QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2017

SUMMARY

- RECORD SALES REVENUE
  Invoiced sales at A$112m was an increase of 108% on prior corresponding period (pcp) and up 48% on the previous quarter
- RECORD CASHFLOW FROM OPERATING AND INVESTING ACTIVITIES
  Cash flows from operating and investing activities (including capital expenditure, but excluding principal & interest payments and changes in security deposits) increased to A$25m from A$15.8m in the previous quarter. In addition, timing of shipments resulted in a significant increase in receivables at the end of the quarter by A$23m, which is being collected in October in line with normal payment terms.
- RECORD PRODUCTION:
  - NdPr production at 1,442 tonnes was an increase of 22.6% on pcp and up 7.4% on the previous quarter
  - NdPr production was in excess of 500 tonnes/month in 2 out of 3 months in the quarter
  - Total REO Production at 4,665tonnes, was an increase of 27.3% on pcp and up 14.0% on the previous quarter.
- COSTS IN LINE WITH FORECAST
  Cash used for operations, excluding any interest and deposit related flows was in line with forecast at A$63.55m, whilst production output increased
- IMPROVED DEBT POSITION
  - Reduction in Principal due on both facilities, after a US$15m principal repayment on the JARE facility in August 2017 and conversion of US$108.5m of the convertible bond facility
  - Significant reduction in trailing and current interest liabilities on both facilities
- EARLY PAYMENT TO JARE
  Reflecting continued confidence in business operations, the company also made an early principal payment of US$15m to JARE on 13 October 2017, reducing the JARE facility to US$170m.

CEO REVIEW

The September quarter has been an excellent quarter for the company. We have recorded significant improvements on all key measures of operating performance. Revenue, production and cashflow from operations all reached new record levels. In addition, during the quarter, we recorded significant improvements to our Balance Sheet. Principal and interest liabilities have been reduced on both the senior and subordinate debt facilities and our market capitalisation has increased by more than 2.5 times.

Invoiced sales for the period at A$112m were supported by a sharp increase in the market price for NdPr (particularly from late July), strong production performance and sustained demand for Lynas products. Cash conversion during the quarter was lower than in previous quarters as we carefully managed orders to optimise revenue performance. Receivables at the end of the quarter were A$25.6m vs. A$2.6m at the end of June 2017.

In the quarter, Lynas produced 1,442 tonnes of NdPr up 99 tonnes versus the prior quarter. Total rare earth oxides (REO) production was 4,665 tonnes, an increase of 572 tonnes versus the prior quarter. The steady increase of total REO production is a result of continued improvements in operational efficiency and greater recoveries on non-NdPr products.

In 2 out of 3 months during the quarter, Lynas produced over 500 tonnes of NdPr. Producing 500 tonnes/month on a consistent basis is an important next milestone for the company.

Despite the increased throughput, direct cash costs related to production remained at the same level as the prior quarter reflecting continued operational discipline and efficiency.

In September, Lynas commenced a new mining campaign (Mining Campaign 2) at Mt Weld. This campaign is a northern extension of the original pit and it is being conducted by the same local mining contractor as the recent Campaign 1B. The total cost of the mining campaign is expected to be in the range of A$16-18m. There is only a small portion of this cost included in the September quarter results. Costs for Mining Campaign 2 are expected to be primarily incurred over the December and March quarters.

The market capitalization of the Company increased by more than 2.5 times during the September quarter. On Friday 30 June 2017, the Company had on issue 3,677,743,349 shares, and the closing price on the ASX was A$0.105. On Friday 29 September 2017, the Company had on issue 5,220,142,368 shares, and the closing price on the ASX was A$0.195. As a result, the market capitalization of the Company increased from A$386m to A$1,018m during the September quarter.

In accordance with 2016 loan facility amendments, the JARE restricted bank account was scheduled to be closed when Lynas' unrestricted cash balance exceeded A$25 million on any date after 31 July 2017. Following satisfaction of that test, the funds in the JARE restricted bank account were applied as follows on 4 August 2017:

a. US$D15 million was paid to JARE as a principal repayment, reducing the principal balance of the JARE facility from US$200 million to US$185 million; and
b. The remaining balance in the JARE restricted interest account was ~~be~~ used to partially settle the interest incurred from 1 October 2014 to 31 December 31 2015. The outstanding interest incurred in that period was forgiven.

Also in accordance with 2016 loan facility amendments, the convertible bond restricted bank account was scheduled to be closed when Lynas' unrestricted cash balance exceeded A$25 million on any date after 31 July 2017. Following satisfaction of that test, the funds in the convertible bond restricted bank account were applied on 4 August 2017 in full payment of the interest incurred from 1 January 2015 to 31

December 2015 and additional interest on withdrawals made from the convertible bond restricted bank account during 2016.

