

# Interim Unaudited Consolidated Financial Report incorporating Appendix 4D

For the half year ended 31 December 2021

ACN 009 066 648  
and  
Controlled Entities



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# Appendix 4D

## (Listing Rule 4.2A.3)

### Lynas Rare Earths Ltd (ACN 009 066 648)

### And Controlled Entities

For the half year ended 31 December 2021

Reporting Period: Half year ended 31 December 2021

Comparative Reporting Period: Half year ended 31 December 2020

#### Results for announcement to market

	1H 22	1H 21	Movement	
	\$m	\$m	\$m	%
Revenue from ordinary activities	314.8	202.5	112.3	55%
Earnings before interest, tax, depreciation, amortisation and treasury charges (EBITDA)	189.8	80.6	109.2	135%
Profit from ordinary activities after tax attributable to members	156.9	40.6	116.3	286%
Net profit for the period attributable to members	156.9	40.6	116.3	286%

#### Dividend Information

No dividends have been paid or proposed at 31 December 2021.

#### Net Tangible Assets

	1H 22	1H 21
Net Tangible Assets per share	138.75	106.98

# Directors' report

The Board of Directors (the "Board" or the "Directors") of Lynas Rare Earths Limited (the "Company") and its subsidiaries (together referred to as the "Group") submit their report for the half year ended 31 December 2021.

## Directors

The names and details of the Company's Directors who were in office during or since the end of the financial year are as set out below. All Directors were in office for this entire period unless otherwise stated.

Kathleen Conlon	Non-Executive Chair
Amanda Lacaze	Managing Director
Philippe Etienne	Non-Executive Director
John Humphrey	Non-Executive Director
Grant Murdoch	Non-Executive Director
Vanessa Guthrie	Non-Executive Director

## Review of operations

### Financial highlights

Lynas Rare Earths (Lynas) is pleased to report a record profit for 1H 22, following a record FY21 result. Market conditions were favourable during the period and demand for Lynas products remained strong during the half year. Challenges with COVID-19 and logistics continued to arise during the period, however solutions were implemented to mitigate these challenges.

Increased sales revenue of \$314.8m was achieved. This was a major contributing factor to a Net Profit After Tax (NPAT) of \$156.9m, a 286% increase on the 1H 21 NPAT.

	1H 22	1H 21	Movement	
	\$m	\$m	\$m	%
Net Sales Revenue	314.8	202.5	112.3	55%
Cost of Sales	(140.3)	(150.8)	10.5	7%
<b>Gross Profit</b>	<b>174.5</b>	<b>51.7</b>	<b>122.8</b>	<b>237%</b>
<b>Net Profit After Tax</b>	<b>156.9</b>	<b>40.6</b>	<b>116.3</b>	<b>286%</b>

	31 Dec 21	30 June 21	Movement	
	\$m	\$m	\$m	%
Cash and Short - Term Deposits	674.2	680.8	(6.6)	(1%)
<b>Net Assets</b>	<b>1,252.9</b>	<b>1,083.4</b>	<b>169.5</b>	<b>15.6%</b>
<b>Market Capitalisation</b>	<b>9,177.5</b>	<b>5,145.2</b>	<b>4,032.3</b>	<b>78.4%</b>

Broader recognition of Rare Earth growth prospects, Lynas' unique market position, and improved business performance continued to underpin a significant uplift in market capitalisation during the period.

## Mt Weld

Lynas Rare Earths is focused on developing the Mt Weld resource to meet accelerating demand growth.

Mining Campaign 4-1 commenced during the period. 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 December 2021 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.

A second Stack Cell was commissioned during the period and continues to be optimised. The Stack flotation cells are high intensity flotation cells that incorporate froth washing which removes fine impurities that are entrained in the froth stream. Both Stack Cells produce final concentrate grade and provide a capital efficient upgrade path.

Construction of the concentrate dryer was completed during the period and commissioning is now underway.

## Lynas Malaysia

At the start of the half year period, Malaysia was experiencing the highest rates of COVID-19 infections since the beginning of the pandemic. While the COVID-19 situation in Malaysia improved during November and December 2021 as vaccination rates increased, production capacity during the half year was affected by a number of issues:

- Postponement of concentrate shipments from Fremantle to Kuantan in the December 2021 quarter due to pandemic related global shipping impacts.
- Availability of some chemical products due to shipping delays and production decreases, especially in China, causing shortages.
- Kuantan water supply issues following a pump failure at the local water treatment plant and difficulty in obtaining a replacement due to COVID-19 related movement control restrictions.

Lynas took action to mitigate and manage these challenges, including by arranging its own charter vessel from Fremantle for concentrate shipments. As a result, the production team maintained throughput at a rate which allowed us to maintain supply to our customers.

However, reductions in production rates and some temporary production halts during the half year included a partial or full shutdown of the cracking and leaching plant for 11 days in the September 2021 quarter due to the unavailability of personnel who were required to isolate due to COVID-19. Product finishing of non-NdPr products was also shutdown for 16 days as NdPr production was prioritised with available personnel.

Temporary production halts due to shipping delays and COVID-19 were used productively to perform preventive maintenance work and modifications for productivity improvement. Specific process modifications were also implemented to further reduce water consumption, which will minimise 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.

## Kalgoorlie

The Kalgoorlie Rare Earths Processing Facility is a foundation project of Lynas' growth plan.

On 1 February 2022, the Ministerial Statement for the Kalgoorlie Rare Earth Processing Facility was issued under the Environmental Protection Act 1986 (WA). The Statement approves the implementation of the Kalgoorlie Rare Earths Processing Facility and outlines the conditions for the construction and operation of the Facility, which are consistent with initiatives proposed by Lynas. All necessary approvals for the Kalgoorlie Project have now been received.

Global logistics conditions remain challenging and multiple strategies, including alternate air freight, local fabrication for small components and direct management of freight have been 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 shell sections delivered to site, together with four riding rings and sixteen rollers; the remaining two kiln shell sections were delivered to site in January 2022
- 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

## Lynas USA

Lynas is currently in the planning phase for our proposed U.S. Rare Earths Separation Facility.

Lynas has now received 2 separate funding contracts from the United States Government:

1. Contract signed for Phase 1 work (detailed market and strategy study plus detailed planning and design work) for the construction of a Heavy Rare Earths (HRE) separation facility in the United States (announced 27 July 2020).
2. Contract signed with the United States Government to build a commercial Light Rare Earths separation plant in the United States (announced 22 January 2021) with Department of Defense funding to be capped at approximately US\$30 million with Lynas contributing a matching amount.

In the June quarter of FY21, detailed engineering and design work for the Heavy Rare Earths (HRE) facility was submitted to the U.S. Government in line with U.S. Department of Defense (DoD) Phase 1 milestones. The merit review for Phase 1 is complete and the DoD found the Phase 1 submission successful. Lynas and the DoD have progressed to detailed discussions on future phases.

