QUARTERLY REPORT
FOR THE PERIOD ENDING 31 DECEMBER 2019

SUMMARY

- **FINANCIAL PERFORMANCE**
  - Closing cash balance of A$111.8m (Q1 FY20: A$119.1m) after payment of the final (A$11.6m) instalment of the AELB PDF deposit
  - Invoiced sales revenue of A$85.8m (Q1 FY20: A$99.1m)

- **QUARTERLY PRODUCTION**
  - Production delivered in line with guidance:
    - NdPr production: 1,270 tonnes (Q1 FY20: 1,242 tonnes)
    - Total REO production: 3,592 tonnes (Q1 FY20: 3,926 tonnes)

- **SALES & MARKETING**
  - REO sales volume: 3,507 tonnes (Q1 FY20: 4,186 tonnes)
  - Good sales revenue achieved despite market price for NdPr decreasing slightly during the quarter

- **LYNAS 2025 GROWTH PLAN**
  - Kalgoorlie, Western Australia was announced as the location for new processing plant on 9 December 2019
    - WA government awarded Lead Agency status to Kalgoorlie plant project, announced on 19 December 2019
  - Further progress on proposed expansion to the United States:
    - Compliant tender for Heavy Rare Earths separation plant submitted to the US Department of Defence in December 2019
    - Advanced plans for proposed Texas separation plant developed in collaboration with Blue Line Corporation in the U.S., following signing of MOU on 20 May 2019

- **MALAYSIAN REGULATORY**
  - Good progress on planning and documentation on all actions required to satisfy the new conditions specified by the AELB on 16 August 2019 for Lynas Malaysia’s licence renewal
  - AELB audit completed in November found that Lynas operations were “very satisfactory”, the highest rating available
CEO REVIEW

Lynas was pleased to deliver solid revenue performance during the quarter, despite a constrained production environment and subdued market pricing.

NdPr and total Rare Earth Oxide production during the quarter were in line with guidance. Following the reset of the Malaysian processing limit on 1 January 2020, production has ramped up to target rates without any significant issues. We are now preparing the additional reports requested by the regulator and will reapply for a processing limit increase for calendar year 2020.

Following announcement of the renewal conditions for our Malaysian operating licence on 16 August 2019, we have been completing all of the work required to comply with the licence conditions and we are confident of lodging renewal documents that satisfy these conditions.

Progress on our Lynas 2025 growth initiatives continues apace. In keeping with our commitment to confirm the location for our new Western Australian plant by the end of calendar year 2019, on 9 December 2019 we announced that we have signed an option on a site in Kalgoorlie for the new plant. The plant will create new jobs and represents a first step towards establishing a critical minerals hub in the Goldfields region. Project planning is well advanced and the project has been awarded Lead Agency status by the Government of Western Australia.

We are starting to generate some cash costs associated with the Lynas 2025 growth initiatives, including project management and engineering services. While these costs were only in the order of A$0.5 million in the December quarter, these costs will continue to increase in the coming quarters.

On 13 December 2019, we announced our intention to submit a compliant tender to the United States Department of Defence for a Heavy Rare Earths separation plant in the U.S.. We have now submitted the tender and will provide further information as it is received from the United States Department of Defence.

We continued to receive active support from the governments of Australia, Western Australia, Japan and the U.S., and the City of Kalgoorlie Boulder for the Lynas 2025 plan which sees the diversification of our industrial Rare Earths processing footprint.

MALAYSIA UPDATE

As announced on 16 August 2019, the Malaysian government renewed the operating licence for the Lynas Malaysia plant. Subject to meeting specified conditions over the six month period, this renewal provides a pathway for our continued operation in Malaysia. Lynas is confident of lodging documents that satisfy these conditions, prior to the renewal date in early March 2020.

During the quarter, Lynas has continued to engage productively with local stakeholders and communities. In the December quarter, we welcomed 390 visitors to our plant including visitors from Institute of Engineers Malaysia, Pahang Institute of Chemistry, IAEA Postgraduates in Radiation Protection and Safety, Royal
Military College Alumni and Roskill Conference participants. In all cases our visitors provided positive feedback including that it was well worth their time to see the plant with their own eyes.

Our excellent CSR record continued through the quarter and was recognised by Lang International with Lynas Malaysia receiving their Best in CSR Award.

