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## QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2021

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### HIGHLIGHTS

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- Quarterly Sales Revenue: A\$185.9m (Q3 FY21: A\$110m)
  - Sales receipts: A\$192m (Q3 FY21: A\$133m)
  - Closing cash balance: A\$680.8m (Q3 FY21: A\$568.5m)
  - Total REO production: 3778 tonnes (Q3 FY21: 4463 tonnes)
    - NdPr production: 1393 tonnes (Q3 FY21: 1359 tonnes)
  - *Lynas 2025* project:
    - Commencement of preliminary site works and final Environmental Review Document (ERD) submitted to the EPA for Kalgoorlie Project.
    - Phase 1 detailed engineering and design work for the Heavy Rare Earths (HRE) facility submitted to the US Government.
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### CEO REVIEW

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I am very pleased to report excellent results for the June quarter.

Sales revenue of A\$185.9m and sales receipts of A\$192m were both records for the company. This result reflected sustained demand for Lynas NdPr products and strong market pricing, as end users and governments around the world continue to recognise the need for a diversified supply of responsible rare earth materials.

Total REO production was 3,778 tonnes. NdPr production of 1,393 tonnes was a slight improvement on the preceding quarters. This is an excellent result given continuing challenges presented by the ongoing pandemic, particularly in Malaysia.

The achievements of our Malaysian team have been absolutely outstanding over the full duration of the pandemic and in the past quarter in particular. The health and safety of our people is always our priority and the vigorous 3<sup>rd</sup> wave of COVID-19 infections in Malaysia has been challenging. Key to protecting our people has been ensuring we have zero workplace transmission. We have achieved this by implementing testing of all staff and contractors before being permitted on site and providing accommodation close to site for our people so they can limit their movement in the community. Where our people have been exposed outside of the workplace and are required to quarantine, we have continued to pay and support them. We are currently participating in the Malaysian government's Public/Private Partnership COVID-19 Industry

Immunisation Programme (PIKAS) initiative for all employees. We continue to look for avenues to extend coverage to their families and if relevant local communities as new supply comes available.

Our team has, at all times, operated in line with the Malaysian Government's Enhanced Movement Control Orders (EMCO) and Standard Operating Procedures (SOPs), including limiting staff numbers on site to 40% of the total workforce. This has required careful scheduling of production and maintenance staff as work and production schedules that would otherwise be completed concurrently have been rescheduled to ensure we remain under the workforce caps.

During the quarter, the Lynas Malaysia team has also managed water supply shortages affecting the Gebeng Industrial Estate. Despite these various challenges, Lynas Malaysia has continued to operate at approximately 75% of Lynas NEXT production rates.

NdPr market prices softened throughout the quarter, representing a slight correction on the increases in previous months. Prices have strengthened again during July. The average China Domestic Price for NdPr was US\$69.9/kg for the quarter. Demand for catalyst from the automotive and the fluid catalytic cracking (FCC) sectors is back to pre-COVID levels, which we see continuing in the near future. However, we remain alert to the effect the pandemic can have on end product demand, logistics and industrial supplies.

Progress continued on our *Lynas 2025* projects including the Rare Earth Processing Facility in Kalgoorlie and the proposed integrated U.S. Rare Earths Processing Facility. Detailed engineering and design work for the Heavy Rare Earths (HRE) facility was submitted to the U.S. Government in line with U.S. Department of Defense (DoD) Phase 1 milestones. The DoD is now conducting a merit evaluation of the submission.

Information that had been requested by the WA Environment Protection Authority (EPA) for the Kalgoorlie Facility was submitted during the quarter and the updated Environmental Review Document (ERD) was completed. The EPA commenced a four-week public review of the ERD on 9 June 2021 which has now finished.

Early and preliminary site works, as approved by the EPA, commenced at Kalgoorlie during the quarter. This included site access, clearing of 10 hectares of land, installation of temporary site offices, establishment of borrow pit and construction of the kiln pad. A number of steel tanks that were fabricated in Western Australia were delivered to site as procurement of key process equipment continues.

Preparation for the next mining campaign has commenced at Mt Weld and a number of improvement projects are underway, including the commissioning of the second Stack Cell in late June and the installation of a second concentrate dryer.

As the COVID-19 situation continues in Malaysia, we have implemented a number of measures to care for our people and our communities, including the provision of care packages of food and other essentials to vulnerable members of the community.

In respect of the Permanent Disposal Facility (PDF) for WLP residue, we continue to engage with the relevant government and regulatory authorities in Malaysia within the constraints presented by current COVID-19 conditions. In light of ongoing delays, we have prudently identified a second potential site for the PDF in

conjunction with government and regulatory authorities. Site characterisation and studies are already proceeding to enable the regulators to assess and approve the most suitable site.

