



Iluka Resources in rare earths refinery standoff with Canberra

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Body

Iluka Resources and the Albanese government remain at loggerheads over the future of a part-built rare earths refinery in Western Australia after 10 months of tense negotiations.

The Tom O'Leary-led **Iluka** maintains it will not finish building the refinery unless it receives more taxpayer funding, in a row that has ramifications for the company's plans for new mines in NSW and Victoria. **Iluka** wants the extra funding on top of a \$1.25bn limited recourse loan from Export Finance Australia after the price tag attached to the refinery blew out to \$1.7bn-\$1.8bn.

The funding standoff has left investors and Australia's allies in the dark about the future of the refinery that **Iluka** and former defence minister Kim Beazley have said is vital to security and the energy transition, given China's dominance in rare earths supply.

Ilukas shares fell 3.6 per cent to \$5.98 on Tuesday after revenue from its core mineral sands in the September quarter came in below market expectations.

Investors hoping for an update on the refinery were left disappointed. **Iluka** said talks around its "strategic partnership" with the government continued, and it promised to update the market before the end of the year.

Iluka spent \$49m on the refinery in the six months to June 30. It has not provided guidance on spending in the second half.

It has cut back work and is holding off on signing major contracts, with funding up in the air.

Citi analysts said it was a disappointing quarter for **Iluka**, with mineral sands revenue of \$232m, well below its \$306m forecast.

Iluka's zircon, rutile and synthetic rutile sales totalled 97,000 tonnes, with it tipping zircon prices to fall by \$US40-\$US50 a tonne in the December quarter despite China's stimulus measures aimed at the property market.

Iluka received an average price of \$US1891 for the zircon it shipped in the three months to September 30.

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It has a million-tonne stockpile of ore containing rare earths left over from mineral sands mining that underpins the business case for the new refinery, but no rare earths mine. **Iluka** expects to commission a mineral sands-rare earths mine at Balranald in NSW next year. It is considering a mine at Wimmera in Victoria for the long-term supply of rare earths and zircon.

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