Lynas
CORPORATION LTD

2018 ANNUAL REPORT

Contents

Letter from the Chairman

It gives me great pleasure to present the 2018 Annual Report to shareholders of Lynas Corporation. During the year, the Company commenced a new phase in its development with the Lynas NEXT project and this has contributed to strong operational and financial performance throughout the year.

We have been very pleased to deliver strong results for our shareholders during FY18. Some key highlights of the year have been as follows:

- Lynas recorded its first net profit after tax in the Rare Earth industry during FY18 of $53.1 million. Cash flows were strong, with cash flows from operating activities increasing to $118.5m in FY18 from $34.0m in FY17. In FY18, Lynas achieved record total sales revenue after commissions of $374.1m, compared with $257.0m in FY17.
- We have continued to make improvements in the production process, production rates and the quality of final output. As noted in the Financial Report, production of Neodymium-Praseodymium (NdPr) was 5,444 tonnes in FY18 compared to 5,223 tonnes in FY17. Total production of rare earth oxide (REO) in FY18 was 17,753 tonnes compared to 16,003 tonnes in FY17.
- The Lynas NEXT project will enable the company to increase output, expand the product range and improve production efficiency. Lynas NEXT is on track to deliver an increase in production capacity to 600 tonnes of NdPr per month from the January quarter of 2019.
- Consistent with last year, Lynas maintained an excellent safety record with the Company-wide 12-month rolling Lost Time Injury Frequency Rate at 2.2 per million hours worked, as at the end of June 2018
- Rare Earths market settings strengthened in FY18. Prices reached a five-year high in the September 2017 quarter, before stabilising in the second half of the financial year. These favourable market dynamics were driven by strong global demand for Rare Earth materials.
- The principal amount of our loan facilities reduced to US$165.2 million at June 30, 2018, down from US$425 million at June 30, 2017.
- Our share register strengthened during FY18, with several institutional shareholders acquiring larger holdings in the company and our longstanding retail shareholders continuing their support for our business.
- The Company's share price recorded strong growth during the year, from $1.05 on July 1, 2017 to $2.34 on June 30, 2018 (on a post-consolidation basis), and its market capitalisation increased from $386 million to $1.55 billion during the same period.
- The Board welcomed a new Non-Executive Director, Grant Murdoch, in October 2017 and farewelled Liam Forde in November 2017 after 10 years of service as a Non-Executive Director. Grant has been a valuable addition to the Board. The Board has an excellent mix of skills and experience to support Lynas' continued growth in global markets.

"The Lynas NEXT project will enable the company to increase output, expand the product range and improve production efficiency."

Globally, demand is increasing for Rare Earth materials used in permanent magnets for future facing technologies such as electric vehicles and wind turbines. Lynas continues to develop long-term contracts with end users and upstream manufacturers which provide pricing and supply certainty for Rare Earth materials including Lynas' high-value NdPr product. A key differentiator for Lynas is its ability to provide its customers with high quality products that are traceable to the mine in Mt Weld. In addition, we have implemented ISO standards at both sites to ensure that production is safe for employees, the environment and the community and secure for our customers.

During the year, a new government was elected in Malaysia, bringing a sense of optimism and reform to the country. We look forward to working with the new government. Lynas strives to work in and alongside its local communities and to create shared value through economic development and engagement. Lynas is an active community member and its employees regularly contribute their time and expertise to local community initiatives in Mt Weld and Kuantan. From an economic perspective, in addition to its role as an employer, Lynas contributes to mining industry initiatives in Australia and the Company makes a significant contribution to the Malaysian economy through capital investment in the LAMP and local expenditure.

On behalf of my Board colleagues, I would like to thank our CEO Amanda Lacaze, the executive team, and all our employees for their roles in delivering the Company's excellent performance. The business has come a long way over the past four years and the team's hard work has led to Lynas' position as a leading Rare Earths materials company. The Board expects that customer relationships and demand for Lynas products will continue to grow in the year ahead.

Mike Harding

Chairman

CEO Review

The 2018 financial year represents a landmark for Lynas as we further strengthened operational and sales performance and made substantial progress on our Lynas NEXT growth strategy.

I am very pleased to report that the Group recorded its first full year statutory profit as a Rare Earths producer and achieved its first positive EBIT in FY18. At the same time, Group debt reduced by 61% during the year.

With our transformation to a proven and profitable producer of Rare Earths now complete, Lynas is strongly positioned to benefit from accelerating demand for Rare Earths from key markets in Asia, Europe and the United States.

Strong Financial Performance

A disciplined approach to cost management and excellent growth in sales revenue contributed to noteworthy balance sheet improvements during the 2018 financial year. Key financial results are as follows:

- Lynas achieved its first statutory profit (NPAT) of $53.1m as a Rare Earths company, representing a substantial improvement from the restated loss of $0.5m recorded in FY17
- Profit from operating activities (EBIT) increased to $81.0m from a loss of $14.5m in FY17
- The Group's adjusted EBITDA[1] increased to $127.0m from $31.9m in FY17
- Gross profit for the year grew to $121.1m from $14.7m in FY17
- Positive cash flows from operating activities continued to increase to $118.5m from $34.0m in FY17.

As a result of continued improvements in the Group's financial performance, Lynas made a number of repayments – including voluntary early repayments – to our senior lender during FY18 and the outstanding principal amount of the JARE senior loan facility was reduced by US$50m to US$150m at June 30 2018.

Following the conversion of US$209.8m of Convertible Bonds during the year, the principal amount of the outstanding Convertible Bonds reduced to US$15.2m at June 30, 2018, bringing the total principal amount of the Group's loan facilities to US$165.2m at June 30 2018.

Record sales & production

Thanks to the hard work of our skilled teams in Australia and Malaysia, Lynas has consolidated its position as the second largest NdPr producer in the world and the largest supplier of NdPr to the free market. We continue to strengthen customer relationships throughout the supply chain and in FY18 this included finalisation of long term contracts with key customers providing greater certainty for our customers and a strong foundation for the Lynas business.

1 Refer to Note 7 to the Financial Statements for the basis of this measure

“Lynas is strongly positioned to benefit from accelerating demand for Rare Earths from key markets in Asia, Europe and the United States.”

Total sales revenue after commissions increased to $374.1m from $257.0m in FY17 as a result of higher production volumes, sales prices and strategic relationships with customers in Japan and China.

Ready for sale production of Neodymium-Praseodymium (NdPr) was 5,444 tonnes compared to 5,223 tonnes in FY17 and total ready for sale production of rare earth oxide (REO) was 17,753 tonnes compared to 16,003 tonnes in FY17. This includes a record 4,804 tonnes of REO in the June 2018 quarter, resulting from NdPr production at above design rates and improved Lanthanum and Cerium recovery rates.

Operating Environment

Lynas is proud of our world-class operations in Malaysia and Australia and of our record of regulatory compliance at both sites. The safety of our people and our communities is our highest priority. We will continue to be transparent about our operations and our safety and environmental record, including via real-time and online environmental monitoring data available on the Lynas website and on regulator websites.

The new Malaysian government, elected on 9 May 2018, has announced its intention to review many areas of the Malaysian economy and media reports indicate the Lynas business may be reviewed as part of this. As a lawful and transparent business, we hold ourselves to a high standard on all aspects of our business and will co-operate with the government with confidence in our performance.

We seek to be an excellent corporate citizen. We have a policy of zero harm for our people, our communities and the environment, and we operate our business accordingly. In addition, we aim to contribute positively to the lives and careers of our people, our communities and to the Malaysian and West Australian economies.

Lynas recognises the importance of our economic and social contributions to our local communities in Australia and Malaysia. Lynas employs skilled staff and we invest in further development of our people. At our Malaysian processing plant, we employ 631 people – 97% of whom are Malaysian – and we are a significant employer of graduates and interns. Through Lynas, Malaysia has become the major centre of excellence in Rare Earths outside China and Lynas is a key part of important global supply chains, including the automotive, electronic, Oil & Gas and renewable energy markets.

The global geopolitical situation during 2018 reinforced Lynas’ strategy to agree long term supply agreements with selected end users and we continue to make good progress in this area. While the potential imposition of tariffs may cause some disruption in the broader Rare Earths market, Lynas’ business is firmly grounded in demand from our Japanese customers and we are building a strong portfolio of end user contracts in rest of the world markets to increase the resilience of our business.

We are continuing to engage productively with governments in relation to Rare Earths supply and we are committed to contributing to further strengthening global Rare Earth supply chains.

"In addition, we aim to contribute positively to the lives and careers of our people, our communities and to the Malaysian and West Australian economies."

Outlook

As the only proven miner and processor of Rare Earth materials outside of China, Lynas is in an excellent position to benefit from strong market dynamics and increased demand for speciality Rare Earth materials used in high-tech and eco-friendly manufacturing.

Our Lynas NEXT project was announced at the 2017 Annual General Meeting. Its objectives are to increase output, expand the product range and deliver greater production efficiency. Significant progress was made in FY18. Construction of the 3rd Tailings Storage Facility at Mt Weld, Western Australia, is scheduled for completion in September, and upgrades at the Lynas Advanced Materials Plant (LAMP) in Kuantan, Malaysia included the replacement of the concentrate pipe conveyor, upgrades to the residue and water treatment circuits, leach neutralisation circuits and product finishing processing circuits and commissioning of the new SX8 solvent extraction circuit to separate La and Ce.

We are also progressing with the construction of a third water storage pond at the LAMP to reduce the effect of any disruptions to external water supply as has been experienced in the second half of the financial year.

In the June quarter of 2018, we demonstrated our capacity to achieve targeted NdPr production of 500 tonnes/month in two out of three months – with the third month affected by external water supply issues. Looking ahead to the January quarter of 2019, we are on track to demonstrate our capacity to produce 600 tonnes/month. In line with our licence conditions and operating procedures, we will apply for regulatory approval to sustainably produce at this higher level, as we do for all major changes to our production or facilities in Mt Weld and Kuantan.

Summary

This has been a very good year for Lynas and our achievements this year are a direct result of the hard work and dedication of our people in all areas of our business. I would especially like to thank the executive team for leading their teams so capably throughout the year. I would also like to acknowledge our Board of Directors for their guidance and counsel over the past 12 months.

Finally, I would like to thank all our shareholders for your support. I look forward to updating you on our continued progress in FY19.

Amanda Lacaze

Chief Executive Officer and Managing Director

Lynas CORPORATION LTD

ACN 009 066 648

and

Controlled Entities

Consolidated Financial Report

For the year ended June 30, 2018

Corporate Directory Information

ABN 27 009 066 648

Directors

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

Company Secretary

Andrew Arnold
Ivo Polovineo

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Auditors

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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 year ended June 30, 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names and details of the Company's Directors who were in office during or since the end of the financial year are as set out below. All Directors were in office for this entire period unless otherwise stated.

Mike Harding MSc (MecEn) - Chairman

Mr Harding joined the Company as Non-Executive Chairman on January 1, 2015 and has significant experience with industrial businesses, having previously held management positions around the world with British Petroleum (BP), including as President and General Manager of BP Exploration Australia.

Mr Harding is currently Chairman of Downer EDI Ltd, and a Non-Executive Director of Cleanaway Waste Management Limited (formerly Transpacific Industries Group Ltd). He is a former Chairman of Roc Oil Company Limited and a former Non-Executive Director of Santos Limited and Clough Limited.

Mr Harding is a member of the Health, Safety and Environment Committee and Nomination, Remuneration and Community Committee.

Amanda Lacaze BA, MAICD - Managing Director

Ms Lacaze was appointed as Managing Director and Chief Executive Officer of the Company on June 25, 2014 following her appointment as a Non-Executive Director of the Company on January 1, 2014.

Ms Lacaze brings more than 25 years of senior operational experience to Lynas, including as Chief Executive Officer of Commander Communications, Executive Chairman of Orion Telecommunications and Chief Executive Officer of AOL/7. Prior to that, Ms Lacaze was Managing Director of Marketing at Telstra and held various business management roles at ICI Australia (now Orica and Incitec Pivot). Ms Lacaze's early experience was in consumer goods with Nestle.

Ms Lacaze is currently a Non-Executive Director of ING Bank Australia Ltd and is a member of Chief Executive Women and the Australian Institute of Company Directors. Ms Lacaze holds a Bachelor of Arts Degree from the University of Queensland and postgraduate Diploma in Marketing from the Australian Graduate School of Management.

Kathleen Conlon BA (Econ) (Dist.), MBA, FAICD - Non-Executive Director

Ms Conlon was appointed as a Non-Executive Director from November 1, 2011. Ms Conlon is currently a Non-Executive Director of REA Group Limited, Aristocrat Leisure Limited and The Benevolent Society and a former Non-Executive Director of CSR Limited. She is also a member of Chief Executive Women, former President of the NSW division of the Australian Institute of Company Directors and a former member of the National Board of the Australian Institute of Company Directors. Ms Conlon is Chairperson of the audit committee of the Commonwealth Department of Health. Prior to her Non-Executive Director career, Ms Conlon spent 20 years in professional consulting where she successfully assisted companies achieve increased shareholder returns through strategic and operational improvements in a diverse range of industries.

Ms Conlon is one of the pre-eminent thought leaders in the area of operations and change management, both in Australia and globally. In 2003, Ms Conlon was awarded the Commonwealth Centenary medal for services to business leadership.

Ms Conlon is a member of the Health, Safety and Environment Committee and Nomination, Remuneration and Community Committee.

Philippe Etienne MBA, BSc (Phys) (Pharm) - Non-Executive Director

Mr Etienne joined the Company as a Non-Executive Director on January 1, 2015. He is a Non-Executive Director of Cleanaway Waste Management Limited (formerly Transpacific Industries Group Ltd) and ANZ Terminals Pty Ltd. Mr Etienne was also the former Managing Director and Chief Executive Officer of Innovia Security Pty Ltd.

In addition, he was previously Chief Executive Officer of Orica Mining Services and was a member of Orica Limited's Executive Committee. Mr Etienne is a graduate of the Australian Institute of Company Directors. His career includes senior executive positions with Orica in Australia, the USA and Germany including strategy and planning and responsibility for synergy delivery of large scale acquisitions.

Mr Etienne is a member of the Audit and Risk Committee and Health, Safety and Environment Committee.

John Humphrey LLB - Non-Executive Director

Professor Humphrey joined the Company as a Non-Executive Director on May 15, 2017. His key areas of expertise include mergers and acquisitions, corporate finance and corporate governance.

Professor Humphrey is the Dean of the Faculty of Law at Queensland University of Technology. He has held non-executive director positions at other listed companies over many years and is currently Non-Executive Director of Horizon Oil Ltd, Auswide Bank Ltd (formerly Wide Bay Australia) and Spotless Group Holdings Ltd. His previous positions include Deputy Chairman of King & Wood Mallesons, Non-Executive Director of Downer EDI Ltd, Villa World Ltd, and Sunshine Broadcasting Network Ltd and he has served as a member of the Australian Takeovers Panel.

Professor Humphrey is a member of the Audit and Risk Committee and Nomination, Remuneration and Community Committee.

Grant Murdoch, M COM (Hons), FAICD, FCA – Non-Executive Director

Mr Murdoch joined the Company as a Non-Executive Director with effect from October 30, 2017. Mr Murdoch has more than 38 years chartered accounting experience. From 2004 to 2011, Mr Murdoch led the corporate finance team for Ernst & Young Queensland and was an audit and corporate finance partner with Deloitte from 1980 to 2000. Mr Murdoch has extensive experience in providing advice in relation to mergers, acquisitions, takeovers, corporate restructures, share issues, pre-acquisition pricing due diligence advice, expert reports for capital raisings and initial public offerings.

Mr Murdoch is currently a non-executive director and chair of the audit committee of the listed entities ALS Limited, OFX Group Ltd and Redbubble Limited. He was previously a director and the chair of the audit committee for QIC from 2011 to 2017. He is also a senator of the University of Queensland (as well as chair of the risk committee and member of the finance committee), an adjunct professor at the University of Queensland Business School and a director of UQ Holdings Limited. Mr Murdoch has a Master's degree in Commerce (Honours) from the University of Canterbury, New Zealand, is a graduate of the Kellogg Advanced Executive Program and the Advanced Leadership Program at Northwestern University. He is a fellow of both the Institute of Chartered Accountants in Australia and New Zealand and of the Australian Institute of Company Directors. He is a member of the AICD State Council for Queensland for the Australian Institute of Company Directors.

Mr Murdoch is a member of the Audit and Risk Committee.

William (Liam) Forde BSc (Econ), MAICD – Non-Executive Director

Mr Forde joined the Company as a Non-Executive Director in December 2007 and was also the Deputy Chairman of the Company until January 1, 2015. Mr Forde resigned as Non-Executive Director of the Company effective November 28, 2017. Mr Forde has many years' experience in senior finance and managerial positions in Ireland and Australia. Mr Forde is a Director of China Matters Ltd. He is also a former Director of Hastings Funds Management Limited and Hastings High Yield Fund, and a former Chairman of Hastings Management Pty Limited.

In addition, Mr Forde is a member of the Australian Institute of Company Directors. Mr Forde was Chief Executive Officer of the Baulderstone Hornibrook Group from 2002 to 2005, following 15 years as Chief Financial Officer for the group.

Resignations

Mr Forde resigned as Non-Executive Director of the Company effective November 28, 2017.

There were no other resignations of directors during the year and before the date of this report.

COMPANY SECRETARIES

Andrew Arnold

Mr Arnold was appointed as General Counsel and Company Secretary to the Group on July 23, 2008, following 15 years as a lawyer at Deacons, including six years as a Partner. During that time Mr Arnold also spent two years on secondment at Riddell Williams, Seattle. In his role at Deacons he had been overseeing the legal work of the Group since 2001. Mr Arnold is the responsible person for communication with the Australian Securities Exchange (ASX) in relation to listing rule matters.

Ivo Polovineo

Mr Polovineo, appointed as Joint Company Secretary on October 20, 2014, was previously Chief Financial Officer and Company Secretary for Sino Gold Mining Limited, formerly an ASX 100 company. He was with Sino Gold for 12 years part of the executive team. Mr Polovineo is a Fellow of the Institute of Public Accountants (FIPA) with 35 years' experience as a CFO and Company Secretary including 25 years in the resources sector. Mr Polovineo is also Company Secretary of Variscan Mines Limited, Silver City Minerals Limited and Thomson Resources Ltd.

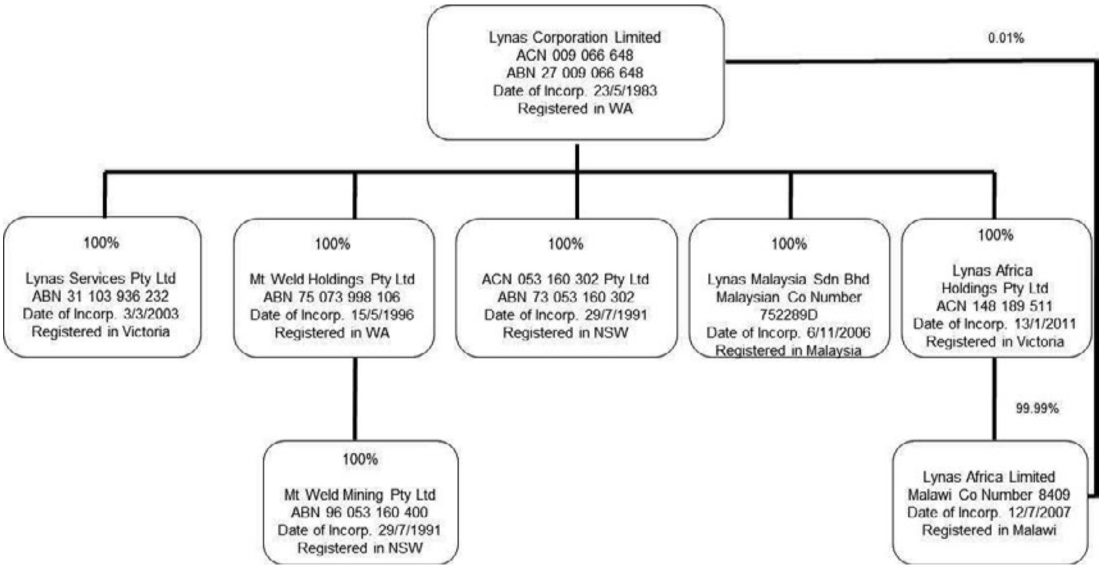
Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this Directors' Report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director of the Company.

Lynas Corporation Limited and Controlled Entities

Corporate information

The Company is limited by shares and is incorporated and domiciled in Australia. The Group's corporate structure is as follows:



Nature of operations and principal activities

The principal activities of the Group are:

- Integrated extraction and processing of Rare Earth minerals, primarily in Australia and Malaysia; and
- Development of Rare Earth deposits.

Performance review

The Directors together with management monitor the Group's overall performance from implementation of the strategic plan through to the operating and financial performance of the Group.

Review of operations

Highlights

- Lynas recorded its maiden net profit after tax in the Rare Earth industry of $53.1m.
- Lynas has consolidated its position as the second largest NdPr producer in the world and the largest supplier of NdPr to the free market, with strong customer relationships in all key jurisdictions. In FY18, the Group achieved record total sales revenue after commissions of $374.1m, compared with $257.0m in FY17. This result reflects increased production volumes and sales prices and continuing strong relationships with strategic customers in Japan and China.
- Positive improvements in the production process, throughput rates and the quality of final output continued in FY18. Ready for sale production of Neodymium-Praseodymium (NdPr) was 5,444 tonnes in FY18 compared to 5,223 tonnes in FY17. Total ready for sale production of rare earth oxide (REO) in FY18 was 17,753 tonnes compared to 16,003 tonnes in FY17.
- Positive cash flows from operating activities increased to $118.5m in FY18 from $34.0m in FY17.
- Due to continued improvements in the Company's financial performance, Lynas made voluntary early repayments to JARE during FY18. As a result of this and other FY18 repayments to JARE, the outstanding principal amount of the JARE senior loan facility reduced to US$150.0m at June 30, 2018, from US$200.0m at July 1, 2017.
- Convertible Bond holders converted US$209.8m of the issued bonds during the year, reducing the principal amount of the outstanding convertible bonds to US$15.2m at June 30, 2018.
- The Lynas NEXT project was announced in November 2017. Under the Lynas NEXT project, the company will increase output, expand the product range and improve production efficiency.
- The Lynas NEXT project is on time and on budget with completion expected by December 2018.

Mt Weld

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

A new mining campaign (Campaign 2) commenced during the September quarter of FY18 with removal of top soil, blasting and removal of overburden. Ore mining commenced during the latter part of December 2017. This campaign is a northern extension of the original pit and is being conducted by the same local mining contractor as the recent Campaign 1B. The approximate scope of Campaign 2 is to remove 1.8 million BCM (Bank Cubic Metres) of waste and mine 590kt of CZ (Central Zone) ore and Duncan ore at approximately 15% REO.

The removal of overburden was completed in mid-January 2018. Ore was stockpiled according to ore type and grade prior to screening and crushing. The processing of Campaign 2 ore blends started in February 2018. Mining has occurred in a stepped profile to access some higher grade ore earlier. The lowest cut has reached 375mRL (surface level is 425mRL) and will continue down to 362.5mRL, just above the Apatite zone. In April 2018, Mining Campaign 2 was temporarily suspended as the contractor was used for activities related to the Lynas NEXT project.

Key Lynas NEXT initiatives at Mt Weld during the financial year included:

- A major update of the Mineral Resource and Ore Reserve, announced on August 6, 2018. The previous Mineral Resource and Ore Reserve Statement was announced in October 2015. The updates since have been depletion only. Key changes to the resource model include:
  - The consolidation of the Central Lanthanide Deposit ("CLD") and Duncan into a single resource; and
  - The 2017 Apatite ("AP") Depth Extension exploration drilling program which extended the depth of the AP ore zone and had significant intersections of transition and fresh rare earth mineralisation below the AP zone.

  The updated ore reserve is based on the new resource model and for the first time includes the Duncan zone following the completion of the metallurgical testwork. As announced on August 6, 2018, there was a 60% increase to Mt Weld Ore Reserves, confirming a 25+ year mine life at Lynas NEXT output rates. Further details are provided in the Subsequent Events section.
- The construction of the third Tailings Storage Facility (TSF3) is in progress and will be completed in the September quarter of FY19.
- Pilot test work for the expansion of the rougher flotation circuit was completed and a Stack Flotation Cell will be installed by December 2018.

Lynas Advanced Materials Plant ("LAMP")

Key Lynas NEXT improvements at the LAMP during the year included:

- Replacement of the concentrate pipe conveyor with a more reliable, higher capacity open troughed belt conveyor;
- Upgrades to the residue and water treatment circuits;
- Upgrades to the leach neutralisation circuits to rectify the recovery losses from operating at higher throughputs;
- Commissioning of the new SX8 solvent extraction circuit to separate LaCe to La and Ce. The new circuit will enable up to 75% of LaCe production to be separated into La and Ce, and includes additional circuits to remove impurities; and
- Reconfiguration and upgrade of the Product Finishing processing circuits to handle the increased production of La and Ce.

Rare earth oxide (REO) ready for sale production at the LAMP during the year was 17,753 tonnes (2017: 16,003 tonnes), while shipments during the year totalled 17,672 tonnes (2017: 14,616 tonnes).

Ready for sale by tonnage	FY14	FY15	FY16	FY17	FY18
Ready for sale production volume total (REOt)	3,965	8,799	12,631	16,003	17,753
Ready for sale production volume NdPr (REOt)	946	2,258	3,896	5,223	5,444

The average selling price (revenue basis) during the year for all REO products sold by the Group was AU$21.6/kg REO (2017: AU$18.0/kg). The Company's most significant product is NdPr and market prices for NdPr (excluding VAT) peaked in September 2017 at US$64.5/kg before stabilising at around US$43.0/kg to US$46.0/kg from October 2017 onwards.

Significant quality improvements in Cerium products enabled Lynas to increase share of the catalyst and UV cut glass markets. In addition, work has commenced on developing new customized grades for niche applications in order to attract higher prices.

The LAMP has continued to operate safely for six years and Lynas has achieved a high level of acceptance among our local communities. During this time, we have undertaken extensive community engagement programs including community days, LAMP site visits and supported assistance programs for students, the elderly and disadvantaged members of our local communities. We have also communicated important information regarding operations at the LAMP via national media and social media.

Management of residues from the LAMP continues to be an area of focus. Lynas stores all residues produced in storage facilities approved by the regulators and invests in research to develop new and improved options to reduce and reuse residues. The Group is committed to paying security deposit instalments to the Malaysian Government's Atomic Energy Licencing Board ("AELB") totalling US$50.0 million in the form of bonds, in accordance with the conditions of the Full Operating Stage Licence for the LAMP. During FY18, the Group deposited US$23.4m in bonds, with a further US$11.0m deposited directly to AELB in previous years. This amount is available for dealing with residues in the future, should it ever be required.

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. The Group's research programs have been successfully completed, and the residue products have been certified as non-toxic, non-radioactive and non-carcinogenic. The Group awaits regulatory approval to commercialise the products in Malaysia.

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 pending resolution of an ongoing dispute between another claimant in respect of the Kangankunde deposit, and the Malawi government.

Health, Safety and Environment

The Group’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 year. The Group undertook ISO recertification audits in July and August 2018.

The 12-month rolling lost time injury frequency rate as at June 30, 2018 was 2.2 per million hours worked (2017: 2.2 per million hours). The Company continued to carefully manage all residues, air, water and solid, and consistently met or exceeded its licence requirements.

Financial performance

For the year ended June 30

In AUD Million (m)	2018	2017 Restated
Revenue	374.1	257.0
Cost of sales	(253.0)	(242.2)
Gross profit	**121.1**	**14.7**
General and administration expenses	(34.3)	(25.5)
Net foreign exchange loss	(5.1)	(3.7)
Impairment expenses	(0.7)	-
Profit / (loss) from operating activities	**81.0**	**(14.5)**
Net gain on extinguishment of debts	-	37.3
Other financial income	22.0	0.2
Financial expenses	(49.6)	(47.3)
Net financial expenses	**(27.6)**	**(9.8)**
Profit / (loss) before income tax	**53.4**	**(24.3)**

Overall sales volumes in the year ending June 30, 2018 grew by 21% compared to the year ending June 30, 2017. This reflected continued improvement in production rates, consistent demand for NdPr products above current capacity to supply and some quality improvements for Cerium (Ce) and Lanthanum (La) products. Lynas achieved record sales volume of Ce and La to key customers outside of China. Revenue growth of 46% was higher than the NdPr sales volume growth of 21% as a result of higher prices achieved during the current year.

