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**QUARTERLY REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2021**

19 January 2022

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**HIGHLIGHTS**

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- Quarterly Sales Revenue: A\$202.7m (Q1 FY22: A\$121.6m)
- Sales receipts: A\$151m (Q1 FY22: A\$92m)
- Closing cash balance: A\$674.2m (Q1 FY22: A\$667.3m)
- Total REO production: 4,209 tonnes (Q1 FY22: 3,166 tonnes)
  - NdPr production: 1,359 tonnes (Q1 FY22: 1,255 tonnes)
- Project highlights:
  - Kalgoorlie Rare Earths Processing Facility proposal recommended for environmental approval by WA Environmental Protection Authority.
  - Five kiln sections arrived in Western Australia and first 3 sections delivered to site
  - Environmental approval received for Malaysian permanent disposal facility (PDF) for Water Leach Purification (WLP) residue

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**CEO REVIEW**

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I am pleased to report a strong result for the December 2021 quarter. Production increased compared to the prior quarter and record sales revenue was achieved despite some ongoing challenges related to the COVID-19 pandemic.

Demand for Lynas products remained very strong during the quarter and favourable market conditions continued, with customers indicating their expectation of accelerated demand in the next quarter. Logistics challenges remained during the period, however solutions were implemented to mitigate these challenges.

Record sales revenue of A\$202.7m was achieved reflecting continued buoyancy of the market and strong customer demand for a sustainable supply source of rare earths. Cash received at \$151m was the 2<sup>nd</sup> highest quarterly result recorded.

Sustained demand for NdPr saw the market price reach US\$100/kg in November 2021, the first time since 2011 that it has reached this level. The average China Domestic Price for NdPr during the quarter was US\$105.9/kg. Customers indicated a priority focus on security of supply rather than price.

Total REO production was 4,209 tonnes and NdPr production was 1,359 tonnes. It is a credit to the team that these production outcomes were achieved despite the ongoing logistics challenges and delays.

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Shipping delays and disruptions continue around the world and in some cases are getting worse. For Lynas, transit time for concentrate shipped from Fremantle to Kuantan, has increased from 15 days in March 2021 to 33 days in December 2021. Many supply chains are yet to return to normal and we see this continuing for some time.

To mitigate the impact of the global shipping delays, the team implemented solutions including chartering a ship to transport Lynas' rare earth concentrate from Fremantle Port to Kuantan Port. Whilst this comes at an additional cost, it is outweighed by the benefit of ensuring continuity of supply to our customers. We expect to continue with a combination of charter and commercial shipping in the near term.

The health and safety of our people continues to be our priority and I am pleased to note that 99.6% of staff at Malaysia and 98% of staff in Australia are now double does vaccinated and 49% of employees at Lynas Malaysia have received a third vaccination dose.

We continue to progress our Lynas 2025 project and the Western Australian Environmental Protection Authority (EPA) issued its Assessment Report recommending approval for the Kalgoorlie Project. The environmental approval is now awaiting determination by the Environment Minister under section 45 of the Environmental Protection Act 1986 (WA).

Minor and preliminary works continued at our Kalgoorlie Rare Earths Processing Facility with the first three of five kiln sections delivered to site following their arrival in Western Australia in late November. Additional fabricated steel tanks have also been delivered and the first bolted tank has been installed.

At the end of the December quarter, the Malaysian permanent disposal facility (PDF) for Water Leach Purification (WLP) residue received environmental approval from the relevant Malaysian regulatory authorities. Detailed assessments have been undertaken for the proposed PDF in the Gebeng Industrial Estate including an Environmental Impact Assessment, a Social Impact Assessment including community consultation, and a Radiological Impact Assessment. The design for the PDF complies with national and international standards and builds on our 9 years of safe operation of residue storage facilities in Malaysia.

As noted in the June 2021 quarterly report (Q4 FY21), Lynas has submitted detailed engineering and design work for the U.S based Heavy Rare Earths (HRE) facility. Lynas continues to await the outcome of the U.S. Department of Defense (DoD) merit evaluation of the submission.

Mining Campaign 4-1 continued during the December quarter with grade control drilling completed and chemical assay results pending. In addition, resource extension drilling was completed during the period to convert inferred resource to measured and indicated. Construction of the concentrate dryer was completed at Mt Weld and commissioning is now underway.

