Rule 5.5

# Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity	
LYNAS CORPORATION LIMITED ("the Group")	
ABN	Quarter ended ("current quarter")
27 009 066 648	31 December 2013

#### Consolidated statement of cash flows

	Ī	Current quarter	Year to date
		\$A'000	\$A'000
Cash	flows related to operating activities		
1.1	Receipts from product sales and related debtors	6,920	10,158
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(33,031) (4,755)	(66,902) (10,973)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes (paid)/received (i)	14,007	14,034
1.7	Other (provide details if material)	(334)	(584)
•	Net Operating Cash Flows	(17,193)	(54,267)
	flows related to investing activities		
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets (ii)	(6,716)	(9,379)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other	( 0)	
	<ul><li>a. Security Deposits (iii)</li><li>b. Proceeds from the issues of shares via the exercise of options</li></ul>	(1,748)	6,017
	Net investing cash flows	(8,464)	(3,362)
1.13	Total operating and investing cash flows (carried forward)	(25,657)	(57,629)

<sup>+</sup> See chapter 19 for defined terms.

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- (i) Income taxes received mainly relate to the receipt of A\$14.1M from the Australian Tax Office relating to eligible research and development expenditure incurred during the year ended 30 June 2013, principally on the development of the Mt Weld Rare Earths Project.
- (ii) Payments include amounts for property plant and equipment and intangibles.
- (iii) Security deposits represent the net payments or receipts made to financial institutions and separately payments made to the regulatory authorities in Malaysia in connection with the issuance of the TOL. Whilst the Group retains beneficial ownership of these monies, security deposits are not available to finance the Group's day to day operations and therefore have been excluded from cash for the purposes of this report. They are disclosed as an asset on the Group's balance sheet.

1.13	Total operating and investing cash flows (brought forward)	(25,657)	(57,629)
	Torright	(3/ 3//	
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	16	16
1.15	Proceeds from sale of forfeited shares		
1,16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		\ \
1.19	Other:		
	a. Interest & other costs of finance paid	(2,254)	(11,388)
	b. Interest & other items of a similar nature received	8 <sub>73</sub>	1,854
	Net financing cash flows	( (-)	( 9)
		(1,365)	(9,518)
	Net increase (decrease) in cash held	(27,022)	(67,147)
1.20	Cash at beginning of quarter/year to date	101,010	141,371
1.21	Exchange rate adjustments to item 1.20	696	460
1.22	Cash at end of quarter (iii)	74,684	74,684

(iv) Cash at the end of the quarter is represented by unrestricted cash of \$67.2M and restricted cash of A\$7.5M. The restricted cash amount will be used up in the forthcoming quarter to fund the small remaining capital expenditure associated with the Phase 2 expansion of the Lynas Advanced Materials Plant in Malaysia and principally to fund the next semi-annual interest payment due to Sojitz in March 2014.

# Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1,23	Aggregate amount of payments to the parties included in item 1.2	538
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25	Explanation necessary for an understanding of the transactions		
	Nil		

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<sup>+</sup> See chapter 19 for defined terms.

#### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

onsolidated assets and habilities but did not involve easil nows		
Nil		

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

which the reporting entity	nas an interest	
Nil		

#### Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$USD'000	Amount used \$USD'000
3.1	Loan facilities (i) (ii)	450,000	450,000
3.2	Credit standby arrangements	Nil	Nil

- (i) The Group has a US\$225M fully drawn facility from a SPC established by Sojitz and JOGMEC (the "Sojitz Facility"). Further the Group has a US\$225M Convertible Bond facility on issue. Restricted cash (A\$7.5M) is available to fund the small remaining capital expenditure associated with the Phase 2 expansion of the Lynas Advanced Materials Plant in Malaysia and principally to fund the next semi-annual interest payment to Sojitz in March 2014.
- (ii) Subsequent to the end of the quarter, the Company made the first scheduled principal repayment of US\$10 million under the US\$225 million Sojitz/ JOGMEC loan facility.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	4,758
4.3	Production (i)	36,053
4.4	Administration (including interest payments) (ii)	15,818
	Total	56,629

- (i) Production costs include expected out flows associated with the ramp up schedule of the Group's Malaysian operations.
- (ii) The total forecasted cash out flow for the period does not include the transfer of funds as prescribed under the Sojitz Facility between the Group's unrestricted and restricted cash accounts. During the period ending 31 March 2014 the Group expects to transfer

<sup>+</sup> See chapter 19 for defined terms.

