ILUKA

29 April 2021

ILUKA RESOURCES 2021 ANNUAL GENERAL MEETING

Iluka Resources Limited (Iluka) today held its 66th Annual General Meeting of Shareholders.

Shareholders voted on four resolutions: the election of Non-executive Director Andrea Sutton; the re-election of Non-executive Director Rob Cole; 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.

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2021 Annual General Meeting
Iluka Resources Limited
29 April 2021

Chairman's and Managing Director's Addresses

Chairman's Address

Since becoming Iluka's Chairman, April is a month I have come to look forward to, not least because our AGM provides the opportunity to catch up with shareholders, many of whom have been owners of the company for many years.

The anticipation typically begins to build a few weeks' beforehand, when, in mulling over my address, I cast my mind back to what I said 12 months ago at last year's AGM. I have to confess that there have been times when this process has served as good a reminder that we are not fortune tellers.

Thankfully, in reflecting on my remarks last year, and the year that subsequently unfolded, I was struck by the statement of the somewhat obvious I made at the commencement of our 2020 AGM; that we were meeting in unprecedented circumstances. And, of course, we were, both historically and logistically.

In the intervening period since making that observation, like you, I've been struck by the extent of the global impacts of the pandemic and the mix of emotions it has evoked: fear; sadness; frustration; relief (especially from the vantage point of living in Australia); and, more recently, cautious optimism that vaccines developed in record time may prove to be the key to a return to something akin to our pre-COVID way of life. Notwithstanding this latter sentiment, one of the things that still doesn't feel quite right this April – and where the crystal ball failed me badly last year – is that we are yet again meeting virtually and not in person.

A number of factors guided us in reaching this decision; and we acknowledge that, in the current climate, there is no perfect solution. While a physical attendance meeting could have been possible in the planning stage, we opted for a virtual meeting as a means to mitigate the impact of snap lockdowns – as we have seen imposed in recent days in Western Australia. Just as importantly, we felt it vital to provide the opportunity for the vast majority of our shareholders who reside outside Western Australia to meaningfully participate, at a time where unfettered freedom of movement cannot yet be assured. We thank shareholders for their understanding and consideration.

Turning now to business performance, 12 months ago Iluka, like virtually all companies, faced substantial uncertainty on a good many fronts. This included operational and supply chain continuity, the level of demand for our products and the efficacy of timetables for planned corporate and major project development.

So, what did we do and how did we fare in response?

- Thanks to the rapid implementation of extensive crisis management plans and risk mitigation actions, we did maintain all of our operations and supply chains. In Australia, Iluka recorded zero cases of COVID-19. In Sierra Leone, which has had a very different experience of the pandemic, the company has recorded a cumulative total of 31 cases. Tellingly, we achieved this operational continuity while recording a 20% reduction in serious potential safety incidents; rehabilitating 584 hectares of disturbed land; and increasing indigenous employment at our Jacinth-Ambrosia operation to almost 30% of the workforce.

- By once again demonstrating our deep understanding of our markets and by employing operational discipline, we did sustain prices for our products. As the Managing Director and I outlined in our letter to shareholders in February, Iluka adjusted production settings in Q2 2020 following a significant drop in demand for zircon at the onset of the pandemic. This, combined with other measures, reduced global zircon supply by around 10%, preserving margins and aiding a gradual market recovery over the second half of the year.

- By focussing on critical elements of our Australian development pipeline, we did make important progress across Iluka's major project portfolio and, by extension, investment in the company's future. This was particularly the case for our key mineral sands technology projects; and for Iluka's well signalled re-entry to the rare earths market through our strategic stockpile at Eneabba; a development which Tom will expand upon shortly in his remarks.

- And, perhaps most significantly against the backdrop of uncertainty we were seeing everywhere, we did carry through with our plans announced pre-COVID to demerge our Mining Area C royalty business, and in doing so create Australia's largest listed royalty company, Deterra Royalties, in which Iluka has retained a 20% stake.

The results associated with all of these – and many more – actions are documented in Iluka's 2020 Annual Report, released on 25 February; and in the company's Sustainability Report, released on 23 April. While it certainly was not the year we had planned or hoped for at the beginning of 2020, we still managed, in the midst of a once in a century pandemic, to end the year in a net cash position; having delivered tangible and quantifiable value for shareholders through the demerger and through the payment of a modest dividend; while also advancing strategic plans and initiatives that hold the prospect of substantial future value creation.

Also nestled within these results are a couple of important insights regarding Iluka's commitment to its core objective of delivering sustainable value.

We have spoken at some length over the past 18 months or so about the demerger of the royalty business and so I won't trawl over that ground again today. I would just note, however, that if ever there was a convenient excuse to step back from taking a company-changing decision such as this, surely COVID-19 was it. After careful and contemplative consideration, your Board determined to press on, guided by our considered view that the demerger was in the best interests of shareholders; and that Iluka and Deterra could each look forward to promising futures in their own right. While still early days since the demerger, your Board is pleased to see both businesses focussed on those matters and issues appropriate to each of them.

