
QUARTERLY REPORT
FOR THE PERIOD ENDING 31 DECEMBER 2010

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 firm, to accelerate expansion to 22,000 tonnes Rare Earths Oxide (REO) per annum to provide a stable and long term source of supply of Rare Earths products for the Japanese market.
- The Government of Malawi approved for Lynas to complete the acquisition of the Kangankunde Carbonatite Complex (KGK), Malawi, Africa, including the transfer of the Mining Licence for the KGK tenement to Lynas by the Malawi Minister of Mines.
- 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.
- The Ministry of Commerce of the People’s Republic of China released 14,446 tonnes of approved Rare Earths export quota for the first half of 2011. These export cuts represent a reduction of approximately 35% in comparison to the export quota for the first half of 2010.
- Rare Earths prices continued to rise rapidly. The average quarterly price for the Mount Weld Rare Earths distribution increased by 83% over the quarter to US\$62.18/kg REO. The price continued to increase after the end of the quarter and as at 21 January 2011 reached US\$79.90/kg REO.
- 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.

CORPORATE

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 this quarter. Engineering and construction at the Concentration Plant in Western Australia and the Lynas Advanced Materials Plant (LAMP) in Kuantan, Malaysia progressed well during this quarter and remain on time and within overall budget as at 31 December 2010; with the Concentration Plant to be commissioned in the first quarter of 2011 and the first concentrate feed to kiln at the LAMP on target for the third quarter of 2011.

The Company also progressed on a number of other fronts during the quarter. A significant event was the signing of a Strategic Alliance Agreement with Sojitz Corporation ("Sojitz"), a leading Japanese trading firm and the largest 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 Lynas and Sojitz to agree off-take, distribution and financing arrangements which would enable the acceleration of Phase 2 of Lynas' Rare Earths mine and Concentration Plant at Mount Weld in Western Australia and the Lynas Advanced Materials Plant (LAMP) in Malaysia. This landmark agreement will enable, if implemented, Phase 2 construction to be committed by April 2011 with a scheduled construction completion date in the third quarter of 2012, expanding the capacity of the LAMP to 22,000 tonnes REO per annum.

The key terms of the Strategic Alliance Agreement include that Lynas and Sojitz will use commercially reasonable endeavours 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 \pm 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 \pm 500 tonnes of Rare Earths products per year over the next 10 years to meet the requirements of the customers in Japan.

During the quarter customer interest continued to increase and the Company announced 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 shall be for product supplied from Phase 1 production of the LAMP. The contract price reflects the surety of supply 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 the 22 December 2010 the Company received approval from the Government of Malawi to complete the acquisition of the Kangankunde Carbonatite Complex (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 including the transfer of the Mining Licence for the KGK tenement to Lynas by the Malawi Minister of Mines, and approval from the Malawi Investment Promotion Agency.

This acquisition puts Lynas 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 via pilot plant tested, low cost physical concentration processes (e.g. 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.

Lynas is now finalising settlement formalities for the Purchase Agreement for the Rare Earths deposit, which are 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.

As anticipated by the market, export quotas continued to be a tool for the Chinese Government to limit the export of China's strategic resource this quarter. The Ministry of Commerce of the People's Republic of China released 14,446 tonnes of approved Rare Earths export quota for the first half of 2011. The total export quota for 2011 will be unknown until approximately July 2011 when the Ministry of Commerce is expected to release the export quota for the second half of 2011. However, in comparison to the first half of 2010, the export cuts represent a reduction of approximately 35%, which is likely to be a significant restraint in product available for export.

The recognition of future supply constraint has impacted Rare Earths prices, which continued to increase sharply across the quarter. The average quarterly price for the Mount Weld Rare Earths distribution, on a FOB China basis, increased to US\$62.18/kg REO, which is over 83% across the quarter. Prices continue to increase post quarter end and as at 21 January 2011 the average price for the Mount Weld Rare Earths composition was US\$79.90/kg.

The Company was pleased to announce this quarter the appointment of Dr Ziggy Switkowski 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.