The average China domestic price of NdPr (VAT excluded) increased from US$39.0/kg in June 2017 to US$64.5/kg in September 2017 due to:

- Magnet makers building stocks as a hedge against further price increases; and
- Intensification of environmental compliance investigations by the China central government. These actions resulted in: (i) direct impacts on several non-compliant Rare Earths factories and (ii) indirect impacts as the investigations affected many chemical products and several factories supplying chemicals used in Rare Earths processing were also shutdown, creating shortages of chemicals in the sector.

Prices stabilised from Q2 FY18 to around US$43.0/kg to US$46.0/kg (VAT excluded) due to continued strong demand for magnetic materials and the effects of the China central government’s initiatives to enforce stricter environmental controls.

NdPr China Domestic Price (VAT excluded)

	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18
US$/kg	36.5	57.0	44.6	45.2	44.2
Base 100	100	156	122	124	121

Source: Market data

Gross profit for the year was $121.1m (2017: $14.7m).

The profit from operating activities (EBIT) increased to $81.0m (2017: Loss of $14.5m) in part due to the increase in sales revenue offset by an increase in general and administration expenses. On an adjusted EBITDA basis (refer to Note 7 to the Financial Statements for the basis of this measure) the Group reported income of $127.0m (2017: $31.9m) for the year ended June 30, 2018.

Financial expenses increased due to non-cash adjustments made to the carrying value of financial liabilities of $22.4m, primarily as a result of early debt repayments and changes in interest rates. A reduction in interest (including both interest paid and interest calculated using the effective interest rate method) of $7.3m was recognised on the debt facilities as a result of the reduction in principal of both facilities over the year, as well as fluctuations in the interest rate as shown in the table below. These financial costs were offset by $22.0m of financial income, primarily being interest forgiven on the JARE loan.

	JARE Loan		Convertible Bonds	
	Interest Rate	Closing Principal Balance	Interest Rate	Closing Principal Balance
July 1, 2016 – November 30, 2016	6.0%	US$203.0m	2.75%	US$225.0m
December 1, 2016 – June 30, 2017	2.5%	US$200.0m	1.25%	US$225.0m
July 1, 2017 – September 1, 2017	2.5%	US$200.0m	1.25%	US$162.2m
September 2, 2017 – June 30, 2018	3.75%	US$150.0m	1.875%	US$15.2m

General and administration expenses that predominantly consist of employee costs, unrecovered production costs and depreciation (net of recovery) increased by $8.8m during the year. Unrecovered employee costs and unrecovered production costs were $13.0m (2017: $9.0m) primarily due to an additional $2.7m in employee share-based payments and an overall increase in employee costs in Malaysia due to the strengthening of the MYR over the year. Unrecovered depreciation was $6.9m (2017: $4.2m). 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 $14.0m in this year.

Cash flows for the year ended June 30

In A$m	2018	2017
Net operating cash inflows	118.5	34.0
Net investing cash outflows	(54.7)	(6.9)
Net financing cash outflows	(85.6)	(3.0)
Net cash flows	**(21.8)**	**24.1**

Operating cash flows

During the year ended June 30, 2018 the Group's cash receipts from sales were $383.1m (2017: $260.4m) in line with an increase in sales revenue. Net operating cash flows improved by $84.5m with increased sales and production volumes and overall continued focus on cost management.

Investing cash flows

Net investing cash outflows increased by $47.8m during the year ended June 30, 2018. These outflows included a deposit paid as security for Atomic Energy Licensing Board (AELB) payments of $29.1m and payments for property, plant and equipment of $24.2m, including costs allocated to non-current assets as part of Mining Campaign 2.

Financing cash flows

Net financing cash outflows increased significantly due to repayments of the JARE loan facility of $65.5m and a further $27.7m in interest on borrowings. These outflows have been offset by proceeds from the exercise of warrants of $6.5m and interest received of $1.1m.

FINANCIAL POSITION

As at 30 June

In A$m	2018	2017 Restated
Assets		
Cash and cash equivalents	42.3	63.9
Inventories	55.8	38.0
Property, plant and equipment	594.4	538.4
Deferred development expenditure	18.7	42.0
Other assets	53.4	35.4
Total assets	**764.6**	**717.7**
Liabilities		
Borrowings	225.1	493.3
Other liabilities	105.0	112.2
Total liabilities	**330.1**	**605.5**
Net assets	**434.5**	**112.2**
Equity		
Share capital	1,395.4	1,094.4
Accumulated deficit	(936.4)	(989.5)
Reserves	(24.6)	7.3
Total equity	**434.5**	**112.2**

The overall increase in net assets of the Group during the year ended June 30, 2018 is primarily due to the extinguishment of debts through positive cash flows generated from operations, as well as the conversion of US$209.8m of convertible bonds into share capital. This effect on net assets has been further increased by the upward revaluation of Malaysian property, plant and equipment due to the appreciation of the Malaysian ringgit against the Australian dollar.

Cash and cash equivalents at June 30, 2018 comprised $42.3m fully unrestricted (June 30, 2017: $35.9m unrestricted and $28.0m of restricted cash). In total, US$50.0m of the principal balance of the JARE loan facility was repaid during the year, reducing the outstanding loan balance from US$200.0m to US$150.0m. A principal repayment was made to JARE from the JARE restricted bank account in the amount of US$15.0m when the unrestricted cash balance exceeded $25.0m in August 2017. The remaining balance in the JARE restricted interest account was used to partially settle the interest incurred from October 1, 2014 to December 31, 2015. The outstanding interest incurred in the same period was forgiven. Interest payments on the JARE loan facility are now paid as accrued each June 30 and December 31.

US$209.8m of convertible bonds were converted during the period, leaving an outstanding principal of US$15.2m at June 30, 2018. The liability component has been converted to Australian dollars at the June 30, 2018 exchange rate and the equity component was converted to Australian dollars at the effective date of the amended terms during the year ended June 30, 2017.

Inventory increased by $17.8m, or 47% during the year ended June 30, 2018. Holdings of raw materials and consumables were $20.0m compared to $12.0m at June 30, 2017, as a result of mining campaign 2 at Mount Weld. Finished goods increased by $5.7m to $9.6m at June 30, 2018 as part of a strategy to retain some finished products for future sale. Work in progress inventory increased by $4.1m to $26.2m. As at June 30, 2018, the Group held 9,253 tonnes of processed concentrate containing 3,035 tonnes of REO, bagged and ready for export at its Mt Weld operations.

Property, plant and equipment increased by $56.0m or 10% during the year driven by the strengthened Malaysian ringgit against the Australian dollar ($44.9m), reclassification of the Mount Weld rehabilitation asset of $20.8m and additions primarily relating to Project NEXT and Mining Campaign 2 of $27.3m, offset by depreciation of $38.0m.

Reserves were decreased by the value of exercised warrants and converted bonds, offset by share-based payments of $5.1m and an increase in the foreign currency translation reserve of $47.0m driven by a strengthening of the Malaysian ringgit against Australian dollar and a weakening USD against the AUD on the Lynas loans that are denominated in USD.

Capital structure

During the year ended June 30, 2018, the Company issued shares as shown below:

	Number (000's)
Shares on issue June 30, 2017	3,677,743
Issue of shares pursuant to conversion of convertible bonds	1,713,333
Issue of shares pursuant to exercised warrants	95,733
Subtotal prior to share consolidation	**5,486,809**
10 to 1 share consolidation	(4,938,124)
Subtotal after share consolidation	**548,685**
Issue of shares pursuant to conversion of convertible bonds	108,344
Issue of shares pursuant to exercised warrants	3,876
Issue of shares pursuant to exercised performance rights	1,642
Shares on issue June 30, 2018	**662,547**

Lynas Corporation Limited and Controlled Entities

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

	Number (000's)
Unlisted convertible bonds (Conversion price: $1.00 at a set exchange rate of AU$1.00 = US$0.75)	15,242
Unlisted warrants (Exercise price: $0.50)	23,256

Performance rights

As at June 30, 2018, the Company had the following options and performance rights on issue:

	Number (000's)
Performance rights	11,286

Earnings / (Loss) per share

For the year ended June 30	2018	2017 Restated
Basic earnings / (loss) per share (cents per share)	8.84	(0.15)
Diluted earnings / (loss) per share (cents per share)	8.29	(0.15)

The basic and diluted loss per share for the year ended June 30, 2017 comparative period has been restated to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on December 4, 2017, as well as a correction of error as detailed in Note 6 to the Financial Statements.

Dividends

There were no dividends declared or paid during the year ended June 30, 2018 (2017: nil) and no dividends have been declared or paid since June 30, 2018.

Strategic marketing and sales

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

As the move to car electrification is yet to translate into sharp demand increases, the broader market remains unsettled. We expect this to continue until the new growth is realised.

Lynas is focussed on continuing to build key customer relationships in strategic markets, which include current and future-facing applications for Rare Earth materials. A key part of this strategy is to offer long term contracts delivering price stability and surety of supply for customers.

Sales by tonnage and value	H1 FY17	H2 FY17	**FY17**	H1 FY18	H2 FY18	**FY18**
Sales volume (REOt)	6,431	8,185	**14,616**	8,998	8,674	**17,672**
Cash receipts from customers (AUDm)	115.8	144.6	**260.4**	204.5	178.6	**383.1**

Lynas, with 100% of capacity commissioned and operating, can confidently serve these growing markets. The continuing growth in demand from the electric vehicles sector is a key driver of demand increases for magnetic materials and based on recent announcements by automotive manufacturers, may be reaching an inflection point. Lynas is heavily engaged with participants in that sector to promote Rare Earths technology as the technology of choice for environmentally-friendly vehicles.

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 pricing formulae that reference published pricing for various Rare Earths materials. The market price has been volatile in the past because it is influenced by numerous factors and events that are beyond the control of Lynas. These include:

(i) *Supply side factors*
Supply of Rare Earth materials is dominated by Chinese producers. Within China, including illegal operations, there has been excess capacity which has provided downward pressure on market pricing. The Chinese Central Government regulates production via quotas and environmental standards. Recently, the Chinese Central Government has significantly increased its focus on ensuring compliance with these regulations leading to forced closure of some plants, the removal of significant volumes of illegal production and the requirement for other firms to invest in new environmental protections. All these actions contributed to the firming of Rare Earth prices in FY18.

(ii) *Fluctuations in demand*
A key factor influencing Rare Earth demand is automotive market demand, both in terms of production quantity and technology incorporated into 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 materials 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.

The table below illustrates how China domestic prices of NdPr (excluding VAT) have moved over FY18:

	September 2017 Quarter	December 2017 Quarter	March 2018 Quarter	June 2018 Quarter
US$/kg	57.0	44.6	45.2	44.2

Source: Market data

Lynas' approach to reducing pricing volatility for its customers includes:

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

Lynas achieved a small price premium compared to the NdPr market price, supported by:

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

Market competition

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

Exchange rates

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

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

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

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
	$	$	$	$	$
USD/AUD	0.7391	0.7545	0.7283	0.8382	0.9187
MYR/AUD	2.9837	3.2331	3.0098	2.8828	2.9804

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

Refer to Note 27 to the Financial Statements for details of the Company's foreign currency exposure and sensitivity analysis.

Operating and development risks

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

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

Debt facilities

Lynas has financing arrangements in place which are subject to acceleration and enforcement rights in the event a default were to arise under them. The Japan Australia Rare Earths B.V. (JARE) loan facility is secured over all the assets of the Group, other than Malawi assets. Therefore, enforcement may involve enforcement of security over the assets of Lynas and its material subsidiaries, including appointing a receiver. The principal amount of the JARE facility was US$150.0m as at June 30, 2018. The principal amount will be due for repayment on June 30, 2020.

In addition, the principal amount of the convertible bonds was US$15.2m as at June 30, 2018. Unless the convertible bonds are fully converted into ordinary shares in Lynas prior to maturity, the principal amount will be due for repayment on September 30, 2020.

In the event significant uncertainty arises in relation to Lynas' ability to fully repay, refinance or reschedule the outstanding balances of the JARE loan facility and the convertible bonds by their respective maturity dates of June 30, 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 regulatory consents and authorisations or if there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions or withdrawn, then Lynas' ability to conduct its mining and production activities may be adversely affected.

The Group requires various licences and approvals for its operations at both sites, and such licences and approvals customarily require renewal on a periodic basis. For example, the LAMP's operating licence was most recently renewed for a three-year period on September 2, 2016. In addition, as the Group continues to ramp up operations, there are various conditions in our operating licences that may require amendment to accommodate expansions of the business. Such amendments would require approval from the relevant regulatory authorities.

The operating licences for the two sites include conditions relating to several key aspects of operations, including volumes of inputs to be processed, environmental matters and management of residues. The Group has lodged a detailed residue management plan with the regulatory authorities in Malaysia. The Group has demonstrated that the solid residues from the LAMP can be safely commercialised, however the Group's commercialisation plans require approval from the regulatory authorities. Similarly, options for potential long term storage of solid residues from the LAMP would require approval from the regulatory authorities.

Interest rates

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

Health, safety and environment

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

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

Political risks and government actions

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

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

BASIS OF REPORT

The report is based on the guidelines in The Group 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

We continue to focus on ensuring positive relationships with regulators and compliance with regulatory requirements in both jurisdictions in which we operate.

CORRECTION OF ERROR IN THE ACCOUNTING OF THE LOAN AMENDMENTS

In October 2016 the Group agreed amendments to its loan facilities. During the half-year ended December 31, 2017, the Group reviewed the amendments and identified an error made in accounting for these loan amendments. This error involved the classification and calculation of the new borrowing fair values which also affected the equity component of the convertible bond, associated tax balances and certain items in the statement of profit and loss and other comprehensive income. The error relates to non-cash accounting entries only. For details refer to Note 6 of the Financial Statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except as disclosed in the review of operations and the subsequent events, there have been no significant changes in the state of affairs of the Group during the financial year ending June 30, 2018.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement of the Group, current on the date that the Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001, is located on the Group's website, www.lynascorp.com.

SHARES ISSUED UPON EXERCISE OF PERFORMANCE RIGHTS

During the financial year 1,642,201 Performance Rights were exercised as set out in Note 30 to the Financial Statements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of the financial year, the Group has paid a premium in respect of a contract insuring all Directors and Officers of the Group against liabilities incurred as a Director or Officer of the Group, to the extent permitted by the *Corporations Act 2001*, that arise because of the following:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was $526,086 (2017: $482,964). This amount is not included as part of the Directors' remuneration in Note 28 to the Financial Statements.

INDEMNIFICATION AND INSURANCE OF AUDITOR

During or since the end of the financial year, the Group entered into an agreement with its auditors, Ernst & Young, indemnifying them against any claims by third parties arising from their report on the Annual Financial Report, except where the liability arises out of conduct involving a lack of good faith. No payment has been made to indemnify Ernst & Young during or since the financial year.

NON-AUDIT SERVICES

During the year Ernst & Young, the Group's auditor, has performed certain other services in addition to the audit and review of the Financial Statements.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in Note 10 to the Financial Statements. The Directors have considered the non-audit services provided during the year by the auditor, and are satisfied that the provision of non-audit services by the auditor during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

(a) All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and

(b) The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

DIRECTORS MEETINGS

Committee membership

During the financial year, the Group had the following Committees of the Board of Directors: Audit & Risk Committee, Health Safety & Environment Committee, and Nomination, Remuneration and Community Committee.

Directors acting on the committees of the Board during the July 1, 2017 to October 1, 2017:

Audit & Risk	Health, Safety & Environment	Nomination, Remuneration and Community
W. Forde(c)(1)	W. Forde(c)(1)	K. Conlon(c)
K. Conlon	K. Conlon	M. Harding
P. Etienne	P. Etienne	W Forde(1)
J. Humphrey	M. Harding	

(1) Resigned on November 28, 2017.
(c) Chair of Committee

Directors acting on the committees of the Board during October 1, 2017 to November 28, 2017:

Audit & Risk	Health, Safety & Environment	Nomination, Remuneration and Community
W. Forde(c)(1)	P. Etienne(c)	K. Conlon(c)
P. Etienne	K. Conlon	M. Harding
J. Humphrey	M. Harding	W Forde(1)
		J. Humphrey

(1) Resigned on November 28, 2017.
(c) Chair of Committee

Directors acting on the committees of the Board from November 28, 2017 onwards:

Audit & Risk	Health, Safety & Environment	Nomination, Remuneration and Community
G Murdoch(c)(1)	P. Etienne(c)	K. Conlon(c)
P. Etienne	K. Conlon	M. Harding
J. Humphrey	M. Harding	J. Humphrey

(1) Appointed on November 28, 2017.
(c) Chair of Committee

As summarised in the Corporate Governance Statement, the Audit & Risk Committee consists of independent Directors.

The number of Directors' meetings held during the year and the number of meetings attended by each Director was as follows:

Meetings of the Board and Committees

During FY18, each Director attended every Directors' Meeting and every Committee Meeting that he / she was eligible to attend, as set out in the table below.

	Directors' Meetings	Audit and Risk	Health, Safety and Environment	Nomination, Remuneration and Community
Number of meetings held:	**6**	**3**	**2**	**3**
Number of meetings attended:				
M. Harding	6	-	2	3
A. Lacaze	6	-	-	-
W. Forde(1)	3	2	1	2
K. Conlon	6	1	2	3
P. Etienne	6	3	2	-
J. Humphrey	6	3	-	1
G Murdoch(2)	5	1	-	-

(1) Resigned on November 28, 2017.
(2) Appointed on October 30, 2017.

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

Lynas Corporation Limited and Controlled Entities

Lynas Corporation Limited ACN 009 066 648

Sustainability Statement
Financial Year Ended June 30, 2018

The Lynas Group has always had a strong focus on the sustainability of all aspects of our business. We impose high standards upon ourselves in each of the areas referred to in this Sustainability Statement and we are passionate about having a positive effect on our people, our customers and suppliers, our communities and the environment. The products we sell are traceable to our mine in Western Australia and our customers receive product assurance certificates to confirm that the Rare Earths they purchase from Lynas are sourced from our mine in Mt Weld, Western Australia, and processed at our plant in Kuantan, Malaysia. Our products are used in industries where environmental provenance and sustainability of business practices are of high importance. Life Cycle Assessments conducted in conjunction with customers provide environmental assurance on the Lynas Rare Earths used in customer products. Our local communities also expect us to consistently comply with high standards in this area.

This Sustainability Statement summarizes the key sustainability practices of the Lynas business. More information on these topics is available at www.lynascorp.com.

1. Our People

We are proud of our people and continue to focus on making Lynas an employer of choice. Lynas is committed to promoting a culture that embraces the benefits of a workforce that is diverse across ethnicity, cultural background, gender and age.

Local employment at the LAMP is high, with over 750 employees and contract staff.

Mt Weld has a total of 102 employees and contractors for its operations. In addition, contractors are engaged for drilling, mining, ore screening, crushing and blending, maintenance, technical services, transport and other activities.

Women working at Lynas increased to 16% in FY18 from 10% in FY17, with 68% in operational roles.

Lynas believes in developing people who are motivated, committed, high performing, capable and competent to achieve their goals. At the LAMP, 77% of our employees are at least certificate qualified, and 88% of our current management staff have been promoted during their tenure at Lynas.

Our diversity priorities for FY19 include:

- Continue to increase the number of female staff employed in all areas of the business every year.
- Increase local employment at the Mt Weld site.
- Increase employment of people living with a disability.

2. Our Workplace Safety – Key Metrics

In FY18 both sites maintained their certification to OHSAS:18001 (Occupational Health & Safety). Both Mt Weld and the LAMP first gained certification in 2013.

There were 6 Lost Time Injuries during FY18. Major investigations were undertaken for each and corrective actions implemented.

Lynas has implemented a new safety program at the LAMP – Positive Attitude Safety System, PASS, a behavioural based safety program for front line employees and contractors with daily discussions and reinforcement regarding safety ownership and improvement actions.

Our priorities for FY19 include:

- Continue to focus on major hazards through leader and workgroup engagement in verification of key controls.

3. Our Communities – Key Metrics

3.1. Malaysia

Lynas contributed over RM500.0m to the Malaysian economy in FY18.

In FY18, Lynas spent over RM2.0m on research with local partners.

In FY18, 80% of inputs at the LAMP were sourced locally.

Lynas supports the local community through numerous programs including:

- Back to school program: donation of school uniforms and stationary to local students in need
- Bi-monthly recycled clothing stall in the local Kuantan community to contribute clothing and other household items for free
- The provision of materials and labour for repairs to school and community buildings
- Promotion of education initiatives to help create future opportunities for the next generation
- Helping to conserve and protect cultural heritages in surrounding regions
- Active engagement with local University on Limestone and Forest Conservation
- Health checks for the villagers during the recycling programmes
- Annual blood donation drive
- Sporting events for adults and sports clinic for children

Lynas arranges and participates in a number of festive celebrations with different cultural groups.

3.2. Mt Weld

Lynas contributed over A$85.0m to the Australian economy in FY18.

Lynas has relocated its accommodation base from the Granny Smith Mine to an accommodation village within the local township of Laverton.

Lynas has been an active board member for the Laverton Leonora Cross Cultural Association (LLCCA) since 2009 through hands-on, in-kind and financial support. The LLCCA operates as a community hub to encourage local Aboriginal people to be creative through a number of different programs including art and music. The LLCCA is recognised as a safe space within the community where the area is drug, alcohol and smoke free.

Lynas contributes to numerous Shire of Laverton initiatives each year, including:

- ANZAC Day
- Clean Up Laverton Day
- NAIDOC Week Celebrations
- Christmas and other Shire events

Lynas continues to support the annual Laverton Swimstars Program which was instigated by Lynas in January 2014. SwimStars encourages local children to learn to swim in a safe and friendly environment and promotes water safety and confidence.

Lynas provides transport to and from Laverton for the Curtin Volunteers who are involved in numerous projects in Laverton including community cultural trips, community activities and youth activities.

Lynas assists the Shire of Laverton in providing doctors supporting the local community.

Lynas has assisted the Shire and other Laverton groups by transporting items of need such as mattresses, bicycles, clothing and footwear from Perth to Laverton.

Our priorities for FY19 include:

- Work with the Kuantan community to upgrade the Balok Library and other educational facilities.
- Continued support for existing programs mentioned above at Mt Weld and Kuantan.
- Continued engagement with the local communities to identify and support those in need.

4. Our Customers – Key Metrics

In FY18, both Lynas sites have maintained their certification to ISO9001 (Quality Management) certification.

Lynas is Silver rated for its Corporate Responsibility Care by Ecovadis, the organization assessing sustainability of suppliers for “Together For Sustainability” a European Chemical Companies consortium.

Lynas has transparent product supply chain material traceability and environmental standards.

Lynas is engaged with several end users and magnet makers in Life Cycle Assessment from mine to magnet including, in some instances, electrical motors, evaluating the impact on the environment of the full supply chain activity in accordance with United Nations guidelines.

We understand technological trends in order to anticipate and support market changes driven by innovation and consumer demand.

We regularly review our product accreditation standards.

Our priorities for FY19 include:

- Communication of Life Cycle Assessment from mine to finished products
- Continued review of best practice quality assurance
- Review of customer accreditation standards
- Ongoing review of environmental assurance from mine to market
- Continued focus on reducing environmental impact using life cycle assessment

5. Our Ethical Business Practices and Governance – Key Metrics

We have adopted a strong framework of policies and procedures to ensure appropriate corporate governance and ethical business practices.

Regular training programs are provided to all employees on the attitudes and behaviours required at Lynas.

We have a confidential independent whistleblower hotline.

Our key policies and procedures, including our Code of Conduct, are available in multiple languages.

Our priorities for FY19 include:

- More diversity in the workforce, from Board level to operations.
- Enhance our training programs on ethical business practices and corporate governance, which are provided to all employees

6. Environment – Key Metrics

Both Lynas' sites have been operating safely for over 5 years.

In FY18, both Lynas' sites have maintained their certifications to ISO14001 (Environmental Management).

There has been no increase in background radiation at independently measured sites 1km, 5km, 10km or 20km from the LAMP in Kuantan.

The International Atomic Energy Authority ("IAEA") rates the LAMP operations as "intrinsically low risk".

We have installed industry-leading systems at both sites to minimise impact on the environment via:

- water management systems in Mt. Weld, Western Australia
- waste gas emission systems and water management systems at the LAMP

In FY18, both sites have operated in accordance with the environmental management requirements enforced in Australia and Malaysia by the relevant Government authorities.

Emissions figures for the LAMP are publicly available on the Lynas website www.lynascorp.com and the websites of the AELB and the DOE.

Emissions figures for Mt Weld are publicly available on the NPI website: http://www.npi.gov.au/npidata/action/load/individual-facility-detail/criteria/state/null/year/2017/jurisdiction-facility/WA1105.

Our Rare Earths are used in several products that improve environmental outcomes including hybrid vehicles, electric vehicles and wind turbines.

Our priorities for FY19 include:

- Continue to publish CO2 data for Mt Weld, and commence publishing CO2 data for the LAMP.
- Continue to operate in accordance with the strict environmental management requirements enforced in Australia and Malaysia by the relevant Government authorities.
- Undertake regular independent monitoring to assess what impact, if any, our operations are having on the environment
- Continue to monitor and manage our water resources at both sites.

Remuneration Report – Audited

Dear Shareholder,

I am pleased to present our Remuneration Report for the year ended June 30, 2018 (FY18).

As with other areas of the business, during FY18 we continued to refine and simplify executive remuneration and are confident that we are aligned with shareholder outcomes.

Lynas achieved excellent results for our shareholders in FY18, including significant improvements in market capitalisation, share price, debt reduction, profitability and cash flow. Details are provided in Section D below. There were no increases in the fixed pay of the Executives from FY14 to FY17. In FY18, the fixed pay of the Executives was increased in line with CPI, other than the fixed pay of the VP People & Culture which was increased to reflect her expanded role in the business. The fixed pay of the Executives will not increase in FY19. In addition, the fees paid to Non-Executive directors have not increased since FY11. Total remuneration for Directors and Executives in FY18 is shown in the table on page 27.

We believe that the incentive structure is well aligned with shareholder outcomes and STI payments have been made only where specific objectives that underpin improved performance have been delivered. These have included:

- Improved production
- Strong cash management
- Strong financial performance in FY18

In FY18, the only remuneration paid to Non-Executive Directors was fees (i.e. no options or similar benefits were issued).

We hope that the report will assist your understanding of our remuneration objectives and policies. We welcome your feedback on how we can further improve the remuneration report in the future.

Yours sincerely,

Kathleen Conlon
Chair
Nomination, Remuneration and Community Committee

This report sets out the remuneration arrangements of Directors and KMP of the Group in accordance with the *Corporations Act 2001* and its regulations.

A. Explanation of Key Terms

The following table explains some key terms used in this report:

Executives	At as June 30, 2018, the Chief Executive Officer and Managing Director ("CEO"), the Chief Financial Officer ("CFO"), the VP Production, the VP Sales & Marketing, the General Counsel & Company Secretary, the MD Malaysia and the VP People and Culture.
Key Management Personnel ("KMP")	Those people who have authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including the Directors (whether executive or otherwise) and the Executives.
Lynas Advanced Materials Plant ("LAMP")	The LAMP, which is located in the State of Pahang, Malaysia, is the facility for the cracking and separation of concentrate into separated rare earths products.
Long Term Incentive ("LTI")	LTI is the long term incentive component of Total Remuneration. LTI usually comprises Options or Performance Rights with a three year vesting period that are subject to specified vesting conditions. Further details of the vesting conditions are in Section D. Options and Performance Rights cannot be exercised unless the vesting conditions are satisfied.
Performance Right	A Performance Right is a right to acquire a share in the future at nil cost, subject to the satisfaction of specified vesting conditions. Performance Rights are issued for the benefit of selected Executives as part of their LTI remuneration.
Short Term Incentive ("STI")	STI is the short term incentive component of Total Remuneration. An STI could be in the form of cash or Performance Rights and it is only received by the Executive if specified goals are achieved.
Total Remuneration	Total Remuneration comprises fixed pay (including superannuation, non monetary benefits and Long Service Leave (LSL) where applicable) plus STI and (if applicable) LTI.
Total Shareholder Return ("TSR")	Total Shareholder Return is the total return from a share to an investor (i.e. capital gain plus dividends).

