascorp.com.

(4) In accordance with the Company's share trading policy, Directors and employees must not at any time hedge options issued to them under an employee option plan prior to vesting of the options. A copy of the share trading policy is available from the Company's website, www.lynascorp.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 A$'000	2009 A$'000
REVENUE			
Interest income	3	9,130	4,088
EXPENSES			
Depreciation and amortisation expense	4	1,158	639
Borrowing costs expense		–	6,876
Salaries and employee benefits expense	4	10,365	10,364
Share based payments expense	4	6,057	5,256
Impairment of capitalised costs	4	–	1,160
Other expenses from ordinary activities	4	9,159	12,066
OTHER GAINS AND LOSSES			
Net accounting gain on convertible notes	18	–	(12,917)
Foreign exchange (gains)/losses		(2,337)	4,548
Suspension costs	16	5,069	5,378
De-recognition of assets	11	22,700	–
LOSS BEFORE INCOME TAX EXPENSE		**(43,041)**	**(29,282)**
INCOME TAX EXPENSE	5	–	–
NET LOSS ATTRIBUTABLE TO MEMBERS OF LYNAS CORPORATION LIMITED		**(43,041)**	**(29,282)**
Exchange differences on translation of overseas subsidiaries, net of tax		18,582	(1,322)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(24,459)**	**(30,604)**
Basic loss per share (cents per share)	26	(3.23)	(4.50)
Diluted loss per share(cents per share)	26	(3.23)	(4.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	NOTES	2010 A$'000	2009 A$'000
CURRENT ASSETS			
Cash and cash equivalents	7	405,245	16,710
Trade and other receivables	8	1,052	147
Prepayments	9	801	898
TOTAL CURRENT ASSETS		**407,098**	**17,755**
NON-CURRENT ASSETS			
Inventories	10	23,887	21,009
Property, plant and equipment	11	178,631	151,503
Deferred exploration, evaluation and development costs	12	23,304	25,465
Intangible assets	13	315	15
Other non-current assets	14	7,428	2,202
TOTAL NON-CURRENT ASSETS		**233,565**	**200,194**
TOTAL ASSETS		**640,663**	**217,949**
CURRENT LIABILITIES			
Trade and other payables	15	13,419	7,875
Provisions	16	4,586	6,204
TOTAL CURRENT LIABILITIES		**18,005**	**14,079**
NON-CURRENT LIABILITIES			
Provisions	17	3,515	5,832
TOTAL NON-CURRENT LIABILITIES		**3,515**	**5,832**
TOTAL LIABILITIES		**21,520**	**19,911**
NET ASSETS		**619,143**	**198,038**
EQUITY			
Issued capital	19	719,857	288,314
Accumulated losses		(140,280)	(97,239)
Share-based payment reserve	20	14,947	8,890
Foreign currency translation reserve	20	24,619	(1,927)
TOTAL EQUITY		**619,143**	**198,038**

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 A$'000	2009 A$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(17,644)	(33,874)
Interest received		8,755	6,335
Net cash flows used in operating activities	**21**	**(8,889)**	**(27,539)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant, equipment and intangibles		(30,454)	(84,615)
Payment for land acquisition		–	(19,794)
Security bonds (paid)/refunded		(1,128)	1,610
Payment for tenements rights		(4,200)	–
Payments for exploration and development		(176)	(2,128)
Net cash flows used in investing activities		**(35,958)**	**(104,927)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares and exercising options		450,089	–
Equity raising establishment fees and costs		(18,546)	(2,448)
Settlement with bondholders	18	–	7,372
Net cash flows provided by financing activities		**431,543**	**4,924**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**386,696**	**(127,542)**
Add opening cash brought forward		16,710	145,480
Net foreign exchange differences		1,839	(1,228)
CLOSING CASH AND CASH EQUIVALENTS		**405,245**	**16,710**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2010

	ISSUED CAPITAL A$'000	ACCUMULATED LOSSES A$'000	FOREIGN CURRENCY TRANSLATION RESERVE A$'000	SHARE BASED PAYMENT RESERVE A$'000	TOTAL A$'000
At 1 July 2009	**288,314**	**(97,239)**	**(1,927)**	**8,890**	**198,038**
Loss for the year	–	(43,041)	–	–	(43,041)
Other comprehensive income	–	–	26,546	–	26,546
Total comprehensive income	–	(43,041)	26,546	–	(16,495)
Exercise of options	89	–	–	–	89
Allotment of new shares	450,000	–	–	–	450,000
Cost of equity raising	(18,546)	–	–	–	(18,546)
Cost of share based payments	–	–	–	6,057	6,057
At 30 June 2010	**719,857**	**(140,280)**	**24,619**	**14,947**	**619,143**

YEAR ENDED 30 JUNE 2009

	ISSUED CAPITAL A$'000	ACCUMULATED LOSSES A$'000	FOREIGN CURRENCY TRANSLATION RESERVE A$'000	SHARE BASED PAYMENT RESERVE A$'000	TOTAL A$'000
At 1 July 2008	**285,624**	**(67,957)**	**(38)**	**3,634**	**221,263**
Loss for the year	–	(29,282)	–	–	(29,282)
Other comprehensive income	–	–	(1,889)	–	(1,889)
Total comprehensive income	–	(29,282)	(1,889)	–	(31,171)
Allotment of new shares	2,690	–	–	–	2,690
Cost of share based payments	–	–	–	5,256	5,256
At 30 June 2009	**288,314**	**(97,239)**	**(1,927)**	**8,890**	**198,038**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report of Lynas Corporation Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 21 September 2010.

Lynas Corporation Ltd (the parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Historical cost convention

The financial report has been prepared in accordance with the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Equivalents to International Financial Reporting Standards (AIFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made:

- Deferred exploration, evaluation and development costs;
- Deferred stripping costs;
- Provision for restoration, rehabilitation and closure;
- Share based payments; and
- Impairment.

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements. Where appropriate, prior year numbers have been reclassified for consistency with the current year disclosures.

b) Statement of compliance

The financial report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

New and revised standards and interpretations applicable for the year commencing 1 July 2009 have been reviewed and it was determined that changes were not required to the existing accounting policies adopted by the Group.

Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Company for the reporting period 30 June 2010. The Directors have assessed the impact of these new or amended standards and interpretations and do not consider that these will materially impact the Group.

c) Change in accounting policy

From 1 July 2009, the Company has adopted the following Standards for annual periods beginning on or after 1 July 2009. Adoption of these standards did not have any effect on the financial position or the performance of the Group. Apart from the changes in the accounting policy below, the accounting policies and methods of compilation are the same as those adopted in the 2009 annual financial report.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 31, including the related revised comparative information.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AASB 101 Presentation of Financial Statements – Revised

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present one statement.

d) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising Lynas Corporation Limited (the Parent Company) and all entities that Lynas Corporation Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the Parent Company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Parent Company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

e) Foreign currencies

Translation of Foreign Currency Transactions

Both the functional and presentation currency of Lynas Corporation Limited and its Australian subsidiaries is the Australian dollar (A$). The functional currency of Lynas Malaysia Sdn Bhd is Malaysian Ringgit (MYR).

