

QUARTERLY REPORT

FOR THE PERIOD ENDING 31 MARCH 2009

HIGHLIGHTS

- Rare Earths project suspension due to uncertainty concerning the financing structure following a dispute with the bondholders
- Effective project suspension nearing completion with good support from customers, equipment vendors, construction contractors and suppliers confirmed
- Engineering works have progressed this quarter with most disciplines nearing “Approved for Construction” status
- The planned drilling operations on the Mount Weld Southern Zone, located immediately south of the current mine pit, have been completed on plan and on budget
- The average grade of the assays received for the Southern Zone was 4.5% REO with 17.7% of the REO distribution as Heavy Rare Earths plus Yttrium

CORPORATE

During the first quarter of 2009 the company announced the Lynas Rare Earths project consisting of the Concentration Plant in Western Australia and the Advanced Materials Plant in Malaysia were to be suspended. This decision was made due to uncertainty concerning the financing structure following a dispute with the bondholders as to whether all conditions precedent had been satisfied to release the US\$95 million to Lynas.

As a result of the ongoing dispute concerning the convertible bond facility the Company cancelled its senior loan facility when it became clear that Lynas would not be able to satisfy the condition of full project funding by 31 March 2009.

It was decided it was in the best interest of the company to settle all claims concerning the convertible bonds, rather than becoming involved in lengthy and costly litigation. Importantly, settlement has also led to a release of the securities held over the project assets of the Lynas group, enabling Lynas to move forward with discussions concerning potential replacement financing. Therefore Lynas has now settled all claims with the bondholders concerning the US\$95 million convertible bond facility. Lynas has received approximately US\$5 million from the funds held in the escrow account, with the bond holder receiving US\$91 million against a total potential claim of US\$101.5 million due to accrued interest and costs.

The suspension implementation is proceeding well. Procurement and construction activities have been halted at the logical point of suspension to allow a rapid restart of the project as soon as a satisfactory funding base is secured – in some cases this has involved additional work to achieve suspension and in other cases, suspension occurred immediately. All vendors and contractors have been contacted and the vast majority are showing significant support for Lynas' position and terms are being negotiated to minimise cash outlay pending a restart.

The total cash at bank of Lynas as at 31 March 2009 was A\$40.9 million. The initial estimate to suspend the project, as announced on 17 February 2009 was approximately A\$45 million out of a cash balance at the time of A\$55 million. Negotiations are substantially complete and some costs have been paid to-date. The estimate of remaining suspension expenditure over the next few months is A\$31 million. This would leave approximately A\$9.9 million to meet normal ongoing operating costs.

Lynas continues to believe that the project is sound, even in the current environment both Rare Earths demand and prices remain robust and the project economics remain solid. With appropriate funding structures in place the Company will have an exciting future.

The Company is in active dialogue concerning various additional short-term funding arrangements as well as longer term project financing. The Company will update the market further as such arrangements are finalised.

Whilst significant rationalisation of ongoing expenses has occurred the Company takes the view that it must retain core skills to enable a restart in as rapid and efficient a manner as possible.

ENGINEERING AND CONSTRUCTION UPDATE

CONCENTRATION PLANT AT MOUNT WELD

ENGINEERING AND PROCUREMENT

Following the suspension of works, a revised scope of engineering was agreed with Abesque Engineering and Construction (Principal Contractor) to ensure a logical point of suspension was achieved. This revised scope of works resulted in engineering activities continuing through to mid-April at which point the majority of civil, structural and mechanical engineering works have been completed and issued as "Approved for Construction". Piping, electrical and instrumentation engineering have also progressed through this period with works suspended at a point which ensures that completion of detailed engineering works is able to be achieved at a minimal cost upon reactivation.

Similarly, the procurement activities have been reviewed in detail and discussions with all major equipment vendors regarding project suspension status have been completed. Where equipment manufacture has been close to completion, this work has been continued with several procurement packages now completed and delivered or held at the vendors works. Where vendor packages are not complete, they have been suspended at a logical point to ensure minimal rework and maximum integrity and protection of work completed to-date. All vendors have been remunerated for work completed to-date in accordance with commercial obligations and in accordance with Lynas' intention to recommence and complete the remaining packages once finance is restored. There has been no package cancellations or penalties associated with the suspension.

