

QUARTERLY REPORT
FOR THE PERIOD ENDING 30 JUNE 2010



**Steelworks erected above the flotation building at the Concentration Plant,
Western Australia**

HIGHLIGHTS

- Engineering and construction of the Concentration Plant in Western Australia and the Lynas Advanced Materials Plant (LAMP) in Malaysia remains on time and within budget as at 30 June 2010; with the first feed to kiln at the LAMP on target for the third quarter of 2011.
- Release of the second tranche of Chinese Rare Earths export quota for 2010 by the Ministry of Commerce resulted in a 40% decrease in available export quota in 2010 compared to 2009. This coincided with the launch of a nationwide crackdown on illegal mining of Rare Earths in China.
- Tightening supply and strong demand has led to Rare Earths prices rising rapidly. The average quarterly price for the Mount Weld Rare Earths distribution increased by 22% over the quarter to US\$16.02/kg REO as at 30 June 2010. The price reached a high of US\$21.43/kg REO as at 26 July 2010.
- Lynas is completing 144 projects identified under our Ready For Start-Up (RFSU) programme, with 126 underway and all required projects expected to be completed on time.

CORPORATE

The second quarter of 2010 has seen very clear messages from Chinese authorities regarding the Chinese Rare Earths industry. The Ministry of Commerce of the People's Republic of China released the second tranche of 2010 export quota, resulting in 40% drop in total export quota for 2010 compared to 2009. Whilst the industry was anticipating a decrease, there was general surprise at the quantum of the cut. This is likely to put significant pressure on supply chains outside of China, especially for the higher volume, lower value elements, such as lanthanum and cerium.

Lynas is set to provide the first new source of supply of Rare Earths outside of China when it comes into production in the third quarter of next year. We believe this timeframe puts us well ahead of our competitors. Our customers' requirements and commitments are driving the business development strategy for products to be produced, growth of production and collaboration with partners in the value chain.

Engineering and construction at the Concentration Plant in Western Australia and the Advanced Materials Plant in Malaysia (LAMP) remains on time and within budget as at 30 June 2010; with the first feed to kiln at the LAMP on target for the third quarter of 2011.

Lynas' industrial expertise continues to be built across its sites. The operations team in particular has added significant experience and capacity with the introduction of Mr Carlos Guedes as Vice President Industrial. His role includes continuous process development and reliability, optimising logistics and warehousing including working capital, management of operational investments and projects for increasing plant capacity and introducing new products, as well as overseeing industrial excellence in safety, health and environment, quality assurance, capacity utilisation and cost control. Carlos has spent his entire career, thirty years experience, in industrial chemical operations in manufacturing, engineering, process development, site management, asset optimisation, and industrial management on multiple continents. Previously Carlos was the Industrial Director for inorganic activities of Rhodia's Silcea division from 2001 to 2009 and as such dealt with Rhodia's Rare Earths and Silica businesses. Prior to joining Lynas, Carlos headed up all of the Rhodia Group's manufacturing programmes.

The Company continues to benefit from the Rhodia Technical Co-operation Agreement with operational staff undergoing field training within Rhodia's Rare Earths plants. A risk mitigation programme is also underway with Rhodia's assistance for critical processing steps. Having the on-site and off-site assistance from an industry leader is a major benefit at this stage of the project. This, combined with the experience of the Lynas operations leadership means Lynas is rapidly developing a unique set of operational skills and capabilities in Rare Earths processing that will be a strong competitive advantage.

Another area of progress this quarter was the engagement of potential customers for non-Rare Earths products that will be produced in Malaysia. As part of the production process, the LAMP in Malaysia will produce some gypsum-based Synthetic Mineral Products. These products may be used in various product applications within Malaysia. The company has met with a number of end-users who have shown strong interest in using this recyclable product, and this is an important element of the company's goal to contribute towards sustainable development.



Rare Earths prices have continued to rise strongly this quarter. The average quarterly price for the Mount Weld Rare Earths distribution, on a Freight On Board (FOB) China basis increased by 22% over the quarter to US\$16.02/kg REO. With the reduction of the Chinese export quota recently announced prices have increased further, and as at 26 July 2010, the average price for the Mount Weld Rare Earths composition was US\$21.43/kg.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting of Lynas shareholders will be held at 10am on Wednesday 24 November 2010 at the Sydney Harbour Marriott. A notice of meeting will be issued closer to that date.

