Lynas Corporation Ltd

ACN 009 066 648

Half-Year Financial Report

for the half-year ended 31 December 2010

Directors' Report

The Directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The names of Lynas Corporation Ltd's (the "Company") Directors in office during the half-year and until the date of this report are as below. All Directors were in office for this entire period unless otherwise stated.

Nicholas Curtis (Executive Chairman)
William Forde
Jacob Klein
David Davidson
Zygmunt (Ziggy) Switkowski (appointed 1 February 2011)

The Company was pleased to announce the appointment of Dr Ziggy Switkowski as a Non Executive Director of the Company, effective from 1 February 2011. Dr Switkowski is Chancellor of RMIT University and a non-executive director of Suncorp-Metway, Tabcorp Holdings and Oil Search, and Chairman of Opera Australia. He is the former chairman of the Australian Nuclear Science and Technology Organization, and a former chief executive of Telstra Corporation, Optus Communications and Kodak (Australia).

He has a PhD in nuclear physics from the University of Melbourne and is a Fellow of the Australian Academy of Technological Sciences and Engineering, and of the Australian Institute of Company Directors.

HIGHLIGHTS

- Engineering and construction of the Concentration Plant in Western Australia and the Lynas Advanced Materials Plant (LAMP) in Malaysia remain on time and within overall budget as at 31 December 2010, with the first feed to kiln at the LAMP on target for the third quarter of 2011.
- Strategic Alliance Agreement signed with Sojitz Corporation ("Sojitz"), a leading Japanese trading company, to accelerate the Company's production capacity to 22,000 tonnes Rare Earths Oxide (REO) per annum providing a stable and long term source of supply of Rare Earths products for the Japanese market.
- The Government of Malawi approved the acquisition by the Company of the Kangankunde Carbonatite Complex (KGK), Malawi, except for the pending transfer of the Mining Licence for the KGK tenement to the Company or a subsidiary company by the Malawi Minister of Mines.
- A new supply agreement signed with a European Rare Earths consumer for the supply of Mount Weld Rare Earths to be produced at the LAMP in Malaysia.
- Dr. Ziggy Switkowski appointed as a Non Executive Director of the Company, effective from 1 February 2011. With an Australian and international executive career spanning more than 25 years, Dr. Switkowski has established a reputation as one of Australia's most distinguished business leaders.
- The 174 projects identified under our Ready For Start-Up (RFSU) programme are underway at approximately 73.3% completion and all required projects expected to be completed on time.
- Rare Earths prices increase significantly. As at 28 February 2011, the average Mount Weld Rare Earths composite price was US$112.26/ kg (US$17.42/ kg at 30 June 2010).

REVIEW OF OPERATIONS AND RESULTS

The Phase 1 operations, which are scheduled to begin in the third quarter of 2011, with an initial capacity of 11,000 tonnes REO (Rare Earths Oxide) per annum was the core focus of the Company during the half year. Engineering and construction at the Concentration Plant in Western Australia and the LAMP in Kuantan, Malaysia progressed well during the half year and remain on time and within overall budget as at 31 December 2010. The first feed of ore into the Concentration Plant is scheduled for March 2011 and the first concentrate feed to kiln at the LAMP is scheduled for the third quarter of 2011.

The Company also progressed on a number of other fronts during the period. A significant event was the signing of a Strategic Alliance Agreement with Sojitz, a leading Japanese trading company and the largest indirect supplier of Rare Earths into Japan, to secure additional supply of Rare Earths products for the Japanese market.

The objective of the Strategic Alliance Agreement is to provide a stable and long term source of supply for the Japanese market by providing a framework for the Company and Sojitz to agree off-take, distribution and financing arrangements which will enable the acceleration of Phase 2 of the Company's Rare Earths mine and Concentration Plant at Mount Weld in Western Australia and the LAMP in Malaysia. This landmark agreement will enable, if implemented, a commitment to Phase 2 construction by April 2011. A scheduled construction completion date for Phase 2 is expected in the third quarter of 2012, expanding the production capacity of the LAMP from 11,000 tonnes to 22,000 tonnes REO per annum.

