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## Capital Cost Estimate for Malaysian Processing Plant

### Key Points:

- **Malaysian plant capital cost of \$220 million including 10% contingency**
- **Capital cost covers green-field construction for Phase I capacity of 10,500t REO and infrastructure to allow rapid brown-field Phase II expansion to 21,000t REO**
- **Financing plan well advanced with multiple funding providers**

Lynas Corporation Limited ("Lynas") (ASX code LYC) has received a definitive capital cost estimate of \$220M, including a 10% contingency, from Ranhill WorleyParsons for the planned Malaysian processing plant which shall process the Mt Weld Rare Earths ore from the company's Mt Weld mine under development in Western Australia.

As previously announced the total capital cost estimate is larger than the cost announced in 2006 which incorporated a processing plant in China. It is important to note there are significant differences between the original Chinese plant and the planned plant for Malaysia which explain the increased costs, these include:

<b>Plant changes and related cost increases</b>	<b>Increase</b>
<ul style="list-style-type: none"> <li>▪ Malaysian site is four times larger and requires preparation               <ul style="list-style-type: none"> <li>➢ Purchase cost increase \$5M</li> <li>➢ Piling \$8M</li> <li>➢ Drainage \$3M</li> <li>➢ Filling and other site preparation costs \$9M</li> </ul> </li> </ul>	\$25M
▪ 5,000t REO final separation and product finishing plant addition	\$15M
▪ Infrastructure built-in to allow rapid expansion to 20,000t REO	\$44M
▪ Waste gas treatment scope increase	\$9M
▪ Waste water and waste solids treatment brought in-house	\$5.5M
▪ International EPCM and builders prelims costs	\$27.7M
▪ Escalation and Malaysian rates increase	\$20.3M
▪ Contingency	\$20M
▪ Total	\$166.5M

The Malaysian plant will have an initial, Phase I, production capacity of 10,500t REO, with the following products:

- 500t REO of a mixed heavy Rare Earths product known as “SEG” containing samarium, europium, gadolinium and other heavier Rare Earths which will be sold into the market;
- 5,000t REO of a mixed light Rare Earths product known as “LCPN” containing lanthanum, cerium, praseodymium, and neodymium which shall be further separated within China to individual Rare Earths products suitable for direct sales to customers;
- 5,000t REO of products which shall be processed in a final separation and product finishing plant in Malaysia to individual Rare Earths products suitable for direct sales to customers.

The addition of the final separation and product finishing plant will allow Lynas Malaysia to sell a higher value product than was planned previously. The design of this final separation and product finishing plant is based on an existing operational plant and becomes a ‘modular’ unit for expansion, allowing the company to replicate two additional units for the Phase II plant expansion to 21,000t.

The infrastructure cost incorporated in the initial construction to allow for the Phase II 21,000t operation is estimated at \$44M and includes:

- Land size and spacing of buildings
- Utilities including natural gas supply, power supply and substations, mains water supply
- Control rooms and plant instrumentation architecture including electrical and air
- Main pumps, motors and piping sizes including pipe racks
- Waste solids storage cell designs
- Waste water treatment plant and sewage treatment
- The size of the non-process buildings including administration, quality assurance laboratories, maintenance workshops, stores etc.
- Off plot infrastructure including roads, drainage and security

This will allow the company to expand to Phase II capacity of 21,000t immediately upon commissioning of Phase I, with equipment purchase, fabrication and construction of a capital cost for Phase II estimated to be approximately \$45M. The company anticipates that the funding of this expansion will be predominantly from Phase I cash flow.

Lynas’ Executive Chairman, Nicholas Curtis, stated “The company’s rationale for the change of location and scope was the tightening of the regulatory environment in China with respect to the granting of export licences for Rare Earths, and the increase in production costs within the Chinese based industry, coupled with the strong global increase in demand for Rare Earths. Lynas is now a very good position to be a reliable global supplier of Rare Earths in a market where tightening supply and increasing demand is having a favourable effect on product pricing.”

The company has \$60M cash on hand. In addition as announced today, the company has accepted an offer of a convertible note facility from Indus Capital Partners for up to \$115M towards the total capital. Senior debt facilities are under negotiation and upon finalisation of the senior debt facility the company may issue additional equity if required to fund the total capital cost of the project.

## About Lynas Corporation

Lynas is the world's only viable producer and processor of Rare Earths outside of China. The company owns the richest deposit of Rare Earths in the world at Mt Weld, near Laverton in Western Australia. The contractor is currently on site and mining has commenced. Production of Rare Earths from Lynas' Malaysian processing plant is scheduled to commence in the second half of late 2008.

'Rare Earths' is the term given to fifteen metallic elements known as the lanthanide series, plus yttrium. They are essential in the development and manufacturing of many modern technological products, from disc drives to flat panel displays, iPods and magnetic resonance imaging (MRI) scans. They also 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.

Lynas' strategy is to create a reliable, fully integrated source of Rare Earths supply from the mine through to customers in the global Rare Earths industry. 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.

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