Interim Unaudited Consolidated Financial Report incorporating Appendix 4D

For the half year ended 31 December 2022

ACN 009 066 648
and
Controlled Entities

Contents

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 2022

Reporting Period: Half year ended 31 December 2022 (1H 23)

Comparative Reporting Period: Half year ended 31 December 2021 (1H 22)

Results for announcement to market

	1H 23	1H 22	Movement	
	$m	$m	$m	%
Revenue from ordinary activities	370.0	314.8	55.2	18%
Earnings before interest, tax, depreciation, amortisation and treasury charges (EBITDA)	189.0	189.8	(0.8)	0%
Profit from ordinary activities after tax attributable to members	150.1	156.9	(6.8)	(4%)
Net profit for the period attributable to members	150.1	156.9	(6.8)	(4%)

Dividend Information

No dividends have been paid or proposed at 31 December 2022.

Net Tangible Assets

	1H 23	1H 22
Net Tangible Assets per share	199.02	138.75

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 2022.

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 strong profit for 1H 23, following a record 1H22 and FY22 result. Market conditions were stable during the period and demand for Lynas products remained strong during the half year.

Increased sales revenue of $370.0m was achieved. This was a major contributing factor to a Net Profit Before Tax (NPBT) of $170.1m, an 8% increase on the 1H 22 NPBT.

	1H 23	1H 22	Movement	
	$m	$m	$m	%
Net Sales Revenue	370.0	314.8	55.2	18%
Cost of Sales	(185.0)	(140.3)	44.7	32%
Gross Profit	**185.0**	**174.5**	**10.5**	**6%**
Net Profit Before Tax	**170.1**	**157.2**	**12.9**	**8%**
Net Profit After Tax	**150.1**	**156.9**	**(6.8)**	**(4%)**

	31 Dec 22	30 June 22	Movement	
	$m	$m	$m	%
Cash and Short - Term Deposits	934.2	965.6	(31.4)	(3%)
Net Assets	**1,813.4**	**1,645.6**	**167.8**	**10%**

Mt Weld

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

Mining Campaign 4-1 continued at Mt Weld during the half year with movement of ore from the open cut mine to the run of mine stockpiles. The ores from the current cut back and changes to ore processing parameters have improved ore processing efficiencies resulting in Mt Weld achieving a record volume of REOt in concentrate in the second quarter of FY23.

The building of the lanthanide concentrate stockpile in Mt Weld for the Kalgoorlie Rare Earth Processing Facility is on schedule in preparation for the Kalgoorlie start up.

The exploration program at Mt Weld continued during the period on the exploration target in the fresh carbonatite below the current Mt Weld life of mine design and ore reserve. Lynas received a contribution from Japan Australia Rare Earths BV to support the Mt Weld exploration program through a US$9 million subscription for ordinary shares (as announced on 5 September 2022).

<u>Mt Weld Expansion</u>

On 3 August 2022, Lynas announced the approximately $500 million project to expand capacity at the Mt Weld mine and concentration plant to meet the accelerating demand for rare earth materials. The initial expansion to increase concentrate feedstock to produce 12,000 tonnes per annum NdPr finished product has been fully scoped and design and long lead procurement has commenced. Key elements of the project include:

- Crushing and grinding infrastructure
- Additional flotation circuits
- Apatite leach circuit
- Concentrate dewatering circuit
- Concentrate drying and load out facilities
- Reagent facilities
- A state of the art high recovery water recycling circuit from the tailings dam
- Additional bore water desalination plant
- Additional tailings storage facilities, with segregated storage of process streams to enable future reprocessing.

Subject to relevant regulatory and stakeholder approvals, full operation is planned for 2024.

Significant progress was achieved during the half year, including Detailed Engineering Design, procurement of long lead time items and award of packages. The bulk earthworks contractor mobilised in January and has commenced site works.

Applications for the two major environmental approvals for the project have been submitted. The Mt Weld Life of Mine proposal was referred to the Western Australian Environmental Protection Authority (EPA) through a section 38 referral of the *Environmental Protection Act* 1986. The EPA has set the level of assessment as Referral Information, with Public Review and additional information. The Works Approval was submitted to the Department of Water and Environmental Regulation. The Chair of the EPA and Director of EPA Services visited Mt Weld in November. This was an opportunity for Lynas to demonstrate our operational excellence and highlight the controls and minimal environmental impacts associated with the Mt Weld Expansion Project.

Lynas Malaysia

During the July to October 2022 period, production was affected by significant water supply disruptions at the Lynas Malaysia plant which limited production. During July and August 2022, water supply from the local water utility, PAIP, remained unpredictable and on most days was below the level required to run all 4 kilns. A number of mitigation strategies were implemented, including obtaining water from alternative local sources and trucked water.