The KMP during the financial year ended June 30, 2018 were as follows:

Non-Executive Directors:

M. Harding	Chairman
K. Conlon	Non-Executive Director, and Chair of the Nomination, Remuneration & Community Committee
P. Etienne	Non-Executive Director, and Chair of the Health Safety & Environment Committee
J. Humphrey	Non-Executive Director
G. Murdoch	Non-Executive Director, and Chair of the Audit & Risk Committee (appointed on October 30, 2017)
W. Forde	Non-Executive Director, Chair of the Audit & Risk Committee and Chair of the Health Safety & Environment Committee (resigned on November 28, 2017)

Executives:

A. Lacaze	CEO and Managing Director
G. Sturzenegger	CFO
K. Leung	VP Production
P. Le Roux	VP Sales & Marketing
A. Arnold	General Counsel and Company Secretary
M Ahmad	MD Malaysia
M Afzan Afza	VP People and Culture

Except as noted, the named person held their current position for the whole of the financial year and since the end of the financial year.

Lynas Corporation Limited and Controlled Entities

Directors' Report – Remuneration Report – Audited

B. Our Remuneration Philosophy

The Group's objective is to provide maximum stakeholder benefit by attracting, retaining and motivating a high quality board of directors and executive management team. Remunerating Directors and Executives fairly and appropriately, consistent with relevant employment market conditions, is an important part of achieving this goal. We align rewards to sustainable value through creating links between the achievement of organisational goals, both long and short term in nature, with the non-fixed elements of individual remuneration.

To help the Group achieve this objective, the Committee links the nature and amount of the remuneration paid to the Executives to the Group's financial and operational performance.

Total remuneration (that is, fixed remuneration plus STI and LTI) is paid at market rates except in exceptional cases where skills are scarce or particularly valuable, in which case we pay as necessary. Our market is defined by location and function, i.e. Malaysia, Western Australia (WA) resources and the global rare earths market. In addition, our senior expatriate executives are remunerated at market rates necessary to attract expatriates with their skills and experience to work in our main office in Kuantan, in regional Malaysia. Those expatriate executives have been key drivers of the business' strong performance in FY18, as described in Section D below.

STI awards, which create an "at risk" component with a value equal to 50% of total fixed remuneration for senior Executives (with 25% available to be paid in cash and 25% available to be paid in Performance Rights).

LTI awards for senior Executives are subject to TSR and financial growth hurdles (such as EBITDA growth or EBIT growth), and are granted equal to approximately 25% of total fixed remuneration for senior Executives, and 50% of total fixed remuneration for the Chief Executive Officer.

External advisors and remuneration advice

The Committee engages external advisors to provide advice and market related information as required.

- During the year, the Committee did not receive any remuneration recommendations (as defined in the *Corporations Act 2001*).

C. Role of the Nomination, Remuneration and Community Committee

The Board is responsible for determining and reviewing remuneration arrangements for Directors and Executives. The Committee assesses, on a regular basis, the appropriateness of the nature and amount of KMP remuneration. In fulfilling these duties and to support effective governance processes, the Committee:

- consists of independent Non-Executive Directors and is chaired by an independent chair;
- has unrestricted access to management and any relevant documents; and
- engages external advisers for assistance to the extent appropriate and necessary (e.g. detailing market levels of remuneration).

D. Our Executive Remuneration Framework

Structure

Executive remuneration consists of the following key elements:

- fixed pay (base salary, superannuation, non-monetary benefits and LSL (where applicable)); and
- variable remuneration, being:
  - STI; and
  - LTI.

The Group provides no retirement benefits, other than statutory superannuation.

Fixed pay

Despite the significantly improved performance of the business in recent years there were no increases in the fixed pay of the Executives from FY14 to FY17. Gross profit for FY18 was $121.1m (FY17: $14.7m) reflecting increased production volumes, improved selling prices and continued cost discipline in the business. Net operating cash flows for FY18 were $118.5m (FY17: $34.0) reflecting similar factors. The Company's share price on July 1, 2017 was $1.05. By June 30, 2018, the Company's share price had increased to $2.34 (both figures are calculated on a post-consolidation basis).

The CEO's fixed pay and total remuneration did not increase from FY14 to FY17. In FY18, the fixed pay of the CEO increased in line with CPI. In FY19, the fixed pay of the CEO will not increase.

Lynas is an ASX 200 company. During FY18, Lynas engaged KPMG-3dc to provide market data benchmarking for the CEO's remuneration package against an ASX101-200 listed company peer group. Following the review of the data obtained, Lynas has concluded that the CEO's remuneration is reasonable.

Unusually for an ASX 200 company, Lynas' principal administrative office is not based in a major city – it is based in the regional township of Kuantan on the east coast of Malaysia. This creates additional issues for the company in attracting and retaining candidates of the calibre required to lead the company, including periods of separation from family, remoteness from major cities, and the need for salary to allow for accommodation, a motor vehicle, spousal travel and related matters. These factors are all relevant in the benchmarking of the CEO's package.

Ms Lacaze's package reflected the difficulty in recruiting a suitable candidate in June 2014 to undertake the challenging role of Lynas CEO, at a time of uncertainty regarding the Group's future. The package also reflects the Group's requirement for an expatriate CEO with the skills and experience necessary to manage the Group, and the need to attract and retain such a CEO in our main office in Kuantan, in regional Malaysia. Since June 2014, Ms Lacaze has led a significant turnaround in the Group's performance, reflected in the improved operating metrics summarised in the first paragraph. There remains significant work to be done in the business by a CEO with Ms Lacaze's skill set, including strengthening the Company's position in the volatile global market for Rare Earth products and maintaining the Company's improved relations with lenders, customers, investors, regulators, local communities and other key stakeholders.

The Board of Lynas initially set Ms Lacaze's fixed remuneration to attract an appropriately qualified executive to accept the role given the circumstance of the Company at that point in time and that Ms Lacaze would be expected to work in the regional township of Kuantan (away from her home in Sydney).

Ms Lacaze does not receive additional expatriate benefits beyond the fixed pay, short-term benefits and non-monetary benefits listed in the tables in Section H. The overall amount of remuneration paid to Ms Lacaze is consistent with current market practice, which has been confirmed by our adviser KPMG-3dc.

<u>Variable remuneration</u>

Our structure for STI awards and LTI awards is described in Section B above.
In summary:

Fixed pay	*Variable remuneration*
= base + super	*= STI (Cash and Deferred) + LTI*

STIs

For Executives, up to 50% of fixed pay is available for STI awards.

The goals and measures of the STI programme (including individual, team and company performance goals and measures), the relative weightings of those measures and goals, and STI target amounts are determined and approved at the commencement of each review period by the Remuneration Committee. During the financial year ended June 30, 2018 the STI Program had 4 goals as follows:

1. Lynas Group cashflow – 25%
2. NdPr production volume – 25%
3. Operating cost targets – 25%
4. Team / Individual Performance – 25%

The table below summarises the STI targets and outcomes for the financial year ended June 30, 2018 on Lynas Group Cashflow, NdPr Production Volumes and Operating Costs.

Targets for Operating Costs were set at the start of FY18 based on NdPr unit operating costs, excluding employee share payments, after crediting non-NdPr realised revenue. Those figures are commercial-in-confidence because it is not in the interest of the Group to disclose those figures to third parties such as customers and competitors. The threshold was not met and no award was made for Operating Costs for FY18.

FY18 STI Goal	*Target for 80% of Award*	*Target for 100% of Award*	*Target for 120% of Award*	*FY18 Outcome*
Cashflow Available for Debt Service	A$45,431K	A$50,479K	A$55,527K	A$60,869K 120% of Award
NdPr production volume (PF output) (*the 85.73% award took into account approximately 200 tonnes lost due to water supply issues)	5,486t	6,069t	6,676t	5,653t* 85.73% of Award
Operating Costs – Actual targets commercial in confidence				Threshold not met 0% of Award

As shown in the above table, three bands of performance were specified at the beginning of FY18 for the above STI goals, with awards to be made equal to 80%, 100% or 120% of the available STI award pool for each goal, depending on which performance band was achieved. Awards would be prorated if performance fell between the 80%, 100% or 120% targets.

In addition, 25% of the STI award pool was available based on Team / Individual Performance goals. The Board resolved to make an award at the 120% level for Team / Individual Performance in FY18 in light of the strong improvement in Lynas' performance during FY18, which benefitted all shareholders. This improvement included the following:

(a) The increase in Lynas market capitalisation from $386.0m on July 1, 2017 to $1.55 billion on June 30, 2018.

(b) The increase in the share price from $1.05 on July 1, 2017 to $2.34 on June 30, 2018 (both calculated on a post-consolidation basis).

(c) The reduction in debt from US$425.0 million on July 1, 2017 to US$165.24 million on June 30, 2018 (excluding deferred interest).

(d) Delivery of a positive EBIT for the first time during FY18.

(e) A significantly improved cash position, with Cashflow Available for Debt Service of $61.0m. This included bringing many of Lynas' trailing liabilities up to date, including: (i) payment of all historical interest on the two loan facilities other than 2016 interest on the JARE facility and the small number of unconverted bonds (which is scheduled to be paid on maturity), and (ii) bringing the AELB security deposits up-to-date.

(f) The funding of Lynas NEXT from operating cashflows.

In accordance with the above calculations, the overall outcome was that 81.43% of the available STI awards will be made in respect of the financial year ended June 30, 2018. Those awards will be made 50% in cash and 50% in Performance Rights with a 12 month vesting period. After the end of the financial year, the Board calculates the STI award outcome based on the above criteria, and the Board reserves the right to adjust the outcome, or the timing of payments, based on factors such as cash availability to pay the proposed award. No such adjustment was made for FY18. In addition, if there had been a fatality during the year (which there was not), no STI awards would have been made unless so resolved by the Board.

LTIs

LTI options and Performance Rights are granted to KMPs and other selected employees to provide greater alignment to strategic business objectives. Each Performance Right usually has a three year vesting period, and is usually exercisable between three and five years after they were granted provided the award recipient is still employed with the Group (unless this requirement, in limited circumstances, is waived by the Board), and any relevant performance conditions are achieved.

LTI Performance Rights that Vested or were Forfeited During FY18

The following LTI Performance Rights were forfeited during FY18 (post consolidation basis):

2,580,342 LTI Performance Rights, granted as part of the FY16 LTI plan, were conditional on the Company's cumulative NdPr production from July 1, 2015 to December 31, 2017 in accordance with the following table:

Minimum NdPr Production from PF: July 1, 2015 to December 31, 2017	Number of LTI Performance Rights to Vest
a) 10,440 tonnes	1,075,143
b) 11,391 tonnes	2,150,285
c) 12,530 tonnes	2,580,342

Awards would be prorated if performance fell between band (a) and (b) or between band (b) and (c).

The actual NdPr production from Product Finishing in the period July 1, 2015 to December 31, 2017 was 11,814 tonnes, which falls between band (b) and band (c). Accordingly, of the 2,580,342 Performance Rights with an NdPr production condition that were available for vesting in the financial year ended June 30, 2018, using a pro-rata calculation:

(a) 2,310,006 will vest; and

(b) 270,336 will be forfeited.

In addition, 1,908,481 LTI Performance Rights, granted as part of the FY16 LTI plan, were conditional on Total Shareholder Return (TSR) being at least at the 51st percentile of ASX 200 companies over a three year vesting period expiring on September 18, 2018 in accordance with the following sliding scale:

(a) If the Lynas TSR is at least at the 51st percentile, 50% of the TSR portion will vest.

(b) If the Lynas TSR is at least at the 76th percentile, 100% of the TSR portion will vest.

(c) If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

That TSR hurdle cannot be measured until after September 23, 2018. The Lynas share price in September 2015 was approximately A$0.377 The Lynas share price on June 30, 2018 was A$2.34 (both figures are calculated on a post-consolidation basis). If the Lynas share price remains around current levels, then it seems likely that the 1,908,481 Performance Rights will vest.

Strategic Performance Rights Awarded During FY18

During FY18, the Group issued to selected senior managers a total of 2,932,923 Strategic Performance Rights with a two year vesting period. This was a one-off grant related to the specific two year growth plan for the business that was announced at the 2017 AGM of shareholders. A summary of the performance hurdles attached to the Strategic Performance Rights awarded during the financial year ended June 30, 2018 is set out below:

(a) the recipient remaining employed by Lynas for at least the next two years and performing at an acceptable level; and

(b) delivering the Lynas NEXT targets on time and on budget, including the Malaysian plant demonstrating that it can consistently produce 600 tonnes of NdPr per month.

The above performance hurdles were selected as a specific incentive to implement the Lynas NEXT plan for the growth of the business that was announced at the 2017 AGM of shareholders. The business is now well placed to move to its next growth phase. The senior leadership team have led the company through the turnaround process and they have developed a specific and credible two year plan to continue to grow shareholder value that is reflected in the above performance hurdles.

LTI Performance Rights Awarded During FY18

In addition, during FY18, the Group issued to selected senior managers a total of 900,336 LTI Performance Rights with a three year vesting period. A summary of the performance hurdles attached to the LTI Performance Rights awarded during the financial year ended June 30, 2018 is set out below:

(i) 50% will be conditional on the Company's average annual EBITDA growth in the period from July 1, 2017 to June 30, 2020, using the annualized figure from January 1, 2017 to June 30, 2017 as the base figure, in accordance with the following sliding scale:
   - (a) If the average annual EBITDA growth from July 1, 2017 to June 30, 2020 is at least 21% per annum, then 50% of the EBITDA portion will vest.
   - (b) If the average annual EBITDA growth from July 1, 2017 to June 30, 2020 is at least 25% per annum, then 100% of the EBITDA portion will vest.
   - (c) If the average annual EBITDA growth from July 1, 2017 to June 30, 2020 is at least 30% per annum, then 120% of the EBITDA portion will vest.

Awards would be prorated if the EBITDA growth outcome falls between bands (a) and (b) or between bands (b) and (c).

(ii) 50% will be conditional on the company's Total Shareholder Return (TSR) being at least at the 51st percentile of ASX 300 Metals and Mining Index companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
  (a) If the Lynas TSR is at least at the 51st percentile, 50% of the TSR portion will vest.
  (b) If the Lynas TSR is at least at the 76th percentile, 100% of the TSR portion will vest.
  (c) If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro-rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

The above performance hurdles were selected as key measures of long-term success for the Group that were aligned with the interests of shareholders. After several years of ramping up NdPr production to the current levels while tightly managing costs, the Company's EBITDA growth over the next three financial years will be an important measure of the success of the improvements to the business implemented by the senior management team.

The TSR hurdle compares shareholder returns from Lynas to shareholder returns from ASX 300 Metals and Mining Index companies over the three year vesting period. Lynas had received shareholder feedback to the effect that the TSR hurdle should be based on a published index of which Lynas is a member. At the time that the hurdle was set, Lynas was a member of the ASX 300 Metals and Mining Index, and therefore this was considered to be an appropriate benchmark for the TSR hurdle.

In accordance with the Group's policy governing the trading of the Company's shares by Directors and employees, award recipients are not permitted to hedge their Options or Performance Rights before they vest.

Clawback Policy

In circumstances where the Group becomes aware of any material misstatement in its financial statements due to: (i) non-compliance with a financial reporting requirement; (ii) the KMP's misconduct; or (iii) the misconduct of any other Lynas personnel under the supervision of the relevant KMP, the Board has authority under the clawback policy to:
(a) require a KMP to repay some or all of any STI award or LTI award granted to the KMP from July 1, 2013 ("**Relevant Award**"), to the extent such award has vested;
(b) forfeit the reference units representing all or a part of the KMP's Relevant Award, to the extent such award remains unvested; or
(c) withhold the payment or allocation of all or a part of the KMP's Relevant Award, to the extent such award has not been paid or given to that KMP.

The Board has no enacted any clawback in FY18.

E. Service Agreements

The CEO and Managing Director has an executive services agreement with the Group containing reasonable commercial conditions. Subject to the following provisions, the agreement is for an indefinite duration. The key provisions of the agreement are:

Notice by CEO:	Ms Lacaze must give three months' written notice of an intention to resign.
Notice by Group:	The Group may terminate the agreement by giving six months' written notice. The Group may terminate Ms Lacaze's employment at any time without notice if serious misconduct has occurred.
Treatment of incentives on termination:	On resignation, any unvested Options and Performance Rights may be forfeited subject to the discretion of the Board. Upon termination of Ms Lacaze's employment by the Group other than as a result of misconduct, Ms Lacaze will be entitled to retain a pro–rata portion of any unvested Options and Performance Rights held by her on the date of termination. For example, where 50% of the vesting period has been served, Ms Lacaze will be entitled to retain 50% of the unvested Options or Performance Rights. Ms Lacaze will also be entitled to retain any Options or Performance Rights that have vested prior to the date of termination.
Termination benefits:	In accordance with the *Corporations Act 2001*, the maximum termination payment payable to Ms Lacaze is equal to her base salary for one year (i.e. excluding any LTI component).

Employment conditions for all other KMPs are on the following terms:

- each may give three month's written notice of their intention to resign;
- the Group may terminate the employment by providing three to six months' written notice;
- on resignation or termination (other than as a result of misconduct), unvested incentives will be treated in the same manner set out above in respect of Ms Lacaze; and
- the Group may terminate employment at any time without notice if serious misconduct has occurred.

F. Linking Remuneration and Group Performance

Refer to Section D above for a summary of how Executive remuneration is linked to Group performance. In particular, despite the improving performance of the business in recent years as summarized in Section D above, there were no increases in the fixed pay of the Executives from FY14 to FY17. In FY18, the fixed pay of the Executives was increased in line with CPI, other than the fixed pay of the VP People & Culture which was increased to reflect her expanded role in the business.

In recent years, LTI grants have been subject to hurdles that are aligned with the interests of key stakeholders in the Group. For example, in the financial year ended June 30, 2018, LTI grants were subject to a TSR hurdle and an EBITDA growth hurdle, as detailed in Section D above. The reference period for these hurdles has not yet expired. In addition, as detailed in Section D above, some Performance Rights were forfeited in FY18 due to non-satisfaction of vesting conditions.

Individual performance reviews link total remuneration to individual and business unit performance. From July 1, 2012 the mix of fixed pay and variable remuneration has been adjusted by the introduction of a formal STI plan. The introduction of the STI plan reflects the transition of the Group from a development phase to an operational phase, and it recognises that we have important short term goals based on successful ramp-up, production volumes, cash flows, costs and safety and community programmes.

Separately, changes in the share based remuneration from one year to the next reflect the impact of amortising the accounting value of Options and Performance Rights over their vesting period and the impact of forfeitures which can relate to both the current and prior periods in a given fiscal period. In certain periods, a negative value may be presented which results when the forfeitures recognised in a period are greater than the accounting amortisation expense for the current portion of the vesting period.

For further context the following table provides reported financial information on which remuneration has been based. As noted elsewhere the Group has moved from a development phase and is now in its operational phase, as evident in the revenue metrics noted below.

	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Revenue ($'000)	-	-	950	64,570	144,596	190,956	256,976	374,105
Profit / (Loss) before tax ($'000)	(57,288)	(97,879)	(141,014)	(345,431)	(118,559)	(94,117)	(24,263)*	53,404
Profit / (Loss) after tax ($'000)	(59,086)	(87,770)	(143,555)	(345,488)	(118,685)	(94,082)	(534)*	53,119
Shareholder capital ($'000)	821,994	823,161	994,645	1,034,634	1,083,898	1,088,469	1,094,403	1,395,417
Annual average share price**	$16.48	$12.97	$6.52	$2.95	$0.78	$0.67	$0.77	$2.04
Closing share price at financial year end**	$19.80	$8.45	$3.75	$1.30	$0.34	$0.53	$1.05	$2.34
Basic earnings / (loss) per share (cents)***	(35.40)	(51.20)	(51.30)	(154.10)	(38.20)	(27.00)	(0.15)	8.84
Diluted earnings / (loss) per share (cents)***	(35.40)	(51.20)	(51.30)	(154.10)	(38.20)	(27.00)	(0.15)	8.29

* Certain amounts shown here do not correspond to the June 30, 2017 Consolidated Financial Report and reflect adjustments made, refer to Note 6 of financial report for further details.

** The share prices for the years ended June 30, 2011 to June 30, 2017 comparative periods have been restated to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on December 4, 2017.

*** The basic and diluted earnings per share for the years ended June 30, 2011 to June 30, 2017 comparative periods have been restated to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on December 4, 2017.

G. Non-Executive Director Remuneration

Objective

Remuneration of Non-Executive Directors ("NEDs") is set at a level that enables the Group to attract and retain talented and motivated people at a cost which is acceptable to shareholders. In setting remuneration, the Group takes into account, among other factors:

- fees paid to NEDs of companies of a similar size/industry;
- the time commitment required for NEDs to properly fulfil their duties;
- the risks and responsibilities associated with the roles; and
- the relevant commercial and industry experience required.

NED Skill Set

The Group has focussed on ensuring that its Directors reflect the broad mix of skills, experience, expertise and diversity necessary to oversee the emergence of the Group as a significant participant in the volatile global market for Rare Earth products. The Group is now the second largest NdPr producer in the world and the largest supplier of NdPr to the free market.

The Group considers it important for the following skills and experience to be represented on the Board:

- Experience as a Chief Executive;
- International business experience;
- Financial and accounting experience;
- Operational experience in the chemical and resources industries;
- Strategy and strategic marketing experience;
- Corporate governance, regulatory and risk management experience.

The Board's skills matrix is based on the above sets of skills and experience. The Nomination, Remuneration and Community Committee remains focussed on Board renewal, and the appointment of Grant Murdoch as a Director and Chair of the Audit & Risk Committee during the year further enhanced the Board's skill set. The Board considers that each of the above skills is currently reflected in the skills and experience of the existing members of the Board.

Further details of the skills and experience of the members of the Board are provided in the Directors section of the Directors' Report. Information about the diversity of the Board is set out under Recommendation 1.5 of the Group's Corporate Governance Statement at www.lynascorp.com.

Remuneration Structure

The Company's Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of NEDs must be determined from time to time by a general meeting. The last determination was at the AGM held on November 20, 2012, and an aggregate pool of $1,250,000 was approved. The aggregate fees for NEDs for the period did not exceed this amount.

Components of Non-Executive Director Remuneration

Each NED receives a fee for being a Director of the Company, and (other than the Chairman of the Board) each NED receives a fee for each committee of which they are members. The NED fees, including committee fees, include statutory superannuation contributions where appropriate.

Base Fees

The base fees for NEDs have not increased since FY11. The base fees for NEDs for the financial year ended June 30, 2018 were:

- Chairman $250,000 per annum;
- Non-Executive Director $100,000 per annum.

Committee Fees

Board Committee	Chair $	Member $
Audit & Risk Committee	30,000	15,000
Nomination, Remuneration and Community Committee	25,000	12,500
Health, Safety & Environment Committee	25,000	12,500

The remuneration for NEDs for the financial years ended June 30, 2017 and June 30, 2018 is set out in Section H of this report.

Lynas Corporation Limited and Controlled Entities

Directors' Report – Remuneration Report – Audited

H. Details of Remuneration

Short term benefits				Post-employment benefits			Long term benefits		
Name	Cash salary and fees	Other short term employee benefits	Non-monetary benefits	Termin-ation payments	Superannuation and other pension payments	Long service leave	Share-based payments (net) (1)	Performance related % of Total	Total
FY18									
Executive Director									
A. Lacaze	1,206,829	330,904	63,830	-	20,049	13,104	2,092,560	65%	3,727,276
Non-Executive Directors									
K. Conlon	140,000	-	-	-	9,975	-	-	0%	149,975
W. Forde(2)	58,295	-	-	-	5,538	-	-	0%	63,833
M. Harding	268,750	-	-	-	20,049	-	-	0%	288,799
P. Etienne	133,750	-	-	-	12,706	-	-	0%	146,456
J. Humphrey	115,000	-	-	-	10,925	-	-	0%	125,925
G Murdoch(3)	84,508	-	-	-	8,028	-	-	0%	92,536
Executives									
A. Arnold	490,640	133,839	3,778	-	-	-	334,095	49%	962,352
G. Sturzenegger	504,663	128,727	-	-	-	-	529,315	57%	1,162,705
K. Leung	491,152	138,046	29,609	-	20,049	7,918	385,832	49%	1,072,606
P. Le Roux	388,562	149,254	81,887	-	59,958	-	584,543	58%	1,264,204
M. Ahmad(6)	319,940	146,221	-	-	80,682	-	404,505	58%	951,349
M. Afzan Afza(6)	226,400	55,826	-	-	47,980	-	324,790	58%	654,995
Total	**4,428,489**	**1,082,817**	**179,104**	**-**	**295,939**	**21,022**	**4,655,640**	**54%**	**10,663,011**
FY17									
Executive Director									
A. Lacaze	1,180,384	158,250	63,492	-	19,616	8,633	1,051,424	42%	2,481,799
Non-Executive Directors									
K. Conlon	140,000	-	-	-	-	-	-	0%	140,000
W. Forde	142,500	-	-	-	13,538	-	-	0%	156,038
M. Harding	250,000	-	-	-	19,590	-	-	0%	269,590
J. Klein(4)	100,625	-	-	-	-	-	-	0%	100,625
P. Etienne	115,000	-	-	-	10,925	-	-	0%	125,925
J. Humphrey(5)	14,839	-	-	-	1,410	-	-	0%	16,249
Executives									
A. Arnold	487,400	62,257	5,477	-	-	-	291,698	34%	846,832
G. Sturzenegger	485,732	66,266	-	-	-	-	166,706	23%	718,704
K. Leung	480,384	66,875	29,603	-	19,616	6,382	297,228	33%	900,088
P. Le Roux	411,364	68,855	96,257	-	65,088	-	173,619	21%	815,183
Total	**3,808,228**	**422,503**	**194,829**	**-**	**149,783**	**15,015**	**1,980,675**	**30%**	**6,571,033**

(1) Represents the cumulative impact of amortising the accounting value of Options and Performance Rights over their vesting period including the impact of forfeitures recognised during the period. At times a negative value may be presented which results when the forfeitures recognised in the period (which may relate also to earlier periods) are greater than the accounting expense for the current portion of the vesting period.
(2) Resigned on November 28, 2017.
(3) Appointed on October 30, 2017.
(4) Resigned on May 15, 2017.
(5) Appointed on May 15, 2017.
(6) Mr Ahmad and Ms Afzan have been added to the list of Key Management Personnel with effect from FY18.

I. KMP equity holdings

(i) Shareholdings
The following table outlines the shares held directly, indirectly and beneficially by directors and KMP as at June 30, 2018.

Name	Balance at beginning of year	Purchased during the year	On exercise of performance rights	Sold during the year	Other	Other (Share consolidation)	Balance at end of year
A. Lacaze	12,416,116	-	528,368	(283,019)	-	(11,174,503)	1,486,962
K. Conlon	856,180	-	-	-	-	(770,561)	85,619
P. Etienne	166,300	-	-	-	-	(149,670)	16,630
W. Forde[1]	1,575,893	-	-	-	(1,575,893) [1]	-	N/A
M. Harding	-	11,174	-	-	-	-	11,174
J. Humphrey	-	20,000	-	-	-	-	20,000
G Murdoch[2]	-	72,500	-	-	-	-	72,500
A. Arnold	1,002,811	-	251,970	(139,986)	-	(902,529)	212,266
G. Sturzenegger	1,485,590	-	100,000	(28,000)	-	(1,337,031)	220,559
K. Leung	40,890	-	261,701	(144,573)	-	-	158,018
P. Le Roux	1,525,596	-	103,909	(29,095)	-	(1,373,036)	227,374
M. Ahmad	140,000	-	121,483	(34,017)	-	(126,000)	101,466
M. Azhan Afza	52,664	-	58,038	(16,251)	-	(47,397)	47,054
Total	**19,262,040**	**103,674**	**1,425,469**	**(674,941)**	**(1,575,893)**	**(15,880,727)**	**2,659,622**

(1) Resigned on November 28, 2017 and therefore ceased to be a KMP on this date.
(2) Appointed on October 30, 2017.
(3) "Other – Share Consolidation" reflects the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on December 4, 2017.