Transactions in foreign currencies of entities within the Consolidated Entity are converted to the functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Lynas Corporation Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the re-translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

f) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the cash flow statements, cash includes cash on hand and in banks, and money market investments with an original maturity date of three months or less, net of outstanding bank overdrafts.

g) Receivables

Receivables are recognised and carried at amortised cost. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Funds on deposit are measured at nominal value.

h) Investments and other financial assets

Interests in listed securities are initially recognised at fair value. At each balance sheet date they are adjusted to fair value with any changes in value recognised direct to equity. Dividend income is recognised in the statement of financial performance when received. Investments in controlled entities are carried at the lower of cost and recoverable amount.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

i) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

j) Property, plant and equipment

Cost: All classes of property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment charges.

Depreciation: Depreciation is provided on a straight-line basis on all property, plant and equipment.

	2010	**2009**
Leasehold improvements:	The lease term	The lease term
Leasehold land:	The lease term	The lease term
Plant and equipment:		
Furniture and fittings	5 years	5 years
Computer hardware and software	3 years	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

l) Exploration, evaluation, development and restoration costs

Exploration and Evaluation Costs

Costs arising from exploration and evaluation are accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights of tenure of the area of interest is current and either:

- The exploration and evaluation activities are expected to be recouped through successful development or alternatively, by sale; or
- where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Development Costs

Development expenditure represents the costs incurred in preparing the mine at Mt Weld for production, and includes stripping and waste removal costs incurred before production commences. The costs are capitalised to the extent that they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units of production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Stripping Costs

In mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can economically be extracted. The process of mining overburden and waste materials is referred to as stripping. The Group defers stripping costs incurred both prior to and during production.

Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste required to be removed to mine the ore. Deferral of these costs is made where appropriate, when actual stripping ratios for each campaign vary from average life of mine ratios. Deferral of costs is not made when the waste to ore ratio is expected to be consistent throughout the life of mine.

Costs which have been previously deferred (deferred overburden removal costs) are recognised in profit or loss on a unit of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of a cash generating unit for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the operation as a whole.

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis. Unamortised costs are reviewed at each reporting date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Restoration, Rehabilitation and Closure Costs

The Group is required to decommission and rehabilitate mines and processing sites at the end of their productive lives to a condition acceptable to the relevant authorities. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided for when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit and loss on a prospective basis over the remaining life of the operation.

m) Inventories

Inventories are valued at the lower of cost and net realisable value. The costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Ore Stockpiles

Cost of direct material and labour and a proportion of amortised development and stripping costs. To the extent ore inventories are not expected to be processed within 12 months, they are classified as non-current.

Chemical Stores

Cost of chemicals and associated freight charges.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

n) Intangibles

Capitalised software is initially measured at cost. Following initial recognition, the assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. The amortisation period is 3 years. Capitalised software is tested for impairment whenever there is an indication that the intangible asset may be impaired.

o) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity. Liabilities for trade creditor amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are recognised at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are carried at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

p) Interest-bearing liabilities and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transactions costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised costs using the effective interest rate method. Fees paid on the establishment of loan facilities are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

q) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

r) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue received from the sale or disposal of products, material or services during the exploration, evaluation or development phases of operations is offset against deferred expenditure in respect of the area of interest or mineral resource concerned.

- Interest – Recognised using the effective interest rate method.
- Rent – revenue is recognised when the right to receive the rent payment is obtained.

t) Share-based payment transactions

The Group provides benefits to Directors and employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’). The Executive and Employee Option Plan is in place to provide these benefits. Options granted under this vest over a three year period and have no attaching market or performance conditions.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes valuation model.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at each reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described above. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

u) Taxes

Income Taxes

Tax-effect accounting is applied using the balance sheet method where deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except:

- Where the GST included on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

v) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, superannuation, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, superannuation, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Expected salary increases and assumptions on the likely period of service are incorporated into the calculations.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

w) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions have been complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity. When the grant relates to an asset, the fair value of the grant is released to the income statement over the expected useful life of the relevant asset.

x) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, and adjusted for any bonus element.

y) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period.

z) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management also considers other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

aa) Adoption of new accounting standards

The Group has reviewed new Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The Company has not adopted any new accounting policies or applied any new accounting standards in the year ended 30 June 2010. Management does not expect any such standard to have a material impact on the Group.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits.

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

Risk Management is carried out under the direction of the CFO in accordance with policies approved by the Board of Directors.

a) Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group does not make use of derivative financial instruments to hedge foreign exchange risk arising from normal operations.

The following table illustrates the Group's exposure to USD foreign currency and highlights the sensitivity allowing for movements of +10% and -10% on the AUD/USD exchange rate at balance date.

	2010 A$'000	2009 A$'000
Financial assets		
Cash and cash equivalents	33,681	3,021
TOTAL Financial assets	**33,681**	**3,021**
Sensitivity analysis		
Post Tax Profit – Higher/(Lower)		
AUD/USD +10%	(2,358)	(192)
AUD/USD -10%	2,358	192
Equity – Higher/(Lower)		
AUD/USD +10%	–	–
AUD/USD -10%		
	–	–

b) Interest rate risk

The Group's current exposure to interest rate risk is the risk in the movement in variable rates relevant to cash deposits, which are not hedged.

The following table illustrates the Group's exposure to interest rate movements on its financial assets and financial liabilities, and sensitivity analysis showing the impact of an interest rate increase or decrease of 100 basis points.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

	INTEREST BEARING (FLOATING)	
A$'000	2010	2009
Financial assets		
Cash	405,245	16,710
Trade and other receivables	–	–
Total financial assets	**405,245**	**16,710**
Financial liabilities		
Trade and other payables	–	–
Total financial liabilities	**–**	**–**
Net exposure to floating interest rates	**405,245**	**16,710**
Sensitivity analysis		
Post Tax Profit – Higher/(Lower)		
+ 1% (100 basis points)	2,837	117
- 1% (100 basis points)	(2,837)	(117)
Equity – Higher/(Lower)		
+ 1% (100 basis points)	–	–
- 1% (100 basis points)		
	–	–

c) Credit risk

At 30 June 2010 the only significant receivable balances were those of the Parent Entity for funding provided to subsidiary companies. At 30 June 2010 it was recognised that these balances could be considered to be impaired however it is anticipated that these balances will be able to be paid in full once the group starts production and commences sales to external parties in the 2012 financial year. There are no other receivables that are past due or impaired. The table provided under item d) Liquidity risk, illustrates the maturities of the Group's financial assets and liabilities.

d) Liquidity risk

Liquidity risk is managed to ensure that the Group has sufficient assets to meet liabilities as they fall due by maintaining sufficient reserves of cash and drawdown of debt facilities to meet forecast cash outlays. Short-term cash flows are re-estimated for the group on a monthly basis with long-term cash flows re-estimated on a quarterly basis.

	LESS THAN 12 MONTHS		1-5 YEARS		OVER 5 YEARS	
A$'000	2010	2009	2010	2009	2010	2009
Financial assets						
Cash	405,245	16,710	–	–	–	–
Trade and other receivables	1,052	147	–	–	–	–
Prepayments	801	898	–	–	–	–
Total financial assets	**407,098**	**17,755**	**–**	**–**	**–**	**–**
Financial liabilities						
Trade and other payables	18,005	14,079	–	–	–	–
Total financial liabilities	**18,005**	**14,079**	**–**	**–**	**–**	**–**
TOTAL	**389,093**	**3,676**	**–**	**–**	**–**	**–**

e) Capital management

The Group considers its capital to comprise of its ordinary share capital net of accumulated losses.

