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Rare Earths

WE TOUCH THEM EVERYDAY

J.P. Morgan
London

29 and 30 November 2010



ONLINE IN 2011,
DELIVERING
RARE EARTHS
GLOBALLY.



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Rare Earths, we touch them everyday



TODAY'S AGENDA

1. Rare Earths, we touch them everyday
2. Rare Earths in short supply – the demand and supply equation
3. Rare Earths price escalation
4. The Lynas Story – online in 2011, expansion and beyond



Rare Earths cannot be substituted in many applications



RARE EARTHS: LANTHANIDES PLUS YITTRIUM – UNIQUE PROPERTIES

Rare Earth Elements

														Y 39			
La 57	Ce 58	Pr 59	Nd 60	Pm 61	Sm 62	Eu 63	Gd 64	Tb 65	Dy 66	Ho 67	Er 68	Tm 69	Yb 70	Lu 71			
Lanthanides																	
H															He		
Li	Be											B	C	N	O	F	Ne
Na	Mg											Al	Si	P	S	Cl	Ar
K	Ca	Sc	Ti	V	Cr	Mn	Fe	Co	Ni	Cu	Zn	Ga	Ge	As	Se	Br	Kr
Rb	Sr	Y	Zr	Nb	Mo	Tc	Ru	Rh	Pd	Ag	Cd	In	Sn	Sb	Te	I	Xe
Cs	Ba	Lu	Hf	Ta	W	Re	Os	Ir	Pt	Au	Hg	Tl	Pb	Bi	Po	At	Rn
Fr	Ra	An	Lr														

- **Chemical**
 - Unique electron configuration
- **Catalytic**
 - Oxygen storage and release
- **Magnetic**
 - High magnetic anisotropy and large magnetic moment
- **Optical**
 - Fluorescence, high refractive index
- **Electrical**
 - High conductivity
- **Metallurgical**
 - Efficient hydrogen storage in rare earths alloys

Rare Earths underpin new materials technology required to sustain the needs of today's society



Energy efficiency through lower consumption



- Compact Fluorescent Lights
- Hybrid vehicle
- Weight reduction in cars

Environmental protection through lower emissions



- Wind turbine
- Auto catalytic converter
- Diesel additives

Smaller yet more powerful digital technology



- Flat panel displays
- Disk drives
- Digital cameras

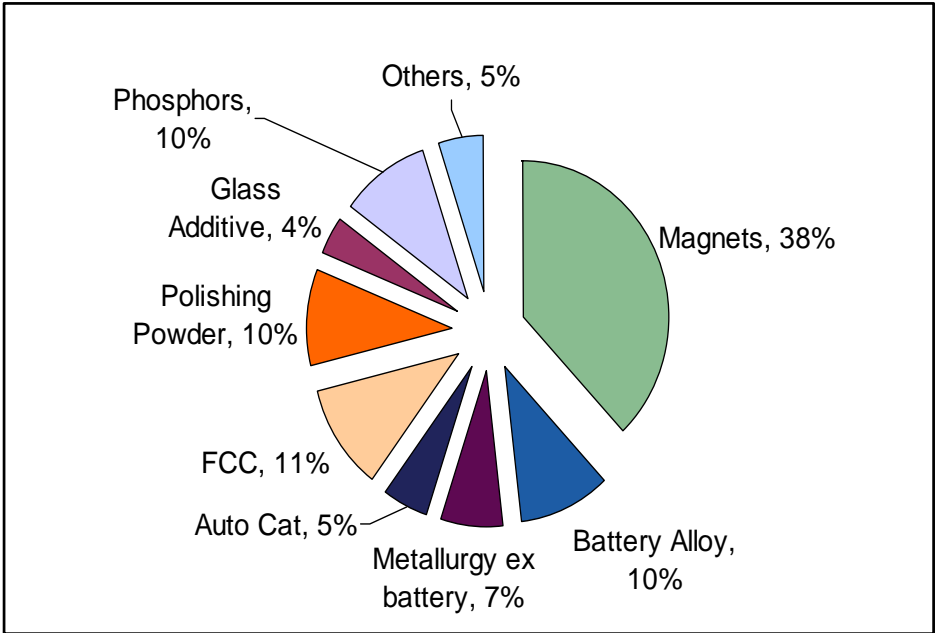


Demand for Rare Earths is driven by the underlying applications



2010 DEMAND FORECAST BY APPLICATION

Application	Demand (%)	Demand (t)
• Magnets	26%	35,000
• Battery Alloy	14%	18,600
• Metallurgy ex batt	9%	11,700
• Auto catalysts	7%	9,000
• FCC	16%	21,300
• Polishing Powder	14%	19,100
• Glass Additives	6%	7,800
• Phosphors	6%	7,900
• Others	4%	5,700
Total	100%	136,100t REO



Total = US\$7.8 billion

Source: Non China market = aggregate of estimated manufacturer demand by application, China Market = IMCOA and China Rare Earths Information Centre.

Note : Totals may not add due to rounding.



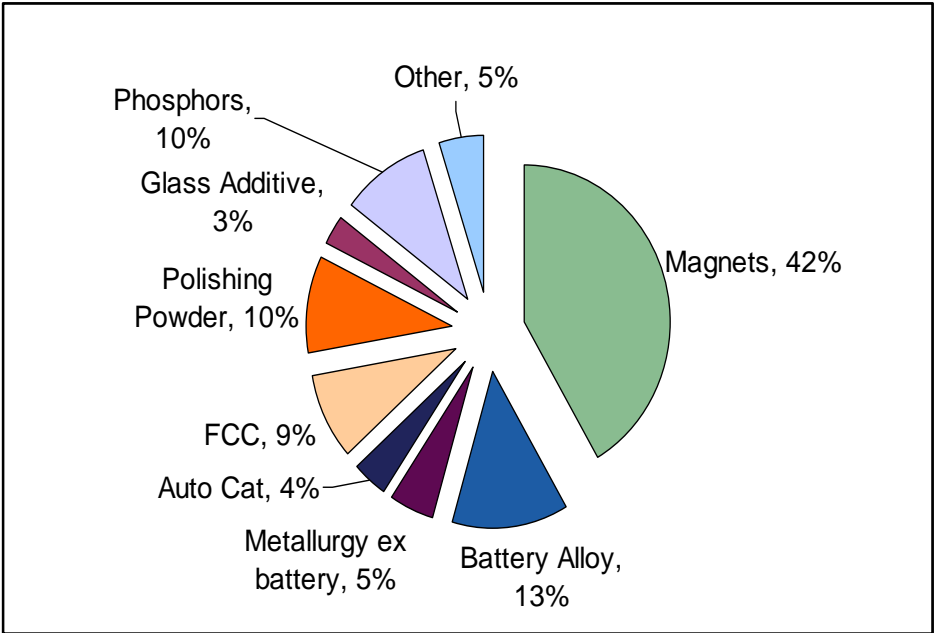
Magnets and battery alloy are forecast to be the growth drivers for Rare Earths demand to 2014



GROWTH FORECAST BY APPLICATION

2014 DEMAND FORECAST BY APPLICATION

Application	Growth rate p.a. (%)	Demand (t)
• Magnets	12%	55,100
• Battery Alloy	15%	32,500
• Metallurgy ex batt	2%	12,700
• Auto catalysts	8%	12,200
• FCC	4%	24,900
• Polishing Powder	10%	28,000
• Glass Additives	0%	7,800
• Phosphors	8%	10,800
• Others	8%	6,100
Total	9%	190,100t REO



Total = US\$11.2 billion

Source: Growth rates from industry participants and Roskill.
 Note: Totals may not add due to rounding.



