
QUARTERLY REPORT
FOR THE PERIOD ENDING 30 SEPTEMBER 2011

HIGHLIGHTS

- Achieving 5,000,000 hours Lost Time Injury (LTI) free on the Lynas Advanced Materials Plant (LAMP) construction project in Malaysia.
- The Mount Weld Concentration Plant is performing ahead of expectations with Final Concentrate Grade in line with, and REO recovery ahead of, targets for this point in the ramp-up schedule.
- Submission by Lynas of all requested documents to the Malaysia Atomic Energy Licensing Board (AELB) required for the pre-operational licence of the LAMP, as per the recommendations of the International Atomic Energy Agency (IAEA).
- Signing of a new long term supply agreement with BASF Corporation. The contract shall secure a substantial portion of BASF's long term lanthanum requirements, with a pricing mechanism tied to market price.
- Finalisation of a \$125m working capital facility with J.P. Morgan Chase Bank and Sumitomo Mitsui Banking Corporation.
- Signing of a Letter of Intent with Siemens to establish a joint venture company for the sustainable production of neodymium based Rare Earths magnets.
- Further promising assay results from the latest drilling campaign at Mount Weld.
- The appointment of Kathleen Conlon as a Non-Executive Director of the Company, effective 1 November 2011. Subsequent to the end of the quarter, Lynas also announced Luisa Catanzaro will commence as Chief Financial Officer effective 12 December 2011.

CORPORATE

During the quarter the Company made solid progress towards its goal of becoming the first new source of Rare Earths. In Western Australia, the Concentration Plant is performing ahead of our expectations, with concentrate grades in line and recoveries above our planned targets for this point of the ramp up schedule. This part of the production process is now considerably de-risked and Rare Earths concentrate is now being stockpiled in Western Australia.

In Malaysia, construction of the Lynas Advanced Materials Plant (LAMP) continues and was 78% complete at the end of the quarter. Slight delays in final procurement packages and associated delays in construction and contractor resourcing means it is likely that first feed to kiln will not occur until early Q1 2012. Subject to the receipt of the pre-operational licence, Lynas confirms its expectation to be in commercial supply during H1 2012.

During the quarter, Lynas executed a \$125m working capital facility with J.P. Morgan Chase Bank and Sumitomo Mitsui Banking Corporation to strengthen the Company's financial position ahead of first product sales. This replaces the OCBC facility which will not proceed.

Following the review of the LAMP by the International Atomic Energy Agency (IAEA) in June 2011, Lynas confirms it has submitted all the documents to the Atomic Energy Licensing Board (AELB) in Malaysia that are required for the pre-operational licence. This is subject to a normal compliance review process. Upon receipt of the pre-operational licence, Lynas will then commence shipments of Rare Earths concentrate to the LAMP.

During the quarter, the Company was pleased to announce the appointment of Kathleen Conlon as Non-Executive Director, effective 1 November 2011. Ms Conlon is currently a non-executive director of CSR Limited and REA Group Limited. Shortly after the end of the quarter the Company also announced that Luisa Catanzaro will commence as Chief Financial Officer effective 12 December 2011. Prior to joining Lynas, Ms Catanzaro was CFO at Dairy Farmers Group and before that, CFO of the Australian Agricultural Company Limited. Both appointments strengthen the Company's leadership, especially operational and manufacturing related capabilities.

SIEMENS MAGNET JOINT VENTURE

During the quarter the Company announced the signing of a Letter of Intent (LOI) with Siemens Drive Technologies Division, the world's leading supplier of entire drive trains with electrical and mechanical components, to establish a Joint Venture (JV) company for the sustainable production of neodymium based Rare Earths magnets.

The JV will be led by Siemens with the planned shareholding of the JV to be 55% Siemens and 45% Lynas. Lynas anticipates that it will provide raw materials, predominantly a combined neodymium/praseodymium metal, through a long term supply contract. The JV magnets will primarily serve Siemens' production requirements for energy-efficient applications, mainly for wind-turbine generators. Lynas is pleased to be able to provide the necessary ingredients of a stable, economically secure and environmentally sound supply chain which is required to enable this growth market to reach its full potential.

COMMENCEMENT OF OTCQX QUOTATION OF SPONSORED ADRS

Shortly after the end of the quarter, Lynas Corporation commenced trading of its sponsored American Depository Receipts (ADRs) on the OTCQX, the premium tier of the U.S. Over-the-Counter (OTC) marketplace. This provides the Company with better access to U.S. investors, without the significant regulatory costs associated with listing on a traditional U.S. exchange.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of Lynas shareholders will be held at 10am (Sydney time) on Wednesday 30 November 2011 at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney. A notice of meeting was issued in late October.

