February 28, 2017

Half Year Results and End of February Update

Lynas Corporation Limited ("Lynas") (ASX:LYC, OTC:LYSDY) is pleased to attach its Financial Report for the half year ending December 31, 2016.

Update as at February 28, 2017

As noted in the Quarterly Report that was released on January 24, 2017, Lynas is now producing NdPr at design rates. In addition, in recent weeks, there have been some signs of improving trends in published market prices for NdPr. For the quarter ending December 31, 2016, the Company reported positive operating cashflow of A$5.0 million despite continued low prices for Rare Earth products. If the improving trends mentioned above continue, the Company currently expects its trend of improving results to continue in the quarter ending March 31, 2017.

Summary of the Half Year Results

A summary of the Profit and Loss Statement for the half year ending December 31, 2016 is as follows:

	December 31,	
In AUD Million (m)	**2016**	**2015**
Revenue	114.6	93.2
Cost of sales	(117.5)	(112.5)
Gross profit (loss)	**(2.9)**	**(19.3)**
General and administration expenses	(15.5)	(18.4)
Other expenses	(0.5)	(2.1)
Loss from operating activities	**(18.9)**	**(39.8)**
Net gain on extinguishment of debts	22.9	-
Other financial income	0.1	0.1
Financial expenses	(17.0)	(26.4)
Net financial income (expenses)	**6.0**	**(26.3)**
Loss before income tax	**(12.9)**	**(66.1)**

The Group reduced the net loss before tax in the half year ending December 31, 2016 to $12.9m from $66.1m the half year ending December 31, 2015.

Despite lower NdPr prices in the current half year (from USD34 per REO/kg to USD31 per REO/kg), sales revenues increased by $21.4m to $114.6m. Cost of sales only increased by $5m to

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$117.5m. The increase in sales was mainly due to an increase in sales volume of 658 REOt to 6,431 REOt. The resulting gross loss for the period was $2.9m (2015: $19.3m).

The loss from operating activities (EBIT) reduced by $20.9m compared to prior year, in part due to the increase in sales. On an adjusted EBITDA basis (refer to note 6 to the Financial Report for the basis of this measure) the Group reported a gain of $2.5m (2015: $15.4m loss) in the half year ended December 31, 2016.

Due to the substantial amendments made to the terms of the Group's debt facilities during the half year, the Financial Report reflects the extinguishment of the debt under the previous terms and the establishment of the debt's fair values based on the new terms.

Net financial expenses reduced by $9.4m in line with the amendments to the JARE debt facility and the convertible bond facility.

General and administration expenses that predominantly consist of employee costs, unrecovered production costs and depreciation (net of recovery) decreased by $2.9m during the half year. Unrecovered employee costs and unrecovered production costs were $6.8m (2015: $6.8m) and unrecovered depreciation was $3.1m (2015: $5.3m). Consistent with the prior year, production costs have been substantially accounted for within cost of sales. Other general and administration expenses include insurance premiums, consultancy fees, telecommunications and general office expenditures.

A summary of the Cash Flows for the half year ending December 31, 2016 is as follows:

	Half year to December 31,	
In AUD Million	**2016**	**2015**
Net Operating Cash flow	6.7	6.7
Net Investing Cash flow	(6.9)	(6.4)
Net Financing Cash flow	(4.0)	0.1
Net cash flow	**(4.2)**	**0.4**

Cash from operating activities remained at the same level as a year ago. The effects of lower selling prices were partially offset by the increase in sales volume. Trade receivables increased to $ 5.2m compared to a very low level of $1.5m a year ago.

An improvement in cash from investing activities, arising from a reduction of payments for property, plant and equipment ($5.6m) was more than offset by payments of security deposits (mainly a further AELB deposit of $6.0m).

Cash from financing activities was negative as the Group made a principal repayment to JARE of USD3.0m ($4.0m) during the half year ending December 31, 2016.

A summary of the Balance Sheet as at December 31, 2016 is as follows

In AUD Million	**December 31, 2016**	**June 30, 2016**
Assets		
Cash and cash equivalents	38.5	43.3
Inventories	43.8	53.9
Property, plant and equipment	557.2	612.1
Deferred exploration, evaluation and development expenditure	43.3	44.2
Other assets	48.4	33.5
Total assets	**731.2**	**787.0**
Liabilities		
Borrowings	477.7	562.6
Other liabilities	170.7	153.2
Total liabilities	**648.4**	**715.8**
Net assets	**82.8**	**71.2**
Equity		
Share capital	1,088.5	1,088.5
Accumulated deficit	(1,001.9)	(989.0)
Reserves	(3.8)	(28.3)
Total equity	**82.8**	**71.2**

Cash and cash equivalents at December 31, 2016 comprise $8.5m (June 30, 2016: $10.4m) of unrestricted cash and $30.0m (June 30, 2016: $32.9m) of restricted cash. Restricted cash is available to fund future interest payments and principal repayments under the JARE loan facility and the convertible bond facility.

The overall increase in net assets of the Group during the half year ended December 31, 2016 is primarily due to the extinguishment of the debts and subsequent recognition of the debts at significantly lower values as a result of extension in maturity dates and lowered interest rates.

The debt amounts were revised to their corresponding fair values. The JARE facility's liability was revised to $245.1m and the convertible bond facility's liability was revised to $232.6m.

This effect on net assets has been partially offset by the downward revaluation of Malaysian property, plant and equipment driven by the devaluation of the Malaysian ringgit against the Australian dollar. Depreciation during the half year reduced PPE value by a further $18.7m.

Other Assets increased by $14.9m which included additional AELB deposits and increased receivables.

Other liabilities increased by $17.5m which included AELB deposits payable and an increase in interest payable offset by a reduction in accrued expenses.

Reserves were increased by:

- the issue of warrants to the convertible bondholders ($9.0m),

- the equity component of the convertible bond facility based on the revised terms ($69.8m), and
- share based payments ($1.1m)

This increase was offset by:

- an adjustment to the equity component for extinguishment of the convertible bond facility based on the previous terms ($1.1m).
- the drop in foreign currency translation reserve ($54.3m) mainly due to the effects of the weakening MYR against AUD on LAMP assets and the effects of the strengthening USD against the AUD on the Group's USD loans. The USD strengthened from USD0.7441/AUD on 30 June 2016 to USD0.7197/AUD on 31 December 2016.

Key Achievements during the Half Year

The key achievements through the half-year ending December 31, 2016 included:

- Positive net operating cashflow (sales receipts less production and administration costs) for the half year of $6.7m.
- The Group successfully negotiated the extension of both of its debt facilities until mid-2020, reflecting the on-going support of both lender groups.
- Ready for sale production of NdPr for the half year ending December 31, 2016 was 2,506 tonnes (first half of FY16: 1,905 tonnes) and total ready for sale production of rare earth oxide (REO) was 7,579 tonnes (first half of FY16: 6,337 tonnes), reflecting a continuing trend of positive improvements in the production process, throughput rates and quality of final output.
- Although the rare earths market remained challenging throughout the half year ending December 31, 2016, Lynas gained strong support from the strategic relationships it has developed with customers who are leaders in their own market segments, in Japan, China and Europe
- Mt Weld continued to operate safely and efficiently throughout the period. During the period, planning was finalized for our first mining campaign at Mt Weld since 2008. The mining campaign commenced in January 2017. The total cost of the mining campaign is expected to be approximately A$3m, with costs incurred in the March quarter and the June quarter. The campaign is expected to provide approximately one year of mill feed.
- The Company-wide 12-month rolling Lost Time Injury Frequency Rate, as at the end of December 2016, was 1.4 per million hours worked.

