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## QUARTERLY REPORT FOR THE PERIOD ENDING 31 MARCH 2020

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### SUMMARY

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- **FINANCIAL PERFORMANCE**
  - Closing cash balance of A\$124.6m (Q2 FY20: A\$111.8m)
  - Invoiced sales revenue of A\$91.2m (Q2 FY20: A\$85.8m)
  
- **QUARTERLY PRODUCTION**
  - Improved production volumes despite production constraints
  - NdPr production: 1,369 tonnes (Q2 FY20: 1,270 tonnes)
  - Total REO production: 4,465 tonnes (Q2 FY20: 3,592 tonnes)
  
- **SALES & MARKETING**
  - REO sales volume: 4,601 tonnes (Q2 FY20: 3,507 tonnes)
  - Sales receipts: \$101m
  - Good sales revenue achieved despite low market price for NdPr which decreased further during the quarter
  
- **LYNAS 2025 GROWTH PLAN**
  - Kalgoorlie processing plant project was awarded Major Project Status by the Australian Government and Lead Agency Status by the Western Australian Government
  - Excellent progress has been achieved on Project design and engineering and the 1<sup>st</sup> tender for a long lead time item was released
  - Conducted several community engagement events in Kalgoorlie and began accepting expressions of interest from local suppliers
  - Submitted compliant tender to U.S. Department of Defence for Light Rare Earths separation plant.
  
- **MALAYSIAN REGULATORY**
  - The Malaysian operating licence was renewed for three years to March 2023, as announced on 27 February 2020.
  - The State Government of Pahang issued its consent to a site for a Permanent Deposit Facility (PDF) for the Water Leach Purification (WLP) residue and Lynas Malaysia appointed a contractor to manage the entire PDF project, as announced on 30 January 2020
  
- **COVID-19**
  - Lynas Malaysia plant temporarily in care and maintenance mode as a result of the Malaysian government's Movement Control Order (MCO), as announced on 23 March 2020

- Mt Weld continues to operate and has implemented Resources Sector National COVID-19 Protocols for health and safety
- All employees continue to be paid and are engaging in training and operational reviews if not rostered on site.

## CEO REVIEW

Lynas was pleased to deliver a significant increase in revenue and production during the March quarter. This was achieved despite subdued production levels in early January during the ramp up of production after the late December shutdown and the complete shutdown of the plant in late March in response to the MCO issued by the Malaysian government.

Total NdPr production was 1,369 tonnes, up from 1,270 tonnes in the previous quarter. Total Rare Earth Oxide production was 4,465 tonnes, an increase from 3,592 tonnes in the previous quarter.

A highlight of the quarter was the renewal of Lynas Malaysia's operating licence for three years to March 2023, as announced on 27 February 2020. This followed Lynas Malaysia's satisfaction of the licence renewal conditions that were announced on 16 August 2019, and reflects our ongoing commitment to ensuring our operations are safe for our people, safe for our communities, and safe for the environment.

Sales revenue was strong at A\$91.2m for the quarter, despite a lower average selling price compared to the previous period, and quarterly sales receipts were A\$101m. We continued to see strong demand from our customers in Japan, Europe and the U.S. during the period and we remain focused on providing them with a secure source of sustainably produced Rare Earths.

As noted in the Marketing and Sales section, we are seeing the benefits of our efforts to develop the Rare Earths market outside China. In the March quarter, only 10% of our separated Rare Earth sales were realized in China. This reflects the robust growth of our rest of world customers who have secured a sustainable source of supply through Lynas.

During the quarter Lynas responded to a U.S. government tender for a Light Rare Earths separation plant in the United States and we await feedback on this and on our tender submission for a Heavy Rare Earths separation plant.

Our company is in a strong financial position and despite the current challenges of COVID-19, we remain committed to progressing our Lynas 2025 growth plan. During the quarter, we were delighted to receive Major Project Status from the Australian Government for the establishment of the new Rare Earths processing plant in Kalgoorlie, Western Australia. Together with the project's Lead Agency status from the Government of Western Australia, this formal recognition of the strategic importance of our project will also assist us to streamline approval processes.

We have established excellent COVID-19 health and safety protocols in both Malaysia and Western Australia which will assist us to protect our people, their families and our communities. To date, there have been no confirmed cases of COVID-19 in our operations.