ENGINEERING AND CONSTRUCTION UPDATE

LYNAS ADVANCED MATERIALS PLANT IN MALAYSIA

As of the end of September 2011, the LAMP construction project team achieved 5,000,000 hours of works on-site Lost Time Injury (LTI) free.

Construction

As at the end of the quarter, the overall site construction progress was 78% complete. Structural building completion work continues on the cracking kiln and on the downstream extraction and post treatment areas of the plant. Equipment installation across the whole plant is progressing well and piping and electrical wiring works are ongoing.

Gas cleaning system for Rotary Kiln



Leaching, Up and Downstream Separation and Product Finishing Workshops at the LAMP



Downstream Extraction Batteries



Post Treatment Workshop: Precipitation Tanks and Centrifuges



Calcination Workshop: Tunnel Furnaces



LAMPS UP - PHASE 2 EXPANSION TO 22,000T REO

LAMPS Up in Western Australia

The detailed feasibility study for the planned expansion of the Concentration Plant to double its capacity is now complete and the Invitation To Bid document for an Engineering, Procurement, Construction (EPC) contract for the expansion of the Concentration Plant at Mount Weld was issued to interested bidders during the quarter. Lynas has received competitive bids from a number of interested parties and expects to award the contract later this year. Work for the required regulatory approvals associated with the plant expansion continued during the quarter.

OPERATIONAL UPDATE

WESTERN AUSTRALIA OPERATIONS

Following the commissioning of the Concentration Plant in the prior quarter the Plant continued to ramp up and is performing ahead of expectations. As at the end of September, the Concentration Plant had achieved a Final Concentrate Grade of 36.8% REO and a Recovery of 64%, which compares to a target Final Concentrate Grade of 37% REO and a Recovery of 58% for this point in the planned ramp-up schedule. Concentrate stockpiles onsite total more than 700 tonnes of contained REO. The Concentration Plant will continue to operate on two shifts only until the start up of the LAMP in Malaysia.

On Site Exploration

During the September quarter, a complete set of assay results from an extension drilling program on the western side of the Central Lanthanide Deposit and the current open pit at Mount Weld were released. A total of 154 holes and 9,561 metres were drilled to delineate the REO resource in this area to at least an Indicated status, and to carry mining studies to include the western side of the Central Lanthanide Deposit into the mine planning process.

The results are very encouraging and include some outstanding intersections such as 42.0m @ 13.63% REO, 60m @ 12.36% REO, 43.5m @ 11.3%REO, 72m @ 11.2% REO and 44m @ 10.3% REO. Within these intervals are a number of shorter intervals above 15% REO.

The full update and interpretation of the drill program results should be available in the coming months.

MALAYSIA OPERATIONS

Over the quarter the Lynas Malaysia Operations staff numbers increased from 167 to 210 people as at the end of September 2011.

The Malaysian Operations team presented the required safety case work to the AELB in early September as part of the recommendations from the IAEA. The Lynas Malaysia team have also participated in a number of community briefings and have met with more than 3,500 local residents in Malaysia since Lynas received the IAEA recommendation to intensify its communications activities. Lynas also hosted TV3 Malaysia in Sydney, Western Australia and Kuantan to enable a documentary on Mount Weld and the LAMP to be broadcast in Malaysia.

The Ready For Start Up (RFSU) programme continued during the quarter with work progressing on commissioning procedures, Standard Operating Procedures, and maintenance procedures. Acceptance testing of various equipment and installations continues including the energization of the TNB (the national electricity supplier) substation, acceptance testing of the natural gas pipeline and completion and handover of the site administration building during the quarter. Staff training continues ahead of construction completion and start-up of the LAMP.

Overall, the RFSU program was about 85% complete at the end of the quarter.

MALAWI OPERATIONS

Following the finalisation of the purchase earlier this year, work continues on the Kangankunde Project in Malawi. Work on the Project during the quarter included completion of drill site access tracks and preparation of over 40 drill pads. An extensive drill program is planned, aimed at not only confirming the existing resource estimate but also to investigate the potential of expanding the resource, both along strike and at depth. The ramp up of drilling activity is planned to occur in 2012.

