

QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2018

SUMMARY

- OPERATING PERFORMANCE
 - Cash flows from operating activities of A\$20.7m
 - Record REO production of 4,804 tonnes, and record NdPr production of 1,447 tonnes
 - Processing capability proven at 500 tonnes per month NdPr, however Kuantan district water disruptions inhibited Lynas' ability to produce 500 tonnes NdPr during the month of May

- CONTINUED BALANCE SHEET IMPROVEMENTS
 - Lynas made an early voluntary repayment of US\$20 million under the JARE senior loan facility
 - Debt reduced from US\$185.2m at 31 March 2018 to US\$165.2m at 30 June 2018

- SUSTAINED MARKET DEMAND
 - Demand for Lynas Rare Earths continued to be strong particularly from our Japanese customers
 - Lynas has met the demand of all our Japanese customers and will continue to prioritise supply to the Japanese market
 - For the first time, and mindful of current market dynamics, Lynas has chosen to hold inventory of 100 tonnes of NdPr at the end of the quarter
 - There is strong customer interest in the additional capacity and new products offered through Lynas NEXT

- LYNAS NEXT ON TRACK
 - Significant Lynas NEXT work completed during the June quarter
 - Major upgrade work at the LAMP did not affect production results for the quarter

CEO REVIEW

The Company demonstrated strong operational performance in the June quarter, with record production volumes achieved at the same time as some major Lynas NEXT upgrades were completed.

As a result of continued improvements in the Company's financial performance, Lynas made an early repayment of US\$20 million to JARE during the June quarter. This reduced the principal amount of the senior loan facility to US\$150 million.

Invoiced sales revenue for the June quarter was A\$91.7m, an increase of 7% on the March 2018 quarter, due to higher production and a more favourable sales mix, and despite the decision to retain some inventory of NdPr at quarter end. Sales receipts were A\$98.6m for the quarter.

Total REO production for the June quarter was a record 4,804 tonnes, an increase of 17% on the 4,110 tonnes produced in the March 2018 quarter. NdPr production increased to a record 1,447 tonnes, up 8.6% on the 1,332 tonnes achieved in the March 2018 quarter. The higher increase in total tonnes reflects improved La and Ce recovery rates after Lynas NEXT upgrades.

Production exceeded design rates across the quarter and target NdPr production of 500 tonnes/month was achieved during two of the three months (April and June). May production was negatively affected by external water supply issues in Kuantan, Malaysia, over a 14 day period (outlined in further detail in the Operations review on page 5). The Company is now investing in a third water storage pond at the Lynas Advanced Materials Plant (LAMP) to reduce the impact of any water supply issues in the future. Construction is expected to be completed at the end of calendar year 2018.

A planned 2.5 day shutdown of Cracking and Leaching was required as part of Lynas NEXT improvements and was successfully managed such that it did not affect finished goods production at the LAMP.

Lynas expects upgrades to the LAMP will continue to increase production volumes in the September quarter.

Lynas NEXT commissioning remains on track and further expenditure is planned for the September quarter. Significant Lynas NEXT works completed at the LAMP during the June quarter included: replacement of the concentrate pipe conveyor, upgrades to the residue and water treatment circuits, leach neutralisation circuits and product finishing processing circuits and commissioning of the new SX8 solvent extraction circuit to separate La and Ce.

Significant Lynas NEXT works were also undertaken at Mt Weld, Western Australia, including commencing construction of the third Tailings Storage Facility (TSF3) which will be completed next quarter. Due to the TSF3 construction, Mining Campaign 2 has been suspended while the contractor is utilised on activities related to TSF3 construction. The campaign will recommence when the TSF3 earthworks are completed.

Fluctuations in the NdPr price were evident during the quarter, with small improvements visible in June. The China domestic NdPr published price averaged US\$44.2/kg (VAT excluded) in the June quarter.