## Malawi deposit

Since fiscal year 2012, no further capital investment has been made on the Kangankunde Rare Earths resource development in Malawi and the project remains on hold while the Malawi deposit remains the subject of an ongoing title dispute. As announced on 22 January 2019, the Malawi government has purported to cancel the Group's Malawi mining lease and the Group has initiated judicial review proceedings in the Malawi courts challenging that decision.

## Health, safety and environment

Lynas is committed to ensuring the Group'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 12-month rolling lost time injury frequency rate as at 31 December 2021 was 0.9 per million hours worked (30 June 2021: 0.8 per million hours worked). In addition, the 12-month total recordable injury frequency rate at 31 December 2021 was 2.3 per million hours worked (30 June 2021: 2.1 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. The roll out of third doses is anticipated to be completed by the end of March 2022.

In Western Australia, all employees and contractors working on site are vaccinated in compliance with WA government mandates (including third dose requirements).

Surveillance testing remains in place at the Lynas Malaysia plant and has been implemented in Western Australia. In light of the rise in COVID-19 cases in both Malaysia and Western Australia in February 2022, health and hygiene protocols and procedures have been enhanced and plans are in place to minimise business disruption.

Lynas Malaysia and Mt Weld continue to be certified under ISO 9001:2015 (Quality Management) and ISO 14001:2015 (Environmental Management) as well as for ISO 45011:2018 which was a migration from OHSAS 18001:2007 (Occupational Health and Safety Management) standards. Both Lynas sites have been certified since 2012.

In line with our commitment to international environmental best practice, 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).

## Financial and operational performance

### Sales volume, revenue and costs

Sales by tonnage and value		1H 22	1H 21	2H 21	FY21
Sales volume	(REOt)	6,477	8,551	7,854	16,405
Cash receipts from customers	(A\$m)	242.3	140.0	325.4	465.4
Sales revenue	(A\$m)	314.8	202.5	286.5	489.0
Average selling price	(A\$/kg)	48.6	23.7	36.5	29.8

The demand for Lynas products, in particular for the NdPr product family, remained very strong throughout the period. This led to record sales revenue in the second quarter of 1H 22.

### Market prices

The average China domestic price of NdPr (VAT excluded) increased from US\$64.7/kg in June 2021 to US\$117.5/kg in December 2021. This is the highest price since 2011.

Customers indicated a priority focus on security of supply rather than price. Dy and Tb prices both returned to historical highs during the December quarter after they had eased a little in the previous two quarters. 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.

Lynas has an excellent reputation as a reliable supplier of quality products. Lynas has focused on developing strong customer relationships with strategic customers, primarily outside China. Lynas is the leading supplier of the NdPr family of products to the Japanese market. Demand from key customers has consistently increased over the past few years, with accelerated growth in the last 12 months.

### Costs and production volumes

Costs by tonnage and value		1H 22	1H 21	2H 21	FY21
Ready for sale production volume total	(REOt)	7,375	7,520	8,241	15,761
Ready for sale production volume NdPr	(REOt)	2,614	2,709	2,752	5,461
Cost of sales	(A\$m)	(140.3)	(150.8)	(151.4)	(302.2)
Sales volume	(REOt)	6,477	8,551	7,854	16,405
Average cost of sales per REOt sold		21.6	17.6	19.3	18.4

Production volumes were lower in 1H 22 compared to the prior corresponding period due to the effects of issues outlined in the Lynas Malaysia section of this report.

### Cash and cash flows

In A\$m	1H 22	1H 21
Net operating cash inflows	59.7	23.3
Net investing cash outflows	(70.6)	(214.8)
Net financing cash outflows	(6.9)	408.9
<b>Net cash flows</b>	<b>(17.8)</b>	<b>217.4</b>

In A\$m	31 Dec 2021	30 June 2021
Cash and cash equivalents	573.5	580.8
Short term deposits	100.7	100.0

Operating cash flows increased significantly in 1H 22 as a result of the increased sales revenues. The net operating cash flows include \$36.1m of outflows relating to payments in relation to the settlement of rehabilitation liabilities associated with the PDF in Malaysia. Net investing cash outflows primarily relate to payments associated with the Lynas Kalgoorlie project. Financing cash flows comprised net financial expenses and a US\$2.0m payment on the JARE facility.

At 31 December 2021, in addition to the \$573.5m in cash and cash equivalents, \$100.7m was held in short term deposits.

## Debt and capital

In A\$m	1H 22	1H 21	2H 21	FY21
JARE loan	177.3	163.7	171.1	171.1
Financial income	1.7	1.3	1.6	2.9
Financial expenses	(6.4)	(6.7)	(6.7)	(13.4)

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 period. 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.

US\$2.0m (A\$2.8m) in principal repayments were made on the JARE facility. The overall loan balance increased due to the depreciation of the AUD compared to the USD and the unwinding of the discounting of the future cash outflows.

During the half year ended 31 December 2021, the Company issued shares as shown below:

	Number (000's)
Shares on issue 30 June 2021	901,079
Issue of shares pursuant to exercised performance rights	1,333
<b>Shares on issue 31 December 2021</b>	<b>902,412</b>

## Performance rights

At 31 December 2021, the Company had the following options and performance rights on issue:

	Number (000's)
Performance rights	3,649

## Earnings per share

For the half year ended 31 December	2021	2020
Basic earnings per share (cents per share)	17.39	4.87
Diluted earnings per share (cents per share)	17.32	4.85

## Dividends

There were no dividends declared or paid during the half year ended 31 December 2021 (2020: nil) and no dividends have been declared or paid since 31 December 2021.

## Risk management

The Group takes a proactive approach to risk management. The Directors are responsible for ensuring that risks and opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with these risks and opportunities.

The Group believes it is crucial for Directors to be a part of this process, and has established an Audit and Risk Management Committee and a Health, Safety and Environment Committee.

Lynas Rare Earths has a Risk Management Policy and a Risk Management Framework for oversight and management of material business risks.

## Factors and business risks that affect future performance

Lynas operates in a changing environment and is therefore subject to factors and business risks that will affect future performance. Lynas has a Risk Management Policy and a Risk Management Framework for oversight and management of material business risks.

We identify risks, then evaluate the inherent risk of an activity and the mitigation required. Risk assessments are updated by operations and management and reported to the Board of Directors.

In FY21, the Lynas Board commissioned an external risk assurance mapping exercise aligned to the Board's risk appetite to support decision making relating to resource and capital allocation. Refer to the 30 June 2021 Annual Report for details of the principal risks and uncertainties that could have a material effect on Lynas' future results, both operationally and financially. It is not possible to determine the likelihood of these risks occurring with any certainty. In the event that one or more of these risks materialise, Lynas' reputation, strategy, business, operations, financial condition and future performance could be materially and adversely affected. There may also be other risks that are currently unknown or are deemed immaterial, but which may subsequently become known and/or material. These may individually or in aggregate adversely affect Lynas.

