

## QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2022

12 April 2022

### HIGHLIGHTS

- Quarterly Sales Revenue: A\$327.7m (Q2 FY22: A\$202.7m)
- Sales receipts: A\$262m (Q2 FY22: A\$151m)
- Closing cash and short term deposits: A\$768.4m (Q2 FY22: A\$674.2m)
- Total REO production: 4,945 tonnes (Q2 FY22: 4,209 tonnes)
  - NdPr production: 1,687 tonnes (Q2 FY22: 1,359 tonnes)
- Project highlights:
  - All necessary approvals for the Kalgoorlie Project received
  - Clearing of construction area complete
  - Equipment, including final 2 kiln sections, delivered ready for installation
  - Work commenced on the PDF for WLP residue in Malaysia

### CEO REVIEW

I am very pleased to report a record quarter for the period ending 31 March 2022. This excellent result is a credit to our teams in both Malaysia and Australia who have achieved increased production whilst managing the ongoing effects of the COVID-19 pandemic, global supply chain disruptions and logistics challenges.

Record sales revenue of A\$327.2m and record sales receipts of A\$262m were achieved. Market growth, particularly in the NdFeB market, resulted in strong demand for Lynas' NdPr product family and for our HRE compound (SEG). Increased production allowed Lynas to meet this continued strong demand throughout the quarter.

Record NdPr production of 1,687 tonnes was achieved during the quarter and total REO production of 4,945 tonnes was achieved. We are particularly proud to have achieved over 600 tonnes of NdPr production in March for the first time since the pandemic began.

The market price for NdPr continued to strengthen during the March quarter and our customers continue to advise that demand for rare earths remains strong, particularly in automotive industry. We are focused on developing initiatives to increase supply to support continued market growth.

Work progressed on our Lynas 2025 growth projects during the quarter. We were very pleased to receive the Ministerial Statement for the Kalgoorlie Rare Earth Processing Facility under the *Environmental*

*Protection Act 1986*, as announced on 1 February 2022. All necessary approvals for the Kalgoorlie project have now been received and construction is underway.

At Mt Weld, Mining Campaign 4-1 continued during the quarter. This mining campaign is a western cutback of the existing pit to remove waste to be followed by ore extraction.

During the quarter Lynas announced the results of a single 1 kilometre deep diamond drill hole into the fresh carbonatite below the current Mt Weld Rare Earths pit (as announced on 1 March 2022). The results confirm continuous Rare Earth Element (REE) mineralisation along the 1020m drill core at an average grade of 2.22% REO, no cut-off grade applied. The results reveal a large area of new exploration target in the fresh carbonatite below the zone of surficial weathering profile and Lynas will establish a new, targeted exploration program with the goal of meeting accelerating customer demand.

As announced on 31 March 2022, Lynas signed a letter of agreement with Japan Australia Rare Earths B.V. ("JARE") to continue to work together on future development opportunities and JARE agreed to further defer the repayment of a US\$11.5 million interest payment until 31 October 2022, with no penalty and no additional interest. JARE has provided excellent support to Lynas Rare Earths since 2011 and this letter of agreement reflects our joint commitment to the growth of our business and to the development of the Japanese rare earth supply chain.

Lynas remains closely engaged with a number of governments as they focus on securing diversified and resilient critical mineral supply chains.

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## **SAFETY AND ENVIRONMENT**

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Lynas is committed to ensuring the Company's operations and projects 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 and projects are safe for employees and contractors, safe for the environment and community, and secure for our customers.

The Company-wide 12-month rolling Lost Time Injury Rate, as at the end of March 2022, was 0.9 per million hours worked. There were no lost time injuries during the March quarter.

All sites operate with strict COVID-19 protocols, including surveillance Rapid Antigen testing, communication and education, disclosure and reporting, hygiene and required isolation procedures.

The annual audit of the Mt Weld environment management plan was completed during the quarter with no significant findings. Additionally, the annual geotechnical audit of the Mt Weld tailings storage facilities (TSFs) was completed during the quarter. The three TSFs were all compliant with regulatory requirements. The TSFs continue to operate in accordance with established protocols (including layered Rheomax® ETD tailings deposition, solar drying, Amphirol mudfarming and contouring using a swampy dozer).

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 is available at [www.LynasRareEarths.com](http://www.LynasRareEarths.com).

