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## QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2020

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### SUMMARY

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- OPERATIONS
  - COVID-19 health and safety protocols remain in place for Lynas Malaysia and Mt Weld
  - NdPr production: 1,342 tonnes (Q4 FY20: 775 tonnes) was 75% of Lynas NEXT rates and equivalent to original nameplate production
  - Total REO production: 4,110 tonnes (Q4 FY20: 2,579 tonnes)
  
- FINANCIAL PERFORMANCE
  - Invoiced sales revenue: A\$87m (Q4 FY20: A\$38m)
  - Positive Cash Flow reflects ability to capture cost efficiencies at target 75% production rate
  - Closing balance (cash and short term deposits): A\$522.0m (Q4 FY20: A\$101.7m)
  
- SALES & MARKETING
  - REO sales volume: 4,499 tonnes (Q4 FY20: 1,878 tonnes)
  - Sales receipts: A\$72m (Q4 FY20: A\$42m)
  
- LYNAS 2025 INITIATIVES
  - Successful capital raising of A\$425 million (less expenses of A\$11 million) was undertaken providing funding for the Lynas 2025 foundation projects: Kalgoorlie Rare Earths Processing Facility and associated upgrades at the Lynas Malaysia Plant
    - Sublease signed with the City of Kalgoorlie Boulder and General Purpose Lease obtained under the Mining Act for the site of the Kalgoorlie Rare Earth Processing Facility
    - Decision received from the Australian Department of Agriculture, Water & the Environment that the Kalgoorlie Rare Earth Processing Facility is not a controlled action under the EPBC Act, meaning the project will be regulated by WA state regulators
  
  - Contract signed with the US Department of Defense for Phase 1 work on the proposed U.S. based HRE facility

## CEO REVIEW

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I am pleased to report that Lynas has had a good start to FY21.

Following the temporary shutdowns in both Malaysia and Mt Weld as a result of the COVID-19 Movement Control Order (MCO) issued by the Malaysian government, production of NdPr was at 75% of Lynas NEXT production rates during the quarter (equivalent to original nameplate production rates). This is currently sufficient to meet demand from our customers while COVID-19 uncertainty remains.

Total NdPr production during the quarter was 1,342 tonnes, up from 775 tonnes in the previous quarter and Total Rare Earth Oxide production was 4,110 tonnes, compared to 2,579 tonnes in the previous quarter. Sales revenue was A\$87m during the September quarter, up from A\$38m in the previous quarter.

The company remained cash flow positive during the quarter, as we captured efficiencies while running production at original nameplate. We expect to see an increase in expenditure related to Lynas 2025 projects in the coming months.

During the quarter we completed a A\$425 million equity raising to fund Lynas 2025 foundation projects. I would like to thank our eligible shareholders for your strong support and I would like to welcome our new investors. We were delighted with the success of the equity raising and can now progress Lynas 2025 foundation projects absent timing constraints related to financing.

Our project teams continue to make progress on our key Lynas 2025 growth initiatives. We have now awarded the contract for the longest lead time item, the kiln, for our Kalgoorlie Rare Earth Processing Facility, signed a sub-lease with the City of Kalgoorlie Boulder (CKB) for the industrial zoned site selected for our Kalgoorlie Facility (as announced on 21 August 2020), and obtained a General Purpose Lease under the Mining Act.

Our Kalgoorlie community engagement program continued during the period, with the project team running a pop-up information point in Kalgoorlie for three weeks during September, which was well attended by local residents.

On 27 July 2020, we announced we had signed a contract with the U.S. Department of Defense for Phase 1 work on a U.S. based Heavy Rare Earth separation facility. In line with DoD Phase 1 milestones, we expect this work to be completed in the 2021 financial year.

We remain committed to expanding our product suite and the development of our Heavy Rare Earths separation capability is an important strategic project for our company as it is intended to provide the only source of separated Heavy Rare Earths outside China and allow us to provide a full suite of Rare Earth materials to our customers.

The COVID-19 pandemic has highlighted the importance of securing a diverse supply of critical minerals, including Rare Earths, to governments and end users around the world. 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.

Late in the quarter, the United States President announced an Executive Order to build reliable and resilient critical minerals supply chains for the U.S. economy. The European Union also identified the need for a diversified and sustainable supply chain, launching a new strategy to secure access to Rare Earths and other critical minerals. In addition, the Australian government released its Modern Manufacturing Strategy, with resources technology and critical minerals processing identified as one of six National Manufacturing Priorities.