(ii) Share Based Remuneration – Performance Rights
Performance Rights are issued on the same terms as Options, except there is no consideration payable on exercise. As at year end the Group had on issue to directors and KMP the following Performance Rights to acquire ordinary fully paid shares:

Series	Grant date	Number	Date vested and exercisable	Expiry date	Exercise price	Value per right at grant date
AG	September 18, 2015	1,026,128	September 18, 2018	September 18, 2020	$ 0.00	$ 0.290
AH	September 18, 2015	1,521,518	September 18, 2018	September 18, 2020	$ 0.00	$ 0.390
AJ	November 23, 2015	1,058,824	September 18, 2018	September 18, 2020	$ 0.00	$ 0.900
AK	November 23, 2015	882,353	September 18, 2018	September 18, 2020	$ 0.00	$ 0.800
AM	August 30, 2016	1,195,319	August 30, 2019	August 30, 2021	$ 0.00	$ 0.650
AO	November 30, 2016	558,140	August 30, 2019	August 30, 2021	$ 0.00	$ 0.680
AP	November 30, 2016	465,117	August 30, 2019	August 30, 2021	$ 0.00	$ 0.500
AQ	August 28, 2017	455,046	August 28, 2018	August 28, 2018	$ 0.00	$1.560
AR	August 28, 2017	476,715	August 28, 2020	August 28, 2022	$ 0.00	$1.360
AS	November 28, 2017*	1,748,362	August 28, 2019	August 28, 2019	$ 0.00	$2.060
AT	November 28, 2017*	212,391	August 28, 2018	August 28, 2019	$ 0.00	$2.060
AU	November 28, 2017*	231,066	August 28, 2020	August 28, 2022	$ 0.00	$2.060
AV	November 28, 2017*	192,555	August 28, 2020	August 28, 2022	$ 0.00	$1.620
AW	November 28, 2017*	809,107	August 28, 2019	August 28, 2019	$ 0.00	$2.060
Total		**10,832,641**				

*Series AS to AW were issued on August 28, 2017, subject to approval at the AGM. These performance rights were subsequently approved at the AGM on November 28, 2017 and has been deemed the grant date.

Fair value of Performance Rights

The fair value of each Performance Right is estimated on the date it is granted using volume-weighted average share price, Monte Carlo and Binomial valuation methodologies. The following assumptions were considered in the valuation of Performance Rights granted during the year ended June 30, 2018:

	Series AQ	Series AR	Series AS	Series AT	Series AU	Series AV	Series AW
Grant date	Aug 28, 2017	Aug 28, 2017	Nov 28, 2017	Nov 28, 2017	Nov 28, 2017	Nov 28, 2017	Nov 28, 2017
5 day VWAP	$1.560	$1.560	$2.060	$2.060	$2.060	$2.060	$2.060
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	N/A	N/A	N/A	N/A	N/A	85.90%	N/A
Risk-free Rate	N/A	N/A	N/A	N/A	N/A	1.88%	N/A
Expiry date	Aug 28, 2018	Aug 28, 2022	Aug 28, 2019	Aug 28, 2019	Aug 28, 2022	Aug 28, 2022	Aug 28, 2019

Lynas Corporation Limited and Controlled Entities

Directors' Report – Remuneration Report – Audited

No dividends have been paid in the past and so it is not appropriate to estimate future possible dividends in arriving at the fair values. The life of the Performance Right is up to 5 years from date of grant (as specified above) and is therefore not necessarily indicative of exercise patterns that may occur.

The resulting weighted average fair values for all Performance Rights granted for the benefit of Directors and KMP during the year are:

Grant date	Number of performance rights	Fair value per instrument at valuation date	Exercise price per instrument	First exercise date	Last exercise or expiry date
August 28, 2017	455,046	$1.560	$ 0.00	August 28, 2018	August 28, 2018
August 28, 2017	476,715	$1.360	$ 0.00	August 28, 2020	August 28, 2022
November 28, 2017	1,748,362	$2.060	$ 0.00	August 28, 2019	August 28, 2019
November 28, 2017	212,391	$2.060	$ 0.00	August 28, 2018	August 28, 2019
November 28, 2017	231,066	$2.060	$ 0.00	August 28, 2020	August 28, 2022
November 28, 2017	192,555	$1.620	$ 0.00	August 28, 2020	August 28, 2022
November 28, 2017	809,107	$2.060	$ 0.00	August 28, 2019	August 28, 2019
Total	**4,125,242**				

Except as specified in the table above, all Performance Rights granted for the benefit of Directors and KMP have three-year vesting periods. The Performance Rights are exercisable up to five years after issue date, subject to achievement of the relevant performance hurdles.

The following tables outline the Performance Rights granted for the benefit of Directors and KMP during the 2018 and 2017 financial years and those Performance Rights which have vested at each respective year-end.

June 30, 2018	Balance at beginning of year	Other: share consol	Granted	Grant date	Performance rights exercised/ cancelled/ forfeited/ other	Net change	Balance at end of year	Amount vested and exercisable at June 30, 2018	Amount vested and not exercisable at June 30, 2018
A. Lacaze[(1)]	38,324,227	(34,491,804)	1,445,119	Nov 28, 2017	(867,991)	(33,914,676)	4,409,551	-	-
K. Conlon	-	-	-	-	-	-	-	-	-
P. Etienne	-	-	-	-	-	-	-	-	-
W. Forde[(2)]	-	-	-	-	-	-	-	-	-
M. Harding	-	-	-	-	-	-	-	-	-
J. Humphrey	-	-	-	-	-	-	-	-	-
G Murdoch[(3)]	-	-	-	-	-	-	-	-	-
A. Arnold	10,403,856	(9,363,468)	473,065	Aug 28, 2017	(441,593)	(9,331,996)	1,071,860	-	-
G. Sturzenegger	7,373,530	(6,636,177)	468,157	Aug 28, 2017	(100,000)	(6,268,020)	1,105,510	-	-
K. Leung	11,077,776	(9,969,998)	518,970	Aug 28, 2017	(451,324)	(9,902,352)	1,175,424	-	-
P. Le Roux	7,614,314	(6,852,882)	527,549	Aug 28, 2017	(103,909)	(6,429,242)	1,185,072	-	-
M. Ahmad	6,999,153	(6,299,236)	400,191	Aug 28, 2017	(166,766)	(6,065,811)	933,342	-	-
M. Azhan Afza	4,275,593	(3,848,032)	292,191	Aug 28, 2017	(58,038)	(3,613,879)	661,714	-	-
Total	**86,068,449**	**(77,461,597)**	**4,125,242**		**(2,189,621)**	**(75,525,976)**	**10,542,473**	**-**	**-**
June 30, 2017									
A. Lacaze	37,023,320	-	12,686,047	Nov 30, 2016	(11,385,140)	1,300,907	38,324,227	-	38,324,227
K. Conlon	-	-	-	-	-	-	-	-	-
P. Etienne	-	-	-	-	-	-	-	-	-
W. Forde	-	-	-	-	-	-	-	-	-
M. Harding	-	-	-	-	-	-	-	-	-
J. Klein	-	-	-	-	-	-	-	-	-
J. Humphrey	-	-	-	-	-	-	-	-	-
A. Arnold	9,776,142	-	3,006,404	Aug 30, 2016	(2,378,690)	627,714	10,403,856	-	10,403,856
G. Sturzenegger	6,218,334	-	3,200,000	Aug 30, 2016	(2,044,804)	1,155,196	7,373,530	-	7,373,530
K. Leung	9,903,979	-	3,317,830	Aug 30, 2016	(2,144,033)	1,173,797	11,077,776	-	11,077,776
P. Le Roux	6,430,888	-	3,325,066	Aug 30, 2016	(2,141,640)	1,183,426	7,614,314	-	7,614,314
Total	**69,352,663**	**-**	**25,535,347**		**(20,094,307)**	**5,441,040**	**74,793,703**	**-**	**74,793,703**

(1) 1,445,119 performance Rights approved by the Board were granted to A. Lacaze on August 28, 2017 and subsequently approved by the shareholders of the Company at the AGM on November 28, 2017.
(2) Resigned on November 28, 2017.
(3) Appointed on October 30, 2017.

Subsequent Events

A major update of the Mineral Resource and Ore Reserve was announced on August 6, 2018. The previous Mineral Resource and Ore Reserve Statement was announced in October 2015. The updates since have been depletion only. Key changes to the resource model include:

- The consolidation of the Central Lanthanide Deposit (“CLD”) and Duncan into a single resource; and
- The 2017 Apatite (“AP”) Depth Extension exploration drilling program which extended the depth of the AP ore zone and had significant intersections of transition and fresh rare earth mineralisation below the AP zone.

The updated ore reserve is based on the new resource model and for the first time includes the Duncan zone following the completion of the metallurgical testwork. As announced on August 6, 2018, there was a 60% increase to Mt Weld Ore Reserves, confirming a 25+ year mine life at Lynas NEXT output rates.

With the exception of the above, there have been no other events subsequent to June 30, 2018 that would require accrual or disclosure in this financial report.

The Directors’ report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors,

Mike Harding
Chairman
Sydney, September 6, 2018

Lynas Corporation Limited and Controlled Entities

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 Statements;

(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

(d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

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

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the Corporations Instrument applies, as detailed in Note 34 to the Financial Statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors,

Mike Harding
Chairman
Sydney, September 6, 2018

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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 year ended 30 June 2018, 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

Glenn Maris
Partner
6 September 2018

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Independent Auditor's Report to the Members of Lynas Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lynas Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

1. Accounting for debt facilities

Why significant	How our audit addressed the key audit matter
As described in Note 6, the Group identified and corrected an error in respect of the accounting for amendments made to the Japan Australia Rare Earths B.V. (JARE) and Mt. Kellett convertible bond (Convertible Bonds) debt facilities in the prior year. This matter has been corrected in the financial report, which resulted in prior year comparatives being restated. During the current year the Group made early principal repayments and had interest forgiven in respect of the JARE facility. The Group also updated the forecast principal repayments on the JARE facility as at 30 June 2018. The Convertible bondholders also converted a significant portion of the facility into equity. The interest rates applicable to each facility were also reset under the pricing mechanisms within each agreement. A number of these transactions give rise to complex and judgmental accounting outcomes in respect of re-measuring the carrying value of each facility and measuring any associated impacts to the statement of comprehensive income. There was also significant degrees of estimation and judgment used in the determination of fair value, which is an input into the prior period restatement. Accordingly, this was considered to be a key audit matter. Refer to Note 6 and Note 23 within the financial report for the amounts recorded on the consolidated statement of financial position as at 30 June 2018 and related disclosures.	Our procedures in respect of the restatement included the following: ▶ Re-calculated each of the components of the restatement determined by the Group. ▶ Evaluated the adjustments made to restate the prior year comparatives and considered the adequacy of the restatement disclosures included within the financial report. Our procedures in respect of the current period transactions included the following: ▶ Assessed whether the Group's calculations of the re-measurement of the carrying value of the JARE facility as a result of each of the actual and estimated future repayments, the interest forgiveness and the re-setting of the interest rate, were performed in accordance with Australian Accounting Standards. ▶ Assessed the Group's calculation of the re-measurement of the carrying value of the Convertible Bonds facility as a result of the re-setting of the interest rate and the early conversion of the convertible bonds in accordance with Australian Accounting Standards. ▶ Considered the adequacy of the disclosures included within the financial report.

Building a better working world

2. Rehabilitation Provisions

Why significant	How our audit addressed the key audit matter
The Group incurs obligations for asset and site restoration and rehabilitation. As at 30 June 2018 the Group's consolidated statement of financial position includes provisions of \$64.5 million in respect of such obligations as disclosed in note 25. Estimating the costs associated with these obligations requires considerable judgement in relation to when the activities will take place, the time required for rehabilitation to be effective, and the costs associated with the activities and economic assumptions such as discount rates and foreign currency rates. Given the significant judgements and assumptions involved, the Group is required to continually reassess and confirm that the assumptions used are appropriate. Management engaged external experts to assist with their assessment of the Group's rehabilitation obligations as at 30 June 2018. Due to the significant degree of estimation and judgment used to determine the rehabilitation provision this was considered to be a key audit matter.	Our procedures included the following: ▶ Considered the rehabilitation reports and estimates provided by the Group's experts. We assessed the qualifications, competence and objectivity of each expert based on their independence, experience and qualification. ▶ Evaluated the determination of the required provision based upon the report of the experts. We re-performed underlying calculations where necessary and assessed the appropriateness of the inflation and discount rate assumptions. ▶ Considered the adequacy of the disclosures relating to the Group's provisions for restoration and rehabilitation included in the financial report.

Building a better working world

Information Other than the Financial Statements and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report other than the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 29 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Lynas Corporation Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Glenn Maris

Glenn Maris
Partner
Sydney
6 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended June 30

In A$'000	Note	2018	2017 Restated*
Revenue		374,105	256,976
Cost of sales		(253,001)	(242,239)
Gross profit		**121,104**	**14,737**
General and administration expenses	8	(34,270)	(25,501)
Net foreign exchange loss		(5,101)	(3,736)
Other expenses	9	(694)	-
Profit / (loss) from operating activities		**81,039**	**(14,500)**
Financial income	11	22,025	37,535
Financial expenses	11	(49,660)	(47,298)
Net financial expenses		**(27,635)**	**(9,763)**
Profit / (loss) before income tax		**53,404**	**(24,263)**
Income tax (expense) / benefit	12	(285)	23,729
Profit / (loss) for the year		**53,119**	**(534)**
Other comprehensive income / (loss) for the year net of income tax that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	14	46,922	(30,598)
Total other comprehensive income / (loss) for the year, net of income tax		**46,922**	**(30,598)**
Total comprehensive income / (loss) for the year attributable to equity holders of the Company		**100,041**	**(31,132)**
Earnings / (loss) per share ([1])			
Basic earnings / (loss) per share (cents per share)	26	8.84	(0.15)
Diluted earnings / (loss) per share (cents per share)	26	8.29	(0.15)

(1) The basic and diluted earnings per share for the year ended June 30, 2017 comparative period has been restated to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on December 4, 2017. Refer to Note 26 for details of the share consolidation.

* Certain amounts shown here do not correspond to the June 30, 2017 Consolidated Financial Report and reflect adjustments made, refer to Note 6.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Lynas Corporation Limited and Controlled Entities

Consolidated Statement of Financial Position

As at June 30

In A$'000	Note	2018	2017 Restated *
Assets			
Cash and cash equivalents	15	42,292	63,925
Trade and other receivables	16	12,365	5,871
Prepayments		2,358	2,846
Tax receivable		-	98
Inventories	17	51,658	37,448
Total current assets		**108,673**	**110,188**
Inventories	17	4,109	515
Property, plant and equipment	20	594,416	538,400
Deferred development expenditure	21	18,725	41,999
Intangible assets – software		-	17
Other non-current assets	19	38,708	26,616
Total non-current assets		**655,958**	**607,547**
Total assets		**764,631**	**717,735**
Liabilities			
Interest payable		452	2,769
Trade and other payables	22	35,012	45,639
Borrowings	23	-	19,516
Employee benefits	24	2,142	2,112
Provisions	25	357	309
Tax payable		52	-
Total current liabilities		**38,015**	**70,345**
Trade and other payables	22	580	1,362
Interest payable		1,607	2,321
Borrowings	23	225,112	473,843
Employee benefits	24	354	166
Provisions	25	64,485	57,543
Total non-current liabilities		**292,138**	**535,235**
Total liabilities		**330,153**	**605,580**
Net assets		**434,478**	**112,155**
Equity			
Share capital	26	1,395,417	1,094,403
Accumulated losses		(936,361)	(989,480)
Reserves	26	(24,578)	7,232
Total equity attributable to the equity holders of the Company		**434,478**	**112,155**

* Certain amounts shown here do not correspond to the June 30, 2017 Consolidated Financial Report and reflect adjustments made, refer to Note 6.

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Lynas Corporation Limited and Controlled Entities

Consolidated Statement of Changes in Equity

In A$'000	Note	Share capital	Accumulated losses	Foreign currency translation reserve	Equity settled employee benefits reserve	Warrant reserves	Other reserves (Note 26)	Total
Balance at July 1, 2017 (Restated*)		1,094,403	(989,480)	(156,541)	39,970	40,413	83,390	112,155
Other comprehensive income for the year	14	-	-	46,922	-	-	-	46,922
Total profit for the year		-	53,119	-	-	-	-	53,119
Total comprehensive income for the year		-	**53,119**	**46,922**	**-**	**-**	**-**	**100,041**
Conversion of convertible note	23	288,191	-	-	-	-	(77,534)	210,657
Exercise of warrants	26	12,825	-	-	-	(6,319)	-	6,506
Employee remuneration settled through share-based payments	30	-	-	-	5,121	-	-	5,121
Balance at June 30, 2018		**1,395,417**	**(936,361)**	**(109,619)**	**45,091**	**34,094**	**5,856**	**434,478**
Balance at July 1, 2016		1,088,469	(988,946)	(125,943)	37,490	31,397	28,743	71,210
Other comprehensive loss for the year (Restated*)	14	-	-	(30,598)	-	-	-	(30,598)
Total loss for the year (Restated*)		-	(534)	-	-	-	-	(534)
Total comprehensive loss for the year (Restated*)		**-**	**(534)**	**(30,598)**	**-**	**-**	**-**	**(31,132)**
Issue of warrants	30	-	-	-	-	9,016	-	9,016
Adjustment for extinguishment of convertible note		-	-	-	-	-	(1,127)	(1,127)
Recognition of convertible note based on new terms (Restated*)		-	-	-	-	-	55,774	55,774
Exercise of warrants	26	5,934	-	-	-	-	-	5,934
Employee remuneration settled through share-based payments	30	-	-	-	2,480	-	-	2,480
Balance at June 30, 2017 (Restated*)		**1,094,403**	**(989,480)**	**(156,541)**	**39,970**	**40,413**	**83,390**	**112,155**

* Certain amounts shown here do not correspond to the June 30, 2017 Consolidated Financial Report and reflect adjustments made, refer to Note 6.

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Lynas Corporation Limited and Controlled Entities

Consolidated Statement of Cash Flows

For the year ended June 30

In A$'000	Note	2018	2017
Cash flows from operating activities			
Receipts from customers		383,136	260,426
Payments to suppliers and employees		(256,656)	(220,813)
Royalties paid		(7,868)	(5,505)
Income taxes paid		(132)	(115)
Net cash from operating activities	18	**118,480**	**33,993**
Cash flows from investing activities			
Payments for property, plant and equipment		(24,220)	(2,276)
Security bonds paid		(1,575)	(6,830)
Security bonds refunded		267	2,193
Deposit as collateral for AELB		(29,139)	-
Net cash used in investing activities		**(54,667)**	**(6,913)**
Cash flows from financing activities			
Interest received		1,127	178
Interest and other financing costs paid		(27,714)	(5,131)
Proceeds from the issue of share capital		6,506	5,934
Repayment of long-term borrowing (JARE loan facility)		(65,542)	(3,950)
Net cash used in financing activities		**(85,623)**	**(2,969)**
Net (decrease)/increase in cash and cash equivalents		(21,810)	24,111
Cash and cash equivalents at the beginning of the year		63,925	43,348
Effect of exchange rate fluctuations (net) on cash held		177	(3,534)
Closing cash and cash equivalents	15	**42,292**	**63,925**

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to Consolidated Financial Statements
For the year ended June 30, 2018

1. Reporting entity

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

The financial report of Lynas Corporation Limited as at and for the year ended June 30, 2018 comprises the Company and its subsidiaries (together referred to as the "Group").

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

The address of the registered office of the Company is Suite 3, 5 Tully Road, East Perth WA 6004, Australia.

2. Basis of presentation

2.1 Statement of compliance

The financial report is a general purpose financial report and has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report also complies with International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial report was approved by the Board of Directors (the "Directors") on September 6, 2018.

2.2 Going concern

The financial report has been prepared using the going concern assumption.

2.3 Basis of measurement

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

Information as disclosed in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the current year is for the 12 month period ended June 30, 2018. Information for the comparative year is for the 12 month period ended June 30, 2017.

2.4 Presentation currency

The financial report of the Company and the Group is presented in Australian Dollars ("AUD"), which is both the Company's and the Group's presentation currency.

2.5 Rounding of amounts

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

2.6 Use of estimates and judgements

The preparation of the financial report 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 ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both the current and future years.

Information about the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most material effect on the amounts recognised in the financial report are described in Note 4.

2.7 Reclassification of comparative information

Certain elements of the information presented for comparative purposes have been revised to conform to the current year presentation. Adjustments have been made to certain amounts in the comparative period, refer to Note 6 for details.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in this financial report and have been applied consistently by all Group entities.

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Company or the Group. Control is achieved when the Company or Group has power over the investee, is exposed, or has the rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the financial report from the date control (or effective control) commences until the date that control ceases. As per Note 29 all entities within the Group are 100% owned and controlled.

The Group has adopted AASB 3 *Business Combinations* (2008) and AASB 127 *Consolidated and Separate Financial Statement* (2008) under which the acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, including the fair value of any contingent consideration and share-based payment awards (as measured in accordance with AASB 2 *Share Based Payment*) of the acquiree that are mandatorily replaced as a result of the transaction. Transaction costs that the Group incurs in connection with an acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, irrespective of the extent of any non-controlling interests. Non-controlling interests are initially recognised at their proportionate share of the fair value of the net assets acquired.

During the measurement year an acquirer can report provisional information for a business combination if by the end of the reporting year in which the combination occurs the accounting is incomplete. The measurement year, however, ends at the earlier of when the acquirer has received all of the necessary information to determine the fair values or one year from the date of the acquisition.

(b) Transactions eliminated on consolidation

Intra-group balances and unrealised items of income and expense arising from intra-group transactions are eliminated in preparing the financial report. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same manner as gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(a) Functional and presentation currency

Items included in the financial report of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the respective entities at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency of the respective entities at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency of the respective entities at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income as a component of the profit or loss.

(c) Foreign operations

The results and financial position of those entities that have a functional currency different from the presentation currency of the Group are translated into the Group's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date of the statement of financial position;
- income and expense items for each profit or loss item are translated at average exchange rates;
- items of other comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

(d) Changes in functional currency

Any change in a Group company's functional currency is applied prospectively from the date of the change. All items are translated into the new functional currency using the exchange rate at the date of the change. The resultant translated amounts for non-monetary items are thereafter treated as their historical cost.

Following the issue of the convertible bonds, the primary economic environment in which the Company operates was changed. Management performed a functional currency review and concluded that the functional currency of the Company should change prospectively to the United States dollar ("USD"), effective as of January 24, 2012. Prior to this date the functional currency of the Company was AUD.

3.3 Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, receivables, available for sale financial assets, trade and other payables, interest bearing borrowings and compound instruments.

A non-derivative financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Non-derivative financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Non-derivative financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described further.

Non-derivative financial instruments are recognised on a gross basis unless a current and legally enforceable right to offset exists and the Group intends to either settle the instrument net or realise the asset and liability simultaneously.

Upon initial acquisition the Group classifies its financial instruments in one of the following categories, which is dependent on the purpose for which the financial instruments were acquired.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, restricted cash and other short-term highly liquid investments with maturities of less than three months.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for instruments with maturities greater than 12 months from the reporting date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables (including related party receivables) which are stated at their cost less impairment losses.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest over the relevant years. The effective interest method results in an interest rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or, where appropriate, a shorter period to the net amount of the financial instrument.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are measured at fair value on initial recognition plus transaction costs. Subsequent to initial recognition, the assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income as a component of the profit or loss.

(e) Other liabilities

Other liabilities comprise all non-derivative financial liabilities that are accounted for at amortised cost. Other liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The Group's other liabilities comprise trade and other payables and interest bearing borrowings, including compound instruments and those with related parties. The Group's other liabilities are measured as follows:

(i) Trade and other payables
Subsequent to initial recognition trade and other payables are stated at amortised cost using the effective interest method.

(ii) Interest bearing borrowings including related party borrowings
Subsequent to initial recognition interest bearing loans and borrowings are measured at amortised cost using the effective interest method.

(f) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, with the number of shares to be issued being fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar financial liability that does not have the equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the financial liability component. Any directly attributable transaction costs are then allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognised in the statement of comprehensive income as a component of the profit or loss. On conversion the financial liability is reclassified to equity and no gain or loss is recognised in the statement of comprehensive income.

3.4 Inventories

(a) Raw materials, work in progress and finished goods

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based either on the first in first out ("FIFO") or weighted average principles and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured or refined inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory expected to be sold or consumed within the next 12 months is classified as current, with amounts expected to be consumed or sold after this time being classified as non-current.

(b) Engineering and maintenance materials

Engineering and maintenance materials (representing either critical or long order components but excluding rotable spares) are measured at the lower of cost and net realisable value. The cost of these inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is determined with reference to the cost of replacement of such items in the ordinary course of business compared to the current market prices.

3.5 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (if any).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of property, plant and equipment acquired in a business combination is determined by reference to its fair value at the date of acquisition. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the cost of that equipment.

(b) Assets under construction

Assets under construction are transferred to the appropriate asset category when they are ready for their intended use. Assets under construction are not depreciated but tested for impairment at least annually or when there is an indication of impairment.

(c) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an item of property, plant and equipment are capitalised until such time as the assets are substantially ready for their intended use. The interest rate used equates to the effective interest on debt where general borrowings are used or the relevant interest rate where specific borrowings are used to finance the construction.

(d) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as a component of the profit or loss as incurred.

(e) Depreciation

Depreciation is recognised in the statement of comprehensive income as a component of the profit or loss or capitalised as a component of inventory in the statement of financial position (which is subsequently released to the profit or loss through the cost of goods sold on the sale of the underlying product) using a method that reflects the pattern in which the economic benefits embodied within the asset are consumed. Generally, this is on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment.

The estimated useful lives for the material classes of property, plant and equipment are as follows:

Leasehold land	30 to 99 years	Buildings	5 to 30 years
Plant and equipment	2 to 30 years	Fixtures and fittings	2 to 15 years
Leasehold improvements	3 to 30 years	Motor vehicles	8 years

Depreciation methods, useful lives and residual values are reassessed on an annual basis.

Gains and losses on the disposal of items of property, plant and equipment are determined by comparing the proceeds (if any) at the time of disposal with the net carrying amount of the asset.

3.6 Development expenditure

(a) Development expenditure

Once an area of interest has been established as commercially viable and technically feasible, expenditure other than that relating to land, buildings and plant and equipment is capitalised as development expenditure. Development expenditure includes previously capitalised exploration and evaluation expenditure, pre-production development expenditure and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercially viable or technically feasible, any accumulated costs in respect of that area are written off in full in the statement of comprehensive income as a component of the profit or loss in the period in which the decision to abandon the area is made to the extent that they will not be recoverable in the future.

Development assets are assessed for impairment if the facts and circumstance suggest that the carrying amount exceed the recoverable amount. For the purpose of impairment testing, development assets are allocated to the cash-generating units ("CGUs") to which the development activity relates.

(b) Deferred stripping

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development or pre-production stripping. The directly attributable costs associated with these activities are capitalised as a component of development costs. Capitalisation of development stripping ceases and amortisation of those capitalised costs commences upon extraction of ore. Amortisation of capitalised development stripping costs occurs on a straight line basis with reference to the life of mine of the relevant area of interest.

Removal of waste material normally continues through the life of a mine. This activity is referred to as production stripping and commences upon the extraction of ore.

(c) Amortisation of development

Amortisation of development is recognised either in the statement of comprehensive income as a component of the profit or loss or capitalised as a component of inventory in the statement of financial position (which is subsequently released to the profit or loss through the cost of goods sold on the sale of the underlying product) on a units of production basis which aims to recognise cost proportionally to the depletion of the economically recoverable mineral resources. Costs are amortised from the commencement of commercial production.

3.7 Impairment

The carrying amounts of the Group's assets are reviewed regularly and at least annually to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income as a component of the profit or loss.

