
QUARTERLY REPORT

FOR THE PERIOD ENDING 31 MARCH 2008

HIGHLIGHTS

- Increased Mount Weld Central Lanthanide Deposit (CLD) Sector Rare Earths resource estimate by 29% to 1.18 million tonnes of REO
- Received approvals required to commence construction of the Advanced Materials Plant in Malaysia
- Commenced civil works for the Advanced Materials Plant
- Awarded the Engineering, Procurement, and Construction Management (EPCM) contract to Ranhill WorleyParsons Sdn Bhd for the Advanced Materials Plant
- Awarded a contractor management contract to Mintrex for the Mount Weld Concentration Plant
- Closed the issuance of the USD 95 million convertible bond and executed the USD 105 million senior facility agreement with Bayerische Hypo- und Vereinsbank AG
- Signed a Letter of Intent with a new customer for USD 85 million of indicative sales
- Increase of the Mount Weld average basket price to USD 15.42/kg REO as at 14 April 2008

CORPORATE

This has been a noteworthy quarter for the company with the completion of a number of key project milestones as well as an updated REO resource estimate for Mount Weld which increased REO resources by 29% and included the identification of a zone of higher value, heavy Rare Earths.

The most significant project milestone was the receipt of the environmental and municipal approvals required to commence construction of the Malaysian Advanced Materials Plant for the processing of Mount Weld Rare Earths concentrate.

With these approvals in hand the company commenced civil works on site and formalised the engineering, procurement and construction management organisation structures to assist Lynas in the execution phase of the project. The Engineering, Procurement and Construction Management (EPCM) contract has been signed with Ranhill WorleyParsons Sdn Bhd, and in Australia Mintrex, a division of Holtfreters, has been appointed to assist Lynas with contractor management for the construction of the Mount Weld Concentration Plant.

A key milestone in the funding of the project was the closing of the USD 95 million convertible bonds issuance as well as the execution of the USD 105 million senior facility agreement with Bayerische Hypo- und Vereinsbank AG (HVB) in respect of the project facility announced on 27 July 2007.

On the marketing front a new Letter of Intent with a value of approximately USD 85 million, based on current prices, has been signed this quarter and the company is confident of translating this into a firm sales contract. The sales pipeline for the Advanced Material Plant products from both the initial phase and planned expansion phase is well stocked with additional contracts under negotiation.

The Lynas operational organisation continues to be built, to commence preparations for the start-up and operations of the plants which shall concentrate and then refine the Rare Earths from Mount Weld.

ENGINEERING AND CONSTRUCTION UPDATE

The EPCM contract was formally signed with Ranhill WorleyParsons on 4 April 2008 following a Steering Committee meeting in Kuala Lumpur, Malaysia. The contract has a value of \$42 million and includes the engineering and procurement for both the Concentration Plant at Mount Weld and the Advanced Materials Plant in Malaysia, as well as the construction management of the Malaysian plant.

CONCENTRATION PLANT AT MOUNT WELD

Lynas has appointed Mintrex, a division of Holtfreters, to assist Lynas in management of the construction-related contractors for the Concentration Plant at Mount Weld. This role, known as the Superintendent, is responsible for managing and co-ordinating the bulk earth works contractor and principle construction contractor, both of which are out for tender, as well as the contractors to supply power and the water treatment plant which are yet to be released for tender.

The tender process for the Principle Contractor is due to close in April and it is anticipated that the contract will be awarded and mobilisation to site will occur in the second quarter of 2008.

Lynas has previously submitted an Environmental Impact Assessment to locate the Concentration Plant at Mount Weld which was approved and remains in good standing. A Works Approval Application, required to commence construction, was lodged to the Western Australian Department of Industry and Resources after the close of the quarter, approval of which is anticipated within the current quarter.

