

Appendix 5B

Mining 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

Name of entity

LYNAS CORPORATION LIMITED

ABN

27 009 066 648

Quarter ended ("current quarter")

30 September 2012

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		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	- - (21,526) (2,868)	- - (21,526) (2,868)
1.3 Dividends received	(41)	(41)
1.4 Income taxes paid	-	-
1.5 Other (provide details if material)		
Net Operating Cash Flows	(24,435)	(24,435)
Cash flows related to investing activities		
1.6 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (47,319)	- - (47,319)
1.7 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.8 Loans to other entities	-	-
1.9 Loans repaid by other entities	-	-
1.10 Proceeds from issues of shares, options, etc.	226	226
1.11 Other (security deposits) (ii)	(1,016)	(1,016)
Net investing cash flows	(48,109)	(48,109)
1.12 Total operating and investing cash flows (carried forward)	(72,544)	(72,544)

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1.12	Total operating and investing cash flows (brought forward)	(72,544)	(72,544)
	Cash flows related to financing activities		
1.13	Proceeds from sale of forfeited shares	-	-
1.14	Proceeds from borrowings	-	-
1.15	Repayment of borrowings	-	-
1.16	Dividends	-	-
1.17	Interest and other items of a similar nature received	901	901
1.18	Interest and other costs of finance paid	(6,201)	(6,201)
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(5,300)	(5,300)
	Net increase (decrease) in cash held	(77,844)	(77,844)
1.20	Cash at beginning of quarter/year to date	205,438	205,438
1.21	Exchange rate adjustments	(917)	(917)
1.22	Cash at end of quarter (i)	126,677	126,677

- (i) Cash at the end of the quarter is represented by unrestricted cash of \$73.9M and restricted cash of \$52.8M. The restricted cash is only available to fund capital expenditure associated with the Phase 2 expansion of the Concentration Plant at Mount Weld and the Lynas Advanced Materials Plant in Malaysia.
- (ii) The security deposits represent payments in the quarter to 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.

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**Payments to directors of the entity and associates of the directors
Payments to 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	425
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 **Explanation necessary for an understanding of the transactions**

Salaries, fees and consulting services at standard commercial rates.

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 \$US'000	Amount used \$US'000
3.1	Loan facilities (including Convertible Bonds) (i)	450,000	450,000
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"). Further the Group has a US\$225M Convertible Bond on issue. These facilities have been fully drawn with A\$ 52.8M of the Sojitz Facility proceeds being held as restricted cash at 30 September 2012 to specifically fund the Phase 2 Capital expenditure programme of the Group.

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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development (Phase 1 - \$14.3M, Phase 2 - \$19.3M, Other - \$6.6M)	40,164
4.3	Production	30,634
4.4	Administration & Interest (i)	3,289
Total (i)		74,087

- (i) The total forecasted cash out flow for the period does not include the transfer of funds as prescribed under the Sojitz Facility between the Groups unrestricted and restricted cash accounts. During the period ending 31 December 2012 the Group expects to transfer from its unrestricted cash accounts to its restricted cash accounts \$5.4 million of the \$7.2 million required to meet the next semi-annual interest payment due to Sojitz in March 2013.

Funding facility

The Group continues to progress discussions with a number of financial institutions with respect to its future working capital and funding requirements for both general operating expenditure purposes and for the Phase 1 and Phase 2 production ramp-ups.

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	13,003	25,951
5.2	Deposits at call	60,884	98,337
5.3	Bank overdraft	-	-
5.4	Other (Restricted cash – refer to item 3.2 (i))	52,790	81,150
Total: cash at end of quarter (item 1.22)		126,677	205,438

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Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	E38/2224 Purchase of Tenement E38/2224	-	100%

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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 (see note 3)	Amount paid up per security (see note 3)
7.1	Preference +securities <i>(description)</i>	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	1,716,159,363	1,716,159,363		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	30,232 100,000 1,000,000	30,232 100,000 1,000,000	\$0.00 \$0.66 \$0.16	\$0.00 \$0.66 \$0.16
7.5	+Convertible debt securities <i>(description)</i>	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				

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7.7	Options <i>(description and conversion factor)</i>		<i>Exercise price (\$)</i>	<i>Expiry date</i>
		500,000	\$1.06	12/12
		1,000,000	\$0.98	07/13
		14,100,000	\$0.66	9/13
		2,700,000	\$0.81	9/13
		100,000	\$0.16	1/14
		200,000	\$0.66	9/13
		24,500,000	\$0.66	10/14
		1,000,000	\$0.66	7/15
		10,500,000	\$1.15	9/15
		1,608,618	\$0.00	9/15
		1,000,000	\$1.60	10/15
		12,900,000	\$1.15	9/15
		200,000	\$2.36	12/15
		420,000	\$0.00	6/16
		4,000,000	\$1.69	9/16
		4,145,000	\$1.69	9/16
		20,245	\$0.00	9/15
		10,323	\$0.00	9/16
		945,000	\$0.00	9/16
		2,000,000	\$1.57	12/16
		1,510,574	\$1.02	9/17
		2,587,722	\$0.00	9/17
7.8	Issued during quarter	1,510,574	1.02	9/17
		2,587,722	0.00	9/17
7.9	Exercised during quarter	30,232	\$0.00	9/14
		100,000	\$0.66	9/13
		1,000,000	\$0.16	1/14
7.10	Expired during quarter	50,000	0.81	8/12
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.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31/10/12
(~~Director~~/Company secretary)

Print name: ANDREW ARNOLD