
QUARTERLY REPORT

FOR THE PERIOD ENDING 30 JUNE 2013

HIGHLIGHTS

- By early June 2013, Lynas achieved nameplate production capacity in the cracking and leaching units of Phase 1 of the LAMP. Subsequently, the Company has identified some clogging and premature wearing of equipment that is affecting its ability to maintain this production rate in the cracking and leaching units. A series of work programs involving equipment changes and materials handling to allow the cracking and leaching units to operate continuously at nameplate production capacity have and will continue to be implemented. None of these programs involve significant capital investments and are expected to be in place over the coming months.
- Total tonnes produced for the quarter were 144 tonnes, on an REO equivalent basis, and total tonnes shipped were 117 tonnes, on an REO equivalent basis. Several of the Company's products have now been qualified by customers. For other customers, the qualification process remains ongoing in part due to the customer specification process timeline.
- Since the commencement of LAMP operations in November 2012, the measured emissions on site have consistently been significantly lower than the regulatory limits.
- In response to challenging Rare Earths market conditions, the Company has taken a number of steps to strengthen its position during this subdued period, and in turn, be ready to respond to improved market conditions. As previously announced, the Company has decided to optimise its production levels at the Lynas Advanced Materials Plant (LAMP) at the Phase 1 capacity level of 11,000 tonnes per annum REO until market prices recover. Subsequent to the end of the quarter, there is emerging evidence of improved supply-side discipline in China resulting in higher offer prices for Rare Earths products. The Company will continue with the commissioning of the Phase 2 expansion of the LAMP ahead of an expected start-up in Q3 2013. The subsequent ramp up of Phase 2 production will be determined by various factors, primarily being market conditions.
- In the current environment, a key focus of management is on cost savings, both operational and at the corporate level. These cost savings programs remain ongoing and have already delivered benefits through the more optimised use of Group shared services and the deferral of discretionary operating and capital expenditure. Management will continue to explore ways to further optimise the Group's cost base and minimise its working capital requirements. Lynas remains committed to being a global leader in the supply of Rare Earths and its sustainability-based business model; one that is safe for people, safe for the environment and secure for customers.
- The Company had \$125.7m of unrestricted available cash on hand as at 30 June 2013.
- The 12-month rolling Lost Time Injury Frequency Rate for Lynas' global operations (employees and contractors) as at the end of June 2013 was 0.9.

OPERATIONS

WESTERN AUSTRALIA OPERATIONS

Ore commissioning of the Phase 2 Concentration Plant circuit commenced on 15 April 2013. The new flotation circuit, concentrate thickener and pressure filter were successfully commissioned with first concentrate produced on 18 April. Some materials handling constraints were identified and various solutions were implemented as the throughput ramped up. The plant has operated for several shifts at rates in excess of 90% of design capacity. At the end of June, 15,710 dry tonnes of concentrate containing 5,626 tonnes of REO were bagged ready for export.

MALAYSIA OPERATIONS

PRODUCTION

Lynas commenced commercial production during the quarter. Total tonnes produced for the June 2013 quarter were 144 tonnes on an REO equivalent basis.

Lynas commenced operations at the LAMP in November 2012 and since then the volume of REO concentrate processed has steadily increased. As announced on 7 June 2013, Lynas achieved nameplate production capacity in the cracking and leaching units of Phase 1 of the LAMP. Subsequently, the Company has identified some clogging and premature wearing of equipment that is affecting its ability to maintain this production rate in the cracking and leaching units. A series of work programs involving equipment changes and materials handling to allow the cracking and leaching units to operate continuously at nameplate production capacity have and will continue to be implemented. None of these programs involve significant capital investments and are expected to be in place over the coming months. Commercial production of REO products at a reduced volume will continue while these programs are ongoing.

CUSTOMER PRODUCT QUALIFICATION

Following commencement of commercial production, the Company has been engaged with its customers in a series of product qualifications. Several customers qualified the Company's Rare Earths products during the last quarter allowing for commercial shipments to commence. The Company remains engaged in the qualification process with other customers. In some instances, there has been a delay in the product qualification process, in part due to the customer specification process timeline.

