25 August 2021

Transcript of Iluka Resources Limited 2021 Half Year Results

Operator: Good day and thank you for standing by. Welcome to the Iluka Resources Limited 2021 Half Year Results. At this time all participants are in a listen only mode. After the speakers' presentation, there will be a question-and-answer session. If you wish to ask a question, please press star 1 on your telephone and please be advised that today's conference is being recorded. If you require any further assistance, please press star 0.

I would now like to hand the conference over to your first speaker today, Tom O'Leary, please go ahead.

Tom O'Leary: Good morning and welcome. With me are Adele Stratton, Matthew Blackwell and Luke Woodgate, thank you for joining us. Keeping with the tradition, Adele and I will make some brief remarks by way of overview, at which point we look forward to taking your questions on what I think has been an excellent and an eventful first half.

The headline result announced today is underpinned by three key factors, [unclear] discipline in 2020, resurgent demand for the Company's products, and industry supply constraints that owing to a range of factors have come into sharper focus for both the nearer and longer terms.

The steps we took last year in response to the pandemic, provided a strong market, operational and development platform, one which Iluka has capitalised. That's illustrated by our first half Mineral Sands margins, which at 41% were very healthy and indicative, not only of pricing conditions, but the margin preservation we achieved in 2020 as a result of our actions.

In terms of demand, the downstream industries we service, including ceramics and pigments, have returned to pre-pandemic levels of activity. With little inventory throughout the supply chain, this has necessitated customers increasingly seeking feedstocks of high grade and quality as a means to optimise output.

For both zircon and titanium dioxide, that high grade and quality have long been a defining characteristic of Iluka's portfolio, and we've seen this reflected in our sales performance. On the supply side, I've spoken at length in the past about the prospect of looming industry challenges. A number of events during the half have served to underline this dynamic, and while these are covered in today's release, I will reiterate that Iluka's position to lead in the response to market in industry conditions by deploying our operations, product suite and development pipeline.

I'll make a few comments on development pipeline in a moment, after Adele covers the results.

Adele Stratton: Thanks, Tom, and good morning. Iluka's first half profit was $129 million, up 14% on H1/2020. Mineral Sands EBITDA was up 69% to $299 million, driven by both growth in sales volumes and prices. This is offset partially by an appreciation in the US dollar exchange rate from an average $0.66 to $0.77, which obviously affects the Company's largely US dollar denominated revenue.

Iluka's profit share from the Company's 20% stake in the newly demerged Deterra Royalties is $9 million. This is the profit share after tax, with the tax paid by Deterra. The profit share is also after six months of non-cash depreciation charge of $3 million. Due to the timing of dividend receipts, Iluka's cashflow of $3 million from its Deterra stake reflects dividends received based on Deterra's H2/2020 results, noting that the Mining Area C royalty revenue began accruing to Deterra, only from October last year.

Iluka's operating cashflow was $306 million, $179 million of which was free cashflow. H1 CapEx was modest at $17 million and was targeted at progressing studies associated with Iluka's development pipeline, which as Tom has just mentioned he'll talk to in a moment. The previously announced return of the JobKeeper's subsidy is also reflected in our cashflows in H1/2021.

We've continued to prioritise balance sheet strength, with $220 million of net cash at 30 June, up from the $50 million at the end of 2020. We also have total debt facilities of $505 million. I'm also pleased that we've declared an interim dividend of $0.12 per share fully franked, and with that, back to you Tom.

Tom O'Leary: Thanks, Adele. Slide 15 covers our operations. We have returned to maximum settings in Australia, and importantly we've done so with an improved safety performance. In Sierra Leone back in May, we announced the potential for suspension of operations from late '21. Our focus since has been two-fold, returning Sierra Rutile for sustainable financial performance, including through productivity measures onsite as well as discussions with government regarding the operation's physical regime.

