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## QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2020

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### HIGHLIGHTS

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- Record Quarterly Sales Revenue of A\$119.4m (Q1 FY21: A\$87.3m)
  - Production in line with guidance:
    - NdPr Production: 1367 tonnes (Q1FY21: 1342 tonnes)
  - Cash conversion within the quarter was low
    - Reduced shipping schedules and delayed sailings (due to COVID-19) skewed sales to late in the quarter
    - Closing cash balance: A\$512.6m (Q1 FY21: A\$522.0)
  - Progress on Kalgoorlie project continued including placing orders for key process equipment
  - Exploration at Mt Weld identified potential REE mineralisation below the current Mt Weld Rare Earths pit (announced 26 November 2020)
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### CEO REVIEW

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I am pleased to present the results of a very productive quarter with excellent operating performance and substantive progress on our key growth projects.

Our sales revenue of A\$119.4m in the December quarter was the highest ever quarterly sales result for our company. Total NdPr production of 1,367 tonnes was in line with guidance at 75% of Lynas NEXT capacity and we maintained a sharp focus on operating costs.

The Lynas 2025 project teams continued to progress key growth initiatives including all elements of the Kalgoorlie project: approvals, engineering design and procurement. In addition, our proposed new facility in Texas, U.S., has been the subject of recent announcements.

While we cannot yet make a full assessment of the pandemic's impact on global demand, the Rare Earth market appears to have been less affected by the crisis compared to some markets. Demand for electric vehicles has accelerated in Europe and Asia, which has more than compensated for the overall decrease in the automotive market.

Developing strategically reliable Rare Earth supply chains remains important to governments and end users. As the world's second largest producer of separated Rare Earths, and the only significant producer outside of China, Lynas is in an ideal position to support supply chain diversity. Lynas continues to actively

engage with all relevant governments regarding Rare Earths supply chain resilience and opportunities for governments to support local processing and manufacturing industries.

Our business faced a number of challenges in the December quarter, including a rise in COVID-19 infections in Malaysia. The disciplined response of the whole Lynas team has enabled us to meet these challenges whilst delivering record results.

Malaysia has experienced a significant third wave of infections starting from October 2020. We have reinforced and strengthened our well established health and hygiene protocols to protect the health of our people. Most recently the Malaysian government has reinstated strict Movement Control Orders. Manufacturing is currently nominated as an essential service so we are able to continue operations with the previously mentioned stringent controls. In Western Australia, whilst not facing the same challenges relating to infection rates, we have continued our vigilance and continue to enforce strict protocols to protect our people.

The challenges presented by the global pandemic extend beyond the health of our people. In particular, shipping schedules have been significantly affected. At one stage during the quarter, all concentrate shipments were delayed, some by up to 32 days. Likewise, shipping availability for customer deliveries has been very limited leading to a number of shipments late in the quarter. Investors will note that cash conversion within the quarter, which is generally more than 80%, was significantly lower. This is a direct consequence of delayed sailings. We have received the cash from these shipments in early January.

The east coast of Malaysia has experienced its most significant flood event since 2014, associated with the seasonal monsoon. This has affected our local communities and many of our people. We are pleased to report that we have maintained and increased our community contributions as our local communities respond to both the floods and the effects of the pandemic.

Lynas announced in February 2020 that our Malaysian operating licence has been renewed for three years from 3 March 2020, subject to the following key conditions:

1. Lynas to begin the process of developing the Permanent Disposal Facility (PDF) for WLP residue within the first year from the date of approval of the licence.
2. Lynas must submit a work development plan for the construction of the PDF and report on its development status as determined by the Malaysian Atomic Energy Licensing Board (AELB).
3. Lynas must ensure that the Cracking and Leaching plant outside Malaysia is in operation before July 2023. After that period, Lynas will no longer be allowed to import raw materials containing Naturally Occurring Radioactive Material (NORM) into Malaysia.
4. Holding of the financial deposit will be maintained for compliance with the relevant licence conditions.

Lynas has made significant progress in satisfying each of these conditions. Regarding the first condition, the PDF site has been identified at Bukit Ketam, Pahang State, and the contractor has been appointed to commence development of the PDF, subject to final regulatory approvals. Lynas has completed and submitted all relevant studies related to the construction of the PDF. As always, we are engaging closely with government, regulators and the local community to ensure we follow the properly designed

processes. In light of current COVID-19 restrictions in Malaysia, the regulator has extended the deadline for satisfaction of the first condition by 6 months to 2 September 2021.

As noted in the previous quarterly report, capital expenditure related to Lynas 2025 projects is more significant in the December quarter. Expenditure will continue to increase throughout FY21.

As announced on 26 November 2020, exploration results from the recent drilling at the Mt Weld Rare Earths pit found significant and continuous intersections of Light and Heavy Rare Earth elements below the current Life of Mine pit design depth. Our strategy remains to maintain Ore Reserves with greater than 25 years life by continuing our exploration and development programme in 2021.