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

The water supply issues were resolved in October 2022 allowing strong production during December 2022.

Works to receive mixed rare earth carbonate (MREC) feedstock from the Kalgoorlie Facility are on track for a Q4 FY23 ramp up. In addition, a program of plant improvements to increase efficiency are underway.

Construction of the Permanent Disposal Facility (PDF) for WLP residue is ongoing.

Kalgoorlie

Progress momentum on the Kalgoorlie Rare Earths Processing Facility increased during the half year as the project team accelerated the next phase of construction activities, including the award of the final construction packages. Recruitment of the Facility's operational leadership team is now complete to support the final construction activities and commencement of commissioning. The target feed on date is Q4 FY23.

Progress during the quarter included major earthworks for the construction of the evaporation ponds and embankments, movement of most of the steel tanks into place, and progress on lining the 110m kiln with bricks.

Key project highlights also include the installation of the kiln generator, the arrival of the high voltage switch room on site, completion of the workshop warehouse, the control room, maintenance offices and the onsite laboratory building construction nearing completion.

Ongoing environmental activities have included the continuation of seed collecting activities and completion of the seeding trial on topsoil stockpiles during November. Vegetation monitoring programs are being set up as well as monitoring of revegetation activities within the buffer zone.

Community and stakeholder engagement has continued through the half year, including:

• Site visit by U.S. Ambassador to Australia, Her Excellency Caroline Kennedy, and Consul General in Perth, Ms Siriana Nair, in October 2022.

• Lynas hosted a number of site tours with investors and interested parties during the Diggers and Dealers Mining Forum in August and was named 'Digger of the Year' in the Forum's industry awards.

Lynas USA

Lynas continues to progress its deliverables under the previously announced contracts for the development of a U.S. Rare Earths separation facility. Engineering design is now complete and the Phase II deliverables have been submitted to the US Department of Defense (DoD). Lynas continues to work with the DoD on the follow-on phase, which includes detailed costings.

A proposed site for the combined Heavy Rare Earths separation and Light Rare Earths separation facility has been identified within an existing industrial area on the Gulf Coast of Texas and the activities associated with site acquisition are nearing completion.

Diversity reporting

In line with the growth of Lynas' Australian operations and the company's core value of embracing diversity, Lynas Rare Earths Limited submitted a report to the Australian Workplace Gender Equality Agency (WGEA) for the first time for the year ending March 2022. A copy of the reports on Lynas' Australian operations are available at: https://www.wgea.gov.au/data-statistics/data-explorer

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 2022 was 0.9 per million hours worked (30 June 2022: 0.8 per million hours worked). In addition, the 12-month total recordable injury frequency rate at 31 December 2022 was 3.4 per million hours worked (30 June 2022: 2.4 per million hours worked).

For the fifth consecutive year, Lynas has been certified Sustainability compliant for environment, labour & human rights, ethics and sustainable procurement by EcoVadis, the organisation auditing all suppliers of the European chemical industry.

Lynas supports the objectives of the Paris Agreement in respect of Greenhouse Gas (GHG) emissions. Life Cycle Assessments are now completed as part of all new capital requests to ensure GHG emissions are considered as part of the decision-making process.

In September 2021, Lynas committed to the Science Based Targets initiative (SBTi) which requires targets to be submitted for verification within two years of the commitment. As a growth business and supplier of critical minerals required for the energy transition, including for electric vehicles and wind turbines, Lynas has been awaiting the development of the SBTi's Chemical industry pathway. The latest proposed timeframe for the publication of guidance documents for the Chemical industry pathway is January 2024. As this is beyond the SBTi's two year timeframe, Lynas has withdrawn from the SBTi and will focus on setting targets and taking action to reduce the emissions intensity of production as we work towards meeting the objectives of the Paris Agreement.

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.

Financial and operational performance

Sales volume, revenue and costs

Sales by tonnage and value		1H 23	1H 22	2H 22	FY22
Sales volume	(REOt)	7,050	6,477	8,786	15,263
Cash receipts from customers	(A$m)	402.9	242.3	612.7	855.0
Sales revenue	(A$m)	370.0	314.8	605.2	920.0
Average selling price	(A$/kg)	52.5	48.6	68.9	60.3
Cost of sales	(A$m)	(185.0)	(140.3)	(208.1)	(348.4)

The demand for Lynas' products, in particular for the NdPr product family, remained very strong throughout the period. Production improved following the easing of the water supply disruptions experienced in Q1 FY23 and the residual effects of these issues in October 2022.

The increase in the cost of sales has been driven by an increase in chemical prices, utility tariff rates, employee costs and royalty costs.