Secondly, the third-party investment process for the Sembehun development. Pleasingly the government has agreed to alter Sierra Rutile's fiscal regime such that among other things royalty and revenue taxes are reduced from 7.5% to 1% while area 1 operations continue. As a result, Iluka has deferred the potential suspension until January while work on productivity improvements in the third-party investment process is ongoing.

Last and by no means least is our development pipeline, which is summarised on slide 18. In mineral terms today we've announced important progress in relation to the SR1, Balranald and Wimmera projects in particular. Each of these decisions reflects the range of options at our disposal to address industry supply over various time periods and scenarios.

A new addition to the pipeline is the Euston project. Euston's a traditional Mineral Sands deposit that Iluka has held for some time. It's located in Western New South Wales, not far from Balranald. Project work is obviously at an early stage, and I won't be commenting on specifics today, but it's notable that just as we're progressing projects through the middle and latter stages of the pipeline, we're also replenishing it with early-stage developments.

I'll conclude on rare earth with the Eneabba development covered on slides 20 to 22. Phase 2 construction's well underway and expected to be completed in the first half of next year. On slide 21 we highlight the standalone value of this project, and you can see that if it were all sold at today's monazite price and at present value of those cashflows would be $770 million.

The Eneabba stockpile is reaching the high value neodymium, praseodymium, dysprosium and terbium, the magnet metals essential for the electrification of the global economy. Phase 2 is low capital, low operating cost and it's in a location and jurisdiction Iluka has operated in for over 40 years.

However, as I've said previously, we may choose not to sell any product from phase 2, as this could be the initial feedstock for our own fully integrated rare earth refinery. As outlined on slide 22, the feasibility study for the phase 3 refinery at Eneabba is progressing well in terms of technical engineering, environmental and market work strain.

The letter of support we received from the Australian Government and disclosed to the market in May, was a particularly significant development. Our discussions in relation to potential risk sharing are positive and ongoing.

So, with that I'd be delighted to open up the line to questions.

Operator: Thank you, ladies and gentlemen, if you wish to ask a question you may press star 1 on your telephone. The first question we have is from the line of Rahul Anand from Morgan Stanley, your line is now open.

Rahul Anand: (Morgan Stanley, Analyst) Hi, good morning, thanks Tom and Adele and team. Can we start with SR1 perhaps? I just wanted to touch a bit upon how you're seeing that availability of ilmenite. You did talk about in your presentation that it'd be internally and externally sourced. I just wanted to understand, am I correct in thinking that Balranald would be required to internally source completely for SR1?

As if we think about Cataby specifically, the initial mine plan had the grade falling off starting calendar year '23, which would probably see it quite closely matched what SR2 requirements are currently? If you could help me with that, I'll come back with another question, thanks.

Tom O'Leary: Sure, Rahul, I'll hand over to Matt in a moment, but no the initial campaign does not require feedstock from Balranald, and we're pretty comfortable, we've got the ilmenite covered. But Matt, do you want to take that?

Matt Blackwell: Yeah, Rahul. We will feed a combination of internal and externally sourced ilmenites. We've got sufficient for an initial couple of years of operation secured and identified. Then as time progresses, we have other opportunities from the portfolio to continue feeding that asset.

Rahul Anand: (Morgan Stanley, Analyst) Okay, all right thanks for that, Matt. Perhaps the next one is around Balranald. Just wanted to understand, another year for studies and progressing the DFS, just wanted to understand if you can talk to perhaps the technicalities here and some of those headwinds, whether you realise the parts to solve that backfilling issue that was part of the feasibility study now that this has progressed?

I didn't quite see a CapEx number as well associated with the DFS. I would assume that's inconsequential, or is it? If you could help with that as well, thanks.

Matt Blackwell: Okay, so there's two parts to that question. The first, as we noted, we've noted previously, we didn't achieve all the backfilling requirements that we wanted to do, we did achieve some. But it's not material to the execution of the project and it was always contemplated that we would have a more traditional surface placement of tailings as one of the options and that's the pathway we're progressing and taking into the DFS.

