
QUARTERLY REPORT

FOR THE PERIOD ENDING 31 MARCH 2014

HIGHLIGHTS

- During the March 2014 quarter, Lynas made significant progress towards achieving its targeted 11,000tpa REO production rate. As previously announced, production and sales in the March quarter increased to record levels, consistent with prior guidance.
- Total tonnes produced for the quarter were 1,089 tonnes, on an REO equivalent basis, a 47% increase on the prior quarter. Total tonnes shipped were 751 tonnes, on an REO equivalent basis, up 84% on the prior quarter. In addition, production in the month of March totalled 575 tonnes, 62% higher than the previous monthly record. Timing of customer delivery accounts for the variance between production and sales volumes.
- The average selling price increased by 5% to US\$22.63/kg REO (revenue basis), from US\$21.48/kg REO (revenue basis) in the prior quarter. The Company enjoyed a favourable product mix in the quarter, resulting in the average selling price representing a premium to the market price.
- Lynas has achieved further improvement in performance in all operational areas subsequent to the end of the quarter. Production in April 2014 is expected to be approximately 700 tonnes, more than 20% higher than the previous record month in March 2014. Management is confident of achieving the targeted production run rate of 11,000tpa REO from the LAMP on a sustainable basis during the June 2014 quarter.
- The 12-month rolling Lost Time Injury Frequency Rate as at the end of March 2014 was 1.1 per million hours worked.

OPERATIONS

WESTERN AUSTRALIA OPERATIONS

The Concentration Plant performed in line with management’s expectations during the quarter. Until concentrate stocks run down, the Plant will continue to operate on a campaign basis, synchronised to demand from the LAMP.

At the end of March, 14,676 dry tonnes of concentrate containing 5,590 tonnes REO were bagged ready for export. Concentrate stocks reduced by 5% compared to end of December 2013.

During the quarter, the Company continued discussions with regulators and vendors for the planned expansion of the tailings storage facility at Mt Weld.

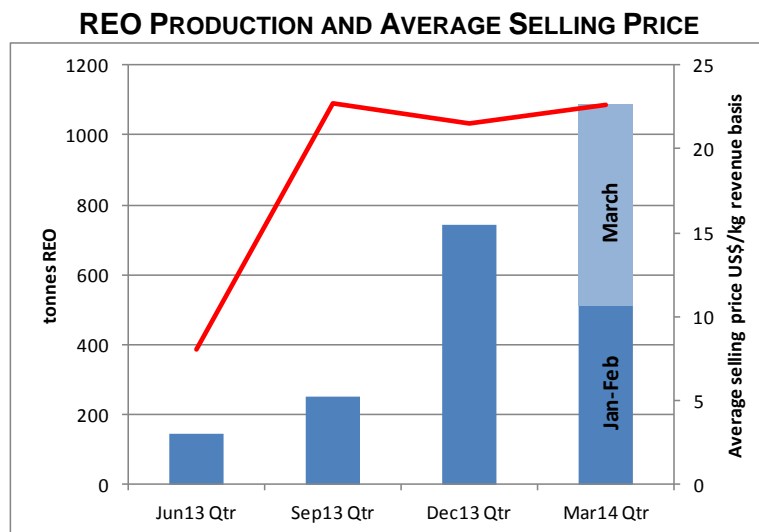
MALAYSIA OPERATIONS

PRODUCTION AND SALES

Total production for the March 2014 quarter was 1,089 tonnes on an REO equivalent basis, a 47% increase on the prior quarter. Total tonnes shipped in the March quarter were 751 tonnes on an REO equivalent basis, an increase of 84% from the prior quarter. Timing of customer delivery accounts for the variance between production and sales volumes.

The average selling price increased by 5% to US\$22.63/kg REO (revenue basis), from US\$21.48/kg REO (revenue basis) in the prior quarter. The Company enjoyed a favourable product mix in the quarter, resulting in the average selling price representing a premium to the market price.

