

Rare Earths

WE TOUCH THEM EVERYDAY

J.P. Morgan
Australia Corporate Access Days
New York

27-28 September 2010



ONLINE IN 2011,
DELIVERING
RARE EARTHS
GLOBALLY.



Lynas
CORPORATION LTD

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Rare Earths, we touch them everyday



TODAY'S AGENDA

1. Rare Earths, we touch them everyday
2. Rare Earths in short supply – the demand and supply equation
3. Rare Earths price escalation
4. The Lynas Story – online in 2011, expansion and beyond

Rare Earths cannot be substituted in many applications



RARE EARTHS: LANTHANIDES PLUS YITTRIUM – UNIQUE PROPERTIES

Rare Earth Elements

| | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| La | Ce | Pr | Nd | Pm | Sm | Eu | Gd | Tb | Dy | Ho | Er | Tm | Yb | Lu | Y |
| 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 39 |

Lanthanides

- **Chemical**
 - Unique electron configuration
- **Catalytic**
 - Oxygen storage and release
- **Magnetic**
 - High magnetic anisotropy and large magnetic moment
- **Optical**
 - Fluorescence, high refractive index
- **Electrical**
 - High conductivity
- **Metallurgical**
 - Efficient hydrogen storage in rare earths alloys

Rare Earths underpin new materials technology required to sustain the needs of today's society



Energy efficiency through lower consumption



- Compact Fluorescent Lights
- Hybrid vehicle
- Weight reduction in cars

Environmental protection through lower emissions



- Wind turbine
- Auto catalytic converter
- Diesel additives

Smaller yet more powerful digital technology



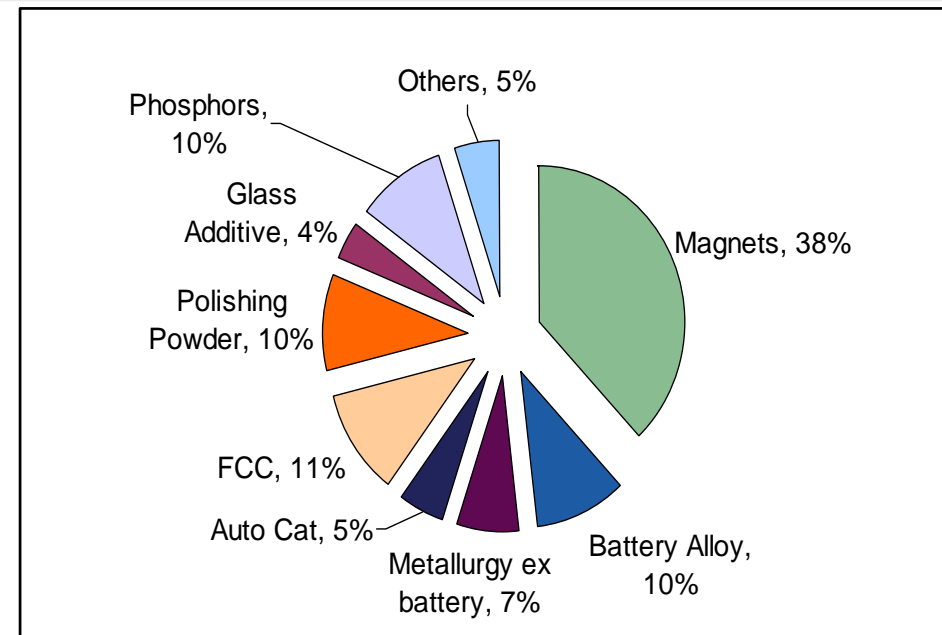
- Flat panel displays
- Disk drives
- Digital cameras

Demand for Rare Earths is driven by the underlying applications



2010 DEMAND FORECAST BY APPLICATION

| Application | Demand (%) | Demand (t) |
|----------------------|-------------|---------------------|
| • Magnets | 26% | 35,000 |
| • Battery Alloy | 14% | 18,600 |
| • Metallurgy ex batt | 9% | 11,700 |
| • Auto catalysts | 7% | 9,000 |
| • FCC | 16% | 21,300 |
| • Polishing Powder | 14% | 19,100 |
| • Glass Additives | 6% | 7,800 |
| • Phosphors | 6% | 7,900 |
| • Others | 4% | 5,700 |
| Total | 100% | 136,100t REO |



Total = US\$7.8 billion

Source: Non China market = aggregate of estimated manufacturer demand by application,
China Market = IMCOA and China Rare Earths Information Centre.

Note : Totals may not add due to rounding.

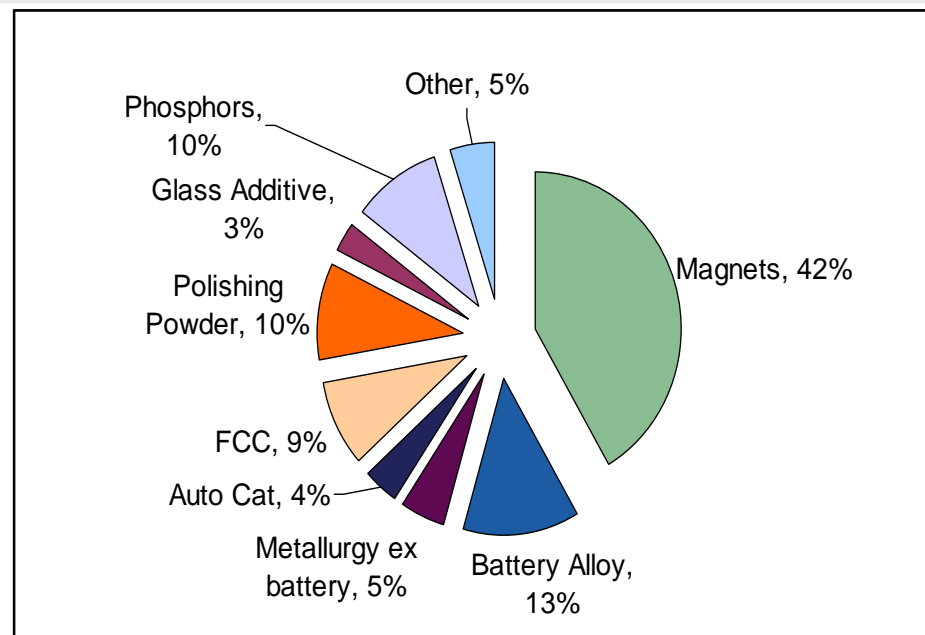
Magnets and battery alloy are forecast to be the growth drivers for Rare Earths demand to 2014



GROWTH FORECAST BY APPLICATION

| Application | Growth rate p.a. (%) | Demand (t) |
|----------------------|----------------------|---------------------|
| • Magnets | 12% | 55,100 |
| • Battery Alloy | 15% | 32,500 |
| • Metallurgy ex batt | 2% | 12,700 |
| • Auto catalysts | 8% | 12,200 |
| • FCC | 4% | 24,900 |
| • Polishing Powder | 10% | 28,000 |
| • Glass Additives | 0% | 7,800 |
| • Phosphors | 8% | 10,800 |
| • Others | 8% | 6,100 |
| Total | 9% | 190,100t REO |

2014 DEMAND FORECAST BY APPLICATION



Total = US\$11.2 billion

Source: Growth rates from industry participants and Roskill.

Note: Totals may not add due to rounding.