The key terms of the Strategic Alliance Agreement include that the Company and Sojitz will work jointly to:

- Seek a funding package of up to $US250 million to cover the cost of accelerating the expansion of the Lynas Rare Earths project to 22,000 tonnes REO per annum. Sojitz will request financial support from the Japan Oil, Gas and Metals National Corporation (JOGMEC) for the expansion of the project.
- Allocate a minimum of 8,500 tonnes ± 500 tonnes per annum to the Japanese market over the next ten years, upon securing this funding.
- Jointly market Rare Earths products in Japan in order to secure end customers in Japan for 8,500 tonnes ± 500 tonnes of Rare Earths products per year over the next 10 years. .

Customer interest continued to increase and the Company announced on 9 November 2010 the signing of a new supply agreement with a European Rare Earths consumer for the supply of Mount Weld Rare Earths to be produced at the LAMP in Malaysia. The contract is for product supplied from Phase 1 production of the LAMP. The contract price reflects the surety of supply that Mount Weld Rare Earths and the LAMP are bringing to the market by being located outside of China.

Assuming success of the Sojitz transaction the Company has now allocated more than 70% of the total 22,000 REO tonne capacity from Phase 1 and Phase 2.

As announced on 22 December 2010 the Company received approval from the Government of Malawi to complete the acquisition of the KGK, Malawi, Africa. The main conditions precedent of the Purchase Agreement for the acquisition of the fully permitted Kangankunde Rare Earths Resource have been met except for the pending transfer of the Mining Licence for the KGK tenement to the Company or a subsidiary company by the Malawi Minister of Mines, and approval from the Malawi Investment Promotion Agency.

This acquisition puts the company in a unique position in the Rare Earths industry outside China as the only Rare Earths mining and processing company to have two significant ore resources in different geographic regions. The KGK Resource possesses important characteristics of an economically viable Rare Earths resource, including;

- Ability to produce a Rare Earths concentrate by the use of low cost physical concentration processes such as gravity or flotation processes. Completed test work shows the deposit is amenable to a low cost gravity separation concentration process producing a 60% REO concentrate;
- Inherently low thorium and uranium content thereby making it practical from an environmental perspective and allowing transportation of the concentrate.

The ability to source from two deposits inherently increases security of supply for our customer base and will also bring a certain degree of flexibility to the Rare Earths products produced and the ability to balance the market requirements by element more closely.

The deposit has an Inferred Resource of 107,000 tonnes of REO at an average grade of 4.24% REO using a 3.5% REO cut-off grade. At a 3% REO cut-off grade the resource increases to 180,000 tonnes REO and remains open at depth.

The Company is now finalising settlement formalities for the Purchase Agreement for the Rare Earths deposit, which is expected to be procedural. The purchase price for the assets, as agreed in 2007 at US$4 million net of VAT, shall be paid in full upon completion of the Purchase Agreement.

This half-year saw the Company enter into the ASX 100. On 1 December 2010 S&P Indices added Lynas Corporation Limited to the S&P/ASX 100 index.

ENGINEERING AND CONSTRUCTION

CONCENTRATION PLANT AT MOUNT WELD

With the construction 80% complete as at 31 December 2010, the number of loss time injuries experienced remains at zero, and the on-site labour force maintained its levels at approximately 85 people.

Engineering and Procurement

All required equipment procurement packages were delivered to site and installed which included the diesel generation power house, reverse osmosis water plant, concentrate thickening and filtration plant, reagent and concentrate handling facilities, workshops, laboratories and administration buildings.

Construction

The current focus is the completion of piping and installation of cabling requirements for the plant, and internal fit outs of the buildings. Earthworks for the tails storage facility and evaporation ponds are now complete with piping installation remaining.

Commissioning of the plant is underway, and the first ore into the plant is due in March 2011.

ADVANCED MATERIALS PLANT IN MALAYSIA

The construction stage of the LAMP exceeded 1,600,000 contractor man-hours this second half-year with all works on site Lost Time Injury (LTI) free.

Engineering and Procurement

Engineering has progressed during the half-year with all deliverables on schedule to be issued by the end of March 2011. During the period all steelwork has been issued for detailing and concrete drawings issued for construction. With engineering now reaching a conclusion, site support engineering has commenced in January 2011.

