Australian Shareholders' Association

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Another mixed year with rare earth price falls impacting results.

Company/ASX Code	Lynas Rare Earths/LYC
AGM time and date	10am (AEDT) Wednesday, 27 November 2024
Location	The Mint, 10 Macquarie St, Sydney
Registry	Boardroom Pty Ltd
Type of meeting	Hybrid (in person and online) https://my.300.lumiconnect.com/r/participant/live-meeting/300-983-735-475
Monitor	Julieanne Mills
Pre-AGM Meeting	Online meeting with Chair John Humphrey and Chair of Nom and Rem committee Vanessa Guthrie.

Monitor Shareholding: The individual involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
1	Remuneration report	For
2	Re-election of Philippe Etienne as a Director	For
3	Grant of performance rights to Amanda Lacaze, CEO and Managing Director	For

2. Summary of Issues and Voting Intentions for AGM

Lynas Rare Earths (LYC) continued as one of the few companies outside China extraction and processing of rare earth minerals in Australia and Malaysia. It was a more challenging year than last as profits and prices for rare earths continued to fall. The average price of LYC's main product a combination of two rare earth metals, Neodymium Praseodymium (NdPr), fell from $60.4/kg in FY23 to $44/kg in FY24 largely due to fluctuations in supply and demand, geopolitical forces and a slow down in EV demand.

Production volumes for NdPr decreased by 8% due to the major works and maintenance shutdown in the Malaysian facility from mid-November thru to December. Total Rare Earth Oxide (REO) production in FY 24 was 10,908 tonnes, with NdPr production at 5,655 tonnes.

The company reported revenue of $463.3 million and a net profit after tax of $84.5 million for the year despite the challenging market conditions. Total costs fell 17% with a focus on cost efficiencies.

Progress was made with the new $800m Kalgoorlie Rare Earth Processing Facility finally producing its first mixed rare earth carbonate (MREC) in June 2024 and shipping it to Malaysia. The facility was officially opened on 8 November 2024. The capacity to ramp up production in Malaysia and Mt Weld will now provide the ability to increase production aligned to market demand.

The recent Mt Weld exploration drilling program identified a 92% increase in mineral resources and a 63% increase in ore reserves. Increasing the mine life to 20 years at 12,000 tonnes pa of NdPr oxide finished product.

Stage 1 of the Mt Weld expansion project has now been completed with Stage 2 expected to be completed in FY25. A 5-year contract with Carey mining services will provide continuous mining for Mt Weld providing greater capacity for the Kalgoorlie and Malaysia facilities.

The Malaysian major works progressed the capacity uplift towards 10,500 tonnes p.a. of NdPr. This also enabled the reconfiguring of a solvent extraction circuit for Heavy Rare Earth production of Dysprosium and Terbium, with production expected in CY25.

Our meeting with the chairman focused on board renewal, succession planning, Mr Etienne's contribution to the board and the skillset required of new directors. We also discussed a dividend policy and improvements to the remuneration reporting.

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

Accounts and reports

NPAT of $84.5m was down 73% over FY23 mainly due to a 18% decrease in the average selling price of REO and lower production and sales.

During the year $579m was invested in capital and mine development projects notwithstanding this LYC still maintained a cash balance at year-end of $524m. Long dated debt reduced to US$130m.

No dividends or share buyback occurred during the year. The LYC share price has seen significant volatility this year and has increased significantly since July, to exceed $8 in the second week of November.

Financial performance

(As at FYE)	**2024**	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	84.5	310.7	540.8	157.1	(19.4)
Share price ($) EOFY	5.93	6.85	8.73	5.71	1.94
Dividend (cents)	0	0	0	0	0
Simple TSR (%)	(13)	(22)	53	194	(25)
EPS (cents)	9.04	34.05	59.95	18.08	(2.79)
CEO total statutory remuneration, ($m)	3.483	3.67	5.61	2.85	N/A

The CEO's actual remuneration consists of salary and associated benefits plus cash component of FY22 STI, together with the value at vesting date of FY22 STI and LTI relating to the 3 year performance period ended FY23. This is statutory reporting not actual and share rights are reflected at fair value, this may not reflect actual outcomes. Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year).

Governance and culture

This will be the first AGM for the new chair John Humphrey. ASA had an open discussion with the chair around succession planning given the 10 year term of the CEO. The board are confident that Amanda Lacaze currently has the energy and enthusiasm for the role and are cognisant of a need for succession planning.

There are 5 independent directors and the CEO/MD on the board, 30% of the board are women.

No new board directors have been announced this year due to discussions with MP Materials over a potential merger. The discussions are now over and there will be a focus on board renewal this year with the appointment of possibly two directors and 3-4 over the next few years. Gender and jurisdiction diversity will be a consideration. The focus of the board is to build revenue resilience and sales expertise skills.

A skills matrix is provided in the corporate governance statement with skills needed in innovation (R&D and specialty products), manufacturing, capital projects, environment and climate change.

ASA questioned the board on their dividend policy. The chair explained that the company had embarked on a significant expansion phase over the past few years, that was advertised to the market beforehand, this required significant capital, and dividends were not appropriate in this context. However, this is now coming to an end, and they will be considering dividends within their capital management framework during the year. We hope to see a dividend policy in 2025.