During the September quarter, the bondholders converted US$108.5m of convertible bonds into equity. The outstanding principal balance of the convertible bond facility has been reduced during the September quarter from US$225m to US$116.5m.

Arising from the above conversions of convertible bonds, the Company has also significantly reduced historical interest liabilities during the September quarter. One of the agreed terms of the 2016 loan facility amendments was that interest for calendar year 2016 was postponed to maturity without penalty. That 2016 interest is paid when bonds are converted into equity. As a result, the Company repaid A$ 3.3 million of 2016 interest liabilities during the September quarter.

Also during the September quarter, the Company received A$4.6 million from the exercise of warrants with exercise prices of A$0.038 and A$0.05. The warrants that remain unexercised are 271,322,983 warrants with an exercise price of A$0.05 per warrant.

Both the JARE facility and the convertible bond facility include a clause stating that if the weighted average realized sale price of NdPr products sold by Lynas in the immediately preceding 6 calendar months is US$38 per kilogram or greater, the interest rates under the facilities will increase. That test was satisfied at the start of September, and accordingly, the interest rates on the loan facilities increased as follows from 1 September 2017:

a. JARE facility – 2.5% per annum to 3.75% per annum
b. Convertible Bond Facility – 1.25% per annum to 1.875% per annum

As a result of these actions, Lynas' debt reduced by a total of US$123.5m during the quarter leaving a balance of US$301.5m In addition, a total of US$27.4m in interest liabilities were fully satisfied during this quarter.

OUTLOOK

The achievements during the September quarter are evidence of further strengthening of the Lynas business. Whilst a key contributor to the improved results was the increase in benchmark market pricing, Lynas continues to work on strategies to build value in the business creating a platform for sustained returns.

A key part of this strategy is engaging effectively with industry as technology choices are made and assuring future supply reliability and price predictability for key customers. Continuing to improve production throughput, most particularly for NdPr, is a key foundation for this engagement.

We are now targeting sustained production of NdPr at 500 tonnes/month, or about 14% above design rate. We achieved this level in 2 out of 3 months in the September quarter. In the coming two quarters, Lynas will proceed with temporary scheduled shut downs of two of its four kilns at the LAMP for regulatory inspections. As a result, we expect total REO and NdPr production output in the coming two quarters to be similar to the tonnage achieved in this quarter. By the end of the March 2018 quarter, we expect to be at a sustainable run rate of 500 tonnes of NdPr per month, subject to variations for events such as the above shut downs.

Management of residues from the LAMP continues to be an area of focus. As highlighted in the financial report, Lynas remains committed to pay security deposit instalments to the Malaysian Government's Atomic Energy Licencing Board ("AELB") totalling US$50 million, in accordance with the conditions of the Full Operating Stage Licence for the LAMP. The amount currently due to the AELB is US$15.58 million and this amount is scheduled to be deposited with the AELB in a bond or cash at end of October 2017. A further deposit of US$7.79m will be made at the end of December.

Lynas can make early principal repayments under the JARE facility without penalty. Reflecting Lynas' confidence in cash flows for the December quarter, and to optimise interest savings, Lynas has made an early principal repayment to JARE of US$15m on 13 October 2017 further reducing the outstanding principal on that facility to US$170m.

SAFETY AND ENVIRONMENT

Lynas continues to work to ensure that all 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 September quarter, the Company maintained a very good safety record, with the Company-wide 12-month rolling Lost Time Injury Frequency Rate, as at the end of September 2017, at 1.3 per million hours worked.

In addition, both of our sites at Mt Weld and the LAMP were successful in obtaining recertification for ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and OHSAS 18001 (Occupational Health & Safety). Both sites first gained certification in 2013.

Detailed environmental monitoring since the start of LAMP operations in 2012 has consistently demonstrated that the LAMP is compliant with regulatory requirements, and that the LAMP is safe for employees, safe for the community and safe for the environment.

Information concerning our 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

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
Sales Volume REO t	3081	3350	3437	4748	4503
Sales Revenue	A$53.8 m	A$65.0 m	A$69.3 m	A$75.6 m	A$112.0 m
ASP	A$17.5/kg	A$19.4/kg	A$20.1/kg	A$15.9/kg	A$24.9/kg
Sales Receipts (cash)	A$57.4 m	A$58.3 m	A$69.2 m	A$75.5 m	A$88.4 m

At A$112m, we delivered a new record for sales revenue for the fifth consecutive quarter. This revenue was supported by a sharp increase in the market price for NdPr, strong production performance and sustained demand for Lynas products.

Cash conversion during the quarter was lower than in previous quarter as we carefully managed orders to optimise revenue. This resulted in a significant increase in receivables at the end of the quarter by A$23m, which is being collected in October in line with normal payment terms.

