Appendix 4D (Listing Rule 4.2A.3)

Lynas Corporation Ltd (*ACN 009 066 648)*
And Controlled Entities

For the half year ended 31 December 2019

Reporting Period: Half year ended 31 December 2019

Comparative Reporting Period: Half year ended 31 December 2018

Results for announcement to market

In AUD (000's)	31 December 2018	31 December 2019	Change	% Change
Revenue from ordinary activities	179,801	180,120	319	0.2%
Earnings before interest, tax, depreciation, amortisation and treasury charges (EBITDA)	50,797	44,214	(6,583)	(13.0%)
Profit from ordinary activities after tax attributable to members.	19,024	3,888	(15,136)	(79.6%)
Net profit for the period attributable to members	19,024	3,888	(15,136)	(79.6%)

Dividend Information

No dividends have been paid or proposed at 31 December 2019.

Net Tangible Assets

	31 December 2018 (cents)	31 December 2019 (cents)
Net Tangible Assets per share	69.32	79.40

Lynas CORPORATION LTD

ACN 009 066 648

and

Controlled Entities

Interim Unaudited Consolidated Financial Report

For the half year ended December 31, 2019

Corporate Directory Information

ABN 27 009 066 648

Directors

Mike Harding
Amanda Lacaze
Kathleen Conlon
Philippe Etienne
John Humphrey
Grant Murdoch

Company Secretaries

Andrew Arnold
Ivo Polovineo

Registered Office

Level 1, 45 Royal St
East Perth WA 6004
Telephone: +61 8 6241 3800
Fax: +61 8 9225 6842
Email: general@lynascorp.com

Share Register

Boardroom Pty Ltd
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: +61 2 9290 9600
Fax: +61 2 9279 0664
Email: enquiries@boardroomlimited.com.au

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Internet Address

www.lynascorp.com

Lynas CORPORATION LTD

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Lynas CORPORATION LTD

Notes to the interim unaudited consolidated financial statements
For the half year ended December 31, 2019

Directors' Report

The Board of Directors (the "Board" or the "Directors") of Lynas Corporation Limited (the "Company") and its subsidiaries (together referred to as the "Group") submit their report for the half year ended December 31, 2019.

Directors

The names and details of the Company's Directors who were in office during or since the end of the half year and until the date of this report are outlined below. All Directors were in office for this entire period unless otherwise stated.

Mike Harding	Non-Executive Chairman
Amanda Lacaze	Managing Director
Kathleen Conlon	Non-Executive Director
Philippe Etienne	Non-Executive Director
John Humphrey	Non-Executive Director
Grant Murdoch	Non-Executive Director

Review of operations

Highlights during the half year ended December 31, 2019:

- Lynas delivered a solid half year result despite difficult regulatory and market conditions.
- Improved portfolio pricing and reduced costs partially compensated for the reduction in production volume due to regulatory constraints and lower benchmark market prices.
- Comparable sales revenue was achieved in a weak market. The NdPr market price decreased over the half year, but was offset by higher prices for the mixed Heavy Rare Earth product (SEG) and for Lanthanum (La) and Cerium (Ce) products.
- Closing cash balance of $111.8m, including payment of the final $11.6m instalment of the AELB permanent deposit facility (PDF) deposit.
- Significant progress was made on the Lynas 2025 plan which will diversify the company's industrial footprint:
  - An option, on a site in Kalgoorlie for the new Western Australian plant, was signed.
  - The Kalgoorlie project was awarded Lead Agency status by the Government of Western Australia and more recently, Major Project status from the Australian government.
  - Lynas submitted a compliant tender to the U.S. Department of Defence for a Heavy Rare Earths separation plant in the United States.
- Lynas Malaysia received a "Very Satisfactory" audit result from the AELB on November 26, 2019, the highest performance rating available, as part of the pre-licence renewal audit of Lynas Malaysia's operations. This is the third audit in a row that a "Very Satisfactory" performance rating has been received.

Financial and Operational Performance

Sales Volume, Revenue and Costs

Sales by tonnage and value		HY1 19	HY2 19	**FY19**	**HY1 20**
Sales volume (total)	**(REOt)**	9,418	9,736	**19,154**	**7,693**
Sales volume (NdPr)	**(REOt)**	2,893	2,808	**5,701**	**2,710**
Cash receipts from customers	**(A$m)**	182.2	185.3	**367.5**	**179.2**
Sales revenue	**(A$m)**	179.8	183.7	**363.5**	**180.1**
Average selling price	**(A$/kg)**	19.1	18.9	**19.0**	**23.4**
Cost of sales (excl depreciation)	**(A$m)**	(115.6)	(118.1)	**(233.7)**	**(118.4)**
Average cost of sales (excl depreciation) per REOt sold	**(A$/kg)**	12.3	12.1	**12.2**	**15.4**

During the half year, Lynas continued to serve the strong NdPr demand from key customers, particularly in Japan, despite reduced production as a result of the current annual Malaysian regulatory limit on concentrate processing. This ensured that no business interruption or reduction was experienced by our customers. While the NdPr market price decreased in the December quarter, Lynas further increased the average selling price across the product portfolio, by obtaining higher prices for its mixed Heavy Rare Earth product (SEG) and for Lanthanum (La) and Cerium (Ce) products.

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

Total cost of sales excluding depreciation have increased by 2% from HY1 19 primarily due to movements in the MYR/AUD exchange rate over the period.

Notes to the interim unaudited consolidated financial statements
For the half year ended December 31, 2019

Depreciation charges have increased as a result of accelerated depreciation recognised on the Malaysian Cracking and Leaching assets. This charge forms part of the costs of sales for HY1 20 and has arisen due to a reassessment of the assets useful life in light of the new licence conditions.

Market Prices

The average China domestic price of NdPr (VAT excluded) decreased from US$38.6/kg in July 2019 to US$35.9/kg in December 2019.

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.

Lynas continues to focus on serving customer demand and supporting development of the market outside China. Demand in these markets remains strong and Lynas is making excellent progress towards its objective of selling all production to Rest of World markets.

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.

Other Costs

Significant extraordinary general and administrative costs were incurred in relation to the Wesfarmers take-over defence during the period. No further costs in relation to this matter are expected in the second half of FY20. There were also ongoing costs associated with defending the Group against anti-Lynas activists in Malaysia.

Production Volumes

Production Volumes		HY1 18	HY2 18	FY18	HY1 19	HY2 19	FY19	HY1 20
Ready for sale production volume total	(REOt)	8,839	8,914	**17,753**	9,642	10,095	**19,737**	**7,518**
Ready for sale production volume NdPr	(REOt)	2,664	2,780	**5,444**	2,802	3,096	**5,898**	**2,512**

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 half year was managed at reduced rates. The total NdPr production for CY19 was slightly higher than the previous calendar year. The Lynas NEXT project contributed to improvements in recovery particularly toward the end of the period and these should be sustained in the new calendar year. Total REO production was lower as Lynas 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 half year, but reflect continued re-investment in the growth of the business.

Cash and Cash flows

In A$m	HY1 19	HY2 19	FY19	HY1 20
Net operating cash inflows	41.2	62.9	**104.1**	39.1
Net investing cash outflows	(25.5)	(15.1)	**(40.6)**	(23.9)
Net financing cash inflows / (outflows)	(4.9)	(11.9)	**(16.8)**	6.5
Net cash flows	**10.8**	**35.9**	**46.7**	**21.7**
Cash and cash equivalents	53.7	89.7	**89.7**	**111.8**

Strong net operating cash flows were maintained despite a decrease in sales volumes and total REO production volumes. Net investing cash outflows included the final instalment paid as security to the AELB of $11.6m and payments for property, plant and equipment and development expenditure of $13.8m, including costs allocated to non-current assets as part of Mining Campaign 3. These outflows have been offset by proceeds from interest received of $1.5m. Net financing cash inflows increased as a result of $11.6m received through the exercise of warrants during the half year, offset by $1.3m in lease payments and $3.8m in financing costs paid.