As announced on 17 January 2020, a judicial review application has been lodged in Malaysia challenging the processes followed during the August 2019 renewal of the Lynas Malaysia operating licence. The hearing of that judicial review application occurred on 18 May 2021. The Court has reserved its decision.

## SAFETY AND ENVIRONMENT

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

The Company-wide 12-month rolling Lost Time Injury Frequency Rate, as at the end of June 2021, was 0.8 per million hours worked.

Both sites continued to operate with strict COVID-19 protocols. Communication and education, disclosure and reporting, testing, social distancing, hygiene and precautionary isolation procedures have been implemented.

In line with our commitment to international environmental best practices, detailed environmental monitoring since the start of Lynas Malaysia's operations in Kuantan in 2012 has consistently demonstrated that Lynas Malaysia is compliant with regulatory requirements and international standards. Information concerning the Company's environmental monitoring programs, including monitoring data, is available at [www.LynasRareEarths.com](http://www.LynasRareEarths.com).

## MARKETING & SALES

|                       | Q4 FY20    | Q1 FY21    | Q2 FY21    | Q3 FY21    | Q4 FY21    |
|-----------------------|------------|------------|------------|------------|------------|
| Sales Volume REOt     | 1878       | 4499       | 4052       | 3096       | 4758       |
| Sales Revenue         | A\$38.0m   | A\$87.3m   | A\$119.4m  | A\$110m    | A\$185.9m  |
| Average Selling Price | A\$20.2/kg | A\$19.4/kg | A\$29.5/kg | A\$35.5/kg | A\$39.1/kg |
| Sales Receipts (cash) | A\$42m     | A\$72m     | A\$68m     | A\$133m    | A\$192m    |

The demand for Lynas products, in particular for our NdPr product family, continued to be very strong through the quarter leading to record sales and cash collection. Sales volume also increased in part due to delayed March quarter shipping.

Despite the global shortage of semi-conductors which affects all industries and in particular, the automotive industry, the NdFeB market is experiencing very strong growth, supporting the demand for NdPr and the HRE produced by Lynas.

At the same time, the demand for catalyst from the automotive and the FCC sectors is back to its pre-COVID levels.

While prices experienced some decrease through the quarter, we perceive this as a normal correction after the sharp and speculative increases seen in the previous months. Prices have strengthened again in July.

| NdPr Oxide China Domestic Price (VAT excluded) |         |         |         |         |         |      |      |      |
|--|---------|---------|---------|---------|---------|------|------|------|
|  | Q4 FY20 | Q1 FY21 | Q2 FY21 | Q3 FY21 | Q4 FY21 | Apr  | May  | Jun  |
| USD/kg   | 33.8    | 40.8    | 48.7    | 68.2    | 69.9    | 75.8 | 69.2 | 64.7 |
| Base 100                                       | 100     | 121     | 144     | 202     | 207     | 224  | 205  | 191  |

| Dy Oxide China Domestic Price (VAT excluded) |         |         |         |         |         |     |     |     |
|--|---------|---------|---------|---------|---------|-----|-----|-----|
|  | Q4 FY20 | Q1 FY21 | Q2 FY21 | Q3 FY21 | Q4 FY21 | Apr | May | Jun |
| USD/kg                                       | 229     | 227     | 235     | 340     | 350     | 399 | 332 | 319 |
| Base 100                                     | 100     | 99      | 103     | 148     | 153     | 174 | 145 | 139 |

| Tb Oxide China Domestic Price (VAT excluded) |         |         |         |         |         |      |     |     |
|--|---------|---------|---------|---------|---------|------|-----|-----|
|  | Q4 FY20 | Q1 FY21 | Q2 FY21 | Q3 FY21 | Q4 FY21 | Apr  | May | Jun |
| USD/kg                                       | 508     | 608     | 751     | 1222    | 989     | 1202 | 908 | 858 |
| Base 100                                     | 100     | 120     | 148     | 240     | 195     | 237  | 179 | 169 |

## OPERATIONS

### Upstream

Mining at Mt Weld has been conducted on a campaign basis due to the high REO ore grades and relatively low tonnages treated through the on-site concentration plant. Preparation for the next mining campaign has commenced with the mobilisation and clearing of the waste stockpile extension.

We continue to invest in improvement projects throughout our operations. Commissioning of the second Stack Cell commenced in late June. This follows the very successful implementation of the Pre-Rougher Stack Cell in 2019. The Stack flotation cells are high intensity flotation cells that incorporate froth washing which removes fine impurities that are entrained in the froth stream. Both Stack Cells produce final concentrate grade and provide a capital efficient upgrade path.

A second concentrate dryer has been lifted into place and installed. The new dryer is significantly larger than the initial smaller trial dryer and will be capable of drying all the concentrate produced. It is expected to be in operation next quarter. The concentrate dryer will improve the physical quality of the RE concentrate produced at Mt Weld.



