
QUARTERLY REPORT FOR THE PERIOD ENDING 31 MARCH 2021

HIGHLIGHTS

- Total REO production: 4463 tonnes (Q2 FY21: 3410 tonnes)
- NdPr production: 1359 tonnes (Q2 FY21: 1367 tonnes)
- Quarterly Sales Revenue: A\$110m (Q2 FY21: A\$119.4m)
- Sales receipts: A\$133m (Q2 FY21: A\$68m)
- Closing cash balance: A\$568.5m (Q2 FY21: A\$512.6m)
- *Lynas 2025* project:
 - Approval and commencement of site preliminary works for our Kalgoorlie project
 - Signed agreement with the U.S. Government to build a commercial Light Rare Earths separation plant in the U.S.

CEO REVIEW

Favourable market conditions continued through the March quarter. Demand for NdPr remained robust accompanied by higher prices for both NdPr and SEG, leading to another strong quarterly result for the period ending 30 March 2021.

Total REO production was 4,463 tonnes and total NdPr production was 1,359 tonnes for the quarter. In line with previous advice, Lynas Malaysia continues to operate at approximately 75% of Lynas NEXT production rates, equivalent to original nameplate production. We continue to assess increasing production rates. At this stage we have elected to remain at 75% of Lynas NEXT rates as it allows us to maintain our strict COVID-related health and safety protocols and manage variability in the external environment, particularly related to inbound and outbound logistics.

Sales revenue of A\$110m was achieved during the quarter. Increased sales receipts of A\$133m were, in part, due to the delay in cash collection from revenue generated in the December quarter. Invoiced revenue was affected by continuing difficulties with shipping availability as a consequence of the impact of COVID-19 on global trade and the blockage of the Suez Canal in March, which delayed some shipments into early April.

The market price for NdPr increased during the quarter. Demand for Dysprosium increased and Terbium stabilised during the quarter. Our NdPr and SEG selling prices reached new records and the average selling price across our full product range was A\$35.5/kg during the quarter.

As the COVID-19 pandemic continues, especially in Europe, we continue to hold a cautiously optimistic view of the market. The rare earths market appears to be recovering well, with both magnet and catalyst sectors experiencing robust demand during the quarter.

During the period we continued to progress our Lynas 2025 foundation projects. This included an agreement with the United States Government to jointly fund the construction and development of a commercial Light Rare Earths separation plant in the United States (as announced on 22 January 2021).

Once operational, our co-funded Light Rare Earths plant and proposed Heavy Rare Earths plant (refer announcement 27 July 2020) will provide the U.S. with a secure domestic source of high quality separated Rare Earth materials. As well as strengthening Lynas' position in this key market, security of supply is an essential foundation for the renewal of downstream specialty metal making and permanent magnet manufacturing in North America. These initiatives are expected to be the first step towards kick starting downstream metal making, permanent magnet manufacturing and other downstream processing in North America.

Our Kalgoorlie Rare Earth Processing Facility project continues apace with support and guidance from all levels of government. We received approval for the commencement of limited preliminary construction works on site from WA government agencies and have commenced activities related to the approved scope of works. In addition, procurement and fabrication of key process equipment continued. We have a policy of preferencing local suppliers such as the \$17.5m contract for the fabrication of steel tanks.

We were pleased to have Prime Minister Scott Morrison state publicly that construction of our Kalgoorlie facility, which will feed the proposed new U.S. facility is a *"...gold standard example of the cooperation on critical supply chains between Australia and the U.S."* Critical Mineral supply chains were discussed during the recent 'Quad' Leaders meeting between Australia, the U.S., Japan and India, highlighting once again the importance of our industry and Lynas' development plans.

As announced on 17 January 2020, a judicial review application has been lodged in Malaysia challenging the processes followed during the August 2019 renewal of the Lynas Malaysia operating licence. The hearing of that judicial review application is now scheduled for 18 May 2021.