Production in the month of March totalled 575 tonnes, 62% higher than the previous monthly record.



PRODUCTION OUTLOOK

Lynas has achieved further improvement in performance in all operational areas subsequent to the end of the quarter. Production in April 2014 is expected to be approximately 700 tonnes, more than 20% higher than the previous record month in March 2014. Management is confident of achieving the targeted production run rate of 11,000tpa REO from the LAMP on a sustainable basis during the June 2014 quarter.

PRODUCTION COSTS

Lynas continues to implement measures to reduce its production costs and the Company reiterates cash cost guidance of \$14-15/kg REO at a 22,000tpa REO production rate. Unit cash costs are estimated to be 70% variable costs and 30% fixed costs at a 22,000tpa REO rate. In addition, approximately 30% of costs are in the Australian operations (A\$ denominated) and approximately 70% of costs are in the Malaysian operations (US\$ denominated or US\$-linked currencies), including a small proportion for freight costs.

SYNTHETIC MINERAL PRODUCTS PROGRAM

Market trials and product testing continue across the range of synthetic gypsum products with further work being done with potential customers in agriculture and building and construction materials, as well as the relevant regulatory agencies.

The Company continues to evaluate the construction of a road using roadbase materials containing WLP that will be tested and monitored by an independent expert over a period of 12 months to demonstrate the performance of the material.

For agricultural applications, Lynas has finalised the specifications for 3 granulated products for use in broad-acre trials. The Company remains engaged with the relevant regulatory authorities for the commercialisation of these products.

SUSTAINABILITY

The 12 month rolling lost time injury frequency rate (LTIFR) for Lynas global operations in Australia, Malaysia and Malawi (employees and contractors) as at the end of March was 1.1.

(Note: Frequency rate definition based on Australian Standard: AS1885.1 – 1990, Workplace Injury and Disease Recording Standard)

The Risk and SHE Committee of the Lynas Board held a meeting at the LAMP on 26 March 2014 where Board members conducted site safety observations in all areas of the plant.

Western Australia

During the quarter, the Western Australian operations celebrated the achievement of one year “Harm Free” (no injuries or illnesses requiring employees or contractors to work restricted duties or lose time from work).

Certification to the OHSAS 18001 (Occupational Health and Safety Management Systems), ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems) standards was maintained following a Surveillance Audit by *Bureau Veritas* during the quarter.

The Western Australian Operations continued to engage with and support the local communities during the quarter. The Lynas “Swim Stars” program in Laverton during the school holidays was a resounding success. The program included a range of learn to swim and fitness classes. It was staffed by volunteers from Perth and supported by a range of local organisations, including Lynas.

Malaysia

Lynas Malaysia achieved a record harm-free period of 282 days with more than 1 million hours worked on March 22 where there were no injuries or illnesses requiring employees or contractors to work restricted duties or lose time from work. However, subsequent to the end of the quarter, two contractor incidents in late March were reclassified as lost time injuries.

Certification to the OHSAS 18001 (Occupational Health and Safety Management Systems), ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems) standards was maintained during the quarter.

Lynas hosted a total of 271 visitors at the LAMP in the March quarter. These included local community groups, non-government organisations, academic institutions and government agencies. Subsequent to the quarter’s end, LAMP hosted a working visit from the Pahang state assembly led by Pahang Chief Minister Dato’ Seri Diraja Haji Adnan Yaakob.

The Company continued to engage with the local communities through sponsored education programs such as the Balok Ivory Tower Program, the Lynas School Program and the Lynas Hockey Program which seeks to facilitate graduation to the Pahang Hockey Development Academy for academically-gifted players.

FINANCE

CASH POSITION

A summarised cash flow for the quarter ended 31 March 2014 is set out below.