The Company took a strategic approach to sales through the period of price fluctuation. As a result, the Company was able to increase sales revenue by 6.8% compared to the previous quarter and for the first time chose to hold 100 tonnes of NdPr inventory rather than sell at current prices.

Lynas continues to benefit from strong demand, especially from our customers in the Japanese market. The Company met 100% of demand from our Japanese customers and will continue to prioritise supply to the Japanese market. However, total demand for Lynas material remains above the Company's current capacity to supply and Lynas' customers are looking forward to the additional capacity and new product capability that will become available as a result of Lynas NEXT.

POST-ELECTION UPDATE IN MALAYSIA

A new Malaysian government was elected on 9 May 2018. The new government has undertaken to review, update and reform many aspects of Malaysian governance and society. Lynas looks forward to working with the new government and to continuing to contribute to the growing Malaysian economy, and to our local communities. A Minister has now been appointed to the Ministry with oversight of Lynas' operations and we look forward to working with the new Minister and with the Government. Recent media reports have indicated that the Lynas business may be one of many areas of the Malaysian economy to be reviewed.

As a lawful and transparent business, we hold ourselves to a high standard on all aspects of our business and will co-operate with the government with confidence in our performance.

- We are compliant with our licence conditions
- We have implemented the recommendations from the International Atomic Energy Agency (IAEA) and the Parliamentary Select Committee
- We have lodged our comprehensive Residue Management Plan with the authorities

Lynas is proud of the industry-leading environmental standards that we have implemented at our operations in Malaysia and Australia and we are proud of our record of regulatory compliance at both sites. We will continue to be transparent about our operations and our safety and environmental record, including via real-time and online environmental monitoring data available on the Lynas, AELB and DOE websites.

SAFETY AND ENVIRONMENT

Lynas continues to work to ensure that the Company's operations are consistent with best practice sustainability principles. Lynas has established extensive processes to ensure that production is safe for employees, safe for the environment and community, and secure for its customers.

In the June quarter, the Company maintained a good safety record, with the Company-wide 12-month rolling Lost Time Injury Frequency Rate, as at the end of June 2018, at 2.2 per million hours worked. There were no lost time injuries during the quarter.

Both Mt Weld and LAMP sites are preparing for ISO recertification audits which will be conducted in July 2018. This will include the upgrade to the newer ISO 9001:2015 (Quality Management) and ISO 14001:2015 (Environmental Management) standards. The transition from OHSAS 18001:2007 (Occupational Health and Safety Management) to the recently released ISO 45001:2018 standard will occur at a future date.

Detailed environmental monitoring since the start of the LAMP's operations in Kuantan, Malaysia in 2012 has consistently demonstrated that the LAMP is compliant with regulatory requirements.

Information concerning the Company’s environmental monitoring programs, including monitoring data, is available at www.lynascorp.com. In addition, LAMP emissions data is available on the websites of the Department of Environment (www.doe.gov.my) and the Atomic Energy Licensing Board (<http://portal.aelb.gov.my/sites/aelb/en/home>). Real time radiation monitoring data is available at <https://175.142.36.205/public/map>.

MARKETING & SALES

	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18
Sales Volume REOt	4748	4503	4495	4375	4312
Sales Revenue	A\$75.6m	A\$112.0m	A\$93.0m	A\$85.9m	A\$91.7
Average Selling Price	A\$15.9/kg	A\$24.9/kg	A\$20.7/kg	A\$19.6/kg	A\$21.3/kg
Sales Receipts (cash)	A\$75.5m	A\$88.4m	A\$116m	A\$80m	A\$98.6m

Sales revenue in the June quarter increased by 6.8% compared to the previous quarter. Demand for Lynas products - NdPr as well as Ce and La - remained strong and above current capacity to supply. In particular, demand from magnet makers in Japan for our NdPr continues to increase. Due to the success of our quality improvement program, we achieved record sales volumes of Ce and La to key customers outside China.