ADVANCED MATERIALS PLANT IN MALAYSIA

A major project milestone was achieved this quarter with the receipt of the three key approvals required to commence construction of the Malaysian Advanced Materials Plant for the processing of Mount Weld Rare Earths concentrate:

1. State of Pahang Department of Environment approved the Environmental Impact Assessment for the Advanced Materials Plant to be located in the Gebeng Industrial Area, Kuantan, Pahang, Malaysia;
2. Board of Directors of the Atomic Energy Licensing Board of Malaysia (AELB) approved the Siting and Construction Licence following an approval recommendation from the Licensing Division of the AELB; and
3. Kuantan Local Council approved the Development Order application.

Bulk earthworks commenced on site in Gebeng in February and test piling was completed during the quarter. Full scale piling will commence in April. Of 28 identified construction-related contracts for the Advanced Materials Plant, seven have been tendered and three awarded.

A total of 49 equipment supply packages, out of a total of 153 packages, have been issued for tender and are in various stages of bidding and bid evaluation. Seven equipment supply packages have been awarded to date.

A comprehensive Safety, Health and Environment (SHE) Management Plan is now in place. There has been no significant safety or environmental incidents to date. An experienced Malaysian SHE Manager has been recruited to Lynas Malaysia with experience in both construction and manufacturing environments. The SHE Manager will focus on construction SHE in the execution phase and then transition to be the Lynas Malaysia SHE Manager in the operating phase.

OPERATIONAL UPDATE

MOUNT WELD OPERATIONS

The mining operation continues to run to plan and budget, and without incident. By the end of March 2008 some 2,021,000 cubic metres of overburden had been removed from the mining pit, and 326,000 cubic metres of ore had been mined and placed onto different stockpiles dependent upon the grade and mineralogy of the ore. Drilling and blasting was required during this period consistent with the mine plan. Mining of ore will continue until May 2008, at which time the first campaign will be complete.

Engineering work for the construction of the above ground storm water works was completed and the field earth works for this work scope, including diversion channels and bunds, turkey's nest dams and pumping infrastructure are now substantially complete. Final completion is expected by April 2008.

Below ground dewatering requirements were scoped out by March 2008, but have yet to be implemented as the water table was confirmed as being below the first mining campaign pit level. Dewatering infrastructure will be completed and implemented in the second quarter of 2008 following completion of the storm water works. The haul road construction is also due to commence in the second quarter of 2008.

During this quarter, additional management staff joined the Western Australian team, including a Safety, Health and Environmental Manager, and a Logistics and Commercial Manager. Organisational planning has commenced for the establishment of the Concentration Plant at Mount Weld.

MALAYSIA OPERATIONS

In early January a series of successful community engagements were held with the senior business community as well as Federal, State and Municipal government officials in both Kuantan and Kuala Lumpur, Malaysia. Lynas communicated the company's vision and values as well as outlined the specific plans for the Advanced Materials Plant within the Gebeng Industrial Area.

In parallel with the design, engineering and construction activities, the Malaysia operating organisation is now being established. In March the Malaysian Country Manager and General Manager, Mashal Ahmad, joined Lynas together with the Malaysia Human Resources Manager and the Malaysia Community and Communications Manager.

Mashal holds a Bachelor of Science, Production Engineering degree from the University of Nottingham in the United Kingdom. He has previously held General Manager positions at large manufacturing plants including Petronas Malaysia Liquid Natural Gas (MLNG), Petronas Kerteh Refinery and Aromatics and was most recently in charge of the Eastman Chemical plant in Pahang. Mashal has relevant operational experience in the start up and ramp up of chemical plants and is experienced in key management and technical decisions associated with setting up and operating a new plant. Mashal is a very well known and respected member of the Kuantan industrial community and the company is delighted to welcome him to Lynas.

During the second quarter further key management and technical personnel for the Malaysian operations will be recruited and detailed planning for the full establishment of the Operations organisation and systems will be undertaken.

A temporary office has now been leased adjacent to the Gebeng III Industrial Park and the Malaysia staff moved to this location in April 2008.