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group has no debt, hence has a nil gearing ratio.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

3 REVENUE

	2010 A$'000	2009 A$'000
Interest income	9,130	4,088
Total revenue	**9,130**	**4,088**

4 EXPENSES

	2010 A$'000	2009 A$'000
Salaries and employee benefits expense		
Salaries and employee costs	9,090	9,469
Superannuation	488	435
Recruitment costs	787	460
Share based payment expense	6,057	5,256
Total salaries and employee benefits expense	**16,422**	**15,620**
Depreciation and amortisation of non-current assets		
Leasehold improvements	12	16
Plant and equipment	296	407
Intangibles	96	216
Tenement rights	102	–
Leasehold land	652	–
Total depreciation and amortisation of non-current assets	**1,158**	**639**
Other expenses		
Accounting and tax consulting	329	605
Technical and management consulting	2,899	2,196
Insurance	319	1,711
Legal expenses	191	1,298
Office expenses	889	1,170
Operating lease expenses	765	686
Share registry and listing fees	402	169
Travel and accommodation	2,155	2,209
Other	1,210	2,022
Total other expense	**9,159**	**12,066**
Losses		
Impairment of capitalised costs	–	1,160
Total losses	**–**	**1,160**

The impairment of capitalised costs relates to the write down of an earlier ERP system.

5 INCOME TAX

	2010 A$'000	2009 A$'000
The prima facie tax, using tax rates applicable in the country of operation, on loss differs from the income tax provided in the financial statements as follows:		
Operating loss before income tax	(43,041)	(29,282)
Prima facie tax benefit on loss from ordinary activities at the Company's statutory income tax rate of 30% (2009: 30%)	(12,912)	(8,785)
Adjustments in respect of current income tax charge of previous years	4,743	999
Income tax benefit not recorded	8,169	7,786
Income tax expense attributable to ordinary activities	**–**	**–**

Net future income tax benefit not brought to account due to doubt over future realisation.

Tax Losses

The Group has carry forward capital tax losses that arose in Australia of $2,330,089 (2009: $2,330,089) and are available indefinitely for offset against future capital gains of a similar nature subject to continuing to meet relevant statutory tests.

The Group has carry forward revenue tax losses that arose in Australia of $79,722,411 (2009: $57,646,410) and are available indefinitely for offset against future revenue gains of a similar nature subject to continuing to meet relevant statutory tests.

Deferred tax assets are recognised to the extent necessary to offset deferred tax liabilities. No deferred tax asset is recognised on the balance sheet at 30 June 2010 for any of the remaining carry forward losses.

Tax Consolidation

Lynas Corporation Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis.

The agreement provides for the allocation of income tax liabilities between the entities should the head entity default in its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Lynas Corporation Limited.

6 DIVIDENDS PAID

	2010 A$'000	2009 A$'000
Ordinary shares	–	–

No dividend has been recommended or declared since the end of the previous financial year.

7 CASH AND CASH EQUIVALENTS

	2010 A$'000	2009 A$'000
Cash at bank and on hand	40,812	6,058
Short-term deposits	364,433	10,652
	405,245	**16,710**

8 TRADE AND OTHER RECEIVABLES (CURRENT)

	2010 A$'000	2009 A$'000
Other receivables	592	32
GST receivable	460	115
	1,052	**147**

9 PREPAYMENTS (CURRENT)

	2010 A$'000	2009 A$'000
Prepaid insurance	319	322
Other prepaid expenses	482	576
	801	**898**

10 INVENTORIES (NON-CURRENT)

	2010 A$'000	2009 A$'000
Stockpile ore	19,470	19,470
Chemicals	4,417	1,539
	23,887	**21,009**

11 PROPERTY, PLANT AND EQUIPMENT

		2010 A$'000	2009 A$'000
Capitalised project costs			
Advanced Materials Processing Plant (Gebeng, Malaysia)	(i)	110,755	97,671
Concentration Plant (Mt Weld, WA)		35,969	22,119
Other capitalised project costs		6	109
		146,730	**119,899**
Leasehold land	(ii)		
At cost		31,450	30,692
Accumulated amortisation		(652)	–
		30,798	**30,692**
Leasehold improvements			
At cost		229	186
Accumulated amortisation		(149)	(137)
		80	**49**
Furniture and fittings			
At cost		2,054	1,862
Accumulated depreciation		(1,133)	(1,069)
		921	**793**
Motor vehicles			
At cost		133	83
Accumulated depreciation		(31)	(13)
		102	**70**
Total property, plant and equipment		**178,631**	**151,503**

(i) A comprehensive review was completed in the current year to assess whether all of the capitalised project costs in relation to the Advanced Material Plant in Gebeng, Malaysia were still expected to provide a future economic benefit or whether some of the capitalised costs should be de-recognised based on developments in the current financial year.

Based on this analysis the Company identified costs of $22.7 million which were no longer expected to render any future economic benefit. These costs primarily represent issues around the change in 2009 in the engineering, design and construction management contractor which, due the complicated nature of the transition after project suspension, resulted in significant rework and duplicated costs.

(ii) Consistent with normal land-holding structure in Malaysia, Leasehold Land represents the cost of the leases for the land at Gebeng where the Advanced Materials Plant is being constructed. The land is in 2 leasehold titles and the expiry dates are 3 December 2099 and 30 October 2106 respectively. Leasehold Land is amortised over the period of the lease, and the Company is in the process of consolidating the land into one leasehold title.

11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliation

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial years

	OPENING BALANCE A$'000	ADDITIONS A$'000	DE-RECOGNITION OF ASSETS A$'000	DEPRECIATION AND AMORTISATION FOR YEAR A$'000	TRANSFERS A$'000	FOREIGN EXCHANGE IMPACT A$'000	CLOSING BALANCE A$'000
2010							
Advanced Materials Processing Plant	97,671	31,022	(22,700)	–	–	4,762	110,755
Concentration Plant	22,119	13,850	–	–	–	–	35,969
Leasehold land	30,692	–	–	(652)	–	758	30,798
Leasehold improvements	49	43	–	(12)	–	–	80
Furniture and fittings	793	608	–	(278)	(202)	–	921
Motor vehicles	70	50	–	(18)	–	–	102
Other capitalised projects	109	–	–	–	–	(103)	6
	151,503	**45,573**	**(22,700)**	**(960)**	**(202)**	**5,417**	**178,631**
2009							
Advanced Materials Processing Plant	34,327	63,344	–	–	–	–	97,671
Concentration Plant	6,506	15,613	–	–	–	–	22,119
Leasehold land	–	30,692	–	–	–	–	30,692
Leasehold improvements	65	–	–	(16)	–	–	49
Furniture and fittings	772	416	–	(395)	–	–	793
Motor vehicles	33	49	–	(12)	–	–	70
Other capitalised projects	–	109	–	–	–	–	109
	41,703	**110,223**	**–**	**(423)**	**–**	**–**	**151,503**