Market prices

The average China domestic price of NdPr (VAT excluded) decreased from US$124.0/kg in June 2022 to US$87.0/kg in December 2022.

The good product mix and good price obtained for SEG and new La-Ce speciality products, improved the average selling price despite market pricing remaining flat until early December.

Lynas continues to focus on increasing production as our customers forecast very strong demand in calendar year 2023. Lynas continues to receive enquiries from potential new customers for future cooperation, mainly from automotive OEMs and new magnet manufacturing projects outside of China.

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 past 12 months.

Production volumes

		1H 23	1H 22	2H 22	FY22
Ready for sale production volume total	(REOt)	7,957	7,375	8,595	15,970
Ready for sale production volume NdPr	(REOt)	2,553	2,614	3,266	5,880

Production volumes were higher in 1H 23 compared to the prior corresponding period despite the effects of water supply issues outlined in the Lynas Malaysia section of this report. This is the result of particularly strong production volumes late in the half year.

Cash and cash flows

In A$m	1H 23	1H 22
Net operating cash inflows	192.0	59.7
Net investing cash outflows	(233.6)	(70.6)
Net financing cash inflows / (outflows)	6.3	(6.9)
Net cash flows	**(35.3)**	**(17.8)**

In A$m	31 Dec 2022	30 June 2022
Cash and cash equivalents	934.2	965.6

Operating cash flows increased significantly in 1H 23 as a result of increased sales revenue. The net operating cash flows include $2.1m 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 $13.4m in funds from a share issue with JARE, financial expenses, and a US$2.0m (A$2.9m) payment on the JARE loan facility.

Debt and capital

In A$m	1H 23	1H 22	2H 22	FY22
JARE loan	188.4	177.3	186.8	186.8
Financial income	13.9	1.7	2.9	4.6
Financial expenses	(1.8)	(6.4)	(3.1)	(9.5)

US$2.0m (A$2.9m) 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.

Financial income has increased as a result of higher interest rates on cash held. The financial expenses have decreased as $6.5m (HY21: $2.0m) of finance expenses have been capitalised into the Kalgoorlie Rare Earths Processing Facility project. There have been no changes to the interest rate on the JARE facility during the period.

During the half year ended 31 December 2022, the Company issued shares as shown below:

	Number (000's)
Shares on issue 30 June 2022	902,412
Issue of shares pursuant to exercised performance rights	1,105
Issue of shares	1,556
Shares on issue 31 December 2022	**905,073**

Performance rights

At 31 December 2022, the Company had the following options and performance rights on issue:

	Number (000's)
Performance rights	2,408

Earnings per share

For the half year ended 31 December	2022	2021
Basic earnings per share (cents per share)	16.60	17.39
Diluted earnings per share (cents per share)	16.56	17.32

Dividends

There were no dividends declared or paid during the half year ended 31 December 2022 (2021: nil) and no dividends have been declared or paid since 31 December 2022.

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, Risk and ESG 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.

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 2022.

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

As announced on 14 February 2023, the Atomic Energy Licensing Board (AELB), in Malaysia, has agreed to approve the application for renewal of Lynas Malaysia's operating licence effective from 3 March 2023 for a period of 3 years. The operating licence was renewed with no change to the licence conditions that were applied to the licence issued in March 2020 and which prohibit the import and processing of lanthanide concentrate after 1 July 2023. These conditions are a significant variation from the conditions under which Lynas invested in Malaysia.

Lynas has appealed to the Minister of the Ministry of Science, Technology and Innovation under the *Atomic Energy Licence Act 1984* seeking administrative review in respect of the licence conditions prohibiting import and processing of lanthanide concentrate after 1 July 2023. These appeals were filed on 16 and 24 February 2023.

If the licence conditions prohibiting the import and processing of lanthanide concentrate are not removed by 1 July 2023, the cracking and leaching facility at the Lynas Malaysia plant will be required to close. Feed on at the Kalgoorlie Rare Earth Processing Facility is targeted for Q4 FY23. Due to the inherent unpredictability of commissioning, Lynas continues to plan for several potential ramp up scenarios. Inventory is being built at all stages in the process to assist in meeting key customers' requirements during any transition period.

With the exception of the above, there have been no other events subsequent to 31 December 2022 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 2022 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, 27 February 2023

Auditor's independence declaration

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2022, 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.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
27 February 2023

Independent auditor's report

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2022, 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 2022 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.

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 2022 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*.