MOUNT WELD RESOURCES

INCREASE OF THE MINERAL RESOURCE ESTIMATE AT MOUNT WELD

An updated resource estimate for the Mount Weld Central Lanthanide Deposit (CLD) Sector was announced during the quarter. The review consisted of new drilling results from the grade control program completed in 2007, a revised geological interpretation of previous results, and a lowering of the cut-off grade from 4% to 2.5% which was considered reasonable as Rare Earths prices have more than tripled since the 2002 assessment.

The result was a JORC compliant resource of 12.2 million tonnes at 9.7% REO, at a cut-off grade of 2.5% REO, giving a total resource of 1.18 million tonnes REO, which represents an increase of 29% compared to the previous resource estimate from June 2002. More than half of this increase came from the new drilling data, whilst the remainder came from the decrease in cut-off grade. With the REO resources of the Crown Polymetallic deposit the Mount Weld tenements have JORC compliant resources of 1.65 million tonnes REO, with significant further potential identified during the review this quarter.

Significantly, a new zone of mineralization with a higher value, heavy Rare Earths resource has been identified, which is located within the CLD Sector resource. This new zone, the "Southern Zone", is currently estimated to contain approx. 110,000 tonnes of REO (2.8 million tonnes of ore at an average grade of 4%). With a distribution biased more towards high value heavy Rare Earths elements (Y, Sm, Eu, Gd, Dy, Tb) the average REO distribution of this Southern Zone has a value of approximately US\$21/kg REO at current prices.

Customer demand for these Heavy REOs is particularly strong as these elements are used in the phosphor and magnet industries. The main growth application in the phosphor industry is the energy efficient light bulb. Likewise the dysprosium and terbium elements are important in the magnet industry as they provide high temperature stability to the magnet, which is vital in automotive applications where the magnets are used near the engine.

A comprehensive drilling program has been approved to further define and potentially extend the resource estimate for the Heavy REO zone. The drilling program will commence in July 2008, after completion of the current mining campaign. The cost of the drilling program is estimated at \$1 million.

BUSINESS DEVELOPMENT

KANGANKUNDE RARE EARTHS RESOURCE – MALAWI

A company representative spent time in Malawi this quarter in discussion with government representatives and local community leaders to progress the completion of various conditions precedent in the Purchase Agreement for the Kangankunde Rare Earths deposit. The company also arranged for grading and maintenance of the access road to the site as well as maintenance of other local community infrastructure near the Kangankunde Rare Earths deposit.

GLOBAL MARKET ACTIVITY

COMMERCIAL DISCUSSIONS

The company signed a Letter of Intent (LOI) during the quarter with a new customer for product from the expansion phase of the plant. Discussions are continuing with the customer with the intention to progress this LOI to a full contract. Under the terms of the LOI the pricing structure is based on the market price during the contract period however a minimum floor price does apply which will be set at the time the contract is signed. At current prices the indicated sales have a value of approximately USD 85 million across the period of the contract.

Additional contract negotiations are ongoing for the remainder of the product from the initial phase, as well as the majority of the product from expansion phase. These are at different stages of development with three contracts with a current value of approximately USD 280 million expected to be finalised within the next three months, and more than five further contracts at the early stages of negotiation which are expected to be finalised within the next eight months.

RARE EARTHS PRICES

Rare Earths prices began rising again after the Chinese New Year. The Mount Weld composition average quarterly price increased to USD 13.68/kg REO for this quarter, an increase of 12% from last quarter.

There were some notable increases of specific elements; the increase of lanthanum oxide accelerated this quarter, up 36%, with market information indicating historical stockpiles within the Fluid Cracking Catalyst industry are run down as well as the demand for Nickel Metal Hydride batteries used in the hybrid vehicle is increasing strongly. The Rare Earths europium oxide, terbium oxide, and dysprosium oxide all experienced price increases of over 17% which in part would be due to the increase in the export tariffs from 10% to 25% as discussed last quarter, and also due to increasing demand from the phosphors market (europium oxide and terbium oxide) and the applications for Rare Earths magnets (dysprosium for high temperature magnet applications in the automotive industry).

