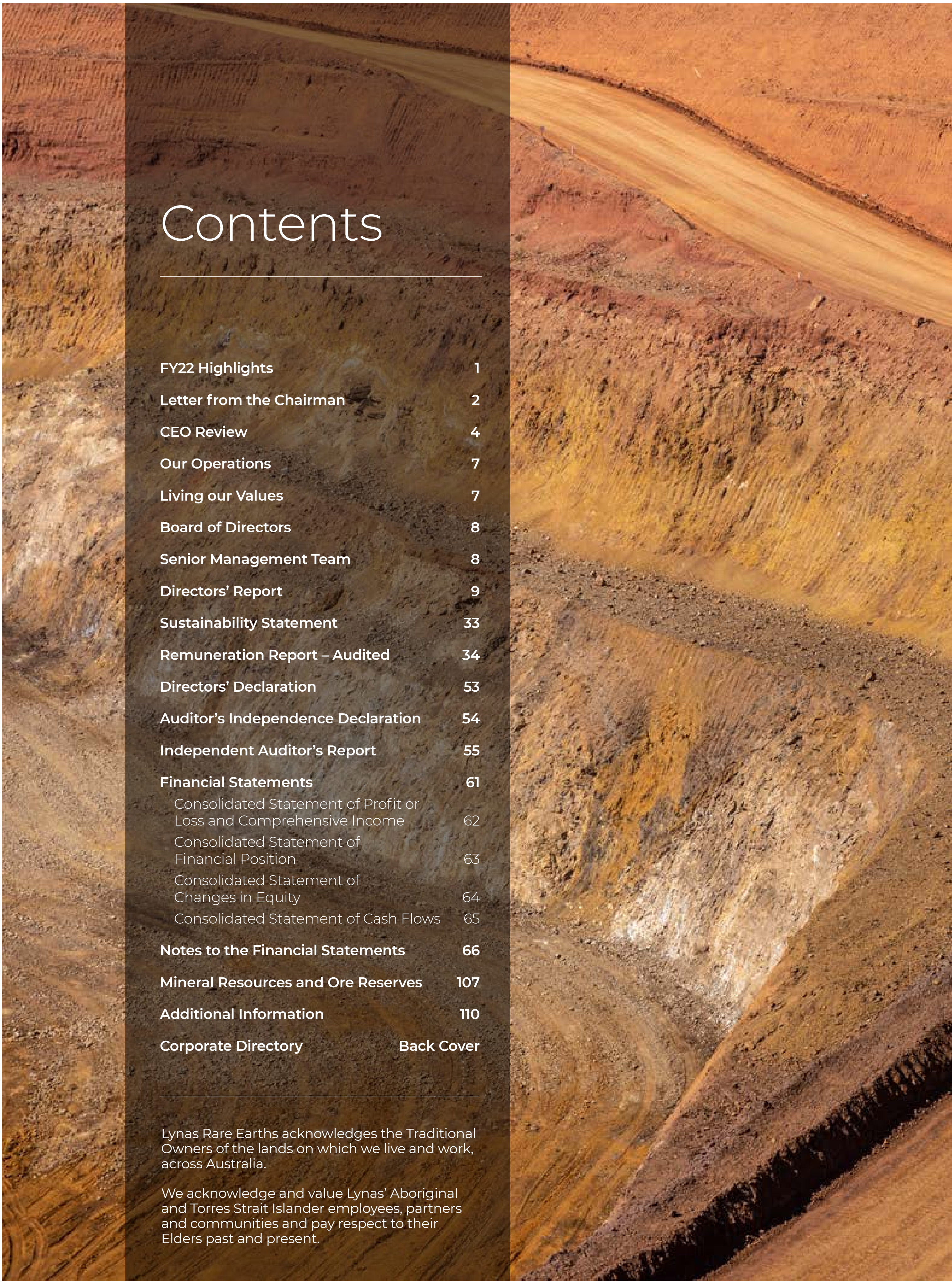
2022 Annual Report



Contents

Lynas Rare Earths acknowledges the Traditional Owners of the lands on which we live and work, across Australia.

We acknowledge and value Lynas' Aboriginal and Torres Strait Islander employees, partners and communities and pay respect to their Elders past and present.

FY22 Highlights

$541m
Record
Profit

$920m
Record
Sales Revenue

$966m
Cash and
Short Term Deposits

$186m
Property, Plant &
Equipment Capital
Spend

911
Employees

24%
Women
Senior Executives

400+
LTI free days achieved
at Mt Weld site

External accreditations maintained

Letter from the Chairman

“As the world seeks to transition to cleaner energy sources, demand for rare earth materials for electric vehicles and wind energy has accelerated.
”

Dear Shareholder, it is my pleasure to present the 2022 Annual Report.

The 2022 financial year was an excellent year for the rare earths market. Lynas, as an ethical and environmentally responsible producer was well positioned to flourish in this environment. The capability and customer relationships built over the past decade provided the foundation for our excellent results.

I am pleased to report that Lynas achieved sales revenue of $920 million and Net Profit After Tax (NPAT) of $540.8 million. It is a credit to the Lynas team that they were able to overcome a number of challenges during the year to achieve these record results.

Production continued to be affected by the consequences of the ongoing COVID-19 pandemic. Team members were required to isolate and pandemic-related shipping and logistics delays required new solutions. Ongoing water supply disruptions in Malaysia offered significant challenges to our Malaysian production team. Despite these challenges, an 8% increase of NdPr production year on year was achieved.

Rare earths market prices and demand for NdFeB magnets remained robust throughout the 2022 year. As a leading supplier of rare earth materials, Lynas experienced strong demand for its NdPr product family and mixed Heavy Rare Earth compound (known as SEG) and this was a key contributor to the excellent results.

Good progress was made on the company’s Lynas 2025 growth plan which is aimed at increasing capacity and diversification of the company’s industrial footprint. Full approvals for construction of the Kalgoorlie Rare Earths Processing Facility were received in February 2022 and construction works at the end of FY22 were over 40% complete.

Plans for the company’s expansion to the United States also progressed during the year. In June 2022, Lynas was awarded an approximately US$120 million follow on contract from the U.S. Department of Defense (DoD) for construction of a commercial U.S. based Heavy Rare Earths separation facility. The facility is expected to be co-located with Lynas’ planned Light Rare Earth separation facility (announced January 2021) which will be partially funded by the DoD.

As the world seeks to transition to cleaner energy sources, demand for rare earth materials for electric vehicles and wind energy has accelerated. In keeping with our objective of growing with the market, Lynas is making further investments to increase capacity in each stage of our operations.

Subsequent to FY22, in August 2022, Lynas announced an approximately $500m capacity expansion project at the Mt Weld mine and concentration plant with the aim of further increasing feedstock capacity in addition to implementing sustainability and circular economy initiatives.

Strong market prices and demand for Lynas' products further strengthened our balance sheet during the year and closing cash was $965.6m. This provides a strong platform for our growth projects, including the Mt Weld expansion plans which will be fully funded from cash flow.

Rare earths are used in attractive and future facing industries and Lynas occupies a unique position in the global Rare Earths market. The Board recognises that we operate in a highly competitive market and the skills of our team are in demand in the rare earths and other minerals processing industries. The Board continued to assess the external environment in line with talent acquisition and retention strategies during the year.

From a remuneration perspective, this means ensuring that overall remuneration continues to reflect balanced and fair outcomes in the current market. A review of the Lynas STI and LTI Plans was conducted to ensure they remained comparable with peer group companies.

Lynas remains focused on meeting customer, community and investor needs for ethically and responsibly produced rare earths. The company continues to develop initiatives to enhance Lynas' climate change resilience and environmental, social and governance (ESG) performance and reporting and it is pleasing to see that these continued improvements were well received by the market in FY22.

Accelerated demand for rare earth materials, Lynas' unique market position, and progress on Lynas 2025 growth plans underpinned a significant uplift in market capitalisation during the year.

On behalf of the Board, I would like to take this opportunity to thank Amanda Lacaze, her executive team, and all Lynas employees for their continued hard work and effective execution of the company's growth plans.

The Board would also like to thank you, our shareholders, for your ongoing support of the business. It was very pleasing to see Lynas realise the benefits of over a decade of hard work as the rare earths market strengthened this year and the Board remains focused on continuing to build shareholder value as we accelerate capacity to meet growing demand.

Kathleen Conlon
Chairman

CEO Review

> "We are proud that Mt Weld has been nominated for the prestigious Golden Gecko environmental excellence award, part of the 2022 Resources Sector Awards for Excellence ... "

The 2022 financial year was another record year for Lynas. The record revenue and profit achieved in 2022 was the reward for many years of hard work and heavy lifting by the teams in both Australia and Malaysia.

It is very pleasing to be in the position we are in today, as the market continues to grow. Demand for magnets, particularly for wind turbines and electric vehicles, has been robust in 2022, with forecast growth expected to accelerate faster than many in the industry originally expected. This increase in demand was accompanied by a significant increase in pricing for the magnetic rare earth products.

The favourable market conditions, sustained demand for Lynas' rare earth materials, and continuing process enhancements underpinned our record results despite continued challenges in the external environment.

This success allows us to confidently progress our growth initiatives in line with the accelerating market.

Mitigating internal and external challenges

External challenges continued as the industry dealt with COVID-19 related shipping delays, disruptions to the availability of key production inputs, and increases to various cost categories over the past 12 months. In response, the team added charter ships, in addition to our regular commercial ships, to transport rare earth concentrate from Fremantle Port to Kuantan Port, minimising the impact of port and shipment delays. Transit time for our concentrate reached a high of over 30 days during December 2021, and the inclusion of the charter ships ensured continuity of supply to our customers.

Water supply in Malaysia provided challenges and during the year the team implemented several process modifications to minimise our sensitivity to its unpredictability. To deal with the frequent interruptions to supply, solutions included additional process water storage on site and use of other natural local water sources, to minimise future impact on production.

During the year construction commenced on the Malaysian permanent disposal facility (PDF) for WLP residue and the Malaysian Operating Licence was updated to include a Class G licence for WLP disposal activities to the PDF.

In September 2021, COVID-19 cases in the Kuantan area increased and several personnel were required to isolate resulting in a partial or full shutdown of the cracking and leaching plant for 11 days. The production of NdPr was prioritised with available personnel during the period, which meant that production of non-NdPr products was also shutdown for 16 days.

Ensuring the health and safety of our people

The safety of our people, our communities and the environment is always our first priority. The risk of COVID-19 was prevalent in Malaysia and Australia during the year, therefore our well-established health and hygiene protocols were maintained in both locations to protect the health and wellbeing of our people and communities. This included surveillance Rapid Antigen testing, communication and education, disclosure and reporting, hygiene and required isolation procedures.

The whole Lynas team maintained its focus on safety and group-wide safety results were sustained in 2022, with the 12-month rolling lost time injury frequency rate as at 30 June 2022 at 0.8 per million hours worked (June 2021: 0.8 per million hours worked). In addition, the 12-month total recordable injury frequency rate at 30 June 2022 was 2.4 per million hours worked (June 2021: 2.1 per million hours worked). I am very pleased to report that on 27 April 2022, the Mt Weld operation achieved the milestone of one-year LTI free, an achievement that is still held following the end of the financial year.

Producing environmentally responsible rare earths

In FY22, NdPr production was 5,880 tonnes (FY21: 5,461 tonnes) and total REO production was 15,970 tonnes (FY21: 15,761 tonnes). We remained focused on delivering production at nameplate capacity rates for NdPr, and the team in Malaysia achieved 600t of NdPr in March 2022, the highest monthly NdPr production since the COVID-19 pandemic.

We are proud that Mt Weld has been nominated for the prestigious Golden Gecko environmental excellence award, part of the 2022 Resources Sector Awards for Excellence administered by the WA Department of Mines, Industry Regulation and Safety. This recognises excellence in the management of our tailings, including the implementation of Accelerated Mechanical Consolidation at Mt Weld. This has resulted in a 50 per cent reduction in tailings volume required to be stored, an increase in the shear strength to over 30KPa, and 70 per cent water recovery in that part of our operations. The Mt Weld tailings initiative is one of only six WA initiatives to have been shortlisted for the environmental award.

In September 2021, as part of our commitment to sustainability, the Lynas Greenhouse Gas (GHG) Policy was introduced and we made a commitment to the Science Based Targets initiative (SBTi). In June 2022, Lynas received an upgraded MSCI ESG rating from “A rating” to a “AA rating”, the second highest score.

Serving high growth customer markets

The rare earths market was strong throughout FY22, with prices for rare earths materials increasing throughout the year. The NdPr market price remained 70% to 80% higher than in the same period last year, with the average China domestic price of NdPr (VAT excluded) increasing from US$64.7/kg in June 2021 to US$124.0/kg in June 2022.

We continue to be approached by end users who are seeking to secure long term sourcing of raw material, and we are engaged in productive discussions with end users for supply of rare earth materials. The NdFeB market continued to record robust growth, despite many downstream industries dealing with a reduced workforce due to the COVID-19 pandemic and the global shortage of semi-conductors during the year. The market growth supported the strong demand for Lynas’ NdPr product family and Heavy Rare Earth compound (SEG).

Lynas has built a reputation as a reliable supplier of quality products and we are focused on developing strong customer relationships with strategic customers, primarily outside China. We are the leading supplier of the NdPr family of products to the Japanese market, with demand from our key customers consistently increasing over the past few years and accelerating in the past 12 months.

Expanding our industrial footprint

The Lynas growth plan will enable us to grow with the market, diversify our industrial footprint, and increase the range of products we can offer our customers. It has been very exciting to see all the progress made on these initiatives.

The new Rare Earths Processing Facility in Kalgoorlie is a foundation project of the Lynas growth plan and in FY22 all necessary approvals for the Kalgoorlie project were received. In addition, 100% of equipment was ordered and construction works were over 40% complete at the end of the period. Key personnel in the Operational and Maintenance Leadership teams were also recruited and commenced work during the year.

In keeping with the objective of having downstream processing close to our customers, we were pleased to be awarded a US$120m contract by the U.S. Department of Defense for construction of a commercial Heavy Rare Earths separation facility in the United States (announced 14 June 2022). The Heavy Rare Earths facility will be co-located with the Light Rare Earth separation facility (announced 22 January 2021) which is sponsored and half funded by the U.S. Government. We are completing detailed planning for the Facility, which is expected to be located within an existing industrial area on the Gulf Coast of the State of Texas and targeted to be operational in 2025.

Planning for accelerated market demand

To support the Lynas 2025 growth plan, we are planning to accelerate capacity growth at the Mt Weld site and at each production stage. On 3 August 2022, we announced an approximately $500m project to expand capacity at the Mt Weld mine and concentration plant beyond the previously announced 10,500 tonnes per annum of NdPr finished product. The expansion is designed to produce sufficient concentrate feedstock to support the production of 12,000 tonnes per annum of finished NdPr oxide. The project has been fully scoped and the investment for this stage of the project will be fully funded from cash flow.

In addition, an industrial plan has been developed for the Lynas Malaysia plant for expenditure of capital over the next two to three years to support asset integrity, improve reliability and support improved environmental outcomes on site. These include works at the plant to receive and process Mixed Rare Earth Carbonate (MREC) from the Kalgoorlie facility and initiatives to increase capacity to 10,500tpa NdPr products, and repurpose existing equipment to expand the range of products we offer to our customers.

Building on our performance

It has been a successful year for the company and we achieved a record result in a growing rare earths market. The team implemented solutions to mitigate the challenges experienced in the external environment to ensure that we continued to serve our customers.

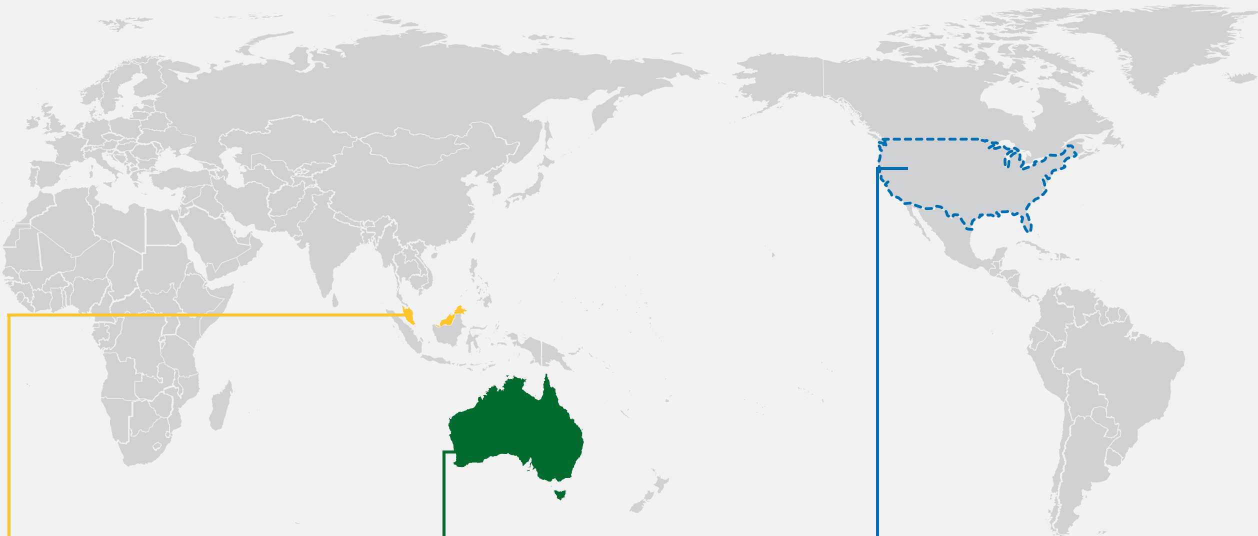
Solid progress has been made on our Lynas 2025 growth plans and the inclusion of new projects to deliver additional capacity increases provides the foundation for continued growth and support of our position as a supplier of choice to 2025 and beyond.

Once again, the teams in Australia and Malaysia have put in a big effort to minimise the impact of COVID-19 on the business, their colleagues and our local communities. I would like to thank them for all their hard work and commitment during the year. I would also like to thank the Board for their ongoing support and counsel throughout the year.

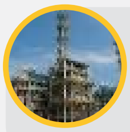
Lastly, but certainly not least, I would like to thank all our Lynas shareholders for your continued commitment to the business. It has been great to share the outcomes achieved in FY22 with you and I look forward to updating you on the progress of our exciting expansion plans in the next financial year.

Amanda Lacaze
Managing Director and Chief Executive Officer

Our Operations

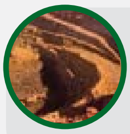


MALAYSIA



Lynas Malaysia: Integrated Rare Earths refinery in Gebeng, Malaysia.

AUSTRALIA



Mt Weld, WA: Tier 1 Rare Earths deposit, Concentration Plant

Kalgoorlie, WA: Rare Earths Processing Facility under construction

UNITED STATES

Planned U.S. Heavy Rare Earths and Light Rare Earths Processing Facilities

Living our Values

Care

We care for and respect each other, our communities and the environment. We make sure we all go home safe and well.

Achievement

We are resilient and committed. We overcome challenges to achieve our goals.

Expertise

We are driven to be the world's best in Rare Earths and to earn the respect of our customers.

Diversity

We are a multicultural company. We value and embrace diversity.

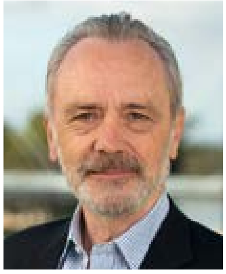
Sustainability

We are passionate about contributing to a sustainable future and green technologies.

BOARD OF DIRECTORS

Kathleen Conlon
Chairman

Amanda Lacaze
Managing Director & CEO



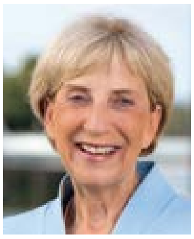
Philippe Etienne
Non-Executive Director

Dr Vanessa Guthrie AO
Non-Executive Director

John Humphrey
Non-Executive Director

Grant Murdoch
Non-Executive Director

SENIOR MANAGEMENT TEAM



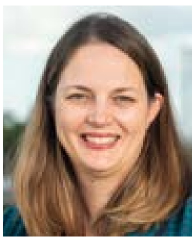
Amanda Lacaze
Managing Director & CEO

Mimi Afzan Afza
Vice President People & Culture

Dato Sri Mashal Ahmad
Vice President Malaysia

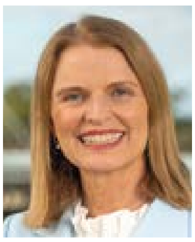
Daniel Havas
Vice President Strategy & Investor Relations

Chris Jenney
Executive General Manager, Business Development



Sarah Leonard
General Counsel & Company Secretary

Pol Le Roux
Vice President Downstream



Jennifer Parker
Vice President Corporate Affairs

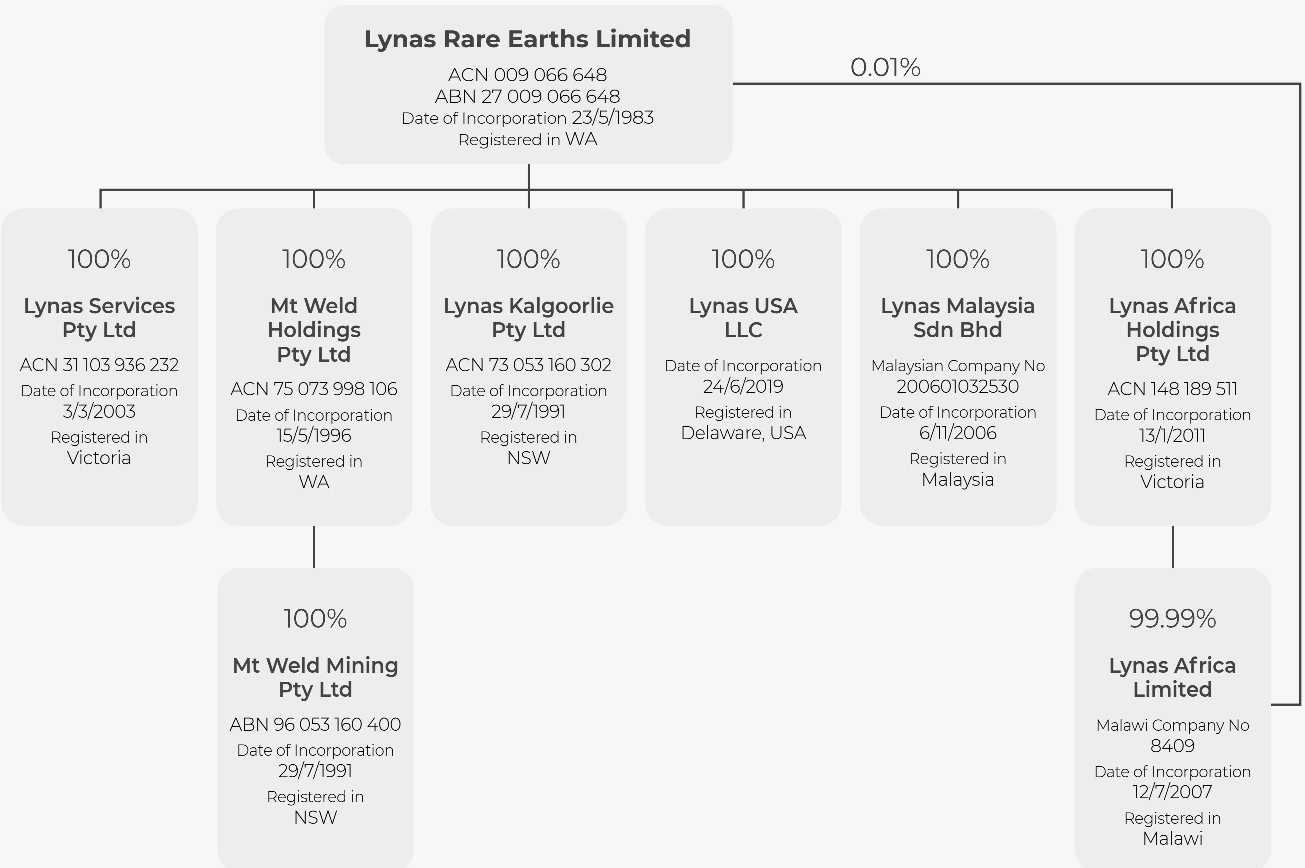
Gaudenz Sturzenegger
Chief Financial Officer

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 year ended 30 June 2022. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

CORPORATE INFORMATION

Lynas Rare Earths Limited is limited by shares and is incorporated and domiciled in Australia. The Group's corporate structure is as follows:



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 BA (Econ) (Dist.), MBA, FAICD
Non-Executive Chair

Ms Conlon was appointed as a Non-Executive Director from 1 November 2011. Ms Conlon is currently a Non-Executive Director of Aristocrat Leisure Limited and BlueScope Steel Limited and is a former Non-Executive Director of REA Group Limited, CSR Limited and The Benevolent Society. She is also a member of Chief Executive Women, former President of the NSW division of the Australian Institute of Company Directors and a former member of the National Board of the Australian Institute of Company Directors. Ms Conlon was previously Chairperson of the audit committee of the Commonwealth Department of Health. Prior to her Non-Executive Director career, Ms Conlon spent 20 years in professional consulting where she successfully assisted companies to achieve increased shareholder returns through strategic and operational improvements in a diverse range of industries.

