QUARTERLY REPORT
FOR THE PERIOD ENDING 31 DECEMBER 2018

SUMMARY

- FINANCIAL PERFORMANCE
  - Invoiced sales revenue of A$79.9m and sales receipts of A$77.0m in the December quarter
  - Cash balance of A$53.7m with early January debt repayment of US$3.1m, reducing JARE loan to US$146.9m
  - AELB security deposit payment of US$7.8m (A$10.7m), bringing the total security deposit paid to date to US$42.2m.

- MARKET DYNAMICS
  - Record REO sales volume of 5522 tonnes during the quarter
  - Continued strong customer demand satisfied by drawdown of inventory
  - All FY2019 La output is now committed via long term customer contracts
  - Published NdPr price remained low during the quarter

- PRODUCTION PERFORMANCE
  - Over 600 tonnes of NdPr produced in October for the 2nd consecutive month
  - REO production of 4,422 tonnes, down from 5,220 tonnes in the September quarter due to final Lynas NEXT upgrades and temporary production halt in December
  - Kuantan plant restarted on schedule at the start of January
  - Mining Campaign 3 commenced

- LYNAS NEXT PROGRAMME
  - Final commissioning of new Nd and Pr separation circuit and first production of separated Nd delivered during the quarter

CEO REVIEW

The company's business operations performed well during the quarter and customer demand remains strong.

Over 600 tonnes of NdPr was produced in October 2018 for the second consecutive month, confirming our ability to sustainably produce at this rate. November and December production was affected by the final commissioning of our Nd and Pr separation processes which entailed the shutdown of 1 of the SX5 NdPr production trains and the hold up of material in the new separation stages. As previously notified, production was also temporarily halted in December as we reached the annual approved limit for processing of lanthanide concentrate. The combined effect was a reduction in NdPr production by over 400 tonnes. Our team used this time to complete a number of Lynas NEXT upgrades and other works that we are unable to undertake while the plant is operating. Production recommenced at the start of January.

While sales revenue was reduced as a result of the reduced production, our sales team, in conjunction with our partner in Japan (Sojitz), ensured we fulfilled all orders from our Japanese customers, further strengthening those relationships.

The addition of separated Nd and Pr to our product mix is a significant development for our company and for our customers who look forward to accessing a full suite of Lynas Rare Earth materials. As a result of innovation by our highly skilled inhouse team, we are separating these products in a much more cost effective way than was incorporated in the original design of the plant.

Looking to broader Rare Earths market conditions, the China domestic published price remained low at an average of US$39.4/kg NdPr during the quarter. However, we continue to see strong global demand and Lynas' position as the only miner and producer of rare earth materials outside China is viewed favourably by the global manufacturing supply chain.

In Mt Weld, Western Australia, we were pleased to commence Mining Campaign 3 during the December quarter.

As evidenced by our results, our production and sales performance remained strong during the quarter, despite the temporary disruptions and the regulatory matters dealt with in Malaysia in the quarter.

Lynas is proud to deliver another strong quarter and we are excited by the opportunity to deliver an increased range of world-class materials to customers around the world from our plant in Malaysia.

In Malaysia we were pleased that the Review Committee's report, released on 4 December 2018, confirmed that Lynas Malaysia's operations are low risk and that Lynas Malaysia complies with applicable laws. We are committed to continuing to be a valuable part of the Malaysian economy and to continue to improve our business. We are now working to implement the Review Committee's recommendations.

We are also continuing to liaise with the Malaysian government about the new conditions announced on 4 December 2018 which are outlined in further detail below.

As announced on 30 October 2018, Lynas' ASX classification has been changed to a mining production entity. As a result, Lynas will continue to lodge Quarterly Activity Reports, however, we will no longer lodge Quarterly Cashflow Reports in the form of an Appendix 5B.

MALAYSIA UPDATE

As noted in the September report, the Malaysian government appointed a Review Committee to evaluate Lynas Malaysia's operations including safety, health and environment aspects, and residue storage. During the December quarter, the Review Committee conducted an extensive tour of Lynas' operations, reviewed data from Lynas' monitoring, relevant regulators and peer-reviewed research, met with regulators, independent experts and local community members, and conducted a public hearing in Kuantan to hear evidence on Lynas' operations.