Key events

- Production volumes decreased due to a major works program and maintenance shutdown in Malaysia.
- Mt Weld expansion project progress with new mining program and construction and new resource and reserves numbers produced, improving mine life.
- Malaysian operations saw capacity expansion and reconfiguration of solvent extraction for Heavy Rare Earth production of Dysprosium and Terbium.
- First production of Mixed Rare Earth Carbonate (MREC) at Kalgoorlie Rare Earths Processing Facility was shipped to Malaysia in June 24.
- Signed contracts with Zenith for supply of power from Hybrid power plant renewable source with gas back up for Mt Weld
- US Heavy Rare Earths (HRE) processing facility is being established in Malaysia. Expansion of their product range to include 5 HRE: Dysprosium (Dy), Terbium (Tb) and mixed HRE products.
- A further U.S. Dept of Defence follow on contract for the development of a Heavy Rare Earth processing facility in America.

CAPEX for FY25 is expected to be in the $400-500m range it includes Mt Weld Expansion to extend concentrate feedstock, and the Malaysian Industrial Plan to increase processing capacity and the new Dy Tb separation.

Key board or senior management changes

There were no changes to key management personnel apart from the retirement of the chair, Kathleen Conlon on 29 November 2023. Mr John Humphrey became the new chair and Dr Vanessa Guthrie is the new chair of the remuneration committee.

A 5 year contract was signed with Carey group for mining services at Mt Weld.

Sustainability/ESG

Sustainability/ESG report is informative and detailed.

Lynas has an emphasis on cultural diversity and inclusivity. The transfer of Malaysian skills occurred as the Kalgoorlie plant was ramping up with team members transferred to Australia to help set up the plant.

They have 25% women at senior executive level with a target of 30% women for 2025. Unfortunately it has made no progress this year. Pay equality is close with almost zero gap at manager and senior manager level and the average gap at 16.9% is below the industry average of 23.1%. Flexible work arrangements include 18 week maternity leave.

There is a companywide employee profit share scheme so that all employees benefit from the company's success. Employee Engagement participation rate at 87% with scores in the high 80 and 90 percent's.

Safety did not live up to expectations with TRIF increasing to 5.0 from 3.2, and the STI was adjusted accordingly, LTIF was down from 1.23 to 1.04, and no fatalities occurred.

Reconciliation action plan includes cultural awareness for all employees. The cultural heritage management plan was completed in FY22 and all sites are 100% surveyed. A 5 year contract with a 100% indigenous owned mining services business was signed this year, it will provide greater indigenous employment and continuous mining at Mt Weld. Lyc first "Reflect" RAP has been approved. There is a focus on community employment, procurement, engagement and partnerships.

LYC has produced its 4th Modern slavery report. They are a UN compact signatory and have a supplier sustainability policy and code of conduct in place and operate in low risk jurisdictions.

There is an externally supported speak up program in place.

LYC has adopted the Taskforce for Climate-related Financial Disclosures framework. A climate change strategy and management plan are included in the annual report. LYC have a policy and a commitment to Net Zero by 2050 but no interim targets.

There is significant opportunity for LYC from a transition to renewables and electrification with increasing demand for rare earths for batteries and magnets. The risks will see the potential for drought and flooding, bush fires and heat extremes, and a need to reduce its fossil fuel use.

Water and power are being addressed but they are ongoing concerns. FY24 saw increases in water use due to construction. LYC is focused on recycling and efficiency. They have reduced the tailings volume by 50% and increased recycling of water. A new $30m Mt Weld water treatment plant is expected to provide a step change in recycling with tailings dam water recycling improving from 30% to a 90% yield and will reduce ground water use. It is expected to be completed in FY25.

The new Gas Hybrid power station at Mt Weld is under construction with a 7MW solar PV and 24MW wind turbines, along with a 12MW battery and diesel backup. It is targeting up to 70% renewable energy. In Malaysia LYC is installing 0.75MW roof top solar which is due for completion in FY25.

Waste in Malaysia is strictly monitored, and they continue building their iron phosphate (WLP) permanent disposal facilities. This WLP waste has low levels of radioactivity and is being investigated for further uses potentially in cement or agricultural products. Lynas is required to invest 1% revenue in R&D as part of their Malaysian licensing, they spent $10m this year.

Scope 1 & 2 emissions produced in FY24 totalled 111,638 tonnes of CO_2e. This is likely to rise as the Kalgoorlie plant ramps up. LYC has started reporting some Scope 3 emissions and will be enhancing the data and expanding its reach in FY25.

LYC has calculated a current average life cycle assessment of REO GHGe as 30kg CO_2~equivalent per kg of REO based on 2019.

Audit partner rotation occurs every 5 years.

ASA focus issues (not discussed above or under remuneration report or re-election of directors)

Remuneration

There have been no significant changes to the remuneration structure in FY24. LYC has a STI and LTI scheme that extends to key employees. They also have an employee wide bonus scheme for those not included in this.

CEO statutory remuneration is presented, no actual take home pay is disclosed. ASA prefers the actual "take home" pay to be disclosed.