Market pricing, for all products, throughout the half year was extremely low, with NdPr prices remaining USD10-11/kg lower than average levels experienced in 2014 and early 2015.

However, whilst all rare earth producers have faced extremely challenging market conditions over the past 18 months, underlying market demand remains positive.

Demand for magnetic materials using NdPr continues to grow as demand for energy efficient technologies, including electric and hybrid vehicles and wind power grows. Demand for products used in catalytical applications in automotive and other applications is also growing, albeit at a slower pace. With the first indications of some recovery in market pricing for rare earth products, Lynas currently expects to continue its trend of improving results.

Attached are the complete results for the half year ending December 31, 2016 in the Interim Unaudited Condensed Consolidated Financial Report.

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Andrew Arnold
Company Secretary

Lynas CORPORATION LTD

ACN 009 066 648

and

Controlled Entities

Interim Unaudited Condensed Consolidated Financial Report

For the half year ended December 31, 2016

Corporate Directory Information

ABN 27 009 066 648

Directors

Mike Harding
Amanda Lacaze
William (Liam) Forde
Kathleen Conlon
Jake Klein
Philippe Etienne

Company Secretaries

Andrew Arnold
Ivo Polovineo

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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, 2016.

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	Chairman
Amanda Lacaze	Managing Director
William (Liam) Forde	Non-Executive Director
Kathleen Conlon	Non-Executive Director
Jake Klein	Non-Executive Director
Philippe Etienne	Non-Executive Director

Financial performance

For the half year ended

	December 31,	
In AUD Million (m)	**2016**	**2015**
Revenue	114.6	93.2
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Gross profit (loss)	**(2.9)**	**(19.3)**
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Other financial income	0.1	0.1
Financial expenses	(17.0)	(26.4)
Net financial income (expenses)	**6.0**	**(26.3)**
Loss before income tax	**(12.9)**	**(66.1)**

Overall sales volumes in the half year to December 31, 2016 grew by 11% compared to the half year to December 31, 2015 reflecting continued improvement in production rates, consistent demand for NdPr products, and some quality improvements for Cerium and Lanthanum products. Revenue growth at 23% being lower than the NdPr sales volume growth of 28% reflected the lower prices achieved during the current period.

Market pricing remained low for all products, throughout the half year. The average China domestic price of NdPr reduced from USD34.2/kg towards the end of FY16 to USD30.6/kg in November 2016 before recovering to USD31.7/kg in December 2016. This very slight recovery reflected increased demand and some visible activity from the China central government as it implemented stricter controls on illegal production.

Gross loss for the period was $2.9m (2015: $19.3m) reflecting the fixed nature of many production costs, which were not fully recovered in selling prices.

The loss from operating activities (EBIT) reduced by $20.9m compared to prior year, in part due to the increase in sales. On an adjusted EBITDA basis (refer to note 6 to the Financial Report for the basis of this measure) the Group reported a gain of $2.5m (2015: $15.4m loss) in the half year ended December 31, 2016.

Due to the substantial amendments made to the terms of the Group's debt facilities during the half year, the extinguishment of the debts under the previous terms and the establishment of the debt's fair values based on the new terms were performed. This resulted in a net gain of $22.9m.

Financial expenses reduced in line with the amendments to the JARE loan facility and the convertible bond facility. The interest rate on the JARE loan facility reduced from 6.0% to 2.5% effective October 26, 2016 and the coupon rate on the convertible bonds reduced from 2.75% to 1.25% p.a. effective December 8, 2016.

Directors' Report

General and administration expenses that predominantly consist of employee costs, unrecovered production costs and depreciation (net of recovery) decreased by $2.8m during the half year. Unrecovered employee costs and unrecovered production costs were $6.8m (2015: $6.8m) and unrecovered depreciation was $3.1m (2015: $5.3m). Consistent with the prior year, production costs have been substantially accounted for within cost of sales. Other general and administration expenses include insurance premiums, consultancy fees, telecommunications and general office expenditures. Overall production cost recoveries increased by $6.9m in this half year.

Cash flow

For the half year ended

In AUD Million	December 31, 2016	December 31, 2015
Net Operating Cash flow	6.7	6.7
Net Investing Cash flow	(6.9)	(6.4)
Net Financing Cash flow	(4.0)	0.1
Net cash flow	**(4.2)**	**0.4**

Operating cash flows

During the half year ended December 31, 2016 the Group's cash receipts from sales were $115.8m (December 31, 2015: $105.7m). Net operating cash flows did not increase with increased sales and production volumes due to lower rare earth prices. Cost management was the key to maintaining a positive net operating cash flow.

Investing cash flows

Net investing cash outflows increased slightly during the half year ended December 31, 2016, which included a payment of $5.9m to the Malaysian Government's Atomic Energy Licencing Board ("AELB"). Payments for property, plant and equipment reduced by $5.6m.

Financing cash flows

Net financing cash outflows have increased and include a $4.0m (USD3m) principal repayment under the JARE loan facility. There has been no capital raising activity carried out during the current half year.

Financial position
As at

In AUD Million	December 31, 2016	June 30, 2016
Assets		
Cash and cash equivalents	38.5	43.3
Inventories	43.8	53.9
Property, plant and equipment	557.2	612.1
Deferred exploration, evaluation and development expenditure	43.3	44.2
Other assets	48.4	33.5
Total assets	**731.2**	**787.0**
Liabilities		
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Other liabilities	170.7	153.2
Total liabilities	**648.4**	**715.8**
Net assets	**82.8**	**71.2**
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Share capital	1,088.5	1,088.5
Accumulated deficit	(1,001.9)	(989.0)
Reserves	(3.8)	(28.3)
Total equity	**82.8**	**71.2**

The overall increase in net assets of the Group during the half year ended December 31, 2016 is primarily due to the extinguishment of the debts and subsequent recognition of the debts at significantly lower values as a result of extension in maturity dates and lowered interest rates. This effect on net assets has been partially offset by the downward revaluation of Malaysian property, plant and equipment driven by the devaluation of the Malaysian ringgit against the Australian dollar.

Cash and cash equivalents at December 31, 2016 comprise $8.5m (June 30, 2016: $10.4m) of unrestricted cash and $30.0m (June 30, 2016: $32.9m) of restricted cash. Restricted cash is available to fund future interest payments and principal repayments under the JARE loan facility and the convertible bond facility. Prior to the latest debt facility amendments, interest on the JARE loan and convertible bond facilities was paid

Directors' Report

into separate restricted bank accounts in the name of Lynas. Interest liabilities would only be paid to the lenders to the extent that there was a total cash balance (unrestricted and restricted funds) in excess of $60m.

The debt facility amendments that were approved by shareholders at the 2016 annual general meeting came into effect in December 2016. Future interest liabilities will be paid directly to the lenders. In addition, there are a number of other changes to the debt facilities under this new set of amendments.

A principal repayment will be made to JARE from the JARE restricted bank account in the amount of USD15m when the unrestricted cash balance exceeds $25m on any date after July 31, 2017. The remaining balance in the JARE restricted interest account will be used to partially settle the interest incurred from October 1, 2014 to December 31, 2015. The outstanding interest incurred in the same period will be forgiven.

