Attention ASX Company Announcements Platform

Lodgement of BRR Media interview

brr media

ASX Announcement: 16th May 2014

Lynas CEO provides corporate update

BRR Interview with CEO, Eric Noyrez

BRR Media Interview:

BRR Welcome to BRR Media Eric. It's been just over one year since you were appointed the CEO of Lynas, and what an interesting time it has been?

EN Thank-you. It certainly has been busy. My absolute focus has been on increasing throughput through the Lynas Advanced Materials Plant, or LAMP for short. After a difficult beginning, our production levels are trending fast in the right direction. I also initiated a thorough, and ongoing, focus on reducing costs.
In April Lynas produced 709 tonnes of rare earth oxides, which was above March quarter production of 575 tonnes, which in turn was 65% higher than the previous month.
As a result we I have every belief that we will achieve our target production rate of 11,000 tonnes per annum during the current quarter.

BRR That 709 tonnes a month production figure achieved last month is very important to Lynas isn't it?

EN Very much so. First and foremost, our short term objective is to achieve our target production rate of 917 tonnes a month, which is an annualised rate of 11,000 tonnes. As I said earlier, we are very confident we will achieve this during the current quarter and our intention is to operate sustainably at that rate as we enter the new financial year.

However, getting into the 700-800 tonne per month production range is important as at current prices we expect that Lynas will be operating cashflow neutral at an average sales rate of 750 tonnes a month. Allowing for timing differences between production and sales, every lift in production is matched by a lift in sales so we are closing in on positive operating cash flow.

BRR If things are turning around, why the requirement to raise capital?

EN We advised the market some months ago that we were in discussions with established financial industry participants regarding various funding alternatives. We also said that any fundraising could comprise some combination of additional equity, additional debt, or some refinancing or restructure of the Group's debt facilities. The reasons for doing so are actually quite simple, despite their long and complicated history. The delays we encountered receiving our approvals to operate, and then the operational issues experienced as we began ramping up production meant that we were delayed in accruing cash flow from sales, and this placed working capital pressure on the company.

As a result, we now have provided an opportunity to our existing investors in Australia and New Zealand to purchase up to $15,000 of shares, while providing the company with an additional $30-$40 million of working capital headroom to get production at LAMP to the 11,000 tonnes per annum production rates we have targeted.

BRR So what does the future cash profile look like for Lynas after the $30 million SPP and $10 million placement?

EN Because the SPP is underwritten we are guaranteed a minimum $30 million, minus costs, with the possibility of an additional $10 million through the top-up placement to the sophisticated investors who provided sub-underwriting.

That's a minimum $30-$40 million improvement to our balance sheet and working capital, which would take our pro forma cash balance at April 30 to $61 million.

Just as important as the capital raising was the concurrent announcement that we have appointed Nomura Australia Limited, as lead arranger for the purchase and amendment of the Sojitz / JOGMEC debt facility, subject to further negotiation and approvals.

Nomura is proposing to purchase the debt facility and replace the repayment schedule with a single bullet payment in June 2016. This would remove Lynas' requirement to make a US$35 million payment in September 2014, and additional payments throughout 2015, and all of the Company's debt becomes non-current.

We also remain engaged with existing and potential financiers regarding the potential restructure of our existing finance facilities.

So in summary, the capital raising and proposed change in debt payments have a significant impact on our current and future balance sheet, while the increasing production at LAMP is positively impacting our P&L.

BRR Why have you set the SPP price post-announcement rather than pre-announcement?

EN We wanted to ensure a fully informed market and believed that pricing the SPP and placement post-announcement would provide a better outcome for the company and its existing shareholders, while providing the optimal capital injection for the company as it continues to ramp up production at LAMP.

Setting the price near the end of the process minimises the risk of share price movements for investing shareholders.

BRR Finally, can you give us a very brief snapshot of the current rare earth market supply/demand fundamentals?

EN First, the rare earths industry enjoys very favorable long term fundamentals, with growth rates in excess of GDP. This is not a recent trend, as it has been this way since the 1960s. Green and high-tech sector product developments such as smart phones, tablet computers, hybrid and electric vehicles and direct drive wind turbines add momentum to decades longer demand from industries such as lighting, glass polishing, petroleum refining and the automotive industry emissions reduction.

Customer stockpiles built up during the price bubble of 2010-2011 now appear to have been depleted and there is evidence of traditional buyers returning to the market. Prices are beginning to show signs of reflecting this tightening in demand.

Another positive influence is the recent Chinese initiatives to consolidate their supply base and compel investment in more modern and sustainable production facilities, resulting in China's operating costs increasing to levels equal to producers such as Lynas that have already made those investments.

Lynas has strong relationships with customers (major globally recognised names) that are willing to pay sustainability-based prices. We are delighted to see, that despite our past difficulties with the project, our customers remain committed and we are able to sell everything we produce

BRR **Eric Noyrez, thank-you for joining BRR Media**

For more information on **Lynas Corporation**, please visit https://www.lynascorp.com

For more information on **BRR Media** please visit http://www.brrmedia.com/ or contact Eliza Gee on +61 (0)8 9486 4570 or egee@brrmedia.com