

Iluka shares drop 3.7% on weak Q3 production report



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### **Body**

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[Iluka Resources Ltd \(ASX:ILU\)](#) shares fell 3.7% to a four-month low of A\$5.97 following the release of a disappointing third-quarter production report, which revealed mineral sands revenue significantly below expectations, softer pricing guidance and no update on the funding for its Eneabba refinery project.

Citi analyst Paul McTaggart described the report as "disappointing," citing revenue that fell "well short" of forecasts.

The company's Q3 mineral sands revenue came in at A\$232 million, missing McTaggart's A\$306 million forecast. Total sales of zircon, rutile and synthetic rutile reached 97,000 tonnes, including 59,000 tonnes of zircon, 24,000 tonnes of which was lower-grade material.

Realised zircon prices dropped 7% quarter-on-quarter, with synthetic rutile prices down 1%, resulting in an overall unit revenue decline of 4% for zircon, rutile and synthetic rutile.

Zircon sales in Q4 are anticipated to be impacted by seasonal weakness, with prices forecasted to decline by US\$40 to US\$50 per tonne.

### **Weighed down by production challenges**

Production challenges were also evident at the Jacinth-Ambrosia mine in South Australia, where heavy mineral concentrate (HMC) output fell to 52,000 tonnes, down from 80,000 tonnes in the previous quarter due to lower-grade ore processing.

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In Western Australia, the Cataby mine produced 159,000 tonnes of HMC, benefiting from a 9% quarter-on-quarter increase in ore-treated volumes following the commissioning of a second mining unit.

Iluka's Narngulu mineral separation plant processed material primarily from Jacinth-Ambrosia, producing 69,000 tonnes of zircon and 10,000 tonnes of rutile. The SR2 kiln yielded 59,000 tonnes of synthetic rutile, which supports Iluka's long-term take-or-pay contracts totalling approximately 200,000 tonnes per annum.

Year-to-date, work-in-progress HMC inventory has increased by 193,000 tonnes, primarily from ilmenite-bearing concentrate at Cataby. This stockpile is expected to support the potential restart of the SR1 kiln, which remains offline.

### Eneabba update

While there has been no news on funding Eneabba's refinery, it is still set to become Australia's first fully integrated refinery for producing separated rare earth oxides, through a strategic partnership between Iluka Resources and the Australian Government.

As part of this collaboration, Iluka has secured a \$1.25 billion non-recourse loan under the Critical Minerals Facility, managed by Export Finance Australia.

The project has a capital guidance of \$1.7 to \$1.8 billion, with ongoing discussions with the government regarding funding arrangements. An updated project report is expected in the second half of the year.

During the third quarter, site activities concentrated on advancing critical path items, with capital expenditure carefully managed due to the ongoing funding negotiations.

The tendering and awarding of contracts for equipment, fabrication and site work packages continue, with priorities based on schedule criticality and overall cost commitments. Recently, contracts for structural steel and pipe racks were awarded.

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