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Operator: Good day and thank you for standing by. Welcome to the Iluka Resources Limited 2021 Full Year Results Conference Call. At this time, all participants are in a listen only mode. After the speakers’ presentation, there will be a question and answer session.

To ask a question during the session, you will need to press star one on your telephone. Please be advised that this conference is being recorded. If you require any further assistance, please press star zero. I would now like to hand the conference over to your speaker today Tom O’Leary. Thank you. Please go ahead.

Tom O’Leary: Thank you and good morning. With me in Perth today are Adele Stratton, Matt Blackwell and Luke Woodgate. We all look forward to discussing with you what I think is an excellent set of results delivered by Iluka in 2021 not to mention a substantial agenda ahead for the Company.

But before getting to that, I’d like to acknowledge the announcement made by our Chairman Greg Martin that he’ll retire from the Board in April. Greg will depart Iluka having made a significant contribution to the Company over the last decade. He’s called out a few matters of note in today’s ASX release and while I’ll have more to say on Greg’s contribution at the AGM, I will take the opportunity this morning to put on record my thanks and appreciation for Greg’s support since I joined Iluka five and a half years ago.

Rob Cole will be succeeding Greg as Chairman and I look forward to working with Rob during what I think will be an exciting time ahead for the Company. Those of you familiar with our business will know that for some time, we’ve been discussing challenges facing the mineral sands industry. In particular, we’ve talked about challenges due to declining production because of mine depletion and there remains no substantial new capacity coming online in the near term.

We’ve commenced today’s deck with a refresher on these challenges at Slide 4 not least because over the past year, we’ve seen their market implications on practical display with those covered on Slide 5. The current mineral sands marketplace is characterised by constraint, supply and steady demand with its dynamic playing out in the context of a global environment defined by COVID-19, geopolitical strategic competition, generalised political uncertainty, for example in South Africa, and increasing momentum towards and electrified, low carbon economy.

So what’s been our approach and what’s it delivered? First, you can’t hope to do anything for long if you’re not doing it sustainably and you’ll see our approach and achievements in this area outlined in Slides 7 and 8. Reducing serious potential injuries has been a very specific safety focus for Iluka over the past couple of years and I’m pleased to report at 25% decrease for 2021 which was achieved alongside of similar decrease in our total recordable injury frequency rate.

We’ve released a position statement on climate change and our approach on that as you’d expect is measured. Obviously, our plans around production of separated rare earth oxides would see us being a facilitator of global efforts at decarbonisation through electrification. At the same time, we’ll continue to work on the carbon challenges associated with our existing mineral sands business on identifying the solutions and technology advancement that will be required and then setting work [track] programs to target their achievements.

Rather than making general statements of ambition, we think it’s important that there is first a reasonable basis to expect they can be achieved. We have made incremental steps during 2021 including the commissioning of a three and a half megawatt solar farm at Jacinth-Ambrosia in the latter part of the year. While this addresses only a fraction of our overall emissions, it’s nonetheless a potential blueprint for the use of renewable power sources at other Iluka sites.

Slide 9 summarises the operational flexibility we once again demonstrated in response to market conditions over the course of the year. In Australia, we returned to maximum operational settings in April with both the Narngulu mineral separation plant and synthetic rutile kiln 2 at Capel running at full capacity.

In Sierra Leone last month, we withdrew our notice to suspend operations on the back of improved production performance delivered over the second half and parliamentary ratification of amendments to Sierra’s rutile’s fiscal regime. I’ll now hand over to Adele to cover the financial results which reflect the commitment of our workforce.

The team has been resilient in the face of the threat of ongoing disruptions presented by the pandemic and while we can expect that resilience to be further tested over the coming year particularly in Western Australia, we do so with some confidence given our achievements today. Over to you Adele.

Adele Stratton: Thanks Tom and good morning. Key aspects of our financial performance are outlined on Slides 10 to 30 and I’ll keep my commentary brief because I think the numbers really speak for themselves. In short, we achieved material increases in underlying NPAT at more than 100%, revenue up 57%, EBITDA up 85% and free cashflow of more than 700% relative to 2020. Year cash costs of production and cost to consult were also both down.

The results have contributed to a further strengthening of Iluka’s balance sheet. Our net cash position was $295 million at 31 December. We also have significant funding headroom with total debt facilities of $512 million which is important in the context of our development pipeline, an area Tom will return to shortly.