Lynas continues to proactively engage with key NGOs and our local communities directly and this week we commenced a new communication programme in major Malaysian media. Samples of the materials published are appended to this report.

As announced on 17 January 2020, Lynas has received documents initiating a judicial review challenge relating to the processes followed by the Government of Malaysia in reaching the August 2019 decision to renew Lynas Malaysia’s full operating licence. The judicial review application has now been fixed for a hearing on 25 March 2020.

SAFETY AND ENVIRONMENT

Lynas is committed to ensuring the Company’s operations in Australia and Malaysia are consistent with national and international safety and sustainability best practice. Lynas has established extensive processes to ensure that our operations are safe for employees, safe for the environment and community, and secure for our customers.

The Company-wide 12-month rolling Lost Time Injury Frequency Rate, as at the end of December 2019, was 1.0 per million hours worked.

During November, the AELB (Atomic Energy Licensing Board) completed its pre-licence renewal audit of the Lynas Malaysia operations. All regulatory conditions were in compliance. The audit result was “Very Satisfactory”, which is the highest performance rating. This is the third audit in a row that we have maintained a “Very Satisfactory” performance rating.

In line with our commitment to international environmental best practices, detailed environmental monitoring since the start of Lynas Malaysia’s operations in Kuantan in 2012 has consistently demonstrated that Lynas Malaysia is compliant with regulatory requirements and international standards. Information concerning the Company’s environmental monitoring programs, including monitoring data, is available at www.lynascorp.com.
MARKETING & SALES

<table>
<thead>
<tr>
<th></th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume REOt</td>
<td>5522</td>
<td>5030</td>
<td>4723</td>
<td>4186</td>
<td>3507</td>
</tr>
<tr>
<td>Sales Revenue</td>
<td>A$79.9m</td>
<td>A$101.3m</td>
<td>A$87.5m</td>
<td>A$99.1m</td>
<td>A$85.8m</td>
</tr>
<tr>
<td>Average Selling Price</td>
<td>A$14.5/kg</td>
<td>A$20.1/kg</td>
<td>A$18.5/kg</td>
<td>A$23.7/kg</td>
<td>A$24.5/kg</td>
</tr>
<tr>
<td>Sales Receipts (cash)</td>
<td>A$77m</td>
<td>A$88m</td>
<td>A$106m</td>
<td>A$96m</td>
<td>A$83m</td>
</tr>
</tbody>
</table>

During the quarter Lynas continued to serve the strong NdPr demand from our key customers, in particular in Japan, despite reduced production caused by the Malaysian regulatory limit on concentrate processing. This has ensured that no business interruption or reduction was experienced by our customers.

While the NdPr market price decreased slightly in the December quarter, Lynas managed to further increase the average selling price by obtaining higher prices for our mixed Heavy Rare Earth product (SEG) and for our Lanthanum (La) and Cerium (Ce) products:

The price obtained for SEG is increasing due to the increase in the Dysprosium (Dy) and Terbium (Tb) content of SEG as we start blending Duncan ore into the feed. In addition, the market prices of Dy and Tb are increasing as the global supply of Heavy Rare Earths decreases. Relevant factors have included Myanmar imports into China being banned and a reduction in Chinese ionic clay mining quotas due to the high environmental impact of in situ leaching. The market’s increasing focus on Dy and Tb availability and the increasing proportion of these elements in the mined resource at Mt Weld validate Lynas’ strategy to invest in Heavy Rare Earths separation.

The quality improvements and product customisation achieved in the La and Ce product family have started to pay off, leading to an increased average selling price for this product family despite the market price trend. Lynas continues to develop our La-Ce specialties business, a strategic move that will further enhance the value of this business independently of market price.

The Chinese light Rare Earth market is currently oversupplied with concentrate from the U.S. and Africa, leading to local market structural modifications, increased competition and continued weak prices. Future trends depend on how the China central government addresses this new situation.
NdPr China Domestic Price (VAT excluded)

<table>
<thead>
<tr>
<th></th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$/kg</td>
<td>39.3</td>
<td>38.5</td>
<td>39.1</td>
<td>39</td>
<td>36.2</td>
<td>37.1</td>
<td>35.6</td>
<td>35.9</td>
</tr>
<tr>
<td>Base</td>
<td>100</td>
<td>98</td>
<td>99</td>
<td>99</td>
<td>92</td>
<td>94</td>
<td>91</td>
<td>91</td>
</tr>
</tbody>
</table>

Heavy Rare Earth supply has been reduced as the China central government reduced mining quotas for ionic clay (the main source of Heavy Rare Earths in China) due to environmental concerns and the recent ban on imports of similar material from Myanmar. As the future growth of the electric vehicle market is expected to translate into a sharp increase in demand for Dy and Tb, the market is anticipating this future shortage and most industry participants expect Heavy Rare Earth prices to continue increasing.

