

3 April 2022

ENEABBA RARE EARTHS REFINERY – FINAL INVESTMENT DECISION

Iluka is pleased to announce Board approval of the Eneabba Rare Earths Refinery (Phase 3).

This decision has been taken following the achievement of two central milestones associated with the project:

- completion of the feasibility study, demonstrating solid economics and significant potential for growth; and
- agreement of a risk sharing arrangement with the Australian Government, including through a non-recourse loan under the Australian Government's \$2 billion Critical Minerals Facility, administered by Export Finance Australia (EFA).

Phase 3 will deliver a fully integrated refinery for the production of separated rare earth oxides at Eneabba, Western Australia. The refinery will be capable of processing rare earth feedstocks sourced from both Iluka's portfolio and from a range of potential third party concentrate suppliers. Iluka's close collaboration with the Australian Government reflects the alignment of the company's commercial objectives for its rare earths business with the Commonwealth's Critical Minerals Strategy.

Refinery overview

Iluka's refinery will produce the high value rare earth oxides neodymium, praseodymium, dysprosium and terbium. These are critical inputs across a range of industries and technologies including electric vehicles, sustainable energy, advanced electronics, medical and defence applications.

Eneabba is the highest grade rare earths operation globally. It currently consists of Iluka's stockpile of the rare earth bearing minerals monazite and xenotime, as well as the company's Phase 1 (screening) and Phase 2 (concentrating) plant. Phase 3 will build on this existing operation to deliver a significant downstream infrastructure asset comprising roasting, leaching, purification, solvent extraction and product finishing. The refinery will be fed initially from the Eneabba stockpile. Potential future sources of feedstock include Iluka's Wimmera and other deposits and a range of third parties.

Key State and Federal government environmental approvals decisions for the project have been made. Iluka is currently working towards securing further approvals and regulatory requirements.

Refinery parameters

- Total rare earth oxide (TREO) capacity of 17.5 thousand tonnes per annum¹
- Construction workforce of ~300 people; operational workforce of ~270 people
- Capital cost of \$1,000-1,200 million
- Construction to commence in H2 2022, with first production expected in 2025

Risk sharing arrangement

Phase 3 will be owned and operated by an Iluka wholly-owned Special Purpose Entity, "RefineryCo". The construction and commissioning of Phase 3 will be funded by Iluka and the Australian Government. Iluka will contribute cash equity of \$200 million (provided on a 1:3 ratio basis with initial Critical Minerals Facility loan

¹ TREO plant capacity is 23ktpa with all circuits fully utilised. Modelled plant capacity based on various feed blends is 17.5ktpa.

drawdowns); a \$1,270 million² equity-like contribution of the Eneabba stockpile; and funds deployed of \$50 million for Phase 1 and Phase 2 plant and \$20 million for the Phase 3 feasibility study. Commonwealth funding is via a \$1,050 million non-recourse loan provided to RefineryCo under the Critical Minerals Facility, administered by EFA, plus a \$200 million cost overrun facility if required.

Terms of the risk sharing arrangement are reflective of Iluka's unique stockpile contribution and the project's strong alignment with the Critical Minerals Strategy and significance as Australia's first fully integrated rare earths refinery. These terms include interest charged at BBSY + 3% and long term facility tenor, up to 16 years. Other terms include:

- loan is non-recourse to Iluka;
- annual royalty payment to Iluka from project cash flows up to \$81 million, capped at \$900 million total, ranking in equal priority to scheduled repayments; and
- risk sharing mechanisms to support RefineryCo resilience in the face of potential technical, operating and/or market based challenges.

While Phase 3 has been designed to consume a range of feedstocks, under a conservative scenario where the refinery processes the Eneabba stockpile only, the project NPV exceeds \$500 million,³ generating sufficient cash flow to repay the EFA loan facility and provide a solid economic return to Iluka via equity distributions and royalty payments.

Managing Director commentary

Eneabba Phase 3 represents a defining opportunity for Iluka and an order of magnitude evolution for value addition to Australia's rare earth resources.

For several years, Iluka has been progressing its diversification into rare earths based on the company's assets at Eneabba in Western Australia and Wimmera in Western Victoria. Since 2019 we have adapted, accelerated and amplified these plans in the context of key external developments, notably the continued transition towards the electrification of the global economy and the increasing policy priority assigned to critical minerals and their supply chains by the Australian Government.

Rare earths are among the key building blocks of an electrified economy and our final investment decision for Phase 3 will see Eneabba become a strategic hub for the downstream processing of Australia's rare earth resources. The refinery has been designed specifically to have the capacity to be globally material, the capability to process both Iluka's feedstocks and those held by third parties, and to have minimal environmental impact, including as a result of being located entirely on a brownfields site. Beyond the production of rare earth oxides, the refinery also provides a foundation for undertaking potential further steps along the value chain in future, such as rare earth metallisation. Iluka has already had strong and positive engagement with potential rare earths customers.

Phase 3 will be fed initially from the Eneabba stockpile. By virtue of being very high grade and not requiring any mining infrastructure, this provides speed to market and solid economics over an indicative life of nine years. Importantly however, there is significant upside potential associated with the refinery's longevity beyond the Eneabba stockpile. This upside, combined with the risk sharing arrangement we have agreed with the Australian Government, is the basis on which Iluka has made its investment decision.

Phase 3 is not an opportunity without risk for Iluka. The partnership we have agreed with the Australian Government mitigates risk in a way that recognises the substantial contributions of both parties. It also provides a strong platform for Eneabba's success as a sustainable, secure and globally competitive source of separated rare earth oxides. This is consistent with Iluka's disciplined approach to capital allocation and the development pathway we have been pursuing for some time, based on the alignment of commercial and policy objectives.

² NPV of nominal after tax cash flows of Eneabba Phase 2 at discount rate 10% using Feb 2022 monazite spot prices. Spot monazite price of US\$11,180/t converted from CNY to USD at spot FX rate of 0.1564. Revenue and costs from mineral sands by products excluded. Includes replenishment of stockpile from Jacinth-Ambrosia and Cataby.

³ Project NPV (8.25% post tax nominal WACC) assesses post tax free cash flows prior to financing charges and distributions. Excludes any terminal or option value for utilisation of the Eneabba refinery post production from Eneabba feedstock. Pricing assumptions Adamas, September 2021 (see slide 22 of presentation lodged on ASX platform with this release).

Our final investment decision would not have been taken without the support of the Australian Government. Eneabba Phase 3 reflects the Commonwealth's commitment to the development of a downstream critical minerals industry and I extend the Iluka Board's thanks to ministers and agencies with whom we have been engaging over a number of years who have recognised the opportunity that this refinery represents.

Notwithstanding the significance of today's announcement, Iluka's central task lies ahead – delivering Eneabba Phase 3 for our shareholders and stakeholders more broadly. Realising this development is an area of intense focus; and I look forward to providing regular updates on progress.

Iluka will host a conference call at 11:00am AWST on Monday 4 April 2022. Dial in details will be provided subsequently.

This document was approved and authorised for release to the market by Iluka's Managing Director.

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