CASH FLOW	A\$M
OPENING CASH BALANCE 1 JANUARY 2014	74.7
INFLOWS	
Cash Receipts from the sale of goods	21.9
Interest income	0.5
Proceeds from sale of equity investment	0.7
TOTAL INFLOW OF FUNDS IN THE QUARTER	23.1
OUTFLOWS	
Malaysian Advanced Materials Plant – Phase 1	(0.1)
Malaysian Advanced Materials Plant – Phase 2	(6.2)
Other capital expenditure	(0.4)
Repayment of borrowings	(11.3)
Interest expense and other costs of finance	(9.2)
Ongoing operational, production and administration costs	(46.1)
Royalty costs	(1.0)
TOTAL OUTFLOW OF FUNDS IN THE QUARTER	(74.3)
Net exchange rate adjustment	(0.1)
CLOSING CASH BALANCE 31 MARCH 2014	23.4
Summary of Cash Balance	
Cash on Hand and at Call (incl. Term Deposits)	23.4
Funds for Sojitz interest (Restricted Cash)	-
CLOSING CASH BALANCE 31 MARCH 2014	23.4

The Company continued its program of judicious cash management during the quarter, focusing on the deferral of discretionary expenditure and reducing net cash outflow.

Total cash of A\$23.4m as at 31 March 2014 is unrestricted. There was no restricted cash balance at the end of the quarter as these funds were applied to the small remaining capital expenditure associated with the completion and commissioning of the Phase 2 expansion of the LAMP and the semi-annual interest payment to Sojitz / JOGMEC during the quarter. In addition, the Company made the first scheduled principal repayment of US\$10 million under the US\$225 million Sojitz / JOGMEC loan facility in January 2014.

During the quarter the Company recorded receipts from sales of A\$21.9m compared with A\$6.9m in the December 2013 quarter. The increase reflects a combination of the higher average selling price quarter on quarter, and increased shipments of REO products resulting from the substantial increase in commercial production in the current quarter.

While both commercial production and sales at the LAMP increased during the March quarter, the net cash outflow during the period reflects the cost of ongoing ramp-up activities at the LAMP as the Company moves towards achieving the targeted production run rate of 11,000tpa REO on a sustainable basis. With the LAMP commissioning work programs now completed, Lynas expects an increase in production, sales and cashflow in future periods.

At current sales prices, the Company expects to be operating cash neutral¹ at an average monthly sales rate of around 750 tonnes REO.

FOREX

The currency composition of the Group's cash at 31 March 2014 was A\$12.2m, US\$9.5m and MYR2.2m. During the quarter the Australian dollar appreciated by 4% against the US\$ and appreciated by 3% against the Ringgit.

RARE EARTHS PRICES

Compared with the prior quarter, the average Mount Weld distribution (basket price) decreased by 6% to US\$21.23/kg (from US\$22.62/kg) on a China domestic basis. However, Lynas' average selling price during the quarter rose by 5% from US\$21.48/kg REO to US\$22.63/kg REO.

Rare Earths Prices (US\$/kg)			
Rare Earths Oxide	China domestic		
	Average Price Over Quarter		
Purity 99% min	Q1 2013	Q4 2013	Q1 2014
Lanthanum Oxide	7.15	4.28	3.65
Cerium Oxide	7.20	4.25	3.59
Neodymium Oxide	52.64	54.49	51.33
Praseodymium Oxide	58.14	95.10	94.60
Samarium Oxide	7.71	3.79	3.27
Dysprosium Oxide	345.35	317.30	283.50
Europium Oxide	838.37	772.84	692.46
Terbium Oxide	617.81	621.39	547.63

Source: Metal Pages

¹ Operating costs defined as all Group ongoing costs including overheads and excluding specific capital expenditure, financing costs and non-recurring items.

APPENDIX - RARE EARTHS MARKET

RARE EARTHS USE IN THE AUTOMOTIVE INDUSTRY

The automotive industry is a major consumer of rare earths. From automotive catalytic converters and rare earths permanent magnets to nickel-metal hydride batteries and UV-cut glass, rare earths are essential in the production of conventional vehicles and hybrid/electric vehicles.

