

29 August 2023

## LYNAS RARE EARTHS FULL YEAR 2023 RESULTS

### Kalgoorlie project update

	FY22	FY23
• Net Profit after tax:	\$540.8m	\$310.7m
• Revenue:	\$920.0m	\$739.3m
• EBIT:	\$540.6m	\$315.5m
• EBITDA:	\$601.2m	\$377.7m
• Cost of sales:	(\$348.4m)	(\$399.9m)
• Closing cash and cash equivalents:	\$965.6m	\$1,011.2m

Lynas Rare Earths Limited (“Lynas”) (ASX: LYC, OTC: LYSDY) today released its Financial Report for the full year ending 30 June 2023.

#### **CEO Commentary**

Lynas Rare Earths CEO and Managing Director, Amanda Lacaze, commented: “FY23 was another very productive year for Lynas. Operational performance was particularly strong with record concentrate production and record NdPr production achieved in the 2<sup>nd</sup> half.

“Revenue of \$739.3m remained strong. EBITDA, at \$377.7m was 51% of revenue with NPAT at 42% of revenue. Whilst strong, these results were lower than those in FY22 when market prices were at record highs.

“During the year, we invested \$595m in capital projects and completed the year with a cash balance of \$1 billion, providing funding certainty for completion of our key growth projects.”

Ms Lacaze continued: “Over the past 2 years, we have embarked on an ambitious expansion programme including the construction of the new Kalgoorlie Rare Earths Processing facility, the construction of new facilities in Kuantan to receive Mixed Rare Earth Carbonate (MREC)

feedstock from Kalgoorlie and a major upgrade to Mt Weld including exploration and capacity expansion projects.

“For the Kalgoorlie project, by the end of FY23, final construction activities were being progressed and final commissioning activity was underway. As construction nears completion, a detailed project cost review has been conducted to provide an updated forecast of completion costs. Decisions related to accelerating activity to meet the external deadline created by the Malaysian operating licence conditions have incurred significant additional costs. The project budget forecast has been updated to approximately \$730 million. In addition, we estimate approximately \$50 million of pre-commissioning and commissioning costs incurred prior to first production will be capitalised.” (Note: further detail is included below).

“Lynas remains confident that the rare earths market will continue to grow in value and demand. Our extensive capital investment programme will support capacity growth to meet that demand. Our excellent operational performance, and continued focus on operational cost control and efficiency improvements, has ensured that we are well positioned to supply our strategic customers whilst holding inventory to benefit from improved rare earths prices in the future,” Ms Lacaze said.

### ***Progress on major growth projects***

Major construction activities for the Kalgoorlie Rare Earths Processing Facility continued during the year. The only major area required for first production which remains under final construction in Q1 FY24 is the waste gas treatment plant. Additional resources have been mobilised to assist in the completion of this item. Commissioning of the plant has been undertaken in 4 phases and stage 4 commissioning commenced in June 2023.

As the construction nears completion, a detailed project cost review has been conducted to provide an updated forecast of completion costs. The updated project budget forecast is approximately \$730 million. In addition we estimate approximately \$50 million of pre-commissioning and commissioning costs will be capitalised. The updated project budget includes costs incurred to date, confirmed commitments, forecast final completion costs and estimated variation claims from contractors. The pre-commissioning and commissioning costs include operating team costs (some of whom have been in place for more than 12 months and who are currently supporting commissioning), chemicals/reagents first fills and utilities costs.

Cost inflation associated with projects of this type is prevalent in Western Australia. With respect to the Kalgoorlie project, this has been exacerbated by the compressed timeline under which the project needed to progress. The new forecast includes costs associated with additional resources mobilised to accelerate construction activities and contractor management challenges due to the accelerated schedule.

Key areas where significant cost increases have been incurred include SMPE<sup>1</sup>, concrete and dam earthworks.

As noted in the October 2022 project update, upgrades were made to certain equipment and infrastructure to allow for future capacity expansion at Kalgoorlie. The facility was originally intended to deliver a nameplate processing capacity of Mixed Rare Earth Carbonate (MREC) feedstock to produce approximately 7,000tpa NdPr finished product. With the previously announced upgrades, the Facility is now expected to be able to deliver a nameplate processing capacity of MREC feedstock to produce approximately 9,000tpa NdPr finished product.

The further increase in expenditure compared to the previously disclosed \$575m can be covered from the existing cash balance.

At Lynas Malaysia, works to receive MREC feedstock from the Kalgoorlie Facility are nearing completion, with equipment fabricated and delivered for the receiving facilities and tie-in works undertaken to integrate the new facilities with downstream processes.

The Mt Weld capacity expansion project was announced in August 2022 and early works have progressed following Minor and Preliminary Works approval in March 2023. The project remains on track, with earthworks nearing completion, concrete works well progressed, and fabricated steel modules being delivered to site.

As announced on 1 August 2023, Lynas has signed a follow on contract with the United States (U.S.) Department of Defense (DoD) for the construction of the Heavy Rare Earths component of the Lynas U.S. Rare Earths Processing Facility in Texas. The updated contract is an expenditure-based contract under which all of Lynas' properly allocable construction costs will

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<sup>1</sup> Structural, mechanical, piping and electrical works (SMPE)

be reimbursed. A contribution by the U.S. Government of approximately US\$258 million is currently allocated to the Project.

Lynas has purchased a 149-acre greenfield site in an existing industrial zone in Seadrift, Texas for the integrated U.S. Rare Earths Processing Facility. The site was selected for its proximity to a skilled workforce, potential customers, infrastructure and logistics and is large enough to accommodate potential future growth opportunities such as downstream processing and recycling to create a circular mine to magnet supply chain.

### ***Continued engagement with governments***

Lynas has a unique position as the only scale producer of separated rare earth materials outside of China. The company continues to engage with governments around the world on rare earths supply chain resilience initiatives.

In June 2023, Lynas was awarded a \$20 million grant as part of the Australian Government's Modern Manufacturing Initiative Manufacturing Integration Stream. The grant will partially fund the development of a new capability to process apatite-rich ores from the Mt Weld ore body. The Apatite Leach Circuit project will be undertaken as part of the Mt Weld capacity expansion project.

In March 2023, the Japanese Government, through Japan Australia Rare Earths B.V. (JARE), made a \$200 million capital investment (announced 7 March 2023) in Lynas to boost our balance sheet and assist in assuring the delivery of our major growth projects. This is a further enhancement of the long term partnership between Lynas and JARE.

As noted above, following the year end, in August 2023, Lynas signed a US\$258 million updated contract with the U.S. Government for the construction of the Texas Heavy Rare Earths separation plant. This is in addition to the US\$30 million co-funding contract for a Light Rare Earths separation plant announced January 2021. The plants will be co-located in Seadrift.

In Malaysia, Lynas continues to engage with the federal and state governments to support the development of Malaysia's rare earths industry. Lynas also continues to engage productively

with the Malaysian Government to ensure that the company is treated fairly and equitably as a foreign direct investor, a major employer, and a contributor to the Malaysian economy.

The operating licence for the Lynas Malaysia plant was renewed in February 2023 for a three year period, subject to conditions prohibiting the import and processing of Mt Weld lanthanide concentrate from 30 June 2023. Following two administrative appeals, an updated licence was issued in May 2023 with conditions prohibiting the import and processing of Mt Weld lanthanide concentrate from 1 January 2024. Further proceedings were filed by Lynas in July 2023 seeking judicial review of these licence conditions and Lynas has been granted leave to proceed with this judicial review.

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