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.

Shareholders will have noted that on 13 August 2020, Lynas signed a letter of agreement with our senior lender JARE, reaffirming our long and mutually beneficial relationship and continued commitment to development of global Rare Earth supply chains.

As the COVID-19 pandemic continues, we have maintained our excellent COVID-19 health and safety protocols in both Malaysia and Western Australia. In recent weeks there has been a new wave of COVID-19 cases in Malaysia, however, very few cases have been detected in the state of Pahang where we operate. We remain vigilant and have increased precautions to protect the health and safety of our people and our communities.

Due to COVID-19 related restrictions, the judicial review hearing referred to in the June Quarterly Report has been postponed to 8 February 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 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 surveillance audit was conducted at Mt Weld during the quarter and the Mt Weld operations were recertified for 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. Lynas sites have been certified since 2012. The surveillance audit for Lynas Malaysia is scheduled for next quarter.

During the quarter, Lynas released our 2020 Sustainability Report which is our second report and reflects our commitment to ethical and sustainable production of Rare Earth materials as well as our ongoing commitment to reporting progress towards the principles of the United Nations Global Compact (UNGC). The Report was prepared in accordance with the Global Reporting Initiative (GRI) Sustainability reporting Guidelines which are referenced by the ASX Corporate Governance Council Principles and Recommendations. The report covers Lynas’ approach and performance in the areas of: Health and Safety; Communities & Human Rights; Employment; Environment & Biodiversity; and Product Stewardship. We are proud of this report and it is available on our website at [www.lynascorp.com](http://www.lynascorp.com).

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

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Sales Volume REOt	4186	3507	4601	1878	4499
Sales Revenue	A\$99.1m	A\$85.8m	A\$91.2m	A\$38.0m	A\$87.3m
Average Selling Price	A\$23.7/kg	A\$24.5/kg	A\$19.8/kg	A\$20.2/kg	A\$19.4/kg
Sales Receipts (cash)	A\$96m	A\$83m	A\$101m	A\$42m	A\$72m

Lynas’ sales performance in the September quarter was strong with revenue of over A\$87m. NdPr production, at 75% of Lynas NEXT rates, currently remains sufficient to meet the needs of our key customers. We continue to assess this on a weekly basis and will restart idle equipment as demand recovers from the COVID-19 situation.

Through the quarter, our sales to Fluid Catalytic Cracking (FCC) catalyst makers (the main consumers of La oxide) started to recover, while the automotive catalyst market remained subdued. On the other hand, sales

were quite strong for customised products developed in the past 2 years for Polishing Powder applications and other specific applications.

A full assessment of global Rare Earth demand will not be possible until the global COVID-19 situation is more stable. However, positive news continued to support the magnet market, as the EU decided to accelerate the decarbonisation of its economy, now targeting a 60% reduction of emissions by 2030 compared to 1990, instead of the 40% previously targeted. This acceleration was deemed necessary to achieve the ultimate goal of Net Zero Emissions by 2050 (NZE2050). With road transportation being responsible for over 20% of CO2 emissions in the EU, this acceleration is expected to translate into a faster penetration of electric and hybrid vehicles (xEVs).

During the September quarter, Rare Earth prices were quite volatile. While global demand for magnets appears to still be affected by the COVID-19 situation, a focus on the projected significant increase in demand from accelerating xEV production sustained the price above US\$40/kg.

NdPr Oxide China Domestic Price (VAT excluded)								
	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	July	August	Sept
USD/kg	39	36.2	35	33.8	40.8	36.9	42.3	43.1
Base 100	100	93	90	87	105	95	108	111

Dy Oxide China Domestic Price (VAT excluded)								
	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	July	August	Sept
USD/kg	237	202	222	229	227	229	230	221
Base 100	100	85	93	96	96	97	97	93

## OPERATIONS

### Upstream

We continue to invest in improvement projects at Mt Weld. One key project has been the reagent trial designed to remove impurities from final concentrate by the entrainment of fine iron oxide particles which is showing good outcomes. In the quarter we commenced a new drilling campaign and look forward to updating investors regarding this program.

## Downstream

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Ready for Sale Production Volume Total	3926 REOt	3592 REOt	4465 REOt	2579 REOt	4110 REOt
Ready for Sale Production Volume NdPr	1242 REOt	1270 REOt	1369 REOt	775 REOt	1342 REOt

The Lynas Malaysia plant continued to operate at approximately 75% of the Lynas NEXT production rates which remains sufficient to meet customer demand, 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. Our operational focus continues to be on stabilising production and quality, and optimising recovery and costs.