## Basis of report

The report is based on the guidelines in The Group 100 Incorporated publication Guide to the Review of Operations and Financial Condition.

## Environmental regulation and performance

The Group is bound by the requirements and guidelines of the relevant environmental protection authorities for the management and rehabilitation of mining tenements owned or previously owned by the Group. Mining tenements are being maintained and rehabilitated following these guidelines. The Group is also bound by the requirements of its operating licence in Malaysia. There have been no known breaches of any of these requirements and guidelines.

We continue to focus on ensuring positive relationships with regulators and local communities, and compliance with regulatory requirements in both jurisdictions in which we operate.

## Significant changes in the state of affairs

Except as disclosed in the review of operations, the factors and business risks that affect future performance and the subsequent events, there have been no significant changes in the state of affairs of the Group during the half year ended 31 December 2021.

## Auditor's independence declaration

We have obtained an independence declaration from our auditors, Ernst & Young, which follows the Directors' Declaration.

## Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, in relation to the "rounding off" of amounts. Amounts in the Directors' Report and Financial Statements have been rounded off, in accordance with the Instrument, to the nearest thousand dollars, unless otherwise stated.

## Subsequent events

Subsequent to 31 December 2021, the Malaysian Operating Licence has been updated to include a Class G licence for WLP disposal activities to the permanent disposal facility (PDF). Lynas has complied with applicable licence conditions and the Operating Licence remains current to March 2023.

On 1 February 2022, the Ministerial Statement for the Kalgoorlie Rare Earth Processing Facility was issued under the Environmental Protection Act 1986 (WA). The Statement approves the implementation of the Kalgoorlie Rare Earths Processing Facility and outlines the conditions for the construction and operation of the Facility, which are consistent with initiatives proposed by Lynas. All necessary approvals for the Kalgoorlie Project have now been received.

With the exception of the above, there have been no other events subsequent to 31 December 2021 that would require accrual or disclosure in this financial report.

## Directors' declaration

In accordance with a resolution of the directors of Lynas Rare Earths Limited, I state that in the opinion of the directors:

- a) The interim financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001*, including
  - i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
  - ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors,



Kathleen Conlon

Chairman

Sydney, 25 February 2022

# Auditor's independence declaration



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## Auditor's independence declaration to the directors of Lynas Rare Earths Limited

As lead auditor for the review of the half-year financial report of Lynas Rare Earths Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lynas Rare Earths Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham  
Partner  
25 February 2022

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# Independent auditor's report



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## Independent auditor's review report to the members of Lynas Rare Earths Limited

### Conclusion

We have reviewed the accompanying half-year financial report of Lynas Rare Earths Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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### Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham  
Partner  
Perth  
25 February 2022

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# Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December

In A\$'000	Note	2021	2020
Revenue	2	314,801	202,474
Cost of sales	2	(140,255)	(150,754)
<b>Gross profit</b>		<b>174,546</b>	<b>51,720</b>
General and administration expenses	2	(18,657)	(15,751)
Net foreign exchange gain		6,037	9,102
Other income		1	1,060
<b>Profit from operating activities</b>		<b>161,927</b>	<b>46,131</b>
Financial income	3	1,675	1,271
Financial expenses	3	(6,438)	(6,663)
<b>Net financial expenses</b>		<b>(4,763)</b>	<b>(5,392)</b>
<b>Profit before income tax</b>		<b>157,164</b>	<b>40,739</b>
Income tax expense	4	(303)	(133)
<b>Profit for the period</b>		<b>156,861</b>	<b>40,606</b>
<b>Other comprehensive income / (loss) for the period net of income tax that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations		11,253	(26,012)
<b>Total other comprehensive income / (loss) for the period, net of income tax</b>		<b>11,253</b>	<b>(26,012)</b>
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		<b>168,114</b>	<b>14,594</b>
Earnings per share			
Basic earnings per share (cents per share)	17	17.39	4.87
Diluted earnings per share (cents per share)	17	17.32	4.85

The interim unaudited consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the interim unaudited consolidated financial statements.

# Consolidated statement of financial position

As at

In A\$'000	Note	31 Dec 2021	30 June 2021
<b>Assets</b>			
Cash and cash equivalents	5	573,458	580,827
Short term deposits	6	100,740	100,000
Trade and other receivables	7	102,229	23,890
Prepayments		3,364	6,442
Inventories	8	83,359	62,888
<b>Total current assets</b>		<b>863,150</b>	<b>774,047</b>
Inventories	8	1,885	4,434
Property, plant and equipment	10	668,537	607,297
Deferred development expenditure	10	38,382	28,347
Intangible assets		794	405
Other non-current assets	9	72,537	63,060
<b>Total non-current assets</b>		<b>782,135</b>	<b>703,543</b>
<b>Total assets</b>		<b>1,645,285</b>	<b>1,477,590</b>
<b>Liabilities</b>			
Interest payable		1,587	1,773
Trade and other payables	11	47,754	40,828
Borrowings	12	20,875	20,073
Current tax liability		223	84
Employee benefits	14	3,700	3,331
Provisions	14	45,572	40,874
Lease liabilities		1,660	778
<b>Total current liabilities</b>		<b>121,371</b>	<b>107,741</b>
Borrowings	12	156,429	151,049
Employee benefits	14	916	696
Provisions	14	110,974	133,392
Lease liabilities		2,718	1,292
<b>Total non-current liabilities</b>		<b>271,037</b>	<b>286,429</b>
<b>Total liabilities</b>		<b>392,408</b>	<b>394,170</b>
<b>Net assets</b>		<b>1,252,877</b>	<b>1,083,420</b>
<b>Equity</b>			
Share capital	16	1,859,598	1,859,598
Accumulated losses		(558,733)	(715,594)
Reserves		(47,988)	(60,584)
<b>Total equity attributable to the equity holders of the Company</b>		<b>1,252,877</b>	<b>1,083,420</b>

The interim unaudited consolidated statement of financial position should be read in conjunction with the notes to the interim unaudited consolidated financial statements.