(a) Impairment of loans and receivables and held-to-maturity financial assets

The recoverable amount of the Group's loans and receivables and held-to-maturity financial assets carried at amortised cost is calculated with reference to the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at the date of initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on individual instruments that are considered significant are determined on an individual basis through an evaluation of the specific instruments' exposures. For trade receivables which are not significant on an individual basis, impairment is assessed on a portfolio basis taking into consideration the number of days overdue and the historical loss experiences on a portfolio with a similar number of days overdue.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in respect of interest or principal repayment; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at least annually to determine whether there is any indication of impairment. If any such indicators exist then the asset or CGU's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amounts are estimated at least annually and whenever there is an indication that they may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income as a component of the profit or loss. Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other non-financial assets in the CGU on a pro-rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In assessing the fair value less cost to sell, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include a discounted future cash flows analysis and adjusted EBITDA (forecasted) multiplied by a relevant market indexed multiple.

In respect of assets other than goodwill, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's revised carrying amount will not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

3.8 Employee benefits

(a) Pension and superannuation obligations

A defined contribution pension and superannuation plan is a plan under which the employee and the Group pay fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions in relation to an employee's service in the current and prior years. The contributions are recognised in the statement of comprehensive income as a component of the profit or loss as and when they fall due.

(b) Short-term employee benefits

Short-term employee benefits are expected to be settled within one year and measured on an undiscounted basis and are expensed in the statement of comprehensive income as a component of the profit or loss as the related services are provided. A provision is recognised for the amount expected to be paid under short-term cash bonus plans and outstanding annual leave balances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(c) Long-term employee benefits

The liability for annual leave and long service leave for which settlement can be deferred beyond 12 months from the balance date is measured as the present value of expected future payments to be made in respect of services provided by employees. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(d) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

(e) Incentive compensation plans

The Group recognises a liability and associated expense for incentive compensation plans based on a formula that takes into consideration certain threshold targets and the associated measures of profitability. The Group recognises a provision when it is contractually obligated or when there is a past practice that has created a constructive obligation to its employees.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision for the passage of time is recognised as a financial expense in the statement of comprehensive income as a component of the profit or loss.

(a) Business closure and rationalisation

A provision for business closure and rationalisation is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

(b) Rehabilitation

The mining/extraction and refining/processing activities of the Group give rise to obligations for asset and site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that the environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation activities for the Group's mining operations and refining operations are recognised as a component of property, plant and equipment. Amounts capitalised are depreciated or amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each balance sheet date with the costs recognised in the statement of comprehensive income as a component of the profit or loss in line with the remaining future cash flows.

At each reporting date the rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, changes to the estimated lives of the associated operations, new regulatory requirements and revisions to discount rates. Changes to the rehabilitation liability are added or deducted from the related rehabilitation asset and amortised accordingly.

(c) Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.10 Royalties

Royalties are treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described in Note 3.17(a) for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions (as outlined in Note 3.19) and included as part of the cost of goods sold in the statement of comprehensive income as a component of profit or loss.

3.11 Dividends

Dividends to the Group's shareholders are recognised as a liability in the Group's statement of financial position in the period in which the dividends are declared.

3.12 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where equity instruments are reacquired by the Group, for example, as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the statement of comprehensive income and the consideration paid including any directly attributable incremental costs (net of income taxes) is directly recognised in equity.

3.13 Share-based payment

Share-based remuneration benefits are provided to employees via a variety of schemes which are further set out in Note 30.

The fair values of the performance rights granted under these various schemes are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights.

The fair value at grant date is independently determined using a performance right pricing model that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

The fair value of the performance right granted is measured to reflect the expected market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and production targets). Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable. At the end of each reporting period, the Group revises its estimates of the number of performance rights that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income as a component of profit or loss, with a corresponding adjustment to equity.

3.14 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable net of sales commissions, returns and allowances, trade discounts, volume rebates and other customer incentives. Revenue is recognised when the significant risks and rewards of ownership have been substantially transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

3.15 Lease payments

Minimum lease payments made under finance leases are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges which are recognised in the statement of comprehensive income as a component of the profit or loss are allocated to each year during the lease term so as to produce a constant rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for in the years in which the payments are incurred.

Payments made under operating leases are recognised in the statement of comprehensive income as a component of the profit or loss on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent lease payments arising under operating leases are recognised as an expense in the year in which the payments are incurred.

In the event that lease incentives are received to enter into an operating lease, such incentives are deferred and recognised as a liability. The aggregated benefits of the lease incentives are recognised as a reduction to the lease expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.16 Financial income and expenses

Financial income comprises interest income and gains on derivative financial instruments in respect of financing activities that are recognised in the statement of comprehensive income as a component of the profit or loss. Interest income is recognised as it accrues using the effective interest method.

Financial expenses comprise interest expense, impairment losses recognised on financial assets (except for trade receivables) and losses in respect of financing activities on derivative instruments that are recognised in the statement of comprehensive income as a component of the profit or loss. All borrowing costs not qualifying for capitalisation are recognised in the statement of comprehensive income as a component of the profit or loss using the effective interest method.

3.17 Income tax

(a) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income as a component of the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised with the associated items on a net basis.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method of providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time the liability to pay the related dividend is recognised. Deferred income tax assets and liabilities in the same jurisdiction are offset in the statement of financial position only to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities and the deferred balances relate to taxes levied by the same taxing authority and are expected either to be settled on a net basis or realised simultaneously.

(b) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from July 1, 2002 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Lynas Corporation Limited. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Entities within the tax-consolidated group have entered into a tax sharing agreement with the Company. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the Company default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member’s liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

3.18 Sales tax, value added tax and goods and services tax

All amounts (including cash flows) are shown exclusive of sales tax, value added tax (“VAT”) and goods and services tax (“GST”) to the extent the taxes are reclaimable, except for receivables and payables that are stated inclusive of sales tax, VAT and GST.

3.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor – finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group’s net investment in the leases.

(b) The Group as lessee – finance leases

Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included within loans and borrowings as a finance lease obligation. Subsequent to initial recognition, the liability is accounted for in accordance with the accounting policy described at Note 3.3(f) and the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.20 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

(b) Diluted earnings per share

Diluted earnings per share adjusts the amount used in the determination of the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share from continuing operations.

3.21 Company entity financial information

The financial information for the Company entity as disclosed in Note 35 has been prepared on the same basis as that applied by the Group, except as set out below:

(a) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial information of the Company. Dividends received from associates are recognised in the statement of comprehensive income as a component of profit or loss, rather than being deducted from the carrying amount of these investments.

(b) Effect of tax consolidation

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group, are accounted for by the Company rather than by the members of the tax-consolidated group themselves.

3.22 New and revised standards and interpretations

(a) Standards and Interpretations affecting amounts reported

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of July 1, 2017.

Several amendments apply for the first time in the current year. However, they do not impact the annual consolidated financial statements of the Group.

(b) Standards and Interpretations in issue not yet adopted

The Australian Accounting Standards issued but not yet mandatory for the financial year ending June 30, 2018 have not been adopted by the Group in the preparation of this 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 Amendments 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 2016-5 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
AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration	July 1, 2018	June 30, 2019
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	July 1, 2018	June 30, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	July 1, 2019	June 30, 2020
IFRS 17 Insurance Contracts	July 1, 2021	June 30, 2022

<u>AASB 9 Financial Instruments</u>
A finalised version of AASB 9 has been issued which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition. This standard applies to annual reporting periods beginning on or after January 1, 2018 and will be applicable for the Group for the annual reporting period beginning July 1, 2018.

The Group has completed a review of the impacts of the new standard and does not expect the application of the new standard to have a material impact on the results of the Group.

<u>AASB 15 Revenue from Contracts with Customers</u>
The core principle of AASB 15 is that an entity recognises revenue in accordance with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about revenue are also introduced. The Group has undertaken a comprehensive analysis of the impact of the new standard in order to determine how the contractual terms of the Group's principle revenue streams should be treated under AASB 15. As the majority of the Group's revenue is derived from the sale of Rare Earths in which the transfer of risks and rewards, under current accounting, occurs at the same time as the satisfaction of the performance obligation under AASB 15, it is expected that there will be no material changes in respect of the timing and amount of revenue currently recognised by the Group. This standard applies to annual reporting periods beginning on or after January 1, 2018 and will be applicable for the Group for the annual reporting period beginning July 1, 2018.

AASB 16 Leases

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 also contains new disclosure requirements for lessees. This standard applies to annual reporting periods beginning on or after January 1, 2019. It is expected that upon adoption of AASB 16, the impact of the new standard will have a material impact on the Group's financial statements with the most significant impact being an increase in lease liabilities representing the present value of the operating lease commitments (see Note 32) and a corresponding increase in property, plant and equipment for the right of use asset net of lease incentives, initial direct costs and other allowable adjustments being recognised on the statement of financial position. This will be unwound and amortised to the statement of comprehensive income over the remaining term of the leases.

The Group anticipates that the remainder of the above amendments and interpretations will not have a material impact on the financial report of the Group in the year or period of initial application.

4. Critical accounting estimates and assumptions

In the process of applying the Group's accounting policies, management has made certain estimates and assumptions about the carrying values of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. Management has not made any significant judgements apart from those involving estimations (as discussed further below). 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 as listed below.

4.1 Reserve estimates and mine life

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining tenements. In order to calculate reserves, estimates and assumptions are required to be formulated about a range of geological, technical and economic factors including quantities, grades, production techniques, recovery rates, production costs, transportation costs, refining costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of reserves requires the size, shape and depth of the ore bodies or field to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgement and calculation to interpret the data.

As the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in the estimated future cash flows; and
- depreciation and amortisation charges in the statement of comprehensive income may change as result of the change in the useful economic lives of assets.

4.2 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The value in use calculation is based on a 25-year discounted cash flow (DCF) model. The cash flows are derived from the two-year budget and forecast model that is extrapolated over 25 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to product price movement, the discount rate used for the discounted cash flows model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4.3 Development expenditure

Development activities commence after project sanctioning by the appropriate level of management and the Board. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of comprehensive income.

4.4 Restoration and rehabilitation expenditure

The Group's accounting policy for its restoration and rehabilitation closure provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the closure and rehabilitation asset and the provision.

LAMP production residues
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 was submitted to Malaysia's Department of Environment (DOE) as part of the commercialisation approval process. DOE has acknowledged the report confirming that the soil conditioning product using LAMP residues known as "Condisoil" is safe for agricultural use and that Condisoil increases paddy yield.

The restoration and rehabilitation closure provision excludes costs for the disposal LAMP's production residues. The Group does not expect that that the restoration and rehabilitation provision would be significantly different with on site disposal / storage of LAMP's production residues.

4.5 Recognition of deferred tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. In making the assessment, the Group has given specific due consideration to:

- The pioneer period status (tax holiday) in relation to the Malaysian operations through to 2026, subject to renewal in 2019:
    - Tax losses generated during this period will be utilised prior to the tax exemption being applied, with any unused losses available for utilisation by the Group once the pioneer period expires. However, these tax losses do not provide any benefit to the Group during the pioneer period as no tax would be otherwise due on pioneer product activities over this time.
    - Tax losses generated prior the pioneer period will remain available for use offsetting non-pioneer profits during the pioneer period, or general utilisation once the pioneer period expires.
- Other than the current period, the Group has a history of generating tax losses.
- There remains significant volatility in the selling price (revenue basis) during the year for all REO products sold by the Group. The Group's most significant product is NdPr and market prices for NdPr (excluding VAT) peaked in September 2017 at US$64.5/kg before falling to US$32.2/kg in December 2017. This volatility creates uncertainty as to the probability that the Group would have future taxable profits in these jurisdictions against which these tax losses can be utilised.

Based on these factors, the Group has not recognised a deferred tax asset in excess of the deferred tax liability at June 30, 2018.

5. 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.

5.1 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.

5.2 Trade and other payables

The fair value of trade and other payables 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 payables, the carrying amount is a reasonable approximation of fair value.

5.3 Non-derivative long term financial liabilities

The fair value of borrowings which is normally calculated for disclosure purposes by discounting the future contractual cash flows at the current market interest rates that are available for similar financial instruments.

6. Correction of error

In October 2016 the Group agreed amendments to its loan facilities. During the half-year ended December 31, 2017, the Group identified an error made in accounting for these loan amendments. This error involved the classification and calculation of the new borrowing fair values which also impacted the equity component of the convertible bond, associated tax balances and certain items in the statement of profit and loss and other comprehensive income. The error relates to non-cash accounting entries only.

The error has been corrected and the impact on each of the affected financial statement line items for June 30, 2017 as follows:

Changes to equity (increase/(decrease) in equity)

As at June 30

In AUD'000	**2017**
Interest payable (current)	31,784
Interest payable (non-current)	22,885
Borrowings	(33,915)
Net decrease in liabilities	**20,754**
Accumulated losses	14,342
Foreign currency translation reserve	(499)
Other reserves	6,911
Net increase in equity	**20,754**

Changes to statement of profit or loss and other comprehensive income (increase/(decrease) in profit)

In AUD'000	**12 months ended June 30, 2017**
Net gain on extinguishment of debt	14,418
Financial expenses	(3,040)
Income tax benefit	2,964
Net increase in profit/(loss) for the period	**14,342**
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	(499)
Net decrease on other comprehensive income/(loss) for the period	**(499)**
Net increase in comprehensive income/(loss) for the period	**13,843**
Net increase of profit attributable to:	
Equity holders of the parent	14,342
Non-controlling interests	-

Changes to basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

	12 months ended June 30, 2017
Increase in basic earnings for the period attributable to ordinary equity holders of the parent (cents per share)	4.05
Increase in diluted earnings for the period attributable to ordinary equity holders of the parent (cents per share)	4.05

The change to basic and diluted earnings / (loss) per share for the half-year ended December 31, 2016 and year ended June 30, 2017 has been restated to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on December 4, 2017.

The change did not have an effect on the Group's operating, investing or financing cash flows.

7. 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.

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

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

The accounting policies applied by this segment are the same as the Group's accounting policies. Results from operating activities represent the profit earned by this segment without allocation of interest income and expense and income tax benefit (expense). The CODM assess the performance of the operating segment based on adjusted EBITDA. Adjusted EBITDA is defined as net profit before income tax expense, 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.

77% of the Group's non-current assets are located in Malaysia and the remaining 23% are in Australia.

Notes to Consolidated Financial Statements
For the year ended June 30, 2018

	For the year ended June 30, 2018			For the year ended June 30, 2017 Restated*		
In A$'000	**Rare Earth Operations**	**Corporate/ Unallocated**	**Total Continuing Operations**	**Rare Earth Operations**	**Corporate/ Unallocated**	**Total Continuing Operations**
Business segment reporting						
Revenue	374,105	-	374,105	256,976	-	256,976
Cost of sales	(253,001)	-	(253,001)	(242,239)	-	(242,239)
Gross profit	**121,104**	**-**	**121,104**	**14,737**	**-**	**14,737**
General expenses and other income	(21,203)	(13,067)	(34,270)	(15,118)	(10,383)	(25,501)
Other income / (expenses)		(694)	(694)	-	-	-
Net foreign exchange (loss) / gain	-	(5,101)	(5,101)	-	(3,736)	(3,736)
Profit / (loss) before interest and tax ("EBIT")	**99,901**	**(18,862)**	**81,039**	**(381)**	**(14,119)**	**(14,500)**
Net gain on extinguishment of debts	-	-	-	-	37,302	37,302
Other financial income			22,025			233
Financial expenses			(49,660)			(47,298)
Profit / (loss) before income tax			**53,404**			**(24,263)**
Income tax (expense) / benefit			(285)			23,729
Profit / (loss) for the year			**53,119**			**(534)**
Reconciliation of EBIT to Earnings before interest, tax, depreciation and amortisation ("EBITDA")						
EBIT	99,901	(18,862)	81,039	(381)	(14,119)	(14,500)
Depreciation and amortisation	39,621	1,240	40,861	42,580	1,355	43,935
EBITDA	**139,522**	**(17,622)**	**121,900**	**42,199**	**(12,764)**	**29,435**
Included in EBITDA:						
Non-cash employee remuneration settled through share based payments comprising:						
Share based payments expense for the year	-	6,935	6,935	-	2,622	2,622
Impact of options and performance rights forfeited during the year	-	(1,815)	(1,815)	-	(142)	(142)
Adjusted EBITDA	**139,522**	**(12,502)**	**127,020**	**42,199**	**(10,284)**	**31,915**
Total assets	**753,696**	**10,935**	**764,631**	**706,163**	**11,572**	**717,735**
Total liabilities	**(140,938)**	**(189,215)**	**(330,153)**	**(162,943)**	**(442,637)**	**(605,580)**

* Certain amounts shown here do not correspond to the June 30, 2017 Consolidated Financial Report and reflect adjustments made, refer to Note 6.

8. General and administration expenses

In A$'000	For the year ended June 30 2018	2017
Employee and production costs net of costs recovered through production	12,985	8,990
Depreciation expenses net of cost recovered through production	6,943	4,223
Other	14,342	12,288
Total general and administration expenses	**34,270**	**25,501**

Other general and administration expenses include statutory, consulting, insurance, IT, marketing and general office costs.

8.1 Employee costs

The following items are gross employee costs before recoveries included in general and administration expenses:

In A$'000	For the year ended June 30 2018	2017
Wages and salaries	38,286	35,108
Superannuation and pension contributions	1,312	1,083
Employee remuneration settled through share-based payments (Note 30)	5,120	2,480
Other	773	881
Total employee costs	**45,491**	**39,552**

Over 50% of total wages and salaries costs are paid in MYR, and with the strengthening of the MYR during the year the AUD equivalent costs have increased.

9. Other expenses

In A$'000	Note	For the year ended June 30 2018	2017
Net loss on sale of property, plant and equipment		164	-
Property, plant and equipment written off		530	-
Total other expenses		**694**	**-**

A review on the carrying value of inventory and property, plant and equipment was completed in both years.

Property, plant and equipment written off in the current year relates to assets replaced as part of Project NEXT additions.

10. Auditor's remuneration

The following items of expenditure are included in general and administration expenses:

In $A	For the year ended June 30 2018	2017
Auditor's remuneration to Ernst & Young (Australia), comprising:		
Audit fees	295,262	286,875
Other fees	51,041	-
Total auditor's remuneration Ernst & Young (Australia)	**346,303**	**286,875**
Auditor's remuneration to Ernst & Young (other locations), comprising:		
Audit fees	127,363	139,501
Tax fees	3,579	38,747
Other fees	-	92
Total auditor's remuneration Ernst & Young (other locations)	**130,942**	**178,340**

Notes to Consolidated Financial Statements
For the year ended June 30, 2018

11. Financial income and expenses

In A$'000	For the year ended June 30 2018	2017 Restated
Net gain on extinguishment of debts*	-	37,302
Interest income on cash and cash equivalents	1,178	233
Interest forgiven on JARE loan	20,847	-
Total financial income	**22,025**	**37,535**
Interest expense on financial liabilities:		
Interest expense on JARE loan facility	(8,825)	(12,756)
Interest expense on Convertible bond facility	(2,124)	(7,315)
Amortisation of deferred transaction costs - convertible bond facility	-	(434)
Unwinding of discount on convertible bond facility	(7,655)	(12,033)
Unwinding of discount on JARE loan facility	(7,630)	(4,738)
Non-cash adjustment to financial liabilities	(22,411)	-
Unwinding of discount on restoration and rehabilitation provision	(793)	(875)
Discount unwinding / (recognition) on AELB deposit **	332	(8,907)
Financing transaction costs and fees	(554)	(240)
Total financial expenses	**(49,660)**	**(47,298)**
Net financial expenses	**(27,635)**	**(9,763)**

* refer to Note 23 for more information
** refer to Notes 19 & 33 for more information

12. Income taxes

In A$'000	For the year ended June 30 2018	2017 Restated
Current tax		
Current tax expense in respect of the current year	285	175
Adjustments recognised in the current year in relation to the current tax in prior years	-	-
	285	**175**
Deferred tax		
Deferred tax expense / (benefit) recognised in the year	-	(23,904)
Total income tax expense / (benefit) relating to the continuing operations	**285**	**(23,729)**

12.1 Income tax recognised in profit / (loss)

In A$'000	For the year ended June 30 2018	2017 Restated
Profit / (loss) before tax for continuing operations	53,404	(24,263)
Income tax expense / (benefit) calculated at 30% (2017: 30%)	16,021	(7,279)
Add / (deduct):		
Effect of expenses that are not deductible and income that is not assessable in determining taxable profit	15,287	6,497
Effect of restatement of prior year accounts	23,649	-
Effect of foreign exchange gains and losses	16,474	3,858
Effect of unused tax losses not recognised as deferred tax assets	-	2,721
Effect of adjustments recognised in equity	-	23,904
Effect of temporary differences not recognised as deferred tax assets	(30,362)	(58,409)
Effect of different tax rate of subsidiaries and branches	(68)	5,251
Effect of prior year losses not recognised	(32,916)	(31)
Other adjustments	(7,800)	(241)
Total current year income tax expense / (benefit)	**285**	**(23,729)**

12.2 Income tax recognised directly in equity

In A$'000	For the year ended June 30 2018	 2017 Restated
Deferred tax		
Initial recognition of equity component of convertible bonds	-	23,904
Total income tax expense / (benefit) recognised directly in equity	**-**	**23,904**

13. Deferred tax assets and liabilities

13.1 Deferred tax balances

In A$'000	Balance at July 1, 2017 (Restated)	Recognised in profit or loss	Recognised in equity	Recognised in OCI	Balance at June 30, 2018
Temporary differences					
Development expenditure	(7,927)	(674)	-	-	(8,601)
Property plant and equipment	1,011	(13,621)	-	-	(12,610)
Borrowings	28,269	(8,327)	-	-	19,942
Costs of equity and debt raisings	3	(3)	-	-	-
Trade payables	93	26	-	-	119
Provisions	8,264	1,884	-	-	10,148
	29,713	**(20,714)**	**-**	**-**	**8,998**
Unused tax losses and credits					
Tax losses	(29,713)	20,714	-	-	(8,998)
	-	-	-	-	-

In A$'000	Balance at July 1, 2016	Recognised in profit or loss	Recognised in equity (Restated)	Recognised in OCI	Balance at June 30, 2017 (Restated)
Temporary differences					
Inventory	774	(774)	-	-	-
Deferred exploration, evaluation and development expenditure	(8,091)	164	-	-	(7,927)
Property plant and equipment	8,367	(7,356)	-	-	1,011
Borrowings	49,151	3,022	(23,904)	-	28,269
Costs of equity and debt raisings	867	(864)	-	-	3
Trade payables	42	51	-	-	93
Provisions	8,429	(165)	-	-	8,264
	59,539	**(5,922)**	**(23,904)**	**-**	**29,713**
Unused tax losses and credits					
Tax losses	(59,539)	-	-	-	(59,539)
Deferred tax asset recognised	-	29,826	-	-	29,826
	-	23,904	(23,904)	-	-

13.2 Unrecognised deferred tax assets

In A$'000	As at June 30 2018	 2017
Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised are attributable to the following:		
Tax losses – revenue in nature	311,616	340,414
Tax losses – capital in nature	325,510	370,764
Deductible temporary differences	18,025	74,054
	655,153	**785,232**

The Group's unused tax losses of a revenue nature for which no deferred tax assets have been recognised relate to Australia (2018: $143.9m, 2017: $174.4m), Malaysia (2017: $167.4m, 2016: $165.5m) and Malawi (2018: $0.3m, 2017: $0.5m). The potential tax benefit of these tax losses to the Group is $83.4m (2017: $92.0m). Refer to Note 4.5 for the estimates and assumptions involved in the recognition of deferred tax assets.

The Group's unused tax losses of a capital nature for which no deferred tax assets have been recognised relate to Australia (2018: $2.1m, 2017: $2.1m) and Malaysia (2018: $323.4m, 2017:368.7m). At June 30, 2018 it was not probable that the Group would have future taxable profits in Australia against which these tax losses can be utilised. The potential tax benefit of these tax losses and temporary differences to the Group is $78.3m (2017: $89.1m).

The Group's net deductible temporary differences for which no deferred tax assets have been recognised relate to Australia (2018: $81.5m, 2017: $78.8m) and Malaysia (2018: $0.0m, 2017: $0.0m). At June 30, 2018 it was not probable that the Group would have future taxable profits in these jurisdictions against which these deductible temporary differences can be utilised. The potential tax benefit of these deductible temporary differences to the Group is $24.4m (2017: $23.6m).

The Group's assessable temporary differences for which no deferred tax liability has been recognised due to the Group having sufficient deferred tax assets to offset relate to Malaysia (2018: $59.8m, 2017: $4.8m).

14. Other comprehensive income

Within the statement of comprehensive income the Group has disclosed certain items of other comprehensive income net of the associated income tax expense or benefit. The pre-tax amount of each of these items and the associated tax effect is as follows:

In A$'000	For the year ended June 30					
	2018			2017 Restated		
	Pre-tax	Tax effect	Total	Pre-tax	Tax effect	Total
Exchange differences on translating foreign operations	46,922	-	46,922	(30,598)	-	(30,598)
Total other comprehensive income	**46,922**	**-**	**46,922**	**(30,598)**	**-**	**(30,598)**

15. Cash and cash equivalents

In A$'000	As at June 30 2018	2017
Cash at bank and on hand	42,282	35,858
Restricted cash	-	28,067
Total cash and cash equivalents	**42,292**	**63,925**

<u>Restricted cash for JARE loan facility</u>
In accordance with the terms of the JARE facility, the JARE restricted bank account was scheduled to be closed when the unrestricted cash balance exceeded $25.0m on any date after July 31, 2017. Following the satisfaction of that test, the funds in the JARE restricted bank account were applied as follows on August 4, 2017:

(a) US$15.0m was paid to JARE as a principal repayment, reducing the principal balance of the JARE facility to US$185.0m;
(b) The remaining balance in the JARE restricted interest account was used to partially settle the interest incurred from October 1, 2014 to December 31, 2015. The outstanding interest incurred in the same period was forgiven.

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 $40.0m, the surplus is paid as a principal repayment to JARE pursuant to a cash sweep mechanism. Under the terms agreed with JARE and the bondholders, if Lynas received the proceeds from an equity raising (such as an issuance of shares or an exercise of warrants), then the following amounts will be exempted from the cash sweep: (i) 75% of the proceeds received up to a cumulative balance of US$50.0m, and (ii) 50% of the proceeds above a cumulative balance of US$50.0m.

<u>Restricted cash for convertible bond facility</u>
In accordance with the terms of the convertible bond facility, the convertible bond restricted bank account was scheduled to be closed when the unrestricted cash balance exceeded $25.0m on any date after July 31, 2017. Following the satisfaction of the test, on August 4, 2017, the funds in the convertible bond restricted bank account were applied in full payment of the interest incurred from January 1, 2015 to December 31, 2015 and additional interest on withdrawals made in 2016.

16. Trade and other receivables

In A$'000	As at June 30 2018	2017
Trade receivables	5,843	2,639
GST / VAT receivables	5,645	2,862
Other receivables	877	370
Total current trade and other receivables	**12,365**	**5,871**

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 June 30, 2018 $0.24m (2017: $0.02m), of trade receivables were past due and not impaired.

17. Inventories

17.1 Inventories

In A$'000	As at June 30 2018	2017
Raw materials and consumables	19,997	11,988
Work in progress	26,168	22,075
Finished goods	9,602	3,900
Total inventories	**55,767**	**37,963**
Current inventories	51,658	37,448
Non-current inventories	4,109	515
Total inventories	**55,767**	**37,963**

Restrictions on the title of inventories are outlined in Note 23.

During the year ended June 30, 2018 inventories of $253.0m (2017: $242.2m) were recognised as an expense. All of which were included in 'cost of sales'.

17.2 Depreciation recognised in inventories

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 years ended June 30, 2018 and 2017 respectively in the following categories:

	Recognised in General and Administration Expense		Recognised in Inventory		Total	
In A$'000	2018	2017	2018	2017	2018	2017
Property, plant and equipment	4,433	1,941	33,594	35,094	38,027	37,035
Deferred exploration and evaluation expenditure	2,493	2,208	-	-	2,493	2,208
Intangibles	17	74	-	-	17	74
Total	**6,943**	**4,223**	**33,594**	**35,094**	**40,537**	**39,317**

On the sale of inventory to customers, the component of the depreciation or amortisation expense capitalised within inventory is reflected in the cost of goods sold in the statement of comprehensive income as a component of the profit or loss. This was $33.9m in the year ended June 30, 2018 (2017: $39.7m).

During the year ended June 30, 2018 the Group recognised royalties paid to the Western Australian Government totalling $7.8m (2017: $5.8m). Royalties arise on the shipment of the Group's concentrate from Australia to Malaysia.

