For personal use only

13 April 2022

ILUKA RESOURCES 2022 ANNUAL GENERAL MEETING

Iluka Resources Limited (Iluka) today held its 67th Annual General Meeting of Shareholders.

Shareholders voted on three resolutions: the re-election of Director Marcelo Bastos; the adoption of the remuneration report; and the grant of securities to the Managing Director.

A transcript of the addresses delivered by the Chairman and the Managing Director is attached.

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

Investor and media enquiries
Luke Woodgate
Group Manager, Investor Relations and Corporate Affairs
Mobile: + 61 (0) 477 749 942
Email: investor.relations@iluka.com

For personal use only

2022 Annual General Meeting
Iluka Resources Limited
13 April 2022

Chairman's and Managing Director's Address

Chairman's address

Ladies and gentlemen, thank you once again for joining us, whether in person or online.

It is with mixed emotions that I commence my ninth and final AGM as Chairman of Iluka. I am, of course, delighted to present to you. We've had a particularly successful year; and indeed the last week has been among the most important and potentially transformative in our company's history. But this only underscores how much I will miss the engagement with my esteemed Board colleagues, our exceptional management team and our highly engaged shareholders. It's been almost ten years since I first joined Iluka. As I retire from the Board today and sign off as your Chairman, I feel privileged to have been a Director during that time; and I am very grateful for the support, counsel, guidance and friendship of my fellow directors, both past and present.

It has been a true highlight of my non-executive career to have worked with not only such a professional group of Directors; but also a really nice group of people – the sort of folks you'd happily go out to dinner with, again and again.

It is with great confidence that I pass the torch to Rob Cole. Rob is a highly experienced and well regarded Chairman and has a deep understanding of Iluka's business, having been a Director since February 2018. He has made an invaluable contribution to the Board over that period, which I know will continue and be amplified as he succeeds me. Rob will have the benefit of working alongside a talented group of Directors; and a Managing Director whose commercial judgment and achievements speak for themselves. Tom – allow me to take this opportunity to express my sincere thanks for the strong, robust and respectful working relationship we have enjoyed these past five and a half years. Iluka's performance over the last few years in particular is a credit to you and your team. Under Rob and Tom's leadership, I confidently expect the company will realise the significant opportunities now within its grasp.

Returning to the business, Iluka's 2021 results are detailed in the Annual Report and Sustainability Report – published together this year. I encourage you to review these documents. Copies are available on our website.

To summarise the matters Tom and I addressed in our annual letter to shareholders in February

- We delivered an excellent set of financial results off the back of strong performance across the mineral sands business.
- Pleasingly, we improved our safety performance, particularly in relation to serious potential injuries.
- And we continued to make important progress throughout our project pipeline.

These are significant achievements that in many respects highlight the strength of the company's response to the challenges presented by the COVID- 19 pandemic over the past two years.

For personal use only

More significant still is what has occurred since February. Last Monday saw the announcement of a partnership between Iluka and the Australian Government to deliver the country's first fully integrated rare earths refinery at Eneabba. This includes a $1.25 billion non-recourse loan provided by Export Finance Australia. By any measure, this is a remarkable accomplishment and one I regard as the defining step in Iluka's longstanding plans to diversify into the rare earths market.

Tom will have more to say on this achievement shortly. But in reflecting on its magnitude for our company and the trust invested in us, I've found myself returning to a theme – the importance of reputation.

Reputation is of course a collective endeavour and the shared responsibility of every member of an organisation. From a Board's perspective and from a Chairman's perspective, I think the foundation of reputation begins with strong corporate governance. This has been a focus during my time at Iluka; and I thought I'd make use of my last AGM address to call out a few instances from the past decade that to my mind demonstrate the company's commitment in this regard.

Taking these in chronological order, I'd begin with the seriousness with which Iluka rightly treats its continuous disclosure requirements. When these credentials were questioned by a plaintiff in 2014, many externally expected us to settle, as most companies do when presented with similar legal circumstances. But we didn't do that. Rather, we felt it imperative to defend the rigor applied to our communications with shareholders.

And so it was with some measure of satisfaction in February this year that we received the Federal Court's judgment in the Bonham class action case, which found Iluka had complied with all its continuous disclosure obligations. We are in a unique position, being the only company in Australian legal history to successfully defend a shareholder class action that has gone to judgement, without appeal. This was a long road to be sure; but one well worth travelling. And it would be remiss of me not to acknowledge the important role played by our former Managing Director, David Robb.

Next, our position on anti-bribery and corruption, which I referred to at our 2017 AGM as 'walking the talk.' When Iluka acquired Sierra Rutile in 2016, we knew and were realistic about the higher risk exposure of operating in West Africa relative to our other operations. We determined to commit to a zero tolerance approach. Accordingly, one of our first priorities post acquisition was to conduct a review to identify any areas inconsistent with Iluka's Code of Conduct.