CONSTRUCTION

Site construction activities continued until the suspension in early February and Abesque, Mintrex (Lynas Superintendent) and Downer EDI (bulk earth works contractor) demobilised from site. Similarly, construction activities were suspended at a logical point to ensure the integrity of all foundation work and civil works and to minimise any rework costs for the recommencement of construction.

As at suspension, Downer EDI had completed bulk earthworks for the processing facilities including the plant run-off pond and treated water pond. Due to the suspension of work, construction of the tailings storage facility and evaporation pond has been deferred until the project is reactivated.

Abesque continued construction works on site with the following works completed prior to suspension:

- ROM Bin/Mill Feed Conveyor: Civil and concrete works have been completed
- Grinding Circuit: Civil and concrete works have been completed.
- Flotation Building: Civil and concrete works have continued in this area and have now been put on hold due to the project suspension with works carried out to ensure that the area is safe to leave after demobilisation. Drainage works have also been installed to ensure works stay safe after demobilisation.
- Concentrate Thickening: Steel reinforcement has been delivered to site for storage

- Off-site fabrication works have also commenced during this quarter with the first batch of fabricated tanks and conveyor trestles and trusses completed and ready for delivery to Lynas' storage facility.

ADVANCED MATERIALS PLANT IN MALAYSIA

ENGINEERING AND PROCUREMENT

Engineering works have progressed this quarter. With most disciplines nearing "Approved for Construction" status; process engineering is 98% complete, mechanical engineering is 90% complete, piping engineering is 90% complete, electrical engineering is 82% complete and instrumentation engineering is 90% complete. Civil, structural and architectural engineering is 60% complete however the critical path engineering work for process building foundations and process building design have been completed and awarded. Following the suspension of works, all efforts have been made to clearly identify any outstanding issues in all disciplines with the aim that all engineering and design works are able to be completed once short-term funding is secured

Lynas has suspended the manufacture of approximately 60 equipment packages where manufacture is not yet complete. The efficient suspension of these contracts has been given a priority and meetings have occurred with all vendors and logical suspension points have been identified and payment terms agreed for all work completed to-date. This ensures that all equipment packages are in a position for completion upon refinancing and there are minimal re-work and suspension costs. This suspension works is nearing completion.

CONSTRUCTION

Prior to the project suspension, the Gebeng site construction activities continued with significant progress made. Piling continued through the quarter with all processing facilities now piled and the total piling package is 90% complete. Hexagon Tower was appointed as the concrete supply and installation contractor for the project and the foundations for the main electrical substation and the site administration building have been completed. Bluescope steel delivered the first pre-engineered buildings to site with installation of the site administration building nearing completion. All major roads are in place and compacted and site storm water drainage system completed.

Construction activities and contractor mobilisation continued until the suspension in February and the various contractors demobilised and the site now remains under Lynas safety supervision.

OPERATIONAL UPDATE

MOUNT WELD OPERATIONS

The Western Australian operational team has been reduced in size to reflect the lower site supervision and start-up demands during the suspension period. This has reduced the operational cost structure significantly for this period.

EXPLORATION DRILLING

The planned drilling operations on the Mount Weld Southern Zone, located immediately south of the current mine pit, have been completed on plan and on budget. The Southern Zone is known to contain Rare Earth resources with a higher distribution of the heavier and higher value Rare Earths such as yttrium, europium, terbium and dysprosium and complement the Central Lanthanide Zone resources which are rich in the lighter Rare Earths such as lanthanum, cerium, praseodymium and neodymium.

The drilling programme aims to provide data for resource estimation, metallurgical test-work and further mine planning. At the end of March 2009, 169 holes had been completed at a total of 8,907 metres. Approximately 60% of the samples have been assayed and the balance will be assayed following project refinancing.

