

## **Start of Transcript**

Operator: Hello everyone, today's conference call is due to begin shortly. Please continue to stand by. Thank you for your patience. [Unclear] musical.

Good day everyone. Thank you for standing by. Welcome to Iluka Resources Eneabba Rare Earths Refinery Final Investment Decision conference call. At this time, all participants are in the listen only mode.

After the speaker's presentation there will be a question and answer session. To ask a question during the session, you need to press star one on your telephone. Please be advised that today's conference is being recorded. I would now like to hand the call over to your first speaker today, Mr Tom O'Leary, Managing Director and Chief Executive Officer. Thank you. Please go ahead.

Tom O'Leary: Hello and thank you for joining. With me are Adele Stratton and Luke Woodgate as well as Dan McGrath, our Head of Rare Earths and Chief Technical Officer.

This is a very significant day for Iluka. Our final investment decision for Eneabba Phase 3, a fully integrated rare earths refinery, marks the beginning of a new chapter which will see us evolve from a mineral sands company into one with leading positions in both mineral sands and rare earths.

This is a decision that follows years of investigation as to the best approach for Iluka's diversification into rare earths, the foundation for which is the unique Eneabba stockpile. Last month we completed the feasibility study for Eneabba Phase 3 and over the weekend, we concluded a risk sharing arrangement with the Australian Government.

Consistent with Iluka's disciplined approach to new developments, this integrated rare earth's refinery project is now fully funded with construction to commence later this year and first production expected in 2025.

I'll make some brief comments by way of overview and I look forward to your questions.

The Eneabba stockpile provides an enviable foundation for this diversification and we've decided to leverage that stockpile into what will be a meaningful presence in downstream rare earths production.

So how have we arrived at this decision? First, we are confident in the demand outlook for rare earths. The electrification of the global economy and especially the use of permanent magnets in sustainable energy technology such as electric vehicles and wind turbines will require significant growth in rare earths production.

Phase 3 will address this market and be a key part of the critical minerals supply chain. It will produce the valuable separated magnet metal oxides; neodymium, praseodymium, dysprosium and terbium as well as other products.

Iluka has already had strong and positive engagement with potential rare earths customers.

Second, we are confident in our ability to deliver and operate the refinery. That confidence is not borne out of arrogance but from a combination of Iluka's internal expertise around mineral processing, hydrometallurgical expertise in particular on the one hand and the external expertise, particularly around separation and finishing. We've embraced that external expertise and incorporated it as part of Dan's owners' team.

Those resources are keen to be and they were incentred to be with us through construction and commissioning. Phase 3 will be a fully integrated facility building on Iluka's existing Phase 1 and Phase 2 plants and it will encompass roasting, leaching, purification, solvent extraction, product finishing and permanent waste disposal at site.

Importantly, the refinery will also have the capability to process feedstocks sourced from third parties in addition to those in Iluka's portfolio.

Third, Eneabba is among the very best possible locations to build a rare earths refinery and is also a community in which Iluka has operated since the 1970s. It has excellent access to water, gas and other essential infrastructure and it's a global hotspot for wind and solar power potential and is already an emerging hub for renewable energy.

Phase 3 will be constructed entirely on a brownfield site, enabling minimal environmental impact. While the development of the refinery is itself a gamechanger for advanced mineral processing in Australia, I would note that it also provides a substantial platform for potential further steps along the value chain, metallisation in particular.

Fourth and most important is the partnership we've struck with the Australian Government. Notwithstanding the features I've noted, including our confidence both on supply/demand expectations and our ability to deliver the refinery through collaboration with external expertise, Phase 3 is not an opportunity without risk for Iluka.

For over two years, we've been in discussions with the Commonwealth on how to best share these risks, noting the alignment of Iluka's commercial objectives and the Australian Government's critical minerals strategy.

It was a real pleasure to welcome the Treasurer, Josh Frydenberg and the Minister for Resources, Keith Pitt at our Perth office this morning, and to announce the Board's decision to proceed with FID.

I'd also like to acknowledge the Minister for Trade, Dan Tehan, with whom we've engaged extensively over the last two years. The risk sharing arrangement we've agreed recognises the substantial contributions of both parties to what is a nationally significant resources infrastructure project.

Key terms and features of the arrangement are outlined in our ASX release and presentation pack. While the project economics covered in our materials demonstrate a solid return, I'd emphasise that this is under a conservative scenario where the refinery is fed by the Eneabba stockpile only.

There is significant upside associated with the refinery's longevity beyond the Eneabba stockpile with potential follow-on sources of feed including from Iluka's Wimmera and other Iluka deposits, as well as from a range of third party deposits. We're planning for Eneabba Phase 3 to be a significant downstream infrastructure asset for decades to come.

I noted at the outset, the significance of this final investment decision for Iluka. I think it's also a really important step for our shareholders. In essence, what we are doing is putting at risk Iluka's contribution of the Eneabba stockpile together with \$200 million of shareholders' funds allocated over the next couple of years, and we're taking the opportunity to build a rare earths business of global scale, producing refined magnet metal oxides.

