Lynas Corporation Annual Report 2003

Vision

We will lead the growth of the global Rare Earths industry by creating a reliable, fully integrated source of supply from mine through to customer.

Values

As a team we will:

- *Strive for excellence in safety, health and the environment*
- *Value our differences and be open to change*
- *Operate in an honest, candid and transparent manner*
- *Deliver quality products, processes and services*
- *Always respect and contribute to the communities in which we operate*

Rare Earths enriching your life

Although often unrecognised, Rare Earths are essential to many of the positive aspects of our modern lives.

Rare Earths make the world a brighter, more vivid place with the wonders of light and brilliance of colour. If you look up in your office, the chances are the light above your head is provided by fluorescent tubes containing Rare Earths; your computer monitor contains Rare Earths, and without a doubt, your colour television contains Rare Earths. The high value Rare Earths element Europium is used as the red phosphor in colour cathode-ray-tubes (CRT) and plasma-display-panels (PDP) and there is no known substitute.

Rare Earths also contribute to the protection of the environment. Rare Earths are increasingly being used as an alternative to hazardous substances such as cadmium, mercury and lead. Pressure by governments worldwide to reduce harmful gas emissions from vehicles (exhaust) has seen the development of catalytic converters in which the Rare Earths elements Lanthanum and Cerium play a critical role.

"Modern societies are addicted to the benefits of Rare Earths"

Rare Earths are multi-faceted yet specific; metallurgical, chemical, catalytic, electrical, magnetic, luminescent, and optical properties have given them a level of technological, environmental and economical importance considerably greater than might be expected from their relative obscurity.

The versatility of Rare Earths are crucial to a diverse and expanding array of applications. From early day uses such as low technology lighter flints and basic glass polishing to high-tech applications such as phosphors, lasers, magnets, catalysts, optical fibres and batteries, Rare Earths play a key role. Given the breadth of applications modern societies have become essentially addicted to the benefits realised from Rare Earths.

Some other promising applications of Rare Earths include, superconductors, data storage, fuel cells, magnetic refrigeration and environmentally friendly paints and coatings.

As researchers around the world continue to develop applications to enrich lifestyles through technological and ecological innovation, the demand for these minerals will continue to grow.

Chairman's and President's outlook

"Feasibility study forms a very sound basis for our ongoing business"

The last year has seen the team at Lynas make great strides in demonstrating that Mt Weld is a commercially viable world-class resource project for the production of Rare Earths.

The company continues to be excited about the prospects for the Rare Earths industry. We believe that Rare Earths are a fundamental part of the lives of all of us. The world would be a very different place without the use of Rare Earths. We are generally not aware how many aspects of our lives are dependent on Rare Earths. This annual report cites some examples.

Brian Davidson
Chairman

And yet these very important elements have very few viable sources. Over 90% of the world supply is from China, and the vast majority of that is from one mine in China.

It is the importance of these elements, combined with the limited sources of supply that made us confident that we should be in the Rare Earths business. In order to survive in this business we not only had to own a substantial high-grade ore deposit, but we had to prove that it was viable and economic to produce, and that our costs would be competitive with the other major global producers.

This involved rethinking the basis of the project. We moved away from the previous business models, focussing instead on leveraging the surplus solvent extraction separation capacity in China as much as possible. This model produces a high-grade concentrate in Australia, at Mt Weld, which is then shipped to China for further processing into oxides to be marketed under our Rare Earths Direct (RED) brand.

Under this model maximising the value of the ore at Mt Weld by achieving high recoveries is critical. During the last year the technical team at Lynas have focussed on

developing a process, using previous unknown flotation reagents to maximise the recovery of ore into a 40% concentrate. After various bench tests the team successfully completed a pilot plant trial to achieve desired recoveries. This significant metallurgical work has formed a key foundation of our future operation.

As well as the recovery, we needed to further prove the geology, optimise the mine design and design a mine plan. It is very pleasing that all of this was successfully completed, with the feasibility study showing an economic mine life of about 11 years, with significant resources beyond that date. This feasibility study forms a very sound basis for our ongoing business.

In addition to the strong technical progress, inroads were made in building marketing relationships. Good relationships have been established in Japan, Europe and the USA during the year. Prices remained at an all time low, but interestingly hit a floor price that we believe is the bottom of the market. Since year-end Rare Earths prices have marginally recovered. We believe that the inevitable economic recovery, and the consequent "high-tech" refit

"The community is very supportive of the project development"

which must occur as companies catch up on deferred expenditure in technology, will significantly boost Rare Earths prices. We want to be well positioned to reap the benefits of this inevitable price run, and therefore intend to move to development as quickly as possible. The board will not do this, however, without knowing that the project generates a good return for shareholders at today's prices. The feasibility study demonstrates this.

Of particular importance in the development of the project is the community that live around the project. They must be satisfied with the benefits that they get from the development in order to support it, and without community support any mining project is high risk. We have been particularly focussed on environmental and community relations' issues, and have had careful consultation with the Laverton community. We are pleased to report that the community is very supportive of the project development, and we welcome our future partnership with them.

Shareholders cannot get a return without the efforts of our employees. We would like to acknowledge the dedicated efforts of the whole team, in what has at times been a difficult year. By year-end, thanks to those efforts, our future seems assured. Capital has been raised, and project viability has been confirmed. We look forward to developing our Rare Earths project for the benefit of our shareholders.

Nicholas Curtis
President and Chief Executive Officer

The forces of nature unfold over 2 billion years...

Mt Weld hosts rich deposits with bonus of specialty metals such as niobium and tantalum

The forces of nature unfolding over 2 billion years have created the unique Rare Earths mineral suite which makes Mt Weld one of the richest and most environmentally friendly deposits in the world.

The Mt Weld deposits of Rare Earths, phosphate and specialty metals such as niobium, tantalum and zirconium owe their existence to Western Australia's ancient geological heritage and a virtually unchanging landscape, hardly eroded or modified for hundreds of millions of years. Taking all the geological evidence available, we can reconstruct the most significant parts of the history of the Mt Weld carbonatite intrusion and its rich overlying deposits of Rare Earths and metals.

Just on 2 billion years ago, the landscape of the Laverton region was mountainous and barren with active rivers flowing east to an ocean hosting only primitive algal life.

Table 1 Mt Weld ore Rare Earths distribution

Rare Earths Oxides	Atomic Symbol	Atomic #	Grade Weight %	REO Distribution %
Lanthanum oxide	La_2O_3	57	4.38	25.60
Cerium oxide	CeO_2	58	7.82	45.74
Praseodymium oxide	Pr_6O_{11}	59	0.93	5.42
Neodymium oxide	Nd_2O_3	60	3.18	18.62
Samarium oxide	Sm_2O_3	62	0.42	2.44
Europium oxide	Eu_2O_3	63	0.094	0.55
Gadolinium oxide	Gd_2O_3	64	0.166	0.97
Terbium oxide	Tb_4O_7	65	0.015	0.09
Dysprosium oxide	Dy_2O_3	66	0.027	0.16
Holmium oxide	Ho_2O_3	67	0.003	0.01
Erbium oxide	Er_2O_3	68	0.004	0.02
Thulium oxide	Tm_2O_3	69	0.000	0.00
Ytterbium oxide	Yb_2O_3	70	0.002	0.01
Lutetium oxide	Lu_2O_3	71	0.000	0.00
Yttrium oxide	Y_2O_3	39	0.063	0.37
Total Rare Earth Oxides			**17.1**	

Source: Lynas Corp. Ltd

Suddenly, from the centre of a deep valley between rounded granite mountains on the east and jagged ranges of layered basalt and sediments to the west, a massive blast of gas and limestone-like magma announced the final stages of injection of the Mt Weld carbonatite from somewhere more than 100km down in the Earths crust.

Over a long period, possibly 1,000 cubic kilometres of molten calcium carbonate had been steadily stoping its way upwards by penetrating small roof fractures and loosening huge lumps of roof rocks which slowly sank, breaking up and eventually assimilating into the magma. In this way the molten mass of carbonate and dissolved gas, mostly carbon dioxide under high pressure, worked its way up in a long series of pulses and rests to within a few kilometres of the surface. At this point it was approximately three kilometres in diameter and oozing upwards as a viscous crystal mush.

Under reducing crustal pressure approaching the surface, the dissolved gases began to escape and expand. With breakthrough to the surface, huge volumes of pent-up gaseous energy blasted their way into the atmosphere, carrying with them carbonate magma and torn off wall rocks.

With release of the gas, the sudden pressure drop was felt deep down in the magma chamber. The magma rapidly crystallised and solidified, preserving the rock and mineral textures of its last movements.

...creating a unique Rare Earths mineral suite

Through the next billion years the rivers flowed, the mountains were eroded and the roots of the carbonatite pipe were exposed and progressively reduced to the level we see today.

The great ice sheets of the Permian era scoured the region, grinding the surface and leaving a trail of huge transported boulders and sheets of melt water moraine. The carbonatite pipe was shaved smooth but natural rainfall soon attacked the soluble carbonate minerals. For the next 260 million years the carbonatite underwent karstic weathering by subsurface solution to form a basin up to 100m lower than the surrounding country rocks. The process of solution and internal collapse resulted in an irregular surface on unoxidized carbonatite and a generally sharp contact with overlying concentrations of less soluble phosphate, oxide and silicate minerals, particularly apatite, magnetite and vermiculite.

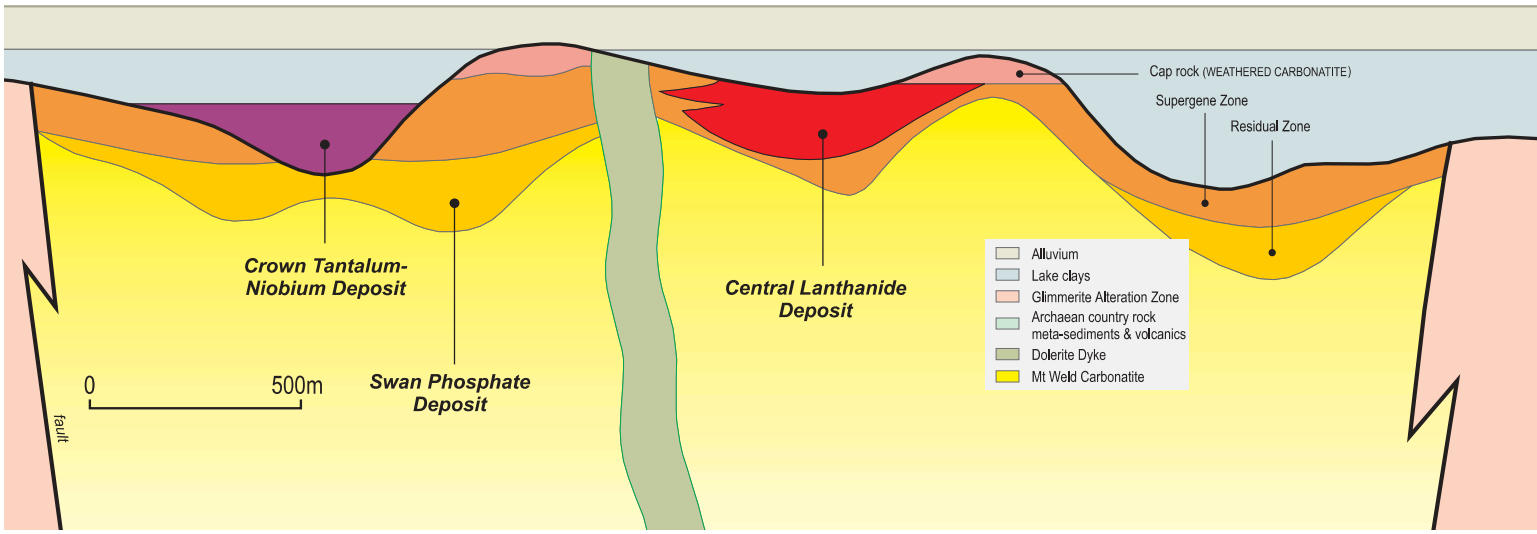
This zone of residual mineral concentration hosts the major apatite phosphate deposits which vary from a few metres to more than 20 metres in thickness as well as economically interesting concentrations of pyrochlore, baddeleyite, zircon and ilmenite.

The upper parts of the residual mineral layer have been in turn, subjected to deep lateritic weathering and alteration, together with considerable physical and chemical redistribution, to produce a suite of ferricretes, sediments and soils with iron oxide dominated secondary mineralogy. This section of the weathered carbonatite profile has been termed the supergene zone and is the host to the most significant deposits of tantalum, niobium and Rare Earths. The blanket of residual and supergene materials derived from the carbonatite are collectively termed the carbonatite regolith.

Rare Earths at low to moderate concentrations occur throughout the regolith, but near the geographic centre of the carbonatite, a zone of uniquely high grade Rare Earths Oxides (REO) mineralisation has been outlined and termed the Central Lanthanide Deposit (CLD).

With the onset of aridity in the Late Eocene epoch 35 million years ago active drainage degenerated and river valleys became chains of shallow lakes which gradually filled with locally derived clays covering most of the carbonatite. Finally, erosion of the regional laterite profile resulted in deposition of alluvial gravel and sand as sheetwash completely covering the carbonatite with 18 to 24 metres of cemented alluvium.

Mt Weld schematic section



Near surface formation brings major global advantage

Mineralogy of the Rare Earths deposit

The primary source of Rare Earths in the Mt Weld deposit was the underlying carbonatite intrusion, a geologically rare magmatic rock which contains low levels of Rare Earths in groundwater soluble minerals such as calcium phosphate.

The primary carbonatite consists overall of:

- 80% calcium ± magnesium ± iron carbonates
- 10% silicates
- 5% apatite $Ca(OH)PO_4$ –containing Ba, Sr, Rare Earths, trace U and Th
- 5% magnetite Fe_3O_4

Over long geological periods, the upper levels of the carbonatite have been broken down by weathering and large volumes of calcium carbonate removed in groundwater solution leaving extensive concentrations of residual minerals such as apatite (calcium phosphate - used in fertilisers) and magnetite (iron oxide).

It is clear that vast volumes of carbonate have been removed from the carbonatite in groundwater, resulting in concentration of less soluble residual minerals, particularly iron oxides.

In the Central Lanthanide Deposit, the zone of high-grade Rare Earths planned for mining, the residual minerals have in turn been further weathered and reformed as complex mixtures of secondary phosphate and iron oxide mineral groups.

The processes involved in dissolving and re-precipitating the Rare Earths from groundwater took place at low temperature and pressure in near surface soils, sediments and weathered carbonatite soils and through probably many cycles, eventually produced the unique, high grade, Central Lanthanide Deposit.

The Rare Earth mineral suite is also unique, there being numerous species belonging to several mineralogical groups. A particularly advantageous characteristic is very low thorium (and consequent low radiation levels) in the dominant rare earth phosphate minerals. They have similar mineralogical structure to the better-known mineral monazite, but have quite different origin and compositions.

Rare Earths Enriching Your Life

Personal computers

For the modern society life without the PC would feel like being transported back to the Dark Age and society's appetite for faster, smaller, more powerful computers seems insatiable. Many of the advances enabling this technological march forward are dependent on Rare Earths.

The integrated circuits at the heart of the modern PC would have been polished with ultra high purity Cerium oxide powders, as would the glass substrate in the hard disk. The new generation of glass substrates for hard disks contain Praseodymium and Erbium to increase strength, chemical stability and adhesion to the magnetic recording layer.

The spindle of the computer hard disk drive, CD-ROM and DVD, contains a Neodymium based Rare Earth magnet for faster and more stable spinning. The latest flat speakers connected to PCs depend on technology that would not exist without Neodymium Rare Earth magnets.

