11 March 2014

INTERIM FINANCIAL REPORT

Attached is the Financial Report of Lynas Corporation Limited (ASX:LYC, OTC:LYSDY) ("Lynas") for the half year ending 31 December 2013.

As disclosed in the Financial Report, the Group's half-year financial statements have been prepared on the basis of a going concern, subject to certain risks outlined in Note 2.2 on pages 17 and 18. The directors and management are confident that the Group will achieve the target run rate of 11,000tpa REO from Phase 1 during the June quarter. Given the principal repayments that are due under the Group's debt facilities, and the forecast production ramp up, the Group expects that it will require additional funding from some combination of the following alternatives over the next 12 months in order to maintain appropriate liquidity headroom:

(i) additional equity,
(ii) additional debt, or
(iii) some refinancing or restructure of the Group's debt facilities.

The directors and management have assessed each of the above alternatives and are in discussions with established financial industry participants regarding each of the above alternatives.

While there is some uncertainty as to whether additional funding will be obtained, these financial statements have been prepared on a going concern basis, because the directors and management, including as a result of consultation with relevant advisers, are confident that there are reasonable grounds to believe that if additional funding is required, it will be obtained in a timely manner.

For further information please contact Alan Jury or Alistair Reid on +61 2 8259 7100 or visit www.lynascorp.com

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Lynas
CORPORATION LTD

ABN 27 009 066 648

Interim Unaudited Condensed Consolidated Financial Report
For the half year ended December 31, 2013

Corporate Directory Information

ABN 27 009 066 648

Directors

Nicholas Curtis (Chairman)
William (Liam) Forde (Deputy Chairman)
Eric Noyrez (Executive Director)
Kathleen Conlon
Jake Klein
Amanda Lacaze (Appointed January 1, 2014)

Company Secretaries

Andrew Arnold
Sally McDonald

Registered Office

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Share Register

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Auditors

Ernst & Young
680 George Street
Sydney NSW 2000

Internet Address

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Directors' Report

The Board of Directors (the "Board" or the "Directors") of Lynas Corporation Limited (the "Company") and its subsidiaries (together referred to as the "Group") submit their report for the half year period ended December 31, 2013.

Directors

The names and details of the Company's Directors who were in office during or since the end of the half year period and until the date of this report are outlined below. All Directors were in office for this entire period unless otherwise stated.

Nicholas Curtis - Chairman
William (Liam) Forde - Deputy Chairman
Kathleen Conlon - Non-Executive Director
Jake Klein - Non-Executive Director
Eric Noyrez - Executive Director
Amanda Lacaze - Non-Executive Director (appointed with effect from January 1, 2014)
David Davidson - Non-Executive Director (resigned with effect from August 20, 2013)
Zygmunt (Ziggy) Switkowski - Non-Executive Director (resigned with effect from August 20, 2013)

Highlights for the half year period ended December 31, 2013

- Total tonnes produced during the period were 994 tonnes, on an REO equivalent basis (t REO). Total tonnes sold were 627t REO. The difference in production and sales largely relates to the timing of shipments made at the end of the period.
- The weighted average selling price during the period was US$21.90/kg REO.
- The 12-month rolling Lost Time Injury Frequency Rate as at the end of December 2013 was 1.0 per million hours worked.
- In November 2013, a cash payment from the Australian Tax Office (ATO) of $14.1 million was received in relation to eligible Research and Development (R&D) expenditure in connection with the testing and commissioning of the Mt Weld concentration and processing plant.
- Lynas received the relevant administrative approvals for the Phase 2 LAMP assets in November 2013, allowing these assets to be operated.

Review and results of operations

The Group's operations in the half year period ended December 31, 2013 have focussed on the operation and ramp up of the integrated rare earth extraction and process facilities in Malaysia and Mt Weld. Due to the Group's transition from a development company in the half year ended December 2012 to a producer in an operational ramp up phase for the half year ended December 2013, the Group's results of operations are not directly comparable period on period. As ramp up activities are completed in future reporting periods, a direct comparison will become more relevant.

Basis of preparation of financial statements

Note 2.2 Going concern, and the Emphasis of Matter paragraph in the Independent Auditor's Report on pages 27 and 28, contain additional information relating to the preparation of the interim unaudited condensed financial statements using the going concern assumption.

Financial performance

For the half year period ended

	December 31,	
In A$ Million	**2013**	**2012**
Revenue	14.6	-
Cost of sales	(14.6)	-
Gross profit (loss)	**-**	**-**
Other income	14.7	-
General and administration expenses	(66.3)	(43.7)
Other expenses	(0.2)	(5.1)
Profit (loss) from operating activities	**(51.8)**	**(48.8)**
Financial income	2.6	2.4
Financial expenses	(10.1)	(8.1)
Net financial income (expenses)	**(7.5)**	**(5.7)**
Profit (loss) before income tax	**(59.3)**	**(54.5)**

Directors' Report

Commercial production and sales of REO products progressively increased in the final quarter of the half year to December 31, 2013, reflecting the progressive completion of the previously announced work programs in the cracking and leaching units of the LAMP.

The loss from operating activities increased by $3.0 million, or 6%, to $51.8 million for the half year period ended December 31, 2013, compared to $48.8 million for the half year period ended December 31, 2012. The primary components of the increase in the operating loss are set out below.

- Consistent with its state of operational ramp up, non-cash depreciation and amortisation charges in the half year increased by $8.5 million following the commissioning of Phase 1 of the LAMP in Malaysia in January 2013 (December 31, 2013: $12.2 million; December 31, 2012: $3.7 million). Employee costs were $2.3 million higher than the comparative prior period (December 31, 2013: $22.5 million; December 31, 2012: $20.2 million) as a result of staffing the Group's operations to full Phase 1 production capacity.
- The Group has also recognised higher charges associated with obligations arising under non-cancellable 'take or pay' supply arrangements (December 31, 2013: $12.2 million; December 31, 2012: $1.8 million) for raw materials which have been provided for based on the future short-term delivery estimates and planned capacity utilisation. The higher period-on-period costs reflect contracted step-ups in the relevant off-take quantities which align with the progress of the Phase 2 capital expansion of the LAMP.
- The Group's operating result has been positively impacted by the receipt of two cash payments from the Australian Taxation Office (ATO) of $15.2 million and $14.1 million in January 2013 and November 2013 respectively. The eligible R&D expenditure was partly recognised in the profit and loss component of the statement of comprehensive income and partly capitalised to inventory. During the half year period ended December 31, 2013, $14.7 million (December 31, 2012: nil) of these receipts has been recognised in other income to match the treatment of the underlying R&D expenditure.
- A period on period reduction in other expenses which in the prior period related to a 'one off' impairment to externally acquired raw materials inventory of $5.1 million.