Looming crisis - Rare Earths supply will be outstripped by demand; 115kt REO in 2010



CHINESE SUPPLY SOURCES (2010 CAPACITY, REO)

| | |
|---|-----------------|
| Baotou | 55,000t |
| <ul style="list-style-type: none"> By product of iron ore mine Moving to higher grade iron, with lower impurities and Rare Earths Tailing facilities near capacity | |
| Sichuan | 10,000t |
| <ul style="list-style-type: none"> Jiangxi Copper to invest ¥1.2Bn Target to increase value added Capacity expected to increase | |
| Ionic clay regions | 35,000t |
| <ul style="list-style-type: none"> Reportedly 14 yrs of resource Large amount of illegal mining Government action taking effect | |
| Recycling | 3,300t |
| Total | 103,300t |

NON CHINESE SUPPLY SOURCES (2010 CAPACITY, REO)

| | |
|--|----------------|
| India | 3,000t |
| <ul style="list-style-type: none"> Subsidiary of Indian AEA Toyota Tsusho bought trading firm with Japanese distribution | |
| Russia | 4,000t |
| <ul style="list-style-type: none"> Limited expansion capacity By product of Mg production | |
| Recycling | 1,500t |
| <ul style="list-style-type: none"> Magnet swarf Batteries – future potential | |
| USA – Mountain Pass | 3,000t |
| <ul style="list-style-type: none"> Reprocessing stockpiles Requires approx. US\$530 million rebuild | |
| Total | 11,500t |

Source: Industry resources and Lynas research



Our assumptions show global supply at 170kt by 2014, compared to demand of 190kt



2014 FORECAST SUPPLY ASSUMPTIONS

SUPPLY SOURCES

- | | |
|----------------------|---------|
| • Baotou | 60,000t |
| • Sichuan | 20,000t |
| • Ionic Clay Regions | 30,000t |
| • Recycling in China | 4,000t |

China Total **114,000t**

- | | |
|---------------------------|---------|
| • Mount Weld | 22,000t |
| • Mountain Pass | 20,000t |
| • Others (India & Russia) | 12,000t |
| • Recycling outside China | 1,800t |

Outside China Total **55,800t**

Grand Total **169,800t**

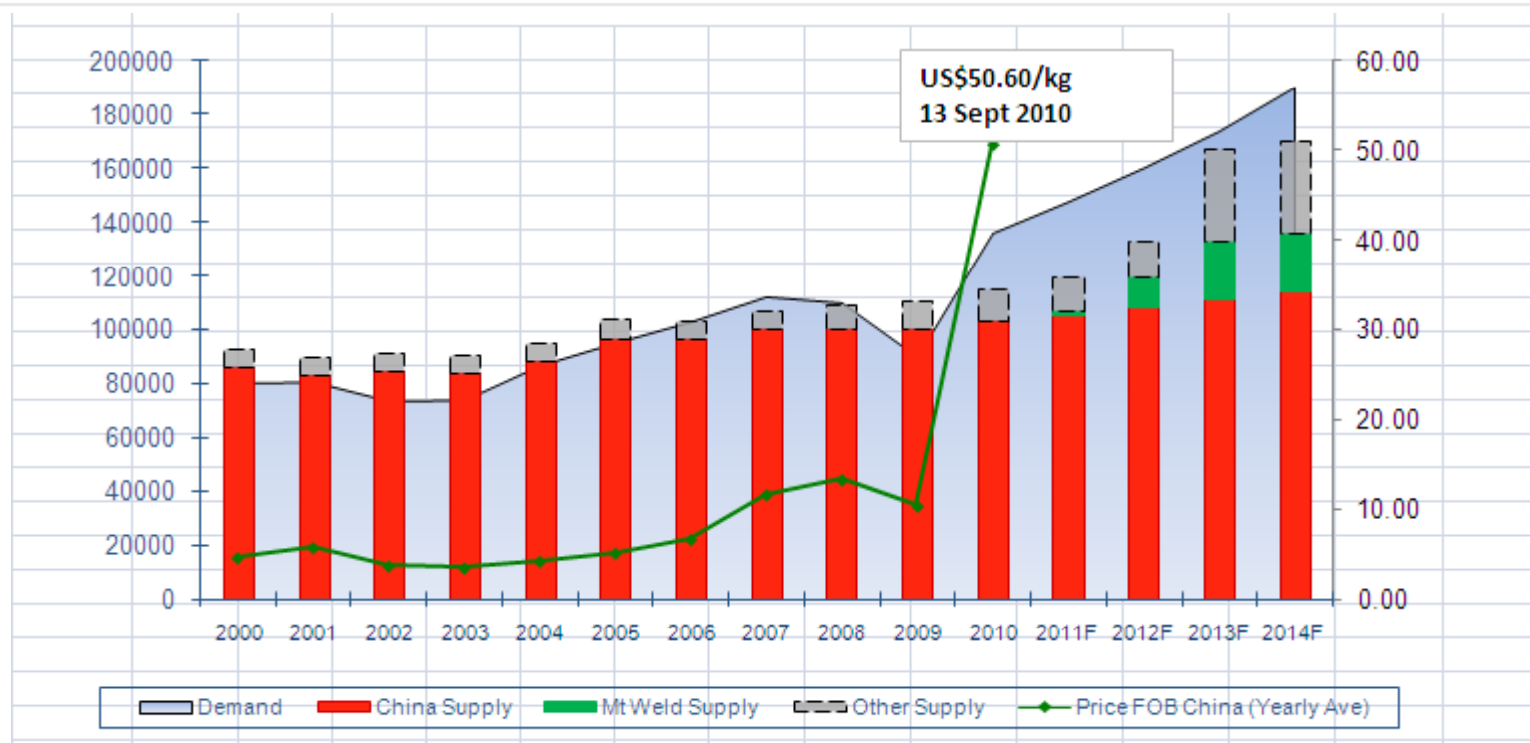
KEY UNDERLYING ASSUMPTIONS

- Baotou – 10% production increase 2010 / 2014
- Sichuan – full production quota to be utilised
- Ionic Clay – 2010 reduced from 2008 reported levels due to news reports. 2014 reduced to double current production quota (conservative estimate, could be lower)
- Mountain Pass – full production (20,000tpa) achieved
- Recycling – 20% Nd, Pr & Dy recycled from previous year's magnet production (~30% SWARF losses)

As supply tightened in 2008 prices increased, in 2009 demand dipped, prices are now soaring



HISTORIC AND FORECAST SUPPLY, DEMAND AND PRICING



Applications use different Rare Earths, the supply distribution does not match demand distribution



RARE EARTHS USAGE BY APPLICATION

| Application | La | Ce | Pr | Nd | Sm | Eu | Gd | Tb | Dy | Y | Other |
|----------------------|-------|-------|-------|-------|------|------|------|------|----|-------|-------|
| • Magnets | | | 23.4% | 69.4% | | | 2% | 0.2% | 5% | | |
| • Battery Alloy | 50% | 33.4% | 3.3% | 10% | 3.3% | | | | | | |
| • Metallurgy ex batt | 26% | 52% | 5.5% | 16.5% | | | | | | | |
| • Auto catalysts | 5% | 90% | 2% | 3% | | | | | | | |
| • FCC | 90% | 10% | | | | | | | | | |
| • Polishing Powder | 31.5% | 65% | 3.5% | | | | | | | | |
| • Glass Additives | 24% | 66% | 1% | 3% | | | | | | 2% | 4% |
| • Phosphors | 8.5% | 11% | | | | 4.9% | 1.8% | 4.6% | | 69.2% | |
| • Ceramics | 17% | 12% | 6% | 12% | | | | | | 53% | |
| • Others | 19% | 39% | 4% | 15% | 2% | | 1% | | | 19% | |



Note: percentages represent estimated average consumption distribution by application; actual distribution will vary from manufacturer to manufacturer.



Elemental Pinch Points based on Lynas estimated Demand and Supply for 2010



SUPPLY VS DEMAND

(REO, SEPARATED PRODUCTS)

| | <u>Demand</u> | <u>vs</u> | <u>Supply</u> |
|----------------|------------------|-----------|-----------------|
| • Lanthanum | 42,800t | | 28,200t |
| • Cerium | 43,500t | | 38,200t |
| • Praseodymium | 10,600t | | 6,400t |
| • Neodymium | 29,400t | | 22,400t |
| • Samarium | 700t | | 2,800t |
| • Europium | 410t | | 330t |
| • Gadolinium | 900t | | 2,200t |
| • Terbium | 440t | | 310t |
| • Dysprosium | 1,800t | | 1,800t |
| • Yttrium | 7,900t | | 10,500t |
| • Total | 138,450t | | 113,140t |
| | (25,310t) | | |

SUPPLY/DEMAND IMBALANCE

(REO, SEPARATED PRODUCTS)

| | | |
|----------------|-------------|------|
| • Lanthanum | -14,600t | -34% |
| • Cerium | -5,300t | -12% |
| • Praseodymium | -4,200t | -40% |
| • Neodymium | -7,000t | -24% |
| • Samarium | over supply | |
| • Europium | -80t | -20% |
| • Gadolinium | over supply | |
| • Terbium | -130t | -30% |
| • Dysprosium | in balance | |
| • Yttrium | over supply | |

Source: Industry resources and Lynas research.