Dy China Domestic Price (VAT excluded)

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<tr>
<th></th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY19</th>
<th>Q2 FY20</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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<tbody>
<tr>
<td>US$/kg</td>
<td>146</td>
<td>160</td>
<td>221</td>
<td>237</td>
<td>202.2</td>
<td>203.3</td>
<td>194.3</td>
<td>209</td>
</tr>
<tr>
<td>Base</td>
<td>100</td>
<td>110</td>
<td>151</td>
<td>163</td>
<td>138</td>
<td>139</td>
<td>133</td>
<td>143</td>
</tr>
</tbody>
</table>

OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
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<tbody>
<tr>
<td>Ready for Sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Volume Total</td>
<td>5220 REOt</td>
<td>4422 REOt</td>
<td>5444 REOt</td>
<td>4651 REOt</td>
<td>3926 REOt</td>
<td>3592 REOt</td>
</tr>
<tr>
<td>Ready for Sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Volume NdPr</td>
<td>1579 REOt</td>
<td>1223 REOt</td>
<td>1591 REOt</td>
<td>1505 REOt</td>
<td>1242 REOt</td>
<td>1270 REOt</td>
</tr>
</tbody>
</table>

Lynas Malaysia did not receive regulatory approval for an uplift in the lanthanide concentrate processing limit for Calendar Year 2019 (CY19). As a result, production during the September and December quarters was managed at reduced rates. The total NdPr production for CY2019 was slightly higher than the previous calendar year, in accordance with guidance. Total REO production was lower as we took the opportunity to make a number of circuit upgrades to improve quality. These upgrades affected production of the lower value La and Ce products during the quarter.
At Mt Weld, optimisation of the circuit changes (pre-leach to reduce carbonate levels in concentrate and kiln drying of concentrate) described last quarter to deal with the increased carbonate and crandallite in the ore continued. There was a noticeable improvement in Cracking and Leaching performance at Kuantan as this concentrate was received and processed. The processing of Duncan ore, which has increased amounts of Heavy Rare Earths including Dysprosium and Terbium in the ore blend, continues.

Mt Weld Pit looking north. Mining Campaign 3 will be completed during this coming quarter.
Mt Weld aquifer recharge wells after heavy rain in early January 2020, the first time with water since installation completed in 2019. The sump collects water that would otherwise run off into a nearby salt lake.
FINANCE

CASH POSITION

A summarised cash flow for the quarter ended 31 December 2019 is set out below.

<table>
<thead>
<tr>
<th>CASH FLOW</th>
<th>A$ million Dec 19 quarter</th>
<th>A$ million Dec 19 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Inflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>83.4</td>
<td>179.2</td>
</tr>
<tr>
<td>Proceeds from exercise of warrants</td>
<td>-</td>
<td>11.6</td>
</tr>
<tr>
<td>Cash Outflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of production, administration and royalties</td>
<td>(67.9)</td>
<td>(141.4)</td>
</tr>
<tr>
<td>Capex and development</td>
<td>(7.2)</td>
<td>(13.8)</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(2.3)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Placement of term deposit</td>
<td>(11.6)</td>
<td>(11.6)</td>
</tr>
<tr>
<td>Net exchange rate adjustment</td>
<td>(1.7)</td>
<td>0.3</td>
</tr>
<tr>
<td>OPENING CASH BALANCE</td>
<td>119.1</td>
<td>89.7</td>
</tr>
<tr>
<td>CLOSING CASH BALANCE 31 DECEMBER 2019</td>
<td><strong>111.8</strong></td>
<td><strong>111.8</strong></td>
</tr>
</tbody>
</table>

FOREX

The currency composition of the Group’s cash at 31 December 2019 was A$20.1m, US$40.1m, MYR96.3m and RMB4.1m. The A$ strengthened against the US$ and the MYR over the quarter, resulting in a foreign exchange loss for the period.