As a result of the risk sharing arrangement with the Australian Government, we're taking this step without putting Iluka's mineral sands operations and strong balance sheet at risk. In weighing the risks and opportunity here, as noted in our ASX release, it's the upside, the potential the opportunity present to deliver significant value over time that is the basis on which Iluka has made its investment decision.

I'll pause there and Desmond, let's open up the line for questions.

Operator: Certainly, at this time, if you'd like to ask question please press star one on your telephone and wait for your name to be announced. If you would like to cancel your request please press the pound or hash key.

First question comes from the line of Paul Young of Goldman Sachs. Please go ahead.

Paul Young: (Goldman Sachs, Analyst) Good morning, Tom, Adele, Luke, Dan. Tom, a pretty significant announcement today. Massive funding from the government. So first of all, just say congratulations on the outcome, which is long awaited, a lot of work's gone into this.

First question Tom is around just the capacity, just to clear up as far as the capacity of the refinery's concerned. Is it 4,000 tonnes of NDPR or is it 5,500 tonnes? I just want to clear that up first.

Tom O'Leary: Yes, look, it's five and a half. I'll hand over to Dan actually to let Dan talk a little bit about what we've presented in the material.

Dan McGrath: Yes, Paul, thank you for the question. The 5,500 tonnes represents the maximum capacity of NDPR or didymium. The 4,000 represents the output at 17,500 tonnes of total REO with a monazite rich feed stock.

The refinery has the flexibility that regardless of the heavy or light metal assemblage that 17,500 tonnes can be achieved under a range of feed stock scenarios.

Paul Young: (Goldman Sachs, Analyst) Okay, thanks for that, Dan. Then maybe Tom on the royalty. I just want to try and clarify this. Up to \$81 million royalty. Is this simply a cash sweep and under what scenarios is that \$81 million potentially not paid to Iluka per annum?

Tom O'Leary: Yes, no, it's not a cash sweep. We've got a waterfall set out in the presentation on slide 12, which talks about the order in which payments are made. There's also some references in there about the potential for deferral of payments and the accrual of payments and the like as you'd expect in a waterfall.

If there is insufficient cash to make scheduled loan repayments then the royalty payment is limited to \$81 million in that year and any amount left unpaid is obviously accrued and could be paid in subsequent periods.

Paul Young: (Goldman Sachs, Analyst) Okay. Thanks Tom. The next question I have is around the third party feed and then also the offtake. Just on third party, there will be a little bit of a gap between, I guess, the commissioning and ramp up of the refinery versus I guess the timing around Wimmera and permitting and potential investment decision on Wimmera and ramp up.

Again, just ask the question around third party, availability of third party product and your view about whether there is enough third party product available in Western Australia to fill that gap between those two projects.

Tom O'Leary: Yes, look first Paul Wimmera is the pretty obvious and attractive follow on feed for the refinery as I know you know. It is attractive in the sense that it is stronger in the more valuable, heavier, rare earth of dysprosium terbium. We are moving ahead with the PFS on that and that'll be complete this year. We'll talk a little bit about timing beyond that at the end of this calendar year.

There are also other deposits and Balranald is a good example with monazite which is readily able to be processed - will be readily able to be processed at the refinery. We are confident that in time we'll be able to provide - we'll be able to access a range of other deposits as well and concentrates from a range of others.

Adele Stratton: Paul, the only other thing I'd add is obviously we've demonstrated in terms of the Eneabba stockpile and the ability of the spare capacity, there's many ways that you can think about that stockpile as well. You could accelerate it through the refinery, et cetera. So there's many ways to bridge that gap.

Paul Young: (Goldman Sachs, Analyst) Great. Thanks Adele. Last one just quickly around the offtake Tom. What will be your strategy as far as number of customers, terms, fixed price, floor ceiling. It's just a range of what is your strategy on offtake?

Tom O'Leary: Yes, look, Paul, it's probably a little early days to be talking about that. As we set out in the presentation we have engaged extensively with a range of customers over the last couple of years and more so over the last year.

We're very confident that we're going to be able to sell these products. The nature of the sales arrangements is what you're getting at. Is it long term, short term, fixed price and the like. I'd just say that you can look at what we have been doing over the last five years and you'll get a sense of the way we typically approach marketing.

We'll be adopting a similar approach there. I mean, it may be that we have some on long term track with some mechanisms in there and leave some for spot. We'll be talking about that in much detail as time goes on.

Paul Young: (Goldman Sachs, Analyst) Okay, great. Thanks very much.

Operator: Thank you for the questions. Next question comes from the line of Rahul Anand from Morgan Stanley. Please go ahead.

Rahul Anand: (Morgan Stanley, Analyst) Hi, Tom and team. Thanks for the opportunity and congratulations on achieving finance. Look I just wanted some clarifications around the NPV calc first up. The 8.25%, am I correct in thinking that's the nominal rate that you've used?

Tom O'Leary: Yes.