Looming crisis - Rare Earths supply will be outstripped by demand; 115kt REO in 2010



<u>CHINESE SUPPLY SOURCES</u> <u>(2010 CAPACITY, REO)</u>		<u>NON CHINESE SUPPLY SOURCES</u> <u>(2010 CAPACITY, REO)</u>	
Baotou	55,000t	India	3,000t
<ul style="list-style-type: none"> ▪ By product of iron ore mine ▪ Moving to higher grade iron, with lower impurities and Rare Earths ▪ Tailing facilities near capacity 		<ul style="list-style-type: none"> ▪ Subsidiary of Indian AEA ▪ Toyota Tsusho bought trading firm with Japanese distribution 	
Sichuan	10,000t	Russia	4,000t
<ul style="list-style-type: none"> ▪ Jiangxi Copper to invest ¥1.2Bn ▪ Target to increase value added ▪ Capacity expected to increase 		<ul style="list-style-type: none"> ▪ Limited expansion capacity ▪ By product of Mg production 	
Ionic clay regions	35,000t	Recycling	1,500t
<ul style="list-style-type: none"> ▪ Reportedly 14 yrs of resource ▪ Large amount of illegal mining ▪ Government action taking effect 		<ul style="list-style-type: none"> ▪ Magnet swarf ▪ Batteries – future potential 	
Recycling	3,300t	USA – Mountain Pass	3,000t
		<ul style="list-style-type: none"> ▪ Reprocessing stockpiles ▪ Requires approx. US\$530 million rebuild 	
Total	103,300t	Total	11,500t

Source: Industry resources and Lynas research



Our assumptions show global supply at 170kt by 2014, compared to demand of 190kt



2014 FORECAST SUPPLY ASSUMPTIONS

<u>SUPPLY SOURCES</u>		<u>KEY UNDERLYING ASSUMPTIONS</u>
• Baotou	60,000t	<ul style="list-style-type: none"> • Baotou – 10% production increase 2010 / 2014 • Sichuan – full production quota to be utilised • Iconic Clay – 2010 reduced from 2008 reported levels due to news reports. 2014 reduced to double current production quota (conservative estimate, could be lower) • Mountain Pass – full production (20,000tpa) achieved • Recycling – 20% Nd, Pr & Dy recycled from previous year’s magnet production (~30% SWARF losses)
• Sichuan	20,000t	
• Ionic Clay Regions	30,000t	
• Recycling in China	4,000t	
China Total	114,000t	
• Mount Weld	22,000t	
• Mountain Pass	20,000t	
• Others (India & Russia)	12,000t	
• Recycling outside China	1,800t	
Outside China Total	55,800t	
Grand Total	169,800t	

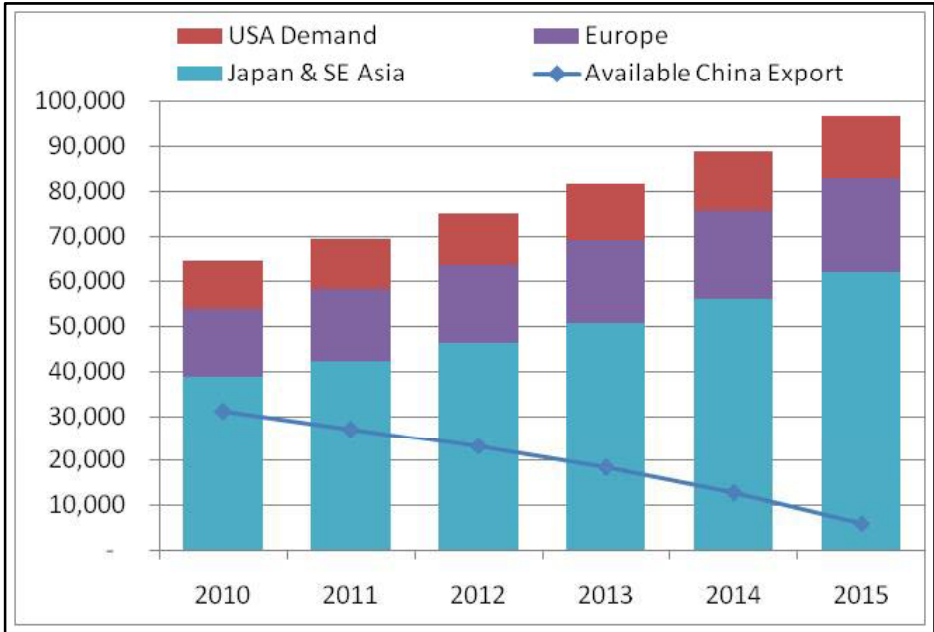
Chinese supply is unlikely to meet Chinese demand within the next five years, reducing exports to the growing non-China market



CHINA DEMAND, SUPPLY AND EXPORTS

DEMAND FORECAST, NON-CHINA REGIONS

Year	China Demand	China Supply	For Export
• 2010	72,000	103,000	31,000
• 2011	78,000	105,000	27,000
• 2012	85,000	108,000	23,000
• 2103	92,700	111,000	18,300
• 2104	101,400	114,000	12,600
• 2105	111,000	117,000	6,000

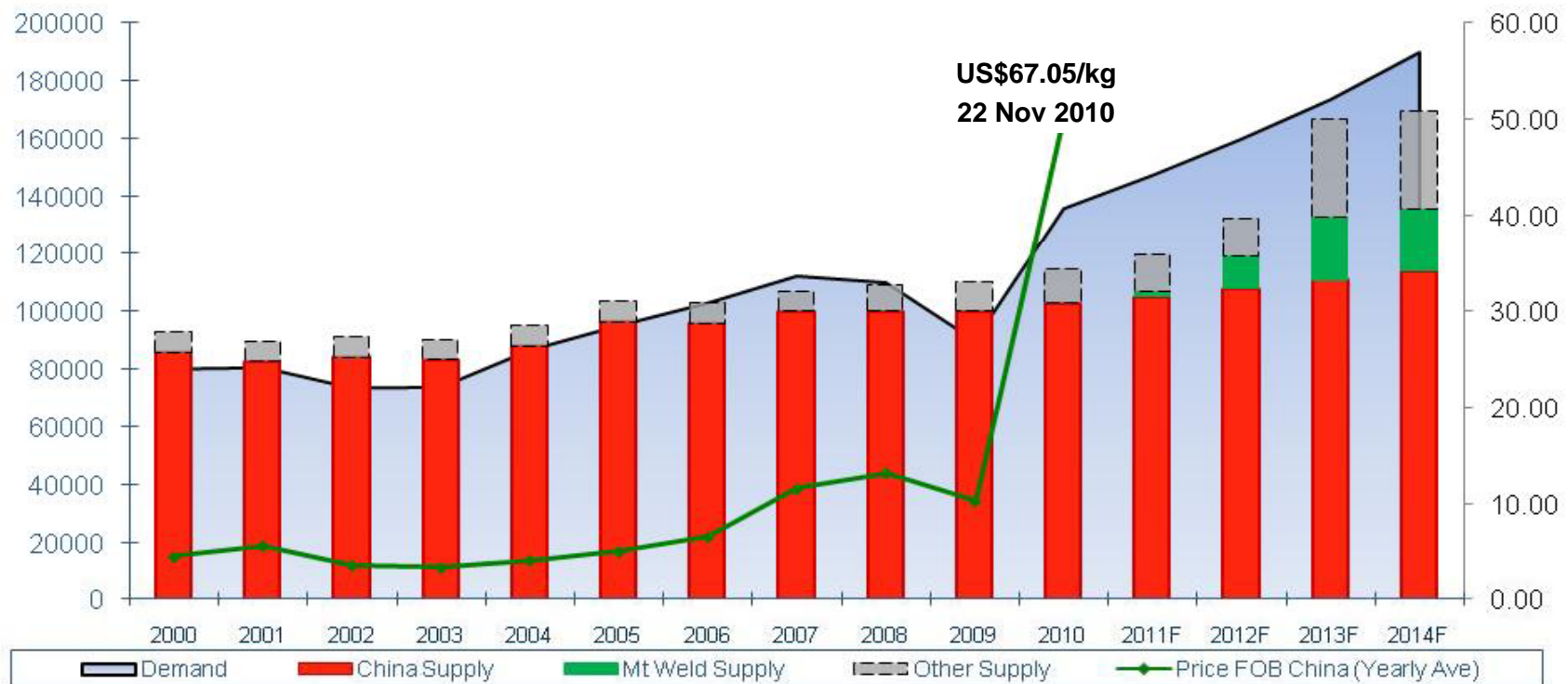


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As supply tightened in 2008 prices increased, in 2009 demand dipped, prices are now soaring



