Appendix 4E (Listing Rule 4.3A)

Lynas Corporation Ltd (*ACN 009 066 648)*
And Controlled Entities

For the year ended 30 June 2020

Reporting Period: Year ended 30 June 2020

Comparative Reporting Period: Year ended 30 June 2019

Results for announcement to market

In AUD (000's)	30 June 2020	30 June 2019	Change	% Change
Revenue from ordinary activities	305,111	363,541	(58,430)	(16.1%)
Earnings before interest, tax, depreciation, amortisation and treasury charges (EBITDA)	59,722	100,741	(41,019)	(40.7%)
(Loss) / profit from ordinary activities after tax attributable to members.	(19,395)	83,079	(102,474)	(123.3%)
Net (loss) / profit for the period attributable to members	(19,395)	83,079	(102,474)	(123.3%)

Dividend Information

No dividends have been paid or proposed at 30 June 2020

Net Tangible Assets

	30 June 2020 (cents)	30 June 2019 (cents)
Net Tangible Assets per share	74.06	79.72

Other

Additional Appendix 4E disclosure requirements and commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the current period are contained in the 2020 Annual Report.

The Company's independent auditor Ernst & Young has completed an audit of the Company's 30 June 2020 Annual Report on which this report is based and has provided an unqualified audit opinion. A copy of the Company's Annual Report and Financial Statements, inclusive of the audit report, is attached.

Lynas CORPORATION LTD

ACN 009 066 648

and

Controlled Entities

Consolidated Financial Report

For the year ended 30 June 2020

Corporate Directory Information

ABN 27 009 066 648

Directors

Mike Harding
Kathleen Conlon
Amanda Lacaze
Philippe Etienne
John Humphrey
Grant Murdoch

Company Secretary

Andrew Arnold
Ivo Polovineo

Registered Office

Level 1, 45 Royal Street
East Perth WA 6004
Telephone: +61 8 6241 3800
Email: general@lynascorp.com

Share Register

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

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Internet Address

www.lynascorp.com

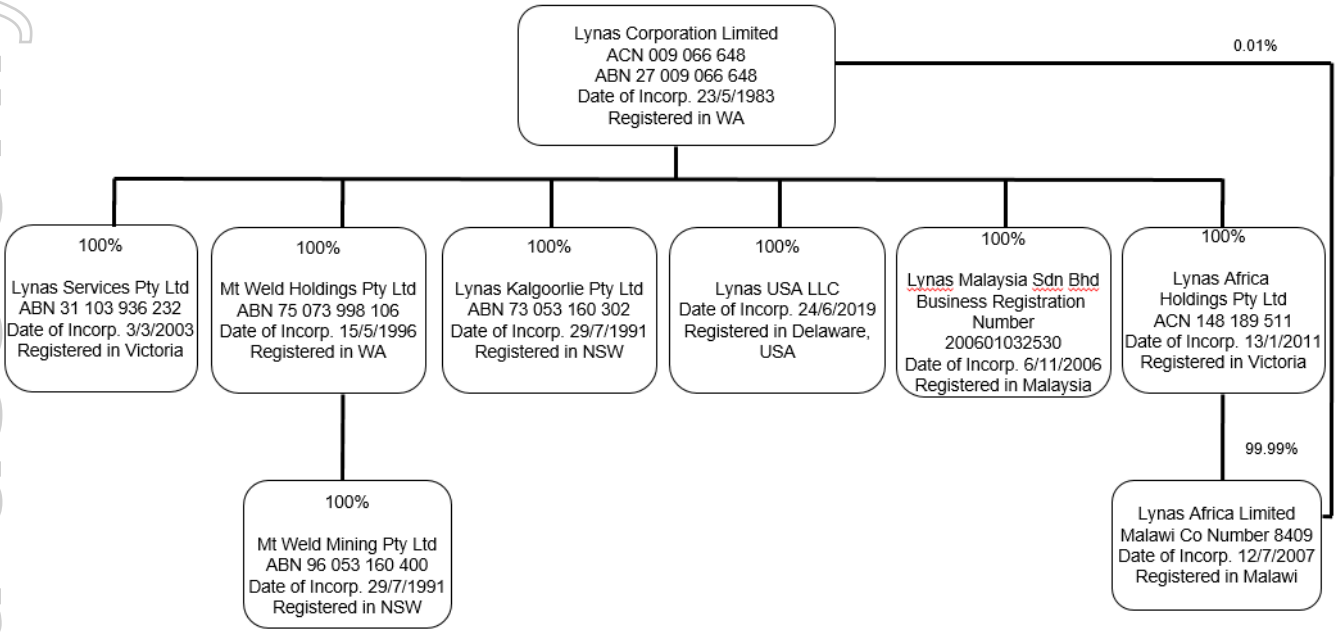
Table of Contents

Directors' Report

The Board of Directors (the "Board" or the "Directors") of Lynas Corporation Limited (the "Company") and its subsidiaries (together referred to as the "Group") submit their report for the year ended 30 June 2020. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Corporate information

Lynas Corporation 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.

Mike Harding MSc (MecEn) - Chairman

Mr Harding joined the Company as Non-Executive Chairman on 1 January 2015 and has significant experience with industrial businesses, having previously held management positions around the world with British Petroleum (BP), including as President and General Manager of BP Exploration Australia.

Mr Harding is currently Chairman of Downer EDI Ltd, Chairman of Horizon Oil Limited, and a Non-Executive Director of Cleanaway Waste Management Limited (formerly Transpacific Industries Group Ltd). He is a former Chairman of Roc Oil Company Limited and a former Non-Executive Director of Santos Limited and Clough Limited.

Mr Harding is a member of the Health, Safety and Environment Committee and Nomination, Remuneration and Community 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 currently a Non-Executive Director of ING Bank Australia Ltd and is a member of Chief Executive Women and the Australian Institute of Company Directors. 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.

Kathleen Conlon BA (Econ) (Dist.), MBA, FAICD - Non-Executive Director

Ms Conlon was appointed as a Non-Executive Director from 1 November 2011. Ms Conlon is currently a Non-Executive Director of REA Group Limited, Aristocrat Leisure Limited, BlueScope Steel Limited and The Benevolent Society and a former Non-Executive Director of CSR Limited. 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 is also a former 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 the Chair of the Nomination, Remuneration and Community Committee and a member of the Health, Safety and Environment Committee.

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 (formerly Transpacific Industries Group Ltd), Aristocrat Leisure Limited and Chairman of ANZ Terminals Pty Ltd. Mr Etienne was also the former Managing Director and Chief Executive Officer of Innovia Security Pty Ltd.

Previously, he was 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 and Risk 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 until June 2019. He has held non-executive director positions at other listed companies over many years and is currently Chairman and Non-Executive Director of Auswide Bank Ltd (formerly Wide Bay Australia) and Spotless Group Holdings Ltd. His previous positions include Non-Executive Director of Horizon Oil Ltd, Deputy Chairman of King & Wood Mallesons, Non-Executive Director of Downer EDI Ltd, Villa World Ltd, and Sunshine Broadcasting Network Ltd. He has also served as a member of the Australian Takeovers Panel.

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

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

Mr Murdoch joined the Company as a Non-Executive Director with effect from 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. 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. He is a member of the AICD State Council for Queensland for the Australian Institute of Company Directors.

Mr Murdoch is the Chair of the Audit and Risk Committee.

Resignations

There were no resignations of directors during the year.

COMPANY SECRETARIES

Andrew Arnold

Mr Arnold was appointed as General Counsel and Company Secretary to the Group on 23 July 2008, following 15 years as a lawyer at Deacons, including six years as a Partner. During that time Mr Arnold also spent two years on secondment at Riddell Williams, Seattle. In his role at Deacons he had been overseeing the legal work of the Group since 2001. Mr Arnold is the responsible person for communication with the Australian Securities Exchange (ASX) in relation to listing rule matters.

Ivo Polovineo

Mr Polovineo, appointed as Joint Company Secretary on 20 October 2014, was previously Chief Financial Officer and Company Secretary for Sino Gold Mining Limited, formerly an ASX 100 company. He was with Sino Gold for 12 years as part of the executive team. Mr Polovineo is a Fellow of the Institute of Public Accountants (FIPA) with 35 years' experience as a CFO and Company Secretary including 25 years in the resources sector. Mr Polovineo is also Company Secretary of Variscan Mines Limited, Silver City Minerals Limited and Thomson Resources Ltd.

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.

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 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 current financial year.

Performance review

The Directors together with management monitor the Group's overall performance from implementation of the strategic plan through to the operating and financial performance of the Group.

Review of operations

- As a result of a number of years of prudent capital management, Lynas entered the COVID-19 pandemic in robust financial shape. In March 2020, the Lynas team moved quickly to implement recommended government safety and health recommendations and industry best practices across all sites and the company continues to update protocols in line with the evolving situation.

- Lynas recorded an EBITDA of $59.8m for the year (FY19: $100.7m). which was heavily influenced by the 6 week temporary shutdown of the Lynas Malaysia plant from late March 2020 to early May 2020, in accordance with the Malaysian government's COVID-19 Movement Control Order. There was no production during this period and sales (from inventory) were limited. Mt Weld operations were also temporarily shut down from 9 April 2020 until 16 June 2020 after target inventory levels of concentrate stocks were reached. Mt Weld staff were redeployed to development and maintenance projects during that period. A company-wide focus on cost management and other non-operational work limited the effect on cash flows during this period.

- Operations were restarted in May 2020 at approximately 70% of the Lynas NEXT production rates which was determined as sufficient to refill supply chains and to restock depleted inventories of critical materials while maintaining new COVID-related health and safety protocols for our people and local communities.

- Lynas Malaysia received 2 operating licenses during the year, the second and current licence being for a 3 year period. The first licence renewal was in late August 2019 for a 6 month period. At the end of February 2020 a longer licence renewal for a three year term to March 2023 was received. The achievement of a three year licence subject to acceptable conditions provides the foundation for the future operation of the Lynas Malaysia business and clarity regarding:
    - the onsite disposal and commercialisation of NUF residue; and
    - resolution of the WLP residue permanent disposal facility requirements in Malaysia.

- During the year, Lynas continued to consolidate its position as the world's second largest Rare Earths producer with strong customer relationships in key markets of Asia, Europe and North America. Net sales revenue for FY2020 was $305.1m (FY19: $363.5m) and total sales volumes were 14,172 REOt (FY19: 19,154 REOt). This result reflects the effect of the temporary production halts (due to COVID-19 Movement Control Order and reaching the concentrate processing limit in December 2019) and lower market pricing during the year. Despite this, product quality initiatives continued to deliver higher value La and Ce products.

- Substantial progress was achieved during FY20 on key Lynas 2025 projects, in particular the planned Rare Earth Processing Facility in Kalgoorlie and the proposed Heavy Rare Earths plant, currently planned for location in Texas.
  The significant achievements in relation to these projects during FY20 included the following:
  a) Securing Major Project Status from the Australian federal government and lead agency status from the WA State government for the Kalgoorlie project;
  b) Securing local support from the City of Kalgoorlie Boulder and conducting several successful community engagement forums in Kalgoorlie;
  c) Recruiting the core team to lead the Kalgoorlie project;
  d) Release of the contract for the kiln to be installed in Kalgoorlie, the longest lead time item (with contract awarded in July 2020)
  e) Receiving notification of the US Department of Defense's intention to award a phase 1 contract for the Heavy Rare Earths plant to the Lynas / Blue Line team;
  f) Progressing detailed planning and engineering work for the proposed Heavy Rare Earths separation plant.

- Cash flows from operating activities continue to be positive and have allowed the Group to invest in expansion activities and reduce debt. Positive operational cash flows over the past 3 years have exceeded $270m, excluding costs associated with the discharge of rehabilitation obligations relating to residue disposal in Malaysia.

- Convertible Bond holders converted a further US$1.5m of the issued bonds during the year, reducing the principal amount of the outstanding convertible bonds to US$12.2m ($A17.6m) at 30 June 2020. After year end, the remaining bonds were converted and 16.2m shares were issued.

- Completed Mining Campaign 3 was completed at Mt Weld during the year, resulting in approximately 560,000 tonnes of ore extracted.

Mt Weld

The Lynas mine at Mt Weld, Western Australia continued to operate safely and efficiently throughout the year.

Lynas Malaysia

As announced on 27 February 2020, the Malaysian Atomic Energy Licensing Board (AELB) renewed the operating licence for the Lynas Malaysia plant for three years expiring March 2023, subject to the following key conditions:

1. Lynas to begin the process of developing the Permanent Disposal Facility (PDF) by early March 2021.
2. Lynas must submit a work development plan for the construction of the PDF and report on its development status as determined by the AELB.
3. 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.
4. Holding of the financial deposit will be maintained for compliance with the relevant licence conditions.

Lynas has continued to engage productively with local stakeholders and communities. During the year, we welcomed over 2,500 visitors to our plant. This included visitors from Institute of Engineers Malaysia, Pahang Institute of Chemistry, IAEA Postgraduates in Radiation Protection and Safety, Royal Military College Alumni, Metal Events International Rare Earths Conference participants and 2000 esteemed visitors and community members who attended an Open Day at our plant. In all cases visitors to the Lynas Malaysia plant provided positive feedback including that it was well worth their time to see the plant with their own eyes.

Our excellent CSR record continued through the year and Lynas Malaysia received a gold medal CSR rating from EcoVadis, ranking in the top 5% of companies evaluated, as well as being recognised by Lang International with Lynas Malaysia receiving the Best in CSR Award. Lynas continues to proactively engage with key NGOs and our local communities directly and in January 2020 commenced a new communication programme in major Malaysian media.

Malawi deposit

Since fiscal year 2012, no further capital investment has been made on the Kangankunde Rare Earths ("KGK") 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

Certification to the OHSAS 18001 (Occupational Health and Safety Management Systems), ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems) standards were maintained during the year for both the Western Australian and Malaysian operations. The Group successfully undertook ISO recertification audits in July and August 2019 and is currently undertaking recertification audits for 2020.

A continued focus on health and safety initiatives resulted in Lynas Malaysia achieving Lynas Malaysia achieved 461 days LTI free in August 2019. The 12-month rolling lost time injury frequency rate as at 30 June 2020 was 0.8 per million hours worked (2019: 0.9 per million hours).

The Company continued to carefully manage all residues, air, water and solid, and consistently met or exceeded its licence requirements in both of its operating locations.

On 26 November 2019, the AELB completed its pre-licence renewal audit of the Lynas Malaysia operations. All regulatory conditions were in compliance. The audit result was "Very Satisfactory", which is the highest performance rating. This is the third audit in a row that we have maintained a "Very Satisfactory" performance rating. The Lynas Malaysia operating licence was subsequently renewed for a 3 year period (27 February 2020).

In line with our commitment to international environmental best practices, detailed environmental monitoring since the start of Lynas Malaysia's operations in Kuantan in 2012 has consistently demonstrated that Lynas Malaysia is compliant with regulatory requirements and international standards. Information concerning the Company's environmental monitoring programs, including monitoring data, is available at www.lynascorp.com.

Financial and Operational Performance

Sales volume, revenue and costs

Sales by tonnage and value		FY20	FY19	FY18	FY17	FY20 Percentage change
Sales volume	**(REOt)**	**14,172**	**19,154**	**17,672**	**14,616**	**(26%)**
Cash receipts from customers	**(A$m)**	**321.8**	**367.5**	**383.1**	**260.4**	**(12%)**
Sales revenue	**(A$m)**	**305.1**	**363.5**	**374.1**	**257.0**	**(16%)**
Average selling price	**(A$/kg)**	**21.5**	**19.0**	**21.6**	**18.0**	**13%**
Cost of sales	**(A$m)**	**(257.3)**	**(273.1)**	**(253.0)**	**(242.2)**	**(6%)**

The reduced sales volumes reflected the temporary shutdown at Lynas Malaysia between 23 March 2020 and 4 May 2020 in compliance with the Malaysian government's COVID-19 Movement Control Order, and the reduced volumes produced during the ramp up of the plant upon restart.