As announced on 1 November 2021, Lynas' senior lender, Japan Australia Rare Earths B.V. ("JARE") reconfirmed its long term support for the Lynas business during the quarter. Japan is a key market for our products and JARE is a long-term and supportive partner and we were pleased to receive this reconfirmation and commitment to the continued development of the Lynas business.

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## **SAFETY AND ENVIRONMENT**

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Lynas is committed to ensuring the Company's operations and projects 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 and projects are safe for employees and contractors, 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 December 2021, was 0.9 per million hours worked.

Both sites continued to operate with strict COVID-19 protocols. Communication and education, disclosure and reporting, testing, social distancing, hygiene and precautionary isolation procedures have been implemented. Lynas Malaysia has achieved 99.6% two dose vaccination for employees and 100% of contractors working on site. In addition, 49% of employees have received their third dose as at 12 January 2022.

On 12 November 2021, the Western Australian (WA) Government released the Resources Industry Worker (Restrictions on Access) Directions for FIFO and local workers on WA mining and resources sites, and people who work in remote operations or run critical infrastructure, to have received a double dose vaccination by 1 January 2022. The Perth office, Kalgoorlie project and Mt Weld operation had 98% of all employees two dose vaccinated and 100% of all employees and contractors working on site from 1 January were two dose vaccinated. On 24 December 2021, the Western Australian Government released the Booster Vaccination (Restrictions on Access) Directions requiring a third dose within prescribed time frames and 100% of workers by 30 April 2022. Lynas is working with our employees and contractors to facilitate booster vaccinations.

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.LynasRareEarths.com](http://www.LynasRareEarths.com).

## MARKETING AND SALES

	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
Sales Volume REOt	4052	3096	4758	2724	3753
Sales Revenue	A\$119.4m	A\$110m	A\$185.9m	A\$121.6m	A\$202.7m
Average Selling Price	A\$29.5/kg	A\$35.5/kg	A\$39.1/kg	A\$44.6/kg	A\$54.0/kg
Sales Receipts (cash)	A\$68m	A\$133m	A\$192m	A\$92m	A\$151m

Demand in the magnet market segment continued to be very strong through the quarter, and ongoing discussions with our existing and potential customers indicate that this growth will further accelerate from Q3 FY2022.

As a result of this strong demand, the NdPr price continued to increase and crossed the symbolic USD100/kg level in November 2021, a level that that has not been seen since 2011. Dy and Tb prices had eased a little in the past two quarters, however, both returned to historical highs during the December quarter. This reflects the shortage of ionic clay (a major source of Heavy Rare Earths) from both South China and Myanmar. This situation benefits Lynas as our mixed Heavy Rare Earths compound (SEG) is rich in Dy and Tb.

NdPr Oxide China Domestic Price (VAT excluded)								
	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Oct	Nov	Dec
USD/kg	48.7	68.1	69.8	80.2	105.9	88.5	111.8	117.5
Base 100	100	140	143	165	217	182	229	241

Dy Oxide China Domestic Price (VAT excluded)								
	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Oct	Nov	Dec
USD/kg	234.6	340.3	348.3	353.1	394.1	377.0-	401.9	403.3
Base 100	100	145	148	151	168	161	171	172

Tb Oxide China Domestic Price (VAT excluded)								
	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Oct	Nov	Dec
USD/kg	751.0	1222.2	985.2	1069.9	1422.3	1255.8	1480.6	1530.5
Base 100	100	163	131	142	189	167	197	204

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## OPERATIONS

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### Upstream

Mining Campaign 4-1 continued during the quarter. The first stage of Campaign 4-1 is a western cutback of the existing pit to remove waste to be followed by ore extraction. Grade control drilling was completed during the quarter with chemical assay results pending.

The resource extension drilling program of 7,220 metres of reverse circulation drilling was completed during the period. The objective is to target the extension of the limonite (LI), central zone (CZ) and apatite (AP) mineralisation; convert inferred resource to measured and indicated; and provide metallurgical samples for testing.

Construction of the concentrate dryer was completed during the period with energisation and pre-commissioning of the sub-systems completed prior to the end of year holiday period. Commissioning with external service providers and operational ramp up are the next activities to be completed.



