

**QUARTERLY REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

27 October 2022

**HIGHLIGHTS**

- Quarterly Sales Revenue: A\$163.8m (Q4 FY22: A\$294.5m)
- Sales receipts: A\$234.4m (Q4 FY22: A\$351m)
- Closing cash and short term deposits: A\$1,026.6m (Q4 FY22: A\$965.6m)
- Total REO production: 3,500 REOt (Q4 FY22: 3,650 REOt)
  - NdPr production: 1,045 REOt (Q4 FY22: 1,579 REOt)
- Growth Projects:
  - Mt Weld exploration programme commenced, supported by JARE:
    - Financial support in the form of US\$9 million (AUD13.8m) equity placement to fund programme activities
    - In kind support from JOGMEC, including 2 geologists embedded in the Lynas exploration team
  - Mt Weld capacity expansion announced:
    - Targeting production of 12,000 tonnes/annum (tpa) finished NdPr oxide
    - Recruitment and early procurement commenced
  - Continuing progress on the construction of the Kalgoorlie Rare Earths Processing Facility:
    - Procurement of equipment complete, on time and on budget
    - All major construction packages awarded with works proceeding according to plan
    - Project budget forecast updated to approximately \$575m including additional scope of works to improve efficiency and increased throughput and contracted increases in certain construction costs
  - US Rare Earths Processing Facility:
    - Phase II deliverables submitted to the US DoD
    - Continuing engagement with local communities in the preferred jurisdiction
  - Heightened focus from global governments on market development:
    - After the end of the quarter, we were delighted to host U.S Ambassador to Australia, Her Excellency Caroline Kennedy, and Consul General in Perth, Ms Siriana Nair, at our Mt Weld operations and the Kalgoorlie Rare Earths Processing Facility.

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## CEO REVIEW

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This was a mixed quarter for Lynas.

We continued to face significant operational challenges including a complete outage of water supply in Malaysia. A catastrophic equipment failure experienced by the local water supplier to our Malaysian facility resulted in approximately 16 days of lost production during the quarter.

Mitigating strategies included sourcing water from alternative local sources and trucked water. As a result, quarterly production of 1,045 tonnes Ready for Sale Production Volume of NdPr and sales revenue of \$163.8 million was achieved.

Our Malaysian team continues to work on additional strategies to reduce our reliance on fresh water supply, including options to increase water recycle.

Notwithstanding these short term issues, market demand continues to grow strongly and we have defined a comprehensive growth programme including several major projects.

On 3 August 2022 we announced a \$500m capacity expansion at Mt Weld. Early progress includes recruitment of the project teams and early procurement activities.

During the quarter our long term partner and senior lender, JARE (Japan Australia Rare Earths BV), provided support to the exploration program at Mt Weld via a contribution of US\$9 million through a subscription for ordinary shares in Lynas. JARE will also provide technical support to the exploration program through the involvement of world-leading geologists and other technical professionals from Japan Oil, Gas and Metals National Corporation (JOGMEC).

Further, JARE has agreed to remove capital management restrictions in the Loan Facility. Lynas will no longer be subject to capital restrictions in respect of issuing dividends, share buy backs, capital expenditure or incurring financial liabilities. The removal of the capital management restrictions in the Loan Facility is an important step in the maturing relationship between Lynas and JARE and will ensure all options can be considered as part of our capital management strategy.

Construction of our new Kalgoorlie Rare Earths Processing Facility continues to accelerate. All equipment procurement has now been completed and major construction packages have been awarded. Equipment costs have remained in line with budget, however logistics and construction costs have increased since the project commenced.

The Kalgoorlie project now includes the additional scope of works to implement the industry-first rare earth carbonate refining process which received co-funding through the Australian Federal Government's Modern Manufacturing Initiative (announced 22 July 2021) and upgrades to certain equipment and infrastructure to allow for future capacity expansion at Kalgoorlie.