2014 Elemental Pinch Points, maximum China supply plus two new resources– shortages remain



SUPPLY VS DEMAND

(REO, SEPARATED PRODUCTS)

| | <u>Demand</u> | <u>vs</u> | <u>Supply</u> |
|----------------|------------------|-----------|-----------------|
| • Lanthanum | 57,100t | | 43,400t |
| • Cerium | 59,000t | | 66,500t |
| • Praseodymium | 16,100t | | 9,100t |
| • Neodymium | 45,400t | | 31,200t |
| • Samarium | 1,200t | | 3,500t |
| • Europium | 560t | | 450t |
| • Gadolinium | 1,400t | | 2,300t |
| • Terbium | 620t | | 330t |
| • Dysprosium | 2,800t | | 1,700t |
| • Yttrium | 10,700t | | 9,500t |
| • Total | 194,880t | | 167,980t |
| | (26,900t) | | |

SUPPLY/DEMAND ESTIMATED IMBALANCE

(REO, SEPARATED PRODUCTS)

| | | |
|----------------|------------|------|
| • Lanthanum | - 13,700t | -24% |
| • Cerium | Oversupply | |
| • Praseodymium | -7,000t | -43% |
| • Neodymium | -14,200t | -31% |
| • Samarium | Oversupply | |
| • Europium | -110t | -20% |
| • Gadolinium | Oversupply | |
| • Terbium | -290t | -47% |
| • Dysprosium | -1,100t | -39% |
| • Yttrium | -1,200t | -11% |

Source: Industry resources and Lynas research.



Our assumptions show global supply at 170kt by 2014, compared to demand of 190kt

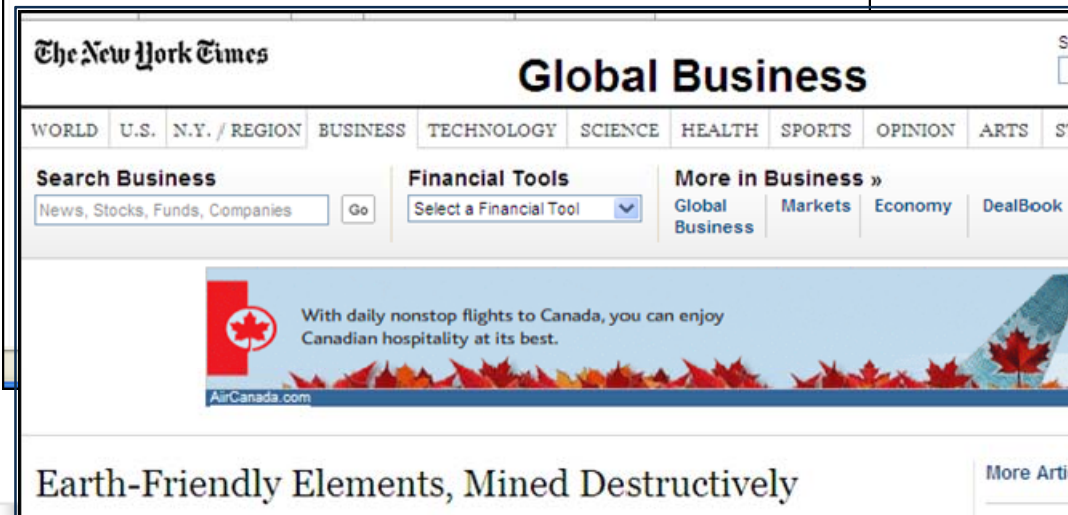


GROWTH FORECAST BY APPLICATION

2014 FORECAST SUPPLY ASSUMPTIONS

| <u>APPLICATION</u> | <u>GROWTH RATE P.A.</u> | <u>DEMAND</u> | <u>SUPPLY SOURCES</u> | <u>SUPPLY</u> |
|--------------------|-------------------------|-----------------|----------------------------|-----------------|
| Magnets | 12% | 55,100t | • Baotou | 60,000t |
| Battery Alloy | 15% | 32,500t | • Sichuan | 20,000t |
| Metallurgy ex batt | 2% | 12,700 t | • Ionic Clay Regions | 30,000t |
| Auto catalysts | 8% | 12,200t | • Recycling in China | 4,000t |
| FCC | 4% | 24,900t | China Total | 114,000t |
| Polishing Powder | 10% | 28,000t | • Mt Weld | 22,000t |
| Glass Additives | 0% | 7,800t | • Mt Pass | 20,000t |
| Phosphors | 8% | 10,800t | • Others (India & Russia) | 12,000t |
| Others | 8% | 6,100t | • Recycling outside China | 1,800t |
| | | | Outside China Total | 55,800t |
| Total | 9% | 190,100t | Grand Total | 169,800t |

Environmental impact not sustainable, illegal smuggling not sustainable

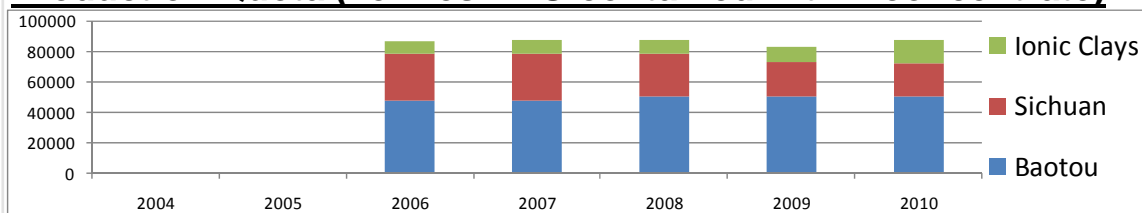


China aims to improve “return on resources” as well as tackle environmental performance

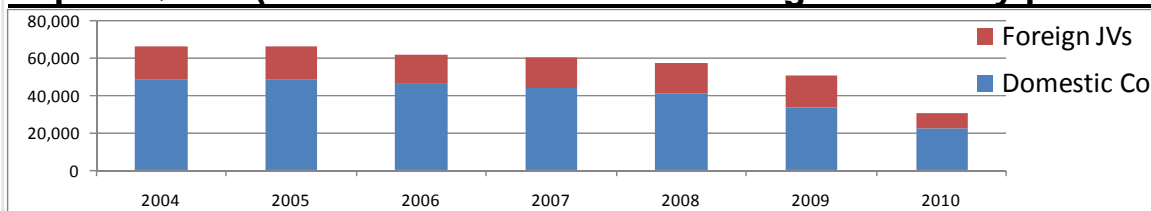


COMPETITION – CHINA POLICY

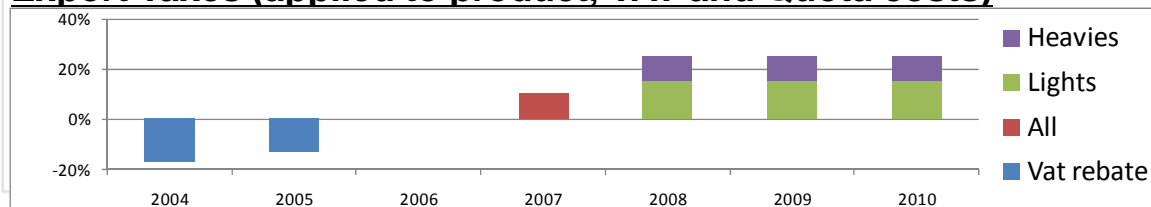
Production Quota (Tonnes REO contained within concentrate)



Export Quota (Tonnes of Rare Earths bearing commodity product)



Export Taxes (applied to product, VAT and Quota costs)



- No prospecting or mining licences for Rare Earths until July 2011.
- China will control its production capacity of Rare Earths between 120,000t and 150,000t until 2015, and will not build any new production capacity without government approval (MIIT).
- Recognition by government of grey exports without quota; 20,000t in 2008.