The quality improvements and product customisation achieved in the La and Ce product family have started to deliver value with an increased average selling price for this product family despite the market price trend. Lynas continues to develop its La-Ce specialties business, a strategic move that will further enhance the value of this business independently of market price.

Total cost of sales has decreased based on lower production volumes and cost management during the temporary production halt periods. This has occurred despite a significant increase in depreciation charges as a result of accelerated depreciation recognised on the Malaysian Cracking and Leaching assets. This charge forms part of the costs of sales for FY20 and has arisen due to a reassessment of the assets' useful life in light of the new licence conditions. Furthermore, increases in the depreciation recognised on the rehabilitation assets and leased assets and other costs associated with the COVID-19 shutdowns has increased the total cost of sales.

Market prices

The average China domestic price of NdPr (VAT excluded) decreased from US$45.8/kg in June 2019 to US$36.0/kg in June 2020. Future market price trends will depend on end product demand (in particular in the automotive industry).

Demand for Rare Earth products has been affected by the global COVID-19 situation, especially in those segments related to the automotive market. It may take a few quarters to clarify the effects on demand of the global COVID-19 pandemic, including the effects of government economic policies and possible regulatory developments. The latest forecast from the International Energy Association (IEA) estimates a likely decrease in the global automotive market of 15% in 2020 compared to 2019. However, it also estimates that sales of EVs (battery electric cars and plug hybrid cars) would remain unchanged compared to last year, suggesting a growing consumer trend towards EVs. A 15% decrease in the global automotive market represents a 1,000 tons per annum or 2-3% decrease in demand for NdPr. Most of this forecast decrease has occurred in the first half of this calendar year (China in Q1, Japan in Q2), and based on customer feedback, the Group expects demand for NdPr to improve in the second half of this year.

Demand for Cerium is affected by the decline of the automotive market and the decrease of internal combustion engine vehicles (ICEs) in the vehicle mix. Accordingly, Lynas continues to work on developing new applications and market positions for Cerium specialty products.

Demand for Lanthanum, which is mainly used in fluid catalytic cracking (FCC) in oil refineries, depends on demand for gasoline. During the June quarter, the movement controls imposed by many countries translated into substantial reductions in gasoline consumption, leading to a significant decrease in Lanthanum demand for FCC. We consider this to be a very temporary situation since the number of cars on the road has mostly returned to normal, and most existing cars are ICE vehicles.

Lynas is primarily focused on serving customer demand and supporting development of the market outside China. Lynas continues to make strong progress towards its objective of selling all production to outside China markets.

Costs and production volumes

Costs by tonnage and value		FY20	FY19	FY18	FY17	FY20 Percentage change
Ready for sale production volume total	**(REOt)**	**14,562**	**19,737**	**17,753**	**16,003**	**(26%)**
Ready for sale production volume NdPr	**(REOt)**	**4,656**	**5,898**	**5,444**	**5,223**	**(21%)**

Production at the Lynas Malaysia plant was temporarily halted on 23 March 2020 in compliance with the Malaysian government's COVID-19 Movement Control Order. Production restarted at the Lynas Malaysia plant on 4 May 2020 in line with the easing of Malaysian government control orders, and we continued to maintain prudent Standard Operating Procedures. Operations were restarted at approximately 70% of the Lynas NEXT production rates which was determined as sufficient to refill supply chains and to restock depleted inventories of critical materials while maintaining new COVID-19 related health and safety protocols for our people and local communities. Since June 2020, production has been operating at 75% of Lynas NEXT rates and this rate is expected to be maintained until COVID-19 uncertainty is resolved.

Production at Lynas Malaysia was also temporarily halted in December 2019 after annual (calendar year) lanthanide concentrate processing limits were reached. Lynas Malaysia utilised this time to invest in various circuit upgrades to further improve product quality.

Cash and cash flows

In A$m	FY20	FY19
Net operating cash inflows	32.1	104.1
Net investing cash outflows	(21.8)	(40.6)
Net financing cash outflows	2.0	(16.8)
Net cash flows	**12.3**	**46.7**
Impact of foreign exchange	(0.3)	0.7
Cash and cash equivalents	101.7	89.7

Lynas maintained a positive operating cash flow and an overall positive net cash flow despite a challenging year and the temporary shutdown in line with the Malaysian government's COVID-19 Movement Control Order. During this time, Lynas focused on cost management and other non-operational work, limiting the impact on cash flows. Included in the operating cash flows is the first payment of $14.9m (2019: nil) in relation to the settlement of a total MYR400m (A$136m) rehabilitation obligation in relation to residue disposal in Malaysia. Net investing cash outflows included a deposit paid as security to the AELB of $12.5m and payments for property, plant and equipment and $12.1m. These outflows have been offset by proceeds from interest received of $2.9m. Net financing cash inflows from the issue of share capital in relation to the exercise of warrants was $11.6m, offset by $2.6m in lease liability payments and a further $7.0m in interest and other financing costs.

Debt and capital

		FY20	FY19	FY18
JARE loan	A$m	181,222	171,870	207,449
Convertible bonds	A$m	17,777	18,062	17,663
Total borrowings		**198,999**	**189,932**	**225,112**
Financial income	A$m	2.7	2.3	1.2
Financial expenses	A$m	(15.6)	(22.0)	(49.7)
Interest forgiven on JARE loan	A$m	-	-	20.8
Gain on extinguishment of debt	A$m	-	46.5	-

US$1.5m (A$2.0m) of convertible bonds were converted during the year, leaving an outstanding principal of US$12.2m (A$17.6m) at 30 June 2020. The A$ equivalent present value of the bonds increased due to accretion of interest and exchange rate movements over the period. As noted in the subsequent events, on 3 August 2020, bondholders converted the remaining US$12.2m convertible bonds which resulted in an additional 16.2m shares issued. As a result of these conversions, the remaining liability in respect to the convertible bonds has been fully extinguished.

No principal repayments were made on the JARE facility. The balance increased due to the unwinding of the discounting of the future cash outflows. The financial expenses have decreased by 29% as a result of lower interest expense based on lower principal balances for both the JARE facility and the convertible bonds throughout the year.

During the year ended 30 June 2020, the Company issued shares as shown below:

	Number (000's)
Shares on issue 30 June 2019	667,802
Issue of shares pursuant to conversion of convertible bonds	2,000
Issue of shares pursuant to exercised performance rights	6,151
Issue of shares pursuant to exercised warrants	23,256
Shares on issue 30 June 2020	**699,209**

In addition to the ordinary shares on issue there were the following unlisted convertible bonds on issue:

	Number (000's)
Unlisted convertible bonds (Conversion price: $1.00 at a set exchange rate of A$1.00 = US$0.75)	12,152

Performance rights

As at 30 June 2020, the Company had the following options and performance rights on issue:

	Number (000's)
Performance rights	4,462

(Loss) / earnings per share

For the year ended 30 June	FY20	FY19
Basic (loss) / earnings per share (cents per share)	(2.79)	12.50
Diluted (loss) / earnings per share (cents per share)	(2.79)	11.90

Dividends

There were no dividends declared or paid during the year ended 30 June 2020 (2019: nil) and no dividends have been declared or paid since 30 June 2020.

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

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. Set out below are the principal risks and uncertainties that could have a material effect on Lynas' future results from an operations and financial position. 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 recent 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 are rapidly evolving 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 secure or 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 Chinese 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 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 the recent trade tensions between the US and China.

The table below illustrates how China domestic prices of NdPr (excluding VAT) have moved over FY20:

	September 2019 Quarter	December 2019 Quarter	March 2020 Quarter	June 2020 Quarter
US$/kg	39.0	36.2	35.0	33.8

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

- Promoting fixed pricing to its direct 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 second largest producer of Rare Earths in the world;
- End users placing more importance on being able to trace the origin of rare earths from a sustainable and auditable source of production to their end products, which Lynas can fulfil.

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 and thereby potentially 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 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 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
	$	$	$	$	$
USD/AUD	0.6714	0.7156	0.7391	0.7545	0.7283
MYR/AUD	2.8233	2.9521	2.9837	3.2331	3.0098

In-China market prices for Rare Earths are denominated in the Chinese Renminbi. In addition, 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, the realisation of tonnages and grades of ore and performance of processing facilities against 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.

2.7 Processing operations

Lynas' operations are subject to the operating risks associated with Rare Earth processing, including performance of processing facilities against design specification, 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 utilize 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 Cracking & Leaching 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.

3.1 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 licenses 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.

Recent changes of governments in Malaysia created additional political focus on Lynas, which creates additional risks for the business. In order to continue operating the business as currently projected, Lynas will need to continue to receive new licences, renewals of existing licences and variations of the terms of existing licences. Examples may include increases to concentrate import volumes, additional residue storage approvals

and periodic renewals of licences. Such amendments would require approval from the relevant regulatory authorities acting in accordance with government policy and licence conditions.

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 operating licence for the Lynas Malaysia plant for three years expiring March 2023, subject to the following key conditions:

- Lynas to begin the process of developing the Permanent Disposal Facility (PDF) within the first year from the date of approval of the licence.
- 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 not able 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' reliance on fossil fuels for mining and processing activities.

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

3.9 Legal action

As announced on 17 January 2020, a judicial review application has been lodged in Malaysia challenging the processes followed during the August 2019 renewal of the Lynas Malaysia operating licence. The hearing of that judicial review application is scheduled for 19 October 2020. While Lynas has been successful in defending several similar judicial review applications in the past, any adverse court findings could materially adversely affect the ability of Lynas to operate its Malaysian plant in its current form. In addition, 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 impact the tax liabilities of Lynas.

4.1 Debt facilities and covenants

Lynas has financing arrangements in place which are subject to acceleration and enforcement rights in the event a default were to arise under them. To date, the Japan Australia Rare Earths B.V. (JARE) loan facility has been secured over all the assets of Lynas, other than Malawi assets. Pursuant to the amendments announced on 27 June 2019, JARE has released the following securities: (i) Deed of Charge - All Assets (Malaysia) and (ii) Malaysian Real Property Mortgage.

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$145m as at 30 June 2020. The principal amount will be due for repayment in fixed loan repayments between 31 December 2021 and 30 June 2030.

In addition, the principal amount of the convertible bonds was US$12.2m (A$ 17.6m) as at 30 June 2020. The convertible bonds fully converted into ordinary shares in August 2020.

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.

5.1 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 Dividends

The payment of any dividends in respect of Lynas' shares is affected by several factors, including covenants in the JARE loan facility, Lynas' profitability, retained earnings, ability to frank dividends, capital requirements and free cash flow. Any future dividends will be determined by Lynas' Board having regard to these factors, among others. There is no guarantee that any dividends will be paid by Lynas. If Lynas is unable to pay dividends the price of its shares may fall.

5.3 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.

5.4 Force majeure events

Events may occur within or outside Lynas' key markets that could impact upon the 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.

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 conditions.

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 2020.

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.lynascorp.com.

SHARES ISSUED UPON EXERCISE OF PERFORMANCE RIGHTS

During the financial year 6,151,083 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 Note E.7 to the Financial Statements.

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.

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:

(a) 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

(b) 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.

Committee membership

During the financial year, the Group had the following Committees of the Board of Directors: Audit & Risk 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 2020:

Audit & Risk	Health, Safety & Environment	Nomination, Remuneration & Community
G. Murdoch[(c)]	P. Etienne[(c)]	K. Conlon[(c)]
P. Etienne	K. Conlon	M. Harding
J. Humphrey	M. Harding	J. Humphrey

(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 meetings attended by each Director was as follows:

	Directors' Meetings	Audit & Risk	Health, Safety & Environment	Nomination, Remuneration & Community
Number of meetings held:	**12**	**5**	**4**	**4**
Number of meetings attended:				
M. Harding	12	-	4	4
A. Lacaze	12	-	-	-
K. Conlon	12	-	4	4
P. Etienne	12	5	4	-
J. Humphrey	12	5	-	4
G. Murdoch	12	5	-	-

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 7 July 2020, Lynas announced that Lynas Chair Mike Harding had informed the Board of his intention to retire as Chair of the Lynas Board and as a non-executive Director of Lynas, effective from 30 September 2020. Kathleen Conlon, a Non-Executive Director of Lynas since November 2011, has been elected to succeed Mike as the Non-Executive Chair of the Lynas Board with effect from 30 September 2020.

On 15 July 2020, Lynas announced a significant step towards its new Kalgoorlie Rare Earths processing plant with Metso Outotec awarded the contract to supply the plant's kiln after a competitive tender process. The 110 metre long, 1500 tonne kiln is the largest and longest lead time piece of equipment required for the plant's operation. The contract for engineering and supply of the kiln is valued at approximately US$15m (A$21.6m), including the discharge housing, combustion chamber and burner, motor control stations and delivery to Kalgoorlie.

On 27 July 2020, Lynas announced that Phase I work on a U.S. based Heavy Rare Earth separation facility has proceeded to the contract phase and Lynas and the U.S. Department of Defense have signed a contract for this work.

On 3 August 2020, bondholders converted the remaining US$12.2m (A$17.6m) convertible bonds which resulted in an additional 16.2m shares issued. As a result of these conversions, the remaining liability in respect to the convertible bonds has been fully extinguished.

On 13 August 2020, Lynas announced that, consistent with JARE's previous reductions of payments under the JARE Loan Facility to allow Lynas to use cash flow from operations on capital expenditure for the Lynas 2025 Projects, JARE has now agreed to defer until 31 October 2021 further interest payments in the amount of US$11.5m that had previously been due on 31 October 2020.

On 17 August 2020, Lynas announced that the Company is undertaking an equity raising comprising a fully underwritten institutional placement and a pro-rata accelerated non-renounceable entitlement offer to raise approximately $A425m. The offer will fund the Lynas 2025 foundation projects to be delivered in 2023, including:

- The Kalgoorlie Rare Earth Processing Facility to produce mixed Rare Earth carbonate for shipment to Lynas Malaysia, and
- Associated upgrades at Lynas Malaysia

With the exception of the above, there have been no other events subsequent to 30 June 2020 that would require accrual or disclosure in this financial report.

Sustainability Statement
Financial Year Ended 30 June 2020

The Lynas Group has always had a strong focus on the sustainability of all aspects of our business. We impose high standards upon ourselves and we are passionate about having a positive effect on our people, our customers and suppliers, our communities and the environment. The products we sell are traceable to our mine in Western Australia and our customers 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 on 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 Sustainability Report for FY20 will be sent to shareholders at the same time as our Annual Report 2020 is sent to shareholders. In addition, a copy of the Lynas Sustainability Report for FY20 will be available on the Group's website, www.lynascorp.com.

Remuneration Report – Audited

Dear Shareholder,

I am pleased to present our Remuneration Report for the year ended 30 June 2020 (FY20).

As with other areas of the business, during FY20 we continued to refine and simplify executive remuneration and the Board is confident that this is aligned with shareholder outcomes.

Lynas achieved important milestones for our shareholders in FY20, including receipt of a three year operating licence in Malaysia, clarification of the Malaysian regulatory requirements for NUF Residue and WLP Residue, substantial progress on the Lynas 2025 projects, in particular the proposed plant in Kalgoorlie and progress on the proposed Specialty Rare Earths plant, ongoing significant community engagement programs, particularly in Malaysia, and a well-managed return to work from the COVID-19 shutdown. There were no increases in the fixed pay of the Executives from FY14 to FY17 and in FY19. In FY18 and in FY20, the fixed pay of the Executives was increased in line with CPI. There will be no increase in the fixed pay of the Executives in FY21. In addition, the fees paid to Non-Executive directors did not increase from FY11 to FY19. From 1 January 2020, the fees paid to Non-Executive Directors were increased as set out on page 27. Total remuneration tables for Directors and Executives are shown on page 28.

We believe that the incentive structure is well aligned with shareholder outcomes and STI payments have been made only to the extent that specific objectives that underpin improved performance have been delivered, as summarised above.

In FY20, the only remuneration paid to Non-Executive Directors was fees (i.e. no options or similar benefits were issued).