18. Reconciliation of the profit / (loss) for the year with the net cash from operating activities

In A$'000	Note	For the year ended June 30 2018	2017 Restated
Profit / (loss) for the year		53,119	(534)
Adjustments for:			
Depreciation and amortisation		40,861	43,935
Employee remuneration settled through share-based payments		5,120	2,480
Net financial (income) / expenses	11	27,635	9,763
Loss on disposal of property, plant and equipment		694	347
Income tax expense / (benefit)		285	(23,843)
Foreign exchange loss included in profit / (loss) for the year		5,360	-
Change in trade and other receivables		(6,006)	(2,272)
Change in inventories		(17,804)	3,262
Change in trade and other payables		8,539	576
Change in other assets and liabilities		150	13
Change in provisions (excluding additional rehabilitation obligation)		527	(2,087)
Change in deferred income		-	(1,178)
Foreign exchange movement on cash		-	3,531
Net cash from operating activities		**118,480**	**33,993**

18.1 Reconciliation of liabilities arising from financing activities

	June 30, 2017	Cash flows	Non-Cash Movements				June 30, 2018
	Opening Balance	Proceeds / (Repayments)	Effective Interest	Foreign Exchange	Adjustment[(1)]	Other	Closing Balance
JARE loan facility (Current)	19,516	(20,262)	-	746	-	-	-
JARE loan facility (Non-Current)	240,556	(45,280)	7,630	6,356	16,758	(18,571)	207,449
Convertible bond facility	233,287	-	7,655	(3,191)	5,653	(225,741)	17,663
Total liabilities from financing activities	**493,359**	**(65,542)**	**15,285**	**3,912**	**22,411**	**(244,312)**	**225,112**

[(1)] Adjustments to the carrying values of the JARE loan and convertible bonds arising as a result of a change in interest rates and changes to the timing of repayments.
Other non-cash movements in the JARE loan relate to the forgiveness of interest during the period.
Other non-cash movements in the convertible bond facility relates to conversions of the convertible bonds, including interest paid.

	June 30, 2016	Cash flows	Non-Cash Movements (Restated)				June 30, 2017
	Opening Balance	Proceeds / (Repayments)	Effective Interest	Foreign Exchange	Adjustment[(1)]	Other	Closing Balance (Restated)
JARE loan facility (Current)	26,878	(3,950)	-	(163)	(22,750)	19,501	19,516
JARE loan facility (Non-Current)	245,935	-	6,734	(8,439)	15,827	(19,501)	240,556
Convertible bond facility	289,751	-	13,447	(7,721)	(62,190)	-	233,287
Total liabilities from financing activities	**562,564**	**(3,950)**	**20,181**	**(16,323)**	**(69,115)**	**-**	**493,359**

[(1)] Adjustments to the carrying values of the JARE loan and convertible bonds arising as a result of the derecognition of liabilities under the old debt arrangement, and recognition of new liabilities under the revised facility.
Other non-cash movements in the JARE loan relate to reclassifications between current and non-current.

19. Other non-current assets

	As at June 30	
In A$'000	2018	2017
Security deposits – banking facilities and other, Malaysia	2,834	2,562
Security deposits – banking facilities and other, Australia	398	570
Security deposits – AELB, Australia	31,568	-
Security deposits – AELB, Malaysia	3,908	23,484
	38,708	**26,616**

Local banking facilities relate both to cash provided for security bonds issued to secure natural gas and electricity supply to LAMP and restricted deposits pledged as collateral and guarantees for bank facilities in Australia.

Deposits to the Malaysian Government's Atomic Energy Licencing Board ("AELB") form a component of a total US$50.0m of instalments due in accordance with the conditions underlying the granting of the Full Operating Stage Licence to the Group for the LAMP in Malaysia. The total amount deposited as security via a bond for the instalments is US$23.4m, with a further US$11.0m paid via cash directly to AELB.

Please refer to Note 33 for the residual commitment to the AELB.

Lynas Corporation Limited and Controlled Entities

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20. Property, plant and equipment

In A$'000	Leasehold land	Buildings plant and equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Rehabilitation asset	Leasehold improvements	Total
As at June 30, 2018								
Cost	29,304	866,403	7,867	1,158	26,476	59,582	20,595	**1,011,385**
Accumulated impairment losses	-	(190,791)	(393)	(42)	(264)	-	(7,506)	**(198,996)**
Accumulated depreciation	(2,977)	(197,423)	(5,483)	(767)	-	(7,840)	(3,483)	**(217,973)**
Carrying amount	**26,327**	**478,190**	**1,991**	**349**	**26,212**	**51,742**	**9,606**	**594,416**
As at June 30, 2017								
Cost	55,848	799,452	6,782	947	1,468	-	18,379	**882,876**
Accumulated impairment losses	-	(172,424)	(394)	(53)	(234)	-	(6,781)	**(179,886)**
Accumulated depreciation	(5,540)	(151,044)	(4,718)	(668)	-	-	(2,620)	**(164,590)**
Carrying amount	**50,308**	**475,984**	**1,670**	**226**	**1,234**	**-**	**8,978**	**538,400**
Cost at July 1, 2017	55,848	799,452	6,782	947	1,468	-	18,379	**882,876**
Accumulated depreciation and impairment losses at July 1, 2017	(5,540)	(323,468)	(5,112)	(721)	(234)	-	(9,401)	**(344,476)**
Carrying amount at July 1, 2017	**50,308**	**475,984**	**1,670**	**226**	**1,234**	**-**	**8,978**	**538,400**
Additions	-	-	-	-	27,262	-	-	**27,262**
Disposals	-	(2,193)	-	(4)	(56)	-	-	**(2,253)**
Depreciation for the year	(1,302)	(35,534)	(530)	(113)	-	-	(548)	**(38,027)**
Transfers of assets under construction	-	2,207	760	227	(3,482)	-	288	**-**
Transfer of rehabilitation asset from buildings, plant and equipment	(25,658)	-	-	-	-	25,658	-	**-**
Transfer of rehabilitation asset from deferred development expenditure	-	-	-	-	-	20,781	-	**20,781**
Change in rehabilitation obligations	-	-	-	-	-	3,068	-	**3,068**
Effect of movements in exchange rates	2,979	37,726	91	13	1,255	2,235	888	**45,186**
Carrying amount at June 30, 2018	**26,327**	**478,190**	**1,991**	**349**	**26,212**	**51,742**	**9,606**	**594,416**
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	4,897	2,311	5	90	2,078	-	54	**9,435**
Disposals	-	(238)	-	-	(215)	-	-	**(453)**
Depreciation for the year	(1,120)	(34,734)	(553)	(98)	-	-	(530)	**(37,035)**
Transfers of assets under construction	-	7,165	-	-	(7,224)	-	59	**-**
Transfer to inventory	-	(61)	-	-	-	-	-	**(61)**
Other movement	-	-	228	179	-	-	-	**407**
Effect of movements in exchange rates	(5,100)	(38,706)	(316)	(7)	(842)	-	(987)	**(45,958)**
Carrying amount at June 30, 2017	**50,308**	**475,984**	**1,670**	**226**	**1,234**	**-**	**8,978**	**538,400**

Restrictions on the title of property plant and equipment are outlined in Note 23.

At June 30, 2017, the rehabilitation asset for LAMP was included in the buildings, plant and equipment category and the rehabilitation asset associated with Mount Weld Mining included in deferred development expenditure. Refer to Note 21. Lynas have reviewed the asset and reclassified both into property plant and equipment at June 30, 2018. Furthermore, Lynas undertook a review of all rehabilitation obligations at June 30, 2018, refer Note 25.

21. Deferred development expenditure

In A$'000	Development expenditure	Pre-production stripping	Rehabilitation Asset	Total
As at June 30, 2018				
Cost	38,862	4,078	-	42,940
Accumulated impairment losses	(18,122)	-	-	(18,122)
Accumulated amortisation	(5,392)	(700)	-	(6,092)
Carrying amount	**15,348**	**3,378**	**-**	**18,725**
As at June 30, 2017				
Cost	38,844	4,078	24,602	67,524
Accumulated impairment losses	(18,122)	-	-	(18,122)
Accumulated amortisation	(4,316)	(499)	(2,588)	(7,403)
Carrying amount	**16,406**	**3,579**	**22,014**	**41,999**
Cost at July 1, 2017	38,844	4,078	24,602	67,524
Accumulated amortisation and impairment losses at July 1, 2017	(22,438)	(499)	(2,588)	(25,525)
Carrying amount at July 1, 2017	16,406	3,579	22,014	41,999
Effect of movements in exchange rates	20	-	-	20
Amortisation for the year	(1,078)	(201)	(1,233)	(2,512)
Transfer of rehabilitation asset to property, plant and equipment	-	-	(20,781)	(20,781)
Carrying amount at June 30, 2018	**15,348**	**3,378**	**-**	**18,725**
Cost at July 1, 2016	38,859	4,078	24,602	67,539
Accumulated amortisation and impairment losses at July 1, 2016	(21,502)	(323)	(1,508)	(23,333)
Carrying amount at July 1, 2016	17,357	3,755	23,094	44,206
Effect of movements in exchange rates	1	-	-	1
Amortisation for the year	(952)	(176)	(1,080)	(2,208)
Change in rehabilitation obligations	-	-	-	-
Carrying amount at June 30, 2017	**16,406**	**3,579**	**22,014**	**41,999**

Restrictions on the title of the deferred development expenditure are outlined in Note 23.

22. Trade and other payables

	As at June 30	
In A$'000	**2018**	**2017**
Trade payables	12,556	8,747
Accrued expenses	11,994	9,136
Security deposit payable to AELB	-	20,267
Other payables	11,042	8,851
Total trade and other payables	**35,592**	**47,001**
Current*	35,012	45,639
Non-current	580	1,362
Total trade and other payables	**35,592**	**47,001**

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

23. Borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 27.

In A$'000	As at June 30 2018	2017 Restated
Current borrowings		
JARE loan facility	-	19,516
Non-current borrowings		
JARE loan facility	207,449	240,556
Convertible bond facility	17,663	233,287
Total borrowings (1)	**225,112**	**493,359**
JARE loan facility	207,449	260,072
Total JARE loan facility carrying amount	**207,449**	**260,072**
Principal value of convertible bond facility (2)	20,944	308,354
Unamortised equity component (2)	(3,281)	(75,067)
Total convertible bond facility carrying amount	**17,663**	**233,287**

(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 year.
(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.

Japan Australia Rare Earths B.V. (JARE) loan facility
The maturity date of the JARE loan facility is June 30, 2020. The interest rate on this facility has increased to 3.75% p.a. at June 30, 2018 (June 30, 2017: 2.50% p.a.) in line with the interest rate calculation below.

If, on the last day of any calendar month ("test date") the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is US$38.0 per kilogram or greater, the interest rate will increase to 3.75% p.a., effective on and from the day after the test date. The interest rate will remain 3.75% p.a. until there have been 6 consecutive test dates on which the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is less than US$38.0 per kilogram, in which case the interest rate will revert to 2.50% p.a. effective on and from the day after such 6th consecutive test date, and will remain 2.50% p.a. until any test date on which the weighted average realised sale price of NdPr products sold by the Group in the immediately preceding 6 calendar month is US$38.0 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. In accordance with the terms of the JARE facility, the JARE restricted bank account was scheduled to be closed when the unrestricted cash balance exceeded $25.0m on any date after July 31, 2017. Following the satisfaction of that test, the funds in the JARE restricted bank account were applied as follows on August 4, 2017:

(a) US$15.0m was paid to JARE as a principal repayment, reducing the principal balance of the JARE facility to US$185.0m;
(b) The remaining balance in the JARE restricted interest account was used to partially settle the interest incurred from October 1, 2014 to December 31, 2015. The outstanding interest incurred in the same period was forgiven.

Except as indicated below there are no compulsory principal repayments due until the maturity date. Additional voluntary principal repayments of US$15.0m and US$20m were made on October 13, 2017 and June 28, 2018 respectively.

On each interest payment date, when the total unrestricted cash balance exceeds $40.0m, the surplus is paid as a principal repayment to JARE pursuant to a cash sweep mechanism. Under the terms agreed with JARE and the bondholders, if Lynas received the proceeds from an equity raising (such as an issuance of shares or an exercise of warrants), then the following amounts will be exempt from the cash sweep: (i) 75% of the proceeds received up to a cumulative balance of US$50.0m, and (ii) 50% of the proceeds above a cumulative balance of US$50.0m.

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). All interest accrued after July 1, 2017 is paid as accrued at interest dates of December 31 and June 30 each year.

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 March 30, 2011 and to the extent that Lynas will not have any opportunity loss.

The JARE loan facility is secured over all of the assets of the Group, other than the Malawi assets. Pursuant to a binding term sheet dated September 24, 2014, the parties agreed that all of the Senior Lender's securities will remain in place for the term of the JARE facility.

Mt. Kellett convertible bonds
As at June 30, 2018, the Company had on issue 15,242,004 convertible bonds, each with a face value of US$1.00. The bonds are convertible at any time prior to maturity of the bonds at the election of the bondholder. During the year 209,757,996 convertible bonds were converted into shares. The maturity of the bonds is September 30, 2020 and the coupon rate on the convertible increased to 1.875% p.a. (June 30, 2017: 1.25% p.a.) in line with the interest calculation below. The conversion price was adjusted from $0.10 per share to $1 reflecting the 10 to 1 share consolidation during the period. The conversion exchange rate remained at AUD 1.00 = US$0.750. If all of the convertible bonds were converted into ordinary shares, 20.323m ordinary shares would be issued.

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

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

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

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

In accordance with the terms of the convertible bond facility, the convertible bond restricted bank account was scheduled to be closed when the unrestricted cash balance exceeded $25.0m on any date after July 31, 2017. Following satisfaction of that test, on August 4, 2017, the funds in the convertible bond restricted bank account were applied in full payment of the interest incurred from January 1, 2015 to December 31, 2015 and additional interest on withdrawals made in 2016.

Terms and debt repayment schedule

				As at June 30, 2018		As at June 30, 2017 Restated	
	Currency	Nominal interest rate	Date of maturity	Face value (USD '000)	Carrying amount (AUD '000)	Face value (USD '000)	Carrying amount (AUD '000)
JARE loan facility	USD	3.75%	June 2020	161,505(1)	207,449	211,865	260,072
Convertible bond facility (2)	USD	1.875%	Sept 2020	15,647	17,633	230,982	233,287
				177,152	**225,082**	**442,847**	**493,359**

(1) The face value of the JARE loan facility includes US$150.0m in principal and US$11.5m in interest deferred to maturity date per the amendments above.
(2) The face value of the Convertible bond facility includes US$15.2m in principal and US$0.4m in interest deferred to maturity date per the amendments above. The carrying amount of the convertible bond facility reflects the current value of the debt component of the instrument.

	Average for the year ended June 30, 2018			Average for the year ended June 30, 2017		
	Base rate	Margin	Total rate	Base rate	Margin	Total rate
JARE loan facility	3.54%	-	3.54%	3.84%	-	3.84%
Convertible bond facility	1.77%	-	1.77%	1.88%	-	1.88%

24. Employee benefits

	As at June 30	
In A$'000	2018	2017
Provision for annual leave	2,142	1,893
Provision for long service leave	354	385
Total employee benefits	**2,496**	**2,278**
Current	2,142	2,112
Non-current	354	166
Total employee benefits	**2,496**	**2,278**

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25. Provisions

In A$'000	Restoration and rehabilitation	Onerous contracts	Other	Total
Balance at the beginning of the year	57,186	550	116	57,852
Provisions made during the year	3,067	-	-	3,067
Provisions utilised during the year	-	(309)	-	(309)
Effects of foreign exchange movement	3,439	-	-	3,439
Unwinding of discount on provision	793	-	-	793
Balance at June 30, 2018	**64,485**	**241**	**116**	**64,842**
Current	-	241	116	357
Non-current	64,485	-	-	64,485
Total provisions at June 30, 2018	**64,485**	**241**	**116**	**64,842**
Current	-	309	-	309
Non-current	57,186	241	116	57,543
Total provisions at June 30, 2017	**57,186**	**550**	**116**	**57,852**

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 Mount Weld concentration plant. The key areas of uncertainty in estimating the provisions for these obligations are set out in Note 4.4. 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 has reviewed the costs as at June 30, 2018. This review resulted in an increase in the provision for rehabilitation of $3.1m. The Group will continue to review these estimates periodically over time as the operations continue to develop.

The unwinding effect of discounting of the provision is recognised as a financial expense.

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. Due to prevailing market conditions, the Sydney office was sub-let at a rent lower than the rent payable under the head lease. An onerous contract provision of $0.2m has been taken up, which is based on the future rental payments net of estimated recoveries from sub-letting.

26. Equity and reserves

26.1 Share capital

	As at June 30			
	2018		2017	
	Number of shares '000	A$'000	Number of shares '000	A$'000
Balance at the beginning of the year	**3,677,743**	**1,094,403**	3,488,438	1,088,469
Issue of shares pursuant to conversion of convertible bonds	1,713,333	173,914	-	-
Issue of shares pursuant to exercised warrants	95,733	9,066	156,154	5,934
Issue of shares pursuant to exercised performance rights	-	-	33,151	-
Subtotal prior to share consolidation	**5,486,809**	**1,277,383**	**3,677,743**	**1,094,403**
10 to 1 share consolidation	(4,938,124)	-	-	-
Subtotal after share consolidation	**548,685**	**1,277,383**	**-**	**-**
Issue of shares pursuant to conversion of convertible bonds	108,344	114,275		
Issue of shares pursuant to exercised performance rights	1,642	-		
Issue of shares pursuant to exercised warrants	3,876	3,759		
Closing balance	**662,547**	**1,395,417**	**3,677,743**	**1,094,403**

All issued ordinary shares are fully paid and have no par value. 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.

Further detail regarding the issue of shares on option or performance right conversion is provided in Note 30.

26.2 Reserves

In A$'000	As at June 30 2018	 2017 Restated
Equity settled employee benefits	45,091	39,970
Foreign currency translation	(109,619)	(156,541)
Warrant reserve	34,094	40,413
Equity component of convertible bond	5,856	83,390
Balance at June 30	**(24,578)**	**7,232**

The equity settled employee benefits reserve relates to performance rights granted by the Group to its employees under the employee share option plan. Further information about share-based payments to employees is set out in Note 30.

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

The other reserve represents the equity component of the US$225.0m unsecured convertible bond facility issued in 2012 and amended in 2016, net of the associated deferred tax (see Note 23). This has reduced in line with the conversion of bonds during the year.

26.3 Earnings / 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 / (loss) and weighted average number of ordinary shares used in the calculations of basic and diluted earnings / (loss) per share are as follows:

In A$'000	As at June 30 2018	 2017 Restated
Net earnings / (loss) attributed to ordinary shareholders	53,119	(534)
Earnings / (loss) used in calculating basic earnings / (loss) per share	**53,119**	**(534)**
Net earnings impact of assumed conversions of diluted EPS	1,213	-
Earnings / (loss) used in calculating diluted earnings / (loss) per share	**54,332**	**(534)**
Number of ordinary shares on issue ('000)	662,547	367,743
Weighted average number of ordinary shares used in calculating basic earnings / (loss) per share ('000)	600,689	351,842
Weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share ('000)	655,555	351,842
Basic earnings / (loss) per share (cents per share)	8.84	(0.15)
Diluted earnings / (loss) per share (cents per share)	8.29	(0.15)

The basic and diluted loss per share for the year ended June 30, 2017 comparative period has been restated to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on December 4, 2017, as well as the correction of error as detailed in Note 6.

26.4 Capital management

The Directors are responsible for monitoring and managing the Group's capital structure.

The Directors' policy is to maintain an acceptable capital base to promote the confidence of the Group's financiers and creditors and to sustain the future development of the business. The Directors monitor the Group's financial position to ensure that it complies at all times with its financial and other covenants as set out in its financing arrangements.

In order to maintain or adjust the capital structure, the Directors may elect to take a number of measures including, for example, to dispose of assets or operating segments of the business, to alter its short to medium term plans in respect of capital projects and working capital levels, or to re-balance the level of equity and external debt in place.

Capital comprises share capital, external debt and reserves.

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27. Financial risk management

27.1 Overview

This note presents information about the Group's exposure to market risk, credit risk and liquidity risk, and, where applicable, the Group's objectives, policies and procedures for managing these risks.

Exposure to market, credit and liquidity risks arise in the normal course of the Group's business. The Directors and management of the Group have overall responsibility for the establishment and oversight of the Group's risk management framework.

27.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's cash flows or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(a) Foreign exchange risk

As a result of the Group's international operations, foreign exchange risk exposures exist on purchases, assets and borrowings that are denominated in foreign currencies (i.e. currencies other than the functional currency of each of the Group's operating entities). The currencies in which these transactions are primarily denominated are the AUD, USD and MYR.

The Group takes advantage of natural offsets to the extent possible. Therefore, when commercially feasible, the Group borrows in the same currencies in which cash flows from operations are generated. Generally the Group does not use forward exchange contracts to hedge residual foreign exchange risk arising from receipts and payments denominated in foreign currencies. However, when considered appropriate the Group may enter into forward exchange contracts to hedge foreign exchange risk arising from specific transactions.

The Group's primary exposure to foreign exchange risk is on the translation of net assets of Group entities which are denominated in currencies other than AUD, which is the Group's presentation currency. The impact of movements in exchange rates is recognised primarily in the other comprehensive income component of the Group's statement of comprehensive income.

Certain subsidiaries within the Group are exposed to foreign exchange risk on purchases denominated in currencies that are not the functional currency of that subsidiary. In these circumstances, a change in exchange rates would impact the net operating profit recognised in the profit or loss component of the Group's statement of comprehensive income.

Effective from January 24, 2012, the functional currency of Lynas Corporation Limited (the Parent) changed from AUD to USD, following the issue of the US$225.0m convertible bond facility.

Exposure to foreign exchange risk

The Group's members are exposed to foreign exchange risk on financial assets and financial liabilities that are denominated in foreign currencies i.e. currencies other than the functional currency of each member of the group. Whilst a member of the group with MYR as its functional currency is exposed to USD and AUD, another member with USD as its functional currency is exposed to AUD. This exposure on financial assets and liabilities by currency, which has potential impact on the profit or loss component of the statement of comprehensive income, is detailed below:

In A$'000	AUD	USD	Total
June 30, 2018			
Cash and cash equivalents	704	4,352	5,056
Trade and other receivables	-	5,495	5,495
Trade and other payables	-	(670)	(670)
Total exposure	**704**	**9,177**	**9,881**
June 30, 2017			
Cash and cash equivalents	980	7,542	8,522
Trade and other receivables	-	2,643	2,643
Trade and other payables	-	(644)	(644)
Total exposure	**980**	**9,541**	**10,521**

In addition, the Group's members are exposed to foreign exchange risk on the translation of its operations that are denominated in currencies other than AUD. The Group's net assets denominated in currencies other than the AUD which have the potential of impacting the other comprehensive income component of the statement of comprehensive income are:

In '000	MYR	USD
June 30, 2018		
Net asset exposure – local currency	479,304	(143,150)
June 30, 2017		
Net asset exposure – local currency	737,871	1,085,889

Significant exchange rates

The following significant exchange rates applied to the translation of net assets of Group entities which are denominated in currencies other than AUD during the year:

	Average rate for the year ended June 30		Closing rate as at June 30	
	2018	2017	2018	2017
AUD/USD	0.7753	0.7545	0.7403	0.7692
AUD/MYR	3.1614	3.2331	2.9839	3.3029

Sensitivity analysis

A change in exchange rates would impact future payments and receipts on the Group's financial assets and liabilities denominated in differing currencies to each respective member of the Group's functional currency. A 10% strengthening or weakening of these currencies against the respective Group member's functional currency, at the reporting date, would have increased / (decreased) the reported profit or loss for the year by the amounts shown. This analysis assumes that all other variables, in particular interest rates, remain constant. The same basis has been applied for all periods presented.

In A$'000	Increase/(decrease) in profit after tax For the year ended June 30, 2018		Increase/(decrease) in profit after tax For the year ended June 30, 2017	
	10 % Strengthening	10% Weakening	10% Strengthening	10% Weakening
USD	(1,473)	1,473	(1,070)	1,070
AUD	82	(82)	195	(195)

A change in exchange rates would also impact the translation of net assets of Group operations whose functional currencies are denominated in currencies other than AUD, which is the Group's presentation currency. A 10% strengthening or weakening of these currencies against the Group's presentation currency, at the reporting date, would have increased (decreased) the reported net asset. This analysis assumes that all other variables remain constant. The same basis has been applied for all periods presented.

In A$'000	Increase/(decrease) in equity For the year ended June 30, 2018		Increase/(decrease) in equity For the year ended June 30, 2017	
	10 % Strengthening	10% Weakening	10% Strengthening	10% Weakening
MYR	16,064	(16,064)	22,340	(22,340)
USD	(19,059)	19,059	80,539	(80,539)

(b) Interest rate risk

The Group's interest rate risk arises from long-term borrowings at both fixed and floating rates and deposits which earn interest at floating rates. Borrowings and deposits at floating rates expose the Group to cash flows interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group's primary exposure is to fixed interest rates on borrowings in Australia denominated in USD.

Interest rate risk on borrowings is partially offset by the Group as it has a component of its cash deposits in both floating and fixed rate accounts.

The following table sets out the Group's interest rate risk re-pricing profile:

In A$'000	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
June 30, 2018						
Floating rate instruments						
Cash and cash equivalents	42,292	42,292	-	-	-	-
Other non-current assets	3,232	3,232	-	-	-	-
Convertible bond facility*	(20,944)	-	-	-	(20,944)	-
JARE loan facility**	(207,449)	-	-	(207,449)	-	-
Total	**(182,869)**	**45,524**	**-**	**(207,449)**	**(20,944)**	**-**
June 30, 2017 *Restated*						
Floating rate instruments						
Cash and cash equivalents	63,925	63,925	-	-	-	-
Other non-current assets	3,132	3,132	-	-	-	-
Convertible bond facility*	(308,354)	-	-	-	(308,354)	-
JARE loan facility**	(260,072)	(19,516)	-	-	(240,556)	-
Total	**(501,369)**	**47,541**	**-**		**(548,910)**	**-**

* If, on the last day of any calendar month ("test date") the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is US$38.0 per kilogram or greater, the convertible bond interest rate will increase from 1.25% per annum to 1.875% per annum, effective on and from the date after the test date. The current rate being applied is 1.875%.

** If, on the last day of any calendar month ("test date") the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is US$38.0 per kilogram or greater, the JARE loan facility interest rate will increase from 2.5% per annum to 3.75% per annum, effective on and from the date after the test date. The current rate being applied is 3.75%.

The Group's sensitivity to interest rate risk can be expressed in two ways:

Fair value sensitivity analysis

A change in interest rates impacts the fair value of the Group's fixed rate borrowings. Given all debt instruments are carried at amortised cost, a change in interest rates would not impact the statement of comprehensive income as a component of the profit or loss or the statement of financial position.

Cash flow sensitivity analysis

A change in interest rates would have an impact on future interest payments and receipts on the Group's floating rate assets and liabilities. An increase or decrease in interest rates of 50 basis points at the reporting date would negatively or positively impact both the statement of financial position and profit or loss through the statement of comprehensive income by the amounts shown, based on the assets and liabilities held at the reporting date and a one year time frame. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for comparative periods.

	For the year ended 30 June	
In A$'000	2018	2017
50 basis point parallel increase in interest rates	(915)	(2,427)
50 basis point parallel decrease in interest rates	915	2,427

(c) Commodity and other price risk

Commodity and other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

27.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and related entities. The Group's exposure to credit risk is primarily in its trade and other receivables and is influenced mainly by the individual characteristics of each customer. Demographically there are no material concentrations of credit risk.

Management believes that the Group's trade and other receivables are collectible in full, based on historical behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are applicable.

27.4 Liquidity risk

Liquidity risk is the risk that the Group will not meet its contractual obligations as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities as and when they fall due and comply with covenants under both normal and stressed conditions.

The Group evaluates its liquidity requirements on an on-going basis and ensures that it has sufficient cash on demand to meet expected operating expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table sets out contractual cash flows for all financial liabilities including derivatives based on expected repayments.