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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.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
27 February 2023

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December

In A$'000	Note	2022	2021
Revenue	2	369,982	314,801
Cost of sales	2	(185,019)	(140,255)
Gross profit		**184,963**	**174,546**
General and administration expenses	2	(30,572)	(18,657)
Net foreign exchange gain		5,411	6,037
Other (expenses) / income		(1,782)	1
Profit from operating activities		**158,020**	**161,927**
Financial income	3	13,884	1,675
Financial expenses	3	(1,826)	(6,438)
Net financial income / expense		**12,058**	**(4,763)**
Profit before income tax		**170,078**	**157,164**
Income tax expense	4	(20,002)	(303)
Profit for the period		**150,076**	**156,861**
Other comprehensive income / (loss) for the period net of income tax that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		607	11,253
Total other comprehensive income / (loss) for the period, net of income tax		**607**	**11,253**
Total comprehensive income for the period attributable to equity holders of the Company		**150,683**	**168,114**
Earnings per share			
Basic earnings per share (cents per share)	16	16.60	17.39
Diluted earnings per share (cents per share)	16	16.56	17.32

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 2022	30 June 2022
Assets			
Cash and cash equivalents	5	934,153	965,584
Trade and other receivables	6	97,872	109,866
Prepayments		5,827	6,712
Inventories	7	109,346	81,462
Total current assets		**1,147,198**	**1,163,624**
Inventories	7	14,179	851
Property, plant and equipment	9	974,004	757,346
Deferred development expenditure	9	48,564	48,996
Intangible assets		695	737
Deferred tax asset		11,436	11,344
Other non-current assets	8	81,549	78,734
Total non-current assets		**1,130,427**	**898,008**
Total assets		**2,277,625**	**2,061,632**
Liabilities			
Interest payable		1,687	1,673
Trade and other payables	10	79,857	64,932
Borrowings	11	21,928	21,903
Current tax liability		25,387	5,685
Employee benefits	13	4,718	4,206
Provisions	13	43,945	23,695
Lease liabilities		1,335	1,531
Total current liabilities		**178,857**	**123,625**
Borrowings	11	166,468	164,898
Employee benefits	13	1,142	978
Provisions	13	115,199	124,385
Lease liabilities		2,590	2,131
Total non-current liabilities		**285,399**	**292,392**
Total liabilities		**464,256**	**416,017**
Net assets		**1,813,369**	**1,645,614**
Equity			
Share capital	16	1,873,027	1,859,598
Accumulated losses		(24,694)	(174,770)
Reserves		(34,964)	(39,214)
Total equity attributable to the equity holders of the Company		**1,813,369**	**1,645,614**

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	Total
Balance at 1 July 2022		1,859,598	(174,770)	(119,570)	58,591	21,765	1,645,614
Other comprehensive income for the period		-	-	607	-	-	607
Total profit for the period		-	150,076	-	-	-	150,076
Total comprehensive income for the period		**-**	**150,076**	**607**	**-**	**-**	**150,683**
Issue of shares and options, net of issue costs		13,429	-	-	-	-	13,429
Employee remuneration settled through share-based payments		-	-	-	3,643	-	3,643
Balance at 31 Dec 2022		**1,873,027**	**(24,694)**	**(118,963)**	**62,234**	**21,765**	**1,813,369**
Balance at 1 July 2021		1,859,598	(715,594)	(136,521)	54,172	21,765	1,083,420
Other comprehensive loss for the period		-	-	11,253	-	-	11,253
Total profit for the period		-	156,861	-	-	-	156,861
Total comprehensive income for the period		**-**	**156,861**	**11,253**	**-**	**-**	**168,114**
Employee remuneration settled through share-based payments		-	-	-	1,343	-	1,343
Balance at 31 Dec 2021		**1,859,598**	**(558,733)**	**(125,268)**	**55,515**	**21,765**	**1,252,877**

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	2022	2021
Cash flows from operating activities			
Receipts from customers		402,852	242,324
Payments to suppliers and employees		(200,216)	(141,032)
Payments for discharge of rehabilitation obligation		(2,083)	(36,115)
Royalties paid		(8,187)	(5,313)
Income taxes paid		(390)	(168)
Net cash from operating activities		**191,976**	**59,696**
Cash flows from investing activities			
Payments for property, plant and equipment and development expenditure		(239,705)	(63,361)
Security bonds paid		(60)	(648)
Security bonds refunded		12	10
Interest received		10,838	1,577
Deposit as collateral for AELB		(4,664)	(2,423)
Investment in term deposit		-	(5,740)
Net cash used in investing activities		**(233,579)**	**(70,585)**
Cash flows from financing activities			
Interest and other financing costs paid		(3,262)	(3,389)
Proceeds from the issue of share capital		13,429	-
Repayment of long term borrowings		(2,933)	(2,759)
Repayment of lease liabilities		(910)	(749)
Net cash provided from / (used in) financing activities		**6,324**	**(6,897)**
Net decrease in cash and cash equivalents		(35,279)	(17,786)
Cash and cash equivalents at the beginning of the half year		965,584	580,827
Effect of exchange rate fluctuations (net) on cash held		3,848	10,417
Closing cash and cash equivalents	5	**934,153**	**573,458**

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

Notes to consolidated financial statements

For the half year ended 31 December 2022

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 2022 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 Level 4, 1 Howard St Perth, WA, 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 2022.

