

## QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2022

18 July 2022

### HIGHLIGHTS

- Quarterly Sales Revenue: A\$294.5m (Q3 FY22: A\$327.7)
- Sales receipts: A\$351m (Q3 FY22: A\$262m)
- Closing cash and short term deposits: A\$965.6m (Q3 FY22: A\$768.4m)
- Total REO production: 3,650 REOt (Q3 FY22: 4,945 tonnes)
  - NdPr production: 1,579 REOt (Q3 FY22: 1,687 tonnes)
- Lynas 2025 growth project highlights:
  - Lynas awarded US\$120m follow on contract by the US DoD to construct a Heavy Rare Earths facility in the USA
  - Progress on the construction of the Kalgoorlie Rare Earths Processing Facility continues to accelerate
    - All five kiln sections have been lifted into position and assembled
  - Cash Outflow on Capital projects increased to \$73.6m during the quarter

### CEO REVIEW

I am pleased to report a very strong final quarter for Financial Year 2022 (FY22). Lynas has continued to realise the benefits of robust market pricing and demand despite continued challenges in the external environment. Our year end cash balance of \$965.6m provides a confident basis for funding continued growth as demand grows.

Record sales receipts of A\$351m were achieved in the quarter. Sales revenue of A\$294.5m was the 2<sup>nd</sup> highest quarterly result recorded reflecting slightly lower production primarily due to water shortages in Malaysia.

During the period, rare earth prices were sustained at recent high levels, especially the NdPr price which remained between 70% and 80% higher than at the same time last year. The average China Domestic Price for NdPr during the quarter was US\$120/kg. Demand for Lynas' products remained strong in the quarter, with the majority of our products sold in the outside China market.

NdPr production of 1,579 tonnes and total REO production of 3,650 tonnes was achieved during the quarter. This was lower than in the third quarter due to ongoing and unpredictable water supply interruptions from our local supplier in Malaysia. Over the past 5 years, Lynas has implemented several mitigating strategies

to deal with the frequent interruptions to water supply including additional process water storage on site and use of other natural local water sources. However, the frequency and severity of the outages this quarter necessitated several partial or complete temporary production halts which affected production volumes.

As a further improvement our team has now designed a process modification with the objective of decreasing fresh water consumption by 40% at the Lynas Malaysia plant. This modification will be implemented during next quarter and is expected to substantially reduce exposure to water supply issues going forward whilst being consistent with best practice sustainability principles.

During the quarter, Lynas continued to use both commercial shipping and charter shipping to transport concentrate from Fremantle to Lynas Malaysia, mitigating the risk of unforeseen delays in commercial shipping schedules.

As has been reported across industry, various cost categories have seen significant increases over the past 12 months. Royalty cost increases follow price increases in the market, freight costs were approximately double due to global shipping cost increases and the addition of charter ships to mitigate the impact of port and shipment delays. Chemical input costs have increased by approximately 20% with some specific chemicals seeing changes of up to 70%.

More recent shipping and chemical cost developments indicate a moderation of the price pressures and in some instances even show prices retreating from their most recent highs. Notwithstanding these recent trends, we have redoubled our focus on opportunities to improve efficiency recognising the continued uncertain external conditions.

Progress on growth projects continued during the period. At the Kalgoorlie Processing Facility all five kiln sections have been lifted into position and assembled, and welding has commenced.

Significantly, during the quarter Lynas was awarded a follow on contract for approximately US\$120 million with the United States Department of Defence to build a commercial Heavy Rare Earths separation facility in the U.S (announced 14 June 2022). Lynas is planning to construct the facility within an existing industrial area on the Gulf Coast of the State of Texas. The new facility will house both the Heavy Rare Earths separation facility and the planned Light Rare Earth separation facility (announced 22 January 2021).

Mt Weld continued Mining Campaign 4-1 during the quarter and the campaign transitioned from waste removal to waste and ore mining during the quarter.

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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 June 2022, was 0.8 per million hours worked. The Company-wide 12-month rolling Total Recordable Injury Rate was 2.4 per million hours for the same period.

Lynas is proud to report that on 27 April 2022, the Mt Weld operation achieved the milestone of one year LTI free.

All sites operate with COVID-19 protocols, including surveillance Rapid Antigen testing, communication and education, disclosure and reporting, hygiene and required isolation procedures. Protocols in Western Australia and Malaysia adhere to the respective government directions.

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

	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Sales Volume REOt	4,758	2,724	3,753	5,067	3,719
Sales Revenue	A\$185.9m	A\$121.6m	A\$202.7m	A\$327.7m	A\$294.5m
Average Selling Price	A\$39.1/kg	A\$44.6/kg	A\$54.0/kg	A\$64.7/kg	A\$79.2/kg
Sales Receipts (cash)	A\$192m	A\$92m	A\$151m	A\$262m	A\$351m

In the quarter, demand for rare earths for NdFeB magnets inside China weakened impacted, in particular, by the COVID-19 related lockdowns in several industrial regions in China. However, despite this weaker demand, rare earth prices were resilient, especially NdPr which remained between 70 and 80% higher than a year ago. In the longer term, global demand for NdFeB magnets is forecast to grow from 130,000 tonnes of NdFeB magnets consumed in 2020 to 265,000 tonnes in 2030.

The demand for Lynas products, mostly sold in outside China markets, remained very strong during the period.