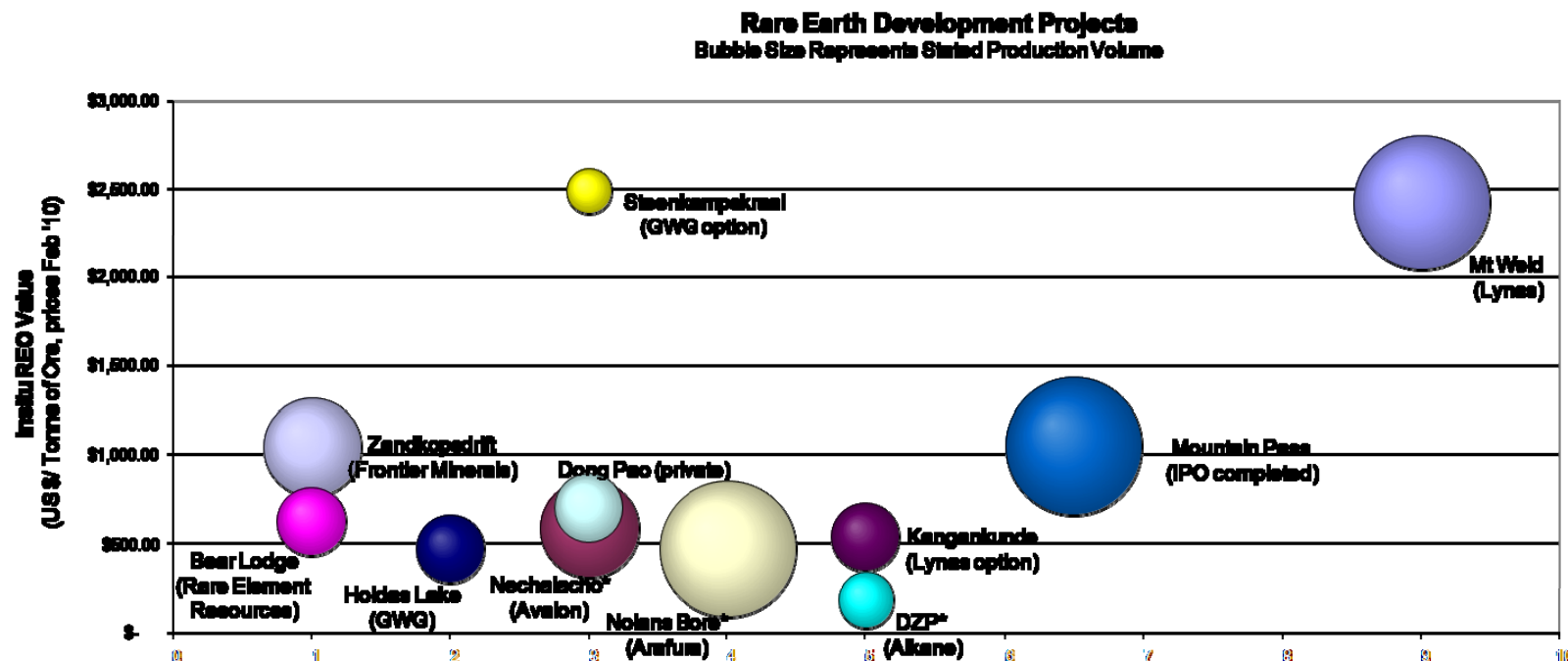
Source: Asian Metal, Metal Pages, Lynas research.



Lynas is the leader in defined Rare Earths resources in development outside China



COMPARING SIZE AND PROGRESS OF GLOBAL RARE EARTHS PROJECTS



Source: the data for non-Mount Weld deposits is based on public statements by the relevant resource holders except for Dong Pao which is based on a company interview, and has not been separately verified by Lynas. * Represents a polymetallic resource.



Lynas will offer the first new source of supply of Rare Earths outside of China - Q3 2011



LYNAS VITALS AT A GLANCE

VISION: To be a global leader in Rare Earths for a sustainable future

EXCHANGE: ASX Top 200 Company; code LYC

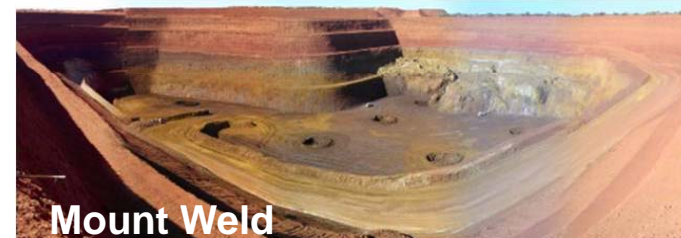
SHARES: 1,657m on issue

OPTIONS: 77m strike range 16c - \$1.15

MARKET CAP: A\$2.2bn as at 13 Sept 2010

CASH: A\$405m as at 30 June 2010

DEBT: Nil



Mount Weld



Concentration Plant



Lynas Advanced Materials Plant



Lynas is on track for production in Q3 2011



KEY MILESTONES TO ENSURE A RELIABLE SOURCE OF RARE EARTHS

- Lynas raised A\$450 million in the equity markets to **fund the completion of its project**
- **All approvals** in Australia and Malaysia in place to complete construction of **processing plants**
- Mechanical Engineering Design complete
- All major equipment procured
- **Construction work** is well **underway** in both Australia and Malaysia
- Mount Weld **Concentration Plant** due to be commissioned in **January 2011**
- **Lynas Advanced Materials Plant (LAMP)** due to be commissioned in **July – September 2011**



The products are set for Phase 1; Lynas has product flexibility in phase 2



| PHASE 1 11,000t REO PRODUCTS | VOLUMES (tpa) |
|---|---------------|
| Ce carbonate | 2,600 |
| La carbonate | 1,350 |
| Ce / La carbonate | 4,000 |
| Nd / Pr oxide | 2,700 |
| SEG + Heavy Rare Earths | 480 |
| PHASE 2 ADDITIONAL 11,000t REO PRODUCTS | |
| Ce carbonate, oxide | |
| La carbonate, oxide | |
| Ce / La carbonate, oxide, potential for metal | |
| Nd oxide and Pr oxide, potential for metal | |
| Separated SEG + Heavy Rare Earths | |

Rare Earths Mineral Resources at Mount Weld; New Total Resource of 1.416 million tonnes REO



| CENTRAL LANTHANIDE DEPOSIT CATEGORY | '000 TONNES | REO %* | TLnO (%)** | Y203(ppm) |
|-------------------------------------|---------------|-------------|-------------|--------------|
| Measured | 3,550 | 14.4 | 14.3 | 820 |
| Indicated | 1,440 | 8.2 | 8.1 | 960 |
| Inferred | 4,884 | 8.6 | 8.5 | 1,120 |
| Total | 9,880 | 10.7 | 10.6 | 990 |
| DUNCAN DEPOSIT CATEGORY | '000 TONNES | REO %* | TLnO (%)** | Y203(ppm) |
| Measured | 3,650 | 5.5 | 5.2 | 2,700 |
| Indicated | 3,560 | 4.1 | 3.9 | 2,460 |
| Inferred | 410 | 4.3 | 4.1 | 2,360 |
| Total | 7,620 | 4.8 | 4.5 | 2,570 |
| TOTAL RARE EARTHS MINERAL RESOURCE | '000 TONNES | REO %* | TLnO (%)** | Y203(ppm) |
| Measured | 7,200 | 9.8 | 9.7 | 1,770 |
| Indicated | 5,000 | 5.3 | 5.1 | 2,020 |
| Inferred | 5,290 | 8.3 | 8.2 | 1,210 |
| Total | 17,490 | 8.1 | 7.9 | 1,680 |