We hope that the report will assist your understanding of our remuneration objectives and policies. We welcome your feedback on how we can further improve the remuneration report in the future.

Yours sincerely,

Kathleen Conlon
Chair
Nomination, Remuneration and Community Committee

This report sets out the remuneration arrangements of Directors and KMP of the Group in accordance with the *Corporations Act 2001* and its regulations.

A. Explanation of Key Terms

The following table explains some key terms used in this report:

Executives	At as 30 June 2020, the Chief Executive Officer and Managing Director ("CEO"), the Chief Financial Officer ("CFO"), the VP Production, the VP Sales & Marketing, the General Counsel & Company Secretary, the MD Malaysia and the VP People & Culture.
Key Management Personnel ("KMP")	Those people who have authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including the Directors (whether executive or otherwise) and the Executives.
Lynas Malaysia	Lynas Malaysia is located in Gebeng in the State of Pahang, Malaysia, and is the Group's facility for the cracking and separation of concentrate into separated rare earths products.
Long Term Incentive ("LTI")	LTI is the long term incentive component of Total Remuneration. LTI usually comprises Options or Performance Rights with a three-year vesting period that are subject to specified vesting conditions. Further details of the vesting conditions are in Section D. Options and Performance Rights cannot be exercised unless the vesting conditions are satisfied.
Performance Right	A Performance Right is a right to acquire a share in the future at nil cost, subject to the satisfaction of specified vesting conditions. Performance Rights are issued for the benefit of selected Executives as part of their LTI remuneration.
Short Term Incentive ("STI")	STI is the short term incentive component of Total Remuneration. An STI could be in the form of cash or Performance Rights and it is only received by the Executive if specified goals are achieved.
Total Remuneration	Total Remuneration comprises fixed pay (including superannuation, non monetary benefits and Long Service Leave (LSL) where applicable) plus STI and (if applicable) LTI.
Total Shareholder Return ("TSR")	Total Shareholder Return is the total return from a share to an investor (i.e. capital gain plus dividends).

The KMP during the financial year ended 30 June 2020 were as follows:

Non-Executive Directors:

M. Harding	Chairman
K. Conlon	Non-Executive Director, and Chair of the Nomination, Remuneration & Community Committee
P. Etienne	Non-Executive Director, and Chair of the Health Safety & Environment Committee
J. Humphrey	Non-Executive Director
G. Murdoch	Non-Executive Director, and Chair of the Audit & Risk Committee

Executives:

A. Lacaze	CEO and Managing Director
G. Sturzenegger	CFO
K. Leung	VP Production
P. Le Roux	VP Sales & Marketing
A. Arnold	General Counsel & Company Secretary
M. Ahmad	MD Malaysia
M. Afzan Afza	VP People & Culture

Except as noted, the named person held their current position for the whole of the financial year and since the end of the financial year.

B. Our Remuneration Philosophy

The Group's objective is to provide maximum stakeholder benefit by attracting, retaining and motivating a high quality board of directors and executive management team. Remunerating Directors and Executives fairly and appropriately, consistent with relevant employment market conditions, is an important part of achieving this goal. We align rewards to sustainable value through creating links between the achievement of organisational goals, both long and short term in nature, with the non-fixed elements of individual remuneration.

To help the Group achieve this objective, the Committee links the nature and amount of the remuneration paid to the Executives to the Group's financial and operational performance.

Total remuneration (that is, fixed remuneration plus STI and LTI) is paid at market rates except in exceptional cases where skills are scarce or particularly valuable, in which case we pay as necessary. Our market is defined by location and function, i.e. Malaysia, Western Australia (WA), resources and the global rare earths market. In addition, our senior expatriate executives are remunerated at market rates necessary to attract expatriates with their skills and experience to work in our main office in Gebeng near Kuantan, in regional Malaysia. Those expatriate executives have been key drivers of the business' strong performance as described in Section D below.

STI awards create an "at risk" component with a value equal to 50% of total fixed remuneration for senior Executives (with 25% available to be paid in cash and 25% available to be paid in Performance Rights).

LTI awards for senior Executives are subject to TSR and financial growth hurdles, and are granted equal to approximately 25% of total fixed remuneration for senior Executives, and 50% of total fixed remuneration for the Chief Executive Officer.

External advisors and remuneration advice

The Committee engages external advisors to provide advice and market related information as required.

During the year, the Committee did not receive any remuneration recommendations (as defined in the *Corporations Act 2001*).

C. Role of the Nomination, Remuneration and Community Committee

The Board is responsible for determining and reviewing remuneration arrangements for Directors and Executives. The 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 is chaired by 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).

D. Our Executive Remuneration Framework

Structure

Executive remuneration consists of the following key elements:

- fixed pay (base salary, superannuation, non-monetary benefits and LSL (where applicable)); and
- variable remuneration, being:
  - STI; and
  - LTI.

The Group provides no retirement benefits, other than statutory superannuation.

<u>Fixed pay</u>

Despite the significantly improved performance of the business in recent years, there has only been a marginal increase in CEO fixed pay since 2015, being a CPI increase of 3% in FY20.

Ms Lacaze's package reflected the difficulty in recruiting a suitable candidate in June 2014 to undertake the challenging role of Lynas CEO, at a time of uncertainty regarding the Group's future. The package also reflects the Group's requirement for an expatriate CEO with the skills and experience necessary to manage the Group, and the need to attract and retain such a CEO in our main office in Gebeng near Kuantan, in regional Malaysia. Since June 2014, Ms Lacaze has led a significant turnaround in the Group's performance, reflected in the improved operating metrics summarised above. There remains significant work to be done in the business by a CEO with Ms Lacaze's skill set, including strengthening the Company's position in the volatile global market for Rare Earth products and maintaining the Company's improved relations with lenders, customers, investors, regulators, local communities and other key stakeholders.

Lynas is an ASX 200 company. During FY18, Lynas engaged KPMG-3dc to provide market data benchmarking for the CEO's remuneration package against an ASX101-200 listed company peer group. Following the review of the data obtained, Lynas has concluded that the CEO's remuneration is reasonable.

Unusually for an ASX 200 company, Lynas' principal administrative office is not based in a major city – it is based on the outskirts of the regional city of Kuantan on the east coast of Malaysia. This creates additional issues for the company in attracting and retaining candidates of the calibre required to lead the company, including periods of separation from family, remoteness from major cities, and the need for salary to allow for accommodation, a motor vehicle, spousal travel and related matters. These factors are all relevant in the benchmarking of the CEO's package.

The Board of Lynas initially set Ms Lacaze's fixed remuneration to attract an appropriately qualified executive to accept the role given the circumstance of the Company at that point in time and that Ms Lacaze would be expected to work in the regional city of Kuantan (away from her home in Sydney).

Ms Lacaze does not receive additional expatriate benefits beyond the fixed pay, short-term benefits and non-monetary benefits listed in the tables in Section H. The overall amount of remuneration paid to Ms Lacaze is consistent with current market practice, which has been confirmed by our adviser KPMG-3dc.

Variable remuneration

Our structure for STI awards and LTI awards is described in Section B above.
In summary:

Fixed pay = *base + super*	*Variable remuneration* = *STI (Cash and Deferred) + LTI*

STIs

For Executives, up to 50% of fixed pay is available for STI awards.

The goals and measures of the STI programme (including individual, team and company performance goals and measures), the relative weightings of those measures and goals, and STI target amounts are determined and approved at the commencement of each review period by the Remuneration Committee. During the financial year ended 30 June 2020 the STI Program had 4 goals as follows:

1. EBIT – 20%
2. NdPr production volume – 20%
3. Costs – 20%
4. Team / Individual Performance – 40%

Three bands of performance were specified at the beginning of FY20 for the above STI goals, with awards to be made equal to 80%, 100% or 120% of the available STI award pool for each goal, depending on which performance band was achieved. Awards would be prorated if performance fell between the 80%, 100% or 120% targets.

The Board set STI targets for EBIT, NdPr Production Volume and Costs in the financial year ended 30 June 2020 and those targets were not met. Accordingly, no STI awards were made for EBIT, NdPr Production Volume or Costs in respect of the financial year ended 30 June 2020.

Key drivers of the outcomes on those three metrics in FY20 were the 44 day temporary shutdown in Malaysia due to the Malaysian government's COVID-19 Movement Control Order and low global Rare Earths prices during the year.

The table below summarises the STI targets and outcomes for NdPr Production Volume in the financial year ended 30 June 2020. Details of the targets for EBIT and Costs are commercial-in-confidence.

Goal	Target - 80% of award	Outcome	Performance	Payout
NdPr Production	5,477t REOt	4,656 REOt	85.0%	0%

In addition, 40% of the STI award pool was available based on Team / Individual Performance goals. The Team/Individual component of the potential STI award is designed to reward non-financial outcomes. During FY20, the Executives achieved significant and important outcomes for the Group. Chief amongst these outcomes were:

1. Receipt of 2 operating licenses in Malaysia, the second for a 3 year period.

   This matter involved significant and difficult work by the Executives. The first licence renewal was in late August 2019. This matter involved numerous meetings, correspondence and exchanges of documentation with the regulators and all other key stakeholders in Malaysia. A statutory appeal was completed under the Atomic Energy Licensing Act at the beginning of the financial year. Thereafter, submissions were made to the regulators regarding renewal of the licence and the conditions for renewal of the licence. Once the renewal was achieved, management ensured that the conditions of the renewed licence were satisfied and that a compliant application was lodged for the next licence renewal, which was due at the end of February 2020.

   The end of February 2020 licence renewal for a three year term was a major achievement by Lynas during FY20. At the same time, there was a change of government in Malaysia, necessitating engagement with a new set of stakeholders. The achievement of a three year licence subject to acceptable conditions provides the foundation for the future operation of the Lynas Malaysia business.

2. Clarification of the Malaysian regulatory requirements for permanent NUF residue disposal onsite and commercialisation of NUF

   During FY20, the licence for permanent onsite disposal of NUF was renewed. In addition, Lynas customers have begun receiving approvals to reuse NUF Residue in their businesses. These are both significant achievements and they have normalised the regulatory treatment of NUF residue in Malaysia, which creates another foundation for long term operation of the Lynas business in Malaysia.

3. Resolution of the WLP PDF requirements in Malaysia

   During FY20, the regulatory position regarding WLP residue was normalised arising from the following outcomes:

   (a) The licence renewals in August 2019 and February 2020 created a framework for permanent offsite disposal at a PDF site in Malaysia

   (b) In January 2020, commercial terms were agreed with the Gading Senggarra group for development of the PDF at a site in Pahang State of Malaysia, with Gading Senggarra providing a turnkey solution including ongoing responsibility for management and monitoring of the PDF and the WLP residue in the PDF.

   (c) The local state government of Pahang has approved the site for the PDF

   (d) Independent studies have confirmed the suitability of the site selected for the PDF.

4. Good progress on proposed Kalgoorlie Rare Earths Processing Facility and progress in relation to assessing feasibility of a Heavy Rare Earths separation plant.

   The significant achievements in relation to these projects during FY20 included the following:

   a) Securing Major Project Status from the federal government and lead agency status from the WA State government for the Kalgoorlie project

   b) Securing local support from the City of Kalgoorlie Boulder and conducting several successful community engagement forums in Kalgoorlie

   c) Recruiting the core team to lead the Kalgoorlie project

   d) Awarding the longest lead time contract; the kiln

   e) Receiving notification of the US DoD's intention to award a phase 1 contract for the HRE plant to the Lynas / Blue Line team

   f) Progressing detailed planning and engineering work for a potential Heavy Rare Earths separation plant to be located in Texas.

5. Ongoing significant community engagement programs, particularly in Malaysia

   During FY20, significant community engagement work continued in Malaysia. Some key highlights were:

   (a) Numerous grass roots information forums conducted with local community groups

   (b) Numerous site visits by regulators, community groups, student groups, and other key stakeholders

   (c) A very successful Community Forum at the Lynas Malaysia plant in mid-February 2020

   (d) Engagements with politicians, regulators, community leaders and other key stakeholders in Malaysia

   (e) Continuing strong support from all members of the Lynas staff for the Lynas business and for our community engagement programs

   (f) Online, print media and electronic media communications programs.

6. A well managed return to work from the COVID-19 shutdown

   The emerging COVID-19 situation in March 2020 required clear and decisive action by management. We have implemented prudent health and safety guidelines in accordance with government requirements and guidelines. The restart of operations in May 2020 has been managed successfully, and production rates in June were above the targeted restart rate of 70% of Lynas Next rates.

Each of these important outcomes has required a full team effort in complex and difficult circumstances, with significant contributions by each Executive. Therefore, the Board has approved a Team / Individual Performance award amounting to 40% of the available STI entitlements for FY20.

LTIs

LTI options and Performance Rights are granted to KMPs and other selected employees to provide greater alignment to strategic business objectives. Each Performance Right usually has a three-year vesting period provided the award recipient is still employed with the Group (unless this requirement, in limited circumstances, is waived by the Board), and any relevant performance conditions are achieved. Performance Rights usually have an exercise period between three and five years after they were granted.

<u>LTI Performance Rights that are Due to Vest or be Forfeited Following FY20</u>

491,092 LTI Performance Rights that were granted as part of the FY17 LTI plan, and that are due to vest on August 28, 2020 are conditional on the Company's cumulative average annual increase in adjusted EBITDA in the three year period from 1 July 2017 to 30 June 2020, compared to the base figure of the annualized adjusted EBITDA from 1 January 2017 to 30 June 2017, in accordance with the following sliding scale:

(a) If the cumulative average annual increase is at least 21% per annum, then 50% of the EBITDA portion will vest;

(b) If the cumulative average annual increase is at least 25% per annum, then 100% of the EBITDA portion will vest;

(c) If the cumulative average annual increase is at least 30% per annum, then 120% of the EBITDA portion will vest.

Awards will be prorated if the outcome falls between bands (a) and (b) or between bands (b) and (c). As disclosed to the ASX at the time the awards were first announced on September 26, 2017, the EBITDA figure that will be used to measure the outcome will be an adjusted EBITDA figure (after removing the non-cash employee remuneration settled through share based payments). The annualized adjusted EBITDA for the base period from 1 January 2017 to 30 June 2017 was A$58.8 million.

The table below shows the outcome.

	Outcome (Adjusted EBITDA)
Cumulative Adjusted EBITDA over the three years from 1 July 2017 to 30 June 2020	A$294.2 million
Cumulative Base Figure over three years	A$176.4 million
Cumulative Average % increase in the 3 year period compared to the base figure	22.3% p.a.

In accordance with the above table, it is expected that when this class of LTI Performance Rights is due to vest on August 28, 2020 approximately 50% of this class will vest, and approximately 50% of this class will be forfeited.

In addition, 409,244 LTI Performance Rights that were granted as part of the FY17 LTI plan, and that are due to vest on August 28, 2020 are conditional on Total Shareholder Return (TSR) being at least at the 51st percentile of ASX 300 Metals and Mining Index companies over a three-year vesting period expiring on 28 August 2020 in accordance with the following sliding scale:

(a) If the Lynas TSR is at least at the 51st percentile, 50% of the TSR portion will vest.

(b) If the Lynas TSR is at least at the 76th percentile, 100% of the TSR portion will vest.

(c) If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

That TSR hurdle cannot be measured until after 28 August 2020. The outcome on the TSR hurdle will be announced to the ASX after the TSR calculations have been made for the three year period expiring on 28 August 2020.

LTI Performance Rights Awarded During FY20

In addition, during FY20, the Group issued to selected senior managers a total of 1,446,970 LTI Performance Rights with a three year vesting period. A summary of the performance hurdles attached to the LTI Performance Rights awarded during the financial year ended 30 June 2020 is set out below:

(i) 352,331 Performance Rights are conditional on the Company's cumulative average annual increase in EBIT in the three year period from 1 July 2019 to 30 June 2022, compared to the base figure of EBIT in the period from 1 July 2018 to 30 June 2019, in accordance with the following sliding scale:
   (a) If the cumulative average annual increase is at least 7% per annum, then 50% of the EBIT portion will vest.
   (b) If the cumulative average annual increase is at least 10% per annum, then 100% of the EBIT portion will vest.
   (c) If the cumulative average annual increase is at least 15% per annum, then 120% of the EBIT portion will vest.