On each interest payment date, when the total unrestricted cash balance exceeds $40m, the surplus will be paid as a principal repayment to JARE pursuant to a cash sweep mechanism. If Lynas received the proceeds from a future equity raising, then at least 50% of the proceeds will be exempt from the cash sweep. JARE may also call for a principal repayment from the remaining balance in the JARE restricted bank account if the bond restricted bank account is closed following a conversion of the bonds.

Other key changes to the JARE loan facility include:

- Extension of the maturity date from June 30, 2018 to June 30, 2020;
- The payment of interest in respect of the period commencing on January 1, 2016 and ending on December 31, 2016 will be deferred to the maturity date (with no penalty, and no additional interest);
- Decrease in the interest rate from 6.0% to 2.5% per annum. 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 per kilogram or greater, the interest rate will increase to 3.75% per annum, effective on and from the day after the test date;
- No fixed principal repayments from unrestricted cash during the term of the facility. Outstanding balance of the loan will be settled on maturity date.

Other key changes to the convertible bond facility include:

- Extension of the maturity date from September 30, 2018 to September 30, 2020;
- Decrease in the coupon rate from 2.75% per annum to 1.25% per annum. 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 per kilogram or greater, the interest rate will increase to 1.875% per annum, effective on and from the day after the test date;
- Adjustment to the conversion price of $0.5634 per share to $0.10 per share;
- Adjustment to the conversion exchange rate of USD1.00 = AUD0.9533 to AUD1.00 = USD0.7500;
- Issue of 348,843,836 warrants with an exercise price of $0.05 each and an expiry date of September 30, 2020.

USD3m was repaid on the JARE loan facility in October 2016 reducing the outstanding loan balance from USD200m. This facility has fair value of USD176.4m which has been converted to Australian dollars at December 31, 2016 exchange rate. The convertible bond facility has an outstanding principal of USD225.0m. The liability component has been converted to Australian dollars at December 31, 2016 exchange rate and the equity component has been converted to Australian dollars at the effective date of the amended terms.

Inventory reduced by $10.1m, or 19% during the half year ended December 31, 2016. Holdings of raw materials and consumables were $10.0m compared to $13.6m at June 30, 2016. Finished goods have decreased by $0.9m to $5.3m at December 31, 2016. Work in progress inventory was reduced by $5.7m to $28.5m at December 31, 2016. As at December 31, 2016 the Group held 2,340 tonnes of processed concentrate containing 900 tonnes of REO bagged and ready for export at its Mt Weld operations.

Property, plant and equipment decreased by $54.9m, or 9% during the half year ended December 31, 2016. The decrease is largely driven by the foreign currency translation as a result of weakening of the Malaysian ringgit against the Australian dollar ($37.1m) and depreciation charged during the period ($18.8m).

Reserves were increased by the value of warrants issued to Lynas' bondholders ($9.0m), the equity component of the amended convertible bond ($69.8m) and share based payments ($1.1m) offset by the drop in foreign currency translation reserve ($54.3m) driven by the weakened Malaysian ringgit against Australian dollar on overseas assets and the effects of the strengthening USD against the AUD on the Lynas' loans that are denominated in US dollar.

Capital structure

During the half year ended December 31, 2016, the Company issued shares as shown below:

	Number
Shares on issue June 30, 2016	3,488,438,369
Issue of shares pursuant to exercise of performance rights	32,461,096
Shares on issue December 31, 2016	3,520,899,465

In addition to the ordinary shares on issue there were 97,839,775 performance rights, 225,000,000 unlisted convertible bonds on issue each with a conversion price of $0.10 (at a set exchange rate of $1.00 = USD0.75), 174,365,466 unlisted warrants with exercise price of $0.038 each and another 348,843,836 unlisted warrants with exercise price of $0.05 each.

Directors' Report

Review of operations

Highlights during the half year ended December 31, 2016 include:

- The Group achieved record total sales revenue in the first half of FY17 of AUD114.6m, compared with AUD93.2m in the first half of FY16, reflecting increased production volumes and continuing strong relationships with strategic customers in Japan and China;
- For the first half of FY17, ready for sale production of neodymium-praseodymium (NdPr) was 2,506 tonnes (first half of FY16: 1,905 tonnes) and total ready for sale production of rare earth oxide (REO) was 7,579 tonnes (first half of FY16: 6,337 tonnes), reflecting a continuing trend of positive improvements in the production process, throughput rates and quality of final output;
- Costs remained well managed throughout the half year, with general and administration expenses excluding depreciation of $12.5m, compared to $13.0m in the half year ending December 31, 2015;
- During the half year, the Group successfully negotiated the further extension of both of its debt facilities by 2 years and significant reductions in the interest rates, reflecting the support of both lender groups;
- The Malaysian Atomic Energy Licensing Board (AELB) renewed our Full Operating Stage License (FOSL) for a further 3 years until September 2019. This renewal followed a rigorous review undertaken by the AELB and other independent regulatory bodies in Malaysia, all of whom have concluded that the LAMP is in compliance with applicable regulations.

Mt Weld

Mt Weld continued to operate safely and efficiently throughout the half year.

Mobilisation for the second mining campaign was commenced prior to December 31, 2016. The campaign will be completed during the June 2017 quarter. Approximately one year of mill feed will be extracted during this campaign. At an estimated cost of AUD3m, this campaign will cost much less than originally expected. We have been able to delay this significant expense by developing the capability to use large quantities of the lower grade Li ore, which was originally considered to be unprocessable. In addition, the planning of this campaign has been optimised with the key focus on digging lower in the existing pit rather than extending the pit, thus avoiding costly overburden removal.

Now that operations have reached design production rates for NdPr, more consistent and frequent mining campaigns will occur. Future campaigns will require pit extension and thus will be more costly.

Lynas Advanced Materials Plant (LAMP)

Rare earth oxide (REO) ready for sale production at the LAMP for the 6 months to December 31, 2016 was 7,579 tonnes (2015: 6,337 tonnes), while shipments during the year totalled 6,431 tonnes (2015: 5,773 tonnes).

The cracking and leaching kilns at the LAMP continue to operate above design rates, treating over 12,730 tonnes (2015: 8,917 tonnes) of REO concentrate in the half year ending December 31, 2016.

In product finishing, the refinement of processes to produce high quality Lanthanum and Cerium products continues. Developments during the half year focussed on improved control of precipitation and centrifuge washing to remove impurities.

The average selling price (revenue basis) during the half year was AUD18.48/kg REO (2015: AUD16.56/kg). The Company's most significant product is NdPr and prices have remained low. The China domestic price (VAT excluded) of NdPr oxide declined from USD33.8/kg in the March 2016 quarter to USD31.1/kg in the December 2016 quarter.

The Group continues its commercialisation program of solid residues from the LAMP. Field trials have demonstrated the efficacy of the residue material in enhancing soil structure, adjusting soil pH, enhancing growth and improving yields. A progress report is being prepared for submission to Malaysia's Department of Environment as part of the commercialisation approval process.

Ready for sale by tonnage

	FY14	FY15	FY16	YTD FY17
Ready for sale production volume total (REOt)	3,965	8,799	12,631	7,579
Ready for sale production volume NdPr (REOt)	946	2,258	3,896	2,506

Note: The above table sets out "ready for sale" tonnes. There is usually approximately a 2 day gap between "production" tonnes and "ready for sale" tonnes while a final certificate of analysis is prepared for the product.

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.