Contracting and procurement activities remained in full swing during the half-year with the major focus being the letting of the major fabrication and installation packages. During the half-year the major fabrication packages, including steel, piping and tanks have been let with works well underway. Associated installation contracts have also been tendered with contracts being placed to meet the required schedule.

With an increase in the number of fabrication and installation packages being awarded, the timely letting of contracts remains important and on schedule. Procurement of equipment packages also remains on schedule with the delivery of equipment to Kuantan, in preparation for installation on site, ramping up during the half-year.

Construction

Construction activities increased this half-year with the site now manning over 1,000 people. The key focus during the period has been the placement of concrete, with approximately 24,000 cubic meters of concrete poured as at the end of December 2010, and the commencement of the installation of structural steel.

A highlight for the half-year has been the installation of the kilns. This marks an important milestone in the construction schedule as multiple work fronts are now opening as multiple trades mobilise to site following concrete completions. The planning of construction works and the coordination of multiple trades is the current focus of the construction management team, with key activities underway including steel fabrication, delivery and installation, piping fabrication and the acceleration of equipment deliveries to site.

Natural gas supplier, Gas Malaysia is in the process of installing the natural gas pipe on both sides of the Petronas railway line. Horizontal direct drilling for the pipeline to cross under the railway line has commenced and stands at approximately 80% completion. The pipe jacking for water supply and telecommunication to cross under the railway line was also completed during the half-year.

Work is currently underway for the Water Treatment Plant. Piling work is complete and civil and structural work is 15% complete. The earthwork for the construction of the surge lagoon has been slightly delayed due to heavy rain, but has not impacted the critical path.

OPERATIONS

Mount Weld Operations

Permanent staff numbers in Western Australia increased to 38 as at 31 December 2010 in line with the recruitment plan. Planned progress continued in staff training and readiness to operate the plant, with all RFSU activities tracking well against schedule.

The Concentration Plant Commissioning Manager is now based on site at Mount Weld and is working closely with both the construction and operations management in relation to plant commissioning. The normal sequences of commissioning steps are:

1. Pre-commissioning, which commenced post half-year end on the 18th January 2011
2. Dry commissioning, testing each section of plant in isolation
3. Wet commissioning, where the circuit will have water moving through the plant
4. Practical completion, when the construction team depart site
5. Process commissioning, where ore is fed into the plant

Pre-commissioning works completed to date include filling diesel tanks and making power available to certain parts of the Concentration Plant. The first feed of ore into the Concentration Plant is scheduled for March 2011 and stockpiling of crushed ore to feed the plant for the first 18 months of operations has completed.

The next ore definition drilling campaign has been designed with a view to increase the ore reserves of Mount Weld, with drilling scheduled to commence in approximately April 2011.

Malaysia Operations

Recruitment at the LAMP continued this half-year and the staff headcount stood at 53 as at 31st December 2010.

The overall completion of the RFSU programme was at 67.5% at the end of the half-year, which is ahead of schedule. 79 out of 84 commissioning procedures have been reviewed and the detail planning of pre-loading activities, manning level and tools requirement have been completed during the half-year.

The development of Synthetic Mineral Products progressed during the half-year and discussions with potential customers who had been provided with samples for analysis are ongoing.

The Balok Ivory Tower programme, a community educational initiative, also commenced this half-year, and weekend classes were conducted during the school holidays. Students who are part of the Lynas programme attended their Annual Camp, accompanied by 10 Lynas Malaysia staff members who are mentors to these students.

SUPPLY CHAIN

Supply Chain activity recommenced during the half-year. In Western Australia, logistics and freight forwarding vendors were contacted to finalise contract terms and set dates for awarding international freight contracts. It is anticipated that these contracts will be initiated in the third quarter of 2011. All previous supply contracts for the Malaysian facility remain unchanged.

An inventory of critical first-fill chemicals will be stockpiled to mitigate potential vendor production capacity constraints, thereby reducing start-up risk for the extraction process in Malaysia. Pricing for key reagents has not moved significantly in the past half-year.