Awards would be prorated if the outcome falls between bands (a) and (b) or between bands (b) and (c). The EBIT for the base period from 1 July 2018 to 30 June 2019 was $56.4 million.

(ii) 293,610 Performance Rights are conditional on the company's Total Shareholder Return (TSR) being at least at the 51st percentile of ASX 200 companies calculated over the 3-year vesting period, in accordance with the following sliding scale:
   (a) If the Lynas TSR is at least at the 51st percentile, 50% of the TSR portion will vest.
   (b) If the Lynas TSR is at least at the 76th percentile, 100% of the TSR portion will vest.
   (c) If the Lynas TSR is between the 51st percentile and the 76th percentile, a pro-rata amount of between 50% and 100% of the TSR portion will vest (with the relevant percentile being rounded up or down to the nearest 5%, for ease of calculation).

(iii) 801,129 Performance Rights are conditional on the company delivering the following Lynas 2025 project targets: By July 2022, Lynas has demonstrated:

   (a)the capacity to separate heavy rare earths,

   (b)a specialty cerium capability, and

   (c)delivery of the project milestones for the Lynas 2025 Project in Western Australia.

The Directors believe that the above performance hurdles are important measures of long-term success for the Group that are fully aligned with the interests of shareholders. After several years of ramping up NdPr production to the current levels while tightly managing costs, the Company's EBIT growth over the next 3 financial years will be an important measure of the success of the improvements to the business implemented by Lynas.

The TSR hurdle compares shareholder returns from Lynas to shareholder returns from ASX 200 companies over the 3-year vesting period. Lynas is currently a member of the S&P ASX 200 Index, and TSR performance at the 51st percentile or above of ASX 200 companies is considered to be an appropriate hurdle that is directly aligned with shareholder returns.

The Lynas 2025 project is the next significant step in the growth of the Lynas business for the benefit of all shareholders. The key goals of the Lynas 2025 project include developing the capacity to separate heavy rare earths, developing a specialty cerium capability, and delivery of the project milestones for the Lynas 2025 Project in Western Australia.

Clawback Policy

In circumstances where the Group becomes aware of any material misstatement in its financial statements due to: (i) non-compliance with a financial reporting requirement; (ii) the KMP's misconduct; or (iii) the misconduct of any other Lynas personnel under the supervision of the relevant KMP, the Board has authority under the clawback policy to:

(a) require a KMP to repay some or all of any STI award or LTI award granted to the KMP from 1 July 2013 ("**Relevant Award**"), to the extent such award has vested;
(b) forfeit the reference units representing all or a part of the KMP's Relevant Award, to the extent such award remains unvested; or
(c) withhold the payment or allocation of all or a part of the KMP's Relevant Award, to the extent such award has not been paid or given to that KMP.

The Board has not enacted any clawback in FY20.

E. Service Agreements

The CEO and Managing Director has an executive services agreement with the Group containing reasonable commercial conditions. Subject to the following provisions, the agreement is for an indefinite duration. The key provisions of the agreement are:

Notice by CEO:	Ms Lacaze must give three months' written notice of an intention to resign.
Notice by Group:	The Group may terminate the agreement by giving six months' written notice. The Group may terminate Ms Lacaze's employment at any time without notice if serious misconduct has occurred.
Treatment of incentives on termination:	On resignation, any unvested Options and Performance Rights may be forfeited subject to the discretion of the Board. Upon termination of Ms Lacaze's employment by the Group other than as a result of misconduct, Ms Lacaze will be entitled to retain a pro–rata portion of any unvested Options and Performance Rights held by her on the date of termination. For example, where 50% of the vesting period has been served, Ms Lacaze will be entitled to retain 50% of the unvested Options or Performance Rights. Ms Lacaze will also be entitled to retain any Options or Performance Rights that have vested prior to the date of termination.
Termination benefits:	In accordance with the *Corporations Act 2001*, the maximum termination payment payable to Ms Lacaze is equal to her base salary for one year (i.e. excluding any LTI component).

Employment conditions for all other KMPs are on the following terms:

- each may give three month's written notice of their intention to resign;
- the Group may terminate the employment by providing three to six months' written notice;
- on resignation or termination (other than as a result of misconduct), unvested incentives will be treated in the same manner set out above in respect of Ms Lacaze; and
- the Group may terminate employment at any time without notice if serious misconduct has occurred.

F. Linking Remuneration and Group Performance

Refer to Section D above for a summary of how Executive remuneration is linked to Group performance. In particular, there were no increases in the fixed pay of the Executives from FY14 to FY17 and in FY19 despite the improving performance of the business in recent years as summarized in Section D above. In FY18 and in FY20, the fixed pay of the Executives was increased in line with CPI. The fixed pay of the Executives will not be increased in FY21.

In recent years, LTI grants have been subject to hurdles that are aligned with the interests of key stakeholders in the Group. For example, in the financial year ended 30 June 2020, LTI grants were subject to a TSR hurdle and an EBIT growth hurdle, as detailed in Section D above. The reference period for some of these hurdles has not yet expired. In addition, as detailed in Section D above, some Performance Rights are expected to be forfeited following FY20 due to non-satisfaction of vesting conditions.

Individual performance reviews link total remuneration to individual and business unit performance.

Separately, changes in the share based remuneration from one year to the next reflect the impact 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.

For further context the following table provides reported financial information on which remuneration has been based.

	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Revenue ($'000)	950	64,570	144,596	190,956	256,976	374,105	363,541	305,111
Profit / (loss) before tax ($'000)	(141,014)	(345,431)	(118,559)	(94,117)	(24,263)	53,404	83,274	(19,156)
Profit / (loss) after tax ($'000)	(143,555)	(345,488)	(118,685)	(94,082)	(534)	53,119	83,079	(19,395)
Shareholder capital ($'000)	994,645	1,034,634	1,083,898	1,088,469	1,094,403	1,395,417	1,398,264	1,424,847
Annual average share price*	$6.52	$2.95	$0.78	$0.67	$0.77	$2.04	$1.99	$2.20
Closing share price at financial year end*	$3.75	$1.30	$0.34	$0.53	$1.05	$2.34	$2.57	$1.94
Basic earnings / (loss) per share (cents)**	(51.30)	(154.10)	(38.20)	(27.00)	(0.15)	8.84	12.50	(2.79)
Diluted earnings / (loss) per share (cents)**	(51.30)	(154.10)	(38.20)	(27.00)	(0.15)	8.29	11.90	(2.79)

* The share prices for the years ended 30 June 2011 to 30 June 2017 comparative periods have been restated to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on 4 December 2017.

** The basic and diluted earnings per share for the years ended 30 June 2011 to 30 June 2017 comparative periods have been restated to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on 4 December 2017.

G. Non-Executive Director Remuneration

Objective

Remuneration of Non-Executive Directors ("NEDs") is set at a level that enables the Group to attract and retain talented and motivated people at a cost which is acceptable to shareholders. In setting remuneration, the Group takes into account, among other factors:

- fees paid to NEDs of companies of a similar size/industry;
- the time commitment required for NEDs to properly fulfil their duties;
- the risks and responsibilities associated with the roles; and
- the relevant commercial and industry experience required.

NED Skill Set

The Group has focussed on ensuring that its Directors reflect the broad mix of skills, experience, expertise and diversity necessary to oversee the emergence of the Group as a significant participant in the volatile global market for Rare Earth products. The Group is now the second largest NdPr producer in the world and the largest supplier of NdPr to the free market.

The Group considers it important for the following skills and experience to be represented on the Board:

- Experience as a Chief Executive;
- International business experience;
- Financial and accounting experience;
- Operational experience in the chemical and resources industries;
- Strategy and strategic marketing experience;
- Corporate governance, regulatory and risk management experience.

The Board's skills matrix is based on the above sets of skills and experience. The Nomination, Remuneration & Community Committee remains focussed on Board renewal, notwithstanding that the Board considers that each of the above skills is currently reflected in the skills and experience of the existing members of the Board.

Further details of the skills and experience of the members of the Board are provided in the Directors section of the Directors' Report. Information about the diversity of the Board is set out under Recommendation 1.5 of the Group's Corporate Governance Statement at www.lynascorp.com.

Remuneration Structure

The Company's Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of NEDs must be determined from time to time by a general meeting. The last determination was at the AGM held on 20 November 2012, and an aggregate pool of $1,250,000 was approved. The aggregate fees for NEDs for the period did not exceed this amount.

Components of Non-Executive Director Remuneration

Each NED receives a fee for being a Director of the Company, and (other than the Chairman of the Board) each NED receives a fee for each committee of which they are members. The NED fees, including committee fees, include statutory superannuation contributions where appropriate.

Base Fees

The base fees for NEDs were increased effective 1 January 2020 for the first time since FY11. The base fees for NEDs for the financial year ended 30 June 2020 were:

	To 31 Dec 2019 $	From 1 Jan 2020 $
Chairman	250,000	260,000
Non-Executive Director	100,000	120,000

Committee Fees

The Committee fees for NEDs are unchanged from FY19 as follows:

Board Committee	Chair $	Member $
Audit & Risk Committee	30,000	15,000
Nomination, Remuneration & Community Committee	25,000	12,500
Health, Safety & Environment Committee	25,000	12,500

The remuneration for NEDs for the financial years ended 30 June 2019 and 30 June 2020 is set out in Section H of this report.

H. Details of Remuneration

	Short term benefits			Post-employment benefits			Long term benefits		
Name	Cash salary and fees	Other short term employee benefits	Non-monetary benefits	Termin-ation payments	Superannuation and other pension payments	Long service leave	Share-based payments (net) (1)	Performance related % Total	Total
FY20									
Executive Director									
A. Lacaze	1,241,610	261,191	75,509	-	21,003	28,135	419,885	33%	2,047,333
Non-Executive Directors									
K. Conlon	147,500	-	-	-	14,013	-	-	0%	161,513
M. Harding	255,000	-	-	-	21,003	-	-	0%	276,003
P. Etienne	157,600	-	-	-	6,650	-	-	0%	164,250
J. Humphrey	137,500	-	-	-	13,063	-	-	0%	150,563
G. Murdoch	140,000	-	-	-	13,300	-	-	0%	153,300
Executives									
A. Arnold	510,466	100,207	-	-	-	-	100,607	28%	711,280
G. Sturzenegger	578,352	114,315	-	-	-	-	110,051	28%	802,718
K. Leung	505,792	108,737	41,981	-	21,003	13,403	107,779	27%	798,695
P. Le Roux	401,707	114,265	68,318	-	81,078	-	133,522	31%	789,890
M. Ahmad	365,445	133,528	-	-	49,899	-	89,085	35%	637,957
M. Afzan Afza	302,514	97,912	-	-	72,079	-	71,682	31%	544,187
Total	**4,743,486**	**930,155**	**185,808**	**-**	**313,091**	**41,538**	**1,032,611**	**27%**	**7,246,689**
FY19									
Executive Director									
A. Lacaze	1,216,813	269,572	73,126	-	20,531	20,869	1,623,563	59%	3,224,474
Non-Executive Directors									
K. Conlon	140,000	-	-	-	13,300	-	-	0%	153,300
M. Harding	275,000	-	-	-	20,531	-	-	0%	295,531
P. Etienne	140,000	-	-	-	13,300	-	-	0%	153,300
J. Humphrey	127,500	-	-	-	12,814	-	-	0%	140,314
G. Murdoch	130,000	-	-	-	12,350	-	-	0%	142,350
Executives									
A. Arnold	499,034	102,935	-	-	-	-	502,631	55%	1,104,600
G. Sturzenegger	543,543	111,330	-	-	-	-	509,392	53%	1,164,265
K. Leung	495,302	112,525	29,707	-	20,531	10,956	551,592	54%	1,220,613
P. Le Roux	393,595	116,896	109,827	-	74,120	-	563,315	54%	1,257,753
M. Ahmad	344,274	130,152	-	-	68,527	-	431,015	58%	973,968
M. Afzan Afza	283,620	93,795	-	-	67,938	-	324,435	54%	769,788
Total	**4,588,681**	**937,205**	**212,660**	**-**	**323,942**	**31,825**	**4,505,943**	**51%**	**10,600,256**

(1) Represents the impact of amortising the accounting value of Options and Performance Rights over their vesting period including the impact of forfeitures recognised during the period. At times a negative value may be presented which results when 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.

I. KMP equity holdings

(i) Shareholdings
The following table outlines the shares held directly, indirectly and beneficially by directors and KMP as at 30 June 2020.

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	1,699,353	-	2,690,635	-	-	4,389,988
K. Conlon	115,619	-	-	-	-	115,619
P. Etienne	66,630	-	-	-	-	66,630
M. Harding	65,168	-	-	-	-	65,168
J. Humphrey	50,000	-	-	-	-	50,000
G. Murdoch	142,500	-	-	-	-	142,500
A. Arnold	392,450	-	528,861	(412,316)	-	508,995
G. Sturzenegger	693,992	-	542,651	(151,943)	-	1,084,700
K. Leung	448,561	-	581,323	(290,661)	-	739,223
P. Le Roux	583,401	-	588,860	-	-	1,172,261
M. Ahmad	387,516	-	458,473	(128,372)	-	717,617
M. Afzan Afza	192,000	-	335,490	(450,438)	-	77,052
Total	**4,837,190**	**-**	**5,726,293**	**(1,433,730)**	**-**	**9,129,753**

(ii) Share Based Remuneration – Performance Rights
Performance Rights are issued on the same terms as Options, except there is 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	Vesting and exercise date	Expiry date	Exercise price	Value per performance right at grant date
AO	30 November 2016	532,373	30 August 2019	30 August 2021	$ 0.00	$0.680
AP	30 November 2016	465,117	30 August 2019	30 August 2021	$ 0.00	$0.500
AR	28 August 2017	476,715	28 August 2020	28 August 2022	$ 0.00	$1.360
AU	28 November 2017	231,066	28 August 2020	28 August 2022	$ 0.00	$2.060
AV	28 November 2017	192,555	28 August 2020	28 August 2022	$ 0.00	$1.620
AY	28 August 2018	199,446	28 August 2021	28 August 2023	$ 0.00	$2.187
AZ	28 August 2018	166,205	28 August 2021	28 August 2023	$ 0.00	$1.431
BB	27 November 2018	176,920	28 August 2021	28 August 2023	$ 0.00	$2.187
BC	27 November 2018	147,433	28 August 2021	28 August 2023	$ 0.00	$1.463
BD	26 August 2019	263,019	26 August 2020	26 August 2020	$ 0.00	$2.340
BE	26 August 2019	157,175	26 August 2022	26 August 2024	$ 0.00	$2.340
BF	26 August 2019	193,245	26 August 2022	26 August 2024	$ 0.00	$2.340
BG	26 August 2019	188,609	26 August 2022	26 August 2024	$ 0.00	$1.660
BD*	26 November 2019*	109,148	26 August 2020	26 August 2020	$ 0.00	$2.290
BE*	26 November 2019*	136,435	26 August 2022	26 August 2024	$ 0.00	$2.290
BF*	26 November 2019*	136,435	26 August 2022	26 August 2024	$ 0.00	$2.290
BG*	26 November 2019*	163,722	26 August 2022	26 August 2024	$ 0.00	$1.630
Total		**3,935,618**				

* 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.