SUSTAINABILITY

The Mount Weld Concentration Plant maintained its zero lost time injury (LTI) safety record whilst transitioning into its operational phase. A number of minor injuries, hazards and near miss

incidents were reported confirming a mature safety culture on site and providing the team with opportunities to learn lessons and prevent the occurrence of similar incidents.

During the quarter the LAMPS On construction project team achieved 5 million hours lost-time-injury-free for the project. The engineering design and construction execution of the LAMP continues to be implemented in accordance with all appropriate international standards and practices, suitable for the LAMP's specific location, to facilitate a safe and viable operation.

The Balok Ivory Tower programme, an academic programme sponsored by Lynas local Malaysian school children, continued as scheduled during the quarter.

GLOBAL MARKET ACTIVITY

INDUSTRY NEWS

On 15 July 2011 the Ministry of Commerce of the People's Republic of China released 15,738 tonnes of approved Rare Earths export quota for the second half of 2011. The total export quota for 2011 is therefore 30,184 tonnes for both local and foreign owned companies. This is slightly lower than the total quota for 2010 of 30,259 tonnes. However in May this year the Ministry of Commerce and General Administration of Customs jointly issued a notice stating, from 20 May 2011 onwards, ferrous alloys containing Rare Earths elements greater than 10% by weight of the total content will be included into the Rare Earths export quota license management system.

In September, Baotou Steel Rare-Earth Hi-Tech Co. Ltd announced that its subsidiary, Baotou Steel Rare-Earth International Trade Co. Ltd, would purchase neodymium/praseodymium oxide for stockpile purposes should prices fall below RMB900/kg (US\$141/kg).

After the end of the quarter, the "Emissions Standards for Rare Earth Industry" issued by the China Ministry of Environmental Protection in February 2011 were officially implemented on 1 October 2011. The standards set a threshold of environmental protection for China domestic Rare Earths enterprises. Those companies that fail to comply with the emission standards face the risk of being shut down.

RARE EARTHS PRICES

Inside China, the average quarterly domestic Rare Earths price for the Mount Weld Rare Earths distribution increased during the quarter to US\$82.96/kg REO, a 20% increase, reflecting the tight supply-demand situation and the impact on Chinese production costs of tighter environmental protection measures.

The average quarterly FOB China price for the Mount Weld Rare Earths distribution increased to US\$193.21/kg REO, a 12% increase. However, subsequent to the end of the quarter, FOB China prices have declined to US\$129.77/kg currently. Domestic China prices have fallen more modestly and are now US\$68.07/kg. The gap between domestic China and international prices was excessive and unsustainable to maintain the competitiveness of non-China Rare Earths consumers. The gap between China domestic and international prices is now reducing and this dynamic is more sustainable for the Rare Earths industry.

Rare Earths Prices FOB China (US\$/kg)				
Rare Earths Oxide	Mt Weld Composition % Rare Earth Oxide*	Average Price Over Quarter		
		Q3 2010	Q2 2011	Q3 2011
Purity 99% min				
Lanthanum Oxide	25.50%	23.67	135.02	117.68
Cerium Oxide	46.74%	23.05	138.29	118.65
Neodymium Oxide	18.50%	55.81	256.15	338.85
Praseodymium Oxide	5.32%	54.37	220.08	244.73
Samarium Oxide	2.27%	14.40	125.60	129.45
Dysprosium Oxide	0.12%	281.54	921.20	2262.31
Europium Oxide	0.44%	585.31	1830.00	4900.00
Terbium Oxide	0.07%	593.38	1659.20	3761.54
Av. Mt Weld Composition		34.06	173.20	193.21

* 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 Lanthanide Deposit at Mount Weld, on a Freight On Board (FOB) China basis.

The table below shows the equivalent prices on a China domestic price basis.

Rare Earths Prices China Domestic (US\$/kg)				
Rare Earths Oxide	Mt Weld Composition % Rare Earth Oxide*	Average Price Over Quarter		
		Q1 2011	Q2 2011	Q3 2011
Purity 99% min				
Lanthanum Oxide	25.50%	7.37	21.65	21.90
Cerium Oxide	46.74%	8.21	28.07	25.17
Neodymium Oxide	18.50%	60.11	162.57	198.23
Praseodymium Oxide	5.32%	52.49	119.31	149.99
Samarium Oxide	2.27%	3.71	13.50	20.50
Dysprosium Oxide	0.12%	344.51	1062.21	1743.32
Europium Oxide	0.44%	551.32	2391.16	3527.15
Terbium Oxide	0.07%	543.70	2011.38	2672.13
Av. Mt Weld Composition		23.20	69.38	82.96

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

Weekly updates of these prices can be found on the Lynas website, lynascorp.com, under "What Are Rare Earths?" then "What are their prices?".