ENGINEERING AND CONSTRUCTION UPDATE

CONCENTRATION PLANT IN WESTERN AUSTRALIA

The focus for the past quarter has been the mobilisation to site and the subsequent ramp-up of construction activities. Engineering activities were essentially finalised during the quarter, with some minor completion of works continuing into the first part of the third quarter. Construction of the Concentration Plant has progressed well, after an initial ramp-up, with manning levels at about 60% of the peak that will be encountered during the third and fourth quarters. Substantial concrete works have been completed, with mechanical and structural work underway. Some early delays with the concrete works, and later with the curing of painted steelwork due to cool weather in Perth occurred, however this lost time has since been recovered.

For the Tails Storage Facility (TSF) and Evaporation Ponds (EP), clearing and topsoil stripping was completed by the earthmoving contractor during the quarter. During the third quarter earthworks construction will commence on the TSF and EP.

Reagent storage and concentrate loading areas



ADVANCED MATERIALS PLANT IN MALAYSIA

Site activities at the Lynas Advanced Materials Plant (LAMP) in the past quarter ramped-up in preparation for construction works reaching full capacity during the third quarter. The key activities of the past quarter have revolved around the mobilisation to site of the main contractors for the construction of the plant, with the focus on engineering and procurement activities being to provide these construction resources with the information that they require to complete their tasks.

Engineering and Procurement

Engineering progressed during the quarter and the LampsOn alliance team between UGL and Lynas reported engineering remained on schedule for the LAMP as at the end of the quarter. With the major concrete drawing production well underway, attention is now transferring to the issue of steel design to shop detailers directly from the three dimensional engineering model prior to fabrication.

Contracting and procurement activities are now in full swing, with tenders being called for the main construction contracts and outstanding equipment supply contracts. Key contracts and equipment packages left over the past quarter include concrete steel reinforcement, agitators for the separation plant, high density sludge thickener for the water treatment plant, infrastructure electrical cabling, and fibre reinforced plastic tanks used throughout the process. Key contracts which are currently out to tender include steel fabrication, installation of structural steel, mechanical equipment and piping, and the earthworks contract for the Water Treatment Plant.

During the quarter Lynas investigated bringing in an experienced operator for the construction and operation of the Water Treatment Plant in Malaysia. Lynas has identified and selected Ranhill Water Technology to fulfil this role.

Construction

Site establishment activities continued during the past quarter, with the connection of power and water, and the establishment of site offices a key focus for the quarter.

The major construction focus over the quarter has been the mobilisation of civil and concrete contractors to site and the commencement of civil works, including in-ground services and permanent site drainage, and the commencement of concreting activities, including the commissioning of wet and dry batch concrete plants.

In parallel with the mobilisation of contractors to site, the mobilisation of the construction management team has also progressed, with the relocation of key construction management personnel commencing and over 30 United Group Limited (UGL) personnel now mobilised to site.

Personnel for the Flue Gas Treatment Plant construction have been mobilised, with site establishment works having commenced. Personnel have also been mobilised for the commencement of construction of the pre-engineered buildings.

The cutting of piles is approximately 30% complete, with blinding slabs poured in the first process buildings in preparation for the first structural slabs to be poured in early July.

Blinding slab being prepared for concrete



OPERATIONAL UPDATE

Lynas has identified 144 internal projects in its preparation for commencement of operations, these projects are part of our “Ready For Start Up” (RFSU) programme. The project management of each project is in accordance with best practice and monitored closely by our Project Management Office to ensure projects meet their objectives in a timely and efficient manner. 126 of the 144 projects are underway and all required projects expected to be completed on time.

WESTERN AUSTRALIA OPERATIONS

There has been one personal injury during the past quarter, with a construction employee injuring his knee whilst entering a concrete footing excavation. He returned to work fully fit one week later following appropriate injury management, including performance of alternative duties.

The Western Australian employee count was 18 for operations and 52 for onsite construction contractors as of June 2010. Staff recruitment continues according to plan, with a high number of responses to advertised opportunities. Preparations and staff training to ensure readiness to operate the plant following construction are on-track for completion in a timely manner.

Visits to site by regulatory authorities had positive outcomes, with no problems encountered to date. With required approvals in place, dialogue with the regulators remains ongoing to ensure no unexpected issues arise from their viewpoint during commissioning or operations of the completed plant.

With plant construction progress on schedule, and permanent site administration facilities now in place, preparations are underway for the first of the operational staff to transfer to Mount Weld and commence the Fly In/Fly Out (FIFO) work-cycle. The first of these staff are scheduled to begin working at Mount Weld during the third quarter.

MALAYSIA OPERATIONS

Four new staff joined the Malaysian team in the quarter. The total number of employees in Malaysia as at 30 June 2010 was 45.