HISTORIC AND FORECAST SUPPLY, DEMAND AND PRICING



Applications use different Rare Earths, the supply distribution does not match demand distribution



RARE EARTHS USAGE BY APPLICATION

<u>Application</u>	<u>La</u>	<u>Ce</u>	<u>Pr</u>	<u>Nd</u>	<u>Sm</u>	<u>Eu</u>	<u>Gd</u>	<u>Tb</u>	<u>Dy</u>	<u>Y</u>	<u>Other</u>
• Magnets			23.4%	69.4%			2%	0.2%	5%		
• Battery Alloy	50%	33.4%	3.3%	10%	3.3%						
• Metallurgy ex batt	26%	52%	5.5%	16.5%							
• Auto catalysts	5%	90%	2%	3%							
• FCC	90%	10%									
• Polishing Powder	31.5%	65%	3.5%								
• Glass Additives	24%	66%	1%	3%						2%	4%
• Phosphors	8.5%	11%				4.9%	1.8%	4.6%		69.2%	
• Ceramics	17%	12%	6%	12%						53%	
• Others	19%	39%	4%	15%	2%		1%			19%	

Note: percentages represent estimated average consumption distribution by application; actual distribution will vary from manufacturer to manufacturer.



Elemental Pinch Points based on Lynas estimated Demand and Supply for 2010



SUPPLY VS DEMAND

(REO, SEPARATED PRODUCTS)

	<u>Demand</u>	<u>vs</u>	<u>Supply</u>
• Lanthanum	42,800t		28,200t
• Cerium	43,500t		38,200t
• Praseodymium	10,600t		6,400t
• Neodymium	29,400t		22,400t
• Samarium	700t		2,800t
• Europium	410t		330t
• Gadolinium	900t		2,200t
• Terbium	440t		310t
• Dysprosium	1,800t		1,800t
• Yttrium	7,900t		10,500t
• Total	138,450t		113,140t
	(25,310t)		

SUPPLY/DEMAND IMBALANCE

(REO, SEPARATED PRODUCTS)

• Lanthanum	-14,600t	-34%
• Cerium	-5,300t	-12%
• Praseodymium	-4,200t	-40%
• Neodymium	-7,000t	-24%
• Samarium	over supply	
• Europium	-80t	-20%
• Gadolinium	over supply	
• Terbium	-130t	-30%
• Dysprosium	in balance	
• Yttrium	over supply	

Source: Industry resources and Lynas research.



2014 Elemental Pinch Points, maximum China supply plus two new resources– shortages remain



SUPPLY VS DEMAND

(REO, SEPARATED PRODUCTS)

	<u>Demand</u>	<u>vs</u>	<u>Supply</u>
• Lanthanum	57,100t		43,400t
• Cerium	59,000t		66,500t
• Praseodymium	16,100t		9,100t
• Neodymium	45,400t		31,200t
• Samarium	1,200t		3,500t
• Europium	560t		450t
• Gadolinium	1,400t		2,300t
• Terbium	620t		330t
• Dysprosium	2,800t		1,700t
• Yttrium	10,700t		9,500t
• Total	194,880t		167,980t
	(26,900t)		

SUPPLY/DEMAND ESTIMATED IMBALANCE

(REO, SEPARATED PRODUCTS)

• Lanthanum	- 13,700t	-24%
• Cerium	Oversupply	
• Praseodymium	-7,000t	-43%
• Neodymium	-14,200t	-31%
• Samarium	Oversupply	
• Europium	-110t	-20%
• Gadolinium	Oversupply	
• Terbium	-290t	-47%
• Dysprosium	-1,100t	-39%
• Yttrium	-1,200t	-11%

Source: Industry resources and Lynas research.



Our assumptions show global supply at 170kt by 2014, compared to demand of 190kt



GROWTH FORECAST BY APPLICATION

2014 FORECAST SUPPLY ASSUMPTIONS

<u>APPLICATION</u>	<u>GROWTH RATE P.A.</u>	<u>DEMAND</u>	<u>SUPPLY SOURCES</u>	<u>SUPPLY</u>
Magnets	12%	55,100t	• Baotou	60,000t
Battery Alloy	15%	32,500t	• Sichuan	20,000t
Metallurgy ex batt	2%	12,700 t	• Ionic Clay Regions	30,000t
Auto catalysts	8%	12,200t	• Recycling in China	4,000t
FCC	4%	24,900t	China Total	114,000t
Polishing Powder	10%	28,000t	• Mt Weld	22,000t
Glass Additives	0%	7,800t	• Mt Pass	20,000t
Phosphors	8%	10,800t	• Others (India & Russia)	12,000t
Others	8%	6,100t	• Recycling outside China	1,800t
			Outside China Total	55,800t
Total	9%	190,100t	Grand Total	169,800t



Environmental impact not sustainable, illegal smuggling not sustainable



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Rare earth smugglers arrested in China

20:56, July 14, 2010

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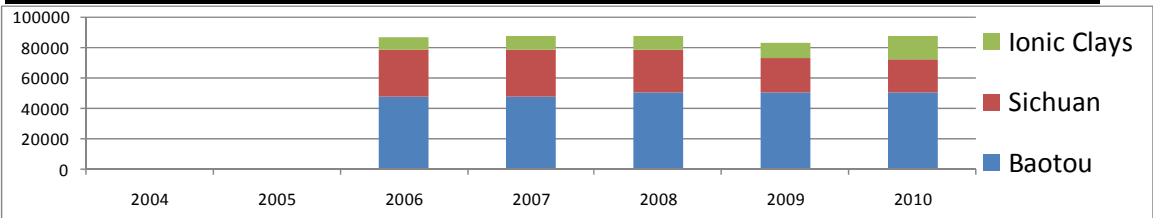


China aims to improve “return on resources” as well as tackle environmental performance