Our final dividends of $0.12 per share fully franked reflects our updated dividend framework which is to pay 100% of dividends received from Deterra Royalties and pay a minimum of 40% of free cashflow from the mineral sands business not required for investing or balance sheet activity.

As you can see from our Outlook slides, we’re expecting to [deploy] over $200 million in capital expenditure this year so we’ve considered that when determining the final dividend amount. Given 2021 was our first full year reporting period since the demerger of Deterra, we thought it worth highlighting the contribution of our 20% stake which you can see on Slide 14. This included $15 million in total dividends received by Iluka during 2021 which equates to a $0.035 dividend for Iluka shareholders.

Production from BHP’s Star Point Development is yet to fully ramp up. Based on Deterra’s recent market capitalisation, Iluka’s stake is worth around half a billion dollars providing us a significant additional source of long term financial [strength] and with that, back to you Tom.

Tom O’Leary: Thanks Adele. Iluka’s performance in 2021 included important progress throughout our project pipeline which is covered on Slide 15. Collectively, these projects are core in delivering our response to the challenge of declining industry production both in the nearer and longer term and across our products suite of Zircon, high grade Titanium, feed stock and rare earths.

Last year, we took decisions to restart Synthetic Rutile Kiln 1 at Capel which will be on the line at the end of the year, commenced a definitive feasibility study for Balranald in New South Wales and announced a resource estimate for Wimmera in Victoria. The latter two decisions reflect our sustained focus on mineral sands technical development in Australian jurisdiction highlighted on Slide 16 with each of these projects and their technologies having the potential to transform our industry.

In line with the macro view of mineral sands markets I touched on earlier, Slides 17 and 18 provide some additional detail on the general tightness we’re encountering at the moment. We’ve seen significant pricing fraction over the past year with customers increasingly prioritising security of supply. This underscores the importance of our approach to pursue a sustainable pricing environment for our products, something that Iluka has been doing for a number of years.

That takes us to our emerging position in rare earths which is covered on Slides 19 to 22. As we reported in our quarterly last month, our uptake obligations for Phase 1 have been met in full and are concluded. Phase 2 which will produce a direct feed for a rare earths refineries in the latter stages of construction with commissioning scheduled in the first half.

The feasibility for Phase 3 - a fully integrated rare earth refinery - is substantively complete from a technical perspective and will be finalised by the end of Q1. We received key environmental approvals in January and our discussions with the Australian Government on potential risk sharing arrangements to deliver Phase 3 are ongoing in parallel. I’m not a position to provide further detail today because in the context of our ongoing discussions with Government, that would not be appropriate.

2021 saw rising prices for rare earths with demand expected to increase markedly as the world pursues electrification. The fastest growing application for rare earths is for the production of permanent magnets which were essential inputs for sustainable energy technology such as electric vehicles and wind turbines.

As the highest grade operation globally, Eneabba provides an enviable foundation for Iluka’s diversification into this market. That foundation is complemented by the Wimmera development which as you can see on Slide 22 has a very similar assemblage to Eneabba but with more Dysprosium and Terbium and could offer an attractive, long term source of feed for Phase 3. As I’ve outlined previously, Phase 3 is also being designed specifically to be able to process feed stocks from a range of third party developments.

To sum up, Iluka is positioned to lead in the response to industry and market conditions both near and longer term through our operations development pipeline, financial strength, marketing approach and products suite and this was demonstrated I think by the excellent results we achieved in 2021. With that, I look forward to your questions.

Adele: [Lyndon], are we going to go [questions]?

Operator: As a reminder, to ask a question, you will need to press star one on your telephone. To withdraw your question, press the pound or hash key. Your first question comes from Rahul Anand from Morgan Stanley. Your line is open.

Rahul Anand: (Morgan Stanley, Analyst) Hi Tom and Adele. Thanks for the opportunity. Can I perhaps start with the Zircon guidance please for calendar year ’22? I just wanted to see if you can provide some colour around how much of that might be ZIC. Then I presume J-A is probably running at higher than reserve grades this year still. How long can you maintain that position in terms of staying above reserve grade and when do you revert back? That's the first one. I'll come back with a second, thanks.