Rahul Anand: (Morgan Stanley, Analyst) Then in the NPV calc itself, Adele, perhaps, the royalties that are payable to Iluka and also the debt payments, both are excluded, am I right or was that - because in the presentation, it says it excludes royalties. I wasn't sure if that's government royalty or Iluka feed stock.

Adele Stratton: Yes, no Rahul this is a project NPV. So yes, that excludes any of those types of distributions for loan and royalties back Iluka.

Rahul Anand: (Morgan Stanley, Analyst) I see, so you haven't costed the monazite either in the NPV though, right?

Adele Stratton: No. Yes, that's exactly right. It's contributions to the project.

Rahul Anand: (Morgan Stanley, Analyst) Gotcha. Okay and then I think Paul did ask this question, I just wanted to reconfirm, so in the scenario where there's not enough cash available to pay the debt payments is when you get that \$81 million, is that right? Otherwise you basically pay up to that 900 as you progress to use the stockpiled stock?

Tom O'Leary: No, the way to think about the 900 is it's the absolute cap on all of the royalties that are paid and distributions over the over the life. That's the cap on that 900. That's the way to think about that. The \$81 million, the way to think about that is that it accrues prior to project completion and then beyond project completion it's payable after interest and alongside scheduled repayments.

If scheduled repayments are not current, then it's limited to \$81 million and any amount not paid in the particular period will accrue the following period.

Rahul Anand: (Morgan Stanley, Analyst) Okay, perfect. Then one more follow up around the age of the project; nine year mine life. Is that already utilising the tailings that are being generated over that period from Cataby and JA as well?

Tom O'Leary: Yes it is but not from the valuable by-products Rahul produced from other Iluka projects such as Balranald.

Rahul Anand: (Morgan Stanley, Analyst) Understood. Yes and then I guess finally perhaps a harder question to get an answer on Tom, but Wimmera. I mean, seems critical in terms

of being able to extend that mine life or to expand the production at the refinery. Of course, if you can't source third party, although I'm not saying you won't be able to.

What progress, if any, has been made? I think the key challenges were around that fines material. Is that fair? How should we think about what the next steps are of the project?

Tom O'Leary: Yes, perhaps we haven't spoken on it for a while Rahul. We've made a lot of progress on the zircon purification process over the last couple of years and we're really pleased about that progress.

All of those Wimmera style deposits are very fine as you alluded to. So that fineness has typically in the past prevented separation of the valuable heavy minerals within. Over the last five or six years, Iluka has been looking to address that fineness and separability issue and we've made good progress on that.

Probably that was 2019, I think that we kind of dealt with that fineness issue. I'd note that I don't think anybody else has dealt with that fineness issue in that region. So we've dealt with that.

The other issue that all Wimmera style deposits face into is that the zircon, if you are able to separate it, the zircon crystals are damaged by uranium and thorium. So if you are able to separate it, then they are not going to qualify for ceramic use on the international market and that's what we refer to. You know, dealing with that issue is what we refer to as zircon purification process. That's the one that I think over the last 12 or 18 months, that we've made remarkable progress on.

That led to us being able to disclose a resource, the Wimmera, for the first time late last year. I don't have any specific news to update on today about the progress on that zircon purification process but I would just say that as we've said, we're - we've moved to larger scale piloting of that process and we are very buoyed by what we are learning.

Rahul Anand: (Morgan Stanley, Analyst) No, that's very helpful. Thanks for that update, Tom and thank you very much, team. I'll pass it on.

Tom O'Leary: Thanks, Rahul.

Operator: Thank you for the questions. Our next questions come from the line of Peter O'Connor from Shaw and Partners. Please, go ahead.

Peter O'Connor: (Shaw and Partners, Analyst) Tom and Adele congratulations. Big pivot. Happy days.

Tom O'Leary: Thanks [unclear].

Peter O'Connor: (Shaw and Partners, Analyst) Is there anything in the structure of this special purpose vehicle from the tax perspective that I need to think about? Are there any vehicle as it pertains to Iluka, firstly? Secondly, the dividend policy sounds like it will be signed given the risk mitigation you've put in place. Can you just talk to the dividend policy as well as it pertains to how you go forward?

Adele Stratton: Yes.

Tom O'Leary: Yes. I'll pass over to Adele for that topic.

Adele Stratton: Yes, thanks [unclear]. So from a tax perspective, there's nothing to think about. It's still part of the Australian Group so the consolidated tax Group. From a dividend, we've sort of articulated as you've noted, this financing relates to refinery [tests] and therefore there's no change to the dividend framework for the mineral sands [unclear].

Peter O'Connor: (Shaw and Partners, Analyst) Okay.

Tom O'Leary: Yes, I think it's an important point to raise, Peter, because as a consequence of the resharing arrangement, we're seeing that this has no impact on our mineral sands business. We're still going to have the same dividend policy as Adele said and we're still going to be able to fund our projects as they become ready to execute. So I think that's an inherent beauty of the arrangement.