Debt and Capital

		HY1 19	HY2 19	FY19	HY1 20
Principal value of JARE loan	(US$m)	153.1	145.0	**145.0**	145.0
Principal value of convertible bonds	(US$m)	15.2	13.7	**13.7**	13.7
Total		**168.3**	**158.7**	**158.7**	**158.7**
Financial income	(A$m)	1.1	1.2	**2.3**	3.8
Financial expenses	(A$m)	(11.7)	(10.3)	**(22.0)**	(8.1)
Gain on extinguishment of debt	(A$m)	-	43.4	**43.4**	-

No convertible bonds were converted during the year, leaving an outstanding principal of US$13.7m at December 31, 2019. The bonds are denominated in US$, and the principal amount of these bonds was unchanged during the half year. In line with the revised terms of the JARE facility announced on June 27, 2019, no principal repayments were made on the JARE loan facility. The facility is also denominated in US$, and the principal amount of the loan was unchanged during the half year. The A$ equivalent present value of the bonds and loan increased due to accretion of interest and exchange rate movements over the period.

The financial expenses have decreased as a result of lower interest expense based on lower principal balances for both the JARE facility and the convertible bonds than the previous year.

Capital structure

During the half year ended December 31, 2019, the Company issued shares as shown below:

	Number (000's)
Shares on issue June 30, 2019	667,802
Issue of shares pursuant to exercised warrants	23,256
Issue of shares pursuant to exercised performance rights	4,321
Shares on issue December 31, 2019	**695,379**

In addition to the ordinary shares on issue there were the following unlisted convertible bonds on issue:

	Number (000's)
Unlisted convertible bonds (Conversion price: $1.00 at a set exchange rate of A$1.00 = US$0.75)	18,203

On July 31, 2019, 23,256,258 unlisted warrants were exercised at a price of $0.50 per warrant, resulting in the issuance of 23,256,258 ordinary shares and the receipt by the Group of $11,628,129. These warrants had been issued to the bond holder group as part of the amendments to the terms of the convertible bonds that were approved by shareholders at the 2016 AGM of shareholders.

Performance rights

As at December 31, 2019, the Company had the following options and performance rights on issue:

	Number (000's)
Performance rights	6,292

Earnings per share

For the year ended December 31	2018	2019
Basic earnings per share (cents per share)	2.87	0.56
Diluted earnings per share (cents per share)	2.78	0.56

Dividends
There were no dividends declared or paid during the half year ended December 31, 2019 (2018: nil) and no dividends have been declared or paid since December 31, 2019.

Malawi operations
Since fiscal year 2012, no further capital investment has been made on the Kangankunde Rare Earths ("KGK") resource development in Malawi and the project remains on hold while the Malawi deposit remains the subject of an ongoing title dispute. As announced on January 22, 2019, the Malawi government has purported to cancel the Group's Malawi mining lease and the Group is initiating judicial review proceedings in the Malawi courts challenging that decision.

Health, Safety and Environment

Lynas is committed to ensuring the Group'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's Western Australian and Malaysian operations maintained certification to the OHSAS 18001 (Occupational Health and Safety Management Systems), ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems) standards during the half year.

The 12-month rolling lost time injury frequency rate as at December 31, 2019 was 1.0 per million hours worked (2018: 1.9 per million hours worked).

The Company continues to carefully manage all residues, air, water and solid, and met or exceeded all current licence requirements.

On November 26, 2019, 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.

Malaysian Regulatory Matters

As announced on February 27, 2020, the Malaysian Atomic Energy Licensing Board (AELB) has renewed the operating licence for the Lynas Malaysia plant for three years expiring March 2023, subject to the following key conditions:

1. Lynas to begin the process of developing the Permanent Disposal Facility (PDF) within the first year from the date of approval of the licence.
2. Lynas must submit a work development plan for the construction of the PDF and report on its development status as determined by the AELB.
3. Lynas must ensure that the Cracking and Leaching plant outside Malaysia is in operation before July 2023. After that period, Lynas will no longer be allowed to import raw materials containing Naturally Occurring Radioactive Material (NORM) into Malaysia.
4. Holding of the financial deposit will be maintained for compliance with the relevant licence conditions.

Lynas has continued to engage productively with local stakeholders and communities. During the half year, we welcomed over 500 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 addition, as recently as February 23, 2020, we welcomed over 2000 visitors at an Open Day at our plant. 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 half year and was recognised by Lang International with Lynas Malaysia receiving the Best in CSR Award.

Lynas continues to proactively engage with key NGOs and our local communities directly and in January 2020 commenced a new communication programme in major Malaysian media.

As announced on 17 January 2020, Lynas has received documents seeking judicial review of 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 been fixed for a hearing on 25 March 2020.

Risk management

The Group takes a proactive approach to risk management. The Directors are responsible for ensuring that risks and opportunities are identified on a timely basis and that the Group’s objectives and activities are aligned with these risks and opportunities.

The Group believes that it is crucial for Directors to be a part of this process, and has established an Audit and Risk Management Committee and a Health, Safety and Environment Committee.

Factors and business risks that affect future performance

Lynas operates in a changing environment and is therefore subject to factors and business risks that will affect future performance. The following factors and business risks could have a material effect on Lynas’ future results from an operations and financial position:

Rare earth prices

Lynas’ revenue is affected by market fluctuations in Rare Earth prices. This is because the product prices used in the majority of Lynas’ sales are calculated by pricing formulae that reference published pricing for various Rare Earths materials. The market price has been volatile in the past because it is influenced by numerous factors and events that are beyond the control of Lynas. These include:

(i) *Supply side factors*

Supply side factors are the most significant influence on price volatility for Rare Earth materials. Supply of Rare Earth materials is dominated by Chinese producers. The Chinese Central Government regulates production via quotas and environmental standards. Over the past few years, there has been significant restructuring of the Chinese market in line with China Central government policy. However, periods of over supply or speculative trading of Rare Earths can lead to significant fluctuations in Rare Earth pricing.

(ii) *Geopolitical Factors*

Recently Rare Earths have been the focus of significant attention, including as a result of the recent trade tensions between the US and China.

The table below illustrates how China domestic prices of NdPr (excluding VAT) have moved since July 2018:

	NdPr China Domestic Price (VAT excluded)					
	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20
US$/kg	40.5	39.4	38.5	39.1	39.0	36.2

Lynas' approach to reducing pricing volatility for its customers includes:
- Promoting fixed pricing to its direct customers, set for periods relevant to customer operations;
- Developing long term contracts that aim to reduce price variations for end users and OEMs such as car makers and wind turbine manufacturers.

Lynas achieved a small price premium compared to the NdPr market price, supported by:
- Sustained demand from the Japanese market;
- The recognition by the market that Lynas is now well established as the second largest producer of NdPr in the world;
- End users placing more importance on being able to trace the origin of rare earths from a sustainable and auditable source of production to their end products, which Lynas can fulfil.

Market competition
Lynas' Rare Earths supply contracts and profits may be adversely affected by the introduction of new mining and separation facilities and any increase in competition in the global rare earths market, either of which could increase the global supply of rare earths and thereby potentially lower prices.

Exchange rates
Lynas is exposed to fluctuations in the US dollar as all sales are denominated in US dollars. The Company borrows money and holds a portion of cash in US dollars, which provides the Group with a partial natural hedge.

Accordingly, Lynas' income from customers, and the value of its business, will be affected by fluctuations in the rates by which the US dollar is exchanged with Australian dollars.

Lynas is exposed to fluctuations in the Malaysian ringgit (MYR) as the currency that dominates the Group's cash operating outflows is MYR. In addition, most of the Group's non-current assets are Lynas Malaysia assets which are denominated in MYR.

Adverse movements in the Australian dollar against the US dollar and the MYR may have an adverse impact on Lynas. The following table shows the average USD/AUD and MYR/AUD exchange rates over the past five and a half years:

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	6 months to December 31, 2019
	$	$	$	$	$	$
USD/AUD	0.8382	0.7283	0.7545	0.7791	0.7156	0.6846
MYR/AUD	2.8828	3.0098	3.2331	3.2832	2.9521	2.8513

A devaluation in the Chinese Yuan would increase attractiveness in Chinese exports and China's internal supply. Fluctuation in the Chinese Yuan against the US Dollar therefore increases the foreign exchange exposure on the Group as well.

