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LYNAS TO BENEFIT FROM CHINESE GOVERNMENT'S EXPORT TARIFF ON RARE EARTHS

Key Points:

- **China imposes 10% export tariff on Rare Earths**
- **Further evidence of restricted supply of Rare Earths**
- **Lynas to benefit from price increases and strategic position outside of China**

On 27 October the Chinese Government authorities announced the imposition of a 10% tariff on the export of Rare Earths effective 1 November 2006.

Lynas Corporation ("Lynas") (ASX code LYC) believes that this move confirms the policy of the Chinese Government to protect the increasingly tight supply of Rare Earths in China, currently producing 95% of world's supply of these strategically important materials. It follows the imposition of export quotas in 2003, the elimination of the VAT rebate on exports, and the introduction of production quotas in April this year.

Lynas anticipates the full burden of the tax will be included in the export prices of Rare Earths compounds and metals, effectively increasing international prices of Rare Earths by 10% on 1 November 2006.

"The imposition of this tariff highlights the shortage of Rare Earths in China which is essentially the only source for these strategic elements, it will also allow Lynas to take advantage of the structural change in the international prices for these essential elements, and it further enhances the very positive valuation metrics which supported the company's recent decision to locate our production plant in Malaysia rather than China" commented Executive Chairman, Nicholas Curtis.

The 10% export tariff increase on current prices would equate to an international market price of US\$8.51/kg of Rare Earths Oxide for the Mount Weld distribution.

Lynas is confident this trend of supply restriction from Chinese sources will continue. Lynas, from the Mount Weld mine in Western Australia and the Malaysian production plant scheduled to start production in 2008, will be the only significant producer of Rare Earths outside of China. The tightening supply and an aggregate 27% pricing advantage over the Chinese producers (a combination of the 10% export tariff with the 17% VAT differential between China and Malaysia) will enhance Lynas' ability to quickly penetrate the Rare Earths market outside of China and expand production from the initial 10,500 tonnes per annum to 15,000 tonnes per annum of Rare Earths. The demand for Rare Earths outside of China currently stands at approximately 65,000 tonnes per annum.



About Lynas Corporation

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

\$75 million of capital has been raised and engineering design has commenced for the mine and plant required to produce a suite of Rare Earths products; including both light Rare Earths, with a high content of neodymium, and heavy Rare Earths, high in europium, suitable as raw material for downstream Rare Earths processing plants. All required Australian project and business approvals have been received for the development of Mount Weld, thereby enabling Lynas 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 everyday please visit www.lynascorp.com.

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