

10 February 2009

UPDATE ON CONVERTIBLE BOND FACILITY AND ANNOUNCEMENT OF PROPOSED SUSPENSION OF PROJECT

Lynas Corporation Limited (“Lynas”, ASX:LYC) requested a trading halt commencing on the morning of 30 January 2009, followed by a voluntary suspension commencing on the morning of 3 February 2009, pending the release of a further announcement concerning the convertible bond facility. That further announcement is now set out below.

As a result of the uncertainty concerning the financing structure for the Company’s Rare Earths Project, the Company is proposing to suspend work on the project.

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

Significant development work has been undertaken on the project, including detailed engineering planning, preparation of the site in Malaysia and the mining of a large stockpile of high grade ore at Mt Weld.

The key factors that lead to this re-assessment include the following:

1. There is presently a dispute as to whether all conditions precedent to release of the US\$95 million bond monies from escrow have been satisfied. Lynas has asserted that the conditions were satisfied prior to 31 January 2009, however the bondholders do not appear likely to agree to release the escrowed funds in accordance with the original terms that were released to the ASX on 7 March 2008. The Company is assessing all of its options (including its legal position) in relation to the bond facility.
2. Although the senior bank facility is underwritten and available until 31 March 2009, it cannot be drawn down without prior release of the bond monies or other equivalent funding. Given the differences in terms and conditions being sought by the bondholders compared with the original terms, the Company considers it unlikely that these funds will be available.
3. Whilst customer support remains very strong, the Company needs to ensure that the capital structure supporting the project is appropriate for the long term future of the Company. In that regard, the Company is in discussions with various potential partners who may have a mutual interest in supporting the industrial development of the project.



The Company's cash balance at 31 January 2009 was A\$55,000,000, and Lynas will reduce ongoing costs and will prudently manage available cash.

The Company continues to be confident about the future of the Mount Weld Rare Earths project, and, if the project is suspended, the Company intends to restart the project once an appropriate capital structure is in place.

We look forward to updating the market on these issues as soon as possible.

Nicholas Curtis, Executive Chairman, said:

"We feel very sad about the proposed suspension of project development given the strong customer demand, and in fact need, for our products. This proposed suspension is entirely a function of a disruption in the capital market conditions and is not a reflection of the industrial strength of the project. We will continue to pursue available funding opportunities to push the project forward."

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.

The first mining campaign is now complete. 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. 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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