Ms Conlon is one of the pre-eminent thought leaders in the area of operations and change management, both in Australia and globally. In 2003, Ms Conlon was awarded the Commonwealth Centenary medal for services to business leadership.

Ms Conlon is a member of the Nomination, Remuneration and Community Committee and the Health, Safety and Environment Committee.

Amanda Lacaze BA, MAICD
Managing Director

Ms Lacaze was appointed as Managing Director and Chief Executive Officer of the Company on 25 June 2014 following her appointment as a Non-Executive Director of the Company on 1 January 2014.

Ms Lacaze brings more than 25 years of senior operational experience to Lynas, including as Chief Executive Officer of Commander Communications, Executive Chairman of Orion Telecommunications and Chief Executive Officer of AOL|7. Prior to that, Ms Lacaze was Managing Director of Marketing at Telstra and held various business management roles at ICI Australia (now Orica and Incitec Pivot). Ms Lacaze's early experience was in consumer goods with Nestle.

Ms Lacaze is a member of Chief Executive Women and the Australian Institute of Company Directors. She was a Non-Executive Director of ING Bank Australia until 30 May 2021. Ms Lacaze holds a Bachelor of Arts Degree from the University of Queensland and postgraduate Diploma in Marketing from the Australian Graduate School of Management.

Philippe Etienne MBA, BSc (Phys) (Pharm)
Non-Executive Director

Mr Etienne joined the Company as a Non-Executive Director on 1 January 2015. He is a Non-Executive Director of Cleanaway Waste Management Limited and Aristocrat Leisure Limited. Mr Etienne is also a former Non-Executive Director of Sedgman Limited and the former Managing Director and Chief Executive Officer of Innovia Security Pty Ltd.

Previously, he was the Chief Executive Officer of Orica Mining Services and was a member of Orica Limited's Executive Committee.

Mr Etienne is a graduate of the Australian Institute of Company Directors. His career includes senior executive positions with Orica in Australia, the USA and Germany including strategy and planning and responsibility for synergy delivery of large scale acquisitions.

Mr Etienne is the Chair of the Health, Safety and Environment Committee and a member of the Audit, Risk and ESG Committee.

Dr Vanessa Guthrie AO, Hon DSc, PhD, BSc (Hons)
Non-Executive Director

Dr Guthrie was appointed as a Non-Executive Director on 1 October 2020. Dr Guthrie has qualifications in geology, environment, law and business management including a PhD in Geology and over 30 years' experience in the resources sector.

Dr Guthrie is currently a Non-Executive Director of Santos Limited, Tronox Holdings PLC and Cricket Australia, a Lead Independent Director and Deputy Chair of Adbri Limited, and Pro-Chancellor of Curtin University. Dr Guthrie was formerly the Deputy Chair of the WACA and a non-Executive Director of the Australian Broadcasting Corporation, and holds and Honorary Doctor of Science from Curtin University in sustainability, innovation and policy leadership in the resources industry. Dr Guthrie is a Fellow of the Australian Institute of Company Directors, the Academy of Technological Sciences and Engineering and the Australasian Institute of Mining and Metallurgy and a Member of Chief Executive Women. Dr Guthrie was appointed an Officer of the Order of Australia in 2021 for contribution to the minerals and resources sector.

Dr Guthrie is a member of the Nomination, Remuneration and Community Committee and the Health, Safety and Environment Committee.

John Humphrey LLB
Non-Executive Director

Mr Humphrey joined the Company as a Non-Executive Director on 15 May 2017. His key areas of expertise include mergers and acquisitions, corporate finance and corporate governance.

Mr Humphrey is a senior consultant to King & Wood Mallesons. He was the Dean of the Faculty of Law at Queensland University of Technology from January 2013 until June 2019. He was a Senior Partner at King & Wood Mallesons between 1998 and 2012 and a Partner at Corrs Chambers Westgarth between 1980 and 1998. He is an experienced Non-Executive Director having previously been Chairman and a Non-Executive Director of Spotless Group Holdings until 31 January 2021 and Chairman and Non-Executive Director of Auswide Bank Limited (formerly Wide Bay Australia Limited) until 31 December 2020. He was appointed as Chairman and a Non-Executive Director of Titles Queensland in August 2021 and he has previously served as Chairman and Non-Executive Director of Horizon Oil Limited and Villa World Limited, Deputy Chairman of King & Wood Mallesons and as a Non-Executive Director of Cromwell Property Group, Downer Group Limited, and Sunshine Broadcasting Group Limited. He has also served as a member of the Australian Takeovers Panel.

Mr Humphrey is the Chair of the Nomination, Remuneration and Community Committee and a member of the Audit, Risk and ESG Committee.

Grant Murdoch M COM (Hons), FAICD, FCA
Non-Executive Director

Mr Murdoch joined the Company as a Non-Executive Director on 30 October 2017. Mr Murdoch has more than 38 years of chartered accounting experience. From 2004 to 2011, Mr Murdoch led the corporate finance team for Ernst & Young Queensland and was an audit and corporate finance partner with Deloitte from 1980 to 2000. Mr Murdoch has extensive experience in providing advice in relation to mergers, acquisitions, takeovers, corporate restructures, share issues, pre-acquisition pricing due diligence advice, expert reports for capital raisings and initial public offerings.

Mr Murdoch is currently a Non-Executive Director and chair of the audit committee of the listed entity OFX Ltd and Auswide Bank Ltd (from 1 January 2021). He was previously a director and the chair of the audit committee for ALS Limited, Redbubble Limited and QIC. He is a senator of the University of Queensland (as well as chair of the risk committee and member of the finance committee), an adjunct professor at the University of Queensland Business School and a director of UQ Holdings Limited. Mr Murdoch has a Master's degree in Commerce (Honours) from the University of Canterbury, New Zealand, is a graduate of the Kellogg Advanced Executive Program and the Advanced Leadership Program at Northwestern University. He is a fellow of both the Institute of Chartered Accountants in Australia and New Zealand and of the Australian Institute of Company Directors.

Mr Murdoch is the Chair of the Audit, Risk and ESG Committee and a member of the Nomination, Remuneration and Community Committee.

Resignations

There have been no resignations from the Board during the period.

COMPANY SECRETARIES

Sarah Leonard

Ms Leonard is an experienced General Counsel and a leading resources and infrastructure lawyer. She was previously the Group Legal Counsel at Monadelphous Group Limited, an ASX listed contractor in the resources sector. In that role, she was responsible for governance, compliance and regulatory matters in relation to the Group. Prior to her role as Group Legal Counsel, Sarah was a partner at Corrs Chambers Westgarth in the construction and infrastructure team.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel is set out in the remuneration report of this Directors' Report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director of the Company.

DIRECTORS SHAREHOLDINGS

As at the date of this report, the Directors' shareholdings are consistent with the shareholdings table described in Section I(i) of the remuneration report.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the Group are:

- Integrated extraction and processing of Rare Earth minerals, primarily in Australia and Malaysia; and
- Development of Rare Earth deposits.

SIGNIFICANT CHANGES IN 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 current financial year.

PERFORMANCE REVIEW

The Directors together with Management monitor the Group's overall performance including development and implementation of the strategic plan and the operating and financial performance of the Group.

REVIEW OF OPERATIONS

Financial Highlights

The 2022 financial year was an exceptional year for Lynas as the company delivered another record profit. Market conditions were favourable throughout the year and demand for Lynas' rare earth materials remained strong. The external environment continued to be challenging, due to the COVID-19 pandemic, logistics and the inflationary environment, however, effective solutions were implemented to mitigate these challenges.

Sales revenue rose to $920 million, an increase of 88.1% on FY2021, and a Net Profit After Tax (NPAT) of $540.8 million was achieved, a 244% increase on the FY2021 NPAT.

In the second half of FY2022 in particular, rare earth prices were sustained at high levels, especially the NdPr price which remained between 70% and 80% higher than at the same time last year. The average China Domestic Price for NdPr during the final quarter of FY2022 was US$120/kg.

Lynas began using a combination of commercial shipping and charter shipping to transport concentrate from Fremantle to Lynas Malaysia during the year, mitigating the risk of unforeseen delays in commercial shipping schedules. As has been reported across industry, various cost categories have seen significant increases over the past 12 months. Royalty cost increases follow price increases in the market, freight costs were approximately double due to global shipping cost increases and the addition of charter ships to mitigate the impact of port and shipment delays. Chemical input costs have increased by approximately 20% with some specific chemicals seeing changes of up to 70%.

	FY22	FY21	Movement	
	$m	$m	$m	%
Net Sales Revenue	920.0	489.0	431.0	88.1%
Cost of Sales	(348.4)	(302.2)	(46.2)	15.3%
Gross Profit	**571.6**	**186.8**	**384.8**	**206.0%**
Net Profit Before Tax	**535.8**	**157.5**	**378.3**	**240.2%**
Net Profit After Tax	**540.8**	**157.1**	**383.7**	**244.2%**

	30 June 22	30 June 21	Movement	
	$m	$m	$m	%
Cash and short- term deposits	965.6	680.8	284.8	41.8%
Net Assets	**1,645.6**	**1,083.4**	**562.2**	**51.9%**
Market Capitalisation	**7,878.0**	**5,145.2**	**2,732.8**	**53.1%**

Continued recognition of the rapid growth in rare earth demand, Lynas' unique market position as the only significant producer of separated rare earths outside of China, and improved business performance and progress on Lynas 2025 growth plans underpinned a significant uplift in market capitalisation during the year.

Mt Weld

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

Mining Campaign 4-1

Mt Weld commenced Mining Campaign 4-1 during the year and transitioned from waste mining to waste and ore mining in the final quarter of FY22. Ore mined in this campaign is being transported to the run of mine stockpile for future blending. Campaign 3 ores were processed in the mill during the year. Lanthanide concentrate product from Mt Weld was shipped from Fremantle to Lynas Malaysia using both commercial and charter shipping.

Exploration Results

On 1 March 2022, Lynas announced exploration results from a single deep exploration drill hole into the fresh carbonatite 1 kilometre below the current Mt Weld pit floor. The exploration drilling program was partially funded by the Western Australian Government Exploration Incentive Scheme (EIS).

Analysis of samples obtained from the exploration drill hole revealed:

- Rare Earth Element (REE) mineralisation was confirmed along the entire 1020m drillhole at an average grade of 2.22% REO, no cut-off grade applied,
- The weathering process has significantly enriched the REE grade in the weathered saprolite zone, due to the relative enrichment of monazite within the Apatite Zones. Apatite Zones at shallower depths show 27m of 7.6% REO (0m to 27m depth below the current pit floor and 65 to 92m below the surface) and 23m of 13.67% REO (42m to 62m depth below the current pit floor and 107 to 127m below the surface),
- All samples returned REE assay; the highest grade is 21.44% REO from 60m to 62.4m hosted in the apatite zone and the lowest grade is 0.17% REO in a 4m composite sample from 969m to 973m depth hosted in calcite-rich carbonatite. The results reveal a new exploration target in the fresh carbonatite below the surface weathering zone that is being mined within the Life of Mine design.

Mt Weld Expansion

Subsequent to 30 June 2022, on 3 August 2022, Lynas announced an approximately $500m project to expand capacity at the Mt Weld mine and concentration plant beyond the previously announced 10,500 tonnes per annum of NdPr finished product. The expansion is designed to produce sufficient concentrate feedstock to support the production of 12,000 tonnes per annum of finished NdPr oxide. The project has been fully scoped and the approximately $500m investment for this stage of the project is fully funded from cash flow. This project is based on known technology and includes upscaled processing equipment, efficiency improvements, enhanced sustainability and will provide a platform for further capacity increases. Two additional stages which offer a pathway to an additional 2,400 tonnes each of NdPr oxide finished product per annum are in development.

Key elements of the Mt Weld expansion 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 potential future reprocessing.

In addition to this initial expansion project, Lynas plans to implement further sustainability and circular economy activities on the Mt Weld site, including:

- A staged transition from diesel fuelled power generation to gas and then hybrid renewable power generation
- A larger mine and waste rock landforms designed to be progressively rehabilitated
- Surface water management to capture seasonal rain events and divert into managed aquifer/ ground water recharge that also forms flood protection infrastructure for climate change resilience.

Procurement of long lead equipment items has commenced. Subject to relevant regulatory and stakeholder approvals, construction activities are expected to commence in early 2023, with full operation planned for 2024. Some infrastructure will be brought online in stages to accelerate production growth prior to the completion date.

The Mt Weld capacity expansion is a brownfields project that will be carried out on the existing Mt Weld tenure. Comprehensive environmental flora and fauna and cultural heritage surveys have already been completed on the Mt Weld site and will support the environmental approval process.

Lynas Malaysia

Despite ongoing COVID-19, logistics and water supply challenges during the year, Malaysian operations averaged approximately 81% of Lynas NEXT production capacity which was sufficient to meet the needs of our key customers.

In the March quarter, record NdPr production of 1,687 tonnes was achieved, including over 600 tonnes of NdPr production in the month of March for the first time since the pandemic began.

An industrial plan has been developed for the Lynas Malaysia plant for expenditure of capital over the next two to three years. The planned works include:

- ongoing works required for the Lynas Malaysia plant to receive and process the mixed rare earth carbonate (MREC) feedstock from the Kalgoorlie Rare Earths Processing Facility (including facilities for unloading and receiving, sulphate removal and dissolution);
- the works required in the solvent extraction and product finishing areas to achieve the capacity uplift to 10,500 tpa NdPr finished product (as announced in the Lynas 2025 strategy in 21 May 2019);
- repurposing existing equipment to expand range of products; and
- other efficiency initiatives.

During the year construction commenced on the Malaysian permanent disposal facility (PDF) for WLP residue and the Malaysian Operating Licence was updated to include a Class G licence for WLP disposal activities to the PDF.

Kalgoorlie

The new Rare Earths Processing Facility in Kalgoorlie is a foundation project of the Lynas growth plan.

There was continued progress on the Facility during the year, including:

- Receipt of full approvals for construction of the Kalgoorlie Project received in February 2022, allowing construction activities at the site to progress.
- All five kiln drum sections, the four riding rings, sixteen rollers, two main drives and auxiliary drive have been lifted into position and assembled. The kiln was rotated under its own power during the final quarter of FY2022.
- Work on concrete, foundations and frames for key buildings has progressed rapidly.
- Tank farm earthworks completed and blinding concrete installed.
- Waste Gas Plant foundation construction underway.
- The 20,000m^3 raw water tank is complete, two 1,700m^3 water treatment tanks are complete, and fabrication of two 1,300m^3 tanks are complete.

The key personnel in the Operational and Maintenance Leadership teams have been recruited and commenced work.

Lynas USA

In keeping with the Lynas growth plan to have upstream processing close to our resource and downstream processing close to our customers, Lynas is currently in the planning phase for our proposed U.S. Rare Earths Separation Facility.

Lynas has now received funding grants from the United States Government for:

1. Construction of a Heavy Rare Earths separation facility in the United States

   Following successful completion of the Phase 1 contract (contract announced 27 July 2020), Lynas was awarded a follow on contract for approximately US$120 million with the U.S. Department of Defense to build a commercial Heavy Rare Earths separation facility in the U.S (announced 14 June 2022). Following completion of the site selection process, the facility is expected to be located within an existing industrial area on the Gulf Coast in Texas. It will house both the Heavy Rare Earths separation facility and the planned Light Rare Earth separation facility (announced 22 January 2021).

2. Construction of a commercial Light Rare Earths separation plant in the United States

   Lynas was awarded a funding contract with U.S. Department of Defense (announced 22 January 2021) for the construction of a Light Rare Earths separation facility with funding to be capped at approximately US$30 million and Lynas contributing a matching amount.

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 30 June 2022 was 0.8 per million hours worked (June 2021: 0.8 per million hours worked). In addition, the 12-month total recordable injury frequency rate at 30 June 2022 was 2.4 per million hours worked (June 2021: 2.1 per million hours worked).

Lynas is proud to report that on 27 April 2022, the Mt Weld operation achieved the milestone of one year LTI free.

Lynas' well-established health and hygiene protocols have been maintained in both Malaysia and Western Australia to protect the health and wellbeing of our people and communities. All sites operate with COVID-19 protocols, including surveillance Rapid Antigen testing, communication and education, disclosure and reporting, hygiene and required isolation procedures. Protocols in Western Australia and Malaysia adhere to the respective government directions.

The annual ISO surveillance audits were conducted at Mt Weld and Lynas Malaysia during the year and both sites were recertified for ISO 9001:2015 (Quality Management), ISO 14001:2015 (Environmental Management) and ISO 45011:2018 (Occupational Health and Safety Management). Lynas sites have been certified since 2012. In September 2021, the AELB completed its latest audit of the Lynas Malaysia plant, which achieved a rating of "Very Satisfactory", which is the highest performance rating.

As part of Lynas' commitment to sustainability, in September 2021 the Lynas Greenhouse Gas (GHG) Policy was introduced and Lynas made a commitment to the Science Based Targets initiative (SBTi). Energy transition initiatives and Greenhouse Gas reduction targets are in development.

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		FY22	FY21	FY20	FY19	FY22 % change
Sales volume	(REOt)	15,263	16,405	14,172	19,154	(7%)
Cash receipts from customers	(A$m)	855.0	465.4	321.8	367.5	84%
Sales revenue	(A$m)	920.0	489.0	305.1	363.5	88%
Average selling price	(A$/kg)	60.3	29.8	21.5	19.0	102%
Cost of sales	(A$m)	(348.4)	(302.2)	(257.3)	(273.1)	15%

The rare earths market remained strong throughout most of FY2022. There was a slight weakening in demand for rare earths for NdFeB magnets inside China during the June quarter as a result of COVID-19 related lockdowns in several industrial regions in China. However, market prices for rare earths were resilient, especially the NdPr price which remained between 70% and 80% higher than a year ago.

Lynas continues to receive many approaches from end users seeking to secure their raw material sourcing over the longer term and is engaged in productive discussions with a number of end users. The NdFeB market continued to record robust growth, despite many downstream industries dealing with a reduced workforce due to the COVID-19 pandemic and the global shortage of semi-conductors during the period. This market growth supported the strong demand for Lynas' NdPr product family and Heavy Rare Earth compound (SEG).

In the longer term, global demand for NdFeB magnets is forecast to grow from 130,000 tonnes of NdFeB magnets in 2020 to 265,000 tonnes in 2030.

Market prices

The average China domestic price of NdPr (VAT excluded) increased from US$64.7/kg in June 2021 to US$124.0/kg in June 2022. Future market price trends continue to depend on end product demand (in particular in the automotive industry).

Lynas has developed 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 our key customers has consistently increased over the past few years, with accelerated growth in the last 12 months.

Production volumes

Production volumes		FY22	FY21	FY20	FY19	FY22 % change
Ready for sale production volume total	(REOt)	15,970	15,761	14,562	19,737	1%
Ready for sale production volume NdPr	(REOt)	5,880	5,461	4,656	5,898	8%

The Lynas Malaysia plant remains focused on delivering nameplate capacity production of NdPr. This result includes 600t of NdPr produced in March 2022, the highest monthly NdPr production since the COVID-19 pandemic.

However, challenges were faced during the year, in particular:

- Water shortages due to supplier issues limited production at various stages during FY22. While the Lynas team has implemented a number of mitigating strategies, the ongoing water shortages from our commercial supplier resulted in several complete or partial temporary production halts during the final quarter of FY2022. NdPr production was prioritised during this time. In response to the continued water supply difficulties, a process modification has been designed with the objective of decreasing our fresh water consumption by 40%. This modification will be implemented during the first quarter of FY23.
- Availability of some chemical products was affected by COVID-19 related shipment delays and production decreases, especially in China, causing shortages.
- There was a partial or full shutdown of the cracking and leaching plant for 11 days in the September quarter due to the unavailability of personnel who were required to isolate due to an increase in COVID-19 case numbers in the Kuantan area. This shutdown period was utilised for major maintenance programs. Product finishing of non-NdPr products was also shutdown for 16 days as NdPr production was prioritised with available personnel.

Despite these challenges, the team achieved an 8% increase in NdPr production year on year as the COVID-19 situation improved.

Cash and cash flows

	FY22 A$m	FY21 A$m
Net operating cash inflows	460.1	215.1
Net investing cash outflows	(83.6)	(138.3)
Net financing cash outflows	(13.8)	405.6
Net cash flows	**362.7**	**482.4**
Impact of foreign exchange	22.1	(3.3)
Cash and cash equivalents	965.6	580.8
Short term deposits	–	100.0

Operating cash flows increased significantly as a result of the strong selling price during the period. These operating cash flows include the payment of $56m to GSSB to construct and manage the Malaysian PDF project. Net investing cash outflows included the ongoing payments for property plant and equipment in relation to the Kalgoorlie Rare Earths Processing Facility project as well as $100.0m of cash transferred from short term deposits. Finance cash outflows includes US$4.0m (A$5.7m) of principal repayments made on the JARE facility in line with the loan agreement.

Capital Expenditure

Capital expenditure is expected to be approximately $600 million in FY23 and $600 million in FY24 for sustaining capital and major growth projects. This includes expenditure in respect of:

- the completion of the Kalgoorlie Rare Earths Processing Facility;
- the Mt Weld expansion project to increase concentrate feedstock to produce 12,000 tpa NdPr finished product;
- the Lynas portion in addition to USG funding for the US Light Rare Earth plant;
- the construction of the offsite PDF in Malaysia;
- works at the Lynas Malaysia plant to receive and process Mixed Rare Earth Carbonate and increase capacity to 10,500 tpa NdPr finished product;
- mining development works at Mt Weld;
- sustaining capital increases due to increased plant size and preventative maintenance; and
- other ongoing operational capital expenditure across all Lynas sites.

Debt and Capital

	FY22 A$m	FY21 A$m
JARE loan	186.8	171.1
Total borrowings	**186.8**	**171.1**
Financial income	4.6	2.9
Financial expenses	(9.5)	(14.9)

US$4.0m (A$5.7m) of principal repayments were made on the JARE facility. The balance increased due to the unwinding of the discounting of the future cash outflows and the weakening of the Australian dollar against the US dollar through the period. The financial expenses have decreased as $5.8m (FY21: $0.8m) 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 year ended 30 June 2022, the Company issued shares as shown below:

	Number '000
Shares on issue 30 June 2021	901,079
Issue of shares pursuant to exercised performance rights	1,333
Shares on issue 30 June 2022	**902,412**

Performance rights

At 30 June 2022, the Company had the following options and performance rights on issue:

	Number '000
Performance rights	3,730

Earnings per share

For the year ended 30 June	FY22 Cents per share	FY21 Cents per share
Basic earnings per share	59.95	18.08
Diluted earnings per share	59.70	17.99

Dividends

There were no dividends declared or paid during the year ended 30 June 2022 (2021: nil) and no dividends have been declared or paid since 30 June 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 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.

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. In FY22, a review of risk management systems and processes was undertaken with the objective of enhancing risk based decision making.

Set out below are 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.

1. Impact of COVID-19 and general economic conditions

In light of global macroeconomic events, including the impact of COVID-19, it is likely that some of the countries in which Lynas operates will experience an economic recession or downturn of uncertain severity and duration. These economic disruptions could have a material adverse effect on Lynas' operating and financial position and performance and could affect the price of Lynas shares.

Additionally, the events relating to COVID-19 have resulted in significant market changes and volatility of supply and demand. The outbreak and its impacts continue to evolve and outcomes are uncertain and dependent upon many factors beyond Lynas' control.

Many of the risks highlighted in further detail below may be heightened due to the impacts of the COVID-19 pandemic. There continues to be considerable uncertainty as to the further short- and long-term impact of COVID-19 including in relation to governmental responses, international trade impacts, potential taxation changes, work stoppages, lockdowns, quarantines, travel restrictions and the impact on the global economy and share markets.

The potential effects of these possible outcomes on Lynas include:

- closure of and/or reduced capacity at Lynas' plants and facilities;
- delays or interruption in supply chains leading to an inability to obtain raw materials, finished products or components, or to distribute products to customers;
- health outcomes for Lynas' employees or its customers' employees, which could result in the closure of a plant or facility for a period and could adversely affect the availability of technically equipped and qualified personnel needed to conduct certain operations;
- a reduction in processing of downstream products and production of end-products that utilize Lynas' Rare Earths or other industrial activity, leading to a decrease in demand for Lynas' Rare Earths;
- counterparty non-performance or claims under existing contractual arrangements;
- insolvency of counterparties (including customers);
- delays of projects with large associated capital spend, deferral of discretionary capital spend and impact on valuation of assets;
- disruptions to international trade resulting from policies developed by governments in response to COVID-19 or as a result of disputes or disagreements amongst governments on matters relating directly or indirectly to COVID-19.