FINANCE

The consolidated cash movement during the half-year is set out below:

Cash Flow Activity		Half Year 31/12/10 AUD $'000
OPENING CASH		405,245
Interest received	6,147	
Equity contribution net of fees and expenses	1,522	
TOTAL CASH INFLOW		7,669
Less		
Advanced Materials Plant, Malaysia	(54,499)	
Concentration Plant, Western Australia	(30,647)	
Corporate overheads and financing costs	(24,666)	
TOTAL CASH OUTFLOW		(109,812)
Movement in cash		(102,143)
Net foreign exchange differences		(31,552)
CLOSING CASH BALANCE 31 DECEMBER 2010		271,550

The total cash balance as at 31 December was $271.6 million, comprising $72.2 million, US$44 million and MYR489 million. Interest income continued to remain strong with receipts totalling $6.1 million.

The continued rise of the Australian Dollar against the US Dollar and the Malaysian Ringgit, with the Australian Dollar gaining over the half-year resulting in a $31.6 million negative adjustment in the Company's consolidated cash position.

Capital expenditure on the Concentration Plant in Western Australia and the LAMP in Malaysia over the half-year totalled $85 million.

In total the final forecast capital costs through to first production for both the Concentration Plant and the LAMP for Phase 1 remain within the overall estimates previously provided.

OPERATING RESULT

The Statement of Comprehensive Income on page 9 of this report sets out the main revenue and expense items for the half-year to 31 December 2010 with comparatives for the half-year to 31 December 2009.

Overall the Group incurred a net loss for the half-year of $20.5 million (net loss of $9.1 million in 2009), after interest income of $6.0 million ($2.4 million in 2009). The increase in the Group's operating expenses for the half-year ended 31 December 2010 compared to the corresponding period reflects the projects coming out of suspension and the associated increased operating activity.

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 the Company. 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.

AUDITOR'S INDEPENDENCE DECLARATION

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

ERNST & YOUNG

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

In relation to our review of the financial report of Lynas Corporation Limited for the half-year ended 31 December 2010, 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

Ernst & Young

M. Elliott

Michael Elliott
Partner
Sydney
14 March 2011

Signed in accordance with a resolution of the directors.

W.G.Forde
Director
Sydney
14 March 2011

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	CONSOLIDATED Half Year to 31-Dec-2010 $'000	Half Year to 31-Dec-2009 $'000
REVENUE			
Interest revenue		5,960	2,433
EXPENSES			
Salaries and employee benefits expense	2	(7,759)	(4,743)
Share based payments expense	2	(3,161)	(2,731)
Depreciation and amortisation expense	2	(522)	(659)
Other expenses from ordinary activities	2	(7,444)	(3,908)
OTHER GAINS AND LOSSES			
Foreign exchange (loss)/gain		(6,777)	2,704
Suspension costs		-	(2,245)
LOSS BEFORE INCOME TAX EXPENSE		(19,703)	(9,149)
INCOME TAX EXPENSE		(754)	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF LYNAS CORPORATION LIMITED		(20,457)	(9,149)
Exchange differences on translation of foreign operations		(41,194)	(8,458)
Gain in available for sale investment		3,623	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(58,028)	(17,607)
Basic loss per share (cents per share)	13	(0.01)	(0.01)
Diluted loss per share (cents per share)	13	(0.01)	(0.01)

Statement of Financial Position

AS AT 31 DECEMBER 2010

		CONSOLIDATED	
		AS AT 31-Dec-2010	AS AT 30-Jun-2010
	Note	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	3	271,550	405,245
Trade and other receivables	4	3,687	1,052
Prepayments		3,481	801
TOTAL CURRENT ASSETS		278,718	407,098
NON-CURRENT ASSETS			
Inventories		26,205	23,887
Property, plant and equipment	5	245,375	178,631
Deferred exploration, evaluation and development costs	6	24,690	23,304
Intangible assets	7	348	315
Other non-current assets	8	7,465	7,428
Other investments – available for sale	9	5,392	-
TOTAL NON-CURRENT ASSETS		309,475	233,565
TOTAL ASSETS		588,193	640,663
CURRENT LIABILITIES			
Trade and other payables		15,679	13,419
Provisions	10	2,080	4,586
TOTAL CURRENT LIABILITIES		17,759	18,005
NON-CURRENT LIABILITIES			
Trade and other payables		36	-
Provisions	10	4,600	3,515
TOTAL NON-CURRENT LIABILITIES		4,636	3,515
TOTAL LIABILITIES		22,395	21,520
NET ASSETS		565,798	619,143
EQUITY			
Issued capital	12	721,359	719,837
Accumulated losses		(160,737)	(140,280)
Foreign currency translation reserve		(16,555)	24,639
Share based payments reserve		18,108	14,947
Investment revaluation reserve		3,623	-
TOTAL EQUITY		565,798	619,143