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 2022. Information for the comparative period is for the 6 month period ended 31 December 2021.

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.

In A$'000	For the half year ended 31 December 2022			For the half year ended 31 December 2021		
	Rare Earth Operations	Corporate/ Unallocated	Total Continuing Operations	Rare Earth Operations	Corporate/ Unallocated	Total Continuing Operations
Business segment reporting						
Revenue from contracts with customers	379,013	-	379,013	310,788	-	310,788
Other revenue:						
Revenue adjustments	(9,031)		(9,031)	4,013	-	4,013
Total revenue	**369,982**	**-**	**369,982**	**314,801**	**-**	**314,801**
Cost of sales (excl depreciation)	(160,748)	-	(160,748)	(114,150)	-	(114,150)
Cost of sales (depreciation)	(24,271)	-	(24,271)	(26,105)	-	(26,105)
Gross profit	**184,963**	**-**	**184,963**	**174,546**	**-**	**174,546**
Employee and production costs net of costs recovered through production	(2,883)	(7,370)	(10,253)	(2,199)	(4,112)	(6,311)
Depreciation expenses net of cost recovered through production	(5,752)	(994)	(6,746)	(711)	(1,082)	(1,793)
Other general and administration expenses[(1)]	(10,802)	(2,771)	(13,573)	(8,711)	(1,842)	(10,553)
Total general and admin expenses	**(19,437)**	**(11,135)**	**(30,572)**	**(11,621)**	**(7,036)**	**(18,657)**
Other (expenses) / income	-	(1,782)	(1,782)	-	1	1
Net foreign exchange gain	-	5,411	5,411	-	6,037	6,037
Profit / (loss) before interest and tax ("EBIT")	**165,526**	**(7,506)**	**158,020**	**162,925**	**(998)**	**161,927**
Financial income			13,884			1,675
Financial expenses			(1,826)			(6,438)
Profit before income tax			**170,078**			**157,164**
Income tax expense			(20,002)			(303)
Profit after income tax			**150,076**			**156,861**
EBIT	165,526	(7,506)	158,020	162,925	(998)	161,927
Depreciation and amortisation	30,023	994	31,017	26,816	1,082	27,898
EBITDA	**195,549**	**(6,512)**	**189,037**	**189,741**	**84**	**189,826**
Included in EBITDA:						
Non-cash employee remuneration settled through share based payments	-	3,643	3,643	-	1,343	1,343
Other expense / (income)	-	1,782	1,782	-	(1)	(1)
Adjusted EBITDA	**195,549**	**(1,088)**	**194,461**	**189,741**	**1,426**	**191,168**

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

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3. Financial income and expenses

	For the half year ended 31 December	
In A$'000	**2022**	**2021**
Interest income	13,884	1,675
Total financial income	**13,884**	**1,675**
Interest expense on financial liabilities:		
Interest expense on JARE loan facility	(2,886)	(2,865)
Unwinding of effective interest on JARE loan facility	(3,657)	(3,409)
Non-cash adjustment to financial liabilities	756	405
Interest capitalised to qualifying assets	6,496	2,011
Unwinding of discount on restoration and rehabilitation provision	(2,108)	(2,176)
Interest expense on lease liabilities	(123)	(105)
Discount unwinding on AELB deposit	55	36
Financing transaction costs and fees	(359)	(335)
Total financial expenses	**(1,826)**	**(6,438)**
Net financial income / (expenses)	**12,058**	**(4,763)**

4. Income taxes

	For the half year ended 31 December	
In A$'000	**2022**	**2021**
Current tax		
Current tax expense in respect of the current half year	20,094	303
Deferred tax		
Deferred tax expense recognised in the half year	(92)	-
Total income tax expense relating to the continuing operations	**20,002**	**303**

The significant driver of the difference between income tax expense calculated at 30% (2022: 30%) and actual tax expense is due to the pioneer period status (income tax exemption) in relation to the Malaysian operations through to January 2026. Lynas has satisfied the conditions under the pioneer period status, however formal renewal of the administrative extension through to January 2026 remains outstanding. In addition, the Group retains unrecognised tax losses that are not recognised as deferred tax assets in 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.