*Commissioning of 2<sup>nd</sup> Stack Cell*



*Concentrate Dryer in place*

## Downstream

|   | Q4 FY20   | Q1 FY21   | Q2 FY21   | Q3 FY21   | Q4 FY21   |
|---|-----------|-----------|-----------|-----------|-----------|
| Ready for Sale<br>Production Volume Total | 2579 REOt | 4110 REOt | 3410 REOt | 4463 REOt | 3778 REOt |
| Ready for Sale<br>Production Volume NdPr  | 775 REOt  | 1342 REOt | 1367 REOt | 1359 REOt | 1393 REOt |

In spite of very strong headwinds through the quarter, the team in Malaysia has delivered extraordinary performance. While the EMCO enforced by the Malaysian government against the new COVID-19 wave required us to limit our staff on site to 40% of our total workforce, and despite repeated shortages in the water supplied to the Gebeng industrial estate, production was maintained at just over 75% of Lynas NEXT rates, allowing us to continue to support the businesses of our key customers.

We continue to monitor the COVID-19 situation carefully, with regular testing of all employees and strict application of SOPs. We remain cautious about further COVID-19 waves across the world and the possible consequences on end product demand, logistic and industrial supplies.



*On site COVID-19 screening for staff, contractors and anyone entering the Lynas Malaysia plant*

## LYNAS 2025 FOUNDATION PROJECTS

### Kalgoorlie Project

Key milestones during the June quarter included:

- In the December 2020 quarter, the EPA (Environmental Protection Authority of Western Australia) set the level of assessment for the project as “Assessment on Referral Information with additional Information”. The additional information was submitted to the EPA during the quarter and the updated Environmental Review Document (ERD) completed. The EPA commenced the four-week public review of the ERD on the 9 June 2021.
- In conjunction with the public review, we hosted a second “Pop-Up” Information Point on St Barbara Square, Kalgoorlie. Over a three-week period, members of the Kalgoorlie-Boulder community came in to talk with the Lynas team about the contents of the ERD.
- Preliminary site works as approved by the EPA commenced during the quarter. This included the site access, clearing of 10 hectares, installation of temporary site offices, establishment of borrow pit and construction of the kiln pad. A number of WA fabricated steel tanks were delivered to site.
- Procurement of key process equipment is well progressed with placement of orders for all long lead time items and 60% of total equipment requirements.
- Manufacture of ordered equipment continues. Fabrication of the five kiln shell sections is close to completion.



*All 5 sections of kiln shell completed/close to completion*



*Pop-Up Information point in Kalgoorlie*



Preliminary Site works and delivery of tanks

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## **OTHER LYNAS 2025 PROJECTS**

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### **United States**

During the period detailed engineering and design work for the Heavy Rare Earths (HRE) facility was submitted to the U.S. Government in line with U.S. Department of Defense (DoD) Phase 1 milestones. The DoD is now conducting a merit evaluation of the submission.

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## FINANCE

### CASH POSITION

A summarised cash flow for the quarter ended 30 June 2021 is set out below.

| CASH FLOW   | A\$ million    |              |
|---|----------------|--------------|
|   | Jun 21 quarter | Jun 21 YTD   |
| <b>Cash Inflows</b>   |                |              |
| Receipts from customers                                     | 192.7          | 465.4        |
| Proceeds from issue of shares, net of capital raising costs | -              | 413.9        |
| <b>Cash Outflows</b>  |                |              |
| Costs of production, administration and royalties           | (69.2)         | (252.3)      |
| Capex, exploration and development costs                    | (14.8)         | (40.4)       |
| Net interest received /(paid)                               | (1.7)          | (3.9)        |
| Placement of cash in term deposits                          | -              | (100.3)      |
| Net exchange rate adjustment                                | 5.3            | (3.3)        |
| <b>OPENING CASH BALANCE</b>                                 | <b>468.5</b>   | <b>101.7</b> |
| <b>CLOSING CASH BALANCE 30 June 2021</b>                    | <b>580.8</b>   | <b>580.8</b> |
| Add back short term deposits (1)                            | 100.0          | 100.0        |
| <b>CLOSING CASH AND SHORT TERM DEPOSITS 30 June 2021</b>    | <b>680.8</b>   | <b>680.8</b> |

(1) Following the capital raising during the September quarter, Lynas invested a portion of the cash proceeds in higher interest, short term deposits. These term deposits are held over various periods between 3 and 12 months.

## CORPORATE

The 2020 Annual General Meeting of Lynas shareholders will be held at 10am (Sydney time) on Monday 29 November 2021 at the Fullerton Hotel, 1 Martin Place, Sydney. A notice of meeting will be issued closer to that date.