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	CONSOLIDATED Half Year to 31-Dec-2010 $'000	Half Year to 31-Dec-2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(21,099)	(11,560)
Interest received		6,147	992
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(14,952)**	**(10,568)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangibles		(86,457)	(10,222)
Payments for land tenement leases		-	(4,000)
Security bonds (paid)/ refunded		(128)	(3)
Payments for exploration and evaluation		(359)	(123)
Purchase of listed investment		(1,769)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(88,713)**	**(14,348)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of ordinary shares		1,522	450,061
Cost of equity raising		-	(18,538)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**1,522**	**431,523**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(102,143)**	**406,607**
Add opening cash brought forward		405,245	16,710
Net foreign exchange differences		(31,552)	(153)
CLOSING CASH AND CASH EQUIVALENTS		**271,550**	**423,164**

Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED	Issued capital	Accumulated losses	Foreign currency translation reserve	Share based payment reserve	Investment revaluation reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2010	719,837	(140,280)	24,639	14,947	-	619,143
Loss for the period	-	(20,457)	-	-	-	(20,457)
Other comprehensive income	-	-	(41,194)	-	3,623	(37,571)
Total comprehensive income	**-**	**(20,457)**	**(41,194)**	**-**	**3,623**	**(58,028)**
Exercise of options	1,522	-	-	-	-	1,522
Share based payments expense	-	-	-	3,161	-	3,161
As 31 December 2010	**721,359**	**(160,737)**	**(16,555)**	**18,108**	**3,623**	**565,798**

HALF-YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED	Issued capital	Accumulated losses	Foreign currency translation reserve	Share based payment reserve	Investment revaluation reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2009	288,314	(97,239)	(1,927)	8,890	-	198,038
Loss for the period	-	(9,149)	-	-	-	(9,149)
Other comprehensive income	-	-	(8,458)	-	-	(8,458)
Total comprehensive income	**-**	**(9,149)**	**(8,458)**	**-**	**-**	**(17,607)**
Exercise of options	61	-	-	-	-	61
Allotment of new shares	450,000	-	-	-	-	450,000
Share based payments expense	-	-	-	2,731	-	2,731
Cost of equity raising	(18,517)	-	-	-	-	(18,517)
At 31 December 2009	**719,858**	**(106,388)**	**(10,385)**	**11,621**	**-**	**614,706**

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

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 principal activities of the Group are described in the Directors' Report.

The financial report of Lynas Corporation Ltd for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of Directors on 15 March 2010. 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 2010.

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 2010 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

(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".

The half-year financial report is presented in Australian dollars and has 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.

(b) Change in accounting policy

The Company has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2010:

AASB 2009-9 Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions (AASB 2) effective 1 January 2010. The amendments did not have an impact on the financial position or performance of the Group.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139) effective 1 January 2010. The amendments did not have an impact on the financial position or performance of the group.

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

	CONSOLIDATED 31-Dec-2010 $'000	CONSOLIDATED 31-Dec-2009 $'000
2. EXPENSES		
Depreciation and amortisation expense		
Leasehold land	242	442
Leasehold improvements	10	3
Plant, equipment and vehicles	202	199
Intangibles	68	15
Total Depreciation and amortisation expense	**522**	**659**
Salaries and employee benefits expense		
Salaries and employee costs	7,509	4,343
Share based payments expense	3,161	2,731
Recruitment costs	250	400
Total salaries and employee benefits expense	**10,920**	**7,474**
Other expenses from ordinary activities		
Accounting and tax consulting	160	153
Technical and management consultancy	1,318	594
Legal fees	73	63
Office expenses	451	436
Operating lease rental	375	360
Travel and accommodation	1,434	855
Insurance	178	184
Share registry and Listing fees	400	111
Other	3,055	1,152
Total other expenses from ordinary activities	**7,444**	**3,908**