*REO (%) includes all the lanthanide elements plus Yttrium

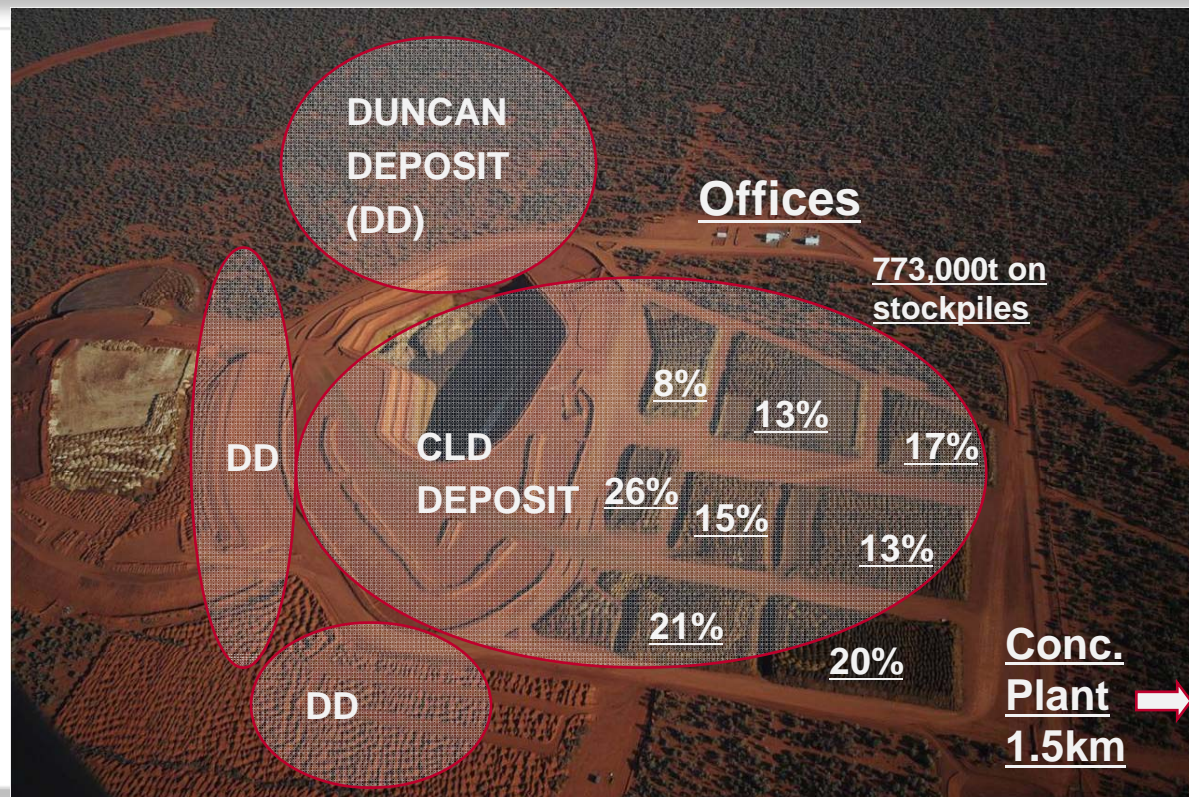
** TLnO (%) includes all the lanthanides elements only (i.e. Yttrium is not included)



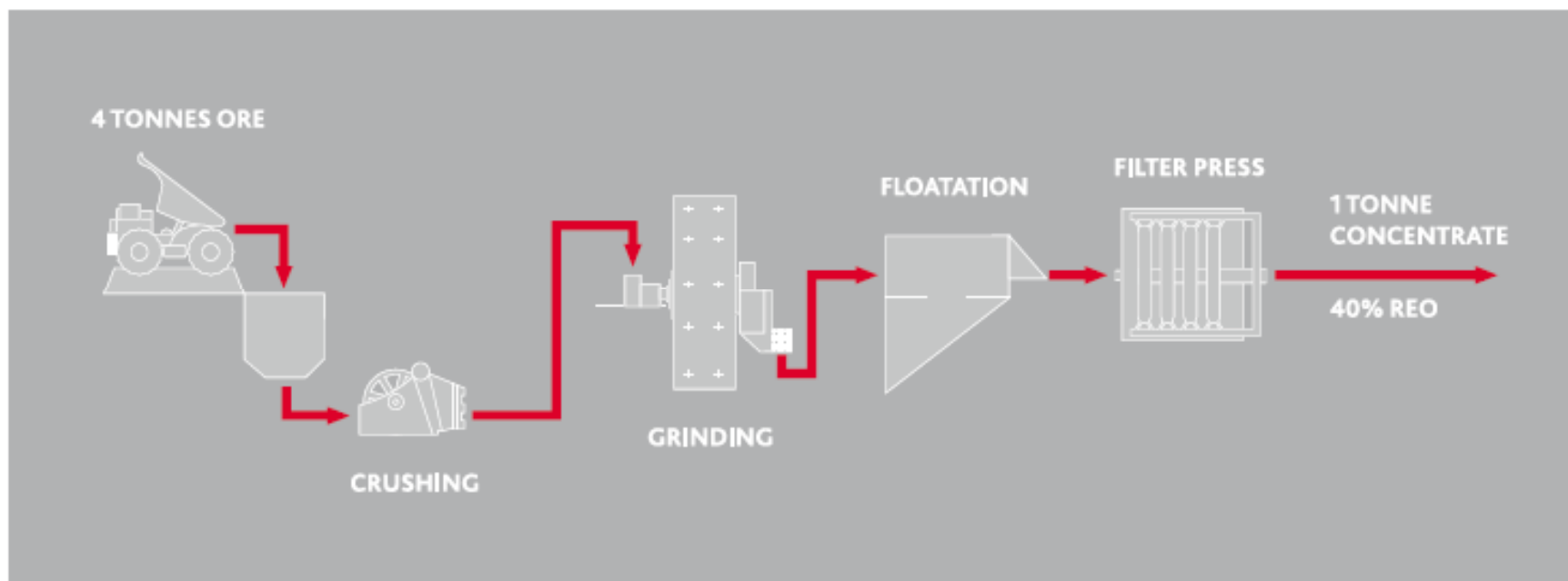
Mount Weld Rare Earths initial mining campaign complete, loss-time-injury-free, on budget



MOUNT WELD STOCKPILES WITH RARE EARTH OXIDE PERCENTAGES



Schematic - Concentration Plant process at Mount Weld, which has been fully pilot plant tested



Concentration Plant construction is on schedule to be completed in December 2010



FEATURES OF CONSTRUCTION AT THE CONCENTRATION PLANT



**Flotation Building
under construction**

Concentration Plant construction is on schedule to be completed in December 2010



FEATURES OF CONSTRUCTION AT THE CONCENTRATION PLANT



Conditional Filter Press



Con Thickener and Concentration Dewatering Area

Containers of Rare Earths concentrate will be trucked to Fremantle for shipping to Malaysia



- Mount Weld to Fremantle = 1000km
- Transportation approx. 9% of total costs



Lynas will expand the Malaysian processing hub,
with the ability to take multiple sources of material



