7 May 2024

ILUKA RESOURCES 2024 ANNUAL GENERAL MEETING

Iluka Resources Limited (Iluka) will today hold its 69th Annual General Meeting of Shareholders.

Shareholders will vote on six resolutions: the re-election of Director Rob Cole; the re-election of Director Andrea Sutton; the adoption of the remuneration report; the grant of securities to the Managing Director (two separate resolutions); and change of auditor.

Copies of the addresses to be delivered by the Chairman and the Managing Director are attached.

Nigel Tinley
Joint Company Secretary

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

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2024 Annual General Meeting
Iluka Resources Limited
7 May 2024

Chairman's and Managing Director's Addresses

Chairman's address

This is our company's 69th AGM and our 25th since adopting the name Iluka in 1999. So we are marking something of a silver jubilee today and I thank you for joining us.

Much has transpired in the 12 months since our last meeting. As Tom and I conveyed in our letter to shareholders in February, 2023 was characterised by external challenges, predominantly in the form of persistent inflation, subdued demand and geopolitical volatility.

These factors inevitably impacted Iluka's financial performance. But the results we achieved despite the macro environment nevertheless reflect our resilience and commitment to delivering sustainable value.

Chief among those results is our safety performance. We delivered a 65% reduction in our total recordable injury frequency rate (to 2.4) and a 17% reduction in serious potential incidents (to 15). Safety is our first and enduring priority and these reductions are critical as Iluka looks towards an increased level of activity in the years ahead, particularly the execution of major capital developments, which I'll return to shortly.

Market and operational discipline have long been hallmarks of Iluka's approach and have again been demonstrated over the past year. Given the external backdrop, we were deliberate in prioritising the value of our products, rather than placing volumes into the market at reduced prices or creating oversupply in our industry.

This resulted in Iluka achieving its third highest NPAT in the last decade, excluding the accounting impact of the Deterra demerger. The company generated a 43% EBITDA margin. And despite lower sales volumes in the second half, prices for our products remained relatively strong by historical standards.

Maintaining prices at the level Iluka did in 2023 is a significant achievement given the circumstances the company encountered. Furthermore, the benefits of our discipline are evident in the improvement in market conditions we have witnessed during the first months of 2024.

In Q1, we delivered zircon sales volumes that were double what we achieved in the previous quarter. And Q2 sales to date have already exceeded Q1, alongside modest price increases.

Positive signs are observable in our titanium feedstock business too. We have seen indications of a recovery in the pigment market continue, with volume and price growth reported by Western manufacturers. This follows a lengthy period of destocking, where Iluka's customers also demonstrated production discipline. The long term sales contracts we have in place for our principal synthetic rutile asset, SR2, have served Iluka well during this period, providing important revenue certainty for the company.

Production from our smaller, swing production asset, SR1, was paused in October in light of market conditions; and that kiln is expected to remain offline for the remainder of 2024. Importantly, however, Iluka retains the ability to restart SR1 in a matter of weeks in the event of demand for additional volumes, or in the event of supply outages elsewhere in the industry.

Last year I remarked that Iluka's exclusively Australian production base of critical minerals had been a key evolution for the company. That holds true not only when one considers a unique swing production capability like SR1; but also for the new mining, processing and refining developments we are executing and studying.

The Balranald project in New South Wales is currently under construction ahead of its scheduled commissioning in the second half of 2025. This is where we will deploy our novel, remotely operated underground mining technology at commercial scale for the first time.

At Wimmera in Western Victoria, we are undertaking a definitive feasibility study and have declared an Ore Reserve for the project's rare earth minerals.

The Board approved a definitive feasibility study for the Tutunup development in Western Australia in May last year as a potential future source of ilmenite for our synthetic rutile operations.

And we have other, earlier stage projects where studies are also progressing.

Iluka's track record of environmental stewardship is central to our ability to deliver these future production options. We rehabilitated 353 hectares of land across the portfolio in 2023; and notably achieved relinquishment of 252 hectares of rehabilitated land in the United States.

This occurred alongside the measured steps we are taking to reduce carbon emissions from our operations, such as building another solar facility – this one to help power the Cataby mine from 2025. The installation of panels at that facility will occur over the next two to three months, with "power on" scheduled for January next year.

Of course, Iluka's work to develop a sustainable Australian rare earths business represents the primary contribution the company will make to reducing carbon emissions globally.

Through our strategic partnership with the Australian Government, we are at the forefront of the development of a domestic rare earths industry.

In parallel, allied and like-minded governments are moving to establish sovereign capabilities and new supply chains for commodities critical to national security and the energy transition, including rare earths.