## MARKETING AND SALES

	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
Sales Volume REOt	3,096	4,758	2,724	3,753	5,067
Sales Revenue	A\$110m	A\$185.9m	A\$121.6m	A\$202.7m	A\$327.7m
Average Selling Price	A\$35.5/kg	A\$39.1/kg	A\$44.6/kg	A\$54.0/kg	A\$64.7/kg
Sales Receipts (cash)	A\$133m	A\$192m	A\$92m	A\$151m	A\$262m

Demand for Lynas products remained strong during the quarter, particularly for the NdPr product family in the magnet market segment. Strong demand, together with excellent production outcomes, resulted in record quarterly sales and cash collection. Lynas continues to receive many approaches from end users seeking to secure their raw material sourcing over the longer term and is engaged in productive discussions with a number of these end users. The NdFeB market continued to record robust growth, despite many downstream industries dealing with a reduced workforce due to the COVID-19 pandemic and the global shortage of semi-conductors during the period. This market growth supported the strong demand for Lynas' NdPr product family and HRE compound (SEG).

The NdPr price has strengthened significantly over the past two years and the average daily price reached USD145.4/kg (ex-VAT) in February 2022, before moderating to USD144.2/kg (ex-VAT) in March 2022.

NdPr Oxide China Domestic Price (VAT excluded)								
	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Jan	Feb	Mar
USD/kg	68.1	69.8	80.2	105.9	139.3	128.2	145.4	144.2
Base 100	100	102	118	156	205	188	214	212

Dy Oxide China Domestic Price (VAT excluded)								
	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Jan	Feb	Mar
USD/kg	340.3	348.3	353.1	394.1	420.1	416.3	430.8	413.1
Base 100	100	102	104	116	123	122	127	121

Tb Oxide China Domestic Price (VAT excluded)								
	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Jan	Feb	Mar
USD/kg	1222.2	985.2	1069.9	1422.3	1950.1	1823.1	2024.0	2003.3
Base 100	100	81	87	116	160	149	166	164

## OPERATIONS

### Upstream

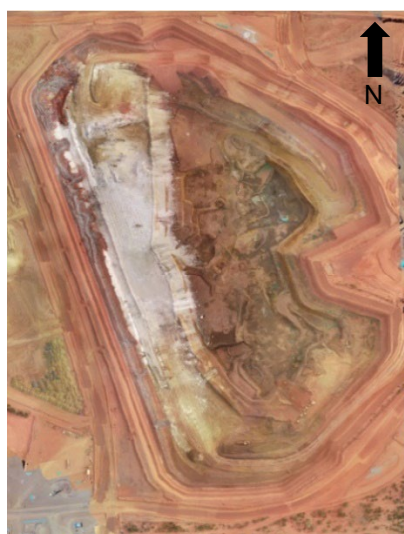
Debottlenecking initiatives continued at Mt Weld during the quarter to ensure supply for increased production rates at Lynas Malaysia. Continuity of supply in light of global shipping delays and disruptions remains a focus and Mt Weld continued to utilise charter vessels for concentrate shipments from Fremantle to Malaysia, in combination with commercial shipments, during the quarter.

On 1 March 2022, Lynas announced exploration results from a single 1 kilometre deep diamond drill hole into the fresh carbonatite below the current Mt Weld Rare Earths pit. The exploration drilling was partially funded by the Western Australian Government Exploration Incentive Scheme (EIS). The highlights of the announcement were as follows:

- Rare Earth Element (REE) mineralisation was confirmed along the entire 1020m drillhole at an average grade of 2.22% REO, no cut-off grade applied,
- The weathering process has significantly enriched the REE grade in the weathered saprolite zone, due to the relative enrichment of monazite within the Apatite Zones. Apatite Zones at shallower depths show 27m of 7.6% REO (0m to 27m depth below the current pit floor and 65 to 92m below the surface) and 23m of 13.67% REO (42m to 62m depth below the current pit floor and 107 to 127m below the surface),
- All samples returned REE assay; the highest grade is 21.44% REO from 60m to 62.4m hosted in the apatite zone and the lowest grade is 0.17% REO in a 4m composite sample from 969m to 973m depth hosted in calcite-rich carbonatite.

The results reveal a new exploration target in the fresh carbonatite below the surface weathering zone that is being mined within the Life of Mine design.

