

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

LYNAS CORPORATION LIMITED ("the Group")

ABN

27 009 066 648

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	26,495	58,598
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(43,559) (5,977)	(151,150) (22,334)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes (paid)/received (i)	(22)	13,947
1.7 Other (provide details if material) (ii)	(712)	(2,269)
Net Operating Cash Flows	(23,775)	(103,208)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets (iii)	(1,272)	(17,375)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	2,027 104	2,703 104
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other		
a. Security Deposits (iv)	(13)	5,974
b. Proceeds from the issues of shares via the exercise of options		
Net investing cash flows	846	(8,594)
1.13 Total operating and investing cash flows (carried forward)	(22,929)	(111,802)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- (i) Income taxes received year-to-date mainly relate to the receipt of A\$14.1M from the Australian Tax Office relating to eligible research and development expenditure incurred during the year ended 30 June 2013, principally on the development of the Mt Weld Rare Earths Project.
- (ii) Royalties paid in relation to shipment of rare earth concentrate from Australia to Malaysia.
- (iii) Payments include amounts for property, plant and equipment and intangibles.
- (iv) Security deposits represent the net payments or receipts made to financial institutions and separately payments made to the regulatory authorities in Malaysia in connection with the issuance of the TOL. Whilst the Group retains beneficial ownership of these monies, security deposits are not available to finance the Group's day to day operations and therefore have been excluded from cash for the purposes of this report. They are disclosed as an asset on the Group's balance sheet.

1.13	Total operating and investing cash flows (brought forward)	(22,929)	(111,802)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. (iv)	39,971	39,987
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings (refer to item 3.1 (i))	-	(11,270)
1.18	Dividends paid		
1.19	Other:		
	a. Interest & other costs of finance paid	(2,411)	(22,959)
	b. Interest & other items of a similar nature received	106	2,458
	Net financing cash flows	37,666	8,216
	Net increase (decrease) in cash held	14,737	(103,586)
1.20	Cash at beginning of quarter/year to date	23,359	141,371
1.21	Exchange rate adjustments to item 1.20	48	359
1.22	Cash at end of quarter (v)	38,144	38,144

- (v) Amounts are shown net of the associated transaction costs.
- (vi) Cash at the end of the quarter is represented by unrestricted cash of A\$33.3M and restricted cash of A\$4.8M. The restricted cash amount is used to fund the next semi-annual interest payment due to Sojitz in September 2014.

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	752
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

Nil

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$USD'000	Amount used \$USD'000
3.1 Loan facilities (i)	440,000	440,000
3.2 Credit standby arrangements	Nil	Nil

- (i) The Group has a US\$225M fully drawn facility from a SPC established by Sojitz and JOGMEC (the "Sojitz Facility"). As required by the terms of the Amendment Deed with respect to the Sojitz loan facility, Lynas made the first principal repayment of US\$10 million by January 19, 2014 thus reducing the principal outstanding to US\$215M. In addition, the Group has a US\$225M Convertible Bond facility on issue.

Estimated gross cash outflows for next quarter (excluding revenue)

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	4,157
4.3 Production (i)	45,904
4.4 Administration (including interest payments) (ii)(iii)(iv)	8,111
Total	58,172

- (i) Production costs include expected out flows associated with the continuing ramp up schedule of the Group's Malaysian operations. Gross cash outflow does not yet reflect the cost savings recently implemented in the business.
- (ii) The total forecast cash out flow for the period does not include the transfer of funds as prescribed under the Sojitz Facility between the Group's unrestricted and restricted cash accounts. During the period ending 30 June 2014 the Group has transferred A\$5.2M from its unrestricted cash accounts and in the next three months, expects to transfer a further A\$1.8M to fund the semi-annual interest payment of A\$7.0M due to Sojitz in September 2014.