There are a subset of projects within the RFSU programme which are being carried out under the framework of the Technical Services Agreement with Rhodia. Rhodia are adding significant value and risk mitigation to operations of the Lynas Advanced Materials Plant (LAMP) through these projects, which include:

- Review of the operating manuals and standard operating procedures.
- Consultation in the Advanced Materials Plant commissioning plans.
- Training for 18 operations staff, with process training in Kuantan, as well as both classroom and field training at Rhodia’s Rare Earths plants.
- Planning of pre-loading of solvent extraction batteries, which shall enable a short commissioning and ramp-up schedule.
- Review the adequacy of laboratory equipment and sampling requirements.
- Review of the safety hazards.

- Establishment of a committee to identify and address critical areas during construction, commissioning, plant operations and plant reliability.
- Review of the appropriate manning levels for the Malaysian operations.

As part of the production process, the LAMP in Malaysia will produce some gypsum-based Synthetic Mineral Products. These products may be used in various product applications within Malaysia. Significant progress has been made in the commercialisation of these Synthetic Mineral Products, an important element of the company's goal to contribute towards sustainable development. Potential customers have been engaged and Lynas has worked with the University Malaysia in Pahang to produce samples for potential customers, and we will continue to work closely with customers to ensure the product specifications meet their requirements.

As part of our corporate social responsibility and in line with our company values, Lynas has sponsored the Ivory Tower Program in Malaysia, which assists local students from underprivileged backgrounds with gaining placement at local universities. The program is under the patronage of the Pahang Crown Prince and managed by the National University of Malaysia. 114 students have been selected from secondary schools, namely SMK Beserah, SMK Baging and SMK Pelabuhan, to participate in the program.

SUPPLY CHAIN UPDATE

Supply chain activity in the areas of chemical input, vendor engagement and supply chain logistics continued without significant issues in the past quarter. In Western Australia, ordering of first fill chemicals has commenced, with longer lead-time items ordered in anticipation of a December start-up for the Concentration Plant. In addition, the freight forwarding contract for concentrate movement between Fremantle in Western Australia and Kuantan in Malaysia was finalised and signed. Production planning for start-up has commenced, with container movements between Mount Weld in Western Australia and Gebeng in Malaysia now modeled. Synchronisation of the Concentration Plant start-up with the production needs for concentrate for the LAMP has begun and will be finalised in the third quarter, allowing firm shipping schedules to be put in the market.

Expressions of interest for soda ash supply have been received for use in the LAMP. Four vendors have responded with competitive offers, which are now under review. It is anticipated that a dual sourcing strategy for this commodity will be undertaken to mitigate risk and to ensure an ongoing competitive offer of this traded commodity. Continued downward pressure on Soda Ash pricing is expected in the near term due to considerable overhang in global capacity following capacity expansion in late 2008 and then post Global Financial Crisis decreases in glass industry demand.

GLOBAL MARKET ACTIVITY

INDUSTRY NEWS

There have been significant policy announcements from Chinese authorities regarding the Chinese Rare Earths industry, as well as commentary on potential changes to industry regulation in the future.

The Ministry of Commerce of the People's Republic of China released a dramatic cut in the second half of 2010 Rare Earths export quota. In total the export quota for 2010 was 40% less than the total export quota for 2009.

This 40% reduction is a significant decrease in product availability for export which is likely to significantly reduce any remaining stocks in inventory through the supply chain outside China and put pressure on increasing prices. Below is a table setting out the Chinese Rare Earths export quota for foreign invested firms and local firms for the past two years.

Chinese Rare Earths Export Quota for Foreign-Invested and Local Firms						
	2009 (1st half)	2009 (2nd half)	2009 Total	2010 (1st half)	2010 (2nd half)	2010 Total
Foreign-Invested	6,685	10,160	16,845	5,978	1,768	7,746
Local	15,043	18,257	33,300	16,305	6,208	22,513
Total	21,728	28,417	50,145	22,283	7,976	30,259

In addition to the export quota reductions there are signals that the industry within China is likely to come under stronger state supervision, and regulation of production and management. China's Ministry of Industry and Information Technology (MIIT) drafted "The Entrance Conditions for Rare Earths Industry", which is intended for discussion at government level prior to legislation, and is likely to be the catalyst for consolidation and conformity in the domestic Rare Earths industry. The MIIT has drafted regulations for many aspects for the industry, such as the scale of production, technology and equipment, and energy consumption. For cracking and separation projects using mixed Rare Earths ore concentrates the minimum capacity is set at 8,000 tonnes per year (tpy); for cracking and separation projects using bastnasite at 5,000 tpy, and for cracking and separation projects using ion-absorption type Rare Earths ore concentrates produced from Southern China at 3,000 tpy.