## Consolidated statement of changes in equity

In A\$'000	Ref	Share capital	Accumulated losses	Foreign currency translation reserve	Equity settled employee benefits reserve	Warrant reserve	Other reserve	Total
Balance at 1 July 2021		1,859,598	(715,594)	(136,521)	54,172	21,765	-	1,083,420
Other comprehensive income for the period		-	-	11,253	-	-	-	11,253
Total profit for the period		-	156,861	-	-	-	-	156,861
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>156,861</b>	<b>11,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>168,114</b>
Employee remuneration settled through share-based payments		-	-	-	1,343	-	-	1,343
<b>Balance at 31 Dec 2021</b>		<b>1,859,598</b>	<b>(558,733)</b>	<b>(125,268)</b>	<b>55,515</b>	<b>21,765</b>	<b>-</b>	<b>1,252,877</b>
Balance at 1 July 2020		1,424,847	(872,677)	(111,771)	51,708	21,765	4,509	518,381
Other comprehensive loss for the period		-	-	(26,012)	-	-	-	(26,012)
Total profit for the period		-	40,606	-	-	-	-	40,606
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>40,606</b>	<b>(26,012)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,594</b>
Issue of shares, net of issue costs		413,866	-	-	-	-	-	413,866
Conversion of convertible bonds		20,884	-	-	-	-	(4,509)	16,375
Employee remuneration settled through share-based payments		-	-	-	1,185	-	-	1,185
<b>Balance at 31 Dec 2020</b>		<b>1,859,597</b>	<b>(832,071)</b>	<b>(137,783)</b>	<b>52,893</b>	<b>21,765</b>	<b>-</b>	<b>964,401</b>

The interim unaudited consolidated statement of changes in equity should be read in conjunction with the notes to the interim unaudited consolidated financial statements.

# Consolidated statement of cash flows

For the half year ended 31 December

In A\$'000	Note	2021	2020
<b>Cash flows from operating activities</b>			
Receipts from customers		242,324	139,956
Payments to suppliers and employees		(141,032)	(114,047)
Payments for discharge of rehabilitation obligation		(36,115)	-
Royalties paid		(5,313)	(2,513)
Income taxes paid		(168)	(81)
<b>Net cash from operating activities</b>		<b>59,696</b>	<b>23,315</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and development expenditure		(63,361)	(15,534)
Security bonds paid		(648)	(43)
Security bonds refunded		10	4
Interest received		1,577	700
Deposit as collateral for AELB		(2,423)	-
Investment in term deposit		(5,740)	(200,000)
<b>Net cash used in investing activities</b>		<b>(70,585)</b>	<b>(214,873)</b>
<b>Cash flows from financing activities</b>			
Interest and other financing costs paid		(3,389)	(3,748)
Proceeds from the issue of share capital		-	425,324
Payments related to the issue of share capital		-	(11,458)
Repayment of long term borrowings		(2,759)	-
Repayment of lease liabilities		(749)	(1,168)
<b>Net cash (used in) / provided from financing activities</b>		<b>(6,897)</b>	<b>408,950</b>
Net (decrease) / increase in cash and cash equivalents		(17,786)	217,392
Cash and cash equivalents at the beginning of the year		580,827	101,731
Effect of exchange rate fluctuations (net) on cash held		10,417	(6,492)
<b>Closing cash and cash equivalents</b>	5	<b>573,458</b>	<b>312,631</b>

The interim unaudited consolidated statement of cash flows should be read in conjunction with the notes to the interim unaudited consolidated financial statements.

A close-up photograph of industrial machinery, featuring a large metal component with several bolts and a cylindrical part. In the foreground, a cardboard box is visible on a conveyor belt. The background shows a complex network of metal beams and pipes. A semi-transparent blue rectangular overlay is positioned in the center-left of the image, containing white text.

# Notes to consolidated financial statements

For the half year ended 31 December 2021

## About this report

Lynas Rare Earths Limited (the “Company”) is a for-profit company domiciled and incorporated in Australia.

The interim unaudited consolidated financial statements of the Company as at and for the half year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group is principally engaged in the extraction and processing of rare earth minerals, primarily in Australia and Malaysia.

The address of the registered office of the Company is Suite 1, 1st Floor 45 Royal Street, East Perth 6004, Australia.

### 1. Basis of preparation

#### Statement of compliance

The interim unaudited consolidated financial statements have been prepared in accordance with AASB 134 Interim Financial Reporting. The disclosures required in these interim unaudited consolidated financial statements are less extensive than the disclosure requirements for annual financial statements. The interim unaudited consolidated financial statements should be read in conjunction with the annual financial report of the Group for the year ended 30 June 2021.

The interim unaudited consolidated financial statements comprise the statements of profit or loss and other comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited consolidated financial statements.

#### Basis of measurement

The financial report has been prepared under the historical cost convention, except for the borrowings which are at amortised cost.

Information as disclosed in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the current period is for the 6 month period ended 31 December 2021. Information for the comparative period is for the 6 month period ended 31 December 2020.

#### Consolidation of subsidiaries

Subsidiaries are entities controlled by the Company or the Group. Control is achieved when the Company or Group has power over the investee, is exposed, or has the rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the financial report from the date control (or effective control) commences until the date that control ceases. All entities within the Group are 100% owned and controlled.

Intra-group balances and unrealised items of income and expense arising from intra-group transactions are eliminated in preparing the financial report. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same manner as gains, but only to the extent that there is no evidence of impairment.

#### Presentation currency

These interim unaudited consolidated financial statements are presented in Australian dollars (“AUD”), which is the Group’s presentation currency.

#### Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, in relation to the “rounding off” of amounts. Amounts in the Directors’ Report and Financial Report have been rounded off, in accordance with the Instrument, to the nearest thousand dollars, unless otherwise stated.

## 2. Segment revenue and expenses

AASB 8 Operating Segments (“AASB 8”) requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Makers (CODM) in order to allocate resources to the segment and to assess its performance.

At period end, the Group’s CODM are the Board of Directors of the Company, the Chief Executive Officer, the Chief Financial Officer, the VP Upstream, the VP Downstream, the General Counsel & Company Secretary, the VP Malaysia, the VP People & Culture and the VP Strategy and Investor Relations. Information reported to the Group’s CODM for the purposes of resource allocation and assessment of performance currently focuses on the operation of the Group’s integrated rare earth extraction and process facilities.

The Group has only one reportable segment under AASB 8 being its rare earth operations. The CODM does not review the business activities of the Group based on geography.

All of the Group’s revenue is derived through the sale of Rare Earth products and is sold to non-Australian customers.

The accounting policies applied by this segment are the same as the Group’s accounting policies. Results from operating activities represent the profit earned by this segment without allocation of interest income and expense and income tax benefit (expense). The CODM assess the performance of the operating segment based on adjusted EBITDA. Adjusted EBITDA is defined as net profit before income tax expense, net of financial expenses, depreciation and amortisation and adjusted to exclude certain significant items, including but not limited to such items as employee remuneration settled through share-based payments, restructuring costs, unrealised gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs.

60% (30 June 2021:66%) of the Group’s non-current assets are located in Malaysia and the remaining 40% (30 June 2021:34%) are in Australia.