With these changes, we now forecast a project cost increase of approximately 15% over the initial \$500 million project budget estimate (announced August 2020).

Ore mining commenced at Mt Weld during the quarter as part of Mining Campaign 4-1 and blended ores from this campaign were introduced into the process plant. Mt Weld and Kalgoorlie integration activities also commenced in the quarter and we continued to use a combination of both commercial and charter shipping to transport concentrate product to Malaysia.

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Lynas continues to work with the U.S. Government on the follow-on phase for the commercial Heavy Rare Earths separation facility and the site for the combined Heavy Rare Earths and Light Rare Earths facility is in the final stages of selection.

Following the end of the quarter, we were delighted to host U.S. Ambassador to Australia, Her Excellency Caroline Kennedy, and Consul General in Perth, Ms Siriana Nair, at our Mt Weld operations and the Kalgoorlie Rare Earths Processing Facility. The visit highlighted the global significance of Lynas as the only integrated producer of separated rare earth materials outside of China.

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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 Rate, as at the end of September 2022, was 0.71 per million hours worked. The Company-wide 12-month rolling Total Recordable Injury Rate was 3.53 per million hours for the same period. Pleasingly, there have been fewer lost time injuries over the past 12 months, however, restricted work injuries increased at operations and major project construction sites during the quarter and will be a focus for our health and safety programs.

Lynas' Mt Weld operations achieved the milestone of 500 days LTI free in September 2022.

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 is available at [www.LynasRareEarths.com](http://www.LynasRareEarths.com).

## MARKETING AND SALES

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
Sales Volume REOt	2,724	3,753	5,067	3,719	3,325
Sales Revenue	A\$121.6m	A\$202.7m	A\$327.7m	A\$294.5m	A\$163.8m
Average Selling Price	A\$44.6/kg	A\$54.0/kg	A\$64.7/kg	A\$79.2/kg	A\$49.3/kg
Sales Receipts (cash)	A\$92m	A\$151m	A\$262m	A\$351m	A\$234m

Note: Sales information in this report is provided on an unaudited basis.

While the demand for Lynas' NdPr product family remained strong, sales in the September quarter were affected by the catastrophic water outage which affected Malaysian production volumes (refer announcement 13 September 2022). Product was allocated to key customers, as demand exceeded the capacity to supply.

During the quarter we fulfilled several large orders for Cerium, which impacted the average selling price for the quarter due to the higher volumes and lower selling price per kilogram for Cerium compared to NdPr.

Our NdPr, Nd and Pr customers (mostly outside China) continue to forecast very strong demand and we remain focussed on overcoming the effects of the unpredictable water supply to recover our maximum production rate.

NdPr Oxide China Domestic Price (VAT excluded)								
	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY22	July	Aug	Sept
USD/kg	80	106	139	120	94	112	93	78
Base 100	100	133	174	150	118	140	116	98

Dy Oxide China Domestic Price (VAT excluded)								
	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY22	July	Aug	Sept
USD/kg	353	394	420	341	295	313	293	278
Base 100	100	112	119	97	83	89	83	79

Tb Oxide China Domestic Price (VAT excluded)								
	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY22	July	Aug	Sept
USD/kg	1070	1422	1950	1884	1721	1810	1753	1600
Base 100	100	133	182	176	161	169	164	150

Rare Earth prices were quite volatile during this quarter. NdPr oxide pricing started to decrease in July and this continued until mid-September prior to rebounding and stabilising at around 700 RMB/kg at the end of the quarter. This corresponds to USD88/kg CIF<sup>1</sup> China. This pricing trend was triggered by concerns that the 25% production quota increase in China would lead to oversupply. However, once these concerns were found to be excessive, prices started to recover.

Future pricing trends will depend mainly on the economic recovery in China, which has seen weak demand in the recent past.