The Review Committee's report was released on 4 December 2018 and key findings included:

- Lynas Malaysia is compliant with applicable laws
- Lynas Malaysia's operations are low risk
- The Review Committee found no breaches of our operating licence

As detailed in our update on 5 December 2018, the Review Committee identified many positive aspects of Lynas Malaysia's operations, including:

- The operations are based on controlled technologies and procedures with low risk
- Lynas Malaysia voluntarily adopts international standards and practices.
- Lynas Malaysia meets quality investment criteria of high technology industries, with an emphasis on R&D and creating high-performance jobs with skills and knowledge-intensive jobs.
- Employees' exposures to radiation and non-radiation hazards were below the permitted level and occupational health surveillance does not show any disparity in health status.

The Review Committee outlined a number of recommendations for implementation by Lynas and the government, as summarized in the Lynas update dated 5 December 2018. In keeping with our culture of constant improvement, Lynas is working to implement the Review Committee's recommendations.

Separately, on 4 December 2018, the Ministry for Energy, Science, Technology, Environment and Climate Change (MESTECC) released a statement relating to the decision of the Ministry to subject Lynas Malaysia to two new pre-conditions for its licence renewal on 2 September 2019 and future permission renewals in relation to residue management.

As announced on 3 January 2019, Lynas has appealed one of the new condititions which requires the export of Lynas Malaysia's Water Leach Purification (WLP) residue out of Malaysia before 2 September 2019. Key issues for the appeal include the availability of regulatory approvals, the proposed timetable for export of WLP residue and the significant cost. Lynas is continuing its discussions with the Malaysian government to seek to resolve these issues.

As noted in our September quarter report, there are certain ongoing approvals related to operations of the business in Malaysia and as Lynas continues to ramp up operations, some conditions in the operating licences may require amendments to accommodate expansions of the business.

In late October 2018, Lynas Malaysia received an extension of permission for NUF temporary storage at the Lynas Malaysia site until 15 February 2019. The MESTECC Ministry statement on 4 December 2018 stated that the submission of an action plan on the disposal of NUF is a pre-condition for licence renewal. Lynas Malaysia has already submitted its action plan and is progressing its work with the Department of Environment to execute the key components including implementation of a number of recycling proposals and the designation of Lynas Malaysia as prescribed premises for the management and disposal of the NUF residue.

MALAWI UPDATE

The group's Malawi mining lease ML0122/2003 has been the subject of an ongoing dispute. The value of the group's Malawi assets was written down to nil in the group's accounts several years ago, and no capital expenditure has been made in Malawi for several years.

During the quarter, the Malawi government purported to cancel the group's Malawi mining lease. In response, the group will initiate judicial review proceedings in the Malawi courts challenging that decision.

SAFETY AND ENVIRONMENT

Lynas continues to work to ensure that the Company's operations in Australia and Malaysia are consistent with national and international safety and sustainability best practice principles. Lynas has established extensive processes to ensure that its operations are safe for employees, safe for the environment and community, and secure for its customers.

The Company-wide 12-month rolling Lost Time Injury Frequency Rate, as at the end of December 2018, was 1.9 per million hours worked. There were no lost time injuries during the December quarter.

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 as imposed by Malaysian law.

Information concerning the Company's environmental monitoring programs, including monitoring data, is available at www.lynascorp.com.

MARKETING & SALES

	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Sales Volume REOt	4495	4375	4299	3896	5522
Sales Revenue	A$93.0m	A$85.9m	A$91.7m	A$105.6m	A$79.9m
Average Selling Price	A$20.7/kg	A$19.6/kg	A$21.3/kg	A$27.1/kg	A$14.5/kg
Sales Receipts (cash)	A$116.5m	A$79.7m	A$98.6m	A$105.2m	A$77.0m

Sales performance in the December quarter was affected by the temporary halt to production in December. Whilst total tonnes sold was a new record, the product mix skewed towards La and Ce compared to previous quarters thus delivering a lower average selling price.

As we had anticipated the temporary halt to production, we built stock prior to December with our partner in Japan (Sojitz). Accordingly, we avoided any negative impact to our Japanese customers, who appreciated this proactive support. Our Kuantan plant restarted on schedule at the start of January.

We expect our leading position in Japan to further strengthen following the addition of separated Nd and Pr to our product range from December 2018.

Demand for a sustainable permanent magnet supply chain alternative to Chinese supply is growing quickly as a result of the current trading uncertainties between the USA and China. Despite the current issues in Malaysia, Lynas and its Japanese partners are seen as the best option to provide such security of supply, using Lynas as a secured raw material supplier and Japan, Thailand and Vietnam as a stable performing magnet manufacturing base. This supply chain is regarded by customers as important to secure the growth of the electric vehicles market, which is opting mainly for Rare Earth based technologies, which optimise the energy efficiency of electric vehicles, and facilitate reductions in battery size, vehicle cost and environmental impact.