Mining reserves progressively optimised

During the year, mining reserves were progressively modified and optimised as the results of process test work refined the type and grade of ore required and marketing studies narrowed on an annual production goal of 10,500 tonnes of separated lanthanide products. These parameters reflected back to define an annual process plant feed target of 121,000 tonnes of ore.

Independent mining consultants Australian Mine Design and Development Pty Ltd had previously created an ore block model and prepared preliminary open pit optimisations, pit plans and mine schedules. The mining model derived for the project feasibility study drew on economic and cost data including mining costs based on estimates by six West Australian mining contractors, processing costs based on process plant design, and product sale costs derived by the Lynas marketing team. A cut-off grade of 7.9% REO was derived and used for the final pit optimisation.

The scheduled mining reserves as defined under the Australasian Code for Reporting of Mineral Resources and Ore Reserves were calculated as

Category	Tonnes	TLnO %
Proved	831,000	16.73
Probable	1,249,000	14.60
Total	2,080,000	15.45

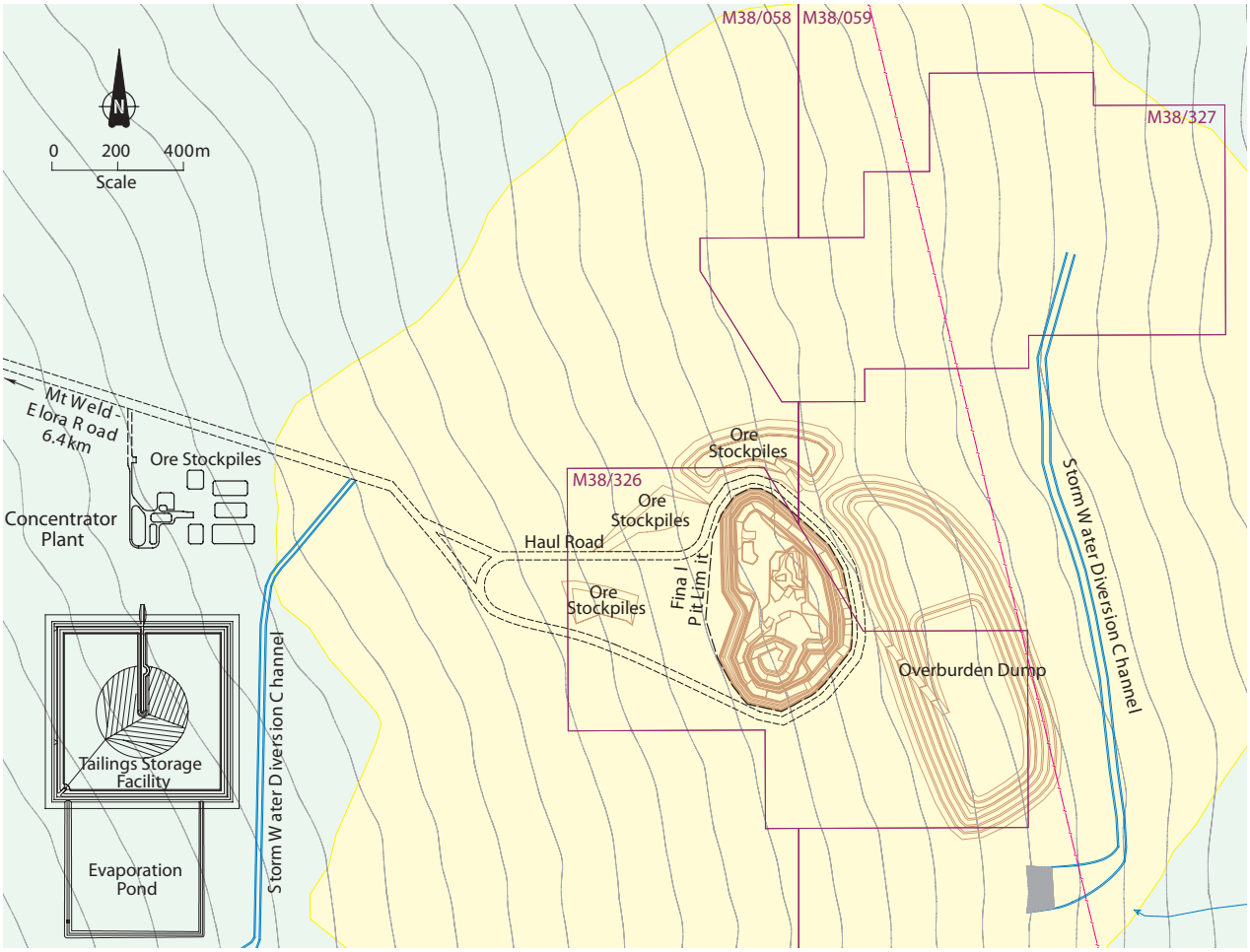
Waste	13,941,645
Strip Ratio	6.7:1

The mining schedule was then designed to mine the 14 million tonnes of waste and the 2.08 million tonnes of ore over an eleven year period in a series of campaigns. The planned mining campaign will start with a major pre-stripping operation to remove 25 to 35 metres of overburden from the initial ore to be mined.

Mining schedule designed for 2 million tonnes of ore over 11 year period

Nick Curtis, Chief Executive Officer, (left) on site with Tony Hadley, Manager Process Development; Rob Duncan, Project Geologist; and Mike Vaisey, GM Process Development and Technical Services.

Mt Weld Site plan



Rare Earths Enriching Your Life

Flat screen displays

Rare Earths instigated the technicolour revolution and transformed the black and white TV world into living colour in 1954 and continues today to fulfil the consumers' desires, delivering ever bigger and flatter screens to users' homes.

Whether the user has the reliable cathode-ray-tube (CRT), cutting-edge liquid-crystal-display (LCD), or the larger than life plasma display panel (PDP), they can be rest assured that the key elements in the phosphors that create the colour in their life are Europium and other Rare Earths.

Clarity, colour and contrast are further improved with the use of Rare Earths. The faceplate glass of the display is finished with polishing powders based on Cerium to improve clarity. The filter glass in colour televisions contains Neodymium to improve contrast by filtering all colours except the three primary - red, green and blue. High purity Cerium keeps the TV looking its best by stabilising the glass to counteract browning caused by cathode radiation.

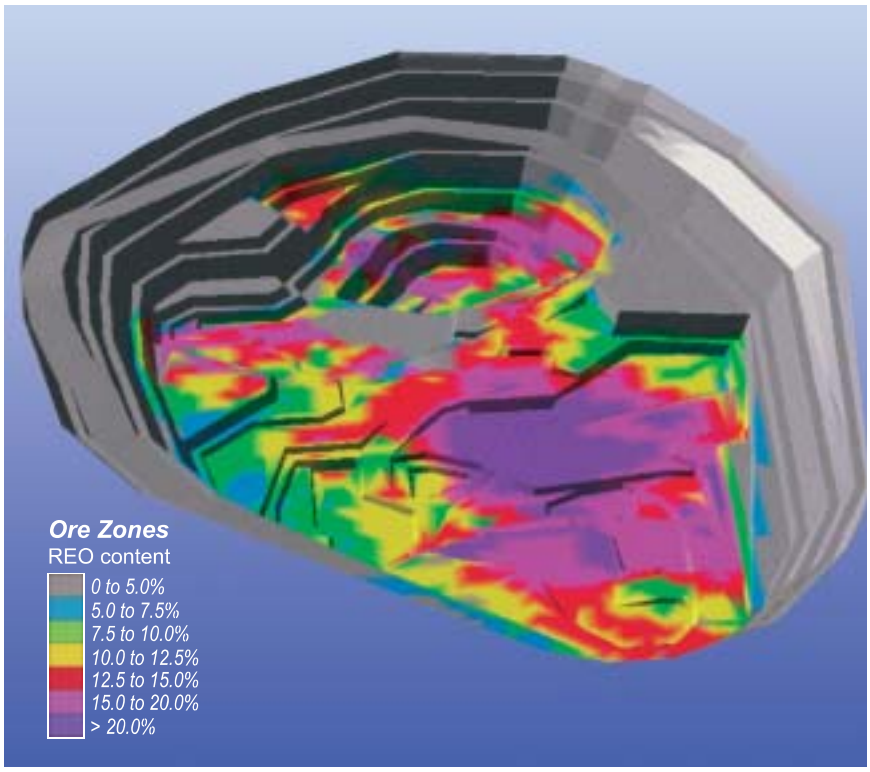
After the eleventh year, there will be sufficient ore in stockpiles to keep the plant operating for another 7 years at reducing product tonnage as grade drops away. It is planned to maintain process research at the plant site through the life of the mine, and this could be expected to derive methods for processing lower grades and other types of ore.

The Mt Weld Site Plan left shows the general layout of the minesite with:

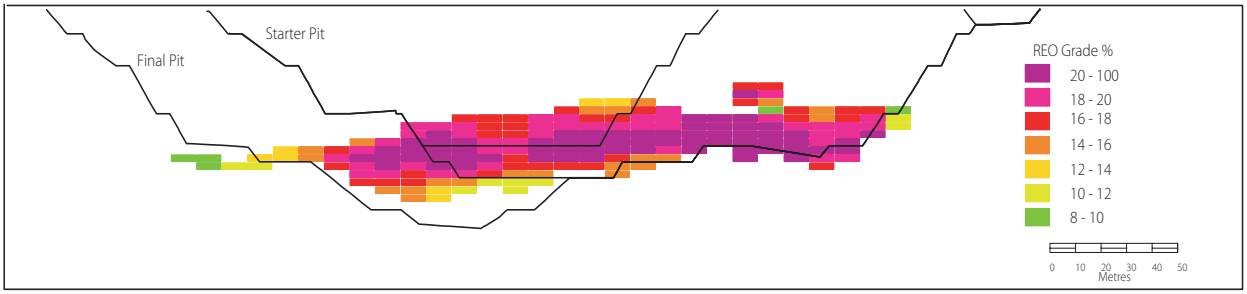
- The open pit near the centre of the carbonatite
- Overburden waste dumps located on barren dolerite intrusive or drill-sterilised barren carbonatite
- Stockpiles of ore types not yet tested for processability
- Low grade stockpiles which may be processed in later years
- The haul road which rings the pit and connects to the Run of Mine (ROM) stockpile area 1.5 km west of the pit. The haul road is integrated into the mine site drainage system and flood water dispersion system
- The ROM stockpiles and crusher area.
- The concentrator plant
- Tailings storage facility
- Evaporation pond
- The current water production bores, power lines and pipeline. (Some parts of the infrastructure will be removed and re-located to allow pit excavation)

The plant, tailings storage and evaporation pond have been placed off the carbonatite to allow potential future mining of niobium or other minerals in the west of the carbonatite. The overburden waste dumps have been designed with shallow slopes for permanent stability and early rehabilitation.

Mt Weld ultimate pit



Ore body cross-section



Typical cross-section showing ore blocks and REO grades.

Bench testing and pilot trial successful...

Concentrate process robust with good metallurgical response

The Mt Weld processing will be in two stages - concentrate production on site and downstream processing of the concentrates off-site.

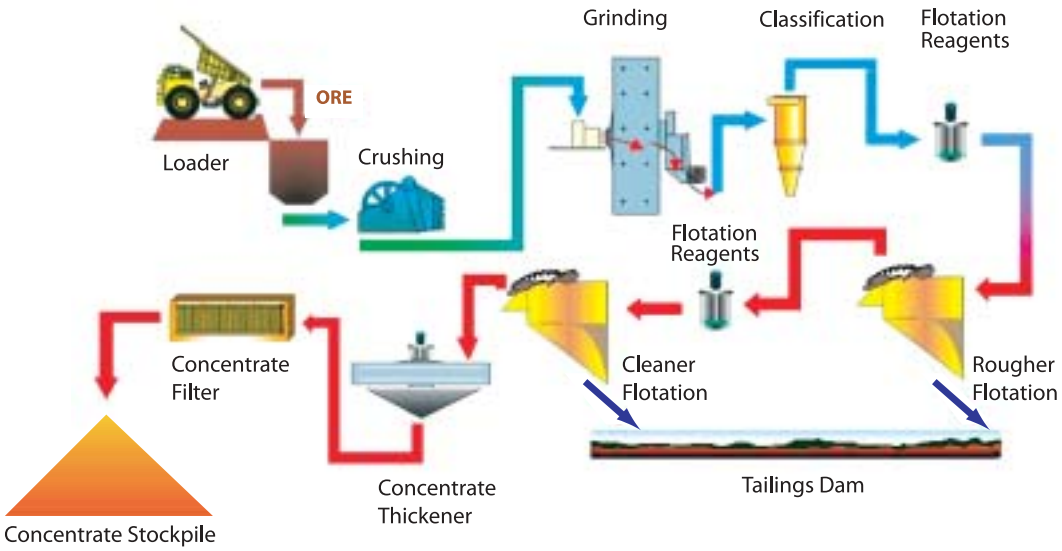
During the year bench-testing and pilot plant trials in Australia have confirmed the superiority of the Chinese processing route being considered for the production of the concentrates on-site.

Simultaneously, for downstream processing evaluation, laboratory work has been performed in both Australia and China and is near completion and achieving high recovery of Rare Earths.

Rare Earths concentration at Mt Weld

The flotation flowsheet was finalised on the bench at Optimet laboratories in March 2003 culminating into a pilot plant trial at AMMTEC in May 2003. Results indicate that for a CZ head grade of 17% REO the process will produce 40% REO concentrate grade for a recovery greater than 60%. This is substantially higher than previous testwork.

Mt Weld process flowsheet



Rare Earths Enriching Your Life

Body imaging

Equipment that creates images of inside the body is an invaluable asset for the medical profession both as a diagnostic tool and surgical aid. Whether a tooth x-ray or a complete body scan by Magnetic Resonance Imaging (MRI), Rare Earths have a role to play and it is comforting to know that the technology is available.

X-ray intensifiers containing Rare Earths based phosphors, including Lanthanum and Terbium are able to reduce patient exposure to X-rays by up to 80% by intensifying the effect of the X-rays on the film.

When MRI is used it is very important to be able to distinguish different types of tissues. The properties of Gadolinium make it the best candidate for a contrast agent to distinguish between different organs and normal tissue versus abnormal tissue in the brain and body. Gadolinium is injected into the body around the organ to be viewed when images with greater contrast and higher resolution are required.

Image courtesy of Margund Sallowsky and RMIT University

...higher recoveries with improved control

The Chinese processing route differs from previous processing schemes in that it is able to work in the presence of slimes; previous flowsheets incorporated a de-slime step prior to flotation which resulted in high losses of Rare Earth minerals in the fines to tailings and will therefore always suffer from lower recovery expectation.

The Chinese process is viewed as a superior process when compared to previous flowsheets due to the robustness of the process, the higher recoveries and good metallurgical response observed over a range of different ore types .

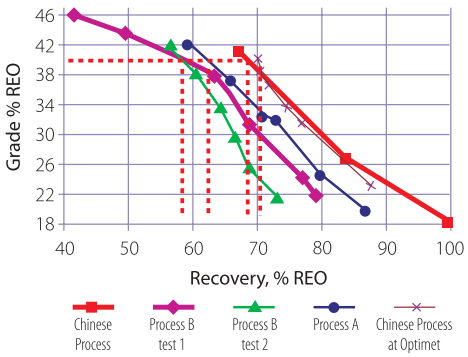
The concentrator at Mt Weld will consist of conventional crushing, grinding and classification circuits, followed by several stages of rougher and cleaner flotation to produce a target concentrate grade of 40% REO.