PROCESSING HUB WITH EXCEPTIONAL INFRASTRUCTURE

INDUSTRIAL INFRASTRUCTURE

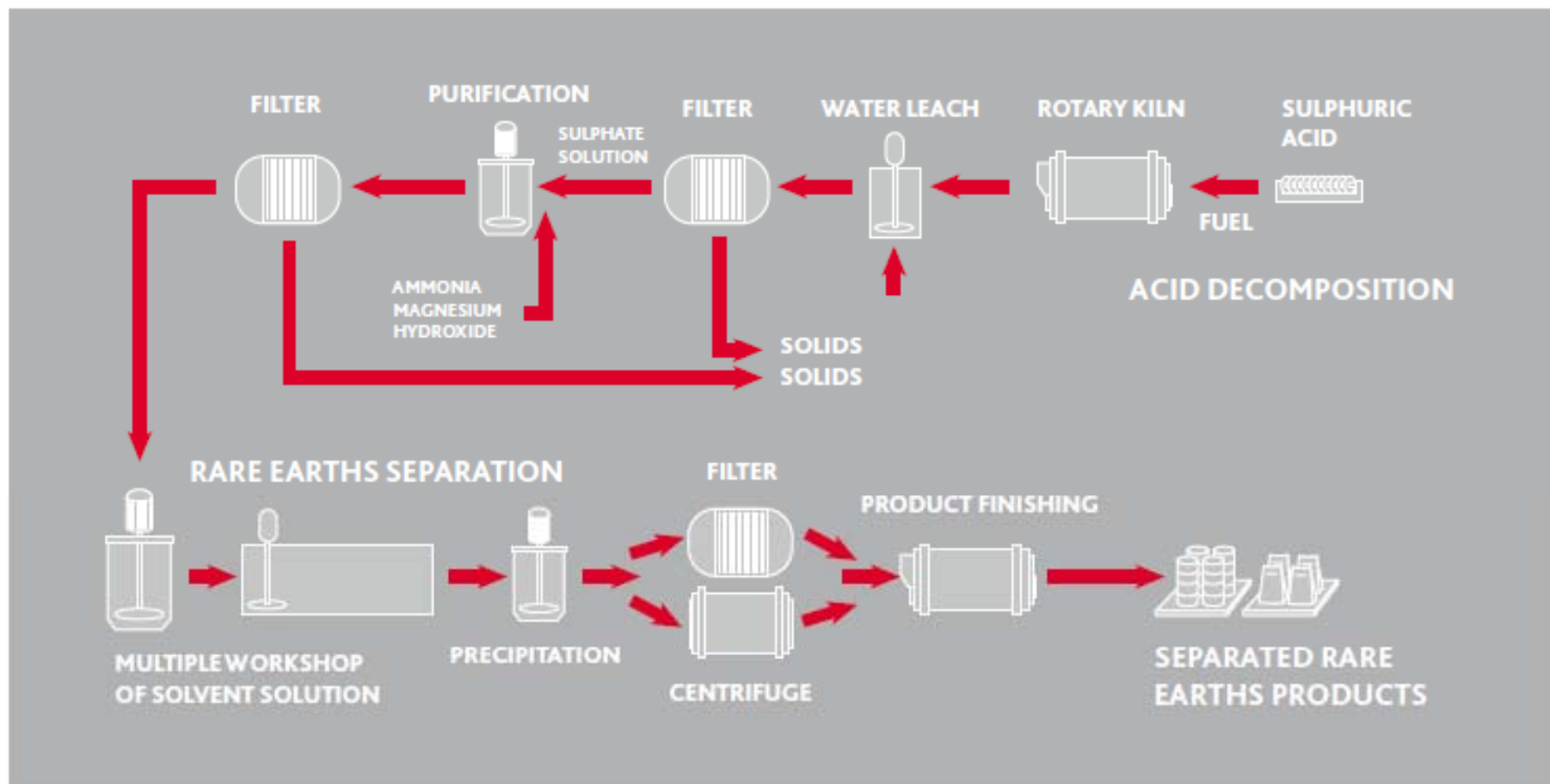
KNOWLEDGE INFRASTRUCTURE

GOVERNMENT INFRASTRUCTURE

- Including FDI incentives
(12 years tax exemption for pioneer status)



Schematic - Lynas Advanced Materials Plant core process, which uses mature industry technology

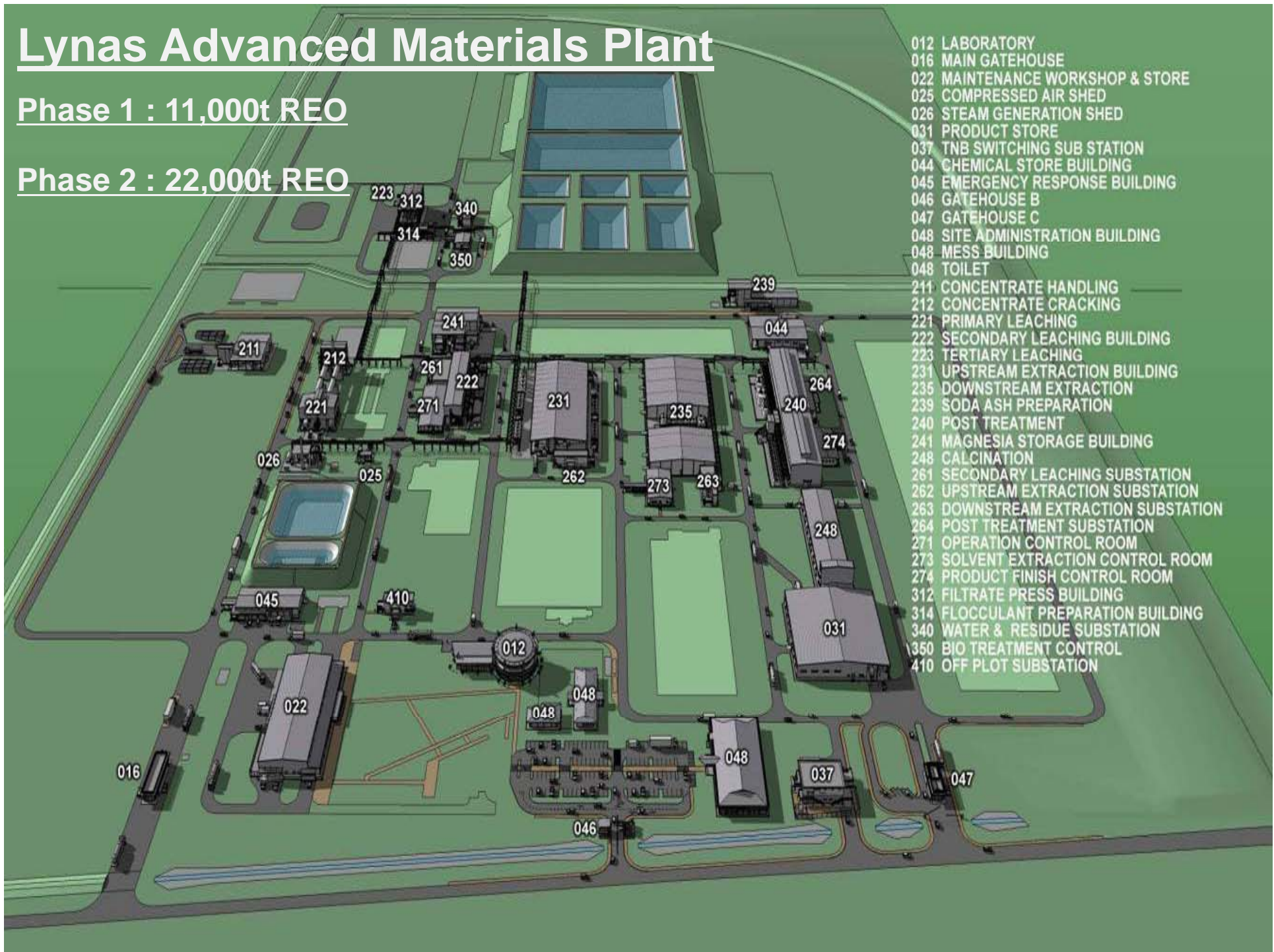


Lynas Advanced Materials Plant

Phase 1 : 11,000t REO

Phase 2 : 22,000t REO

- 012 LABORATORY
- 016 MAIN GATEHOUSE
- 022 MAINTENANCE WORKSHOP & STORE
- 025 COMPRESSED AIR SHED
- 026 STEAM GENERATION SHED
- 031 PRODUCT STORE
- 037 TNB SWITCHING SUB STATION
- 044 CHEMICAL STORE BUILDING
- 045 EMERGENCY RESPONSE BUILDING
- 046 GATEHOUSE B
- 047 GATEHOUSE C
- 048 SITE ADMINISTRATION BUILDING
- 048 MESS BUILDING
- 048 TOILET
- 211 CONCENTRATE HANDLING
- 212 CONCENTRATE CRACKING
- 221 PRIMARY LEACHING
- 222 SECONDARY LEACHING BUILDING
- 223 TERTIARY LEACHING
- 231 UPSTREAM EXTRACTION BUILDING
- 235 DOWNSTREAM EXTRACTION
- 239 SODA ASH PREPARATION
- 240 POST TREATMENT
- 241 MAGNESIA STORAGE BUILDING
- 248 CALCINATION
- 261 SECONDARY LEACHING SUBSTATION
- 262 UPSTREAM EXTRACTION SUBSTATION
- 263 DOWNSTREAM EXTRACTION SUBSTATION
- 264 POST TREATMENT SUBSTATION
- 271 OPERATION CONTROL ROOM
- 273 SOLVENT EXTRACTION CONTROL ROOM
- 274 PRODUCT FINISH CONTROL ROOM
- 312 FILTRATE PRESS BUILDING
- 314 FLOCCULANT PREPARATION BUILDING
- 340 WATER & RESIDUE SUBSTATION
- 350 BIO TREATMENT CONTROL
- 410 OFF PLOT SUBSTATION