Lynas’ customers are looking forward to the additional capacity and new products capability that Lynas NEXT will provide from the January quarter 2019.

NdPr China Domestic Price (VAT excluded)								
	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	April	May	June
USD/kg	36.5	57.0	44.6	45.2	44.2	45.6	43.0	44.0
Base 100	100	156	122	124	121	125	118	121

As the move to car electrification is yet to translate into sharp demand increases, the market remains unsettled. We expect this to continue and potentially to be amplified, as these dynamics benefit some

participants in the value chain whose business model relies on price volatility. Taking a strategic approach to market dynamics, Lynas chose to retain 100 tonnes of NdPr inventory at the end of June for future sale.

Meanwhile, Lynas’ strategy to agree long term supply agreements with selected end users is progressing positively. The current global geopolitical situation, including the potential imposition of tariffs, increases the relevance of this strategy.

Whilst tariffs may cause disruption in the broader Rare Earths market, our business is firmly grounded in demand from our Japanese customers and we are building a strong portfolio of end user contracts in rest of the world markets which makes our business more resilient.

Our view is that, as a general principle, market distortion is unhelpful. However, we believe that the proposed tariffs will not be immediately negative for our business and could indeed be positive.

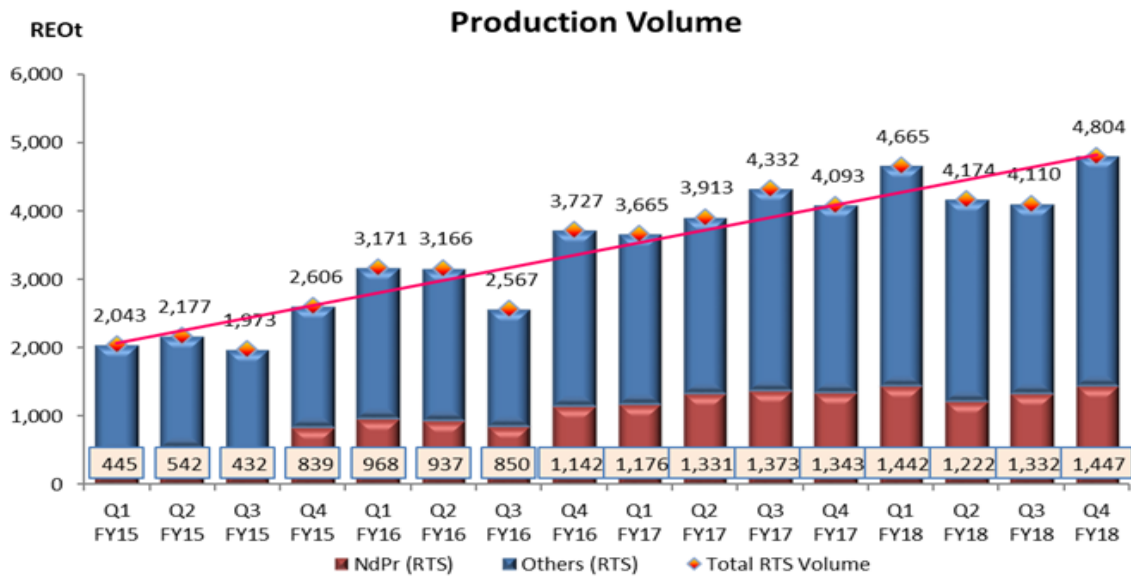
We continue to engage productively with governments in relation to Rare Earths supply and we are committed to contributing to further strengthening global Rare Earth supply chains.