Mining Campaign 4-1 continued during the quarter. The Campaign 4-1 is a western cutback of the existing pit to remove waste to be followed by ore extraction.



*Photo: Mt Weld open cut mine as at 1 April 2022 showing benches of waste removed from Campaign 4-1 to the west (left of image)*

## Downstream

	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
Ready for Sale Production Volume Total	4,463 REOt	3,778 REOt	3,166 REOt	4,209 REOt	4,945 REOt
Ready for Sale Production Volume NdPr	1,359 REOt	1,393 REOt	1,255 REOt	1,359 REOt	1,687 REOt

The Lynas Malaysia team delivered an outstanding performance with record production of 1,687t NdPr in the March quarter. Over 600t of NdPr was produced in the month of March, the highest monthly NdPr production since the COVID-19 pandemic. This was achieved despite ongoing effects of COVID-19 in Malaysia and global logistics disruptions.

Preventative maintenance continued across key processes and inventories of critical chemicals and reagents were strategically built up during this period. These actions will minimise supply risks and contribute to stable production despite continuing unpredictability in the external environment.

The Malaysian Operating Licence has been updated to include a Class G licence for WLP disposal activities to the permanent disposal facility (PDF) for WLP residue.



## LYNAS 2025 FOUNDATION PROJECTS

### Kalgoorlie Project

Full approvals for construction of the Kalgoorlie Project were received in February 2022. Clearing of vegetation and topsoil on the construction areas (100Ha) is complete.

Progress during the period included:

- All five kiln sections have been delivered to site, together with four riding rings, sixteen rollers, the burner and combustion chamber
- Kiln pier civil works are complete and baseplates for drives and bearings have been mounted, as have handrails and intra-pier access platforms
- Leach area concrete bases and walls are complete
- Flooring for the soda ash area has been completed
- Filter Building has been excavated to base
- Two bolted tanks (1250m<sup>3</sup>) have been installed, and five levels of the 20,000m<sup>3</sup> raw water tank have been completed
- Ring beams have been installed for four 1700m<sup>3</sup> fabricated tanks
- Structural steel has been purchased for the filter building
- Recruitment continues for the operational workforce.



*Aerial view of Kalgoorlie construction works, March 2022*





*Primary leach area with kiln piers in background*



*Soda ash area civils with floor and two tank supports completed*





Raw water tank during construction of fifth level

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## OTHER LYNAS 2025 PROJECTS

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### United States

Lynas is currently in the planning phase for our proposed U.S. Rare Earths Separation Facility.

Lynas has now received 2 separate funding contracts from the United States Government:

- Contract signed for Phase 1 work (detailed market and strategy study plus detailed planning and design work) for the construction of a Heavy Rare Earths (HRE) separation facility in the United States (announced 27 July 2020)
- Contract signed with the United States Government to build a commercial Light Rare Earths separation plant in the United States (announced 22 January 2021) with Department of Defense funding to be capped at approximately US\$30 million with Lynas contributing a matching amount

The merit review for Phase 1 related to the HRE separation facility is complete and the DoD found the Phase 1 submission successful. Lynas and the DoD have progressed to detailed discussions on future phases.

## FINANCE

### Cash Position

A summarised cash flow for the quarter ended 31 March 2022 is set out below.

CASH FLOW	A\$ million	A\$ million
	Mar 22 quarter	FY22 YTD
<b>Cash Inflows</b>		
Receipts from customers	261.6	503.9
<b>Cash Outflows</b>		
Payment for production, administration and royalty costs	(93.7)	(240.9)
Payments for capex, exploration and development	(42.5)	(105.9)
Payments for extinguishment of rehabilitation liability <sup>1</sup>	(19.8)	(56.0)
Payments to security deposits	-	(8.0)
Payment of borrowings	-	(2.8)
Net interest paid	0.7	(1.1)
Net exchange rate adjustment	(12.1)	(1.6)
<b>OPENING CASH AND SHORT TERM DEPOSITS</b>	<b>674.2</b>	<b>680.8</b>
<b>CLOSING CASH AND SHORT TERM DEPOSITS</b>	<b>768.4</b>	<b>768.4</b>

(1) Payments for the extinguishment of rehabilitation liability relate to scheduled progress payments to GSSB in relation to the construction of the Permanent Disposal Facility in Malaysia.

Authorised by:  
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Company Secretary