Lynas Corporation Ltd

ACN 009 066 648

Half-Year Financial Report

for the half-year ended 31 December 2007

Directors Report

Your directors submit their report for the half-year ended 31 December 2007.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Nicholas Curtis (Executive Chairman)

Jacob Klein

David Davidson

William Forde (appointed 4 December 2007)

Review of operations and results

Lynas focus remains on the implementation of the "Rare Earths Direct" Production Model, establishing a reliable, fully integrated, supply chain from mine through to separated products ready for sale to customers.

Mining Operations:

Mining commenced at Mount Weld in June 2007 and escalated during the first half of this financial year. The mine development and removal of the overburden is substantially complete and the initial 98,000 tonnes of Rare Earths ore has been stockpiled. The mining operation is on schedule and within budgeted costs. This first mining campaign will continue for the next six months to accumulate ore stocks totalling 530,000 tonnes. The second campaign is scheduled for mid 2010.

Finalisation of Production Model:

Ongoing progress can be reported in final detailed engineering design over the last six months. Two further value enhancing decisions were made at the end of the last calendar year:

1. The decision to locate the concentration plant at Mount Weld next to the mine in Western Australia. This decision reduces the annual shipping volume from 240,000t of ore to 65,000t of concentrate from 2011 onwards when the processing plant in Malaysia is operating at an annual capacity of 21,000t REO.

   The concentrate will now be shipped in containers due to the significant decrease in volume and increase in value. Originally it was planned to ship untreated ore via bulk transportation. This change is in line with new standards which are expected to be introduced by the Western Australian Government.

Directors Report (cont)

2. The Board also approved a recommendation to increase the separation capacity to enable all light Rare Earths to be separated as a final product in Malaysia. The overall production capacity for the initial phase remains at 10,500tpa.

Engineering & Construction:

Ranhill WorleyParsons, the designated EPCM Contractor, has responsibility for engineering design for the Concentration Plant at Mt Weld and the Advanced Materials Plant for Cracking and Separation in Malaysia.

Additional Malaysian Government Incentives:

Following a request from Lynas to consider granting some compensation for the delay in the project following the unexpected relocation of the plant from Terengganu, the Malaysian Hon. Minister of Finance approved a revised incentive package to Lynas Malaysia Sdn Bhd, and confirmed that "Pioneer Status" will be maintained for the revised location of the Rare Earths processing plant.

The additional incentives included:

- An extension to twelve years duration for the 100% corporate tax exemption at the statutory income level
- Full exemption from Stamp Duty for acquisition of industrial land
- An exemption on import duty and sales tax on all raw materials, machinery, equipment and components imported in to the country and used by Lynas for the purposes of its Rare Earths manufacturing project was maintained.
- A matching training grant (1:1) not exceeding RM1.2 million ($400k), for a period of three years, for expenditure incurred in training Malaysians

Capital Costs:

The table below shows the revised capital costs for the Advanced Material Project and the ongoing operational costs:

AUD M	TOTAL BUDGET JUL 07 - SEP 09	CAPEX 1ST HY FY 08	REMAINING CAPEX
Western Australia Concentration Plant	40.0	1.7	38.3
Western Australia Mining	30.0	13.7	16.3
Malaysian Advanced Materials Plant	215.0	8.2	206.8
Contingency	30.0	-	30.0
Malaysian Land	30.0	6.0	24.0
Start up Costs Malaysia	20.0	0.2	19.8
Total Capital Expenditure	365.0	29.8	335.2
Working Capital	15.0	-	15.0
Ongoing Operational & Financing Costs	35.0	7.7	27.3
Total Cash Outflow	415.0	37.5	377.5

This budget reflects the estimated costs to complete the initial production capacity of 10,500tpa and covers the start up costs and ongoing expenses before positive cash flow is planned to be achieved in late 2009.

Finance:

The company opened the half year with $64.0 million of available cash and closed the half year with a balance of $89.8 million. The increase in cash of $25.8 million was as follows:

Cash Flow Statement		Half Year 31/12/07 AUD $m
OPENING CASH		64.0
Interest and other income received	3.1	
Receipts from share issue and exercise of options	60.2	
TOTAL INCOME		63.3
Less		
Malaysian Processing Plant	8.2	
Malaysian Start-up Cost	0.2	
Western Australia Concentrator	1.7	
Western Australia Mining	13.7	
Malaysian Land	6.0	
Corporate Overheads and Financing Costs	7.7	
TOTAL OUTFLOW		37.5
Movement in cash		25.8
CLOSING CASH BALANCE 31 DECEMBER 2007		89.8

Project Capital costs are funded. In addition to the $89.8m cash on hand, the company has secured commitments for a convertible bond facility of US$95m and has been offered a senior loan facility of US$105m which is being documented. Incremental funding has to be secured before reaching positive cash flow for potential usage of contingency, working capital and a proportion of the start up costs. The additional funding required could be up to $60m.