ACCELERATED DEPRECIATION ON CRACKING AND LEACHING ASSETS

In August 2019, the renewal of the Lynas Malaysia operating licence included a condition to relocate our Cracking and Leaching operations from Malaysia to Western Australia within 4 years. Consequently, we have adjusted the expected useful lives of the assets related to this activity within Lynas Malaysia in line with this condition and they will be depreciated at an accelerated rate. The resulting additional depreciation charged in the half-year ended 31 December 2019 is expected to be approximately MYR16.8m (A$5.9m) while the additional depreciation charge for the year ending 30 June 2020 is expected to be approximately MYR42.1m (A$14.7m).
Meeting our commitment to Malaysia

The safety of our people, our communities and the environment will always be our first priority.

Lynas Malaysia is safe for our people
Our safety performance continues to improve. We recently celebrated 461 days Lost Time Injury Free in August 2019.

Lynas Malaysia is safe for our communities
Our state of the art environmental controls for water, gas and solid residues ensure there’s no pathway to the surrounding environment. There have been no public health or environmental incidents in 7 years of operation.

Lynas Malaysia is safe for the environment
Environmental monitoring shows no effect on the environment and no increase in background radiation at 1 km, 5 km, 10 km and 20 km from the plant.

Lynas Malaysia is compliant with all regulations and international best practice
The Pakatan Harapan government’s 2018 Executive Review Committee found Lynas complies with relevant regulations and voluntarily adopts international best practice.

Four scientific reviews have found Lynas Malaysia to be low risk and compliant with regulations
The IAEA (International Atomic Energy Agency) states that “…risks to members of the public and to the environment associated with the operation of Lynas Advanced Material Plant are intrinsically low.”

Claims by the opposition to Lynas’ operations are unsupported
The IAEA (International Atomic Energy Agency) states that “…the fears demonstrated by those who oppose the continuation of the operations did not find any support on scientific evidence.”


Learn more at www.lynasfacts.com
Meeting our commitment to Malaysia

Sustainability is at the heart of everything we do
Lynas has been built from the ground up as an environmentally responsible producer of Rare Earths.

Gold Medal CSR rating from EcoVadis
Lynas Malaysia ranks in the top 5% of companies evaluated internationally on environment, labour and human rights, ethics and sustainable procurement.

We follow strict environmental standards and international best practice
Lynas Malaysia has been certified to ISO standards for Environmental Management since 2013.

We have an ethical and transparent supply chain
Life Cycle Assessments evaluate the environmental impact of our products from our mine in Western Australia to end products, such as magnets.

We make a positive contribution to our local communities
We actively contribute to local education, health, sport and infrastructure and we provide support to disadvantaged members of our communities.

Learn more at www.lynasfacts.com
Meeting our commitment to Malaysia

We are contributing to Malaysia’s prosperity
Lynas has over 1,000 employees and contractors and makes a significant contribution to the economy.

Lynas Malaysia employs Malaysians
97% Malaysian employees. Over 4,000+ direct and indirect jobs created through Lynas Malaysia.

Lynas Malaysia invests in the local and Malaysian economy
RM2.6 bn invested in the plant and equipment. Local suppliers given priority. Over RM600m spent in the local economy each year.

Lynas' workforce benefits from skill development
90% skilled or highly skilled jobs paid with salaries well above the Malaysian average salary. Our employees received 19,000 hours of training in FY2019.

Lynas supports research and education
13 research projects conducted with local partners in FY2019. 240 students benefiting from local STEM education.

Learn more at www.lynasfacts.com
Lynas Rare Earths are contributing to a greener planet

Rare Earth materials sustainably produced at Lynas Malaysia are helping to reduce greenhouse gas emissions.

Lynas Malaysia is an important supplier to Industry 4.0 manufacturers
Rare Earth materials are essential inputs to green and high tech industries around the world.

Rare Earths help reduce pollution
Lynas Malaysia’s Cerium product is used in catalytic converters which reduce car emissions.

Rare Earths are essential to hybrid cars
Lynas Malaysia’s NdPr product is used in permanent magnet motors that are smaller, lighter and more efficient.

Rare Earths are enabling the green revolution
Lynas Malaysia’s sustainably produced Rare Earth products are used in electric vehicles and wind turbines.

Learn more at www.lynasfacts.com