Adele Stratton: Thanks, Rahul. Just an example of the zircon-in-concentrate, Rahul, we've guided that across the Group there's 80,000 tonnes of the zircon-in-concentrate included in that production guidance, so 75,000 tonnes in Australia and then the remainder from obviously Sierra Rutile. In terms of the Jacinth-Ambrosia, as we've said, the intention is to return to Ambrosia in the latter part of '22, so around the August-September mark.

[First there] will be depleting completely, just at [nought] where we currently are, and that's in that all lower-grade asset and then returning back to Ambrosia, which will be a slightly higher grade. As we've said before, we can see outlook for the next couple of years probably being consistent with what we've guided at the moment. There's no rationale in terms of the grade drop-off, it's just as for the next couple of years.

Rahul Anand: (Morgan Stanley, Analyst) Okay. That's very clear, thanks. Then the second one is on Sembehun. I saw the updated reserve there. Obviously, a better grade, lower tonnes and perhaps a somewhat rutile estimate there. Clearly, you're trying to improve the grades to improve economics by the looks of it. I just wanted to get an update. I think the last report was the first time that a demerger also seems to be an option for the asset. Can you perhaps update us on how the process is looking currently? Are you actively looking to develop there or has the strategy now changed to perhaps more of a divestment?

Tom O'Leary: Rahul, as always, what we do with Sierra Rutile is all about optimising value. You touched on the thinking around the possibility of demerger and so on, but what I'd say is that subject to achieving an FID on our phase 3 development in Eneabba with the rare earth. We're in for an incredibly busy few years ahead.

Over in Sierra Leone, as you say, we've updated the reserve information there, and they have the Sembehun development to optimise. When we're thinking about that, we're also aware and contemplating the recent change to the fiscal regime. The team is also busily identifying what additional resources in area 1 might now be economic to extend life. That's opening up options around Sembehun.

So, there's a lot to do there and material capital allocation decisions to come. We're continuing with our process as well now; we're considering demerger, as we've said. If we did pursue that, it would create an Australian company focused on critical minerals in Australia and a separate West African company focused on optimising area 1 and Sembehun. They're the things we're considering, and as I said, it's all about optimising value, Rahul.

Rahul Anand: (Morgan Stanley, Analyst) Perfect. Okay. Last one from me is around projects. So, Atacama, Euston, Wimmera, all sort of sitting in the same select section of your slide 15. Atacama is one which has been talked about for a long time. I just wanted to understand, has there been any movement in terms of trying to find a solution for processing at that asset, or does Euston now become your primary ‑ if I want to put it that way ‑ maintenance opportunity in terms of volumes?

Tom O'Leary: Rahul, I think you know us better than we've been sitting on our hands worrying about Atacama. We've been actively engaged in searching and developing ‑ in fact, beyond searching to developing a technology solution to treat the impurities in the ilmenite. We flagged that previously but Atacama's got quite a lot of zircon but it's also very dominated by ilmenite. The ilmenite does have some impurities and we're pleased with the progress that's been made in that regard, and that's one of the reasons why we're pushing forward with the PFS and the various components that go into that.

We're certainly not giving up on Atacama, quite the opposite, and we've got a team working on that. We've got a team working on Euston. That's one of the great advantages of Iluka compared to some of our competitors is we're not a 1-9 company; we don't only have one option. We will progress these through PFS so that we can make the best risk-weight commercial decision for our shareholders.

Rahul Anand: (Morgan Stanley, Analyst) That makes sense. That's all my questions. Thank you very much.

Operator: Your next question comes from Paul Young from Goldman Sachs. Your line is open.

Paul Young: (Goldman Sachs, Analyst) Thank you. Hi, Tom, Adele, Matt, and Luke. A few questions on the market to begin with, Tom. Can I start with rutile or high-grade feedstock pricing. I know you made the comment in the presentation around achieving low double-digit price increases with pigment customers and I think a 25% increase with welding customers. Can you just confirm, is that just for the June half?

Matthew Blackwell: Paul, currently our pricing is on a six-monthly basis for high-grade feedstock, certainly the pigment. Some where we might be shorter than that but that gives you an indication of where we're heading from the weighted average of last year.

Paul Young: (Goldman Sachs, Analyst) Great, and welding sales were 10%, 15%?