The Chinese reagent regime employs a modified fatty acid for mineral collection, coupled with various chemical modifiers to enhance flotation performance and selectivity.

Bench comparative performance

In order to provide a direct comparison of the flotation performance of each of the developed schemes, the results obtained in the recent batch flotation tests conducted on the Mt Weld 2000 composite are plotted on chart 1 below. It is clear that the best flotation performance was achieved by the Chinese route, due to the higher available REO minerals in the un-deslimed feed as compared with the two other schemes. At target concentrate grade (40%) the recovery for the Chinese process, Process A and Process B were 68%, 62% and 59% respectively.

Chart 1
Flotation bench performance comparison



Performance of 2000 composite using different process schemes.

Rare Earths Enriching Your Life

Fluorescent lights

If one looks carefully in any office building, shopping centre, industrial warehouse, hotel, or restaurant and increasingly in home kitchens and bathrooms, it will be apparent that lots of compact energy efficient fluorescent bulbs – much like those shown – and compact fluorescent tubes are in modern use.

Triphosphor fluorescent lights containing phosphors derived from Rare Earths emit a light far superior and much closer in spectrum to sunlight than standard fluorescent lights. The demand for triphosphor lights is benefiting from the growth of energy efficient fluorescent lights, which use only a quarter of the power needed to produce the same amount of light as the standard incandescent light bulb. These lights contain Rare Earths such as Europium, Lanthanum and Terbium.

Bench scale testwork on down stream processing

Pilot Plant performance

The pilot plant operation was conducted at AMMTEC's Balcatta facility and was run from March through to May 2003. The process was manned by technicians supplied by AMMTEC and was overseen by AMMTEC's metallurgists and Lynas' representatives.

The aims of the pilot plant operation were to produce flotation concentrate at an REO grade of approximately 40%, suitable for downstream processing, and to demonstrate that the scheme could achieve an REO recovery in excess of 60%. Concentrate up to 40% REO was produced and the recovery to final concentrate was demonstrated over several continuous runs to be in excess of 60%.

Tony Hadley and Professor He at recent AMMTEC Pilot Plant trial.

A total of 15 trials were conducted, the first 10 trials were used to commission the plant, familiarise operators with the circuit, optimise the roughing conditions and establish the cleaner configuration. Trials 11-15 were conducted with cleaners 3-5 in closed circuit, previous trials in open circuit gave unacceptable cleaner tailings compared to the closed circuit trials.

The best result was achieved from trial 11, returning 65% recovery at 40% REO, this compared favourably to bench test 177 at 69% recovery at 39% REO. 63% recovery at 40% REO grade was chosen as a production target, which was the average of all the "steady state, optimised runs".

Downstream processing of Mt Weld Rare Earths concentrate

A process for the treatment of Mt Weld Rare Earths concentrate was developed in the early 1990's based on the 'alkali cracking' process that was employed for 'monazite' concentrates produced by the mineral sands industry. Upon review in 2000 this process was considered unsuitable for the Mt Weld concentrate for several reasons.

The treatment of Mt Weld Rare Earths concentrate by the process known as 'Sulphuric Acid Bake' was first investigated by Lynas Corporation in late 2000. Laboratory testwork has since been performed in Australia and China with a view to defining the design criteria for a commercial plant, and producing samples of mixed Rare Earths carbonate. The final program of bench scale testwork is nearing completion at the laboratories of the Australian Nuclear Science and Technology Organisation (ANSTO). The 2002/03 testwork has confirmed that the sulphuric acid decomposition of Mt Weld Rare Earth concentrate achieves a high recovery of Rare Earths and very good selectivity between REO and the impurities Fe, P, Th. Importantly the process conditions required to produce Rare Earths carbonate that meet processing plant specifications have been defined. The typical quality of Mt Weld Rare Earths Carbonate is presented in Table 2 below.

The process is similar to the conventional high temperature sulphuric acid cracking process employed in Chinese plants for the bastnaesite-monazite concentrates produced from the Bayan Obo ores. The process has been adapted to suit the composition of the Mt Weld concentrate, which is mixture of fine grained iron oxides and phosphates

Table 2 Rare Earths carbonate quality

Component	Units	Mt Weld Rare Earths Carbonate
TREO	%	57.3
La_2O_3/TREO	%	25.47
CeO_2/TREO	%	46.7
Pr_6O_{11}/TREO	%	5.32
Nd_2O_3/TREO	%	8.5
Sm_2O_3/TREO	%	2.27
Eu_2O_3/TREO	%	0.44
Y_2O_3/TREO	%	0.25
SO_4^{2-}	%	<1.50
CaO	%	<0.50
SrO	%	<0.25
MgO	%	<0.10
Fe_2O_3	%	<0.10
MnO	%	<0.10
P	ppm	<100
Mo	ppm	<2
Zn	ppm	<50
ZrO_2	ppm	<1
F	ppm	<100
Cl	ppm	<100
Insoluble Matter – Acetic Acid	Wt %	<0.01

nears completion...

of Rare Earths, with accessory amounts (<5%) of aluminium, calcium, manganese and silica. By comparison to other Rare Earths concentrates the Mt Weld concentrate has higher levels of iron and phosphorous, and significantly lower levels of fluorine and calcium.

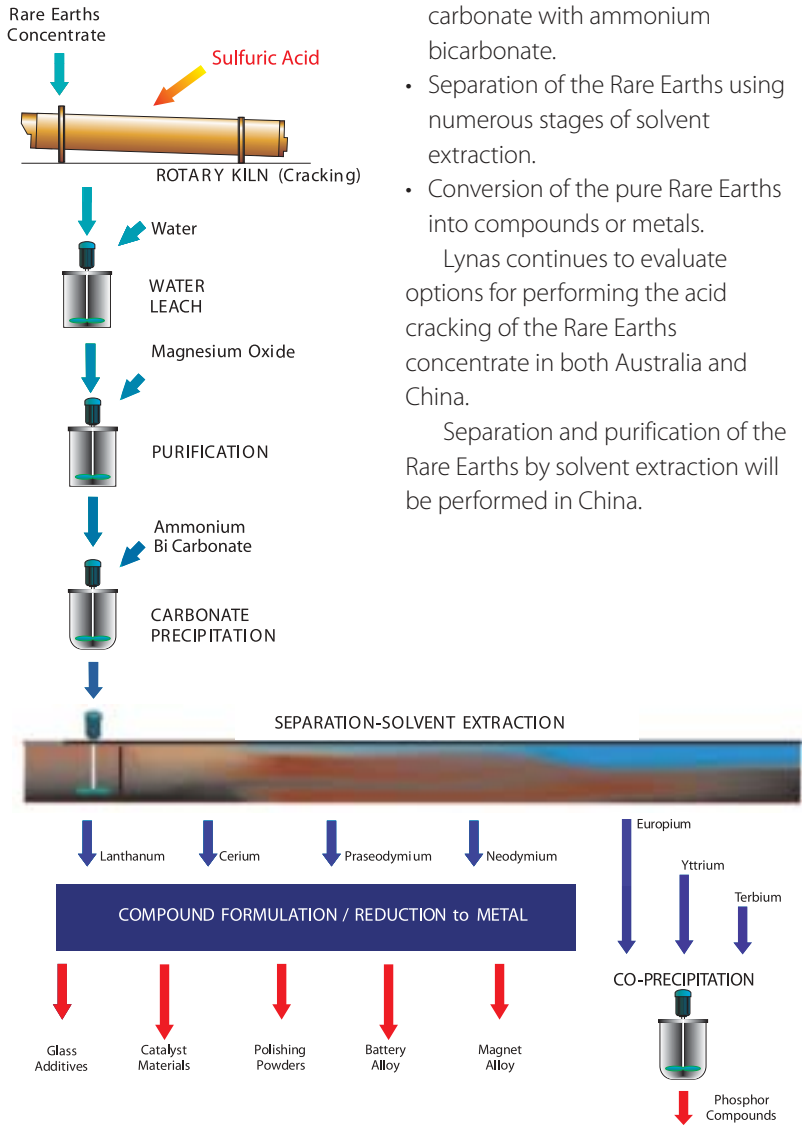
The low fluorine content which reduces waste gas treatment costs and improves Rare Earths recovery and quality. Given a low cost source of sulphuric acid the process offers a straightforward and economically competitive route for the separation of the Rare Earths from the impurities with a high recovery of Rare Earths.

Process flowsheet

The downstream processing as depicted involves a number of processing steps:

- Mixing of the concentrate with concentrated sulphuric acid and pre-reacting.
- Baking the mix at high temperature.
- Water leaching of the bake product.
- Purification of the leach solution to remove residual iron, phosphorus and thorium.

Downstream processing flowsheet



- Precipitation of the Rare Earths carbonate with ammonium bicarbonate.
- Separation of the Rare Earths using numerous stages of solvent extraction.
- Conversion of the pure Rare Earths into compounds or metals.

Lynas continues to evaluate options for performing the acid cracking of the Rare Earths concentrate in both Australia and China.

Separation and purification of the Rare Earths by solvent extraction will be performed in China.

Rare Earths Enriching Your Life

Power tools

Power tools are indispensable on a construction site, make light work of Do It Yourself renovations and home gardening, and provide the cordless convenience of many electric shavers used first thing in the morning. Cordless power tools of today allow people to effectively work when and where they like without the limitations and hazards of extension cords and power points.

Nickel metal hydride (NiMH) batteries are replacing nickel cadmium batteries as the rechargeable batteries of choice for power tools. NiMH batteries have the ability to deliver more power between charges, they do not suffer from the 'memory loss' that can restrict the number of times a battery can be recharged and they do not contain toxic substances. Cadmium is toxic and subject to a European Union Directive that requires manufacturers to ban the use of cadmium. Many large manufacturers have recently announced compliance with this Directive. NiMH batteries are environmentally friendly and are interchangeable with nickel cadmium from a user's point of view

Rare Earths form the metal hydride part of the NiMH battery and make up approximately 26% of a NiMH battery composition called mischmetal, which is a mixed Rare Earths metal.

Three potential major economic deposits

As well as Rare Earths the Mt Weld carbonatite is host to potentially economic deposits of niobium, tantalum, zirconium and titanium. Three main high-grade sub-zones have been defined.

A number of drilling programs have been conducted aimed specifically at niobium-tantalum resource definition. The main areas of crandallite-hosted niobium and tantalum mineralisation were named the Anchor, Crown and Coors deposits.

Resources of tantalum and niobium

In the early 1980's, air core exploration drilling across the entire carbonatite on mostly 200 x 250 metre grid centres and 3 metre vertical sample intervals provided the data used to geostatistically estimate an inferred regolith resource of niobium of 273Mt @ 0.9% Nb_2O_5 using a cut-off of 0.5% Nb_2O_5. Tantalum was usually, but not always, associated with niobium, and a similarly estimated resource of 145Mt @ 0.034% Ta_2O_5 using a 0.02% cut-off grade was calculated.

These resources compare with the CBMM Araxá carbonatite deposit in South America, with total resources of 460Mt at an average grade of 2.5% Nb2O5. Araxá currently produces 60-70% of the world's niobium, but negligible tantalum. The niobium to tantalum ratio for Araxá is 100:1 to 300:1 compared to 20:1 to 40:1 for Mt Weld.

The global resources for Mt Weld were estimated for the entire regolith with no distinction made between the apatite-magnetite residual zone and the overlying supergene zone. Geostatistically defined higher-grade sub-zones within the dispersed global resources were separately estimated using cut-off grades of 1.0% Nb_2O_5 and 0.05% Ta_2O_5 and named the Crown and Anchor deposits of niobium and tantalum, and the Coors niobium alone mineralisation.

The Crown deposit has recently undergone further drilling which has shown mineralisation to be essentially confined to crandallitic phosphatic sediments of the supergene zone between 48 and 60 metres depth with good lateral continuity in lithology and grade.

Under current guidelines of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC), the global mineralisation of the entire carbonatite cannot be reported as 'Resources' because it is unlikely that it can be economically extracted. The higher grade localised deposits however, are of comparable grade to currently exploited deposits, albeit of unusual mineralogy, but only in the case of the Crown Deposit, has sufficient data been assembled to estimate 'Resources' for public reporting, and these only at 'Inferred' confidence level.

Table 3 Tantalum and niobium resources

Deposit Name	Nb/Ta	Tonnes (M)	Grade %	Cut-off %	JORC*
Global	Nb_2O_5	273	0.9	0.5	Non-compliant
	Ta_2O_5	145	.034	0.02	Non-compliant
Crown	Nb_2O_5	9.0	1.9	1.0	Inferred
	Ta_2O_5	14	.053	0.05	Inferred
Anchor	Nb_2O_5	8.8	1.75	1.0	Non-compliant
	Ta_2O_5	2.2	.099	0.05	Non-compliant
Coors	Nb_2O_5	5.0	2.0	1.0	Non-compliant
	Ta_2O_5	-	-	-	Non-compliant

*Australasian Code for Reporting of Mineral Resources and Ore Reserves, 1999

Rare Earths Enriching Your Life

Mobile phone

Mobile phones are one of the most intricate gadgets that people use on a daily basis. They are a worldwide phenomenon that enables everyone to talk to almost anyone on the planet from just about anywhere at anytime.

The technology is far ranging and much is taken for granted. For instance, it is becoming mainstay practice for a mobile phone or pager to have a vibrating device that replaces the ringer at times when discretion is paramount. This may be when you are in a meeting or in a theatre when it is totally inappropriate to have the phone ring.

A tiny Neodymium magnet is used to drive the micro-motor that triggers the vibration essential for this to happen. The use of tantalum passive capacitors has been a key factor in reducing the size of the mobile phone in recent years.