Rare Earths Prices:

Chinese Government authorities announced an increase of the export tariff on Rare Earths, effective 1 January 2008. The export tariff, which was originally introduced 14 months ago at 10% for all Rare Earths, has been increased as follows:

- Europium, Terbium, Dysprosium, Yttrium as oxides carbonates, or chlorides 25%
- All other Rare Earth oxides, carbonates, and chlorides 15%
- Neodymium as metal 15%
- All other Rare Earths metals 25%

The export tariff increase on current prices has lead to an international market price increase to US$12.87/kg of Rare Earths Oxide for the Mount Weld composition average price as at 4 February 2008.

A summary of the recent price movements for Rare Earths is provided below;

Rare Earths Prices FOB China (US$/kg)

Rare Earths Oxide	Mt Weld Composition	Average Price Over Quarter		
Purity 99% min	% Rare Earth Oxide*	Q4 2006	Q3 2007	Q4 2007
Lanthanum Oxide	25.50%	2.23	4.09	4.44
Cerium Oxide	46.74%	1.68	3.80	3.72
Neodymium Oxide	18.50%	22.21	35.35	29.81
Praseodymium Oxide	5.32%	20.45	34.63	28.14
Samarium Oxide	2.27%	2.45	4.41	4.40
Dysprosium Oxide	0.12%	83.60	90.80	91.30
Europium Oxide	0.44%	247.10	370.40	354.20
Terbium Oxide	0.07%	560.80	604.60	609.20
Av. Mt Weld Composition		8.27	13.61	12.21

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

Directors Report (cont)

Business Development – Malawi:

The Company continues to work through the completion of various conditions precedent in the Purchase Agreement for the Kangankunde Rare Earths deposit hosted in Malawi, Africa, some of which are experiencing delays. Meanwhile the Company is making preparations for establishing an environmental management plan and will undertake a drilling program once the sale is complete.

Operating Results:

The group incurred a net Loss for the half-year of A$5.4 million (A$3.4m in 2006), which included interest revenue of A$3.1 million (A$1.7m in 2006). The increase in costs is reflective of the Group increasing the rate of development and moving into a production phase for the mining operations.

The Company had a closing cash position at 31 December 2007 of A$89.8 million, compared with a closing cash position of A$64.0 million at 30 June 2007.

Rounding:

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Directors Report (cont)

Auditor's Independence Declaration

We have obtained the following independence declaration from our auditors, Ernst & Young.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959

Auditor's Independence Declaration to the Directors of Lynas Corporation Corporation Limited

In relation to our review of the financial report of Lynas Corporation Corporation Limited for the year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Gary Daniels
Partner
Sydney
27 February 2008

Signed in accordance with a resolution of the directors.

N. Curtis
Executive Chairman

J Klein
Director

Sydney, 27 February 2008

Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

		CONSOLIDATED	
		Half Year to 31-Dec-2007	Half Year to 31-Dec-2006
	Note	$'000	$'000
REVENUE	2	3,099	1,653
EXPENSES			
Salaries and employee benefits expense	2	4,581	1,318
Other expenses from ordinary activities	2	3,292	1,414
Depreciation expense	2	82	55
Impairment of deferred exploration, evaluation and development costs	2	502	706
Borrowing costs expense	2	24	1,592
LOSS BEFORE INCOME TAX EXPENSE		(5,382)	(3,431)
INCOME TAX EXPENSE		-	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF LYNAS CORPORATION LIMITED		(5,382)	(3,431)
Basic Loss Per Share (Cents Per Share)	9	(0.95)	(1.08)
Diluted Loss Per Share (Cents Per Share)	9	(0.95)	(1.08)

Balance Sheet

AS AT 31 DECEMBER 2007

		CONSOLIDATED	
		AS AT 31-Dec-2007	AS AT 30-Jun-2007
	Note	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents		89,842	64,036
Trade and other receivables	3	11,812	3,002
Prepayments		232	91
TOTAL CURRENT ASSETS		101,886	67,129
NON-CURRENT ASSETS			
Inventory		1,705	-
Property, plant and equipment	4	18,082	6,291
Deferred exploration, evaluation and development costs	5	31,044	18,805
Intangible Assets		297	-
TOTAL NON-CURRENT ASSETS		51,128	25,096
TOTAL ASSETS		153,014	92,225
CURRENT LIABILITIES			
Trade and other payables		8,497	5,437
Provisions	6	463	330
TOTAL CURRENT LIABILITIES		8,960	5,767
NON-CURRENT LIABILITIES			
Provisions	6	1,541	370
TOTAL NON-CURRENT LIABILITIES		1,541	370
TOTAL LIABILITIES		10,501	6,137
NET ASSETS		142,513	86,088
EQUITY			
Issued capital	8	192,130	131,939
Accumulated losses		(51,857)	(46,475)
Reserves		2,240	625
TOTAL EQUITY		142,513	86,088

Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	CONSOLIDATED Half Year to 31-Dec-2007 $'000	Half Year to 31-Dec-2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from rental		-	99
Payments to suppliers and employees		(6,327)	(4,102)
Interest received		3,099	1,006
Borrowing Costs		-	(722)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(3,228)	(3,719)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,007)	(23)
Proceeds from sale of property, plant and equipment		-	667
Advance Payment for Land acquisition		(5,957)	-
Security bonds paid		(149)	-
Deferred consideration for Mt. Weld		-	(5,727)
Payments for exploration and development		(12,890)	(1,192)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(29,003)	(6,275)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares, convertible notes and exercising options	8	60,191	74,700
Repayment of Borrowings		-	(5,075)
Financing Establishment Fees and Costs		(2,154)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		58,037	69,625
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,806	59,632
Add opening cash brought forward		64,036	7,186
CLOSING CASH AND CASH EQUIVALENTS		89,842	66,817

Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED	Issued capital	Convertible Notes Equity Component	Accumulated Losses	Reserves	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2007	131,939	-	(46,475)	625	86,089
Currency Translation differences	-	-	-	9	9
Loss for the period	-	-	(5,382)	-	(5,382)
Total income/(expense) for the year	-	-	(5,382)	9	(5,373)
Exercise of options	3,951	-	-	-	3,951
Allotment of new shares	60,000	-	-	-	60,000
Cost of share based payments	-	-	-	1,606	1,606
Cost of Equity raising	(3,760)	-	-	-	(3,760)
At 31 December 2007	192,130	-	(51,857)	2,240	142,513

HALF-YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED	Issued capital	Convertible Notes Equity Component	Accumulated Losses	Reserves	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2006	53,840	532	(40,274)	216	14,314
Currency Translation differences	-	-	-	(108)	(108)
Loss for the period	-	-	(3,431)	-	(3,431)
Total income and expense for the period	-	-	(3,431)	(108)	(3,539)
Exercise of options	2,768	-	-	-	2,768
Convertible Note Issue Cost	-	(187)	-	-	(187)
New Convertible Note Equity component	-	2,415	-	-	2,415
Allotment of new shares	40,000	-	-	-	40,000
Cost of share based payments	-	-	-	266	266
Cost of Equity raising cost	(2,268)	-	-	-	(2,268)
At 31 December 2006	94,340	2,761	(43,706)	374	53,770

Notes to the Half-Year Financial Statements

31 DECEMBER 2007

Lynas Corporation Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange ("ASX"). The nature of the operations and principle activities of the Group are described in the Directors' Report.

The financial report of Lynas Corporation Ltd for the half year ended 31 December 2007 was authorised for issue in accordance with a resolution of Directors on 19 February 2008. The reports are disclosed in Australian dollars.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Lynas Corporation Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Lynas Corporation Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The half year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting".

Except for the changes in accounting policies noted below, the half year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2007

(b) Changes in accounting policies

Since 1 July 2007, the consolidated entity has adopted AASB 7 Financial Instruments: Disclosures which is mandatory for annual reporting periods beginning on or after 1 January 2007. Adoption of this standard did not have any effect on the financial position or performance of the consolidated entity. Disclosures required under this standard will be contained in the annual report for the year ended 30 June 2008.

(c) New accounting policies

Since 1 July 2007, the consolidated entity has adopted the following new accounting policies as a result of new operating conditions.

Inventories

Inventories are valued at the lower of cost and net realisable value. The costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Ore Stockpiles: Cost of direct material and labour and a proportion of amortised development and pre-stripping costs.

Intangibles

Capitalised software is initially measured at cost. Following initial recognition, the assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation period is 5 years. Capitalised software is tested for impairment whenever there is an indication that the intangible asset may be impaired.