The results of the assays to date for the Southern Zone are appended to this report (Appendix A). Notable results include hole RC1083 with 32 meters at 8.83% Rare Earth Oxide (REO), hole RC1085 with 10 meters at 5.27% REO where over 25% of the REO distribution is Heavy Rare Earths plus Yttrium; and RC1093 with 30 meters at 5.39% REO with 24% of the REO distribution as Heavy Rare Earths plus Yttrium (compared to the current Central Lanthanide Zone mine which has approximately 4.6% of the REO distribution as Heavy Rare Earths plus Yttrium). The average grade of the assays received for the Southern Zone was 4.5% REO with 17.7% of the REO distribution as Heavy Rare Earths plus Yttrium.

In addition to the Southern Zone, another zone to the north of the current pit and partially within the current mine plan, has been identified at Mount Weld which also contains resources with a higher distribution of the heavier and higher value Rare Earths. This zone has been called the Northern Zone. Additional exploration drilling has been carried out in this zone during the recent campaign. The results of the assays to date for the Northern Zone are appended to this report (Appendix B). The average grade of the assays received for the Northern Zone was 5.1% REO with 12.7% of the REO distribution as Heavy Rare Earths plus Yttrium.

MALAYSIA OPERATIONS

During the suspension period, recruitment activities have been frozen and several contract positions have been released to minimise the operational costs throughout this suspension period. All permanent Malaysian staff have been retained and are continuing to prepare for operational readiness.

Community engagements continued during the quarter to further build relationships and to communicate the reasons for the suspension. Lynas emphasised that the project construction and operational build-up for plant commissioning shall restart as soon as financing is re-established.

SUPPLY CHAIN UPDATE

With the project in suspension mode during the majority of the past quarter the focus of supply chain activities moved to ensure a rapid restart of the project once funding has been confirmed.

Contractual obligations have been examined on a case-by-case basis and all vendors and contractors have been contacted. There is strong support for Lynas' position and terms have been negotiated to minimise cash outlay pending a restart. Lynas has worked with key suppliers to



suspend vendor activity in a way that supports supply inputs while minimising any financial impact on both vendors and Lynas during the suspension period. Sound business relationships with key supply partners remain intact.

Activity has continued in the areas of permitting and approvals associated with supply chain during the past quarter with the 'Application for Controlled Ores Export' submitted for the Mount Weld Rare Earths concentrate to the Australian Government-Department of Resources Energy and Tourism and submission of the 'Transport Management Plan' to the Western Australia Environmental Protection Agency.

The price of supply for many of the chemical inputs has remained stable over the last quarter. This has resulted in Lynas confirming the forecast operational cost of US\$5.65 \pm 10% / kg final product, which covers the cash operational costs from mine to final product.

GLOBAL MARKET ACTIVITY

COMMERCIAL DISCUSSIONS

Following the announcement of the project suspension Lynas has had meetings with prospective customers including those who have signed customer agreements with the company. There is broad market support for Lynas and as a result of these meetings Lynas does not expect a material impact on the supply contracts signed to-date. Two of the four contracts have delivery dates which require revision and the customers have expressed a desire to revise these terms once a new project schedule and anticipated delivery date is known.

RARE EARTHS PRICES

The average Mount Weld Rare Earths price for 2008 was US\$13.62/kg REO; however by Q1 2009 the average quarterly price had dropped to US\$9.91. From customer discussions it is apparent that with the global economic slow-down, many industries have been suffering from inventory destocking issues. This is also true within the Rare Earths industry where the Japanese, European and USA consumers of Rare Earths try and manage their China supply risk through inventory stock piles. Customers reported that few significant purchases of Rare Earths have been made since November 2008. This was corroborated by a Japan Metal Bulletin article on 10 April which reported Japanese Rare Earths imports for February 2009 decreased to just 15% of February 2008 imports.