As we advised shareholders on 23 March 2020, our Lynas Malaysia plant was placed into care and maintenance mode following the implementation of the Malaysia-wide Movement Control Order. This has

meant that the majority of our team is working from home. In Western Australia, only essential team members are working on site and we have introduced a COVID-19 Special Leave Policy and we have restricted access to our local town to help protect the local community.

I am proud that we have been able to continue to pay all of our employees, whether they are working from home, working on site, or are currently not rostered on. Where team members are not required on site, they are using this opportunity to complete training, reports and scoping projects.

The Malaysian government recently announced the extension of the Movement Control Order to 28 April 2020, and additional categories of exemption for critical industries.

Lynas Malaysia has applied for approval to operate and we await the government's decision. Products produced at the Lynas Malaysia plant are essential to the manufacturing supply chains for critical industries in Malaysia, including automotive, medical devices (including ventilators), oil refining and machinery & equipment.

We recognise that the situation continues to evolve and we will continue to provide updates.

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## MALAYSIA UPDATE

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The Lynas Malaysia operating licence was renewed for a 3 year period to March 2023, as announced on 27 February 2020. This followed the satisfaction of the renewal conditions announced on 16 August 2019.

As announced on 30 January 2020, the Pahang state government issued their consent to a site for the PDF and Lynas Malaysia has appointed Gading Senggara Sdn Bhd ("GSSB") as the contractor to manage the entire PDF project, including design, construction, operation and institutional control during post-closure of the facility for a period to be decided by the regulatory authorities.

The new three-year licence is subject to the following key conditions, which Lynas expects to be able to satisfy:

1. Lynas to begin the process of developing the Permanent Disposal Facility (PDF) within the first year from the date of approval of the licence.
2. Lynas must submit a work development plan for the construction of the PDF and report on its development status as determined by the Malaysian Atomic Energy Licensing Board (AELB).
3. Lynas must ensure that the Cracking and Leaching plant outside Malaysia is in operation by July 2023. After that period, Lynas will no longer be allowed to import raw materials containing Naturally Occurring Radioactive Material (NORM) into Malaysia.
4. Holding of the financial deposit will be maintained for compliance with the relevant licence conditions.

During the quarter, there was a change in the Malaysian government and a new Prime Minister, Muhyiddin Yassin, was appointed on 1 March 2020. Following an escalation of COVID-19 cases, the Prime Minister announced a Movement Control Order for all of Malaysia and in line with this, the Lynas Malaysia plant transitioned into care and maintenance mode, as announced on 23 March 2020.

As part of the safe temporary shutdown, Lynas has retained some work-in-progress inventory that will allow production to be ramped up quickly upon restart. We have taken actions to significantly reduce cash outgoings during the temporary shutdown and continue to pay all our staff during this time.

Recently, the Malaysian government announced: (i) the extension of the Movement Control Order to 28 April 2020, and (ii) additional categories of exemption for critical industries. Lynas Malaysia has applied for approval to operate and awaits the government's decision. Products produced at the Lynas Malaysia plant are essential to the manufacturing supply chains for critical industries in Malaysia, including automotive, medical devices (including ventilators), oil refining and machinery & equipment. As part of our commitment to the local community, Lynas Malaysia has donated safety equipment including masks, hand sanitiser and food supplies to local organisations.

As announced on 17 January 2020, Lynas has received documents initiating a judicial review challenge. The hearing of that judicial review application has been postponed to a date to be fixed, arising from the COVID-19 situation.

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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 March 2020, was 1.3 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. Mt Weld continued to operate with essential staff only on-site and with health and hygiene precautions in line with government guidelines and the Resources Sector National COVID-19 Protocols. As announced on 23 March 2020 and 31 March 2020, production at Lynas Malaysia has been temporarily halted in compliance with the Malaysian government's Movement Control Order.

The annual geotechnical audit of the Mt Weld tailings storage facilities (TSFs) was completed during the quarter. The three TSFs were all compliant with regulatory requirements. The new TSF3 is operating under the protocols that have been progressively developed over the past years (including layered Rheomax® ETD tailings deposition, solar drying, Amphiroil mudfarming and contouring using a swampy dozer) and this has resulted in a 30% improvement in consolidation (dry density) providing a safe high strength landform.