Tantalum applications

The biggest single use now of tantalum (accounting for 50 per cent of the total) is as the powdered metal, mostly for the production of capacitors. Tantalum capacitors are used in electronic circuits in medical appliances such as hearing aids, pacemakers, airbag protection systems, ignition and motor control modules, GPS, ABS systems in automobiles, laptop computers, cellular phones, Playstation, video cameras, digital still cameras

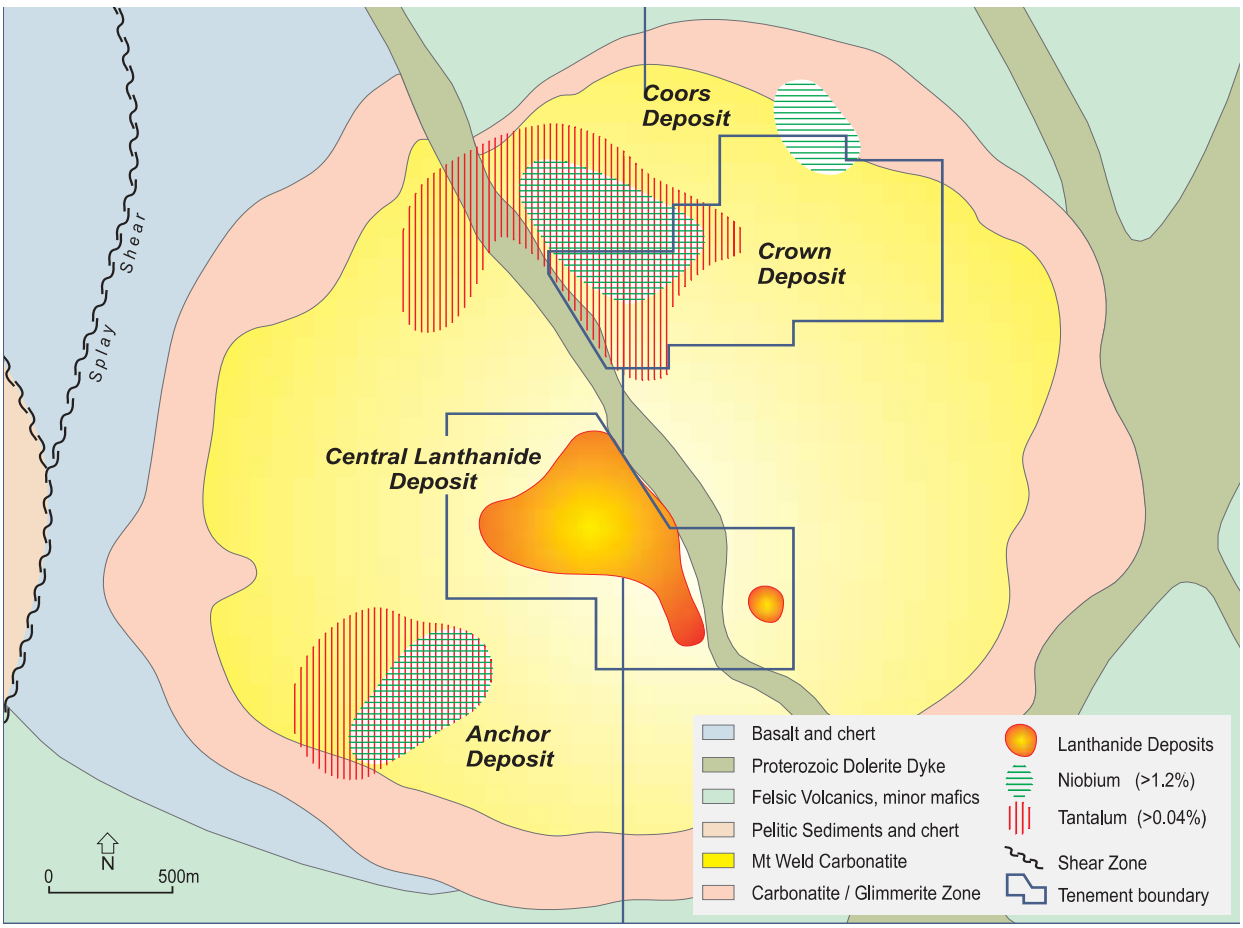
Other important applications of tantalum are tantalum carbide used in cutting tools (with titanium and tungsten carbides), and pure or alloyed tantalum metal, much of it for corrosion or heat resistant chemical plant equipment, or in superalloys for jet engines.

Niobium applications

Ferro-niobium which makes up most of niobium consumption is used in the preparation of steels, in particular those of the HSLA (high strength low alloy) type. Until recently the best-known use of the niobium-bearing steel has been in the manufacture of natural gas pipelines. The niobium gives the steel strength to resist the great range of temperatures to which such pipes are subject. Niobium addition is now growing in other steels such as stainless. Superconducting applications include magnetic resonance imaging for medical diagnostics and in particle accelerators for physics research.

Niobium also has several non-metallic applications. An important one is in optical glass: when the silica in glass is replaced by niobium oxide, the refractive index is much greater, so thinner and lighter lenses can be used for the same focal length. This is already in use in many camera lenses and eyeglasses.

Mt Weld geology and mineralisation



Positive response to integrated supply system

Rare Earths are essential for many hundreds of applications that are taken for granted in this modern world. Their versatile metallurgical, chemical, catalytic, electrical, magnetic and optical properties have given them a level of technological, environmental and economic importance considerably greater than might be expected from their relative obscurity.

As research around the world continues to develop applications for Rare Earths, the demand for these materials is expected to experience continued growth.

However the industry is facing a number of critical issues as China increases market share to over 90% of the world's supply of Rare Earths:

- There is increased uncertainty of stable supply as the main suppliers are subject to government policy supply restrictions.
- At a time when environment is of growing concern to governments and companies, particularly companies with products aimed at environmental protection, the lack of transparency of the sources of supply used by traders in the market limits the ability to guarantee environmentally sound Rare Earths.
- The existing supplier base of commodity Rare Earths products is inexperienced in dealing responsively to market requests and expectations regarding quality guarantees.

Direct customer relationship proposition provides solutions to market issues – stable supply, quality guarantee, environmental soundness

Lynas has developed three key overarching value propositions to provide a solution to these current market issues for potential customers in this growing market; the world's only integrated supply system from mine to consumer, Rare Earths that meet the world's environmental standards and an international brand of guaranteed quality.

An integrated supply system from mine to consumer

Lynas is the only company that can currently control Rare Earths materials from mine through the processing stages and then markets directly to consumers. With the Mt Weld asset, Lynas' strategic business model is to change the distribution structure of the Rare Earths market by having ownership and/or management control of its production and supply chain from mine through to customers.

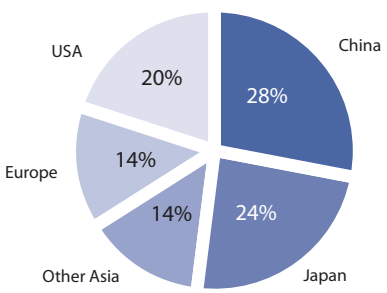
This allows Lynas to forge strong relationships through direct customer services.

The ability to control the entire supply chain will also allow Lynas to negotiate stable, long-term and fixed price contracts if desired by the customer.

Lynas recognises the growing importance of the need to be close to the customers. Factors such as product offerings and service levels can all be optimised once Lynas has a good understanding of the customers' buying factors – which can only be gained if a direct relationship is established with the customer. Potential customers have articulated a need, and an expectation, that their supplier becomes integrated into their supply system.

Based on thorough analysis of the market, Lynas – together with Matsushita, its Japanese joint marketing partner – has identified and begun developing relationships with over 40 companies in the Japanese market. A number of key market players in the US and European markets have been approached and initial exploratory discussions have taken place. The reaction from the market has been very positive for Australian Mt Weld material, with customers expressing an interest to go beyond the traditional customer/supplier relationship with Lynas.

Regional distribution of 2002 market



Rare Earths that meet the world's environmental standards

American and European companies are becoming increasingly aware of the issues that affect the community and environment in which they operate and the ways their environmental practices can impact on how their products are viewed in the market place. In many instances government policy is reinforcing environmental standards through setting regulations.

Specifically within Rare Earths there are a number of applications geared towards environmental protection and it is clear that manufacturers of these products are sensitive to the need to purchase environmentally sound raw material.

As environmental protection best practice continues to become increasingly important Mt Weld has three key environmental benefits over the current suppliers, which together make a strong value proposition to prospective customers. Two of these are natural advantages of the Mt Weld mineral composition; Mt Weld has very low levels of natural radiation and negligible fluorine content compared to other Rare Earths deposits. The third benefit goes beyond meeting regulatory requirements and stems from a corporate belief that environmental excellence is the only acceptable way to operate.

RareEarthsDirect®

An international brand of guaranteed quality

The concept of an international brand for products built on direct customer relationships has been explored with the market. It is clear that there is value in associating the product with a comprehensive customer service function through a direct customer relationship and that this would help Lynas be a supplier of choice among major customers in the Rare Earths market.

The RED brand has been trademarked for Lynas and aspires to represent our value propositions in the customers' mind. To ensure RED is a strong brand in the market requires presence, personality, and performance.

- Brand presence is generated by Lynas' new "mine-to-market" approach to the supply chain system of the Rare Earths industry. Lynas and RED have already established a good presence and this will be further enhanced through differentiated, focused and relevant communication across the market place.
- Brand personality is being created through extensive engagement with customers and building these relationships. It involves communicating the value proposition of Lynas to the customers, understanding their needs and then reacting to these needs in an appropriate manner to meet customers' pre-sales service expectations.
- Brand performance can only be achieved once the product is in the market place with customers, and is consistently fulfilling the brand's promise at the key customer touch points. Brand performance enables customer relationships to the reach the point of preferred supplier, and product development partner.

Rare Earths Enriching Your Life

Catalytic converter

There are millions of cars on the road and each one is a source of air pollution. The combined exhaust from all these vehicles, particularly in larger cities, can potentially become a public health issue.

A catalytic converter, commonly known as a 'Cat', is fitted in the exhaust system of vehicles to reduce the harmful exhaust gases entering the atmosphere. Located between the engine and the muffler, the Cat works quietly and with no moving parts.

Rare Earths are crucial to the catalytic activity and thermal stability of the modern-day Cat that operate at higher temperatures, closer to the engine, to improve performance. A Cat consists of a ceramic structure coated with a wash coat containing a mixture of Rare Earths and either platinum, rhodium and/or palladium.

Cerium and Lanthanum are the primary rare earth elements used in autocatalysts, but small quantities of Yttrium and Neodymium are also added. Cerium optimises how the Cat uses oxygen.

Cerium and Lanthanum increase the thermal stability of both the ceramic structural component of an autocatalyst and the precious metals within the Cat. Lanthanum is also an effective substitute for rhodium in palladium-based autocatalysts.

Market size

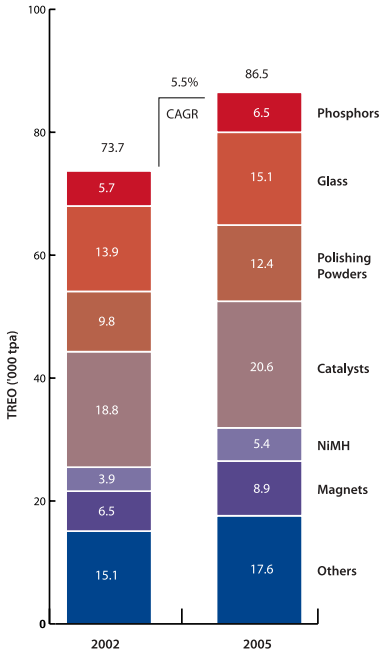
Lynas has completed a detailed analysis of the structure and key segments of the Rare Earths market built from the "bottom-up" that identified:

- The major applications utilising Rare Earths
- Major manufacturers within each application
- Production locations and end product volumes, and the Rare Earths content within each end product
- Thereby estimating the Rare Earths demand by manufacturer, application, and geography.

This comprehensive analysis is unique in the industry.

2002 was a tough year for the Rare Earths market. The continuing global economic downturn, particularly in the telecom, electronic and IT sectors, ensured 2002 was a year in which the global Rare Earths market remained lower than experienced in 2000. However the forecast to 2005 shows the Rare Earths market growing at a CAGR of approximately 5.5% from 2002 to 2005. The sectors with high growth forecasts include magnets, NiMH batteries and phosphors, whilst the traditional markets have lower growth forecasts.

Projected market growth 2002 to 2005



Pricing

In keeping with Lynas' value proposition of "integrated supply chain from mine to customer" Lynas believes the market values a supplier who has the ability to offer long-term, framed or fixed price contracts. This is in direct contrast to the Chinese market and trader approach currently operating. Therefore the long-term framed or fixed price contract will be pursued as a fundamental strategy.

Summary

Although the Rare Earths market has yet to recover to volume and price levels seen in 2000 it is clear that the Rare Earths industry is undergoing substantial change; China has increased its dominant supplier position as mines in the USA and Russia have closed and raw material supplies tighten. Key companies within China are moving to consolidate the Chinese Rare Earths industry. In addition there are increasing signs that Chinese Government influence will have a positive effect on Rare Earths prices.

Lynas is benefiting from this dynamic environment as opportunities are created for new propositions within the market. Customers are examining how the on-going changes will affect them and what alternatives exist in the market, particularly for companies outside of China.

Rare Earths Enriching Your Life

Future applications

Two illustrations of potential applications for Rare Earths that would have a significant impact on our lives involve energy efficiency.

The first is fuel cells, the device that has the potential to change the world from oil based to a hydrogen energy economy. Fuel cells are ultra-low emission and highly efficient alternatives to conventional electricity production.

They generate electricity by converting fuel, such as hydrogen into energy and water. Yttrium and Lanthanum will play an important role in the development of fuel cell technology.

Whilst automotive manufacturers are developing fuel cell vehicles it is envisaged the first applications will be as a battery replacement in portable devices such as notebook PCs.

The second significant potential application is the advent of magnetic refrigeration. Magnetic refrigeration could be employed in both commercial and residential refrigerators, freezers, and building and automotive air conditioners. Magnetic refrigeration is considerably more energy efficient than conventional gas compression refrigerators and does not require refrigerants that are toxic, flammable, or have issues with depleting the earth's ozone layer.

Commercialisation of magnetic refrigeration is based on the magneto-caloric effect of a newly developed Gadolinium based alloy. As this material is alternately magnetised and demagnetised by a high strength magnetic field, produced through the use of Neodymium Rare Earths permanent magnets, it heats and cools respectively. As the material demagnetises a stream of water is passed by, cooled and then circulated through the refrigerators cooling coils.

Board of Directors

Brian Davidson, aged 69 – Chairman Non-executive

Appointed Chairman of Lynas Corporation Ltd on 28 June 2001. Brian is also a Senior Partner of Deacons, a major national law firm and has over 35 years experience in corporate and commercial law, particularly in the natural resources industry. He is also a Director of Sino Mining Ltd and Southern Pacific Petroleum NL. Previously he has been Director of several public listed companies including Carr Boyd Minerals Ltd.

Nicholas Curtis, aged 46 – President and Chief Executive Officer

Appointed President and CEO in 2001. Nick is also Chairman of Sino Mining Ltd, an Australian company that produces approximately 80,000 ounces of gold per annum from operations in China. Prior to joining Lynas, Nick was President of Sino Mining International Ltd since 1995. Before that he was an Executive Director of Macquarie Bank Ltd. His background is in corporate management, and resources banking and financing based on 15 years as a professional in the futures, commodities and stockbroking industries.

Andrew Lupton, aged 57 – Executive Director and Vice President Corporate and Marketing

Andrew joined Lynas in 2001. Prior to joining Lynas, Andrew was Vice President of Sino Mining International Ltd. Before coming to Australia he was based in the United States where he was President and CEO of a telecommunications services company and Founder and Chief Operating Officer of an information technology company. Andrew graduated from University of Pennsylvania with an MBA.

Wang Ou (Harold), aged 47 – Executive Director and Vice President China Business Development

Harry was appointed as Executive Director of Lynas in September 2001. Prior to joining Lynas, he was Vice President China Business Development of Sino Mining International Ltd. Previously he was Vice Director of the Foreign Affairs Bureau of China National Nonferrous Metals Industry Corporation (CNNC) where he had responsibility for planning and administering the nonferrous industry nationwide with particular emphasis on utilisation of foreign investments as well as examining and approving new Rare Earths projects. Harry has a Masters degree in engineering that specialised in numerical analysis and modelling.

David Davidson, aged 58 – Non Executive Director

David was appointed to the Board in March 2002. An Australian, he has extensive global industrial business experience. Prior to joining the company he was an Executive Director at ICI Americas Inc and a Senior International Executive at E I DuPont De Nemours & Co Inc. David provides executive and corporate advice on organisation development and strategy.

Corporate Information

ABN 27 009 066 648

Directors

Brian Davidson	(Chairman)
Nicholas Curtis	(President and Chief Executive Officer)
Andrew Lupton	(Executive Director)
Wang Ou (Harold)	(Executive Director)
David Davidson	(Director)

Company Secretary

Ivo Polovineo

Registered Office

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Fax: +61 2 8259 7199
Email: lynas@lynascorp.com

Solicitors

Deacons
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Circular Quay SYDNEY NSW 2000

Bankers

Westpac Banking Corporation
275 George Street SYDNEY NSW 2000

Share Register

Security Transfer Registrars
770 Canning Highway APPLECROSS WA 6963
Tel: +61 8 9315 0933 Fax: +61 8 9315 2233

Auditors

Ernst & Young
The Ernst & Young Building
321 Kent Street SYDNEY NSW 2000

Internet Address

www.lynascorp.com

Directors' Report

Your Directors submit their report for the year ended 30 June 2003.