Notes to the Half-Year Financial Statements

31 DECEMBER 2007

	Notes	CONSOLIDATED 31-Dec-2007 $'000	31-Dec-2006 $'000
2. LOSS FROM ORDINARY ACTIVITIES			
Revenue			
Interest Revenue		3,099	1,605
Other Revenue		-	48
		3,099	1,653
Expenses			
Depreciation expense		82	55
Borrowing costs expense		24	1,592
Impairment of deferred exploration, evaluation and development costs		502	706
Salaries and employee benefits expense			
Salaries & employee costs		2,292	940
Expense of employee share based payments		1,606	266
Recruitment Costs		683	61
Total Salaries and Employee Benefits Expense		4,581	1,318
Other Expenses			
Accounting & Tax Consulting		91	30
Consultancy		1,079	350
Legal Fees		247	58
Office expenses		194	141
Operating Lease Rental		199	108
Travel and accommodation		740	279
Other expenses from ordinary activities		742	448
		3,292	1,414
Loss from Ordinary Activities		(5,382)	(3,431)

3. TRADE AND OTHER RECEIVABLES - CURRENT	31-Dec-2007 $'000	30-Jun-2007 $'000
Security Bonds	2,894	2,745
Advance paid in relation to land acquisition	5,957	-
Debt Establishment Fee	2,716	
GST Receivable	125	148
Other Receivable	120	109
	11,812	3,002

Notes to the Half-Year Financial Statements

31 DECEMBER 2007

	Notes	CONSOLIDATED 31-Dec-2007 $'000	CONSOLIDATED 30-Jun-2007 $'000
4. PROPERTY, PLANT & EQUIPMENT			
Capitalised Project Costs (Rare Earths Processing Plant)	(i)	17,424	5,984
Leasehold Improvements			
At cost		188	131
Accumulated amortisation		(111)	(100)
Furniture & Fittings			
At Cost		1,094	719
Accumulated depreciation		(513)	(442)
Total property, plant and equipment		18,082	6,292

(i) The capitalised Project Costs for the Rare Earths Processing Plant includes the Concentration Plant to be constructed at Mt Weld in Western Australia and the Advanced Materials Processing Plant to be constructed in Malaysia

Reconciliation

Reconciliations of the carrying amounts of property, plant & equipment at the beginning and end of the current and previous financial years

	31-Dec-2007 $'000	30-Jun-2007 $'000
Capitalised Project Costs (rare Earths Processing Plant)		
Opening balance	5,984	-
Additions	11,942	5,984
Disposals / Write offs	(502)	-
Closing Balance	17,424	5,984
Land		
Opening balance	-	667
Additions	-	-
Disposals	-	(667)
Closing Balance	-	-
Leasehold Improvements		
Opening balance	31	54
Additions	57	-
Depreciation for year	(11)	(23)
Closing Balance	77	31

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Notes to the Half-Year Financial Statements

31 DECEMBER 2007

	Notes	CONSOLIDATED 31-Dec-2007 $'000	30-Jun-2007 $'000
4. PROPERTY, PLANT & EQUIPMENT (cont)			
Furniture & Fittings			
Opening balance		277	182
Additions		375	222
Depreciation for year		(71)	(127)
Closing Balance		581	277
Property, Plant & Equipment - Net book value		18,082	6,291
5. DEFERRED EXPLORATION, EVALUATION & DEVELOPMENT COSTS			
Exploration, evaluation and development costs carried forward in respect of mining areas of interest & Rare Earths processing facilities:			
Capitalised Exploration Expenditure		506	87
Capitalised Development Expenditure			
Mining operations at Mt Weld		31,506	18,717
Amortisation – Capitalised in Inventory		(968)	-
		31,044	18,805
Reconciliation			
Reconciliations of the carrying amounts of deferred exploration, evaluation and development costs at the beginning and end of the current financial year.			
Costs brought forward		18,805	17,120
Expenditure incurred during the year		13,207	3,486
Research & Development Grant Received		-	(367)
Amortisation – Capitalised in Inventory		(968)	-
Reduction in carrying value		-	(1,434)
		31,044	18,805

Notes to the Half-Year Financial Statements

31 DECEMBER 2007

	Notes	CONSOLIDATED 31 December 2007 $'000	30 June 2007 $'000
6. PROVISIONS			
Current Provisions			
Employee benefits		463	330
		463	330
Non-Current Provisions			
Employee benefits		96	120
Restoration, rehabilitation and closure		1,445	250
		1,541	370
		2,004	699
Reconciliation :			
Movements in Provision for Restoration, Rehabilitation & Closure			
Carrying value at beginning of period		250	126
Increase / reduction in provision		1,195	165
Amounts utilised during the year		-	(41)
Carrying value at end of period		1,445	250

7. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been declared or proposed

Notes to the Half-Year Financial Statements

31 DECEMBER 2007

	CONSOLIDATED 31-Dec- 2007 $'000	CONSOLIDATED 30-Jun-2007 $'000
8. ISSUED CAPITAL		
Ordinary shares full paid	192,130	131,939
	192,130	131,939

Movement in shares on issue	31-Dec-2007 Number of Shares '000	31-Dec-2007 $'000	30-Jun-2007 Number of Shares '000	30-Jun-2007 $'000
Beginning of the financial year	502,057	131,939	245,825	53,840
Issued during the year				
Issue of shares pursuant to exercise of convertible notes	-	-	87,500	32,773
Issue of shares pursuant to option conversion	16,349	3,951	39,700	8,394
Allotment of new shares	52,174	56,240	129,032	36,932
Total share issues during the year	68,523	60,191	256,232	78,099
End of the financial year	570,580	192,130	502,057	131,939

Notes to the Half-Year Financial Statements

31 DECEMBER 2007

	CONSOLIDATED	
	31-Dec- 2007	30-Jun-2007
	$'000	$'000
9. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share		
Net loss	(5,382)	(3,431)
Earnings used in calculating basic and diluted earnings per share	(5,382)	(3,431)

	Number of Shares	
	31-Dec- 2007	30-Jun-2007
	'000	'000
Weighted Average number of shares used in calculating earnings per share	565,430	317,685
Effect of Dilutive Securities:		
The number of options and convertible notes which are potential ordinary shares that are not dilutive and hence not used in the valuation of the diluted earnings per share	24,044	55,269
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	565,430	317,685
Basic loss per share (cents per share)	(0.95)	(1.08)
Diluted loss per share (cents per share)	(0.95)	(1.08)

Notes to the Half-Year Financial Statements

10. SEGMENT INFORMATION

Geographical segments	Australia		Asia		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Segment Revenue	-	48	-	-	-	48
Segment Expenses	(7,449)	(4,378)	(1,032)	(706)	(8,481)	(5,084)
Segment result	(7,449)	(4,330)	(1,032)	(706)	(8,481)	(5,036)
Interest Income					3,099	1,605
Consolidated entity loss from ordinary activities before income tax expense					(5,382)	(3,431)

Notes to the Half-Year Financial Statements

11. EVENTS SUBSEQUENT TO BALANCE DATE

Convertible Note Facility

The Board of Lynas Corporation Limited ("Lynas") (ASX code LYC) is pleased to announce that Subscription Agreements have been executed by Liberty Harbor, a Goldman Sachs Asset Management (GSAM) fund and other clients of Patersons Securities Limited in respect of the convertible note facility announced by the Board of Lynas on 22 November 2007.

The aggregate principal amount of USD 95 million (AUD 106 million) is to be issued in convertible bonds early March 2008, subject to customary closing conditions.

The bonds are convertible into fully paid ordinary shares of Lynas subject to and in accordance with the terms and conditions of the convertible bonds. The detailed terms and conditions will be released upon financial close. The key terms of the convertible bonds are as follows:

- Face value of USD 95 million
- Interest coupon of 8.25% p.a.
- Conversion price of US $1.36 per share
- 5 year maturity with an option for Lynas to extend for an additional year
- Ability to pay interest through the issuance of additional notes or ordinary shares
- Second ranking security behind the proposed senior loan bank debt facility and secured against the assets of the Advanced Material Project.
- Drawdown subject to satisfaction of conditions precedent

Subject to certain conditions the early redemption of the notes can be requested by Lynas following the second anniversary of the issuance of the notes should the Lynas share price for a period of twenty consecutive trading days trade above 160% of the conversion price of the convertible note then in effect.

Proceeds from the offering will be used for the development of the company's Advanced Materials Project, specifically the mine and Concentration Plant at Mount Weld in Western Australia and Advanced Material Plant in Malaysia.

Deferral of Loan Establishment Fees

A non-refundable loan establishment fee and associated costs totaling $2.7m was paid during the half year ended 31 December 2007. These costs have been deferred at balance date pending drawdown of the facility.

Directors' Declaration

In accordance with a resolution of the directors of Lynas Corporation Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half year ended on that date of the consolidated entity; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

N. Curtis
Executive Chairman

J Klein
Director

Sydney, 27 February 2008

ERNST & YOUNG

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Australia

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To the members of Lynas Corporation Limited

Report on the Interim Financial Report

We have reviewed the accompanying half-year financial report of Lynas Corporation Limited which comprises the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year period ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of Lynas Corporation Limited and the entities it controlled during half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which follows the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lynas Corporation Limited is not in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

Ernst & Young

Gary Daniels
Partner
Sydney
27 February 2008