

17 February 2009

Dear Shareholder

LYNAS QUARTERLY REPORT – Q4 2008

Enclosed is a copy of our quarterly report for the final quarter of 2008.

You will have seen from recent announcements that as a result of the uncertainty concerning the financing structure for the Company's Rare Earths Project, the Company is suspending work on the project. We now provide the following additional updates.

The Company continues to be confident about the future of the Mount Weld Rare Earths project. Lynas continues to hold the view that the project is sound, even in the current financial environment, and that with appropriate funding structures in place, the Company will have an exciting future. Both Rare Earths demand and prices remain robust and the project economics remain solid. The suspension of the project is a result of the current global constraints on the availability of capital.

The Company continues to assess all of its options concerning the convertible bond facility and the Company expects to be in a position to update the market further in coming days.

The Company's cash balance at 31 January 2009 was approximately A\$55 million. The Company is currently implementing a suspension of the project in a manner that will allow a rapid restart of the project as soon as a satisfactory funding base is secured. Given financial market uncertainty the Company estimates that this refinancing could take between 6-12 months. In the meantime procurement and construction activities will be halted at the logical point of suspension – in some cases this will involve additional work to achieve suspension, and in other cases suspension will occur immediately. Contractual obligations are being examined on a case by case basis and all vendors and contractors are being contacted. The vast majority are showing significant support for Lynas' position and terms are being negotiated to minimise cash outlay pending a restart.

The Company's current estimate of the expenditure over the next few months to suspend the project is difficult to assess precisely until all negotiations are complete, however it is estimated at approximately A\$45 million. This would leave the Company with a cash balance of approximately A\$10 million before meeting normal ongoing operating costs.

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

It is worth noting again that significant development work has been undertaken on the project, including detailed engineering and project planning, significant procurement of essential equipment, preparation of the site in Malaysia and the mining of a large stockpile of high grade ore at Mount Weld.

All of this work will be used in restarting the project.

Once the suspension is completed, the Company will evaluate the cost to restart the project through to completion, and the Company will report to the market the cost to restart and the percentage completed in each area of the project.

We look forward to updating you further through our market announcements.

Yours faithfully



Nicholas Curtis
Executive Chairman