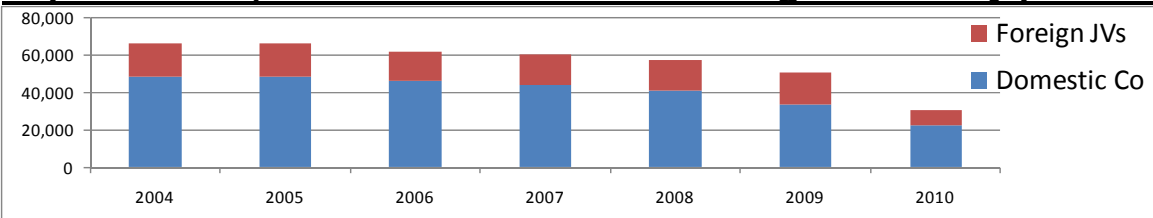


COMPETITION – CHINA POLICY

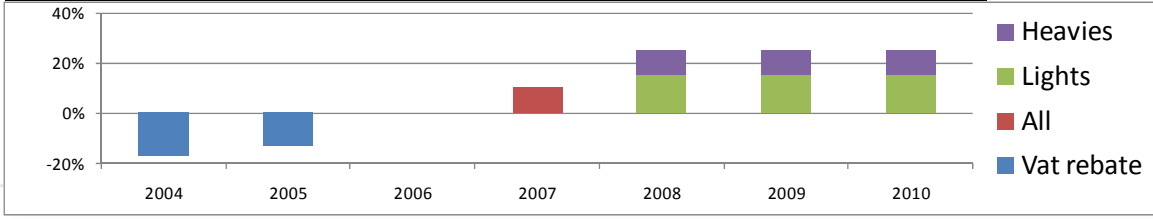
Production Quota (Tonnes REO contained within concentrate)



Export Quota (Tonnes of Rare Earths bearing commodity product)



Export Taxes (applied to product, VAT and Quota costs)



- No prospecting or mining licences for Rare Earths until July 2011.
- China will control its production capacity of Rare Earths between 120,000t and 150,000t until 2015, and will not build any new production capacity without government approval (MIIT).
- Recognition by government of grey exports without quota; 20,000t in 2008.



Source: Asian Metal, Metal Pages, Lynas research.

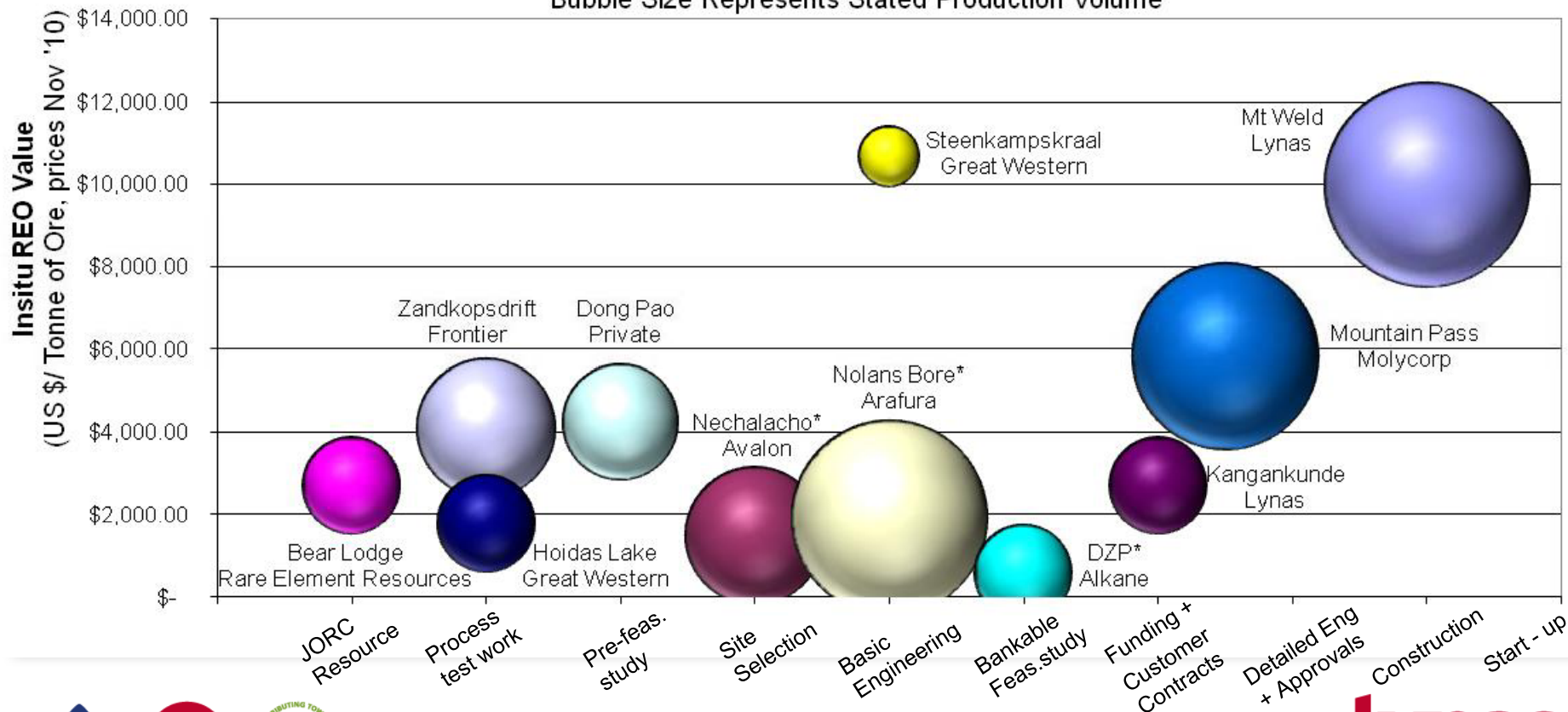


Lynas is the leader in defined Rare Earths resources in development outside China



COMPARING SIZE AND PROGRESS OF GLOBAL RARE EARTHS PROJECTS

Rare Earth Development Projects
Bubble Size Represents Stated Production Volume



Source: the data for non-Mount Weld deposits is based on public statements by the relevant resource holders except for Dong Pao which is based on a company interview, and has not been separately verified by Lynas. * Represents a polymetallic resource.



Lynas will offer the first new source of supply of Rare Earths outside of China - Q3 2011



LYNAS VITALS AT A GLANCE

VISION: To be a global leader in Rare Earths for a sustainable future

EXCHANGE: ASX Top 100 (as at 30 Nov 2010); code LYC

SHARES: 1,657m on issue

OPTIONS: 89m strike range 11c - \$1.60

MARKET CAP: A\$2.4bn as at 22 Nov 2010

CASH: A\$347m as at 30 Sep 2010

DEBT: Nil



Mount Weld



Concentration Plant



Lynas Advanced Materials Plant



Lynas is on track for production in Q3 2011



KEY MILESTONES TO ENSURE A RELIABLE SOURCE OF RARE EARTHS

- Lynas raised A\$450 million in the equity markets to **fund the completion of its project**
- **All approvals** in Australia and Malaysia in place to complete construction of **processing plants**
- Mechanical Engineering Design complete
- All major equipment procured
- **Construction work** is well **underway** in both Australia and Malaysia
- Mount Weld **Concentration Plant** due to be commissioned in **February 2011**
- **Lynas Advanced Materials Plant (LAMP)** due to be commissioned in **July – September 2011**



The products are set for Phase 1; Lynas has product flexibility in phase 2



PHASE 1 11,000t REO PRODUCTS	VOLUMES (tpa)
Ce carbonate	2,600
La carbonate	1,350
Ce / La carbonate	4,000
Nd / Pr oxide	2,700
SEG + Heavy Rare Earths	480
PHASE 2 ADDITIONAL 11,000t REO PRODUCTS	
Ce carbonate, oxide	
La carbonate, oxide	
Ce / La carbonate, oxide, potential for metal	
Nd oxide and Pr oxide, potential for metal	
Separated SEG + Heavy Rare Earths	