2 Operational risks

2.1 Rare earth prices

Lynas' revenue is affected by market fluctuations in Rare Earth prices. This is because the product prices used in the majority of Lynas' sales are calculated by pricing formulae that reference published pricing for various Rare Earths materials. The market price has been volatile in the past because it is influenced by numerous factors and events that are beyond the control of Lynas. These include:

- **Supply side factors:** Supply side factors are a significant influence on price volatility for Rare Earth materials. Supply of Rare Earth materials is dominated by Chinese producers. The China Central Government regulates production via quotas and environmental standards. Over the past few years, there has been significant restructuring of the Chinese market in line with China Central government policy. However, periods of restricted supply, over supply or speculative trading of Rare Earths can lead to significant fluctuations in Rare Earth pricing.
- **Demand side factors:** Demand side factors are also a significant influence on price volatility for Rare Earth materials. Demand for end-products that utilise Lynas' Rare Earths including internal combustion vehicles, hybrid vehicles, electric vehicles and electronic devices fluctuates due to factors including global economic trends, regulatory developments and consumer trends.
- **Geopolitical factors:** Recently Rare Earths have been the focus of significant attention, including as a result of supply chain issues highlighted by the COVID-19 pandemic.

The table below illustrates how China domestic prices of NdPr (excluding VAT) have moved over FY22:

	September 2021 Quarter	December 2021 Quarter	March 2022 Quarter	June 2022 Quarter
US$/kg	80	106	139	120

Lynas' approach to reducing pricing volatility for its customers includes:

- Promoting fixed pricing to some customers, set for periods relevant to customer operations;
- Developing long term contracts that aim to reduce price variations for end users and OEMs such as car makers and wind turbine manufacturers.

Lynas achieved a small price premium compared to the NdPr market price, supported by:

- Sustained demand from the Japanese market and selected customers in China;
- The recognition by the market that Lynas is now well established as the only supplier of scale of separated Rare Earths outside China;
- End users placing more importance on being able to trace the origin of rare earths from an ethical and environmentally responsible source of production to their end products, which Lynas can provide.

Strong Rare Earth prices, as well as real or perceived disruptions in supply, may create economic incentives to identify or create alternate technologies that ultimately could depress future long-term demand for Rare Earths. This may, at the same time, incentivise the development of additional mining properties to produce Rare Earths. If industries reduce their reliance on Rare Earth products, the resulting change in demand could have a material adverse effect on Lynas' business. In particular, if prices or demand for Rare Earths were to decline, this could impair Lynas' ability to obtain financing for current or additional projects and its ability to find purchasers for its products at prices acceptable to Lynas.

It is impossible to predict future Rare Earths price movements with certainty. Any sustained low Rare Earths prices or further declines in the price of Rare Earths, including as a result of periods of over-supply and/or speculative trading of Rare Earths, will adversely affect Lynas' business, results of operations and its ability to finance planned capital expenditures, including development projects.

2.2 Market competition

Lynas Rare Earths supply contracts and profits may be adversely affected by the introduction of new mining and separation facilities and any increase in competition in the global Rare Earths market, either of which could increase the global supply of Rare Earths. If this is at a rate faster than demand growth it could potentially lead to lower prices.

2.3 Exchange rates

Lynas is exposed to fluctuations in the US dollar as all sales are denominated in US dollars. Lynas borrows money and holds a portion of cash in US dollars, which provides Lynas with a partial natural hedge. Accordingly, Lynas' income from customers, and the value of its business, will be affected by fluctuations in the rate by which the US dollar is exchanged with the Chinese Renminbi and the Australian dollar.

Lynas is exposed to fluctuations in the Malaysian ringgit (MYR), which is the currency that dominates Lynas' cash operating outflows in Malaysia. In addition, most of Lynas' non-current assets are Lynas Malaysia assets which are denominated in MYR.

Adverse movements in the Australian dollar against the US dollar and the MYR may have an adverse impact on Lynas' financial position and operating results. The following table shows the average USD/AUD and MYR/AUD exchange rates over the past five years:

	30 June 2022 $	30 June 2021 $	30 June 2020 $	30 June 2019 $	30 June 2018 $
USD/AUD	0.7258	0.7468	0.6714	0.7156	0.7391
MYR/AUD	3.0698	3.0806	2.8233	2.9521	2.9837

In-China market prices for Rare Earths are denominated in the Chinese Renminbi. A devaluation in the Chinese Renminbi would increase attractiveness in Chinese exports and China's internal supply. Fluctuation in the Chinese Renminbi against the US Dollar therefore also increases the foreign exchange exposure on Lynas.

2.4 Operational and development risks

Lynas' operations and development activities could be affected by various unforeseen events and circumstances, such as hazards in exploration, the ability of third parties to meet their commitments in accordance with contractual arrangements, and the delivery and grades of ore and performance of processing facilities at design specification. Factors such as these may result in increased costs, lower production levels and, following on from that, lower revenue levels. Any negative outcomes flowing from these operational risks could have an adverse effect on Lynas' business, financial condition, profitability and performance.

2.5 Nature of mining

Mineral mining involves risks, which even with a combination of experience, knowledge and careful evaluation may not be able to be fully mitigated. Mining operations are subject to hazards normally encountered in exploration and mining. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment, which may cause a material adverse impact on Lynas' operations and its financial results. Projects may not proceed to plan with potential for delay in the timing of targeted output, and Lynas may not achieve the level of targeted mining output. Mining output levels may also be affected by factors beyond Lynas' control.

2.6 Mineral and ore reserves

No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the anticipated level of recovery will be realised. Mineral resource and ore reserve estimates are based upon estimates made by Lynas personnel and independent consultants. Estimates are inherently uncertain and are based on geological interpretations and inferences drawn from drilling results and sampling analyses. There is no certainty that any mineral resources or ore reserves identified by Lynas will be realised, that any anticipated level of recovery of minerals will be realised, or that an identified ore reserve or mineral resource will be a commercially mineable (or viable) deposit which can be legally and economically exploited.

Further, the grade of mineralisation which may ultimately be mined may differ materially from what is predicted. The quantity and resulting valuation of ore reserves and mineral resources may also vary depending on, amongst others, metal prices, cut-off grades and estimates of future operating costs (which may be inaccurate). Production can be affected by many factors. Any material change in the quantity of ore resources, mineral reserves, grade, or stripping ratio may affect the economic viability of any project undertaken by Lynas.

Lynas' estimated mineral resources and ore reserves should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations. Investors should be cautioned not to place undue reliance on any estimates made by Lynas. Lynas cannot be certain that its mineral resource and ore reserve estimates are accurate and cannot guarantee that it will recover the expected quantities of metals. Future production could differ dramatically from such estimates for the following reasons:

- actual mineralisation or Rare Earth grade could be different from those predicted by drilling, sampling, feasibility or technical reports;
- increases in the capital or operating costs of the mine;
- decreases in Rare Earth oxide prices;
- changes in the life-of-mine plan;
- the grade of Rare Earths may vary over the life of a Lynas project and Lynas cannot give any assurances that any particular mineral reserve estimate will ultimately be recovered; or
- metallurgical performance could differ from forecast.

The occurrence of any of these events may cause Lynas to adjust its mineral resource and reserve estimates or change its mining plans. This could negatively affect Lynas' financial condition and results of operations. Moreover, short-term factors, such as the need for additional development of any Lynas project or the processing of new or different grades, may adversely affect Lynas.

Lynas reports its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

2.7 Processing operations

Lynas' operations are subject to the operating risks associated with Rare Earth processing, including performance of processing facilities, and the related risks associated with storage and transportation of raw materials, products and residues. These operating risks have the potential to cause personal injury, property damage and environmental contamination, and may result in the shutdown of affected facilities and in business interruption and the imposition of civil or criminal penalties, and negatively impact the reputation of Lynas.

The hazards associated with Lynas' mining and processing operations and the related storage and transportation of products and residues include:

- pipeline and storage tank leaks and ruptures;
- explosions and fires;
- mechanical failures; and
- chemical spills and other discharges or releases of toxic or hazardous substances or gases.

These hazards may cause personal injury and loss of life, damage to property and contamination of the environment, which may result in suspension of operations and the imposition of civil or criminal penalties, including fines, expenses for remediation and claims brought by governmental entities or third parties. Although Lynas has detailed and closely managed plans to mitigate these risks and maintains property, business interruption and casualty insurance of types and in the amounts that it believes is customary for the chemicals industry, Lynas is not fully insured against all potential hazards incidental to its businesses.

2.8 Availability of key inputs, Including water

The Mt Weld Concentration Plant and the Lynas Malaysia Plant rely on the ready availability of key inputs, including chemical reagents, water, electricity and gas. Any inability of Lynas to obtain such inputs in sufficient quantities on a timely basis could materially adversely affect Lynas' operations. For example, the insolvency of key suppliers may adversely affect the availability of chemical reagents. In addition, the water supply to the Mt Weld Concentration Plant is primarily sourced from a local aquifer supplemented by recycling, and the water supply to the Lynas Malaysia plant is primarily sourced from the local Kuantan water supply infrastructure, supplemented by recycling. Reductions in water availability from those sources, for example due to changes in weather patterns or failures of infrastructure, could materially adversely affect the availability of water to the Lynas operations.

2.9 Supply chain and counterparty risk

Lynas is dependent on contractors and suppliers to supply vital goods and services to its operations, including for the supply of chemicals and other materials. Lynas is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers, including in respect of the ability of those contractors and suppliers to meet their commitments under sales contracts. Any disruption to services or supplies may have an adverse effect on Lynas' financial business and financial condition.

2.10 Reliance on key personnel

Lynas' execution capacity is substantially attributable to the role played by a group of its senior management and key employees. Lynas' future success depends significantly on the full involvement of these key executives and employees and its ability to continue to retain and recruit high-level personnel. The loss of key employees could significantly affect Lynas' operations.

In addition, industrial and labour disputes, work stoppages and accidents, and logistical and engineering difficulties may also have an adverse effect on Lynas' profitability and share price.

2.11 Customer risks

Lynas' revenue is dependent on continuing sales to its key customers, many of whom require delivery to specific timetables of products that comply with detailed specifications. The loss of key customers could significantly affect Lynas' business, for example due to disputes with customers, customers switching to other suppliers or technologies, or customer businesses being adversely affected by events outside the control of Lynas, including customer insolvency or declining markets for the end-products of customers.

2.12 Industry Trends, including changes in technology

Changes in technology, including switches to renewable energy sources, present both opportunities and risks to the Lynas business. As technologies and consumer trends continue to evolve, new competing technologies may emerge that may reduce demand for Lynas Rare Earth products. Any significant trends away from technologies that utilise Lynas Rare Earths products could materially adversely affect the Lynas business.

2.13 Project development risks

Lynas is undertaking significant and complex construction projects, primarily related to the new Lynas Rare Earth facility in Kalgoorlie. Construction projects are subject to numerous risks, many of which are outside the control of Lynas, including project delays and cost overruns, disputes with contractors, insolvency of contractors, problems with design, delays in commissioning or ramp-up and new facilities not performing in accordance with expectations.

3. Regulatory, legal and environmental risks

3.1 General regulatory risks

Lynas' business is subject, in each of the countries in which Lynas operates, to various national and local laws and regulations relating to the mining, production, marketing, pricing, transportation and storage of Lynas' products and residues. A change in the legislative and administrative regimes, taxation laws, interest rates, and other legal and government policies may have an adverse effect on the assets, operations and ultimately the financial performance of Lynas and the market price of Lynas shares. Other changes in the regulatory environment (including applicable accounting standards) may have a material adverse effect on the carrying value of material assets or otherwise have a material adverse effect on Lynas' business and financial condition.

3.2 Licences, permits, approvals, consents and authorisations

Lynas' mining and production activities are dependent on the granting and maintenance of appropriate licences, permits, approvals, and regulatory consents and authorisations (including those related to interests in mining tenements and those related to the operation of the Lynas plants in Australia and Malaysia), which may not be granted or may be withdrawn or be made subject to limitations at the discretion of government or regulatory authorities. Although such licences, permits, approvals and regulatory consents and authorisations may be granted, continued or renewed (as the case may be), there can be no assurance that such licences, permits, approvals and regulatory consents and authorisations will be granted, continued or renewed as a matter of course, or as to the terms of renewals or grants, including that new conditions, or new interpretations of existing conditions, will not be imposed in connection therewith. Whether such licences, permits, approvals and regulatory consents and authorisations may be granted, continued or renewed (as the case may be) often depends on Lynas being successful in obtaining the required statutory approvals for proposed activities. If there is a failure to obtain or retain the appropriate licences, permits, approvals and regulatory consents and authorisations, or if there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions or withdrawn, then Lynas' ability to conduct its mining and production activities may be adversely affected.

3.3 Political risks and government actions

Lynas' operations could be affected by government actions in Australia, Malaysia and other countries or jurisdictions in which it has interests. Lynas is subject to the risk that it may not be able to carry out its operations as it intends, including because of a change in government, legislation, guidelines, regulation or policy, including in relation to the environment, the Rare Earths sector, competition policy, native title and cultural heritage. Such changes could affect land access, the granting of licences and other tenements, the approval of developments and freedom to conduct operations.

The possible extent of introduction of additional legislation, regulations, guidelines or amendments to existing legislation that might affect Lynas' business is difficult to predict. Any such government action may require increased capital or operating expenditures and could prevent or delay certain operations by Lynas, which could have a material adverse effect on Lynas' business and financial condition.

Lynas also may not be able to ensure the security of its assets located outside Australia, and is subject to risks of, among other things, loss of revenue, property and equipment as a result of hazards such as expropriation, war, insurrection and acts of terrorism and other political risks and increases in taxes and government royalties. The effects of these factors are difficult to predict and any combination of one or other of the above may have a material adverse effect on Lynas' business and financial position.

3.4 Malaysian regulatory matters

Without limiting the generality of the risks specified above in this section, as announced on 27 February 2020, the Malaysian Atomic Energy Licensing Board (AELB) has renewed the current operating licence for the Lynas Malaysia plant for three years expiring March 2023, subject to the following ongoing key conditions:

- Lynas must submit a work development plan for the construction of the PDF and report on its development status as determined by the AELB.
- Lynas must ensure that the Cracking and Leaching plant outside Malaysia is in operation before July 2023. After that period, Lynas will no longer be allowed to import raw materials containing Naturally Occurring Radioactive Material (NORM) into Malaysia.
- Holding of the financial deposit will be maintained for compliance with the relevant licence conditions.

To the extent that Lynas does not, or is unable to, comply with relevant licence conditions including the key conditions specified above, and/or comply with licence conditions within the timeframes prescribed, then Lynas' licences and approvals may be revoked. Government action, including legal action, may be also taken by or at the direction of the Malaysian government in order to ensure that the terms and conditions of Lynas' licences and approvals are complied with to levels satisfactory to, and within the timeframes prescribed by, the Malaysian government.

3.5 Environmental risks

Lynas' activities are subject to extensive laws and regulations controlling not only the mining of, exploration for and processing of Rare Earths, but also the possible effects of such activities upon the environment and interests of local communities. In the context of obtaining environmental permits, including the approval of reclamation plans, Lynas must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. With increasingly heightened government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent, and Lynas could be subject to increasing environmental responsibility and liability, including laws and regulations dealing with air quality, water and noise pollution and other discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of certain of its properties, greenhouse gas emissions, the storage, treatment and disposal of residues and the effects of its business on the water table and groundwater quality.

Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. These laws sometimes apply retroactively. In addition, a party can be liable for environmental damage without regard to that party's negligence or fault. Given the sensitive nature of this area, Lynas may be exposed to litigation and foreseen and unforeseen compliance and rehabilitation costs despite its best efforts.

3.6 Climate change risks

Climate change and the rapidly evolving response to it may lead to a number of risks, including but not limited to:

- Increased political, policy and legal risks (e.g. the introduction of regulatory changes aimed at reducing the impact of, or addressing climate change, including reducing or limiting carbon emissions);
- Increased capital and operational costs, including increased costs of inputs and raw materials; and
- Technological change and reputational risks associated with Lynas' conduct.

Climate change may also result in more extreme weather events and physical impacts on Lynas due to the energy intensive nature of Lynas' operations, and Lynas' current reliance on fossil fuels for mining and processing activities. To mitigate this risk, and meet customer demand for sustainable production, Lynas is committed to transitioning to a hybrid energy solution for our Mt Weld Mine and Concentration Plant, including renewable energy.

3.7 Disposal of residues

At the Mt Weld Mine and Concentration Plant, the Lynas Malaysia Plant, and the new Lynas Kalgoorlie Rare Earths Processing Plant, Lynas operations generate/will generate residue materials in the form of solids, liquids and gases. Lynas has appropriate plans in place for the treatment, sale or disposal of each of those residues. Failure to implement those plans could have a material effect on Lynas' licensing conditions and may adversely affect its operations.

3.8 Community acceptance and reputation

Lynas recognises that a strong mutual relationship with each community in which it operates is a pre-condition to successful operations. Failure to maintain those relationships and the acceptance by those communities may have an adverse effect on Lynas' operations.

In addition, Lynas recognises the importance of maintaining its reputation with its stakeholders including shareholders, regulatory authorities, communities, customers and suppliers. Failure to maintain its reputation with some or all stakeholders may have a negative effect on the future performance of Lynas.

3.9 Legal action

As announced on 29 July 2021, the judicial review application lodged in Malaysia by the anti-Lynas activists challenging the processes followed during the August 2019 renewal of the Lynas Malaysia operating licence was dismissed with a costs order made in favour of Lynas. As announced on 23 August 2021, a notice of appeal has been lodged by the anti-Lynas activists challenging the dismissal of the judicial review application.

It is possible that in the future, Lynas could be exposed to other litigation or proceedings, either from shareholders, financiers, regulators or members of the communities in which Lynas operates.

3.10 Health and safety

Lynas is subject to extensive laws and regulation in respect of the health and safety of its people and communities, and the protection and rehabilitation of the environments within which it operates. Lynas must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the implementation of the regulations by the permitting authority.

3.11 Tax risks

Lynas is subject to taxation and other imposts in Australia, Malaysia and other countries or jurisdictions in which it has interests. In addition to the normal level of income tax imposed on all industries, companies in the resources sector are required to pay government royalties, direct and indirect taxes and other imposts. The profitability of companies in these industries can be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Lynas operates, may affect the tax liabilities of Lynas.

4. Financial risks

4.1 Debt facilities and covenants

Lynas has financing arrangements in place which are subject to acceleration and enforcement rights in the event of a default. To date, the Japan Australia Rare Earths B.V. (JARE) loan facility has been secured over all the assets of Lynas, other than Malaysia and Malawi assets.

Enforcement may involve enforcement of security over the assets of Lynas and its material subsidiaries, including appointing a receiver. The principal amount of the JARE facility was US$141m as at 30 June 2022. The principal amount will be due for repayment in fixed loan repayments between 31 December 2022 and 30 June 2030.

In the event significant uncertainty arises in relation to Lynas' ability to fully repay, refinance or reschedule the outstanding balances of the JARE loan facility by the maturity date of 30 June 2030, Lynas' ability to continue as a going concern may also be affected.

In addition, Lynas' existing debt facilities are subject to a range of covenants. A failure to comply with any of these debt covenants may require Lynas to seek amendments, waivers of covenant compliance or alternative borrowing arrangements. There is no assurance that its lenders would consent to such an amendment or waiver in the event of non-compliance, or that such consent would not be conditional upon the receipt of a cash payment, revised payout terms, increased interest rates, or restrictions in the expansion of debt facilities in the foreseeable future, or that its lenders would not exercise rights that would be available to them, including among other things, calling an event of default and demanding immediate payment of outstanding borrowings. If such a demand was made and appropriate forbearance or refinance arrangements could not be reached, Lynas may not have sufficient available funds to meet that demand.

4.2 Funding risk

Lynas' existing debt facility agreements restrict its ability to incur further debt except in certain circumstances. Should Lynas experience a protracted decline in earnings, there is a possibility that the quantum of debt and/or equity funding available to Lynas would not be sufficient to execute its strategy (including its development of large scale projects) which could have a negative impact on the future financial performance or position of Lynas.

5. General risks

5.1 General economic conditions

Lynas' operating performance and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates, exchange rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or decrease in consumer and business demand, could be expected to have an adverse impact on Lynas' business, results of operations or financial condition and performance.

5.2 Accounting standards

Accounting standards may change. This may affect the reporting earnings of Lynas and its financial position from time to time. Lynas has previously and will continue to assess and disclose, when known, the effect of adopting new accounting standards in its periodic financial reporting.

5.3 Force majeure events

Events may occur within or outside Lynas' key markets that could affect global economies and the operations of Lynas. The events include, but are not limited, to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, changes in weather patterns or other severe weather events, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on market conditions, the demand for Lynas' product offering and services and Lynas' ability to conduct business.

5.4 Cyber security

Cyber security risks are increasing in the external environment. Cyber security risks include computer viruses targeting IT systems, unauthorised access, cyber-attack (either targeted at Lynas for financial gain or due to geopolitical matters), social media disinformation campaigns and other similar matters. A cyber event may lead to adverse impacts on Lynas' operations and financial performance.

6. Task Force on Climate-related Financial Disclosures (TCFD)

6.1 Climate Governance

ESG, including climate-related risks and opportunities, is overseen by the Board on recommendations from the Audit, Risk & ESG Committee and the executive. At an executive level, the Lynas Leadership Team is responsible for ESG strategy and oversight, including climate-related risks and opportunities.

In FY2022, key initiatives undertake to enhance climate-related governance included:

- Lynas made a commitment to the Science Based Targets initiative in September 2021.
- The company's Greenhouse Gas Policy was launched in September 2021.
- To deliver on the Greenhouse Gas Policy action to consider greenhouse gas emissions as part of business strategy and decision-making, the capital expenditure approval process was updated to include the integration of a Life Cycle Assessment of Greenhouse Gas emissions as part of all capital expenditure requests, including for major growth projects.
- Continued progress on climate-related strategies and reporting across all sites.
- Continued R&D and external engagement, including with customers, partners, suppliers and academic institutions.
- Continued work to assess and develop science-based GHG reduction targets, with the objective of limiting the global temperature increase to 1.5°C.

6.2 Climate Strategy

Climate-related risks are integrated into company risk management processes.

Material climate-related issues at Lynas' operating sites are outlined below:

Site	Climate-related issues
Lynas Malaysia, Gebeng, Malaysia	Rising temperature/heatwave frequency
Mt Weld, Western Australia	Water scarcity

According to the World Bank's Climate Risk Report, from 1970 to 2013, Peninsular Malaysia, Sabah and Sarawak regions experienced surface mean temperature increase of 0.14°C–0.25°C per decade and the frequency and intensity of heat waves in Malaysia is forecast to increase significantly due to a warming climate[1].

Australia is recognised as the driest inhabited continent. In the remote area of Western Australia where Lynas operates, rainfall is already scarce and there is a recognition that the state is likely to become drier[2].

In FY2022, Lynas developed new plans and implemented strategies to address material climate-related issues.

In Malaysia, extensive work was undertaken to reduce room temperature in the product finishing area of the Lynas Malaysia plant, by improving natural ventilation and installing a new roofing and a roof turbine ventilator. These changes were effective in reducing the heat impact on staff by lowering indoor temperatures and this work remains a focus of our continuous improvement program. From a water supply perspective, a process modification has been designed with the objective of decreasing our fresh water consumption by 40%. This modification will be implemented during the July 2022 quarter.

In Western Australia, key initiatives of the Mt Weld expansion plan announced on 3 August 2022 are designed to address water scarcity. This includes a state-of-the-art high recovery water recycling circuit from the tailings dam and an additional bore water desalination plant. In addition, Lynas plans to implement surface water management to capture seasonal rain events and divert into managed aquifer/ ground water recharge that also forms flood protection infrastructure for climate change resilience. To address Greenhouse Gas emissions, a staged transition from diesel fuelled power generation to gas and then hybrid renewable power generation is also planned.

6.3 Climate Risk Management

Lynas' actively manages climate-related risks through ongoing assessment and monitoring, undertaking Life Cycle Assessments as part of all new capital expenditure requests, and by ensuring that climate-related risks and opportunities are considered as part of business strategy and planning.

The processes for identifying, assessing and managing climate-related risks are integrated into the Lynas risk management framework.