SHIPMENTS

Lynas commenced commercial shipments during the quarter. Total tonnes shipped were 117 tonnes on an REO equivalent basis. The difference between shipments and production during the quarter largely reflects the ongoing customer product qualification process.

PRODUCTION COSTS

Lynas continues to consider and implement measures to reduce its production costs and the Company reiterates cash cost guidance of \$14-15/kg REO at a 22,000tpa REO production rate. Unit cash costs are estimated to be 70% variable costs and 30% fixed costs at a 22,000tpa REO rate. It should be noted that unit cash costs will be higher until market conditions permit the LAMP to be ramped up towards that 22,000tpa REO level.

SYNTHETIC MINERAL PRODUCTS PROGRAM

Concurrent with the production of Rare Earths at the LAMP, the Company has also commenced production of synthetic gypsum and aggregate co-products on site. Lynas has received customer interest for its synthetic mineral products and is continuing market trials for these products. The Company remains in discussions with the relevant authorities in Malaysia regarding obtaining the necessary regulatory approvals to commence exports of these products. One of the products has already been tested by a third party laboratory which concluded that it is safe and meets regulatory requirements. For other synthetic mineral products, testing and market trials remain ongoing.

DEFAMATION PROCEEDINGS

As announced on 18 June, Lynas instructed its solicitors to discontinue Lynas' defamation claim against the Save Malaysia Stop Lynas group (SMSL). Prior to the start-up of operations at the LAMP, several inaccurate statements and claims about the LAMP caused some anxiety in the local community. Since the commencement of operations at the LAMP, the measured emissions on site have been consistently lower than the regulatory limits. Now that the facts are available to demonstrate that the LAMP is safe, Lynas believes it is time to recognise the opportunities arising from the project and to focus on creating value for all of Lynas' stakeholders, including in particular the local communities. As such, Lynas believes there is no value in continuing disputes with members of our local community.

CHALLENGES TO THE TEMPORARY OPERATING LICENCE

In total, there have been three legal challenges to the Temporary Operating Licence (TOL). The first challenge related to the decision of the Atomic Energy Licensing Board (AELB) in February 2012 to approve the TOL. That challenge has now been dismissed by the Kuala Lumpur High Court, the Malaysian Court of Appeal and the Malaysian Federal Court. There are no further avenues for this challenge to be appealed.

The second challenge relates to the decision of the Minister of Science, Technology and Innovation to dismiss a statutory appeal of the AELB's decision to approve the TOL. That challenge is expected to be heard by the Kuantan High Court during 2013.

The third challenge relates to the decision of the AELB in September 2012 to issue the TOL. That challenge has been dismissed by the Kuantan High Court. Lynas understands that SMSL intend to appeal this decision to the Court of Appeal. A date for the hearing of that appeal has not yet been set.

TEMPORARY OPERATING LICENCE

Subsequent to the end of the quarter, Lynas submitted documentation outlining its plans for the commercialisation of the residues from the LAMP and plans for the Permanent Disposal Facility (PDF). These documents were lodged to satisfy those conditions of the TOL that were due to be satisfied by early July 2013 and are now being reviewed by the AELB.

ENGINEERING AND CONSTRUCTION UPDATE

LAMPS UP - PHASE 2 INCREASE IN PRODUCTION CAPACITY TO 22,000 TPA REO

LAMPS Up in Western Australia

The LampsUp Project in Western Australia has been completed within budget. Cumulative hours worked up to the Provisional Acceptance date was 117,000 hours with only one recorded Lost Time Injury (LTI). Start up took place on 15 April 2013 and first concentrate was produced on 18 April.

Flotation cell installation



Thickener Area



Filter Press



Switch Room & Control Room



LAMPS Up in Malaysia

Construction of the LampsUp Project in Malaysia was virtually completed by end of June 2013 with 6.2 million hours worked with zero Loss Time Injury (LTI). Pre-commissioning activities reached 90% complete and commissioning has started ahead of an expected start-up in Q3 2013. The LampsUp Project in Malaysia remains within budget.