Both at home and abroad, this has led to various legislative, policy, investment and cooperation instruments that are increasingly relevant to our business and our development of the Eneabba refinery in particular.

Since the onset of the COVID-19 pandemic, inflation has affected nearly all major resources projects in Western Australia, and Eneabba has not been immune. In February, Iluka confirmed a revised capital range for Eneabba of $1.7-1.8 billion, with commissioning scheduled for late 2026.

As Tom outlined last year, the Eneabba refinery is the first facility of its type in Australia and one of very few outside China. It is an infrastructure asset of global significance, with the prospect of delivering considerable value for Iluka over the long term.

Realising that value for shareholders is your Board's primary focus and that of the company more broadly.

I'm mindful that this is an area of acute interest at present; and I'll now hand over to Tom to discuss how we are going about that essential task. Over to you, Tom.

Managing Director's address

Thank you, Rob and good morning all.

When I stood here last year, I stated Iluka's conviction that we can continue to deliver sustainable value by harnessing the megatrends shaping the global economy. The energy transition; the development of independent supply chains; and the establishment of sovereign capabilities that counter market interference and spur new industries.

12 months on – and notwithstanding a significant increase in the capital required to build the Eneabba refinery – that conviction remains.

But your company is a commercial enterprise and our stated purpose is to deliver sustainable value. First and foremost, we are custodians of our shareholders' capital. You've just heard from the Chairman the actions we have taken in line with that ethos in our mineral sands business over the past year and the outcomes delivered as a result.

As part of the rare earths diversification pathway we have embarked on, Iluka's shareholders have forgone the substantial short term returns available from simply selling the company's unique rare earths stockpile. This has occurred to pursue the longer term opportunity to build a multi-generational refining business.

I'd like to again acknowledge your patience in this regard. I also acknowledge the views of some shareholders that we would be better off commercialising the stockpile immediately.

For a strategic infrastructure asset like Eneabba, the drivers of value are longevity, product pricing, operational performance and capital structure.

As you are aware, we are currently in discussions with our strategic partner, the Australian Government, on capital structure. I cannot disclose the status of those discussions and won't be drawn on precisely when arrangements might be announced, nor on likely terms.

I've said before that it is extremely unlikely that the Commonwealth would countenance advancing all of the funds necessary to meet the additional capital requirement. But I can assure you that I have heard your perspective on the limits to which Iluka can go to invest shareholders' funds in the Eneabba project, especially considering the risks inherent in the rare earths industry.

Once our discussions on capital structure are concluded, we will provide a fulsome update on how we are mitigating those risks and the overall value proposition of the rare earths business we are building.

In terms of our progress at site, bulk earthworks and ground improvement activities were completed in 2023. The new camp has largely been commissioned. Long lead procurement packages have been awarded, including for the roasting kiln, solvent exchange agitators, ion exchange system, spiral heat exchangers and boilers; and negotiations are underway for other major equipment packages and for detailed earthworks.

Returning to the megatrends I commenced with, Eneabba's importance in this context continues to intensify.

Competition for the green economy is now the hallmark of global policy making.

We've seen a slew of nations – Canada, Japan, South Korea, members of the European Union and Australia – respond to the US' decisive Inflation Reduction Act. Policy settings in these countries are now aimed squarely at retaining onshore some of the economic opportunities of the energy transition.

Within this new framework for international trade and investment, rare earths are the subject of heightened attention. This is because, at present, China's dominance of the rare earths industry, which in the case of heavy rare earths is near total, is achieved through production supremacy and its influence over pricing.

One stark and recent example of the Chinese Government's action was made clear this past December, when it banned the export of heavy rare earth processing technology. In addition to being essential for the production of electric vehicles and wind turbines, the key heavy rare earths, dysprosium and terbium, have critical applications in defence and national security.

And there are clear, ongoing efforts, including by Chinese state-owned entities, to extend their nation's monopoly by controlling Australia's rare earth deposits. From Western Australia to Western Victoria, this is taking place via a number of binding offtake agreements with various companies; and via ownership – as in the well documented case of Northern Minerals, among others.

Further still, China's influence over the global rare earths market is pervasive, including through pricing indices such as the Asian Metals Index.

This is different from the cyclical pricing dynamics associated with markets for other critical minerals, such as the nascent lithium market, or markets for Iluka's titanium and zircon products. It is also different from the impact of technological shifts, such as that evidenced by Indonesia's emergent dominance in nickel.

While China is a significant customer of all these commodities, they are all produced in material quantities in countries outside China. For rare earth oxides, China accounts for approximately 90% of all production, and for the key heavy rare earths effectively 100%.