In A\$'000	For the half year ended 31 December 2021			For the half year ended 31 December 2020		
	Rare Earth Operations	Corporate/ Unallocated	Total Continuing Operations	Rare Earth Operations	Corporate/ Unallocated	Total Continuing Operations
<b>Business segment reporting</b>						
Revenue from contracts with customers	310,788	-	310,788	196,034	-	196,034
Other revenue:						
Revenue adjustments	4,013	-	4,013	6,440	-	6,440
<b>Total revenue</b>	<b>314,801</b>	<b>-</b>	<b>314,801</b>	<b>202,474</b>	<b>-</b>	<b>202,474</b>
Cost of sales (excl depreciation)	(114,150)	-	(114,150)	(118,707)	-	(118,707)
Cost of sales (depreciation)	(26,105)	-	(26,105)	(32,047)	-	(32,047)
<b>Gross profit</b>	<b>174,546</b>	<b>-</b>	<b>174,546</b>	<b>51,720</b>	<b>-</b>	<b>51,720</b>
Employee and production costs net of costs recovered through production	(2,199)	(4,112)	(6,311)	(1,974)	(3,597)	(5,571)
Depreciation expenses net of cost recovered through production	(711)	(1,082)	(1,793)	(883)	(1,559)	(2,442)
Other general and administration expenses <sup>(1)</sup>	(8,711)	(1,842)	(10,553)	(6,322)	(1,416)	(7,738)
<b>Total general and admin expenses</b>	<b>(11,621)</b>	<b>(7,036)</b>	<b>(18,657)</b>	<b>(9,179)</b>	<b>(6,572)</b>	<b>(15,751)</b>
Other income <sup>(2)</sup>	-	1	1	-	1,060	1,060
Net foreign exchange gain	-	6,037	6,037	-	9,102	9,102
<b>Profit / (loss) before interest and tax ("EBIT")</b>	<b>162,925</b>	<b>(998)</b>	<b>161,927</b>	<b>42,541</b>	<b>3,590</b>	<b>46,131</b>
Financial income			1,675			1,271
Financial expenses			(6,438)			(6,663)
<b>Profit before income tax</b>			<b>157,164</b>			<b>40,739</b>
Income tax expense			(303)			(133)
<b>Profit after income tax</b>			<b>156,861</b>			<b>40,606</b>
EBIT	162,925	(998)	161,927	42,558	3,573	46,131
Depreciation and amortisation	26,816	1,082	27,898	32,929	1,559	34,488
<b>EBITDA</b>	<b>189,741</b>	<b>84</b>	<b>189,826</b>	<b>75,487</b>	<b>5,132</b>	<b>80,619</b>
Included in EBITDA:						
Non-cash employee remuneration settled through share based payments	-	1,343	1,343	-	1,186	1,186
Other income	-	(1)	(1)	-	(1,060)	(1,060)
<b>Adjusted EBITDA</b>	<b>189,741</b>	<b>1,426</b>	<b>191,168</b>	<b>75,487</b>	<b>5,258</b>	<b>80,745</b>

(1) Other general and administration expenses include statutory, consulting, insurance, IT, marketing and general office costs.

(2) Other income in the half year ended 31 December 2020 relates to Job keeper support to Mt Weld for the period July 2020 – September 2020, as well as other support measures in Malaysia. Subsequent to 31 December 2020, the Board resolved to repay approximately \$1.02m of these subsidies to the relevant regulatory authorities.

### 3. Financial income and expenses

In A\$'000	For the half year ended 31 December	
	2021	2020
Interest income	1,675	1,271
<b>Total financial income</b>	<b>1,675</b>	<b>1,271</b>
<i>Interest expense on financial liabilities:</i>		
Interest expense on JARE loan facility	(2,865)	(2,802)
Interest expense on convertible bond facility	-	(34)
Unwinding of effective interest on convertible bond facility	-	(134)
Unwinding of effective interest on JARE loan facility	(3,409)	(3,168)
Non-cash adjustment to financial liabilities	405	995
Interest capitalised to qualifying assets	2,011	-
Unwinding of discount on restoration and rehabilitation provision	(2,176)	(1,127)
Interest expense on lease liabilities	(105)	(83)
Discount unwinding on AELB deposit	36	-
Financing transaction costs and fees	(335)	(310)
<b>Total financial expenses</b>	<b>(6,438)</b>	<b>(6,663)</b>
<b>Net financial expenses</b>	<b>(4,763)</b>	<b>(5,392)</b>

### 4. Income taxes

In A\$'000	For the half year ended 31 December	
	2021	2020
Current tax		
Current tax expense in respect of the current half year	(303)	(133)
Deferred tax		
Deferred tax expense recognised in the half year	-	-
<b>Total income tax expense relating to the continuing operations</b>	<b>(303)</b>	<b>(133)</b>

The significant driver of the difference between income tax expense calculated at 30% (2020: 30%) and actual tax expense is due to unrecognised tax losses that are not recognised as deferred tax assets in Australia, Malaysia and Malawi. These unrecognised tax losses will be recognised when it becomes probable that the Group will have future taxable profits in these jurisdictions against which these tax losses can be utilised. During the period, Lynas Malaysia has received its renewal to its pioneer status in Malaysia through to 2026.

## 5. Cash and cash equivalents

In A\$'000	31 December 2021	30 June 2021
Cash at bank and on hand	573,458	580,827
<b>Total cash at bank and on hand</b>	<b>573,458</b>	<b>580,827</b>

## 6. Short term deposits

In A\$'000	31 December 2021	30 June 2021
Short term deposits	100,740	100,000
<b>Total short term deposits</b>	<b>100,740</b>	<b>100,000</b>

## 7. Trade and other receivables

In A\$'000	31 December 2021	30 June 2021
Trade receivables	97,099	21,729
GST receivables	2,720	853
Other receivables	2,410	1,308
<b>Total current trade and other receivables</b>	<b>102,229</b>	<b>23,890</b>

The Group's exposure to credit risk is primarily in its trade receivables. As at 31 December 2021, \$6.7m (30 June 2021: \$1.8m), of trade receivables were past due but not impaired, 80% of which has been receipted in 2022. No recoverability issues are expected with the final outstanding debtor.

At 31 December 2021, the Group had sales under contract amounting to A\$82.1m (US\$59.6m) (30 June 2021: A\$66.6m (US\$50.0m)) subject to price adjustments. At the date of this report A\$37.3m (US\$27.0m) of this amount has been finalised with minimal price adjustments.

## 8. Inventories

In A\$'000	31 December 2021	30 June 2021
Raw materials and consumables	26,358	25,123
Work in progress	49,728	37,662
Finished goods	9,158	4,537
<b>Total inventories</b>	<b>85,244</b>	<b>67,322</b>
Current inventories	83,359	62,888
Non-current inventories	1,885	4,434
<b>Total inventories</b>	<b>85,244</b>	<b>67,322</b>

During the half year ended 31 December 2021 inventories of \$140.3m (31 December 2020: \$150.8m) were recognised as an expense. All of which were included in 'cost of sales'.

