

APPENDIX 4D

Half-Year Report for the period ended 31 December 2003

Results for Announcement to the Market

Half-Year Financial Report

- Directors' Report
- Condensed Statement of Financial Performance
- Condensed Statement of Financial Position
- Condensed Statement of Cash Flows
- Notes to the Financial Statements
- Directors' Declaration
- Audit Review Report



Appendix 4D

Half Year Report

LYNAS CORPORATION LIMITED

ABN 009 066 648

Financial Half-Year Ended 31 December 2003

For announcement to the market

	\$A'000
Revenues from ordinary activities	147
Loss from ordinary activities after tax attributable to members	(2,796)
Net loss for the period attributable to members	(2,796)

Dividends

No dividends have been declared or proposed during the current year or the previous year

The attached financial statements give full details of the performance of the Company over the past year, and changes in business activities. This half-yearly report should be read in conjunction with the most recent annual financial report and announcements lodged with the Australian Stock Exchange.

Directors' Report

Your directors submit their report for the half-year ended 31 December 2003.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Brian Davidson, LL.B. (Hons) (Non-executive Chairman)

Nicholas Curtis, B.A. (Hons) (President and Chief Executive Officer)

Harold Ou Wang, M.Sc. (Executive Director)

David Davidson (Non-Executive Director)

Andrew Lupton, MBA (resigned 22 October 2003)

REVIEW AND RESULTS OF OPERATIONS

The Company continued to focus on the Mt Weld Rare Earths project.

Revenue for the half-year of \$147,476 included interest received of \$90,575.

During the half-year:

- SG Australia Limited converted the secured convertible notes it held, together with capitalised interest, into 9,225,528 ordinary shares
- the Company issued \$10,000,000 of unsecured convertible notes (being 200 notes of \$50,000 each); the period of the facility is 36 months and can be repaid or converted into ordinary shares at the rate of 333,334 shares and 133,333 unlisted options in ordinary shares, exercisable at 20 cents before December 2006) for each note; of these, the holders of 37 notes converted them into 12,333,358 ordinary shares.
- the holders of 32,421,494 listed options exercised their entitlements into ordinary shares (99.82% uptake) raising \$12.969 million.
- the holders of 2,825,000 unlisted options exercised their entitlements into ordinary shares raising \$706,250.

this has left the Company with a closing cash position of \$22,624,736.

The Company continues to focus on the Mt Weld Rare Earths project. Having satisfied itself on the technical and metallurgical aspects of the Mt Weld Rare Earths project the Board continues to review the project economics, which are being impacted by the appreciation in value of the A\$. However the Company is encouraged by some significant increases in Rare Earths prices at the end of the quarter continuing into January 2004. Lycopodium has completed optimisation studies on the process plant and revisions to the definitive engineering study started in January 2004 and will complete in March 2004.

The Leonora Mining Registrar granted miscellaneous licence L38/98 in November. This lease constitutes the access corridor to the Mt Weld leases and was granted following positive outcomes from an Aboriginal Heritage Survey and communication with Aboriginal interest groups.

John Kobelke, WA MLA and Minister for Indigenous Affairs has consented to Mt Weld Mining using (disturbing) the land covered by all 4 Mt Weld Mining Licences and the Miscellaneous Licence 38/98 following a favourable review of heritage studies by the Aboriginal Cultural Materials Committee of the WA Department of Indigenous Affairs. The review was conducted to clear the land covered by the miscellaneous licence and update previous work undertaken in the early 1990's.

On 25 September 2003 the company signed a conditional Heads of Agreement with China Iron and Steel Industry Trade Group Corporation (CSG) of Beijing, China, for the purchase by Lynas of up to 100% ownership of CMIEC (Channar) Pty Ltd, an ultimately wholly owned subsidiary of CSG through CMIEC Australia Pty Ltd (CMIEC). The completion of the acquisition would give Lynas up to 40% beneficial interest in the Channar Iron Ore project managed by Hamersley Iron Ltd, (Hamersley) a wholly owned subsidiary of Rio Tinto Corporation PLC.

A Condition Precedent is the resolution of the pre-emptive rights of Hamersley, with respect to transfer of a shareholding interest in the company that holds the interest in the Channar mine (Channar).