DIRECTORS

The names and details of the company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Brian Davidson LL.B. (Hons) (Non-executive Chairman)
Mr Davidson is a senior partner of Deacons, a major national law firm, with over 35 years experience in corporate and commercial law, particularly in the natural resources industry. He has been a Director of many listed public companies including Carr Boyd Minerals Ltd and is presently a Director of Southern Pacific Petroleum NL, Central Pacific Minerals NL and Sino Gold Limited.

Nicholas Curtis, B.A. (Hons) (President and Chief Executive Officer)
Mr Curtis is the President and Chief Executive Officer of the Company and is the Executive Chairman of Sino Gold Limited, an Australian listed public company which produces over 100,000 ounces of gold per annum from operations in China, and is a former Executive Director of Macquarie Bank Limited. His background is in resources banking and financing based on 15 years as a professional in the futures, commodities and stockbroking industries.

Andrew Lupton, MBA (Executive Director)
Mr Lupton is an Executive Director and is the Vice President Corporate and Marketing. Previously he was Vice President of Sino Mining International Limited. Before coming to Australia from the United States he was President and CEO of a telecommunications services company and founder and Chief Operating Officer of an information technology company. Mr Lupton has a MBA from the Wharton School, University of Pennsylvania.

Harold Ou Wang, M.SC.
Mr Wang is an Executive Director of the Company and joined the Board on 28 September 2001. Previously he was Vice President China Business Development of Sino Mining International Limited. Prior to that he was Vice Director of the Foreign Affairs Bureau of China National Nonferrous Metals Industry Corporation (CNNC) where he had responsibility for planning and administering the nonferrous industry nationwide with particular emphasis on examining and approving new projects. Mr. Wang has an undergraduate and Master's degree in engineering with an emphasis on statistical analysis and modelling.

David Davidson
Mr Davidson is a Non-executive Director of the Company and joined the Board on 28 March 2002. He has had a distinguished career with ICI and DuPont. An Australian, he has lived and worked in Europe and North America and held a number of Senior Executive roles with global responsibilities. He is a former Director of ICI America Inc. Since returning to Australia, Mr. Davidson has been providing executive and corporate advice on organisation development and strategy.

COMPANY SECRETARY

Ivo Polovineo PNA, MNIA
Mr Polovineo has been the Company Secretary for Lynas Corporation Limited for the past 2 years. He has spent over 18 years in senior management roles in the resource sector including 15 years as Company Secretary of a number of listed public companies.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Lynas Corporation Limited were:

	Ordinary Shares	Options over Ordinary Shares	Employee Options over Ordinary Shares
Brian Davidson	658,000	100,000	300,000
Nicholas Curtis	15,590,192	11,900,000	2,000,000
Andrew Lupton	300,000	1,350,000	1,500,000
Harold Ou Wang	500,000	1,150,000	1,500,000
David Davidson	135,000	500,000	300,000

Directors' Report continued

EARNINGS PER SHARE	Cents
Basic earnings per share	(4.52)
Diluted earnings per share	(4.52)

DIVIDENDS

No dividend has been recommended or declared since the end of the previous financial year.

CORPORATE INFORMATION

Corporate structure

Lynas Corporation Limited is a company limited by shares that is incorporated and domiciled in Australia. Lynas Corporation Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure:

Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity were:

- Exploration and development of Rare Earths deposits;
- Exploration for other mineral resources; and
- Exploration of gold deposits.
  - In April 2002 the company reached agreement to acquire Mt Weld Holdings Limited (formerly Anaconda Industries Limited) from Anaconda Nickel Limited. This gave Lynas:
    - 100% control over the Rare Earths resources available at Mt Weld,
    - 100% control over one of the world's largest niobium and tantalum deposits at Mt Weld.

    There have been no significant changes in the nature of those activities during the year.

  - On 23 September 2002, negotiated the sale of its 5.6% interest in Advance Powder Technology Pty Ltd ("APT") for a 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 and completed on 23 December 2002.

Employees

The consolidated entity employed 18 employees as at 30 June 2003 (2002: 16 employees).

Directors' Report continued

REVIEW AND RESULTS OF OPERATIONS

Group Overview

During the year to 30 June 2003 the company issued a further 64,500,000 shares to fund the completion of the Mt Weld feasibility study.

As announced on 27 June 2003 the Company also concluded negotiations with Southern Cross Equities Ltd for $10,000,000 unsecured Convertible Notes to enable it to move into the first stages of development of the Mt Weld project.

Operating Results for the Year

	Group	Parent
	$	$
Revenue	747,300	247,300
Loss before depreciation and interest	(4,660,824)	(4,794,579)
Depreciation and interest	(426,014)	(426,014)
Loss from operations before income tax	(5,086,838)	(5,220,593)
Income tax expense	-	-
Net loss	(5,086,838)	(5,220,593)

Performance Indicators

Management and the Board monitor the group's overall performance, from its implementation of the mission statement and strategic plan, through to the performance of the company against operating plans and financial budgets.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitor KPIs on a regular basis. Directors receive the KPIs for review prior to each monthly Board meeting allowing all Directors to actively monitor the group's performance.

Investments for Future Performance

The activities during the past financial year have all been directed toward generating future value for shareholders by the completion of the feasibility study of the Mt Weld Project.

Review of Financial Condition

Capital Structure

During the period 64,500,000 ordinary shares were issued for cash to raise additional equity to fund the completion of the feasibility study of the Mt Weld Project.

Cash from Operations

Cash inflows from operating activities for the current year of $320,562 represent interest received on funds at bank and rental received for surplus premises. This reflects a sharp drop from the $8,378,339 in the previous year which included revenue from the gold mining activities which were sold in that year.

Cash outflows from operating activities of $6,447,599 substantially reflect the operating costs involved in undertaking the feasibility study of the Mt Weld Project. The prior year operating cash outflows of $12,570,007 included operating and closure costs of the gold mining activities.

Liquidity and Funding

The group has a convertible notes loan facility with SG Australia Limited of $3.23 million, which was fully used at 30 June 2003. The group has sufficient funds to finance its operations to the completion of the feasibility study but will be required to raise further funds to commence the development phase of the mining and concentration operations.
As announced on 27 June 2003, Lynas Corporation Limited concluded negotiations with Southern Cross Equities Ltd for $10,000,000 from the issue of unsecured Convertible Notes.

Directors' Report continued

Risk Management

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The group believes that it is crucial for Board members to be a part of this process, and as such has established a Safety, Health, Environment & Community (SHEC) Committee which manages the risks of the company and the interface with the community in which it operates.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board.

Statement of Compliance

The report is based on the guidelines in The Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shareholders' equity increased
A further $6,450,000 capital was raised through share issues to the public and these funds were subsequently used to finance feasibility studies, acquisitions and fund working capital.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 14 August 2003 Lynas Corporation Ltd advised that further to its announcement on 27 June 2003 in respect to the proposed issue of Convertible Notes to raise $10 million, the company intends to convene an Extraordinary General Meeting to be held on 26 September 2003 to seek shareholders' approval for the issue of the Convertible Notes, the issue of Ordinary Shares on conversion of the Notes and the issue of any Options to be issued upon conversion of the Notes.

The proposed Note Holders include sophisticated investor clients of Southern Cross Equities for a total of $5 million and CMIEC Australia Limited ("CMIEC"), a wholly owned subsidiary of China Iron & Steel Industry & Trade Corporation for a further $5 million.

CMIEC has also recently acquired 5 million ordinary shares in Lynas.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Having raised additional capital the company now intends to proceed to the early stages of development of the Mt Weld project.

Lynas intends to work closely with CMIEC to seek out further opportunities in the Australian natural resources industries for the mutual benefit of the company and CMIEC.

SHARE OPTIONS
Unissued shares

As at year end the Company had on issue the following options to acquire ordinary fully paid shares:

Description	Number	Expiry date	Exercise price
Listed options	31,981,164	15 November 2003	$0.40c
Incentive Plan options	11,675,000	Various dates beyond November 2004	$0.25c
Incentive Plan options	300,000	30 November 2007	$0.30c
Unlisted options	7,500,000	November 2007	$0.30c
Unlisted options	800,000	November 2004	$0.30c
Unlisted options	1,000,000	July 2004	$0.30c
Unlisted options	343,750	July 2004	$0.36c

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Directors' Report continued

Shares issued as a result of the exercise of options

During the financial year, no option holders or employees exercised the option to acquire fully paid ordinary shares in Lynas Corporation Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums in respect of a contract insuring all the Directors of Lynas Corporation Ltd against costs incurred in defending proceedings for conduct involving:
(a) a wilful breach of duty; or
(b) a contravention of sections 182 or 183 of the Corporations Act 2001,
as permitted by section 199B of the Corporations Act 2001.
The total amount of insurance contract premiums paid was $29,358. This amount is not included as part of the Directors' remuneration in note 26.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Remuneration policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.
To assist in achieving these objectives, the Board links the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance. All Senior Executives have the opportunity to qualify for participation in the Employee Share Incentive Plan which currently provides cash incentives where specified criteria are met including criteria relating to profitability, cash flow, share price growth and environmental performance. Details regarding the issue of share options under this plan are provided in note 22 to the financial statements.
Details of the nature and amount of each element of the emolument of each Director of the Company and each of the five Executive Officers of the Company and the consolidated entity receiving the highest emolument for the financial year are as follows:

	Annual Emoluments			Termination & Similar Payments	Long Term Emoluments Options Granted @			Superannuation
	Base Fee $	Bonus $	Other $	$	Number	$	% of Remuneration	$
N. Curtis	272,822	-	5,400	-	-	-	-	24,554
A. Lupton	247,171	-	-	-	-	-	-	22,245
O. Wang	200,000	-	*50,000	-	-	-	-	16,514
B. Davidson	75,000	-	-	-	-	-	-	-
D. Davidson	50,000	-	-	-	800,000	19,500	28%	-

* Living Away From Home Allowance

Emoluments* of the five most highly paid Executive Officers# of the Company and the consolidated entity

M. Vaisey	185,184	-	-	-	-	-	-	16,667
M.Whillier	185,184	-	-	-	-	-	-	16,667
M. James	128,557	-	-	-	-	-	-	11,570
T. Hadley	126,427	-	-	-	-	-	-	8,853
R. Duncan	91,743	-	-	-	-	-	-	8,257

Notes
The terms 'Director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.
* The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.
@ Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.
\# Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

Directors' Report continued

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Safety, Health, Environment & Community
Number of meetings held:	8	2	1	2
Number of meetings attended:				
B. Davidson	8	2	1	
N. Curtis	8	2		2
A. Lupton	7			
H. Wang	6			
D. Davidson	8		1	2

Committee Membership

As at the date of this report, the company had an Audit Committee, a Remuneration Committee and a Safety, Health, Environment & Community Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

Audit	Remuneration	Safety, Health, Environment & Community
B. Davidson	B. Davidson	N. Curtis
N. Curtis	D. Davidson	D. Davidson

TAX CONSOLIDATION

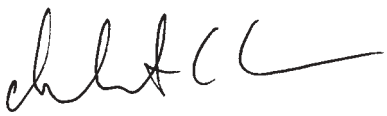
Effective 1 July 2002, for the purposes of income taxation, Lynas Corporation Ltd and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lynas Corporation Ltd have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of the Directors.

B. Davidson
Director



N. Curtis
Director

Sydney, 29 August 2003

Corporate Governance Statement

The Board of Directors of Lynas Corporation Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Lynas Corporation Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.
To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

Composition of the Board

The Directors in office at the date of this statement are:

Name	Position	Name	Position
B. Davidson	Chairman, Non-Executive Director	H. Wang	Executive Director
N. Curtis	President & Chief Executive Officer	D. Davidson	Director
A. Lupton	Executive Director		

Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and the Executive team. The Board has established a remuneration committee, comprising two Non-Executive Directors. Members of the remuneration committee throughout the year were:
B. Davidson
D. Davidson

Audit Committee

The Directors established an Audit Committee during April 1997 and the current Committee met twice during the financial year. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee.
The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year were:
B. Davidson
N. Curtis

The Audit Committee is also responsible for:
- directing and monitoring the internal audit function; and
- nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

Safety, Health, Environment and Community (SHEC) Committee

During April 2003 the Board recognised the need for the SHEC Committee, to prepare the company for the emerging Mt Weld project. The principal objective is to receive reports and consult with management to monitor and review, on behalf of the Board, the due compliance of the company with laws, regulations and policies relating to the following:
- workplace health and safety;
- environmental matters; and
- community relationships.

The key activities of the Committee are:
- ensuring appropriate policies are in place and regularly reviewing those policies;
- ensuring that appropriate systems are implemented to monitor and measure compliance with the enacted policies and the maintenance of the adherence to these systems; and
- reporting to the Board on its deliberations and recommending appropriate courses of action as necessary.

Corporate Governance Statement continued

The members of the SHEC Committee during the year were:
D. Davidson
N. Curtis

Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for operation and administration of the consolidated entity is delegated by the Board to the Chief Executive Officer and the Executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the Executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees referred to above, these mechanisms include the following:

- Board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operating plans and budgets by management and Board monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- establishment of committees to report on environmental issues and concerns, and occupational health and safety; and
- procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the company's expense.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the quarterly and half-yearly report distributed to all shareholders; and
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

Risk Management Policies

Significant areas of concern are discussed at Board level. Where appropriate, Senior Executives and appropriate experts are invited to address Board meetings on the major risks facing the Company and to develop strategies to mitigate those risks.