12 DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	2010 A$'000	2009 A$'000
Exploration, evaluation and development costs carried forward in respect of mining areas of interest and Rare Earths processing facilities:		
Capitalised exploration expenditure	2,846	2,670
Capitalised development expenditure	16,380	18,717
Deferred stripping asset	4,078	4,078
	23,304	**25,465**
Reconciliation		
Reconciliations of the carrying amounts of deferred exploration, evaluation and development costs at the beginning and end of the current and previous financial years		
Costs brought forward	25,465	24,647
Expenditure incurred during the year	176	2,128
Reduction in carrying value	(2,337)	(1,310)
	23,304	**25,465**

13 INTANGIBLE ASSETS

	2010 A$'000	2009 A$'000
Computer software licences		
At cost	606	16
Accumulated amortisation	(291)	(1)
	315	**15**
Reconciliation		
Reconciliations of the carrying amounts of intangibles at the beginning and end of the current and previous financial years.		
Intangibles		
Opening balance	15	620
Additions	396	608
Amortisation for year	(96)	(216)
Impairment of capitalised costs	–	(1,160)
	315	**15**

14 OTHER NON-CURRENT ASSETS

	2010 A$'000	2009 A$'000
Tenement rights		
At cost	4,200	–
Accumulated amortisation	(102)	–
	4,098	**–**
Security deposits		
At cost	3,330	2,202
	3,330	**2,202**
Total other non-current assets	**7,428**	**2,202**

Security Deposits relate to cash provided for security bonds issued to secure the mining tenements at Mount Weld. The weighted average interest rate per annum was 3.5%. Other receivables are non-interest bearing and are generally on 60-day terms. The carrying value of the other receivables approximates the fair value.

Reconciliation

Reconciliations of the carrying amounts of other non-current assets at the beginning and end of the current and previous financial years.

	2010 A$'000	2009 A$'000
Tenement rights		
Opening balance	–	–
Additions	4,200	–
Amortisation for year	(102)	–
	4,098	**–**
Security deposits		
Opening balance	2,202	2,411
Additions	1,128	–
Repayments	–	(209)
	3,330	**2,202**

15 TRADE AND OTHER PAYABLES (CURRENT)

	2010 A$'000	2009 A$'000
Trade creditors	12,354	7,730
Other creditors	1,065	145
	13,419	**7,875**

Trade creditors are non-interest bearing and are normally settled on 30 day terms. Other creditors are non-interest bearing and have an average term of 30 days. The carrying value of trade and other creditors approximates the fair value.

16 PROVISIONS (CURRENT)

	2010 A$'000	2009 A$'000
Employee benefits	528	901
Suspension costs	4,058	5,303
	4,586	**6,204**
In February 2009, the Company placed the Rare Earths Project into suspension and at 30 June 2010, a provision of $4,058,000 has been made to meet specific delay claims from vendors and contractors.		
Movements in provision for suspension costs		
Carrying amount at beginning	5,303	–
Increase in provision	5,069	5,303
Utilisation	(6,174)	–
Foreign exchange impact	(140)	–
Carrying amount at end	**4,058**	**5,303**

17 PROVISIONS (NON-CURRENT)

	2010 A$'000	2009 A$'000
Long service leave	239	219
Restoration, rehabilitation and closure	3,276	5,613
	3,515	**5,832**
Restoration, rehabilitation and closure costs reflect the estimated amounts that will be incurred, and the net exposure to future costs for the closure of the Mt Weld operations, based on disturbance to date.		
Movements in provision for restoration, rehabilitation and closure		
Carrying amount at beginning	5,613	6,923
Reduction in provision	(2,337)	(1,310)
Carrying amount at end	**3,276**	**5,613**

18 CONVERTIBLE NOTES

The $12,917,000 gain in the 2009 financial year represents the net accounting gain on the Company's convertible notes which were settled as at 30 June 2009. The following table illustrates the different components recorded in relation to the settlement with the bondholders, and the unwinding of the convertible notes in 2009.

IMPACT ON PROFIT AND LOSS	2010 A$'000	2009 A$'000
Change in fair value of embedded derivative	–	29,662
Interest expense	–	(7,978)
Interest expense (loss on the cancellation of the convertible notes)	–	(20,255)
Net foreign exchange gains	–	10,063
Interest income on restricted cash	–	1,425
Net accounting gain on convertible notes	**–**	**12,917**

For further information please refer to note 19 of the Company's 2009 Annual Report.

19 ISSUED CAPITAL

	2010 A$'000	2009 A$'000
Ordinary shares fully paid	**719,857**	**288,314**

MOVEMENTS IN SHARES ON ISSUE	2010 NUMBER OF SHARES '000	2010 A$'000
Beginning of the financial year	654,799	288,314
Issued during the year		
issue of shares pursuant to option conversion	700	89
equity raising	1,000,000	450,000
cost of equity raising	–	(18,546)
Total share issues during the year	**1,000,700**	**431,543**
End of financial year	**1,655,499**	**719,857**

19 ISSUED CAPITAL CONTINUED

Reconciliation of options on issue

UNLISTED SHARE OPTIONS	30 JUNE 2009	ISSUED	EXERCISED	EXPIRED/ CANCELLED	30 JUNE 2010	EXERCISE PRICE	EXPIRY
Incentive plan options	250,000	–	(250,000)	–	–	$0.11	15 Nov 09
Incentive plan options	8,200,000	–	(250,000)	(100,000)	7,850,000	$0.11	30 Jun 11
Incentive plan options	50,000	–	–	–	50,000	$0.13	11 Oct 11
Incentive plan options	700,000	–	–	–	700,000	$0.52	29 Mar 12
Incentive Plan options	50,000	–	–	–	50,000	$0.64	4 Apr 12
Incentive Plan options	20,000	–	–	(20,000)	–	$0.83	29 Mar 12
Incentive Plan options	11,180,000	–	–	(30,000)	11,150,000	$1.01	25 Jun 12
Incentive Plan options	100,000	–	–	–	100,000	$0.91	2 Jul 12
Incentive Plan options	50,000	–	–	–	50,000	$0.81	24 Aug 12
Incentive Plan options	200,000	–	–	–	200,000	$1.08	15 Oct 12
Incentive Plan options	500,000	–	–	–	500,000	$1.06	31 Dec 12
Incentive Plan options	200,000	–	–	–	200,000	$1.09	30 Apr 13
Incentive Plan options	1,000,000	–	–	–	1,000,000	$0.98	21 Jul 13
Incentive Plan options	2,700,000	–	–	–	2,700,000	$0.81	24 Sep 13
Incentive Plan options	15,750,000	–	–	(1,100,000)	14,650,000	$0.66	24 Sep 13
Incentive Plan options	1,100,000	–	–	–	1,100,000	$0.16	5 Jan 14
Incentive Plan options	–	200,000	–	–	200,000	$0.66	24 Sep 13
Incentive Plan options	–	24,500,000	–	–	24,500,000	$0.66	8 Oct 14
Subtotal	**42,050,000**	**24,700,000**	**(500,000)**	**(1,250,000)**	**65,000,000**		
Unlisted options	200,000	–	(200,000)	–	–	$0.17	11 Aug 09
Unlisted options	2,000,000	–	–	(2,000,000)	–	$0.50	11 Aug 09
Subtotal	**2,200,000**	**–**	**(200,000)**	**(2,000,000)**	**–**		
TOTAL	**44,250,000**	**24,700,000**	**(700,000)**	**(3,250,000)**	**65,000,000**		

Terms and conditions of contributed equity

Ordinary shares: Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options: Option holders have no right to receive dividends nor are they entitled to vote at a meeting of the Company.