However, customers are anticipating inventories will be significantly absorbed throughout the supply chain by the end of 2009, after which normal purchasing will resume. This, in turn should bring price rises back towards 2008 levels. The rationale for this price move is that at current prices the Chinese producers are operating at are cash costs of production, which explains why prices for Rare Earths have not decreased to the extent of other commodity metals such as nickel.

Rare Earths Prices FOB China (US\$/kg)				
Rare Earths Oxide	Mt Weld Composition	Average Price Over Quarter		
		Q1 2008	Q4 2008	Q1 2009
Purity 99% min	% Rare Earth Oxide*			
Lanthanum Oxide	25.50%	6.02	8.45	7.28
Cerium Oxide	46.74%	4.04	4.60	4.58
Neodymium Oxide	18.50%	31.69	18.18	14.50
Praseodymium Oxide	5.32%	29.29	18.02	14.50
Samarium Oxide	2.27%	4.86	4.80	4.75
Dysprosium Oxide	0.12%	110.00	112.20	96.46
Europium Oxide	0.44%	441.70	500.80	448.85
Terbium Oxide	0.07%	710.40	515.40	370.77
Av. Mt Weld Composition		13.68	11.45	9.91

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

The table above 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. 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 opened the quarter with \$70.5 million of available cash and closed the quarter with a balance of \$40.9 million. The decrease in cash of \$29.6 million was as follows:

CASHFLOW		AUD M
OPENING CASH BALANCE 31 DECEMBER 2008		70.5
Interest and other income received	0.6	
Receipts from settlement with bondholders	7.4	
TOTAL INCOME		8.0
Less		
Western Australia Concentration Plant	8.3	
Malaysian Advanced Materials Plant	18.2	
Start Up Costs	3.6	
TOTAL CAPITAL EXPENDITURE	30.1	
Ongoing Operational and Financing Costs	7.5	
TOTAL OUTFLOW		37.6
Movement in cash		29.6
CLOSING CASH BALANCE 31 MARCH 2009		40.9

The total capital expenditure associated with the Rare Earths project from 1 July 2007 to 31 March 2009 is \$159.3 million. The allocation is shown below:

PROJECT CAPITAL EXPENDITURE	AUD M
Western Australia Concentration Plant	19.7
Western Australia Mining	19.5
Malaysian Advanced Materials Plant	80.3
Malaysian Land	28.1
Start Up Costs	11.7
TOTAL CAPITAL EXPENDITURE	159.3

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.