Operating and development risks
Lynas' operations and development activities could be affected by various unforeseen events and circumstances, such as hazards in exploration, the ability of third parties to meet their commitments in accordance with contractual arrangements, the realisation of tonnages and grades of ore and performance of processing facilities against design specification. Factors such as these may result in increased costs, lower production levels and, following on from that, lower revenue levels. Any negative outcomes flowing from these operational risks could have an adverse effect on Lynas' business, financial condition, profitability and performance.

Lynas undertakes regular reviews of its operational, development and business interruption risks. Lynas seeks to minimise the potential damage flowing from these risks by obtaining business interruption insurance for certain events and, where available, indemnities from suppliers and contractors.

Debt facilities
Lynas has financing arrangements in place which are subject to acceleration and enforcement rights in the event a default were to arise under them. To date, the Japan Australia Rare Earths B.V. (JARE) loan facility has been secured over all the assets of the Group, other than Malawi assets. Pursuant to the amendments announced on June 27, 2019, JARE has released the following securities: (i) Deed of Charge - All Assets (Malaysia) and (ii) Malaysian Real Property Mortgage.

Enforcement may involve enforcement of security over the assets of Lynas and its material subsidiaries, including appointing a receiver. The principal amount of the JARE facility was US$145.0m as at December 31, 2019. The principal amount will be due for repayment in fixed loan repayments between December 31, 2021 and June 30, 2030, as detailed in Note 15 to the Financial Statements.

In addition, the principal amount of the convertible bonds was US$13.7m as at December 31, 2019, with US$1.5m converted in January 2020. Unless the convertible bonds are fully converted into ordinary shares in Lynas prior to maturity, the remaining principal amount will be due for repayment on September 30, 2020.

In the event significant uncertainty arises in relation to Lynas' ability to fully repay, refinance or reschedule the outstanding balances of the JARE loan facility and the convertible bonds by their respective maturity dates of June 30, 2030 and September 30, 2020, the Group's ability to continue as a going concern may also be affected.

Regulatory and title risk
Changes in legislative and administrative regimes, taxation laws, interest rates, other legal and government policies in Australia and Malaysia may have an adverse effect on the assets, operations and ultimately the financial performance of Lynas and the market price of Lynas shares.

Lynas' mining and production activities are dependent on the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations (including those related to interests in mining tenements and those related to the operation of the Lynas plants in Australia and Malaysia), which may not be granted or may be withdrawn or be made subject to limitations at the discretion of government or regulatory authorities. Although such licences, permits and regulatory consents and authorisations may be granted, continued or renewed (as the case may be), there can be no assurance that such licences, permits and regulatory consents and authorisations will be granted, continued or renewed, or as to the terms of renewals or grants. If there is a failure to obtain or retain the appropriate licences, permits and regulatory consents and authorisations, or if there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions or withdrawn, then Lynas' ability to conduct its mining and production activities may be adversely affected.

The Group requires various licences and approvals for its operations at both sites, and such licences and approvals customarily require renewal on a periodic basis.

Health, safety and environment
Lynas is subject to extensive laws and regulation in respect of the health and safety of our people and communities, and the protection and rehabilitation of the environments within which we operate. Lynas must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the implementation of the regulations by the permitting authority. Changes in weather patterns and unanticipated or severe weather events could also have an adverse impact on Lynas' operations and market conditions.

Health, safety and environment matters are a key focus area for Lynas. The Group is committed to providing and maintaining a healthy and safe work environment and to comply with all relevant environmental legislation and other relevant requirements. Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. These laws sometimes apply retroactively. In addition, a party can be liable for environmental damage without regard to that party's negligence or fault. Given the sensitive nature of this area, Lynas may be exposed to litigation and foreseen and unforeseen compliance and rehabilitation costs despite its best efforts.

Political risks and government actions
Lynas' operations could be affected by government actions in Australia, Malaysia and other countries or jurisdictions in which it has interests. Lynas is subject to the risk that it may not be able to carry out its operations as it intends, including because of a change in government, legislation, regulation or policy. Lynas also may not be able to ensure the security of its assets located outside Australia, and is subject to risks of, among other things, loss of revenue, property and equipment if action was taken by governments, political or social groups or activists, or regulators, or if there was an increase in taxes or government royalties. The emergences of such risks, and their consequences, is difficult to predict and any combination of one or other of the above may have a material adverse effect on Lynas.

The change of government in Malaysia that occurred in May 2018 created additional political focus on the business, which creates additional risks for the business. In order to continue operating the business as currently projected, Lynas will need to continue to receive new licences, renewals of existing licences and variations of the terms of existing licences. Examples may include increases to concentrate import volumes, additional residue storage approvals and periodic renewals of licences. Such amendments would require approval from the relevant regulatory authorities acting in accordance with government policy and licence conditions.

Environmental regulation and performance

The Group is bound by the requirements and guidelines of the relevant environmental protection authorities for the management and rehabilitation of mining tenements owned or previously owned by the Group. Mining tenements are being maintained and rehabilitated following these guidelines. There have been no known breaches of any of these conditions.

We continue to focus on ensuring constructive relationships with regulators and complying with regulatory requirements in both of the jurisdictions in which we operate.

Significant changes in the state of affairs

Except as disclosed in the review of results and operations, and subsequent events, there have been no significant changes in the state of affairs of the Group during the current reporting period.

Auditor's independence declaration

We have obtained an independence declaration from our auditors, Ernst & Young, which follows the Directors' Declaration.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, in relation to the "rounding off" of amounts. Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with the Instrument, to the nearest thousand dollars, unless otherwise stated.

Notes to the interim unaudited consolidated financial statements
For the half year ended December 31, 2019

Subsequent events

On January 17, 2020, bondholders converted US$1.5m of their convertible bonds which resulted in an additional 2.0m shares issued. As a result of these conversions, the remaining liability in respect to the convertible bonds facility has reduced to US$12.1m.

On January 30, 2020, the Group announced that The State Government of Pahang has issued its consent to a site for the PDF for Water Leach Purification (WLP) residue. In additional Lynas Malaysia has appointed Gading Sengarra Sdn Bhd ("GSSB") as the contractor to manage the entire PDF project. The total cost of this project will be MYR 400m. The first payment of MYR 15m was made in January 2020.

On 3 February 2020, the Group announced that the Australian Government has awarded Major Project Status to Lynas' project to establish a new Rare Earths processing plant in Kalgoorlie, Western Australia.

On February 27, 2020, the Malaysian Atomic Energy Licensing Board (AELB) has renewed the operating licence for the Lynas Malaysia plant for three years expiring March 2023, subject to the following key conditions:

1. Lynas to begin the process of developing the Permanent Disposal Facility (PDF) within the first year from the date of approval of the licence.
2. Lynas must submit a work development plan for the construction of the PDF and report on its development status as determined by the AELB.
3. Lynas must ensure that the Cracking and Leaching plant outside Malaysia is in operation before July 2023. After that period, Lynas will no longer be allowed to import raw materials containing Naturally Occurring Radioactive Material (NORM) into Malaysia.
4. Holding of the financial deposit will be maintained for compliance with the relevant licence conditions.

There have been no other events subsequent to December 31, 2019 that would require accrual or disclosure in the interim unaudited consolidated financial statements.

The Directors' report is signed in accordance with a resolution of the Directors made pursuant to s.306(2) of the *Corporations Act 2001*.