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

	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20
Sales Volume REOt	5030	4723	4186	3507	4601
Sales Revenue	A\$101.3m	A\$87.5m	A\$99.1m	A\$85.8m	A\$91.2m
Average Selling Price	A\$20.1/kg	A\$18.5/kg	A\$23.7/kg	A\$24.5/kg	A\$19.8/kg
Sales Receipts (cash)	A\$88m	A\$106m	A\$96m	A\$83m	A\$101m

Lynas delivered a strong March quarter supported by sustained customer demand from Japan, Europe and US. However, the economic slowdown in China which started from the end of January weighed on Rare Earth market prices.

This quarter, Lynas achieved an important milestone, with only 10% of separated Rare Earth sales realized in China. This reflects the robust growth of our rest of world customers who have secured a sustainable source of supply through Lynas. It also demonstrates the success of our strategy to develop a Specialty Chemicals business for our La-Ce products, leading to development of new applications, higher value products for Lynas and less dependence on market price fluctuations.

Until March, light Rare Earth market prices were maintained at low levels. Since March, the worldwide spread of COVID-19 has created uncertainty regarding demand for end products which has translated into further softness in the NdPr prices.

NdPr China Domestic Price (VAT excluded)								
	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Jan	Feb	March
US\$/kg	38.5	39.1	39	36.2	35	35.6	35.4	34.1
Base 100	100	102	101	94	91	92	92	88

During the quarter, heavy Rare Earth market prices continued to increase in anticipation of a projected shortage due to reduced supply from Southern China. However, in line with light Rare Earth prices, the economic uncertainties surrounding COVID-19 started to weigh on Dy and Tb prices from the end of March.

Dy China Domestic Price (VAT excluded)								
	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Jan	Feb	March
US\$/kg	160	221	237	202	222	215	219	231
Base 100	100	138	148	126	139	134	137	144

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 effect on demand including receiving further clarification by governments of their economic policies and possible regulatory adjustments.

## OPERATIONS

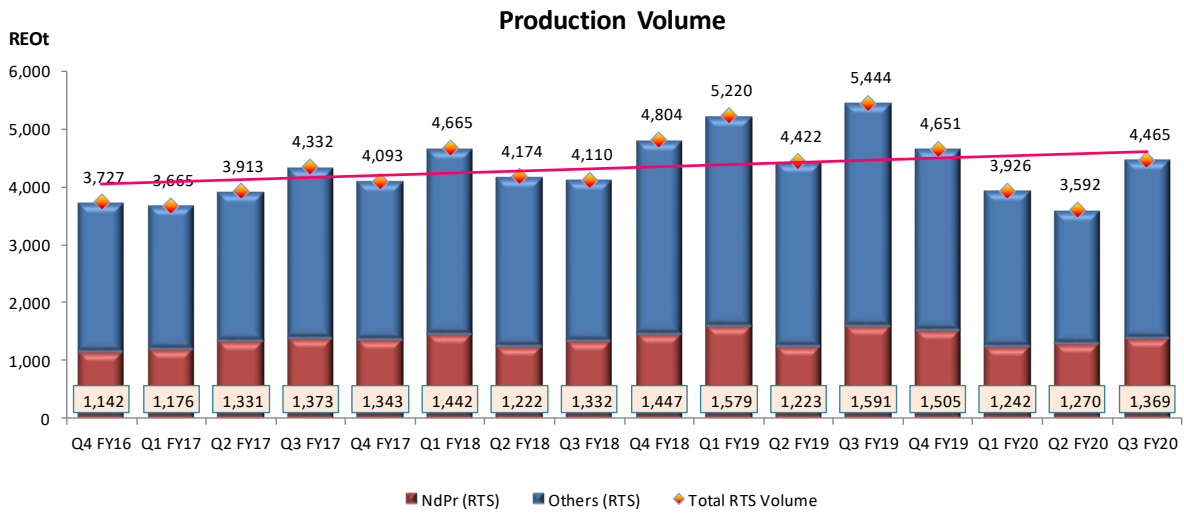
	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20
Ready for Sale Production Volume Total	5220 REOt	4422 REOt	5444 REOt	4651 REOt	3926 REOt	3592 REOt	4465 REOt
Ready for Sale Production Volume NdPr	1579 REOt	1223 REOt	1591 REOt	1505 REOt	1242 REOt	1270 REOt	1369 REOt

In the first two weeks of January, Lynas Malaysia operations ramped up to full production, after the plant reached the annual Malaysian regulatory limit on concentrate processing in the December quarter. It took two weeks to ramp up to full production with the heat up of the kilns and refilling of buffer stocks and circuits that had been emptied in December 2019.