Net financial expenses increased by $1.8 million, or 32%, to $7.5 million for the half year period ended December 31, 2013 compared to $5.7 million for the half year period ended December 31, 2012. Interest expense on both the Sojitz facility and the Mt Kellett convertible bonds was comparatively higher ($2.2 million) in the period following the completion of the Phase 1 and Phase 2 capital programmes in Malaysia and Mt Weld (respectively) resulting in a reduction in capitalised interest. These increases were partially offset by reduced finance costs incurred in the period ended December 31, 2013 as the higher costs incurred in the period ended December 31, 2012 were in relation to the Group's November / December 2012 capital raising.

On an adjusted EBITDA basis (refer to note 6 to the Financial Report for the basis of this measure) the Group reported a loss of $55.0 million in the half year ended December 31, 2013, compared to a loss of $41.6 million in the half year ended December 31, 2012.

Cash flow

For the half year period ended

	December 31,	
In A$ Million	**2013**	**2012**
Net Operating Cash flow	(54.3)	(53.1)
Net Investing Cash flow	(3.3)	(87.0)
Net Financing Cash flow	(9.5)	162.1
Net cash flow	**(67.1)**	**22.0**

Overall, net cash flows have decreased by $89.1 million from a net cash inflow of $22.0 million for the half year period ended December 31, 2012 to a net cash outflow of $67.1 million for the half year period ended December 31, 2013.

Operating cash flows

Net operating cash outflows increased slightly by $1.2 million, or 2%, to $54.3 million for the half year period ended December 31, 2013, compared to $53.1 million for the half year period ended December 31, 2012.

During the period, the Group's cash receipts from sales were $10.2 million (December 31, 2012: nil) reflecting the progressive ramp up of the Group's operations. The Group also received a cash payment of $14.1 million from the ATO in November 2013 in recognition of the eligible R&D activities undertaken around the testing, development and commissioning of the Mt Weld processing facilities. Offsetting these inflows, activities associated with the Group's ramp up of operations resulted in an increase in employee costs and the build-up of working capital. Further there was an increase in payments under 'take or pay' clauses of non-cancellable supply arrangements for raw materials of $6.3 million (as discussed above).

Investing cash flows

Net investing cash outflows decreased by $83.7 million or 96%, to $3.3 million for the half year period ended December 31, 2013, compared with $87.0 million for the half year period ended December 31, 2012. The decrease in the net outflows principally reflects the operational readiness of the LAMP in Malaysia and Phase 2 of the Mt Weld Concentration Plant. Phase 1 of the LAMP capital programme was predominantly completed in 2012 and previous years ($33.1 million reduction in cash payments when compared to the December 2012 half year period). Construction of the Phase 2 expansion of the LAMP was completed in the September 2013 quarter, and pre-commissioning activities were completed by the end of December 2013 ($25.6 million reduction in settlements when compared to the December 2012 half year period). The capital program for Phase 2 of the Mt Weld operations was predominantly completed in the year ended June 30, 2013 and cash payments in the half year to December 2013 were $12.7 million lower than the comparative prior period. The remainder of the movement in investing cash flows principally related to a reduction in other capital expenditure ($4.3 million) and net security deposit movements ($7.7 million increase in net receipts compared to the December 2012 half year period).

Financing cash flows

Net financing cash flows have decreased by $171.6 million, or greater than 100%, to an outflow of $9.5 million for the half year period ended December 31, 2013, compared with an inflow of $162.1 million for the half year period ended December 31, 2012. The decrease principally reflects the net proceeds of the Group's equity raising completed during November and December 2012 ($169.7 million) which were included in the prior year financing inflows. Net interest expense and other finance costs are reflected in each of the respective periods.

Financial position

As at

In A$ Million	December 31, 2013	June 30, 2013
Assets		
Cash and cash equivalents	74.7	141.4
Inventories	109.3	92.9
Property, plant and equipment	882.3	880.3
Deferred exploration, evaluation and development expenditure	47.3	47.7
Available for sale financial assets	2.8	1.8
Other assets	25.7	23.6
Total assets	**1,142.1**	**1,187.7**
Liabilities		
Borrowings	(476.8)	(458.0)
Other liabilities	(119.1)	(101.0)
Total liabilities	**(595.9)**	**(559.0)**
Net assets	**546.2**	**628.7**
Equity		
Share capital	994.7	994.6
Retained earnings (accumulated deficit)	(490.0)	(430.7)
Reserves	41.5	64.8
Total equity	**546.2**	**628.7**

The overall net assets of the Group decreased by $82.5 million in the six months ended December 31, 2013.

Cash and cash equivalents at December 31, 2013 comprise $67.2 million (June 30, 2013: $125.7 million) of unrestricted cash and $7.5 million (June 30, 2013: $15.7 million) of restricted cash. The Group completed construction of Phase 2 of the LAMP in the six month period ended December 31, 2013 and as such the remaining restricted cash balances are available principally to fund on-going semi-annual interest payments for the Sojitz facility.

Inventory has increased by $16.4 million, or 18%, to $109.3 million at December 31, 2013 compared to $92.9 million as at June 30, 2013 reflecting the ramp up of production at the LAMP in the current period as discussed above. Holdings of raw materials and consumables have decreased by $11.2 million since June 2013 reflecting consumption of chemicals that were built-up in the prior periods to support commencement of the Group's operations in Malaysia in January 2013. These movements were more than offset by an increase of $27.5 million in the Group's work in progress and finished goods inventory in line with increased production activity at the LAMP and the continued operation of the Mt Weld Concentration Plant on a campaign basis. As at December 31, 2013 the Group held 15,371 tonnes of processed concentrate containing 5,888 tonnes of REO bagged and ready for export at its Mt Weld operations.

Property, plant and equipment has increased by $2.0 million, or less than 1%, to $882.3 million at December 31, 2013 compared to $880.3 million as at June 30, 2013. The increase in the period is largely driven by cash additions of $7.8 million and capitalised borrowing costs of $6.8 million in relation to Phase 2 of the LAMP ($244.0 million). During the period, the Group also recognised an increase in the rehabilitation asset of $12.0 million (and corresponding increase in provision) for the costs associated with the decommissioning, restoration and rehabilitation of the LAMP site in Malaysia. The increase in the rehabilitation asset reflects the inclusion of Phase 2 LAMP operations in the current period provision following the completion of construction and pre-commissioning activities in the half year period ended December 31, 2013. The rehabilitation asset at June 2013 included the costs associated only with Phase 1 of the LAMP which was successfully commissioned in January 2013. The remainder of the movement in property, plant and equipment relates to a reduction in the carrying value of Malaysian Ringgit denominated assets due to a strengthening of the Australian Dollar against the Malaysian Ringgit and depreciation ($18.3 million).