Statement of Financial Performance

Year ended 30 June 2003

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Revenues from Ordinary Activities	2	747,300	13,929,076	247,300	8,379,963
Raw materials and consumables used		-	(3,964,112)	-	-
Depreciation and amortisation expenses	3	(192,136)	(353,738)	(192,136)	(353,738)
Borrowing costs expense	3	(233,878)	(235)	(233,878)	(235)
Salaries and employee benefits expense		(2,468,516)	(2,510,686)	(2,468,516)	(1,595,003)
Restoration, rehabilitation and environmental costs	3	(56,392)	(374,972)	(56,392)	(374,972)
Royalties paid		-	(1,009,766)	-	(879,624)
Cost of disposal of Mt Weld Tantalum / Paraburdoo project	32	(500,000)	(3,831,027)	-	(3,831,027)
Forgiveness of subsidiary company debt		-	-	(133,755)	-
Other expenses from ordinary activities	3	(2,383,216)	(3,031,187)	(2,383,216)	(2,358,256)
Loss from Ordinary Activities before Income Tax Expense		(5,086,838)	(1,146,647)	(5,220,593)	(1,012,892)
Income Tax Expense relating to Ordinary Activities	4	-	-	-	-
Loss from Ordinary Activities after Income Tax Expense		(5,086,838)	(1,146,647)	(5,220,593)	(1,012,892)
Loss from extraordinary item after income tax benefit	4	-	-	-	-
Net Loss Attributable to Members of Lynas Corporation Limited	19	(5,086,838)	(1,146,647)	(5,220,593)	(1,012,892)
Share issue costs		(319,507)	(35,760)	(319,507)	(35,760)
Total Expenses attributable to Members of Lynas Corporation Limited and recognised directly in equity		(319,507)	(35,760)	(319,507)	(35,760)
Total changes in Equity other than those resulting from transactions with owners as owners attributable to Members of Lynas Corporation Ltd		(5,406,345)	(1,182,407)	(5,540,100)	(1,048,653)
Basic earnings per share (cents per share)	25	(4.52)	(1.37)		
Diluted earnings per share (cents per share)	25	(4.52)	(1.37)		

Statement of Financial Position

Year ended 30 June 2003

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Current Assets					
Cash assets		3,183,876	1,748,862	3,183,865	1,748,851
Receivables	6	128,101	118,604	128,101	118,604
Other	7	148,246	272,878	148,246	268,838
Total Current Assets		3,460,223	2,140,344	3,460,212	2,136,293
Non-Current Assets					
Receivables	8	-	-	11,205,435	9,568,172
Investments	10	-	-	3,044,638	3,240,065
Property, plant and equipment	11	162,047	220,986	162,047	220,986
Deferred exploration, evaluation and development costs	12	14,252,021	12,676,430	-	-
Other	13	71,527	170,000	71,527	170,000
Total Non-Current Assets		14,485,595	13,067,416	14,483,647	13,199,223
Total Assets		17,945,818	15,207,760	17,943,859	15,335,516
Current Liabilities					
Payables	14	1,608,222	3,309,927	1,606,263	3,303,928
Provisions	15	482,168	452,509	482,168	452,509
Total Current Liabilities		2,090,390	3,762,436	2,088,431	3,756,437
Non-Current Liabilities					
Interest-bearing liabilities	16	3,227,828	-	3,227,828	-
Provisions	15	447,406	308,785	447,406	308,785
Total Non-Current Liabilities		3,675,234	308,785	3,675,234	308,785
Total Liabilities		5,765,624	4,071,221	5,763,665	4,065,222
Net Assets		12,180,194	11,136,539	12,180,194	11,270,294
Equity					
Parent entity interest					
Contributed equity	18	29,062,415	22,931,922	29,062,415	22,931,922
Accumulated losses	19	(16,882,221)	(11,795,383)	(16,882,221)	(11,661,628)
Total Equity		12,180,194	11,136,539	12,180,194	11,270,294

Statement of cash Flows

Year ended 30 June 2003

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Cash Flows From Operating Activities					
Receipts from customers		233,276	8,241,702	229,236	3,489,430
Payments to suppliers and employees		(6,441,549)	(12,569,772)	(8,513,100)	(8,076,849)
Interest received		87,826	136,637	87,826	127,225
Borrowing costs		(6,050)	(235)	(6,050)	(235)
Net Cash Flows used in Operating Activities	20	(6,126,497)	(4,191,668)	(8,202,088)	(4,460,429)
Cash Flows from Investing Activities					
Proceeds from sale of PGP		-	2,689,087	-	2,689,087
Purchase of property, plant and equipment	11(a)	(18,391)	(455,839)	(18,391)	(187,084)
Proceeds from sale of Mt Weld Tantalum P/L	2,32(a)	500,000	-	500,000	-
Proceeds from sale of tenement	2	25,000	-	25,000	-
Purchase of investments		-	-	-	(2,500,000)
Payments for exploration		(2,075,591)	(2,500,000)	-	-
Net Cash Flows from/(used in) Investing Activities		(1,568,982)	(266,752)	506,609	2,003
Cash Flows from Financing Activities					
Proceeds from issues of ordinary shares	18(b)	6,450,000	400	6,450,000	400
Payment of share issue costs	18(b)	(319,507)	(35,760)	(319,507)	(35,760)
Proceeds from borrowings		3,500,000	-	3,500,000	-
Repayments of borrowings		(500,000)	(182,315)	(500,000)	(182,315)
Net Cash Flows from/(used in) Financing Activities		9,130,493	(217,675)	9,130,493	(217,675)
Net increase/(decrease) in Cash Held		1,435,014	(4,676,095)	1,435,014	(4,676,101)
Add opening cash brought forward		1,748,862	6,424,957	1,748,851	6,424,952
Closing Cash Carried Forward	20(b)	3,183,876	1,748,862	3,183,865	1,748,851

Notes to the Financial Statements

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.
The financial report has been prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value.

(b) Carrying value of Mt Weld Project

The ability of the Company to continue to develop the feasibility study associated with the Mt Weld Rare Earths project is dependent upon additional debt and/ or equity funding being obtained. As a result of this requirement, the carrying value of the Mt Weld Rare Earths project is also dependent on raising sufficient debt and / or equity funding to develop the project.

As disclosed in the Subsequent Events Note (note 24), the Directors are of the opinion that the additional funding will be achieved and hence the expected cash flows from the project support the continued deferral of costs associated with the project.

(c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

(d) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Lynas Corporation Limited (the parent company) and all entities that Lynas Corporation Limited controlled from time to time during the year and at reporting date.
Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(e) Foreign currencies

Translation of foreign currency transactions
Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.
Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.
All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(f) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Notes to the Financial Statements continued

30 June 2003

(g) Receivables

Receivables from related parties are recognised and carried at the nominal amount due.
Funds on deposit are measured at nominal value.

(h) Investments

Interests in listed and unlisted securities, are brought to account at cost and dividend income is recognised in the statement of financial performance when received. Interests in listed securities are revalued to market value at year end when market value is less than cost.

All other non-current investments are carried at the lower of cost and recoverable amount.

(i) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(j) Property, plant and equipment

Cost and valuation
All classes of property, plant and equipment are measured at cost.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation
Depreciation is provided on a straight-line basis on all property, plant and equipment.

Major depreciation periods are:	2003	2002
Leasehold improvements:	The lease term	The lease term
Plant and equipment:		
- furniture and fittings	5 years	5 years
- mine buildings, plant and equipment	5 to 15 years	5 to 15 years
- computer equipment and office machines	3 to 5 years	3 to 5 years

(k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.
The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 years) at the interest rate implicit in the lease.
Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(l) Exploration, evaluation, development and restoration costs

Costs carried forward
Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.
Grants and subsidies are offset against costs as incurred.
Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Amortisation
Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Restoration costs
Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mines in the future.

(m) Other non-current assets
Research and development costs
Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each reporting date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Expenditure carried forward
Significant items of carry forward expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

(n) Payables
Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.
Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.
Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.
Liabilities for trade creditors amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Interest-bearing liabilities
All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

(p) Provisions
Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation. A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(q) Contributed equity
Issued and paid up capital is recognised at the fair value of the consideration received by the company.
Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Notes to the Financial Statements continued

30 June 2003

Sale of goods
Revenue received from the sale or disposal of products, material or services during the exploration, evaluation or development phases of operations is offset against deferred expenditure in respect of the area of interest or mineral resource concerned.

Interest
Control of the right to receive the interest payment.

(s) Taxes

Income taxes
Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:
- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.
Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.
Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(u) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.
Diluted EPS is calculated as net profit attributable to members, adjusted for:
- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(v) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period.

(w) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

As a result of the first time application of the revised AASB 1028 "Employee Benefits", comparatives for employee options, as set out in Note 22, have been classified and positioned to be consistent with current year disclosures.

AASB 1044

As a result of the first time application of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", comparatives for provisions, as set out in Note 23, have been repositioned to be consistent with current year disclosures.

2. REVENUE FROM ORDINARY ACTIVITIES

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Revenues from operating activities					
Revenue from sale of goods		-	8,047,627	-	2,507,926
Total revenues from operating activities		-	8,047,627	-	2,507,926
Revenues from non-operating activities					
Rent		124,977	64,812	124,977	64,812
Management fees		-	115,000	-	115,000
Total rent and management fees		124,977	179,812	124,977	179,812
Interest					
Other persons/corporations		97,323	136,637	97,323	127,225
Total interest		97,323	136,637	97,323	127,225
Proceeds from disposal of property, plant and equipment		-	5,565,000	-	5,565,000
Proceeds from disposal of controlled entity		500,000	-	-	-
Other revenue - sale of tenements		25,000	-	25,000	-
Total revenues from non-operating activities		525,000	5,565,000	25,000	5,565,000
Total revenues from ordinary activities		747,300	13,929,076	247,300	8,379,963

Notes to the Financial Statements continued

30 June 2003

3. EXPENSES AND LOSSES/(GAINS)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
(a) Expenses					
Depreciation of non-current assets					
Plant and equipment		77,330	353,738	77,330	353,738
Total depreciation of non-current assets		77,330	353,738	77,330	353,738
Borrowing costs expensed					
Interest expense					
Convertible note facility		233,878	-	233,878	-
Amortisation of borrowing costs		114,806	-	114,806	-
Other interest		-	235	-	235
Total borrowing costs expensed		348,684	235	348,684	235
Restoration, rehabilitation and environmental costs		56,392	374,972	56,392	374,972
Other expenses					
Office expenses		1,064,067	1,137,019	1,064,067	950,293
Operating lease rental		96,564	78,573	96,564	78,573
Travel and accommodation		418,837	560,034	418,837	554,772
Consulting		315,193	1,196,687	315,193	603,582
Accounting and tax consulting		110,366	12,402	110,366	12,402
Audit and accounting fees - auditors		41,000	45,000	41,000	45,000
Other		337,189	1,471	337,189	113,634
Total Other expenses		2,383,216	3,031,187	2,383,216	2,358,256
Government and mining royalties incurred		-	1,009,766	-	879,624
Superannuation contributions		154,157	157,104	154,157	157,104
(b) Specific items					
Loss from ordinary activities before income tax expense includes the following specific revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:					
Provisions - other employee entitlements		261,383	247,336	261,383	247,336

4. INCOME TAX

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:					
Prima facie tax benefit on loss from ordinary activities		(1,526,051)	(343,994)	(1,566,178)	(303,863)
Tax effect of permanent differences					
Non-deductible depreciation & amortisation		-	75,000	-	75,000
Other items (net)		42,274	95,853	42,274	95,853
Future income tax benefits on tax losses not brought to account		1,483,777	173,141	1,523,904	133,015
Income tax expense attributable to ordinary activities		-	-	-	-
Income tax losses					
Future income tax benefit arising from tax losses of a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as virtually certain		2,183,476	699,699	2,137,901	613,997

This future income tax benefit will only be obtained if:
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Lynas Corporation Ltd and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Lynas Corporation Ltd. There has been no material effect on the accounting for future income tax benefit or the provision for deferred tax liabilities. Lynas Corporation Ltd has formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividend has been recommended or declared since the end of the previous financial year.

6. RECEIVABLES (CURRENT)

Other receivables	128,101	118,604	128,101	118,604
	128,101	118,604	128,101	118,604

7. OTHER CURRENT ASSETS

Borrowing costs	68,667	85,000	68,667	85,000
Prepayments-other	79,579	187,878	79,579	183,838
	148,246	272,878	148,246	268,838

Notes to the Financial Statements continued

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8. RECEIVABLES (NON-CURRENT)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Related party receivables					
Wholly-owned group controlled entities	29	-	-	11,205,435	9,568,172
		-	-	11,205,435	9,568,172

9. OTHER FINANCIAL ASSETS (NON-CURRENT)

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Investments at cost comprise:				
Shares				
Unlisted	-	10,000	-	10,000
Provision for diminution on unlisted shares	-	(10,000)	-	(10,000)
Total investments	-	-	-	-

10. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity 2003 %	Percentage of equity interest held by the consolidated entity 2002 %	Investment 2003 $	Investment 2002 $
Mt Weld Rare Earths Pty Ltd	Australia	100	100	5	5
Mt Weld Holdings Ltd	Australia	100	100	3,044,631	3,240,058
Mt Weld Mining Pty Ltd	Australia	100	100	1	1
Mt Weld Tantalum Pty Ltd	Australia	-	100	-	1
Lynas Transales Pty Ltd	Australia	100	-	1	-
				3,044,638	3,240,065

During the period Lynas received a refund of stamp duty associated with this acquisition which has been netted off the above balance.

11. PROPERTY, PLANT AND EQUIPMENT

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Furniture & Fittings					
At cost		310,141	291,750	310,141	291,750
Accumulated depreciation		(148,094)	(70,764)	(148,094)	(70,764)
Total plant and equipment written down		162,047	220,986	162,047	220,986

	CONSOLIDATED 2003 $	LYNAS CORPORATION LIMITED 2003 $
(a) Reconciliations		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
Furniture & Fittings		
Carrying amount at beginning	220,986	220,986
Additions	18,391	18,391
Depreciation expense	(77,330)	(77,330)
	162,047	162,047

12. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Exploration, evaluation and development costs carried forward in respect of mining areas of interest					
Pre-production - exploration and evaluation phases					
Costs brought forward		12,676,430	6,887,475	-	250,000
Expenditure incurred during the year		2,075,591	5,788,955	-	-
Disposal of Advance Powder Technology investment	32	(500,000)	-	-	-
Expenditure written off during the year		-	-	-	(250,000)
		14,252,021	12,676,430	-	-

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being recognised pending the commencement of production.

13. OTHER NON-CURRENT ASSETS

Expenditure carried forward - Borrowing costs	170,000	170,000	170,000	170,000
Accumulated amortisation	(98,473)	-	(98,473)	-
	71,527	170,000	71,527	170,000

14. PAYABLES (CURRENT)

Trade creditors	1,007,782	726,932	1,007,782	720,933
Trade creditors relating to Mt Weld project	484,017	-	484,017	-
Other creditors	75,211	285,577	73,252	285,577
Amount owing to Anaconda Nickel Limited for acquisition of the Mt Weld tenement	-	2,260,235	-	2,260,235
Withholding tax payable	41,212	37,183	41,212	37,183
	1,608,222	3,309,927	1,606,263	3,303,928

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(ii) Other creditors are non-interest bearing and have an average term of 30 days.

15. PROVISIONS (CURRENT)

Employee benefits	22	138,536	114,328	138,536	114,328
Restoration, rehabilitation and closure	17(b)	343,632	338,181	343,632	338,181
		482,168	452,509	482,168	452,509

Notes to the Financial Statements continued

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	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
(a) Employee Benefits					
Employee benefits reflect the anticipated amounts due and payable to employees at balance date for annual leave entitlements.					
Movements in provisions					
(i) Employee benefits					
Carrying amount at beginning		114,328	71,841	114,328	71,841
Additional provision		24,208	42,487	24,208	42,487
Amounts utilised during the year		-	-	-	-
Carrying amount at end		138,536	114,328	138,536	114,328
(ii) Restoration, Rehabilitation and Closure					
Carrying amount at beginning		338,181	165,023	338,181	165,023
Additional provision		282,762	190,000	282,762	190,000
Amounts utilised during the year		(277,311)	(16,842)	(277,311)	(16,842)
Carrying amount at end		343,632	338,181	343,632	338,181

16. INTEREST-BEARING LIABILITIES (NON-CURRENT)

Borrowings secured by floating charge				
- other loans - convertible note	3,227,828	-	3,227,828	-
	3,227,828	-	3,227,828	-

Terms and conditions relating to the above financial instruments
On 16th July 2002 the Company entered into a Convertible Note Facility Agreement with SG Australia Limited for $3,500,000 (consisting of 35 notes at $100,000 each) to fund the $2,500,000 residual payment to Anaconda Nickel Limited for the acquisition of the balance of the Mt Weld tenements, and the Mt Weld companies as announced on 2 May 2002. The balance provided additional working capital for the Mt Weld Rare Earths feasibility study.

The period of the facility is 36 months and it can be repaid, or converted into shares at the rate of 275,000 ordinary shares for each $100,000 note.

Lynas also granted SG Australia Limited 1,000,000 options over ordinary shares convertible at 30 cents per share and expiring 2 years from the date of first drawdown of the facility.