Dr Switkowski is Chairman of the Australian Nuclear Science and Technology Organization (ANSTO) and chancellor-elect of the Royal Melbourne Institute of Technology (RMIT University). He is also a non-executive director of Suncorp-Metway, Tabcorp Holdings and Oil Search, and Chairman of Opera Australia. He is a former chief executive of Telstra Corporation, Optus and a former Chairman of 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.

Dr Switkowski said: "Lynas is on its way to becoming a globally significant supplier of Rare Earths, which are specialty materials of importance to many new and future devices and technologies. I look forward to helping Lynas succeed."

Finally, this quarter 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 UPDATE

CONCENTRATION PLANT IN WESTERN AUSTRALIA

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

During the quarter much progress was made as steel was erected and buildings, workshops and facilities installed. All required equipment procurement packages were delivered to site and installed; including the diesel generation power house, reverse osmosis water plant, concentrate thickening and filtration plant, reagent and concentrate handling facilities, workshops, laboratories and administration buildings. 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.

As at the 21 January 2011 construction remains on schedule and is anticipated to be completed in February 2011.



Filter Press and Thickener Area



Cyclone Cluster and Ball Mill with Tails Storage Facility in the background

ADVANCED MATERIALS PLANT IN MALAYSIA

The construction stage of the Lynas Advanced Materials Plant exceeded 1,100,000 contractor man-hours this quarter with all works on site Lost Time Injury (LTI) free.

Engineering and Procurement

Engineering has progressed this quarter with all deliverables on schedule to be issued by the end of first quarter 2011. During the quarter all steelwork has been issued for detailing and concrete drawings issued for construction. With engineering now reaching a conclusion, site support engineering is set to commence in January 2011.

Contracting and procurement activities remained in full swing during this quarter with the major focus being the letting of the major fabrication and installation packages. During this quarter 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 quarter.

Construction

Construction activities increased this quarter with site manning now over 1,000. The key focus this quarter has been the placement of concrete, with approximately 24,000 m³ of concrete poured as at the end of December 2010, and the commencement of the installation of structural steel.

A highlight for the quarter 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 is expected to commence next quarter. The pipe jacking for water supply and telecommunication to cross under the railway line was also completed during the quarter.

As announced in the last quarter, work is currently underway for the Water Treatment Plant. Piling work is complete, 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.



Installation of rotary kilns

LAMPS UP

In preparation for the anticipated acceleration of the Lynas Advanced Materials Plant Phase 2 expansion to 22,000t REO per annum, facilitated by the Strategic Alliance Agreement between Lynas and Sojitz, a new project has been formed known as “LAMPS Up”.

LAMPS Up in Western Australia

Sargon Engineering has been appointed as a consultant to prepare a high level scoping study of the required work which has a target completion date of January 2011. Detailed discussions with on-site personnel have been held and the key focus of the additional work will be on a new second flotation train.

LAMPS Up in Malaysia

Lynas has appointed Toyo Engineering & Construction Sdn Bhd to prepare the Basic Engineering Design package for the Engineering, Procurement and Construction Contractor (EPCC) phase and to provide consultancy services for procurement of two additional rotary kilns which are long lead time items.

It is anticipated that the engineering construction drawings used in Phase 1 will be the starting point for Phase 2 engineering, realising a significant time and cost saving.

OPERATIONAL UPDATE

WESTERN AUSTRALIA OPERATIONS

Permanent staff numbers in Western Australia increased from 22 to 38 in line with the recruitment plan. Planned progress continued in staff training and readiness to operate the plant, with all Ready for Start-Up (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 the lead up to plant commissioning. The normal sequence of commissioning steps are:

1. Pre-commissioning, which commenced post quarter 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 part of the Concentration Plant. The plant should be under the control of the Commissioning Manager, who in turn reports on site to the Resident Manager, in February 2011. Process commissioning is currently scheduled to commence on 7 March 2011.

Stockpiling of crushed ore to feed the plant for the first 18 months of operations has commenced, with this crushing campaign on schedule for completion by the end of January 2011.

