Iluka seeks more funding for rare earths refinery

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Iluka ***Resources*** is in talks with the Albanese government about the future of Australia's first rare earths refinery after revealing a building cost blowout is at the top end of what it feared two months ago.

Perth-headquartered ***Iluka*** said yesterday the new price tag on the refinery was $1.7 billion to $1.8 billion, at the top end of the blowout range it warned investors about in December.

Iluka is building the refinery at Eneabba in Western Australia on the back of $1.25 billion in taxpayer funding provided through Export Finance Australia.

It appears more taxpayer funds could be tipped into the project depending on the outcome of talks between ***Iluka*** and the government, which is weighing up relief measures for the collapsing nickel industry and the flagging lithium sector.

Like nickel and lithium, the rare earths industry has been hit by weaker pricing. ***Iluka*** boss Tom O'Leary called out China's capacity to use market dominance in rare earths to dictate premiums and influence the Asian Metal index.

The cost of the ***Iluka*** project was originally forecast to be $1 billion to $1.2 billion when the company took a final investment decision in April 2022.

Mr O'Leary said a comprehensive update on the company's rare earths division that had been expected at the end of March would be delayed pending the outcome of the talks on funding.

"The Australian government is our strategic partner in this development, and has been kept up to date ... we are working with the government to come to a pathway to deliver the refinery," he said.

"I think it's fair to say that Eneabba's strategic importance in providing a secure Western supply chain has only increased in recent times following China's ban on the export of heavy rare technology in December.

"We've also seen several further offtake and toll trading arrangements and projects which involve downstream processing of Australian sourced rare earths in China."

Mr O'Leary said ***Iluka*** remained committed to not selling rare earths concentrate to China or elsewhere while the refinery was a work in progress, and all but ruled out selling its 20 per cent stake in ***Iluka*** spin-off Deterra Royalties that provides exposure to the iron ore sector.

He said the talks with government were broadly about ***Iluka***'s need to take a disciplined approach to capital allocation with a focus on shareholder returns and the long-term strategic importance to Australia and its allies of Eneabba, which is slated to supply light and heavy rare earths essential in electronics, wind turbines and in defence technology.

Iluka announced in December that on top of the cost blowout, first production at Eneabba had been pushed back from 2025 to 2026.

The company reported full-year net profit after tax of $342.6 million, down from $517.3 million last year. Revenue from its mineral sands operation fell from $1.52 billion to $1.24 billion.

Iluka declared a final fully franked dividend of 4¢ a share.

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