Health, Safety and Environment

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, 2016 was 1.4 per million hours worked (2015: 1.3 per million hours worked). The Company continued to carefully manage all residues, air, water and solid, and met or exceeded all licence requirements.

Directors' Report

Strategic marketing and sales

Market pricing, for all products, throughout the half year was extremely low, with NdPr prices remaining USD10-11/kg lower than average levels experienced in 2014 and early 2015.

However, whilst all rare earth producers have face extremely challenging market conditions over the past 18 months, underlying market demand remains positive.

Demand for magnetic materials using NdPr continues to grow as demand for energy efficient technologies, including electric and hybrid vehicles and wind power grows. Demand for products used in catalytical applications in automotive and other applications is also growing, albeit at a slower pace.

Sales by tonnage and value

	Q1 FY16	Q2 FY16	H1 FY16	Q1 FY17	Q2 FY17	H1 FY17
Sales volume (REOt)	2,691	3,082	5,773	3,081	3,350	6,431
Cash receipts from customers (AUDm)	55.4	50.3	105.7	57.4	58.3	115.7

Lynas, with 100% of capacity commissioned and operating, can confidently serve these growing markets. Over the 6 months to December 31, 2016 sales volumes continued to increase reflecting stable production rates, consistent demand for NdPr products and quality improvements for Cerium and Lanthanum products. This allowed Lynas to acquire new customers and address new applications. This business development, supported by technical improvements and product customizations, will continue through the coming months and should result in Lynas securing better value for its Cerium and Lanthanum products.

Loss per share

	December 31, 2016	December 31, 2015
Basic loss per share (cents per share)	(0.37)	(1.90)
Diluted loss per share (cents per share)	(0.37)	(1.90)

Dividends

There were no dividends declared or paid during the half year ended December 31, 2016 (2015: nil) and no dividends have been declared or paid since December 31, 2016.

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 as such 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' sales performance 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 a pricing formula that is tied to average rare earth market prices in the previous calendar quarter. 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) *Production capacity*
For most rare earth products, global capacity for rare earth production, including illegal operations in China, currently exceeds global demand.

(ii) *Fluctuations in demand*
A key factor influencing rare earth demand is automotive market demand, both in terms of production quantity and technology incorporated in the vehicles manufactured. Energy-efficient (hybrid/electrical), green (emission controlled) and luxury vehicles require significantly more rare earth materials during the manufacturing process than basic motor vehicles. The market price of rare earth products is influenced by rare earth market traders' expectations of the demand for energy-efficient, green and luxury vehicles as opposed to actual daily demand for those vehicles.

(iii) *Chinese government regulations*
China currently supplies around 90% of the global rare earth and China represents around 60% of the global demand. That has enabled China to encourage many downstream activities to relocate into China. As an example, Chinese regulators previously enforced quotas and taxes on rare earth exports. In the last financial year, Chinese regulators removed regulations on export quotas and export taxes, and introduced new resource and production taxes. The net effect has been a reduction in taxes on rare earth produced in China and a reduction in realised prices outside of China.

Directors' Report

The table below illustrates how China domestic prices of NdPr (excluding VAT) have moved over calendar year 2016:

	March 2016 Quarter	June 2016 Quarter	September 2016 Quarter	December 2016 Quarter
USD/kg	33.8	34.5	32.1	31.1

Lynas' approach to reduce 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 include clauses that aim to reduce price variations for end users 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 and selected customers in China;
- The recognition by the market that Lynas is now well established as the second largest supplier of NdPr in the world;
- End users placing more importance on being able to trace the origin of rare earths from a safe and auditable source of production to their end products.

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 a partial natural hedge.

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

Adverse movements in the Australian dollar against the US dollar and Malaysian ringgit may have an adverse impact on Lynas. The following table shows the average USD/AUD exchange rate over the last four and a half years:

	6 mths to December 31, 2016	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
	$	$	$	$	$
USD/AUD	0.7371	0.7283	0.8382	0.9187	1.0239
MYR/AUD	3.1567	3.0098	2.8828	2.9804	3.1659

Lynas is also exposed to fluctuations in the Chinese yuan against the US dollar. A devaluation in the yuan would increase attractiveness in Chinese exports and China's internal supply.

Operating and development risks
Lynas' operations and development activities could be affected by various unforeseen events and circumstances, which 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. The Japan Australia Rare Earths B.V. (JARE) loan facility is secured over all of the assets of the Group, other than the Malawi assets; so enforcement may involve enforcement of security over the assets of Lynas and its material subsidiaries, including appointing a receiver.

In addition, the principal amount of the convertible bonds is USD225m. Unless the convertible bonds are converted into ordinary shares in Lynas prior to maturity, the principal amount of USD225m will be due for repayment on September 30, 2020.

In the event of repayment default, Lynas may be required to seek amendments and/or waivers of non-compliance or alternative funding arrangements such as a refinance. There is no assurance that Lynas' lenders would consent to such an amendment or waiver in the event of non-compliance, or that such consent would not be conditioned upon the receipt of a cash payment, revised payout terms, increased interest rates, or restrictions on the expansion of debt facilities in the foreseeable future, or that its lenders would not exercise rights that would be available to them, including among other things, accelerating repayment of outstanding borrowings, or appointing a receiver.

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, 2020 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

Directors' Report

regulatory consents and authorisations or 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.

Interest rates
Lynas is exposed to some interest rate risk on its borrowings. The interest rate on the JARE facility and the convertible bonds can vary in certain circumstances, as detailed in the notes to the financial statements. Fluctuation in interest rates would have an impact on the Company's earnings.

Health, safety and environment
Health, safety and the environment is a key focus area and Lynas is committed to providing and maintaining a healthy and safe work environment. Lynas is subject to regulation in respect of the health and safety of our people and the protection and rehabilitation of the environment and is committed to complying with all relevant environmental legislation and other relevant requirements. Given the sensitive nature of this area, Lynas may be exposed to litigation, foreseen and unforeseen compliance and rehabilitation costs despite its best efforts.

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.

Lynas continues to have a major focus on ensuring positive 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 (Note 22), 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 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.

Subsequent events

There have been no events subsequent to December 31, 2016 that would require accrual or disclosure in the interim unaudited condensed 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, 2017

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 ASIC Class Order 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 ASIC Class Order 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 Board

Mike Harding
Chairman
Sydney, February 28, 2017

Building a better
working world

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Auditor's Independence Declaration to the Directors of Lynas Corporation Limited

As lead auditor for the audit of Lynas Corporation Limited for the financial half year ended 31 December 2016, 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Graham Ezzy

Graham Ezzy
Partner
Sydney
28 February 2017

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

For the half year ended

In AUD'000	Note	December 31 2016	December 31 2015
Revenue		114,614	93,159
Cost of sales		(117,495)	(112,508)
Gross profit (loss)		(2,881)	(19,349)
General and administration expenses	7	(15,545)	(18,357)
Other expenses		(482)	(2,079)
Loss from operating activities		**(18,908)**	**(39,785)**
Net gain on extinguishment of debts	16	22,882	-
Other financial income	8	93	107
Financial expenses	8	(16,962)	(26,374)
Net financial income (expenses)		**6,013**	**(26,267)**
Profit (loss) before income tax		**(12,895)**	**(66,052)**
Income tax expense	9	(89)	(40)
Profit (loss) for the period		**(12,984)**	**(66,092)**
Other comprehensive income (loss) for the period net of income tax that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(54,268)	(57,596)
Total other comprehensive loss for the period, net of income tax		**(54,268)**	**(57,596)**
Total comprehensive loss for the period attributable to equity holders of the Company		**(67,252)**	**(123,688)**
Loss per share			
Basic loss per share (cents per share)	18	(0.37)	(1.90)
Diluted loss per share (cents per share)	18	(0.37)	(1.90)