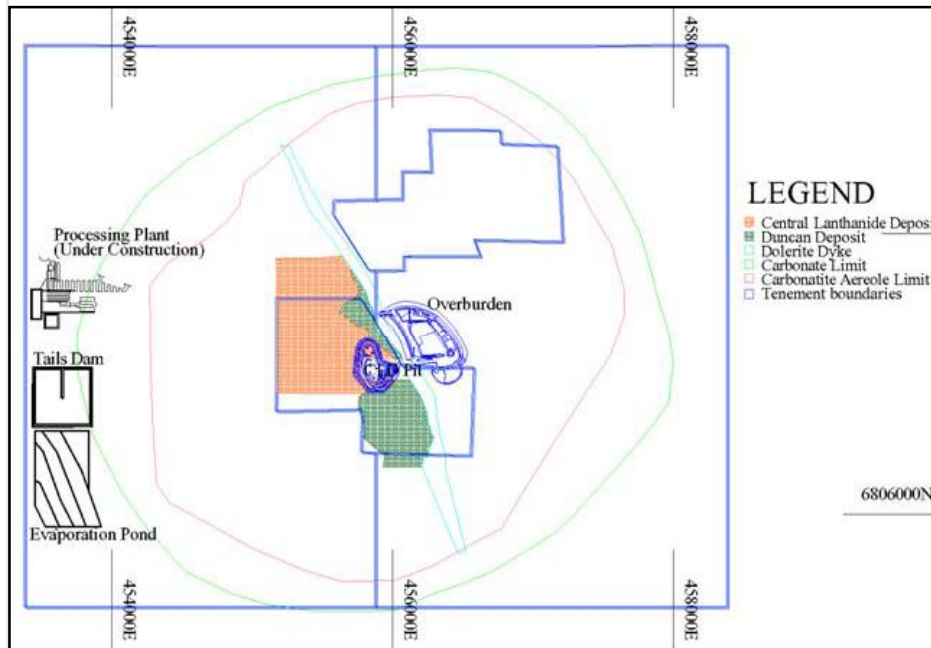


As at September 2010, 15% more resources in Mount Weld; New Total Resource of 1.4 million tonnes of REO



CENTRAL LANTHANIDE DEPOSIT AND DUNCAN DEPOSIT RESOURCES

Central Lanthanide Deposit & Duncan Deposit at Mount Weld Tenements



CLD & Duncan Mineral Resource (2.5% REO cut-off)

Category	Tonnes Mt	Grade % REO	Tonnes (kt) REO
CLD	9.88	10.7	1,057
Duncan	7.62	4.8	366
Total	17.49	8.1	1,416

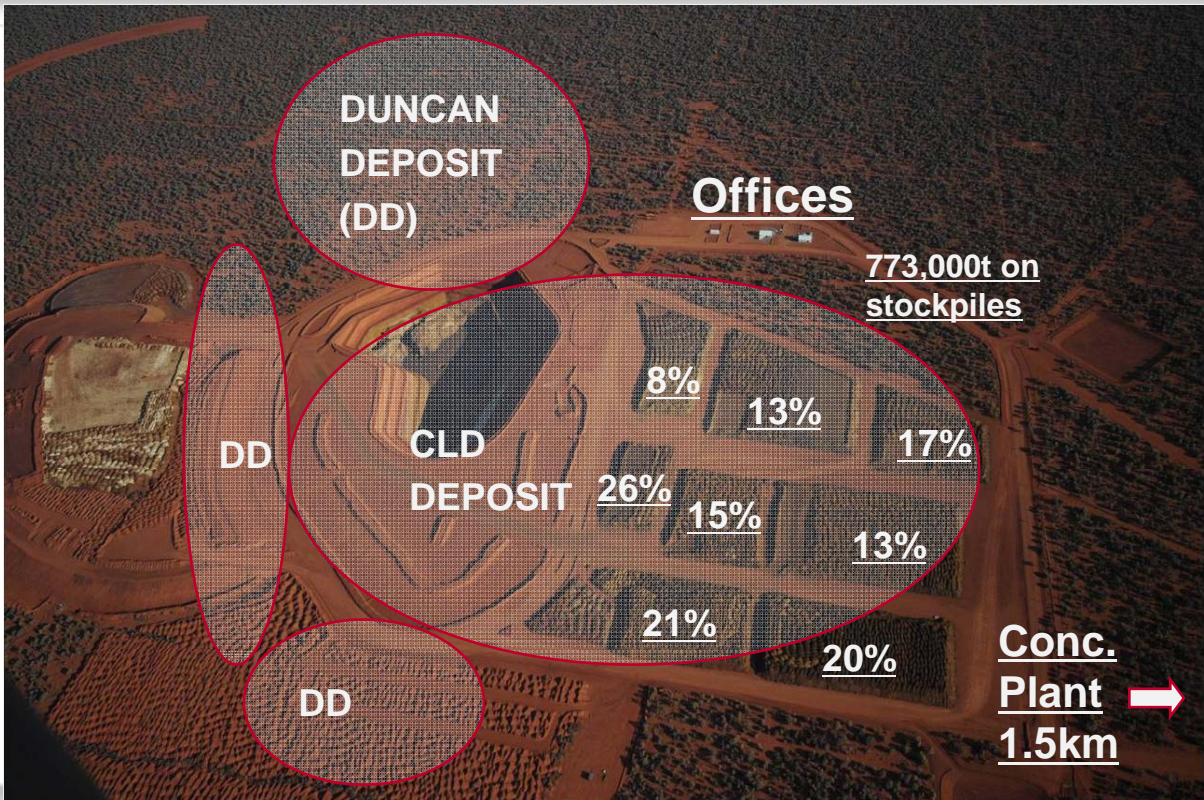
- Current mine plan (within Central Zone Pit)
 - 4.47 Mt @ 13.6% REO for 608kt REO
- Low Thorium content, 44ppm ThO₂/1% REO

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Mount Weld Rare Earths initial mining campaign complete, loss-time-injury-free, on budget

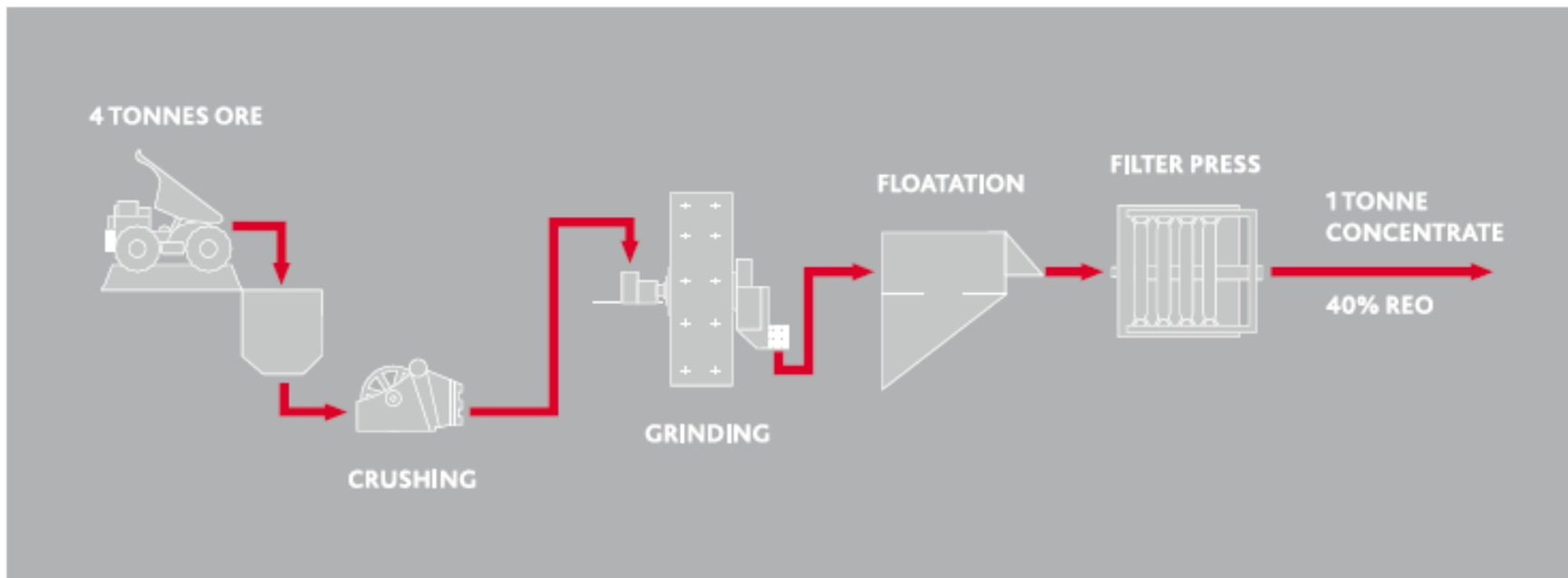


MOUNT WELD STOCKPILES WITH RARE EARTH OXIDE PERCENTAGES



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Schematic - Concentration Plant process at Mount Weld, which has been fully pilot plant tested