Matthew Blackwell: Sorry?

Paul Young: (Goldman Sachs, Analyst) Are welding sales around 10% to 15% of volumes?

Matthew Blackwell: Out of SRL they are probably more like 10%. No, 10% to 15% would be right, yes. It's a good number.

Paul Young: (Goldman Sachs, Analyst) Okay, great. Thanks, Matt. Second question on the zircon market, extremely tight market conditions, as you point out, no inventory across producers, customers, robust demand in China, and also Europe we had your peer [Trollope’s] make comments last week about the potential for further price rises this year? What's your view, Matt, on the market's ability to ‑ based on what you're seeing, to actually absorb further price increases and obviously understand that you're trying to create price stability but interested in your thoughts on further price rises.

Matthew Blackwell: I'll answer that in two parts. First of all, our lawyers advised us very strongly not to talk about what prices might do in the future, and that gets you into dangerous territory. But to the basis of your question about the capacity and the capability, we're seeing for example calcined alumina prices, which is one of our ‑ one of the substitutes for zircon in Spain almost double in price over the last six, 12 months. Obviously, as the price of substitute moves up, that creates headroom for things like zircon.

What we're also seeing is a trend, as we alluded to in the quarterly pack, towards these large-format tiles. When you have a tile that's three metres by two metres, breaking one of those is the equivalent of breaking 33 normal-sized tiles. So, you want better quality, better strength, and we've seen an increase in zircon loadings going into those larger-format tiles, of premium zircon, so that's all positive. I think what we see is an underlying strength in demand for premium zircon through the market going forward.

Paul Young: (Goldman Sachs, Analyst) Great. Thanks, Matt. Final question is on any other phase 3 in the refinery, Tom. Obviously we're all waiting with anticipation on the results from the feasibility study in the June quarter. Can I ask around the capital guidance, so maybe it's a question for Adele, around the A$260 million or so CapEx guidance for the year? What's included to any other phase 3 in that number?

Adele Stratton: Just really the finalisation of a feasibility study, Paul.

Paul Young: (Goldman Sachs, Analyst) Okay, so any capital as far as getting started on construction would be in addition to the A$260 million?

Adele Stratton: Yes, that's exactly right. It's got obviously the completion of the Eneabba phase 2, which is under construction, and the feasibility study for phase 3, and obviously I think we've drawn out some of the expenditure on Wimmera and progressing those solutions, but nothing more in relation to an execute decision for a phase 3.

Paul Young: (Goldman Sachs, Analyst) Okay, thank you. Thank you very much.

Operator: Your next question comes from Jack Gabb from Bank of America. Your line is open.

Jack Gabb: (Bank of America, Analyst) Thanks, and morning Tom, Adele, and team. A couple from me, firstly on monazite pricing. Can you give us any sense of what pricing is looking like for phase 2 material?

Matthew Blackwell: Jack, we've stated that we're holding back on our decision whether we will treat phase 2 depending on the outcomes of phase 3, but the spot market for monazite today in China I think is $10,000 a tonne, so considerably higher than when we anticipated and approved the expenditure on the phase 2.

Jack Gabb: (Bank of America, Analyst) Thanks. Then secondly just on ilmenite, obviously high-grade feedstocks in short supply. Are you seeing increased demands for Ilmenite sales and how does that make you think about pricing and your need to source feed for SR1?

Tom O'Leary: They're good questions and yes, there is further ‑ there is strong demand for ilmenite. There's strong demand for all feedstocks, particularly high-grade feedstocks. With regard to ilmenite, we have been able to secure through external and internal ‑ predominantly internal sources sufficient feedstock to run SR1 for at least two years.

Jack Gabb: (Bank of America, Analyst) Okay, thanks. Then just last one, a follow-up from Paul question's on the CapEx. Even if we ex out the various studies that you've broken out in your presentation, plus the SR1 restart CapEx in Australia is still I think three times what it was last year, can you provide any additional colour on what's driving that? Some of it I'm sure is inflation but is there anything else material within that number that's driving the big increase relative to '21?

Adele Stratton: Jack, just in terms of when we went to Ambrosia that was deferred capital there. We're going back to Ambrosia, as I mentioned earlier, and then that deferred capital we're going to have to spend there. I think it's around about the $20 million mark. That was also ‑ when we went into the pandemic and we moved back to [distance], one of the drivers behind that was to defer some of that cash spend, so that's coming at us in 2022.