Rotary kiln



Waste Gas Treatment



Primary Leaching



Downstream Extraction



Post Treatment



Calcination



OTHER ASSETS AND PROJECTS

DUNCAN DEPOSIT – MOUNT WELD

In June 2012, the Company announced it had completed a scoping study on the development of the Duncan deposit at Mount Weld. Since that time, further work has been done evaluating potential locations for processing and optimising the metallurgical flowsheet. However, against the backdrop of declining Rare Earths prices and the Company's strategy to reduce operating costs, management has decided to postpone further development work on the Duncan Deposit until market conditions recover.

KANGANKUNDE DEPOSIT – MALAWI

Further to Lynas' ASX announcements on 13 June 2012 and 31 July 2012, Lynas 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.

SIEMENS-LYNAS COOPERATION

In 2011, Lynas and Siemens AG announced a Letter of Intent to establish a joint venture for rare earths permanent magnet production. Since that time, the parties have been analysing various structures of cooperation with the aim of building a sustainable business relationship. During that period, growth potential in energy-efficient drive applications and wind-turbine generators have been confirmed. The parties continue to work towards optimising the structure of the supply chain business model to supply Siemens with sustainable sourcing of NdFeB magnets.

SUSTAINABILITY

The 12-month rolling Lost Time Injury Frequency Rate for Lynas global operations (employees and contractors) as at the end of June 2013 was 0.9.

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

Western Australia

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

The Western Australian operations continued to engage with local communities and hosted a number of visits from the local community.

Malaysia

Since the commencement of LAMP operations in November 2012, the measured emissions on site have consistently been significantly lower than the regulatory limits. Lynas provides real-time monitoring of these emissions at LAMP, and the results are transmitted to Malaysia's Department of Environment (DoE) and to the Atomic Energy Licensing Board (AELB). These results can be found at www.doe.gov.my and www.aelb.gov.my.

Lynas Malaysia continues to implement the Lynas Integrated Operational Management System Standards (LIOMSS), which incorporates compliance to OHSAS 18001 (Occupational Health and Safety), ISO14001 (Environment) and ISO9001 (Quality).

Lynas Malaysia is on track to achieve external certification to these standards in 2013.

Lynas Malaysia continued to engage with local communities during the quarter hosting 16 visits to the LAMP. A total of 928 visitors from various stakeholders including customers, investors, local community groups, university students as well as government agencies toured the plant, were provided with factual information and had the opportunity to ask questions of Lynas representatives.

Lynas Malaysia also continued with its Ivory Tower Project and, as at the end of June, a total of 55 students continued their academic lessons and personal development activities.

During the quarter, Lynas began its sponsorship of a Hockey Development Project. Lynas is pleased to be part of this initiative which provides children with an interest in hockey to be given an opportunity to excel academically and in sporting achievements through the Pahang Hockey Academy.

FINANCE

CASH POSITION

A summarised cash flow for the quarter ended 30 June 2013 is set out below.

CASH FLOW	A\$M
OPENING CASH BALANCE 1 APRIL 2013	193.8
INFLOWS	
Cash receipts from the sale of goods	0.6
Interest income	1.6
TOTAL INFLOW OF FUNDS IN THE QUARTER	2.2
OUTFLOWS	
Mt Weld Concentration Plant – Phase 1	-
Malaysian Advanced Materials Plant – Phase 1	(1.2)
Mt Weld Concentration Plant – Phase 2	(9.4)
Malaysian Advanced Materials Plant – Phase 2	(5.0)
Other capital expenditure	(0.2)
Investments and Security Deposits	(1.0)
Interest expense and other costs of finance	(2.5)
Ongoing operational, production and administration costs	(37.8)
TOTAL OUTFLOW OF FUNDS IN THE QUARTER	(57.1)
Net exchange rate adjustment	2.5
CLOSING CASH BALANCES 30 JUNE 2013	141.4
Summary of Cash Balance	
Cash on Hand and at Call (incl. Term Deposits)	125.7
Funds for Phase 2 Construction (Restricted Cash)	15.7
CLOSING CASH BALANCES 30 JUNE 2013	141.4

Total cash at 30 June 2013 of A\$141.4m was represented by unrestricted cash of A\$125.7m plus restricted cash of A\$15.7m (which is available principally to fund the Phase 2 capital expenditure programme related to the Rare Earths Project). Interest income received in the quarter from unrestricted and restricted cash totalled A\$1.6m.