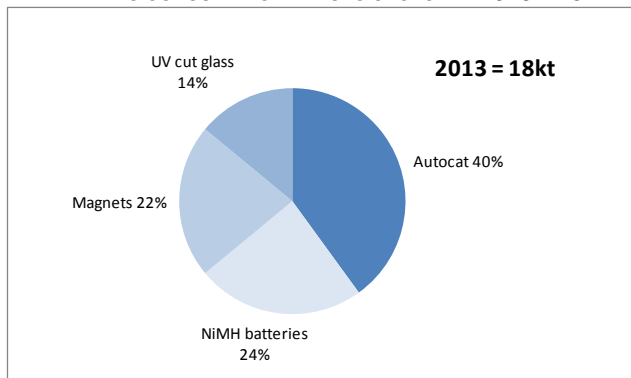
The use of rare earths is critical in reducing vehicle emissions and delivering weight savings to improve fuel efficiency. Increasingly these technology improvements are being driven by stricter regulations around the world that require lower vehicle emissions and better fuel efficiency. At the same time, heightened consumer awareness of vehicle emissions and a desire for better fuel efficiency from their vehicles is driving an increasing preference for better-performing conventional vehicles and a higher take-up of hybrid and electric vehicles.

OVERVIEW OF RARE EARTHS USES IN AUTOMOTIVE SECTOR

		NdFeB Magnets	Autocatalysts	NiMH Batteries	Other
Traditional Automotive Application	Application	<ul style="list-style-type: none"> 25+ electrical motors for moving car parts (steering wheel, windows, car seats etc.) Larger electrical motors (EPS, starter motor, A/C) Car speakers 	<ul style="list-style-type: none"> Used to coat the catalytic converter (emission control system) Over 85% of vehicles manufactured today incorporate a catalytic converter 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Oxygen sensors Low friction tires
	REO Content per Vehicle	<ul style="list-style-type: none"> ~250g of NdFeB magnets average per vehicle containing 30% Rare Earths (NdPr, Dy) 	<ul style="list-style-type: none"> ~100g of Rare Earths contained in autocatalyst formulation per vehicle (Ce) 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Y NdPr
Additional HEV / EV Application	Application	<ul style="list-style-type: none"> NdFeB based electrical motors used in the drive train for electrical vehicles 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Safe, mature technology that fulfills the battery storage requirements of the HEV market 	<ul style="list-style-type: none"> n/a
	REO Content per Vehicle	<ul style="list-style-type: none"> 2kg+ of NdFeB magnets average per vehicle containing 30% Rare Earths (NdPr, Dy) 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> 7kg of alloy required per vehicle containing 30% Rare Earths (La) 	<ul style="list-style-type: none"> n/a