Borrowings of $476.8 million represent the US$225 million Sojitz loan facility revalued at the December 31, 2013 exchange rate, and the liability component of the convertible bonds issued to funds managed or selected by Mt Kellett Capital Management.

The movement in reserves of $23.3 million during the current period reflects movements in the equity settled employee benefits, foreign currency translation and investment revaluation reserves.

Capital structure

At the start of the half year period ended December 31, 2013, the Group had 1,960,801,292 ordinary shares on issue. During the half year period ended December 31, 2013 an additional 359,302 shares were issued as follows:

	Number
Shares on issue June 30, 2013	1,960,801,292
Issue of shares pursuant to option conversion	359,302
Shares on issue December 31, 2013	1,961,160,594

In addition to the ordinary shares on issue there were 53,823,083 unlisted options and performance rights on issue. There were also 225,000,000 convertible bonds on issue which as at December 31, 2013 were convertible into 186,515,217 ordinary shares at A$1.15 per share.

Review of operations

Total tonnes produced during the period were 994t REO, total tonnes sold were 627t REO and the weighted average selling price during the period was US$21.90/kg REO.

The 12-month rolling Lost Time Injury Frequency Rate as at the end of December 2013 was 1.0 per million hours worked.

Western Australia operations

Following ore commissioning of the Phase 2 Concentration Plant circuit, the Plant continued to ramp up during the period. The Plant operated at 100% of Phase 2 design capacity during the October and November 2013 operating campaigns. The performance of the Plant, operating on a campaign basis, has been very satisfactory over recent months. 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 December 2013, 15,371 dry tonnes of concentrate containing 5,888 tonnes REO were bagged ready for export.

The Western Australian Operations maintained certification to the OHSAS 18001 (Occupational Health and Safety Management Systems), ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems) standards during the period.

A cash payment from the ATO of $14.1 million was received in November 2013 in relation to eligible R&D expenditure.

Malaysia operations

Despite significant rainfall in early December 2013 causing flooding which restricted access in and around the Kuantan city area, the Gebeng Industrial Estate, in which the LAMP is situated, was not directly affected by flooding. Notwithstanding the disruption to transport and infrastructure services in the region, LAMP production in December 2013 continued the trend of month-on-month improvement through the period.

Completion of work programs implemented in 2013 to address production issues in the cracking and leaching units of the LAMP has resulted in the incidence of operational issues in the cracking and leaching units being reduced substantially during the period. However, the Company continues to identify areas for further improvement in materials handling, concurrent with the continuous operations and increases in plant utilisation. Subsequent to the end of the period, some temporary interruptions occurred in the product finishing areas of the LAMP. Product flow through certain process tanks was disrupted and one electrical control unit had an outage. Changes have been made to address these issues. As a result of these changes, the Company does not expect any recurrence.

The LAMP's organisational structure has evolved in line with operational experience. This includes the implementation of a number of organisational and personnel changes such as changes to shift supervision, repairs and maintenance procedures and modifications to process automation. The Company continues to seek areas where there are opportunities for further improvement.

Lynas received the relevant administrative approvals for the Phase 2 LAMP assets in November 2013. During the period, the Company also started using some Phase 2 downstream assets, such as product finishing units and tunnel furnaces, to optimise its customer product range. However, a decision to use the additional capacity of 11,000 tonnes per annum REO will be determined primarily by market conditions.

Subsequent to the end of the period, the Company achieved first feed to kiln in the two rotary kilns in Phase 2. The cracking and leaching units in Phase 2 are expected to provide the Company with asset optimisation opportunities.

During the period, the Malaysian Operations achieved certification to the OHSAS 18001 (Occupational Health and Safety Management Systems), ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems) standards following a detailed audit by Bureau Veritas.

Market trials and product testing continue across the range of synthetic gypsum products from the LAMP with further work being done with potential customers in agriculture and building and construction materials, as well as the relevant regulatory agencies. Two products containing the solid by-product of community concern have already been independently tested and proven to be non-leachable, non-radioactive and non-toxic.

Field trials have been completed at various locations in Western Australia using NUF-based products that produced wheat and canola crops. Pot trials involving a product containing NUF, WLP and agricultural beneficial additives have also been completed in conjunction with the University of Western Australia. Field trials using other NUF-based products are in progress and early results show good emergence (no dead seeds, good germination, no early toxicity). Lynas is currently in discussion with a number of parties about producing granulated products for use in broad acre trials.
The Company is also evaluating the construction of a road using road-base 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.

Malawi operations

The company is continuing to work with the Malawi Government with the aim of resolving the issues affecting Lynas' title to the Kangankunde Rare Earths ("KGK") resource development in Malawi. Since fiscal year 2012, no further capital investment has been made and the project remains on hold.

Earnings (loss) per share

	December 31,	
Earnings (loss) per share	**2013**	**2012**
Basic loss per share (cents per share)	(3.02)	(3.21)
Diluted loss per share (cents per share)	(3.02)	(3.21)

Dividends

There were no dividends declared or paid during the half year period ended December 31, 2013 (half year period ended December 31, 2012: nil). There were no dividends declared or paid since December 31, 2013.

Risk management

The Group takes a proactive approach to risk management. The Directors are responsible for ensuring that risks and opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with these risks and opportunities.

The Group believes that it is crucial for Directors to be a part of this process, and as such has established a Risk Management, Safety, Health and Environment Committee.

Environmental regulation and performance

The Group is bound by the requirements and guidelines of the relevant environmental protection authorities for the management and rehabilitation of mining tenements owned or previously owned by the Group. Mining tenements are being maintained and rehabilitated following these guidelines. There have been no known breaches of any of these conditions.

Competent person's statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Brendan Shand, who is a member of The Australasian Institute of Mining and Metallurgy. Brendan Shand is an employee of the Group and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (2004 edition) ("The JORC Code"). Brendan Shand consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Ore Reserves statement in this report has been compiled in accordance with the guidelines defined in The JORC Code. The Ore Reserves have been compiled by Ross Bertinshaw of Golder Associates, who is a fellow of The Australasian Institute of Mining and Metallurgy and a Chartered Professional (Mining). Mr Bertinshaw has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in The JORC Code. Mr Bertinshaw consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Significant changes in the state of affairs

Except as disclosed in the review of results and operations, and subsequent events (note 18), there have been no significant changes in the state of affairs of the Group during the current reporting period.

Auditor's independence declaration

We have obtained an independence declaration from our auditors, Ernst & Young, which follows the Directors' Declaration.

Directors' Report

Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, in relation to the "rounding off" of amounts. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with the Class Order relief to the nearest million, thousand dollars, or in certain cases, the nearest dollar.

Subsequent events

Under the terms of the Amendment Deed (the "Deed") with respect to the Sojitz loan facility dated September 25, 2012, Lynas made the first principal repayment of USD10 million by January 19, 2014.