Following the ramp up, the plant ran well in terms of throughput, recoveries and quality. There were noticeable improvements in capability from the numerous upgrades that have been implemented at both Mt Weld and in Malaysia over the past six months. In particular, there were improvements to:

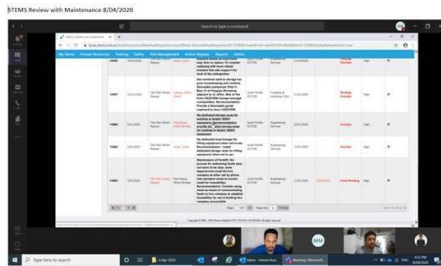
- concentrate quality (Mt Weld),
- materials handling, operational stability and solution quality (Cracking and Leaching),
- rejection of impurities (Solvent Extraction), and
- debottlenecking (Product Finishing).

As announced on 23 March 2020 and 31 March 2020, there has been a temporary halt to Lynas Malaysia operations since late March in compliance with the Malaysian government's Movement Control Order. At the end of the quarter, the plant remains on care and maintenance in readiness for a restart. Team members not currently rostered on site remain actively engaged and are remotely completing online training, reviews and work plans. Some examples are on the next page.

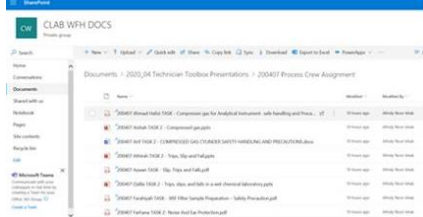


At Mt Weld, the focus on concentrate quality continued including the pre-leach to reduce carbonate levels in concentrate and kiln drying of concentrate. Mining Campaign 3 was completed on 7 February.

### Remote working examples from Lynas Malaysia:



Microsoft Sharepoint for Work From Home (WFH) documents sharing

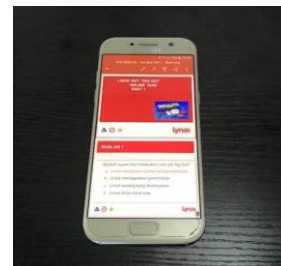


**Soalan 1**

Berikut adalah perkara yang dipertanggungjawabkan terhadap seorang Pengawas Kebakaran **kecuai**.....

- Memantau keadaan/situasi yang mungkin boleh menyebabkan berlakunya kebakaran.
- Membantu jurukimpal membuat kimpalan.
- Memantau keadan yang tidak selamat.
- Membuat tindakan awal jika keadaan/situasi merbahaya.

**lynas**



## FINANCE

### CASH POSITION

A summarised cash flow for the quarter ended 31 March 2020 is set out below.

CASH FLOW	A\$ million	A\$ million
	Mar FY20 quarter	Mar FY20 YTD
<b>Cash Inflows</b>		
Receipts from customers	100.5	279.7
Proceeds from exercise of warrants	-	11.6
<b>Cash Outflows</b>		
Costs of production, administration and royalties	(75.2)	(216.6)
Capex and development, incl. offsite PDF construction (14.9)	(20.4)	(34.2)
Net interest received /(paid)	0.3	(2.0)
Security deposits, mainly AELB	(1.0)	(12.6)
Net exchange rate adjustment	8.6	9.0
<b>OPENING CASH BALANCE</b>	<b>111.8</b>	<b>89.7</b>
<b>CLOSING CASH BALANCE 31 March 2020</b>	<b>124.6</b>	<b>124.6</b>

### FOREX

The currency composition of the Group's cash at 31 March 2020 was A\$25.3m, US\$34.7m, MYR106.9m and RMB10.4m. The A\$ weakened significantly against the US\$ and the MYR over the quarter, resulting in a foreign exchange gain for the period.