Jack Gabb: (Bank of America, Analyst) Okay, perfect. So we won't assume that that carries on, I guess, the 2022 number drops down materially in '23 all else being equal?

Adele Stratton: Yes, that's right.

Jack Gabb: (Bank of America, Analyst) Okay, great. That's all from me, thanks.

Operator: Your next question comes from Peter O'Connor from Shaw and Partners. Your line is open.

Peter O'Connor: (Shaw and Partners, Analyst) Tom, Adele, Luke, congratulations on a great result. Firstly, dividends. Adele, passing through Deterra, how do I think about the timing? Is it based on what they've announced you passed through or what you receive you pass through? I ask that with relation to another company we cover that passes through dividends and it has been a quirk with timing.

Adele Stratton: Yes. It's dividends that we actually received, Peter. What comes into our free cash flow is the money we get from Deterra and that's what we'll be pushing through 100%.

Peter O'Connor: (Shaw and Partners, Analyst) So effectively a six-month lag between what you get to what you pay out? Okay. Tom, the balance sheet, slide 13. It's a great slide. You're down at the complete opposite end of that chart to where you were previously, which is great. What's appropriate? New development spend coming and you've got cash on the balance sheet and ample liquidity. What's the right capital structure for this company?

Tom O'Leary: It's a really interesting question, Peter, as we approach Eneabba phase 3 in particular. What we've said in terms of that capital structure, and Adele has been through it on many occasions, is that want to retain the firepower from committed facilities to make capital expenditures ‑ significant capital expenditures when required, but we want to be able to repay those relatively quickly. Certainly, that's the approach we're taking with the mineral sands business.

On what would be a very significant capital expenditure in Eneabba phase 3, we have, as we've discussed, engaged with government on a risk-sharing arrangement for that development. As I've said, I really am not in a position to go further on that today but that will clearly, if that goes ahead, demonstrate a pretty material change to balance sheet structure going forward.

Peter O'Connor: (Shaw and Partners, Analyst) Okay. To slide 5, where you run through the waterfall, and one of the bars is mixed, or one of the columns. With the change in mix, I know you commented in the release about it being processing lower grade ‑ lower-cost material. At what point does the Company review their pricing deck given the way you've outlined the market trend and the market pricing? Is the pricing deck you use for studies appropriate, should it be higher? Is there an element of low-grading in that change of mix, even a slight amount?

Adele Stratton: Peter, just to clarify, you're talking about from the NPAT waterfall on slide 11, that sales mix aspect?

Peter O'Connor: (Shaw and Partners, Analyst) Sorry. Yes, 11. Got it. Perfect [unclear], yes.

Adele Stratton: That makes it just literally so the prices reflect the product prices individually and sometimes when we sell, for example, more zircon than we do rutile, then the mix would be favourable. In this instance you can see the drawdown of synthetic rutile inventory and hence synthetic rutile is priced lower than zircon and that's what drives that mix. It's just a relatively between zircon, rutile, and SR more than anything combined within for example zircon ZIC versus premium.

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

Operator: Your next question comes from Hayden Bairstow from Macquarie. Your line is open.

Hayden Bairstow: (Macquarie, Analyst) Morning, guys. A question, Tom, just on the CapEx. I think going back to when you started, you sort of tucked in pretty hard into the resource development spend and pulled all that back a fair bit. With all this CapEx you're spending on these projects this year ‑ because that money seemed to just disappear into the ether, previously, but just keen to understand what are we hoping to be delivered say this time next year from all that spend? Are we going to get economic feasibility studies and changes to the medium-term production outlook for Australia mainly? Is that what we should expect to see from all these projects?

Tom O'Leary: I'll hand over to others in a moment, Hayden, but we're not expecting that money to disappear into the ether you'll be pleased to hear. We're actually looking for better clarity on our ‑ as you point out, our medium and longer-term production profile, in particular our Wimmera deposit we're working on the feasibility and looking for outcomes from that, this calendar year would be desirable. Balranald, we're looking at again an execute decision potentially in Q4 this year, and significant progress on Atacama.