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from its unrestricted cash accounts A\$1.8M of the A\$7.1M required to meet the next semi-annual interest payment due to Sojitz in March 2014.

#### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'ooo
5.1	Cash on hand and at bank	19,158	21,679
5.2	Deposits at call	48,000	71,353
5.3	Bank overdraft	:=	
5.4	Other (Restricted cash - refer to item 3.1 (i))	7,526	7,978
	Total: cash at end of quarter (item 1.22)	74,684	101,010

## Changes in interests in mining tenements and petroleum tenements

6.1	Interests in mining
	tenements and
	petroleum tenements
	relinquished, reduced
	or lapsed

6.2 Interests in mining tenements and petroleum tenements acquired or increased

Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
Nil			
Nil			

#### Issued and quoted securities at end of current quarter

 $Description\ includes\ rate\ of\ interest\ and\ any\ redemption\ or\ conversion\ rights\ together\ with\ prices\ and\ dates.$ 

		Total number	Number quoted	Issue price per	Amount paid up
				security (cents)	per security (cents)
7.1	Preference  *securities (description)	Nil			

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					1
		Total number	Number quoted	Issue price per	Amount paid up
				security (cents)	per security (cents)
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	Nil			
7.3	<sup>+</sup> Ordinary securities	1,961,160,594	1,961,160,594		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buybacks	(a) 100,000	(a) 100,000	(a) \$0.16	(a) \$0.16
7.5	*Convertible debt securities (description)	225,000,000	N/A	US\$1,00	US\$1.00
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil			

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		Total number	Number quoted	Issue price per	Amount paid up
				security (cents)	per security (cents
7.7	<b>Options</b> (description and conversion			Exercise price (\$)	Expiry date
	factor)	24,500,000		\$0.66	October 8, 2014
		1,000,000		\$0.66	July 1, 2015
		5,250,000		\$1.15	August 19, 2015
		354,309		\$0,00	August 19, 2015
		1,000,000		\$1.60	October 1, 2015
		6,450,000		\$1.15	August 19, 2015
		200,000		\$2.36	December 31, 2015
		180,000		\$0.00	June 6, 2016
		2,000,000		\$1.69	September 22, 2016
		2,072,500		\$1.69	September 22, 2016
		4,651		\$0.00	September 22, 2016
		382,500		\$0.00	September 22, 2010
		1,000,000		\$1.57	December 12, 2016
		755,287		\$1.02	September 24, 201
		1,234,856		\$0.00	September 24, 201
		928,874		\$0.00	September 23, 201
		2,022,145		\$0.00	September 23, 201
		1,685,121		\$0.00	September 23, 2018
		2,802,840		\$0.00	September 23, 2018
7.8	Issued during		-	Exercise price (\$)	Expiry date
	quarter	- 0 0		#0.00	Contombou an ang
7.9	Exercised during quarter	2,802,840	100,000	\$0.00 \$0.16	September 23, 2018 January 5, 2014
	Expired during	180,000	180,000	\$0.00	June 6, 2016
7.10	quarter	2,000,000	2,000,000	\$1.69	September 22, 201
	1	2,072,500	2,072,500	\$1.69	September 22, 201
		382,500	382,500	\$0.00	September 22, 201
		1,000,000	1,000,000	\$1.57	December 12, 2016
		755,287	755,287	\$1.02	September 24, 20
		1,234,842	1,234,842	\$0.00	September 24, 201
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	Nil			

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<sup>+</sup> See chapter 19 for defined terms.

### **Compliance statement**

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- This statement does give a true and fair view of the matters disclosed.

Sign here:

(Company secretary)

Date: 31/1/14

Print name:

Andrew Arnold