5. Cash and cash equivalents

In A$'000	31 December 2022	30 June 2022
Cash at bank and on hand	934,153	965,584
Total cash at bank and on hand	**934,153**	**965,584**

6. Trade and other receivables

In A$'000	31 December 2022	30 June 2022
Trade receivables	83,014	105,382
GST receivables	10,668	3,226
Other receivables	4,190	1,258
Total current trade and other receivables	**97,872**	**109,866**

The Group's exposure to credit risk is primarily in its trade receivables. As at 31 December 2022, $10.6m (30 June 2022: $2.5m), of trade receivables were past due but not impaired, 100% of which has been receipted in 2023. Where debtors become overdue, the Group maintains regular contact and has a history of collecting trade receivables in full.

At 31 December 2022, the Group had sales under contract amounting to A$179.9m (US$122.7m) (30 June 2022: A$176.1m (US$123.3m)) subject to price adjustments. At the date of this report A$33.0m (US$22.5m) of this amount has been finalised with minimal price adjustments in comparison to the date when the sale was initially recognised.

7. Inventories

In A$'000	31 December 2022	30 June 2022
Raw materials and consumables	47,832	28,024
Work in progress	61,870	44,979
Finished goods	13,823	9,310
Total inventories	**123,525**	**82,313**
Current inventories	109,346	81,462
Non-current inventories	14,179	851
Total inventories	**123,525**	**82,313**

During the half year ended 31 December 2022 inventories of $185.0m (31 December 2021: $140.3m) 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 2022 and 2021 respectively in the following categories:

In A$'000	Recognised in General and Administration Expense 2022	2021	Recognised in Inventory 2022	2021	Total 2022	2021
Property, plant and equipment	6,138	1,493	25,463	28,588	31,601	30,081
Deferred development expenditure	453	242	3,476	-	3,929	242
Intangibles	155	58	-	-	155	58
Total	**6,746**	**1,793**	**28,939**	**28,588**	**35,685**	**30,381**

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 $24.3m in the period ending 31 December 2022 (2021: $26.1m).

Write downs of inventory

During the half year ended 31 December 2022, there were no write-downs to net realisable value for some products. (31 December 2021: nil).

8. Other non-current assets

In A$'000	31 December 2022	30 June 2022
Security deposits – banking facilities and other, Malaysia	3,664	3,610
Security deposits – banking facilities and other, Australia	5,235	5,084
Security deposits – banking facilities and other, USA	1	1
Security deposits – AELB, Malaysia	15,499	13,387
Security deposits – AELB, Australia	57,150	56,652
	81,549	**78,734**

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$5.4m (FY22: A$5.2m).

A further MYR 5.8m (A$1.9m) in deposits were accrued during the period in line with the current AELB licence conditions.

9. 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
As at 31 Dec 2022											
Cost	29,141	928,118	8,290	6,547	433,612	211,668	20,581	**1,637,957**	28,173	40,504	**68,677**
Accumulated impairment losses	-	(189,819)	(394)	-	(260)	-	(7,464)	**(197,937)**	(3,755)	-	**(3,755)**
Accumulated depreciation	(4,285)	(417,043)	(6,816)	(3,078)	-	(28,579)	(6,215)	**(466,016)**	(7,187)	(9,171)	**(16,358)**
Carrying amount	**24,856**	**321,256**	**1,080**	**3,469**	**433,352**	**183,089**	**6,902**	**974,004**	**17,231**	**31,333**	**48,564**
Opening cost	28,891	918,536	8,016	5,494	204,703	200,179	20,404	**1,386,223**	26,049	39,096	**65,145**
Opening accumulated impairment and depreciation	(4,102)	(577,209)	(6,760)	(2,260)	(258)	(25,022)	(13,266)	**(628,877)**	(10,664)	(5,485)	**(16,149)**
Opening carrying amount	**24,789**	**341,327**	**1,256**	**3,234**	**204,445**	**175,157**	**7,138**	**757,346**	**15,385**	**33,611**	**48,996**
Additions	-	1,919	152	1,047	226,459	-	-	**229,577**	2,089	1,408	**3,497**
Disposals	-	-	-	-	-	-	-	**-**	-	-	**-**
Depreciation expense	(145)	(26,576)	(419)	(814)	-	(3,351)	(295)	**(31,600)**	-	-	**-**
Amortisation expense	-	-	-	-	-	-	-	**-**	(243)	(3,686)	**(3,929)**
Change in rehabilitation obligations	-	-	-	-	-	10,166	-	**10,166**	-	-	**-**
Transfers from AUC	-	4,243	83	-	(4,327)	-	1	-	-	-	-
Capitalised interest	-	-	-	-	6,496	-	-	**6,496**	-	-	**-**
Foreign currency translation	212	343	8	2	279	1,117	58	**2,019**	-	-	**-**
Carrying amount at 31 Dec 2022	**24,856**	**321,256**	**1,080**	**3,469**	**433,352**	**183,089**	**6,902**	**974,004**	**17,231**	**31,333**	**48,564**