## LYNAS 2025 FOUNDATION PROJECTS

### Equity Raising

During the quarter, Lynas successfully completed an A\$425m equity raising which included an institutional and retail entitlement offer. The capital raised will be used to fund the Lynas 2025 foundation projects expected to be delivered in 2023.

### Kalgoorlie Project

Key milestones during the quarter include:

- An order for a 6 metre diameter, 110 metre long rotary kiln was placed with Metso Outotec. This is the critical path long lead time piece of equipment for the project.
- Signing of a sub-lease with the City of Kalgoorlie Boulder (CKB) for an industrial zoned property (135 Ha) located on the Great Eastern Highway west of the city. Lynas has also obtained a General Purpose Lease under the Mining Act.
- Decision on an EPBC Act referral for the Lynas Kalgoorlie Rare Earths Processing Facility project by the Department of Agriculture, Water and Environment. A decision from DAWE was received on 3 September 2020 stating “The proposed action is not a controlled action.” This means the proposed action does not require further assessment and approval under the EPBC Act before it can proceed.
- The project referral (Section 38) and supporting documentation has been submitted to the Western Australian Environmental Protection Agency (EPA).

- The Kalgoorlie community engagement program continued during the quarter, including a pop-up information point on Hannan Street, Kalgoorlie for three weeks during September. The information point was well attended by members of the local community.
- The fencing of the site in line with Sub-Lease requirements was awarded to local Kalgoorlie contractors and commenced in September 2020.



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## OTHER LYNAS 2025 PROJECTS

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### United States

As announced on 27 July 2020, Lynas signed a contract with the U.S. Department of Defense (DoD) for Phase I work on a proposed U.S. based Heavy Rare Earth separation facility.

Lynas' proposed Heavy Rare Earth facility is an attractive and strategic proposition, and it is intended to provide an expanded product suite as well as the only source of separated Heavy Rare Earths outside China.

Lynas intends to utilise our inhouse intellectual property and proven track record in Rare Earths separation to design and operate the Heavy Rare Earths separation facility, which is intended to process Heavy Rare Earths material sourced from the Lynas mine in Mt Weld, Western Australia.

## FINANCE

### CASH POSITION

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

CASH FLOW	A\$ million	A\$ million
	Sept 20 quarter	Sept 20 YTD
<b>Cash Inflows</b>		
Receipts from customers	71.8	71.8
Proceeds from issue of shares, net of capital raising costs	413.9	413.9
<b>Cash Outflows</b>		
Costs of production, administration and royalties	(57.4)	(57.4)
Capex, exploration and development costs	(5.9)	(5.9)
Net interest received /(paid)	(0.7)	(0.7)
Placement of cash in term deposits	(200.0)	(200.0)
Net exchange rate adjustment	(1.4)	(1.4)
<b>OPENING CASH BALANCE</b>	<b>101.7</b>	<b>101.7</b>
<b>CLOSING CASH BALANCE 30 September 2020</b>	<b>322.0</b>	<b>322.0</b>
Add back short term deposits (1)	200.0	200.0
<b>CLOSING CASH AND SHORT TERM DEPOSITS 30 September 2020</b>	<b>522.0</b>	<b>522.0</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.



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## CORPORATE

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As announced on 7 July 2020, we are pleased to welcome Kathleen Conlon as Chair of Lynas Corporation following the retirement of Mike Harding, effective 30 September 2020. Additionally, Lynas announced, on 29 September 2020, the appointment of Dr Vanessa Guthrie as a new Non-Executive Director, with effect from 1 October 2020.

The 2020 Annual General Meeting of Lynas shareholders will be held at 10am (Sydney time) on Thursday 26 November 2020 at the Fullerton Hotel, 1 Martin Place, Sydney.

The Notice of Meeting is available on the ASX Company Announcements Platform and the Lynas website [www.lynascorp.com](http://www.lynascorp.com).

While we always look forward to meeting with Shareholders at the AGM, the health and safety of our Shareholders, our people and our communities is our first priority. Due to the ongoing COVID-19 pandemic, Lynas encourages all shareholders to lodge a directed proxy form before 10.00am Sydney time on 24 November 2020, rather than planning to attend the 2020 meeting in person. In 2020, the AGM will also be webcast, and shareholders will be able to ask questions via the online platform during the meeting.