We are continuing to invest in innovation and improvement projects at both operating sites. During the quarter, a number of plant trials were conducted at Mt Weld, including a week-long trial on a parcel of Apatite (AP) ore that had been mined and stockpiled during Mining Campaign 3. These trials will inform future flowsheet development at Mt Weld enabling us to process AP ore in the future.

SAFETY AND ENVIRONMENT

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 2021, was 0.4 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 geotechnical audit of the Mt Weld tailings storage facilities (TSFs) was completed during the quarter. The three TSFs were all compliant with regulatory requirements. There was a further improvement in consolidation (dry density) for all three TSFs due to mudfarming. The TSFs continue to operate under the protocols that have been progressively developed over the past years (including layered Rheomax® ETD tailings deposition, solar drying, Amphirrol mudfarming and contouring using a swampy dozer).

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.

MARKETING & SALES

	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Sales Volume REOt	4601	1878	4499	4052	3096
Sales Revenue	A\$91.2m	A\$38.0m	A\$87.3m	A\$119.4m	A\$110m
Average Selling Price	A\$19.8/kg	A\$20.2/kg	A\$19.4/kg	A\$29.5/kg	A\$35.5/kg
Sales Receipts (cash)	A\$101m	A\$42m	A\$72m	A\$68m	A\$133m

During the March quarter, Lynas achieved strong sales revenue, despite persistent difficulties to secure shipments due to the global reduction in ship availabilities as a consequence of the impact of COVID-19 on global trade and the Suez Canal blockage in March.

The NdPr market price increase accelerated during the quarter (up 40% versus 31% during the previous quarter) despite some correction at the end of March. The Dysprosium price which had been relatively stable

in the past quarters started to rally, while Terbium stabilized towards the end of March. As a consequence of these market trends, our NdPr and SEG selling prices reached new records.

Demand for our Cerium and Lanthanum products from our Catalyst customers recovered, especially in the Fuel Catalytic Cracking (FCC) segment where the demand for Lanthanum increased sharply.

While the persistence of the COVID crisis, especially in Europe, calls for careful forecasts for our business ahead, we see the rare earth market recovering very quickly, with both magnet and Catalyst sectors experiencing strong demand.

We understand that Chinese players are anticipating this growth with several production capacity increases announced, among them the doubling of production within 3 years by Northern Rare Earth, the global leading rare earths supplier.

Lynas will continue to support the development of robust outside China supply chains.

NdPr Oxide China Domestic Price (VAT excluded)								
	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Jan	Feb	Mar
USD/kg	35	33.8	40.8	48.7	68.2	59.9	65.8	78.8
Base 100	100	97	117	139	195	171	188	225

Dy Oxide China Domestic Price (VAT excluded)								
	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Jan	Feb	Mar
USD/kg	222	229	227	235	340.3	284.8	328.4	407.7
Base 100	100	103	102	106	153	128	148	184

Tb Oxide China Domestic Price (VAT excluded)								
	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Jan	Feb	Mar
USD/kg	477	508	608	751	1222	1114	1217	1336
Base 100	100	106	127	157	256	234	255	280

OPERATIONS

Upstream

We continue to invest in improvement projects throughout our operations. During the quarter, Advanced Process Control (APC) was successfully implemented in the rougher–scavenger flotation circuit at Mt Weld resulting in more stable circuit operation, less operator intervention and less variation in flotation performance.

A number of plant trials were conducted at the Mt Weld concentration plant during the quarter. This included a week-long trial on a parcel of Apatite (AP) ore that had been mined and stockpiled during Mining Campaign 3. Since the plant was commissioned in 2011, we have treated Limonite (LI) and Central Zone (CZ) ores. The AP ore is the layer below the LI and CZ ores, and the depth extension of the AP zone was one of the factors in the significant increase in Ore Reserve reported in August 2018. The processing of the AP ore requires an additional flotation stage to remove Apatite.