The second question around capital. Capital is never inconsequential, but we're entering the DFS at this stage and we will advise [Ewan] and others of the actual capital once we progress through the DFS and when we get close to [FI] as part of that FID decision.

Adele Stratton: Rahul, just to add to that, we have disclosed the $23 million that it would cost in terms of this definitive feasibility study. So, the whole point of the definitive feasibility study is to refine the approach to that development to lead into that FID. As Matt said, it's normal for Iluka we will disclose what that capital requirement is at that point in time once we've done that work that helps underpin that number.

Rahul Anand: (Morgan Stanley, Analyst) That's good, thank you.

Adele Stratton: We [unclear] to spend $23 million if we weren't confident that we'd be making adequate returns from this project.

Rahul Anand: (Morgan Stanley, Analyst) Just one quick follow up, is it fair to assume that this would be done in units? So, basically, you'd have sequential units that you'll add over time as each of them becomes successful? Perhaps that's for Matt?

Matt Blackwell: Yes, look Rahul, that's exactly what we've tried to indicate on that slide is that one of the unit produces 180,000 to 200,000 tonnes of HMC. We think a logical pathway to develop this is to start with one production unit and then as we gain confidence and probably tweak it a little bit, we will bring in potentially a second production unit.

That's why you also see the anticipated mine life has a range which is as much a reflection of our timing of when we bring that second unit on.

Rahul Anand: (Morgan Stanley, Analyst) Okay perfect, one final one from me, perhaps for Tom. Tom, thinking about SRL going forward, what could change your decision around the SRL in terms of developing Sembehun? You've talked about finding another partner, perhaps if you could shed a bit more light or if you have any update there in terms of how things are progressing?

Then also are you perhaps looking for a partner to take over operations where you take a minority position? Or is this partnership basically to have another minority holder there basically to support your operations and your relations with the government?

Tom O'Leary: I think what you're asking was what are the chances of Sembehun being developed? What we've said before continues to be the same, that to see development of Sembehun we're going to need to see improvement in operational performance. We have now seen government make some improvements in the fiscal regime, which I touched on, and we're also going to need to see third party investments and that third party investment process continues.

Rahul Anand: (Morgan Stanley, Analyst) So, I guess just to follow up there, are you open to having or becoming a minority shareholder in the project and let someone else run it? Or are you looking for basically a minority shareholder to step in and you want to continue to be the operator and majority holder?

Tom O'Leary: As you'd expect, Rahul, we're looking to deliver sustainable value, and in this case to maximise returns to shareholders. So, we're open to a range of possibilities.

Rahul Anand: (Morgan Stanley, Analyst) Perfect, okay. Just one final one perhaps on rutile. Any guidance you can provide on how to think about the contracted volumes going out in the second half in terms of market fundamentals and how we should think about pricing? You did give us some snippets in the quarterly, but anything a bit more substantial perhaps that you are able to provide today?

Matt Blackwell: Rahul, as we've noted previously, the majority of the rutile from Sierra Leone is under contract and it has a pricing formula built into it. Material that's not under contract, predominantly that's going into the welding market is being sold at prices, and we've talked about a 9% increase into the second half.

Rahul Anand: (Morgan Stanley, Analyst) Okay, that's very helpful, I'll pass it on, thank you very much.

Operator: Thank you, we have the next question from the line of Paul Young from Goldman Sachs, please proceed with your question.

Paul Young: (Goldman Sachs, Analyst) Good morning Tom, Adele, Matt and team. A few questions on the zircon market and then on the growth pipeline. Starting with zircon, Tom, acknowledge that you've said that you focused on delivering sustainable pricing and inventories are low. So, the set up for obviously zircon based on demand recovery and supply issues is pretty good.

A question on the market and dynamics with Richards Bay, some feedback that I get from some of the major customers in China is that without Richards Bay in the market, you could see demand destruction, i.e., there's just not the supply to fill to actually meet demand? So, Richards Bay back in the markets are positive.