20 RESERVES

	2010 A$'000	2009 A$'000
Share-based payments reserve	14,947	8,890
Foreign currency translation reserve	24,619	(1,927)
	39,566	**6,963**
Reconciliation		
Reconciliations of the movement in reserve balance at the beginning and end of the current and previous financial years		
Reserve balance brought forward	6,963	3,596
Currency translation differences	26,546	(1,889)
Cost of share-based payments during the year	6,057	5,256
	39,566	**6,963**

Share-based payments reserve

The share-based payments reserve is used to record the value of share options provided to employees and Directors as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

21 NOTE TO THE STATEMENT OF CASH FLOWS

	2010 A$'000	2009 A$'000
Reconciliation of the net loss after tax to the net cash flows from operations		
Net loss	(43,041)	(29,292)
Non-cash items		
Depreciation and amortisation of non-current assets	1,158	639
Impairment of capitalised costs	–	1,160
Suspension costs	5,069	5,378
Share-based employee remuneration	6,057	5,256
Capitalised interest expense on convertible notes	–	7,978
Change in the fair value of the embedded derivative related to the convertible notes	–	(29,662)
Foreign exchange (gains)/losses	(2,337)	4,548
De-recognition of assets	22,700	–
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(906)	12,057
Increase in inventory	(2877)	(1,539)
Decrease/(increase) in prepayments	97	(94)
Increase/(decrease) in trade and other creditors	5,545	(4,551)
(Decrease)/increase in employee entitlements	(354)	583
Net cash flow used in operating activities	**(8,889)**	**(27,539)**

22 EXPENDITURE COMMITMENTS

	2010 A$'000	2009 A$'000
(a) Exploration commitments		
not later than one year	250	389
later than one year and not later than five years	1,097	1,053
later than five years	3,550	3,030
	4,897	**4,472**
As a condition of the mining tenements held by Mt Weld Mining Pty Ltd, the group is required to spend a minimum amount on the development of those tenements. The commitment represents that minimum commitment over the life of the tenement licenses.		
(b) Capital commitments		
not later than one year	111,680	65,823
	111,680	**65,823**
The Group has issued contracts and orders for the procurement of equipment in relation to the development of the Concentration Plant at Mt Weld and the Advanced Materials Processing Plant in Malaysia. At 30 June 2010 the value of the uncommitted expenditure totaled $111.7 million. It is anticipated that payment in relation to these contracts will all be made within 12 months.		
(c) Operating lease commitments		
not later than one year	1,801	1,020
later than one year and not later than five years	2,196	2,811
	3,997	**3,831**

The Group has contracts for several operating leases for the business premises occupied by the Company in Sydney, Perth, Laverton, Beijing in China, and Gebeng in Malaysia. The Group also has several operating leases for motor vehicles.

23 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	2010 A$'000	2009 A$'000
The aggregate employee benefit liability is comprised of:		
Current		
Accrued wages, salaries and on-costs	168	529
Accrued annual leave	528	401
	696	**930**
Non-current		
Provision for long service leave	239	219
	239	**219**
	935	**1,149**

24 SHARE-BASED PAYMENTS

Employee Option Plan

An employee option plan has been established whereby the Company may, at the discretion of Directors, grant options over the ordinary shares of the Company for the benefit of Directors, executives and certain employees of the Consolidated Entity. The options issued for nil consideration, are granted in accordance with performance guidelines established by the Directors of the Company, although the management of the Company retains the final discretion on the issue of the options. The options are issued for a term of 5 years and are exercisable beginning on the third anniversary of the date of grant. The Directors, at their discretion, may cancel options during the vesting period, if employment is terminated with the Company. The options cannot be transferred and will not be quoted on the ASX.

Information with respect to the number of options granted to Directors, Key Management Personnel and other employees under the employee share incentive scheme are as follows:

	2010 NUMBER OF OPTIONS '000	2009 NUMBER OF OPTIONS '000
Balance at beginning of year	42,050	21,500
Options issued	24,700	20,550
Options cancelled	(1,250)	-
Options exercised or lapsed	(500)	-
Balance at end of year	**65,000**	**42,050**
Exercisable at end of year	**19,800**	**8,450**

Adjustment to the Exercise Price of Options

One component of the capital raising announced on 29 September 2009 was the 1 for 1 entitlement offer to existing shareholders of the Company.

In accordance with ASX Listing Rule 6.22, the entitlement offer resulted in a $0.19 reduction in the exercise price of all employee options granted before 29 September 2009 as compensation to the option holders for the dilutive effect of the entitlement offer. The amounts stated under the heading "Weighted average exercise price" have been adjusted by $0.19 where applicable.

24 SHARE-BASED PAYMENTS CONTINUED

Options held at the beginning of the reporting period:

NUMBER OF OPTIONS '000	GRANT DATE	VESTING DATE	EXPIRY DATE	WEIGHTED AVERAGE EXERCISE PRICE
250	15 Nov 2004	15 Nov 2007	15 Nov 2009	$0.11
8,200	30 Jun 2006	30 Jun 2009	30 Jun 2011	$0.11
50	11 Oct 2006	11 Oct 2009	11 Oct 2011	$0.13
700	29 Mar 2007	4 Apr 2010	4 Apr 2012	$0.52
50	4 Apr 2007	4 Apr 2010	4 Apr 2012	$0.64
20	18 Apr 2007	29 Mar 2010	29 Mar 2012	$0.83
11,180	25 Jun 2007	25 Jun 2010	25 Jun 2012	$1.01
100	2 Jul 2007	2 Jul 2010	2 Jul 2012	$0.91
50	20 Aug 2007	24 Aug 2010	24 Aug 2012	$0.81
200	15 Oct 2007	15 Oct 2010	15 Oct 2012	$1.08
500	19 Mar 2008	31 Dec 2010	31 Dec 2012	$1.06
200	6 May 2008	30 Apr 2011	30 Apr 2013	$1.09
1,000	21 Jul 2008	21 Jul 2011	21 Jul 2013	$0.98
2,700	24 Sep 2008	24 Sep 2011	24 Sep 2013	$0.81
15,750	24 Sep 2008	24 Sep 2011	24 Sep 2013	$0.66
1,100	5 Jan 2009	5 Jan 2012	5 Jan 2014	$0.16
42,050				

Options granted for the benefit of employees during the reporting period:

NUMBER OF OPTIONS '000	GRANT DATE	VESTING DATE	EXPIRY DATE	WEIGHTED AVERAGE EXERCISE PRICE
200	10 Jul 2009	24 Sep 2011	24 Sep 2013	$0.66
24,500	8 Oct 2009	8 Oct 2012	8 Oct 2014	$0.66
24,700				

Unlisted non-employee options:

During the financial year, the following additional non-employee options to acquire shares in the Company were also outstanding. The following options were not issued under the employee share scheme:

NUMBER OF OPTIONS '000	GRANT DATE	VESTING DATE	EXPIRY DATE	WEIGHTED AVERAGE EXERCISE PRICE
200	11 Aug 2006	11 Aug 2006	11 Aug 2009	$0.17
2,000	21 Dec 2006	21 Dec 2006	11 Aug 2009	$0.50
2,200				

24 SHARE-BASED PAYMENTS CONTINUED

Options expired, cancelled, vested and exercised during the reporting period:

Number of employee options exercised	500,000
Number of employee options cancelled	1,250,000
Number of employee options vested	11,950,000
Number of unlisted non-employee options exercised	200,000
Number of unlisted non-employee options expired	2,000,000

Total options held as at the end of the reporting period:

NUMBER OF OPTIONS '000	GRANT DATE	VESTING DATE	EXPIRY DATE	WEIGHTED AVERAGE EXERCISE PRICE
7,850	30 Jun 2006	30 Jun 2009	30 Jun 2011	$0.11
50	11 Oct 2006	11 Oct 2009	11 Oct 2011	$0.13
700	29 Mar 2007	29 Mar 2010	29 Mar 2012	$0.52
50	4 Apr 2007	4 Apr 2010	4 Apr 2012	$0.64
11,150	25 Jun 2007	25 Jun 2010	25 Jun 2012	$1.01
100	2 Jul 2007	2 Jul 2010	2 Jul 2012	$0.91
50	20 Aug 2007	24 Aug 2010	24 Aug 2012	$0.81
200	15 Oct 2007	15 Oct 2010	15 Oct 2012	$1.08
500	19 Mar 2008	31 Dec 2010	31 Dec 2012	$1.06
200	6 May 2008	30 Apr 2011	30 Apr 2013	$1.09
1,000	21 Jul 2008	21 Jul 2011	21 Jul 2013	$0.98
2,700	24 Sep 2008	24 Sep 2011	24 Sep 2013	$0.81
14,650	24 Sep 2008	24 Sep 2011	24 Sep 2013	$0.66
1,100	5 Jan 2009	5 Jan 2012	5 Jan 2014	$0.16
200	10 Jul 2009	24 Sep 2011	24 Sep 2013	$0.66
24,500	8 Oct 2009	8 Oct 2012	8 Oct 2014	$0.66
65,000				

Options granted for the benefit of Directors, executives and employees are issued to the trustee of the Lynas Employee Share Trust (the 'Trust'). The relevant Directors, executives and employees are issued an equivalent number of share units in the Trust.

25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities or contingent assets at 30 June 2010.

26 EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2010 A$'000	2009 A$'000
Net loss attribute to ordinary shareholders	(43,041)	(29,282)
Earnings used in calculating basic and diluted earnings per share	(43,041)	(29,282)

	2010 000'S	2009 000'S
Weighted average number of ordinary shares used in calculating basic earnings per share:	1,332,579	651,688
Effect of dilutive securities:		
The number of options which are potential ordinary shares that are not dilutive and hence not used in the valuation of the diluted earnings per share	9,700	9,800
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,332,579	651,688
Basic loss per share (cents per share)	(3.23)	(4.50)
Diluted loss per share (cents per share)	(3.23)	(4.50)

Conversions, calls, subscriptions or issues after 30 June 2010

The following events have occurred since 30 June 2010:

- 1,000,000 new employee options were issued.

Information concerning the classification of securities

Options

Options granted to employees under the Lynas Corporation Limited Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

27 SUBSEQUENT EVENTS

Subsequent to year end no events have occurred which had a significant impact on the Group.

28 AUDITORS REMUNERATION

	2010 A$	2009 A$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
(i) an audit or review of the financial report	134,702	167,311
(ii) tax related services	103,250	132,508
(iii) transaction and accounting advisory services	22,866	154,031
	260,818	**453,850**
Amounts received or due by related practices of Ernst & Young (Australia) for:		
(i) an audit or review of the financial report	16,084	10,530
(ii) due diligence services provided by an overseas Ernst & Young firm	3,481	15,560
	19,565	**26,090**
	280,383	**479,940**

29 DIRECTORS AND KEY MANAGEMENT PERSONNEL

a) Compensation of Directors and Key Management Personnel

	2010 A$	2009 A$
Cash, salary and fees	2,388,447	2,382,393
Bonus Payments	532,500	–
Non-monetary benefits	–	–
Termination Payments	340,774	–
Superannuation	308,632	156,941
Share based payments	5,129,969	4,144,985
	8,700,322	**6,684,319**

29 DIRECTORS AND KEY MANAGEMENT PERSONNEL CONTINUED

b) Number of options held for the benefit of Directors and Key Management Personnel

30 JUNE 2010	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION	OPTIONS EXERCISED/ CANCELLED	NET CHANGE	BALANCE AT END OF PERIOD	VESTED AT 30 JUNE 2010
A. Arnold	2,000,000	2,400,000	–	2,400,000	4,400,000	–
J. Brien	700,000	–	–	–	700,000	–
N. Curtis	15,000,000	12,000,000	–	12,000,000	27,000,000	10,000,000
D. Davidson	800,000	1,100,000	–	1,100,000	1,900,000	–
W. Forde	1,100,000	1,400,000	–	1,400,000	2,500,000	–
M. James	4,750,000	1,500,000	–	1,500,000	6,250,000	3,000,000
J. Klein	800,000	1,100,000	–	1,100,000	1,900,000	–
E. Noyrez	–	5,000,000	–	5,000,000	5,000,000	–
J. G. Taylor	1,000,000	–	–	–	1,000,000	–
M. Vaisey	2,750,000	–	–	–	2,750,000	1,750,000
M. Wolley	3,450,000	–	(1,000,000)*	(1,000,000)	2,450,000	–
TOTAL	**32,350,000**	**24,500,000**	**(1,000,000)**	**23,500,000**	**55,850,000**	**14,750,000**

* options cancelled

30 JUNE 2009	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION	OPTIONS EXERCISED/ CANCELLED	NET CHANGE	BALANCE AT END OF PERIOD	VESTED AT 30 JUNE 2009
A. Arnold	–	2,000,000	–	2,000,000	2,000,000	–
J. Brien	200,000	500,000	–	500,000	700,000	–
N. Curtis	10,000,000	5,000,000	–	5,000,000	15,000,000	5,000,000
D. Davidson	–	800,000	–	800,000	800,000	–
W. Forde	–	1,100,000	–	1,100,000	1,100,000	–
M. James	3,000,000	1,750,000	–	1,750,000	4,750,000	1,000,000
J. Klein	–	800,000	–	800,000	800,000	–
W. Moss	300,000	1,000,000	–	1,000,000	1,300,000	500,000
I. Polovineo	500,000	–	–	–	500,000	–
J. G. Taylor	–	1,000,000	–	1,000,000	1,000,000	–
M. Vaisey	1,750,000	1,000,000	–	1,000,000	2,750,000	750,000
M. Wolley	1,700,000	1,750,000	–	1,750,000	3,450,000	–
TOTAL	**17,450,000**	**16,700,000**	**–**	**16,700,000**	**34,150,000**	**7,250,000**