With the exception of the above, there have been no other events subsequent to December 31, 2013 that would require accrual or disclosure in the interim unaudited condensed consolidated financial statements.

The Directors' report is signed in accordance with a resolution of the Directors made pursuant to s.306(2) of the *Corporations Act 2001*.

On behalf of the Directors

Nicholas Curtis
Chairman

Sydney
March 11, 2014

Directors' Declaration

In accordance with a resolution of the Directors of the Company, I state that:

In the opinion of the Directors:

(a) the interim unaudited condensed consolidated financial statements of the Group are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the Group as at December 31, 2013 and of its performance for the half year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, International Accounting Standard IAS 34 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Nicholas Curtis
Chairman

Sydney, Australia
March 11, 2014

Building a better working world

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Auditor's Independence Declaration to the Directors of Lynas Corporation Limited

In relation to our review of the financial report of Lynas Corporation Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Graham Ezzy
Partner
Sydney

11 March 2014

Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

For the half year ended

In A$'000	Note	December 31, 2013	2012
Revenue		14,593	-
Cost of sales		(14,593)	-
Gross profit (loss)		-	-
Other income	7	14,726	-
General and administration expenses		(66,241)	(43,706)
Other expenses		(244)	(5,078)
Profit (loss) from operating activities		**(51,759)**	**(48,784)**
Financial income	8	2,625	2,423
Financial expenses	8	(10,136)	(8,136)
Net financial (expenses) income		**(7,511)**	**(5,713)**
Profit (loss) before income tax		**(59,270)**	**(54,497)**
Income tax (expense) benefit	9	(23)	(2,079)
Profit (loss) for the period		**(59,293)**	**(56,576)**
Other comprehensive income (loss) for the period net of income tax that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(23,194)	34,510
Gain (loss) on the revaluation of available for sale financial assets		976	(788)
Total other comprehensive income (loss) for the period net of income tax		**(22,218)**	**33,722**
Total comprehensive income (loss) for the period attributable to equity holders of the Company		**(81,511)**	**(22,854)**
Earnings (loss) per share			
Basic loss per share (cents per share)	16	(3.02)	(3.21)
Diluted loss per share (cents per share)	16	(3.02)	(3.21)

The interim unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the notes to the interim unaudited condensed consolidated financial statements.

Interim Unaudited Condensed Consolidated Statement of Financial Position

As at

In A$'000	Note	December 31, 2013	June 30, 2013
Assets			
Cash and cash equivalents	10	74,684	141,371
Trade and other receivables	11	7,594	3,794
Current tax receivables		71	49
Prepayments		6,505	1,917
Available for sale - financial assets		2,778	-
Inventories	12	97,152	78,380
Total current assets		**188,784**	**225,511**
Inventories	12	12,117	14,555
Property, plant and equipment	13	882,338	880,335
Deferred exploration, evaluation and development expenditure		47,251	47,654
Intangible assets		363	431
Available for sale - financial assets		-	1,802
Other assets		11,296	17,396
Total non-current assets		**953,365**	**962,173**
Total assets		**1,142,149**	**1,187,684**
Liabilities			
Trade and other payables		(35,816)	(33,515)
Borrowings	14	(50,716)	(10,949)
Employee benefits		(3,422)	(3,650)
Provisions	15	(15,782)	(16,520)
Deferred Income	7	(4,871)	(5,420)
Total current liabilities		**(110,607)**	**(70,054)**
Trade and other payables		(2,331)	(782)
Borrowings	14	(426,084)	(447,068)
Employee benefits		(292)	(207)
Provisions	15	(56,642)	(40,865)
Total non-current liabilities		**(485,349)**	**(488,922)**
Total liabilities		**(595,956)**	**(558,976)**
Net assets (liabilities)		**546,193**	**628,708**
Equity			
Share capital		994,661	994,645
Accumulated deficit		(489,984)	(430,691)
Reserves		41,516	64,754
Total equity attributable to equity holders of the Company		**546,193**	**628,708**

The interim unaudited condensed consolidated statement of financial position should be read in conjunction with the notes to the interim unaudited condensed consolidated financial statements.

Lynas CORPORATION LTD

Interim Unaudited Condensed Consolidated Statement of Changes in Equity

In A$'000	Share capital	Accumulated Deficit	Foreign currency translation reserve	Equity settled employee benefits reserve	Investment revaluation reserve	Other reserves	Total
Balance at the beginning of the period (July 1, 2013)	**994,645**	**(430,691)**	**883**	**35,128**	**-**	**28,743**	**628,708**
Other comprehensive income (loss) for the period	-	-	(23,194)	-	976	-	**(22,218)**
Total income (loss) for the period	-	(59,293)	-	-	-	-	**(59,293)**
Total comprehensive income (loss) for the period	-	**(59,293)**	**(23,194)**	-	**976**	-	**(81,511)**
Exercise of options, net of issue costs	16	-	-	-	-	-	**16**
Employee remuneration settled through share based payments	-	-	-	(1,020)	-	-	**(1,020)**
Balance at December 31, 2013	**994,661**	**(489,984)**	**(22,311)**	**34,108**	**976**	**28,743**	**546,193**
Balance at the beginning of the period (July 1, 2012)	**823,161**	**(287,136)**	**(36,132)**	**33,993**	**865**	**28,743**	**563,494**
Other comprehensive income (loss) for the period	-	-	34,510	-	(788)	-	**33,722**
Total income (loss) for the period	-	(56,576)	-	-	-	-	**(56,576)**
Total comprehensive income (loss) for the period	-	(56,576)	34,510	-	(788)	-	**(22,854)**
Issue of shares, net of issue costs	171,258	-	-	-	-	-	**171,258**
Exercise of options, net of issue costs	226	-	-	-	-	-	**226**
Employee remuneration settled through share based payments	-	-	-	(1,626)	-	-	**(1,626)**
Balance at December 31, 2012	**994,645**	**(343,712)**	**(1,622)**	**32,367**	**77**	**28,743**	**710,498**

The interim unaudited condensed consolidated statement of changes in equity should be read in conjunction with the notes to the interim unaudited condensed consolidated financial statements.