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

Interim Unaudited Condensed Consolidated Statement of Financial Position

As at

In AUD'000	Note	December 31, 2016	June 30, 2016
Assets			
Cash and cash equivalents	10	38,477	43,348
Trade and other receivables	11	11,078	3,065
Prepayments		1,771	2,029
Current tax receivable		100	111
Inventories	12	43,543	53,643
Total current assets		**94,969**	**102,196**
Inventories	12	257	219
Property, plant and equipment	13	557,196	612,065
Deferred exploration, evaluation and development expenditure		43,254	44,206
Intangible assets - software		57	100
Other non-current assets	14	35,484	28,259
Total non-current assets		**636,248**	**684,849**
Total assets		**731,217**	**787,045**
Liabilities			
Interest payable		36,357	49,761
Trade and other payables	15	49,369	32,770
Borrowings	16	-	26,878
Employee benefits		2,658	2,146
Deferred income		1,076	1,178
Provisions	17	302	411
Total current liabilities		**89,762**	**113,144**
Trade and other payables	15	912	11,519
Interest payable		26,893	-
Borrowings	16	477,675	535,686
Provisions	17	53,067	55,127
Employee benefits		150	359
Total non-current liabilities		**558,697**	**602,691**
Total liabilities		**648,459**	**715,835**
Net assets		**82,758**	**71,210**
Equity			
Share capital	18	1,088,469	1,088,469
Accumulated deficit		(1,001,930)	(988,946)
Reserves		(3,781)	(28,313)
Total equity attributable to equity holders of the Company		**82,758**	**71,210**

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

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Interim Unaudited Condensed Consolidated Statement of Changes in Equity

In AUD'000	Note	Share capital	Accumulated Deficit	Foreign currency translation reserve	Equity settled employee benefits reserve	Warrant reserve	Other reserves	Total
Balance at July 1, 2016		1,088,469	(988,946)	(125,943)	37,490	31,397	28,743	71,210
Other comprehensive income (loss) for the period		-	-	(54,268)	-	-	-	(54,268)
Total income (loss) for the period		-	(12,984)	-	-	-	-	(12,984)
Total comprehensive income (loss) for the period		**-**	**(12,984)**	**(54,268)**	**-**	**-**	**-**	**(67,252)**
Issue of warrants	20	-	-	-	-	9,016	-	9,016
Adjustment for extinguishment of convertible note		-	-	-	-	-	(1,127)	(1,127)
Recognition of convertible note based on new terms		-	-	-	-	-	69,804	69,804
Employee remuneration settled through share-based payments	19	-	-	-	1,107	-	-	1,107
Balance at December 31, 2016		**1,088,469**	**(1,001,930)**	**(180,211)**	**38,597**	**40,413**	**97,420**	**82,758**
Balance at July 1, 2015		1,083,898	(894,864)	(97,794)	35,105	28,143	28,743	183,231
Other comprehensive income (loss) for the period		-	-	(57,596)	-	-	-	(57,596)
Total income (loss) for the period		-	(66,092)	-	-	-	-	(66,092)
Total comprehensive income (loss) for the period		**-**	**(66,092)**	**(57,596)**	**-**	**-**	**-**	**(123,688)**
Exercise of options and performance rights, net of issue costs		160	-	-	-	(59)	-	101
Issue of warrants		-	-	-	-	3,313	-	3,313
Issue of shares pursuant to settlement of liability		4,411	-	-	-	-	-	4,411
Employee remuneration settled through share-based payments		-	-	-	885	-	-	885
Balance at December 31, 2015		**1,088,469**	**(960,956)**	**(155,390)**	**35,990**	**31,397**	**28,743**	**68,253**

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

Interim Unaudited Condensed Consolidated Statement of Cash Flows

For the half year ended

In AUD'000	Note	December 31, 2016	December 31, 2015
Cash flows from operating activities			
Receipts from customers		115,765	105,692
Payments to suppliers and employees		(106,284)	(96,557)
Royalties paid		(2,751)	(2,384)
Income taxes paid		(14)	(46)
Net cash from operating activities		**6,716**	**6,705**
Cash flows used in investing activities			
Payments for property, plant and equipment		(982)	(6,565)
Proceeds from sale of property, plant and equipment		-	33
Payments for deferred exploration, evaluation and development expenditure		(13)	-
Security bonds paid		(5,993)	(12)
Security bonds refunded		36	165
Net cash used in investing activities		**(6,952)**	**(6,379)**
Cash flows from (used in) financing activities			
Interest received		23	44
Interest and other financing costs paid		(27)	(41)
Proceeds from the issue of share capital resulting from the exercise of options		-	102
Repayment of long-term borrowing (JARE facility)		(3,950)	-
Net cash from (used in) financing activities		**(3,954)**	**105**
Net increase (decrease) in cash and cash equivalents		(4,190)	431
Cash and cash equivalents at the beginning of the period		43,348	51,973
Effect of exchange rate fluctuations on cash held		(681)	1,231
Cash and cash equivalents at end of the period	10	**38,477**	**53,635**

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

Notes to the Interim Unaudited Condensed Consolidated Financial Statements
For the half year ended December 31, 2016

1. Reporting entity

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

The interim unaudited condensed consolidated financial statements of the Company as at and for the half year ended December 31, 2016 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 Level 1, 7 Tully Road, East Perth WA 6004, Australia.

2. Basis of preparation

2.1 Statement of compliance

The interim unaudited condensed consolidated financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. The unaudited condensed consolidated financial statements also comply with International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB") where relevant. The disclosures required in these interim unaudited condensed consolidated financial statements are less extensive than the disclosure requirements for annual financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the annual financial report of the Group for the year ended June 30, 2016.

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

2.2 Going concern

The interim unaudited condensed consolidated financial statements have been prepared using the going concern assumption. The Directors note the Group generated a net loss and had net cash outflows from operations in the first half of FY17, and had net current assets as at December 31, 2016.

The Directors have concluded that using the going concern assumption remains appropriate after considering a number of key assumptions affecting the business. These include the continuing low prices for rare earth products experienced in the first half of FY17 and the possibility that these low prices may continue in the second half of FY17. Other key assumptions include forecast production volumes, foreign currency exchange rates, regulatory environments in both jurisdictions and the continuing improvements in cost performance.

Details of the Company's loan facilities are set out in Note 16. The Directors are of the view that the Company will continue meeting its financial obligations based on the key assumptions mentioned above.

2.3 Basis of measurement

The interim unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for certain components of inventory which are measured at net realisable value, derivatives which are measured at fair value and certain non-current assets that are presented on a revalued amount.

2.4 Presentation currency

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

2.5 Rounding of amounts

The Company is of a kind referred to in 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.

2.6 Reclassification of comparative information

Certain elements of the information presented for comparative purposes have been revised to conform to the current period presentation.

2.7 Accounting policies and recently issued accounting pronouncements

The accounting policies applied by the Group in these interim unaudited condensed consolidated financial statements are the same as those applied by the Group in the annual financial statements for the year ended June 30, 2016. None of the standards and amendments which became mandatory for the first time in the interim reporting period commencing July 1, 2016 resulted in any adjustments to the amounts recognised in the financial statements or disclosures.