On behalf of the Directors

Mike Harding
Chairman
Sydney, February 28, 2020

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial report is in compliance with International Financial Reporting Standards, as stated in Note 2.1 to the financial report;

(c) in the Directors' opinion, the attached financial report and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

At the date of this declaration, the Company is within the class of companies affected by Corporations Instrument 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the Corporations Instrument applies will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the Directors

D. M Harding

Mike Harding
Chairman
Sydney, February 28, 2020

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the directors of Lynas Corporation Limited

As lead auditor for the review of Lynas Corporation Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lynas Corporation Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
28 February 2020

GB:JG:LYNAS:015

Interim Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended

		December 31	
In A$'000	**Note**	**2018**	**2019**
Revenue		179,801	180,120
Cost of sales	6	(133,675)	(151,635)
Gross profit		**46,126**	**28,485**
General and administration expenses	6	(16,399)	(19,390)
Net foreign exchange (loss) / gain		136	(350)
Other expenses		(144)	(369)
Profit from operating activities		**29,719**	**8,376**
Financial income	7	1,118	3,774
Financial expenses	7	(11,679)	(8,132)
Net financial expenses		**(10,561)**	**(4,358)**
Profit before income tax		**19,158**	**4,018**
Income tax expense	8	(134)	(130)
Profit for the period		**19,024**	**3,888**
Other comprehensive income for the period net of income tax that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		5,304	3,015
Total other comprehensive income for the period, net of income tax		**5,304**	**3,015**
Total comprehensive income for the period attributable to equity holders of the Company		**24,328**	**6,903**
Earnings per share			
Basic earnings per share (cents per share)	18	2.87	0.56
Diluted earnings per share (cents per share)	18	2.78	0.56

The interim unaudited consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the interim unaudited consolidated financial statements.

Interim Unaudited Consolidated Statement of Financial Position

As at

In A$'000	Note	June 30, 2019	December 31, 2019
Assets			
Cash and cash equivalents	9	89,710	111,799
Trade and other receivables	10	12,873	13,312
Tax receivable		18	11
Prepayments		1,958	1,512
Inventories	11	58,332	62,108
Total current assets		**162,891**	**188,742**
Inventories	11	4,705	9,031
Property, plant and equipment	12	626,462	666,567
Deferred exploration, evaluation and development expenditure	12	32,931	29,971
Other non-current assets	13	51,816	63,880
Total non-current assets		**715,914**	**769,449**
Total assets		**878,805**	**958,191**
Liabilities			
Interest payable		413	1,708
Trade and other payables	14	36,899	34,062
Borrowings	15	29,308	34,350
Employee benefits		2,182	2,407
Provisions	16	-	14,168
Lease liabilities		130	2,400
Total current liabilities		**68,932**	**89,095**
Interest payable		1,690	-
Borrowings	15	163,673	162,184
Employee benefits		550	665
Provisions	16	111,145	152,222
Lease liabilities		467	1,869
Total non-current liabilities		**277,525**	**316,940**
Total liabilities		**346,457**	**406,035**
Net assets		**532,348**	**552,156**
Equity			
Share capital		1,398,264	1,422,179
Accumulated losses		(856,331)	(852,443)
Reserves		(9,585)	(17,580)
Total equity attributable to equity holders of the Company		**532,348**	**552,156**

The interim unaudited consolidated statement of financial position should be read in conjunction with the notes to the interim unaudited consolidated financial statements.

Interim Unaudited Consolidated Statement of Changes in Equity

In A$'000	Share capital	Accumulated losses	Foreign currency translation reserve	Equity settled employee benefits reserve	Warrant reserves	Other reserves	Total
Balance at July 1, 2018	1,395,417	(936,361)	(109,619)	45,091	34,094	5,856	434,478
Other comprehensive income for the period	-	-	5,304	-	-	-	**5,304**
Total income for the period	-	19,024	-	-	-	-	**19,024**
Total comprehensive income for the period	**-**	**19,024**	**5,304**	**-**	**-**	**-**	**24,328**
Employee remuneration settled through share-based payments	-	-	-	2,612	-	-	2,612
Balance at December 31, 2018	**1,395,417**	**(917,337)**	**(104,315)**	**47,703**	**34,094**	**5,856**	**461,418**
Balance at June 30, 2019	1,398,264	(856,331)	(98,907)	50,163	34,094	5,065	532,348
Other comprehensive income for the year	-	-	3,015	-	-	-	3,015
Total profit for the year	-	3,888	-	-	-	-	3,888
Total comprehensive income for the year	**-**	**3,888**	**3,015**	**-**	**-**	**-**	**6,903**
Exercise of warrants	23,915	-	-	-	(12,328)	-	11,587
Employee remuneration settled through share-based payments	-	-	-	1,318	-	-	1,318
Balance at Dec 31, 2019	**1,422,179**	**(852,443)**	**(95,892)**	**51,481**	**21,766**	**5,065**	**552,156**

The interim unaudited consolidated statement of changes in equity should be read in conjunction with the notes to the interim unaudited consolidated financial statements.

Interim Unaudited Consolidated Statement of Cash Flows

For the half year ended

In A$'000	Note	December 31, 2018	December 31, 2019
Cash flows from operating activities			
Receipts from customers		182,208	179,201
Payments to suppliers and employees		(136,572)	(136,341)
Royalties paid		(4,335)	(3,635)
Income taxes paid		(121)	(123)
Net cash from operating activities		**41,180**	**39,102**
Cash flows from investing activities			
Payments for property, plant and equipment		(13,283)	(6,958)
Payments for deferred development expenditure		(2,345)	(6,892)
Security bonds paid		(41)	(4)
Security bonds refunded		10	1
Deposit as collateral for AELB		(10,661)	(11,558)
Interest received		804	1,539
Net cash used in investing activities		**(25,516)**	**(23,872)**
Cash flows from financing activities			
Interest and other financing costs paid		(4,942)	(3,799)
Payments of lease liabilities		-	(1,289)
Proceeds from the issue of share capital		-	11,628
Net cash provided from / (used in) financing activities		**(4,942)**	**6,540**
Net increase in cash and cash equivalents		10,722	21,770
Cash and cash equivalents at the beginning of the period		42,292	89,710
Effect of exchange rate fluctuations (net) on cash held		683	319
Cash and cash equivalents at end of the period	9	**53,697**	**111,799**

The interim unaudited consolidated statement of cash flows should be read in conjunction with the notes to the interim unaudited consolidated financial statements.

Lynas CORPORATION LTD

Notes to the Interim Unaudited Consolidated Financial Statements
For the half year ended December 31, 2019

1. Reporting entity

Lynas Corporation Limited (the "Company") is a for-profit company domiciled and incorporated in Australia.

The interim unaudited consolidated financial statements of the Company as at and for the half year ended December 31, 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is principally engaged in the extraction and processing of rare earth minerals, primarily in Australia and Malaysia.

The address of the registered office of the Company is Suite 1, 1st Floor 45 Royal Street, East Perth, 6004 Australia.

2. Basis of preparation

2.1 Statement of compliance

The interim unaudited consolidated financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. The disclosures required in these interim unaudited consolidated financial statements are less extensive than the disclosure requirements for annual financial statements. The interim unaudited consolidated financial statements should be read in conjunction with the annual financial report of the Group for the year ended June 30, 2019.

The interim unaudited consolidated financial statements comprise the statements of comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited consolidated financial statements.

2.2 Basis of measurement

The financial report has been prepared under the historical cost convention except for the borrowings which are at amortised cost.

Information as disclosed in the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the current year is for the 6 month period ended December 31, 2019. Information for the comparative year is for the 6 month period ended December 31, 2018.

2.3 Presentation currency

These interim unaudited consolidated financial statements are presented in Australian dollars ("AUD"), which is the Group's presentation currency.

2.4 Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, in relation to the "rounding off" of amounts. Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with the Instrument, to the nearest thousand dollars, unless otherwise stated.

2.5 Accounting policies and recently issued accounting pronouncements

The accounting policies applied by the Group in these interim unaudited consolidated financial statements are the same as those applied by the Group in the annual financial statements for the year ended June 30, 2019. The Group applies, for the first time, AASB 16 Leases and AASB Interpretation 23 Uncertainty over Income Tax Treatment. As required by AASB 134, the nature and effect of the changes of these new standards has been outlined below. None of the other standards and amendments which became mandatory for the first time in the interim reporting period commencing July 1, 2019 resulted in any adjustments to the amounts recognised in the financial statements or disclosures.