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 at the end of next quarter.

MALAYSIA OPERATIONS

Recruitment at the Lynas Advanced Materials Plant continued this quarter and the staff strength stood at 53 as at the end of the quarter.

The overall completion of the RFSU programme 2010 stood at 67.5% at the end of the quarter, 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 quarter. The Standard Operating Procedure for the plant is expected to be complete by January 2011.

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

The Balok Ivory Tower programme, a community initiative, commenced this quarter. 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.

GLOBAL MARKET ACTIVITY

INDUSTRY NEWS

The Rare Earths industry event of the year is the Metal Events Ltd and Roskill's Rare Earths Conference in Hong Kong was held this quarter, where Lynas was the lead sponsor for the second year running.

This year set a new record for attendance at over 250 delegates from suppliers, customers, as well as financial analysts and investors. A number of key points that were made during the conference by Roskill include 120-150 Rare Earths companies in China will be reduced to 20-30 due to the drive by the Chinese Government to consolidate the industry, the industry is forecast to grow at 6-10% per annum for the next five years, and there is a predicted shortage in 2015 of neodymium (Nd), europium (Eu), terbium (Tb), and dysprosium (Dy).

As reported in Chinese media the Chinese Government Commerce Ministry spokesman Yao Jian said during the quarter that China's Rare Earths exploitation continues to decrease, 2009 was 31 percent lower than 2008 and 2010 is expected to be 25 percent lower than 2009, adding that the Rare Earths export policies in 2011 will be consistent with this year.

In the same article Secretary-General of the State Council Ma Kai was reported as stating structural problems exist and the Chinese Government has suggested the problem of world Rare Earths supply should be addressed through global cooperation, "China's Rare Earths deposits account for a little higher than 36 percents, but it's Rare Earths export covers more than 90 percent of global Rare Earth export volume". About China's policies on Rare Earths exports, Ma said that it is rational and necessary for China to strengthen regulation on Rare Earths exploitation, production and export in order to protect the environment and achieve sustainable development.

As discussed earlier in this Quarterly Report, on 29 December 2010 the Ministry of Commerce of the People's Republic of China released 14,446 tonnes of approved Rare Earths export quota for the first half of 2011. The total export quota for 2011 will be unknown until approximately July 2011 when the Ministry of Commerce is expected to release the export quota for the second half of 2011. However, in comparison to the first half of 2010, the export cuts represent a reduction of approximately 35%, which is likely to be a significant restraint in product available for export.

RARE EARTHS PRICES

The recognition of future supply constraint has impacted Rare Earths prices, which continued to increase sharply across the quarter. The average quarterly price for the Mount Weld Rare Earths distribution, on a FOB China basis, increased to US\$62.18/kg REO, which is over 83% across the quarter. Prices continue to increase, and as at 21 January 2011 the average price for the Mount Weld Rare Earths composition was US\$79.90/kg.

Rare Earths Prices FOB China (US\$/kg)					
Rare Earths Oxide	Mt Weld Composition	Average Price Over Quarter			
		Purity 99% min	% Rare Earth Oxide*	Q4 2009	Q3 2010
Lanthanum Oxide	25.50%		5.43	23.67	52.49
Cerium Oxide	46.74%		4.11	23.05	52.62
Neodymium Oxide	18.50%		18.38	55.81	81.38
Praseodymium Oxide	5.32%		17.91	54.37	78.62
Samarium Oxide	2.27%		4.75	14.40	36.58
Dysprosium Oxide	0.12%		112.31	281.54	287.85
Europium Oxide	0.44%		490.00	585.31	611.54
Terbium Oxide	0.07%		360.00	593.38	620.38
Av. Mt Weld Composition			10.32	34.06	62.18
* in final product form, other Rare Earths account for 1.04%					

The table above shows the average quarterly price for a standard 99% purity of individual elements and for the generic composite of Rare Earths, equivalent to the Rare Earths distribution for the Central Lanthanide Deposit at Mount Weld, on a Freight On Board (FOB) China basis. Weekly updates of these prices can be found on the Lynas website, www.lynascorp.com, under "What Are Rare Earths?" then "What are their prices?".