COMMERCIAL DISCUSSIONS

During the period, Lynas signed a significant new long term supply agreement with BASF Corporation for the supply of Rare Earths to be produced at the LAMP in Malaysia. BASF's Fluid Catalytic Cracking business consumes lanthanum and the contract shall secure a substantial portion of BASF's long term lanthanum requirements, with a pricing mechanism tied to market price. The contract shall be for product supplied from both Phase 1 and the Phase 2 expansion of the LAMP.

The Siemens Lynas Joint Venture, discussed in the Corporate Section of the Quarterly Report, is a significant commercial relationship for Lynas. This announcement highlights the industry confidence in the Lynas value propositions and product offering to the market.

The Company continues to be engaged in a number of additional negotiations with other key customers in Europe, Japan and the USA concerning potential supply agreements.

FINANCE

CASH POSITION

A summarised cash flow for the quarter ended 30 September 2011 is set out below.

CASH FLOW	A\$M
OPENING CASH BALANCE 1 JULY 2011	433.96
INFLOWS	
Interest and other income received	2.63
Exercised Options	0.19
TOTAL INFLOW OF FUNDS IN THE QUARTER	2.82
OUTFLOWS	
Mt Weld Concentration Plant	(10.20)
Malaysian Advanced Materials Plant	(55.70)
Investments/ Security deposits/ Other capital expenditure	(0.30)
Interest and other costs of finance	(3.35)
Ongoing operational costs	(16.31)
TOTAL OUTFLOW OF FUNDS IN THE QUARTER	(85.86)
Exchange rate adjustment	19.35
CLOSING CASH BALANCE 30 SEPTEMBER 2011	370.27
Summary of Cash Balance	
Cash on Hand and at Call (incl. Term Deposits)	122.71
Funds for Construction of Phase 2	247.56
CLOSING CASH BALANCE 30 SEPTEMBER 2011	370.27

The total cash balance at the end of September was \$370m represented by Restricted Cash of \$248m allocated for capital expenditure on the Phase 2 expansion of the plants at Mount Weld and in Malaysia and the balance for working capital and Phase 1 capital expenditure. The forex composition for the total cash was A\$97m, US\$227m and MYR130m. Interest income received totalled \$2.6m with an interest receivable of approximately \$1.7m at the end of September.

FOREX

Volatility in the forex markets continued in the quarter with the Australian dollar depreciating during the quarter by 7.5% and 3.2% respectively against the US\$ and the Ringgit. This resulted in \$19m favourable exchange rate adjustment.

WORKING CAPITAL

During the quarter Lynas finalised a \$125m unsecured working capital facility with J.P. Morgan and Sumitomo Mitsui Banking Corporation that will be used for working capital purposes and for completion of Phase 1 of the LAMP in Malaysia.

EXPENDITURE ON PHASE 1 OF THE RARE EARTH PROJECT

The following summary sets out the forecast future capital expenditure spend for Phase 1 of the Rare Earths Project.

ESTIMATED CONSTRUCTION & OTHER CAPITAL COSTS	FORECAST TOTAL COST A\$M	SPEND TO 30 SEPT '11 A\$M	FUTURE SPEND A\$M
Mount Weld Concentration Plant	76.32	75.31	1.01
Advanced Materials Plant, Malaysia	300.06	189.91	110.15
Engineering & Project Management Cost	146.44	132.97	13.47
Other Capex including Land at Gebeng	70.85	56.98	13.87
Contingency	5.00	0.00	5.00
TOTAL	\$598.67	\$455.17	\$143.50

Note: Expected future spend will be met by existing cash and the undrawn \$125m working capital facility.

The forecast final cost for Phase 1 has increased from \$569.5m to \$598.7m as at 30 September 2011, mainly due to additional costs associated with procurement, construction delays and contractor resourcing. Lynas now anticipates that the construction and commissioning will be completed by early 2012.

EXPENDITURE ON PHASE 2 OF THE RARE EARTH PROJECT

There is no change to the estimated capital cost of the Phase 2 expansion which will be funded by the Restricted Cash of \$248m.

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 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.