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 2020:

	PR's issued to employees other than CEO				PR's issued to CEO			
	Series BD	**Series BE**	**Series BF**	**Series BG**	**Series BD**	**Series BE**	**Series BF**	**Series BG**
Grant date	26 Aug 2019	26 Aug 2019	26 Aug 2019	26 Aug 2019	26 Nov 2019	26 Nov 2019	26 Nov 2019	26 Nov 2019
5 day VWAP	$2.34	$2.34	$2.34	$1.66	$2.29	$2.29	$2.29	$1.63
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	69.4%	69.4%	69.4%	69.4%	61.2%	61.2%	61.2%	61.2%
Risk-free Rate	0.69%	0.69%	0.69%	0.69%	0.73%	0.73%	0.73%	0.73%
Expiry date	26 Aug 2020	26 Aug 2022	26 Aug 2022	26 Aug 2022	26 Aug 2020	26 Aug 2022	26 Aug 2022	26 Aug 2022

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
26 August 2019	263,019	$2.34	$ 0.00	26 August 2020	26 August 2020
26 August 2019	157,175	$2.34	$ 0.00	26 August 2022	26 August 2024
26 August 2019	193,245	$2.34	$ 0.00	26 August 2022	26 August 2024
26 August 2019	188,609	$1.66	$ 0.00	26 August 2022	26 August 2024
26 November 2019	109,148	$2.29	$ 0.00	26 August 2020	26 August 2020
26 November 2019	136,435	$2.29	$ 0.00	26 August 2022	26 August 2024
26 November 2019	136,435	$2.29	$ 0.00	26 August 2022	26 August 2024
26 November 2019	163,722	$1.63	$ 0.00	26 August 2022	26 August 2024
Total	**1,347,788**				

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 2019 and 2020 financial years and those Performance Rights which have vested at each respective year-end.

30 June 2020	Balance at beginning of year	Granted	Grant date	Exercised	Forfeited	Net change	Balance at end of year
A. Lacaze[(1)]	4,530,638	545,740	Nov 26, 2019	(2,690,635)	(94,541)	(2,239,436)	2,291,202
K. Conlon	-	-	-	-	-	-	-
P. Etienne	-	-	-	-	-	-	-
M. Harding	-	-	-	-	-	-	-
J. Humphrey	-	-	-	-	-	-	-
G. Murdoch	-	-	-	-	-	-	-
A. Arnold	706,758	125,572	Aug 26, 2019	(528,861)	(31,357)	(434,646)	272,112
G. Sturzenegger	724,786	141,969	Aug 26, 2019	(542,651)	(31,422)	(432,104)	292,682
K. Leung	776,276	136,319	Aug 26, 2019	(581,323)	(34,433)	(479,437)	296,839
P. Le Roux	788,462	190,800	Aug 26, 2019	(588,860)	(34,920)	(432,980)	355,482
M. Ahmad	611,805	114,004	Aug 26, 2019	(458,473)	(26,764)	(371,233)	240,572
M. Afzan Afza	448,642	93,384	Aug 26, 2019	(335,490)	(19,810)	(261,916)	186,726
Total	**8,587,367**	**1,347,788**		**(5,726,293)**	**(273,247)**	**(4,651,752)**	**3,935,615**
30 June 2019							
A. Lacaze	4,409,551	444,408	Nov 27, 2018	(212,391)	(110,930)	121,087	4,530,638
K. Conlon	-	-	-	-	-	-	-
P. Etienne	-	-	-	-	-	-	-
M. Harding	-	-	-	-	-	-	-
J. Humphrey	-	-	-	-	-	-	-
G. Murdoch	-	-	-	-	-	-	-
A. Arnold	1,071,860	107,768	Aug 31, 2018	(450,464)	(22,407)	(365,103)	706,758
G. Sturzenegger	1,105,510	116,558	Aug 31, 2018	(473,433)	(23,850)	(380,725)	724,786
K. Leung	1,175,424	117,809	Aug 31, 2018	(492,480)	(24,479)	(399,150)	776,276
P. Le Roux	1,185,072	122,385	Aug 31, 2018	(494,484)	(24,511)	(396,610)	788,462
M. Ahmad	933,342	95,696	Aug 31, 2018	(397,294)	(19,939)	(321,537)	611,805
M. Afzan Afza	661,714	76,116	Aug 31, 2018	(275,368)	(13,820)	(213,072)	448,642
Total	**10,542,473**	**1,080,740**		**(2,795,914)**	**(239,936)**	**(1,955,110)**	**8,587,367**

(1) 545,740 performance Rights approved by the Board were granted to A. Lacaze on 26 August 2019 and subsequently approved by the shareholders of the Company at the AGM on 26 November 2019.

At 30 June 2020, 997,490 performance rights issued to A. Lacaze had vested and were exercisable (30 June 2019: 1,830,247), while no performance rights had vested but were not exercisable (30 June 2019: 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,

Mike Harding
Chairman
Sydney, 17 August 2020

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) the 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,

Mike Harding
Chairman
Sydney, 17 August 2020

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

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

Building a better working world

Auditor's independence declaration to the directors of Lynas Corporation Limited

As lead auditor for the audit of the financial report of Lynas Corporation Limited for the financial year ended 30 June 2020, 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; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
17 August 2020

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

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

Building a better working world

Independent auditor's report to the members of Lynas Corporation Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Lynas Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 2020 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.

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 each 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 these matters. 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 matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

1. Rehabilitation provisions

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 the production process. As at 30 June 2020 the Group's consolidated statement of financial position includes provisions of $181,604,000 in respect of such obligations as disclosed in Note D.5. Estimating the costs associated with these obligations requires considerable 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 the significant degree of estimation and judgment used to determine the rehabilitation provision this was considered to be a key audit matter.	Our procedures included the following: ► Assessed the appropriateness of the changes in cost estimates and other assumptions underpinning the cost estimates which were prepared by both internal and external experts. ► Assessed the qualifications, competence and objectivity of the Group's internal and external experts, the work of whom, formed the basis of the Group's rehabilitation cost estimates. ► Understood 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 and the agreement entered into during the year for the rehabilitation of WLP. ► Tested the mathematical accuracy of the rehabilitation models and assessed the appropriateness of the estimated timing of the rehabilitation cashflows and the inflation and discount rate assumptions. ► Performed site inspections at Mount Weld and the Lynas Advanced Materials Plant and understood changes to the disturbed areas since the previous annual reporting period. ► Considered the adequacy of the disclosures relating to the Group's provisions for restoration and rehabilitation included in the financial report.

Building a better working world

2. Inventories

Why significant	How our audit addressed the key audit matter
As at 30 June 2020 the Group had total inventories comprising raw materials and consumables, work in progress and finished goods of $77,600,000 as disclosed in Note D.2. We considered this to be a key audit matter because of the: ► Significant estimates required to assess the quantity of ore stockpiles and work in progress. ► Significant estimates and judgments involved in the valuation of inventories, including the allocation of operating costs and overheads. ► Significant estimates involved in the determination of the net realisable value of inventories, including the selling price in the ordinary course of business and where applicable the estimated costs of completion necessary to make the sale.	Our audit procedures included the following: ► Obtained an understanding of the Group's processes and controls in place for determining the physical quantities of inventories on hand at balance date, which included attendance at and testing of a sample of inventory counted at the Group's physical stock counts of consumables, work in progress and finished goods at Mount Weld and LAMP. ► Assessed the qualifications, competence and objectivity of the Group's internal experts involved in determining the quantity of inventories on hand at balance date. ► Assessed the accuracy of the inventory valuation models including assessing the nature of costs allocated to inventories in determining the unit cost of inventories and the treatment of costs during the period the operations at LAMP were temporarily shut down due to COVID-19 restrictions in Malaysia. ► Assessed the carrying value of inventories at 30 June 2020 to evaluate whether they were valued at the lower of cost and net realisable value. This included evaluating the assumptions and methodologies used by the Group, in particular those relating to the expected selling price and costs to complete. ► Assessed the classification of inventories at 30 June 2020 as either current or non-current. ► Evaluated the adequacy of the Group's disclosures in the financial report relating to inventories.

Building a better working world

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 Group's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do 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, 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.

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.

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 2020.

In our opinion, the Remuneration Report of Lynas Corporation Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Building a better working world

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
17 August 2020

Table of Contents

.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June

In A$'000	Note	2020	2019 Restated
Revenue	A.1	305,111	363,541
Cost of sales	A.1	(257,340)	(273,052)
Gross profit		**47,771**	**90,489**
General and administration expenses	A.1	(57,984)	(33,611)
Net foreign exchange gain / (loss)		4,093	(273)
Other expenses		(125)	(168)
(Loss) / profit from operating activities		**(6,245)**	**56,437**
Net gain on extinguishment of debt	A.2	-	46,483
Financial income	A.2	2,662	2,312
Financial expenses	A.2	(15,573)	(21,958)
Net financial income / (expenses)		**(12,911)**	**26,837**
(Loss) / profit before income tax		**(19,156)**	**83,274**
Income tax expense	A.4	(239)	(195)
(Loss) / profit for the year		**(19,395)**	**83,079**
Other comprehensive (loss) / income for the year net of income tax that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(12,864)	10,712
Total other comprehensive (loss) / income for the year, net of income tax		**(12,864)**	**10,712**
Total comprehensive (loss) / income for the year attributable to equity holders of the Company		**(32,259)**	**93,791**
(Loss) / earnings per share			
Basic (loss) / earnings per share (cents per share)	A.3	(2.79)	12.50
Diluted (loss) / earnings per share (cents per share)	A.3	(2.79)	11.90

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

Lynas Corporation Limited and Controlled Entities

Consolidated Statement of Financial Position

As at 30 June

In A$'000	Note	2020	2019 Restated
Assets			
Cash and cash equivalents	C.1	101,731	89,710
Trade and other receivables	D.1	5,380	12,873
Current tax assets		46	18
Prepayments		3,773	1,958
Inventories	D.2	68,132	58,332
Total current assets		**179,062**	**162,891**
Inventories	D.2	9,468	4,705
Property, plant and equipment	B.1	653,090	626,462
Deferred development expenditure	B.1	28,818	32,931
Intangible assets		540	-
Other non-current assets	D.3	65,147	51,816
Total non-current assets		**757,063**	**715,914**
Total assets		**936,125**	**878,805**
Liabilities			
Interest payable		2,007	413
Trade and other payables	D.4	28,778	37,029
Borrowings	C.2	34,148	29,308
Employee benefits	D.5	2,797	2,182
Provisions	D.5	26,142	-
Lease liabilities	E.2	1,226	-
Total current liabilities		**95,098**	**68,932**
Trade and other payables	D.4	-	467
Interest payable		-	1,690
Borrowings	C.2	164,851	160,624
Employee benefits	D.5	599	550
Provisions	D.5	155,462	111,145
Lease liabilities	E.2	1,734	-
Total non-current liabilities		**322,646**	**274,476**
Total liabilities		**417,744**	**343,408**
Net assets		**518,381**	**535,397**
Equity			
Share capital	C.4	1,424,847	1,398,264
Accumulated losses		(872,677)	(853,282)
Reserves	C.5	(33,789)	(9,585)
Total equity attributable to the equity holders of the Company		**518,381**	**535,397**

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

Consolidated Statement of Changes in Equity

In A$'000	Ref	Share capital	Accumulated losses	Foreign currency translation reserve	Equity settled employee benefits reserve	Warrant reserve	Other reserve	Total
Balance at 1 July 2019		1,398,264	(853,282)	(98,907)	50,163	34,094	5,065	535,397
Other comprehensive loss for the year		-	-	(12,864)	-	-	-	(12,864)
Total loss for the year		-	(19,395)	-	-	-	-	(19,395)
Total comprehensive loss for the year		**-**	**(19,395)**	**(12,864)**	**-**	**-**	**-**	**(32,259)**
Conversion of convertible note	C.4	2,668	-	-	-	-	(556)	2,112
Exercise of warrants	C.4	23,915	-	-	-	(12,329)	-	11,586
Employee remuneration settled through share-based payments	E.7	-	-	-	1,545	-	-	1,545
Balance at 30 June 2020		**1,424,847**	**(872,677)**	**(111,771)**	**51,708**	**21,765**	**4,509**	**518,381**
Balance at 1 July 2018		1,395,417	(936,361)	(109,619)	45,091	34,094	5,856	434,478
Other comprehensive income for the year		-	-	10,712	-	-	-	10,712
Total profit for the year		-	83,079	-	-	-	-	83,079
Total comprehensive income for the year		**-**	**83,079**	**10,712**	**-**	**-**	**-**	**93,791**
Conversion of convertible note	C.4	2,847	-	-	-	-	(791)	2,056
Employee remuneration settled through share-based payments	E.7	-	-	-	5,072	-	-	5,072
Balance at 30 June 2019		**1,398,264**	**(853,282)**	**(98,907)**	**50,163**	**34,094**	**5,065**	**535,397**

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

In A$'000	Note	2020	2019
Cash flows from operating activities			
Receipts from customers		321,815	367,538
Payments to suppliers and employees		(266,814)	(254,196)
Payments for discharge of rehabilitation obligation	D.5	(14,916)	-
Royalties paid		(7,748)	(8,949)
Income taxes paid		(266)	(280)
Net cash from operating activities	C.1	**32,071**	**104,113**
Cash flows from investing activities			
Payments for property, plant and equipment and development expenditure		(12,089)	(32,279)
Security bonds paid		(39)	(77)
Security bonds refunded		6	14
Interest received		2,886	2,002
Deposit as collateral for AELB		(12,530)	(10,291)
Net cash used in investing activities		**(21,766)**	**(40,631)**
Cash flows from financing activities			
Interest and other financing costs paid		(7,030)	(9,840)
Proceeds from the issue of share capital		11,628	-
Repayment of lease liabilities		(2,602)	-
Repayment of long-term borrowing (JARE loan facility)		-	(6,973)
Net cash provided from / (used in) financing activities		**1,996**	**(16,813)**
Net increase in cash and cash equivalents		12,301	46,669
Cash and cash equivalents at the beginning of the year		89,710	42,292
Effect of exchange rate fluctuations (net) on cash held		(280)	749
Closing cash and cash equivalents	C.1	**101,731**	**89,710**

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

About this Report

Lynas Corporation Limited (the "Company") is a for-profit company domiciled and incorporated in Australia.

The financial report of Lynas Corporation Limited as at and for the year ended 30 June 2020 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 17 August 2020.

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 2020. Information for the comparative year is for the 12 month period ended 30 June 2019.

Restatement of comparative information
In preparing the financial statements for the year-ended 30 June 2020, it was noted that there was a misstatement of the JARE loan on initial recognition on 26 June 2019. The financial modelling to determine the fair value of the loan on initial recognition resulted in the non- current portion of the JARE loan balance at 30 June 2019 being overstated by $3,049,627 and the gain in the profit or loss account on extinguishment of the previous JARE loan being understated by $3,049,627, which in turn understated the profit after tax for the year by $3,049,627. Although not material to the prior period both items have been restated in the prior period comparatives to adjust for this amount as the profit and loss impact of the adjustment would have been material if it had been recognised as a gain in the current year.

In addition to the two line items being adjusted as detailed above as a result of the restatement, various sub-totals and totals affected in the Consolidated Statement of profit or loss and other comprehensive income and the Consolidated Statement of Financial Position have also been restated.

It should be noted that the restatement is non-cash in nature and does not affect reported cash flows. Furthermore, the restatement did not affect reported EBITDA and EBIT for the year ended 30 June 2019.

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 2020, the entities that have a different functional currency to the Group's presentation currency (AUD) are Lynas Corporation Limited and Lynas Africa Limited (USD functional currency) and Lynas Malaysia Sdn Bhd (MYR functional currency).

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 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 Production, the VP Sales & Marketing, the General Counsel & Company Secretary, the MD Malaysia and the VP People & Culture. 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.

76% (FY19:78%) of the Group's non-current assets are located in Malaysia and the remaining 24% (FY19: 22%) are in Australia.

Recognition and measurement

Revenue

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. There are no receivables on these terms at 30 June 2020.

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 now 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 FY20 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.

Financial Income and Expenses

Financial income comprises interest income and gains on derivative financial instruments in respect of financing 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.

