

29 August 2019

## **Lynas delivers record production & second consecutive profit in FY19**

*Increased global significance of Rare Earths positions the Company for continued growth*

- NPAT of \$80.0m (FY18: \$53.1m)
- EBIT of \$56.4m (FY18: \$81.0m)
- EBITDA of \$100.7m (FY18: \$121.9m)
- Revenue of \$363.5m (FY18: \$374.1m)
- 365 days LTI free at Lynas Malaysia
- Record total REO production of 19,737 tonnes (FY18: 17,753 tonnes)
- Record NdPr production of 5,898 tonnes (FY18: 5,444)
- Cash flows from operating activities of \$104.1m (FY18: \$118.5m)
- Total Group debts reduced to \$193.0m (FY18: \$225.1m)
- Lynas NEXT project successfully completed and Lynas 2025 growth plans announced
- External recognition of excellent sustainability and WHS performance

Lynas Corporation Ltd (ASX:LYC, OTC:LYSDY) today released its Financial Report for the year ending 30 June 2019 (FY19). The Company reported a net profit after tax of \$80m, its second consecutive full year profit as a Rare Earths company. Profit from operating activities was \$56.4m (FY18:\$81.0m).

Record Rare Earth Oxide production was delivered during the year, however, sales revenue remained stable at \$363.5m as a result of market price reductions and a higher proportion of La and Ce sold which resulted in a lower average price across the full product range.

Lynas Corporation CEO and Managing Director, Amanda Lacaze, said: “This result reflects the sustained operational improvements delivered by our team this year. Our ability to produce NdPr at the higher Lynas NEXT rates was proven ahead of schedule, and we introduced new separated Nd and Pr products as part of our product range.

“Significantly, these improvements were achieved in a year that presented some extremely challenging regulatory and market conditions. As announced on 16 August 2019, we are very pleased that the Malaysian government has renewed the operating licence for the Lynas Malaysia plant and followed the recommendations of its own scientific review committee. Subject to meeting specified conditions over the next six months, this renewal provides a clear pathway for our continued operation.

“However, market volatility continues and in the second half of FY19, we took the step of reserving NdPr production for the current and future needs of our strategic customers. This led to a small inventory build by year end.

“Lynas holds a unique position as the only significant rest of world Rare Earths miner and producer and interest in our company has intensified following recent geopolitical and macroeconomic issues. Our Lynas 2025 growth plans, announced on 21 May 2019, will assist us to meet the forecast demand growth and consolidate our position as a preferred supplier of Rare Earths for digital age technologies.”

### **Strong operating cash flows support debt reduction and expansion**

For the second consecutive year, cash flows from operating activities exceeded \$100m in FY19. This enabled the Company to further reduce debt and invest in Lynas NEXT activities.

Total Group debt reduced to \$192.9m in FY19 from \$225.1m in FY18 due to repayments made to the JARE loan facility and the conversion of US\$1.6m of issued bonds by convertible bond holders during the year.

As announced on 27 June 2019, new loan terms have been agreed with JARE regarding the existing JARE loan facility to support the Company's Lynas 2025 growth plans. The revised terms extend the facility to 2030, with a more favourable interest rate.

### **Record REO & NdPr Production**

During the period the Company achieved record Rare Earth Oxide (REO) production of 19,154 tonnes and record NdPr production of 5,898 tonnes. This reflected Lynas NEXT improvements and quality improvements to La and Ce during the period.

As reported in the December 2018 quarterly report, production was temporarily halted in December 2018 after the annual approved limit for processing of lanthanide concentrate in Malaysia was reached. The limit was reset at the start of the 2019 calendar year, and production recommenced in January 2019.

### **Production Update**

Lynas Malaysia is yet to receive approval for the uplift in the lanthanide concentrate processing limit for Calendar Year 2019 (CY19). While we continue to work with the regulator regarding approval, production will be at reduced rates during the second 6 months of CY19. This is a different strategy from CY18. In CY18, we maintained maximum rates and then entered a complete plant shutdown. Starting up after a complete plant shutdown was not optimal and maintaining production at a slightly lower rate will avoid a complete shutdown of the plant should approval not be received prior to December 2019. If the approval is not received in time, total NdPr production for CY19 will be similar to CY18.

Managing production levels through the 6 month period will also allow us to complete further work, most importantly additional metallurgical work. As indicated during the June 2019 Quarter Investor Briefing, Mining Campaign 3 is underway at Mt Weld. As we move into any new ore zone, we expect to see changes. For Mining Campaign 3, we are

seeing two changes in ore and concentrate quality; (i) an increase in crandallite and (ii) elevated carbonate levels.

The primary Rare Earth mineral at Mt Weld is monazite, which is a Rare Earth phosphate. Crandallite is similar to monazite, but it also contains aluminium, calcium and some other elements. As a result, the rare earth content is lower. Since the introduction of Campaign 2 ore, there has been a significant increase in the amount of Crandallite in the ore and concentrate.

The Mt Weld Rare Earth orebody is within a carbonatite volcanic pipe and low levels of carbonates are present in the Mt Weld ore and the concentrate feed to Cracking & Leaching. Ore from Mining Campaign 3 shows indicators of elevated carbonate levels compared to previous mining campaigns.

The teams at Mt Weld and Kuantan have identified several changes in processing performance and are progressing optimisation of the Mt Weld and C&L circuits to handle the changes in ore and concentrate quality. One key change will be the installation of a pre-leach circuit at Mt Weld.”

We continue to work with the Department of Environment to gain approval for the production uplift based on the new EIA related to these matters which we completed earlier in the year. If approval is received in the following 4 months, our current strategy will ensure we are well placed to immediately ramp up production rates.

Demand continues to grow in outside China markets and the vast majority of Rare Earths that we produce through to 31<sup>st</sup> December will be sold to customers outside China. We are continuing to progress with our Lynas 2025 growth plans to meet forecast demand growth and we will provide further updates as details are finalised.

### **About Lynas Corporation**

Lynas Corporation Ltd (ASX: LYC) is the world’s second largest producer of Rare Earth materials. a proven and profitable producer of specialty Rare Earth materials. The company operates one of the world’s highest grade Rare Earth mines in Mt Weld, Western Australia, and a sustainable chemical processing operation in Gebeng, Malaysia. For more information visit: [lynascorp.com](http://lynascorp.com) or watch our video: [https://www.youtube.com/watch?v=x4hLzZ\\_wViA&t](https://www.youtube.com/watch?v=x4hLzZ_wViA&t)

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