Unfortunately, we found some behaviours under Sierra Rutile's previous management that were not in line with our standards. Despite the resulting public scrutiny and operational challenges, we reported these historic breaches to relevant regulatory authorities, including the UK Serious Fraud Office, which in turn commenced a formal investigation. Some three years later, in 2020, we received confirmation from the SFO that it was ending its investigation, noting the action Iluka had taken to report the conduct in question and cooperate fully. I take this as affirming that we'd done precisely what international enforcement agencies want to encourage, which is for companies to report transparently wherever they see questionable behaviour around fraud, bribery and corruption.

Lastly, I'd note Iluka's decision in relation to the early return of the Australian Government's Jobkeeper payment at the beginning of 2021. As I said at our last AGM, maintaining a strong balance sheet has been a core component of our response to the pandemic. When COVID-19 struck, the impact on Iluka's zircon revenue was significant; and the path to recovery far from clear. We qualified for Jobkeeper on this basis, receiving payments totalling $13.6 million. Given our subsequent financial performance, as compared to what we feared it might be, we were among the very first companies to take the decision to return voluntarily all of the payments we'd received.

While we make no claims to perfection, I'd suggest that these are the actions of a company that does the right thing over the easy thing. This is not borne of altruism or image management; but a deeply held conviction at Iluka that reputation, substance and shareholder value are mutually reinforcing propositions.

Of course behind these governance decisions are people; and I'm a firm believer that diversity – all types of diversity – leads to quality outcomes. I am particularly pleased that last year we achieved 50% female representation among non-executive Directors. At Iluka as elsewhere, there is still much work to be done in this area, which is not without its challenges – we can't and won't shy away from that. But our progress at Board level in recent years is self-evident; and I think it's important that we acknowledge that too.

I alluded just before to imperfection. It occurs to me that it's probably a bit rich for a valedictory speech not to fess up to at least one area of unfinished business. Sierra Rutile has not delivered in line with Iluka's original acquisition case. In fact, in the early years, its business performance fell well short of our expectations. It was difficult introducing alternative mining technologies; and we had to undertake a major reset in 2021, including contemplation of suspending operations.

Business performance has improved over the past nine months. However, future capital investment in Sierra Rutile does not now sit within Iluka's priorities, particularly given the myriad opportunities that are present in our Australian business, including rare earths diversification.

But true accountability starts at the top. Just as I was Chairman when the other decisions I've covered today were taken, so I was for this one.

All that said, I trust few will be surprised when I say that I'm far from ready to admit defeat. Today's announcement of our intention to demerge Sierra Rutile, subject to shareholder approval, does I believe present the best opportunity for that business to reach its full potential. The demerged entity will be well equipped to implement strategies to maximise the value from both existing operations and the Sembehun project, which is among the world's largest undeveloped sources of rutile. Continuing the principle of accountability, I am delighted to be appointed Chairman-elect of this new company; and I look forward to working with its Board and management team to deliver for Sierra Rutile's shareholders.

And that brings me to the end of my remarks. Please allow me to once again thank all those who have made my time at Iluka so memorable and rewarding. This is a truly great company with great people. And it's been my great privilege to serve shareholders as Chairman. Iluka has a very bright future ahead. I'll now hand over to Tom to describe in more detail the tasks at hand.

Managing Director's address

Thank you, Greg and welcome everyone.

It has certainly been an important week at Iluka and an important year at Iluka.

As the Chairman has just outlined, it's also been a pretty substantial decade at Iluka. I'd like to commence my remarks this morning by acknowledging Greg's leadership over that period.

I joined Iluka in 2016 and since that time Greg has overseen the Board's consideration of key company evolutions including our final investment decision for the Cataby development; the demerger of Deterra Royalties; our response to COVID-19; and, more recently, both our rare earths diversification and proposed demerger of Sierra Rutile.

For personal use only

Throughout these considerations and countless others, Greg's leadership has been steadfast; and I have very much appreciated his advice, encouragement and support. As our shareholders well know, Greg has an inimitable style. I'll confess that this is something about which I am especially mindful at this time of the year – as far as AGMs are concerned, he is a very hard act to follow indeed.

Greg – on behalf of all at Iluka, thank you for your service to our company. In both substance and style, you will be missed; and we wish you all the very best for your future endeavours, one of which we've announced just this morning.

Returning to developments over the past fortnight, last Monday, 4 April, Iluka announced Board approval for Eneabba Phase 3, a fully integrated rare earths refinery to be built at Eneabba in the Mid-West of Western Australia. This decision was taken following the completion of our feasibility and, very importantly, the agreement of a risk sharing arrangement with the Australian Government.

