

QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2020

SUMMARY

- OPERATIONS
 - All Kuantan operations were temporarily shut down for 44 days in compliance with the Malaysian government's COVID-19 Movement Control Order.
 - Mt Weld production was temporarily shut down when global concentrate inventory levels reached maximum target levels. Mt Weld staff were redeployed to development and maintenance projects during that period.
 - Operations at both plants restarted in good order with production at 70% of Lynas NEXT rates.
 - Extensive COVID-19 health and safety protocols remain in place for Lynas Malaysia and Mt Weld, in line with the relevant government requirements and recommendations, to protect the health and wellbeing of our workforce.
 - NdPr production: 775 tonnes (Q3 FY20: 1,369 tonnes)
 - Total REO production: 2,579 tonnes (Q3 FY20: 4,465 tonnes)

- FINANCIAL PERFORMANCE
 - Closing cash balance of A\$101.7 (Q3 FY20: A\$124.6m)
 - Invoiced sales revenue of A\$38m (Q3 FY20: A\$91.2m)

- SALES & MARKETING
 - REO sales volume: 1,878 tonnes (Q3 FY20: 4,601 tonnes)
 - Sales receipts: \$42m

- LYNAS 2025 GROWTH PLAN
 - Project teams continue to make solid progress on key Lynas 2025 projects
 - On 15 July 2020, Lynas announced the Kalgoorlie Rare Earths plant project had commenced with the contract awarded for supply of the kiln, which is the longest lead time item for the plant.
 - Engagement with Kalgoorlie's businesses and community members continued during the quarter and an online community information session was held.

CEO REVIEW

All production was temporarily shutdown in Malaysia and in Mt Weld as a consequence of the COVID-19 Movement Control Order (MCO) issued by the Malaysian government. Lynas Malaysia recommenced operations in early May and Mt Weld restarted concentrate production in mid-June.

In response to expected reductions in demand, Lynas Malaysia commenced production at approximately 70% of Lynas NEXT rates and by June, production was running at approximately 75% of Lynas NEXT rates. Mt Weld production rates are aligned to Lynas Malaysia rates.

Total NdPr production during the quarter was 775 tonnes, down from 1,369 tonnes in the previous quarter and Total Rare Earth Oxide production was 2,579 tonnes, compared to 4,465 tonnes in the previous quarter.

Sales revenue was A\$38m during the June quarter.

Project teams continued to make solid progress on Lynas 2025 growth initiatives during the quarter. The Kalgoorlie project team continued to progress construction and engineering plans and completed key studies and procurement activities. On 15 July 2020, Lynas announced that Metso Outotec had been awarded the contract to supply the Kalgoorlie plant's kiln following a competitive tender. This is a key project milestone as the kiln is the longest lead time item. The contract for engineering and supply of the kiln is valued at approximately USD 15 million (AUD 21.6 million).

During the quarter, the Kalgoorlie project team continued to engage with local stakeholders including businesses and community members. In light of COVID-19 restrictions on public gatherings, a live online community information session was held with active participation by members of the Kalgoorlie community who were able to ask questions directly to members of the project team.

On 22 April 2020, Lynas announced that we had been advised of the US Department of Defense's intention to award Lynas a Phase 1 contract for a US based Heavy Rare Earth separation facility. Subsequently, on 22 May 2020, Lynas advised that this process was placed on hold. The process was placed on hold due to outstanding issues which we understand are being addressed. While there has been recent media speculation as to the status of this matter, Lynas is continuing to work with all relevant stakeholders to address outstanding issues. In addition, Lynas is well progressed with the detailed design and engineering for our Heavy Rare Earths plant and we remain committed to developing a Heavy Rare Earths separation facility, expanding our product suite and providing the only source of separated Heavy Rare Earths outside China.

As the COVID-19 pandemic continues, we have maintained our excellent COVID-19 health and safety protocols in both Malaysia and Western Australia which have allowed us to protect our people, their families and our communities.

Following the Malaysian government's announcement on 1 May 2020 that most industries, including manufacturing, would be allowed to operate from 4 May 2020, the Lynas Malaysia plant recommenced operations with strict health and safety protocols applied throughout the operations. Office-based staff continued to work from home until 1 July 2020 when they began a managed return to the office. At Mt Weld, we have maintained 50% flight loadings and social distancing protocols on site.

Despite the changes to working locations and routines, our people have demonstrated their adaptability and remained focused and connected through online team meetings, training and forums with the leadership team.

SAFETY AND ENVIRONMENT

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 June 2020, was 0.8 per million hours worked.

The number one priority during the quarter was the health, safety and wellbeing of our people and local communities. Both of our sites were proactive in complying with the Australian and Malaysian government COVID-19 protocols. Additional controls including communication and education, disclosure and reporting, testing, social distancing, hygiene and precautionary isolation procedures were implemented.

The Lynas Malaysia plant was restarted on 4 May 2020 in line with the easing of Malaysian government control orders, but still under prudent Standard Operating Procedures.

Mt Weld had continued to operate with health and hygiene precautions in line with government guidelines and the Resources Sector National COVID-19 Protocols. Operations were temporarily suspended from 9 April 2020 until 16 June 2020 due to sufficient concentrate stocks being available for the restart of the Lynas Malaysia plant and the team used this opportunity to complete improvement and maintenance projects.

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.

MARKETING & SALES

	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
Sales Volume REOt	4723	4186	3507	4601	1878
Sales Revenue	A\$87.5m	A\$99.1m	A\$85.8m	A\$91.2m	A\$38m
Average Selling Price	A\$18.5/kg	A\$23.7/kg	A\$24.5/kg	A\$19.8/kg	A\$20.2/kg
Sales Receipts (cash)	A\$106m	A\$96m	A\$83m	A\$101m	A\$42m

Lynas' sales performance in the June quarter was significantly affected by the six-week shutdown in compliance with the Malaysian government's COVID-19 Movement Control Order.