29 DIRECTORS AND KEY MANAGEMENT PERSONNEL CONTINUED

c) Number of shares held by Directors and Key Management Personnel

30 JUNE 2010	BALANCE AT BEGINNING OF PERIOD	RECEIVED DURING YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF PERIOD
A. Arnold	–	–	1,000	1,000
J. Brien	–	–	–	–
N. Curtis	27,156,478	–	(4,110,720)	23,045,758
D. Davidson	935,000	–	–	935,000
W. Forde	250,000	–	750,000	1,000,000
M. James	650,000	–	(51,000)	599,000
J. Klein	1,580,580	–	500,000	2,080,580
J. G. Taylor	–	–	49,836	49,836
M. Vaisey	500,000	–	450,000	950,000
E. Noyrez	–	–	–	–
TOTAL	**31,072,058**	**–**	**(2,410,884)**	**28,661,174**

30 JUNE 2009	BALANCE AT BEGINNING OF PERIOD	RECEIVED DURING YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF PERIOD
A. Arnold	–	–	–	–
J. Brien	–	–	–	–
N. Curtis	25,656,478	–	1,500,000	27,156,478
D. Davidson	935,000	–	–	935,000
W. Forde	150,000	–	100,000	250,000
M. James	899,643	–	(249,643)	650,000
J. Klein	1,580,580	–	–	1,580,580
W. Moss	10,000	–	–	10,000
J. G. Taylor	–	–	–	–
M. Vaisey	500,000	–	–	500,000
M. Wolley	30,000	–	–	30,000
TOTAL	**29,761,701**	**–**	**1,350,357**	**31,112,058**

d) Loans to Directors and Key Management Personnel

There were no loans made to specified Directors or specified Key Management Personnel during the year, and there were no loans outstanding at 30 June 2010.

e) Other transactions with Directors and Key Management Personnel

There were no other transactions with Directors and Key Management Personnel.

30 RELATED PARTY DISCLOSURES

Ultimate Parent

Lynas Corporation Limited is the ultimate Parent Entity of the Group.

Wholly-owned Group transactions

Loan

Loans are made by the Parent Company to wholly-owned subsidiaries. The loans are made in the ordinary course of business, and are unsecured and interest free with no fixed term of repayment.

As at 30 June 2010 the total amount owing by wholly-owned subsidiaries to the Parent Company was $78,800,895 (2009: $172,355,000). This amount is at call and interest free and is not expected to be repaid during the next twelve months.

31 SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Chairman and the executive management team (the chief operating decision makers) in assessing performance and determining the allocation of resources.

The focus of the Group's current activities is in the construction of the Rare Earths processing facilities and the operating cost centres identified by management are by geographic location. The reportable operating segments identified by management are Malaysia, Western Australia and other, which primarily includes costs incurred as part of the head office. Financial information about these segments is communicated to the executives.

Discrete pre-tax financial information, being expenditure incurred year to date and from the start date, about each of these segments is reported to the executive team on at least a monthly basis.

Accounting policies

Segment revenue and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

The accounting policies used by the Company in reporting segments internally are the same as those contained in note 2.

The only intersegment transactions within the Group are intersegment loans and receivables. Loans are initially recognised at the consideration received excluding transaction costs. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

The segment results include the capitalised allocation of overhead that can be directly attributed to an individual business segment.

The following items and associated assets and liabilities are not allocated to segments as they are not considered part of the core operations of any segment:

- finance income;
- finance costs; and
- net accounting gains on convertible notes.

31 SEGMENT INFORMATION CONTINUED

	MALAYSIA		WESTERN AUSTRALIA		OTHER		CONSOLIDATED	
A$'000	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
INCOME STATEMENT								
Segment revenue	–	–	–	–	–	–	–	–
Segment expenses	(42,353)	(14,959)	(2,344)	(2,653)	(7,474)	(21,799)	(52,171)	(39,411)
Segment result	**(42,353)**	**(14,959)**	**(2,344)**	**(2,653)**	**(7,474)**	**(21,799)**	**(52,171)**	**(39,411)**
Interest income							9,130	4,088
Borrowing costs							–	(6,876)
Net accounting gain on convertible notes							–	12,917
Consolidated entity loss from ordinary activities before income tax expense							**(43,041)**	**(29,282)**
ASSETS								
Current assets	220,114	3,614	678	97	186,306	14,044	407,098	17,755
Non-current assets	146,186	130,008	77,303	61,647	10,076	8,539	233,565	200,194
Total assets	**366,300**	**133,622**	**77,981**	**61,744**	**196,382**	**22,583**	**640,663**	**217,949**
LIABILITIES								
Liabilities	(9,033)	(11,195)	(10,379)	(6,648)	(2,108)	(2,068)	(21,520)	(19,911)
Intercompany assets/(liabilities)	(4,665)	(140,960)	(74,141)	(59,290)	78,806	200,250	–	–
Total liabilities	**(13,698)**	**(152,155)**	**(84,520)**	**(65,938)**	**76,698**	**198,182**	**(21,520)**	**(19,911)**
NET ASSETS	**352,602**	**(18,533)**	**(6,539)**	**(4,194)**	**273,080**	**220,765**	**619,143**	**198,038**
CASH FLOW INFORMATION								
Net cash flow from operating activities	(3,577)	(17,008)	(2,670)	(3,533)	(2,642)	(6,998)	(8,889)	(27,539)
Net cash flow from investing activities	104,337	22,930	(140,232)	(127,857)	(63)	–	(35,958)	(104,927)
Net cash flow from financing activities	–	–	–	–	431,543	4,924	431,543	4,924

32 PARENT ENTITY INFORMATION

INFORMATION RELATION TO LYNAS CORPORATION LTD AT 30 JUNE 2010	2010 A$'000	2009 A$'000
Current Asset	186,307	16,241
Total Asset	621,252	200,105
Current Liabilities	1,870	1,848
Total Liabilities	2,109	2,067
Issued Capital	719,857	288,314
Retained Earnings	(115,661)	(99,166)
Share Based Payment Reserve	14,947	8,890
Total Shareholders' Equity	619,143	198,038
Loss of the Parent Entity	(16,495)	(31,171)
Total Comprehensive Loss of the Parent Entity	(16,495)	(31,171)
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	–	–
Details of any contingent liabilities of the parent entity	–	–
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	2,959	3,316

DIRECTORS' DECLARATION

30 JUNE 2010

In accordance with a resolution of the directors of Lynas Corporation Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
   - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b);

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2010.

N. Curtis
Executive Chairman
Sydney

29 September 2009

INDEPENDENT AUDIT REPORT

ERNST & YOUNG

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Independent auditor's report to the members of Lynas Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Lynas Corporation Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Lynas Corporation Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Lynas Corporation Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

M. Elliott

Michael Elliott
Partner
Sydney

22 September 2010

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report. The information is current as at 24 September 2010.