I guess maybe with those comments, two things here, first of all with spot prices at $1900 a tonne, well above your contracted prices, are you seeing any signs or any murmurs of demand destruction? Secondly, all comments around the fact that Tronux and Iluka are either fully contract or running as hard as you possibly can, is there any way that you can actually deliver more volume through the zircon and concentrate the ZIC channel at all to meet demand?

Tom O'Leary: I'll hand over to Matt in a moment, Paul, but I agree with your comments that from an industry perspective it is good to have additional supply at the moment. What customers are most concerned about is security of supply. But when you think about demand destruction you need to think about the substitutes and the pricing of substitutes, so keeping an eye on the likes of calcined alumina.

But look, I'll hand over to Matt generally to cover the point.

Matthew Blackwell: Gidday, Paul. A couple of things here, one is spot pricing in China on small volumes is high and has been speculative, and we don't play in that market and they're pretty small volumes. So, I think we just need to be mindful of that. The bulk of material that's getting sold into China, getting consumed into China is within a range that we and others are selling at. So, that'd be the first comment.

I agree with you that it's helping that customers see that demand, or sorry supply substitution, demand won't be destroyed by just lack of supply, so that's good. Then finally on ZIC, well our ability to increase sales, we ramped up our production of ZIC in the second half of this year and we're going into next year with our ZIC production at full capacity.

We've discussed that for quite a number of years that that's being a bit of an opportunity for us to swing production of zircon, it's held on the balance sheet basically as zero value, negligible value. So, it's a good margin and quick response for us into the market.

Paul Young: (Goldman Sachs, Analyst) Thanks Matt, and that volume, you can run about 50,000 tonnes, is that the peak on ZIC?

Matthew Blackwell: Yes, about that.

Paul Young: (Goldman Sachs, Analyst) Thanks, great, next couple of questions on the growth pipeline. Thanks Tom, for all the additional details so we can line up asset models, really, really helpful. First question's on Eneabba phase 2 and just you calling out the $7000 a tonne [SIFS 19:50] spot monazite pricing. Again probably on [SIN] volumes and a China price, but are you basically maybe indicating that's the sort of price that you need to see or receive to actually contract for two years from phase 2 ahead of the refinery potentially commissioning?

Tom O'Leary: No, not at all, in fact to the extent that we continue to engage positively with government on Eneabba phase 3, we've certainly pushed that that we potentially wouldn't export any phase 2 material. So no, that's not the right takeaway. It's really trying to indicate that having engaged with potential customers, that's the sort of price that we'd expect to get in today's market for that phase 2 material.

It also indicates that it's a strong and significant business opportunity, this is phase 2 in its own right, and so to proceed into phase 3 we'd very much need to be incented to take the risk and spend the capital associated with phase 3.

Paul Young: (Goldman Sachs, Analyst) Understood, final question just on the refinery, as far as scope's concerned and what forms part of the feasibility study, what scale refinery in [earth] oxide, thousands of tonnes per annum, are we basing the feasibility study on?

Tom O'Leary: We haven't disclosed that Paul, at this point, deliberately. We're continuing to work through that feasibility study and will disclose more details about scale and capacity and so on in time.

Paul Young: (Goldman Sachs, Analyst) Okay, thank you Tom, thanks team, that's it from me.

Operator: Thank you, once again if you wish to ask a question, you may press star 1. Your next question is from Jack Gabb from BOFA, your line is now open.

Jack Gabb: (BOFA, Analyst) Thanks and good morning all. Just two questions from me, firstly just on Jacinth-Ambrosia, just curious how you're thinking about that going forward? Obviously, you're running the Australian assets pretty hard, does a move back to Ambrosia now make sense? What's the life left at Jacinth and the grade profile there? Thanks.

Adele Stratton: Jack so in terms of as you know we moved back to Jacinth last year in terms of preserving cash, we will be running at Jacinth until that's depleted and therefore we'll be moving back to Ambrosia later next year. We've always said that the mine might - at Jacinth-Ambrosia goes out to about 2027.

We have continued to mine that deposit, so you'll see an inventory that has been the build in HMC and that helps us with sustaining of zircon production out for the next couple of years.