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Concentration Plant commissioning is on schedule for February 2011



CONSTRUCTION OF THE CONCENTRATION PLANT



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Concentration Plant commissioning is on schedule for February 2011



CONSTRUCTION AT THE CONCENTRATION PLANT



Flotation building



Concentration thickener and packing area



Concentration Plant commissioning is on schedule for February 2011



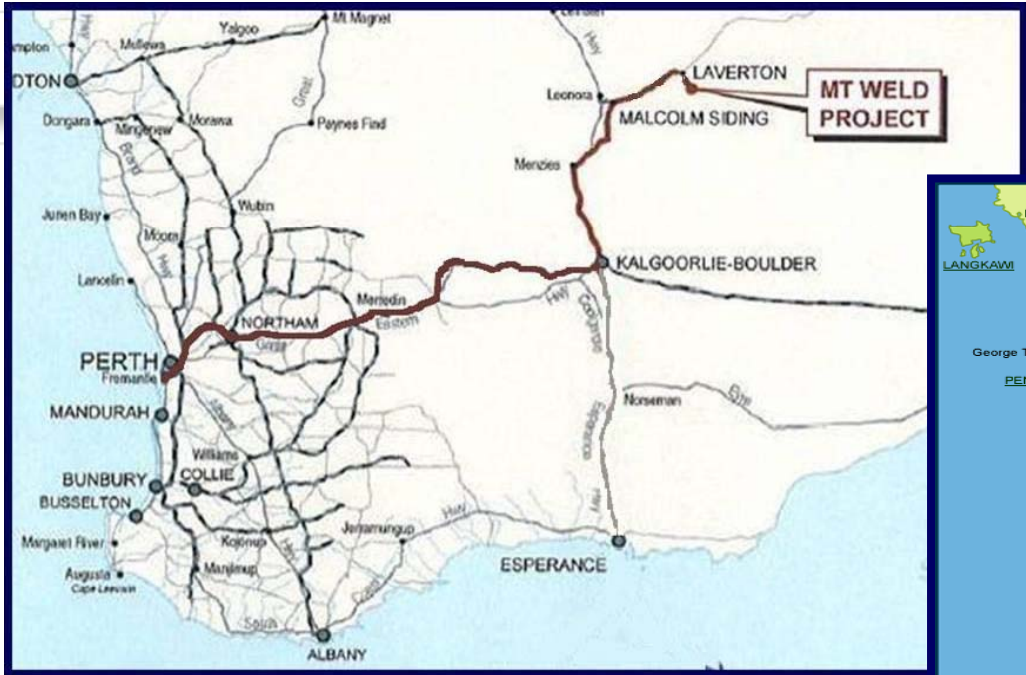
CONSTRUCTION AT THE CONCENTRATION PLANT



Ball mill being installed



Containers of Rare Earths concentrate will be trucked to Fremantle for shipping to Malaysia



- Mount Weld to Fremantle = 1000km
- Transportation approx. 9% of total costs



Lynas will expand the Malaysian processing hub, with the ability to take multiple sources of material

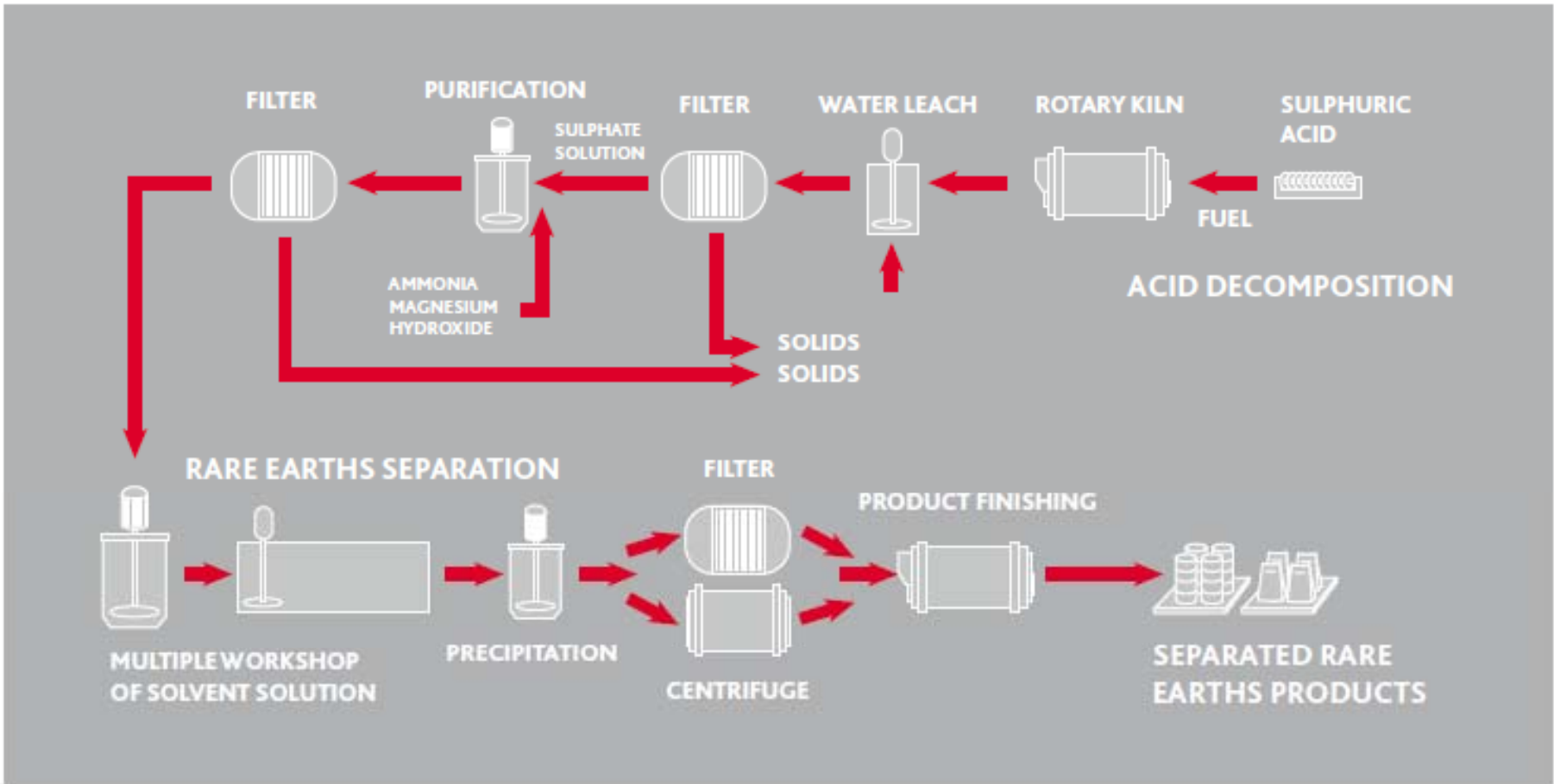


PROCESSING HUB WITH EXCEPTIONAL INFRASTRUCTURE

- INDUSTRIAL INFRASTRUCTURE**
- KNOWLEDGE INFRASTRUCTURE**
- GOVERNMENT INFRASTRUCTURE**
 - Including FDI incentives (12 years tax exemption for pioneer status)