Operator: Thank you, Mr O'Connor, do you have a follow up question?

Peter O'Connor: (Shaw and Partners, Analyst) No, thank you.

Operator: Thank you for your question. Next question comes from the line of Paul McTaggart from Citi Group. Please, go ahead.

Paul McTaggart: (Citi Group, Analyst) Maybe, Tom, you could talk about the relationship with Carester because I guess historically, some of us would be concerned about the technical difficulties that come with a rare earth refinery and I'm thinking back to Lynas.

So maybe if you could talk about the sort of - the intended [unclear] embedded there with Carester and how we should be comfortable about their ability to deliver? That would be the first one, thank you.

Tom O'Leary: Sure, yes, thanks for the question, Paul. Carester, for those who aren't familiar, are the experts in mineral sands processing design, commissioning, optimisation of plants and the principles of Carester have come from [unclear] Solvay and the like and have together, hundreds of years of experience in the rare earths industry.



They have been involved in the - as I say, the design, construction and commissioning of the most significant rare earths refineries in the world including in terms of optimisation and commissioning one in Malaysia.

They are very enthusiastic and keen about working with us and we've been working with them for a long time now. We've - we're going to have them shoulder-to-shoulder as part of our integrated owner's team. We have had them for the last couple of years and we're going to have them right through to commissioning. We've - their arrangements are such that they're incented [sic] to stay with us and incented to see the plant - the refinery commissioned optimally in time.

So look, we're delighted with the relationship we've had with them. As I've said to you and I think you know this, Paul, that the first part of that - of the refinery process, the cracking and leaching part is I'd say, is within our wheelhouse. The second part is new to us. It's not new technology. In fact, our monazite has been cracked at [unclear] plant in La Rochelle back in the 80s using some very similar process.

So it's not new technology but it's new to us and we're not arrogant enough to think that we can just step into a new area and be able to master that immediately. That's why we've engaged Carester, the leading global technology consultant in this space right from the outset.

We're not getting them in at the end when there are problems, we're getting them in right at the outset and they're going to be with us all the way through.

Dan McGrath: So I might just add one point. It's a point to that is the way we've approached this is not with Carester as a consultant. They are essentially part of the owner's team. They are us for the purposes of this journey.

So to the point about - Tom raised about arrogance that I think we're wise enough to know what has been challenging for industry outside Iluka and we're looking to make sure that we enter this space with as much risk awareness as we could possibly have.

Paul McTaggart: (Citi Group, Analyst) Thanks. Can I just follow up with another quick question? Just around Eneabba phase 2. So there's between now and starting up the refinery and taking Eneabba feed, you're going to continue to sell into phase 2. Is that right? You're not going to hold back tonnes?

Tom O'Leary: No, we won't be exporting phase 2 material. We will be processing that for the refinery. In the interim, Paul, we'll probably find a use for that Eneabba phase 2

infrastructure to process other material that's around the place to supplement ilmenite and so on but no, we won't be processing monazite and exporting that in the interim prior to commissioning phase 3.

Paul McTaggart: (Citi Group, Analyst) Thank you.

Tom O'Leary: Thanks, Paul.

Operator: Thank you for your questions. Next question comes from the line of Austin Nguyen of Macquarie.

Austin Nguyen (Macquarie, Analyst) Hi, hello, Tom and team. Congratulations on the approval. A couple of questions, if I may? The first one is on the CapEx profile. So could you please provide some colour on that? Would that be a flat CapEx or will it be a bit lumpy whether - either front-end loaded or back-end loaded? Thank you.

Tom O'Leary: Yes, look, it's probably more back-end loaded if I was to give a guide but we're not planning on being specific about that at this point. There's more engineering to be done over '22 and so on as we've indicated in the time table slide but Dan is there anything you want to add?

Dan McGrath: No, I think that's back-end loaded would be the way to consider it.

Austin Nguyen (Macquarie, Analyst) Great, thanks and the second one is the extension on Pau's question. So just on the operational support, would you also require third party expertise if - particularly on the separation, destination phase?

Tom O'Leary: Sorry, can you just repeat that question again?

Austin Nguyen (Macquarie, Analyst) Just on the third party or the technology consultant...

Tom O'Leary: Oh, yes.

Austin Nguyen (Macquarie, Analyst) ...to support...

Tom O'Leary: Yes, yes. Yes, go it. Dan?

Dan McGrath: Yes, so the Carester team are going to be part of our owner's team as they have been for the last two years, all the way through construction, commissioning and ramp up into full production. So that is the key technical resource that we have in our owner's team and that's what we value right now.

Austin Nguyen (Macquarie, Analyst) Thank you very much. Lastly, just on the energy source for the phase 3 project, could you please provide a high level colour? Do you plan to use the renewables or use existing power resources?

Tom O'Leary: Yes, look the plant is on the [SWIF] and it's the south west [interconnection system] and it's also on the gas pipeline. We will be exploring the use of renewable energy as I touched on. Eneabba is a global hotspot for renewable energy but we're also very focussed on - in our design work, [enumiting] the energy requirements of the plant but I might hand over to Dan to - is there anything to add there, Dan?

