

## QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2021

22 October 2021

### HIGHLIGHTS

- Quarterly Sales Revenue: A\$121.6m (Q4 FY21: A\$185.9m)
- Sales receipts: A\$92m (Q4 FY21: A\$192m)
- Closing cash balance: A\$667.3m (Q4 FY21: A\$680.8m)
- Total REO production: 3,166 tonnes (Q4 FY21: 3,778 tonnes)
  - NdPr production: 1,255 tonnes (Q4 FY21: 1,393 tonnes)
- *Lynas 2025 project:*
  - Kiln components en route to Australia
  - 70% of procurement now complete
  - Process water agreement signed with City of Kalgoorlie-Boulder
  - On 20 October 2021, the WA EPA recommended the Kalgoorlie Rare Earth Processing Facility for environmental approval

### CEO REVIEW

The global COVID-19 pandemic continued to present challenges and opportunities for the Lynas business in the quarter ending 30 September 2021.

Strong demand from the magnet market and increased market pricing for NdPr continued as economies recovered from the pandemic. Invoiced revenue for the quarter was \$121.6m, the 2nd highest quarterly result recorded for Lynas.

In Malaysia, 99.9% of staff and 99% of contractors were fully vaccinated as at 13 October 2021. However, despite the high level of vaccinated staff, increased COVID-19 case numbers in the Kuantan area during the quarter resulted in the cracking and leaching plant being partially or fully shutdown for 11 days due to the unavailability of personnel who were required to isolate. We were able to utilise this time for major maintenance programs. Product finishing of non-NdPr products was also shutdown for 16 days during the period as we prioritised NdPr production with available personnel. The pandemic continued to affect logistics, with delays in both inbound and outbound shipments affecting availability of key production inputs and finished product deliveries.

Despite these challenges, the team managed to maintain NdPr production at 70% of Lynas NEXT capacity.

Total REO production during the quarter was 3,166 tonnes (Q4 FY21: 3,778 tonnes) and NdPr production was 1,255 tonnes (Q4 FY21: 1,393 tonnes).

During the quarter, the effects of the 3<sup>rd</sup> COVID wave in Malaysia were extreme with cases peaking at +/- 20,000 per day. While case numbers in Malaysia have now decreased, we continue to maintain our strong health and safety protocols, in addition to the Malaysian Government's standard operating procedures (SOPs) for all staff, contractors and visitors to our plant.

Following the end of the quarter, on 5 October 2021, the Western Australian (WA) Government announced that FIFO and local workers on WA mining and resources sites, and people who work in remote operations or run critical infrastructure, must be fully vaccinated by 1st January 2022. We are currently consulting with our WA staff and will implement a vaccination policy in line with the WA Government's public health directions.

Demand for Rare Earth materials continues to be very strong in the magnet market and our customers report that they expect this demand to further accelerate in 2022. The average China Domestic Price for NdPr was US\$80.1/kg for the quarter.

Work on our Lynas 2025 foundation projects continued during the period, including procurement and minor and preliminary works at our Kalgoorlie Rare Earths Processing Facility (as approved by the EPA in March 2021). Concrete pads were installed on site to enable the delivery of the kiln shell, which is being shipped from Europe and is expected to arrive in WA in November 2021.

Following the quarter end, the Western Australian Environmental Protection Authority (EPA) recommended the Kalgoorlie Rare Earth Processing Facility for environmental approval subject to conditions and released its assessment report on 20 October 2021.

As noted in the June 2021 quarterly report (Q4 FY21), Lynas has submitted detailed engineering and design work for the U.S based Heavy Rare Earths (HRE) facility and the U.S. Department of Defense (DoD) continues to conduct a merit evaluation of the submission.

Mining Campaign 4-1 commenced at Mt Weld during the quarter and waste removal is underway. In addition, the resource extension drilling program has commenced to convert inferred resource to measured and indicated.