[1] https://climateknowledgeportal.worldbank.org/sites/default/files/2021-08/15868-WB_Malaysia%20Country%20Profile-WEB.pdf

[2] https://www.climatechangeinaustralia.gov.au/en/changing-climate/state-climate-statements/western-australia/

Climate-related risks and opportunities have been identified and include:

Transition risks	• Existing and emerging regulatory requirements: Increased political, policy and legal risks such as the introduction of regulatory changes to reduce or address the impact of climate change, including reducing or limiting Greenhouse Gas emissions • Costs: Increased capital and operational costs including higher cost inputs and raw materials; investment in new low emissions technologies; cost of complying with changes to emissions regulations • Technology: Technological changes to address the effects of climate change that may result in decreased demand for Lynas' products • Reputation: Reputational risks associated with Lynas' conduct
Physical risks	• More extreme weather events causing physical impacts on Lynas facilities and people • Water scarcity requiring additional investment in water recycling and identification of new water sources • Current reliance on fossil fuels and investment required to transition to cleaner energy sources
Opportunities	• Lynas' unique position as the only scale producer of separated rare earth materials outside of China means that the company has an important role to play in providing key inputs to green technologies designed to limit the effects of climate change, including for NdFeB motors used in direct drive wind turbines, and in hybrid and electric vehicles.

6.4 Metrics and Targets

Lynas monitors and reports on total Scope 1 and Scope 2 GHG emissions in line with the GHG Protocol and Australia's National Greenhouse Energy Reporting (NGER). Lynas continues to work to develop its reporting on Scope 3 categories.

Company-wide total Scope 1 and 2 emissions for 2020-2022 financial years are as follows:

Greenhouse Gas Emissions (in metric tonnes of CO2 equivalents) (t CO2-e)

Reporting Year		FY18	FY19	FY20	FY21	FY22
Mt Weld	Scope 1	27,726	23,693	21,137	19,697	25,649
	Scope 2	–	–	–	–	–
Kalgoorlie	Scope 1	–	–	–	–	956
	Scope 2	–	–	–	–	–
Malaysia	Scope 1	34,071	34,071	32,634	39,951	40,807
	Scope 2	45,407	49,544	43,387	43,917	42,831
Total	Scope 1	61,797	60,245	53,771	59,648	67,412
	Scope 2	45,407	49,544	43,387	43,917	42,831
	Scope 1+2	107,204	110,179	97,159	103,565	110,243

Scope 1 and Scope 2 intensity targets were set for FY2020 and FY2021. The FY2020 intensity target was a reduction of CO2 emissions across both operating sites by 2020 to 10% below 2018 levels. The 2021 intensity target was a reduction of CO_2 emissions across both operating sites to 10% below 2019 levels. These targets were not met due to COVID-19 related temporary production shutdowns in FY20 and operation at 75% of production capacity in FY21. However, on an absolute basis, CO_2 emissions were lower in FY20 and FY21 than in previous years.

Lynas committed to the Science Based Targets initiative in September 2021 and the company is working to assess and develop science-based GHG reduction targets with the objective of limiting the global temperature increase to 1.5°C.

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 year ended 30 June 2022.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement of the Group, current on the date that the Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the *Corporations Act 2001,* is located on the Group's website, **www.lynasrareearths.com.**

SHARES ISSUED UPON EXERCISE OF PERFORMANCE RIGHTS

During the financial year 1,332,975 Performance Rights were exercised as set out in Note E.7 to the Financial Statements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of the financial year, the Group has paid a premium in respect of a contract insuring all Directors and Officers of the Group against liabilities incurred as a Director or Officer of the Group, to the extent permitted by the Corporations Act 2001, that arise because of the following:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the *Corporations Act 2001*.

The insurance contract prohibits disclosure of the premiums payable under the contract. The premiums are not included as part of the Directors' remuneration in Section H of the Remuneration Report or Note E.7 to the Financial Statements.

.NON-AUDIT SERVICES

During the year Ernst & Young, the Group's auditor, has performed certain other services in addition to the audit and review of the Financial Statements.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in Note E.3 to the Financial Statements. The Directors have considered the non-audit services provided during the year by the auditor, and are satisfied that the provision of non-audit services by the auditor during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

INDEMNIFICATION AND INSURANCE OF AUDITOR

During or since the end of the financial year, the Group entered into an agreement with its auditors, Ernst & Young, indemnifying them against any claims by third parties arising from their report on the Annual Financial Report, except where the liability arises out of conduct involving a lack of good faith. No payment has been made to indemnify Ernst & Young during or since the financial year.

COMMITTEE MEMBERSHIP

During the financial year, the Group had the following Committees of the Board of Directors: Audit, Risk & ESG Committee, Health, Safety & Environment Committee, and Nomination, Remuneration and Community Committee.

Directors acting on the Committees of the Board during the year ended 30 June 2022:

Audit, Risk & ESG	Health, Safety & Environment	Nomination, Remuneration & Community
G. Murdoch(c)	P. Etienne(c)	J. Humphrey(c)
P. Etienne	K. Conlon	K. Conlon
J. Humphrey	V. Guthrie	G. Murdoch, V. Guthrie

(c) Chair of Committee

As summarised in the Corporate Governance Statement, the Audit & Risk Committee consists of independent Directors.

The number of Directors' meetings held during the year and the number of Board and Board committee meetings:

	Directors' Meetings	Audit, Risk & ESG	Health, Safety & Environment	Nomination, Remuneration & Community
Number of meetings held:	9	6	5	4
Number of meetings attended:				
A. Lacaze	9	6	5	4
K. Conlon	9	6	5	4
P. Etienne	9	6	5	4
V. Guthrie	8	6	4	4
J. Humphrey	9	6	5	4
G. Murdoch	9	6	5	4

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

On 3 August 2022, Lynas announced an approximately $500m project to expand capacity at the Mt Weld mine and concentration plant to meet accelerating market demand for rare earth materials.

With the exception of the above, there have been no other events subsequent to 30 June 2022 that would require accrual or disclosure in this financial report.

Sustainability Statement

Financial year ended 30 June 2022

Operating, at all times, in accordance with best practice sustainability principles is a core value for Lynas and its people. We set high standards for ourselves. We seek at all times to have a positive effect on our people, our customers, our suppliers, our communities and the environment.

The products we sell are traceable from our mine in Western Australia. Our customers can receive product assurance certificates to confirm that the Rare Earths they purchase from Lynas are sourced from our mine in Mt Weld, Western Australia, and processed at our plant in Gebeng, Malaysia. Our products are used in industries where environmental provenance and sustainability of business practices are of high importance. Life Cycle Assessments conducted in conjunction with customers provide environmental assurance for the Lynas Rare Earths used in customer products. Our local communities also expect us to consistently comply with high standards in this area.

The Lynas Environmental, Social and Governance Report (ESG Report) for FY2022 will be sent to shareholders at the same time as the 2022 Annual Report is sent to shareholders. In addition, a copy of the Lynas ESG Report for FY2022 will be available on the Group's website, www.lynasrareearths.com.

Remuneration Report – Audited

Financial year ended 30 June 2022

On behalf of the Board, I am pleased to present our company's Remuneration Report for the 2022 financial year and provide an update on Lynas Rare Earths' remuneration philosophy and outcomes this year.

Remuneration philosophy

Lynas' remuneration objective is to ensure that shareholder value is maximised by the attraction and retention of talented people. We remunerate our people competitively and consistently with comparable employment market conditions. Lynas is the largest producer of separated Rare Earths outside of China and our remuneration framework takes into account the global nature of the rare earths business and the complexity of the critical minerals supply chain.

The Lynas Short Term Incentive (STI) rewards performance in core business drivers. In FY2022, this included EBITDA, NdPr production and NdPr unit operating costs, as well as key non-financial performance metrics that are of particular importance to shareholders, including Safety, Environment, Social and Governance (ESG) and Regulatory performance.

The Long Term Incentive (LTI) recognises that capital projects are a substantial growth driver for the company. The LTI issued in FY2022 has two components which are designed to be aligned with the creation of sustainable long term shareholder value. The first of these components is Relative Total Shareholder Returns (TSR) assessed over a three year period, relative to other peer group companies. The second component was related to the Lynas 2025 growth plan which is aligned with the company's strategic growth objectives.

Strong business performance

Lynas Rare Earths delivered record sales receipts and cash generation in the 2022 financial year despite ongoing challenges with COVID-19, logistics and inflationary pressures. Process improvements and the company's continued focus on cost control ensured that Lynas was well positioned to benefit from favourable market conditions and increased demand for rare earth materials.

The Lynas 2025 growth project is a strategic program for the business and substantial progress was made during the year including full approvals received for the Kalgoorlie Rare Earths Processing Facility and progress on construction. The LTI recognises that growth capital projects are a significant driver of value in this business.

Responding to the external environment

In 2022, the employment market remained strong and inflation increased in both of Lynas' operating jurisdictions. Competitive pressures on compensation also came from increased activity in the critical minerals industry and the recognition of Lynas as an industry leader. In acknowledgement of this, the Board engaged Guerdon Associates Pty Limited to provide advice and market benchmarking data in respect of the Lynas Leadership team and other senior managers.

Considering the highly competitive market, a review of board, executive and employee salaries was undertaken during the year.

The benchmarking identified that there was a significant gap between the remuneration of the Lynas Leadership team and certain senior managers' remuneration and other peer group companies, in part due to the executive team receiving only three fixed remuneration increases of 3% each across an eight year period.

The Board recognises the unique value of the skills and experience of our leadership team and took action to adjust fixed remuneration during the year. The new executive remuneration framework approved in March 2022 to apply in FY2023 is set at a level that enables the company to attract and retain top talent, whilst incorporating an at risk component tied to performance measures.

Lynas seeks to remain an employer of choice and benefit from the recognition that the critical minerals industry is an attractive and future facing industry. In addition to competitive salaries and benefits, Lynas offers a company-wide employee bonus scheme (excluding those eligible for STI/LTI).

FY23 changes

The Board continues to assess the external environment in line with our talent acquisition and retention strategies.

In recognition of the benchmarking review undertaken during the year, a review of the Lynas STI and LTI Plans was conducted to ensure they remained comparable with peer group companies. The review showed that the Lynas remuneration structure no longer reflects the specialist nature or proven performance of Lynas personnel and the 'at risk' components of remuneration is below that offered by other comparable companies. The Board plans to make changes to the STI and LTI Plans in the 2023 financial year to ensure that Lynas' remuneration remains competitive within the global rare earths industry so that experienced personnel can be both attracted and retained.

During the year the Board also reviewed Directors' fees. At the 2022 Annual General Meeting, the directors will seek approval from shareholders to increase the maximum aggregate amount available for non-Executive Director fees to $2.2 million. The current aggregate fee pool for the Non-Executive Directors of $1,250,000 was last approved at the AGM held on 20 November 2012. The proposed increase in the Fee Pool is designed to ensure that fees can be set at a level that will continue to attract and retain non-executive Directors with the requisite qualifications and experience and allow for the appointment of additional non-executive Directors as appropriate to meet the needs of our growing company.

The Nomination, Remuneration and Community Committee remains firmly focused on delivering shareholder value. We trust this report will assist your understanding of our remuneration objectives and outcomes.

Yours sincerely,

John Humphrey

Chair

Nomination, Remuneration and Community Committee

This report sets out Lynas' remuneration framework and outcomes for Key Management Personnel (KMP) for the financial year ended 30 June 2022. This report has been prepared and audited in accordance with the requirements of the Corporations Act 2001 and its regulations.

A. LIST OF KMP

The KMP during the financial year ended 30 June 2022 were as follows:

KMP	Position	Location	Term as KMP
Executive Director			
A. Lacaze	CEO and Managing Director	Australia	Full Financial Year
Non-Executive Directors			
K. Conlon	Chairman, Non-Executive Director	Australia	Full Financial Year
P. Etienne	Non-Executive Director, Chair of the HSE Committee	Australia	Full Financial Year
V. Guthrie	Non-Executive Director	Australia	Full Financial Year
J. Humphrey	Non-Executive Director, Chair of the Nomination, Remuneration & Community Committee	Australia	Full Financial Year
G. Murdoch	Non-Executive Director, Chair of the Audit, Risk & ESG Committee	Australia	Full Financial Year
Executives			
G. Sturzenegger	CFO	Malaysia	Full Financial Year
S. Leonard	General Counsel and Company Secretary	Australia	Full Financial Year
K. Leung	Vice President – Upstream	Australia	Retired 31 December 2021
P. Le Roux	Vice President – Downstream	Malaysia	Full Financial Year
M. Ahmad	Vice President – Malaysia	Malaysia	Full Financial Year

B. OUR REMUNERATION GOVERNANCE

The Nomination, Remuneration and Community Committee is responsible for reviewing and making recommendations to the Board on the remuneration arrangements for Directors and Executives. The Nomination, Remuneration and Community Committee assesses, on a regular basis, the appropriateness of the nature and amount of KMP remuneration.

In fulfilling these duties and to support effective governance processes, the Committee:

- consists of independent Non-Executive Directors and has an independent Chair;
- has unrestricted access to management and any relevant documents; and
- engages external advisers for assistance to the extent appropriate and necessary (e.g. detailing market levels of remuneration).

C. OUR REMUNERATION FRAMEWORK

Overview

Lynas' remuneration objective is to maximise shareholder benefits by attracting, retaining and motivating talented people, including our board of directors and executive management team, at a cost that is acceptable to shareholders. We remunerate our people competitively and consistently with comparable employment market conditions. Lynas is the largest producer of separated Rare Earths outside of China and our remuneration framework takes into account the global nature of the rare earths business and the complexity of the critical minerals supply chain.

Component	Description	How does it link to performance and strategy?
Fixed Remuneration	Fixed remuneration consists of base salary, non-monetary benefits and statutory superannuation contributions.	Fixed remuneration is set at a level that enables Lynas to attract and retain talented people, at a cost which is acceptable to shareholders. It reflects the global nature of the rare earths supply chain, macro-economic factors, the need to attract experienced expatriate personnel to the Lynas Malaysia plant in Gebeng near Kuantan in regional Malaysia and the competitive market for resources personnel in Western Australia. Individual remuneration reflects the role, responsibilities, and experience of the relevant employee.
Short Term Incentive (STI)	The STI program is based on the achievement of annual financial and non-financial goals. Further details of the STI Plan Structure are set out below.	STI supports the delivery of annual performance goals which are selected by the Board considering the budget and Lynas' strategic initiatives. The STI Plan ensures annual remuneration is competitive to facilitate retention of key personnel. Half of the STI is paid as deferred equity (performance rights).
Long Term Incentive (LTI)	The LTI program provides a reward for longer term performance Further details of the LTI Plan Structure are set out below.	LTI focuses on long term performance goals which create sustained value for shareholders. LTI is paid as deferred equity (performance rights) which aligns the interests of Executives and shareholders in ensuring the sustainable, long term performance of Lynas.

Our remuneration mix aims to achieve a balance between fixed and performance related components. This contributes to a high performance culture led by the Executive team.

The diagrams below illustrate the remuneration mix range for Executives based on the target and maximum LTI and STI opportunities for FY22. The actual remuneration mix for Executives will vary depending on the level of performance relative to the LTI and STI performance objectives.

	Fixed	STI	LTI
CEO	42.5 – 44.4%	22.2 – 25.5%	31.9 – 33.3%
Other Executive KMP	50.6 – 53.3%	26.6 – 30.3%	18.9 – 20.0%

Short Term Incentive Structure

The structure of the STI Plan is as follows:

Description	Under the STI Plan, Executive KMP can earn an annual incentive based on performance during the year. STI Plan performance conditions align with Lynas' annual operational and financial goals. The performance conditions are chosen to incentivise performance that is consistent with desired business outcomes and which contributes to longer term growth in shareholder value. The STI Plan is at risk remuneration. Actual awards depend on performance against the performance conditions.
Participants	Executive KMP and any employee of Lynas who is invited by the Board are eligible to participate. In addition to the Executive KMP, during FY22, four members of the Lynas Leadership Team and ten senior employees who are critical to the delivery of Lynas' short-term operational and financial goals were invited to participate in the STI Plan.
STI Opportunity	**Target Performance:** In FY22, up to 50% of fixed remuneration for Executive KMP (including CEO) and Lynas Leadership Team. Up to 20% of fixed remuneration for other employees. **Maximum Opportunity:** In FY22, up to 60% of fixed remuneration for over-achievement compared to targets for Executive KMP and Lynas Leadership Team. Up to 24% of fixed remuneration for other employees.
Basis of award	Half of the STI opportunity is awarded in cash and half is awarded in performance rights. The number of STI performance rights to be granted is calculated by taking the volume weighted average price of Lynas' shares for the 5 trading days up to and including the date of Board approval (the PR Value). The relevant STI grant is divided by the PR Value and rounded to the nearest whole number.
Performance Conditions	The Board selects both financial and non-financial performance conditions based on the Lynas budget and strategic plan. For FY22, three bands of performance were set for each performance condition: • **Threshold:** 90% of budget – 80% award • **Target:** 100% of budget – 100% award • **Maximum:** 110% of budget – 120% award If performance falls between the Threshold and Maximum levels then awards are pro-rated. No STI Plan awards will be made if there is a fatality during the performance period.
Financial Performance Conditions (60% weighting)	Financial performance conditions are selected by the Board using the approved budget. The performance goals are selected based on the budget and considering market conditions. The financial conditions are assessed annually. For the FY22 STI Plan the three financial performance conditions selected were: (1) EBITDA Target; (2) NdPr Production; and (3) NdPr Operating Costs. Each financial condition has a 20% weighting.
Non-financial Performance Conditions (40% weighting)	The Board selects non-financial conditions for the STI Plan based on the team/individual responsibilities in the context of the Lynas strategic plan. The non-financial conditions are assessed annually. For the FY22 STI Plan the three areas selected for assessment were: (1) Safety/COVID Management; (2) ESG; and (3) Regulatory.

Why were these performance conditions selected?	A combination of financial and non-financial performance conditions aligns the STI Plan with growth and sustainable returns for shareholders. The financial conditions selected by the Board in FY22 are measures which directly affect Lynas' profitability and financial performance. Due to the anticipated increases in capital expenditure for Lynas 2025 growth projects, EBITDA rather than EBIT was selected by the Board as the financial growth measure. The non-financial performance conditions reflect areas that are critical for the success of Lynas and complement the measures included in the other quantitative STI and LTI targets. Non-financial performance conditions are designed to address areas of particular importance to shareholders. The non-financial performance conditions for FY22 were selected by the Board for the following reasons: • **Safety/COVID-19 management:** Critical to the continued safe operation of the Mt Weld and Lynas Malaysia operations. • **ESG:** Important to Lynas' stakeholders and the future sustainable growth of the business. • **Regulatory:** Ensures the careful maintenance of Lynas' key operating licences in the jurisdictions in which it operates. Performance conditions for the STI Plan are reviewed annually by the Board to ensure they remain aligned with business strategy and shareholder interests.
How and when is performance assessed?	Performance is assessed annually. For the financial conditions, the Board calculates the results after the end of the performance period. For the non-financial conditions, the Board assesses the performance of the Executives based on the recommendations from the Nomination, Remuneration and Community Committee.
Eligibility for dividends	Holders of performance rights are not eligible for dividends until the performance rights have been converted into shares.
Cessation of employment	STI performance rights are subject to a vesting condition of continued employment at Lynas for a period of 12 months after the grant.
Clawback	If the Board becomes aware of any material misstatement in its financial statements due to: (i) non-compliance with a financial reporting requirement; (ii) the participant's misconduct; or (iii) the misconduct of any other Lynas personnel under the supervision of the relevant participant, the Board has authority under the clawback policy to require repayment of vested awards, forfeit unvested performance rights or withhold the payment or allocation of all or any part of an award.
Change of Control Event	There is no automatic vesting of performance rights on a change in control. On the occurrence of a change in control event, the Board will determine (in its discretion) how the performance rights may be affected.
Disposal restriction	Performance rights granted under the STI Plan are not transferable.

Long Term Incentive Structure

This section summarises the LTI grants made in FY22.

Description	Under the LTI Plan, annual grants of performance rights are made to eligible participants to align remuneration with the creation of sustainable shareholder value over the long term.
Participants	Executive KMP and any employee of Lynas who is invited by the Board are eligible to participate.
LTI Opportunity	**CEO** – Up to 75% of fixed remuneration **Other KMP and Lynas Leadership Team** – Up to 37.5% of fixed remuneration **Other invited employees** – Up to 25% of fixed remuneration The number of LTI performance rights to be granted is calculated by taking the volume weighted average price of Lynas' shares for the 5 trading days up to and including the date of Board approval (the PR Value). The relevant LTI grant is divided by the PR Value and rounded to the nearest whole number.
Vesting Date	9 September 2024
Performance Conditions	Two vesting conditions apply to the LTI grants made during FY22: • Relative Total Shareholder Return (TSR) • Lynas 2025 Project Target In addition to the CEO and other Executive KMP, during FY22, four members of the Lynas Leadership Team and ten senior employees who are critical to the delivery of Lynas' long term strategy were invited to participate in the program.
Relative TSR – 50% weighting	Relative TSR is assessed over a three year period from 1 July 2021 to 30 June 2024, relative to other companies in the ASX200 index (Peer Group Companies). For any performance rights to vest under the TSR vesting condition, Lynas' performance must be equal to or greater than the 51% percentile of Peer Group Companies. The percentage of the performance rights that may vest is determined as follows:

Lynas TSR Ranking across the TSR Period	Proportion of Performance Rights that vest
Below 51st percentile	0%
At the 51st percentile	50%
Between the 51st percentile and the 76th percentile	Between 50% and 100% as determined on a linear basis (rounded to the nearest 5%)
At or above 76th percentile	100%

Lynas 2025 Project Target – 50% weighting	The Lynas 2025 Project Target vesting condition is that by 30 June 2024: • the Lynas Kalgoorlie plant achieves capacity to sustain operations at its nameplate capacity (70% weighting); and • development of capacity to separate heavy rare earths (30% weighting).

Why were these performance conditions selected?	The vesting conditions for the LTI Plan were selected due to their alignment with Lynas' long term strategic goals. The Relative TSR Vesting condition was selected because it ensures alignment between competitive shareholder return and reward for the executive. The comparison with peer group companies in the ASX200 index provides an objective, external market-based performance measure relative to Lynas' peer group companies. Relative TSR is widely understood and accepted by key stakeholders. The Lynas 2025 Project Targets were selected as it is the next significant step in the growth of the Lynas business for the benefit of all shareholders. The ramp up of the Lynas Kalgoorlie plant is a key component of the Lynas 2025 Project. HRE separation capacity is a strategically important capability.
How and when is performance assessed?	Relative TSR will be calculated by Lynas and tested by an external adviser as soon as practicable at the end of the performance period. The Lynas 2025 Project Target will be assessed by the Board after 30 June 2024.
Eligibility for dividends	Holders of performance rights are not eligible for dividends until the performance rights have been converted into shares.
Cessation of employment	If a participant ceases employment prior to the vesting date of the performance rights, then unless otherwise determined by the Board (in its discretion), the unvested performance rights will continue to be subject to the rules of the LTI Plan until the vesting date, at which time the performance rights will vest in accordance with the rules of the LTI Plan. The Board may exercise its discretion to cancel the performance rights, except where the participant has been retrenched where cancellation will occur within 36 months of the Board's decision.
Clawback	If the Board becomes aware of any material misstatement in its financial statements due to: (i) non-compliance with a financial reporting requirement; (ii) the participant's misconduct; or (iii) the misconduct of any other Lynas personnel under the supervision of the relevant participant, the Board has authority under the clawback policy to require repayment of vested awards, forfeit unvested performance rights or withhold the payment or allocation of all or any part of an award.
Change of Control Event	There is no automatic vesting of performance rights on a change in control. On the occurrence of a change in control event, the Board will determine (in its discretion) how the performance rights may be affected.
Disposal restriction	Performance rights granted under the LTI Plan are not transferable.

D. REMUNERATION OUTCOMES IN FY22

FY22 STI Grant Performance Outcomes

An award at 100.8% will be made under the FY22 STI Plan. The table below sets out the outcomes of the FY22 STI Plan.

Performance Outcome – Financial Performance Conditions

Performance condition	Lynas has recorded excellent financial performance in FY22. All financial performance thresholds in the FY22 STI Plan have been met or exceeded.
Outcome – target achieved	

Performance Condition	Target	Actual	Weighting	Threshold 90%	Target 100%	Maximum 110%	Weighted Outcome (%)
EBITDA	Forecast target*	Greater than 110% of target	20%				24.0%
NdPr Production Targets	Forecast target*	97% of target	20%				18.9%
NdPr Operating Costs	Forecast Target*	95% of target	20%				17.9%

* The NdPr Operating Cost, NdPr Production Target and EBITDA Target are commercial in confidence. The NdPr Operating Cost. NdPr Production Target and EBITDA Targets are set by the Board based on the annual budget.