(a) Distribution of Ordinary Shares

The number of shareholders, by size of holding, of ordinary shares is:

Ordinary shares

	NUMBER OF HOLDERS	NUMBER OF SHARES
1 – 1,000	1,627	1,118,968
1,001 – 5,000	4,537	14,009,826
5,001 – 10,000	2,885	24,023,281
10,001 – 100,000	4,522	145,733,221
100,001 and over	592	1,472,113,797
Total on Register	**14,163**	**1,656,999,093**
The number of shareholders holding less than a marketable parcel of shares	295	37,340

(b) Distribution of Options

The number of holders, by size of holding, in each class of unlisted options are:

	VARIOUS DIRECTORS AND EMPLOYEES
1 – 1,000	–
1,001 – 5,000	–
5,001 – 10,000	–
10,001 – 100,000	16
100,001 and over	29
TOTAL	**45**

(c) Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

		LISTED ORDINARY SHARES	
	HOLDER NAME	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	351,689,910	21.225
2	JP MORGAN NOMINEES AUSTRALIA LIMITED	166,424,202	10.044
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	139,205,556	8.401
4	CITICORP NOMINEES PTY LIMITED	118,604,930	7.158
5	NATIONAL NOMINEES LIMITED	86,984,325	5.250
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	79,860,086	4.820
7	ANZ NOMINEES LIMITED	73,770,494	4.452
8	WOODROSS NOMINEES PTY LTD	50,474,832	3.046
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	32,281,654	1.948
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	26,556,868	1.603
11	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	20,656,771	1.247
12	MR NICHOLAS ANTHONY CURTIS	13,112,519	0.791
13	CREDIT SUISSE SECURITIES (EUROPE) LTD	11,910,000	0.719
14	MR CONGLIN YUE	11,490,264	0.693
15	LANDO PTY LTD	10,250,000	0.619
16	UBS NOMINEES PTY LTD	9,834,609	0.594
17	AMP LIFE LIMITED	9,809,595	0.592
18	NYCO PTY LIMITED	9,440,000	0.570
19	PHILLIP SECURITIES (HONG KONG) LTD	9,300,000	0.561
20	EQUITY TRUSTEES LIMITED	8,438,618	0.509
		1,240,095,233	**74.842**

(d) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

		NUMBER OF SHARES
1	Morgan Stanley Investment Management Inc	215,873,992
2	JP Morgan Chase & Co. and its affiliates	83,048,257
3	The Capital Group Companies, lc.	78,470,098

(e) Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(f) Schedule of Interests in Mining Tenements

LOCATION	TENEMENT	PERCENTAGE HELD
Mt Weld Rare Earths Project		
Mt Weld	M38/58	100
Mt Weld	M38/59	100
Mt Weld	M38/326	100
Mt Weld	M38/327	100

GLOSSARY

Catalytic Converter	A device otherwise known as a 'Cat' fitted in the exhaust system of vehicles to reduce the emission of harmful gases to the atmosphere. Rare Earths are crucial to the catalytic activity and thermal stability of the Cat. A Cat consists of a ceramic structure coated with a mixture of Rare Earths and a precious metal such as platinum.
Central Lanthanide Deposit (CLD)	High grade deposit of Rare Earths overlying the centre of the Mount Weld carbonatite.
Concentration Plant	The Concentration Plant is the facility which employs flotation to process the Run Of Mine (ROM) Ore to produce "concentrate". The higher Rare Earths Oxide (REO) grade concentrate is shipped to the Lynas Advanced Materials Plant for further processing.
Cracking	A process where Rare Earths concentrate is reacted with sulphuric acid at high temperature which 'cracks' the minerals thus making the Rare Earths amenable to chemical processing. This process also referred to as Sulphuric Acid Bake (SAB).
Duncan Deposit	The Mineral Resource estimate for the deposit with a higher distribution of Heavy Rare Earths, formerly known as the Southern Zone, has increased three-fold to 7.62 million tonnes at a grade of 4.8% REO for a total of 366,000 tonnes REO, and has been renamed the Duncan Deposit.
Fluid Cracking Catalysts	Fluid Cracking Catalysts (FCC) are used in the refining operation of crude oil and is the major contributor to "value-add" in the refining process. The process enables the transformation of heavy molecules into lighter compounds that make up gasoline and other fuels such as gas, jet fuel and diesel.
JORC Code	The Australasian Code for Reporting of Mineral Resources and Ore Reserves (the 'JORC Code' or 'the Code') which sets out minimum standards, recommendations and guidelines for Public Reporting of exploration results, Mineral Resources and Ore Reserves in Australasia.
LAMPSOn team	An alliance between Lynas and the Engineering, Procurement and Construction Management (EPCM) contractor, UGL, for the Lynas Advanced Materials Plant (LAMP) was formed this year and is known as the LAMPSOn team. The LAMPSOn team has the responsibility for completion of the LAMP on time and within budget in the third quarter of 2011.
Lynas Advanced Materials Plant (LAMP)	The LAMP is the facility for the cracking and separation of Mount Weld concentrate into Rare Earths elements.
Neo Magnet	A neodymium iron boron permanent magnet that is manufactured by either polymer bonding of neodymium iron boron metal, and where the magnet shape can be easily formed by injection or compression moulding (Bonded) or pressing the powder to a shape followed by high temperature sintering to form the magnet (Sintered).
Phosphors	A phosphor is any material that, when stimulated by electromagnetic radiation, emits visible light.
Rare Earths	Name commonly used for the 15 naturally occurring lanthanide elements from lanthanum (atomic number 57) to lutetium (atomic number 71) plus yttrium (atomic number 39).
Rare Earths Direct® or RED	Lynas' trademark representing the value propositions of the RED Model.
REO	Acronym for Rare Earths Oxides which is the common form for expressing the Rare Earths composition of materials other than metals.
RFSU programme	Lynas' Ready For Start-Up programme consists of 144 internal projects in preparation for commencement of operations. The project management of each project is in accordance with best practice and monitored closely by our Project Management Office to ensure projects meet their objectives in a timely and efficient manner.
Run Of Mine (ROM) Ore	Run Of Mine (ROM) Ore is the valuable Rare Earths containing material which can be mined and processed in the Concentration Plant.
SEG	An intermediate mixed Rare Earths product containing samarium, europium, gadolinium and other heavier Rare Earths suitable for use by Rare Earths separation plants for the manufacture of individual compounds.
Separation	A process of solvent extraction (or liquid-liquid extraction) that is employed to separate the Rare Earths from impurities and to separate the Rare Earths into groups of Rare Earths elements and individual elements.
Sustainable Development	Lynas is committed to Sustainable Development. Sustainable Development is commonly defined as development that meets our needs without compromising the needs of future generations. Our commitment to Sustainable Development will be equally focused in three key areas – Environmental, Community and Economic Development.
Zero Harm	Lynas is committed to providing and maintaining a safe working environment and preventing injury, illness and impairment to the health of its employees, business partners and the community. We will continually strive to achieve our goal of Zero Harm by focusing on three key areas – Caring Leadership, Safe Behaviour and the Continuous Improvement of Management Systems.

CORPORATE INFORMATION

ABN 27 009 066 648

DIRECTORS
Nicholas Curtis (Executive Chairman)
William (Liam) Forde
Jacob Klein
David Davidson

COMPANY SECRETARIES
Andrew Arnold
Ivo Polovineo

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ZERO HARM

CONTRIBUTING TOWARDS SUSTAINABLE DEVELOPMENT

Lynas CORPORATION LTD