Southern Heavy Rare Earths Zone										
Hole_id	From	To	Length	TLnO	LLnO	HLnO	Y2O3	Nb2O5		
RC1072	22	28	6	8.02	7.57	0.45	0.16	0.32		
RC1073	22	24	2	2.74	2.51	0.23	0.09	0.27		
RC1074	19	34	15	3.94	3.65	0.29	0.13	0.30		
RC1075	20	26	6	6.49	6.19	0.30	0.13	0.30		
RC1076	24	32	8	3.19	2.78	0.41	0.32	0.48		
RC1077	24	38	14	4.05	3.54	0.50	0.38	0.57		
RC1081	24	36	12	7.83	7.42	0.42	0.20	0.12		
RC1083	24	56	32	8.83	8.27	0.56	0.23	0.12		
RC1084	24	34	10	3.78	3.25	0.52	0.53	0.58		
RC1085	28	38	10	5.27	4.48	0.78	0.76	0.61		
RC1085	48	51	3	2.80	1.85	0.94	1.68	0.14		
RC1086	26	40	14	3.61	3.01	0.60	0.59	0.37		
RC1087	30	38	8	3.01	2.63	0.38	0.29	0.45		
RC1090	24	26	2	2.94	2.75	0.18	0.07	0.24		
RC1091	24	32	8	3.91	3.60	0.31	0.17	0.31		
RC1093	22	52	30	5.39	4.62	0.77	0.68	0.26		
RC1094	30	32	2	3.87	3.32	0.55	0.55	0.30		
RC1095	30	38	8	3.86	3.51	0.35	0.31	0.51		
RC1096	26	28	2	4.57	3.71	0.87	1.08	0.26		
RC1097	26	38	12	3.90	2.94	0.96	1.19	0.65		
RC1098	24	30	6	2.59	2.15	0.44	0.54	0.34		
RC1101	22	38	16	3.70	3.32	0.38	0.22	0.54		
RC1102	24	40	16	3.06	2.83	0.23	0.10	0.54		
RC1103	26	30	4	2.67	2.17	0.50	0.52	0.39		
RC1108	21	32	11	7.71	7.31	0.40	0.16	0.31		
RC1109	24	50	26	7.82	7.47	0.34	0.21	0.21		
RC1110	20	46	26	4.14	3.72	0.42	0.32	0.43		
RC1111	24	40	16	3.53	3.16	0.37	0.23	0.42		
RC1112	20	44	24	3.37	3.06	0.30	0.16	0.48		
RC1113	22	44	22	3.32	3.03	0.29	0.11	0.50		
RC1114	28	32	4	3.30	2.92	0.38	0.32	0.58		
RC1115	25	38	13	4.31	3.94	0.36	0.26	0.23		
RC1116	24	30	6	2.80	2.46	0.34	0.29	0.27		
RC1117	24	36	12	3.03	2.39	0.64	0.85	0.50		
RC1118	24	28	4	2.61	2.12	0.49	0.55	0.64		
RC1119	28	32	4	3.64	3.20	0.44	0.39	0.84		
RC1120	28	39	11	2.82	2.50	0.33	0.22	0.26		
RC1121	22	44	22	3.79	3.40	0.39	0.30	0.55		
RC1122	20	44	24	3.99	3.60	0.39	0.25	0.47		
RC1123	22	54	32	3.53	3.16	0.37	0.22	0.46		
RC1124	24	44	20	3.77	3.41	0.36	0.19	0.44		
RC1125	30	48	18	3.92	3.47	0.45	0.42	0.51		
RC1126	26	48	22	3.31	2.87	0.43	0.42	0.45		
RC1127	32	38	6	4.28	3.47	0.80	0.78	0.51		
RC1128	30	34	4	3.77	3.05	0.72	0.90	0.29		
RC1129	28	34	6	3.38	2.87	0.52	0.60	0.49		
RC1130	24	28	4	3.40	3.04	0.36	0.19	0.70		
RC1131	20	57	37	4.28	4.00	0.29	0.14	0.36		
RC1132	28	49	21	4.43	4.08	0.35	0.29	0.56		
RC1133	26	48	22	4.49	4.02	0.47	0.34	0.51		
RC1134	24	52	28	3.45	3.10	0.36	0.24	0.50		
RC1135	24	46	22	3.98	3.54	0.43	0.28	0.38		
RC1136	40	58	18	3.82	3.25	0.57	0.52	0.75		
RC1137	28	40	12	3.89	3.43	0.45	0.27	0.43		
RC1138	26	28	2	2.59	2.34	0.26	0.08	0.41		
RC1140	28	34	6	5.50	4.58	0.92	0.78	0.15		
RC1141	24	34	10	3.72	3.23	0.49	0.41	0.46		
RC1142	26	58	32	4.00	3.50	0.49	0.37	0.43		
RC1143	22	52	30	3.17	2.87	0.30	0.14	0.44		
RC1144	42	53	11	4.27	3.90	0.37	0.20	0.41		
RC1145	32	54	22	4.30	3.86	0.44	0.30	0.43		
RC1146	38	44	6	3.79	2.78	1.01	1.39	0.79		
RC1147	30	38	8	3.70	3.33	0.37	0.15	0.45		
RC1148	36	40	4	2.75	2.55	0.19	0.13	0.19		
RC1149	32	34	2	2.81	2.10	0.71	0.83	0.43		
RC1150	28	42	14	3.87	3.39	0.47	0.44	0.39		
RC1151	30	44	14	2.63	2.31	0.32	0.15	0.59		
RC1151	50	57	7	3.47	3.02	0.46	0.44	0.69		
RC1152	36	50	14	2.90	2.43	0.46	0.41	0.66		
RC1153	34	40	6	3.18	2.80	0.37	0.20	0.49		
RC1155	32	36	4	3.01	2.73	0.28	0.22	0.33		
RC1156	42	44	2	3.99	3.36	0.62	0.69	0.62		