Standards and interpretations issued but not yet effective

The Australian Accounting Standards issued but not yet mandatory for the December 31, 2019 interim reporting period have not been adopted by the Group in the preparation of this interim financial report.

Lynas CORPORATION LTD

Notes to the Interim Unaudited Consolidated Financial Statements
For the half year ended December 31, 2019

New and amended accounting standards and interpretations

AASB 16 Leases

The Group adopted AASB 16 as of July 1, 2019.

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the lease assets and interest on the lease liabilities are recognised in the consolidated income statement.

Prior to the adoption of AASB 16, Lynas designated each of its leases as either a finance or operating lease. Finance leases were capitalised to the Statement of Financial Position as per AASB 117. Operating leases were not capitalised and lease payments were recognised in the Statement of Profit or Loss as they were incurred.

Transition to AASB 16

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of July 1, 2019. At the transition date, the Group assessed all contracts which had assets embedded in it for leases under AASB 16. The Group has applied the practical expedient for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') are not recognised as an right of use asset. For all other applicable lease contracts, the Group has recorded the right of use asset at an amount equal to the lease liability.

The Impact on the statement of financial position as at July 1, 2019 on adoption of AASB 16 and the carrying values of right of use assets and lease liability at December 31, 2019 are set out in the table below:

In A$'000	At July 1, 2019	At Dec 31, 2019
Right of use assets – Buildings, Plant and Equipment	4,766	3,572
Total Assets	**4,766**	**3,572**
Lease liability – current	2,134	2,264
Lease liability – non – current	2,632	1,467
Total lease liability	**4,766**	**3,731**

Lease liabilities reconciliation on transition	A$'000
Operating lease commitments disclosed at June 30, 2019	**7,296**
Less	
Present value discounting of lease liabilities(1)	(556)
Short term leases	(315)
Contracts reassessed as service contracts(2)	(2,276)
Add	
Additional leases identified during transition(3)	617
Lease liabilities recognised	**4,766**

(1) Lease liabilities were discounted using a weighted average discount rate of 6.5%

(2) The operating commitment disclosure at June 30, 2019 included amounts relating to contracted electricity and other service charges which have not been recognised as a lease asset upon implementation of AASB 16.

(3) Buy out options on some assets have been included in the valuation of some leases upon implementation.

Payments of $0.17m for short term leases (lease term of 12 months or less) and no payments for leases of low value assets were expensed in the consolidated income statement for the half year ended December 31, 2019

The new accounting policies of the Group upon adoption of AASB 16 are as follows:

Right of Use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (where the entity does not have a purchase option at the end of the lease term). Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term leases and low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption (i.e. below US$5,000/A$7,150). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. No leases meeting the low-value criteria were recognised at December 31, 2019.

Significant judgment in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of *AASB 112 Income Taxes.* It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies judgement in identifying uncertainties over income tax treatments. The Group has not recognised any deferred tax assets as at 31 December 2019. The interpretation did not have an impact on the consolidated financial statements of the Group.

3. Use of estimates and judgements

The preparation of interim unaudited consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are consistent to those as disclosed in the annual financial report for the year ended June 30, 2019.

4. Financial risk management

Exposure to market risk (including currency, interest rate and commodity price risks), credit risk and liquidity risk arises in the normal course of the Group's business. During the half year ended December 31, 2019, the Group continued to apply the risk management objectives and policies that were disclosed in the annual financial report of the Group for the year ended June 30, 2019.

5. Segment reporting

AASB 8 *Operating Segments* ("AASB 8") requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Makers ("CODM") in order to allocate resources to the segment and to assess its performance.

The Group's CODM are the Board of Directors of the Company, Chief Executive Officer, Chief Financial Officer, the Group's General Counsel and Company Secretary, Vice President for Production, Vice President for Sales and Marketing, MD Malaysia and Vice President for People and Culture. Information reported to the Group's CODM for the purposes of resource allocation and assessment of performance currently focuses on the operation of the Group's integrated rare earth extraction and process facilities.

The Group has only one reportable segment under AASB 8 being its rare earth operations. The CODM does not review the business activities of the Group based on geography.

The accounting policies applied by each segment are the same as the Group's accounting policies. Results from operating activities represent the profit earned by each segment without the allocation of interest income and expense and income tax benefit / (expense). The CODM assesses the performance of the operating segments based on adjusted EBITDA. Adjusted EBITDA is defined as net profit / (loss) before income tax, net of financial expenses, depreciation and amortisation and adjusted to exclude certain significant items, including but not limited to such items as employee remuneration settled through share based payments, restructuring costs, unrealised gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs.

Notes to the interim unaudited consolidated financial statements
For the half year ended December 31, 2019

In A$'000	Note	For the half year ended December 31, 2018 Rare Earth operations	Corporate/ unallocated	Total continuing operations	For the half year ended December 31, 2019 Rare Earth operations	Corporate/ unallocated	Total continuing operations
Business segment reporting							
Revenue		179,801	-	179,801	180,120	-	180,120
Cost of sales		(133,675)	-	(133,675)	(151,635)	-	(151,635)
Gross profit		**46,126**	**-**	**46,126**	**28,485**	**-**	**28,485**
Expenses and other income		(8,780)	(7,805)	(16,585)	(10,201)	(9,117)	(19,318)
Net foreign exchange gain / (loss)		-	136	136	-	(350	(350)
Net impairment / write-down expenses		42	-	42	(441)	-	(441)
Earnings before interest and tax ("EBIT")		**37,388**	**(7,669)**	**29,719**	**17,843**	**(9,467)**	**8,376**
Financial income	7			1,118			3,774
Financial expenses	7			(11,679)			(8,132)
Profit before income tax				**19,158**			**4,018**
Income tax expense				(134)			(130)
Profit for the year				**19,024**			**3,888**
Reconciliation of EBIT to Earnings before interest, tax, depreciation and amortisation ("EBITDA")							
EBIT		37,388	(7,669)	29,719	17,843	(9,467)	8,376
Depreciation and amortisation		20,460	618	21,078	35,220	618	35,838
EBITDA		**57,848**	**(7,051)**	**50,797**	**53,063**	**(8,849)**	**44,214**
Included in EBITDA:							
Impairment charge – property plant and equipment & other		(42)	-	(42)	-	-	-
Net realisable value write down		-	-	-	441	-	441
Non-cash employee remuneration settled through share based payments comprising:							
Share based payments expense for the period		-	2,773	2,773	-	1,869	1,869
Impact of options and performance rights forfeited during the period		-	(162)	(162)	-	(550)	(550)
Adjusted EBITDA		**57,806**	**(4,440)**	**53,366**	**53,504**	**(7,530)**	**45,974**

Notes to the interim unaudited consolidated financial statements

For the half year ended December 31, 2019

6. Cost of goods sold and General and administration expenses

In A$'000	For the half year ended December 31, 2018	2019
Cost of goods sold	115,589	118,394
Cost of goods sold depreciation	18,086	33,241
Total cost of goods sold	**133,675**	**151,635**
Employee and production costs net of costs recovered through production	5,347	5,420
Depreciation expenses net of cost recovered through production	2,992	2,158
Other	8,060	11,812
Total general and administration expenses	**16,399**	**19,390**

Depreciation expenses have increased to reflect the accelerated depreciation associated with the closure of the Malaysia Cracking and Leaching plant within 4 years from the renewal of the licence in September 2019. The effect of this change was $5.9m for the half year ended December 31, 2019 and has been included in cost of goods sold depreciation for the half year.

Other general and administration expenses have increased due to additional statutory, consulting and public relations charges. These include extraordinary costs associated with the Wesfarmers take over offer and defending the Group against anti-Lynas activists.