According to sources at MIIT, more than 20% of mining capacity for Rare Earths in China is not able to meet the entrance conditions detailed in its draft. About half of the capacity in Jiangxi province fails to meet the conditions and few mines in Shandong province are adequate. Industry sources suggest that the consolidation of the Rare Earths sector in northern China has been largely completed after the local Rare Earths giant Baotou Steel Rare Earths took effective control of regional production. More consolidation of mining is due to take place in southern China in producing provinces, such as Sichuan, Jiangxi and Guangdong.

Mining of Rare Earths outside the official mining quota system is also being targeted, Wang Min, Chinese Vice-Minister of Land and Resources, said China will launch a nationwide crackdown on

illegal mining of Rare Earths in a major bid to protect its valuable resources and that the ministry will set-up a long-term supervision system to better regulate the Rare Earths mining market. "The campaign aims to clamp down on illegal mining activities like mining without licenses, over exploration and environmental damage," he said. Besides the crackdown, every mining area will gradually have a supervisor under the local land and resources bureau to prevent illegal exploration.

The crackdown will have a bigger impact on the mining industry in southern China, where illegal mining occurs, than in the north. The mines in the south, which contribute about a third of the country's Rare Earths ore, are generally small, especially in Sichuan, Jiangxi, Guangdong and Fujian.

There also appears to be discussion within China of consolidation of the industry. Rare Earths will be included as one of the industries promoting Mergers & Acquisition in the second half of this year, said Li Yizhong, head of MIIT, the Beijing Business News recently reported. In the long run, three to five Rare Earths companies are expected to control the Chinese Rare Earths resources.

RARE EARTHS PRICES

The restrictions on mining in China, combined with continued recovery of demand in Japan and Europe, has seen prices of all Rare Earths elements continue to climb. The average quarterly price for the generic composite of Rare Earths, equivalent to the Rare Earths distribution for the Central Zone resource of the CLD Sector at Mount Weld, on a Freight On Board (FOB) China basis increased by 22% over the quarter to US\$16.02/kg REO.

With the reduction of the Chinese export quota recently announced, prices have reacted accordingly after the end of the quarter, and as at 26 July 2010 the average price for the Mount Weld Rare Earths composition was US\$21.43/kg. The high volume, lower value products increased substantially, with lanthanum oxide and cerium oxide prices rising to US\$12.00/kg and US\$10.50/kg respectively.

Rare Earths Prices FOB China (US\$/kg)				
Rare Earths Oxide	Mt Weld Composition	Average Price Over Quarter		
Purity 99% min	% Rare Earth Oxide*	Q2 2009	Q1 2010	Q2 2010
Lanthanum Oxide	25.50%	6.05	6.08	7.49
Cerium Oxide	46.74%	4.60	4.46	6.42
Neodymium Oxide	18.50%	14.58	27.56	33.20
Praseodymium Oxide	5.32%	14.50	26.13	33.07
Samarium Oxide	2.27%	4.80	3.40	3.40
Dysprosium Oxide	0.12%	108.60	156.50	200.50
Europium Oxide	0.44%	465.40	512.40	529.80
Terbium Oxide	0.07%	360.00	478.90	538.50
Av. Mt Weld Composition		9.70	13.13	16.02
* 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 Zone resource of the CLD Sector 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

Lynas completed marketing trips to Europe, Japan and the United States during this quarter. The response to Lynas coming online in 2011, the first new project outside of China to be delivering Rare Earths globally, has been very positive. The company is progressing to contract both Letters of Intent and new customer proposals. Upon completion of negotiation and signing of definitive contracts the Company will make an announcement to the Australian Stock Exchange.

FINANCE

CASH FLOW	AUD M
OPENING CASH BALANCE 31 MARCH 2010	417.7
Add	
Foreign exchange rate movement	11.5
Interest and other income received	4.3
TOTAL INFLOW	15.8
Less	
Capex at the Mount Weld Concentration Plant	2.2
Capex at the Malaysian Advanced Materials Plant	19.4
Operating and Financing Costs	6.7
TOTAL OUTFLOW	28.3
CLOSING CASH BALANCE 30 JUNE 2010	405.2

Late last year, Lynas converted \$200 million to Malaysian ringgit and a further \$38.5 million to US dollars. Much of these currencies remain in hand and in the past quarter we saw a large favourable forex movement due to the Malaysian Ringgit and the US dollars both strengthening against the Australian dollar, resulting in a nominal gain of \$11.5 million.

Interest income has remained strong in line with our significant cash holdings and payments against operating costs and capital expenditure incurred costs for the quarter were lower than previously forecast by around \$2.8 million and \$5.2 million respectively.

In the third quarter we anticipate payments against operating costs and capital expenditure costs to be in the order of \$9.6 million and \$41.9 million respectively.

Forecast final capital expenditure costs and production ramp-up costs through to first production for both production facilities remain within the estimates previously provided and consistent with our advice in the previous quarter.

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.