## OPERATIONS

### Upstream

Mining Campaign 4-1 continued at Mt Weld during the quarter, completing removal of waste and transitioning to ore mining. Blended ores from Campaign 4-1 were introduced to the process plant during the quarter. Lanthanide concentrate product from Mt Weld was shipped from Fremantle to Malaysia using both commercial and charter shipment. Integration activities between Mt Weld and Kalgoorlie have commenced with product transportation containers arriving at Mt Weld in preparation to transport concentrate to Kalgoorlie.



*Aerial Photo: mining of exposed ores at Mt Weld*

<sup>1</sup> CIF refers to the Incoterm “Cost, Insurance Freight” (CIF)

## Downstream

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
Ready for Sale Production Volume Total	3,166 REOt	4,209 REOt	4,945 REOt	3,650 REOt	3,500 REOt
Ready for Sale Production Volume NdPr	1,255 REOt	1,359 REOt	1,687 REOt	1,579 REOt	1,045 REOt

During the quarter, production was affected by significant water supply outages which limited production at the Lynas Malaysia plant.

During July and August 2022, water supply from the local water utility, PAIP, remained unpredictable and on most days was below the level required to run all 4 kilns. A number of mitigation strategies were implemented, including obtaining water from alternative local sources and trucked water.

In early September 2022, PAIP suffered a catastrophic equipment failure in its water supply infrastructure, following the rupture of a 1600mm diameter pipe 10 meters underground. This led to a water supply outage affecting all users in the Kuantan areas, including residential customers. Lynas personnel were dispatched to help PAIP to expedite repair works, including the construction of a 123 metre bypass.

The water supply disruption has resulted in a very frustrating performance for the quarter. Water supply has now normalised and we remain focussed on maximising production volumes as quickly as possible. FY23 full year production is anticipated to remain consistent with that achieved in FY22.

## LYNAS GROWTH PROJECTS

### Kalgoorlie Project

Progress momentum on the Kalgoorlie Rare Earths Processing Facility increased during the quarter as the project team accelerated the next phase of construction activities, including the award of the final construction packages. Recruitment of the Facility's operational leadership team is now complete to support the final construction activities and members now reside in Kalgoorlie.

The estimated project budget for the Kalgoorlie project, as announced in August 2020, was approximately \$500 million (including associated changes at Lynas Malaysia). As the procurement of equipment is now complete and all major construction packages have been awarded, the budget forecast has been updated.

Equipment procurement costs have been in line with budget, however, some delivery cost increases have been experienced as a result of shipping cost increases related to COVID-19 supply chain disruptions. In addition, cost increases compared to the initial budget estimate are forecast on construction packages due to global and local inflationary pressures and some premiums required to secure delivery schedules against supply chain challenges.

A project cost increase of 15% over the initial estimate is now anticipated, bringing the forecast project budget to approximately \$575 million.

This updated estimated project budget includes the additional scope of works to implement the industry-first rare earth carbonate refining process which received co-funding through the Australian Federal Government's Modern Manufacturing Initiative (announced 22 July 2021) and was not included as part of



the original scope of works. In addition, the updated project cost includes scope upgrades to certain equipment and infrastructure to allow for future capacity expansion at Kalgoorlie.

Recent community and stakeholder engagement has included:

- U.S. Ambassador to Australia, Her Excellency Caroline Kennedy, and Consul General in Perth, Ms Siriana Nair, were hosted on site in October 2022.
- Lynas hosted a number of site tours with investors and interested parties during the Diggers and Dealers Mining Forum in August and was named 'Digger of the Year' in the Forum's industry awards.
- Lynas hosted a Kalgoorlie-Boulder Chamber of Commerce and Industry business after hours event.
- Lynas participated in and presented at the Kalgoorlie Boulder Commodities Forum.