In A$'000	Weighted average effective interest rate	Total	1 month or less	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
June 30, 2018							
Non-derivative financial liabilities							
Trade and other payables	N/A	35,012	35,012	-	-	-	-
Loans and borrowings							
JARE loan facility (4)	(1)	236,816	-	-	8,372	228,444	-
Convertible bond facility	(2)	21,396	-	-	387	21,009	-
Total		**293,224**	**35,012**	**-**	**8,759**	**249,453**	**-**
June 30, 2017							
Non-derivative financial liabilities							
Trade and other payables	N/A	45,639	45,639	-	-	-	-
Loans and borrowings							
JARE loan facility	(1)	296,829	327	19,501	6,659	270,342	-
Convertible bond facility	(2)	305,583	-	-	4,022	301,561	-
Total		**648,051**	**45,966**	**19,501**	**10,681**	**571,903**	**-**

(1) The JARE loan facility has a nominal interest rate of 3.75% and effective interest rate (EIR) is 7.00%. The EIR is the rate at which the debt balance will be unwound through financial expenses over the facility term. Refer Note 23 for details.
(2) The convertible bond facility has a coupon rate of 1.875% and EIR of 10.0%. The EIR is the rate at which the debt component of the facility will be unwound through financial expenses over the facility term. Refer Note 23 for details.
(3) The above liquidity table excludes other non-contractual financial commitments as disclosed in Note 33.
(4) The JARE loan includes a clause whereby early repayments may be required dependent on Lynas' cash position at particular test dates. Refer Note 23 for details.

27.5 Classification and fair values

In A$'000	Fair value through the profit and loss	Cash, loans & receivables	Other liabilities	Total carrying amount	Total fair value
June 30, 2018					
Assets					
Cash and cash equivalents	-	42,292	-	42,292	42,292
Trade and other receivables	-	12,365	-	12,365	12,365
Other assets	-	38,708	-	38,708	38,708
Total assets	**-**	**93,365**	**-**	**93,365**	**93,365**
Liabilities					
Trade and other payables	-	-	35,012	35,012	35,012
Current tax payable	-	-	52	52	52
Loans and borrowings					
JARE loan facility	-	-	207,449	207,449	210,825
Convertible bond facility	-	-	17,663	17,663	17,885
Total liabilities	**-**	**-**	**260,175**	**260,175**	**263,774**
June 30, 2017 Restated					
Assets					
Cash and cash equivalents	-	63,925	-	63,925	63,925
Trade and other receivables	-	5,871	-	5,871	5,871
Current tax receivable		98	-	98	98
Other assets	-	26,616	-	26,616	26,616
Total assets	**-**	**96,510**	**-**	**96,510**	**96,510**
Liabilities					
Trade and other payables	-	-	45,639	45,639	45,639
Loans and borrowings					
JARE loan facility	-	-	260,072	260,072	260,072
Convertible bond facility	-	-	233,287	233,287	233,287
Total liabilities			**538,998**	**538,998**	**538,998**

The methods used in determining fair values of financial instruments are discussed in Note 5 and Note 27.7.

27.6 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 June 30, 2018 the Group held only Level 2 financial instruments (being the loans and borrowings) and all other liabilities Level 1.

27.7 Fair value of borrowings

The fair value of borrowings, which have been determined for disclosure purposes, is calculated by discounting the future contractual cash flows at the current market interest rates that are available for similar financial instruments.

28. Related parties

28.1 Key management personnel compensation

The aggregate compensation made to the Directors and other members of KMP of the Group is set out below:

	For the year ended June 30	
In A$	2018	2017
Short-term employee benefits	5,690,410	4,425,560
Long-term employee benefits	21,022	15,015
Post-employment benefits	295,939	149,783
Share based payments	4,655,640	1,980,675
Total compensation paid to key management personnel	**10,663,011**	**6,571,033**

The compensation of each member of the KMP of the Group for the current and prior year is set out within the Remuneration Report. All transactions with these related parted have been considered and included in the report.

The share-based payments amount represents the cumulative impact of amortising the accounting value of options and performance rights over their vesting periods including the impact of forfeitures recognised during the period. At times, a negative value may be presented which results from the forfeitures recognised in the period (which may relate also to earlier periods) are greater than the accounting expense for the current portion of the vesting period.

28.2 Other related party transactions

Lynas Corporation Limited is the ultimate controlling party of the Group. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

29. Group entities

			Ownership interest as at June 30	
Name of Group entity	Principal activity	Country of incorporation	2018	2017
Lynas Malaysia Sdn Bhd	Operation and development of advanced material processing plant	Malaysia	100%	100%
Lynas Services Pty Ltd*	Provision of corporate services	Australia	100%	100%
Mount Weld Holdings Pty Ltd*	Holding company	Australia	100%	100%
Mount Weld Mining Pty Ltd*	Development of mining areas of interest and operation of concentration plant	Australia	100%	100%
ACN 053 160 302 Pty Ltd*	Dormant	Australia	100%	100%
Lynas Africa Holdings Pty Ltd*	Holding company	Australia	100%	100%
Lynas Africa Ltd	Mineral exploration	Malawi	100%	100%

* Entity has entered into a deed of cross guarantee with Lynas Corporation Limited pursuant to ASIC Instrument 2016/785 and is relieved from the requirement to prepare and lodge an audited financial report, as discussed in Note 34. Entity is also a member of the tax-consolidated group.

30. 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, Remuneration and Community 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 dividend 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 Sales and Marketing, MD Malaysia and Vice President for People & Culture.

30.1 Movements in employee performance rights during the year

	For the year ended June 30, 2018		For the year ended June 30, 2017	
	No. of performance rights ('000)	Weighted average exercise price ($)	No. of performance rights ('000)	Weighted average exercise price ($)
Balance at beginning of year	94,790,959	0.00	97,089,820	0.00
Adjustment for share consolidation	(85,311,847)	0.00	-	0.00
Balance after share consolidation	**9,479,112**	**0.00**	**97,089,820**	**0.00**
Granted during the year	4,579,543	0.00	34,460,649	0.00
Expired during the year	-	0.00	-	0.00
Exercised during the year	(1,642,201)	0.00	(33,151,019)	0.00
Forfeited during the year	(1,129,512)	0.00	(3,608,491)	0.00
Balance at end of year	**11,286,942**	**0.00**	**94,790,959**	**0.00**
Exercisable at end of year	-	0.00	-	0.00

During the year ended June 30, 2018 the Group recognised net share based payment expense of $5.1m (2017: $2.5m) within the profit and loss component of the statement of comprehensive income. The net expense during the year included the reversal of expenses totalling $1.1m (2017: $0.1m) associated with the forfeiture of 1,129,512 performance rights.

30.2 Options, warrants and performance rights exercised during the year

No options were exercised during the year.

Warrants have been issued to lenders as part of the amendments in debt facilities. The following warrants were exercised:

Exercise date	Number exercised	Share price on exercise date ($)	Exercise price ($)
Warrants exercised prior to share consolidation			
July 24, 2017	18,211,504	0.137	0.038
July 24, 2017	36,434,801	0.137	0.050
August 9, 2017	23,256,255	0.150	0.050
August 11, 2017	15,504,171	0.150	0.050
September 27, 2017	2,325,626	0.185	0.050
Warrants exercised after share consolidation			
May 10, 2018	3,876,043	2.700	0.500

The following performance rights were exercised during the year:

Exercise date	Number exercised	Share price on exercise date ($)	Exercise price ($)
Performance rights exercised after share consolidation			
December 7, 2017	1,642,201	1.75	0.00

30.3 Performance rights outstanding at the end of the year

The employee performance rights outstanding at the end of the year had nil weighted average exercise price and a weighted average remaining contractual life of 778 days (2017: 1,088 days).

30.4 Options and performance rights granted in the period

The following table summarises the performance conditions attached to options and performance rights granted during the financial year ended June 30, 2018 with respect to the performance of the Group's employees during the financial year ended June 30, 2017:

	Vesting schedule	For grants made in FY18
TSR hurdle (50%) **(performance against ASX 300 Metals and Mining Index companies during the vesting period)**	50% of the TSR portion will vest for:	51st percentile performance
	100% of the TSR portion will vest for:	76th percentile performance
	Pro-rata vesting will occur between each of the above points	
EBITDA Production Hurdle (50%) (EBITDA performance July, 1 2017 to June 30, 2020)	50% of the EBITDA production portion will vest for:	Average annual EBITDA growth at the end of the period from July 1, 2017 to June 30, 2020 is at least 21% per annum.
	100% of the EBITDA production portion will vest for:	Average annual EBITDA growth at the end of the period from July 1, 2017 to June 30, 2020 is at least 25% per annum.
	Additional 20% of the EBITDA production portion, giving a total of 120% of the EBITDA production portion:	Average annual EBITDA growth at the end of the period from July 1, 2017 to June 30, 2020 is at least 30% per annum.

In accordance with the Group's policy that governs trading of the Company's shares by Directors and employees, Directors and employees are not permitted to hedge their options or performance rights before the options vest.

The performance rights granted during the financial year had a weighted average fair value of $863,164 (2017: $166,339) and were priced using volume-weighted average share prices, Monte Carlo and Binomial valuation methodologies. Where relevant the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past three years and peer volatility.

	Series AQ	Series AR	Series AS	Series AT	Series AU	Series AV	Series AW
Grant date	Aug 28, 2017	Aug 28, 2017	Nov 28, 2017	Nov 28, 2017	Nov 28, 2017	Nov 28, 2017	Nov 28, 2017
5 day VWAP	$1.560	$1.560	$2.060	$2.060	$2.060	$2.060	$2.060
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	N/A	N/A	N/A	N/A	N/A	85.90%	N/A
Risk-free Rate	N/A	N/A	N/A	N/A	N/A	1.88%	N/A
Expiry date	Aug 28, 2018	Aug 28, 2022	Aug 28, 2019	Aug 28, 2019	Aug 28, 2022	Aug 28, 2022	Aug 28, 2019

30.5 Options and performance rights still to vest or yet to expire

Performance rights are issued on the same terms as options, except there is no consideration payable on exercise. The following table lists any options and performance rights which are still to vest, or have yet to expire.

Series	Grant date	Number	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
AG	September 18, 2015	1,026,128	September 18, 2018	September 18, 2020	$ 0.00	$ 0.290
AH	September 18, 2015	1,521,518	September 18, 2018	September 18, 2020	$ 0.00	$ 0.390
AJ	November 23, 2015	1,058,824	September 18, 2018	September 18, 2020	$ 0.00	$ 0.900
AK	November 23, 2015	882,353	September 18, 2018	September 18, 2020	$ 0.00	$ 0.800
AM	August 30, 2016	1,195,319	August 30, 2019	August 30, 2021	$ 0.00	$ 0.650
AO	November 30, 2016	558,140	August 30, 2019	August 30, 2021	$ 0.00	$ 0.680
AP	November 30, 2016	465,117	August 30, 2019	August 30, 2021	$ 0.00	$ 0.500
AQ	August 28, 2017	533,893	August 28, 2018	August 28, 2018	$ 0.00	$1.560
AR	August 28, 2017	476,715	August 28, 2020	August 28, 2022	$ 0.00	$1.360
AS	November 28, 2017*	2,123,816	August 28, 2019	August 28, 2019	$ 0.00	$2.060
AT	November 28, 2017*	212,391	August 28, 2018	August 28, 2019	$ 0.00	$2.060
AU	November 28, 2017*	231,066	August 28, 2020	August 28, 2022	$ 0.00	$2.060
AV	November 28, 2017*	192,555	August 28, 2020	August 28, 2022	$ 0.00	$1.620
AW	November 28, 2017*	809,107	August 28, 2019	August 28, 2019	$ 0.00	$2.060
Total		**11,286,942**				

*Series AS to AW were issued on August 28, 2017, subject to approval at the AGM. These performance rights were subsequently approved at the AGM on November 28, 2017, and has been deemed the grant date.

31. 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 warrant had a fair value of $0.0235.

The following table discloses how the number of warrants has changed over the year:

	September 2015 Issue	December 2016 Issue
Exercise price	$0.038	$0.50*
Expiry date	September 30, 2018	September 30, 2020
Balance as at June 30, 2017	18,211,504	348,843,836
Exercised on July 24, 2017	(18,211,504)	(36,434,801)
Exercised on August 9, 2017	-	(38,760,426)
Exercised on September 27, 2017	-	(2,325,626)
Subtotal before consolidation	**-**	**271,322,983**
Share consolidation	-	(244,190,682)
Subtotal after consolidation	**-**	**27,132,301**
Exercised on May 10, 2018	-	(3,876,043)
Balance as at June 30, 2018	**-**	**23,256,258**

*Exercise price has been adjusted to $0.50 from $0.05 to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on December 4, 2017.

32. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	As at June 30	
In A$'000	**2018**	**2017**
Less than one year	3,139	3,241
Between one and five years	5,667	8,561
More than five years	-	-
Total	**8,806**	**11,802**

The Group has contracts for several operating leases for business premises located in Sydney, Perth, Laverton and Kuantan. The Group also has several operating leases for motor vehicles and mobile plant and equipment.

33. Capital commitments

There were no outstanding commitments which are not disclosed in the consolidated financial report of the Group as at June 30, 2018 other than:

Exploration commitments

	As at June 30	
In A$'000	**2018**	**2017**
Less than one year	377	364
Between one and five years	1,389	1,415
More than five years	1,637	1,767
Total	**3,403**	**3,546**

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Department of Mines and Petroleum attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made. These are necessary in order to maintain the tenements in which the Group and other parties are involved. All parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation.

Capital commitments

	As at June 30	
In A$'000	**2018**	**2017**
Less than one year	4,255	1,632
Total	**4,255**	**1,632**

At June 30, 2018 capital commitments relate to on-going capital project costs in Malaysia.

Other commitments

	As at June 30	
In A$'000	**2018**	**2017**
Less than one year	10,523	30,432
Between one and five years	10,523	20,271
More than five years	-	-
Total	**21,046**	**50,703**

Lynas is required to pay in instalments, a total of US$50.0m to the Malaysia's AELB in accordance with the conditions underlying the granting of Lynas' Full Operating Stage License for the LAMP in Gebeng, Malaysia.

34. Deed of cross guarantee

Pursuant to ASIC Instrument 2016/785 (as amended) dated August 13, 1998, the wholly-owned Australian subsidiaries of Lynas Corporation Limited are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Director's reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up event occurs under any other provision of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound-up.

The subsidiaries in addition to the Company subject to the deed are specified in Note 29.

Lynas CORPORATION LTD

Lynas Corporation Limited and Controlled Entities

Notes to Consolidated Financial Statements
For the year ended June 30, 2018

A statement of comprehensive income and statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is presented as follows:

Statement of Financial Position

In A$'000	As at June 30 2018	 2017 Restated
Assets		
Cash and cash equivalents	34,313	29,572
Trade and other receivables	339,020	228,799
Inventories	11,719	6,655
Total current assets	**385,052**	**265,026**
Inventories	3,554	515
Property, plant and equipment	123,154	94,969
Deferred exploration, evaluation and development expenditure	18,725	41,999
Intangible assets – software	-	13
Investments in subsidiaries	375,080	375,080
Other assets	398	29,636
Total non-current assets	**520,912**	**542,212**
Total assets	**905,963**	**807,238**
Liabilities		
Trade and other payables	9,908	6,837
Interest payable	452	2,770
Borrowings	-	19,516
Employee benefits	1,545	1,686
Intercompany payables	133,790	-
Total current liabilities	**145,694**	**30,809**
Trade and other payables	-	753
Provisions	33,179	51,208
Employee benefits	354	277
Borrowings	225,112	450,958
Total non-current liabilities	**258,645**	**503,196**
Total liabilities	**404,339**	**534,005**
Net assets	**501,624**	**273,233**
Equity		
Share capital	1,395,417	1,094,403
Accumulated deficit	(1,065,549)	(1,056,114)
Reserves	171,756	234,944
Total equity	**501,624**	**273,233**

Statement of comprehensive income

Revenue	109,873	80,758
Cost of sales	(77,612)	(70,164)
Gross profit	**32,261**	**10,594**
Other expenses	(10)	(28)
General and administration expenses net of recoveries	(14,218)	(13,697)
Profit / (loss) from operating activities	**18,053**	**(3,131)**
Financial income	480	22,905
Financial expenses	(27,901)	(34,347)
Net financial expenses	**(27,421)**	**(11,442)**
Loss before income tax	**(9,368)**	**(14,573)**
Income tax benefit / (expense)	(43)	20,766
Profit / (loss) for the year from continuing operations	**(9,411)**	**6,193**
Other comprehensive loss, net of income tax		
Exchange differences on foreign currency transactions	(24)	(1,362)
Total other comprehensive loss for the year, net of income tax	**(24)**	**(1,362)**
Total comprehensive income / (loss) for the year	**(9,435)**	**4,831**

35. Parent entity information

In A$'000	As at June 30, 2018	2017 Restated
Current assets	1,226	29,512
Total assets	**818,043**	**856,205**
Current liabilities	(452)	(22,286)
Total liabilities	**(226,095)**	**(496,530)**
Net assets	**591,948**	**359,675**
Share capital	1,395,417	1,094,443
Accumulated deficit	(1,128,688)	(1,095,484)
Reserves	325,219	360,716
Total shareholders' equity	**591,948**	**359,675**
(Loss) / profit of the Company	(33,204)	21,308
Total comprehensive (loss) / gain of the parent Company	**(33,204)**	**21,308**

36. Contingencies

Contingent liabilities

An amount of US$23.4m has been deposited via a bond for instalments required in accordance with the conditions underlying the granting of the Full Operating Stage Licence to the Group for the LAMP in Malaysia. Should criteria as part of this grant not continue to be met, this amount may be utilised to settle obligations. The Group has determined that the possibility of a material outflow related to these contingent liabilities is remote.

Litigation and legal proceedings

As a result of its operations the Group has certain contingent liabilities related to certain litigation and legal proceedings. The Group has determined that the possibility of a material outflow related to these contingent liabilities is remote.

Security and guarantee arrangements

Certain members of the Group have entered into guarantee and security arrangements in respect of the Group's indebtedness as described in Note 23 and Note 19.

37. Subsequent events

A major update of the Mineral Resource and Ore Reserve was announced on August 6, 2018. The previous Mineral Resource and Ore Reserve Statement was announced in October 2015. The updates since have been depletion only. Key changes to the resource model include:

- The consolidation of the Central Lanthanide Deposit ("CLD") and Duncan into a single resource; and
- The 2017 Apatite ("AP") Depth Extension exploration drilling program which extended the depth of the AP ore zone and had significant intersections of transition and fresh rare earth mineralisation below the AP zone.

The updated ore reserve is based on the new resource model and for the first time includes the Duncan zone following the completion of the metallurgical testwork. As announced on August 6, 2018, there was a 60% increase to Mt Weld Ore Reserves, confirming a 25+ year mine life at Lynas NEXT output rates.

Mineral Resources and Ore Reserves

as at June 30, 2018

1. MT WELD RARE EARTH DEPOSIT ORE RESERVES 2018

The Ore Reserve estimation for the Mt Weld Rare Earth Deposit is shown in Table 1.

TABLE 1: MT WELD RARE EARTH DEPOSIT ORE RESERVES 2018

JORC CLASSIFICATION	MILLION TONNES	TREO* %	CONTAINED REO '000 TONNES
Ore Reserves within Pit boundary			
Proved	14.1	8.8	1,240
Probable	5.1	7.7	390
Designed Pit Total	**19.2**	**8.5**	**1,630**
Ore Reserves on Stockpiles			
Proved	0.5	10.6	50
Probable	0.0	0.0	0
Stockpiles Total	**0.5**	**10.6**	**50**
Total Ore Reserves			
Proved	14.6	8.9	1,290
Probable	5.1	7.7	390
Total	**19.7**	**8.6**	**1,690**

* TREO = total Rare Earth Oxides (La_2O_3, CeO_2, Pr_6O_{11}, Nd_2O_3, Sm_2O_3, Eu_2O_3, Gd_2O_3, Tb_4O_7, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3, Lu_2O_3) + Yttrium (Y_2O_3). Totals may not balance due to rounding of figures.

Note:

The Ore Reserves is the combined CLD and Duncan Deposit as of June 30, 2018. Full details of the material change since 2017 (the last Annual Report) and 2015 (the last major reserve announcement) are reported as per the Lynas ASX announcement dated August 6, 2018, titled ***"Lynas announces a 60% increase to Mt Weld Ore Reserves, one of the world's richest sources of Rare Earths"***. The company confirms that all material assumptions and technical parameters underpinning the estimated Ore Reserves set out in the ASX announcement dated August 6, 2018 continue to apply and have not materially changed.

2. MT WELD RARE EARTH DEPOSIT MINERAL RESOURCES 2018

The Mineral Resource estimation for the Mt Weld Rare Earth Deposit is shown in Table 2.

TABLE 2: MT WELD RARE EARTH DEPOSIT MINERAL RESOURCES 2018

JORC CLASSIFICATION	MILLION TONNES	TREO* %	CONTAINED REO '000 TONNES
Measured	17.5	8.0	1,400
Indicated	12.0	5.5	660
Inferred	25.9	3.6	930
Total	**55.4**	**5.4**	**3,000**

* TREO = total Rare Earth Oxides (La_2O_3, CeO_2, Pr_6O_{11}, Nd_2O_3, Sm_2O_3, Eu_2O_3, Gd_2O_3, Tb_4O_7, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3, Lu_2O_3) + Yttrium (Y_2O_3). Totals may not balance due to rounding of figures.

Note:

The Mineral Resource estimation is the combined CLD and Duncan Deposit as of June 30, 2018. Full details of the material change since 2017 (the last Annual Report) and 2015 (the last major resource announcement) are reported as per the Lynas ASX announcement dated August 6, 2018, titled ***"Lynas announces a 60% increase to Mt Weld Ore Reserves, one of the world's richest sources of Rare Earths"***. The company confirms that all material assumptions and technical parameters underpinning the estimated Mineral Resources set out in the ASX announcement dated August 6, 2018 continue to apply and have not materially changed.

3. NIOBIUM RICH RARE METALS MINERAL RESOURCES

The Mineral Resource estimation for the niobium rich rare metals prospect referred to as the Niobium Rich Rare Metals Project is shown in Table 3. The Rare Metals Project is located at Mt Weld.

TABLE 3: CLASSIFICATION OF MINERAL RESOURCES FOR THE NIOBIUM RICH RARE METALS PROJECT

CATEGORY	MILLION TONNES	Ta_2O_5 %	Nb_2O_5 %	TLnO %	ZrO %	P_2O_5 %	Y_2O_3 %	TiO_2 %
Measured	0	0	0	0	0	0	0	0
Indicated	1.5	0.037	1.4	1.65	0.32	8.9	0.1	5.8
Inferred	36.2	0.024	1.06	1.14	0.3	7.96	0.09	3.94
Total	**37.7**	**0.024**	**1.07**	**1.16**	**0.3**	**7.99**	**0.09**	**4.01**

Notes:

1. All figures are percentages. Ta_2O_5 Tantulum Oxide, Nb_2O_5 Niobium Oxide, TLnO Total Rare Earth Oxide, ZrO zirconia, P_2O_5 Phosphate, Y_2O_3 yttria, TiO_2 titanium oxide.
2. The Mineral Resource estimation for the niobium rich rare metals is as per ASX announcement dated October 6, 2004. Lynas Corp confirms that all material assumptions and technical parameters underpinning the estimated Mineral Resources continue to apply and have not materially changed. Figures in the table may not sum due to rounding.

There have been no changes to the Niobium Rich Rare Metals Project Mineral Resource since the previous reporting period.

Note on governance arrangements and internal controls:

All Lynas Mineral Resource and Ore Reserve estimations are compiled by experienced competent persons who are engaged as independent external consultants to Lynas. The relevant Competent Person ensures that all aspects of the Mineral Resource estimations or the Ore Reserve estimations (as applicable) meet the JORC code requirements.

COMPETENT PERSON'S STATEMENTS – MINERAL RESOURCES

The information in this report that relates to the 2018 Mineral Resources is based on information compiled by Mr Alex Whishaw under the guidance of Dr Andrew Scogings. Mr Wishaw and Dr Scogings are full-time employees of CSA Global. Mr Wishaw is a member of the Australasian Institute of Mining and Metallurgy. Dr Scogings is a Member of the Australasian Institute of Mining and Metallurgy, a Member of the Australian Institute of Geoscientists and an RPGeo (Industrial Minerals). Dr Scogings has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Dr Scogings consents to the disclosure of information in this report in the form and context in which it appears.

The information in this report that relates to the Niobium Rich Rare Metals Project is based on information compiled by Mr Brendan Shand. Mr Shand is a consultant geologist to Lynas Corporation. Mr. Shand is a Member of The Australian Institute of Geoscientists. Mr Shand has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr Shand consents to the disclosure of information in this report in the form and context in which it appears.

COMPETENT PERSON'S STATEMENTS – ORE RESERVES

The information in this Release which relates to the 2018 Ore Reserves estimate accurately reflect information prepared by Competent Persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). The information in this public statement that relates to the Mt Weld Rare Earths Project is based on information resulting from Feasibility works carried out by Auralia Mining Consulting Pty Ltd. Mr Steve Lampron completed the Ore Reserve estimate. Mr Steve Lampron is a Member and Chartered Professional (Mining) of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify him as a Competent Person as defined in accordance with the 2012 Edition of the Australasian Joint Ore Reserves Committee (JORC). Mr Steve Lampron consents to the inclusion in the document of the information in the form and context in which it appears.

Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report.
The information is current as at August 23, 2018.

(A) Distribution of Ordinary Shares

The number of shareholders by size of holding of ordinary shares is:

Holdings Ranges	Holders	Number of Shares	Percentage of Shares
1-1,000	9,802	4,945,604	0.748
1,001-5,000	8,175	21,181,123	3.203
5,001-10,000	2,479	19,107,352	2.890
10,001-100,000	2,956	81,284,358	12.293
100,001 and over	250	534,720,791	80.866
Totals	**23,662**	**661,239,228**	**100.000**
The number of shareholders holding less than a marketable parcel of shares	1,653	168,067	

(B) Distribution of Employee Options/Performance Rights

There are 11,286,944 unlisted employee options / performance rights. The number of beneficial holders, by size of holding, of employee options / performance rights are:

Holdings Ranges	Holders
1 – 1,000	
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	1
100,001 and over	12
Total	**13**

(C) Distribution of 1.875% Unsecured Convertible Bonds Maturing September 30, 2020

There are 15,242,003.79 unlisted Convertible Bonds maturing September 30, 2020. The Bonds are convertible at A$1.00 per share, based on an exchange rate of A$1.00 = US$0.75. Fractions of a share are rounded down on conversion. The number of holders, by size of holding, of Convertible Bonds maturing September 30, 2020 are:

Holdings Ranges	Holders
1 – 1,000	
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	0
100,001 and over	3
Total	**3**

FCCD DAC holds 9,682,945.01 Convertible Bonds. FCCO DAC holds 4,059,058.78 Convertible Bonds.

(D) Distribution of $0.50 Warrants Expiring September 30, 2020

There are 23,256,258 unlisted Warrants expiring September 30, 2020. The number of holders, by size of holding, of $0.50 Warrants expiring September 30, 2020 are:

Holdings Ranges	Holders
1 – 1,000	
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	0
100,001 and over	4
Total	**4**

Mount Kellett Capital Partners (Ireland) II DAC holds 21,432,657 Warrants.

(E) Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

		Listed Ordinary Shares	
		Number of Shares	% of Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	156,916,405	23.731%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	120,555,542	18.232%
3	CITICORP NOMINEES PTY LIMITED	70,154,643	10.610%
4	NATIONAL NOMINEES LIMITED	31,319,630	4.737%
5	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	16,405,607	2.481%
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	9,049,351	1.369%
7	JOYKEEP LIMITED	7,800,000	1.180%
8	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	7,234,112	1.094%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	5,473,412	0.828%
10	DYNAMIC SUPPLIES INVESTMENTS PTY LTD	4,750,000	0.718%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	4,109,572	0.621%
12	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,946,441	0.597%
13	THE PAVILION MOTOR INN OF WAGGA WAGGA PTY LTD	3,937,170	0.595%
14	BNP PARIBAS NOMS PTY LTD <DRP>	3,799,408	0.575%
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,434,360	0.519%
16	PM1942 PTY LTD <PETER MCINTYRE SUPER A/C>	3,200,000	0.484%
17	MALAY-SINO CHEMICAL INDUSTRIES SDN BHD	3,107,686	0.470%
18	ARGO INVESTMENTS LIMITED	3,000,000	0.454%
19	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL >	2,864,000	0.433%
20	UBS NOMINEES PTY LTD	2,790,424	0.422%
	TOTAL	**463,847,763**	**70.148%**

(F) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

		RELEVANT INTEREST IN LISTED ORDINARY SHARES
1	GREENCAPE CAPITAL PTY LTD	40,595,360
2	CHALLENGER LIMITED	40,640,015

(G) Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. No other class of equity securities carries voting rights unless converted into ordinary shares.