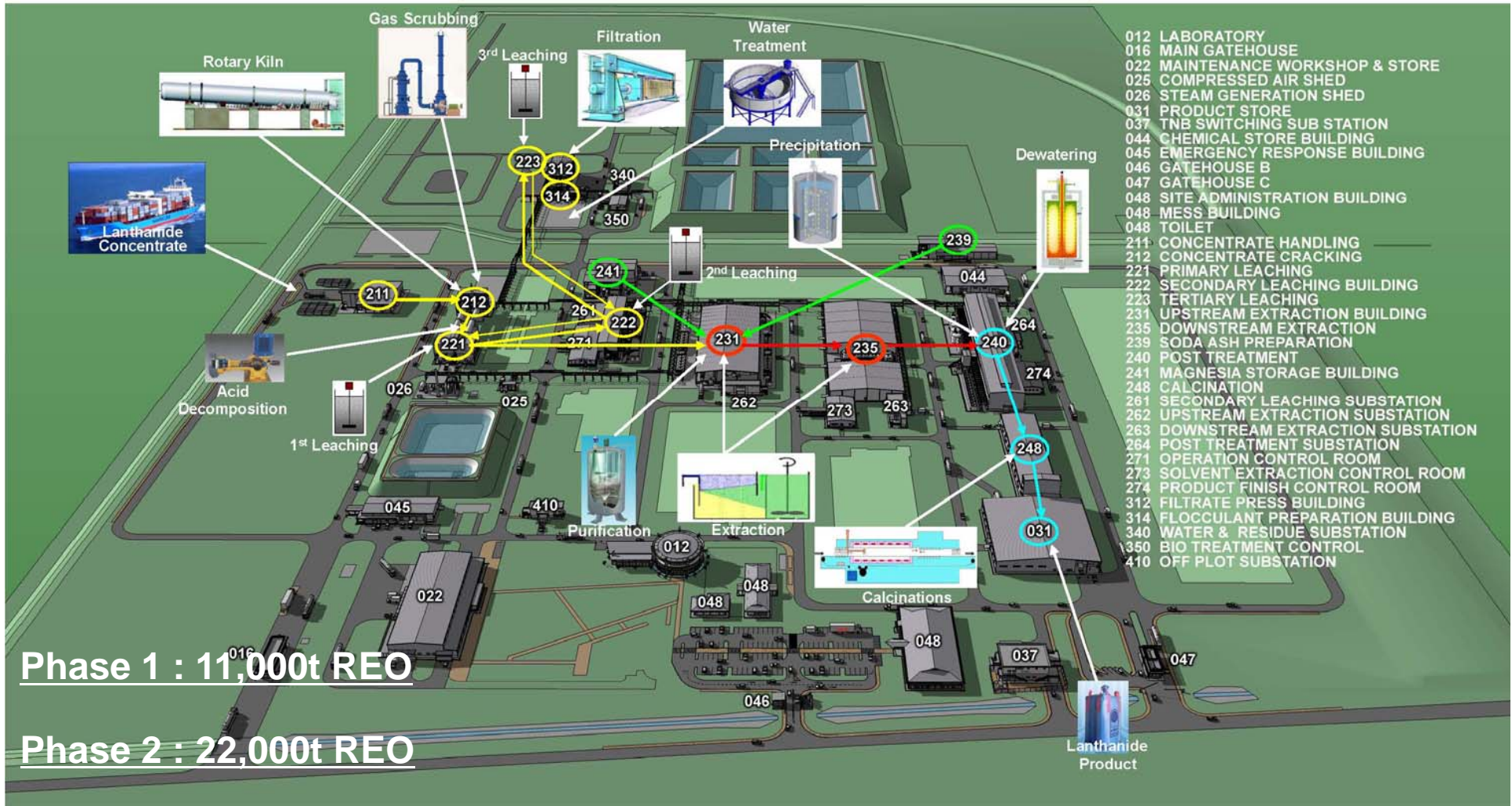


Schematic - Lynas Advanced Materials Plant core process, which uses mature industry technology

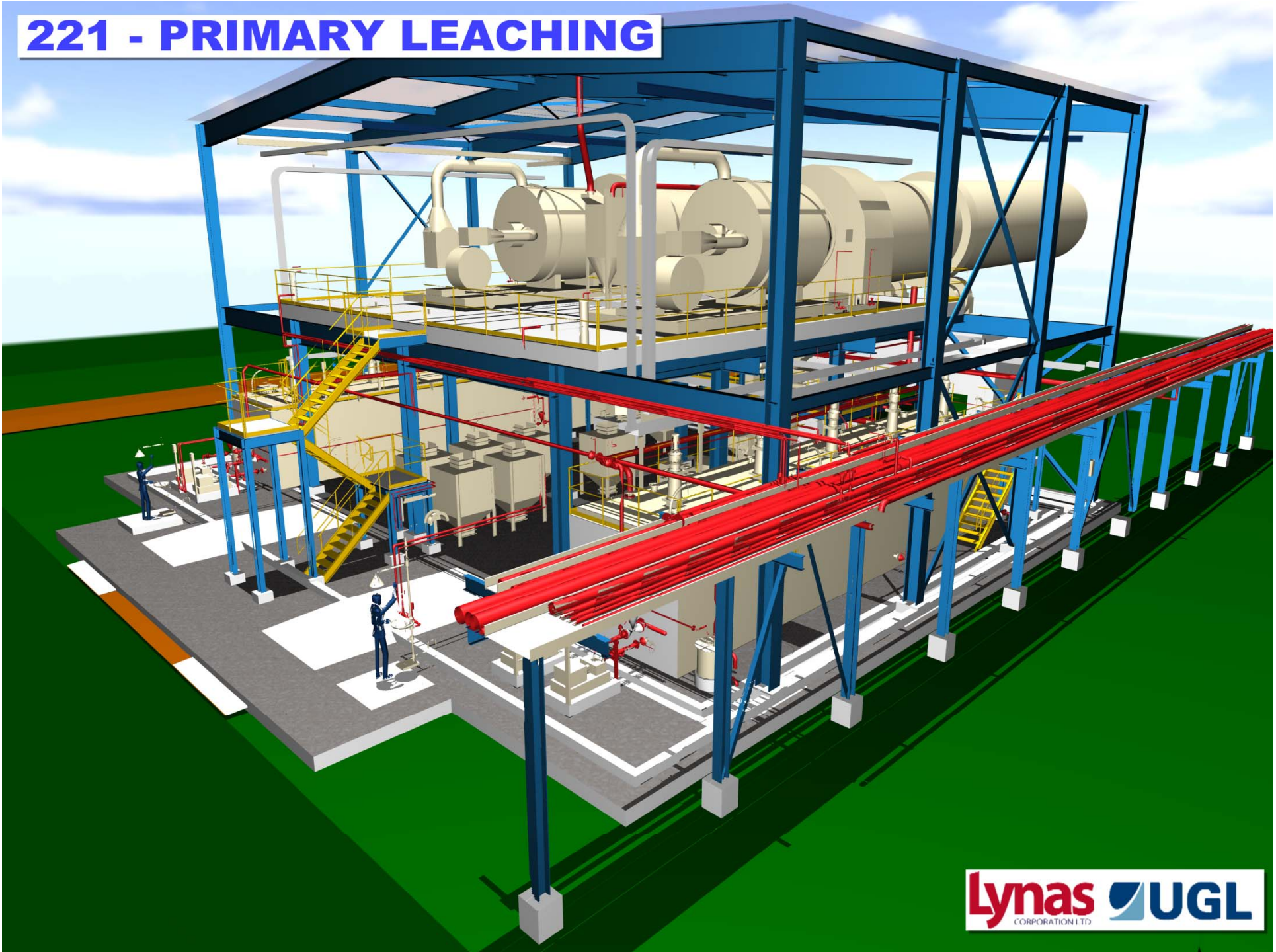


Lynas Advanced Materials Plant (LAMP)