Completion of the transaction itself is subject to other standard conditions, including:

- Approval by the State Asset Administration Commission of China and China Securities Regulatory Commission;
- Approval by the Foreign Investment Review Board of Australia; and
- Approval by the shareholders of Lynas in accordance with the Corporations Law and the ASX listing rules.

On 22 December 2003 the Directors of Lynas updated the market that Hamersley cannot conceive of circumstances in which it would approve of or consent to Lynas's direct or indirect involvement in the Channar Joint Venture (CJV).

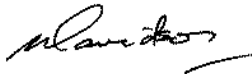
Directors' Report

The court proceedings in the Supreme Court of WA commenced by Hamersley against CSG are unlikely to be significantly progressed until late in the first quarter of 2004.

Directors of Lynas therefore are of the opinion that given the written advice from Hamersley, it is most likely that Hamersley would prevent CSG transferring the whole of its 40% interest in the CJV into Lynas.

Directors believe that legally the option remains open to transfer 49% of the CSG interest but this will take some time to clarify, as further negotiations will be needed with CSG, in particular with respect to the appropriate number of shares in Lynas to be issued and the issue price of those shares. Finalisation of these negotiations will not occur until all approvals for the transaction have been received from relevant authorities in Beijing.

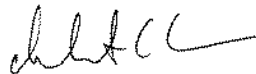
Signed in accordance with a resolution of the directors.



B. Davidson

Director

Sydney, 19 February 2004



N. Curtis

Director

Condensed Statement of Financial Performance

HALF-YEAR ENDED 31 DECEMBER 2003

	Notes	CONSOLIDATED	
		2003 \$	2002 \$
REVENUES FROM ORDINARY ACTIVITIES	2	147,476	119,830
Revenue from disposal of Mt Weld Tantalum Pty Limited		—	500,000
Revenue from disposal of mining tenements		—	25,000
Cost of assets sold in divestment		—	(506,092)
Operating expenses from ordinary activities	2	(2,943,333)	(2,709,038)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	2	(2,795,857)	(2,570,300)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		—	—
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(2,795,857)	(2,570,300)
Loss from extraordinary item after income tax expense		—	—
NET LOSS		(2,795,857)	(2,570,300)
NET LOSS ATTRIBUTABLE TO MEMBERS OF LYNAS CORPORATION LIMITED		(2,795,857)	(2,570,300)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS OF LYNAS CORPORATION LIMITED		(2,795,857)	(2,570,300)
Basic earnings per share (cents per share)		(1.7)	(3.1)
Diluted earnings per share (cents per share)		(1.3)	(3.1)

Condensed Statement of Financial Position

HALF-YEAR ENDED 31 DECEMBER 2003

Notes

CONSOLIDATED

		AS AT 31 DECEMBER 2003 \$	AS AT 30 JUNE 2003 \$
CURRENT ASSETS			
Cash assets		22,624,736	3,183,876
Receivables		130,160	128,101
Other		139,568	148,246
TOTAL CURRENT ASSETS		22,894,464	3,460,223
NON-CURRENT ASSETS			
Investments		164,835	—
Property, plant and equipment		158,336	162,047
Deferred exploration, evaluation and development costs		14,706,626	14,252,021
Other		315,000	71,527
TOTAL NON-CURRENT ASSETS		15,344,797	14,485,595
TOTAL ASSETS		38,239,261	17,945,818
CURRENT LIABILITIES			
Payables		1,120,542	1,608,222
Provisions		349,194	482,168
TOTAL CURRENT LIABILITIES		1,469,736	2,090,390
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4	8,150,000	3,227,828
Provisions		389,149	447,406
TOTAL NON-CURRENT LIABILITIES		8,539,149	3,675,234
TOTAL LIABILITIES		10,008,885	5,765,624
NET ASSETS		28,230,376	12,180,194
EQUITY			
Parent entity interest			
Contributed equity	10	47,908,454	29,062,415
Accumulated losses	9	(19,678,078)	(16,882,221)
TOTAL EQUITY		28,230,376	12,180,194