COMMERCIAL DISCUSSIONS

The Metal Events Ltd and Roskill's Rare Earths Conference in Hong Kong was an excellent opportunity for Lynas to engage with customers, and the Company had a number of very positive customer interactions. In addition Lynas presented at the Japan Metal Bulletin Conference in Tokyo and completed a marketing trip in Japan during this quarter.

During the quarter the Company announced 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 shall be for product supplied from Phase 1 production of the LAMP. The contract also has provision for the supply of products from the Phase 2 expansion of the LAMP. The contract price is related to the China Freight on Board (FOB) market price for the product at the time of delivery plus delivery costs from FOB Kuantan to port of delivery. The contract price reflects the surety of supply 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.

The company anticipates further contract announcements over coming months with potential customers in Europe, Japan and the USA.

FINANCE

CASH FLOW	A\$M
OPENING CASH BALANCE 30 SEPTEMBER 2010	346.6
Add	
Interest and other income received	6.1
Options converted to Equity	1.1
TOTAL INFLOW	7.2
Deduct	
Western Australia Concentration Plant	(19.4)
Malaysian Advanced Materials Plant	(35.8)
Investments / Security deposits / Other capital expenditure	(1.0)
Ongoing operating and financing costs	(11.3)
TOTAL OUTFLOW	(67.5)
Exchange rate adjustment	(14.8)
CLOSING CASH BALANCE 31 DECEMBER 2010	271.5

The total cash balance as at 31 December was \$271.5 million, comprising \$72.2 million, US\$44 million and MYR489 million. Interest income continued to remain strong in the quarter with receipts totalling \$6.1 million.

The quarter saw the continued rise of the Australian Dollar against the US Dollar and the Malaysian Ringgit, with the Australian Dollar gaining a further 4.8% and 4.9% respectively over the quarter resulting in a \$14.8 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 quarter totalled \$55 million. For the forthcoming quarter ending March 2011, we anticipate production ramp up and operating expenditure to be approximately \$24 million and capital expenditure to be \$98 million, reflecting the increased construction activity.

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.

The table below sets out our cash requirements through to the beginning of Phase 1 production by the end of the third quarter 2011:

CONSTRUCTION & OTHER CAPITAL COSTS	TOTAL	ACTUAL TO 31 DEC 10	SPEND TO FIRST PRODUCTION
	A\$M	A\$M	A\$M
Mount Weld Concentration Plant	72.01	52.86	19.15
Advanced Materials Plant, Malaysia	236.78	83.45	153.33
Engineering & Project Management Cost	138.47	106.83	31.64
Contingency	20.42	-	20.42
Other Capex including Land at Gebeng	67.53	48.95	18.58
TOTAL CAPITAL COSTS	\$535.21	\$292.09	\$243.12

PRODUCTION RAMP-UP COSTS TO 1 SEPT 2011	SPEND TO FIRST PRODUCTION
	A\$M
Mount Weld Concentration Plant	15.44
Lynas Advanced Materials Plant, Malaysia	19.72
Finance, Admin, Marketing, Technical & Corporate Overheads	12.87
TOTAL OPERATING COSTS	\$48.03

TOTAL CASH REQUIREMENTS AS AT 31 DECEMBER 2010	\$291.15
Cash on Hand 31 December '10	271.50
OCBC Facility	21.07
TOTAL CASH PLUS FACILITY	\$292.57
HEAD ROOM INCLUDING CONTINGENCY	\$21.84

'Other Capex' includes the funding required for the completion of the Kangankunde acquisition plus approved expenditure for 2011.

In addition to the numbers set out above, and subject to successfully finalising current funding arrangements for Phase 2 with Sojitz, Lynas expects to receive US\$250 million in a combined debt and equity funding package from JOGMEC/Sojitz by 31 March 2011. These funds will be used to fund the Phase 2 expansion to 22,000t REO, which is expected to be in production by the end of Q3 2012.

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 Lynas Corporation Limited. 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.