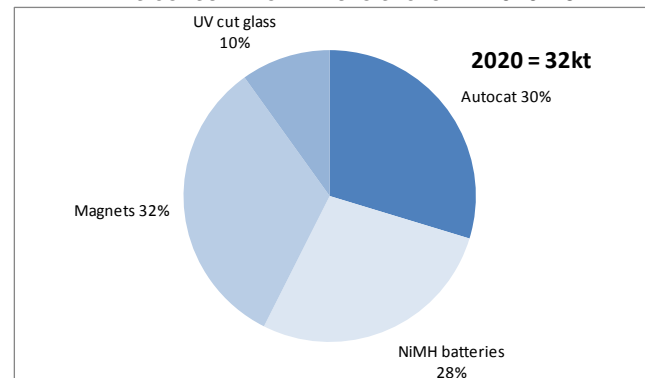
Source: Lynas and industry sources

RARE EARTHS CONSUMPTION IN AUTO SECTOR IN 2013 – 18kt



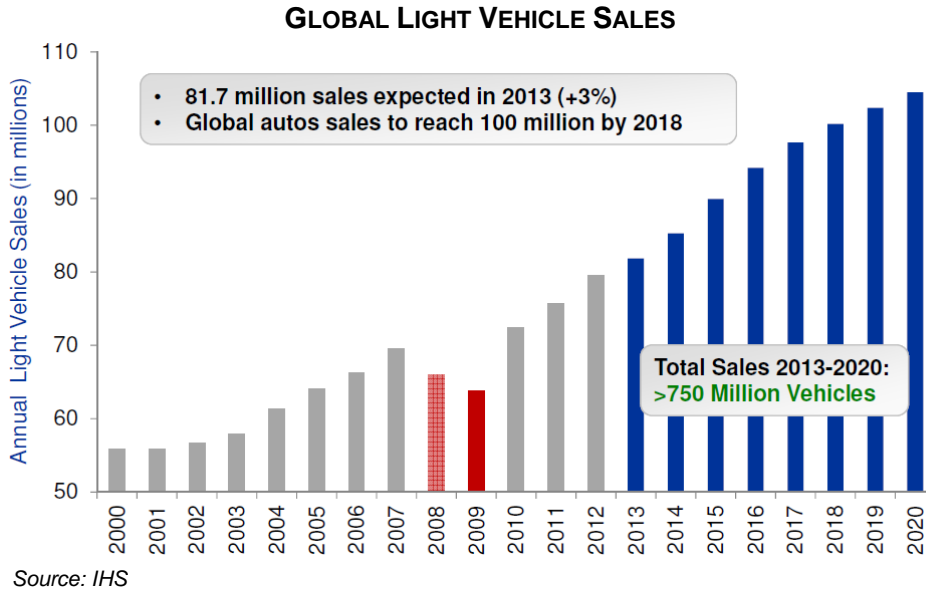
Source: Lynas and industry sources

RARE EARTHS CONSUMPTION IN AUTO SECTOR IN 2020 – 32kt



Source: Lynas and industry sources

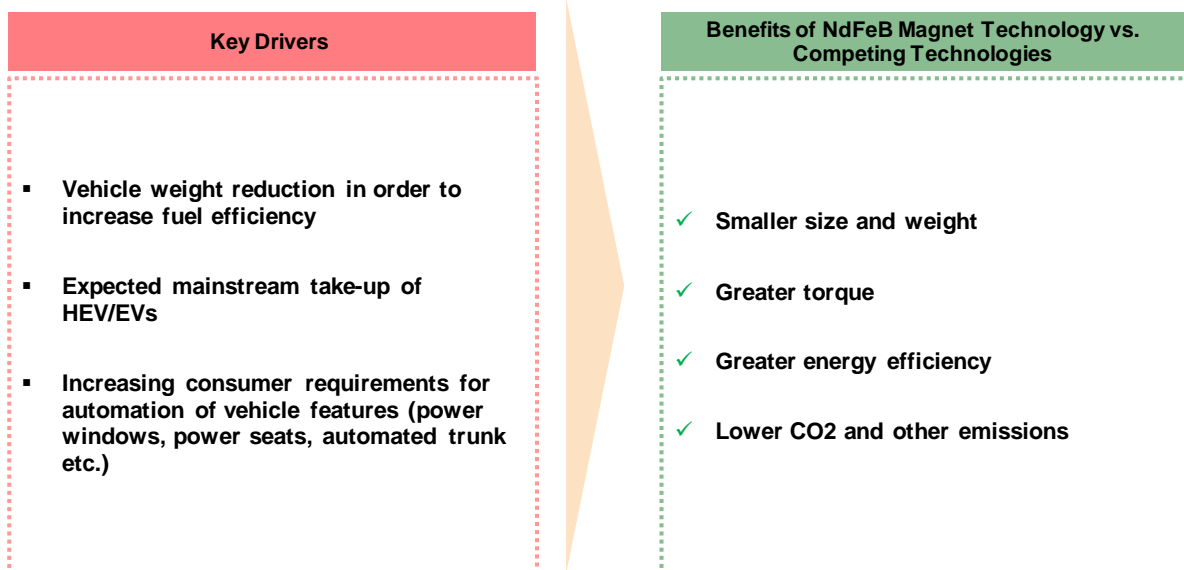
As the chart below shows, global light vehicle sales have grown at a compound rate of more than 3% over the past 10 years, largely driven by significant growth in sales in China. Expectations are that more than 750 million light vehicles will be sold between now and 2020, representing a compound growth rate of more than 3% per annum.