OPERATIONS

	FY16	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18
Ready for Sale Production Volume Total	12631 REOt	16003 REOt	4665 REOt	4174 REOt	4110 REOt	4804 REOt
Ready for Sale Production Volume NdPr	3896 REOt	5223 REOt	1442 REOt	1222 REOt	1332 REOt	1447 REOt

During the June Quarter, the tie-ins and commissioning of several key Lynas NEXT project upgrades at the LAMP were successfully executed. Separately, LAMP production was disrupted by intermittent water supply for a period of 14 days in May, with hourly flow rates fluctuating between no supply and full supply. Hot weather and low rainfall were the main contributors to the shallow water levels at the Sungai Kobat pump house which is the main supply for the Gebeng Industrial Park area. Water was subsequently released from the upstream Chereh Dam. To minimise the impact, Lynas accessed water from alternate sources during the period, including trucking water to the LAMP from outside Gebeng and running a pipe from a nearby mine pit, however, despite extensive efforts this was not sufficient to avoid periodic shutdowns.

A third water storage pond at the LAMP will be constructed to reduce the effect of any future events. This project is expected to be completed at the end of calendar year 2018. Lynas is part of the Gebeng Industrial Support Group which is currently very active in seeking immediate and long-term solutions to water supply issues. Approximately 100t of NdPr production was lost due to the water supply issues in May - NdPr production for the other two months was above 500t/month.



As detailed in previous Company reports, the Lynas NEXT project includes: a) the upgrade of the Mt Weld, Western Australia, and LAMP operations to a production capacity of 600 tonnes/month of NdPr; b) a number of operational efficiency/compliance works; and c) product mix improvements including adding separated Nd and Pr, additional separated La and Ce, and more grades of La and Ce products. Priorities include improving plant reliability and recoveries at both the LAMP and Mt Weld, improving our understanding of the Mt Weld mineral resource, and optimising water use at Mt Weld.

Key Lynas NEXT improvements at Mt Weld during the June quarter included:

- A major update of the Mineral Resource and Ore Reserve which will be completed shortly. The previous resource model dates back to 2014 and the reserve to 2015. The updates since have been depletion only. The key changes to the resource model include:
 - the consolidation of the CLD and Duncan into a single resource, and
 - the 2017 AP Depth Extension exploration drilling program which extended the depth of the AP (apatite) ore zone and had significant intersections of transition and fresh Rare Earth mineralisation below the AP zone.

The updated ore reserve will be based on the new resource model and for the first time will include the Duncan zone following the completion of the metallurgical testwork.

- The construction of the third Tailings Storage Facility (TSF3) is in progress and will be completed next quarter.
- Pilot test work for the expansion of the rougher flotation circuit was completed and a Stack Flotation Cell will be installed by December 2018.

Key Lynas NEXT improvements at the LAMP during the June quarter included:

- Replacement of the concentrate pipe conveyor with a more reliable, higher capacity open troughed belt conveyor
- Upgrades to the residue and water treatment circuits
- Upgrades to the leach neutralisation circuits. The upgrades will rectify the recovery losses from operating at higher throughputs.
- Commissioning of the new SX8 solvent extraction circuit to separate LaCe to La and Ce. The new circuit will enable up to 75% of LaCe production to be separated into La and Ce, and also includes additional circuits to remove impurities; and
- Reconfiguration and upgrade of the Product Finishing processing circuits to handle the increased production of La and Ce.

Mining Campaign 2 was suspended during April and will resume after the TSF3 earthworks are completed. The same contractor is being utilised for both jobs.

CASH OUTFLOWS

Cash outflows during the June quarter, as presented in the Appendix 5B, can be summarized as follows:

- Actual cash outflow for the quarter was A\$80.9m, excluding interest, debt and deposit related flows. On the same basis, forecast cash outflow for this quarter was A\$81.3m.
- Net interest payments of A\$4.2m primarily related to half yearly interest payments on the JARE loan facility and on the remaining convertible bonds.
- Debt repayments to JARE amounted to A\$27.0m (US\$20.0m), while warrant related cash inflows were A\$1.9m. During the June quarter there were no further bonds converted leaving the principal amount of the remaining bonds unchanged at US\$15.2m at 30 June 2018.
- Development and CAPEX related cash outflows were A\$8.9m (mining campaign A\$1.6m and CAPEX A\$7.3m). This was A\$6.9m lower than forecast in April 2018. The change is partly due to timing of invoices, but also due to revised work schedules. For example, Lynas decided to temporarily suspend mining campaign 2 in order to utilise the same crew to work on an additional tailings storage facility (TSF) at Mt Weld. When the works on the TSF are completed the crew will conclude the mining campaign works, most probably in the December quarter. September quarter cash outflows for development and CAPEX at A\$11.5m are expected to remain in a similar range.
- Production related cash outflow at A\$54.6m was higher than forecast at A\$48.0m. More than A\$4.0m was timing related, with the outstanding GST balance at A\$4.4m. The remaining difference reflects increased costs partly due to inefficiencies derived from the water issues experienced during the quarter, partly due to Lynas NEXT related starting costs and partly due to inventory changes. September quarter cash outflows are expected to reduce to A\$51.0m, realising some of the outstanding GST balances and reflecting increased production.

- Staff costs at A\$10.7m are in line with forecast at A\$10.5m. September quarter cash outflows on staff costs will increase to A\$11.5m of which A\$0.75m relates to expat tax prepayments in Malaysia (this is purely a timing issue).
- Administration costs including commission payments at A\$4.7m were lower than forecast at A\$5.2m. September quarter cash outflows are expected to increase to A\$6.5m based on higher sales commissions and one time yearly costs such as IT licences.

FINANCE

CASH POSITION

A summarised cash flow for the quarter ended 30 June 2018 is set out below.

CASH FLOW	A\$ million	A\$ million
OPENING CASH BALANCE 1 APRIL 2018		52.9
INFLOWS		
Net cash receipts from the sale of goods	98.6	
Proceeds from issue of shares	1.9	
Withdrawal of security deposit	1.9	
TOTAL INFLOW OF FUNDS IN THE QUARTER		102.4
OUTFLOWS		
Royalty costs	(2.0)	
Ongoing operational, production and administration costs	(70.0)	
Net interest and other costs of finance paid	(4.2)	
Other capital expenditure	(8.9)	
Repayment of borrowings	(27.0)	
TOTAL OUTFLOW OF FUNDS IN THE QUARTER		(112.1)
Net exchange rate adjustment		(0.9)
CLOSING CASH BALANCE 30 JUNE 2018		42.3

Summary of Cash Balance	
Cash on Hand and at Call	42.3
Funds for JARE & Mt Kellett interest (Restricted Cash)	-
CLOSING CASH BALANCE 30 JUNE 2018	42.3

The Group received A\$98.6m in sales this quarter compared to A\$79.7m in the March 2018 quarter. Total cash at 30 June 2018 of A\$42.3m is fully unrestricted.

Under the JARE facility, on each 30 June and 31 December, when the total unrestricted cash balance exceeds A\$40m, the surplus is paid as a principal repayment to JARE pursuant to a cash sweep mechanism. If Lynas received the proceeds from an equity raising (such as an issuance of shares or an exercise of warrants), then the following amounts are exempt from the cash sweep: (i) 75% of the proceeds received up to a cumulative balance of US\$50m, and (ii) 50% of the proceeds above a cumulative balance of US\$50m.

FOREX

The currency composition of the Group's cash at 30 June 2018 was A\$5.9m, US\$3.9m and MYR 89.1m. The A\$ weakened against both the US\$ and MYR throughout the June quarter, resulting in a negative exchange rate adjustment on these currencies.

CORPORATE

The Lynas Financial Report for the year ended 30 June 2018 is expected to be lodged with the ASX in late August or early September.

In addition, the 2018 Annual General Meeting of Lynas shareholders will be held at 10am (Sydney time) on Tuesday 27 November 2018 at the Hilton Hotel, 488 George Street, Sydney. A notice of meeting will be issued closer to that date.