Turning to our management team, in December 2020, Daniel Havas commenced as our new VP Strategy & Investor Relations, responsible for Lynas' strategic analysis, investor relations and international government relations. Daniel has a strong background in international business strategy, foreign direct investment, market entry & expansion planning, and stakeholder relations. Prior to joining Lynas, Daniel was Australia's Senior Trade & Investment Commissioner to Malaysia & Brunei, a member of Austrade's ASEAN leadership team, and previously Australia's Trade Commissioner to Peru & Ecuador. Daniel has a broad range of experience in both the private sector and government, having worked in multiple jurisdictions including South-East Asia, Latin America, Spain, and North America.

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## **SAFETY AND ENVIRONMENT**

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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 December 2020, was 0.8 per million hours worked.

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

The annual ISO audit was successfully completed for Lynas Malaysia during the quarter for recertification of ISO 9001:2015 (Quality Management) and ISO 14001:2015 (Environmental Management) as well as for ISO 45011:2018 which was a migration from OHSAS 18001:2007 (Occupational Health and Safety Management) standards. Both Lynas sites have been certified since 2012.

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.lynascorp.com](http://www.lynascorp.com).

## MARKETING & SALES

	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Sales Volume REOt	3507	4601	1878	4499	4052
Sales Revenue	A\$85.8m	A\$91.2m	A\$38.0m	A\$87.3m	A\$119.4m
Average Selling Price	A\$24.5/kg	A\$19.8/kg	A\$20.2/kg	A\$19.4/kg	A\$29.5/kg
Sales Receipts (cash)	A\$83m	A\$101m	A\$42m	A\$72m	A\$68m

During the December quarter, Lynas achieved record sales revenue. NdPr demand recovery and supply stabilization supported a 31% increase in NdPr prices during the quarter. In addition, Dy prices increased by 18% during the quarter and Tb prices increased by 48%, supporting the sales of our SEG mix and our strategic decision to invest in Heavy Rare Earth separation.

Our Average Selling Price was also favoured by an improved product and customer mix, including a growing portion of Ce-La based customized products developed over the past several years.

It is still premature to make a full assessment of global demand for Rare Earths as the impact of COVID-19 on the demand in different market segments has not yet stabilized. However, the Rare Earth market appears to have been less affected by the crisis than some markets. Electric car penetration appears to be accelerating in Europe and Asia (mainly in China) which more than compensates for the overall decrease in the automotive market. As an example, sales of New Energy Vehicles in China were up 29% in 2020 to 4.9 million while gasoline vehicles were down 5.95% to 24.2 million<sup>1</sup>. In the EU, indications are that light vehicle

<sup>1</sup> Source: <https://www.argusmedia.com/en/news/2175627-chinas-new-motor-vehicle-registrations-rise-in-2020>

registration decreased by approximately 25% while electric car sales remained unchanged, compared to 2019.

	NdPr Oxide China Domestic Price (VAT excluded)							
	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Oct	Nov	Dec
USD/kg	36.2	35	33.8	40.8	48.7	42.4	48.1	55.5
Base 100	100	97	93	113	135	117	133	153

	Dy Oxide China Domestic Price (VAT excluded)							
	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Oct	Nov	Dec
USD/kg	202	222	229	227	235	214	232	258
Base 100	100	110	113	112	116	106	115	128

	Tb Oxide China Domestic Price (VAT excluded)							
	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Oct	Nov	Dec
USD/kg	440	477	508	608	751	633	726	895
Base 100	100	108	115	138	171	144	165	203

## OPERATIONS

### Upstream

On 26 November 2020, Lynas announced exploration results from recent drilling in fresh carbonatite below the current Mt Weld Rare Earths pit. Two new water bores were established. These holes were extended for exploration purposes below the current Life of Mine pit design depth and this is the first time we have drilled to these depths. The highlights of the 26 November 2020 announcement were as follows:

- Significant and continuous intersections of Rare Earth minerals were encountered, including Light Rare Earth elements and Heavy Rare Earth elements.
- Rare Earth Element (REE) mineralisation remains open at depth.
- One new borehole (LWB025) included 149 metres of 2.2% Rare Earth Oxides (REO) in carbonatite from 52m to 201m.
- The other new borehole (LWB026) included 61 metres at 2.7% REO in carbonatite from 17m to 78m
- Grain size is significantly coarser than the fine-grained Rare Earth minerals in the saprolite (weathered) zone of the current Mt Weld mining zone.

Full details available at: <https://www.lynascorp.com/wp-content/uploads/2020/11/Drilling-Results-v8.pdf>

**Downstream**

	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Ready for Sale Production Volume Total	3592 REOt	4465 REOt	2579 REOt	4110 REOt	3410 REOt
Ready for Sale Production Volume NdPr	1270 REOt	1369 REOt	775 REOt	1342 REOt	1367 REOt

Throughout the quarter, Lynas Malaysia continued to operate at approximately 75% of the Lynas NEXT production rates. This remains sufficient to meet key customer demand, while maintaining new COVID-related health and safety protocols for our people and local communities. In this quarter, we also managed the effects of a particularly wet monsoon season.