RARE EARTHS MAGNETS A KEY GROWTH DRIVER

Rare earth permanent magnets are expected to be a major demand driver over the coming decade. Lynas expects that by the end of the decade more than a quarter of rare earths used in the automotive industry will be in permanent magnet motors for applications such as steering wheels, electric power steering, electric windows, electric seats and electric braking systems.

BENEFITS OF RARE EARTHS MAGNETS

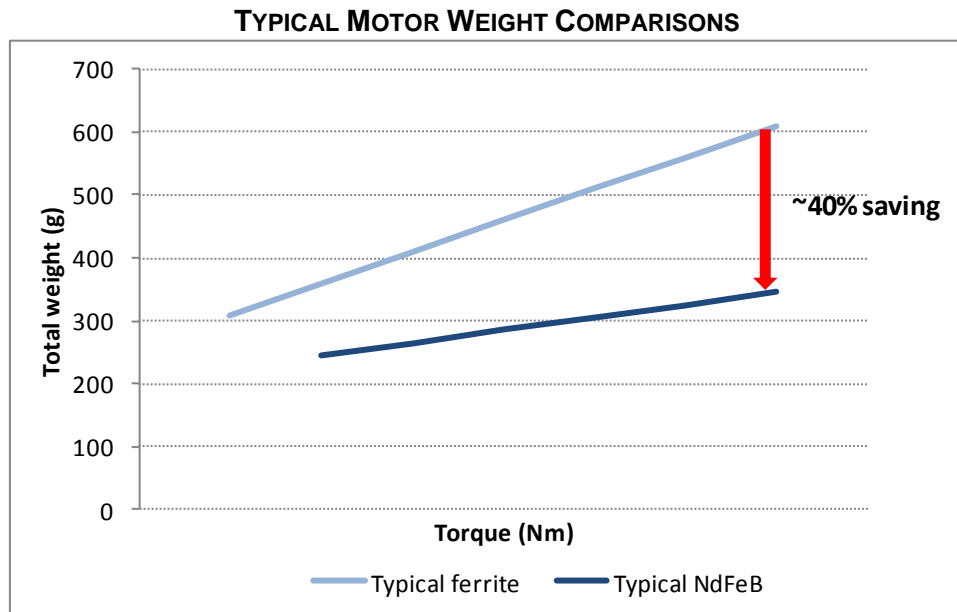


WEIGHT SAVINGS DELIVERED BY MOTORS USING RARE EARTH MAGNETS – CAR SEAT EXAMPLE

Many vehicle types use a range of motors with rare earth magnets to achieve weight savings and improve fuel efficiency.

In the car seat alone, in most high-end luxury vehicles, there can be up to 8 motors in the seat. These types of motors are typically used for lift, tilt, fore-aft and recliner functions of the seat.

As the chart below shows, the typical weight saving achieved by using motors with rare earth magnets versus ferrite magnets can be up to 250-300 grams per motor.