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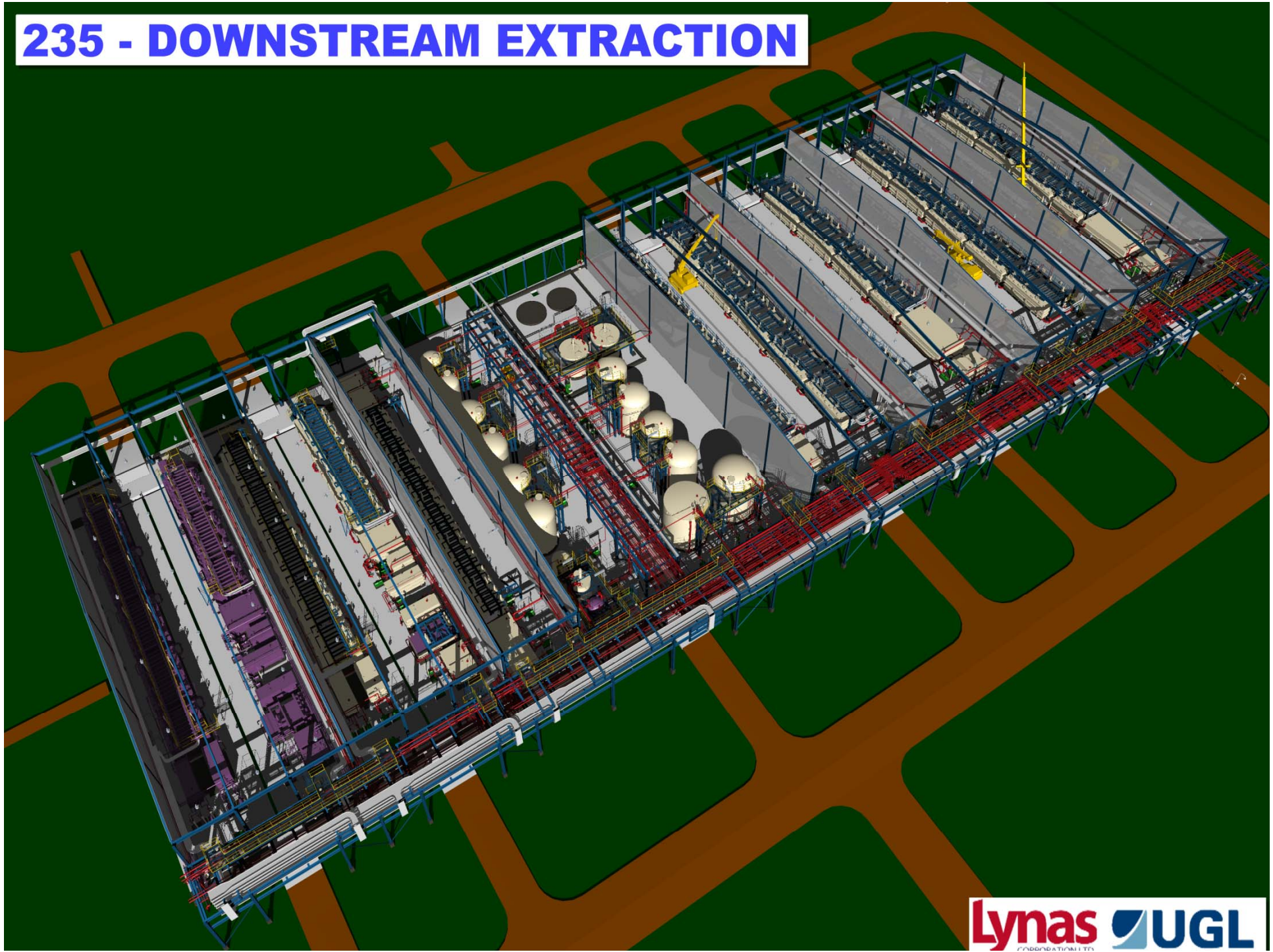
221 - PRIMARY LEACHING



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235 - DOWNSTREAM EXTRACTION

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Expansion beyond first production will be driven by customer requirements and commitments



HOW LYNAS WILL COST-EFFECTIVELY EXPAND

- Lynas plans to at least **double production**.
- Product range within the Lynas **product suite** will also be **expanded**.
- Our **customers'** requirements and commitments drive our **business development strategy**.



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First feed to kiln at the Lynas Advanced Materials Plant is scheduled for Q3 2011



CONSTRUCTION AT THE LAMP



Foundation works and steel reinforcement in place ready for further concrete pours



First feed to kiln at the Lynas Advanced Materials Plant (LAMP) is scheduled for Q3 2011



CONSTRUCTION AT THE LAMP



Rotary kilns foundations



Rotary kilns bodies

We are industrialising our operations to meet our customers' expectations



FOUR PILLARS UNDERPINNING LYNAS' OPERATIONS

Marketing and Sales

- Serving long-term customer requirements and commitments, and thus providing input for plant extensions and new facilities.

Industrial

- Key value drivers are responsible care, customer satisfaction, asset optimisation and growth management.

Research and Technologies

- Working with customers to analyse and develop technologies to enable a cost-effective product offering

Business Excellence

- Providing and optimising services to support cost-effective operations at the processing plants.



Eight customer agreements have been signed; Strategic Alliance with Sojitz to provide stable supply to Japanese customers



Rhodia Customer Agreement - Supply Contract

- >US\$200M¹
- Long term 10 year contract, Phase I
- Cerium, Europium, Terbium & Lanthanum

Strategic Alliance with Sojitz

- Minimum of 8,500t of product distributed into Japan market

8th Customer Agreement – Supply Contract

- Long term contract
- Product from Phase I & II

7th Customer Agreement – Supply Contract

- Multi - year contract
- Product from Phase I

2nd Customer Agreement - Supply Contract

- ~US\$200M¹
- Long term 5 year contract, Phase 1
- Neodymium & Praseodymium

6th Customer Agreement - Supply Contract

- Long term multiple year contract
- Product from Phase I & Phase II

3rd Customer Agreement - Supply Contract

- ~US\$20M¹
- Long term multiple year contract
- Product from Phase I & Phase II

5th Customer Agreement – Letter of Intent

- ~US\$80M¹
- Long term multiple year contract
- Product from Phase I & Phase II

4th Customer Agreement – Letter of Intent

- ~US\$80M¹
- Long term multiple year contract
- Product from Phase I & Phase II



SIX SUPPLY CONTRACTS AND TWO LETTERS OF INTENT SIGNED



¹ Values reflect market prices at signing of contract



Lynas – online in 2011, delivering Rare Earths globally



Our vision is to be a global leader in Rare Earths for a sustainable future.

We are close to realising this vision.

Lynas will be online in 2011, delivering Rare Earths globally. This is the first new production outside of China.

Production will be 11,000 REO by this time next year; we will double this production in 2012.



NOTE



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