	NdPr China Domestic VAT excluded						
	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	July	August	September
USD/kg	32.1	31.0	33.0	36.5	45.2	60.3	64.5
Base 100	100	97	103	114	141	188	201

The steady increase in benchmark NdPr prices started in November 2016 and accelerated sharply at the end of July 2017, as a result of the combination of several factors:

- Magnet makers building stocks as a hedge against further price increases (beyond the 420RMB/kg price reached in early July).
- Intensification of environment compliance investigations by the China central government. These actions had the following impacts: (i) direct impacts on several non compliant Rare Earths factories and (ii) indirect impacts as the investigations affected many chemical products and several factories supplying chemicals used in Rare Earths processing were also shutdown, creating shortages of chemicals in the sector.
- Rumors of strategic stockpiling by the China central government

This price volatility creates some concern for the market at a time when technology choices are being made, especially in the automotive sector, where the trend to car electrification is expected to accelerate.

Lynas' engagement with a number of end users intensified in this quarter and in partnership with selected magnet makers, we aim to reach agreements with OEMs which will secure their technology switch while supporting our projected future supply.

The decision by the China central government to put on hold a planned new stockpiling program affected heavy rare earth prices in September, as future demand for heavy rare earths is subject to a number of variables. For example, switches in lighting technology have affected demand for Eu and Y, and improved magnet technology is driving a trend towards lower levels of Dy and Tb in magnets.

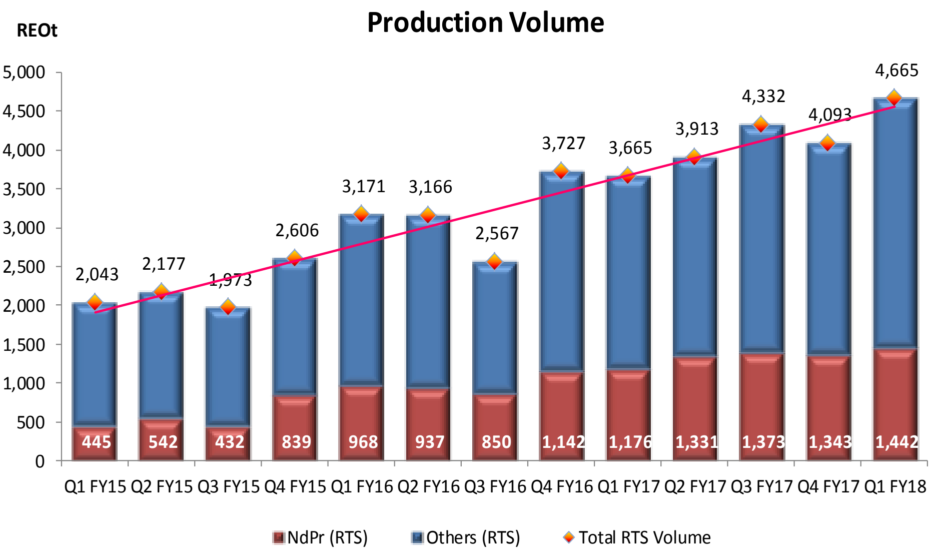
As mentioned in the June quarterly report, we have succeeded in developing a new grade of Ce which translated into higher sales this quarter and a higher average selling price. We expect these improvements to be sustainable, and have another higher purity grade under development.

Our Lanthanum was fully qualified at two new customers during the September quarter and regular commercial supply to those customers is scheduled to start from January 2018.

OPERATIONS

	FY14	FY15	FY16	Q3 FY17	Q4 FY17	FY17	Q1 FY18
Ready for Sale Production Volume Total	3965 REOt	8799 REOt	12631 REOt	4332 REOt	4093 REOt	16003 REOt	4665 REOt
Ready for Sale Production Volume NdPr	946 REOt	2258 REOt	3896 REOt	1373 REOt	1343 REOt	5223 REOt	1442 REOt

For the 4th consecutive quarter, NdPr production was above design rates. NdPr production for two of the three months in the September quarter was above 500t/month. Production of La and Ce products was below design rates, but the improvement in product quality continued.



At Mt Weld, a new mining campaign (Campaign 2) commenced during the September quarter with removal of top soil, blasting and removal of overburden. This campaign is a northern extension of the original pit and is being conducted by the same local mining contractor as the recent Campaign 1B. The approximate scope of Campaign 2 is to remove 1.8 million BCM (Bank Cubic Metres) of waste and mine 590kt of CZ (Central Zone) ore and Duncan ore at approximately 15% REO.

During the September quarter, the Mt Weld concentrator continued treating the new ore from Campaign 1B. The site-wide improvement programs at the LAMP continue. Key focus areas include: debottlenecking and incremental increases in production rates; improving product quality; increasing REO recovery; and reducing chemical costs.