Source: Lynas and industry sources

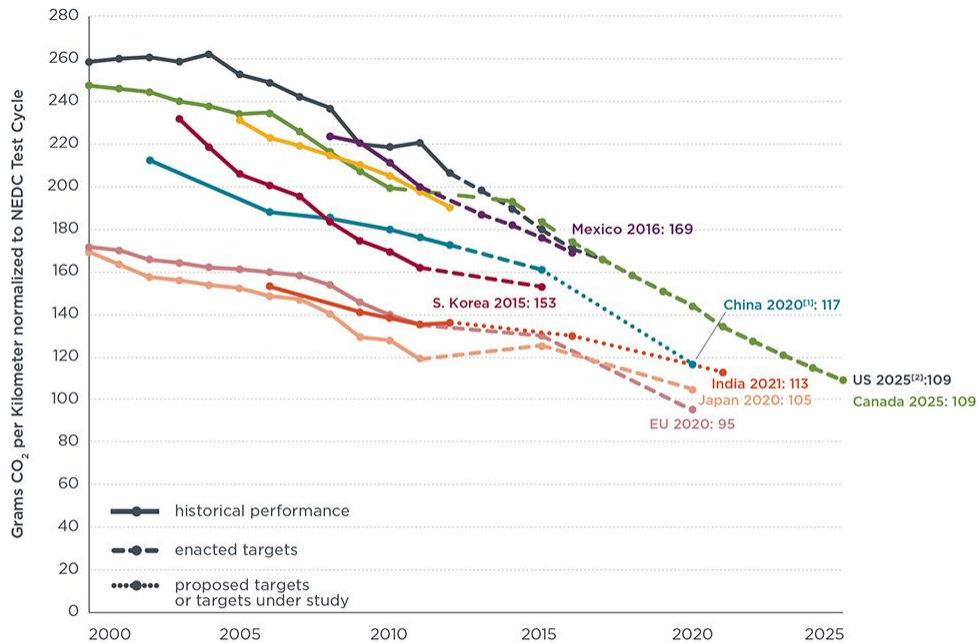
This implies that weight reduction of around 1.8-2.0kg per seat can be achieved. The two front seats imply weight saving of around 3.6-4.0kg per vehicle. This is a substantial weight saving for a high-end, heavy vehicle (e.g. Mercedes Benz S-Class).

There are other areas where motors with rare earth magnets deliver weight savings that are not included in this analysis. These include steering wheels, power steering and braking systems just to name a few.

VEHICLE EMISSIONS STANDARDS

Due to global regulation, reducing CO₂ emissions has become a major priority of vehicle manufacturers. The chart below highlights the likely progression towards stricter vehicle emissions control over the coming decade in the major vehicle markets.

GLOBAL PASSENGER VEHICLE STANDARDS FOR CO₂ EMISSIONS



[1] China's target reflects gasoline vehicles only. The target may be higher after new energy vehicles are considered.
 [2] US, Canada, and Mexico light-duty vehicles include light-commercial vehicles.
 [3] Supporting data can be found at: <http://www.theicct.org/info-tools/global-passenger-vehicle-standards>

Source: *The International Council on Clean Transportation*

Lynas expects these trends to lead to increased take-up of cerium-containing automotive catalytic converters (emissions control system) in vehicles, especially in the developing world. Currently, about 85% of vehicles manufactured today incorporate a catalytic converter. Lynas expects this to rise to 100% of vehicles manufactured later this decade.

Therefore, the autocat market represents a major growth driver for cerium.

In total, actual demand for cerium in autocats will be driven by global vehicle sales growth with an additive growth multiplier from the increased take-up of autocats in vehicles.

As a result, the autocat market is expected to grow at above-GDP rates over the medium term.

Disclaimer: The Rare Earths market data on pages 7-10 have been sourced from independent analysis of end application demand, along with Lynas estimates of quantities of Rare Earths end use in various key applications. Although Lynas believes that the outcomes expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Forward-looking statements are based on assumptions and contingencies which are subject to change without notice. Factors that could cause actual results to differ materially from those in forward-looking statements include new Rare Earths applications, the development of economic Rare Earths substitutes, and general economic, market or business conditions. While Lynas has made every reasonable effort to ensure the veracity of the information presented, Lynas does not guarantee the accuracy and reliability of the estimates, forecasts and conclusions contained herein. Accordingly, the Rare Earths market data in this presentation should be used for general guidance only. There can be no guarantee that actual outcomes will not differ materially from forward-looking statements.