7. Financial income and expenses

In A$'000	For the half year ended December 31, 2018	2019
Interest income	1,118	1,619
Unrealised foreign exchange gain on intercompany balance	-	2,155
Total financial income	**1,118**	**3,774**
Interest expense on JARE loan facility	(4,374)	(2,969)
Interest expense on Convertible bonds facility	(219)	(207)
Unwinding of discount on Convertible bond facility	(723)	(761)
Unwinding of discount on JARE loan facility	(3,604)	(3,224)
Non-cash adjustments to financial liabilities	(396)	396
Net unwinding on discounting of AELB deposit and provisions	(294)	(1,077)
Unrealised foreign exchange loss on intercompany balance	(1,859)	-
Financing transaction costs and fees	(210)	(290)
Total financial expenses	**(11,679)**	**(8,132)**
Net financial expenses	**(10,561)**	**(4,358)**

8. Income tax

In A$'000	For the half year ended December 31, 2018	2019
Current tax		
Current tax expense in respect of the current half year	(134)	(130)
	(134)	**(130)**
Deferred tax		
Deferred tax expense recognised in the half year	-	-
Total income tax expense relating to the continuing operations	**(134)**	**(130)**

The significant driver of the difference between income tax expense calculated at 30% (2018: 30%) and actual tax expense is due to unrecognised tax losses that are not recognised as deferred tax assets in Australia, Malaysia and Malawi. These unrecognised tax losses will be recognised when it becomes probable that the Group will have future taxable profits in these jurisdictions against which these tax losses can be utilised.

Lynas Malaysia has submitted its application to renew its pioneer status in Malaysia through to 2026, however formal approval of this renewal is pending at the date of this report.

Lynas CORPORATION LTD

Notes to the interim unaudited consolidated financial statements
For the half year ended December 31, 2019

9. Cash and cash equivalents

As at

In A$'000	June 30, 2019	December 31, 2019
Cash at bank and on hand	89,710	111,799
Total cash and cash equivalents	**89,710**	**111,799**

10. Trade and other receivables

As at

In A$'000	June 30, 2019	December 31, 2019
Trade receivables	9,240	9,656
GST / VAT receivables	2,261	2,234
Other receivables	1,372	1,422
Total trade and other receivables	**12,873**	**13,312**

The Group's exposure to credit risk is primarily in its trade receivables. As at December 31, 2019 $0.50m (June 30, 2019: $0.60m), of trade receivables were past due but not impaired, of which $0.25m has been received subsequent to December 31, 2019. The Group is in regular contact with these debtors and expects the remaining amounts will be collected in full.

11. Inventories

As at

In A$'000	June 30, 2019	December 31, 2019
Raw materials and consumables	18,627	27,619
Work in progress	25,003	31,911
Finished goods	19,407	11,609
Total inventories	**63,037**	**71,139**
Current	58,332	62,108
Non-current	4,705	9,031
Total inventories	**63,037**	**71,139**

During the half year ended December 31, 2019 inventories of $151.6m (2018: $133.7m) were recognised as an expense; all of which were included in 'cost of sales'. There have been write-downs of inventories of $0.4m to their net realisable value during the half year. (2018: $nil).

The Group recognised depreciation on its property, plant and equipment and amortisation on its deferred exploration, evaluation and development expenditure and intangible assets for the half years ended December 31, 2019 and 2018 respectively in the following categories:

	Recognised in Profit or Loss		Recognised in Inventory		Total	
In A$'000	2018	2019	2018	2019	2018	2019
Property, plant and equipment	2,315	1,848	18,520	33,241	20,835	35,089
Deferred exploration and evaluation expenditure	677	310	-	-	677	310
Total	**2,992**	**2,158**	**18,520**	**33,241**	**21,512**	**35,399**

On the sale of inventory to customers the component of the depreciation or amortisation expense capitalised within inventory is reflected in the cost of goods sold in the statement of comprehensive income as a component of the profit or loss. This was $33.2m in the half year ended December 31, 2019 (2018: $18.1m).

During the half year ended December 31, 2019 the Group recognised royalties payable to the Western Australian Government totalling $3.5m (2018: $4.9m). Royalties arise on the shipment of the Group's concentrate from Australia to Malaysia.

Notes to the interim unaudited consolidated financial statements
For the half year ended December 31, 2019

12. Property, plant and equipment

In A$'000	Property, Plant and Equipment								Development Expenditure		
	Leasehold land	**Buildings plant and equipment**	**Fixtures and fittings**	**Motor vehicles**	**Assets under construction**	**Rehabilitation asset**	**Leasehold improvements and leased assets**	**Total**	**Development expenditure**	**Stripping asset**	**Total**
As at December 31, 2019											
Cost	30,527	939,186	7,349	1,130	5,463	159,112	26,443	**1,169,210**	40,255	18,502	**58,757**
Accumulated impairment losses	-	(198,764)	(410)	-	(253)	-	(7,819)	**(207,246)**	(18,299)	-	**(18,299)**
Accumulated depreciation	(3,563)	(268,933)	(5,462)	(863)	-	(10,683)	(5,893)	**(295,397)**	(6,064)	(4,423)	**(10,487)**
Carrying amount	**26,964**	**471,489**	**1,477**	**267**	**5,210**	**148,429**	**12,731**	**666,567**	**15,892**	**14,079**	**29,971**
Opening cost	30,245	902,620	7,460	1,129	6,105	105,120	21,301	**1,073,980**	39,759	18,078	**57,837**
Opening accumulated impairment and depreciation	(4,190)	(415,982)	(5,894)	(829)	(253)	(8,432)	(11,938)	**(447,518)**	(24,139)	(767)	**(24,906)**
Opening carrying amount	**26,055**	**486,638**	**1,566**	**300**	**5,852**	**96,688**	**9,363**	**626,462**	**15,620**	**17,311**	**32,931**
Recognition of leased assets	-	-	-	-	-	-	4,776	**4,776**	-	-	**-**
Additions	-	918	8	-	4,046	-	122	**5,094**	496	424	**920**
Reclassification of asset classes	835	-	-	-	-	(835)	-	**-**	-	-	**-**
Depreciation expense	(237)	(27,191)	(262)	(33)	-	(1,427)	(1,640)	**(30,790)**	-	-	**-**
Amortisation expense	-	-	-	-	-	-	-	**-**	(224)	(3,656)	**(3,880)**
Transfers of assets under construction	-	4,703	145	-	(4,848)	-	-	**-**	-	-	**-**
Changes in rehabilitation assets	-	-	-	-	-	53,282	-	**53,282**	-	-	**-**
Foreign currency translation	311	6,421	20	-	160	721	110	**7,743**	-	-	**-**
Carrying amount at December 31, 2019	**26,964**	**471,489**	**1,477**	**267**	**5,210**	**148,429**	**12,731**	**666,567**	**15,892**	**14,079**	**29,971**

	Property, Plant and Equipment								Development Expenditure		
In A$'000	Leasehold land	Buildings plant and equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Rehabilitation asset	Leasehold improvements	Total	Development expenditure	Stripping asset	Total
As at June 30, 2019											
Cost	30,245	902,620	7,460	1,129	6,105	105,120	21,301	**1,073,980**	39,759	18,078	**57,837**
Accumulated impairment losses	-	(196,505)	(407)	-	(253)	-	(7,730)	**(204,895)**	(18,299)	-	**(18,299)**
Accumulated depreciation	(4,190)	(219,477)	(5,487)	(829)	-	(8,432)	(4,208)	**(242,623)**	(5,840)	(767)	**(6,607)**
Carrying amount	**26,055**	**486,638**	**1,566**	**300**	**5,852**	**96,688**	**9,363**	**626,462**	**15,620**	**17,311**	**32,931**
Opening cost	29,304	866,403	7,867	1,158	26,476	59,582	20,595	**1,011,385**	38,862	4,078	**42,940**
Opening accumulated impairment and depreciation	(2,977)	(388,214)	(5,876)	(809)	(264)	(7,840)	(10,989)	**(416,969)**	(23,514)	(700)	**(24,214)**
Opening carrying amount	**26,327**	**478,189**	**1,991**	**349**	**26,212**	**51,742**	**9,606**	**594,416**	**15,348**	**3,378**	**18,726**
Additions	-	1,270	30	-	22,119	-	75	**23,494**	693	14,000	**14,693**
Disposals	-	-	(2)	-	-	-	-	**(2)**	-	-	**-**
Depreciation expense	(580)	(39,598)	(491)	(91)	-	(992)	(611)	**(42,363)**	-	-	**-**
Amortisation expense	-	-	-	-	-	-	-	**-**	(421)	(67)	**(488)**
Transfers of assets under construction	-	43,096	-	-	(43,113)	-	17	**-**	-	-	**-**
Change in rehabilitation assets	-	-	-	-	-	44,757	-	**44,757**	-	-	**-**
Impairment expense (reversal)	-	-	-	42	-	-	-	**42**	-	-	**-**
Foreign currency translation	307	3,682	38	-	634	1,181	276	**6,117**	-	-	**-**
Carrying amount at June 30, 2019	**26,055**	**486,639**	**1,566**	**300**	**5,852**	**96,688**	**9,363**	**626,462**	**15,620**	**17,311**	**32,931**