(H) Schedule of Interests in Mining Tenements

	Tenement	Percentage Held
Mt Weld Rare Earths Project		
Mt Weld	M38/58	100
Mt Weld	M38/59	100
Mt Weld	M38/326	100
Mt Weld	M38/327	100
Mt Weld	E38/2224	100
Mt Weld	E38/2935	100
Mt Weld	L38/224	100
Mt Weld	L38/98	100
Mt Weld	G38/34	100
Mt Weld	G38/35	100
Kangankunde Rare Earths Project		
Kangankunde, Malawi	ML0122/2003	100

Lynas CORPORATION LTD

CORPORATE DIRECTORY

ABN 27 009 066 648

Registered Office

Suite 3/5 Tully Road
East Perth WA 6004 Australia

Tel: +61 8 6241 3800
Fax: +61 8 9242 7219

general@lynascorp.com

Principal Administrative Office

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26080 Kuantan, Pahang Darul Makmur
Malaysia

Tel: +60 9 582 5200
Fax: +60 9 582 5291

general@lynascorp.com

Share Register

Boardroom Pty Ltd

Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000 Australia

Tel: +61 2 9290 9600
Fax: +61 2 9279 0664

enquiries@boardroomlimited.com.au

Auditors

Ernst & Young

200 George Street
Sydney NSW 2000 Australia

www.lynascorp.com

Rules 4.7.3 and 4.10.3[1]

Appendix 4G

Key to Disclosures
Corporate Governance Council Principles and Recommendations

Name of entity:

Lynas Corporation Limited

ABN / ARBN:	**Financial year ended:**
27 009 066 648	30 June 2018

Our corporate governance statement[2] for the above period above can be found at:[3]

☐ These pages of our annual report:

☒ This URL on our website: www.lynascorp.com/Pages/Corporate-governance.aspx

The Corporate Governance Statement is accurate and up to date as at 6 September 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date:	21 September 2018
Name of Director or Secretary authorising lodgement:	Andrew Arnold, Company Secretary

[1] Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

[2] "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

[3] Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ at www.lynascorp.com	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

[4] If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	… the fact that we have a diversity policy that complies with paragraph (a): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of our diversity policy or a summary of it: ☒ at www.lynascorp.com … and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the information referred to in paragraphs (c)(1) or (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	… the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	… the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	[If the entity complies with paragraph (a):] … the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement **<u>OR</u>** ☐ at [*insert location*] … and a copy of the charter of the committee: ☒ at www.lynascorp.com … and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement **<u>OR</u>** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively: ☐ in our Corporate Governance Statement **<u>OR</u>** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **<u>OR</u>** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	… our board skills matrix: ☒ in our Corporate Governance Statement **<u>OR</u>** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **<u>OR</u>** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	… the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the length of service of each director: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	… our code of conduct or a summary of it: ☐ in our Corporate Governance Statement **OR** ☒ at www.lynascorp.com	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	[If the entity complies with paragraph (a):] … the fact that we have an audit committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☒ at www.lynascorp.com … and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	… our continuous disclosure compliance policy or a summary of it: ☐ in our Corporate Governance Statement **OR** ☒ at www.lynascorp.com	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	… information about us and our governance on our website: ☒ at www.lynascorp.com	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	… our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	[If the entity complies with paragraph (a):] … the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☒ at www.lynascorp.com … and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	… the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and that such a review has taken place in the reporting period covered by this Appendix 4G: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (a):] … how our internal audit function is structured and what role it performs: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	… whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	[If the entity complies with paragraph (a):] … the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☒ at www.lynascorp.com … and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	… separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	… our policy on this issue or a summary of it: ☐ in our Corporate Governance Statement **OR** ☒ at www.lynascorp.com	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	*Alternative to Recommendation 1.1 for externally managed listed entities:* The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	… the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
-	*Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:* An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	… the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Lynas Corporation Limited ACN 009 066 648
Corporate Governance Statement – Financial Year Ended 30 June 2018

The Board of Directors of the Company is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has approved this Corporate Governance Statement. This Corporate Governance Statement is current as at September 6, 2018.

In accordance with the ASX Corporate Governance Council's (the "Council's") Principles and Recommendations (3rd edition), the Corporate Governance Statement must contain certain specific information and also report on the Group's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Group, together with the reasons why they have not been adopted. The Group's corporate governance principles and policies are therefore structured with reference to the Council's best practice recommendations.

The Group's corporate governance practices were in place throughout the financial year ended June 30, 2018, and complied with all of the Council's Principles and Recommendations throughout the financial year.

Details of the Group's corporate governance practices in place throughout the financial year ended June 30, 2018 are as follows.

Principle 1 - Lay solid foundations for management and oversight

Recommendation 1.1 – Functions reserved to the Board and delegated to Senior Executives

The Group has established the functions reserved to the Board and the functions delegated to senior executives. The functions reserved to the Board include:

(1) oversight of the Group, including its control and accountability systems;

(2) appointing and removing the Chief Executive Officer ("CEO") (or equivalent), including approving remuneration of the CEO and the remuneration policy and succession plans for the CEO;

(3) ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer ("CFO") (or equivalent) and the Company Secretary;

(4) input into the final approval of management's development of corporate strategy and performance objectives;

(5) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

(6) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;

(7) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;

(8) approving and monitoring financial and other reporting;

(9) appointment and composition of committees of the Board;

(10) on recommendation of the Audit, Risk Management, Safety, Health and Environment Committee, appointment of external auditors; and

(11) on recommendation of the Nomination, Remuneration and Community Committee, initiating Board and Director evaluation.

The functions delegated to senior executives include:

(1) implementing the Group's strategic business plan;

(2) managing the business to agreed capital and operating expenditure budgets;

(3) identifying and exploring opportunities to build and sustain the business;

(4) allocating resources to achieve the desired business outcomes;

(5) sharing knowledge and experience to enhance success;

(6) facilitating and monitoring the potential and career development of the Group's people resources;

(7) identifying and mitigating areas of risk within the business;

(8) managing effectively internal and external stakeholder relationships and engagement strategies;

(9) sharing information and making decisions across functional areas;

(10) determining the senior executives' position on strategic and operational issues; and

(11) determining the senior executives' position on matters that will be referred to the Board.

In addition, the functions reserved for the Board are summarised in the Group's Board Charter, a copy of which is available on the Group's website, www.lynascorp.com.

Recommendation 1.2 – Information in Relation to Board Candidates

The Nomination, Remuneration and Community Committee of the Board ensures that appropriate checks are undertaken before a person is appointed as a Director, or before a person is put forward to shareholders as a candidate for election as a Director. If the Nomination, Remuneration and Community Committee concludes that it would be appropriate to consider the appointment of an additional Director, an extensive process is undertaken to identify suitable candidates, usually involving an external search firm. That process involves identifying the skills and experience required of the candidate, compiling lists of potential candidates, identifying a short list of candidates to be interviewed, conducting interviews, obtaining and checking information in relation to the character, experience, education, criminal record and bankruptcy history of the short-listed candidates, and selecting a recommended candidate.

The Group provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director by providing all material information concerning the proposed Director in the Explanatory Memorandum that accompanies each Notice of Meeting at which candidates are proposed for election or re-election.

Recommendation 1.3 – Written Agreements with Directors and Senior Executives

The Group has signed letters of appointment with each non-executive Director, and service contracts with the CEO and the other senior executives. Further details are set out in the Remuneration Report. The letters of appointment with the non-executive Directors cover topics including:

(1) the term of appointment;

(2) the time commitment envisaged, including committee work;

(3) remuneration;

(4) disclosure requirements;

(5) the requirement to comply with key corporate policies;

(6) the Group's policy on non-executive Directors seeking independent professional advice;

(7) the circumstances in which the Director's office becomes vacant;

(8) indemnity and insurance arrangements;

(9) rights of access to corporate information; and

(10) confidentiality obligations.

Recommendation 1.4 – Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes:

(1) advising the Board and its committees on governance matters;

(2) monitoring that Board and committee policy and procedures are followed;

(3) coordinating the timely completion and despatch of Board and committee papers;

(4) ensuring accurate minutes are taken of Board and committee meetings; and

(5) helping to organize and facilitate the induction and professional development of Directors.

Recommendation 1.5 – Diversity

The Group has established a policy concerning diversity. The Group recognises the need to set diversity measures in each of its operating locations taking into account the differing diversity issues within each geographic location in which it operates. A copy of the Diversity Policy is available from the Group's website, www.lynascorp.com. The policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

Below are the measurable objectives set by the Board for achieving gender diversity together with the progress made in achieving those objectives:

(1) Ensuring that recruitment of employees and Directors is made from a diverse pool of qualified candidates. Where appropriate, a professional recruitment firm shall be engaged to select a diverse range of suitably qualified candidates.

The Group continues to ensure that professional recruitment firms provide a broad selection of suitably qualified candidates together with prioritising local employment in the areas in which it operates. Further information on the skill set of the Directors is provided in the Remuneration Report.

(2) Increasing the number of women in operations and in other key areas of the workforce.

The Group has been very focussed on promoting the development of women within its business. The number of female employees at the group's largest plant in Kuantan Malaysia increased to 103 at the end of FY18 (the number was 92 at the end of FY17). In addition, the Group has focussed on encouraging a wide range of ethnic backgrounds among its employees, and the workforce includes people from a large number of backgrounds and cultures. The Group believes that its current diversity levels are good compared to other companies in its industry. The Group's policies of favouring local employment and promoting education in its local communities will continue to contribute to the diversity of its workforce.

(3) Identifying programmes that assist in the development of a broader pool of skilled and experienced candidates including:

(a) initiatives focused on skills development, such as executive mentoring programmes; and

(b) career advancement programmes to develop skills and experience that prepare employees for senior management and Board positions.

The Group has in place a formal talent management process including mentoring and succession planning.

(4) Taking action to correct inappropriate workplace behaviour and behaviour that is inconsistent with the diversity objectives of the Group.

The Group has in place a Code of Conduct as well as an Harassment & Discrimination Policy which defines inappropriate behaviour and the potential resultant disciplinary actions. A formal employee grievance process has been established to assist in identifying issues such as inappropriate workplace behaviour and behaviour that is inconsistent with the values and diversity objectives of the Group.

The Group provides the following statistics on gender diversity as at June 30, 2018 (prior year: June 30, 2017):

(1) Proportion of women employees in the whole organisation: 16.5% (2017 – 14.8%).

(2) Proportion of women employees in senior executive positions: 28.6% (2017 – 28.6%).

(3) Proportion of women on the Board: 33.0% (2017 – 33.0%).

The Group defines "senior executive positions" as members in the leadership team who have the authority and responsibility for planning, directing and controlling major activities of the group.

The Group is not a "relevant employer" under the Workplace Gender Equality Act, because the Group had less than 100 employees in Australia during the year ending June 30, 2018.

Recommendation 1.6– Process for evaluating the performance of the Board

In accordance with the Charter of the Nomination, Remuneration and Community Committee, the Committee is responsible for the:

(1) evaluation and review of the performance of the Board against both measurable and qualitative indicators established by the Committee;

(2) evaluation and review of the performance of individual Directors against both measurable and qualitative indicators established by the Committee;

(3) review of and making of recommendations on the size and structure of the Board; and

(4) review of the effectiveness and programme of Board meetings.

An evaluation of the performance of the Board, its committees and individual Directors took place during 2018. In 2018, the Board evaluation was conducted via a written survey of Directors and senior managers. The survey results and action items were then discussed during a Directors feedback session.

Recommendation 1.7 – Performance evaluation of Senior Executives

The Group has established detailed written Key Responsibility Areas and Key Performance Indicators (KPIs) for each senior executive. The performance of senior executives is periodically reviewed against their KPIs, at least once every 12 months, as part of the Group's formal performance review procedures. The Group has adopted a formal procedure whereby each senior executive meets with his/her direct supervisor to review performance against KPI's during the review period. The results of that review are recorded in writing for follow up during subsequent meetings, and for internal reporting purposes.

Induction procedures are in place to allow new senior executives to participate fully and actively in management decision making at the earliest opportunity.

An evaluation of senior executives took place during the financial year. The evaluation was in accordance with the above process.

Principle 2 – Structure the board to add value

Recommendation 2.1 – Nomination Committee

The Group has established a Nomination, Remuneration and Community Committee.

The Group's Nomination, Remuneration and Community Committee complies with each of the requirements of Recommendation 2.1 as follows:

(1) The Committee consists of a majority of independent Directors. From July 1, 2017 to October 1, 2017, the members of the Committee were Ms Conlon, Mr Forde and Mr Harding. From October 1, 2017 to November 28, 2017, the members of the Committee were Ms Conlon, Mr Forde, Mr Harding and Mr Humphrey. From November 28, 2017 onwards, the members of the Committee were Ms Conlon, Mr Harding and Mr Humphrey Further details, including the relevant qualifications and experience of the members of the Committee, are provided in the Directors section of the Directors' Report.

(2) The Committee is chaired by Ms Conlon, who is an independent Director and who is not Chair of the Board.

(3) There were three formal meetings of the Committee during the financial year ending June 30, 2018. In addition, there were several informal meetings. Further details, including the attendances of members, are provided in the Directors Meetings section of the Directors' Report.

(4) At all times during the financial year ending June 30, 2018, the Committee had at least three members.

The Group has adopted a Charter for its Nomination, Remuneration and Community Committee. A copy of the Committee Charter is available from the Group's website, www.lynascorp.com.

Recommendation 2.2 – Board Skills

The Nomination, Remuneration and Community Committee recognizes that it is important that the Board has an appropriate mix of skills, experience, expertise and diversity. The Board considers it important for the following skills and experience to be represented:

- Experience as a Chief Executive;
- International business experience;
- Financial and accounting experience;
- Operational experience in the chemical and resources industries;
- Strategy and strategic marketing experience;
- Corporate governance, regulatory and risk management experience.

The Board's skills matrix is based on the above sets of skills and experience. The Nomination, Remuneration and Community Committee remains focussed on Board renewal, and the appointment of Grant Murdoch as a Director and Chair of the Audit & Risk Committee during the year further enhanced the Board's skill set. The Board considers that each of the above skills is currently reflected in the skills and experience of the existing members of the Board. Further details of the skills and experience of the members of the Board are provided in the Directors section of the Directors' Report. Information about the diversity of the Board is set out under Recommendation 1.5 above.

Recommendation 2.3 – Independence of Directors

The Council defines independence as being free from any interest, position, association or relationship that might influence, or could reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the Group and its shareholders generally.

During the financial year ended June 30, 2018 the Board had a majority of independent Directors. In accordance with the definition of independence above, and the materiality thresholds set, J. Humphrey, K. Conlon, M. Harding, P. Etienne and G. Murdoch were viewed as independent Directors. Mr Forde was also viewed as an independent Director in accordance with the the definition of independence above, prior to his resignation from the Board on November 28, 2017.

A. Lacaze's appointment as Chief Executive Officer of the Group was effective from June 25, 2014 (previously, a Non-Executive Director from January 1, 2014). As the Chief Executive Officer of the Group, Ms Lacaze is not an independent Director of the Group in accordance with the definition above.

The length of service of each Director who held office as at June 30, 2018 is as follows:

Name	Term in office
K. Conlon	6 years 8 months

A. Lacaze	4 years 6 months
M. Harding	3 years 6 months
P. Etienne	3 years 6 months
J. Humphrey	1 year 1 month
G. Murdoch	8 months

Recommendation 2.4 – Majority of Independent Directors

As noted above in relation to Recommendation 2.3, at all times during the financial year ended June 30, 2018, the Board had a majority of independent Directors.

Recommendation 2.5 – The Chair should be an independent Director and not the same person as the CEO

M. Harding was the Chairman of the Board throughout the financial year ended June 30, 2018. Mr Harding is an independent Director and he is not the CEO. Accordingly, the Group was compliant with Recommendation 2.5 throughout the financial year ended June 30, 2018.

Recommendation 2.6 – Director Induction and Professional Development

The Group has adopted a Board Induction Policy that summarizes the key matters to be addressed in the induction of each new Director. Among other things, the Induction Policy deals with information to be provided to new Directors, the Chair's role, key contacts, remuneration, indemnities, insurance, access to information, and disclosure.

The Nomination, Remuneration and Community Committee regularly reviews the skills and experience of the Directors and assists Directors to identify professional development opportunities to develop and maintain the skills required to perform their roles effectively.

Principle 3 – Act ethically and responsibly

Recommendation 3.1 – Code of Conduct

The Group has established a code of conduct for its directors, senior executives and employees concerning the:

(1) practices necessary to maintain confidence in the Group's integrity;

(2) practices necessary to take into account the Group's legal obligations and the expectations of stakeholders; and

(3) responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A copy of the code of conduct is available from the Group's website, www.lynascorp.com.

Conflict of Interest Policy

The Group has established a Conflict of Interest Policy to:

(1) protect the integrity of the decision-making processes within the Group by avoiding ethical, legal, financial or other conflicts of interest;

(2) establish internal procedures so that all employees understand their obligation to avoid actual, potential or perceived conflicts of interest;

(3) provide guidance to employees for dealing with any conflicts of interest in an open and transparent manner;

(4) provide guidance to employees for recognising and reporting on related party transactions; and

(5) establish internal procedures to ensure that related party transactions are referred to the Group's shareholders where required.

A copy of the conflict of interest policy is available from the Group's website, www.lynascorp.com.

Principle 4 – Safeguard integrity in corporate reporting

Recommendation 4.1 – Audit Committee

The Group has established an Audit and Risk Committee.

The Group's Audit and Risk Committee complies with each of the requirements of Recommendation 4.1 as follows:

(1) The Committee consists only of Non-Executive Directors. From July 1, 2017 to October 1, 2017, the members of the Committee were Mr Forde, Ms Conlon, Mr Humphrey and Mr Etienne. From October 1, 2017 to November 28, 2017,

the members of the Committee were Mr Forde, Mr Humphrey and Mr Etienne. From November 28, 2017 onwards, the members of the Committee were Mr Murdoch, Mr Humphrey and Mr Etienne. Further details, including the relevant qualifications and experience of the members of the Committee, are provided in the Directors section of the Directors' Report.

(2) Three meetings of the Committee were held during the financial year ending June 30, 2018. Further details, including the attendances of members, are provided in the Directors Meetings section of the Directors' Report.

(3) All of the members of the Committee are independent Directors.

(4) The Committee is chaired by Mr Murdoch, who is an independent Director and who is not Chair of the Board.

(5) At all times during the financial year ending June 30, 2018, the Committee had at least three members.

The Group has adopted a Charter for its Audit and Risk Committee. A copy of the Committee Charter is available from the Group's website, www.lynascorp.com.

Recommendation 4.2 – Statement from the Chief Executive Officer and the Chief Financial Officer

Before the Board approves the Group's financial statements for a financial period, the Board receives a declaration from the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* that, in their opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 – Auditor Attendance at AGM

The Group holds an Annual General Meeting of shareholders ("AGM") in October or November of each year. The Group ensures that its external auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.

Principle 5 - Make timely and balanced disclosure

Recommendation 5.1 – ASX Listing Rule Disclosure Requirements

The Group has established a written policy designed to ensure:

(1) compliance with ASX Listing Rules continuous disclosure obligations; and

(2) accountability at a senior executive level for that disclosure.

A copy of the Group's Continuous Disclosure Policy is available from the Group's website, www.lynascorp.com.

Principle 6 - Respect the rights of shareholders

Recommendation 6.1 – Information on the Group's Website

The Group provides information about itself and its governance to its shareholders via the Group's website, www.lynascorp.com. Information about governance is available in the Corporate Governance section of the Group's website.

Recommendation 6.2 – Investor Relations Program

The Group has an investor relations program to facilitate effective two-way communication with shareholders. The Group's investor relations program includes the following:

(1) an email link on the Group's website, www.lynascorp.com for shareholders to ask questions;

(2) actively engaging with shareholders at the AGM;

(3) periodic meetings with institutional investors, analysts and financial media representatives; and

(4) recorded CEO interviews at the time of the release of quarterly reports, which are accessible via www.asx.com.au and the Group's website, www.lynascorp.com.

Recommendation 6.3 – Encouraging Shareholder Participation at AGMs

The Group's processes to encourage shareholder participation at AGMs include:

(1) providing an email link on the Group's website, www.lynascorp.com for shareholders to ask questions ahead of AGMs; and

(2) providing a facility for online lodgement of proxies.

In addition, the Group has adopted a Shareholder Communications Policy for:

(1) promoting effective communication with shareholders; and

(2) encouraging shareholder participation at AGMs.

A copy of the Group's Shareholder Communications Policy is available from the Group's website, www.lynascorp.com.

Recommendation 6.4 – Electronic Communications

The Group gives shareholders the option to receive communications from, and to send communications to, the Group and its share registry electronically. The Group periodically sends communications to those shareholders who have provided an email address. There is a facility on the Group's website, www.lynascorp.com for shareholders to subscribe to receive emailed copies of the Group's ASX announcements. In addition, there is an email link on the Group's website, www.lynascorp.com for shareholders to communicate with the Group electronically. The Group's share registry, Boardroom Pty Ltd, has similar arrangements that are accessible via its website www.boardroomlimited.com.au.

Principle 7 - Recognise and manage risk

Recommendation 7.1 – Risk Management Committee

The Group has established an Audit and Risk Committee to oversee risk.

The Group's Audit and Risk Committee complies with each of the requirements of Recommendation 7.1 as follows:

(1) The Committee consists only of Non-Executive Directors. From July 1, 2017 to October 1, 2017, the members of the Committee were Mr Forde, Ms Conlon, Mr Humphrey and Mr Etienne. From October 1, 2017 to November 28, 2017, the members of the Committee were Mr Forde, Mr Humphrey and Mr Etienne. From November 28, 2017 onwards, the members of the Committee were Mr Murdoch, Mr Humphrey and Mr Etienne. Further details, including the relevant qualifications and experience of the members of the Committee, are provided in the Directors section of the Directors' Report.

(2) Three meetings of the Committee were held during the financial year ending June 30, 2018. Further details, including the attendances of members, are provided in the Directors Meetings section of the Directors' Report.

(3) All of the members of the Committee are independent Directors.

(4) The Committee is chaired by Mr Murdoch, who is an independent Director and who is not Chair of the Board.

(5) At all times during the financial year ending June 30, 2018, the Committee had at least three members.

The Group has adopted a Charter for its Audit and Risk Committee. A copy of the Committee Charter is available from the Group's website, www.lynascorp.com.

Recommendation 7.2 – Risk Management Framework

The Group has adopted a Risk Management Policy and a Risk Management Framework for oversight and management of its material business risks. The Audit and Risk Committee reviews the Group's Risk Management Framework at least annually to satisfy itself that it continues to be sound. Such a review has taken place in the financial year ending June 30, 2018.

Recommendation 7.3 – Internal Audit

During the financial year ending June 30, 2018, the Group did not have an internal audit function. The Group is implementing an internal audit function during the financial year ending June 30, 2019. The processes that the Group employed during the financial year ending June 30, 2018 for evaluating and continually improving the effectiveness of its risk management and internal control processes include the following:

(1) The Group's Risk Management Policy and Risk Management Framework clearly describe the roles and accountabilities of the Board, the Audit & Risk Committee, the Health Safety & Environment Committee and management.

(2) The Audit & Risk Committee and the Health Safety & Environment Committee oversee the Group's material business risks.

(3) Those members of the Group's management team who are accountable for risk management, safety, health, environment and community matters manage the Group's material business risks.

(4) The Audit & Risk Committee oversees financial risks pursuant to its Charter. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

(5) The members of the Group's finance department manage financial risks.

(6) The Group has adopted the following policies for the oversight and management of material business risks: Risk Management Policy, Environmental Policy, Community Policy and Occupational Health and Safety Policy.

Copies of the following documents referred to in this section are available from the Group's website, www.lynascorp.com*:*

(1) Audit & Risk Committee and Health Safety & Environment Committee Charters;
(2) Risk Management Policy;
(3) Environmental Policy;
(4) Community Policy; and
(5) Occupational Health and Safety Policy.

Recommendation 7.4 – Economic, Environmental and Social Sustainability Risks

The categories of risk to which the Group has exposure include economic, environmental and social sustainability risks. The Group manages these risks as follows:

(1) The Group seeks to reduce the impact of fluctuations in rare earths prices and demand by building strategic relationships with customers and other parties in the Group's key markets. The Group seeks to reduce the impact of exchange rate variations by having both revenue under its sales contracts and its debt repayment obligations denominated in US dollars, and by broadly matching the currencies in which funds are held with the currencies of anticipated outgoings.

(2) The Group manages environmental risks by adopting environmental management programs for each of its sites. The Group has detailed environmental monitoring at each of its sites, and the Group has invested significant amounts in environmental controls such as the Group's Malaysian waste gas treatment plant, waste water treatment plant and solid residues commercialisation programs. These measures have ensured that the Group has complied with all applicable environmental standards at each site.

(3) The Group recognises that a strong mutual relationship with each community in which it operates is necessary for successful operations. In addition, the Group recognises the importance of maintaining its reputation with all of its stakeholders including shareholders, regulatory authorities, communities, customers and suppliers. The Group has adopted a Community and Stakeholder Engagement Plan and the Group engages in community programs that build relationships with each of the communities in which the Group operates.

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1 – Remuneration Committee

The Group has established a Nomination, Remuneration and Community Committee.

The Group's Nomination, Remuneration and Community Committee complies with each of the requirements of Recommendation 8.1 as follows:

(1) The Committee consists of a majority of independent Directors. From July 1, 2017 to October 1, 2017, the members of the Committee were Ms Conlon, Mr Forde and Mr Harding. From October 1, 2017 to November 28, 2017, the members of the Committee were Ms Conlon, Mr Forde, Mr Harding and Mr Humphrey. From November 28, 2017 onwards, the members of the Committee were Ms Conlon, Mr Harding and Mr Humphrey. Further details, including the relevant qualifications and experience of the members of the Committee, are provided in the Directors section of the Directors' Report.

(2) The Committee is chaired by Ms Conlon, who is an independent Director and who is not Chair of the Board.

(3) There were three formal meetings of the Committee during the financial year ending June 30, 2018. In addition, there were several informal meetings. Further details, including the attendances of members, are provided in the Directors Meetings section of the Directors' Report.

(4) At all times during the financial year ending June 30, 2018 the Committee had at least three members.

The Group has adopted a Charter for its Nomination, Remuneration and Community Committee. A copy of the Committee Charter is available from the Group's website, www.lynascorp.com.

Recommendation 8.2 – Remuneration of Executive Directors, Executives and Non-Executive Directors

The remuneration of Executive Directors and senior executives during the financial year consisted of the following:

(1) Fixed remuneration, superannuation payments and termination payments.

(2) Performance Rights granted for the benefit of the relevant individuals pursuant to the Group's employee incentive plans.

(3) Non-monetary benefits.

Details of the remuneration of Executive Directors and senior executives during the financial year are set out in the Remuneration Report section of the Directors' Report.

The remuneration of Non-Executive Directors during the financial year consisted only of cash fees and superannuation payments.

Details of the remuneration of Non-Executive Directors during the financial year are set out in the Remuneration Report section of the Directors' Report.

The fixed remuneration paid to Executive Directors and senior executives is clearly distinguished from the cash fees paid to Non-Executive Directors.

The Group complies with Recommendation 8.2 by clearly distinguishing the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives. During the financial year ended June 30, 2018 no Options or Performance Rights were issued to Non-Executive Directors.

Recommendation 8.3 – Use of Derivatives and Similar Transactions

In accordance with the Group's share trading policy, Directors and employees must not at any time enter into transactions in associated products which limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes. A copy of the share trading policy is available from the Group's website, www.lynascorp.com.