

**6 December 2024**

**ENEABBA RARE EARTHS REFINERY  
 POSITIVE OUTCOME OF FUNDING DISCUSSIONS**

Iluka is pleased to announce a positive outcome to the funding discussions with the Australian Government regarding additional financing support to deliver the Eneabba rare earths refinery.

The Eneabba refinery development is an attractive opportunity for Iluka to meet its objective: to deliver sustainable value. The company's partnership with the Australian Government aligns with the Government's Future Made in Australia agenda and supports the achievement of policy objectives relating to supply chain resilience, domestic value addition and refining, and facilitating an Australian rare earths industry.

**Key project economics<sup>1</sup>**

| <b>Feedstock scenario</b> | <b>Iluka only</b>             | <b>Iluka + 3rd party</b>              | <b>Eneabba stockpile + Balranald only</b> |
|---------------------------|-------------------------------|---------------------------------------|---|
|                           | <i>Refinery underutilised</i> | <i>Higher utilisation of refinery</i> | <i>Financing case</i>                     |
| Project NPV (@8.25%)      | \$1,703m                      | \$3,366m                              | \$869m                                    |
| Equity IRR                | 48%                           | 51%                                   | 35%                                       |

**Strategic rationale**

Rare earths are essential inputs to defence systems, electric and hybrid vehicles, robotics, renewable energy, consumer, industrial and agricultural applications.

Global rare earth production is highly concentrated, which creates inherent risks. The Eneabba refinery is an important step in increasing the resilience of global rare earths supply chains.

Key features of the Eneabba refinery comprise its production of separated light and heavy rare earth oxides at a single domestic facility; brownfields location proximate to existing infrastructure, such as gas, power, water supply and raw material suppliers (avoiding the need to fund these project prerequisites); suitability for the permanent disposal of refinery waste; capability to process feedstock from both Iluka's mines and from third parties (thereby catalysing an Australian rare earths industry); and access to Iluka's rare earths stockpile as an important source of financial and feedstock security (mitigating risk and cost associated with building a mine and beneficiation plant).

Iluka's final investment decision for Eneabba and strategic partnership with the Australian Government was, and continues to be, informed by a comprehensive understanding of the risks associated with the rare earths industry. The company regards risk sharing with the Australian Government as essential to developing an Australian rare earths business and industry that is genuinely independent and capable of delivering sustainable value.

1. Project NPV (post-tax nominal) as at 1 January 2025. Excludes capital expenditure to 31 December 2024, projected to be ~\$320 million. Refer ASX release *Eneabba rare earths refinery - Positive outcome of funding discussions and updated economics*, 6 December 2024

Accordingly, over several years, Iluka has taken active steps to align its commercial objectives with the Australian Government's stated policy objectives for critical minerals, sovereign capability, resilient supply chains and domestic value addition. Commissioning of the refinery is expected in 2027.

### **Original funding agreement**

In April 2022, Iluka's Board approved the development of the \$1.2 billion Eneabba rare earths refinery. This decision was taken after the establishment of a strategic partnership between Iluka and the Australian Government. Iluka's contribution to the partnership included the company's unique rare earths stockpile and \$200 million of cash equity. The Australian Government's contribution was a \$1.25 billion non-recourse loan via the Critical Minerals Facility administered by Export Finance Australia (EFA).<sup>2</sup>

### **Capital cost**

Iluka concluded front-end engineering and design in December 2023 and announced an increase in Eneabba's expected capital cost to \$1.7-1.8 billion.<sup>3</sup> This resulted in a funding gap, the resolution of which Iluka and the Australian Government have been discussing throughout 2024.

### **Additional funding**

Discussions have progressed positively and agreement has been reached on key indicative terms. The Australian Government will contribute an additional \$400 million, on terms consistent with the original \$1.25 billion non-recourse loan. Iluka will contribute an additional \$214 million cash equity. The additional funding is subject to securing offtake agreements satisfactory to the Australian Government and delivering positive outcomes in line with the Community Benefits Principles under the Government's Future Made in Australia agenda. Iluka continues to engage actively with potential offtake counterparties and is focused on securing commercially-attractive supply agreements for the benefit of all stakeholders of the Eneabba refinery.

This additional funding can be drawn only once the original \$1.45 billion of funding agreements is fully drawn.

### **Cost overrun facility**

In addition, Iluka and the Australian Government have agreed to establish a \$150 million cost overrun facility, which would be contributed on a 50/50 basis. Iluka has provided a parent company guarantee for the Australian Government's share of the cost overrun facility.

### **Base royalty regime**

Iluka's original funding agreement with the Australian Government included an annual base royalty payment to Iluka from Eneabba refinery cash flows of up to \$81 million p.a., capped at \$900 million total, ranking in equal priority to scheduled loan repayments, accruing from 1 July 2022. While this base royalty payment remains in place as part of the additional funding arrangements, in the event Iluka does not extend refinery feed sources beyond the projected utilisation of the Eneabba rare earths stockpile for a minimum of two years then base royalty payments will be capped at \$40 million p.a. for the first four years of refinery production.

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<sup>2</sup> Refer ASX release *Eneabba Rare Earths Refinery Final Investment Decision*, 4 April 2022.

<sup>3</sup> Refer ASX release *Eneabba Rare Earths Refinery Update*, 15 December 2023.

### **Managing Director commentary**

We expect the Eneabba refinery to deliver substantial, sustainable value over several decades – that is why Iluka is investing significant shareholder funds in this opportunity.

This is a strategic infrastructure asset that puts Iluka and Australia at the forefront of global electrification, the creation of new and resilient critical minerals supply chains, and the establishment of a rare earths industry that is genuinely independent.

Iluka's partnership with the Australian Government encompasses key contributions from both parties, an appropriate sharing of risk and the alignment of commercial and policy objectives. I thank the Australian Government for its continued support for what is a globally important critical minerals development and look forward to formalising our agreement through detailed documentation.

With the capital structure for Eneabba now confirmed, we remain focused on efficient construction of the refinery, and on realising the operational performance, pricing outcomes and longevity that will collectively drive returns from our rare earths business. I look forward to providing shareholders a broader update on these matters at Iluka's full year results in February 2025.

This document was approved and authorised for release to the market by Iluka's Managing Director.

### **Conference call details**

Iluka will host a conference call at 9.30am AWST (12.30pm AEDT).

Participants must register through the link below:

<https://register.vevent.com/register/BI4f2ad3aea4364aa08e66968fdc6e54ea>

Dial in details and instructions will be provided in the confirmation email received upon registering.

### **Investor and media enquiries**

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