	CONSOLIDATED 31-Dec-2010 $'000	CONSOLIDATED 30-Jun-2010 $'000
3. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	206,643	40,812
Short-term deposits	64,907	364,433
Total cash and cash equivalents	**271,550**	**405,245**

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

		CONSOLIDATED 31-Dec-2010 $'000	CONSOLIDATED 30-Jun-2010 $'000
4. TRADE AND OTHER RECEIVABLES - CURRENT			
Interest receivable		662	592
Other receivables		3,025	460
Total trade and other receivables - current		**3,687**	**1,052**
5. PROPERTY, PLANT AND EQUIPMENT			
Capitalised project costs		216,106	146,730
Leasehold land	(i)		
At cost		27,889	31,450
Accumulated amortisation		(720)	(652)
Leasehold improvements			
At cost		248	229
Accumulated amortisation		(160)	(149)
Furniture & fittings			
At cost		2,816	2,054
Accumulated depreciation		(1,303)	(1,133)
Motor vehicles			
At cost		551	133
Accumulated depreciation		(52)	(31)
Total property, plant and equipment		**245,375**	**178,631**

(i) Consistent with normal land-holding structures in Malaysia, Leasehold Land represents the cost of the leases for the land at Gebeng where the Advanced Materials Plant will be constructed. The land is in 2 leasehold titles and the expiry dates are 3/12/2099 and 30/10/2106 respectively. Leasehold Land is amortised over the period of the lease and the Company is in the process of consolidating the land into one leasehold title.

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

		CONSOLIDATED	
		31-Dec-2010	30-Jun-2010
		$'000	$'000
5. PROPERTY, PLANT AND EQUIPMENT (Continued)			

Reconciliation

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and corresponding period last year.

		31-Dec-2010 $'000	30-Jun-2010 $'000
Concentration Plant (Mount Weld, Western Australia)			
Opening balance		35,969	22,119
Additions		29,235	13,850
Closing balance - subtotal		**65,204**	**35,969**
Advanced Materials Plant (Gebeng, Malaysia)			
Opening balance		110,755	97,671
Additions		55,514	31,022
Suspension cost write off	(ii)	-	(22,700)
Foreign exchange translation		(15,367)	4,762
Closing balance - subtotal		**150,902**	**110,755**
Other capitalised projects			
Opening balance		6	109
Disposals/ write offs		(6)	(103)
Closing balance		**-**	**6**
Closing balance – total capitalized project costs		**216,106**	**146,730**

(ii) Suspension cost write off relates to the costs incurred subsequent to project suspension which are considered not to bring an enduring benefit to the company.

	31-Dec-2010 $'000	30-Jun-2010 $'000
Leasehold land		
Opening balance	30,798	30,692
Foreign exchange translation	(3,387)	758
Amortisation	(242)	(652)
Closing balance	**27,169**	**30,798**
Leasehold improvements		
Opening balance	80	49
Additions	18	43
Depreciation	(10)	(12)
Closing balance	**88**	**80**

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

	CONSOLIDATED	
	31-Dec-2010	30-Jun-2010
	$'000	$'000
5. PROPERTY, PLANT and EQUIPMENT (continued)		
Furniture and fittings		
Opening balance	921	793
Additions	772	608
Depreciation	(180)	(278)
Transfer	-	(202)
Closing balance	1,513	921
Motor vehicles		
Opening balance	102	70
Additions	419	50
Depreciation	(22)	(18)
Closing balance	499	102
Property, Plant and Equipment - Net book value	**245,375**	**178,631**

6. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Exploration, evaluation and development costs carried forward in respect of mining areas of interest and processing facilities.

Capitalised exploration expenditure	4,244	2,846
Capitalised development expenditure	16,368	16,380
Deferred stripping asset	4,078	4,078
Total deferred exploration, evaluation and development cost	**24,690**	**23,304**

Reconciliation

Reconciliations of the carrying amounts of deferred exploration, evaluation and development costs at the beginning and end of current and corresponding period last year.