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
As at 30 June 2022											
Cost	28,891	918,536	8,016	5,494	204,703	200,179	20,404	**1,386,223**	26,049	39,096	**65,145**
Accumulated impairment losses	-	(188,193)	(391)	-	(258)	-	(7,400)	**(196,242)**	(3,725)	-	**(3,725)**
Accumulated depreciation	(4,102)	(389,016)	(6,369)	(2,260)	-	(25,022)	(5,866)	**(432,635)**	(6,939)	(5,485)	**(12,424)**
Carrying amount	**24,789**	**341,327**	**1,256**	**3,234**	**204,445**	**175,157**	**7,138**	**757,346**	**15,385**	**33,611**	**48,996**
Opening cost	28,069	881,322	7,140	3,291	50,886	174,194	19,825	**1,164,727**	24,889	18,358	**43,247**
Opening accumulated impairment and depreciation	(3,702)	(332,107)	(6,415)	(1,657)	(236)	(18,235)	(12,302)	**(557,430)**	(9,849)	(5,051)	**(14,900)**
Opening carrying amount	**24,367**	**366,439**	**725**	**1,634**	**50,650**	**155,959**	**7,523**	**607,297**	**15,040**	**13,307**	**28,347**
Additions	-	16,804	267	3,082	150,579	-	-	**170,732**	828	20,738	**21,566**
Disposals	-	-	-	-	-	-	-	**-**	-	-	**-**
Depreciation expense	(289)	(50,946)	(248)	(1,497)	-	(6,348)	(601)	**(59,929)**	-	-	**-**
Amortisation expense	-	-	-	-	-	-	-	**-**	(483)	(434)	**(917)**
Change in rehabilitation obligations	-	-	-	-	-	21,567	-	**21,567**	-	-	**-**
Capitalised interest	-	-	-	-	5,882	-	-	**5,882**	-	-	**-**
Transfers	-	2,781	488	-	(3,270)	-	-	**-**	-	-	**-**
Foreign currency translation	711	6,249	24	15	604	3,979	216	**11,797**	-	-	**-**
Carrying amount at 30 June 2022	**24,789**	**341,327**	**1,256**	**3,234**	**204,445**	**175,157**	**7,138**	**757,346**	**15,385**	**33,611**	**48,996**

10. Trade and other payables

In A$'000	31 December 2022	30 June 2022
Trade payables	35,282	14,388
Accrued expenses	25,265	23,070
Other payables	19,310	27,474
Total trade and other payables	**79,857**	**64,932**
Current	79,857	64,932
Non-current	-	-
Total trade and other payables	**79,857**	**64,392**

11. Interest Bearing Liabilities

In A$'000	31 December 2022	30 June 2022
Current borrowings		
JARE loan facility(1)	21,928	21,903
Total current borrowings	**21,928**	**21,903**
Non-current borrowings		
JARE loan facility	166,468	164,898
Total non-current borrowings	**166,468**	**164,898**

(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 2022 and then further deferred to 30 June 2023 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 2023 and 31 December 2023. These have also been classified as current liabilities at 31 December 2022.

Reconciliation of liabilities arising from financing activities

	30 June 2022	Cash flows	Non-Cash Movements					31 December 2022
	Opening Balance	Proceeds / (Repayments)	Effective Interest	Foreign Exchange	Adjust-ment[(1)]	Other[(2)]	Reclass	Closing Balance
JARE loan facility (Current)	21,903	(2,933)	-	193	-	-	2,765	21,928
JARE loan facility (Non-Current)	164,898	-	3,657	1,434	(756)	-	(2,765)	166,468
Lease liability	3,662	(910)	123	4	-	1,046	-	3,925
Total	**190,463**	**(3,843)**	**3,780**	**1,631**	**(756)**	**1,046**	**-**	**192,321**

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

(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 2022 and 2021 related to finance leases recognised in line with AASB 16.

12. 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 2022 (30 June 2022: 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 30 June 2023 (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.

13. Provisions and Employee benefits

In A$'000	31 December 2022	30 June 2022
Current		
Short term employee benefits	4,718	4,206
Restoration and rehabilitation (1)	43,945	23,695
Total current	**48,663**	**27,901**
Non-Current		
Long term employee benefits	1,142	978
Restoration and rehabilitation	115,199	124,385
Total non-current	**116,341**	**125,363**

(1) 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.

14. Contingent liabilities

An amount of US$50.0m (FY22: 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 8 for details of bonds.