The FY22-24 LTI outcome was 30% of the maximum vesting. There was a relative total shareholder return (TSR) of 13.3% and LYC was ranked at the 56th percentile of ASX 200 peer group. Kalgoorlie nameplate capacity and the development of separation capacity at Kalgoorlie were not achieved.

The 2024 LTI plan measures relative TSR against the ASX 50-150 (peer group) index, vesting occurs from the 51st percentile at 50% and 100% at the 75th percentile over a three year period.

ASA prefers LTI awards based on a relative TSR hurdle should not vest unless performance is above the 50th percentile of the peer group over a minimum 4-year period. Our preferred position is 30% vesting at the 51st percentile, rising in a straight line to 100% vesting at the 85th percentile.

Further details of the remuneration can be found in the appendix at the end of this report.

4. Rationale for Voting Intentions

Resolution 1 Remuneration Report (for)

The ASA have no significant concerns about the remuneration report. We believe the board has given due consideration to the remuneration, applied discretion where needed and not awarded excessive remuneration. The ASA voted against the remuneration report last year. We would like the board to consider our suggestion to include a table of CEO and KMP take home pay to give greater clarity to remuneration outcomes for retail shareholders. We would also like to see a minimum shareholder requirement policy put in place especially given the renewal of the board.

The ASA will vote in favour of the remuneration report this year, but we would like to see some consideration of our remuneration concerns in next year's remuneration report.

Resolution 2 Re-election of Mr Philippe Etienne as a Director (for)

Mr Etienne was appointed in 2015. He has been on the board for 9 years and is the longest serving director other than CEO. The board believes that Mr Etienne makes a significant contribution to the board however they also acknowledge the need for board renewal. The board has engaged a search firm to find several new directors over the next couple of years. Mr Etienne is not expected to fulfil his full term.

Other directorships: NED Cleanaway Waste, and Aristocrat,

Former director Sedgeman Ltd, Former MD/CEO Innovia Security and Orica Mining Services

Expertise in strategy planning and large scale acquisitions.

Chair Health Safety &Environment committee and a member of the Audit & Risk committee.

ASA can see the benefit of Mr Etienne continuing on the board until new directors are appointed and will be supporting his re-election.

Shareholding: 75,284

Resolution 3 Grant of performance rights to Amanda Lacaze, CEO and Managing Director (for)

This resolution is to approve the granting of 84,273 FY24 STI performance rights with a face value of $568,290 based on the 27 August 2024 vesting. A 1 year holding period applies form this date.

And the granting of 337,090 performance rights for the FY 24-27 LTI, which has a 3 year vesting period from 27 Aug 2024 and a 2 year holding period. These are valued at $2,273,160 equivalent to 150% of Ms Lacaze's total fixed remuneration (TFR) and subject to performance conditions.

Performance rights were valued using the 5day VWAP following the 27 Aug 2024 at $6.7435 per performance right.

ASA supports the granting of these performance rights as they align to shareholders interests and are subject to reasonable performance measures.

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Appendix 1
Remuneration framework detail

CEO rem. Framework for FY24	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.53	33%	1.53	26.6%
STI - Cash	.765	16.6%	.956	16.7%
STI – Deferred equity 1 year	.765	16.6%	.956	16.7%
LTI- Performance rights 3 years + 2 years excise	1.53	33%	2.29	40%
Total	4.59	100.0%	5.73	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration frameworks set a maximum opportunity amount, but not all.

STI target 100% total fixed remuneration (TFR) at target and max 125% TFR at maximum. For FY24 75% of FR was paid to the CEO.

FY24 STI performance conditions: 20% EBITDA, 20% NdPr production, 20% NdPr operating cost & 40% progress on strategy and plan, HS&E, sustainability, people and culture.

The CEO in 2024 received a partial award equivalent to 75% of her FR, made up of $566,046 in cash and the equivalent amount in performance rights based on face value (VWAP over 5 days from 27 Aug 24).

Target is meeting budget 100% paid, 90% threshold 75% paid, max 110% budget 125% paid,

The STI has an at fault fatality threshold and is based on 60% financial and 40% non-financial measures.

The LTI maximum is set at 150% of TFR.

FY 23-26 LTI targets are:

- Relative TSR above 51percentile of ASX 50-150 peer group = 50%
- Sustained production of 10,500tpa NdPr = 40%
- Mt Weld renewables greater than 50% by 30 June 26 = 10%

FY 2021-24 LTI had a 30% vesting outcome based on rTSR at 56th percentile of ASX 200, a positive TSR of 13.3% was achieved. The strategic targets of nameplate capacity at Kalgoorlie and HRE separation were not achieved.

Discretion and clawback apply.

No minimum shareholding requirement (MSR) for key personnel policy. We note most directors have a decent shareholding. We would like to see LYC include a MSR that requires one year's base fees over three years based on purchase price and a compliance table in Rem Report.

Shares are issued rather than brought on market. Hence the statutory reporting of fair value performance rights.

208,856 performance rights 30 June 24 share price. = $1,238,516 compared to statutory $1.385m

The CEO sold 1,000,000 shares during the year.