Condensed Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2003

Notes

CONSOLIDATED

	2003 \$	2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental reimbursements	56,901	62,035
Payments to suppliers, employees and others	(3,367,337)	(3,805,312)
Interest received	90,575	50,493
Interest paid	(12,101)	(119,480)
Other	—	(68,216)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(3,231,962)	(3,880,480)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of Mt Weld Tantalum Pty Limited and mining tenements	—	525,000
Purchase of listed investments	(164,835)	—
Purchase of property, plant and equipment	(67,586)	(14,935)
Payments for exploration	(454,605)	(1,299,124)
Other	(315,000)	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,002,026)	(789,059)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	13,674,848	4,500,000
Payment of share issue costs	—	(222,007)
Proceeds from borrowings – note facility	10,000,000	3,500,000
Repayment of borrowings – note facility	—	(500,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES	23,674,848	7,277,993
NET INCREASE IN CASH HELD	19,440,860	2,608,454
Add opening cash brought forward	3,183,876	1,748,862
CLOSING CASH CARRIED FORWARD	22,624,736	4,357,316

Notes continued

31 DECEMBER 2003

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Lynas Corporation Limited as at 30 June 2003. It is also recommended that the half-year financial report be considered together with any public announcements made by Lynas Corporation Limited and its controlled entities during the half-year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention, except for listed investments which are measured at net market value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Changes in accounting policies

There have been no changes in the basis of accounting.

(c) Changes in estimation method

There have been no changes in the basis of any estimates.

	Notes	CONSOLIDATED	
		2003	2002
		\$	\$
2. PROFIT FROM ORDINARY ACTIVITIES			
(a) Specific Items			
Loss from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
(i) Revenues from ordinary activities			
Rental reimbursements		56,901	69,337
Interest revenue		90,575	50,493
		147,476	119,830
(ii) Expenses			
Depreciation and amortisation		71,297	38,094
Interest paid		77,236	119,480
Borrowing costs		160,868	68,216
Employee benefits		1,558,070	1,308,746
Consultancy services and legal fees		416,608	306,786
Office accommodation and services		196,434	271,045
Printing, stationery and subscriptions		126,418	82,883
Travel and accommodation		47,515	222,883
Other operating costs		288,887	292,877
		2,943,333	2,709,038

Notes continued

	Notes	CONSOLIDATED	
		2003 \$	2002 \$
3. CHANGE IN COMPOSITION OF ECONOMIC ENTITY			
During the previous half-year, Lynas Corporation Limited completed the sale of its 5.6% interest in Advance Powder Technology Pty Ltd ("APT") for consideration of \$500,000.			
This transaction was effected by the sale of all of the issued shares in Mt Weld Tantalum Pty Limited, a subsidiary company whose only asset is the 5.6% interest in APT.			
The disposal of Mt Weld Tantalum Pty Limited gave rise to the following items of revenue and expense during the half-year:			
Revenue from divestment		—	500,000
Cost of assets sold in divestment		—	(500,000)
Other costs of divestment		—	(6,092)
Loss on divestment		—	(6,092)
Related income tax benefit		—	—
Loss on divestment (net of income tax expense)		—	(6,092)
4. INTEREST BEARING LIABILITIES – Non Current			
Balance of original drawdown of SG Australia Limited by issue of 35 notes at \$100,000 each		3,000,000	3,500,000
Add capitalised interest		321,190	113,094
Less notes redeemed		—	(500,000)
Less notes converted to ordinary shares		(3,321,190)	—
Closing balance on facility		—	3,113,094
Drawdown of loan facility by issue of 200 notes at \$50,000 each		10,000,000	—
Less 37 notes converted to ordinary shares		(1,850,000)	—
Closing balance on facility		8,150,000	—
Total Interest Bearing Liabilities – Non Current		8,150,000	3,113,094
In November 2003 SG Australia Limited converted its outstanding debt and capitalised interest into 9,225,528 ordinary shares.			
In October 2003 the Company entered into a Convertible Note Facility Agreement with clients of Southern Cross Equities for \$5,000,000 and CMIEC Australia Pty Ltd in November 2003 for \$5,000,000 (consisting of a total of 200 notes of \$50,000 each). The funds provide additional working capital for the Mt Weld Rare Earths feasibility study.			
The period of the facility is 36 months and is able to be repaid, or converted into shares at the rate of 333,334 ordinary shares and 133,333 unlisted options in ordinary shares, exercisable at 20 cents before December 2006, for each \$50,000 note.			
During November and December 2003 the holders of 37 notes converted their notes into 12,333,358 ordinary shares.			