Lynas CORPORATION LTD

Notes to the Interim Unaudited Condensed Consolidated Financial Statements
For the half year ended December 31, 2016

Standards and interpretations issued but not yet effective

The Australian Accounting Standards issued but not yet mandatory for the December 31, 2016 interim reporting period have not been adopted by the Group in the preparation of this interim financial report and are set out below:

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	July 1, 2018	June 30, 2019
AASB 15 Revenue from Contracts with Customers	July 1, 2018	June 30, 2019
AASB 2014-10 Amends to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	July 1, 2018	June 30, 2019
AASB 16 Leases	July 1, 2019	June 30, 2020
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	July 1, 2017	June 30, 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	July 1, 2017	June 30, 2018
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 21]	July 1, 2018	June 30, 2019
AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts [AASB 4]	July 1, 2018	June 30, 2019
Amendments to IAS 40 – Transfers of Investment Property	July 1, 2018	June 30, 2019
IFRIC Interpretation 22	July 1, 2018	June 30, 2019

Their adoption has not had any significant impact on the amounts reported in these interim unaudited condensed consolidated financial statements but may affect the accounting for future transactions or arrangements.

3. Use of estimates and judgements

The preparation of interim unaudited condensed 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, 2016.

4. Seasonality

The Group's operations are currently not exposed to material changes due to seasonality.

5. 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, 2016, 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, 2016.

6. 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, the Chief Executive Officer, the Chief Financial Officer, the VP Production and the VP Sales & Marketing. Information reported to the Group's CODM for the purposes of resource allocation and assessment of performance currently focuses on the operation and maximising the Group's integrated rare earth extraction and fully utilising 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.

Lynas CORPORATION LTD

Notes to the interim unaudited condensed consolidated financial statements
For the half year ended December 31, 2016

In AUD'000	Note	For the half year ended December 31, 2016 Rare Earth operations	Corporate/ unallocated	Total continuing operations	For the half year ended December 31, 2015 Rare Earth operations	Corporate/ unallocated	Total continuing operations
Business segment reporting							
Revenue		114,614	-	114,614	93,159	-	93,159
Cost of sales		(117,495)	-	(117,495)	(112,508)	-	(112,508)
Gross profit (loss)		**(2,881)**	**-**	**(2,881)**	**(19,349)**	**-**	**(19,349)**
Expenses and other income		(9,698)	(5,847)	(15,545)	(11,784)	(6,573)	(18,357)
Net impairment expenses		(482)	-	(482)	(2,079)	-	(2,079)
Earnings before interest and tax ("EBIT")		**(13,061)**	**(5,847)**	**(18,908)**	**(33,212)**	**(6,573)**	**(39,785)**
Net gain on extinguishment of debts		-	22,882	22,882	-	-	-
Other financial income	8			93			107
Financial expenses	8			(16,962)			(26,374)
Profit (loss) before income tax				**(12,895)**			**(66,052)**
Income tax benefit (expense)	9			(89)			(40)
Profit (loss) for the year				**(12,984)**			**(66,092)**
Reconciliation of EBIT to Earnings before interest, tax, depreciation and amortisation ("EBITDA")							
EBIT		(13,061)	(5,847)	(18,908)	(33,212)	(6,573)	(39,785)
Depreciation and amortisation		19,105	709	19,814	20,657	740	21,397
EBITDA		**6,044**	**(5,138)**	**906**	**(12,555)**	**(5,833)**	**(18,388)**
Included in EBITDA:							
Impairment charge – property plant and equipment & other	13	482	-	482	761	-	761
Impairment – inventory	12	-	-	-	1,318	-	1,318
Non-cash employee remuneration settled through share based payments comprising:							
Share based payments expense for the period	19	-	1,395	1,395	-	885	885
Impact of options and performance rights forfeited during the period	19	-	(288)	(288)	-	-	-
Adjusted EBITDA		**6,526**	**(4,031)**	**2,495**	**(10,476)**	**(4,948)**	**(15,424)**

7. General and administration expenses

In AUD'000	For the half year ended December 31 2016	2015
Employee and production costs net of costs recovered through production	6,781	6,849
Depreciation expenses net of cost recovered through production	3,069	5,344
Other	5,695	6,164
Total general and administration expenses	**15,545**	**18,357**

8. Financial income and costs

In AUD'000	For the half year ended December 31 2016	2015
Net gain on extinguishment of debts*	22,882	-
Interest income on cash and cash equivalents	93	107
Total financial income	**22,975**	**107**
Interest expense on JARE loan facility*	(7,045)	(11,156)
Interest expense on financial liabilities measured at amortised cost:*		
Convertible bonds	(4,213)	(4,718)
Amortisation of deferred transaction costs - convertible bond facility	(434)	(524)
Unwinding of discount on convertible bond facility	(3,585)	(3,373)
Unwinding of discount on JARE loan facility	(752)	-
Net foreign currency exchange loss	(436)	(6,097)
Financing transaction costs and fees	(497)	(506)
Total financial expenses	**(16,962)**	**(26,374)**
Net financial expenses	**6,013**	**(26,267)**

* refer to note 16 for more information

9. Income tax

The significant driver of the difference between income tax benefit / expense calculated at 30% (2015: 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.

10. Cash and cash equivalents

As at In AUD'000	December 31, 2016	June 30, 2016
Cash at bank and on hand	8,503	10,402
Restricted cash	29,974	32,946
Total cash and cash equivalents	**38,477**	**43,348**

Restricted cash for JARE loan facility
A principal repayment to JARE of USD15m will be made from the JARE restricted bank account when the unrestricted cash balance exceeds $25m on any date after July 31, 2017. The remaining balance in the JARE restricted interest account will be used to partially settle the interest incurred from October 1, 2014 to December 31, 2015. The outstanding interest incurred in the same period will be forgiven. In addition, JARE may call for the principal repayment from the remaining balance in the JARE restricted bank account if the bond restricted bank account is closed following a conversion of the bonds.

There is a JARE principal repayment test on each interest payment date that commenced on December 31, 2016. On each interest payment date, when total unrestricted cash balance exceeds $40m, the surplus is paid as a principal repayment to JARE pursuant to a cash sweep mechanism. If Lynas received the proceeds for a future equity raising, then at least 50% of the proceeds will be exempt from the cash sweep.

Restricted cash for convertible bond facility
Any amounts released to the bondholders from the bond restricted interest account will be applied first to pay accrued and unpaid interest on and thereafter principal of the convertible bonds. Such payment will occur within 5 business days after the first date after 31 July 2017 on which the Group's unrestricted cash balance exceeds A$25 million.

Notes to the interim unaudited condensed consolidated financial statements
For the half year ended December 31, 2016

11. Trade and other receivables

As at In AUD'000	December 31, 2016	June 30, 2016
Trade receivables	5,221	1,483
Security deposit	3,581	-
Other receivables	2,276	1,582
Total trade and other receivables	**11,078**	**3,065**

The Group's exposure to credit risk is primarily in its trade receivables. Credit risk is assessed on a customer by customer basis and includes a credit analysis of each customer, negotiated payment terms and payment history. As at December 31, 2016 and June 30, 2016 no trade receivables were past due nor impaired.

A security deposit that was previously disclosed in other non-current assets is disclosed as current asset due to its maturity date falling within 12 months from the current reporting date.