Lynas CORPORATION LTD

Interim Unaudited Condensed Consolidated Statement of Cash Flows

For the half year ended

In A$'000	Note	December 31, 2013	December 31, 2012
Cash flows from (used in) operating activities			
Receipts from customers		10,158	-
Receipt of government grants		14,082	-
Cash paid to suppliers and employees		(77,875)	(53,109)
Royalties paid		(584)	-
Income taxes (paid) received		(48)	4
Net cash from (used in) operating activities		**(54,267)**	**(53,105)**
Cash flows from (used in) investing activities			
Payment for property, plant and equipment		(9,354)	(85,113)
Payment for intangible assets		(25)	(34)
Payments for tenement rights		-	(102)
Security bonds paid		(6,802)	(1,702)
Security bonds refunded		12,819	-
Net cash from (used in) investing activities		**(3,362)**	**(86,951)**
Cash flows from (used in) financing activities			
Interest received		1,854	1,347
Interest and other financing costs paid		(11,388)	(9,110)
Proceeds from the issue of share capital		-	175,000
Payment of transaction costs – issue of share capital		-	(5,350)
Proceeds from the issue of share capital resulting from the exercise of options		16	226
Net cash from (used in) financing activities		**(9,518)**	**162,113**
Net increase (decrease) in cash and cash equivalents		(67,147)	22,057
Cash and cash equivalents at the beginning of the period		141,371	205,438
Effect of exchange rate fluctuations on cash held		460	(1,271)
Cash and cash equivalents at end of the period	10	**74,684**	**226,224**

The interim unaudited condensed consolidated statement of cash flows should be read in conjunction with the notes to the interim unaudited condensed consolidated financial statements.

Interim Unaudited Condensed Consolidated Statement of Cash Flows (continued)

Reconciliation of the profit/loss for the period with the net cash from operating activities

For the half year ended

In A$'000	Note	December 31, 2013	December 31, 2012
Profit (loss) for the period		(59,293)	(56,576)
Adjustments for:			
Depreciation and amortisation	12	12,245	3,722
Employee remuneration settled through share based payments		(1,020)	(1,626)
Impairment loss on inventories		152	5,078
Write-off of property, plant and equipment		92	-
Net financial (income) expenses	8	7,511	5,713
Income tax (benefit) expense	9	23	2,079
Income taxes (paid) received		(48)	(4)
Change in deferred income		(644)	-
Change in prepayments		(136)	192
Change in trade and other receivables		(4,227)	(410)
Change in inventories		(10,297)	(8,670)
Change in trade and other payables		8,127	(520)
Change in provisions and employee benefits		(5,892)	(364)
Foreign exchange		(860)	(1,719)
Net cash from (used in) operating activities		**(54,267)**	**(53,105)**

The interim unaudited condensed consolidated statement of cash flows should be read in conjunction with the notes to the interim unaudited condensed consolidated financial statements.

Notes to the interim unaudited condensed consolidated financial statements
For the half year ended December 31, 2013

1. Reporting entity

Lynas Corporation Limited (the "Company") is a for profit company domiciled and incorporated in Australia.

The interim unaudited condensed consolidated financial statements of the Company as at and for the six months or half year period ended December 31, 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is principally engaged in the extraction and processing of Rare Earth minerals, primarily in Australia and Malaysia.

The address of the registered office of the Company is Level 7, 56 Pitt Street, Sydney NSW 2000, Australia.

2. Basis of preparation

2.1 Statement of compliance

The interim unaudited condensed consolidated financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. The unaudited condensed consolidated financial statements also comply with International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB") where relevant. The disclosures required in these interim unaudited condensed consolidated financial statements are less extensive than the disclosure requirements for annual financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the annual financial report of the Group for the year ended June 30, 2013.

The interim unaudited condensed consolidated financial statements comprise the condensed statements of comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited condensed consolidated financial statements.

2.2 Going concern

The interim unaudited condensed consolidated financial statements have been prepared using the going concern assumption.

Debt Facilities and Production Ramp Up

Full details of the Group's material debt facilities were set out in note 23 of the Group's annual financial report for the year ended June 30, 2013. As set out in that note, the Group has two material debt facilities as follows.

Sojitz facility

The Sojitz loan facility in the original principal amount of US$225 million was received from a Special Purpose Company ("SPC") established by Sojitz Corporation and Japan, Oil, Gas and Metals National Corporation ("JOGMEC"). The facility is fully drawn. As announced on 30 March 2011, the purpose of the Sojitz loan facility was to fund construction and commissioning of Phase 2 of the Group's plant at Mt Weld and the LAMP.

The Sojitz loan facility is secured over all of the assets of the Group, other than the Malawi assets. Most of the Sojitz fixed securities are released upon the Group achieving "Completion of Phase 1", which occurs once there has been an average level of production over six consecutive months of not less than 70% of the nameplate capacity of Phase 1 of the LAMP and a cash operating margin test is met. After the Group achieves Completion of Phase 1, the securities retained by Sojitz comprise a floating featherweight charge over the assets of the Company, charges over some bank accounts related to the Sojitz loan facility and a charge over receivables from Japanese customers.

The principal repayment schedule of the Sojitz facility (as amended pursuant to a deed of amendment dated September 13, 2013) is as follows:

Repayment Date:	Installment
January 19, 2014	US$10 million (already repaid)
September 30, 2014	US$35 million
March 31, 2015	US$45 million
September 30, 2015	US$45 million
March 31, 2016	US$90 million

In addition, if, by March 31, 2015 the Group has not met certain production volume and cash operating margins over a three month period under the Completion of Phase 2 test, an additional principal repayment of US$35 million is due on March 31, 2015 (with a corresponding reduction of the principal repayment due on March 31, 2016).

Each time that the Group conducts a debt raising (subject to an exception for a basket of "Permitted Financial Liabilities" up to US$80 million), 50% of the amount raised must be used for a partial prepayment (without penalty or break costs) of the Sojitz loan facility. This obligation ceases to apply once a total principal amount of US$125 million is repaid.

Mt Kellett convertible bonds

On January 24, 2012, the Company executed binding documentation for a US$225 million unsecured convertible bonds issue (the "Convertible Bonds") with Mt Kellett Capital Management ("Mt Kellett"), a US-based investment firm. Initial funding for the Convertible Bonds was received on January 25, 2012 (US$50 million) with the final payment of US$175 million being received on February 28, 2012. The purpose of this facility was to fund construction, commissioning and working capital for the Group's plant at Mt Weld and the LAMP.

The Convertible Bonds are unsecured. The conversion price of the Convertible Bonds is currently A$1.15 per share. None of the Convertible Bonds had been converted into shares as at the end of the period. If not earlier converted into shares in the Company, the principal amount of the convertible bonds is repayable in full on July 25, 2016.

Production Ramp Up

The Group expects production levels in the March quarter to increase above production levels in the December quarter. The directors and management are confident that the Group will achieve the target run rate of 11,000tpa REO from Phase 1 during the June quarter.

Given the principal repayments that are due under the Group's debt facilities, and the forecast production ramp up, the Group expects that it will require additional funding from some combination of the following alternatives over the next 12 months in order to maintain appropriate liquidity headroom: (i) additional equity, (ii) additional debt, or (iii) some refinancing or restructure of the Group's debt facilities. The directors and management have assessed each of the above alternatives and are in discussions with established financial industry participants regarding each of the above alternatives. While there is some uncertainty as to whether additional funding will be obtained, these financial statements have been prepared on a going concern basis, because the directors and management, including as a result of consultation with relevant advisers, are confident that there are reasonable grounds to believe that if additional funding is required, it will be obtained in a timely manner.