In Malaysia, the AELB completed its latest audit of the Lynas Malaysia plant in September. All regulatory conditions were in compliance and the audit result was "Very Satisfactory", which is the highest performance rating. This is the fourth audit in a row where the plant has maintained a "Very Satisfactory" performance rating.

Work on the Permanent Disposal Facility (PDF) in Malaysia continued during the quarter. Detailed assessments were undertaken, and the Environment Impact Assessment (EIA) was submitted to the Department of Environment in September 2021 and is now on display for public response by 11 November 2021.

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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 September 2021, was 0.9 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. Lynas Malaysia is close to being fully vaccinated with staff at 99.9% and contractors at 99%, as at 13 October 2021.

On 5 October 2021, the Western Australian (WA) Government announced that FIFO and local workers on WA mining and resources sites, and people who work in remote operations or run critical infrastructure, must be fully vaccinated by 1st January 2022. Consultation is underway with staff in Australia and a vaccination policy will be implemented in line with the WA Government's public health directions. In addition, Lynas will support personnel to access vaccines where possible.

The annual ISO surveillance audits were conducted at Mt Weld and Lynas Malaysia during the quarter and both sites were recertified for ISO 9001:2015 (Quality Management), ISO 14001:2015 (Environmental Management) and ISO 45011:2018 (Occupational Health and Safety Management). Lynas sites have been certified since 2012. On 23rd September 2021, the AELB completed its latest audit of the Lynas Malaysia plant, which achieved a rating of "Very Satisfactory", which is the highest performance rating.

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

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22
Sales Volume REOt	4499	4052	3096	4758	2724
Sales Revenue	A\$87.3m	A\$119.4m	A\$110m	A\$185.9m	A\$121.6m
Average Selling Price	A\$19.4/kg	A\$29.5/kg	A\$35.5/kg	A\$39.1/kg	A\$44.6/kg
Sales Receipts (cash)	A\$72m	A\$68m	A\$133m	A\$192m	\$92m

Sales during the quarter were limited by COVID-19 related effects on production and sales volume was affected by the resulting prioritisation of NdPr production. Delays occurred as a result of limited shipping availability. Despite these challenging conditions (mostly related to the COVID-19 situation), our close relationships with our longstanding customers allowed us to minimise any supply chain disruption.

Demand, especially in the magnet market segment, continues to be very strong and our customers expect it to further accelerate in 2022.

Given that many market players expect the strong growth to continue, prices of Rare Earth materials used for magnets remain at a high level.

### NdPr Oxide China Domestic Price (VAT excluded)

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Jul	Aug	Sep
USD/kg	40.8	48.7	68.2	69.9	80.1	75	83.9	81.5
Base 100	100	119	167	171	196	184	206	200

### Dy Oxide China Domestic Price (VAT excluded)

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Jul	Aug	Sep
USD/kg	227	235	340	350	353	341	361	358
Base 100	100	104	150	154	156	150	159	158

### Tb Oxide China Domestic Price (VAT excluded)

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Jul	Aug	Sep
USD/kg	608	751	1222	989	1070	963	1130	1118
Base 100	100	124	201	163	176	158	186	184

## OPERATIONS

### Upstream

Mining Campaign 4-1 commenced during the quarter. The first stage of Campaign 4-1 is a western cutback of the existing pit. Grade control drilling will be conducted after the waste has been removed.

The resource extension drilling program southwest of the pit (workshop area) also commenced during the period. The objective is to target the extension of the LI, CZ and AP mineralisation; convert inferred resource to measured and indicated; provide metallurgical samples for testing and confirm the thickness and ore contacts.

Commissioning and optimisation of the second Stack Cell continued during the quarter. 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.