Performance Outcome – Non-Financial Performance Conditions

Performance Conditions	The Board assessed the performance of the Executives in three key areas: (1) Safety/COVID Management; (2) ESG; and (3) Regulatory.
Outcome – target achieved	The Board has assessed an award at 100% (weighted outcome of 40%) against the non-financial performance conditions.

Performance Condition	Target	Outcome
Safety/COVID-19 Management	Safety performance was measured on a company-wide basis. Trends in safety statistics were considered, including LTIF, TRIFR, high potential incidents. COVID-19 performance was measured by the success in achieving COVID protocols at both sites, together with the speed and efficacy of responses to COVID issues.	During FY2022, safe workplace conditions were achieved, including one year LTI free at Mt Weld. All COVID-19 cases were handled effectively despite COVID affecting both Australia and Malaysian operations. Production disruption due to COVID-19 was minimised due to effective implementation of COVID protocols.

Outcome – target achieved *continued*

Performance Condition	Target	Outcome
ESG	ESG performance is measured by reference to improvements in ESG performance and reporting during the performance period.	ISO accreditations maintained at both operating sites. No significant ESG related compliance breaches during the year. Significant progress was achieved in ESG reporting, including the release of the inaugural enhanced Lynas ESG Report. The new ESG reporting framework has led to a measurable increase in Lynas ESG recognition and analyst ratings, including MSCI ESG rating upgraded to 'AA' rating (from 'A'); the Lynas 2021 ESG recognised as "Comprehensive", the highest rating awarded by the Australian Council of Superannuation Investors; and Mt Weld Tailings Acceleration Initiative shortlisted for Golden Gecko Award for environmental excellence (administered by WA DMIRS). Lynas Modern Slavery Statement was enhanced and was approved by Australian Border Force. Achieved stated 2021 gender diversity targets with 24.5% women senior executives, 21.5% women employees and 50% women on the Board as at 31 December 2021. Lynas committed to the Science Based Targets initiative (SBTi) and launched a Greenhouse Gas Policy and initiatives during the year. A plan to deliver Greenhouse Gas reduction targets has been presented. Positive community engagement in both Malaysia and Australia as evidenced by community support for the PDF in Malaysia and the Kalgoorlie Rare Earth Processing Facility.
Regulatory	Regulatory performance is assessed based on regulatory compliance in Malaysia and Australia.	Successful approval of the EIA for the PDF and commencement of the project in Malaysia. Successful EPA determination for the Kalgoorlie Facility and commencement of construction. Continued compliance in operations with no regulatory non-compliances. Continued engagement with Malaysian and Australian regulators and government, including with the incoming Australian government.

2019 LTI Grant Performance Outcomes

The LTI performance rights issued in September 2019 to KMP and LLT members were granted subject to the following vesting conditions:

- EBIT Target – 1/3rd weighting
- Relative TSR – 1/3rd weighting
- Lynas 2025 Project Targets – 1/3rd weighting

Certain senior personnel critical to the delivery of Lynas 2025 projects were issued with LTI performance rights subject to the sole performance conditions relating to Lynas 2025 project targets.

The table below sets the performance outcomes.

Performance Outcome – EBIT Target

Performance condition	Satisfaction of the EBIT Growth vesting condition required Lynas' average annual EBIT growth at the end of the period from 1 July 2019 to 30 June 2022 to be at least 7% per annum using the EBIT figure from 1 July 2018 to 30 June 2019 as a base. If cumulative average annual increase is at least 7% per annum then 50% of the EBIT portion will vest. If the cumulative average annual increase is at least 10% per annum, then 100% of the EBIT portion will vest. If the cumulative average annual increase is at least 15% per annum, then 120% of the EBIT portion will vest (EBIT Overperformance Portion).
Outcome – Maximum performance achieved	As set out in the table below the EBIT Target vesting condition has been achieved at maximum.

	Outcome (EBIT)
FY2019 (Base)	$56.4 million
FY2020	($6.2 million)
FY2021	$169.5 million
FY2022	$540.6 million
Cumulative Adjusted EBIT over the three years	$703.9 million
Base EBIT over the three years	$169.2 million
Average % growth over the 3 years compared to the base period figure	105%

Performance Outcome – Relative TSR

Vesting Condition	Satisfaction of the Relative TSR vesting condition required Lynas' TSR to be at least at the 51st percentile of ASX 200 companies calculated over the three year period from 26 August 2019 to 26 August 2022. The Relative TSR performance rights will vest in accordance with the following scale:

Lynas TSR Ranking	Proportion of Performance Rights that vest
Below 51st percentile	0%
At the 51st percentile	50%
Between the 51st percentile and the 76th percentile	Between 50% and 100% as determined on a linear basis (rounded up or down to the nearest 5%)
At or above 76th percentile	100%

Outcome – still to be assessed	Performance against the Relative TSR vesting condition will be assessed after the three year performance period ends.

Performance Outcome – Lynas 2025 Project Targets

Vesting Condition	The Lynas 2025 Project Target performance conditions were that by July 2022, Lynas has demonstrated: • the capacity to separate heavy rare earths; • a speciality cerium capability; and • delivery of project milestones for the Lynas 2025 project in Western Australia.
Outcome – partially achieved (2/3rd)	A performance outcome of 66.67% has been assessed against the Lynas 2025 Project Targets. **HRE Separation:** Despite significant progress on the US Project, the HRE separation capacity performance condition has not been achieved. This is primarily due to the delay in the US Government's decision on funding and the decision by Lynas not to proceed with the Project prior to funding being confirmed. Lynas submitted all documentation, including a fully scoped plant design, to the USG on time according to agreed milestones. **Cerium Capability:** Speciality cerium capability has been established in Malaysia. Speciality Cerium Chloride production has been developed for use in water treatment applications. This is sold at a premium to market price. Speciality LaCe polishing powder precursors are also now produced at the Lynas Malaysia Plant. **Lynas 2025 Project Milestones:** The key Western Australian elements of the Lynas 2025 Project announced in May 2019 were the completion of Australian based cracking and leaching and development of increased throughput at both Mt Weld and the LAMP to achieve production capacity of 10,500 tpa NdPr finished product. Since 2019 significant process has been made against the Lynas 2025 project milestones. The Kalgoorlie cracking and leaching site was selected in December 2019 and since that time good progress has been made against the progress milestones. Progress has also been made in respect of the Mt Weld project. The capacity expansion to 10,500 tpa NdPr finished product and beyond is now fully scoped and the project is underway.

E. LINKING REMUNERATION AND GROUP PERFORMANCE

Sections C and D above set out how the LTI and STI Plan Performance Conditions are linked to Lynas' performance.

The table below provides further information about the financial performance of Lynas over the past five years.

	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Revenue ($'000)	374,105	363,541	305,111	489,024	920,014
Profit / (loss) before tax ($'000)	53,404	83,274	(19,156)	157,487	535,756
Profit / (loss) after tax ($'000)	53,119	83,079	(19,395)	157,083	540,824
Shareholder capital ($'000)	1,395,417	1,398,264	1,424,847	1,859,598	1,859,598
Annual average share price	$2.04	$1.99	$2.20	$4.15	$8.51
Closing share price at financial year end	$2.34	$2.57	$1.94	$5.71	$8.73
Basic earnings / (loss) per share (cents)	8.84	12.50	(2.79)	18.08	59.95
Diluted earnings / (loss) per share (cents)	8.29	11.90	(2.79)	17.99	58.70

Separately, changes in the share based remuneration from one year to the next reflect the effect of amortising the accounting value of options and performance rights over their vesting period and the impact of forfeitures which can relate to both the current and prior periods in a given fiscal period. In certain periods, a negative value may be presented which results when the forfeitures recognised in a period are greater than the accounting amortisation expense for the current portion of the vesting period.

F. SERVICE AGREEMENTS

The CEO and Managing Director and Executives each have a services contract/ employment contracts which are on reasonable commercial conditions. The key provisions of the agreement are:

	CEO and Managing Director	Other Executives
Type	Services contract	Employment contract
Duration	Ongoing	Ongoing
Notice by Executive	3 months	3 months
Notice by Lynas	6 months Termination without notice for serious misconduct	3 – 6 months Termination without notice for serious misconduct
Treatment of incentives on termination:	On resignation, then unless otherwise determined by the Board (in its discretion), the unvested performance rights will continue to be subject to the rules of the LTI Plan until the vesting date, at which time the performance rights will vest in accordance with the rules of the LTI Plan. The Board may exercise its discretion to cancel the performance rights, except where the participant has been retrenched where cancellation will occur within 36 months of the Board's decision.	On resignation, then unless otherwise determined by the Board (in its discretion), the unvested performance rights will continue to be subject to the rules of the LTI Plan until the vesting date, at which time the performance rights will vest in accordance with the rules of the LTI Plan. The Board may exercise its discretion to cancel the performance rights, except where the participant has been retrenched where cancellation will occur within 36 months of the Board's decision.

G. NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration policy

Consistent with Lynas' approach, remuneration of Non-Executive Directors is set at a level that enables Lynas to engage high calibre individuals. We focus on ensuring that the Board of Directors reflects the broad mix of skills, experience and diversity necessary to oversee Lynas in its position as a significant participant in the critical global market for Rare Earth products.

Non-Executive Director fees are set considering: (1) the fees paid by companies of a similar size and/or industry; (2) the time and commitment required; (3) the risk and responsibilities; and (4) the required commercial and industry experience.

To ensure independence, Non-Executive Director fees are fixed, and Non-Executive Directors do not receive any performance-related or 'at-risk' compensation.

Remuneration Structure

Non-Executive Director fees consist of Director fees and Committee fees. Each Non-Executive Director (other than the Chairman of the Board) received a fee for each committee of which they are members (capped at two committees). The Chairman of the Board does not receive committee fees.

The current aggregate fee pool for the Non-Executive Directors of $1,250,000 was approved at the AGM held on 20 November 2012.

The Non-Executive Director fees payable for the period from 1 July 2021 to 30 June 2022 were:

Board fees per annum	**Amount (exclusive of superannuation)**
Chairman	$260,000
Non-Executive Director	$120,000
Committee Chair (Audit, Risk & ESG)	$30,000
Committee Chair (Nomination Remuneration & Community/ Health, Safety & Environment)	$25,000
Committee member (Audit, Risk & ESG)	$15,000
Committee member (Nomination Remuneration & Community/ Health, Safety & Environment)	$12,500

Board fees were last reviewed effective from 1 January 2020. Committee fees remain unchanged from FY2019.

The remuneration for each of the Non-Executive Directors for the financial years ended 30 June 2022 and 30 June 2021 is set out in Section H below.

H. DETAILS OF REMUNERATION

The figures included in the statutory table below for share based payments were not actually provided to the KMP during FY2022 or FY2021. These amounts are calculated in accordance with accounting standards and are the amortised IFRS fair values of equity and equity-related instruments that have been granted to the executives.

	Short term benefits			Post-employment benefits		Long term benefits			
Name	**Cash salary and fees**	**Other short term employee benefits**	**Non-monetary benefits**	**Termination payments**	**Super-annuation and other pension payments**	**Long service leave**	**Share-based payments (net)**	**Performance related % Total**	**Total**
FY22	$	$	$	$	$	$	$	$	$
Executive Director									
A. Lacaze	1,333,785	332,906	–	–	23,568	50,929	1,415,900	55%	3,157,088
Non-Executive Directors									
K. Conlon	260,000	–	–	–	23,568	–	–	0%	283,568
P. Etienne	175,200	–	–	–	–	–	–	0%	175,200
J. Humphrey	160,000	–	–	–	16,000	–	–	0%	176,000
G. Murdoch	162,500	–	–	–	16,250	–	–	0%	178,750
V. Guthrie	145,000	–	–	–	–	–	–	0%	145,000
Executives									
S. Leonard	453,540	49,479	–	–	23,568	8,947	139,753	28%	675,287
G. Sturzenegger	566,058	139,814	–	–	–	–	323,300	45%	1,029,172
K. Leung (1)	274,007	145,908	–	189,629	11,784	–	594,418	61%	1,215,746
P. Le Roux	513,074	165,066	100,578	–	75,924	–	359,410	43%	1,214,052
M. Ahmad	356,759	158,001	–	–	51,477	–	255,175	50%	821,412
Total	**4,399,923**	**991,174**	**100,578**	**189,629**	**242,139**	**59,876**	**3,087,956**	**43%**	**9,071,275**
FY21									
Executive Director									
A. Lacaze	1,251,897	133,540	–	–	21,694	64,383	830,776	42%	2,302,290
Non-Executive Directors									
K. Conlon (2)	234,375	–	–	–	20,011	–	–	0%	254,386
M. Harding (3)	65,000	–	–	–	5,424	–	–	0%	70,424
P. Etienne	175,200	–	–	–	-	–	–	0%	175,200
J. Humphrey	156,875	–	–	–	14,903	–	–	0%	171,778
G. Murdoch	159,375	–	–	–	15,141	–	–	0%	174,516
V. Guthrie (4)	106,157	–	–	–	3,147	–	–	0%	109,304
Executives									
A. Arnold (5)	588,365	51,058	–	–	10,892	–	(30,026)	(3%)	620,289
S. Leonard (6)	146,709	–	–	–	6,058	2,506	39,297	20%	194,570
G. Sturzenegger	533,105	58,043	–	–	–	–	220,628	34%	811,776
K. Leung	532,331	55,975	–	–	21,694	29,945	206,982	31%	846,927
P. Le Roux	466,740	56,980	119,736	–	79,238	–	250,016	32%	972,710
M. Ahmad	336,593	84,069	–	–	42,076	–	174,743	38%	637,481
Total	**4,752,722**	**439,664**	**119,736**	**–**	**240,278**	**96,834**	**1,692,416**	**29%**	**7,341,650**

(1) Resigned effective 31 December 2021
(2) Appointed to Chair effect 30 September 2020
(3) Resigned effective 30 September 2020
(4) Appointed effective 1 October 2020
(5) Resigned effective 16 April 2021
(6) Appointed effective 27 January 2021

I. KMP EQUITY HOLDINGS

1. Shareholdings

The following table outlines the shares held directly, indirectly and beneficially by directors and KMP as at 30 June 2022.

Name	Balance at beginning of year	Purchased during the year	On exercise of performance rights	Sold during the year	Other	Balance at end of year
A. Lacaze	2,742,961	–	1,053,185	(1,150,000)	–	2,646,146
K. Conlon	130,635	–	–	–	–	130,635
P. Etienne	75,284	–	–	–	–	75,284
J. Humphrey	56,494	–	–	–	–	56,494
G. Murdoch	161,007	–	–	–	–	161,007
V. Guthrie	6,000	4,000	–	–	–	10,000
S. Leonard	–	–	–	–	–	–
G. Sturzenegger	700,000	–	55,217	(255,217)	–	500,000
K. Leung	413,000	–	54,116	(440,058)	(27,058)	–
P. Le Roux	349,579	–	56,285	(291,886)	–	113,978
M. Ahmad	14,000	–	44,553	(13,366)	–	45,187
Total	**4,648,960**	**4,000**	**1,263,356**	**(2,150,527)**	**(27,058)**	**3,738,731**

Other movements in relation to KMP shareholdings relate to the person ceasing to be a member of the KMP during the year.

2. Share Based Remuneration – Performance Rights

Performance Rights are issued with no consideration payable on exercise. As at year end the Group had on issue to directors and KMP the following Performance Rights to acquire ordinary fully paid shares:

Series	Grant date	Number	Date vested and exercisable	Expiry date	Exercise price	Value per performance right at grant date
AU	28 November 2017	127,567	28 August 2020	28 August 2022	$ 0.00	$2.060
AV	28 November 2017	154,044	28 August 2020	28 August 2022	$ 0.00	$1.620
BC	27 November 2018	147,433	28 August 2021	28 August 2023	$ 0.00	$1.463
BE	26 August 2019	111,559	26 August 2022	26 August 2024	$ 0.00	$2.340
BF	26 August 2019	111,559	26 August 2022	26 August 2024	$ 0.00	$2.340
BG	26 August 2019	133,870	26 August 2022	26 August 2024	$ 0.00	$1.660
BE(1)	26 November 2019(1)	136,435	26 August 2022	26 August 2024	$ 0.00	$2.290
BF(1)	26 November 2019(1)	136,435	26 August 2022	26 August 2024	$ 0.00	$2.290
BG(1)	26 November 2019(1)	163,722	26 August 2022	26 August 2024	$ 0.00	$1.630
BI	09 September 2020	207,422	09 September 2023	09 September 2025	$ 0.00	$1.790
BJ	09 September 2020	207,422	09 September 2023	09 September 2025	$ 0.00	$2.400
BI(2)	26 November 2020(1)	208,856	09 September 2023	09 September 2025	$ 0.00	$2.500
BJ(2)	26 November 2020(1)	208,856	09 September 2023	09 September 2025	$ 0.00	$3.560
BK	20 September 2021	91,825	31 August 2022	31 August 2022	$ 0.00	$7.600
BL	20 September 2021	75,179	31 August 2024	31 August 2026	$ 0.00	$5.230
BM	20 September 2021	75,179	31 August 2024	31 August 2026	$ 0.00	$7.600
BN(3)	29 November 2021	50,410	31 August 2022	31 August 2022	$ 0.00	$8.570

Series	Grant date	Number	Date vested and exercisable	Expiry date	Exercise price	Value per performance right at grant date
BO(3)	29 November 2021	74,636	31 August 2024	31 August 2026	$ 0.00	$5.680
BP(3)	29 November 2021	74,636	31 August 2024	31 August 2026	$ 0.00	$8.570
Total		**2,497,045**				

(1) Performance rights relates to the CEO in series BD to BG were approved by the Board on 26 August 2019, subject to approval at the AGM. These performance rights were subsequently approved at the AGM on 26 November 2019.
(2) Performance rights relates to the CEO in series BH to BJ were approved by the Board on 9 September 2020, subject to approval at the AGM. These performance rights were subsequently approved at the AGM on 26 November 2020.
(3) Performance rights relates to the CEO and other staff in series BN to BP were approved by the Board on 20 September 2021, subject to approval at the AGM. These performance rights were subsequently approved at the AGM on 26 November 2021.

Fair value of Performance Rights

The fair value of each Performance Right is estimated on the date it is granted using volume-weighted average share price, Monte Carlo and Binomial valuation methodologies. The following assumptions were considered in the valuation of Performance Rights granted during the year ended 30 June 2022:

	PR's issued to employees other than CEO			PR's issued to CEO		
	Series BK	**Series BL**	**Series BM**	**Series BN**	**Series BO**	**Series BP**
Grant date	20 Sept 2021	20 Sept 2021	20 Sept 2021	29 Nov 2021	29 Nov 2021	29 Nov 2021
5 day VWAP	$7.60	$7.60	$7.60	$8.57	$8.57	$8.57
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	61.5%	61.5%	61.5%	59.6%	59.6%	59.6%
Risk-free Rate	0.17%	0.17%	0.17%	0.92%	0.92%	0.92%
Expiry date	31 Aug 2022	31 Aug 2026	31 Aug 2026	31 Aug 2022	31 Aug 2026	31 Aug 2026

No dividends have been paid in the past and so it is not appropriate to estimate future possible dividends in arriving at the fair values. The life of the Performance Right is up to 5 years from date of grant (as specified above) and is therefore not necessarily indicative of exercise patterns that may occur.

The resulting weighted average fair values for all Performance Rights granted for the benefit of Directors and KMP during the year are:

Grant date	Number of performance rights	Fair value per instrument at valuation date	Exercise price per instrument	First exercise date	Last exercise or expiry date
20 September 2021	91,825	$7.60	$ 0.00	31 August 2022	31 August 2022
20 September 2021	75,179	$5.23	$ 0.00	31 August 2024	31 August 2026
20 September 2021	75,179	$7.60	$ 0.00	31 August 2024	31 August 2026
29 November 2021	50,410	$8.57	$ 0.00	31 August 2022	31 August 2022
29 November 2021	74,636	$5.68	$ 0.00	31 August 2024	31 August 2026
29 November 2021	74,636	$8.57	$ 0.00	31 August 2024	31 August 2026
Total	**441,865**				

Except as specified in the table above, all Performance Rights granted for the benefit of Directors and KMP have three-year vesting periods. The Performance Rights are exercisable up to five years after issue date, subject to achievement of the relevant performance hurdles.

The following tables outline the Performance Rights granted for the benefit of Directors and KMP during the 2021 and 2022 financial years and those Performance Rights which have vested at each respective year-end.

	Balance at beginning of year	Granted	Grant date	Exercised	Forfeited	Net change	Balance at end of year
30 June 2022							
A. Lacaze	2,513,451	199,682	29 Nov 2021	(1,053,185)	(176,920)	(1,030,423)	1,483,028
K. Conlon	–	–	–	–	–	–	–
P. Etienne	–	–	–	–	–	–	–
M. Harding	–	–	–	–	–	–	–
J. Humphrey	–	–	–	–	–	–	–
G. Murdoch	–	–	–	–	–	–	–
V. Guthrie	–	–	–	–	–	–	–
S. Leonard	69,862	33,724	20 Sept 2021	–	–	33,724	103,586
G. Sturzenegger	279,294	51,438	20 Sept 2021	(55,217)	(36,533)	(40,312)	238,982
K. Leung(1)	269,465	54,866	20 Sept 2021	(54,116)	(36,925)	(36,175)	233,290
P. Le Roux	317,370	61,844	20 Sept 2021	(56,285)	(38,359)	(32,800)	284,570
M. Ahmad	223,932	40,311	20 Sept 2021	(44,553)	(29,994)	(34,236)	189,696
Total	**3,673,374**	**441,865**		**(1,263,356)**	**(318,731)**	**(1,140,222)**	**2,533,152**

(1) Although Kam Leung retired on 31 December 2021, the Board applied its discretion and allowed him to retain his performance rights

	Balance at beginning of year	Granted	Grant date	Exercised	Forfeited	Net change	Balance at end of year
30 June 2021							
A. Lacaze	2,291,202	473,407	26 Nov 2020	(109,148)	(142,010)	222,249	2,513,451
K. Conlon	–	–	–	–	–	–	–
P. Etienne	–	–	–	–	–	–	–
M. Harding	–	–	–	–	–	–	–
J. Humphrey	–	–	–	–	–	–	–
G. Murdoch	–	–	–	–	–	–	–
V. Guthrie	–	–	–	–	–	–	–
A. Arnold	272,112	–	–	(98,106)	(174,006)	(272,112)	–
S Leonard	–	69,862	9 Sept 2020	–	–	69,862	69,862
G. Sturzenegger	292,682	117,671	9 Sept 2020	(102,988)	(28,071)	(13,388)	279,294
K. Leung	296,839	110,889	9 Sept 2020	(107,146)	(31,117)	(27,374)	269,465
P. Le Roux	355,482	115,517	9 Sept 2020	(121,997)	(31,632)	(38,112)	317,370
M. Ahmad	240,572	92,900	9 Sept 2020	(85,585)	(23,955)	(16,640)	223,932
Total	**3,748,889**	**980,246**		**(624,970)**	**(430,791)**	**(75,515)**	**3,673,374**

At 30 June 2022, 429,045 performance rights issued to A. Lacaze had vested and were exercisable (30 June 2021: 1,279,101). No other KMP had any performance rights that had vested and were exercisable (30 June 2021: nil).

The Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors,

Kathleen Conlon
Chairman

Sydney, 26 August 2022

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial report is in compliance with International Financial Reporting Standards, as stated in the Basis of preparation note to the Financial Statements;

(c) in the Directors' opinion, the attached financial report and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by Corporations Instrument 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the Corporations Instrument applies, as detailed in Note E.6 to the Financial Statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the Directors,

Kathleen Conlon
Chairman

Sydney, 26 August 2022

Auditor's Independence Declaration

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

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

As lead auditor for the audit of the financial report of Lynas Rare Earths Limited for the financial year ended 30 June 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 audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
26 August 2022

Independent Auditor's Report

Ernst & Young
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Independent auditor's report to the members of Lynas Rare Earths Limited

Report on the audit of the financial report

Opinion

We have audited the 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 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

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Rehabilitation Provision

Why significant	How our audit addressed the key audit matter
The Group incurs obligations for asset and site restoration and rehabilitation, which includes requirements under its Full Operating Stage License in Malaysia to manage water leached purification (WLP) and neutralisation underflow (NUF) residues arising from its production process. As at 30 June 2022 the Group's consolidated statement of financial position includes provisions of $148,080,000 in respect of such obligations as disclosed in Note D.5. Estimating the costs associated with these obligations requires significant judgement in relation to when the activities will take place, the time required for rehabilitation to be effective, the costs associated with the activities and economic assumptions such as discount rates and inflation rates. Given the significant judgements and assumptions involved, the Group is required to continually reassess and confirm that the assumptions used are appropriate. Due to the value of the provision relative to net assets and total liabilities and the significant degree of estimation and judgment used to determine the rehabilitation provision this was considered to be a key audit matter.	Our audit procedures included the following: ► Assessed the appropriateness of the changes in cost estimates and other assumptions underpinning the cost estimates. ► With the involvement of our subject matter specialists, we assessed the appropriateness of the rehabilitation cost estimates. ► Assessed the qualifications, competence and objectivity of the Group's external experts, the work of whom, formed the basis of the Group's initial rehabilitation cost estimates for Lynas Advanced Materials Plant (LAMP), Kalgoorlie Rare Earths Facility and Mt Weld sites. ► Inquired about any changes in license conditions with respect to the management of WLP and NUF residues and assessed the appropriateness of changes in assumptions and calculations within the rehabilitation cost estimates as a result of these changed conditions. ► Tested the mathematical accuracy of the rehabilitation models and assessed the appropriateness of the assumed timing of cashflows, inflation and discount rate assumptions. ► Agreed payments made during the year in connection with the rehabilitation of WLP to bank statements. ► Inquired with the Group's expert of changes to the disturbed areas since the previous annual reporting period. ► Assessed the adequacy of the disclosures relating to the Group's provisions for restoration and rehabilitation in the notes to the financial statements.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Lynas Rare Earths Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
26 August 2022

Financial Statements

as at 30 June 2022

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 30 June 2022

	Note	2022 A$ '000	2021 A$ '000
Revenue	A.1	920,014	489,024
Cost of sales	A.1	(348,381)	(302,242)
Gross profit		**571,633**	**186,782**
General and administration expenses	A.1	(42,927)	(27,154)
Net foreign exchange gain		11,705	8,717
Other income		229	1,155
Profit from operating activities		**540,640**	**169,500**
Financial income	A.2	4,636	2,927
Financial expenses	A.2	(9,520)	(14,940)
Net financial expenses		**(4,884)**	**(12,013)**
Profit before income tax		**535,756**	**157,487**
Income tax benefit / (expense)	A.4	5,068	(404)
Profit for the year		**540,824**	**157,083**
Other comprehensive income / (loss) for the year net of income tax that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		16,951	(24,750)
Total other comprehensive income / (loss) for the year, net of income tax		**16,951**	**(24,750)**
Total comprehensive income for the year attributable to equity holders of the Company		**557,775**	**132,333**

	Note	cents per share	cents per share
Earnings per share			
Basic earnings per share (cents per share)	A.3	59.95	18.08
Diluted earnings per share (cents per share)	A.3	59.70	17.99

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

as at 30 June 2022

	Note	2022 A$ '000	2021 A$ '000
Assets			
Cash and cash equivalents	C.1	965,584	580,827
Short term deposits	C.2	–	100,000
Trade and other receivables	D.1	109,866	23,890
Prepayments		6,712	6,442
Inventories	D.2	81,462	62,888
Total current assets		**1,163,624**	**774,047**
Inventories	D.2	851	4,434
Property, plant and equipment	B.1	757,346	607,297
Deferred development expenditure	B.1	48,996	28,347
Intangible assets		737	405
Deferred tax assets	A.4	11,344	–
Other non-current assets	D.3	78,734	63,060
Total non-current assets		**898,008**	**703,543**
Total assets		**2,061,632**	**1,477,590**
Liabilities			
Interest payable		1,673	1,773
Trade and other payables	D.4	64,932	40,828
Borrowings	C.3	21,903	20,073
Current tax liability		5,685	84
Employee benefits	D.5	4,206	3,331
Provisions	D.5	23,695	40,874
Lease liabilities		1,531	778
Total current liabilities		**123,625**	**107,741**
Borrowings	C.3	164,898	151,049
Employee benefits	D.5	978	696
Provisions	D.5	124,385	133,392
Lease liabilities		2,131	1,292
Total non-current liabilities		**292,392**	**286,429**
Total liabilities		**416,017**	**394,170**
Net assets		**1,645,614**	**1,083,420**
Equity			
Share capital	C.5	1,859,598	1,859,598
Accumulated losses		(174,770)	(715,594)
Reserves	C.6	(39,214)	(60,584)
Total equity attributable to the equity holders of the Company		**1,645,614**	**1,083,420**

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Share capital A$ '000	Accumulated losses A$ '000	Foreign currency translation reserve A$ '000	Equity settled employee benefits reserve A$ '000	Warrant reserve A$ '000	Other reserve A$ '000	Total A$ '000
Balance at 1 July 2021		1,859,598	(715,594)	(136,521)	54,172	21,765	–	1,083,420
Other comprehensive gain for the year		–	–	16,951	–	–	–	16,951
Total profit for the year		–	540,824	–	–	–	–	540,824
Total comprehensive profit for the year		**–**	**540,824**	**16,951**	**–**	**–**	**–**	**557,775**
Employee remuneration settled through share-based payments	E.7	–	–	–	4,419	–	–	4,419
Balance at 30 June 2022		**1,859,598**	**(174,770)**	**(119,570)**	**58,591**	**21,765**	**–**	**1,645,614**
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 year		–	–	(24,750)	–	–	–	(24,750)
Total profit for the year		–	157,083	–	–	–	–	157,083
Total comprehensive profit for the year		**–**	**157,083**	**(24,750)**	**–**	**–**	**–**	**132,333**
Issue of shares, net of issues costs		413,867	–	–	–	–	–	413,867
Conversion of convertible bonds	C.5	20,884	–	–	–	–	(4,509)	16,375
Employee remuneration settled through share-based payments	E.7	–	–	–	2,464	–	–	2,464
Balance at 30 June 2021		**1,859,598**	**(715,594)**	**(136,521)**	**54,172**	**21,765**	**–**	**1,083,420**

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 A$ '000	2021 A$ '000
Cash flows from operating activities			
Receipts from customers		855,012	465,422
Payments to suppliers and employees		(319,887)	(242,348)
Payments for discharge of rehabilitation obligation	D.5	(55,967)	–
Royalties paid		(18,404)	(7,735)
Income taxes paid		(682)	(274)
Net cash from operating activities	C.1	**460,072**	**215,065**
Cash flows from investing activities			
Payments for property, plant and equipment and development expenditure		(186,302)	(40,444)
Grants received in relation to property, plant and equipment		6,826	–
Security bonds paid		(5,655)	(83)
Security bonds refunded		10	19
Interest received		3,943	2,505
Deposit as collateral for AELB		(2,423)	(255)
Redemption of / (Investment in) term deposit		100,000	(100,000)
Net cash used in investing activities		**(83,601)**	**(138,258)**
Cash flows from financing activities			
Interest and other financing costs paid		(6,556)	(6,431)
Proceeds from the issue of share capital		–	425,324
Payments related to the issue of share capital		–	(11,458)
Repayment of lease liabilities		(1,590)	(1,844)
Repayment of borrowings		(5,666)	–
Net cash (used in) / provided from financing activities		**(13,812)**	**405,591**
Net increase in cash and cash equivalents		362,659	482,398
Cash and cash equivalents at the beginning of the year		580,827	101,731
Effect of exchange rate fluctuations (net) on cash held		22,098	(3,302)
Closing cash and cash equivalents	C.1	**965,584**	**580,827**

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2022

ABOUT THIS REPORT

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

The financial report of Lynas Rare Earths Limited as at and for the year ended 30 June 2022 comprises the Company and its subsidiaries (together referred to as the “Group”). The financial report was approved by the Board of Directors (the “Directors”) on 26 August 2022.

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.

BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report and has been prepared in accordance with Australian Accounting Standards (“AASs”) issued by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*.

The financial report also complies with International Financial Reporting Standards and Interpretations (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Going concern

The financial report has been prepared using the going concern assumption.

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 comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the current year is for the 12 month period ended 30 June 2022. Information for the comparative year is for the 12 month period ended 30 June 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. As per Note E.4 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.

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.

Currency and foreign exchange

The financial report of the Company and the Group is presented in Australian Dollars ("AUD"), which is both the Company's and the Group's presentation currency.

Items included in the financial report of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the respective entities at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency of the respective entities at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency of the respective entities at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income as a component of the profit or loss.

Foreign operations

The results and financial position of those entities that have a functional currency different from the presentation currency of the Group are translated into the Group's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date of the statement of financial position;
- income and expense items for each profit or loss item are translated at average exchange rates;
- items of other comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

As at 30 June 2022, the entities that have a different functional currency to the Group's presentation currency (AUD) are Lynas Africa Limited, Lynas USA LLC (USD functional currency) and Lynas Malaysia Sdn Bhd (MYR functional currency).

Change in functional currency

The functional currency of Lynas Rare Earths Ltd (Parent entity) has been USD. Following the equity raise and extinguishment of the convertible bonds in the prior year, management exercised its judgement that the functional currency changed. This judgement was influenced by the Parent entity primarily holding investments in its operating subsidiaries and raising its funding (debt and equity) in Australian dollars ("AUD").

The change in functional currency to AUD is accounted for prospectively from 31 August 2020. All items are translated into the new functional currency using the exchange rate at the date of the change. The resultant translated amounts for non-monetary items are thereafter treated as their historical cost.

Foreign exchange risk management

As a result of the Group's international operations, foreign exchange risk exposures exist on purchases, assets and borrowings that are denominated in foreign currencies (i.e. currencies other than the functional currency of each of the Group's operating entities). The currencies in which these transactions are primarily denominated are the AUD, USD and MYR.

The Group takes advantage of natural offsets to the extent possible. Therefore, when commercially feasible, the Group borrows in the same currencies in which cash flows from operations are generated. Generally the Group does not use forward exchange contracts to hedge residual foreign exchange risk arising from receipts and payments denominated in foreign currencies. However, when considered appropriate the Group may enter into forward exchange contracts to hedge foreign exchange risk arising from specific transactions.

The Group's primary exposure to foreign exchange risk is on the translation of net assets of Group entities which are denominated in currencies other than AUD, which is the Group's presentation currency. The impact of movements in exchange rates is recognised primarily in the other comprehensive income component of the Group's statement of comprehensive income.

Certain subsidiaries within the Group are exposed to foreign exchange risk on purchases denominated in currencies that are not the functional currency of that subsidiary. In these circumstances, a change in exchange rates

BASIS OF PREPARATION continued

would impact the net operating profit recognised in the profit or loss component of the Group's statement of comprehensive income. Details of this exposure is detailed in the capital risks in Section C of this report.

A. EARNINGS FOR THE YEAR

This section includes the results and performance of the Group. It includes segmental information and details about the Group's tax position.

A.1 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 year 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.

51% (FY21: 66%) of the Group's non-current assets are located in Malaysia and the remaining 49% (FY21: 34%) are in Australia.

Recognition and measurement

Revenue from contracts with customers

Rare Earth Product sales:
The Group derives revenue from the sale of rare earth products, which are governed by a sales contract with their customers. Revenue is recognised in relation to rare earth sales at the time control transfers to customers at the date of loading/shipment. Sales made under CIF incoterms, where the Group is responsible for freight and shipping, are generally recognised at the point in time when the rare earth products are loaded onto the vessel for shipment. In these sales, the freight and shipping service represents a separate performance obligation to the sale of the rare earth products. For those sales not made under CIF incoterms, this timing is upon the delivery of the rare earth products.

Provisionally priced sales:
Certain of the Group's sales are provisionally priced, where the final price depends on the sale price of products sold to a third party outside of the Lynas transaction. Adjustments to the sales price occur based on movements in market prices up to the secondary point of sale. Under AASB 15 any fair value adjustments on receivables subject to Quotational Pricing (QP) are recognised in other revenue and not included in revenue from contracts with customers.

Shipping services:
As noted above, a portion of the Group's rare earth product sales are sold on CIF incoterms, whereby the Group is responsible for providing freight and shipping services after the date that it transfers control of the rare earth products to the customer. Under AASB 15, it has been concluded that freight and shipping represent a separate performance obligation and that the Group acts as principal. As a result, a portion of the transaction price is required to be allocated to this performance obligation and will be recognised over time on a gross basis as the services are provided. The Group has concluded that for the FY22 period the amount is insignificant and therefore not disclosed separately in Note A.1.

Royalties

Obligations arising from royalty arrangements are recognised as current liabilities and included as part of the cost of goods sold in the statement of comprehensive income as a component of profit or loss. Lynas currently pays royalties to the Western Australian Department of Minerals and Petroleum for the export of Rare Earth concentrate to Malaysia.

Financial Income and Expenses

Financial income comprises interest income and gains on derivative financial instruments in respect of investing activities that are recognised in the statement of comprehensive income as a component of the profit or loss. Interest income is recognised as it accrues using the effective interest method.

Financial expenses comprise interest expense, impairment losses recognised on financial assets (except for trade receivables) and losses in respect of financing activities on derivative instruments that are recognised in the statement of comprehensive income as a component of the profit or loss. All borrowing costs not qualifying for capitalisation are recognised in the statement of comprehensive income as a component of the profit or loss using the effective interest method.

A.1 Segment revenue and expenses continued

	For the year ended 30 June 2022			For the year ended 30 June 2021		
	Rare Earth operations A$'000	Corporate/ Unallocated A$'000	Total Continuing Operations A$'000	Rare Earth operations A$'000	Corporate/ Unallocated A$'000	Total Continuing Operations A$'000
Business segment reporting						
Revenue from contracts with customers	893,162		893,162	472,043	–	472,043
Other revenue:						
Revenue adjustments	26,852		26,852	16,981	–	16,981
Total revenue	**920,014**	**–**	**920,014**	**489,024**	**–**	**489,024**
Cost of sales (excl depreciation)	(291,897)	–	(291,897)	(239,419)	–	(239,419)
Cost of sales (depreciation)	(56,484)	–	(56,484)	(62,823)	–	(62,823)
Gross profit	**571,633**	**–**	**571,633**	**186,782**	**–**	**186,782**
Employee and production costs net of costs recovered through production	(5,299)	(7,353)	(12,652)	(2,383)	(3,297)	(5,680)
Depreciation expenses net of cost recovered through production	(1,958)	(2,109)	(4,067)	(502)	(2,459)	(2,961)
Other general and administration expenses[1]	(17,660)	(8,547)	(26,207)	(9,412)	(9,101)	(18,513)
Total general and admin expenses	**(24,917)**	**(18,009)**	**(42,926)**	**(12,297)**	**(14,857)**	**(27,154)**
Other income[2]	–	229	229	–	1,155	1,155
Net foreign exchange gain	–	11,705	11,705	–	8,717	8,717
Profit / (loss) before interest and tax ("EBIT")	**546,716**	**(6,075)**	**540,641**	**174,485**	**(4,985)**	**169,500**
Other financial income			4,636			2,927
Financial expenses			(9,520)			(14,940)
Profit before income tax			**535,757**			**157,487**
Income tax expense			5,068			(404)
Profit for the year			**540,824**			**157,083**
EBIT [3]	546,716	(6,075)	540,641	174,485	(4,985)	169,500
Depreciation and amortisation	58,443	2,109	60,552	63,325	2,459	65,784
EBITDA [3]	**605,159**	**(3,966)**	**601,193**	**237,810**	**(2,526)**	**235,284**
Included in EBITDA:						
Non-cash employee remuneration settled through share based payments comprising:						
Share based payments expense for the year	–	4,419	4,419	–	2,464	2,464
Other income	–	(229)	(229)	–	(1,155)	(1,155)
Adjusted EBITDA [3]	**605,159**	**224**	**605,383**	**237,810**	**(1,217)**	**236,593**
Total assets	**1,118,374**	**943,247**	**2,061,632**	**868,004**	**609,586**	**1,477,590**
Total liabilities	**(208,699)**	**(207,318)**	**(416,017)**	**(215,350)**	**(178,820)**	**(394,170)**

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

(2) Other income in FY21 relates to grants received for submissions for engineering work performed in relation to a Heavy Rare Earths facility in the U.S. A small additional amount related to the extinguishment of lease liabilities.

(3) EBIT, EBITDA and Adjusted EBITDA are non IFRS measures.

A.2 Financial income and expenses

	For the year ended 30 June	
	2022 A$ '000	**2021** A$ '000
Interest income on cash and cash equivalents	4,636	2,927
Total financial income	**4,636**	**2,927**
Interest expense on financial liabilities:		
Interest expense on JARE loan facility	(5,729)	(5,400)
Interest expense on convertible bond facility	–	(34)
Unwinding of effective interest on convertible bond facility	–	(134)
Unwinding of effective interest on JARE loan facility	(6,754)	(6,146)
Non-cash adjustment to financial liabilities	977	995
Interest capitalised to qualifying assets	5,882	751
Unwinding of discount on restoration and rehabilitation provision	(4,026)	(4,340)
Interest expense on lease liabilities	(223)	(96)
Discount unwinding on AELB deposit	280	386
Financing transaction costs and fees	(639)	(610)
Unrealised foreign exchange (loss) / gain on intercompany balance	712	(312)
Total financial expenses	**(9,520)**	**(14,940)**
Net financial expenses	**(4,884)**	**(12,013)**

A.3 Earnings per share

Recognition and measurement

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

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Net earnings attributed to ordinary shareholders	540,824	158,096
Earnings used in calculating basic earnings per share	540,824	158,096
Net earnings impact of assumed conversions of diluted EPS	–	–
Earnings used in calculating diluted earnings per share	540,824	158,096
Number of ordinary shares on issue ('000)	902,412	901,079
Weighted average number of ordinary shares used in calculating basic earnings per share ('000)	902,168	868,750
Weighted average number of ordinary shares used in calculating diluted earnings per share ('000)	905,898	873,197
	cents per share	cents per share
Basic earnings per share (cents per share)	59.95	18.08
Diluted earnings per share (cents per share)	59.70	17.99

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

	As at 30 June	
	2022 '000	**2021** '000
Performance rights	3,731	4,335
Total	**3,731**	**4,335**

A.4 Income taxes

A.4.1 Income tax expense

	For the year ended 30 June	
	2022 A$ '000	**2021** A$ '000
Current tax		
Current tax expense in respect of the current year	6,276	404
Adjustments recognised in the current year in relation to the current tax in prior years	–	–
	6,276	**404**
Deferred tax		
Deferred tax (benefit) / expense recognised in the year	(11,344)	–
Total income tax (benefit) / expense relating to the continuing operations	**(5,068)**	**404**

A.4.2 Reconciliation of income tax to tax expense

	For the year ended 30 June	
	2022 A$ '000	**2021** A$ '000
Profit before tax for continuing operations	535,756	157,487
Income tax expense / (benefit) calculated at 30% (2021: 30%)	160,727	47,246
Add / (deduct):		
Effect of expenses that are not deductible and income that is not assessable in determining taxable profit	1,234	(1,409)
Effect of difference in tax rate in subsidiaries and branches	(174)	(111)
Effect of current year losses not recognised	428	647
Tax effect of prior period losses and temporary differences previously unrecognised, recognised in the current year	(167,283)	(45,930)
Other adjustments	–	(39)
Total current year income tax (benefit) / expense	**(5,068)**	**404**

A.4 Income taxes continued

A.4.3 Movements in deferred tax balances

	Balance at 30 June 2021 A$ '000	Recognised in profit or loss A$ '000	Relating to equity A$ '000	Recognised in OCI A$ '000	Balance at 30 June 2022 A$ '000
Temporary differences					
Inventory	(894)	(86)	–	–	(981)
Development expenditure	(18,351)	(3,773)	–	–	(22,124)
Property, plant and equipment	3,264	(3,433)	–	–	(169)
Borrowings	10,453	5,832	–	–	16,285
Trade payables	126	13	–	–	140
Business related costs	3,584	(990)	–	–	2,594
Lease liabilities	416	556	–	–	982
Provisions	14,846	(229)	–	–	14,617
	13,444	**(2,110)**	**–**	**–**	**11,344**
(Unrecognised) / recognised deferred tax assets	(13,444)	13,444	–	–	–
Net deferred tax asset recognised	**–**	**11,344**	**–**	**–**	**11,344**

	Balance at 30 June 2020 A$ '000	Recognised in profit or loss A$ '000	Relating to equity A$ '000	Recognised in OCI A$ '000	Balance at 30 June 2021 A$ '000
Temporary differences					
Inventory	(839)	(55)	–	–	(894)
Development expenditure	(18,846)	495	–	–	(18,351)
Property, plant and equipment	2,244	1,020	–	–	3,264
Borrowings	13,483	(3,030)	–	–	10,453
Trade payables	109	17	–	–	126
Business related costs	224	(77)	3,437	–	3,584
Lease liabilities	727	(311)	–	–	416
Provisions	14,415	431	–	–	14,846
	11,517	**(1,510)**	**3,437**	**–**	**13,444**
(Unrecognised) / recognised deferred tax assets	(11,517)	1,510	(3,437)	–	(13,444)
Net deferred tax asset / (liability) recognised	**–**	**–**	**–**	**–**	**–**

A.4.4 Unrecognised deferred tax assets

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised are attributable to the following:		
Gross revenue losses		
Australia	–	99,083
Malaysia	85,251	160,370
United States	2,639	1,919
Malawi	196	458
Gross capital losses		
Australia	–	2,145
Capital allowances		
Malaysia	49,003	64,881
Deductible temporary differences (tax effected)	–	13,444

Recognition and measurement

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income as a component of the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised with the associated items on a net basis. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method of providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time the liability to pay the related dividend is recognised. Deferred income tax assets and liabilities in the same jurisdiction are offset in the statement of financial position only to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities and the deferred balances relate to taxes levied by the same taxing authority and are expected either to be settled on a net basis or realised simultaneously.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Lynas Rare Earths Limited. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

A.4 Income taxes continued

A.4.4 Unrecognised deferred tax assets continued

Entities within the tax-consolidated group have entered into a tax sharing agreement with the Company. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the Company default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

KEY ESTIMATES AND JUDGEMENTS

Recognition of deferred tax assets

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. In making the assessment, the Group has given specific due consideration to:

- The pioneer period status (tax holiday) in relation to the Malaysian operations through to 2026, subject to renewal. This renewal was formally completed during the year.
- Tax losses generated during this period will be utilised prior to the tax exemption being applied, with any unused losses available for utilisation by the Group once the pioneer period expires.
- Tax losses generated prior to the pioneer period will remain available for use offsetting non-pioneer profits during the pioneer period for a period of 10 years after incurring the loss. At 30 June 2022, losses in Malaysia consist of A$121m (MYR 366m) in capital allowances and A$85m (MYR 257m) in business losses. A$72m (MYR218m) of capital allowance has been utilised to offset a net deferred tax liability arising on timing differences in Malaysia at 30 June 2022. There is uncertainty if the remaining losses will be utilised.

Tax losses in Australia were utilised during the year and the recognised deferred asset relates to temporary timing differences within the Australian tax group.

B. PRODUCTION AND EXPLORATION ASSETS

This section includes information about the recognition, measurement, depreciation, amortisation and impairment considerations of the core producing and exploration assets of the Group.

B.1 Property, plant and equipment and mine development

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (if any).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of property, plant and equipment acquired in a business combination is determined by reference to its fair value at the date of acquisition. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the cost of that equipment.

Assets under construction

Assets under construction are transferred to the appropriate asset category when they are ready for their intended use.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an item of property, plant and equipment are capitalised until such time as the assets are substantially ready for their intended use. The interest rate used equates to the weighted effective interest on debt where general borrowings are used or the relevant interest rate where specific borrowings are used to finance the construction. During FY22, a capitalisation rate of 6.7% was applied. (FY21: 6.7%).

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as a component of the profit or loss as incurred.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is netted off against the capitalised cost of the related asset.

Depreciation

Depreciation is recognised in the statement of comprehensive income as a component of the profit or loss or capitalised as a component of inventory in the statement of financial position (which is subsequently released to the profit or loss through the cost of goods sold on the sale of the underlying product) using a method that reflects the pattern in which the economic benefits embodied within the asset are consumed. Generally, this is on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment.

The estimated useful lives for the material classes of property, plant and equipment are as follows:

Leasehold land	30 to 99 years	Buildings	5 to 30 years
Plant and equipment	2 to 30 years	Fixtures and fittings	2 to 15 years
Leasehold improvements	3 to 30 years	Motor vehicles	8 years
Rehabilitation assets	20 to 30 years		

Depreciation methods, useful lives and residual values are reassessed on an annual basis.

Gains and losses on the disposal of items of property, plant and equipment are determined by comparing the proceeds (if any) at the time of disposal with the net carrying amount of the asset.

B.1 Property, plant and equipment and mine development continued

Development expenditure

Once an area of interest has been established as commercially viable and technically feasible, expenditure other than that relating to land, buildings and plant and equipment is capitalised as development expenditure. Development expenditure includes previously capitalised exploration and evaluation expenditure, pre-production development expenditure and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercially viable or technically feasible, any accumulated costs in respect of that area are written off in full in the statement of comprehensive income as a component of the profit or loss in the period in which the decision to abandon the area is made to the extent that they will not be recoverable in the future.