In addition, demand for Rare Earth products has been affected by the global COVID-19 situation, especially in those segments related to the automotive market. The latest forecast from the International Energy Association (IEA) estimates a likely decrease in the global automotive market of 15% in 2020 compared to 2019. However, it also estimates that sales of EVs (battery electric cars and plug hybrid cars) would remain unchanged compared to last year, suggesting a growing consumer trend towards EVs. A 15% decrease in the global automotive market represents a 1,000 tons per annum or 2-3% decrease in demand for NdPr. Most of this forecast decrease has occurred in the first half of this calendar year (China in Q1, Japan in Q2), and based on customer feedback, we expect demand for NdPr to improve in the second half of this year.

Demand for Cerium is affected by the decline of the automotive market and the decrease of ICEs in the vehicle mix. Accordingly, Lynas continues working on developing new applications and market positions for Cerium Specialty products.

Demand for Lanthanum, which is mainly used in fluid catalytic cracking (FCC) in oil refineries, depends on demand for gasoline. At the peak of the COVID-19 situation, the movement controls imposed by many countries translated into substantial reductions in gasoline consumption, leading to a significant decrease in Lanthanum demand for FCC. We consider this to be a very temporary situation since the number of cars on the road has mostly returned to normal, and most existing cars are ICE vehicles.

As expected, uncertainties regarding the global economy kept Rare Earth prices low during the June quarter.

NdPr Oxide China Domestic Price (VAT excluded)								
	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	April	May	June
US\$/kg	39.1	39	36.2	35	33.8	32.2	33	36
Base								
100	100	100	93	90	86	82	84	92

Dy Oxide China Domestic Price (VAT excluded)								
	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	April	May	June
US\$/kg	221	237	202	222	229	222	227	237
Base								
100	100	107	91	100	104	100	103	107

Future market price trends will depend on future end product demand (in particular in the automotive industry). It may take a few quarters to clarify the effects on demand, including the effects of government economic policies and possible regulatory developments.

OPERATIONS

	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
Ready for Sale Production Volume Total	5220 REOt	4422 REOt	5444 REOt	4651 REOt	3926 REOt	3592 REOt	4465 REOt	2579 REOt
Ready for Sale Production Volume NdPr	1579 REOt	1223 REOt	1591 REOt	1505 REOt	1242 REOt	1270 REOt	1369 REOt	775 REOt

Production at the Lynas Malaysia plant was temporarily shutdown on 22 March in compliance with the Malaysian government's COVID-19 Movement Control Order. Production recommenced at the Lynas Malaysia plant on 4 May 2020 in line with the easing of Malaysian government control orders, and we continued to maintain prudent Standard Operating Procedures. At restart, operations were running at approximately 70% of the Lynas NEXT production rates which was determined as sufficient to refill supply chains and to restock depleted inventories of critical materials while maintaining new COVID-related health and safety protocols for our people and local communities.

Three out of four kilns and three out of four SX5 trains are currently in operation and we are currently trialling larger crucibles in the tunnel furnaces to increase capacity. After the restart and ramp up in May, production in June was at approximately 75% of Lynas NEXT rates. The operational focus is on stable production, product quality and optimised recovery and costs.

At Mt Weld, operations were temporarily shutdown from 9 April 2020 until 16 June 2020 due to sufficient concentrate stocks being available for the restart of the Lynas Malaysia plant. The Mt Weld team used this opportunity to complete improvement and maintenance projects.



Cleaner 1 at Mt Weld, during reagent trial
Froth is more fluid than normal



Cleaner 2 at Mt Weld with new froth washing,
Cleaner free flowing froth



Trialling larger crucibles in Malaysian Tunnel Furnaces to improve capacity

FINANCE

CASH POSITION

A summarised cash flow for the quarter ended 30 June 2020 is set out below.

CASH FLOW	A\$ million	A\$ million
	June 20 quarter	June 20 YTD
Cash Inflows		
Receipts from customers	42.1	321.8
Proceeds from exercise of warrants	-	11.6
Cash Outflows		
Costs of production, administration and royalties	(51.4)	(268.0)
Capex and development, including offsite PDF construction	(2.1)	(36.4)
Net interest received /(paid)	(2.2)	(4.1)
AELB term deposit	-	(12.6)
Net exchange rate adjustment	(9.3)	(0.3)
OPENING CASH BALANCE	124.6	89.7
CLOSING CASH BALANCE 30 June 2020	101.7	101.7

FOREX

The currency composition of the Group's cash at 30 June 2020 was A\$25.3m, US\$30.7m, MYR111.3m and RMB10.0m. The A\$ strengthened significantly against the US\$ and the MYR over the quarter, resulting in a foreign exchange loss for the quarter.

CORPORATE

On 7 July 2020, Lynas announced that Lynas Chair Mike Harding will retire as the Chair of the Lynas Board and as a Non-Executive Director of Lynas, effective from 30 September 2020. Kathleen Conlon, a Non-Executive Director of Lynas since November 2011, has been elected to succeed Mike in the role of Non-Executive Chair with effect from 30 September 2020.

As announced on 17 January 2020, Lynas has received documents initiating a judicial review challenge in Malaysia. The hearing of that judicial review application is now scheduled for 19 October 2020.

The 2020 Annual General Meeting of Lynas shareholders will be held at 10am (Sydney time) on Tuesday 26 November 2020 at the Fullerton Hotel, 1 Martin Place, Sydney. A notice of meeting will be issued closer to that date.