13. Other non-current assets

As at

In A$'000	**June 30, 2019**	**December 31, 2019**
Security deposits – banking facilities and other, Malaysia	2,993	3,065
Security deposits – banking facilities and other, Australia	16	31
Security deposits – AELB, Australia	44,419	55,568
Security deposits – AELB, Malaysia	4,388	5,216
Total other non-current assets	**51,816**	**63,880**

Deposits to the Malaysian Government's Atomic Energy Licensing Board ("AELB") form a component of a total US$50.0m of instalments due in accordance with the conditions underlying the granting of the Full Operating Stage Licence to the Group for the Lynas Malaysia plant. The total amount deposited as security via a bond for the instalments is US$39.0, with a further US$11.0m paid via cash directly to AELB.

14. Trade and other payables

As at

In A$'000	June 30, 2019	December 31, 2019
Trade payables	14,119	12,953
Accrued expenses	14,397	13,980
Other payables	8,383	7,129
Total trade and other payables	**36,899**	**34,062**
Current	36,899	34,062
Total trade and other payables	**36,899**	**34,062**

Trade and other payables are non-interest bearing and are normally settled on 30 to 60 day terms.

15. Borrowings

As at

In A$'000	June 30, 2019	December 31, 2019
Current borrowings		
JARE loan facility[(1)]	29,308	15,541
Convertible bonds[(2)]	-	18,809
Total current borrowings	**29,308**	**34,350**
Non-current borrowings		
JARE loan facility	145,611	162,184
Convertible bonds	18,062	-
Total non-current borrowings	**163,673**	**162,184**
JARE loan facility	174,919	177,725
Total JARE loan facility carrying amount	**174,919**	**177,725**
Principal value of convertible bonds [(3)]	20,247	20,742
Unamortised equity component[(3)]	(2,185)	(1,933)
Total convertible bonds carrying amount	**18,062**	**18,809**

(1) The revised terms of the JARE loan included a condition whereby an early repayment of A$30m is required if the Malaysian operating license is not renewed by December 31, 2019. This condition was met in August 2019 and the repayment was not required. Additionally, a payment of interest in respect of the period commencing on January 1, 2016 and ending on December 31, 2016 was deferred until October 2020 and is now classified as a current liability.
(2) The convertible bonds mature on September 30, 2020 and are classified as a current liability as at December 31, 2019.
(3) The principal balance reflects the full value of the convertible bonds. On initial recognition, part of this value is recognised as a component of equity.

Japan Australia Rare Earths B.V. (JARE) loan facility
An extension of the JARE loan facility was announced on June 27, 2019. As part of this extension, new terms were agreed as detailed below.

The maturity date of the JARE loan facility has been extended to June 30, 2030 (previously June 30, 2020). The interest rate on this facility is 2.5% p.a. at June 30, 2019 (June 30, 2018: 3.75% p.a.). Conditions linking the interest rate to the NdPr sales price in the previous facility have been removed.

Interest liabilities will be paid directly to the lenders at December 31 and June 30 each year. The payment of interest in respect of the period commencing on January 1, 2016 and ending on December 31, 2016 is deferred to October 31, 2020 (with no penalty, and no additional interest).

There are a series of fixed repayments in the facility which have replaced the “Cash Sweep” mechanism in the former facility. The details of the fixed repayments are as follows:

Repayment date	Amount
Each half-year from Dec 31, 2021 to Dec 31, 2023	US$2m on each date
June 30, 2024	US$5m
Each half-year from Dec 31, 2024 to Dec 31, 2027	US$10m on each date
Each half-year from June 30, 2028 to June 30, 2030	US$12m on each date

Japan will have the following priority supply rights until 2038:

1. Any fundraising will not hinder Lynas' ability to support Japanese industries diversifying their rare earths supply sources, in accordance with the Availability Agreement announced on March 30, 2011.
2. Lynas shall ensure that in the event of competing demands from the Japanese market and a non-Japanese market for the supply by the Borrower or Lynas Malaysia for NdPr produced from the Lynas Malaysia plant, the Japanese market shall have priority of supply up to 7,200 tonnes per year subject to the terms of the Availability Agreement and to the extent that Lynas will not have any opportunity loss.
3. JARE has rights of negotiation with Lynas in priority to non-Japanese market customers for the priority supply to the Japanese market of additional NdPr and Nd products produced by the Lynas 2025 Project.
4. Lynas will continue to prioritize the needs of Japanese customers for the supply of Heavy Rare Earths products produced by the Blue Line JV, to the extent possible under any agreement with the U.S.

To date, the JARE loan facility has been secured over all of the assets of the Group, other than the Malawi assets. Pursuant to the amendments announced on June 27, 2019, JARE agreed to release the following securities within 2 months: (i) Deed of Charge - All Assets (Malaysia) and (ii) Malaysian Real Property Mortgage.

Convertible bonds

As at December 31, 2019, the Company had on issue 13,652,136 convertible bonds, each with a face value of US$1.00. The bonds are convertible at any time prior to maturity of the bonds at the election of the bondholder. The average conversion price paid upon conversion of convertible bonds during the year was $1 per share, with a conversion exchange rate of AUD 1.00 = US$0.750. No conversions of convertible bonds occurred during the half year ended December 31, 2019.

The maturity date of the bonds is September 30, 2020 and the coupon rate on the convertible bonds is 1.875% p.a. (June 30, 2019: 1.875% p.a.) in line with the interest calculation below. The conversion price remains at $1, with a conversion exchange rate at A$ 1.00 = US$0.750. If all of the 13,652,136 unconvertible bonds were converted into ordinary shares, 18.203m ordinary shares would be issued.

The bonds may be converted by the bondholder issuing a notice of conversion to the Company. If the bonds are not converted prior to the maturity date, the face value of the bonds is repayable to the bondholder on the maturity date. Prior to the maturity date, the Company is liable to pay interest on the convertible bonds, as detailed below. A bondholder may, at any time following the occurrence of a defined "Redemption Event", require the Company to redeem some or all of the convertible bonds held by the bondholder. The Redemption Events include, for example, an insolvency event occurring in relation to a Group Company, a Group Company ceasing (or threatening to cease) to carry on all or part of its business which is likely to be materially adverse to the Group as a whole, a cross default by the Group in relation to certain other financial indebtedness (including the JARE loan facility), and a change in control of any member of the Group.

The convertible bonds are unsecured. The convertible bond terms include customary covenants which restrict the Group from incurring any financial liabilities or creating any security interests which in each case would rank senior to or pari passu with the convertible bonds, subject to specified exceptions which include the JARE loan facility.

If, on the last day of any calendar month ("test date") the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is US$38.0 per kilogram or greater, the interest rate increases to 1.875% p.a., effective on and from the day after the test date. The interest rate will remain 1.875% p.a. until there have been 6 consecutive test dates on which the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is less than US$38.0 per kilogram, in which case the interest rate will revert to 1.25% p.a. effective on and from the day after such 6th consecutive test date, and will remain 1.25%p.a. until any test date on which the weighted average realized sale price of NdPr products sold by the Group in the immediately preceding 6 calendar month is US$38.0 per kilogram or greater.