	For the year ended 30 June 2020			For the year ended 30 June 2019		
In A$'000	**Rare Earth Operations**	**Corporate/ Unallocated**	**Total Continuing Operations**	**Rare Earth Operations**	**Corporate/ Unallocated**	**Total Continuing Operations**
Business segment reporting						
Revenue from contracts with customers	314,088	-	314,088	358,297	-	358,297
Other revenue:						
Price adjustments	(8,977)	-	(8,977)	5,244	-	5,244
Total revenue	**305,111**	**-**	**305,111**	**363,541**	**-**	**363,541**
Cost of sales (excl depreciation)	(205,802)	-	(205,802)	(233,651)	-	(233,651)
Cost of sales (depreciation) [3]	(51,538)	-	(51,538)	(39,401)	-	(39,401)
Gross profit	**47,771**	**-**	**47,771**	**90,489**	**-**	**90,489**
Employee and production costs net of costs recovered through production	(17,048)	(4,665)	(21,713)	(3,122)	(8,013)	(11,135)
Depreciation expenses net of cost recovered through production[3]	(13,250)	(1,230)	(14,480)	(3,677)	(1,227)	(4,904)
Other general and administration expenses[1]	(13,524)	(8,267)	(21,791)	(11,852)	(5,720)	(17,572)
Total general and admin expenses	**(43,822)**	**(14,162)**	**(57,984)**	**(18,651)**	**(14,960)**	**(33,611)**
Other income[2]	-	961	961	-	-	-
Other expenses	-	(66)	(66)	-	(168)	(168)
Net foreign exchange gain / (loss)	-	4,093	4,093	-	(273)	(273)
Asset write-offs	(1,020)	-	(1,020)	-	-	-
Profit / (loss) before interest and tax ("EBIT")	**2,929**	**(9,174)**	**(6,245)**	**71,838**	**(15,401)**	**56,437**
Net gain on extinguishment of debts	-	-	-	-	46,483	46,483
Other financial income			2,662			2,312
Financial expenses			(15,573)			(21,958)
Profit / (loss) before income tax			**(19,156)**			**83,274**
Income tax expense			(239)			(195)
Profit /(loss) for the year			**(19,395)**			**83,079**
Reconciliation of EBIT to Earnings before interest, tax, depreciation and amortisation ("EBITDA")						
EBIT	2,929	(9,174)	(6,245)	**71,838**	**(15,401)**	**56,437**
Depreciation and amortisation	64,787	1,230	66,017	43,077	1,227	44,304
EBITDA	**67,716**	**(7,944)**	**59,772**	**114,915**	**(14,174)**	**100,741**
Included in EBITDA:						
Non-cash employee remuneration settled through share based payments comprising:						
Share based payments expense for the year	-	1,545	1,545	-	5,072	5,072
Other income		(961)	(961)	-	-	-
Other non-cash transactions	1,020	-	1,020	(42)	-	(42)
Adjusted EBITDA	**68,736**	**(7,360)**	**61,376**	**114,873**	**(9,102)**	**105,771**
Total assets	**870,680**	**65,445**	**936,125**	**823,155**	**55,650**	**878,805**
Total liabilities	**(257,957)**	**(159,787)**	**(417,744)**	**(193,156)**	**(153,301)**	**(346,457)**

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

[2] Other income relates to Jobkeeper support to Mt Weld for the period April 2020 – June 2020, as well as other support measures in Malaysia.

[3] Depreciation expenses have increased to reflect the accelerated depreciation associated with the closure of the Malaysia Cracking and Leaching plant within 4 years from the renewal of the licence in September 2019.

A.2 Financial income and expenses

In A$'000	For the year ended 30 June 2020	2019
Net gain on extinguishment of debt[1]	-	46,483
Interest income on cash and cash equivalents	2,662	2,312
Total financial income	**2,662**	**48,795**
Interest expense on financial liabilities:		
Interest expense on JARE loan facility	(6,031)	(8,773)
Interest expense on convertible bond facility	(405)	(435)
Unwinding of effective interest on convertible bond facility	(1,501)	(1,477)
Unwinding of effective interest on JARE loan facility	(6,449)	(7,152)
Non-cash adjustment to financial liabilities	413	1,484
Unwinding of discount on restoration and rehabilitation provision	(3,189)	(907)
Interest expense on ROU asset	(232)	-
Discount unwinding on AELB deposit	270	356
Financing transaction costs and fees	(604)	(471)
Unrealised foreign exchange gain / (loss) on intercompany balance	2,155	(4,583)
Total financial expenses	**(15,573)**	**(21,958)**
Net financial benefit / (expenses) [1]	**(12,911)**	**26,837**

(1) During the year ended 30 June 2019 Lynas restructured its debt facility with JARE, resulting in a net gain due to the derecognition of the old facility and recognition of the new facility as detailed in Note C.2. The net gain on extinguishment of the previous JARE loan was understated by $3,049,627 in 30 June 2019 and has been restated to reflect this adjustment.

A.3 (Loss) / Earnings per share

Recognition and measurement

Basic (loss) / 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 (loss) / 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 (loss) / earnings per share are as follows:

In A$'000	As at 30 June 2020	2019
Net earnings attributed to ordinary shareholders	(19,395)	83,079
Earnings used in calculating basic earnings per share	**(19,395)**	**83,079**
Net earnings impact of assumed conversions of diluted EPS	-	1,336
Earnings used in calculating diluted earnings per share	**(19,395)**	**84,415**
Number of ordinary shares on issue ('000)	699,209	667,801
Weighted average number of ordinary shares used in calculating basic earnings per share ('000)	694,085	664,803
Weighted average number of ordinary shares used in calculating diluted earnings per share ('000)	714,749	709,451
Basic earnings per share (cents per share)	(2.79)	12.50
Diluted earnings per share (cents per share)	(2.79)	11.90

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

	Number (000's)
Unlisted convertible bonds (Conversion price: $1.00 at a set exchange rate of A$1.00 = US$0.75)	16,203
Performance rights	4,462
Total	20,665

A.4 Income taxes

A.4.1 Income tax expense

In A$'000	For the year ended 30 June 2020	2019
Current tax		
Current tax expense in respect of the current year	239	195
Adjustments recognised in the current year in relation to the current tax in prior years	-	-
	239	**195**
Deferred tax		
Deferred tax expense recognised in the year	-	-
Total income tax expense relating to the continuing operations	**239**	**195**

A.4.2 Reconciliation of income tax to tax expense

In A$'000	For the year ended 30 June 2020	2019
(Loss) / Profit before tax for continuing operations	(19,156)	83,274
Income tax (benefit) / expense calculated at 30% (2019: 30%)	(5,747)	24,982
Add / (deduct):		
Effect of expenses that are not deductible and income that is not assessable in determining taxable profit	904	4,736
Effect of foreign exchange gains and losses	(1,200)	3,787
Deferred tax relating to the origination of and reversal of temporary differences	999	(15,198)
Effect of previously unrecognised tax losses bought to account	-	(1,244)
Effect of difference in tax rate in Malaysia	(66)	(13,156)
Effect of current year losses not recognised	2,140	-
Other adjustments	3,209	(3,712)
Total current year income tax expense	**239**	**195**

A.4.3 Movements in deferred tax balances

In A$'000	Balance at 30 June 2019	Recognised in profit or loss	Recognised in equity	Recognised in OCI	Balance at 30 June 2020
Temporary differences					
Inventory	(872)	33	-	-	(839)
Development expenditure	(14,176)	(4,670)	-	-	(18,846)
Property plant and equipment	2,313	(69)	-	-	2,244
Borrowings	11,476	2,007	-	-	13,483
Trade payables	118	(9)	-	-	109
Business related costs	-	224	-	-	224
Lease liabilities	-	727	-	-	727
Provisions	12,488	1,927	-	-	14,415
	11,347	**170**	**-**	**-**	**11,517**
(Unrecognised) / recognised deferred tax assets	(11,347)	(170)	-	-	(11,517)
Net deferred tax asset / (liability) recognised	**-**	**-**	**-**	**-**	**-**

In A$'000	Balance at 1 July 2018	Recognised in profit or loss	Recognised in equity	Recognised in OCI	Balance at 30 June 2019
Temporary differences					
Inventory	-	(872)	-	-	(872)
Development expenditure	(8,601)	(5,575)	-	-	(14,176)
Property plant and equipment	1,754	559	-	-	2,313
Borrowings	19,942	(8,466)	-	-	11,476
Trade payables	119	(1)	-	-	118
Provisions	10,148	2,340	-	-	12,488
	23,362	**(12,015)**	**-**	**-**	**11,347**
(Unrecognised) / recognised deferred tax assets	(23,362)	12,015	-	-	(11,347)
Net deferred tax asset / (liability) recognised	**-**	**-**	**-**	**-**	**-**

A.4.4 Unrecognised deferred tax assets

In A$'000	As at 30 June 2020	As at 30 June 2019
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	136,049	128,523
Malaysia	172,422	167,441
Malawi	221	229
Gross capital losses		
Australia	2,145	2,145
Malaysia	269,250	305,537
Deductible temporary differences (tax effected)	11,517	11,347

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 Corporation 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).

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 in 2019. This renewal continues to be pending approval at the date of this report:
  - 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. However, these tax losses do not provide any benefit to the Group during the pioneer period as no tax would be otherwise due on pioneer product activities over this time.
  - 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 7 years after incurring the loss. Pre-pioneer period losses in Malaysia consist of MYR 368m in capital losses and MYR 257m in business losses. There is uncertainty if these losses will be utilised as they will have expired at the conclusion of the pioneer period under the 7 year carry forward period.
- There remains uncertainty at 30 June 2020 as to the impact of Covid-19 in the market and locations that Lynas operates and sells to. There is ongoing uncertainty around the quantum and the probability that the Group would have future taxable profits in these jurisdictions against which these tax losses can be utilised.

Based on these factors, the Group has not recognised a deferred tax asset in excess of the deferred tax liability at 30 June 2020. The potential deferred tax asset related to revenue losses and deductible temporary difference not bought to account is $97.1m.

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. Assets under construction are not depreciated but tested for impairment at least annually or when there is an indication of impairment.

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.

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.

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.

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.

B.1 Property, plant and equipment and mine development (cont'd)

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 similar to those described above for capitalised exploration and evaluation 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

B.1 Property, plant and equipment and mine development (cont'd)

In A$'000	Property, Plant and Equipment								Development Expenditure		
	Leasehold land	Buildings plant and equipment	Fixtures and fittings	Right of Use Assets	Assets under construction	Rehabilitation asset	Leasehold improvements	Total	Development expenditure	Pre-production /Stripping asset	Total
As at 30 June 2020											
Cost	29,705	920,798	7,267	4,873	8,123	186,125	20,977	**1,177,868**	25,050	18,358	**43,408**
Accumulated impairment losses	-	(193,463)	(401)	-	(258)	-	(7,608)	**(201,730)**	(3,725)	-	**(3,725)**
Accumulated depreciation	(3,617)	(293,571)	(5,658)	(2,603)	-	(12,825)	(4,774)	**(323,048)**	(5,991)	(4,874)	**(10,865)**
Carrying amount	**26,088**	**433,764**	**1,208**	**2,270**	**7,865**	**173,300**	**8,595**	**653,090**	**15,334**	**13,484**	**28,818**
Opening cost	30,245	903,749	7,460	-	6,105	105,120	21,301	**1,073,980**	39,759	18,078	**57,837**
Opening accumulated impairment and depreciation	(4,190)	(416,811)	(5,894)	-	(253)	(8,432)	(11,938)	**(447,518)**	(24,139)	(767)	**(24,906)**
Opening carrying amount	**26,055**	**486,938**	**1,566**	**-**	**5,852**	**96,688**	**9,363**	**626,462**	**15,620**	**17,311**	**32,931**
Additions	-	5,678	134	119	7,252	-	79	**13,262**	202	280	**482**
Additions arising from implementation of AASB 16	-	-	-	4,766	-	-	-	**4,766**	-	-	**-**
Disposals	-	-	-	-	-	-	-	**-**	-	-	**-**
Depreciation expense	(395)	(58,580)	(542)	(2,621)	-	(3,875)	(744)	**(66,757)**	(310)	(4,107)	**(4,417)**
Amortisation expense	-	-	-	-	-	-	-	**-**	-	-	**-**
Transfers of assets under construction	-	4,819	48	-	(4,884)	-	17	**-**	-	-	**-**
Change in rehabilitation obligations	-	-	-	-	-	83,295	-	**83,295**	-	-	**-**
Asset write offs	-	(778)	-	-	-	-	-	**(778)**	(178)	-	**(178)**
Foreign currency translation	428	(4,313)	2	6	(355)	(2,808)	(120)	**(7,160)**	-	-	**-**
Carrying amount at 30 June 2020	**26,088**	**433,764**	**1,208**	**2,270**	**7,865**	**173,300**	**8,595**	**653,090**	**15,334**	**13,484**	**28,818**

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 (cont'd)

In A$'000	Property, Plant and Equipment								Development Expenditure		
	Leasehold land	Buildings plant and equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Rehabilitation asset	Leasehold improvements	Total	Development expenditure	Stripping asset	Total
As at 30 June 2019											
Cost	30,245	902,620	7,460	1,129	6,105	105,120	21,301	**1,073,980**	39,759	18,078	**57,837**
Accumulated impairment losses	-	(196,505)	(407)	-	(253)	-	(7,730)	**(204,895)**	(18,299)	-	**(18,299)**
Accumulated depreciation	(4,190)	(219,477)	(5,487)	(829)	-	(8,432)	(4,208)	**(242,623)**	(5,840)	(767)	**(6,607)**
Carrying amount	**26,055**	**486,638**	**1,566**	**300**	**5,852**	**96,688**	**9,363**	**626,462**	**15,620**	**17,311**	**32,931**
Opening cost	29,304	866,403	7,867	1,158	26,476	59,582	20,595	**1,011,385**	38,862	4,078	**42,940**
Opening accumulated impairment and depreciation	(2,977)	(388,214)	(5,876)	(809)	(264)	(7,840)	(10,989)	**(416,969)**	(23,514)	(700)	**(24,214)**
Opening carrying amount	**26,327**	**478,189**	**1,991**	**349**	**26,212**	**51,742**	**9,606**	**594,416**	**15,348**	**3,378**	**18,726**
Additions	-	1,270	30	-	22,119	-	75	**23,494**	693	14,000	**14,693**
Disposals	-	-	(2)	-	-	-	-	**(2)**	-	-	**-**
Depreciation expense	(580)	(39,598)	(491)	(91)	-	(992)	(611)	**(42,363)**	-	-	**-**
Amortisation expense	-	-	-	-	-	-	-	**-**	(421)	(67)	**(488)**
Transfers of assets under construction	-	43,096	-	-	(43,113)	-	17	**-**	-	-	**-**
Change in rehabilitation obligations	-	-	-	-	-	44,757	-	**44,757**	-	-	**-**
Asset (write off) / reversal	-	-	-	42	-	-	-	**42**	-	-	**-**
Foreign currency translation	307	3,682	38	-	634	1,181	276	**6,117**	-	-	**-**
Carrying amount at 30 June 2019	**26,054**	**486,639**	**1,566**	**300**	**5,852**	**96,688**	**9,363**	**626,462**	**15,620**	**17,311**	**32,931**

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

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 goodwill and 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 FY20 (FY19: nil). There was no reversal of prior period impairment loss recognised in FY20 (FY19: 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.

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 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 25-year discounted cash flow (DCF) model. The cash flows are derived from the two-year budget and forecast model that is extrapolated over 25 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, 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

In A$'000	As at 30 June 2020	As at 30 June 2019
Cash at bank and on hand	101,731	89,710
Total cash and cash equivalents	**101,731**	**89,710**

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$84.6m in currencies other than Australian dollars, primarily US$30.7m (30 June 2019: US$27.2m) and MYR 111.3m (30 June 2019: MYR 96.9m).