Exploration, evaluation and development costs		
Opening balance	23,304	25,465
Expenditure incurred during the period	359	176
Change in rehabilitation provision	1,027	(2,337)
Closing balance	**24,690**	**23,304**

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

	CONSOLIDATED	
	31-Dec-2010 $'000	30-Jun-2010 $'000
7. INTANGIBLE ASSETS		
Computer Software		
At cost	702	606
Accumulated amortisation	(354)	(291)
Closing balance	**348**	**315**

Reconciliation
Reconciliations of the carrying amounts of intangibles at the beginning and end of current and corresponding period last year.

Intangibles		
Opening balance	315	15
Additions	101	396
Amortisation	(68)	(96)
Closing balance	**348**	**315**

8. OTHER NON-CURRENT ASSETS

Tenement rights		
At cost	4,200	4,200
Amortization	(193)	(102)
Closing balance	**4,007**	**4,098**
Security deposits		
At cost	3,458	3,330
Closing balance	**3,458**	**3,330**
Total other non-current assets	**7,465**	**7,428**

Reconciliation
Reconciliations of the carrying amounts of other non-current assets at the beginning and end of current and corresponding period last year.

Tenement rights		
Opening balance	4,098	-
Additions	-	4,200
Amortisation	(91)	(102)
Closing balance	**4,007**	**4,098**

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

	CONSOLIDATED	
	31-Dec-2010	30-Jun-2010
	$'000	$'000

8. OTHER NON-CURRENT ASSETS (continued)

Security deposits		
Opening balance	3,330	2,202
Additions	128	1,128
Closing balance	**3,458**	**3,330**

9. OTHER INVESTMENTS

Non-current other investment comprises the following and is classified as available-for-sale:

Listed stock:		
Northern Uranium Limited	5,392	-
	5,392	**-**

Northern Uranium Limited is listed in the Australian Stock Exchange. The fair value the investment is based on quoted market prices as at 31 December 2010.

10. PROVISIONS

Current provisions		
Employee benefits	719	528
Suspension costs	1,361	4,058
Total current provisions	**2,080**	**4,586**
Non-current provisions		
Employee benefits	297	239
Restoration, rehabilitation and closure	4,303	3,276
Total non-current provisions	**4,600**	**3,515**

Reconciliation

Movements in provision for restoration, rehabilitation and closure.

Carrying value at beginning of period	3,276	5,613
Increase/ (reduction) in provision	1,027	(2,337)
Carrying value at the end of the period	**4,303**	**3,276**

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

11. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been declared or proposed.

12. ISSUED CAPITAL

Movement in shares on issue	31-Dec-2010 Number of Shares '000	31-Dec-2010 Ordinary Shares Fully Paid $'000	30-Jun-2010 Number of Shares '000	30-Jun-2010 Ordinary Shares Fully Paid $'000
Beginning of the period	1,655,249	719,837	654,799	288,314
Issued during the period				
Issue of shares pursuant to option conversion	7,000	1,522	450	61
Allotment of new shares	-	-	1,000,000	450,000
Cost of equity raising	-	-	-	(18,538)
Total share issues during the period	7,000	1,522	1,000,450	431,523
End of the financial period	1,662,249	721,359	1,655,249	719,837

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

	CONSOLIDATED	
	31-Dec- 2010	31-Dec-2009
	$'000	$'000
13. LOSS PER SHARE		
The following reflects the loss and share data used in the calculation of basic and diluted loss per share		
Net loss attributable to ordinary shareholders	(20,457)	(9,149)
Loss used in calculating basic loss per share	(20,457)	(9,149)
Loss used in calculating diluted loss per share	(20,457)	(9,149)

	Number of Shares	
	31-Dec- 2010	31-Dec-2009
	'000	'000
Weighted average number of shares used in calculating basic loss per share	1,656,851	1,133,634
Effect of dilutive securities:		
The number of options which are potential ordinary shares that are not dilutive and hence not used in the valuation of the diluted earnings per share.	83,400	9,700
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,656,851	1,133,634
Basic loss per share (cents per share)	(0.01)	(0.01)
Diluted loss per share (cents per share)	(0.01)	(0.01)

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

14. SEGMENT INFORMATION

The Company has identified its current operating segments based on internal reports that are reviewed and used by the Executive Chairman and the executive team (the chief operating decision makers or CODM) in assessing performance and determining the allocation of resources.