We are very pleased that following our sustained product quality improvements, Lynas has now secured all of its FY2019 Lanthanum output on long term contracts with customers outside China.

We continue to develop new Cerium based applications and we expect to be able to communicate positive results during 2019.

A decision was made to retain our stock of SEG during the December quarter, as we consider the current low prices for Dy and Tb to be temporary. As new applications for electric vehicles grow, the demand for high temperature resistant motors is projected to increase, which should result in increased demand for Dy and Tb. The only alternative to these raw materials (ionic clay production in Southern China) continues to face growing concerns regarding its environmental impact, and as a result is tightly controlled by the China central government.

	NdPr China Domestic Price (VAT excluded)							
	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Oct	Nov	Dec
US$/kg	44.6	45.5	43.7	40.5	39.4	39.5	39.1	39.7
Base 100	100	102	98	91	88	89	88	89

NdPr prices, and Rare Earths prices in general, remained low during the December quarter. The major reason is the continuing low demand for downstream products in China. Lynas believes this situation is a result of the current trading uncertainties between the USA and China and has triggered a reduction of inventories and a decrease in confidence of the main economic players in China, which directly affects domestic demand for magnets.

Although it is difficult to foresee how long this situation will last, the company is confident this is a temporary situation since the market fundamentals are unchanged, including the need for a strong energy efficient supply chain.

OPERATIONS

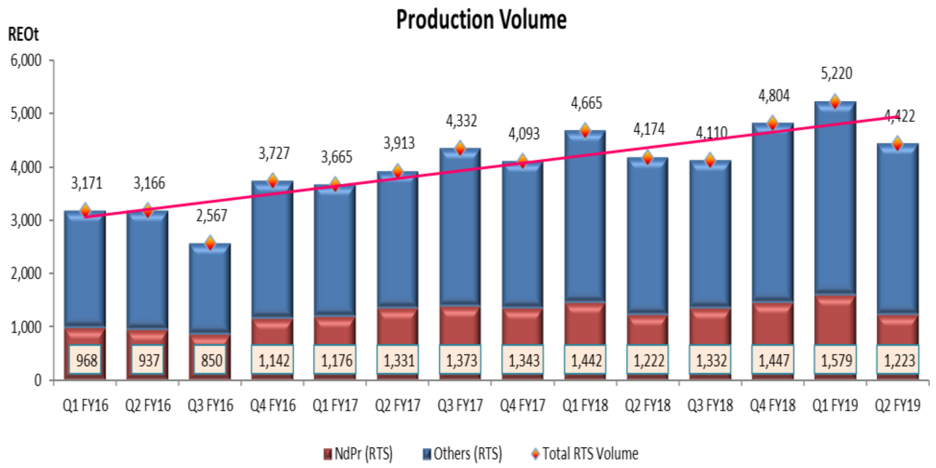
	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Ready for Sale Production Volume Total	4665 REOt	4174 REOt	4110 REOt	4804 REOt	5220 REOt	4422 REOt
Ready for Sale Production Volume NdPr	1442 REOt	1222 REOt	1332 REOt	1447 REOt	1579 REOt	1223 REOt

In October, Lynas produced over 600 tonnes of NdPr for the second consecutive month at our plant in Malaysia. However, overall NdPr production for the December quarter was lower due to a combination of the successful start up of the new Nd and Pr separation circuit and a temporary production halt once the annual concentrate processing limit was reached, both of which are outlined below.

In late November, one of 4 kiln lines was shutdown for planned major maintenance and Lynas NEXT upgrades related to the new Nd and Pr separation circuit. A temporary shutdown of the remaining 3 kiln lines commenced on 3 December 2018, with upgrades completed during the temporary production halt to minimise downtime. Heat up of the kilns commenced in late December and production recommenced at the start of January.

The production of separated Nd and Pr oxides is the last significant Lynas NEXT milestone and had been postponed whilst the ramp up to 600 tonnes per month of NdPr was proven. At the beginning of November, one of the four SX5 trains (which separate NdPr from LaCe) was shutdown and converted to a two stage circuit to produce separated Nd and Pr. The first stage circuit (SX5T2) was successfully commissioned and over 50 tonnes of Nd oxide was produced prior to the production halt. The start up of the second stage (SX6 T1) commenced in mid-November and some Pr chloride was also produced prior to the halt. This material will be precipitated and calcined into an oxide in early 2019, making it ready for sale.