I think these studies we're undertaking are really core to our future and, as I've said on a couple of occasions before, over the last few years we've been making really significant progress on really meeting the very difficult technical challenges posed by some of these deposits. That's really emboldened our pursuit of development of those. I think it's going to be a really interesting year this year in what we can achieve. I don't know, Matt, is there anything else that you...

Matthew Blackwell: Yes. A couple of things I'd say, Hayden, to that. I'd draw you back to slide 4 and some of the challenges faced in depleting grades and depleting supply globally. For example, in the area of zircon less than 45% of potential new deposits would actually chin the bar today in terms of meeting uranium and thorium requirements. What we have been doing is we've been actively ‑ we identified this years ago and we've been actively working towards a solution to deliver a premium zircon product from deposits that today are ineligible for pretty much every market across the globe. That will change our ‑ has the potential to change our portfolio quite considerably and open up the Murray Basin resources.

As Tom said, by the end of the year we should have an investment decision on Balranald, I mentioned earlier Atacama. Yes, there's a bit of lumpiness of capital in there, you've got SR1 in there, which is in execute, and that gives us 110,000 tonnes of additional high-grade ore capacity which is the only short-term high-grade capacity that can come to the market. These are all very targeted activities as we look out into the medium-to-longer-term future for our industry.

Hayden Bairstow: (Macquarie, Analyst) Okay. On the rare earths project, the bullet point just on actively engaging with the government. You've pretty much done everything you can do here, or from what I assume getting EPA approval, et cetera. Are the discussions around government-based green debt or is it about tax breaks? What are the discussions around?

Matthew Blackwell: Hayden, I can only reiterate somewhat. For the last couple of years we've been engaging with government because we thought there was strong alignment between our own commercial position and the government’s Critical Minerals Strategy and Advanced Manufacturing Strategy. We continue to be encouraged by our engagement with government. The essential nature of that alignment has only increased, I think, over the last couple of years. The imperative to diversify supply chains is stronger than ever. Look, I look forward to updating you further when developments permit.

Hayden Bairstow: (Macquarie, Analyst) Great, thanks, guys.

Operator: Your next question comes from Matthew Hope from Credit Suisse. Your line is open.

Matthew Hope: (Credit Suisse, Analyst) Thanks, just a couple of questions. Firstly on Atacama ilmenites. Just wondering if maturities in that ilmenite are the same as we’re seeing in the Murray Basin? So if you sell Atacama, would that help with Balranald and the Wimmera and getting more [inaudible]?

Matthew Blackwell: It’s a different impurity, Matt. So Balranald, the Balranald and Murray Basin deposits, they’re a slightly different ilmenite. They’re a different geological sequence but we’ve got some - we’re working towards and comfortable that working - confident in our working towards solutions for both.

Matthew Hope: (Credit Suisse, Analyst) Right, okay. Thanks and then you’ve got those south west deposits. I just want to understand what they are and their significance? Are they just ilmenite rich deposits for the talc and the synthetic rutile kilns or are there higher grade - significant amounts of higher grade [mills in them]?

Matthew Blackwell: Yes, look, they’re predominantly ilmenite, Matt, with some zircon credits and they’re what we’d call an enabling ilmenite, so that when you blend them with other ilmenites across the portfolio, they’re helpful. Not essential but helpful.

Matthew Hope: (Credit Suisse, Analyst) Right and are they - or I guess they’re not part of the solution for SR1 because they’re not in production…

Matthew Blackwell: No, no, we’re - no, they’re - no, there’s no undeveloped deposit that is part of a solution for SR1 in the next couple of years.

Matthew Hope: (Credit Suisse, Analyst) Right and then finally, just on zircon demand. You talked about growing - growth in India for the tiles there and pure zirconia for [unclear]. I just wanted to understand how significant are they to Iluka’s portfolio? Because you’re still largely selling into the - 57%, I think you said, into the tile market and China’s the most important to that - part of that. So are these significant markets or are they still quite [unclear].

Matthew Blackwell: Look, India’s one of the - a couple of comments. That first of all, we’ve been very deliberate in balancing our geographical [unclear]. We are certainly less overweight in China than we were previously.

We are - we sell predominantly - we sell a large portion into the ceramics market because that’s a market that demands premium zircon. It gets good quality material but so does [pure] zirconia and some refractories which we have strong positions in as well. Those markets are not only in China, they’re also in the United States and in other locations - well North America.