Notes continued

	Notes	CONSOLIDATED							
		2003 \$	2002 \$						
5. CONTINGENT LIABILITIES									
The Consolidated entity has entered into guarantees, contracts, maintenance bonds and warranties in the normal course of business, including performance guarantees arranged with a bank totalling \$315,000.									
6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES									
No dividends have been declared or proposed									
7. SEGMENT INFORMATION									
Business segments	Notes	Gold		Niobium / Tantalum		Rare Earths		Consolidated	
		2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$
Segment Revenue									
Sales to customers outside the consolidated entity		—	—	—	—	—	—	—	—
Other revenues from customers outside the consolidated entity		—	—	—	—	—	—	—	—
Intersegment revenues		—	—	—	—	—	—	—	—
Unallocated revenue		—	—	—	—	147,476	119,830	147,476	119,830
Disposal of investment and tenement		—	25,000	—	500,000	—	—	—	525,000
Total segment revenue		—	25,000	—	500,000	147,476	119,830	147,476	644,830
Segment result		—	25,000	—	(6,092)	(2,795,857)	(2,551,392)	(2,795,857)	(2,570,300)
Unallocated expenses								—	—
Consolidated entity profit from ordinary activities before income tax expense								(2,795,857)	(2,570,300)

8. SUBSEQUENT EVENTS

On 28 January 2004 the Company acquired by private agreement, 3,180,375 common shares of AMR Technologies Inc. ("AMR"), a Canadian company whose shares are listed on the Toronto Stock Exchange (TSX-AMR), at a price of C\$2.35 per share from Whiterock Investments Ltd of Singapore. This acquisition increased Lynas' total holding to 3,316,375 common shares of AMR representing 19.92% of the 16,645,100 common shares reported to be outstanding as at 19 November 2003.

AMR is an international technology company that engineers Rare Earths, zirconium and magnetic powders into materials that enable technology to perform stronger, cleaner, lighter, smaller, brighter and faster. Over the past ten years AMR has become one of the largest producers of advanced Rare Earths in the world. AMR has manufacturing facilities in China and Thailand, and a nanotechnology research and development centre in the UK. Annual sales of approximately US\$50m are achieved across all global Rare Earths markets - South Korea, Japan, Europe, China, and the United States.

The financial effect of this transaction has not been reflected in these results.

On 29 January 2004 Lynas disposed of the Klondyke Queen project tenements in the Marble Bar district being M45/552, M45/668, M45/669 and M45/670, in release of all obligations and liabilities (other than rehabilitation costs in respect of the tenement).

Notes continued

	Notes	CONSOLIDATED	
		AS AT 31 DECEMBER 2003 \$	AS AT 31 DECEMBER 2002 \$
9. ADDITIONAL INFORMATION			
Reconciliation of accumulated losses			
Balance at beginning of the half-year		(16,882,221)	(11,795,383)
Net loss attributable to members of Lynas Corporation Limited		(2,795,857)	(2,570,300)
Balance at end of half-year		(19,678,078)	(14,365,683)
10. RECONCILIATION OF CONTRIBUTED EQUITY			
Balance at beginning of the half-year		29,062,415	22,931,922
Conversion of convertible notes		5,171,190	—
Exercise of listed options		12,968,598	—
Exercise of staff options		706,250	—
Issue of shares under a share placement		—	4,500,000
Less cost of share placement		—	(222,007)
Balance at end of half-year		47,908,038	27,209,915

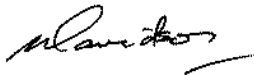
Directors' Declaration

In accordance with a resolution of the directors of Lynas Corporation Limited, we state that:

In the opinion of the directors:

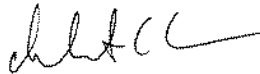
- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2003 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



B. Davidson
Director

Sydney, 19 February 2004



N. Curtis
Director

Independent review report to members of Lynas Corporation Limited

Scope

The financial report and directors' responsibility

The financial report comprises the condensed statement of financial position, condensed statement of financial performance, condensed statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Lynas Corporation Limited (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the half year ended 31 December 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Lynas Corporation Limited and the entities it controlled during the half year is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2003 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Michael Elliott
Partner
Sydney
19 February 2004