On 11 August 2003 SG Australia Ltd confirmed that they waived the remaining conditions subsequent subject to the following terms:

- A minimum $11.95 million is subscribed through a proposed placement ($1.95 million of which occurred in June 2003) and unsecured Convertible Note issue,
- The Convertible Notes are issued on terms and conditions that are acceptable to SG,
- A new Condition Subsequent is inserted, requiring that Project Finance for the development of Mt Weld is committed/in place by 30 September 2004, otherwise SG's Facility becomes fully repayable,
- Until the Condition Subsequent above is met or waived Lynas agreeing to maintain a minimum cash balance of $2 million to be placed on deposit with SG or another acceptable bank, subject to SG's security/charge,
- Lynas agreeing to meet legal fees and costs in relation to any documentary issues and changes in regard to the above.

SG Australia Ltd was repaid $500,000 through the redemption of 5 convertible notes of $100,000 each. A residual principal debt of $3,000,000 now remains outstanding to SG Australia Ltd, together with capitalised interest of $227,828.

17. PROVISIONS (NON-CURRENT)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Employee entitlements	22	122,847	66,972	122,847	66,972
Restoration, rehabilitation and closure	17(b)	324,559	241,813	324,559	241,813
		447,406	308,785	447,406	308,785

(a) Provision for employee benefits

Employee benefits reflect the anticipated amounts due and payable to employee at balance date for long service leave.

(b) Provision for Restoration , Rehabilitation and Closure

Closure costs reflect the estimated amounts that will be incurred and the net exposure to future costs for the closure of the Perth premises.

Provision for restoration is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the restoration of a mining site. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the restoration provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mines in the future.

Movements in provisions				
(i) Employee benefits				
Carrying amount at beginning	66,972	149,104	66,972	149,104
Additional provision	55,875	9,426	55,875	9,426
Amounts utilised during the year	-	(91,558)	-	(91,558)
Carrying amount at end	122,847	66,972	122,847	66,972
(ii) Restoration, rehabilitation and closure				
Carrying amount at beginning	241,813	993,000	241,813	993,000
Additional provision	228,169	350,756	228,169	350,756
Amounts utilised during the year	(145,423)	(1,101,943)	(145,423)	(1,101,943)
Carrying amount at end	324,559	241,813	324,559	241,813

Provision for restoration

A provision for restoration is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the restoration of a mining site. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the restoration provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mines in the future.

Notes to the Financial Statements continued

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18. CONTRIBUTED EQUITY

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
(a) Issued and paid up capital					
Ordinary shares fully paid		29,062,415	22,931,922	29,062,415	22,931,922
		29,062,415	22,931,922	29,062,415	22,931,922

(b) Movements in shares on issue

	2003 Number of shares	2003 $	2002 Number of shares	2002 $
Beginning of the financial year	87,347,842	22,931,922	80,346,842	21,930,282
Issued during the year				
- Lando Pty Limited	-	-	2,000,000	237,000
- Sino Refco Capital Pty Limited	-	-	5,000,000	800,000
- placement	19,500,000	1,950,000	-	-
- public equity raising	45,000,000	4,500,000	-	-
- less transaction costs	-	(319,507)	-	(35,760)
- issue of shares pursuant to option conversion	-	-	1,000	400
End of the financial year	151,847,842	29,062,415	87,347,842	22,931,922

(c) Share Options

Number	Exercise Price	Expiry
32,481,164	$0.40	November 2003
4,000,000	$0.25	December 2004
7,675,000	$0.25	November 2006
300,000	$0.30	November 2007
7,500,000	$0.30	November 2007
800,000	$0.30	November 2004
1,000,000	$0.30	July 2004
343,750	$0.36	July 2004
54,099,914		

Options over ordinary shares:
At the end of the year there were 54,099,914 (2002: 51,956,164) unissued ordinary shares in respect of which options were outstanding.

Employee share scheme
During the financial year 300,000 options were issued over ordinary shares, exercisable from the first anniversary from the date of issue and with an issue term of 5 years. The options had an average exercise price of $0.30. Details are provided in note 22.

(d) Terms and conditions of contributed equity
Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

19. RESERVES AND RETAINED PROFITS

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Accumulated losses					
Balance at the beginning of year		(11,795,383)	(10,648,736)	(11,661,628)	(10,648,736)
Net loss attributable to members of Lynas Corporation Limited		(5,086,838)	(1,146,647)	(5,220,593)	(1,012,892)
Total available for appropriation		(16,882,221)	(11,795,383)	(16,882,221)	(11,661,628)
Balance at end of year		(16,882,221)	(11,795,383)	(16,882,221)	(11,661,628)

20. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net profit after tax to the net cash flows from operations

Net loss	19	(5,086,838)	(1,146,647)	(5,220,593)	(1,012,892)
Non-cash items					
Depreciation and amortisation of non-current assets		192,136	353,738	192,136	353,738
Provision for restoration		-	374,971	-	374,971
Net (profit)/loss on disposal of property, plant and equipment		-	(1,733,973)	-	(1,733,973)
Net (profit)/loss on disposal of tenements		(25,000)	-	(25,000)	-
Interest capitalised		227,828	-	227,828	-
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		98,802	50,024	(1,542,501)	(354,534)
(Increase)/decrease in inventory		-	(328,470)	-	(328,470)
(Increase)/decrease in other assets		-	543,293	-	547,333
(Increase)/decrease in investments		-	-	(304,573)	-
(Decrease)/increase in trade and other creditors		(1,391,658)	(2,507,756)	(1,387,618)	(2,509,754)
(Decrease)/increase in employee entitlements		(141,767)	203,152	(141,767)	203,152
Net cash flow from operating activities		(6,126,497)	(4,191,668)	(8,202,088)	(4,460,429)

(b) Reconciliation of cash

Cash balance comprises:					
- cash assets		3,183,876	1,748,862	3,183,865	1,748,851
Closing cash balance		3,183,876	1,748,862	3,183,865	1,748,851

Notes to the Financial Statements continued

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(c) Financing facilities available

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
At reporting date, the following financing facilities had been negotiated and were available:					
Total facilities					
- SG Australia - Convertible note facility	16	3,227,828	-	3,227,828	-
Facilities used at reporting date					
- SG Australia - Convertible note facility	16	3,227,828	-	3,227,828	-

(d) Disposal of controlled entity

On 23 December 2002 Lynas Corporation Ltd disposed 100% of the issued shares in Mt Weld Tantalum Pty Limited. Details of the disposal are as follows:

Proceeds on disposal:	
- cash	500,000
The carrying amounts of assets and liabilities disposed of by major class are:	
- investment in Advanced Powder Technology Pty Limited	500,000
- provisions	-
Net assets of entity sold	500,000
Profit on disposal	-
Net cash effect	
- cash proceeds	500,000
- cash balance disposed	-
Cash proceeds on disposal of controlled entity as reflected in the consolidated statement of cash flows	500,000

21. EXPENDITURE COMMITMENTS

Exploration commitments

	CONSOLIDATED 2003	CONSOLIDATED 2002	LYNAS CORPORATION LIMITED 2003	LYNAS CORPORATION LIMITED 2002
- not later than one year	200,000	404,500	200,000	404,500
- later than one year and not later than five years	644,554	1,449,410	644,554	1,449,410
- later than five years	723,522	377,094	723,522	377,094
	1,568,076	2,231,004	1,568,076	2,231,004

The reduction in the overall commitment for exploration arises from the disposal of tenements during the financial year.

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

	CONSOLIDATED 2003	CONSOLIDATED 2002	LYNAS CORPORATION LIMITED 2003	LYNAS CORPORATION LIMITED 2002
The aggregate employee benefit liability is comprised of:				
Accrued wages, salaries and on-costs	88,615	81,059	88,615	81,059
Provisions (current)	156,709	114,328	156,709	114,328
Provisions (non-current)	122,847	66,972	122,847	66,972
	368,171	262,359	368,171	262,359

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS continued

Employee Share Incentive Scheme

An employee share scheme has been established where Lynas Corporation Limited may, at the discretion of management, grant options over the ordinary shares of Lynas Corporation Limited to Directors, Executives and certain members of staff of the consolidated entity. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the Directors of Lynas Corporation Limited, although the management of Lynas Corporation Limited retains the final discretion on the issue of the options. The options are issued for a term of 5 years and are exercisable beginning on the third anniversary of the date of grant. The options cannot be transferred and will not be quoted on the ASX. There are currently five Directors, five Executives and ten staff eligible for this scheme.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

	2003		2002	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	11,675,000	$0.25	7,675,000	$0.25
- granted	300,000	$0.30	4,000,000	$0.25
- forfeited	-	-	-	-
Balance at end of year	11,975,000	$0.25	11,675,000	$0.25
Exercisable at end of year	250,000	$0.25	-	-

(a) Options held at the beginning of the reporting period:

The following table summarises information about options held by employees as at 1 July 2002:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
4,000,000	Various dates	Various dates	Various dates	$0.25
7,675,000	30/11/01	30/11/04	30/11/06	$0.25

(b) Options held as at the end of the reporting period:

The following table summarises information about options held by the employees as at 30 June 2003:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
4,000,000	Various dates	Various dates	Various dates before November 2004	$0.25
7,675,000	30/11/01	30/11/04	30/11/06	$0.25
300,000	26/11/02	26/11/05	26/11/07	$0.30

(c) Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the consolidated entity of up to 9% of employees' wages and salaries are legally enforceable in Australia.

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities

General

The Company had entered into guarantees, contracts, maintenance bonds and warranties in the normal course of business, including performance bond guarantees arranged with a bank totalling $128,101 (2002 - $118,604).

Claims of native title over certain of the Company's gold mining tenements have been made, and may in the future be made on other tenements under the Commonwealth Native Title Act. In the event that native title is established by an indigenous group over an area that is subject to the Company's mining tenements, the nature of the native title may be such that consent to mining may be required from that community but is withheld.

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The gold tenements affected by these native title claims no longer form part of the core business activities and are earmarked for relinquishment or disposal as soon as practicable.

The tenements at Mt Weld are not subject to any claims under the Commonwealth Native Title Act.

No determination has yet been made by the Federal Court or any other body with appropriate jurisdiction in respect of any of the land the subject of the Company's tenements. It is also possible that some of the existing claims may be removed from the National Native Title Tribunal register for failure to satisfy the new registration test which became operative upon proclamation of the Native Title Amendment Act 1999. The consequence of removal of a claim from the Register is that those claimants lose the right to negotiate under the Native Title Act in respect of the future grant or renewal of mining tenements over their claim area.

Mt Weld Project Contingent Debt and Royalty

Lynas Corporation Limited will be responsible for making payments to Ashton Mining (WA) Pty Limited as follows:

- $7,500,000 (indexed by the increase in the consumer price index, with the first indexation occurring on 31 December, 2001) on the occurrence of the following:
- within 2 business days after the first drawdown (or other actual provision of funds) under financing provided to develop any Mt Weld Project (excluding the $3,500,000 note subscription facility provided by SG Australia Limited to Lynas Corporation Limited) or otherwise for the purpose of mining minerals from any part of the tenements (whether alone or with other purposes);
- within one month after the date on which pre stripping (or a similar or equivalent form of major surface disturbance) commences for the purposes of mining any minerals from any part of the tenements;
- if El Calden SA exercises its rights in the project, the total amount paid by El Calden SA up to the total amount of this contingent debt must be repaid within 2 business days of payment;
- the whole of the contingent debt (or the portion that remains outstanding after El Calden SA exercises its rights) becomes immediately repayable if any security granted to Ashton Mining (WA) Pty Limited becomes enforceable.

The capital sum of the contingent debt is secured by a first ranking tenement mortgage (ranking pari-passu with SG Australia Limited) over the tenements M38/58, M38/59, M38/326 and M38/327; as well as mortgages over the shares of Mt Weld Rare Earths Pty Limited and Mt Weld Mining Pty Limited (also ranking pari-passu with SG Australia Limited).

The above contingent debt will not be payable if there exists uneconomic reserves which result in the cessation of mine development.

A Royalty capped at $10,700,000 (indexed by the increase in the consumer price index, with the first indexation occurring on 31 December, 2001) payable at the rate of 1% on all Rare Earths sales and all mineral sales out of the Mt Weld tenements.

Klondyke Gold Project

Lynas Corporation Limited disposed of its interests in the Klondyke Gold Project on 12 April 2002 to Excelsior Resources Limited, subject to the approval of the previous tenement owners. This approval was sought, but was not able to be obtained, and these tenements have reverted to Lynas. It is not practical to estimate the effect of the contingent liability due to the uncertainty of its nature.

24. SUBSEQUENT EVENTS

(a) 2003

Following from the announcement on 27 June 2003, Lynas Corporation Limited is concluding negotiations to raise $10 million from the issue of unsecured Convertible Notes.

The issue of the Convertible Notes is subject to a number of conditions precedent including the approval of Lynas shareholders for the issue of the Notes and the issue of Ordinary shares and options on conversion of the Notes. The date set for the Extraordinary General Meeting is 26 September 2003 and the drawdown of funds should occur shortly thereafter.

24. SUBSEQUENT EVENTS continued

50% of the Convertible Notes will be issued to professional investor clients of Southern Cross Equities Pty Ltd and the other 50% to CMIEC (Australia) Pty Ltd, as wholly owned subsidiary of China Iron and Steel Industry and Trade Corporation.

The financial effect of each of the above events has not been recognised.

25. EARNINGS PER SHARE

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	(5,086,838)	(1,146,647)
Adjustments:	-	-
Net profit attributable to outside equity interest	-	-
Earnings used in calculating basic and diluted earnings per share	(5,086,838)	(1,146,647)

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	112,645,993	83,399,152
Effect of dilutive securities:		
The number of options which are potential ordinary shares that are not dilutive and hence not used in the calculation of the diluted earnings per share	54,099,914	51,969,164
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	112,645,993	83,399,152

Conversions, calls, subscription or issues after 30 June 2003

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

26. REMUNERATION OF DIRECTORS

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
(a) Directors' remuneration					
Income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are Directors or any related party:		968,206	876,563		
Income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of Lynas Corporation Limited, directly or indirectly, from the entity or any related party:				968,206	876,563

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	Notes	CONSOLIDATED 2003	CONSOLIDATED 2002	LYNAS CORPORATION LIMITED 2003	LYNAS CORPORATION LIMITED 2002
				No.	No.
The number of Directors of Lynas Corporation Limited whose income (including super-annuation contributions) falls within the following bands is:					
$20,000 - $29,999				-	1
$50,000 - $59,999				-	1
$60,000 - $69,999				1	-
$70,000 - $79,999				1	1
$180,000 - $189,999				-	1
$250,000 - $259,999				-	1
$260,000 - $269,999				2	-
$280,000 - $289,999				-	1
$300,000 - $309,999				1	-

27. REMUNERATION OF EXECUTIVES

		$	$	$	$
Remuneration received or due and receivable by Executive Officers of the consolidated entity whose remuneration is $100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an Executive Officer or otherwise:		1,617,815	1,078,286		
Remuneration received or due and receivable by Executive Officers of the company whose remuneration is $100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any of its subsidiaries, whether as an Executive Officer or otherwise				1,617,815	1,078,286
		No.	No.	No.	No.
The number of Executives of the consolidated entity and the company whose remuneration falls within the following bands:					
$100,000 - $109,999		1	-	1	-
$120,000 - $129,999		-	1	-	1
$130,000 - $139,999		1	-	1	-
$140,000 - $149,999		1	-	1	-
$180,000 - $189,999		-	1	-	1
$200,000 - $209,999		2	-	2	-
$220,000 - $229,999		-	1	-	1
$250,000 - $259,999		-	1	-	1
$260,000 - $269,999		2	-	2	-
$280,000 - $289,999		-	1	-	1
$300,000 - $309,999		1	-	1	-

28. AUDITORS' REMUNERATION

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	LYNAS CORPORATION LIMITED 2003 $	LYNAS CORPORATION LIMITED 2002 $
Amounts received or due and receivable by Ernst & Young Australia for:					
- an audit or review of the financial report of the entity and any other entity in the consolidated entity		41,000	40,000	41,000	40,000
- other services in relation to the entity and any other entity in the consolidated entity		-	5,000	-	5,000
		41,000	45,000	41,000	45,000

29. RELATED PARTY DISCLOSURES

Directors

The Directors of Lynas Corporation Limited during the financial year were:

Brian Davidson (Chairman)	Non-executive
Nicholas Curtis (Chief Executive Officer)	Executive
Andrew Lupton	Executive
Harold Ou Wang	Executive
David Davidson	Non-executive

Wholly-owned group transactions

Loans

Loans made by Lynas Corporation Limited to wholly-owned subsidiaries. The loans are unsecured and interest free with no fixed terms of repayment.