It is this monopolistic production, combined with interference in pricing, that is resulting in market failure; and rare earths are among very few metals where China has demonstrated a preparedness to weaponise its control.

Our CFO, Adele Stratton, will present at an investor conference in the coming days and will demonstrate through publicly available information that no participant, regardless of geography, is making any money at today's prices.

With all that said, we must acknowledge that the position China occupies in rare earths today is the result of a deliberate, highly successful approach spanning almost 40 years. The tactics it employs disincentivise Western and likeminded countries from developing refineries like Eneabba.

This underscores the scale of the challenges now facing Western and likeminded governments more broadly.

- As consumers switch to electric vehicles, do those governments wish to retain their automobile industries, or are they prepared simply to leave that manufacturing to China?

- Will they acquiesce to their flagship car makers merely managing the assembly of electric vehicle parts supplied by Chinese companies – if indeed China is willing to permit such activities taking place at all?

- Are they prepared to be entirely reliant on China for the supply of heavy rare earths, with all the implications that carries for national defence planning and procurement?

- Will they pursue the decarbonisation of their transport industries only to the extent that China allows that to happen?

Beyond the drivers I mentioned earlier, the answers to these questions will be a significant determining factor in Iluka's ability to deliver long term value from its rare earths business.

For our part, we have taken a number of concrete steps to catalyse an Australian rare earths industry that is genuinely independent.

We have entered into a concentrate supply agreement with Northern Minerals that ensures that, upon the development of the strategically significant Browns Range deposit, rich in heavy rare earths, those minerals will be refined in Australia.

Discussions with other potential third party concentrate suppliers are ongoing.

And within our own portfolio, we have progressed key mining developments at Balranald in New South Wales and Wimmera in Victoria, as well as commencing a feasibility study into metallisation – the next stage of the rare earths value chain.

The principal purpose of these initiatives is to secure the longevity of the Eneabba refinery. But they also serve to spread the opportunities provided by Eneabba beyond Iluka to emerging mining companies; beyond Western Australia to other states; and even beyond Australia producing rare earth oxides for our allies and partners, which is itself a game changing step, to those further downstream.

From a marketing perspective, Iluka has communicated previously its approach of not inextricably linking the price of its products – and thus our revenue, our profitability and so ultimately our sustainability – to the Asian Metals Index. This contrasts with the approach taken by others.

Our firm view is that the development of strong and independent supply chains – a sustainable industry – necessitates moving away from the artefacts that underpin the existing monopoly structure; and key among these is pricing control.

We are essentially working with customers to develop a market that values secure supply from Australia. Linking prices to the Asian Metals Index only further entrenches China's market power.

Over and above Iluka's actions, Australia's position at the centre of the rare earths value chain will depend in no small part on the alignment of public policy settings. By this I mean alignment across Commonwealth portfolios; with states and territories; and, where appropriate, with our allies and strategic partners overseas.

This goes directly to how we can leverage the value addition of key critical minerals in achieving both our country's prosperity and security.

Quite obviously, unlike China, Australia is not a planned economy – we have a complex federation; and aspects of our policy making will inevitably be imperfect. But alignment in vital economic and strategic areas is nonetheless something we can and must strive for, particularly when the stakes are as high and the opportunities as great as they are in rare earths.

While we have some way to go, it is pleasing to see this alignment starting to take place.

The Treasurer's recent announcement of reforms to Australia's foreign investment rules marks a key development. So too the Prime Minister's emphasis on capitalising on our comparative advantages and building sovereign capability in areas of national interest as part of the Future Made in Australia Act.

It is critical that this not degenerate to binary argument domestically. The liberalisation of Western economies that occurred in the 1980s and 90s has delivered lasting benefits to those countries, Australia chief among them.

Equally, the dominant position China has attained in rare earths during that time is surely evidence of the unintended consequences of a doctrinaire "market forces" mindset. Our geopolitical circumstances have changed and our strategic economic policy must reflect this.

That's not an argument for a return to the old protectionism, nor for intervention in all commodities or all critical minerals projects. Iluka's Eneabba stockpile is unique. We have pledged this asset, valued at over $1 billion, to the Commonwealth as security.

So there is a role for well designed, disciplined industry policy where it is clearly in the national interest, as in the case of Eneabba and the independent, Australian rare earths industry it is catalysing. This requires an approach that is targeted, tailored and, above all, aligned across the range of government policies.

Iluka's view is that the need to act with urgency, particularly in relation to heavy rare earths, is self-evident. That's a position we will continue to advocate for, consistent with the interests of our shareholders and the realisation of value that the Chairman and I have highlighted this morning.

Thank you and we look forward to your questions.

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