LYNAS SIGNS AGREEMENT TO ACQUIRE CSBP RIGHTS WITHIN MOUNT WELD TENEMENTS

Key Points:

- Lynas and CSBP sign formal sale agreement in which Lynas shall acquire apatite rights at Mount Weld previously owned by CSBP Limited (a subsidiary of Wesfarmers Ltd)
- Lynas already owns all other mineral rights within the Mount Weld tenements
- This transaction allows Lynas to acquire legal title of mining lease M38/327, to give the Company ownership of all relevant tenements at Mount Weld and the rights to all mineral commodities from those tenements
- The most prospective apatite mineralisation is largely contained in M38/327 with JORC Code compliant Indicated Resources of 60.4Mt @ 19.2% P2O5 (10% cut-off)

Lynas Corporation Limited (ASX: LYC) is pleased to announce it has signed a formal sale agreement to acquire all of the rights of CSBP Limited (CSBP) in relation to the mining leases located at Mount Weld, Western Australia. These rights relate to the apatite at Mount Weld which can be used in the production of phosphatic fertiliser or phosphoric acid.

Upon completion of this transaction Lynas shall be the registered holder of all relevant tenements at Mount Weld and have the rights to all minerals within these tenements.

It is anticipated this transaction will simplify the legal ownership of the tenements and mineral rights at Mount Weld. This in turn will facilitate the potential development of both the Crown Polymetallic Resource and additional Rare Earths resources at Mount Weld by eliminating third party negotiations regarding the potential development of future resources which contain both apatite and other minerals.

The focus of Lynas remains the development of the Mount Weld Rare Earths project.

Mount Weld is known to host apatite mineralisation. This transaction will transfer the rights to this mineralisation to Lynas. This mineralisation contains JORC Code compliant Indicated Resources of 60.4Mt @ 19.2% P2O5 (10% P2O5 cut-off), and pilot plant demonstrations showed that a concentrate suitable for phosphate fertilizer manufacture could be produced from this resource. This is separate from the other mineral rights in the Mount Weld deposit, which are already owned by Lynas.
Background

Lynas is the registered holder of mining leases M38/58, M38/59 and M38/326 and CSBP Limited is the registered holder of mining lease M38/327, collectively referred to as the “Tenements” all of which are located at Mount Weld, Western Australia.

M38/327 was created to cover the most prospective apatite mineralisation within an area known as the Swan Phosphate Deposit. M38/326 was created to cover the most prospective Rare Earths mineralisation, known as the Central Lanthanide Deposit, which is being developed as part of the Lynas Rare Earths project. The Crown Polymetallic Resource announced by Lynas on 5th October 2005 is located partly within M38/58 and M38/59 and partly within M38/327.

Schematic of Mount Weld showing the Tenements together with the Swan Phosphate Deposit, the Crown Polymetallic Deposit and Rare Earth mine.

The rights to minerals within these mining leases are subject to the Mount Weld Cooperation Agreement dated 24 April 1990 (“Cooperation Agreement”), which effectively states:

1. CSBP has the rights to the apatite and apatite/crandallite admixtures capable of use in the production of phosphatic fertiliser or phosphoric acid (Fertiliser Feedstock) contained in the Tenements;
2. Mt Weld Mining Pty Ltd, a wholly owned subsidiary of Lynas, has the rights to all other minerals (Other Minerals) contained in the Tenements.
Mineral Resources

The apatite phosphate resources at Mount Weld with a grade greater than 10% P2O5 occur as sub-horizontal sheets varying in thickness from 6 meters to 30 meters draped over the irregular unweathered surface of the 3.5km diameter Mt Weld carbonatite at depths from 50m to 90m below surface.

The most prospective apatite mineralisation zone lies within an area known as the Swan Phosphate Deposit, in the north-eastern sector of the carbonatite largely within M38/327. This zone has JORC Code compliant Indicated Resources of 60.4Mt @ 19.2% P2O5 (10 P2O5% cut-off). This zone occupies approximately 1/3rd of the total area known to host apatite mineralization.

Beneficiation studies in the mid-1980s on the residual apatite were focussed on bench scale and pilot plant flotation techniques with ancillary magnetic separation. This test work, followed by pilot plant demonstrations, showed that a concentrate suitable for phosphate fertilizer manufacture could be produced from the apatite phosphate deposit by this flotation process.

As both the Crown Polymetallic Resource and the Central Lanthanide Resource lie above sub-horizontal sheets of apatite phosphate resources, the mining of these resources will open up access to the apatite phosphate resources.

The Agreement

Subject to the conditions precedent set out below, Lynas and CSBP have signed a formal sale agreement to acquire all of the interests of CSBP in relation to the Tenements and all geological data and beneficiation work reports on and referring to the Tenements (the Acquisition).

Completion of the Acquisition is conditional upon the successful completion of the Lynas share issue to CNMC that was announced to the Australian Stock Exchange on 1 May 2009. Completion is also conditional on other administrative approvals.

At completion the Cooperation Agreement and all ancillary agreements between the parties or their predecessors concerning the Cooperation Agreement will terminate. Lynas shall agree to assume existing Fertiliser Feedstock royalty obligations of CSBP.

Note:
The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Robert Duncan, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Duncan is a consultant to Lynas Corporation Limited. Mr Duncan 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’. Mr Duncan consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
About Lynas Corporation

Lynas owns the richest deposit of Rare Earths, also known as Lanthanides, in the world at Mount Weld, near Laverton in Western Australia. This deposit underpins Lynas’ strategy to create a reliable, fully integrated source of Rare Earths supply from the mine through to customers in the global Rare Earths industry.

Lynas suspended work on the Lynas Rare Earths project in February 2009. Lynas has received all environmental approvals to build a Concentration Plant at Mount Weld and an Advanced Materials Plant to process the Mount Weld concentrate through to final Rare Earths oxides in the Gebeng Industrial Estate, Kuantan, Pahang, Malaysia.

On 1 May 2009 Lynas announced the introduction of a new majority shareholder, CNMC, subject to approvals, who will arrange provision of new capital through an equity subscription and Chinese bank finance for the completion of construction and commissioning of the Lynas Rare Earths project. The business model remains unchanged with the Concentration Plant to be built at Mount Weld, Western Australia, and the Advanced Materials Plant to be built in Malaysia. Lynas’ marketing strategy remains unchanged with a focus on Japan, North America and the European Union including fulfilling existing sales contracts.

The company plans to become the benchmark for security of supply and a world leader in quality and environmental responsibility to an international customer base.

‘Rare Earths’ is the term given to fifteen metallic elements known as the lanthanide series, plus yttrium. They play a key role in green environmental products, from energy efficient compact fluorescent light bulbs (CFLs) to hybrid cars, automotive catalytic converters and wind turbine generators. They are also essential in the development and manufacturing of many modern technological products, from hard disc drives to flat panel displays, iPods and magnetic resonance imaging (MRI) scans.

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