Jack Gabb: (BOFA, Analyst) Thanks, the next one is just for you Adele as well, how stretched are you prepared to put the balance sheet going forward? You've obviously got a lot of debt capacity available to you. Are there any metrics that we can, or that you can point to in terms of how much leverage you're prepared to take on?

Adele Stratton: As you say, if we look at the balance sheet at the moment it's in a very strong position, $220 million of cash sat there at June. As you've mentioned, half a billion dollars of facilities available. When we went through with the demerger, we revised our credit metrics to have no net debt through the investment cycles. Hence that's a consideration in terms of going forward with that balance sheet.

But it is through the cycle, or you know, you would draw down. A little bit of that also comes as Tom's mentioned in terms of support that we could receive in some of our projects, for example Eneabba phase 3, then we'd need to consider how we'd look at non-[recourse/recalled] debt on the balance sheet.

Jack Gabb: (BOFA, Analyst) Absolutely, just a last one, is any of that debt capacity tied to Sierra Leone?

Adele Stratton: No.

Jack Gabb: (BOFA, Analyst) Okay, perfect, that's all from me, thank you.

Tom O'Leary: Thanks, Jack.

Operator: Thank you, the next question is from Hayden Bairstow from Macquarie, your line is now open.

Hayden Bairstow: (Macquarie, Analyst) Morning all, just a follow up from me, a question on rare earth. Tom, just interested to understand a couple of things. The statement around government support, I mean how reliant do you think you're going to be on, I don't know what they're providing, funding or tax benefits, what are you hoping to actually get from the government on the CapEx on the rare earth plan?

Secondly, is it effectively just a similar copy of what Lynas already have? Or are you looking at slightly different processing technologies in the study work? Thanks.

Tom O'Leary: Thanks, Hayden. In terms of the support that we're looking at, that we're working with the government on, we've talked a lot about a risk sharing arrangement. Further to the discussion with Paul, given the value of [TP2], we very much need to be incented to proceed with a facility like [TP3].

But given the alignment with government's policy around critical minerals and advanced manufacturing, it's quite evident that the plans around the Eneabba refinery align very strongly with those government policies and those of other nations around the world.

So, what we disclosed back in May indicated the nature of the support we're looking at. You probably saw the letter back in May we received from ministers Pitt and Tehan, which referred to the discussions we're having with Export Finance Australia regarding a non-recourse loan to support construction of the Eneabba refinery.

So, that's the nature of the support we're seeking, and we look forward to disclosing more details of that in time. In the pack today we've talked about the likely time of completion about feasibility study, the substantive works are going to be complete by the end of the calendar year and we're targeting FID early next year.

Hayden Bairstow: (Macquarie, Analyst) Okay, sorry you go.

Tom O'Leary: The other question you asked, Hayden, was in terms of the comparison with Lynas, what Lynas is doing as I understand it is really building a hydromap plant, a cracking and leaching facility or they're planning to build that in Kalgoorlie. We're proposing to build a fully integrated rare earth refinery at Eneabba.

So, that is the cracking and leaching, and then importantly the separation and finishing of both heavies, terbium, dysprosium and the like and light rare earths, in the neodymium and praseodymium, so that fully refined rare earth oxides can be provided from a reliable country, Australia, for the world to facilitate the electrification of power.

Hayden Bairstow: (Macquarie, Analyst) But a similar process to the Malaysian plant effectively?

Tom O'Leary: In terms of the process we'll talk more about the nature of the process in time.

Hayden Bairstow: (Macquarie, Analyst) Okay great, and just on the border restrictions, I mean work on Balranald et cetera, it doesn't feel like you or I are getting to Sydney for the rest of this year. What, given our border restrictions, what impact is that having on the business?

Tom O'Leary: Look, it is having an impact. Our operations, as you know, a lot of them are in Western Australia, sort of Narngulu, Eneabba, Cataby, Capel, and they're not impacted directly at present, but are obviously taking significant precautions you'd expect, and they're ready to ramp those up if necessary.