Rare Earths Prices FOB China (US\$/kg)				
Rare Earths Oxide	Mt Weld Composition % Rare Earth Oxide*	Average Price Over Quarter		
		Q1 2007	Q4 2007	Q1 2008
Purity 99% min				
Lanthanum Oxide	25.50%	2.31	4.44	6.02
Cerium Oxide	46.74%	1.92	3.72	4.04
Neodymium Oxide	18.50%	24.18	29.81	31.69
Praseodymium Oxide	5.32%	22.60	28.14	29.29
Samarium Oxide	2.27%	2.40	4.40	4.86
Dysprosium Oxide	0.12%	85.50	91.30	110.00
Europium Oxide	0.44%	255.00	354.20	441.70
Terbium Oxide	0.07%	570.80	609.20	710.40
Av. Mt Weld Composition		8.93	12.21	13.68

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

The table shows the average quarterly price for a 'standard' 99% purity of individual elements and for the generic composite of Rare Earths equivalent to the Rare Earths distribution for the Central Zone resource of the CLD Sector at Mount Weld, on a Freight On Board (FOB) China basis.

Since the end of the quarter market prices have continued to increase and the Mount Weld composition price was USD 15.42/kg REO on 14 April 2008. Weekly updates of these prices can be found on the Lynas website, www.lynascorp.com, under "What Are Rare Earths?", then "What are their prices?".

FINANCE

The company was very pleased to announce to the market on 7 March 2008 confirmation of the closing of the issuance of convertible bonds in the aggregate principal amount of USD 95 million. The terms of the convertible bonds are outlined below:

- Face value of USD 95,000,000
- Interest Coupon of 8.25%
- 5 year maturity with Lynas having an option to extend for a further year
- Ability to pay interest through the issuance of additional bonds or ordinary shares
- Second ranking security behind a senior loan bank debt facility

During the quarter the company also executed the USD 105 million senior facility agreement with Bayerische Hypo- und Vereinsbank AG (HVB) in respect of the project facility announced on 27 July 2007, subject to convertible bond holder approval (pursuant to the convertible bond terms that were released to the ASX on 7 March 2008, the senior facility agreement is be on terms satisfactory to the convertible bond holders acting reasonably). The parties will also need to finalise a security trust deed and security documentation for the HVB facility and drawdown will be subject to customary conditions.

The working capital component of the HVB facility will be repayable in December 2013. The senior component of the HVB facility will have repayments commencing December 2009 and ending December 2013. The mezzanine component of the HVB facility will have repayments commencing

June 2010 and ending December 2014. The key terms of the HVB facility remain unchanged from the company's 27 July 2007 announcement.

The company opened the quarter with \$89.80 million of available cash and closed the quarter with a balance of \$73.40 million. The decrease in cash of \$16.40 million was as follows:

OPENING CASH	AUD M
	89.8
Interest and other income received	1.5
Receipts from share issue and exercise of options	0.4
TOTAL INCOME	1.9
Less	
Western Australia Concentration Plant	1.6
Western Australia Mining	3.4
Malaysian Advanced Materials Plant	7.0
Malaysian Land	-
Corporate OH and Financing Costs	6.3
TOTAL OUTFLOW	18.3
Movement in cash	(16.4)
CLOSING CASH BALANCE 31 MARCH 2008	73.4

The capital expenditure and costs are progressing accordingly to budget. Half of the corporate overhead and financing costs relate to recent establishment fees for the convertible bond and the senior facility and the corresponding legal costs as well as due diligence fees.

TARGET MILESTONES FOR NEXT QUARTER

The company plans to complete the following target milestones during the next quarter:

- Finalize security trust deed and security documentation for HVB
- Complete first mining campaign at Mount Weld
- Award construction contract for the Concentration Plant at Mount Weld
- Sign further customer agreements