Dan McGrath: No, it's moderately energy intensive and I think the operating efficiencies that we've obtained around energy efficiency so that's probably all to say.

Austin Nguyen (Macquarie, Analyst) Okay, thank you very much.

Operator: Thank you for the questions. Next question comes from the line of Daniel Morgan from Barrenjoey. Please, go ahead.

Daniel Morgan: (Barrenjoey, Analyst) Hi, Tom and team. Just firstly the capital cost estimate in the document. It appears you're still doing engineering work and haven't yet ordered long-lead items which appear to be later this year. Just wondering if you could outline what gives you confidence in the capital cost estimate given the labour cost pressure and steel inflation environment we're sitting in? Thank you.

Tom O'Leary: Yes, look, we've been working on a feasibility study, as you know, Dan, over the course of the last 12 months. I've explained in the past year how we've managed to do it in 12 months because we've been able to borrow heavily from previous feasibility studies that we've pursued over many years, particularly around the Wimmera.

So much work has been able to be accelerated or cut and pasted, if you like, to our Eneabba project. But we've completed a pretty comprehensive feasibility study as you'd expect prior to proceeding with FID.

The - it is a very buoyant market in the construction sector in Western Australia and we'll be certainly doing all we can to limit our exposure to that but in coming to our capital estimates, we've certainly taken account of those things and provided material contingency to deal with such matters.

But clearly, that's going to be a challenge for us over the next couple of years in Western Australia.

Daniel Morgan: (Barrenjoey, Analyst) Thank you and the follow up questions, can you outline why the refinery was scaled at the capacity you have? Clearly there's a lot of space for either third party or Wimmera. Can you just talk through how you thought about that scale?

Also is there obligations from the government regarding making it available to third parties given the huge amount of government support? What does that - what do those obligations look like?

Tom O'Leary: I'll just deal with the second first in terms of the obligations around third parties. No, there aren't any such obligations. We'll - we will be - we've designed it as you've observed, to be able to process not merely our own alluvial monazites and [unclear] from mineral sands deposits like at Eneabba or Wimmera. But we've also designed it so it's capable of processing concentrates from other types of rare earth deposits.

That has come at a cost so that's been a material part of the cost but it's also been a key part of what has attracted government to enter into this risk sharing arrangement because we're not merely building this facility - designing and building a facility for our own resources but really to enable the development of the rare earths industry in Australia.

So I am very confident that over time, we will enter into arrangements with third parties around concentrate supply. The beauty, again, of the Eneabba stockpile is that it provides us a really attractive runway to actually time for such arrangements and of course for Wimmera to come online.

So - but certainly the flexibility of the refinery has been a key attractant to the Australian Government because it enables that development of a rare earths industry in Australia.

Daniel Morgan: (Barrenjoey, Analyst) All right and I mean, a follow up question on that, on how third party could work, how strong is this? Are potential profits [into] for your business questions of economic rent and pricing of where the economic rent should sit between a deposit or the refinery.

It sounds like there's not obligations from the government to have some sort of a pricing mechanism already agreed. To enable third party to get into the supply. It'll be a commercial process, it sounds like, from what you're saying?

Tom O'Leary: Yes, that's right. That's right. I don't think I've got really much to add to that. We will engage in those processes over time.

Daniel Morgan: (Barrenjoey, Analyst) All right and last question just on that, would you be looking to use your strategic position as the owner of a refinery to gain access to equity and projects? Or would it be your business case is, we want to be the refiner and have a third party feed rather than get involved in owning [aspirant] projects coming into it?

Tom O'Leary: Look, Dan, I think it's one step at a time. What we've announced today is a quantum leap in the development of the Australian rare earth industry and so we'll disclose more about plans and approaches over time.

Daniel Morgan: (Barrenjoey, Analyst) Okay, thank you very much.

Tom O'Leary: Thank you, Dan.

Operator: Thank you for the questions. Next question comes from the line of Matthew Hope of Credit Suisse. Please, go ahead.

Matthew Hope: (Credit Suisse, Analyst) Yes, thanks, guys. Just wanted to touch on - just understand how many years you're expecting this to take to ramp up? Because on page 13 of the presentation, it looks like it's just one year and then it goes to 90% recoveries and just wanted to know, is that the case?

Within your funds for \$400 million to \$470 million of indirect costs, how many years of commissioning are actually built into that amount?

Tom O'Leary: Well look, I'll hand over to Dan but I think one key observation is that the plant as is illustrated by the slide you mentioned there, from an NDPR capacity, the capacity is that it's 5500 tonnes. So that slide shows it ramping up to, I don't know, what is it? [Unclear] points in the first year or two.

So it's not ramping up to full capacity, there's a lot more capacity than is illustrated by that - by those first couple of years but what was the first question, Dan? [Unclear]

Dan McGrath: Yes, so if you think about it in terms of McNulty curve, imagine it going from a three to a two to a one and approximately 24 months to maximum capacity.