Shipping availabilities became more limited around the world, leading to delays in some of our shipments. This resulted in some delayed cash collection from revenue generated in the December quarter.

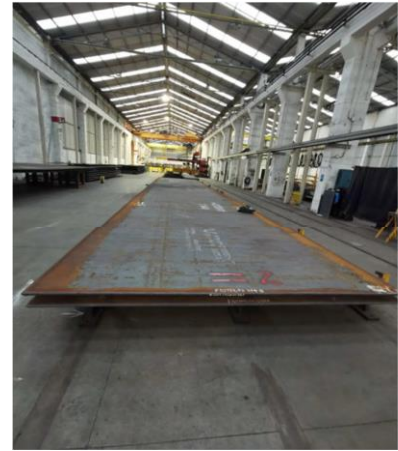
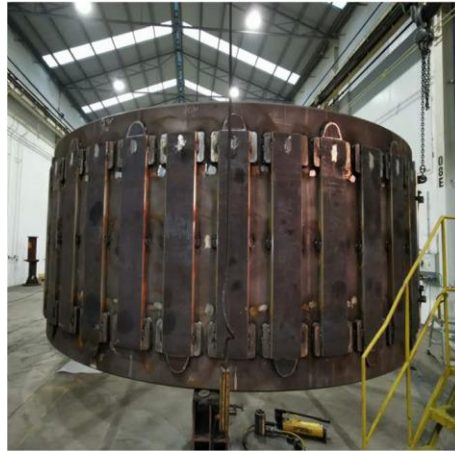
**LYNAS 2025 FOUNDATION PROJECTS**

**Kalgoorlie Project**

Key milestones during the December quarter included:

- Following the submission of the Section 38 referral to the EPA (Environmental Protection Authority of Western Australia) last quarter, the EPA has set the level of assessment for the project as “Assessment on Referral Information with additional Information”. The majority of the additional information requested relates to a proposed second site outside Kalgoorlie, which is proposed as a by-product storage site.
- Procurement of key process equipment continued with placement of orders for large pressure filters, agitators, steel and rubber lined tanks, FRP tanks and spray tower.
- Kiln fabrication underway (as pictured below).

For personal use only



Kiln fabrication

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## OTHER LYNAS 2025 PROJECTS

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### United States

The project team continues to progress the Phase 1 work for a U.S. based Heavy Rare Earths separation facility. The Phase 1 work comprises a detailed market and strategy study plus detailed planning and design work for construction of a U.S. based Heavy Rare Earths separation facility. We expect this work to be completed in the 2021 financial year, which is in line with DoD Phase 1 milestones.

In addition, on 22 January 2021, Lynas announced the signing of an agreement with the United States Government to build a commercial Light Rare Earths separation plant in the United States. This project is scheduled to be completed in accordance with the Department of Defense timetable and as part of our Lynas 2025 plan. Detailed costings are still being finalized; we expect Department of Defense funding to be capped at approximately US\$30 million. Lynas will also be expected to contribute approximately US\$30 million under the agreement. Once operational, the plant is expected to produce approximately 5,000 tonnes per annum of Rare Earths products, including approximately 1,250 tonnes per annum of NdPr. The plant will be designed to receive material directly from the cracking & leaching plant that Lynas is developing in Kalgoorlie, Western Australia.



## FINANCE

### CASH POSITION

A summarised cash flow for the quarter ended 31 December 2020 is set out below.

CASH FLOW	A\$ million	
	Dec 20 quarter	Dec 20 YTD
<b>Cash Inflows</b>		
Receipts from customers	68.1	140.0
Proceeds from issue of shares, net of capital raising costs	-	413.9
<b>Cash Outflows</b>		
Costs of production, administration and royalties	(60.4)	(117.8)
Capex, exploration and development costs	(9.6)	(15.5)
Net interest received /(paid)	(2.4)	(3.1)
Placement of cash in term deposits	-	(200.0)
Net exchange rate adjustment	(5.1)	(6.6)
<b>OPENING CASH BALANCE</b>	<b>322.0</b>	<b>101.7</b>
<b>CLOSING CASH BALANCE 31 December 2020</b>	<b>312.6</b>	<b>312.6</b>
Add back short term deposits (1)	200.0	200.0
<b>CLOSING CASH AND SHORT TERM DEPOSITS 31 December 2020</b>	<b>512.6</b>	<b>512.6</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.



**Appendix A: JORC Compliance**

Information in this report is extracted from the report entitled “Exploration Identifies Potential Primary REE Mineralisation Below Current Mt Weld Rare Earths Pit” created on 26 November 2020, which is available to view at: <https://www.lynascorp.com/wp-content/uploads/2020/11/Drilling-Results-v8.pdf>

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.