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New Price Increases Initiated by Rare Earths Supply Limitations

Highlights

- Rare Earths prices increased 12% over the Chinese May day holiday, with Lynas' Mount Weld Rare Earths composition price passing through the US\$10/kg mark by jumping from US\$9.43/kg to US\$10.58/kg in one week
- Baotou mixed Rare Earths carbonate production halted due to water issues
- Sichuan region Rare Earths mining and concentrate production stopped by local government

The Directors of Lynas Corporation ("Lynas") (ASX code LYC) wish to advise the Mount Weld Rare Earths composition price has passed through the US\$10/kg mark and is currently US\$10.58/kg.

The company has confirmed media reports that both Baotou and Sichuan Rare Earths production regions are experiencing production stoppages.

It has been reported that mixed Rare Earths carbonate production has stopped in Baotou due to water issues. Lynas understands the water issues relate to the Government authorities' tighter supervision to protect the water system of the Yellow River from contamination associated with waste water discharge from local mixed Rare Earths carbonate plants. The mixed Rare Earths carbonate from Baotou is the feed for the majority of the Rare Earths separation plants in China. Lynas estimates that approximately 20,000 tonnes of Rare Earth Oxide (REO) per annum may be affected by the shutdown.

This supply constraint has been compounded by reports that the Sichuan Rare Earths regional production has been stopped by the local government due to industry restructuring issues within the region. Lynas understands that the local government had planned to consolidate the small mining and concentration operations into four groups within this region; however it appears this plan has stalled. The consequences appear to be a local government order to cease all production. Sichuan accounts for approximately 25,000 tonnes of REO per annum. The actual extent of the shutdown is not yet known and the duration of the shutdown is uncertain.

The Asian Metal report on the general impact of these issues is attached. Note the prices of Rare Earths in this report are quoted as domestic Chinese prices which exclude the cost associated with export quota and also the cost of the government 10% export tariff. The latest Rare Earths pricing information on a China FOB basis has been updated on the Lynas website, www.lynascorp.com. Of particular note is that neodymium oxide has increased 17% from US\$25.65/kg to US\$30.00/kg, and europium oxide is starting to increase after a relatively quiet period, increasing 13% from US\$260/kg to US\$295/kg.

About Lynas Corporation

Lynas owns the richest deposit of Rare Earths in the world at Mount Weld, Western Australia. The company's strategy is to create a reliable, fully integrated source of Rare Earths supply from mine through to customers in the global Rare Earths industry.

All Australian project and business approvals have been received for the development of the mine at Mount Weld. A processing facility for the Mount Weld ore is to be constructed on the east coast of Malaysia at Kemaman. Engineering design is underway for the plant to produce a suite of Rare Earths products for the global chemical companies that purchase Rare Earths to produce a wide range of products critical for the electronic and automotive industries. Lynas plans to become the benchmark for security of supply and world leader in quality and environmental responsibility to an international customer base.

For more information about the growing demand and applications of Rare Earths, including the role they play in reducing greenhouse gases, increasing energy efficiency and bringing colour and light to the many products we use every day please visit www.lynascorp.com.

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Rare earth market summary May 8-11

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BEIJING (Asian Metal) 14 May 07 – Rare earth market starts a new round of jump-up this week in China, the first week after the May day holiday. Consumers have to face new high prices of some rare earths.

Prices of neodymium and praseodymium products are going to create new records. Smelters in Jiangsu reported that prices for neodymium oxide and praseodymium oxide have risen to RMB220,000/t (USD28,646/t) 99%min and RMB200,000/t (USD26,042/t) 99.5%min ex works, as demand continues to be strong and raw materials remain in shortage responding to the rationing supply of rare earth carbonate in Baotou and rare earth concentrate in South China, involving Jiangxi and Sichuan.

Although rare earth carbonate price remains at RMB14,500/t (USD1,888/t) in Baotou, same as last week, unfortunately, only few smelters could obtain the raw material. In Jiangxi, ion rare earth concentrate price breaks through the level of RMB80,000/t (USD10,417/t) and reaches RMB81,000-82,000/t (USD10,547-10,677/t) d.d.p. The production of rare earth concentrate in Sichuan halted early this week due to the control of local government.

The hot product of PrNd oxide rises again to RMB180,000/t (USD23,438/t) in the spot market, and some buyers revealed that they begin to purchase at the price, compared with prices of RMB170,000-172,000/t (USD22,135-22,396/t) a fortnight ago. Therefore, PrNd mischmetal price rises above RMB235,000/t (USD30,599/t) easily from previous RMB230,000/t (USD29,948/t). Furthermore, participants expect that the price will rise to RMB240,000-245,000/t (USD31,250-31,901/t) soon.

A major NdFeB producer in North China said on Friday they worried that the price of PrNd mischmetal producers would raise prices at their disposal.

According to the source, the consumer purchased PrNd mischmetal at below RMB230,000/t (USD29,948/t) at the end of April.

Europium oxide likes a dark horse that the price jumped to RMB2,000-2,100/kg (USD260-273/kg) 99.99% from RMB1,750-1,850/kg (USD228-241/kg) in two weeks. Meanwhile, traders are still working for new sources of the material, hoping to stock more inventories at hand.

Prices of ion rare earth concentrate maintain the upward trend this week in Jiangxi and Guangdong, two major sources in South China. And local suppliers reported that the price will reach RMB83,000/t (USD10,807/t) in the short-term.

Pushed up by the markup, dysprosium oxide and terbium oxide prices increased to RMB610/kg (USD79.4/kg) 99% and RMB4,000-4,200/t (USD521-547/kg) 99% in the spot market. In the dysprosium oxide market, consumers reported to Asian Metal supply became tight.