15. Contributed equity

	For the half year ended 31 December 2022		For the year ended 30 June 2022	
	Number of shares '000	A$'000	Number of shares '000	A$'000
Balance at the beginning of the period	**902,412**	**1,859,598**	**901,079**	**1,859,598**
Issue of shares pursuant to exercised performance rights	1,105	-	1,333	-
Issue of shares	1,556	13,429	-	-
Closing balance	**905,073**	**1,873,027**	**902,412**	**1,859,598**

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.

16. 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:

	For the half year ended 31 December	
In A$'000	**2022**	**2021**
Net earnings attributed to ordinary shareholders	150,076	156,861
Earnings used in calculating basic earnings per share	150,076	156,861
Net earnings impact of assumed conversions of diluted EPS	-	-
Earnings used in calculating diluted earnings per share	150,076	156,861
Weighted average number of ordinary shares used in calculating basic earnings per share ('000)	903,889	901,928
Weighted average number of ordinary shares used in calculating diluted earnings per share ('000)	906,297	905,577
Basic earnings per share (cents per share)	16.60	17.39
Diluted earnings per share (cents per share)	16.56	17.32

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

	As at 31 December	
Number (000's)	**2022**	**2021**
Performance rights	2,408	3,649
Total	**2,408**	**3,649**

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 2022		For the half year ended 31 December 2021	
	No. of performance rights ('000)	**Weighted average exercise price ($)**	**No. of performance rights ('000)**	**Weighted average exercise price ($)**
Balance at beginning of period	**3,730,556**	0.00	**4,824,168**	0.00
Granted during the period(1)	-	0.00	727,593	0.00
Expired during the period	-	0.00	-	0.00
Exercised during the period	(1,105,048)	0.00	(1,332,975)	0.00
Forfeited during the period	(217,425)	0.00	(569,949)	0.00
Balance at end of period	**2,408,083**	**0.00**	**3,648,837**	**0.00**
Exercisable at end of year	-	0.00	-	0.00

(1) *The grant for 257,608 Long Term Incentive performance rights to Amanda Lacaze was approved at the Company's AGM on 29 November 2022. At the date of this report, these performance rights have not yet been issued.*

During the half year ended 31 December 2022 the Group recognised a net share based payment expense of $3.6m (2021: $1.3m) 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 360 days (FY22: 298 days). The performance rights exercised during the period had a weighted average share price on exercise date of $8.10 (FY22: $6.99).

17. Leases and other commitments

Capital commitments

In A$'000	31 December 2022	30 June 2022
Less than one year	142,956	169,145
Total	**142,956**	**169,145**

The capital commitments primarily relate to the Lynas Kalgoorlie project.

18. 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 2022.

No new standards and amendments which became mandatory for the first time in the interim reporting period commencing 1 July 2022 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 2022 interim reporting period have not been adopted by the Group in the preparation of this interim financial report.

19. Subsequent events

As announced on 14 February 2023, the Atomic Energy Licensing Board (AELB), in Malaysia, has agreed to approve the application for renewal of Lynas Malaysia's operating licence effective from 3 March 2023 for a period of 3 years. The operating licence was renewed with no change to the licence conditions that were applied to the licence issued in March 2020 and which prohibit the import and processing of lanthanide concentrate after 1 July 2023. These conditions are a significant variation from the conditions under which Lynas invested in Malaysia.

Lynas has appealed to the Minister of the Ministry of Science, Technology and Innovation under the *Atomic Energy Licence Act 1984* seeking administrative review in respect of the licence conditions prohibiting import and processing of lanthanide concentrate after 1 July 2023. These appeals were filed on 16 and 24 February 2023,

If the licence conditions prohibiting the import and processing of lanthanide concentrate are not removed by 1 July 2023, the cracking and leaching facility at the Lynas Malaysia plant will be required to close. Feed on at the Kalgoorlie Rare Earth Processing Facility is targeted for Q4 FY23. Due to the inherent unpredictability of commissioning, Lynas continues to plan for several potential ramp up scenarios. Inventory is being built at all stages in the process to assist in meeting key customers' requirements during any transition period.

With the exception of the above, there have been no other events subsequent to 31 December 2022 that would require accrual or disclosure in this financial report.

ABN 27 009 066 648

Directors

Kathleen Conlon
Amanda Lacaze
Philippe Etienne
John Humphrey
Grant Murdoch
Vanessa Guthrie

Company Secretary

Sarah Leonard

Registered Office

Level 4, 1 Howard Street
Perth WA 6000
Telephone: +61 8 6241 3800
Email: general@lynasre.com

Share Register

Boardroom Pty Ltd
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: +61 2 9290 9600
Fax: +61 2 9279 0664
Email:
enquiries@boardroomlimited.com.au

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Internet Address

www.lynasrareearths.com

Lynas Rare Earths