

6 February 2006

Lynas Corporation and Rhodia Electronics and Catalysis sign a Heads of Agreement for supply and cooperation

Highlights

- Rhodia Electronics and Catalysis sign to become a cornerstone customer for the Mount Weld Rare Earths Project
- Lynas to access Rhodia's downstream separation plant in China, establishing an integrated supply chain from mine through to separated oxides that will be marketed under Lynas' RED[®] brand
- Sales output identified for approximately 40% by value of the planned annual production from Mount Weld

The Directors of Lynas Corporation ("Lynas") (ASX code LYC) are pleased to announce the signing of a Heads of Agreement with Rhodia Electronics and Catalysis ("Rhodia") for the supply of Rare Earths to Rhodia and cooperation with Rhodia for downstream processing of output from Lynas' proposed Shandong Plant.

The company's Mount Weld Rare Earths Project has been reviewed by Rhodia and received positive outcomes from both a technical and comparative industry cost perspective, resulting in Lynas securing Rhodia as a cornerstone customer for the Mount Weld Rare Earths Project.

The significant outcomes from the Heads of Agreement are:

1. In accordance with Rhodia's growing requirements Lynas will supply a significant amount of the Rare Earths required by Rhodia's La Rochelle Plant directly from the proposed Shandong Rare Earths Processing Plant. Rhodia also intends to invest further downstream in China and, as such, Lynas operating in China will provide the necessary support to this growth.
2. Lynas is to have access to Rhodia's Liyang Separation Plant in China to process further other mixed Rare Earths chlorides from Mount Weld into separated Rare Earths oxides. Lynas will be responsible for the sales of these products under its Rare Earths Direct, RED[®], brand and will aim to service the market currently served by Rhodia from this plant.

Together these sales will form approximately 40% by value of the planned 10,500 tonnes Rare Earths oxide annual production from Mount Weld. The Liyang Plant currently operates to world class standards and supplies an international customer base. Access to the plant will be available



once Rhodia have completed quality acceptance tests on the production from Lynas' Shandong Plant, which is expected to be in production in late 2007.

Importantly, Liyang provides Lynas with downstream processing capacity sufficient for Lynas' initial phase of operations. This complements the Shandong Plant, and puts in place a downstream processing capability to complete the integrated supply chain from run of mine ore through to separated oxides output which can be marketed under the RED[®] brand trademark, consistent with Lynas' long term strategy.

The Heads of Agreement provides sufficient processing capacity and sales output to enable Lynas to move forward with its project financing application.

"The signing of the Heads of Agreement is a key milestone in the development of the Mount Weld Project. We believe this will enable us to obtain the funding required for project development. The market for Rare Earths continues to tighten as existing demand increases, important new applications using Rare Earths are developed, and production in China is curtailed due to environmental concerns. We believe it is an optimal time for the development of the Mount Weld Project, and are delighted to have Rhodia as partner in bringing this important project into production" the Executive Chairman of Lynas Corporation, Nicholas Curtis said.

"The relationship aims to enhance the Rare Earths industry by bringing to market the unique Mount Weld supply source and a China based processing system. This will set a benchmark within the Rare Earths industry by setting up an integrated supply chain that meets both Chinese and World Bank environmental standards" the President of Rhodia Electronics and Catalysis, Mr Eric Noyrez noted.

It is anticipated that the final agreement will be executed in the second quarter of 2006.

About Lynas Corporation

Lynas Corporation owns the richest deposit of Rare Earths in the world at Mount Weld, Western Australia. The strategy is to bring the deposit into production thereby creating a reliable, fully integrated source of supply from mine through to customers in the global Rare Earths industry.

A definitive feasibility study has been completed for the mine and plant required to produce a suite of Rare Earths products; both light Rare Earths, strong in neodymium, and heavy Rare Earths, strong in europium, suitable as raw material for downstream Rare Earths processing plants. All required Australian and Chinese project and business approvals have been received for the development of Mount Weld, thereby enabling Lynas to become the benchmark for security of supply and world leader in quality and environmental responsibility to an international customer base.

About Rhodia Electronics and Catalysis

Rhodia Electronics & Catalysis is a wholly owned subsidiary of Rhodia a major French chemical company with annual sales in excess of US\$6.7 billion. Rhodia Electronics & Catalysis provide performance products for electronics and catalysis markets. Headquartered in France with production and research centres located in key areas in the USA, Japan, China and France, Rhodia Electronics & Catalysis is widely recognised for its technological and process know-how and is recognised as a world leader in the application and consumption of Rare Earths.



Their products, mainly Rare Earths based, provide high technological applications and innovations: precursors for electronic ceramics (SUPERAMIC™), high performance polishing powders (CEROX™, OPALINE™), high purity solvents for wafer manufacturing (RHODIASOLV™), medical imaging or luminescence. The mastering of catalysis related technologies provide applications for environment or automotive emissions control; fuel-borne catalysts for the regeneration of diesel particulate filters (EOLYS™), advanced materials for catalytic converters (ACTALYS™), materials for fuel cells, and chemical catalysis.

About Rare Earths

Rare Earths are a group of elements used throughout many commercial applications due to their unique properties. The global demand for Rare Earths oxides is estimated at 90,000 tonnes per annum, which is underpinned by well established industrial applications which are growing steadily at 5-8% per annum such as oil cracking catalysts, polishing powders for glass and electronic components, automotive catalytic converters, and phosphors for colour display screens and energy efficient lights. More recent applications include rare earth magnets and nickel metal hydride batteries which are experiencing rapid growth as products such as the hybrid vehicle begin to be produced in significant numbers. China currently supplies approximately 95% of the world's Rare Earths. Recently 40% of the Chinese supply has been reportedly shut down due to environmental pollution issues. While prices have started to increase the company believes plenty of potential upside remains in the market as demand growth outstrips supply.

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