Matthew Hope: (Credit Suisse, Analyst) Right, okay and then within the - that commissioning amount, the \$400 million to \$470 million of indirect costs which included commissioning costs, I was just wondering how many years is that - the \$400 million to \$470 million, that's just the 24 months, is it? So if it went 36 or 48 months, there would be additional funding required. Is that correct?

Tom O'Leary: No, Matt, that's not correct. I think we've disclosed all we wish to disclose in terms of the commissioning costs included there.

Matthew Hope: (Credit Suisse, Analyst) All right and then just on - I just wanted to...

Tom O'Leary: You have to - sorry, Matt, just to elaborate further on that. We are in the process of engaging with [CPCM] contractors at the moment and part of that negotiation is

around incentive arrangements in terms of ultimate cost of the refinery and a range of other things. So to be more specific around the items in the capital summary on slide 8 would be injudicious at this point.

Matthew Hope: (Credit Suisse, Analyst) Okay well with Wimmera, I was just wondering how far down the track are you in some of the approvals that you would need from Victoria? I mean, has that - is it - are you starting from stage 1 if you wanted to get a mine operating there? As in you've got to go and do all the environmental studies and many other approvals or are you part-way down the track?

Tom O'Leary: Yes, look, we've been underway for a while, Matt. I'll hand over to Dan though, to talk to that.

Dan McGrath: Yes, mate, the - we've been working on the Wimmera for many years both from a technical perspective and in terms of preparing for the development. So things like baseline environmental studies and those things necessary to compile an environmental effects statement have been underway for some time. So we're not starting from scratch.

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

Tom O'Leary: Thanks Matt.

Operator: Thank you for the question. The next question comes from the line of Brenton Saunders from Pental Group. Please go ahead. Mr Saunders, once again your line is open. Please go ahead.

Brenton Saunders: (Pental Group, Analyst) Hi, can you hear me?

Tom O'Leary: Yes, I can Brenton. How are you?

Brenton Saunders: (Pental Group, Analyst) I'm good. How are you?

Tom O'Leary: Good.

Brenton Saunders: (Pental Group, Analyst) Sorry if I missed this earlier and good afternoon to you all. Just on - the document articulates the contribution of notionally \$1.25 billion worth of concentrate to the project which just confuses me a bit. I mean what is being contributed? Presumably that is all still for Iluka's account net of the debt repayments? How does that all work?

Tom O'Leary: No, I guess the way I'd describe it is that when the special purpose entity borrows this money from EFA and takes further contribution from Iluka as we've described there up to \$200 million, it already has within it the Eneabba stockpile. So that stockpile is

owned by the refinery absolutely. So what Iluka is entitled to going forward is the royalty payments and also the distributions as set out in the waterfall on slide 12. Does that help you?

Brenton Saunders: (Pental Group, Analyst) I'll check it out and get back to you. Thank you.

Tom O'Leary: Okay, thanks Brenton.

Operator: Thank you for the question. We also have a follow-up question from Peter O'Connor from Shaw and Partners. Please go ahead.

Peter O'Connor: (Shaw and Partners, Analyst) Tom, first principal payment is due when?

Tom O'Leary: After project completion - not until after project completion.

Peter O'Connor: (Shaw and Partners, Analyst) Okay. Then circling back to Dan's question about CapEx pressures and knowing that you are not a cut and paste kind of guy and neither would the Board of Iluka be, so when you look at CapEx pressures in WA and you think about the next two years, can you give us a broad, high level risk mitigation areas you would at least look at and think about as part of trying to manage that expectation?

Tom O'Leary: Yes, look Peter, as I said it is going to be a challenging period. A key is to get the very best in terms of contractors on board. They begin with the CPCM contractor and we've been through a thorough tender process with a range. We've engaged strongly with them about strategies that they will look to implement through the underlying contractors who will ultimately have contracts with Iluka. That's the nature of an EPCM contract.

So we've shared with them - they've shared with us - their strategies around that. We think we have appropriate plans in place to deal best with the situation we're confronted with. I don't think it will be particularly profitable to talk specifically about tactics that we'll pursue.

But certainly when our EPCM contractor identifies underlying contractors that we deal with, we'll be looking to ensure that they in turn have in place strategies to optimise our outcome over the coming period. Now when we look at long lead items in particular we're going to look to ensure that some of those key pieces come built out if you like so that they can be implemented on the ground pretty effectively. But look I think I'd probably leave it there unless Dan you've got anything to add?

Dan McGrath: Yes I think it's a misconception that exists is these refineries are massive in scale and complex to construct. Now whilst they may be complex to operate because of the bespoke application of the heavy liquid or liquid, liquid separation the facilities themselves are really quite straightforward. There's very little elevation.

There is - imagine lots of tanks and some of them being inside sheds. So from a construction perspective we're not exposed to anything like the risk of marine construction or construction with lots of elevation.