Development assets are assessed for impairment if the facts and circumstance suggest that the carrying amount exceed the recoverable amount. For the purpose of impairment testing, development assets are allocated to the cash-generating units ("CGUs") to which the development activity relates.

Deferred stripping

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development or pre-production stripping. The directly attributable costs associated with these activities are capitalised as a component of development costs. Capitalisation of development stripping ceases and amortisation of those capitalised costs commences upon extraction of ore. Amortisation of capitalised development stripping costs occurs on a unit of production basis with reference to the life of mine of the relevant area of interest.

Removal of waste material normally continues through the life of a mine. This activity is referred to as production stripping and commences upon the extraction of ore.

Amortisation of development

Amortisation of development is recognised either in the statement of comprehensive income as a component of the profit or loss or capitalised as a component of inventory in the statement of financial position (which is subsequently released to the profit or loss through the cost of goods sold on the sale of the underlying product) on a units of production basis which aims to recognise cost proportionally to the depletion of the economically recoverable mineral resources. Costs are amortised from the commencement of commercial production.

KEY ESTIMATES AND JUDGEMENTS

Development Expenditure

Development activities commence after project sanctioning by the appropriate level of management and the Board. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions as described above for capitalised development expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of comprehensive income.

Stripping Asset

As with many mining operations similar to Mt Weld, overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. The extraction of the ore body itself will also include a waste component extracted during the mining campaign. The costs of extraction of both these elements form the stripping costs. Judgement is required to identify a suitable allocation basis to apportion the stripping costs between inventory and any stripping assets for each component.

The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the ore body, to be the most suitable production measure. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity.

Pre-Production Stripping

The Group has determined that the overburden removal where no ore is recovered forms part of a pre-production stripping asset and has been determined to provide more accessibility to the total ore body and is amortised on this basis.

Production Stripping ratio

The Group has adopted a policy of deferring production stage stripping costs and amortising them on a units-of-production basis. Judgement is required in determining the contained ore units for each mining campaign.

Estimation of mineral reserves and resources – refer to Note B.2

	Property, Plant and Equipment								Development Expenditure		
	Leasehold land $'000	**Buildings plant and equipment** $'000	**Fixtures and fittings** $'000	**Right of Use Assets** $'000	**Assets under construction** $'000	**Rehabilitation asset** $'000	**Leasehold improvements** $'000	**Total** $'000	**Development expenditure** $'000	**Pre-production / Stripping asset** $'000	**Total** $'000
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**

Restrictions on the title of property plant and equipment and development assets are outlined in Note C.3.

B.1 Property, plant and equipment and mine development continued

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

B.2 Impairment of non-current assets

The carrying amounts of the Group's non-financial assets are reviewed at least annually to determine whether there is any indication of impairment. If any such indicators exist then the asset or CGU's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amounts are estimated at least annually and whenever there is an indication that they may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income as a component of the profit or loss. Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other non-financial assets in the CGU on a pro-rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In assessing the fair value less cost to sell, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include a discounted future cash flows analysis and adjusted EBITDA (forecasted) multiplied by a relevant market indexed multiple.

In respect of assets other than goodwill, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's revised carrying amount will not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised..

Recognised impairment

There was no impairment expense recognised during FY22 (FY21: nil). There was no reversal of prior period impairment loss recognised in FY22 (FY21: Nil).

KEY ESTIMATES AND JUDGEMENTS

Reserve estimates and mine life

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining tenements. In order to calculate reserves, estimates and assumptions are required to be formulated about a range of geological, technical and economic factors including quantities, grades, production techniques, recovery rates, production costs, transportation costs, refining costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of reserves requires the size, shape and depth of the ore bodies or field to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgement and calculation to interpret the data.

As the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in the estimated future cash flows; and
- depreciation and amortisation charges in the statement of comprehensive income may change as result of the change in the useful economic lives of assets.

Mineral resources and ore reserves are reported in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for

B.2 Impairment of non-current assets continued

an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing recoverable value, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where applicable, the fair value less costs to sell calculation is based on a 19-year discounted cash flow (DCF) model. The cash flows are derived from the two-year budget and forecast model that is extrapolated over 19 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to product price movement, volume, operating and capital cost, the discount rate used for the discounted cash flows model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

C. CASH, BORROWINGS AND CAPITAL

This section includes information about cash and cash equivalents, borrowings and capital position of the Company at the end of the reporting period.

C.1 Cash and cash equivalents

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Cash at bank and on hand	965,584	580,827
Total cash and cash equivalents	**965,584**	**580,827**

Recognition and measurement

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities of less than three months.

Fair value and foreign exchange risk

The carrying amount of cash and cash equivalents approximates their fair value.

The Group's cash and cash equivalents include A$259.9m in currencies other than Australian dollars, primarily US$92.5m (30 June 2021: US$163.8m) and MYR 337.7m (30 June 2021: MYR 340.6m).

Reconciliation of the profit for the year with the net cash from operating activities

	For the year ended 30 June	
	2022 A$ '000	**2021** A$ '000
Profit for the year	540,824	157,083
Adjustments for:		
Depreciation and amortisation	60,522	65,784
Share-based payments	4,419	2,464
Net financial expenses	4,884	12,013
Gain on disposal of property, plant and equipment and other non-cash transactions	(230)	(1,155)
Income tax (benefit) / expense	(5,068)	404
Foreign exchange gain included in profit for the year	(11,705)	(8,717)
Change in trade and other receivables	(83,923)	(22,522)
Change in inventories	(14,678)	1,525
Change in operating trade and other payables	20,092	7,810
Change in provisions (excluding additional rehabilitation obligation)	902	376
Change in provisions (rehabilitation obligation)	(55,967)	–
Net cash from operating activities	**460,072**	**215,065**

C.2 Short term deposits

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Short term deposits	–	100,000
Total short term deposits	**–**	**100,000**

Recognition and measurement

Short term deposits include deposits with a maturity between three and twelve months. These are held in fixed rate deposit facilities.

C.3 Interest Bearing Liabilities

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Current borrowings		
JARE loan facility[(1)]	21,903	20,073
Total current borrowings	**21,903**	**20,073**
Non-current borrowings		
JARE loan facility	164,898	151,049
Total non-current borrowings	**164,898**	**151,049**

(1) A payment of interest in respect of the period commencing on 1 January 2016 and ending on 31 December 2016 was deferred until October 2022 and is classified as a current liability. Furthermore, in line with the repayment schedule below, payments of US$2m is due on 31 December 2022 and 30 June 2023. These have also been classified as current liabilities at 30 June 2022.

Recognition and measurement

Interest bearing loans and borrowings

Subsequent to initial recognition interest bearing loans and borrowings are measured at amortised cost using the effective interest method.

KEY ESTIMATES AND JUDGEMENTS

Interest bearing loans and borrowings are measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the amortised cost of the liability. The Group has applied judgement and determined the appropriate rate for a similar instrument to be 6.5% (FY21: 6.5%). When the Group revises the estimates of future cash flows, the carrying amount of the financial liability is adjusted to reflect the new estimate discounted using the original effective rate. Any changes are recognised in the profit or loss.

Fair value and foreign exchange risk

The fair value of borrowings, which have been determined for disclosure purposes, is calculated by discounting the future contractual cash flows at the current market interest rates that are available for similar financial instruments. The fair value methodology adopted was categorised as Level 3 in the fair value hierarchy. There has been no change to the valuation technique during the year. These have been determined as follows:

	As at 30 June 2022		As at 30 June 2021	
	Carrying amount A$ '000	**Fair value** A$ '000	**Carrying amount** A$ '000	**Fair value** A$ '000
JARE loan facility	186,801	179,248	171,122	171,122
	186,801	**179,248**	**171,122**	**171,122**

Terms and debt maturity schedule

				As at 30 June 2022		As at 30 June 2021	
	Currency	**Nominal interest rate** %	**Date of maturity**	**Face value** US$ '000	**Face value** A$ '000	**Face value** US$ '000	**Face value** A$ '000
JARE loan facility	USD	2.5%	June 2030	152,505[(1)]	221,703	156,505[(1)]	208,173
				152,505	**221,703**	**156,505**	**208,173**

(1) The face value of the JARE loan facility includes US$141.0m in principal (30 June 2021: US$145.0m) and US$11.5m in interest deferred payable in October 2022.

C.3 Interest Bearing Liabilities continued

Reconciliation of liabilities arising from financing activities

	30 June 2021	Cash flows	Non-cash Movements					30 June 2022
	Opening Balance A$ '000	Repay-ments A$ '000	Effective Interest A$ '000	Foreign Exchange A$ '000	Adjust-ment(1) A$ '000	Addi-tions(2) A$ '000	Other A$ '000	Closing Balance A$ '000
JARE loan facility	171,122	(5,666)	6,754	15,568	(977)	–	–	186,801
Lease liability	2,070	(1,590)	223	(123)	–	3,082	–	3,662
Total	**173,192**	**(7,256)**	**6,977**	**15,445**	**(977)**	**3,082**	**–**	**190,463**

(1) Adjustments to the carrying values of the JARE loan during the year ended 30 June 2021 and 2022 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 year ended 30 June 2022 related to finance leases recognised in line with AASB 16.

	30 June 2020	Cash flows	Non-cash Movements					30 June 2021
	Opening Balance A$ '000	Proceeds / (Repay-ments) A$ '000	Effective Interest A$ '000	Foreign Exchange A$ '000	Adjust-ment(1) A$ '000	Addi-tions(2) A$ '000	Other(3) A$ '000	Closing Balance A$ '000
JARE loan facility	181,222	–	6,145	(15,250)	(995)	–		171,122
Convertible bond facility (Current)	17,777	–	134	(1,193)	–	–	(16,718)	–
Lease liability	2,960	(1,844)	96	(377)	–	1,235	–	2,070
Total	**201,959**	**(1,844)**	**6,375**	**(16,820)**	**(995)**	**1,235**	**(16,718)**	**173,192**

(1) Adjustments to the carrying values of the JARE loan during the year ended 30 June 2021 and 2022 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 year ended 30 June 2021 related to finance leases recognised in line with AASB 16.

(3) Other non-cash movements in the convertible bond facility relates to conversions of the convertible bonds.

C.4 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 30 June 2022 (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 October 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
Each half-year from 31 Dec 2021 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.

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

C.5 Contributed Equity

	As at 30 June			
	2022		2021	
	Number of shares ‘000	Value of shares A$ ‘000	Number of shares ‘000	Value of shares A$ ‘000
Balance at the beginning of the year	**901,079**	**1,859,598**	**699,209**	**1,424,848**
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	–	–	–	(11,458)
Closing balance	**902,412**	**1,859,598**	**901,079**	**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.

Recognition and measurement

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where equity instruments are reacquired by the Group, for example, as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the statement of comprehensive income and the consideration paid including any directly attributable incremental costs (net of income taxes) is directly recognised in equity.

C.6 Reserves

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Equity settled employee benefits	58,591	54,172
Foreign currency translation	(119,570)	(136,521)
Warrant reserve	21,765	21,765
Balance at 30 June	**(39,214)**	**(60,584)**

Nature and Purpose

The equity settled employee benefits reserve relates to performance rights granted by the Group to its employees under the employee share option plan. Further information about share-based payments to employees is set out in Note E.7.

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Warrant reserve includes options issued as part of rights issues.

Key Financial and capital risks associated with cash, debt and capital

Exposure to market, credit and liquidity risks arise in the normal course of the Group's business. The Directors and management of the Group have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Directors have established a treasury policy that identifies risks faced by the Group and sets out policies and procedures to mitigate those risks. Monthly consolidated financial reports are prepared for the Directors, who ensure compliance with the Group's risk management policies and procedures.

Capital risk management

The Directors are responsible for monitoring and managing the Group's capital structure.

The Directors' policy is to maintain an acceptable capital base to promote the confidence of the Group's financiers and creditors and to sustain the future development of the business. The Directors monitor the Group's financial position to ensure that it complies at all times with its financial and other covenants as set out in its financing arrangements.

In order to maintain or adjust the capital structure, the Directors may elect to take a number of measures including, for example, to dispose of assets or operating segments of the business, to alter its short to medium term plans in respect of capital projects and working capital levels, or to re-balance the level of equity and external debt in place.

Capital comprises share capital, external debt and reserves.

Liquidity risk management

Liquidity risk is the risk that the Group will not meet its contractual obligations as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities as and when they fall due and comply with covenants under both normal and stressed conditions.

The Group evaluates its liquidity requirements on an on-going basis and ensures that it has sufficient cash on demand to meet expected operating expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Interest rate risk management

The Group's interest rate risk arises from long-term borrowings at both fixed and floating rates and deposits which earn interest at floating rates. Borrowings and deposits at floating rates expose the Group to cash flows interest rate risk. The Group's exposure to interest rate risk is shown below:

	30 June 2022	Interest Rate Risk		30 June 2021	Interest Rate Risk	
	Exposure	1.0%	–1.0%	Exposure	0.5%	–0.5%
		Impact on Profit and Equity			Impact on Profit and Equity	
	A$ '000	A$ '000	A$ '000	A$ '000	A$ '000	A$ '000
Floating rate instruments						
Cash and cash equivalents	965,584	9,656	(9,656)	580,827	2,904	(2,904)
Other non-current assets	8,694	86	(86)	2,932	15	(15)
Total	**974,278**	**9,742**	**(9,742)**	**583,759**	**2,919**	**(2,919)**

Maturity analysis of financial liabilities

The table below sets out a maturity analysis for financial liabilities containing principal and interest flows. For loans outstanding, undiscounted cash flows are presented until contractual final maturity. Interest cash flows are projected based on the interest rates prevailing on the closing date.

	Carrying Amount	Contracted cash flows	Up to and including 6 months	Between 6 months and up to 1 year	Between 1 year and up to 5 years	Over 5 years
	A$ '000	A$ '000	A$ '000	A$ '000	A$ '000	A$ '000
30 June 2022						
JARE loan facility	186,801	247,755	22,216	5,413	113,810	106,316
Lease liabilities	3,531	4,483	901	709	1,673	1,200
Total	**190,332**	**252,238**	**23,117**	**6,122**	**115,483**	**107,516**
30 June 2021						
JARE loan facility	171,122	237,178	20,427	5,026	63,662	148,063
Lease liabilities	2,070	2,863	497	467	599	1,300
Total	**173,192**	**240,041**	**20,924**	**5,493**	**64,261**	**149,363**

C.6 Reserves continued

Foreign exchange risk management

The Group's foreign exchange risks are detailed in the basis of preparation of these financial reports.

There are two elements of foreign exchange risk. Firstly, the Group holds cash, trade receivables and trade payables currencies other than the functional currency of the Company in which it is held. Movement in the prevailing exchange rates have an impact on the Group's profit and equity. Secondly, the Group's members are exposed to foreign exchange risk on the translation of its operations that are denominated in currencies other than AUD. The Group's net assets denominated in currencies other than the AUD which have the potential of impacting the other comprehensive income component of the statement of comprehensive income are:

			Foreign Exchange Risk			
			–10%		10%	
		Carrying Amount	**Profit** A$ '000	**Equity** A$ '000	**Profit** A$ '000	**Equity** A$ '000
As at 30 June 2022						
Net exposure of US$ financial assets	US$	166,213	16,559	–	(16,559)	–
Net exposure of A$ financial assets	A$	799	243	–	(243)	–
Net asset exposure – MYR currency	MYR	1,662,590		(49,796)		60,861
Net asset exposure – US$ currency	US$	(2,661)		266		(266)
As at 30 June 2021						
Net exposure of US$ financial assets	US$	188,280	18,828	–	(18,828)	–
Net exposure of A$ financial assets	A$	1,674	167	–	(167)	–
Net asset exposure – MYR currency	MYR	494,723		(14,407)		17,608
Net asset exposure – US$ currency	US$	(1,971)		262		(262)

D. OTHER ASSETS AND LIABILITIES

This section includes information about the other assets and liabilities position at the end of the period.

D.1 Trade and Other Receivables

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Trade receivables	105,382	21,729
GST / VAT receivables	3,226	853
Other receivables	1,258	1,308
Total current trade and other receivables	**109,866**	**23,890**

The Group's exposure to credit risk is primarily in its trade receivables. As at 30 June 2022 $2.5m (2021: $1.8m) of trade receivables were past due but not impaired. The full amount of $2.5m has been received subsequent to 30 June 2022. Where debtors become overdue, the Group maintains regular contact and has a history of collecting trade receivables in full.

At 30 June 2022, the Group had sales under contract amounting to A$176.1m (US$123.3m) (30 June 2021: A$66.6m (US$50.0m)) subject to price adjustments. At the date of this report, A$56.6m (US$39.6m) of this amount has been finalised with minimal price adjustments.

Recognition and measurement

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for instruments with maturities greater than 12 months from the reporting date, which are classified as non-current assets. The Group's receivables comprise trade and other receivables (including related party receivables) which are stated at their cost less impairment losses.

Fair Value and foreign exchange risk

Given the short-term nature of trade receivables, the carrying amount is a reasonable approximation of fair value.

All trade receivables are held in currencies other than the functional currency of the entity receipting them and therefore exposed to foreign exchange risk.

D.2 Inventories

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Raw materials and consumables	28,024	25,123
Work in progress	44,979	37,662
Finished goods	9,310	4,537
Total inventories	**82,313**	**67,322**
Current inventories	81,462	62,888
Non-current inventories	851	4,434
Total inventories	**82,313**	**67,322**

During the year ended 30 June 2022 inventories of $348.4m (2021: $302.2m) were recognised as an expense. All of which were included in 'cost of sales'.

D.2 Inventories continued

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 years ended 30 June 2022 and 2021 respectively in the following categories:

	Recognised in General and Administration Expense		Recognised in Inventory		Total	
	2022 A$ '000	**2021** A$ '000	**2022** A$ '000	**2021** A$ '000	**2022** A$ '000	**2021** A$ '000
Property, plant and equipment	3,133	2,210	56,797	58,892	59,930	61,102
Deferred development expenditure	694	643	–	–	694	643
Intangibles	241	108	–	–	241	108
Total	**4,068**	**2,961**	**56,797**	**58,892**	**60,865**	**61,853**

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 $56.5m in the year ended 30 June 2022 (2021: $62.8m).

Write downs of inventory

During the year ended 30 June 2022, there were no write-downs to net realisable value. (2021: Nil)

Recognition and measurement

Raw materials, work in progress and finished goods

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based either on the first in first out ("FIFO") or weighted average principles and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured or refined inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory expected to be sold or consumed within the next 12 months is classified as current, with amounts expected to be consumed or sold after this time being classified as non-current.

Engineering and maintenance materials

Engineering and maintenance materials (representing either critical or long order components but excluding rotable spares) are measured at the lower of cost and net realisable value. The cost of these inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is determined with reference to the cost of replacement of such items in the ordinary course of business compared to the current market prices.

D.3 Other non-current assets

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Security deposits – banking facilities and other, Malaysia	3,610	2,874
Security deposits – banking facilities and other, Australia	5,084	58
Security deposits – banking facilities and other, USA	1	1
Security deposits – AELB, Malaysia	13,387	8,208
Security deposits – AELB, Australia	56,652	51,919
	78,734	**63,060**

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 not interest earning and has been discounted to a present value of $5.2m (FY21: $4.8m)

Recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at amortised cost

This category is the most relevant to the Group as all deposits in Note D.3 are classified this way. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables, and security deposits included under other non-current financial assets.

D.4 Trade and Other Payables

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Trade payables	14,388	11,077
Accrued expenses	23,070	16,485
Other payables	27,474	13,266
Total trade and other payables	**64,932**	**40,828**
Current	64,932	40,828
Non-current	–	–
Total trade and other payables	**64,932**	**40,828**

Recognition and measurement

Current trade and other payables are non-interest bearing and are normally settled on 30 to 60 day terms. Subsequent to initial recognition trade and other payables are stated at amortised cost using the effective interest method.

Given the short-term nature of trade payables, the carrying amount is a reasonable approximation of fair value.

D.5 Provisions and Employee benefits

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Current		
Short term employee benefits	4,206	3,331
Restoration and rehabilitation[(1)]	23,695	40,874
Total current	**27,901**	**44,205**
Non-Current		
Long term employee benefits	978	696
Restoration and rehabilitation	124,385	133,392
Total non-current	**125,363**	**134,088**

(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.

Recognition and measurement

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision for the passage of time is recognised as a financial expense in the statement of comprehensive income as a component of the profit or loss.

Short-term employee benefits

Short-term employee benefits are expected to be settled within one year and measured on an undiscounted basis and are expensed in the statement of comprehensive income as a component of the profit or loss as the related services are provided. A provision is recognised for the amount expected to be paid under short-term cash bonus plans and outstanding annual leave balances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

The liability for annual leave and long service leave for which settlement can be deferred beyond 12 months from the balance date is measured as the present value of expected future payments to be made in respect of services provided by employees. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Incentive compensation plans

The Group recognises a liability and associated expense for incentive compensation plans based on a formula that takes into consideration certain threshold targets and the associated measures of profitability. The Group recognises a provision when it is contractually obligated or when there is a past practice that has created a constructive obligation to its employees.

Restoration and Rehabilitation

The activities of the Group give rise to obligations for asset and site restoration and rehabilitation at the Lynas Malaysia plant and the Mount Weld concentration plant. The key areas of uncertainty in estimating the provisions for these obligations are set out below. Upon cessation of operations, the site including the processing assets, ancillary facilities, utilities and the onsite storage facility will be decommissioned and any materials removed from the location.

The Group has most recently engaged a third party specialist to assist in estimating the restoration and rehabilitation provisions at Lynas Malaysia as at 30 June 2022. The Group will continue to review the need to engage third party specialists periodically over time as the operations continue to develop.

The unwinding effect of discounting of the provision is recognised as a financial expense.

The mining/extraction and refining/processing activities of the Group give rise to obligations for asset and site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that the environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation activities for the Group's mining operations and refining operations are recognised as a component of property, plant and equipment. Amounts capitalised are depreciated or amortised accordingly.

At each reporting date the rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, changes to the estimated lives of the associated operations, new regulatory requirements and revisions to discount rates. Changes to the rehabilitation liability are added or deducted from the related rehabilitation asset and amortised accordingly.

D.5 Provisions and Employee benefits continued

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Restoration and Rehabilitation		
Balance at the beginning of the year	174,266	181,604
Provisions made during the year	30,804	9,159
Provisions paid during the year	(55,967)	–
Changes to inflation and discounts rates	(9,183)	(12,848)
Effects of foreign exchange movement	4,134	(7,989)
Unwinding of discount on provision	4,026	4,340
Balance at 30 June	**148,080**	**174,266**

KEY ESTIMATES AND JUDGEMENTS

Restoration and rehabilitation expenditure

The Group's accounting policy for its restoration and rehabilitation closure provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the closure and rehabilitation asset and the provision.

Lynas Malaysia production residues

On 30 January 2020, the Group announced that The State Government of Pahang has issued its consent to a site for the Permanent Disposal Facility (PDF) for Water Leach Purification (WLP) residue. In additional Lynas Malaysia has appointed Gading Senggara Sdn Bhd ("GSSB") as the contractor to manage the entire PDF project. The total cost of this project will be MYR 400m (A$ 128.4m). The provision for restoration and rehabilitation has been updated to reflect the present value of the obligation that exists at 30 June 2022. Those costs expected to be due within 12 months have been reflected as current. The unwinding effect of discounting of the provision is recognised as a finance cost.

Payments of $56.0m (FY2021: nil) in relation to the discharge of rehabilitation liabilities are recognised in the Statement of Cash Flows as an operating cash outflow.

The Group has included its best estimate of the timing of these costs within the provision for restoration and rehabilitation at 30 June 2022.

Key Financial risks associated with other assets and liabilities

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and related entities. The Group's exposure to credit risk is primarily in its trade and other receivables and is influenced mainly by the individual characteristics of each customer. Demographically there are no material concentrations of credit risk. Cash and cash deposits are held in banks and financial institutions with A+ credit ratings.

Management believes that the Group's trade and other receivables are collectible in full, based on historical behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are applicable.

E. OTHER ITEMS

This section includes information on items which require disclosure to comply with Australian Accounting Standards and the *Australian Corporations Act 2001*. This section includes group structure information and other disclosures.

E.1 Contingent Liabilities

An amount of US$39.0m (FY21: US$39.0m) 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 D.3 for details of bonds.

Litigation and legal proceedings

As a result of its operations the Group has certain contingent liabilities related to certain litigation and legal proceedings. The Group has determined that the possibility of a material outflow related to these contingent liabilities is remote.