*Mining Campaign 4-1 waste mining ongoing on the western cutback of the current pit*



*Concentrate Dryer construction completed with pre-commissioning*

## Downstream

	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
Ready for Sale Production Volume Total	3410 REOt	4463 REOt	3778 REOt	3166 REOt	4209 REOt
Ready for Sale Production Volume NdPr	1367 REOt	1359 REOt	1393 REOt	1255 REOt	1359 REOt

While the COVID-19 situation in Malaysia improved during November, there were new challenges due to the postponement of concentrate shipments from Fremantle to Kuantan due to pandemic related global shipping impacts. These delays led to reductions in our production rate and some temporary production halts. The situation was mitigated by Lynas arranging its own charter vessel and the production team delivered an outstanding performance in December, which allowed us to maintain supply to our customers.

The production halts due to shipping delays were used productively to perform preventive maintenance work and modifications for productivity improvement. We also implemented specific process modifications to further reduce our water consumption, which will minimise our sensitivity to the unstable industrial water supply experienced in previous years.

As announced on 30 December 2021, the Malaysian permanent disposal facility (PDF) for Water Leach Purification (WLP) has received environmental approval from the relevant Malaysian regulatory authority. The PDF design complies with national and international standards and builds on Lynas Malaysia's 9 years of safe operation and management of residue storage facilities.

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## LYNAS 2025 FOUNDATION PROJECTS

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### Kalgoorlie Project

Approvals for the Kalgoorlie Project continue to progress. On 20 October 2021, the Environmental Protection Authority (EPA) issued its Assessment Report recommending approval for the Kalgoorlie Project. The environmental approval will now proceed for determination by the Environment Minister under section 45 of the *Environmental Protection Act 1986* (WA).

Global logistics conditions remain challenging and multiple strategies, including alternate air freight, local fabrication for small components and direct management of freight are being implemented to effectively manage logistics issues.

Progress during the period included:

- Kiln components arrived into Port Hedland, Western Australia, in November 2021
- The first three of five kiln sections have been delivered to site, together with four riding rings and sixteen rollers
- The delivery of the Western Australian fabricated steel tanks to Lot 500 continued, with 30 delivered to site to date
- The kiln and primary leach construction contract was awarded to Western Australian company, All-type Engineering
- The lime silo is complete and has been delivered to site
- The first five of nine filters have been delivered from Japan
- The wet electrostatic precipitators are complete and have commenced their journey from Europe to Australia
- The burner and combustion chamber has been fabricated and pre-assembled in Melbourne
- All kiln piers have been cast and completed
- Ring beams for the largest five tanks completed
- The first bolted tank (1250m<sup>3</sup>) has been installed
- Detailed earthworks have commenced for soda ash area, in readiness for concrete bunding
- Recruitment has commenced for the operational workforce.



*Aerial view of works completed in compliance with minor and preliminary works approval*



*One of the four riding rings in Fremantle and then offloading at site*





*Unloading Kiln Rollers in Kalgoorlie, and kiln shells on their way*



*The Kalgoorlie construction team with City of Kalgoorlie-Boulder Mayor, John Bowler*

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## OTHER LYNAS 2025 PROJECTS

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### United States

During the quarter the U.S. Department of Defense continued to conduct a merit evaluation of the submission of the detailed engineering and design work for the Heavy Rare Earths (HRE) facility previously made.

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## FINANCE

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### Cash Position

A summarised cash flow for the quarter ended 31 December 2021 is set out below.

CASH FLOW	A\$ million	A\$ million
	Dec 21 quarter	Dec 21 YTD
<b>Cash Inflows</b>		
Receipts from customers	150.5	242.3
<b>Cash Outflows</b>		
Payment for production, administration and royalty costs	(78.3)	(147.3)
Payments for capex, exploration and development	(38.3)	(63.3)
Payments for extinguishment of rehabilitation liability <sup>1</sup>	(18.2)	(36.1)
Payments to security deposits	(3.0)	(8.0)
Payment of borrowings	(2.8)	(2.8)
Net interest paid	(2.1)	(1.8)
Net exchange rate adjustment	(0.9)	10.4
<b>OPENING CASH AND SHORT TERM DEPOSITS</b>	<b>667.3</b>	<b>680.8</b>
<b>CLOSING CASH AND SHORT TERM DEPOSITS</b>	<b>674.2</b>	<b>674.2</b>

(1) Payments for the extinguishment of rehabilitation liability relate to scheduled progress payments to GSSB in relation to the construction of the Permanent Disposal Facility in Malaysia.

Authorised by:  
 Sarah Leonard  
 Company Secretary