We are industrialising our operations to meet our customers' expectations



FOUR PILLARS UNDERPINNING LYNAS' OPERATIONS

Marketing and Sales

- Serving long-term customer requirements and commitments, and thus providing input for plant extensions and new facilities.

Industrial

- Key value drivers are responsible care, customer satisfaction, asset optimisation and growth management.

Research and Technologies

- Working with customers to analyse and develop technologies to enable a cost-effective product offering

Business Excellence

- Providing and optimising services to support cost-effective operations at the processing plants.



Expansion beyond first production will be driven by customer requirements and commitments



HOW LYNAS WILL COST-EFFECTIVELY EXPAND

- Lynas plans to at least **double production**.
- Product range within the Lynas **product suite** will also be **expanded**.
- Our **customers'** requirements and commitments drive our **business development strategy**.



First feed to kiln at the Lynas Advanced Materials Plant is scheduled for Q3 2011



FEATURES OF CONSTRUCTION AT THE LAMP



Concrete pour of the Gas Treatment Plant



Blinding slab being prepared for concrete

First feed to kiln at the Lynas Advanced Materials Plant is scheduled for Q3 2011



FEATURES OF CONSTRUCTION AT THE LAMP



Lynas-constructed stormwater detention pond



Concrete Batch Plants

Six customer agreements have been signed

Rhodia Customer Agreement - Supply Contract

- >US\$200M¹
- Long term 10 year contract
- Cerium, Europium, Terbium & Lanthanum

6th Customer Agreement – Supply Contract

- Long term multiple year contract
- Product from Phase I & Phase II of final separation and product finishing plant in Malaysia

2nd Customer Agreement - Supply Contract

- ~US\$200M¹
- Long term 5 year contract
- Neodymium & Praseodymium

5th Customer Agreement – Letter of Intent

- ~US\$80M¹
- Long term multiple year contract
- Product from Phase I & Phase II of final separation and product finishing plant in Malaysia

3rd Customer Agreement - Supply Contract

- ~US\$20M¹
- Long term multiple year contract
- Product from Phase I & Phase II of final separation and product finishing plant in Malaysia

4th Customer Agreement – Letter of Intent

- ~US\$80M¹
- Long term multiple year contract
- Product from Phase I & Phase II of final separation and product finishing plant in Malaysia

FOUR SUPPLY CONTRACTS AND TWO LETTERS OF INTENT SIGNED

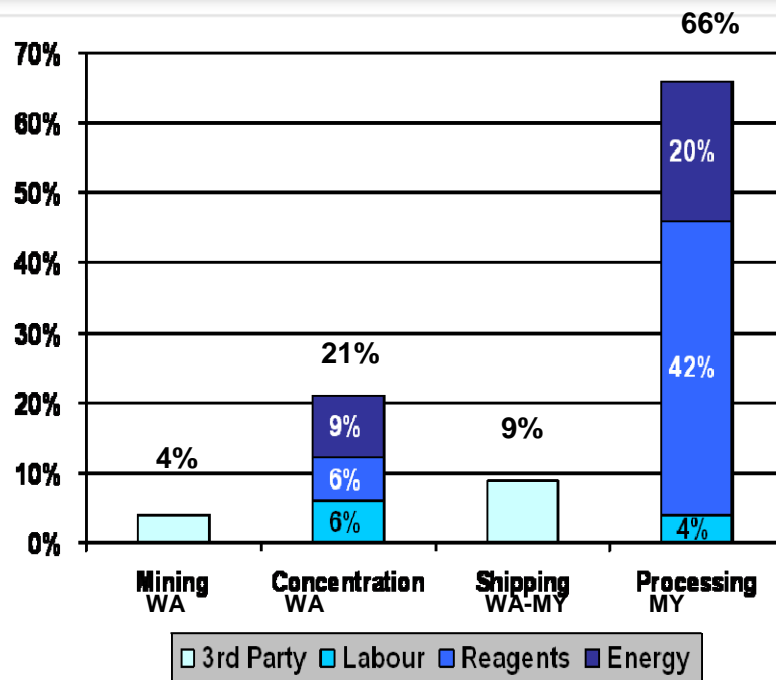


¹ Values reflect market prices at signing of contract

Operational expenses are dominated by reagent and energy costs



CASH COST PER TONNE OF FINISHED REO BY EXPENSE TYPE AND REGION



WA= Western Australia MY = Malaysia

- Current Budget assumes cash costs of USD 7.00 per kilo \pm 10%
- 2/3 of the costs are generated in Malaysia
- Reagents account for nearly 50% of total cash costs
- Followed by energy costs at nearly 30%

Lynas' finances are in good shape as at the end of August 2010



| CONSTRUCTION AND OTHER CAPITAL COSTS | TOTAL AUD \$M | TO DATE AUD \$M | FUTURE SPEND AUD \$M |
|---|------------------|--------------------|-------------------------|
| Concentration Plant | 61.39 | 24.77 | 36.62 |
| Lynas Advanced Materials Plant (LAMP) | 232.40 | 52.06 | 180.34 |
| Engineering and Project Management Costs | 136.40 | 97.50 | 38.90 |
| Other Capex including Land in Malaysia | 73.08 | 49.55 | 23.53 |
| Contingency | 25.81 | 2.79 | 23.02 |
| Total | 529.08 | 226.67 | 302.41 |
| PRODUCTION RAMP-UP COSTS | | | FUTURE SPEND AUD \$M |
| Concentration Plant | | | 21.47 |
| Lynas Advanced Materials Plant (LAMP) | | | 26.05 |
| Finance, Admin, Marketing, Technical and Corporate Overheads (incl. suspension costs) | | | 17.60 |
| Total | | | 65.12 |
| TOTAL CASH REQUIREMENTS TO START OF PRODUCTION | | | 367.53 |
| Cash on Hand 31 August 2010 | | | 376.12 |
| OCBC Facility (RM 50M revolving credit facility + RM 10M overdraft) | | | 21.28 |
| CASH ON HAND PLUS OCBC FACILITY | | | 397.40 |
| HEADROOM + CONTINGENCY | | | 52.89 |

Lynas – online in 2011, delivering Rare Earths globally



Our vision is to be a global leader in Rare Earths for a sustainable future.

We are close to realising this vision.

Lynas will be online in 2011, delivering Rare Earths globally. This is the first new production outside of China.

First phase of production will be 11,000 REO; we intend to double our production by early 2013.



NOTE

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RARE EARTHS

WE TOUCH THEM EVERYDAY –
APPENDIX



ONLINE IN 2011,
DELIVERING
RARE EARTHS
GLOBALLY.