Reconciliation of the (loss) / profit for the year with the net cash from operating activities

In A$'000	For the year ended 30 June 2020	For the year ended 30 June 2019
(Loss) / profit for the year	(19,395)	83,079
Adjustments for:		
Depreciation and amortisation	66,018	42,851
Employee remuneration settled through share-based payments	1,545	5,072
Net financial (income) / expenses	12,911	(26,837)
Loss on disposal of property, plant and equipment and other non-cash transactions	1,151	169
Income tax expense	239	195
Foreign exchange (gain) / loss included in (loss) / profit for the year	(4,093)	273
Change in trade and other receivables	5,678	(108)
Change in inventories	(10,456)	(7,270)
Change in operating trade and other payables	(7,112)	6,453
Change in provisions (excluding additional rehabilitation obligation)	501	236
Change in provisions (rehabilitation obligation)	(14,916)	-
Net cash from operating activities	**32,071**	**104,113**

C.2 Interest Bearing Liabilities

In A$'000	As at 30 June 2020	As at 30 June 2019
Current borrowings		
JARE loan facility[1]	16,371	29,308
Convertible bonds[2]	17,777	-
Total current borrowings	**34,148**	**29,308**
Non-current borrowings		
JARE loan facility	164,851	142,562
Convertible bond facility:	-	18,062
Total non-current borrowings	**164,851**	**160,624**
Principal value of convertible bond facility [3]	18,228	20,247
Unamortised equity component [3]	(451)	(2,185)
Total convertible bond facility carrying amount	**17,777**	**18,062**

(1) The revised terms of the JARE loan include a condition whereby an early repayment of AU$30m is required if the Malaysian operating licence is not renewed by 31 December 2019. This condition was met in August 2019 and the repayment was not required. Additionally, a payment of interest in respect of the period commencing on 1 January 2016 and ending on 31 December 2016 was deferred until October 2020 and is now classified as a current liability. This payment was deferred until 31 October 2021 subsequent to year end, refer Note E.10.

(2) The convertible bonds mature on 30 September 2020 and are classified as a current liability as at 30 June 2020. These convertible bonds have been converted subsequent to 30 June 2020, refer Note E.10.

(3) The principal balance reflects the full value of the convertible bonds. On initial recognition, part of this value is recognised as a component of equity.

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.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, with the number of shares to be issued being fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar financial liability that does not have the equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the financial liability component. Any directly attributable transaction costs are then allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognised in the statement of comprehensive income as a component of the profit or loss. On conversion the financial liability is reclassified to equity and no gain or loss is recognised in the statement of comprehensive income.

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% (FY19: 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 2020		As at 30 June 2019	
	Carrying amount (AUD '000)	Fair value (AUD '000)	Carrying amount (AUD '000)	Fair value (AUD '000)
JARE loan facility	181,222	181,222	171,870	171,870
Convertible bond facility	17,777	17,777	18,062	18,290
	198,999	**198,999**	**189,932**	**190,160**

Terms and debt maturity schedule

	Currency	Nominal interest rate	Date of maturity	As at 30 June 2020		As at 30 June 2019	
				Face value (USD '000)	Carrying amount (AUD '000)	Face value (USD '000)	Carrying amount (AUD '000)
JARE loan facility	USD	2.5%	June 2030	156,505[1]	181,222	156,505[1]	174,919
Convertible bond facility [2]	USD	1.875%	Sept 2020	12,476	17,777	14,015	18,062
				168,981	**198,999**	**170,520**	**192,981**

[1] The face value of the JARE loan facility includes US$145.0m in principal and US$11.5m in interest deferred until October 2020.
[2] The face value of the Convertible bond facility includes US$12.2m in principal and US$0.3m in interest deferred to maturity date. The carrying amount of the convertible bond facility reflects the current value of the debt component of the instrument.

Reconciliation of liabilities arising from financing activities

	30 June 2019	Cash flows	Non-Cash Movements					30 June 2020
	Opening Balance	Proceeds / (Repayments)	Effective Interest	Foreign Exchange	Adjust-ment[1]	Other [2]	Reclass	Closing Balance
JARE loan facility (Current)	29,308	-	-	-	-	-	(12,937)	16,371
JARE loan facility (Non-Current)	142,562	-	6,449	3,316	(413)	-	12,937	164,851
Convertible bond facility (Current)	-	-	-	-	-	-	17,777	17,777
Convertible bond facility (Non-Current)	18,062	-	1,501	329	-	(2,115)	(17,777)	-
Lease liability	597	(2,602)	80	-	-	4,885	-	2,960
Total	**190,529**	**(2,602)**	**8,030**	**3,645**	**(413)**	**2,770**	**-**	**201,959**

	30 June 2018	Cash flows	Non-Cash Movements						30 June 2019
	Opening Balance	Proceeds / (Repayments)	Effective Interest	Foreign Exchange	Adjust-ment[1]	Other [2]	Derecog-nition	Recog-nition	Closing Balance
JARE loan facility (Current)	-	-	-	-	-	-	-	29,308	29,308
JARE loan facility (Non-Current)	207,449	(6,973)	7,152	12,210	(1,484)	-	(218,354)	142,562	142,562
Convertible bond facility	17,663	-	1,477	978	-	(2,056)	-	-	18,062
Total	**225,112**	**(6,973)**	**8,629**	**13,188**	**(1,484)**	**(2,056)**	**(218,354)**	**171,870**	**189,932**

[1] Adjustments to the carrying values of the JARE loan during the year ended 30 June 2019 and 2020 relate to changes in the cash flow profile used to measure the carrying value of the loan.
[2] Other non-cash movements in the convertible bond facility relates to conversions of the convertible bonds, including interest paid.
Other non-cash movements in the lease liability relates to finance leases recognised in line with AASB 16.

C.3 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 2020 (30 June 2019: 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 October 31, 2020 (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 by the Blue Line JV, 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 assets. Pursuant to the amendments announced on June 27, 2019, JARE agreed to release the following securities: (i) Deed of Charge - All Assets (Malaysia) and (ii) Malaysian Real Property Mortgage.

Convertible bonds

As at 30 June 2020, the Company had on issue 12,152,136 convertible bonds, each with a face value of US$1.00. The bonds are convertible at any time prior to maturity of the bonds at the election of the bondholder. The issuer, Lynas Corporation Limited, has US dollars as its functional currency, hence the conversion option is treated as equity. During the year, US$1.5m convertible bonds were converted into shares. The average conversion price paid upon conversion of convertible bonds during the year was $1 per share, with a conversion exchange rate of AUD 1.00 = US$0.750. The number of ordinary shares into which the US$1.5m of bonds were converted during the year was 2.0m shares.

The maturity of the bonds is 30 September 2020 and the coupon rate on the convertible bonds is 1.875% p.a. (30 June 2019: 1.875% p.a.) in line with the interest calculation below. The conversion price remains at $1, with a conversion exchange rate at AUD 1.00 = US$0.750. All of the 12,152,136 unconverted bonds at 30 June 2020 have been converted subsequent to year end, resulting in 16.2m ordinary shares issued.

The bonds may be converted by the bondholder issuing a notice of conversion to the Company. If the bonds are not converted prior to the maturity date, the face value of the bonds is repayable to the bondholder on the maturity date. Prior to the maturity date, the Company is liable to pay interest on the convertible bonds, as detailed below. A bondholder may, at any time following the occurrence of a defined "Redemption Event", require the Company to redeem some or all of the convertible bonds held by the bondholder. The Redemption Events include, for example, an insolvency event occurring in relation to a Group Company, a Group Company ceasing (or threatening to cease) to carry on all or part of its business which is likely to be materially adverse to the Group as a whole, a cross default by the Group in relation to certain other financial indebtedness (including the JARE loan facility), and a change in control of any member of the Group.

The convertible bonds are unsecured. The convertible bond terms include customary covenants which restrict the Group from incurring any financial liabilities or creating any security interests which in each case would rank senior to or pari passu with the convertible bonds, subject to specified exceptions which include the JARE loan facility.

If, on the last day of any calendar month ("test date") the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is US$38.0 per kilogram or greater, the interest rate increases to 1.875% p.a., effective on and from the day after the test date. The interest rate will remain 1.875% p.a. until there have been 6 consecutive test dates on which the weighted average sale price of NdPr products sold by the Group in the immediately preceding 6 calendar months is less than US$38.0 per kilogram, in which case the interest rate will revert to 1.25% p.a. effective on and from the day after such 6th consecutive test date, and will remain 1.25%p.a. until any test date on which the weighted average realized sale price of NdPr products sold by the Group in the immediately preceding 6 calendar month is US$38.0 per kilogram or greater.

The interest incurred from 1 January 2016 to 31 December 2016 was deferred to the maturity date with no penalty and no additional interest. All interest accrued after 1 January 2017 is paid as accrued at interest dates of 31 December and 30 June each year. As a bond is converted prior to the maturity date, the associated interest owed on that bond is paid on conversion.

C.4 Contributed Equity

	As at 30 June			
	2020		2019	
	Number of shares '000	A$'000	Number of shares '000	A$'000
Balance at the beginning of the year	**667,802**	**1,398,264**	**662,547**	**1,395,417**
Issue of shares pursuant to conversion of convertible bonds	2,000	2,668	2,120	2,847
Issue of shares pursuant to exercised performance rights	6,151	-	3,135	-
Issue of shares pursuant to exercised warrants	23,256	23,915	-	-
Closing balance	**699,209**	**1,424,847**	**667,802**	**1,398,264**

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.5 Reserves

In A$'000	As at 30 June 2020	As at 30 June 2019
Equity settled employee benefits	51,708	50,163
Foreign currency translation	(111,771)	(98,907)
Warrant reserve	21,765	34,094
Equity component of convertible bond	4,509	5,065
Balance at 30 June	**(33,789)**	**(9,585)**

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.

The equity component of convertible bond reserve represents the equity component of the US$225.0m unsecured convertible bond facility issued in 2012 and amended in 2016, net of the associated deferred tax. This has reduced in line with the conversion of bonds during the year.

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 treasury 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. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to interest rate risk is shown below:

In A$'000	30 June 2020 Exposure	Interest Rate Risk 0.5% Impact on Profit and Equity	Interest Rate Risk -0.5% Impact on Profit and Equity	30 June 2019 Exposure	Interest Rate Risk 0.5% Impact on Profit and Equity	Interest Rate Risk -0.5% Impact on Profit and Equity
Floating rate instruments						
Cash and cash equivalents	101,731	509	(509)	89,710	449	(449)
Other non-current assets	2,992	15	(15)	3,009	15	(15)
Convertible bond facility	(17,777)	-	-	(17,663)	(88)	88
Total	**86,946**	**524**	**(524)**	**75,056**	**376**	**(376)**

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.

In A$'000	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
Convertible bond facility	17,777	18,143	18,143	-	-	-
JARE loan facility	181,222	264,181	19,390	2,614	70,733	171,444
Lease liabilities	2,960	3,340	1,203	1,162	974	-
Total	**201,959**	**285,664**	**38,736**	**3,776**	**71,707**	**171,444**

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:

In $A'000's	Carrying Amount	Foreign Exchange Risk			
		-10%		10%	
		Profit	Equity	Profit	Equity
As at 30 June 2020					
Net exposure of US$ financial assets	US$ 46,181	4,618	-	(4,618)	-
Net exposure of A$ financial assets	A$ 815	(82)	-	(82)	-
Net asset exposure – MYR currency	MYR 241,314		(7,486)		9,128
Net asset exposure – US$ currency	USD (57,869)		8,432		(8,432)
As at 30 June 2019					
Net exposure of US$ financial assets	US$ 8,377	1,086	-	(1,086)	-
Net exposure of A$ financial assets	A$ 244	(24)	-	24	-
Net asset exposure – MYR currency	MYR 373,890	-	(12,875)	-	12,875
Net asset exposure – US$ currency	USD (79,935)	-	11,139	-	(11,139)

D. Other Assets and Liabilities

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

D.1 Receivables

	As at 30 June	
In A$'000	**2020**	**2019**
Trade receivables	1,876	9,240
GST / VAT receivables	1,606	2,261
Other receivables	1,898	1,372
Total current trade and other receivables	**5,380**	**12,873**

The Group's exposure to credit risk is primarily in its trade receivables. As at 30 June 2020 $0.14m (2019: $0.60m), of trade receivables were past due but not impaired. The Group is in regular contact with these debtors and expects the remaining amounts will be collected in full.

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	
In A$'000	**2020**	**2019**
Raw materials and consumables	25,796	18,627
Work in progress	37,181	25,003
Finished goods	14,623	19,407
Total inventories	**77,600**	**63,037**
Current inventories	68,132	58,332
Non-current inventories	9,468	4,705
Total inventories	**77,600**	**63,037**

During the year ended 30 June 2020 inventories of $257.3m (2019: $273.1m) were recognised as an expense. All of which were included in 'cost of sales'.

Depreciation recognised in inventories

The Group recognised depreciation on its property, plant and equipment and amortisation on its deferred development expenditure and intangible assets for the years ended 30 June 2020 and 2019 respectively in the following categories:

	Recognised in General and Administration Expense		Recognised in Inventory		Total	
In A$'000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment	13,924	4,416	52,833	37,947	66,757	42,363
Deferred development expenditure	556	488	3,861	-	4,417	488
Total	**14,480**	**4,904**	**56,694**	**37,947**	**71,174**	**42,851**

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 $51.5m in the year ended 30 June 2020 (2019: $39.4m).

Write downs of inventory
During the year ended 30 June 2020, $0.9m (2019: nil) was recognised in relation to write-downs to net realisable value for some products.

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	
In A$'000	**2020**	**2019**
Security deposits – banking facilities and other, Malaysia	2,977	2,993
Security deposits – banking facilities and other, Australia	15	16
Security deposits – AELB, Malaysia	5,480	4,388
Security deposits – AELB, Australia	56,675	44,419
	65,147	**51,816**

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), with a further US$11.0m paid via cash directly to AELB (none of which is interest earning, and has been discounted to a present value of $5.5m).

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	
In A$'000	**2020**	**2019**
Trade payables	13,180	14,119
Accrued expenses	9,761	14,397
Other payables	5,837	8,980
Total trade and other payables	**28,778**	**37,496**
Current	28,778	37,029
Non-current	-	467
Total trade and other payables	**28,778**	**37,496**

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

In A$'000	As at 30 June 2020	2019
Current		
Short term employee benefits	2,797	2,182
Restoration and rehabilitation [1]	26,142	-
Total current	**28,939**	**2,182**
Non-Current		
Long term employee benefits	599	550
Restoration and rehabilitation	155,462	111,145
Total non-current	**156,061**	**111,695**

[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 2018 and Mt Weld as at 30 June 2020. 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.

In A$'000	As at 30 June 2020	As at 30 June 2019
Restoration and Rehabilitation		
Balance at the beginning of the year	111,145	64,485
Provisions made during the year	73,970	42,650
Provisions paid during the year	(14,916)	-
Changes to inflation and discounts rates	9,635	2,107
Effects of foreign exchange movement	(1,419)	996
Unwinding of discount on provision	3,189	907
Balance at 30 June	**181,604**	**111,145**

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 January 30, 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 Sengarra Sdn Bhd ("GSSB") as the contractor to manage the entire PDF project. The total cost of this project will be MYR 400m. The provision for restoration and rehabilitation has increased to reflect the present value of the obligation that exists at 30 June 2020. 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 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 2020.

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 (FY19: US$31.2m) 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 Operating Leases and other commitments

AASB 16 Leases

The Group adopted AASB 16 as of 1 July 2019.

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the lease assets and interest on the lease liabilities are recognised in the consolidated income statement.

Prior to the adoption of AASB 16, Lynas designated each of its leases as either a finance or operating lease. Finance leases were capitalised to the Statement of Financial Position as per AASB 117. Operating leases were not capitalised and lease payments were recognised in the Statement of Profit or Loss as they were incurred.

Transition to AASB 16

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. At the transition date, the Group assessed all contracts which had assets embedded in it for leases under AASB 16. The Group has applied the practical expedient for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') are not recognised as an right of use asset. For all other applicable lease contracts, the Group has recorded the right of use asset at an amount equal to the lease liability.

