



BOOST TO REFINERY FUNDING

The Daily Telegraph (Australia)

December 7, 2024 Saturday

Telegraph Edition

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Section: WBUSINESS; Pg. 66

Length: 457 words

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Body

The Albanese government will have the power to prevent sales to China after stumping up an additional \$400m to help **Iluka Resources** complete Australia's first fully integrated rare earths refinery.

The new funding is on top of a \$1.25bn limited recourse loan from Export Finance Australia (EFA) issued to **Iluka** in the dying days of the Morrison government.

The deal to end a tense standoff with **Iluka** is subject to the company securing offtake agreements satisfactory to the government, which has already intervened several times to prevent China extending its rare earths dominance to assets in Australia.

The new terms of the loan agreement include a financial incentive for **Iluka** to source rare earths from third-parties or its own new rare earths mines. **Iluka** has been in talks with government and EFA about additional funding for more than 12 months, with the company's managing director, Tom O'Leary, threatening to stop work on the refinery at Eneabba in WA without more financial backing.

Mr Albanese was in WA on Friday to coincide with **Iluka** revealing the latest funding injection to shareholders.

Former defence minister Kim Beazley was among those who maintain the refinery was vital to Australia's security and energy transition, as well as the government's critical minerals future and its Made in Australia policy, with rare earths essential in modern weapons systems as well as in the renewables and electronics industries.

Iluka revealed earlier this year the cost of building the refinery had blown out to \$1.7bn-\$1.8bn after previously alerting the market the price tag was much higher than initial estimates. The project is underpinned by a million-tonne stockpile of ore containing rare earths left over from **Iluka**'s mineral sands mining which is sufficient to feed the refinery until the early 2030s. **Iluka** also has an offtake deal with Northern Minerals for the supply of heavy rare earths dysprosium and terbium from its Browns Range project in WA.

The government is still investigating whether five China-linked entities have complied with an order to divest shares in Northern Minerals. Treasury also put Chinese interests on notice it could take more action to protect national

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interests over the strategically important rare earths project, on top of two previous interventions by Treasurer Jim Chalmers.

Iluka will contribute an additional \$214m in cash to building the refinery under the new government funding deal.

The **Iluka** share price closed 10 per cent lower at \$4.93, with question marks about its share of the refinery funding.

Perth-based **Iluka** reported net cash of \$154m at June 30. **Iluka** said it was focused on securing "commercially-attractive supply agreements for the benefit of all stakeholders" in the refinery.

Load-Date: December 6, 2024

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