*Aerial view of Kalgoorlie construction works looking south east, October 2022*





*Byproduct Storage Facilities and Evaporation Ponds Construction Underway*



*Feed Hood lower structure in place in preparation for kiln refractory installation*





*Concentrate Building Detailed earthworks and foundations complete and blinding in Progress, bolted soda ash silo nearing completion to right.*



*MgO Neutralisation tanks in foreground, tank farm and filter building in background*





*Workshop Warehouse complete and Control room and Maintenance Offices Progressing*



*Project Director Grant McAuliffe showing Ambassador Kennedy the U.S.-made girth gear drives on the Kalgoorlie kiln*

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## Mt Weld Expansion

The Mt Weld Expansion Project (announced 3 August 2022) is progressing as planned. Recruitment of the Integrated Management Team is complete and recruitment of the on-site construction team has commenced.

The Mt Weld Life of Mine proposal was referred to the Environmental Protection Authority (EPA) through a section 38 referral of the *Environmental Protection Act, 1986*. The WA Environmental Protection Authority has set the level of assessment as Referral Information, with Public Review and additional information. The Works Approval was submitted to the Department of Water and Environment Regulation (DWER). These are the two major environmental submissions for the Project.

Early procurement activities have commenced and long lead items are currently undergoing technical and commercial bid evaluation.

As announced on 5 September 2022, JARE contributed US\$9 million to the exploration program at Mt Weld on the exploration target in the fresh carbonatite below the current Mt Weld life of mine design and ore reserve. JARE's contribution was made by a US\$9 million subscription for ordinary shares in Lynas. This contribution is included in the September quarter cash flow statement below.

## United States

An approximately US\$120 million follow-on contract with the United States Department of Defence (DoD) was announced on 14 June 2022 for the construction of a commercial U.S. Heavy Rare Earths separation facility.

Lynas continues to work with the DoD on the follow-on phase which includes detailed costings. As announced on 14 June 2022, the \$120m awarded was based on construction costs submitted in June 2021 and Lynas is in discussions with the DoD regarding solutions to inflationary effects on construction costs. Phase II follow on deliverables have now been submitted to the DoD.

A proposed site for the combined Heavy Rare Earths separation and Light Rare Earths separation facility has been identified within an existing industrial area on the Gulf Coast of Texas and is in the final stages of selection.

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## FINANCE

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### Cash Position

A summarised cash flow for the quarter ended 30 September 2022 is set out below.

CASH FLOW	A\$ million	A\$ million
	Sept 22 quarter	Sept 22 YTD
<b>Cash Inflows</b>		
Receipts from customers	234.4	234.4
Proceeds from the issue of share capital (JARE contribution to Mt Weld Exploration programme)	13.8	13.8
<b>Cash Outflows</b>		
Payment for production, administration and royalty costs	(104.4)	(104.4)
Payments for capex, exploration and development, net of government grants	(97.8)	(97.8)
Payments to security deposits	(0.1)	(0.1)
Net interest received	3.5	3.5
Net exchange rate adjustment	11.6	11.6
<b>OPENING CASH AND SHORT TERM DEPOSITS</b>	965.6	965.6
<b>CLOSING CASH AND SHORT TERM DEPOSITS</b>	<b>1,026.6</b>	<b>1,026.6</b>

*Note: Financial information in this report is provided on an unaudited basis.*



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## **CORPORATE**

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As announced on 5 September 2022, Lynas' senior lender JARE has agreed to remove capital management restrictions in the Loan Facility. Lynas will no longer be subject to capital restrictions in respect of issuing dividends, share buy backs, capital expenditure or incurring financial liabilities. These capital restrictions in the Loan Facility are replaced by financial covenants in respect of gross debt to equity ratio and backward-looking debt service coverage ratio.

The 2022 Annual General Meeting of Lynas shareholders will be held at 10am (Sydney time) on Tuesday 29 November 2022 at the Fullerton Hotel, 1 Martin Place, Sydney. Shareholders will also be able to attend the meeting via a virtual platform.

Authorised by:  
Sarah Leonard  
Company Secretary