

26 November 2020

## **Lynas AGM 2020**

### **CEO Address**

Thank you Kathleen. I too am delighted to speak to you, our shareholders, today. I am disappointed the continuing challenges presented by the COVID-19 pandemic means we are running this AGM in a new format. I always look forward to our AGMs as an opportunity to engage directly with our shareholders, and after 6 years in this role, an opportunity to catch up on the year that you and your families have had.

Reflecting on how I have got to know many of our shareholders – individual and institutional – on a personal level, reminds me of some of the differences in our company compared to others.

At Lynas, our whole team shares strong values and a determination to succeed and grow. This year we codified the Values on which we have built our business. You may have noted this slide in some of our recent presentations. In 2020 our core value of Care has been more important than ever. It has been evidenced in our adoption of new health and hygiene practices to protect our people and it has been evidenced in our continuing contribution to our local communities and local service providers, particularly in Malaysia.

We truly value the quality of our relationships with all our stakeholders, and importantly, you our shareholders.

As I reflect on our year past and some of our plans for the future, I trust you will recognise these values and their contribution to our results. However, before doing that I would like to speak specifically to the value of Diversity which is a key enabler of our success. Lynas, unlike many of our ASX peers, is a truly global company. Our value starts under the ground in Western Australia, our key value adding process is in Malaysia and the customers we serve are all over the world. We are one of only a few Australian companies whose sales are 100% outside Australia. In this global community, we are fully committed to embracing diversity in all parts of our company. We are ethnically diverse – we have 10 nationalities represented in the 1<sup>st</sup> 2 layers of our management team and we have further ethnic diversity within that. However, as you may guess I am particularly focused on gender diversity across our operations. If we want to continue to improve gender diversity in our business I think it is important that we show women that working at Lynas is challenging and fun.

One of the primary purposes of an AGM is to reflect on the year that was. And, of course, we have all heard, ad nauseum, that 2020 has been an extraordinary year. As I prepared this speech, some of the challenges we faced at the beginning of the year seemed very distant.

These challenges included ensuring the renewal of our Operating License in Malaysia, finalising our Lynas NEXT initiatives and commencing our Lynas 2025 growth projects. And then, later in the year we faced the challenges presented by the COVID-19 pandemic. As with the many challenges we have faced through my time with the company we met these challenges by focusing on those things that matter most – Caring for our people and communities, honouring best practice sustainability principles in all our activities and ensuring that we comply with relevant regulations at all times. And I am proud to reflect on a year with many Operational Highlights.

We have continued to improve our safety outcomes and implemented protocols which have protected our people and communities during the pandemic.

We are committed to further developing our reputation as a source of Responsible Rare Earths. This includes honouring our commitments as a signatory to the UN Global Compact and embracing new technologies to improve the way in which we use and process our precious resource.

In FY20 we succeeded in having our Malaysian operating license renewed not once but twice. The current license is a 3 year license to March 2023.

And maybe most exciting of all, with our foundations well established we made significant progress on our next growth phase. Our Financial performance was less pleasing.

The benchmark prices for our products remained low throughout the year. Despite this we recorded positive cashflow from operations.

Our year was a story of 4 quarters – in the quarters where we had no constraints on production, we were pleased with our performance. However, in the 2<sup>nd</sup> quarter we were required to shutdown when we reached our approved processing limit in Malaysia. The much more significant effect came in the 4<sup>th</sup> quarter when we were required to shut down for 44 days in compliance with the Movement Control Order in Malaysia implemented to deal with the 1<sup>st</sup> wave of COVID-19.

Of course, as a fully integrated business, this had ramifications for both sites and we also ceased production at the Mt Weld concentrator during the quarter. During the shutdown we took actions to protect our people and customers both during

the shutdown and after we recommenced operations. We implemented new health and hygiene protocols quickly and we implemented a COVID-19 leave

policy. Importantly, we did not stand down any employees and maintained close contact whilst they were absent from site to ensure we would be able to restart in good order – and we have. We maintained contact with our customers and ensured we were well prepared to recommence supply once the movement control order was lifted.

We have already advised the market that we are now operating, by choice, at 75% of Lynas NEXT rates. This is equivalent to original nameplate for our facilities thus allowing us to capture volume cost efficiencies in original design and throughput efficiencies delivered by Lynas NEXT. At this rate, we are able to maintain supply to our key strategic customers whilst retaining flexibility to increase production as demand grows.

Despite the uncertainty introduced by the global pandemic, underlying growth drivers remain unchanged and we are pleased that demand appears to be returning to pre-COVID levels. In particular, the demand from our Japanese customers is strong and demand is strong inside China. Of course, demand varies by segment – we see strong demand for magnetic materials with positive pricing trends. However, demand for catalytic materials remains subdued – driven by lower sales of ICE vehicles and lower demand for fuels in all forms of transport.

Global megatrends have the potential to create positive outcomes for Lynas including a new awareness of the importance of supply chain resilience. You would be aware that Rare Earths supply chains have come to the attention of governments around the world. The pandemic has sharpened this attention as it has shown that unforeseen events can quickly disrupt well established supply chains. In addition governments are facing the imperative to generate new economic activity. Rare Earths, which are essential to future facing industries will help to underpin economic growth. The media often reports on these matters as if it will result in winners and losers, based on geopolitical alignment. At Lynas, we see a growing and dynamic market where customers will need diverse sourcing strategies to meet their increased demand. We

believe there will be enough growth to support shared prosperity and this is exciting for our business.