FOREX

The currency composition of unrestricted cash at 30 June 2013 was A\$115.4m, US\$8.7m and MYR1.8m, while the currency composition of the restricted cash was A\$5.2m, US\$9.4m and MYR0.8m. During the quarter the Australian dollar depreciated by 12% against the US\$ and depreciated by 10% against the Ringgit resulting in a exchange rate adjustment for the quarter of \$2.5m.

EXPENDITURE ON PHASE 1 AND 2 OF THE RARE EARTHS PROJECT

The forecasted total cost for the respective projects remained unchanged during the quarter. As such, completion of Phase 2 construction will essentially be funded from the restricted cash balance.

CASH RECEIPTS FROM SALES

During the quarter the Company's cash receipts from sales were \$0.6m. Very low sales of Neodymium-Praseodymium products and Samarium-Europium-Gadolinium (SEG) products were the major contributors to the low average selling price in the quarter. This reflects the timing of ongoing customer product qualification for these products. Increased sales of these products would result in a higher average selling price in future periods.

APPENDIX - RARE EARTHS MARKET

RARE EARTHS PRICES

Compared with the prior quarter, the average Mount Weld “basket price” decreased by 21% during Q2 2013 to US\$29.42/kg on a China FOB basis. The “basket price” declined by 17% to US\$19.18/kg on a China domestic basis. Prices on both domestic and FOB China basis remain down significantly from the same time last year. Subsequent to the end of the period there is emerging evidence of improved supply-side discipline in China resulting in higher offer prices for Rare Earths products. Since the end of June 2013, the “basket price” on a China domestic basis has increased 19% to US\$21.57/kg.

Rare Earths Prices (US\$/kg)						
Rare Earths Oxide	FOB China			China domestic		
	Average Price Over Quarter			Average Price Over Quarter		
Purity 99% min	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013
Lanthanum Oxide	24.64	11.00	8.42	12.61	7.15	5.43
Cerium Oxide	24.79	11.85	8.49	12.80	7.20	5.44
Neodymium Oxide	122.14	79.15	65.71	88.10	52.64	45.30
Praseodymium Oxide	122.86	85.00	77.64	82.04	58.14	57.91
Samarium Oxide	82.86	25.00	19.36	12.08	7.71	5.88
Dysprosium Oxide	1085.71	630.00	561.43	717.70	345.35	246.74
Europium Oxide	2412.86	1600.00	1110.71	1266.10	838.37	636.24
Terbium Oxide	2074.29	1300.00	954.29	1037.79	617.81	481.80

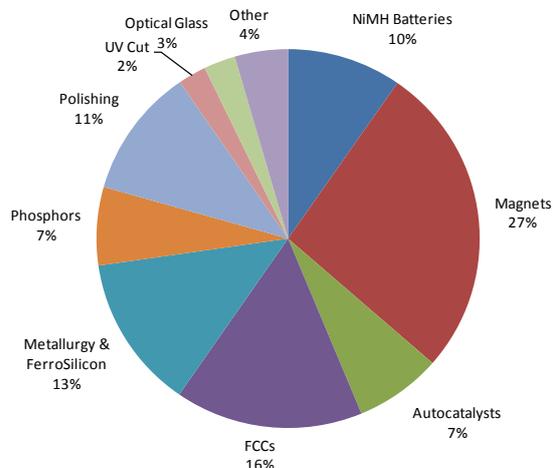
INDUSTRY OUTLOOK

Lynas has projected Rare Earths demand to grow at above-GDP rates over the medium term driven by increases in demand from key sectors such as Rare Earths permanent magnets, autocatalysts and fluid cracking catalysts (FCCs). These three end markets are projected to account for around half of global Rare Earths demand by 2015.