## Depreciation recognised in inventories

The Group recognised depreciation on its property, plant and equipment and amortisation on its deferred development expenditure and intangible assets for the half years ended 31 December 2021 and 2020 respectively in the following categories:

In A\$'000	Recognised in General and Administration Expense		Recognised in Inventory		Total	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	1,493	2,067	28,588	29,612	30,081	31,679
Deferred development expenditure	242	319	-	-	242	319
Intangibles	58	56	-	-	58	56
<b>Total</b>	<b>1,793</b>	<b>2,442</b>	<b>28,588</b>	<b>29,612</b>	<b>30,381</b>	<b>32,054</b>

On the sale of inventory to customers, the component of the depreciation or amortisation expense capitalised within inventory is reflected in the cost of goods sold in the statement of comprehensive income as a component of the profit or loss. This was \$26.1m in the period ending 31 December 2021 (2020: \$32.0m).

## Write downs of inventory

During the half year ended 31 December 2021, there were no write-downs to net realisable value for some products. (31 December 2020: nil).

## 9. Other non-current assets

In A\$'000	31 December 2021	30 June 2021
Security deposits – banking facilities and other, Malaysia	3,641	2,874
Security deposits – banking facilities and other, Australia	5,070	58
Security deposits – banking facilities and other, USA	1	1
Security deposits – AELB, Malaysia	10,071	8,208
Security deposits – AELB, Australia	53,754	51,919
	<b>72,537</b>	<b>63,060</b>

Deposits to the Malaysian Government's Atomic Energy Licensing Board ("AELB") form a component of a total US\$50.0m of instalments due in accordance with the conditions underlying the granting of the Full Operating Stage Licence to the Group for the Lynas Malaysia plant. The total amount deposited as security via a bond for the instalments is US\$39.0m (all of which is interest earning). A further US\$11.0m paid via cash directly to AELB is non interest earning and has been discounted to a present value of A\$5.1m (FY21: A\$4.8m).

A further MYR 7.5m (A\$2.4m) in deposits were made during the period in line with the current AELB licence conditions.

## 10. Property, plant and equipment and mine development

In A\$'000	Property, Plant and Equipment							Development Expenditure			
	Leasehold land	Buildings plant and equipment	Fixtures and fittings	Right of use assets	Assets under construction	Rehabilitation asset	Leasehold improvements	Total	Development expenditure	Pre-production /Stripping asset	Total
<b>As at 31 Dec 2021</b>											
Cost	28,900	908,052	7,277	5,491	107,143	190,694	20,410	<b>1,267,967</b>	25,578	28,192	<b>53,770</b>
Accumulated impairment losses	-	(188,192)	(389)	-	(245)	-	(7,402)	<b>(196,228)</b>	(3,549)	-	<b>(3,549)</b>
Accumulated depreciation	(3,957)	(364,105)	(6,261)	(1,552)	-	(21,757)	(5,570)	<b>(403,202)</b>	(6,671)	(5,168)	<b>(11,839)</b>
<b>Carrying amount</b>	<b>24,943</b>	<b>355,755</b>	<b>627</b>	<b>3,939</b>	<b>106,898</b>	<b>168,937</b>	<b>7,438</b>	<b>668,537</b>	<b>15,358</b>	<b>23,024</b>	<b>38,382</b>
Opening cost	28,069	881,322	7,140	3,291	50,886	174,194	19,825	<b>1,164,727</b>	24,889	18,358	<b>43,247</b>
Opening accumulated impairment and depreciation	(3,702)	(514,883)	(6,415)	(1,657)	(236)	(18,235)	(12,302)	<b>(557,430)</b>	(9,849)	(5,051)	<b>(14,900)</b>
<b>Opening carrying amount</b>	<b>24,367</b>	<b>366,439</b>	<b>725</b>	<b>1,634</b>	<b>50,650</b>	<b>155,959</b>	<b>7,523</b>	<b>607,297</b>	<b>15,040</b>	<b>13,307</b>	<b>28,347</b>
Additions	-	2,852	7	2,985	57,066	-	-	<b>62,910</b>	560	9,815	<b>10,375</b>
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	(145)	(25,526)	(137)	(707)	-	(3,108)	(306)	<b>(29,929)</b>	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-	(242)	(98)	<b>(340)</b>
Change in rehabilitation obligations	-	-	-	-	-	11,999	-	<b>11,999</b>	-	-	-
Transfers from AUC	-	3,014	16	-	(3,030)	-	-	-	-	-	-
Capitalised interest	-	-	-	-	2,011	-	-	<b>2,011</b>	-	-	-
Foreign currency translation	721	8,976	16	27	201	4,087	221	<b>14,249</b>	-	-	-
<b>Carrying amount at 31 Dec 2021</b>	<b>24,943</b>	<b>355,755</b>	<b>627</b>	<b>3,939</b>	<b>106,898</b>	<b>168,937</b>	<b>7,438</b>	<b>668,537</b>	<b>15,358</b>	<b>23,024</b>	<b>38,382</b>

In A\$'000	Property, Plant and Equipment							Development Expenditure			
	Leasehold land	Buildings plant and equipment	Fixtures and fittings	Right of use assets	Assets under construction	Rehabilitation asset	Leasehold improvements	Total	Development expenditure	Pre-production /Stripping asset	Total
<b>As at 30 June 2021</b>											
Cost	28,069	881,322	7,140	3,291	50,886	174,194	19,825	<b>1,164,727</b>	24,889	18,358	<b>43,247</b>
Accumulated impairment losses	-	(182,776)	(377)	-	(236)	-	(7,189)	<b>(190,578)</b>	(3,436)	-	<b>(3,436)</b>
Accumulated depreciation	(3,702)	(332,107)	(6,038)	(1,657)	-	(18,235)	(5,113)	<b>(366,852)</b>	(6,413)	(5,051)	<b>(11,464)</b>
<b>Carrying amount</b>	<b>24,367</b>	<b>366,439</b>	<b>725</b>	<b>1,634</b>	<b>50,650</b>	<b>155,959</b>	<b>7,523</b>	<b>607,297</b>	<b>15,040</b>	<b>13,307</b>	<b>28,347</b>
Opening cost	29,705	920,798	7,267	4,873	8,123	186,125	20,977	<b>1,177,868</b>	25,050	18,358	<b>43,408</b>
Opening accumulated impairment and depreciation	(3,617)	(487,034)	(6,059)	(2,603)	(258)	(12,825)	(12,382)	<b>(524,778)</b>	(9,716)	(4,874)	<b>(14,590)</b>
<b>Opening carrying amount</b>	<b>26,088</b>	<b>433,764</b>	<b>1,208</b>	<b>2,270</b>	<b>7,865</b>	<b>173,300</b>	<b>8,595</b>	<b>653,090</b>	<b>15,334</b>	<b>13,484</b>	<b>28,818</b>
Additions	-	2,422	87	1,235	42,279	-	-	<b>46,023</b>	172	-	<b>172</b>
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	(289)	(51,846)	(538)	(1,825)	-	(5,962)	(609)	<b>(61,069)</b>	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-	(466)	(177)	<b>(643)</b>
Change in rehabilitation obligations	-	-	-	-	-	(3,689)	-	<b>(3,689)</b>	-	-	-
Capitalised interest	-	-	-	-	751	-	-	<b>751</b>	-	-	-
Foreign currency translation	(1,432)	(17,901)	(32)	(46)	(245)	(7,690)	(463)	<b>(27,809)</b>	-	-	-
<b>Carrying amount at 30 June 2021</b>	<b>24,367</b>	<b>366,439</b>	<b>725</b>	<b>1,634</b>	<b>50,650</b>	<b>155,959</b>	<b>7,523</b>	<b>607,297</b>	<b>15,040</b>	<b>13,307</b>	<b>28,347</b>