NdPr Oxide China Domestic Price (VAT excluded)								
	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Apr	May	June
USD/kg	70	80	106	139	120	116	121	124
Base 100	100	115	152	199	172	167	173	178

Dy Oxide China Domestic Price (VAT excluded)								
	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Apr	May	June
USD/kg	348	353	394	420	341	349	342	332
Base 100	100	101	113	121	98	100	98	95

Tb Oxide China Domestic Price (VAT excluded)								
	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Apr	May	June
USD/kg	985	1070	1422	1950	1884	1850	1919	1882
Base 100	100	109	144	198	191	188	195	191

Note: Sales information in this report is provided on an unaudited basis. Audited financial results will be published in the Full Year Financial Report in August 2022.

## OPERATIONS

### Upstream

Mt Weld continued Mining Campaign 4-1 during the quarter and transitioned from waste mining to waste and ore mining. Ore mined in this campaign is being transported to the run of mine stockpile for future blending. Campaign 3 ores were processed in the mill during the quarter. Lanthanide concentrate product from Mt Weld was shipped from Fremantle to Lynas Malaysia using both commercial and charter shipping.



*Photo: Mt Weld open cut mine as at 6 July 2022 showing Campaign 4 cutback on the right hand side*

## Downstream

	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q3 FY22
Ready for Sale Production Volume Total	3,778 REOt	3,166 REOt	4,209 REOt	4,945 REOt	3,650 REOt
Ready for Sale Production Volume NdPr	1,393 REOt	1,255 REOt	1,359 REOt	1,687 REOt	1,579 REOt

The Lynas Malaysia plant remains focused on delivering nameplate capacity production of NdPr.

However, water shortages due to supplier issues limited production in this quarter. The Lynas team has implemented a number of mitigating strategies, but the ongoing water shortages from our commercial supplier resulted in several complete or partial temporary production halts during the quarter.

NdPr production was prioritised as reflected in the total production volume.

In response to the continued water supply difficulties, a process modification has been designed with the objective of decreasing our fresh water consumption by 40%. This modification will be implemented during the July quarter and is expected to substantially reduce Lynas Malaysia's exposure to water supply issues.



## LYNAS 2025 FOUNDATION PROJECTS

### Kalgoorlie Project

Following the receipt of full approvals for construction of the Kalgoorlie Project in February 2022, construction activities at the site are now well underway.

Progress during the period included:

- All five kiln drum sections, the four riding rings, sixteen rollers, two main drives and auxiliary drive have been lifted into position and assembled. The kiln was rotated under its own power during the period. Welding activities will now commence.
- Work on concrete, foundations and frames for key buildings has progressed rapidly.
- Tank farm detail earthworks completed and blinding concrete installed.
- Waste Gas Plant foundation construction underway.
- The 20,000m<sup>3</sup> raw water tank is complete, two 1700m<sup>3</sup> water treatment tanks are complete, and fabrication of two 1300m<sup>3</sup> tanks are complete.

The key personnel in the Operational and Maintenance Leadership teams have been recruited and commenced work.



*Aerial view of Kalgoorlie construction works, June 2022*



*Waste Gas Plant foundation excavations and formwork progressing, with assembled kiln in background*



*Filter building foundations complete, flooring complete for 30% of building and structural steel progressing*





*Fabrication of two 1300m<sup>3</sup> tanks complete*

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## **OTHER LYNAS 2025 PROJECTS**

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### **United States**

During the quarter, Lynas was awarded a follow on contract for approximately US\$120 million with the United States Department of Defence to build a commercial Heavy Rare Earths separation facility in the U.S (announced 14 June 2022). The facility, to be located within an existing industrial area on the Gulf Coast in Texas, will house both the Heavy Rare Earths separation facility and the planned Light Rare Earth separation facility (announced 22 January 2021).

This is an exciting development for Lynas and we believe it will provide an excellent foundation for re-invigorating the Rare Earth industrial ecosystem in the US.

## FINANCE

### Cash Position

A summarised cash flow for the quarter ended 30 June 2022 is set out below.

CASH FLOW	A\$ million	A\$ million
	June 22 quarter	June 22 YTD
<b>Cash Inflows</b>		
Receipts from customers	351.1	855.0
<b>Cash Outflows</b>		
Payment for production, administration and royalty costs	(99.6)	(340.5)
Payments for capex, exploration and development, net of government grants	(73.6)	(179.5)
Payments for extinguishment of rehabilitation liability <sup>1</sup>	-	(56.0)
Payments to security deposits	-	(8.0)
Payment of borrowings	(2.9)	(5.7)
Net interest paid	(1.5)	(2.6)
Net exchange rate adjustment	23.7	22.1
<b>OPENING CASH AND SHORT TERM DEPOSITS</b>	<b>768.4</b>	<b>680.8</b>
<b>CLOSING CASH AND SHORT TERM DEPOSITS</b>	<b>965.6</b>	<b>965.6</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.
- (2) Financial information in this report is provided on an unaudited basis. Audited financial results will be published in the Full Year Financial Report in August 2022.

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## **CORPORATE**

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The 2022 Annual General Meeting of Lynas shareholders will be held at 10am (Sydney time) on Tuesday 29 November at the Fullerton Hotel, 1 Martin Place, Sydney. Shareholders will also be able to attend the meeting via a virtual platform. A notice of meeting will be issued closer to that date.

Authorised by:  
Sarah Leonard  
Company Secretary