Peter O'Connor: (Shaw and Partners, Analyst) Is the notion of a fixed price contract in the current world, does that exist? Is that part of the way you mitigate? Or is - are you just minimising the [upside in] inflation?

Tom O'Leary: Yes, a bit of that. But look in this environment I would say the answer is no. In terms of having a fixed price and getting surety and getting guarantees on performance and the like, there's not.

That's not to say - sorry Peter - that's not to say that individual packages could not be let out at fixed prices. But to get an overall refinery lump sum turnkey contract, while it would be nice, is not really on the table. Nor would we have expected it to be at the beginning of this process.

Peter O'Connor: (Shaw and Partners, Analyst) Just shifting gears to slide 13 and not being a metallurgist or a chemist, and thinking about when you take third party supplies, is the processing an art or is the processing a science? How do I think about how this plays out at some stage in the late 2020s when you start mixing rare earth feeds?

Dan McGrath: I could probably capture that. I mean the operating philosophy that you would have over a period of a year or several months is to make sure that the feedstock blends generate a consistent mixture of metals into the separation.

But in terms of the - the question was asked earlier about capacity. The mineral sands type feedstocks could conceivably be made up to 67%-odd total rare earth in the feed. But you will see that with our 55 kilotonnes of capacity we have allowed for much lower grade mineral concentrates, even as low as 20%, 25%.

Mixing those feeds is something that we've done a reasonable amount of work on and it should be considered a very basic science with the operating philosophy of delivering a consistent mixture of metals to separation.



Peter O'Connor: (Shaw and Partners, Analyst) So it's not [campaigning] it's actually blending.

Dan McGrath: Yes, over the long term, yes the stabilisation of the metal mixture is the key.

Peter O'Connor: (Shaw and Partners, Analyst) So does identity of third party ore depend on the metallurgy of the feed? Does that become the driver more than the economic - the cost of that deposit?

Dan McGrath: No, only so far as that if it can be concentrated. So our refinery would preclude some of those more peculiar deposits that cannot be concentrated and have essentially all of the ore treated. We don't have the capability to do that. But to the extent where it can be concentrated, yes.

Peter O'Connor: (Shaw and Partners, Analyst) Okay Tom, last one, high level. When I sit down with the government and I'm thinking about doing a deal like this how does the formula work? How does the discussion drop out and why does \$1050 million of dollars of funding come out of that and your equity share come out? How do I think about that discussion, that debate or that formulaic process to get to that end point?

Tom O'Leary: Yes, I mean that's kind of a long discussion I think Peter. It's not formulaic at all. It's been a very long journey with government. I think what the ultimate partnership recognises is the significant contributions that each of us are bringing. As I said at the outset whilst we're confident about a range of things on this project it's not without risk given the nature of the market and other factors.

So in order to incent us to go in this direction rather than merely export [EP2] materials, but build a fully integrated refinery, these are the terms that we've struck. I think they are appropriate and so does government.

Peter O'Connor: (Shaw and Partners, Analyst) Thank you Tom.

Operator: Thank you for the questions. The next question comes from the line of Levi Spry from UBS. Please go ahead.

Levi Spry: (UBS, Analyst) Good day. Thanks Tom. Just following up on I think Paul's original questions on the offtake strategy and I guess looking at slide 5 in particular, what stage is this up to? When can we think about the price?

Tom O'Leary: Oh, right yes the metallisation. It's a really interesting one and I think one that government is interested in to see further build-out of industry in Western Australia

and Australia more generally. So there's - it's attractive to both stakeholders - both of those stakeholders, government and ourselves.

It's also attractive to customers. For customers to be able to procure sustainably sourced and monitored if you like and be clear about the source of their rare earth metals would clearly be an attractive feature. So we've already started exploring that. We'll have more to say in time.

Levi Spry: (UBS, Analyst) Okay, yes so any guidance on when we can expect to hear more on strategy there?

Tom O'Leary: I wouldn't want to pre-empt it but certainly we're only relatively early in the year. So certainly this year I think you'd be able to expect some more.

Levi Spry: (UBS, Analyst) Thank you.

Tom O'Leary: Pleasure Levi. Thank you.

Operator: We also have another question from the line of Glyn Lawcock from Barrenjoey. Please go ahead.

Glyn Lawcock: (Barrenjoey, Analyst) Hi Tom. Tom just quickly I don't think you answered the question earlier about why you designed it to the size you did. Then on top of that, is it scalable? I mean clearly if we look at the market outlook we're going to need more than what your project brings to the market over the coming years. Does the footprint you have and the way you're designing it allow it to be doubled in size at some point in the future?

Then finally are there any government requirements for this money because they really want the jobs, they think it's a great industry to have in Australia? So I just want to be clear there are no requirements for you back to the government for the money you're getting in any way shape or form?

Tom O'Leary: Well in terms of the first question, any plant can be replicated adjacent to it. That's certainly the case here. But we've built it at a scale as you can see that is globally meaningful and we, as I've said, are confident that in time we'll be able to utilise that capacity, whether it be from our own resources for a deposit, or from others.