Security and guarantee arrangements

Certain members of the Group have entered into guarantee and security arrangements in respect of the Group's indebtedness as described in Note E.6.

E.2 Leases and other commitments

AASB 16 Leases

The accounting policies of the Group upon adoption of AASB 16 are as follows:

Right of Use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (where the entity does not have a purchase option at the end of the lease term). Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the

E.2 Leases and other commitments continued

lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Short term leases and low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption (i.e. below US$5,000/A$7,150). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. No leases meeting the low-value criteria were recognised at 30 June 2021 or 30 June 2022.

Exploration commitments

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Less than one year	412	394
Between one and five years	1,404	1,638
More than five years	1,013	1,291
Total	**2,829**	**3,323**

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Western Australia Department of Mines and Petroleum attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made. These are necessary in order to maintain the tenements in which the Group and other parties are involved. All parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation.

Capital commitments

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Less than one year	169,145	82,479
Total	**169,145**	**82,479**

At 30 June 2022 and 30 June 2021 the capital commitments primarily related to the Lynas Kalgoorlie project.

E.3 Auditor Remuneration

The following items of expenditure are included in general and administration expenses:

	For the year ended 30 June	
	2022 A$	**2021** A$
Auditor's remuneration to Ernst & Young (Australia), comprising:		
Fees for auditing the statutory financial report of the parent covering the group	233,347	228,792
Fees for other services		
Tax Services	4,370	5,725
Other assurance and agreed upon procedures	–	58,650
Advisory Services	–	67,088
Total auditor's remuneration Ernst & Young (Australia)	**237,717**	**360,255**
Auditor's remuneration to Ernst & Young (other locations), comprising:		
Fees for auditing the financial report of any controlled entities	131,155	136,548
Fees for other services		
Tax Services	1,168	20,480
Total auditor's remuneration Ernst & Young (other locations)	**132,323**	**157,028**
Total auditor's remuneration	**370,040**	**517,283**

Other tax service fees paid to EY Australia and other locations in FY2021 and FY2020 relate to completion of tax returns for expatriate employees. Other assurance, agreed upon procedures and advisory services paid to EY Australia relate to due diligence and review work in relation to the capital raising that took place in August 2020.

E.4 Subsidiaries

			Ownership interest as at 30 June	
Name of Group entity	**Principal activity**	**Country of incorporation**	**2022**	**2021**
Lynas Malaysia Sdn Bhd	Operation and development of advanced material processing plant	Malaysia	100%	100%
Lynas Services Pty Ltd*	Provision of corporate services	Australia	100%	100%
Mount Weld Holdings Pty Ltd*	Holding company	Australia	100%	100%
Mount Weld Mining Pty Ltd*	Development of mining areas of interest and operation of concentration plant	Australia	100%	100%
Lynas Kalgoorlie Pty Ltd*	Development of operations in Kalgoorlie	Australia	100%	100%
Lynas Africa Holdings Pty Ltd*	Holding company	Australia	100%	100%
Lynas Africa Ltd	Mineral exploration	Malawi	100%	100%
Lynas USA LLC	Development of processing opportunities in USA	USA	100%	100%

* Entity has entered into a deed of cross guarantee with Lynas Rare Earths Limited pursuant to ASIC Instrument 2016/785 and is relieved from the requirement to prepare and lodge an audited financial report, as discussed in Note E 6. Entity is also a member of the tax-consolidated group.

E.5 Parent Entity Information

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Current assets	128,266	139,729
Total assets	**1,222,661**	**1,223,788**
Current liabilities	(24,052)	(21,486)
Total liabilities	**(186,801)**	**(172,895)**
Net assets	**1,035,860**	**1,050,893**
Share capital	1,859,598	1,859,598
Accumulated deficit	(1,138,600)	(1,119,822)
Reserves	314,862	311,117
Total shareholders' equity	**1,035,860**	**1,050,893**
Loss of the Company	(18,778)	(3,874)
Total comprehensive loss of the parent Company	**(18,778)**	**(3,874)**

E.6 Entities under a Deed of Cross Guarantee

Pursuant to ASIC Instrument 2016/785 (as amended) dated August 13, 1998, the wholly-owned Australian subsidiaries of Lynas Rare Earths Limited are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Director's reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up event occurs under any other provision of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound-up. The subsidiaries in addition to the Company subject to the deed are specified in Note E.4.

A statement of comprehensive income and statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is presented as follows:

Statement of Financial Position

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Cash and cash equivalents	763,105	290,114
Short term deposits	–	100,000
Trade and other receivables	162,414	507,789
Inventories	24,183	21,448
Total current assets	**949,702**	**919,351**
Inventories	851	4,434
Property, plant and equipment	126,957	151,173
Deferred exploration, evaluation and development expenditure	48,996	28,347
Investments in subsidiaries	375,080	375,080
Other assets	72,428	51,977
Total non-current assets	**624,312**	**611,011**
Total assets	**1,574,419**	**1,530,362**
Trade and other payables	24,157	12,435
Interest payable	1,673	1,773
Borrowings	21,903	20,073
Employee benefits	3,288	2,846
Intercompany payables	168,525	275,761
Total current liabilities	**219,546**	**312,888**
Provisions	48,286	45,775
Employee benefits	2,023	1,114
Borrowings	167,284	151,049
Total non-current liabilities	**217,593**	**197,937**
Total liabilities	**437,679**	**510,825**
Net assets	**1,136,740**	**1,019,537**
Share capital	1,859,597	1,859,597
Accumulated deficit	(888,002)	(1,006,439)
Reserves	165,145	166,379
Total equity	**1,136,740**	**1,019,537**

E.6 Entities under a Deed of Cross Guarantee continued

Statement of Comprehensive Income

	As at 30 June	
	2022 A$ '000	**2021** A$ '000
Revenue	248,028	132,537
Cost of sales	(106,379)	(81,657)
Gross profit	**141,649**	**50,880**
Other income / (expenses)	(124)	68
Foreign exchange losses	(3,592)	–
General and administration expenses net of recoveries	(20,731)	(12,628)
Profit from operating activities	**117,201**	**38,320**
Financial income	8,321	1,249
Financial expenses	(12,255)	(11,534)
Net financial expenses	**(3,934)**	**(10,285)**
Profit before income tax	**113,267**	**28,035**
Income tax benefit / (expense)	5,170	(1)
Profit for the year from continuing operations	**118,437**	**28,034**
Other comprehensive loss, net of income tax		
Exchange differences on foreign currency transactions	–	9,196
Total other comprehensive income for the year, net of income tax	**–**	**9,196**
Total comprehensive income for the year	**118,437**	**37,230**

E.7 Employee costs and share based payments

The following items are gross employee costs before recoveries included in general and administration expenses:

	For the year ended 30 June	
	2022 A$ '000	**2021** A$ '000
Wages and salaries	50,942	45,790
Superannuation and pension contributions	4,474	3,715
Employee remuneration settled through share-based payments	4,419	2,464
Other	1,003	1,051
Total employee costs	**60,838**	**53,020**

Share-based remuneration benefits are provided to employees via a variety of schemes which are further set out below.

The fair values of the performance rights granted under these various schemes are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights. The fair value at grant date is independently determined using a performance right pricing model that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

The fair value of the performance right granted is measured to reflect the expected market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and production targets). Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable. At the end of each reporting period, the Group revises its estimates of the number of performance rights that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income as a component of profit or loss, with a corresponding adjustment to equity.

Key management personnel compensation

The aggregate compensation made to the Directors and other members of KMP of the Group is set out below:

	For the year ended 30 June	
	2022 A$	**2021** A$
Short-term employee benefits	5,491,675	5,312,122
Long-term employee benefits	59,876	96,834
Post-employment benefits	431,768	240,278
Share based payments	3,087,956	1,692,416
Total compensation paid to key management personnel	**9,071,275**	**7,341,650**

The compensation of each member of the KMP of the Group for the current and prior year is set out within the Remuneration Report. All transactions with these related parted have been considered and included in the report.

The share-based payments amount represents the impact of amortising the accounting value of options and performance rights over their vesting periods including the impact of forfeitures recognised during the period. At times, a negative value may be presented which results from the forfeitures recognised in the period (which may relate also to earlier periods) are greater than the accounting expense for the current portion of the vesting period.

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 Directors, 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 year 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.

E.7 Employee costs and share based payments continued

Movements in employee performance rights during the year

	For the year ended 30 June 2022		For the year ended 30 June 2021	
	Number of performance rights '000	**Weighted average exercise price** A$	**Number of performance rights** '000	**Weighted average exercise price** A$
Balance at beginning of year	4,678,526	0.00	4,461,537	0.00
Granted during the year	727,593	0.00	1,408,092	0.00
Exercised during the year	(1,332,975)	0.00	(743,643)	0.00
Forfeited during the year	(342,588)	0.00	(447,460)	0.00
Balance at end of year	**3,730,556**	**0.00**	**4,678,526**	**0.00**
Vested and exercisable at end of year	429,045	0.00	1,279,101	0.00

During the year ended 30 June 2022 the Group recognised net share based payment expense of $4.4m (2021: $2.5m) 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 298 days (FY21: 339 days). The performance rights exercised during the year had a weighted average share price on exercise date of $ 6.99 (FY21: $1.91).

Performance rights granted in the period

For the CEO, other Executive KMP and Lynas Leadership Team, two vesting conditions apply to the LTI grants made during FY22:

- Relative Total Shareholder Return (TSR)
- Lynas 2025 Project Target

Relative TSR – 50% weighting

Relative TSR is assessed over a three year period from 1 July 2021 to 30 June 2024, relative to other companies in the ASX200 index (Peer Group Companies). For any performance rights to vest under the TSR vesting condition, Lynas' performance must be equal to or greater than the 51% percentile of Peer Group Companies.

The percentage of the performance rights that may vest is determined as follows:

Lynas TSR Ranking across the TSR Period	Proportion of Performance Rights that vest
Below 51st percentile	0%
At the 51st percentile	50%
Between the 51st percentile and the 76th percentile	Between 50% and 100% as determined on a linear basis (rounded to the nearest 5%)
At or above 76th percentile	100%

Lynas 2025 Project Target – 50% weighting

The Lynas 2025 Project Target vesting condition is that by 30 June 2024:

- the Lynas Kalgoorlie plant achieves capacity to sustain operations at its nameplate capacity (70% weighting); and
- development of capacity to separate heavy rare earths (30% weighting).

In accordance with the Group's policy that governs trading of the Company's shares by Directors and employees, Directors and employees are not permitted to hedge their options or performance rights before the options vest.

The performance rights granted during the financial year had a weighted average fair value of $7.008 (2021: $2.514) and were priced using volume-weighted average share prices, Monte Carlo and Binomial valuation methodologies.

Where relevant the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past three years and peer volatility.

	PR's issued to employees other than CEO			PR's issued to CEO		
	Series BK	**Series BL**	**Series BM**	**Series BH**	**Series BI**	**Series BJ**
Grant date	20 Sept 2021	20 Sept 2021	20 Sept 2021	29 Nov 2021	29 Nov 2021	29 Nov 2021
5 day VWAP	$7.60	$7.60	$7.60	$8.57	$8.57	$8.57
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	61.5%	61.5%	61.5%	59.6%	59.6%	59.6%
Risk-free Rate	0.17%	0.17%	0.17%	0.92%	0.92%	0.92%
Expiry date	31 Aug 2022	31 Aug 2026	31 Aug 2026	31 Aug 2022	31 Aug 2026	31 Aug 2026

Performance rights still to vest or yet to expire

Performance rights are issued on the same terms as options, except there is no consideration payable on exercise. The following table lists any performance rights which are still to vest, or have yet to expire.

Series	Grant date	Number	Date vested and exercisable	Expiry date	Exercise price	Value per performance right at grant date
AU	28 November 2017	127,567	28 August 2020	28 August 2022	$ 0.00	$2.060
AV	28 November 2017	154,044	28 August 2020	28 August 2022	$ 0.00	$1.620
BC	27 November 2018	147,433	28 August 2021	28 August 2023	$ 0.00	$1.463
BE	26 August 2019	131,014	26 August 2022	26 August 2024	$ 0.00	$2.340
BF	26 August 2019	638,433	26 August 2022	26 August 2024	$ 0.00	$2.340
BG	26 August 2019	157,216	26 August 2022	26 August 2024	$ 0.00	$1.660
BE(1)	26 November 2019	136,435	26 August 2022	26 August 2024	$ 0.00	$2.290
BF(1)	26 November 2019	136,435	26 August 2022	26 August 2024	$ 0.00	$2.290
BG(1)	26 November 2019	163,722	26 August 2022	26 August 2024	$ 0.00	$1.630
BI	09 September 2020	275,091	09 September 2023	09 September 2025	$ 0.00	$1.790
BJ	09 September 2020	517,861	09 September 2023	09 September 2025	$ 0.00	$2.400
BI(2)	26 November 2020	208,856	09 September 2023	09 September 2025	$ 0.00	$2.500
BJ(2)	26 November 2020	208,856	09 September 2023	09 September 2025	$ 0.00	$3.560
BK	20 September 2021	154,445	31 August 2022	31 August 2024	$ 0.00	$7.600
BL	20 September 2021	186,733	31 August 2024	31 August 2026	$ 0.00	$5.230
BM	20 September 2021	186,733	31 August 2024	31 August 2026	$ 0.00	$7.600
BN(3)	29 November 2021	50,410	31 August 2022	31 August 2024	$ 0.00	$8.570
BO(3)	29 November 2021	74,636	31 August 2024	31 August 2026	$ 0.00	$5.680
BP(3)	29 November 2021	74,636	31 August 2024	31 August 2026	$ 0.00	$8.570
Total		**3,730,556**				

(1) Performance rights relates to the CEO in series BE to BG were approved by the Board on 26 August 2019, subject to approval at the AGM. These performance rights were subsequently approved at the AGM on 26 November 2019.

(2) Performance rights relates to the CEO in series BH to BJ were approved by the Board on 09 September 2021, subject to approval at the AGM. These performance rights were subsequently approved at the AGM on 26 November 2020.

(3) Performance rights relates to the CEO in series BN to BP were approved by the Board on 20 September 2021, subject to approval at the AGM. These performance rights were subsequently approved at the AGM on 29 November 2021.

E.8 Other Items

New and revised standards and interpretations

Standards and Interpretations affecting amounts reported

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of 1 July 2020.

Several amendments apply for the first time in the current year. As required, the nature and effect of the changes of these new standards has been disclosed throughout the report.

Standards and Interpretations in issue not yet adopted

No Australian Accounting Standards issued but not yet mandatory for the financial year ending 30 June 2022 have had a material impact on the Group for the year ended 30 June 2022.

E.9 Subsequent events

On 3 August 2022, Lynas announced an approximately $500m project to expand capacity at the Mt Weld mine and concentration plant to meet accelerating market demand for rare earth materials.

With the exception of the above, there have been no other events subsequent to 30 June 2022 that would require accrual or disclosure in this financial report.

Mineral Resources and Ore Reserves

as at 30 June 2022

1. MT WELD RARE EARTH DEPOSIT ORE RESERVES 2022

The Ore Reserve estimation for the Mt Weld Rare Earth Deposit is shown in Table 1.

TABLE 1: MT WELD RARE EARTH DEPOSIT ORE RESERVES 2022

JORC CLASSIFICATION	MILLION TONNES	TREO %	CONTAINED REO '000 TONNES
Ore Reserves within Pit boundary			
Proved	13.1	8.3	1,092
Probable	5.0	7.4	369
Designed Pit Total	18.1	8.1	1,461
On Stockpiles			
Proved	0.6	12.0	66
Probable	0.0	0.0	0
Stockpiles Total	0.6	12.0	66
Total Ore Reserves			
Proved	13.7	8.4	1,158
Probable	5.0	7.4	369
Total	18.6	8.2	1,527

* TREO = Total Rare Earth Oxides (La_2O_3, CeO_2, Pr_6O_{11}, Nd_2O_3, Sm_2O_3, Eu_2O_3, Gd_2O_3, Tb_4O_7, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3, Lu_2O_3) + Yttrium (Y_2O_3).
Totals may not balance due to rounding of figures

Note:

The Ore Reserves for the Mt Weld Rare Earth Deposit is as of June 30, 2022. The 2022 Ore Reserve update is based upon depletion of the in-situ ore reserves by mining activities between 1 July 2021 and 30 June 2022. Minor changes to the stockpiles occurred as a result of processing. The stockpiles were estimated using survey volumes of the stockpiles and grades assigned to the stockpiles by the grade control process. The grade control process is carried out by Mr Thomas Leggo, an employee of Lynas Rare Earths. The surveys have been carried out by Mr Bradley Hughes, an employee of Lynas Rare Earths. Mr Steve Lampron, (Ragnarok Mining Pty Ltd) has carried out a review and audit of these figures and found them to fall within expected error deviations. The company confirms that all material assumptions and technical parameters underpinning the estimated Ore Reserves set out in the ASX announcement dated August 6, 2018 continue to apply and have not materially changed.

2. MT WELD RARE EARTH DEPOSIT MINERAL RESOURCES 2022

The Mineral Resource estimation for the Mt Weld Rare Earth Deposit is shown in Table 2, reported above a cut-off of 2.5% Total Rare Earth Oxides (TREO).

TABLE 2: MT WELD RARE EARTH DEPOSIT MINERAL RESOURCES 2022

JORC CLASSIFICATION	MILLION TONNES	TREO %	CONTAINED REO '000 TONNES
Insitu			
Measured	16.5	7.5	1,241
Indicated	11.8	5.4	633
Inferred	25.9	3.6	937
Subtotal	54.2	5.2	2,812
On Stockpiles			
Measured	0.5	12	66
Subtotal	0.5	12	66
Total Mineral Resources			
Measured	17.0	7.6	1,307
Indicated	11.8	5.4	633
Inferred	25.9	3.6	937
Total	54.7	5.3	2,877

* TREO = Total Rare Earth Oxides (La_2O_3, CeO_2, Pr_6O_{11}, Nd_2O_3, Sm_2O_3, Eu_2O_3, Gd_2O_3, Tb_4O_7, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3, Lu_2O_3) + Yttrium (Y_2O_3). Totals may not balance due to rounding of figures.

Mineral Resources have been reported above a cut-off of 2.5% TREO. The Mineral Resources are inclusive of Ore Reserves.

Note:

The Mineral Resource estimation for the Mt Weld Rare Earth Deposit is as of June 30, 2022. The company confirms that all material assumptions and technical parameters underpinning the estimated Mineral Resources set out in the ASX announcement dated August 6, 2018 continue to apply and have not materially changed. The exceptions are the inclusion of stockpiled material as a Measured Resource.

3. NIOBIUM RICH RARE METALS MINERAL RESOURCES

The Mineral Resource estimation for the niobium rich rare metals prospect referred to as the Niobium Rich Rare Metals Project is shown in Table 3. The Rare Metals Project is located at Mt Weld.

TABLE 3: CLASSIFICATION OF MINERAL RESOURCES FOR THE NIOBIUM RICH RARE METALS PROJECT

CATEGORY	MILLION TONNES	Ta_2O_5 %	Nb_2O_5 %	TLnO %	ZrO %	P_2O_5 %	Y_2O_3 %	TiO_2 %
Measured	0	0	0	0	0	0	0	0
Indicated	1.5	0.037	1.4	1.65	0.32	8.9	0.1	5.8
Inferred	36.2	0.024	1.06	1.14	0.3	7.96	0.09	3.94
Total	37.7	0.024	1.07	1.16	0.3	7.99	0.09	4.01

Notes:

1. All figures are percentages. Ta_2O_5 Tantalum Oxide, Nb_2O_5 Niobium Oxide, TLnO Total Rare Earth Oxide, ZrO zirconia, P_2O_5 Phosphate, Y_2O_3 yttria, TiO_2 titanium oxide.
2. The Mineral Resource estimation for the niobium rich rare metals is as per ASX announcement dated 6 October 2004. Lynas Corp confirms that all material assumptions and technical parameters underpinning the estimated Mineral Resources continue to apply and have not materially changed. Figures in the table may not sum due to rounding.

There have been no changes to the Niobium Rich Rare Metals Project Mineral Resource since the previous reporting period.

Note on governance arrangements and internal controls:

All Lynas Mineral Resource and Ore Reserve estimations are compiled by experienced competent persons who are engaged as independent external consultants to Lynas. The relevant Competent Person ensures that all aspects of the Mineral Resource estimations or the Ore Reserve estimations (as applicable) meet the JORC code requirements.

COMPETENT PERSON'S STATEMENTS – MINERAL RESOURCES

The information in this report that relates to the 2022 Mineral Resources is based on information compiled by Ms Elizabeth Haren and Dr Andrew Scogings. Ms Haren is Associate Principal Consultant at Snowden and a Member and Chartered Professional of the Australian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Dr Scogings is Associate Executive Consultant at a Snowden is a Member of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist (RP Geo. Industrial Minerals). Ms Haren and Dr Scogings have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves. Ms Haren and Dr Scogings consent to disclosure of information in this report in the form and context in which it appears.

The information in this report that relates to the Niobium Rich Rare Metals Project is based on information compiled by Mr Brendan Shand. Mr Shand is a consultant geologist to Lynas Rare Earths. Mr Shand is a Member of The Australian Institute of Geoscientists. Mr Shand has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr Shand consents to the disclosure of information in this report in the form and context in which it appears.

COMPETENT PERSON'S STATEMENTS – ORE RESERVES

The information in this Release which relates to the 2020 Ore Reserves estimate accurately reflect information prepared by Competent Persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). The information in this public statement that relates to the Mt Weld Rare Earths Project is based on information resulting from Feasibility works carried out by Auralia Mining Consulting Pty Ltd. Mr Steve Lampron completed the Ore Reserve estimate. Mr Steve Lampron is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify him as a Competent Person as defined in accordance with the 2012 Edition of the Australasian Joint Ore Reserves Committee (JORC). Mr Steve Lampron consents to the inclusion in the document of the information in the form and context in which it appears.

Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report. The information is current as at 1 September 2022.

(A) Distribution of Ordinary Shares

The number of shareholders by size of holding of ordinary shares is:

Holdings Ranges	Holders	Number of Shares	Percentage of Shares
1 – 1,000	26,966	12,005,175	1.330
1,001 – 5,000	16,954	42,365,210	4.690
5,001 – 10,000	4,086	30,408,364	3.370
10,001 – 100,000	3,389	82,525,780	9.150
100,001 and over	200	735,107,025	81.460
Totals	**51,595**	**902,411,554**	**100.00**
The number of shareholders holding less than a marketable parcel of shares	1,308	36,671	0.004

(B) Distribution of Employee Options/Performance Rights

There are 3,730,557 unlisted employee options / performance rights. The number of beneficial holders, by size of holding, of employee options / performance rights are:

Holdings Ranges	Holders
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	20
100,001 and over	10
Total	**30**

(C) Twenty Largest Shareholders

The names of the twenty largest registered holders of quoted shares are:

		Listed Ordinary Shares	
		Number of Shares	% of Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	329,186,115	36.478%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	117,926,020	13.068%
3	CITICORP NOMINEES PTY LIMITED	91,445,376	10.133%
4	NATIONAL NOMINEES LIMITED	46,145,710	5.114%
5	BNP PARIBAS NOMS PTY LTD <DRP>	32,119,413	3.559%
6	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	25,434,991	2.819%
7	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	8,388,188	0.930%
8	ARGO INVESTMENTS LIMITED	6,779,221	0.751%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	6,706,594	0.743%
10	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,392,428	0.598%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,837,857	0.536%
12	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	4,105,816	0.455%
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,831,715	0.314%
14	BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	2,667,260	0.296%
15	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,927,781	0.214%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,901,894	0.211%
17	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,756,301	0.195%
18	MS AMANDA MARGARET LACAZE & MR WAYNE VINCENT MORGAN <THE MORGAN LACAZE A/C>	1,532,167	0.170%
19	JAPAN AUSTRALIA RARE EARTHS BV	1,097,228	0.122%
20	DR ALBERT SIONG LONG TING & MRS TERESA KING ING TING <LOGAN MS P/L STAFF PF A/C>	1,052,000	0.117%
	TOTAL	**693,234,075**	**76.820%**

(D) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

		Relevant Interest in Listed Ordinary Shares
1	Blackrock Group	54,180,560
2	Challenger Limited	45,247,686

(E) Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. No other class of equity securities carries voting rights unless converted into ordinary shares.

(F) Schedule of Interests in Mining Tenements

	Tenement	Percentage Held
Mt Weld Rare Earths Project		
Mt Weld	M38/58	100
Mt Weld	M38/59	100
Mt Weld	M38/326	100
Mt Weld	M38/327	100
Mt Weld	E38/2224	100
Mt Weld	E38/2935	100
Mt Weld	L38/224	100
Mt Weld	L38/98	100
Mt Weld	G38/34	100
Mt Weld	G38/35	100

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