Northern Heavy Rare Earths Zone									
Hole Id	From	To	Length	TLnO	LLnO	HLnO	Y2O3	Nb2O5	
RC1006	51	53	2	3.16	2.97	0.18	0.08	0.47	
RC1007	50	70	20	4.86	4.54	0.33	0.14	0.84	
RC1008	46	74.5	28.5	3.44	3.19	0.25	0.15	0.61	
RC1009	36	46	10	3.37	3.11	0.26	0.13	0.48	
RC1009	60	64	4	2.73	2.56	0.17	0.08	0.25	
RC1010	42	66	24	2.60	2.37	0.24	0.26	0.27	
RC1012	56	66	10	11.66	10.65	1.01	0.48	0.94	
RC1013	51	53	2	3.43	3.20	0.23	0.10	0.60	
RC1014	45	59	14	5.09	4.83	0.27	0.08	0.72	
RC1015	37	66	29	5.14	4.86	0.28	0.13	0.39	
RC1016	32	50	18	3.44	3.12	0.32	0.11	0.52	
RC1017	32	70	38	3.16	2.85	0.31	0.29	0.39	
RC1018	44	72	28	2.66	2.43	0.23	0.12	0.45	
RC1018	82	88	6	2.89	2.76	0.13	0.06	0.26	
RC1019	50	55	5	4.73	4.43	0.30	0.08	0.43	
RC1020	46	50	4	6.17	5.49	0.67	0.28	0.52	
RC1021	40	58	18	5.44	5.08	0.36	0.16	0.56	
RC1022	32	36	4	3.11	2.88	0.23	0.08	0.33	
RC1022	42	65	23	5.04	4.69	0.35	0.14	0.46	
RC1023	26	50	24	3.90	3.57	0.33	0.16	0.44	
RC1023	56	70	14	4.48	4.09	0.39	0.21	0.28	
RC1024	28	54	26	4.15	3.68	0.46	0.27	0.43	
RC1024	60	72	12	3.44	3.15	0.29	0.15	0.22	
RC1025	28	61	33	3.11	2.85	0.26	0.13	0.52	
RC1026	38	45	7	7.15	6.56	0.59	0.29	0.41	
RC1027	30	50	20	6.26	5.64	0.63	0.38	0.32	
RC1028	28	70	42	5.31	4.96	0.35	0.19	0.30	
RC1029	26	66	40	5.12	4.72	0.39	0.25	0.31	
RC1030	24	60	36	4.59	4.21	0.38	0.21	0.50	
RC1031	44	82	38	3.36	3.02	0.34	0.20	0.63	
RC1032	38	56	18	6.48	5.90	0.58	0.30	0.35	
RC1033	34	55	21	7.86	7.30	0.57	0.20	0.40	
RC1034	29	56	27	6.86	6.28	0.58	0.34	0.27	
RC1035	40	52	12	4.89	4.25	0.64	0.55	0.21	
RC1036	30	68	38	4.51	4.14	0.37	0.28	0.34	
RC1037	30	55	25	4.09	3.85	0.25	0.20	0.33	
RC1038	38	57	19	8.53	7.89	0.64	0.29	0.36	
RC1039	26	38	12	3.90	3.41	0.49	0.42	0.43	
RC1040	36	60	24	14.61	13.90	0.71	0.13	0.17	
RC1041	29	36	7	5.72	5.33	0.39	0.12	0.16	
RC1042	38	54	16	3.04	2.72	0.32	0.16	0.43	
RC1042	70	94	24	3.04	2.56	0.48	0.52	0.31	
RC1066	28	30	2	3.22	2.98	0.24	0.14	0.10	
RC1068	26	30	4	3.59	3.36	0.23	0.07	0.45	
RC1070	24	26	2	2.78	2.50	0.28	0.09	0.25	