2.3 Basis of measurement

The interim unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for assets held-for-sale which are measured at fair value less costs to sell, certain components of inventory which are measured at net realisable value and derivatives which are measured at fair value.

2.4 Presentation currency

These interim unaudited condensed consolidated financial statements are presented in Australian Dollars ("AUD"), which is the Group's presentation currency.

2.5 Rounding of Amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, in relation to the "rounding off" of amounts. Amounts in the interim unaudited condensed consolidated financial statements have been rounded off in accordance with the Class Order relief to the nearest thousand dollars, or in certain cases, the nearest dollar.

2.6 Reclassification of comparative information

Certain elements of the information presented for comparative purposes have been revised to conform with the current period presentation.

2.7 Accounting policies and recently issued accounting pronouncements

The accounting policies applied by the Group in these interim unaudited condensed consolidated financial statements are the same as those applied by the Group in the annual financial statements for the year ended June 30, 2013.

(a) Standards and Interpretations affecting amounts reported in the current period

New and revised Standards and Interpretations that have been adopted in the current period include the following:

- Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine and* AASB 2012-12 *Amendments to Australian Accounting Standards arising from Interpretation 20*
- AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements and* AASB 2012-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 119 *Employee Benefits* (2012) and AASB 2012-10 *Amendments to Australian Accounting Standards arising from AASB 119* (2012)
- AASB 2012-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

Their adoption has not had any significant impact on the amounts reported in these interim unaudited condensed consolidated financial statements but may affect the accounting for future transactions or arrangements.

(b) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the interim unaudited condensed consolidated financial report, Standards and Interpretations that were issued but not yet effective include the following:

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	July 1, 2015	June 30, 2016
Interpretation 21 *Levies*	July 1, 2014	June 30, 2015
AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	July 1, 2014	June 30, 2015
AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*	July 1, 2014	June 30, 2015

The Directors anticipate that the above amendments and interpretations will not have a material impact on the financial report of the Group in the year or period of initial application.

3. Use of estimates and judgements

The preparation of interim unaudited condensed consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are consistent to those as disclosed in the annual financial report for the year ended June 30, 2013.

4. Seasonality

The Group's operations are currently not exposed to material changes due to seasonality.

5. Financial risk management

Exposure to market risk (including currency risk, interest rate risk and commodity prices), credit risk and liquidity risk arises in the normal course of the Group's business. During the half year ended December 31, 2013, the Group continued to apply the risk management objectives and policies that were disclosed in the annual financial report of the Group for the year ended June 30, 2013.

Fair value measurements recognised in the statement of comprehensive income

Subsequent to initial recognition, the Group measures financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2013, the Group had available for sale financial assets comprising listed shares of $2.8 million (June 30, 2013: $1.8 million) that were classified as Level 1 financial instruments. The Group did not hold any level 2 or level 3 financial instruments as at December 31, 2013 (June 30, 2013: none).

6. Segment reporting

AASB 8 *Operating Segments* ("AASB 8") requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Makers ("CODM") in order to allocate resources to the segment and to assess its performance.

The Group's CODM are the Board of Directors of the Company, the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer of the Group. Information reported to the Group's CODM for the purposes of resource allocation and assessment of performance currently focuses on the operation and ramp up of the Group's integrated rare earth extraction and process facilities.

The Group has only one reportable segment under AASB 8 being its Rare Earth operations. The CODM do not review the business activities of the Group based on geography.

The accounting policies applied by each segment are the same as the Group's accounting policies. Results from operating activities represent the profit earned by each segment without the allocation of interest income and expense and income tax benefit (expense). The CODM assesses the performance of the operating segments based on adjusted EBITDA. Adjusted EBITDA is defined as net profit (loss) before income tax, net of financial expenses, depreciation and amortisation and adjusted to exclude certain significant items, including but not limited to such items as employee remuneration settled through share based payments, restructuring costs, unrealised gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs.

Notes to the interim unaudited condensed consolidated financial statements
For the half year ended December 31, 2013

In A$'000	Note	For the half year ended December 31, 2013 Rare Earth operations	Corporate/ unallocated	Total continuing operations	For the half year ended December 31, 2012 Rare Earth operations	Corporate/ unallocated	Total continuing operations
Business segment reporting							
Revenue		14,593	-	14,593	-	-	-
Cost of sales		(14,593)	-	(14,593)	-	-	-
Gross profit (loss)		**-**	**-**	**-**	**-**	**-**	**-**
Expenses and other income		(60,161)	8,402	(51,759)	(44,057)	(4,727)	(48,784)
Earnings before interest and tax ("EBIT")		**(60,161)**	**8,402**	**(51,759)**	**(44,057)**	**(4,727)**	**(48,784)**
Financial income				2,625			2,423
Financial expenses				(10,136)			(8,136)
Profit (loss) before income tax				**(59,270)**			**(54,497)**
Income tax benefit (expense)				(23)			(2,079)
Profit (loss) for the year				**(59,293)**			**(56,576)**
Reconciliation of EBIT to Earnings before interest, tax, depreciation and amortisation ("EBITDA")							
EBIT		(60,161)	8,402	(51,759)	(44,057)	(4,727)	(48,784)
Depreciation and amortisation		12,041	204	12,245	3,566	156	3,722
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		**(48,120)**	**8,606**	**(39,514)**	**(40,491)**	**(4,571)**	**(45,062)**
Included in EBITDA:							
Impairment charge – inventory	12	152	-	152	5,078	-	5,078
Write-off of property, plant and equipment		92		92			
Receipt of government grants		-	(14,726)	(14,726)	-	-	-
Non-cash employee remuneration settled through share based payments comprising:							
- Share based payments expense for the period	17	-	1,591	1,591	-	3,866	3,866
- Impact of options and performance rights forfeited during the period	17	-	(2,611)	(2,611)	-	(5,492)	(5,492)
Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")		**(47,876)**	**(7,140)**	**(55,016)**	**(35,413)**	**(6,197)**	**(41,610)**

Notes to the interim unaudited condensed consolidated financial statements
For the half year ended December 31, 2013

7. Other income

In A$'000	For the half year ended December 31, 2013	2012
Other income	14,726	-
Total other income	**14,726**	-

In January 2013 and November 2013 the Company received cash payments of $15.2 million and $14.1 million respectively from the Australian Taxation Office. These payments related to eligible research and development (R&D) expenditure during the years ended June 30, 2012 and June 30, 2013 respectively, principally on the development of the Mt Weld concentration and processing plant. The eligible R&D expenditure was partly recognised through the profit or loss component of the statement of comprehensive income and partly capitalised to inventory. During the half year period ended December 31, 2013, $14.7 million has been recognised in the profit and loss component of the statement of comprehensive income to match the treatment of the underlying R&D expenditure. The remaining unamortised amounts totalling $4.9 million (June 30, 2013: $5.4 million) have been deferred for future recognition to reflect the progressive utilisation of the inventory to which these costs were capitalised.