J-A in South Australia, we're obviously hypervigilant there given the proximity to at risk communities of the far West Coast people. Our project teams at Balranald and Euston in New South Wales and when we're in Victoria, are obviously more impacted by travel restrictions, and they're having to find ways to work through those issues.

In fact some of the equipment for EP2 at Eneabba that's coming out of the eastern states has been delayed as a consequence of factory delays and so on in the east. But we don't anticipate it certainly at this point that they're going to delay commissioning.

Throughout Australia, we are strongly promoting vaccinations among our people and their families, and when I've done that, we've actually - I've actually received some pretty positive feedback from our people. So, we're keen to see where the government goes on taking that a step further.

In Sierra Leone we have had COVID on our minds, as I've disclosed previously, and we've been caring for our people and their families through our clinic and managing quarantining and isolation. Again, there we strongly encourage vaccination and there's a high level of take-up among our people in the community.

We've also been able to deliver vaccinations directly to our employees in the community. In Sierra Leone we also have our own PCR testing equipment, and we've been able to manage that process ourselves. That's meant that we can manage our quarantining and isolations in a more targeted, efficient way. In terms of markets, we're aware that the world remains an uncertain place and shipping and logistics have caused a bit of disruption and cost imposts.

But despite all of that, what we're seeing at the moment is very strong demand in our core zircon, as we talked about earlier in the call, in our core zircon markets, as well as the high-grade titanium feedstock markets. The supply side remains constrained, there's been no material response from Indonesia, and that's partly driven by COVID there.

South African supply faces its own well documented problems and pretty limited new investment in the industry generally. But as we've been saying for some years, in Mineral Sands it's a supply side issue rather than one that relies on extensive demand growth. So, look we're seeing impacts of COVID, but in the marketplace not so much.

Hayden Bairstow: (Macquarie, Analyst) Okay great, I'll leave it there, thanks for that.

Tom O'Leary: Thanks, Hayden.

Operator: Thank you, once again as a reminder you may press star 1 for questions. The next one we have is from Paul McTaggart from Citigroup, your line is now open.

Paul McTaggart: (Citigroup, Analyst) Good morning, so just a quick couple of follow ups. Around Sierra rutile and the fiscal regime, you mentioned a reduction in royalties and taxes of 7.5% to 1%. So, it was royalties and which? I was too slow grabbing all of that down when we took it down?

Tom O'Leary: I just went over it quite quickly, Paul. But there are a number of taxes that we pay in Sierra Leone, and the changes that the government has agreed are quite extensive. But there are two key taxes or royalties that have been payable, irrespective of profit. 3.5% tax on turnover and 4% royalties, and both of those are on effectively turnover or sales.

So, an aggregate 7.5%, and they've been reduced to 1% in aggregate. [Unclear].

Paul McTaggart: (Citigroup, Analyst) [unclear].

Tom O'Leary: Well those apply through to the end of mining at Area 1.

Paul McTaggart: (Citigroup, Analyst) Okay great. My second one, I just wanted to follow up one. It was Eneabba phase 2, so you're quoting 22,500 tonnes of 90% monazite concentrate. So, the NPV work that you've quoted, was that based on a spot monazite price for that product?

Tom O'Leary: Yes, it was, and it all takes into account the - because that monazite in the stockpile is [unclear] it has zircon ilmenite and trash associated with it. So we've also in that NPV figure accounted for the zircon and ilmenite in that stockpile as well.

Paul McTaggart: (Citigroup, Analyst) Okay, and lastly just on this topic about a rare earths refinery, so I mean for those of us who've looked at the big cat miners for years and years, I mean there's always been this reluctance to do downstream because the return on capital is so low. I guess that's part of you wanting government incentives when you can make so much selling intermediate product.

I didn't really get a sense in terms of your discussion earlier about what those incentives will be. Just having a non-recourse loan isn't really a financial incentive. So, what other incentives would you be looking for to possibly get a return on capital that it would suit or would match?