Lynas
CORPORATION LTD

New generation, >3MW, wind turbines are using permanent magnet turbines



WIND TURBINES ARE A GROWTH DRIVER FOR MAGNETS



- 120GW global wind generation in 2008
- 18% annual growth forecast to 2020 to 700GW
- Turbines scaling to 3MW plus, key differentiator
- Generator technology moving to Permanent Magnets (PM) for larger turbines and offshore
- Lighter, smaller, lower maintenance
- 400 units p.a. in 2008 (2% market)
- Growing to 4,300 units p.a. in 2020 (16% market)
- Each 3MW PM turbine uses 1 ton of neodymium

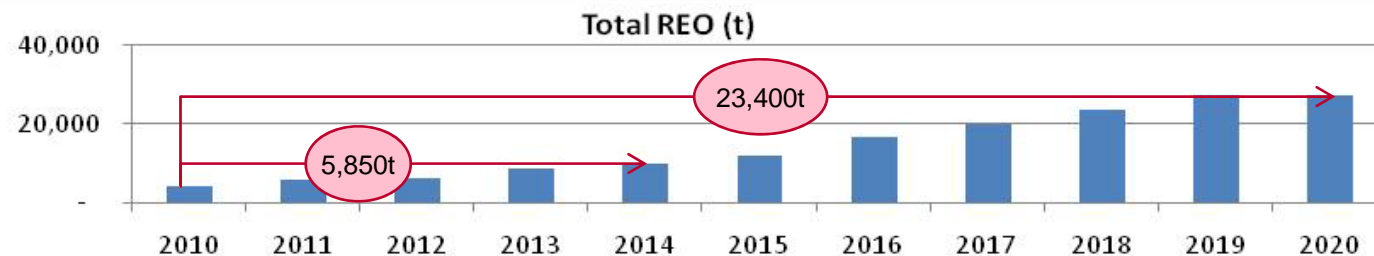
The forecast growth of hybrids is a competing application for supply of magnets



BROKER FORECASTS FOR HYBRIDS WITH LYNAS REO REQUIREMENTS

Estimated production for hybrid vehicles (millions of units)

| Broker | Date | 2010E | 2011E | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E |
|-------------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Bank of America Merrill Lynch | 25-May-10 | 1.4 | 1.9 | 2.2 | 2.7 | 3.1 | 3.8 | 4.3 | 4.9 | 5.5 | 6.1 | 6.6 |
| Yuanta | 24-May-10 | 1.4 | 1.9 | 2.3 | 2.4 | 2.5 | 2.9 | 3.3 | 3.5 | 3.7 | 4.2 | 4.6 |
| Deutsche Bank | 3-Nov-09 | 1.3 | 1.8 | 2.7 | 3.7 | 4.6 | 5.6 | 7.7 | 10.2 | 12.7 | 15.1 | 17.3 |
| Morgan Stanley | 3-Nov-09 | 0.7 | - | 1.1 | - | - | 1.9 | - | - | - | - | 5.2 |
| Bank of China International | 26-Aug-09 | 0.9 | 1.2 | 1.4 | 1.6 | 1.9 | - | - | - | - | - | - |
| Mean | | 1.2 | 1.7 | 1.9 | 2.6 | 3.0 | 3.6 | 5.1 | 6.2 | 7.3 | 8.4 | 8.4 |
| Median | | 1.3 | 1.9 | 2.2 | 2.7 | 3.1 | 3.8 | 6.0 | 4.9 | 5.5 | 6.1 | 5.9 |



JP Morgan research



Lighting is the largest of the phosphor markets,
but all are forecast to grow strongly



PHOSPHORS: 2008 CONSUMPTION BY APPLICATION AND TECHNOLOGY THREATS

| Lighting : 4981t | | | LCD : 729t | | | Plasma : 227t | | |
|---|----------------|----------|---|----------------|----------|--|---------------|----------|
| Red | Green | Blue | Red | Green | Blue | Red | Green | Blue |
| 3850t | 1115t | 16t | 421t | 295t | 13t | 149t | 74t | 4t |
| Y/Eu oxide | La/Ce/Tb oxide | Eu oxide | Y/Eu oxide | La/Ce/Tb oxide | Eu oxide | Y/Eu/Gd oxide | Y/Tb/Gd oxide | Eu oxide |
| <ul style="list-style-type: none"> • Lighting technology relatively stable • Potential Tb decrease by 40% with phosphor technology shift • Growth rates ~ 12% p.a. | | | <ul style="list-style-type: none"> • LED back lighting now in market • Potential phosphor technology shift may decrease growth • OLED threatening • Growth rates ~ 22% p.a. | | | <ul style="list-style-type: none"> • Technology stable • Growth rates ~ 22% p.a. | | |

It is not about size of resource, it is about getting into production.



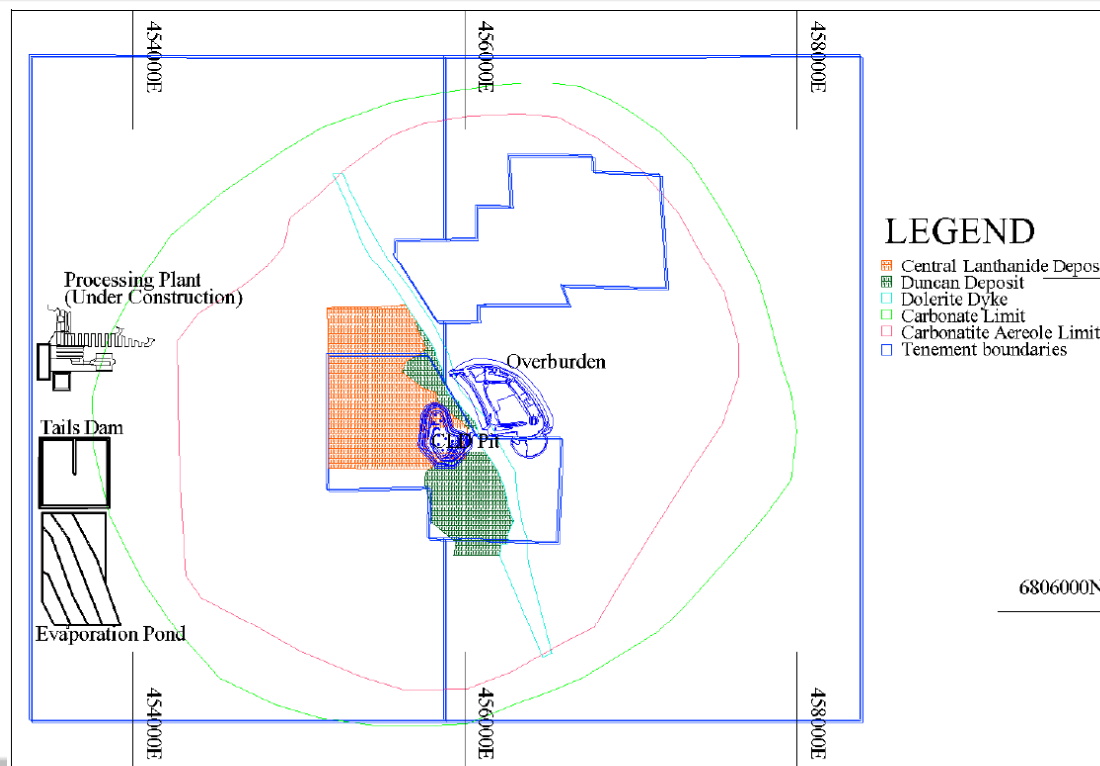
THE DRIVERS OF THE POTENTIAL SHORTAGE

- Shortage occurs when **supply as a function of time** can no longer keep up with **demand as a function of time**.
- The ultimate recoverable resource in the ground is irrelevant in this respect.
- We have reached this point in the Rare Earths industry
 - Current resources are struggling to maintain production
 - Growth forecasts are greater than new supply coming to market
- Mineral scarcity is expected to be an aspect of this industry for at least the next five years
 - There are insufficient well advanced new projects in the pipeline
 - ✓ Lynas – Mount Weld

The current mining operation at Mount Weld is within the Central Zone Pit



RARE EARTHS MINERAL RESOURCES AT MOUNT WELD



- Two defined deposits: Central Lanthanide Deposit and the Duncan Deposit

Mount Weld current pit floor is 51m below surface,
the mine plan pit floor is another 36m down



- Red layer – alluvial overburden
- Yellowish layer – Rare Earths ore
- Pit extensions to North and West in addition to depth

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