The focus of the Company's current activities is in the construction of the Rare Earths processing facilities and the operating cost centres identified by management are by geographic location. Financial information about each of these operating businesses is reported to the Executive Chairman and executive team on at least a monthly basis.

	Malaysia		Western Australia		Corporate		Consolidated	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
INCOME STATEMENT								
Segment revenue	-	-	-	-	-	-	-	-
Segment expenses	(4,072)	(1,901)	(3,784)	(772)	(11,030)	(11,613)	(18,886)	(14,286)
Segment result	(4,072)	(1,901)	(3,784)	(772)	(11,030)	(11,613)	(18,886)	(14,286)
Interest income							5,960	2,433
Foreign exchange (loss)/gain							(6,777)	2,704
Consolidated entity loss from ordinary activities before income tax expense							**(19,703)**	**(9,149)**
	31-Dec-10	30-Jun-10	31-Dec-10	30-Jun-10	31-Dec-10	30-Jun-10	31-Dec-10	30-Jun-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS								
Current assets	159,884	220,114	1,165	678	117,669	186,306	278,718	407,098
Non-current assets	184,256	146,186	111,071	77,303	14,148	10,076	309,475	233,565
Total assets	**344,140**	**366,300**	**112,236**	**77,981**	**131,817**	**196,382**	**588,193**	**640,663**
LIABILITIES								
Liabilities	(8,778)	(9,033)	(11,610)	(10,379)	(2,007)	(2,108)	(22,395)	(21,520)
Intercompany assets/ (Liabilities)	(25,366)	(4,665)	(110,942)	(74,141)	136,308	78,806	-	-
Total Liabilities	**(34,144)**	**(13,698)**	**(122,552)**	**(84,520)**	**134,301**	**76,698**	**(22,395)**	**(21,520)**
NET ASSETS	309,996	352,602	(10,316)	(6,539)	266,118	273,080	565,798	619,143

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

	Consolidated	
	31-Dec-2010	30-Jun-2010
	$'000	$'000

15. EXPENDITURE COMMITMENTS

(a) Exploration commitments

Not later than one year	248	250
Later than one year and not later than five years	1,071	1,097
Later than five years	3,384	3,550
	4,703	**4,897**

As a condition of the mining tenements held by Mt Weld Mining Pty Ltd, the group is required to spend a minimum amount on the development of those tenements. The commitment represents that minimum commitment over the life of the tenement licenses.

(b) Capital commitments

Not later than one year	134,539	111,680
	134,539	**111,680**

The Group has issued contracts and orders for the procurement of equipment in relation to the development of the Concentration Plant at Mt Weld and the Advanced Materials Processing Plant in Malaysia. At 31 December 2010 the value of the committed expenditure totaled $134.5 million. It is anticipated that payment in relation to these contracts will all be made within 12 months.

(c) Operating Lease commitments

Not later than one year	1,694	1,801
Later than one year and not later than five years	1,727	2,196
	3,421	**3,997**

The Group has contracts for several operating leases for the business premises occupied by the Company in Sydney, Perth, Laverton, Beijing in China, and Gebeng in Malaysia. The Group also has several operating leases for motor vehicles.

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

16. SUBSEQUENT EVENTS

Subsequent to the half-year end the following event occurred which has a significant impact on the Company.

Completion of the Acquisition of a Rare Earths Resource in Malawi

On 7 March 2011, the Company announced the completion of the acquisition of the Kangankunde (KGK) Rare Earths Resource in Malawi, Africa. This means the Company now has two significant ore reserves in different geographic regions.

The purchase price for the assets of US$4 million has been paid in full, and an accelerated development programme for the project is underway.

Notes to the Half-Year Financial Statements

31 DECEMBER 2010

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 2010 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

W. G. Forde
Director
Sydney
14 March 2011

Independent Review Report

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To the members of Lynas Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lynas Corporation Limited, which comprises the statement of financial position as at 31 December 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act* 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Interim and Other Financial Reports 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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lynas Corporation Limited and the entities it controlled during the 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.

Independent Review Report (continued)

ERNST & YOUNG

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

M. Elliott.

Michael Elliott
Partner
Sydney
14 March 2011