## 11. Trade and other payables

In A\$'000	31 December 2021	30 June 2021
Trade payables	21,566	11,077
Accrued expenses	20,548	16,485
Other payables	5,640	13,266
<b>Total trade and other payables</b>	<b>47,754</b>	<b>40,828</b>
Current	47,754	40,828
Non-current	-	-
<b>Total trade and other payables</b>	<b>47,754</b>	<b>40,828</b>

## 12. Interest Bearing Liabilities

In A\$'000	31 December 2021	30 June 2021
<b>Current borrowings</b>		
JARE loan facility <sup>(1)</sup>	20,875	20,073
<b>Total current borrowings</b>	<b>20,875</b>	<b>20,073</b>
<b>Non-current borrowings</b>		
JARE loan facility	156,429	151,049
<b>Total non-current borrowings</b>	<b>156,429</b>	<b>151,049</b>

(1) A payment of interest in respect of the period commencing on 1 January 2016 and ending on 31 December 2016 was deferred until 31 October 2021 and then further deferred to 31 March 2022 and continues to be classified as a current liability. Furthermore, in line with the repayment schedule below, payments of US\$2m are due on 30 June 2022 and 31 Dec 2022. These have also been classified as current liabilities at 31 December 2021.

## Reconciliation of liabilities arising from financing activities

	30 June	Cash flows		Non-Cash Movements				31	
	2021	Opening Balance	Proceeds / (Repayments)	Effective Interest	Foreign Exchange	Adjustment <sup>(1)</sup>	Other <sup>(2)</sup>	Reclass	December 2021
JARE loan facility (Current)	20,073	20,073	(2,759)	-	745	-	-	2,816	20,875
JARE loan facility (Non-Current)	151,049	151,049	-	3,409	5,192	(405)	-	(2,816)	156,429
Lease liability	2,070	2,070	(749)	105	(33)	-	2,985	-	4,378
<b>Total</b>	<b>173,192</b>	<b>173,192</b>	<b>(3,508)</b>	<b>3,514</b>	<b>5,904</b>	<b>(405)</b>	<b>2,985</b>	<b>-</b>	<b>181,682</b>

	30 June	Cash flows		Non-Cash Movements				31	
	2020	Opening Balance	Proceeds/ (Repayments)	Effective Interest	Foreign Exchange	Adjustment <sup>(1)</sup>	Other <sup>(2)</sup>	Reclass	December 2020
JARE loan facility (Current)	16,371	16,371	-	-	(1,794)	-	-	1,999	16,576
JARE loan facility (Non-Current)	164,851	164,851	-	3,214	(17,959)	(995)	-	(1,999)	147,112
Convertible bond facility (Current)	17,777	17,777	-	134	(1,193)	-	(16,718)	-	-
Lease liability	2,960	2,960	(1,168)	83	(114)	-	1,142	-	2,903
<b>Total</b>	<b>201,959</b>	<b>201,959</b>	<b>(1,168)</b>	<b>3,431</b>	<b>(21,060)</b>	<b>(995)</b>	<b>(15,576)</b>	<b>-</b>	<b>166,591</b>

(1) Adjustments to the carrying values of the JARE loan during the period relate to changes in the cash flow profile used to measure the carrying value of the loan.

(2) Other non-cash movements in the lease liability during the half year ended 31 Dec 2020 and 2021 related to finance leases recognised in line with AASB 16.

### 13. Financing facilities

#### Japan Australia Rare Earths B.V. (JARE) loan facility

An extension of the JARE loan facility was announced on 27 June 2019. As part of this extension, new terms were agreed to as detailed below.

The maturity date of the JARE loan facility is 30 June 2030. The interest rate on this facility is 2.5% p.a. at 31 December 2021 (30 June 2021: 2.5% p.a.). Conditions linking the interest rate to the NdPr sales price in the previous facility have been removed.

Interest liabilities will be paid directly to the lenders at 31 December and 30 June each year. The payment of interest in respect of the period commencing on 1 January 2016 and ending on 31 December 2016 is deferred to 31 March 2022 (with no penalty, and no additional interest).

There are a series of fixed repayments in the facility which have replaced the “Cash Sweep” mechanism in the former facility. The details of the fixed repayments are as follows:

Repayment date	Amount
31 Dec 2021	US\$2m paid during the period
Each half-year from 30 June 2022 to 31 Dec 2023	US\$2m on each date
30 June 2024	US\$5m
Each half-year from 31 Dec 2024 to 31 Dec 2027	US\$10m on each date
Each half-year from 30 June 2028 to 30 June 2030	US\$12m on each date

Japan will have the following priority supply rights until 2038:

1. Any fundraising will not hinder Lynas’ ability to support Japanese industries diversifying their rare earths supply sources, in accordance with the Availability Agreement announced on 30 March 2011.
2. Lynas shall ensure that in the event of competing demands from the Japanese market and a non-Japanese market for the supply by the Borrower or Lynas Malaysia for NdPr produced from the Lynas Malaysia plant, the Japanese market shall have priority of supply up to 7,200 tonnes per year subject to the terms of the Availability Agreement and to the extent that Lynas will not have any opportunity loss.
3. JARE has rights of negotiation with Lynas in priority to non-Japanese market customers for the priority supply to the Japanese market of additional NdPr and Nd products produced by the Lynas 2025 Project.
4. Lynas will continue to prioritize the needs of Japanese customers for the supply of Heavy Rare Earths products produced, to the extent possible under any agreement with the U.S.

The JARE loan facility has been secured over all of the assets of the Group, other than the Malawi and Malaysia assets.