12. Inventories

As at In AUD'000	December 31, 2016	June 30, 2016
Raw materials and consumables	10,038	13,585
Work in progress	28,450	34,113
Finished goods	5,312	6,164
Total inventories	**43,800**	**53,862**
Current	43,543	53,643
Non-current	257	219
Total inventories	**43,800**	**53,862**

During the half year ended December 31, 2016 inventories of $117.5m (2015: $112.1m) were recognised as an expense; all of which (2015: $110.8m) were included in 'cost of sales'. There has been no write-down of inventories held to their net realisable value (2015: $1.3m).

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, 2016 and 2015 respectively in the following categories:

	Recognised in Profit or Loss		Recognised in Inventory		Total	
In AUD'000	2016	2015	2016	2015	2016	2015
Property, plant and equipment	1,996	4,390	16,746	15,880	18,742	20,270
Deferred exploration and evaluation expenditure	858	605	-	-	858	605
Intangibles	214	235	-	-	214	235
Total	**3,068**	**5,230**	**16,746**	**15,880**	**19,814**	**21,110**

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 $15.3m in half year ended December 31, 2016 (2015: $16.2m).

During the half year ended December 31, 2016 the Group recognised royalties payable to the Western Australian Government totalling $2.7m (2015: $2.3m). Royalties arise on the shipment of the Group's concentrate from Australia to Malaysia.

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For the half year ended December 31, 2016

13. Property, plant and equipment

As at

In AUD'000	**Leasehold land**	**Buildings plant and equipment**	**Fixtures and fittings**	**Motor vehicles**	**Assets under construction**	**Leasehold improvements**	**Total**
Cost	52,172	802,754	6,824	685	7,742	18,668	888,845
Accumulated impairment losses	-	(175,207)	(332)	(53)	(274)	(6,940)	(182,806)
Accumulated depreciation	(5,105)	(136,164)	(4,543)	(622)	-	(2,409)	(148,843)
Carrying amount – December 31, 2016	**47,067**	**491,383**	**1,949**	**10**	**7,468**	**9,319**	**557,196**
Cost	56,562	858,543	7,086	698	7,702	20,235	**950,826**
Accumulated impairment losses	-	(192,366)	(360)	(54)	(265)	(7,524)	**(200,569)**
Accumulated depreciation	(4,931)	(125,930)	(4,420)	(582)	-	(2,329)	**(138,191)**
Carrying amount – June 30, 2016	**51,631**	**540,247**	**2,306**	**62**	**7,437**	**10,382**	**612,065**
Cost at July 1, 2016	56,562	858,543	7,086	698	7,702	20,235	**950,826**
Accumulated depreciation and impairment losses at July 1, 2016	(4,931)	(318,296)	(4,780)	(636)	(265)	(9,853)	**(338,761)**
Carrying amount at July 1, 2016	**51,631**	**540,247**	**2,306**	**62**	**7,437**	**10,382**	**612,065**
Additions	-	530	5	-	988	-	1,523
Depreciation	(575)	(17,519)	(332)	(49)	-	(267)	(18,742)
Impairment loss	-	(436)	-	-	(46)	-	(482)
Transfers of assets under construction	-	254	-	-	(254)	-	-
Effect of movements in exchange rates	(3,989)	(31,693)	(30)	(3)	(657)	(796)	(37,168)
Carrying amount at December 31, 2016	**47,067**	**491,383**	**1,949**	**10**	**7,468**	**9,319**	**557,196**

There are no restrictions on the title of any items of property, plant and equipment except as disclosed in the annual financial report for the year ended June 30, 2016.

14. Other non-current assets

As at

In AUD'000	**December 31, 2016**	**June 30, 2016**
Security deposits – banking facilities and other, Malaysia	1,060	4,087
Security deposits – banking facilities and other, Australia	684	636
Security deposits – AELB, Malaysia	33,740	23,536
Total trade and other payables	**35,484**	**28,259**

Local banking facilities relate both to cash provided for security bonds issued to secure the mining tenements at Mount Weld and a restricted deposit pledged as collateral for bank facilities in Australia and Malaysia.

During the year the Group recorded an increase of $10.2m in deposits to the Malaysian Government's Atomic Energy Licencing Board ("AELB"). These deposits form a component of a total USD50m of instalments due in accordance with the conditions underlying the granting of the Full Operating Stage Licence to the Group for the LAMP in Malaysia.

15. Trade and other payables

As at

In AUD'000	December 31, 2016	June 30, 2016
Trade payables	11,350	11,370
Accrued expenses	32,649	26,999
Other payables	6,282	5,920
Total trade and other payables	**50,281**	**44,289**
Current	49,369	32,770
Non-current	912	11,519
Total trade and other payables	**50,281**	**44,289**

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

16. Borrowings

As at

In AUD'000	December 31, 2016	June 30, 2016
Current Borrowings		
JARE loan facility	-	26,878
Non - Current Borrowings		
JARE loan facility	245,108	245,935
Convertible bonds	232,567	289,751
Total borrowings (1)	**477,675**	**562,564**
JARE loan facility	245,108	272,813
Total JARE loan facility carrying amount	**245,108**	**272,813**
Principal value of Mt. Kellett convertible bonds (2)	312,630	302,379
Unamortised equity component(2)	(80,063)	(10,265)
Unamortised transaction costs(3)	-	(2,363)
Total convertible bonds carrying amount	**232,567**	**289,751**

(1) There has been no additional drawdown under the loan facilities. Due to the substantial amendments made to the terms of the Group's debt facilities during the half year, the extinguishment of the debt under the previous terms and the establishment of the debt's fair values based on the terms was performed. Details on the revised terms and conditions of the Group's borrowings are set out below.
(2) 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.
(3) The Group issued 348,843,836 unlisted warrants with an exercise price of $0.05 each and expiry date of September 30, 2020 to the Mt. Kellett led bond holder group as part of the commercial terms relating to the maturity extension of the convertible bonds. The costs have been recognised as part of consideration paid and measured by reference to the fair value at the date at which they were granted using the Black Scholes pricing model.

On October 26, 2016 the Company announced debt facility amendments that were agreed with its debt providers. The amendments were subsequently approved by shareholders at the 2016 annual general meeting.

Japan Australia Rare Earths B.V. (JARE) loan facility
The maturity date of the JARE loan facility was extended from June 30, 2018 to June 30, 2020.

Prior to the latest debt facility amendments, interest on the JARE loan and convertible bond facilities was paid into separate restricted bank accounts in the name of Lynas. Interest liabilities would only be paid to the lenders to the extent that there was a total cash balance (unrestricted and restricted funds) in excess of $60m. The balance in the restricted accounts is available, at the lenders' discretion, for reuse in the Lynas business.

The principal repayments due prior to maturity under the JARE facility were as follows:

Repayment date	Amount
21 December 2016	USD5m
30 June 2017	USD15m
21 December 2017	USD30m
30 June 2018	USD153m

The debt facility amendments came into effect after the 2016 annual general meeting. The interest rate on the JARE facility reduced from 6.0% to 2.5% effective October 26, 2016. 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 per kilogram or greater, the interest rate will increase to 3.75% per annum, effective on and from the day after the test date. The interest rate will remain 3.75% per annum 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 per kilogram, in which case the interest rate will revert to 2.5% per annum effective on and from the day after such 6th consecutive test date, and will remain 2.5% per annum 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 per kilogram or greater.