As I said at the announcement, this is a game changing project for Iluka and for the Australian resources sector.

It will deliver more than $1 billion of investment and well over 300 jobs; and will see Iluka's unique Eneabba rare earths stockpile serve as the initial feed for a new downstream refinery – the first of its kind in Australia and one of few globally.

The refinery has been designed specifically to process material sourced from Iluka and from third parties. This will position Eneabba as a multi-generational asset for the downstream processing of Australia's rare earth resources.

Further, Phase 3 puts Iluka at the forefront of the global transition to an electrified, low carbon economy. Rare earths are among the key building blocks of this transition; and the Eneabba refinery will produce the downstream mineral products that are critical inputs across a range of industries and technologies including electric vehicles, sustainable energy, advanced electronics, medical and defence applications.

Iluka taking this step means the value addition required to produce these critical minerals will occur here in Australia, here in Western Australia, for the first time.

I outlined at last year's AGM that Phase 3 was not an opportunity without risk for Iluka; and we have been deliberate in seeking to de-risk it as much as possible. Central to this is our partnership with the Australian Government, which recognises the substantial contributions of both parties.

In essence, Iluka has made the decision to put at risk the company's unique Eneabba stockpile, together with $200 million of shareholders' funds to be allocated over the next two years. This to realise the opportunity to build a rare earths business of global scale; and in so doing deliver significant, sustainable value over several decades.

Because of the non-recourse nature of the risk sharing arrangement we've agreed with the Commonwealth, we've made this decision without putting Iluka's mineral sands operations and strong balance sheet at risk.

That is very important, not least because of our substantial agenda and progress in the mineral sands business.

Market conditions across our zircon and titanium dioxide product suite remain very tight, including as a result of industry challenges associated with declining supply from existing operations. For several years now, Iluka has positioned actively to lead in response to these industry challenges, with our approach underpinned by a number of key actions.

For personal use only

- We have and continue to foster a sustainable pricing environment for our products, with our customers increasingly prioritising security of supply.

- We have, since April last year, returned our operations to maximum settings. This has occurred alongside improved safety performance and the ongoing impacts of COVID-19.

- We have been, and continue to be, in the process of executing our nearer-term supply response. For zircon, this relates to our sales of zircon-in-concentrate, which increased by 47% in 2021. For titanium dioxide, preparations for the restart of Synthetic Rutile Kiln 1 at Capel are progressing well, with the kiln to commence processing feedstock by year end.

- And, insofar as our longer-term supply response is concerned, we have and continue to make important progress throughout our major project pipeline. This has centred on a conscious effort to pursue the development of more technically challenging deposits in Australia; and I'd highlight the Balranald and Wimmera projects as examples of our progress.

I'd also add that the development of Eneabba Phase 3 further enhances Iluka's competitive advantage in mineral sands.

As I mentioned earlier, the refinery will have the capability to process a broad range of rare earth feedstocks. Within Iluka's portfolio, this obviously includes the Eneabba stockpile and the Wimmera development, which is a potential multi-decade source of both zircon and rare earths. But Phase 3's capability also includes the monazite and xenotime minerals that are present in essentially all mineral sands deposits and produced routinely as by-products of the mineral separation process. In the case of Balranald, for example, which is predominantly a rutile, zircon and ilmenite development, Phase 3 provides a certain pathway to value addition and market for its not insignificant monazite and xenotime credits, further enhancing both the project's economics and the economics of the refinery.

This again underscores the logical, adjacent, strategic rationale for Iluka's diversification into rare earths.

It also underscores I think the significant work and capital allocation priorities we have ahead of us in Australia, which will require disciplined focus if we are to be successful.

In no small part, the requirement for that disciplined focus and prioritisation has informed the decision we have announced today to pursue a demerger of Sierra Rutile, subject to shareholder approval.

Sierra Rutile has demonstrated improved performance throughout the second half of 2021; and that improved performance has continued in 2022. The business benefits from robust sustainability frameworks that have been implemented during Iluka's ownership, with a focus on safety, environmental management, community relations and anti-bribery and corruption. Further, the recently ratified adjustments to Sierra Rutile's fiscal regime, and the favourable outlook for the high grade titanium dioxide market, all place the business in a strong position as a standalone entity.

So a demerger will enable both Iluka and Sierra Rutile to reach their full potential. It also offers investors the opportunity to choose their desired exposure to each business based on their individual preferences for differing geographic exposures and risk-return profiles.

Coming back to where I began – it has been a very important year. Ultimately, this is a reflection of the efforts and achievements of Iluka's people; and I'll conclude my address by thanking them for their commitment to the company. I also once again extend my thanks to shareholders for their ongoing interest and support.

For personal use only