Tom O'Leary: Look Paul, we're about delivering sustainable value and I think the ability to establish a refinery in Australia with a life from the Eneabba deposit with follow on from Wimmera and other resources around the place both within and outside of Iluka's portfolio, is a tremendous opportunity.

We're not going to be - we will be disciplined in relation to that investment decision, as we are with all others, and that is why I've emphasised here and in the past that we need to be incented into that market. But I do think that a non-recourse loan on terms that we're contemplating does provide the incentive to move ahead, or at least it could, subject to finalisation of those terms which we'll disclose more of in due course.

Paul McTaggart: (Citigroup, Analyst) Okay, I look forward to that, thanks Tom.

Tom O'Leary: Thanks, Paul.

Operator: Thank you, the next question we have is from Matthew Hope from Credit Suisse, your line is now open.

Matthew Hope: (Credit Suisse, Analyst) Thanks for that, I wanted to drill into the rare earths a little more. Just want to know first of all what the rare earth content is at Balranald and then previously at the Murray Basin operations, I understand that a lot of the monazite that came out of the Hamilton plant was dumped back into the old Douglas pit. Is that material accessible in the same way that the Eneabba material was dropped back in the theatre? Or is it all dispersed and no longer recoverable?

Tom O'Leary: Look as I understand it it's not recoverable in the latter case, but certainly Balranald case there is meaningful contributions from - there is a meaningful monazite content there that could be exploited. I don't know that we've disclosed that as yet, Matt?

Matthew Blackwell: No…

Matthew Hope: (Credit Suisse, Analyst) It's kind of why I asked actually.

Tom O'Leary: Matt, the monazite's [unclear] invariably found with [unclear] deposits. Balranald will have monazite credits and we've considered that. But the more important source of monazite for us is essentially Wimmera deposit, which is much higher in assemblage of rare earth and it's high in zircon.

The work that we've done on Wimmera deposits and look that initially it's a source of monazite, and one of the enabling factors [for us to move] so quickly at Eneabba.

Matthew Hope: (Credit Suisse, Analyst) Right, okay. Then also just wanted to touch on the non-recourse loan, just on some other - because you've been talking a fair bit about risk sharing. So, what are the benefits of the EFA loan? Is it simply that if the whole thing fails you can walk away and not have the other assets in the Company touched? Is that the full benefit to get around the risk side of it?

Tom O'Leary: Well that is a feature of non-recourse loans, yes. But I've disclosed that we're engaged heavily with [unclear] in particular on risk share arrangements. You've seen the letter in May, at least I hope you have, from ministers Pitt and Tehan. The nature of the discussions we have with commonwealth are confidential, and so until we have those arrangements at a more advanced stage, I wouldn't want to be drawn further on that topic.

Matthew Hope: (Credit Suisse, Analyst) Then just finally I wanted to know about zircon in concentrate, where is that material actually coming from? Where is it sourced?

Matthew Blackwell: It's Matt again, two things, first of all just to your prior comment, maybe just to help you understand a little bit better, but monazite from - or the rare earth contained at Balranald, the monazite it's a very similar assemblage if you like or makeup of light to heavies as what's scored at Eneabba.

So, that's where you were going for us [unclear] question. As a concentrate, we have a large stockpile of material at Narngulu, which is being stored as a by-product of our processing there for many years, and that also gets added to progressively as we process zircon and HMC from other or continuing mines.

Then we basically we run that plant and we take the trash, concentrate it out and then it gets exported from Narngulu.

Matthew Hope: (Credit Suisse, Analyst) Right, thank you.

Operator: Thank you, we don't have any further question at this time. Presenters, you may continue.

Tom O'Leary: Okay, look I think all that leaves us to do is thank you for participating in the call this morning. It's been an excellent half and I'm really pleased with how the Company's tracking, thank you.

Adele Stratton: Thanks.

Operator: Ladies and gentlemen that does conclude our conference for today, thank you all for participating, you can now disconnect.

End of Transcript