Statutory equipment inspections are required every 36 months in Cracking & Leaching. The duration of these shutdowns, including cool down, cleaning, inspection and heat up is approximately 12 days. A range of maintenance work and upgrades will be also be conducted during these shutdowns. The planned shutdown for RKA/RKB is during November 2017 and the planned shutdown for RKC/RKD is during March 2018. The LAMP will operate at a reduced rate during these temporary shutdowns. As a result, we expect total REO and NdPr production output in the coming two quarters to be similar to the tonnage achieved in the September quarter.

CASH OUTFLOWS

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

- Total forecast cash outflow for the quarter was A$63m excluding any interest and deposit related flows. On the same basis, the actual cash outflow was A$63.55m.
- A$13.25m of net interest payments were made. The interest paid is mainly related to the settlement of 2015 interest to JARE and the convertible bond through the closure of the restricted accounts (to the extent not applied to reduce the principal amount of the JARE facility from US$200m to US$185m). In addition it also includes any interest for 2016 (full year) and 2017 (1 July 2017 to the date of actual conversion of bonds) on the portion of the bonds converted during the quarter. A$ 8.3m of these payments were effected by funds held in the restricted accounts.
- A$ 4.6m was received from the exercise of warrants. 18,211,504 warrants with an exercise price of 3.8 cents each were exercised reducing the number of warrants in this category to zero. In addition, 77,520,853 warrants with an exercise price of 5 cents each were exercised reducing the remaining outstanding warrants in this category to 271,322,983 warrants.
- In connection with the closure of the restricted accounts, A$19m (US$15m) was applied to the reduction of the JARE debt from US$200m to US$185m.
- Development and CAPEX related cash outflows were A$2.2m. This was A$0.1m lower than forecast. Out of this, A$0.5m was due to drilling activity in preparation for the next mining campaign. Significant mining campaign related cash outflows are expected to be incurred in the December quarter.
- Production related cash outflows were A$44m, in line with forecast at A$43.5m. The small increase versus forecast is related to some GST refunds which were not received within the expected timeframe.
- Staff related cash outflows at A$10.8m were A$1m higher than forecast at A$9.8m. The variance is due to short term incentives paid during the period and tax payments on behalf of expatriate employees which will be offset by equivalent tax refunds in a future period.
- Administration related cash outflows, excluding staff costs, at A$5.0m remained significantly below forecast at A$5.75m. This included some expenditures that were rescheduled to a later period.
  In view of the strongly increased prices for NdPr in recent months, the sales commission payments, which are part of this Administration section, will be much increased and will account for most of the forecast increased cash outflow.
- Royalty payments at A$1.55m came in about A$0.1m lower than the forecast of A$1.65m.

FINANCE

Cash Position

A summarised cash flow for the quarter ended 30 September 2017 is set out below.

CASH FLOW	A$ million	A$ million
OPENING CASH BALANCE 1 JULY 2017		**63.9**
INFLOWS		
Net cash receipts from the sale of goods	88.4	
Proceeds from the issue of share capital	4.6	
TOTAL INFLOW OF FUNDS IN THE QUARTER		**93.0**
OUTFLOWS		
Royalty costs	(1.6)	
Ongoing operational, production and administration costs	(59.8)	
Repayment of borrowings	(19.0)	
Net interest and other costs of finance paid	(13.3)	
Net payment of security deposits	(1.1)	
Other capital expenditure	(2.2)	
TOTAL OUTFLOW OF FUNDS IN THE QUARTER		**(97.0)**
Net exchange rate adjustment		(1.5)
CLOSING CASH BALANCE 30 SEPTEMBER 2017		**58.4**
Summary of Cash Balance		
Cash on Hand and at Call		58.4
Funds for JARE & Mt Kellett interest (Restricted Cash)		-
CLOSING CASH BALANCE 30 SEPTEMBER 2017		**58.4**

The Group received A$88.4m in cash from sales this quarter compared to A$75.5m in the June 2017 quarter.

The cash balance at 30 September 2017 of A$58.4m is unrestricted cash. In accordance with the terms of the JARE and convertible bond facilities, the respective restricted accounts were closed during this quarter.

Forex

The currency composition of the Group's cash at 30 September 2017 was AU$3.5m, US$16.8m and MYR 110.3m. The A$ strengthened by 1.9% against the US$ and 0.2% against the MYR during this quarter.

In this report, references to dollars are references to Australian dollars, unless stated otherwise.

CORPORATE

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of Lynas shareholders will be held at 10am (Sydney time) on Tuesday 28 November 2017 in the Times on the Park Room at the Sheraton on the Park Hotel, 161 Elizabeth Street, Sydney. The Times on the Park Room is on Level One – this is a different room to last year's AGM venue.

The notice of meeting is currently being posted to shareholders.