Tiles in India. India is a big manufacturer of tiles. We’re not overweight - we’re not significant in India but we’re selling out of our Malaysian warehouse into a number of Southeast Asian countries that are exporting also opacifier into places like Bangladesh, which are growing markets.

One of the things that’s occurred over the last couple of years is basically the democratisation of tile manufacturing. So these large format tiles, which came out of Italy originally and then into Spain, you can now order one of these machines from [Sisem], an Italian producer and have it delivered into India to produce reasonably good quality tiles.

So we expect to see an uptick in manufacturing outside of China, particularly as Chinese exports have slowed dramatically in the last couple of years.

Adele Stratton: Matt, just getting back to the south west deposits, just on what we’ve actually released on our website, it’s a little bit more of a detailed breakdown of our resource and results.

So if you just go onto the website, there is actually a breakdown of some of the south west deposits on there. Yes, if you have a problem just let us know and we can send you the link.

Matthew Hope: (Credit Suisse, Analyst) All right, thanks very much. That’s it for me.

Matthew Blackwell: Thanks, Matt.

Operator: Your next question comes from Levi Spry from UBS. Your line is open.

Levi Spry: (UBS, Analyst) Yes, hi, g’day and thanks for the call. Just a question on the Wimmera PFS. Can I confirm the delivery date of that?

Adele Stratton: Yes, so it will be quite significantly progressed through this year, Levi. So hopefully early part of ’23 is when we’ll be providing more insights into that.

Levi Spry: (UBS, Analyst) That’s early ’23, okay, thank you and so just moving back to the phase 3, Eneabba, so just understanding the scope there. Highly anticipated when we can finally get to look at it but just understanding the scope for the FID.

So will it be based only on the inventory that’s at Eneabba? I.e. ex-Wimmera? Because you won’t have done the study on that yet and ex-third party material but with the government help? Is that how I think about it?

Tom O’Leary: Well just a nuance, perhaps, Levi. The feed…

Levi Spry: (UBS, Analyst) [Unclear] [approve] it. Yes.

Tom O’Leary: Yes, so the initial feed for the refinery would be feed source from Eneabba but to be clear that the refinery has been designed to be capable of processing both Wimmera material, which is pretty similar, those higher end dysprosium and terbium but also non-mineral sands feedstocks from around the place. We have done testing and the like to ensure that that design capability is clear.

So when the Board assesses that, they will be looking at both any other feedstock, the prospect of Wimmera feedstocks and the prospects of other feedstocks to come in the future.

Levi Spry: (UBS, Analyst) Yes, great. Thanks, Tom. Thank you.

Tom O’Leary: Thanks, Levi.

Operator: Your next question comes from Glyn Lawcock from Barrenjoey. Your line is open.

Glyn Lawcock: (Barrenjoey, Analyst) Good morning, Tom and team. Thanks very much. Just wanted to talk a little bit about the zircon pricing guidance. You gave, I think, up [US$220 realised US$200] of it.

I think the guidance you give is on a CIF basis and I was under the impression freight rates were maybe starting to ease so I thought you might have actually got the full price benefit and clawed back some of what you lost last year.

Could you maybe just talk through what’s happening with freight and maybe logistics as well? Just on the business end and how that’s flowing through, thanks.

Matthew Blackwell: Yes, sure, Glyn. It’s Matt here. On that US$200, that’s on top of the - where we ended up at the end of last year, right? So we - when we - the last price rise that went through had a component of freight and realised price in it.

What we report is, an FOB price. You know, a realised price. Our prices can be - when we talk about our [end price], it’s we actually use the reference price which is two tonne bags ex-China warehouse. It’s what our customers see, so that might be on a CIF, it might be a DAT basis. It’s whatever that is.

Freight rates, generally, absolute [bulk] has come off a little bit when you’re talking Panamax - sorry, not Panamax, larger vessels. So Panamax and larger but the handysizing is not coming off like one would expect, nor are our container rates.

So there’s still considerable dislocation in global freight and there’s no new ship builds that - well sorry, there’s a low percentage of ship builds. So what we expect to see is probably higher freight rates through the first half and then after that, we’ll be re-assessing again but it’s still a very difficult market out there and if you’re trying to ship things around in containers, we don’t do a lot of that and particularly from Australia, it is a difficult market to secure at the moment.