During the year the Group re-structured all of its Rare Earths assets under Mt Weld Mining Pty Limited by way of transfers of assets and intercompany loans advanced, repaid and forgiven.

As at 30 June 2003 the total amount owing by Mt Weld Mining Pty Limited to the Parent Company was $11,205,429 (2002: $7,808,230). This advance is at call and interest free and is not expected to be repaid during the next twelve months. (Refer: note 9).

Rare Earths assets held by Mt Weld Rare Earths Pty Limited were transferred to Mt Weld Mining Pty Limited at carrying value of $7,674,475. The remaining debt owing by Mt Weld Rare Earths Pty Limited to the Parent Company amounting to $133,755 was forgiven (2002: $Nil).

Rare Earths assets held by Mt Weld Holdings Limited were transferred to Mt Weld Mining Pty Limited at carrying value of $1,761,897. The remaining debt owing by Mt Weld Holdings Limited to the Parent Company amounted to $6 (2002: $1,759,942)

Director transactions

Director-related entity transactions

Services

Legal services amounting to $208,533 were provided to Lynas Corporation Limited by Deacons at standard commercial rates. Mr B Davidson is a senior partner of Deacons. The contract for the provision of services was approved by shareholders at an Annual General Meeting.

Administrative services amounting to $110,000 were provided by Sino Gold Limited to Lynas Corporation Limited at rates based on arms-length transactions. Sino Gold Limited is a company of which Mr N Curtis and Mr B Davidson are Directors. The contract for the provision of services was approved by shareholders at an Annual General Meeting.

Management consulting services amounting to $112,500 were provided to Lynas Corporation Limited by Maxipot on an arms-length basis. Maxipot is a company controlled by Mr D Davidson. The contract for the provision of services was approved by shareholders at an Annual General Meeting.

Notes to the Financial Statements continued

30 June 2003

Remuneration and Retirement Benefits

Information on remuneration of Directors is disclosed in note 26.

The Company entered into an agreement ("Employment Agreement") dated 2 August 2001 with Mr N Curtis for the provision of Mr Curtis' services as Chief Executive Officer on reasonable commercial terms and conditions.

The Company entered into an agreement ("Employment Agreement") dated 2 August 2001 with Mr A Lupton for the provision of Mr Lupton's services as Vice President Corporate and Marketing on reasonable commercial terms and conditions.

The Company entered into an agreement ("Employment Agreement") dated 2 August 2001 with Mr O Wang for the provision of Mr Wang's services as a Vice President on reasonable commercial terms and conditions.

Other Transactions of Directors and Director-Related Entities

The Company has taken out Directors and Officer Liability Insurance.

Superannuation

The Company contributes to superannuation funds on behalf of its employees and Executive Directors. The amount paid and accrued on behalf of the Executive Directors was 9% of gross salary and amounted to $63,313 for the year ended 30 June 2003. The Company does not administer or control the superannuation funds.

Equity instruments of Directors

Interests at balance date

Interests in the equity instruments of Lynas Corporation Limited held by Directors of the reporting entity and their Director-related entities:

	Ordinary Shares Fully Paid		Options over Ordinary Shares (Listed)		Options over Ordinary Shares (Unlisted)	
	2003 Number	2002 Number	2003 Number	2002 Number	2003 Number	2002 Number
B. Davidson	658,000	608,000	100,000	100,000	300,000	300,000
N. Curtis	15,590,192	10,350,000	11,900,000	11,800,000	2,000,000	2,000,000
A. Lupton	300,000	500,000	1,350,000	1,350,000	1,500,000	1,500,000
O. Wang	500,000	450,000	1,150,000	1,150,000	1,500,000	1,500,000
D. Davidson	135,000	85,000	500,000	-	300,000	-
	17,183,192	11,993,000	15,000,000	14,400,000	5,600,000	5,300,000

Movements in Directors' equity holdings

During the financial year (November 2002) Mr Curtis took 5 million shares as part of an equity placement on terms and prices that were no more favourable than placements made to third parties. This was approved by shareholders at the Annual General Meeting held on 26 November 2002.

All equity dealings with Directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arms-length.

Ultimate parent

Lynas Corporation Limited is the ultimate parent company.

30. SEGMENT INFORMATION

Segment products and locations

The Company's main concentration has been on the development of its Rare Earths resource at Mt Weld near Laverton in Western Australia.

Geographically, the group operates in a single geographic segment, being Australia.

Segment accounting policies

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

Business segments	Rare Earths		Niobium / Tantalum		Gold		Consolidated	
	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $
Revenue								
Sales to customers outside the consolidated entity	-	-	-	-	-	8,047,627	-	8,047,627
Other revenues from customers outside the consolidated entity	-	-	-	-	-	5,744,812	-	5,744,812
Total segment revenue	-	-	-	-	-	13,792,439	-	13,792,439
Non-segment revenues								
Interest revenue	97,323	121,314	-	-	-	15,323	97,323	136,637
Proceeds on disposal of investments and tenements	-	-	500,000	-	25,000	-	525,000	-
Unallocated revenue - rent	124,977	-	-	-	-	-	124,977	-
Total consolidated revenue	222,300	121,314	500,000	-	25,000	13,807,762	747,300	13,929,076
Results								
Segment result	(4,877,960)	(2,230,311)	-	-	25,000	1,083,664	(4,852,960)	(1,146,412)
Non-segment expenses								
Interest expense							(233,878)	(235)
Unallocated expenses								
Consolidated entity loss from ordinary activities before income tax expense							(5,086,838)	(1,146,647)
Income tax expense							-	-
Net loss							(5,086,838)	(1,146,647)
Assets								
Segment assets	15,945,818	12,707,760	2,000,000	2,500,000	-	-	17,945,818	15,207,760
Total assets							17,945,818	15,207,760
Liabilities								
Segment liabilities	5,097,433	3,588,250	-	-	668,191	482,971	5,765,624	4,071,221
Non-segment liabilities							-	-
Total liabilities							5,765,624	4,071,221
Other segment information:								
Acquisition of property, plant and equipment, intangible assets and other non-current assets	18,391	3,580,705	-	2,500,000	-	-	18,391	6,080,705
Depreciation	77,330	70,764	-	-	-	282,974	77,330	353,738
Amortisation	114,806	-	-	-	-	-	114,806	-

31. FINANCIAL INSTRUMENTS

31(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate *[b]*	
	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 %	2002 %
(i) Financial assets														
Cash	3,183,876	1,748,862	-	-	-	-	-	-	-	-	3,183,876	1,748,862	4.5	4.1
Receivables	128,101	118,604	-	-	-	-	-	-	-	-	128,101	118,604	3.5	3.5
Total financial assets	3,311,977	1,867,466	-	-	-	-	-	-	-	-	3,311,977	1,867,466		

N/A - not applicable for non-interest bearing financial instruments.

Financial Instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate *[b]*	
	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 %	2002 %
(ii) Financial liabilities														
Trade and other creditors	-	-	-	-	-	-	-	-	(1,608,222)	(3,274,927)	(1,608,222)	(3,274,927)	N/A	N/A
Convertible note loan facility	(3,227,828)	-	-	-	-	-	-	-	-	-	(3,227,828)	-	7.4	N/A
Total financial liabilities	(3,227,828)	-	-	-	-	-	-	-	(1,608,222)	(3,274,927)	(4,836,050)	(3,274,927)		

N/A not applicable for non-interest bearing financial instruments.

31(b) Net fair values

The carrying amounts of all financial assets and liabilities approximate the net fair values at balance date.

31(c) Credit risk exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, net of any provisions for doubtful debts of those assets is the carrying value, as disclosed in the Statement of Financial Position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

32. DISCONTINUING OPERATION

32 (a) Discontinuance of Mt Weld Tantalum Pty Ltd

On 23 December 2002, the group sold its 5.6% interest in Advance Powder Technology Pty Ltd ("APT") for a consideration of $500,000.

This transaction was effected by the sale of all the issued shares in Mt Weld Tantalum Pty Ltd, a subsidiary company whose only asset is the 5.6% interest in APT.

32 (b) Financial performance information

The financial performance of Mt Weld Tantalum Pty Ltd operations for the year ended 30 June 2003 is as follows

	2003 $	2002 $
Revenues from ordinary activities	-	-
Expenses from ordinary activities (including borrowing costs)	-	-
Profit/(loss) before income tax (expense)/revenue	-	-
Income tax (expense)/revenue relating to ordinary activities	-	-
Profit/(loss) from ordinary activities after income tax (expense)/revenue	-	-

32 (c) Asset disposals

The carrying amounts of total assets to be disposed of and total liabilities to be settled as at 30 June 2003 are as follows:

TOTAL ASSETS	-	500,000
TOTAL LIABILITIES	-	-
NET ASSETS	-	500,000

Included in total assets are property, plant and equipment for which binding sale agreements totalling $500,000 have been entered.

During the financial year ended 30 June 2003, asset disposals were as follows:

Proceeds from disposition of non-current assets	500,000	-
Carrying amount of assets	500,000	-
Pre-tax loss on disposition	-	-
Tax benefit	-	-
Loss on disposition after tax	-	-

32 (d) Mt Weld Tantalum Pty Ltd cash flows during the year

The net cash flows attributable to Mt Weld Tantalum Pty Ltd for the year ended 30 June 2003 are as follows:

OPERATING	-	-
INVESTING	500,000	-
FINANCING	-	-
NET CASH INFLOWS/(OUTFLOWS)	500,000	-

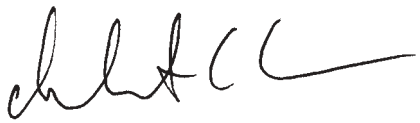
Director's Declaration

In accordance with a resolution of the Directors of Lynas Corporation Limited, I state that:

(1) In the opinion of the Directors:
  (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
    (ii) complying with Accounting Standards and 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

Director
B. Davidson



Director
N. Curtis

Sydney, 26 September 2003

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Independent audit report to members of Lynas Corporation Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Lynas Corporation Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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 company and the consolidated entity, and that complies with Accounting Standards in Australia, 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.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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

Audit opinion
In our opinion, the financial report of Lynas Corporation Limited and the consolidated entity is in accordance with:

(a) the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the financial position of Lynas Corporation Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and
  (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Michael Elliott
Partner
Sydney
29 August 2003

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 September 2003.

(a) Distribution of equity securities

Number of shareholders, by size of holding, in each class are:

	Ordinary Shares		
	Number of Holders	Number of Shares	% of Issued Capital
1 - 1,000	550	305,762	0.20%
1,001 - 5,000	725	1,962,197	1.28%
5,001 - 10,000	353	2,917,153	1.90%
10,001 - 100,000	751	28,696,112	18.70%
100,001 and over	181	119,611,612	77.93%
	2,560	153,492,836	100.00%
The number of shareholders holding less than a marketable parcel are	551	306,782	0.20%

Number of option holders, by size of holding, in each class are:

	Options		
	Number of Holders	Number of Shares	% of Issued Capital
1 - 1,000	63	31,610	0.10%
1,001 - 5,000	72	215,163	0.66%
5,001 - 10,000	23	176,246	0.54%
10,001 - 100,000	63	3,663,933	11.28%
100,001 and over	45	28,391,212	87.42%
	266	32,478,164	100.00%
The number of shareholders holding less than a marketable parcel are	126	201,773	0.62%

(b) Twenty largest shareholders

	Number of Shares	% of Ordinary Shares
The names of the twenty largest holders of quoted shares are:		
Merrill Lynch (Australia) Nominees Limited	20,764,816	13.53%
Mr Nicholas Anthony Curtis	11,881,605	7.74%
Westpac Custodian Nominees Limited	8,009,883	5.22%
Colbern Fiduciary Nominees Pty Ltd	6,000,000	3.91%
ANZ Nominees Limited	4,441,508	2.89%
All-States Finance Pty Ltd	4,095,000	2.67%
Armada Trading Pty Ltd	3,724,680	2.43%
Nyco Pty Ltd	3,018,587	1.97%
Escora Nominees Pty Ltd	2,400,000	1.56%
Lando Pty Ltd	2,000,000	1.30%
Ajava Holdings Pty Ltd	1,950,000	1.27%
Commonwealth Custodial Services Limited	1,950,000	1.27%
Mr Michael Bushell	1,457,030	0.95%
Mr Antony John Magnus	1,218,800	0.79%
Citicorp Nominees Pty Ltd	1,025,000	0.67%
Muscoda Holdings Pty Ltd	830,580	0.54%
Belike Nominees Pty Ltd	800,000	0.52%
Mrs Debra Ann Klein	780,580	0.51%
Mr Michael Edgerton & Mrs Marianne Edgerton	750,000	0.49%
Mayburys Pty Ltd	700,000	0.46%
	77,798,069	50.69%

ASX Additional Information

(c) Twenty largest option holders

The names of the twenty largest holders of quoted options are:

	Number of Options	% of Options
Mr Nicholas Anthony Curtis	11,800,000	36.33%
Mr John Colin Loosemore	2,376,600	7.32%
Mrs Shutong You	1,150,000	3.54%
Mr Andrew Lupton	1,050,000	3.23%
Eris Pty Ltd	900,000	2.77%
Mrs Debra Ann Klein	700,000	2.16%
Mayburys Pty Ltd	621,500	1.91%
Zelman Pty Ltd	500,000	1.54%
Maxipot Solutions Pty Ltd	500,000	1.54%
Mr David Keogh	500,000	1.54%
Paticoa Nominees Pty Ltd	480,000	1.48%
Bellset Nominees Pty Ltd	400,000	1.23%
Comsec Nominees Pty Ltd	394,180	1.21%
Mr Kerry Peter Jelbart	360,000	1.11%
Mrs Jan Elizabeth Read	350,000	1.08%
Panstyn Investments Pty Ltd	312,500	0.96%
Belike Nominees Pty Ltd	300,000	0.92%
Hostyle Pty Ltd	300,000	0.92%
Eldnar Pty Ltd	300,000	0.92%
Neolite Neon Co Pty Ltd	300,000	0.92%
	23,594,780	72.65%

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of shares
Nicholas Anthony Curtis	14,670,000

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

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ASX Additional Information

(f) Schedule of interests in mining tenements

Location	Tenement	Percentage held
Lynas Find Region		
Lynas Find	M45/278	100
	M45/355	100
	M45/356	100
	M45/511	100
Mt Weld Rare Earths Project		
Mt Weld	M38/58	100
	M38/59	100
	M38/326	100
	M38/327	100
Marble Bar		
Klondyke Queen	M45/552	100
	M45/668	100
	M45/669	100
	M45/670	100

Lynas disposed of its interests M45/78 and M45/333 to Sons of Gwalia Limited on 25 November, 2002 for the sum of $25,000.

Lynas surrendered tenements during the year M45/281 (8 January, 2003), M45/282 (10 March, 2003), M45/523 (10 March, 2003) and M45/524 (8 January, 2003)

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