## 14. Provisions and Employee benefits

In A\$’000	31 December 2021	30 June 2021
<b>Current</b>		
Short term employee benefits	3,700	3,331
Restoration and rehabilitation <sup>(1)</sup>	45,572	40,874
<b>Total current</b>	<b>49,272</b>	<b>44,205</b>
<b>Non-Current</b>		
Long term employee benefits	916	696
Restoration and rehabilitation	110,974	133,392
<b>Total non-current</b>	<b>111,890</b>	<b>134,088</b>

<sup>(1)</sup> The current portion of the restoration and rehabilitation provision represents Lynas’ best estimate of the present value of the outflows relating to the discharge of the rehabilitation obligation relating to residue disposal in Malaysia over the next 12 month period.

## 15. Contingent liabilities

An amount of US\$50.0m (FY21: US\$50.0m) has been deposited via a bond for instalments required in accordance with the conditions underlying the granting of the Full Operating Stage Licence to the Group for the LAMP in Malaysia. Should criteria as part of this grant not continue to be met, this amount may be utilised to settle obligations. The Group has determined that the possibility of a material outflow related to these contingent liabilities is remote. Refer to Note 9 for details of bonds.

## 16. Contributed equity

	For the half year ended 31 December 2021		For the year ended 30 June 2021	
	Number of shares '000	A\$'000	Number of shares '000	A\$'000
Balance at the beginning of the period	901,079	1,859,598	699,209	1,424,847
Issue of shares pursuant to conversion of convertible bonds	-	-	16,203	20,884
Issue of shares pursuant to exercised performance rights	1,333	-	744	-
Issue of shares pursuant to equity raising	-	-	184,923	425,324
Costs related to issue of shares	-	-	-	(11,457)
<b>Closing balance</b>	<b>902,412</b>	<b>1,859,598</b>	<b>901,079</b>	<b>1,859,598</b>

All issued ordinary shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share. All shares rank equally with regard to the Group's residual assets in the event of a wind-up.

## 17. Earnings per share

Basic earnings per share amounts are calculated by dividing net loss or profit for the half year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the half year.

Diluted earnings per share adjusts the amount used in the determination of the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share from continuing operations.

The earnings and weighted average number of ordinary shares used in the calculations of basic and diluted earnings per share are as follows:

In A\$'000	For the half year ended 31 December	
	2021	2020
Net earnings attributed to ordinary shareholders	156,861	40,606
Earnings used in calculating basic earnings per share	156,861	40,606
Net earnings impact of assumed conversions of diluted EPS	-	-
Earnings used in calculating diluted earnings per share	156,861	40,606
Weighted average number of ordinary shares used in calculating basic earnings per share ('000)	901,928	833,117
Weighted average number of ordinary shares used in calculating diluted earnings per share ('000)	905,577	837,942

In A\$'000	For the half year ended 31 December	
	2021	2020
Basic earnings per share (cents per share)	17.39	4.87
Diluted earnings per share (cents per share)	17.32	4.85

The following dilutive shares are included in the share base for the calculation of dilutive earnings per share:

Number (000's)	As at 31 December	
	2021	2020
Performance rights	3,649	4,824
<b>Total</b>	<b>3,649</b>	<b>4,824</b>

## Employee share options and performance rights

The Group has established an employee share plan whereby, at the discretion of Directors, performance rights may be granted over the ordinary shares of the Company for the benefit of executives and certain employees of the Group. The performance rights are granted in accordance with performance guidelines established by the Nomination, Remuneration and Community Committee. Other than short term incentives and Strategic Performance Rights, each performance right is convertible into one ordinary share of the Company during the two years following the vesting date, which is the third anniversary of the grant date. The performance rights hold no voting or dividend rights and are not transferrable.

Performance rights are granted for the benefit of Key Management Personnel ("KMP") and other selected employees to provide greater alignment to our strategic business objectives. KMP are those people who have authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Executive Director of the Group and the Executives. At period end, the Executives include the Chief Executive Officer, the Chief Financial Officer, the Group's General Counsel & Company Secretary, Vice President - Upstream, Vice President - Downstream, Vice President - Malaysia.

## Movements in employee performance rights

	For the half year ended 31 December 2021		For the half year ended 31 December 2020	
	No. of performance rights (‘000)	Weighted average exercise price (\$)	No. of performance rights (‘000)	Weighted average exercise price (\$)
Balance at beginning of period	4,824,168	0.00	4,461,537	0.00
Granted during the period	727,593	0.00	1,408,092	0.00
Expired during the period	-	0.00	-	0.00
Exercised during the period	(1,332,975)	0.00	(743,643)	0.00
Forfeited during the period	(569,949)	0.00	(301,816)	0.00
Balance at end of period	<b>3,648,837</b>	<b>0.00</b>	<b>4,824,170</b>	<b>0.00</b>
Exercisable at end of year	-	0.00	1,279,101	0.00

During the half year ended 31 December 2021 the Group recognised a net share based payment expense of \$1.3m (2020: \$1.2m) within the profit and loss component of the statement of comprehensive income.

The employee performance rights outstanding at the end of the year had nil weighted average exercise price and a weighted average remaining contractual life of 494 days (FY21: 339 days). The performance rights exercised during the period had a weighted average share price on exercise date of \$3.37 (FY21: \$1.91).

## 18. Leases and other commitments

### Capital commitments

In A\$'000	31 December 2021	30 June 2021
Less than one year	117,682	82,479
<b>Total</b>	<b>117,682</b>	<b>82,479</b>

The capital commitments primarily relate to the Lynas Kalgoorlie project.

## 19. Other items

### New and revised standards and interpretations

#### Standards and Interpretations affecting amounts reported

The accounting policies applied by the Group in these interim unaudited consolidated financial statements are the same as those applied by the Group in the annual financial statements for the year ended 30 June 2021.

No new standards and amendments which became mandatory for the first time in the interim reporting period commencing 1 July 2020 resulted in any adjustments to the amounts recognised in the financial statements or disclosures.

The Australian Accounting Standards issued but not yet mandatory for the 31 December 2021 interim reporting period have not been adopted by the Group in the preparation of this interim financial report.

## 20. Subsequent events

Subsequent to 31 December 2021, the Malaysian Operating Licence has been updated to include a Class G licence for WLP disposal activities to the permanent disposal facility (PDF). Lynas has complied with applicable licence conditions and the Operating Licence remains current to March 2023.

On 1 February 2022, the Ministerial Statement for the Kalgoorlie Rare Earth Processing Facility was issued under the Environmental Protection Act 1986 (WA). The Statement approves the implementation of the Kalgoorlie Rare Earths Processing Facility and outlines the conditions for the construction and operation of the Facility, which are consistent with initiatives proposed by Lynas. All necessary approvals for the Kalgoorlie Project have now been received.

With the exception of the above, there have been no other events subsequent to 31 December 2021 that would require accrual or disclosure in this financial report.

ABN 27 009 066 648

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