It's part of the reason we've designed it at the scale and with the capacity to process the concentrates of other is that, as I said, it creates the scale to be meaningful globally and really foster the development of a rare earth industry in Australia.

In terms of obligations to government, clearly the refinery code has an obligation to comply with all the terms of the loan agreement and so on. We'll act in accordance with the critical minerals strategy. As you would expect, there are lender protections in place as to who our counterparties must be, must be reputable and creditworthy and end customers can't be subject to sanctions or other issues and so on. But no, there aren't particular restrictions that we are facing or specific hidden obligations, if that's what you're referring to.

Glyn Lawcock: (Barrenjoey, Analyst) Yes. I was just wondering if there is a requirement to go downstream at some point or anything. No, it's all up to your discretion whether you think it's economically worthwhile.

Tom O'Leary: Yes. That's right. That's exactly right, Glyn.

Glyn Lawcock: (Barrenjoey, Analyst) Okay. Thanks.

Tom O'Leary: Thank you.

Operator: Thank you for the questions. In the interest of time, the last question comes from Ben Lyons from Yarra Capital Management. Please go ahead.

Ben Lyons: (Yarra Capital Management, Analyst) Good day Tom and team. Thanks for taking my questions. Maybe firstly on the conceptual production profile. You've got a schematic diagram in there on slide 13. I'm just interested, it's a pretty lump schematic, so obviously there's a fair bit of science into that profile. I'm just wondering, for example, what happens at the backend of that around 2032 where it materially increases in terms of the amount that goes through the refinery.

Tom O'Leary: Yes. I'll hand you to Dan on that one, Ben.

Dan McGrath: Yes. That relates to the in situ total rare earth grade of the material and the sequence which it's reclaimed. Whilst the refinery can manage some variable output rates, stabilising in the long term, or medium term, stabilising the metal mix is important. This just represents a stable metal ratio with a variable in situ ore grade and hence production rate of feedstock to the refinery towards the end of that reserve, a mining sequence effect.

Ben Lyons: (Yarra Capital Management, Analyst) Okay. Thanks for clearing that up. Maybe just secondly, I note that you've published a project-level NPV of \$524 million and obviously at the end of that modelled nine-year period you've got a \$1 billion plant sitting there and you can feed it with Balranald or Wimmera or third-party feed or what have you. I'm interested in the Board's consideration of an NPV that you published a year or so ago,

which was about \$770 million which was just for selling monazite concentrate and at prices far lower than what we're actually observing in the market today. Obviously, it's a great announcement that you've gone to FID on this refinery. I'm just interested in that consideration about how you're actually optimising the NPV for this material. Thank you.

Tom O'Leary: I'll hand over to Adele in a moment but I'd just make one observation about the value, the \$770 million and \$1.27 billion. They are, as is stated there, they are effectively the net present value of cash flows that would be achievable on EP2 if the spot price, as it was some time back in September when it was \$770 million or in February now at \$1.27 billion, if those prices were maintained permanently and it was simply exported at that price ad infinitum until the end of the deposit, they need to be thought about in that context. But in terms of optimising the NPV of the overall project, I might just pass to Adele on that one.

Adele Stratton: Yes. Thanks, Tom. Ben, as you've articulated, there's a few differences between the stockpile which is obviously finite, as Tom has mentioned, and that will generate a set value depending on whatever the market price is at the time and the option value that comes with a refinery, as we've noted here.

The project NPV is on a conservative outlook, i.e. it's just the stockpile for nine years at in essence half capacity, so there's lots of upside in terms of optimisation of that value from both our own internal deposits, as Tom has touched on - Wimmera, other deposits, Balranald, [Euston] et cetera all have monazite, that's available on the website, you can see the compositions of those deposits - as well as potential third parties.

Really, when you look at this, it's exactly that. It opens up options with a strategic piece of infrastructure that can operate for decades and, as you've noted, would have a terminal value of all you put through it with any other.

I think the other thing just to clear up in terms of some of the commentary is the royalty in terms of how does that work, and as Tom has articulated on slide 12, there's a cash flow waterfall under the heading risk sharing arrangement. So, the royalty is of great importance in downside scenarios. That's what risk-sharing is.

If the market turns or whatever in terms of the cash flows that are operated, we will share all cash flows post interest 50/50 between scheduled repayments and the royalty capped at \$81 million per annum when if you look at our expected project return of about \$524 million, Ben, that you noted, then it is distributions are shared 50/50.

Ben Lyons: (Yarra Capital Management, Analyst) Okay. Thanks very much.

Tom O'Leary: Thanks, Ben.

Operator: Thank you for the questions. With that, I would like to hand the call back to the Management, Mr Tom O'Leary, for closing remarks.

Tom O'Leary: Terrific. Thank you all for joining us on this important day for the Company. I look forward to keeping you informed of our progress. We've got a lot of work ahead of us. Thank you again. Bye for now.

Operator: That does conclude today's conference call. Thank you for your participation. You may now disconnect your lines.

**End of Transcript**