Projected REO demand by sector

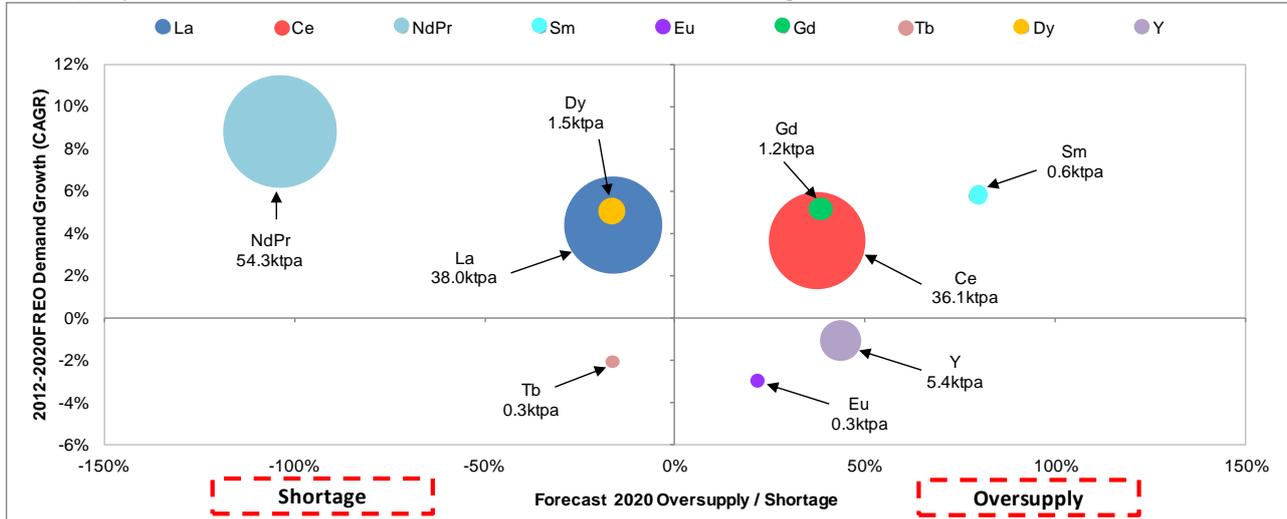
Sector	CAGR 2012-2018	Rare Earths used
NiMH Batteries	3.3%	La, Nd
Magnets	10.1%	NdPr, Dy
Autocatalysts	6.0%	Ce
FCCs	8.0%	La
Metallurgy & FerroSilicon	3.4%	CeLa
Phosphors	-1.2%	Eu, Tb, Y, Ce, La
Polishing	4.8%	CeLa
UV Cut	3.0%	Ce
Optical Glass	5.0%	La, Gd
Other	3.0%	La, Ce, Nd, Pr, Sm, Gd, Y
Total demand	5.8%	

2015 projected REO demand by application



By the end of the decade, Lynas projects that these sector demand growth profiles could create supply shortages in certain Rare Earths element markets, most likely in Neodymium/Praesodymium and to a lesser extent, Lanthanum.

2020 projected elemental market balances and demand growth rates



Notes: Bubble size is reflective of 2020 forecast REO demand. Oversupply / Shortage equal to $(\text{REO Supply} - \text{REO Demand}) / \text{REO Supply}$; i.e. 10ktpa Supply, 20ktpa Demand equal to -100% Shortage. Lynas' assumptions in relation to RE supply are Chinese official production remains flat at ~94ktpa to 2020 (no allowance has been made for additional illegal mining supply in China) and that the only additional non-Chinese capacity to come on line is Lynas at 22ktpa and Molycorp at 19ktpa REO.

Disclaimer: The Rare Earths market data on pages 10 and 11 have been sourced from independent analysis of end application demand, along with Lynas estimates of quantities of Rare Earths end use in various key applications. Although Lynas believes that the outcomes expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Forward-looking statements are based on assumptions and contingencies which are subject to change without notice. Factors that could cause actual results to differ materially from those in forward-looking statements include new Rare Earths applications, the development of economic Rare Earths substitutes, and general economic, market or business conditions. While Lynas has made every reasonable effort to ensure the veracity of the information presented, Lynas does not guarantee the accuracy and reliability of the estimates, forecasts and conclusions contained herein. Accordingly, the Rare Earths market data in this presentation should be used for general guidance only. There can be no guarantee that actual outcomes will not differ materially from forward-looking statements.