The impact on the statement of financial position as at 1 July 2019 on adoption of AASB 16 and the carrying values of right of use assets and lease liability at 30 June 2020 are set out in the table below:

In A$'000	1 July 2019	30 June 2020
Right of use assets – Buildings, Plant and Equipment	4,766	2,270
Total Assets	**4,766**	**2,270**
Lease liability – current	2,134	1,226
Lease liability – non – current	2,632	1,734
Total lease liability	**4,766**	**2,960**

Lease liabilities reconciliation on transition	A$'000
Operating lease commitments disclosed at 30 June 2019	**7,296**
Less	
Present value discounting of lease liabilities[(1)]	(556)
Short term leases	(315)
Contracts reassessed as service contracts[(2)]	(2,276)
Add	
Additional leases identified during transition[(3)]	617
Lease liabilities recognised	**4,766**

(1) Lease liabilities were discounted using a weighted average discount rate of 6.5%
(2) The operating commitment disclosure at 30 June 2019 included amounts relating to contracted electricity and other service charges which have not been recognised as a lease asset upon implementation of AASB 16.
(3) Buy out options on some assets have been included in the valuation of some leases upon implementation.

Payments of $0.34m for short term leases (lease term of 12 months or less) and no payments for leases of low value assets were expensed in the consolidated income statement for the year ended 30 June 2020.

The new 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.

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 2019 or 30 June 2020.

Key estimates and judgements

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 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).

Non-cancellable operating lease rentals are payable as follows:

	As at 30 June	
In A$'000	**2020**	**2019**
Less than one year	N/A	3,566
Between one and five years	N/A	3,729
More than five years	N/A	-
Total	**N/A**	**7,295**

The Group has contracts for several operating leases for business premises located in Perth, Laverton and Kuantan. The Group also has several operating leases for motor vehicles and mobile plant and equipment. These have now been accounted for through AASB 16 Leases.

Exploration commitments

	As at 30 June	
In A$'000	**2020**	**2019**
Less than one year	373	373
Between one and five years	1,533	1,313
More than five years	2,345	1,600
Total	**4,251**	**3,286**

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the 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

In A$'000	As at 30 June 2020	As at 30 June 2019
Less than one year	4,109	3,680
Total	**4,109**	**3,680**

At 30 June 2020 and 2019 capital commitments relate to on-going capital project costs in Malaysia.

Other commitments

In A$'000	As at 30 June 2020	As at 30 June 2019
Less than one year	-	13,258
Between one and five years	-	-
More than five years	-	-
Total	**-**	**13,258**

Other commitments included the following in FY19:

- Lynas was required to pay in instalments, a total of US$50.0m to the Malaysia's AELB in accordance with the conditions underlying the granting of Lynas' Full Operating Stage Licence for the Lynas Malaysia plant in Gebeng, Malaysia. The final instalment was paid in November 2019; and
- Fees for corporate costs committed which were paid in early FY19.

E.3 Auditor Remuneration

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

In $A	For the year ended 30 June 2020	For the year ended 30 June 2019
Auditor's remuneration to Ernst & Young (Australia), comprising:		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	229,963	244,725
Fees for other services - Tax Services	4,100	6,800
Total auditor's remuneration Ernst & Young (Australia)	**234,063**	**251,525**
Auditor's remuneration to Ernst & Young (other locations), comprising:		
Fees for auditing the financial report of any controlled entities	133,722	127,806
Fees for other services - Tax Services	16,300	36,125
Total auditor's remuneration Ernst & Young (other locations)	**150,022**	**163,931**
Total auditor's remuneration	**384,085**	**415,456**

Other fees paid to EY Australia in FY20 and FY19 relate to completion of tax returns for expatriate employees.

E.4 Subsidiaries

Name of Group entity	Principal activity	Country of incorporation	Ownership interest as at 30 June 2020	Ownership interest as at 30 June 2019
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 Corporation 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 26. Entity is also a member of the tax-consolidated group.

E.5 Parent Entity Information

In A$'000	As at 30 June 2020	As at 30 June 2019
Current assets	31,055	37,013
Total assets	**933,333**	**875,234**
Current liabilities	(18,378)	(30,452)
Total liabilities	**(201,006)**	**(194,736)**
Net assets	**732,327**	**680,498**
Share capital	1,424,847	1,398,264
Accumulated deficit	(1,115,948)	(1,104,934)
Reserves	423,428	387,168
Total shareholders' equity	**732,327**	**680,498**
Profit / (loss) of the Company	(11,014)	23,754
Total comprehensive gain / (loss) of the parent Company	**(11,014)**	**23,754**

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 Corporation 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	
In A$'000	**2020**	**2019**
Cash and cash equivalents	103,390	96,319
Trade and other receivables	397,305	368,754
Inventories	16,100	13,056
Total current assets	**516,795**	**478,129**
Inventories	8,932	3,632
Property, plant and equipment	123,824	124,147
Deferred exploration, evaluation and development expenditure	28,818	30,865
Investments in subsidiaries	375,080	375,080
Other assets	16	16
Total non-current assets	**536,670**	**533,740**
Total assets	**1,053,465**	**1,011,869**
Trade and other payables	6,923	9,277
Interest payable	-	413
Borrowings	34,148	29,308
Employee benefits	3,075	2,421
Intercompany payables	217,284	200,348
Total current liabilities	**261,430**	**241,767**
Provisions	46,154	40,348
Employee benefits	1,408	550
Borrowings	164,851	163,673
Total non-current liabilities	**212,413**	**204,571**
Total liabilities	**473,843**	**446,338**
Net assets	**579,622**	**565,531**
Share capital	1,424,847	1,398,264
Accumulated deficit	(1,037,196)	(1,024,999)
Reserves	191,971	192,266
Total equity	**579,622**	**565,531**
Statement of comprehensive income		
Revenue	90,256	107,746
Cost of sales	(71,290)	(80,906)
Gross profit	**18,966**	**26,840**
Other income / (expenses)	589	47
General and administration expenses net of recoveries	(18,725)	(14,733)
Profit from operating activities	**830**	**12,154**
Financial income	1,691	44,790
Financial expenses	(14,712)	(16,518)
Net financial income / (expenses)	**(13,021)**	**28,272**
Profit / (loss) before income tax	**(12,191)**	**40,426**
Income tax benefit / (expense)	(6)	35
Profit / (loss) for the year from continuing operations	**(12,197)**	**40,461**
Other comprehensive loss, net of income tax		
Exchange differences on foreign currency transactions	(325)	92
Total other comprehensive loss for the year, net of income tax	**(325)**	**92**
Total comprehensive income / (loss) for the year	**(12,522)**	**40,553**

E.7 Employee costs and share based payments

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

In A$'000	For the year ended 30 June 2020	2019
Wages and salaries	44,683	43,035
Superannuation and pension contributions	1,514	1,400
Employee remuneration settled through share-based payments	1,545	5,072
Other	884	662
Total employee costs	**48,626**	**50,169**

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:

In A$	For the year ended 30 June 2020	2019
Short-term employee benefits	5,859,449	5,738,546
Long-term employee benefits	41,538	31,825
Post-employment benefits	313,091	323,942
Share based payments	1,032,611	4,505,943
Total compensation paid to key management personnel	**7,246,689**	**10,600,256**

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 for Production, Vice President for Sales & Marketing, MD Malaysia and Vice President for People & Culture.

Movements in employee performance rights during the year

	For the year ended 30 June 2020		For the year ended 30 June 2019	
	No. of performance rights ('000)	Weighted average exercise price ($)	No. of performance rights ('000)	Weighted average exercise price ($)
Balance at beginning of year	9,044,069	0.00	11,286,942	0.00
Granted during the year	1,873,707	0.00	1,161,987	0.00
Expired during the year	-	0.00	-	0.00
Exercised during the year	(6,151,083)	0.00	(3,134,524)	0.00
Forfeited during the year	(305,156)	0.00	(270,336)	0.00
Balance at end of year	**4,461,537**	**0.00**	**9,044,069**	**0.00**
Exercisable at end of year	997,490	0.00	1,830,247	0.00

During the year ended 30 June 2020 the Group recognised net share based payment expense of $1.5m (2019: $5.1m) within the profit and loss component of the statement of comprehensive income. The net expense during the year included the reversal of expenses totalling $1.3m (2019: $0.2m) associated with the forfeiture of 305,156 performance rights and reassessment of the probability of achieving non-market based vesting criteria.

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 437 days (2019: 231 days). The performance rights exercised during the year had a weighted average share price on exercise date of $2.04 (FY19: $2.19).

Performance rights granted in the period

The following table summarises the performance conditions attached to performance rights granted during the financial year ended 30 June 2020 with respect to the performance of the Group's employees during the financial year ended 30 June 2019:

	Vesting schedule	For grants made in FY20
TSR hurdle (50%) **(performance against ASX 200 Companies during the vesting period)**	50% of the TSR portion will vest for:	51st percentile performance
	100% of the TSR portion will vest for:	76th percentile performance
	Pro-rata vesting will occur between each of the above points	
EBIT Hurdle (50%) **(EBIT performance 1 July 2019 to 30 June 2022)**	50% of the EBIT portion will vest for:	Cumulative average annual EBIT increase at the end of the period from 1 July 2019 to 30 June 2022 compared to the base period of FY19 is at least 7% per annum.
	100% of the EBIT portion will vest for:	Cumulative average annual EBIT increase at the end of the period from 1 July 2019 to 30 June 2022 compared to the base period of FY19 is at least 10% per annum.
	Additional 20% of the EBIT portion, giving a total of 120% of the EBIT portion:	Cumulative average annual EBIT increase at the end of the period from 1 July 2019 to 30 June 2022 compared to the base period of FY19 is at least 15% per annum.

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 $2.198 (2019: $1.986) 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 BD	Series BE	Series BF	Series BG	Series BD	Series BE	Series BF	Series BG
Grant date	26 Aug 2019	26 Aug 2019	26 Aug 2019	26 Aug 2019	26 Nov 2019	26 Nov 2019	26 Nov 2019	26 Nov 2019
5 day VWAP	$2.34	$2.34	$2.34	$1.66	$2.29	$2.29	$2.29	$1.63
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	69.4%	69.4%	69.4%	69.4%	61.2%	61.2%	61.2%	61.2%
Risk-free Rate	0.69%	0.69%	0.69%	0.69%	0.73%	0.73%	0.73%	0.73%
Expiry date	26 Aug 2020	26 Aug 2022	26 Aug 2022	26 Aug 2022	26 Aug 2020	26 Aug 2022	Aug 28, 2022	Aug 28, 2022

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
AO	30 November 2016	532,373	30 August 2019	30 August 2021	$ 0.00	$ 0.680
AP	30 November 2016	465,117	30 August 2019	30 August 2021	$ 0.00	$ 0.500
AR	28 August 2017	476,715	28 August 2020	28 August 2022	$ 0.00	$1.360
AU	28 November 2017	231,066	28 August 2020	28 August 2022	$ 0.00	$2.060
AV	28 November 2017	192,555	28 August 2020	28 August 2022	$ 0.00	$1.620
AY	28 August 2018	199,446	28 August 2021	28 August 2023	$ 0.00	$2.187
AZ	28 August 2018	166,205	28 August 2021	28 August 2023	$ 0.00	$1.431
BB	27 November 2018	176,920	28 August 2021	28 August 2023	$ 0.00	$2.187
BC	27 November 2018	147,433	28 August 2021	28 August 2023	$ 0.00	$1.463
BD	26 August 2019	317,589	26 August 2020	26 August 2020	$ 0.00	$2.340
BE	26 August 2019	157,175	26 August 2022	26 August 2024	$ 0.00	$2.340
BF	26 August 2019	664,594	26 August 2022	26 August 2024	$ 0.00	$2.340
BG	26 August 2019	188,609	26 August 2022	26 August 2024	$ 0.00	$1.660
BD*	26 November 2019*	109,148	26 August 2020	26 August 2020	$ 0.00	$2.290
BE*	26 November 2019*	136,435	26 August 2022	26 August 2024	$ 0.00	$2.290
BF*	26 November 2019*	136,435	26 August 2022	26 August 2024	$ 0.00	$2.290
BG*	26 November 2019*	163,722	26 August 2022	26 August 2024	$ 0.00	$1.630
Total		**4,461,537**				

* 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.

E.8 Options and warrants

On 9 December 2016 the Group issued 348,843,836 unlisted warrants to the bond holder group. These warrants were issued to the bond holder group as part of the amendments to the terms of the convertible bonds that were approved by shareholders at the 2016 AGM of shareholders. From the date of issue, each warrant is exercisable into one ordinary share at an exercise price of $0.05* and had an expiry date of September 30, 2020.

The costs of these equity-settled transactions have been measured by reference to the fair value at the date at which they were granted using the Black Scholes pricing model. Each warrant had a fair value of $0.0235.

All outstanding warrants were exercised during the year.

	December 2016 Issue
Exercise price	$0.50*
Expiry date	30 September 2020
Balance as at 30 June 2019	23,256,258
Exercised during the year	(23,256,258)
Balance as at 30 June 2020	-

*Exercise price has been adjusted to $0.50 from $0.05 to reflect the 10 to 1 share consolidation of Lynas Corporation Ltd shares, which was completed on 4 December 2017.

E.9 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. The Group applies, for the first time, *AASB 16 Leases and AASB Interpretation 23 Uncertainty over Income Tax Treatment*. As required, the nature and effect of the changes of these new standards has been disclosed

Standards and Interpretations in issue not yet adopted

No other Australian Accounting Standards issued but not yet mandatory for the financial year ending 30 June 2020 have been adopted by the Group in the preparation of this financial report.

New and amended accounting standards and interpretations

AASB 16 Leases

The Group adopted AASB 16 as of 1 July 2019. Refer to Note E2 for disclosures associated with the adoption of this standard.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of *AASB 112 Income Taxes.* It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies judgement in identifying uncertainties over income tax treatments. The Group has not recognised any deferred tax assets as at 30 June 2020. The interpretation did not have an impact on the consolidated financial statements of the Group.

E.10 Subsequent events

On 7 July 2020, Lynas announced that Lynas Chair Mike Harding had informed the Board of his intention to retire as Chair of the Lynas Board and as a non-executive Director of Lynas, effective from 30 September 2020. Kathleen Conlon, a Non-Executive Director of Lynas since November 2011, has been elected to succeed Mike as the Non-Executive Chair of the Lynas Board with effect from 30 September 2020.

On 15 July 2020, Lynas announced a significant step towards its new Kalgoorlie Rare Earths processing plant with Metso Outotec awarded the contract to supply the plant's kiln after a competitive tender process. The 110 metre long, 1500 tonne kiln is the largest and longest lead time piece of equipment required for the plant's operation. The contract for engineering and supply of the kiln is valued at approximately US$15m (A$21.6m), including the discharge housing, combustion chamber and burner, motor control stations and delivery to Kalgoorlie.

On 27 July 2020, Lynas announced that Phase I work on a U.S. based Heavy Rare Earth separation facility has proceeded to the contract phase and Lynas and the U.S. Department of Defense have signed a contract for this work.

On 3 August 2020, bondholders converted the remaining US$12.2m (A$17.6m) convertible bonds which resulted in an additional 16.2m shares issued. As a result of these conversions, the remaining liability in respect to the convertible bonds has been fully extinguished.

On 13 August 2020, Lynas announced that, consistent with JARE's previous reductions of payments under the JARE Loan Facility to allow Lynas to use cash flow from operations on capital expenditure for the Lynas 2025 Projects, JARE has now agreed to defer until 31 October 2021 further interest payments in the amount of US$11.5m that had previously been due on 31 October 2020.

On 17 August 2020, Lynas announced that the Company is undertaking an equity raising comprising a fully underwritten institutional placement and a pro-rata accelerated non-renounceable entitlement offer to raise approximately $A425m. The offer will fund the Lynas 2025 foundation projects to be delivered in 2023, including:

- The Kalgoorlie Rare Earth Processing Facility to produce mixed Rare Earth carbonate for shipment to Lynas Malaysia, and
- Associated upgrades at Lynas Malaysia

With the exception of the above, there have been no other events subsequent to 30 June 2020 that would require accrual or disclosure in this financial report.