The interest incurred from January 1, 2016 to December 31, 2016 was deferred to the maturity date with no penalty and no additional interest. All interest accrued after January 1, 2017 is paid as accrued at interest dates of December 31 and June 30 each year. As a bond is converted prior to the maturity date, the associated interest owed on that bond is paid on conversion.

16. Provisions

In A$'000	Restoration and rehabilitation	Total
Current	14,168	14,168
Non-current	152,222	152,222
Total provisions at December 31, 2019	**166,390**	**166,390**
Current	-	-
Non-current	111,145	111,145
Total provisions at June 30, 2019	**111,145**	**111,145**

Restoration and rehabilitation

The activities of the Group give rise to obligations for asset and site restoration and rehabilitation at Lynas Malaysia and the Mt Weld concentration plant. Upon cessation of operations, the site including the processing assets, ancillary facilities, utilities and the onsite storage facility will be decommissioned and any materials removed from the location.

The Group has engaged third party specialists to assist in estimating costs and will review these estimates periodically over time as the operations continue to develop. On January 30, 2020, the Group announced that The State Government of Pahang has issued its consent to a site for the PDF for Water Leach Purification (WLP) residue. In additional Lynas Malaysia has appointed Gading Sengarra Sdn Bhd ("GSSB") as the contractor to manage the entire PDF project. The total cost of this project will be MYR 400m. The first payment of MYR 15m was made in January 2020. The provision for restoration and rehabilitation has increased to reflect the present value of the obligation that exists at December 31, 2019. Those costs due within 12 months have been reflected as current. The unwinding effect of discounting of the provision is recognised as a finance cost.

17. Contingent Liabilities

No contingent liabilities exist at December 31, 2019.

18. Equity and other comprehensive income

18.1 Share Capital

	For the half year ended June 30, 2019		For the year ended December 31, 2019	
	Number of shares '000	**A$'000**	**Number of shares '000**	**A$'000**
Balance at the beginning of the period	**662,547**	**1,395,417**	**667,802**	**1,398,264**
Issue of shares pursuant to conversion of convertible bonds	2,120	2,847	-	-
Issue of shares pursuant to exercised performance rights	3,135	-	4,321	-
Issue of shares pursuant to exercised warrants	-	-	23,256	23,915
Closing balance	**667,802**	**1,398,264**	**695,379**	**1,422,179**

All issued ordinary shares are fully paid and have no par value. Details of options and performance rights exercised during the period to ordinary shares are outlined in Note 19. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share. All shares rank equally with regard to the Group's residual assets in the event of a wind-up.

18.2 Dividends

There were no dividends declared or paid during the half year ended December 31, 2019 (2018: nil).

18.3 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the half year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the half year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the half year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The earnings and weighted average number of ordinary shares used in the calculations of basic and diluted earnings per share are as follows:

For the half year ended

	December 31, 2018	December 31, 2019
Net earnings attributed to ordinary shareholders (in A$'000)	19,024	3,888
Earnings used in calculating basic earnings per share (in A$'000)	**19,024**	**3,888**
Net earnings impact of assumed conversions for diluted EPS (in A$'000)	763	-
Earnings used in calculating diluted earnings per share (in A$'000)	**19,787**	**3,888**
Weighted average number of ordinary shares used in calculating basic earnings per share ('000)	663,593	689,958
Weighted average number of ordinary shares used in calculating diluted earnings per share ('000)	711,135	696,250
Basic earnings per share (cents per share)	2.87	0.56
Diluted earnings per share (cents per share)	2.78	0.56

The following dilutive shares are included in share base for the calculation of dilutive earnings per share:

	Number (000's)
Performance rights	6,292
Total	**6,292**

19. Employee share options and performance rights

The Group has established an employee share plan whereby, at the discretion of Directors, options and performance rights may be granted over the ordinary shares of the Company for the benefit of Directors, Executives and certain employees of the Group. The options and performance rights are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. Other than short term incentives and strategic performance rights, each option or performance right is convertible into one ordinary share of the Company during the two years following the vesting date, which is the third anniversary of the grant date. The exercise price for the options is not less than the VWAP for the five days preceding the date the option is granted. The options or performance rights hold no voting or dividends rights and are not transferrable.

Options and performance rights are granted for the benefit of Key Management Personnel ("KMP") and other selected employees to provide greater alignment to our strategic business objectives. KMP are those people who have authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Executive Director of the Group and the Executives. At half year end, the Executives include the Chief Executive Officer, the Chief Financial Officer, the Group's General Counsel and Company Secretary, Vice President for Production, Vice President for Sales and Marketing, MD Malaysia and Vice President for People and Culture.

Movement in employee share options and performance rights during the period

	For the half year ended December 31, 2019	
	Number of performance rights ('000)	**Weighted average exercise price ($)**
Balance at beginning of period	9,044,069	0.00
Granted during the period	1,873,707	0.00
Forfeited during the period	(305,156)	0.00
Exercised during the period	(4,320,836)	0.00
Balance at end of period	**6,291,784**	**0.00**

During the period, the Group recognised an expense of $1.9m, offset by $0.6m reversed due to forfeiture within the profit and loss component of the statement of comprehensive income (2018: net expense of $2.6m).

1.87m performance rights were granted with various performance conditions.

There were no share options outstanding at December 31, 2019. The outstanding performance rights had a nil weighted average exercise price (June 30, 2019: $nil) and a weighted average remaining contractual life of 282 days (June 30, 2019: 231 days).

19.1 Non-employee share options and performance rights exercised

There were no non-employee share options exercised during the half year ended December 31, 2019.

20. Warrants

Warrants have been issued to lenders as part of the amendments in debt facilities. All of the 23.26 million warrants were exercised during the half year ended December 31, 2019 with no further warrants outstanding.

21. Determination of fair values

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A number of the Group's accounting policies and associated disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

21.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Given the short-term nature of trade receivables the carrying amount is a reasonable approximation of fair value.

21.2 Non-derivative financial liabilities

The fair value of non-derivative financial liabilities is calculated by discounting the future contractual cash flows at the current market interest rates that are available for similar financial instruments. Given the nature of non-derivative financial liabilities the carrying amount is a reasonable approximation of fair value.

21.3 Fair value measurements recognised in the statement of comprehensive income

Upon initial recognition, the Group measures financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the interim unaudited consolidated financial statements
For the half year ended December 31, 2019

As at December 31, 2019 the Group held only Level 2 financial instruments (being the loans and borrowings) and all other liabilities were classified as Level 1.

22. Subsequent events

On January 17, 2020, bondholders converted US$1.5m of their convertible bonds which resulted in an additional 2.0m shares issued. As a result of these conversions, the remaining liability in respect to the convertible bonds facility has reduced to US$12.1m.

On January 30, 2020, the Group announced that The State Government of Pahang has issued its consent to a site for the PDF for Water Leach Purification (WLP) residue. In additional Lynas Malaysia has appointed Gading Sengarra Sdn Bhd (“GSSB”) as the contractor to manage the entire PDF project. The total cost of this project will be MYR 400m. The first payment of MYR 15m was made in January 2020.

On February 27, 2020, the Malaysian Atomic Energy Licensing Board (AELB) has renewed the operating licence for the Lynas Malaysia plant for three years expiring March 2023, subject to the following key conditions:

1. Lynas to begin the process of developing the Permanent Disposal Facility (PDF) within the first year from the date of approval of the licence.
2. Lynas must submit a work development plan for the construction of the PDF and report on its development status as determined by the AELB.
3. Lynas must ensure that the Cracking and Leaching plant outside Malaysia is in operation before July 2023. After that period, Lynas will no longer be allowed to import raw materials containing Naturally Occurring Radioactive Material (NORM) into Malaysia.
4. Holding of the financial deposit will be maintained for compliance with the relevant licence conditions.

There have been no other events subsequent to December 31, 2019 that would require accrual or disclosure in the interim unaudited consolidated financial statements.

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Building a better working world

Independent auditor's review report to the members of Lynas Corporation Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Lynas Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
28 February 2020