Lynas has not yet received one of the business-as-usual approvals sought in 2018, which was for an increase in the annual volume of lanthanide concentrate that can be processed at Lynas Malaysia in a calendar year. As a result, production was temporarily halted in December 2018 in order to remain compliant with the regulatory limit for calendar year 2018. The concentrate processing limit reset in January 2019 and with the completion of Lynas NEXT upgrades during the December quarter, the plant is now achieving record recoveries.



Construction of a third water storage pond at the Lynas Malaysia plant continued during the December quarter and is expected to be operational during the March quarter.

At the Lynas mine in Mt Weld, Western Australia, overburden removal for Mining Campaign 3 has commenced. Hampton, a locally based company who conducted the previous two mining campaigns, is the contractor for this mining campaign.

Campaign 3 overburden blasting. Looking northwest

First production of Nd oxide

FINANCE

CASH POSITION

A summarised cash flow for the quarter ended 31 December 2018 is set out below.

CASH FLOW	A$ million	A$ million
	Dec 18 quarter	Dec 18 YTD
Operating Cash Flows		
Receipts from customers	77.0	182.2
Costs of production (including production staff costs)	(56.2)	(116.6)
Administration and overhead payments (including administration staff costs)	(11.3)	(20.0)
Royalty payments	(2.1)	(4.3)
Income tax payments	(0.0)	(0.1)
TOTAL OPERATING CASH FLOWS	**7.4**	**41.2**
Investing Cash Flows		
Payments for property, plant and equipment	(4.1)	(13.3)
Payments for mine development	(2.0)	(2.4)
Deposit of bond	(10.7)	(10.7)
TOTAL INVESTING CASH FLOWS	**(16.8)**	**(26.4)**
Financing Cash Flows		
Interest Received	0.7	0.8
Interest Paid	(4.4)	(4.9)
TOTAL FINANCING CASH FLOWS	**(3.7)**	**(4.1)**
TOTAL MOVEMENT OF FUNDS IN THE QUARTER	**(13.1)**	**10.7**
Net exchange rate adjustment	1.0	0.7
OPENING CASH BALANCE	**65.8**	**42.3**
CLOSING CASH BALANCE 31 DECEMBER 2018	**53.7**	**53.7**

Cash outflows during the December quarter can be summarised as follows:

- Operating cash outflows for the quarter were A$69.6m. This is 3% lower than the cash outflow in the September quarter of A$71.4m and 6% lower than the forecast for the December 2018 quarter of A$73.7m.
- Development and CAPEX cash outflows were A$6.1m (mining campaign A$2.0m and CAPEX A$4.1m). This was A$3.4m lower than forecast. Arising from improved recovery rates and the temporary December production halt at Lynas Malaysia, the timetable for Mining Campaign 3 activities was pushed back slightly. The A$2m lower CAPEX cash flow is timing related with no change to the overall profile.
- Interest payments of A$4.4m primarily related to the half yearly interest payments on the JARE facility and on the remaining convertible bonds.
- In line with our agreement with the AELB to provide a total security of US$50m, during the December quarter we made a further progress deposit of US$7.8m or A$10.7m. The final deposit to reach the US$50m will be made before the end of the 2019 calendar year.
- No further debt repayments were made during the quarter. The cash sweep mechanism in the Financing Agreement with JARE requires measurement of the cash balance at mid year and year end, with repayments of the excess cash level being made in the next month (i.e. January and July).
  Based on the repayment calculation, a debt repayment of US$3.1m was made on 4 January 2019, reducing the JARE loan to US$146.9m.

Closing cash at 31 December 2018	A$ 53.7m
Less: 75% of proceeds from warrants	A$ 9.3m
Balance subject to the cash sweep test	A$ 44.4m
Maximum cash balance under cash sweep test	A$ 40.0m
Excess amount to be paid to JARE (A$)	A$ 4.4m
FX rate as at 31 December 2018	0.705258
Excess amount paid to JARE in US$	US$ 3.1m

FOREX

The currency composition of the Group's cash at 31 December 2018 was A$5.5m, US$16.0m and MYR 74.3m. The US$ and MYR strengthened against the A$ over the quarter, resulting in a foreign exchange gain for the period.