*Mining Campaign 4-1 waste mining underway  
Western cutback of current pit*



*Exploration drilling, southwest of current pit  
Mine workshop area in background*

## Downstream

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22
Ready for Sale Production Volume Total	4110 REOt	3410 REOt	4463 REOt	3778 REOt	3166 REOt
Ready for Sale Production Volume NdPr	1342 REOt	1367 REOt	1359 REOt	1393 REOt	1255 REOt

During Q1 FY22, Malaysia had the highest rates of COVID-19 infections since the beginning of the pandemic. The community surrounding our Lynas Malaysia plant was significantly affected and this affected our production capacity in multiple ways:

- Kuantan water supply was severely reduced following a pump failure at the local water treatment plant and difficulty in obtaining a replacement due to COVID-19 related movement control restrictions
- Availability of some chemical products was affected by COVID-19 related shipment delays and production decreases, especially in China, causing shortages.
- There was a partial or full shutdown of the cracking and leaching plant for 11 days due to the unavailability of personnel who were required to isolate due to an increase in COVID-19 case numbers in the Kuantan area. This shutdown period was utilised for major maintenance programs. Product finishing of non-NdPr products was also shutdown for 16 days as we prioritised NdPr production with available personnel.

Despite these challenges, the team maintained 70% of NdPr production capacity, finishing the quarter with a strong performance in the month of September as the COVID-19 situation improved.



## LYNAS 2025 FOUNDATION PROJECTS

### Kalgoorlie Project

The Environmental Protection Authority (EPA) recommended the proposal to construct and operate a Rare Earth Processing Facility in Kalgoorlie for environmental approval subject to conditions and released its assessment report on 20 October 2021.

Progress during the period included:

- Preliminary site works, as approved by the EPA in March 2021, continued apace with the base foundations for the kiln footings completed and the construction of the kiln piers commenced to enable delivery of the kiln shell.
- The kiln components including the five shell sections are being shipped from Europe and are due to arrive in WA in November.
- The delivery of WA fabricated steel tanks to Lot 500 continued, with a number of the tanks being used for construction water.
- Manufacture of ordered equipment continues. Procurement of key process equipment is well progressed with placement of orders for all long lead time items and over 70% of total equipment requirements.
- Lynas signed a Water Agreement with the City of Kalgoorlie-Boulder for the City to supply treated water from the Waste Water Treatment Plant to the Kalgoorlie Rare Earths Processing Facility. The use of treated recycled water is in line with our best practice sustainability principles.
- Lynas also signed on as a partner for Western Power's innovative Eastern Goldfields Load Permissive Scheme (ELPS) which will provide the site with access to power through the grid.



*Aerial view of works completed in compliance with minor and preliminary works approval*



*Loading of kiln sections for shipping from Spain to Australia*



*Kiln pad and pier under construction to enable delivery of the kiln shell*

## OTHER LYNAS 2025 PROJECTS

### United States

During the quarter the U.S. Department of Defense continued to conduct a merit evaluation of the submission of the detailed engineering and design work for the Heavy Rare Earths (HRE) facility made in the prior period.



## FINANCE

### Cash Position

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

CASH FLOW	A\$ million	A\$ million
	Sept 21 quarter	Sept 21 YTD
<b>Cash Inflows</b>		
Receipts from customers	91.8	91.8
Net interest received	0.3	0.3
<b>Cash Outflows</b>		
Payment for production, administration and royalty costs	(68.9)	(68.9)
Payments for capex, exploration and development	(25.1)	(25.1)
Payments for extinguishment of rehabilitation liability <sup>1</sup>	(17.9)	(17.9)
Payments to security deposits	(5.0)	(5.0)
Net exchange rate adjustment	11.3	11.3
<b>OPENING CASH AND SHORT TERM DEPOSITS</b>	<b>680.8</b>	<b>680.8</b>
<b>CLOSING CASH AND SHORT TERM DEPOSITS</b>	<b>667.3</b>	<b>667.3</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.

## CORPORATE

The 2021 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 and online via the Lumi Platform. More information on the AGM can be found at [www.LynasRareEarths.com](http://www.LynasRareEarths.com).

Authorized by:  
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