8. Financial income and expenses

In A$'000	For the half year ended December 31, 2013	2012
Interest income on cash and cash equivalents	1,554	1,235
Net foreign currency exchange gain	1,071	1,188
Financial income	**2,625**	**2,423**
Interest expense on Sojitz Facility	(948)	-
Interest expense on financial liabilities measured at amortised cost		
Mt Kellett convertible bonds	(3,564)	(2,289)
Amortisation of deferred transaction costs – Mt Kellett convertible bonds	(56)	(56)
Amortisation of Mt Kellett equity conversion option	(5,122)	(4,137)
Financing transaction costs and fees	(446)	(1,654)
Financial expenses	**(10,136)**	**(8,136)**
Net financial expenses	**(7,511)**	**(5,713)**

9. Income tax

In A$'000	For the half year ended December 31, 2013	2012
Reconciliation of effective tax rate		
Profit (loss) before income tax	(59,270)	(54,497)
Income tax benefit calculated at 30% (2012: 30%)	17,781	16,349
Add (deduct):		
R&D tax offset not included in assessable income	4,418	-
Effect of expenses that are not deductible in determining taxable profit	(2,827)	(9,911)
Effect of foreign exchange gains and losses	3,977	2,946
Effect of unused tax losses not recognised as deferred tax assets	(14,290)	(12,884)
Effect of temporary differences not recognised as deferred tax assets	(10,233)	-
Foreign tax paid on profits attributable to foreign permanent establishments	(23)	-
Other adjustments	1,174	1,421
Total current period income tax (expense) benefit	**(23)**	**(2,079)**

Lynas CORPORATION LTD

Notes to the interim unaudited condensed consolidated financial statements
For the half year ended December 31, 2013

10. Cash and cash equivalents

As at

In A$'000	December 31, 2013	June 30, 2013
Cash at bank and on hand	19,158	17,665
Short-term deposits	48,000	108,000
Restricted cash	7,526	15,706
Total cash and cash equivalents	**74,684**	**141,371**

Under the terms of the Sojitz loan facility (refer to note 14), the restricted cash amount as at December 31, 2013 will be used up in the forthcoming quarter to fund the small remaining capital expenditure associated with the Phase 2 expansion of the LAMP in Malaysia and principally to fund the next semi-annual interest payment due to Sojitz in March 2014.

11. Trade and other receivables

As at

In A$'000	December 31, 2013	June 30, 2013
Trade receivables	4,987	430
Other receivables	2,607	3,364
Total trade and other receivables	**7,594**	**3,794**

The Group's exposure to credit risk is primarily in its trade receivables. Credit risk is assessed on a customer by customer basis and includes a credit analysis of each customer, negotiated payment terms, and payment history. As at December 31, 2013, no trade receivables were past due or impaired (none past due or impaired as at June 30, 2013).

12. Inventories

As at

In A$'000	December 31, 2013	June 30, 2013
Raw materials and consumables	31,048	42,235
Work in progress	73,803	50,167
Finished goods	4,418	533
Total inventories	**109,269**	**92,935**
Current	97,152	78,380
Non-current	12,117	14,555

During the half year period ended December 31, 2013 the Group recognised write-downs on inventories totalling $0.2 million (half year period ended December 31, 2012: $5.1m). The write downs related to the write off of obsolete inventory spares ($123 thousand) and a net realisable value adjustment to work in progress inventory and finished goods ($29 thousand). The write downs were recognised as a component of other expenses in the profit and loss component of the statement of comprehensive income.

The Group recognised depreciation on its property, plant and equipment and amortisation on its deferred exploration, evaluation and development expenditure and intangible assets for the half year periods ended December 31, 2013 and 2012 respectively in the following categories:

	Recognised in General and Administration Expense		Recognised in Inventory		Total	
In A$'000	2013	2012	2013	2012	2013	2012
Property, plant and equipment	8,916	3,656	8,859	-	17,775	3,656
Deferred exploration and evaluation expenditure	420	-	-	-	420	-
Intangibles	87	66	-	-	87	66
Total	**9,423**	**3,722**	**8,859**	**-**	**18,282**	**3,722**

On the sale of inventory to customers the component of the depreciation or amortisation expense capitalised within inventory is reflected in the cost of goods sold in the statement of comprehensive income as a component of the profit or loss. This was $2.8 million in half year period ended December 31, 2013 (December 31, 2012: Nil)

During the half year period ended December 31, 2013 the Group recognised royalties payable to the Western Australian Government totalling $1.3 million (period ended December 31, 2012: $0.3 million). Royalties arise on the shipment of the Group's concentrate from Australia to Malaysia.

13. Property, plant and equipment

As at

In A$'000	Leasehold land	Buildings plant and equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Leasehold improvements	Total
Cost	57,648	591,509	8,828	1,059	256,512	19,481	935,037
Accumulated impairment losses	-	(3,386)	(32)	(235)	(1,966)	-	(5,619)
Accumulated depreciation	(1,949)	(40,033)	(3,717)	(366)	-	(1,015)	(47,080)
Carrying amount – December 31, 2013	**55,699**	**548,090**	**5,079**	**458**	**254,546**	**18,466**	**882,338**
Cost	46,597	592,325	8,628	1,197	249,791	19,696	918,234
Accumulated impairment losses	-	(1,907)	(25)	(196)	(6,313)	-	(8,441)
Accumulated depreciation	(1,549)	(23,827)	(3,163)	(312)	-	(607)	(29,458)
Carrying amount – June 30, 2013	**45,048**	**566,591**	**5,440**	**689**	**243,478**	**19,089**	**880,335**

There are no restrictions on the title of any items of property, plant and equipment except as disclosed in the annual financial report for the year ended June 30, 2013.

During the half year period ended December 31, 2013, construction and pre-commissioning activities for the Phase 2 expansion of the LAMP were completed. Direct construction costs associated with the Phase 2 LAMP assets were $7.8 million. The Group also received the relevant administrative approvals for the Phase 2 LAMP assets in late November 2013 allowing these assets to be operated. The Group has started using some Phase 2 downstream assets to optimise its customer product range however a decision to use the additional capacity of 11,000 tonnes per annum will be determined by market conditions primarily.