Future interest liabilities will be paid directly to the lenders. There are no fixed principal repayments from unrestricted cash during the term of the facility. A principal repayment will be made to JARE from the JARE restricted bank account in the amount of USD15m when the unrestricted cash balance exceeds $25m on any date after July 31, 2017. The remaining balance in the JARE restricted interest account will be used to partially settle the interest incurred from October 1, 2014 to December 31, 2015. The outstanding interest incurred in the same period will be forgiven. Except as indicated below there are no compulsory principal repayments due until the maturity date. Additional voluntary principal repayments can be made without penalty at any time.

On each interest payment date, when the total unrestricted cash balance exceeds $40m, the surplus is paid as a principal repayment to JARE pursuant to a cash sweep mechanism. If Lynas receives the proceeds of a future equity raising, then at least 50% of the proceeds will be exempt from the cash sweep. JARE may also call for a principal repayment from the remaining balance in the JARE restricted bank account if the convertible bond restricted bank account is closed following a conversion of the bonds. The outstanding balance of the loan will be settled on maturity date.

The payment of interest in respect of the period commencing on January 1, 2016 and ending on December 31, 2016 will be deferred to the maturity date (with no penalty, and no additional interest).

Lynas shall ensure that in the event of competing demands from the Japanese market and a non-Japanese market for the supply of NdPr produced from the LAMP, the Japanese market shall have priority of supply up to 3,600 tonnes per year subject to the terms of the Availability Agreement that was announced on 30 March 2011 and to the extent that Lynas will not have any opportunity loss. The Senior Lender's first ranking securities will remain in place throughout the term of the Senior Facility.

Mt. Kellett convertible bonds

The maturity of the bonds has been extended from September 30, 2018 to September 30, 2020 and the coupon rate on the convertible bonds reduced from 2.75% to 1.25% p.a. effective December 8, 2016. The conversion price has been reduced from $0.5634 per share to $0.10 per share with the conversion exchange rate adjusted from USD1.00 = AUD0.9533 to AUD1.00 = USD0.7500. 348,843,836 warrants were issued to the bondholders with an exercise price of $0.05 each and expiry date of September 30, 2020.

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 per kilogram or greater, the interest rate will increase to 1.875% per annum, effective on and from the day after the test date. The interest rate will remain 1.875% per annum 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 per kilogram, in which case the interest rate will revert to 1.25% per annum effective on and from the day after such 6th consecutive test date, and will remain 1.25% per annum 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 per kilogram or greater.

The interest payment dates remain the same at 30 June and 31 December each year. Prior to the amendments, payment of interest was made into restricted bank accounts in the name of Lynas. Interest liabilities would only be paid to the lenders to the extent that there was a total cash balance (unrestricted and restricted funds) in excess of $60m after June 30, 2016. The balance in the restricted accounts is available, at the lenders' discretion, for reuse in the Lynas business. Subsequent to the amendment, interest incurred from January 1, 2017 until maturity will be paid directly to the bondholders as they fall due. The interest incurred from January 1, 2016 to December 31, 2016 will be deferred to the maturity date with no penalty and no additional interest.

Any amounts released to the bondholders from the bond restricted interest account will be applied first to pay accrued and unpaid interest on and thereafter principal of the convertible bonds. Such payment will occur within 5 business days after the first date after 31 July 2017 on which the Group's unrestricted cash balance exceeds $25 million.

17. Provisions

In AUD'000	Restoration and rehabilitation	Onerous contract	Other	Total
Current	-	302	-	302
Non-current	52,552	399	116	53,067
Total provisions at December 31, 2016	**52,552**	**701**	**116**	**53,369**
Current	-	411	-	411
Non-current	54,415	596	116	55,127
Total provisions at June 30, 2016	**54,415**	**1,007**	**116**	**55,538**

Restoration and rehabilitation

The activities of the Group give rise to obligations for asset and site restoration and rehabilitation at the LAMP in 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.

The unwinding effect of discounting of the provision is recognised as a finance cost.

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Onerous lease provision
Since the relocation of headquarters from Sydney to Kuantan, the Company has endeavoured to sub-let the Sydney office to save on rental expenses going forward. The onerous contract provision, which is based on the future rental payments net of estimated recoveries from sub-letting, has been reduced from $1.0m to $0.7m in line with the remaining term of the lease.

18. Equity and other comprehensive income

18.1 Share capital

Number of shares ('000)	For the half year ended December 31, 2016	For the year ended June 30, 2016
Opening balance	3,488,438	3,371,232
Issue of shares pursuant to exercised options	-	1,129
Issue of shares pursuant to exercised performance rights	32,461	-
Issue of shares pursuant to settlement of liability	-	116,077
Total	**3,520,899**	**3,488,438**

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, 2016 (2015: nil).

18.3 Loss per share

Basic earnings per share amounts are calculated by dividing net profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the 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 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 loss per share are as follows:

As at / for the half year ended	December 31, 2016	December 31, 2015
Net loss attributed to ordinary shareholders (in AUD'000)	(12,984)	(66,092)
Loss used in calculating basic and diluted loss per share (in A'$000)	**(12,984)**	**(66,092)**
Weighted average number of ordinary shares used in calculating basic and diluted loss per share ('000)	3,491,790	3,480,078
Basic loss per share (cents per share)	(0.37)	(1.90)
Diluted loss per share (cents per share)	(0.37)	(1.90)

All options, warrants and convertible debentures that are anti-dilutive have been excluded from the diluted weighted average number of common shares as they are out-of- the-money.

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, 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 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 Malaysia and Vice President for Sales and Marketing.

Lynas CORPORATION LTD

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Movement in employee share options and performance rights during the period

	For the half year ended December 31, 2016	
	Number of performance rights ('000)	Weighted average exercise price ($)
Balance at beginning of period	97,090	0.00
Granted during the period	34,461	0.00
Expired during the period	-	0.00
Exercised during the period	(32,461)	0.00
Forfeited during the period	(1,250)	0.00
Balance at end of period	**97,840**	**0.00**
Exercisable at end of period		

During the period, the Group recognised an expense of $1.1m within the profit and loss component of the statement of comprehensive income (2015: $0.9m).

34,460,649 performance rights were granted with various performance conditions.

There were no share options outstanding at December 31, 2016. The outstanding performance rights had a nil weighted average exercise price (June 30, 2016: $0.00) and a weighted average remaining contractual life of 1,261 days (June 30, 2016: 1,229 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, 2016.

20. Warrants

On December 9, 2016 the Group issued 348,843,836 unlisted warrants to the Mt. Kellett led bond holder group as part of the commercial terms relating to the maturity extension of the convertible bond. From the date of issue, each warrant is exercisable into one ordinary share at an exercise price of $0.05 and has an expiry date of September 30, 2020.

The costs of these equity-settled transactions have been measured by reference to the fair value at the date at which they were granted using the Black Scholes pricing model. Each option had a fair value of $0.0235.

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).

As at December 31, 2016 the Group did not hold any Level 1 and Level 2 financial instruments. All financial instruments held are level 3 financial instruments.

22. Subsequent events

There have been no events subsequent to December 31, 2016 that would require accrual or disclosure in the interim unaudited condensed consolidated financial statements.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lynas Corporation Limited ("the Company"), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

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. The directors are also responsible for such internal controls that the directors determine are 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Lynas Corporation Limited and the entities it controlled during the half-year, 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Building a better working world

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lynas Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its 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.

Ernst & Young

Graham Ezzy and Glenn Maris
Partners
Sydney
28 February 2017