Downstream

	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Ready for Sale Production Volume Total	4465 REOt	2579 REOt	4110 REOt	3410 REOt	4463 REOt
Ready for Sale Production Volume NdPr	1369 REOt	775 REOt	1342 REOt	1367 REOt	1359 REOt

Throughout the quarter, Lynas Malaysia continued to operate at approximately 75% of the Lynas NEXT production rates, with a focus on improving cost performance especially recoveries (NdPr, Dy, Tb). This production rate remains sufficient to meet key customer demand, while maintaining new COVID-related health and safety protocols for our people and local communities.

LYNAS 2025 FOUNDATION PROJECTS

Kalgoorlie Project

Key milestones during the March quarter included:

- In the December 2020 quarter, the EPA (Environmental Protection Authority of Western Australia) set the level of assessment for the project as “Assessment on Referral Information with additional Information”. The majority of the additional information requested relates to a proposed second site outside Kalgoorlie, which is proposed as a by-product storage site. All of the additional studies

have now been completed and the Referral with Additional Information will be submitted early next quarter.

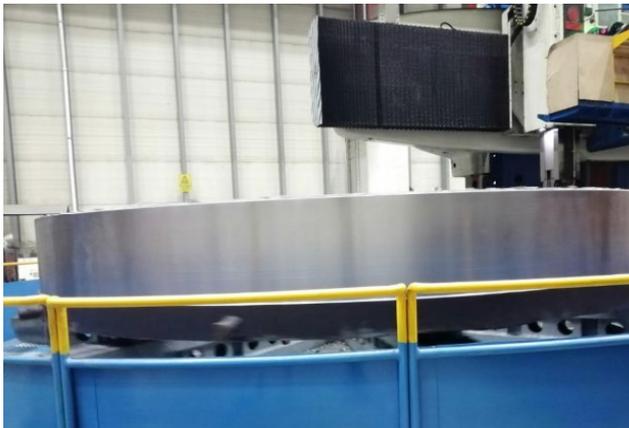
- Approval pursuant to section 41A(3) of the *Environmental Protection Act 1986* (WA) for preliminary site construction works was received consisting of the site access (including temporary office and ablutions), kiln pad and laydown areas and borrow area.
- Procurement of key process equipment continued with placement of orders for main stack, horizontal agitators, wet electrostatic precipitator, lime plant, soda ash plant, heat exchangers, spray tower demister cassettes, weighbridge, and the fire and process water tanks.
- Fabrication of equipment is underway (as pictured below)



Rotary Kiln shell fabrication



Kiln tyre shell section with supporting blocks



Kiln tyre



Kiln support rollers



Pressure Filter fabrication



Steel Tanks by Polaris Engineering



Limited preliminary site works by Versatile Plant Hire

OTHER LYNAS 2025 PROJECTS

United States

During the period we executed an agreement with the United States Government to jointly fund the construction and development of a commercial Light Rare Earths separation plant in the United States (as announced on 22 January 2021). Other work has included detailed engineering and design work for the Heavy Rare Earths (HRE) facility which is expected to be lodged with the U.S. Government in the June quarter.

FINANCE

CASH POSITION

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

CASH FLOW	A\$ million	A\$ million
	Mar 21 quarter	Mar 21 YTD
Cash Inflows		
Receipts from customers	132.7	272.7
Proceeds from issue of shares, net of capital raising costs	-	413.9
Cash Outflows		
Costs of production, administration and royalties	(65.2)	(183.1)
Capex, exploration and development costs	(10.1)	(25.6)
Net interest received /(paid)	(0.9)	(2.2)
Placement of cash in term deposits	99.7	(100.3)
Net exchange rate adjustment	(2.1)	(8.6)
OPENING CASH BALANCE	312.6	101.7
CLOSING CASH BALANCE 31 March 2021	468.5	468.5
Add back short term deposits (1)	100.0	100.0
CLOSING CASH AND SHORT TERM DEPOSITS 31 March 2021	568.5	568.5

- (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.