I am ambitious for Lynas – we have created a business with solid foundations, we know how to operate our assets, we have strong relationships with our existing customers and as we are developing new relationships, we have the Technical IP to progress operating enhancements, new product development and development of new applications - and we now have the Balance Sheet to support our ambitious growth plans.

Many of you participated in our recent equity raise. This has secured funding for our foundation Kalgoorlie Rare Earth Processing Facility, provides us with the flexibility to use our cash flow to fund other key projects like the Malaysian Permanent Deposit Facility and supports our ability to capture other growth opportunities.

You will have seen this map before. We are creating a company with market leading competence in both Upstream and Downstream processing. We are investing in more processing capability in Western Australia – not just to meet our Malaysian license conditions, but because it makes sense to perform early processing close to our resource at Mt Weld. Our Downstream facilities will be located close to our customers, providing assured supply, supporting downstream development and encouraging shared technical development.

Our Mt Weld ore body underpins our ability to grow and we are investing and will continue to invest in our operations at Mt Weld to ensure we optimise the use of this precious resource. As we move further into the ore body we are accessing areas with richer Tb and Dy content and we are carefully blending these to optimise our SEG Heavy Rare Earths blend. We are

introducing new steps in our flow sheet to improve concentrate quality which feeds to improved performance in Kuantan.

Our focus on safety and environment continues with external certification renewed this year. But most importantly we are committed to improving our understanding of the ore body with continued exploration.

Today we have released a report on some significant exploration results from the Fresh Carbonatite below our current Life of Mine Pit. As you know, water is always a challenge in Australia and we have established 2 new water bores in recent months. Both have yielded water of sufficient quality to augment our current process water supply. As part of this drilling exercise, we took the opportunity to extend the bores for exploration purposes. This is the first time we have drilled to these depths – and we think the results are promising. They show significant and continuous intersections of RE minerals, both LRE and HRE. This mineralisation remains open at depth and whilst the grade is lower than in the weathered zone, the grain size is significantly coarser. Whilst these are very early findings, we are committed to exploring below the current mineral resource to properly understand the potential for primary REE mineralisation below the weathered zone.

Of course one of the most exciting developments in our business is our Kalgoorlie project and we have many highlights to report. We are delighted with the support we have received from the City of Kalgoorlie-Boulder Council and the state and federal governments. Approvals will be regulated by state law after we received the decision under the Federal EPBC Act that the project is not a “controlled action”. Our project team has been able to work throughout the pandemic. I can tell you they are very excited with the project as they are able to design a new and improved facility using the learnings from Lynas Malaysia. The team works across both sites and we are working with local partners in both WA and Malaysia. The team has completed the high level design and they are currently completing detailed engineering design and procurement. We expect to commence construction

in mid 2021, subject to approvals. I am particularly looking forward to the arrival of the rotary kiln as Kam assures me it will be really spectacular as it is lifted into place.

And just to bring it to life a little more here is a drawing of the new facility. For those of you who have visited our Malaysian plant, you will see there are some significant differences – you can see the single kiln in the foreground and the team has designed the plant to minimise civil works.

As part of Lynas NEXT we expanded our product range and this is delivering sustained additional value. Price outcomes from separated Nd and Pr are positive with Nd realising a premium of about US\$2-3/kg over NdPr. Similarly, the investment in La and Ce separation is supporting improved product quality and therefore improved selling price.

We are capturing the benefits of improved recoveries in C&L, in particular, and commencing work on further flow sheet development to drive a significant further improvement in costs.

We are progressing our planning for our proposed facility in the US. The development of a Heavy Rare Earths separation plant and the ability to value add to our La and Ce products is commercially attractive.

We can capture additional margin by separating our own medium and Heavy Rare Earth feedstock, currently sold in the form of SEG to a separator in China. The market is strong and attractive and we expect that demand for and price of these elements will continue to grow as demand for high power electric motors grows.

The development of value added RE compounds offers a further opportunity to capture additional margin.

The HRE process design is well progressed and we have benchmarked it against best-in-class HRE separation.

And of course, we announced earlier this year that we were selected and have signed a Phase 1 contract with the US DoD. Progressing this project with USG funding provides an excellent opportunity for value growth.

We are guided in everything we do by our vision to lead the market with “Responsible Rare Earths”. This means considering all our actions through a sustainability lens including embracing new technologies to reduce our environmental footprint and working with our customers to scope opportunities to improve life cycle costs. External assessment and verification assures our approach and we are continuing to improve our reporting on sustainability issues.

Last year, I spoke about our unique competitive advantages; the Mt Weld ore body, our 1<sup>st</sup> mover advantage and market position, our Technical IP and proven processing capacity and our resilient culture. 2020 has been challenging on many fronts, many of which we would not have forecast last year. Despite these challenges, I am proud to present the results of the hard work and application of the whole Lynas team as we continue to meet the growth objectives we have set for the business.

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