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- (iii) Included in Administration costs are expected cash restructure costs of \$2.8M which are to be paid in this period. It does not reflect ongoing cost savings recently implemented in the business.
- (iv) The total forecast cash outflow for the period does not include the next principal repayment due under the Sojitz Facility of US\$35.0M

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	33,289	23,359
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (Restricted cash)	4,855	-
Total: cash at end of quarter (item 1.22)		38,144	23,359

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	See Appendix A		
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference securities (description)	Nil			

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

		Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3	+Ordinary securities	2,333,661,566	2,333,661,566		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(a) (i) 372,375,972 (ii) 100,000	(a) (i) 372,375,972 (ii) 100,000	(a) (i) \$0.113 (ii) Nil	(a) (i) \$0.113 (ii) Nil
7.5	+Convertible debt securities (description)	225,000,000	N/A	US\$1.00	US\$1.00
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil		

+ See chapter 19 for defined terms.

Appendix 5B


Mining exploration entity and oil and gas exploration entity quarterly report

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.7	Options <i>(description and conversion factor)</i>		<i>Exercise price (\$)</i>	<i>Expiry date</i>
	24,500,000		\$0.66	October 8, 2014
	1,000,000		\$0.66	July 1, 2015
	5,250,000		\$1.15	August 19, 2015
	229,309		\$0.00	August 19, 2015
	1,000,000		\$1.60	October 1, 2015
	6,450,000		\$1.15	August 19, 2015
	200,000		\$2.36	December 31, 2015
	140,000		\$0.00	June 6, 2016
	2,000,000		\$1.69	September 22, 2016
	2,072,500		\$1.69	September 22, 2016
	4,651		\$0.00	September 22, 2016
	382,500		\$0.00	September 22, 2016
	1,000,000		\$1.57	December 12, 2016
	755,287		\$1.02	September 24, 2017
	1,207,570		\$0.00	September 24, 2017
	793,038		\$0.00	September 23, 2018
	2,022,146		\$0.00	September 23, 2018
	1,685,121		\$0.00	September 23, 2018
	2,802,840		\$0.00	September 23, 2018
7.8	Issued during quarter	Nil	<i>Exercise price (\$)</i>	<i>Expiry date</i>
	Nil			
7.9	Exercised during quarter	100,000	\$0.00	August 19, 2015
7.10	Expired or cancelled during quarter	20,749	\$0.00	September 23, 2018
7.11	Debentures <i>(totals only)</i>	Nil		
7.12	Unsecured notes <i>(totals only)</i>	Nil		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
.....
(Company secretary)

Date:31/7/14.....

Print name: Andrew Arnold

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Appendix A – Schedule of interests in mining tenements held as at 30 June 2014

Tenement Reference	Holder	Location	% Interest at beginning of Quarter	% Interest at end of Quarter	Notes
M 38/58	Mt Weld Mining Pty Ltd*	Mt Weld, Western Australia	100	100	Nil
M 38/59	Mt Weld Mining Pty Ltd	Mt Weld, Western Australia	100	100	Nil
M 38/326	Mt Weld Mining Pty Ltd	Mt Weld, Western Australia	100	100	Nil
M 38/327	Mt Weld Mining Pty Ltd	Mt Weld, Western Australia	100	100	Nil
ML 38/98	Mt Weld Mining Pty Ltd	Mt Weld, Western Australia	100	100	Nil
E 38/2224	Mt Weld Mining Pty Ltd	Mt Weld, Western Australia	100	100	Nil
E 38/2359	Mt Weld Mining Pty Ltd	Mt Weld, Western Australia	100	100	Nil
E 38/2558	Mt Weld Mining Pty Ltd	Mt Weld, Western Australia	100	100	Nil
L 38/224	Mt Weld Mining Pty Ltd	Mt Weld, Western Australia	100	100	Nil
ML 0122/2003	Lynas Africa Limited**	Kangankunde, Malawi	100	100	Nil

* Mt Weld Mining Pty Ltd is a wholly owned subsidiary of Lynas Corporation Limited

** Lynas Africa Limited is a wholly owned subsidiary of Lynas Corporation Limited

+ See chapter 19 for defined terms.