Glyn Lawcock: (Barrenjoey, Analyst) Okay, so can I just clarify then, Matt - thanks for that. So if freight falls, we should see price rises net to you if freight falls because your freight cost goes down. So even if you don’t put through any more price rises, it could be more revenue gain for us in ’22 and beyond as freight normalises. Is that the correct take-away?

Matthew Blackwell: That’s certainly the way to think about zircon because we sell a lot of that out of our warehouses globally. Some of our TiO2 contracts are FOB.

Glyn Lawcock: (Barrenjoey, Analyst) Okay and then just you said containers are difficult, you don’t do much in containers but from a logistics point of view, is there any risk that - you’ve given production guidance but do you see, is there risk on sales given the logistics channels issues?

Matthew Blackwell: We sell through containers out of places like Malaysia, which has got better access to containers for - on the TiO2. Container sales out of Australia are limited pretty much to activated carbon co-product.

We might see some short-term disruptions in the first quarter, first half, but post that, we see an easing in container shortages. So nothing on TiO2 or zircon out of the container shortages.

Glyn Lawcock: (Barrenjoey, Analyst) Okay, so essentially ’22 is sales hopefully equals production, given your inventory’s in a good shape and then maybe some margin expansion from freight rates falling is the way to think about it?

Tom O’Leary: Yes, that’s a good way to think about it, Glyn.

Glyn Lawcock: (Barrenjoey, Analyst) All right, thanks very much.

Operator: Your next question comes from Paul McTaggart from Citi Group. Your line is open.

Paul McTaggart: (Citi Group, Analyst) Morning, all. So I know it’s an early stage for Sierra Rutile and you’re thinking about options and maybe kind of a spin out. If you did go to that, would you be looking to maintain a controlling position? Or sell down to a minority position a la Deterra? I mean, how would you be thinking about that if it comes to that option?

Tom O’Leary: Look, Paul, I think it’s a bit early to be talking about that but what I would say, that it would be quite difficult, I would think, from a competition perspective to be having two companies, one with a shareholding in the other that both had material interests in the retail market.

Paul McTaggart: (Citi Group, Analyst) Okay, thanks for that.

Operator: Your next question comes from Paul Young from Goldman Sachs. Your line is open.

Paul Young: (Goldman Sachs, Analyst) Hi again, just a clarification on - Matt, on rutile pricing. The double digit percentage increase for this half, is that based off the December half average or off the December quarter achieved price?

Matthew Blackwell: No, full year, Paul.

Paul Young: (Goldman Sachs, Analyst) The full year number?

Matthew Blackwell: Yes because we - yes.

Paul Young: (Goldman Sachs, Analyst) Understand, that is - that’s helpful. Then Tom, a question on - back on Eneabba phase 3. You’ve done a lot of work on - as far as the test work’s concerned over the years and that’s still ongoing as far as pile plant work is concerned et cetera.

Yes, this is going to be quite a large refinery, 15,000 to 20,000 tonnes of rare earth oxides and/or carbonates. Can I ask, not going upstream, can I ask about the downstream and particularly the offtake? You’ve done a lot of work on the rare earth market in the last couple of years as well.

But how do you think about conceptually, where this material might go as far as to who’s going to produce the metal? Who’s going to produce the magnets?

Tom O’Leary: Yes, look, good question, Paul and again, I have to reiterate a little bit what I said earlier but I - in terms of not wanting to comment further at this point but there’s a level of confidence that there is a significant growing demand for these products.

In terms of the specific question around metallisation and magnetisation, I think they’re parts of the supply chain that are emerging as well. We would also contemplate certainly metallisation as something within Iluka’s field of view.

Paul Young: (Goldman Sachs, Analyst) Okay, that’s really helpful. Thank you.

Operator: There are no further questions at this time, I would now like to hand the conference back to today’s speakers. Thank you, please continue.

Tom O’Leary: Thanks and thanks all for joining the call this morning. I look forward to keeping you abreast of our development pipeline because there’s a lot of interest in it. Our plan is I’ll get to speak to a lot of you individually over the coming days. Thanks again and have a good day.

Operator: This concludes today’s conference call, thank you for participating. You may now disconnect.

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