14. Borrowings

As at

In A$'000	December 31, 2013	June 30, 2013
Current Borrowings		
Sojitz loan facility	50,716	10,949
	50,716	**10,949**
Non - Current Borrowings		
Sojitz loan facility	202,863	235,410
Mt Kellett convertible bonds	223,221	211,658
	426,084	**447,068**
Sojitz loan facility	253,579	246,359
Unamortised transaction costs	-	-
Carrying amount	**253,579**	**246,359**
Mt Kellett convertible bonds (1)	253,579	246,359
Unamortised equity component	(30,065)	(34,353)
Unamortised transaction costs	(293)	(348)
Carrying amount	**223,221**	**211,658**

(1) The principal balance reflects the full value of the Mt Kellett convertible bond. On initial recognition, part of this value was recognised as a component of equity.

The terms and conditions of the Group's borrowings are consistent with those disclosed in the annual financial report for the year ended June 30, 2013.

15. Provisions

As at

In A$'000	Restoration and rehabilitation	Onerous contracts	Other Provisions	Total
Current	-	15,680	102	15,782
Non-current	52,911	3,731	-	56,642
Total provisions at December 31, 2013	**52,911**	**19,411**	**102**	**72,424**
Current	-	16,520	-	16,520
Non-current	40,865	-	-	40,865
Total provisions at June 30, 2013	**40,865**	**16,520**	**-**	**57,385**

Restoration and rehabilitation

The activities of the Group give rise to obligations for asset and site restoration and rehabilitation at the LAMP in Malaysia and the Mt Weld concentration plant. The movement in the provision recognised in the current period primarily relates to the Group's future costs to restore and rehabilitate the LAMP. An initial provision was recognised following the successful commissioning of the Phase 1 operations at the LAMP during the year ended June 2013. Following the completion of construction and pre-commissioning activities of the Phase 2 operations in the six month period ended December 31, 2013, the provision has been increased to reflect the future costs to decommission, restore and rehabilitate both Phase 1 and Phase 2 of the LAMP site upon cessation of operations.

Onerous contracts

The provision for onerous contracts represents the expected value of obligations arising under 'take or pay' clauses of non-cancellable supply agreements for raw materials that the Group is currently contracted to. The provision at December 31, 2013 represents management's current forecasted estimate of the value of materials that the Group will be unable to take under these contracts over the life of the agreement as well as the value of materials not delivered under the agreement through to December 31, 2013.

16. Equity and other comprehensive income

16.1 Share capital

Number of shares (No'000)	For the half year ended December 31, 2013	For the year ended June 30, 2013
Opening balance	1,960,801	1,715,029
Issue of shares pursuant to Institutional Share Placement ("ISP")	-	200,000
Issue of shares pursuant to Share Purchase Plan ("SPP")	-	44,642
Issue of shares pursuant to option conversion	359	1,130
Total	**1,961,160**	**1,960,801**

All issued ordinary shares are fully paid and have no par value. Details of option conversions during the period to ordinary shares are outlined in Note 17. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share. All shares rank equally with regard to the Group's residual assets in the event of a wind-up.

16.2 Dividends

There were no dividends declared or paid during the half year period ended December 31, 2013 (half year period ended December 31, 2012: nil).

16.3 Earnings (loss) per share

The earnings and weighted average number of ordinary shares used in the calculations of basic and diluted loss per share are as follows:

As at / for the half year ended

	December 31, 2013	December 31, 2012
Net loss attributed to ordinary shareholders (in A$'000)	(59,293)	(56,576)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share (No'000)	1,960,979	1,762,998
Basic loss per share (cents per share)	**(3.02)**	**(3.21)**
Diluted loss per share (cents per share)*	**(3.02)**	**(3.21)**
*The following have been excluded from the calculation of diluted earnings per share because they are anti-dilutive for the current and prior periods presented:		
- The number of options and performance rights which are potential ordinary shares (No'000)	53,823	72,520
- The number of ordinary shares which may be issued on conversion of convertible bonds – assuming 100% conversion at the end of the half year period (No'000)	186,515	171,594

17. Employee share options and performance rights

The Group has established an employee share plan whereby, at the discretion of Directors, options and performance rights may be granted over the ordinary shares of the Company for the benefit of Directors, Executives and certain employees of the Group. The options and performance rights which are issued for nil consideration are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. Each option or performance right is convertible into one ordinary share of the Company during the two years following the vesting date, which is the third anniversary of the grant date. The exercise price for the options is not less than the VWAP for the five days preceding the date the option is granted. The options or performance rights hold no voting or dividends rights and are not transferrable.

17.1 Movement in share options and performance rights on issue and period expense

	For the half year ended December 31, 2013	
	Number of options and performance rights ('000)	Weighted average exercise price ($)
Balance at beginning of period	72,485	0.87
Granted during the period	7,439	-
Expired during the period	(18,000)	0.70
Exercised during the period	(359)	0.04
Forfeited during the period	(7,742)	1.19
Balance at end of period	**53,823**	**0.77**
Exercisable at end of period	38,754	0.83

During the half year period ended December 31, 2013 the Group recognised a net benefit of $1.0 million within the profit and loss component of the statement of comprehensive income (2012: net benefit $1.6 million). The net benefit during the half year period ended December 31, 2013 included the reversal of expenses totalling $2.6 million associated with the forfeitures of 50% of the outstanding options issued on September 23 and 25, 2011 and December 12, 2011 as well as 50% of the specific performance rights issued on June 6, 2011 and September 22 and 25, 2011. These forfeitures were resulting from the Group not achieving specified production targets (non-market vesting condition).

17.2 Options and performance rights exercised during the half year ended December 31, 2013

The following share options and performance rights were exercised during the half year ended December 31, 2013:

Exercise date	Number exercised	Share price at exercise date ($)	Exercise price ($)
September 17, 2013	250,000	0.42	-
September 26, 2013	9,302	0.41	-
November 6, 2013	100,000	0.37	0.16
	359,302		

17.3 Options and performance rights issued during and outstanding at the end of the half year ended December 31, 2013

During the period the Group issued a total 7,438,981 performance rights over a series of three tranches with varying performance conditions.

The share options and performance rights outstanding at December 31, 2013 had a weighted average exercise price of $0.77 (June 30, 2013: $0.87) and a weighted average remaining contractual life of 681 days (June 30, 2013: 607 days).

18. Subsequent events

Under the terms of the Amendment Deed (the “Deed”) with respect to the Sojitz loan facility dated September 25, 2012, Lynas made the first principal repayment of USD10 million by January 19, 2014.

With the exception of the above, there have been no other events subsequent to December 31, 2013 that would require accrual or disclosure in the interim unaudited condensed consolidated financial statements.

Building a better working world

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Independent auditor's report to the members of Lynas Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lynas Corporation Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lynas Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lynas Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.2 in the financial report which describes the principal conditions relating to the possibility of additional funding being required by the consolidated entity. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Graham Ezzy
Partner
Sydney

11 March 2014