The objective we've set ourselves at Iluka is to deliver sustainable value and, while we pursue that objective diligently and talk about it at every opportunity, it's often observed that actions speak louder than words. If you'll indulge me for a moment, we believe that has been borne out by the actions taken by your Board and Management late last year on executing the demerger.

Similarly, Iluka's stance in relation to the Australian Government's JobKeeper programme has been the source of some external commentary over the past few months. To recap, maintaining our strong balance sheet has been a core component of our approach to addressing the impacts of 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, much improved financial performance – as compared to what we feared it might be – we considered returning the JobKeeper payments received to simply be the right thing to do. We also judged it in keeping with the intent with which such payments were made by the Commonwealth in the first place. It was, in fact, a very easy decision for the Board to make and entirely consistent with Iluka's values, which guide and inform decision-making right across the business. The repayment of the JobKeeper occurred on 28 April, this past Wednesday.

Now briefly to other matters of note.

Today marks the first Iluka AGM for our newest director, Andrea Sutton, who joined the Board in March. Andrea brings to the Board over 25 years of expertise and hands-on experience that will both complement and strengthen the Board's existing collective skills and capability. As it is with all life cycles, as we welcome Andrea, we are also bidding farewell from the Board to Hutch Ranck. I know I speak on behalf of my fellow directors in observing that Hutch has made an exceptional contribution to the Board since joining in January 2013, including as Chair of the People and Performance Committee and as a member of the Nominations and Governance Committee. He has also been a source of invaluable counsel to me personally, for which – as he and I both know – I am in his debt. On behalf of everyone at Iluka, we say a very big "Thank You" to Hutch for his wisdom and for his insights; but also for the genuine care and interest he has in Iluka's people and in their personal growth and development. We wish him the very best for his future endeavours.

Ladies and gentlemen, I'm sure that I'm not stretching credulity when I say 2020 was an eventful year, like no other, both inside and outside Iluka. This morning I've attempted to provide a small slither of insight into some of those key events over the last 12 months. What lies behind each of them, and what should not be overlooked, is the unrelenting commitment of Iluka's people, whom I thank for their dedication and professionalism. I also extend my thanks to our shareholders for their continued interest in and support of our company.

Fundamentally, Iluka's disciplined performance in the face of external uncertainty reflects a resilience we have talked about for some time but which, on any objective measure, was on display and well demonstrated last year in dealing with a good number of curve balls. This is a vital organisational capability as we look to meet the continuing challenges to the many parts of the global economy where COVID-19 remains a very large and present threat to lives and livelihoods. While this will have some bearing on how Iluka goes about conducting business in some parts of the world, we are also fortunate to be living in an almost COVID free environment that affords us the ability of getting on with pursuing some of the interesting and exciting opportunities that will underpin the company's future.

Tom is now going to address the meeting on these opportunities and our approach to successfully pursuing them.

Thanks Tom.

Managing Director's address

Thank you, Greg and welcome all. It has indeed been an eventful year; and I think we can expect similar levels of activity over the coming period.

Iluka commenced 2021 with a healthy balance sheet; signs of demand recovery evident in our key markets; and the operational flexibility to respond to this demand as and when it eventuated. Pleasingly, the strength of that position has been reinforced by a very positive performance in the first quarter, which is typically a seasonally slower part of the calendar. Sales of our core products were up almost 30% on Q4; and we continue to look to the months ahead with the cautious optimism the Chairman mentioned earlier.

In the zircon market, we are seeing solid demand across all sectors and geographies, translating to both volume and price growth. In February, Iluka announced a US$70 per tonne price increase from 1 April, which has been well accepted by our customers. Consistent with the company's approach for some years now, we are focussed on supplying to genuine demand only, mindful of the volatility that characterised this market at the turn of the last decade in particular.

For titanium dioxide feedstocks, conditions remain robust, with pigment producers having announced a series of price increases since the second half of 2020. This is the part of Iluka's business that is characterised by longer-term contractual arrangements for our rutile and synthetic rutile products; and the company has a minimum of 295 thousand tonnes under take or pay contracts with a range of customers for 2021. An additional 30 thousand tonnes have also been contracted for the year so far.

I've spoken in the past about the revenue certainty provided by our take or pay contracts. That certainty was challenged substantially last year, with one of our major customers, Chemours, electing not to comply with its obligations. Confronted with these circumstances, we regarded it as an imperative to defend our contractual rights and protect the interests of our shareholders whose capital we deployed at Cataby on the basis of the contract. The dispute is currently the subject of litigation before the New York State Supreme Court. In a positive development, Chemours recommenced taking product in line with the contract for 2021.

From an operational perspective, our Australian processing assets have returned to full production, reflecting market conditions. At the Narngulu mineral separation plant, this occurred in January. Synthetic Rutile Kiln 2 at Capel was idled during February and March as a result of inventories being at elevated levels due to the Chemours dispute in 2020. The recommencement of sales to Chemours, combined with demand for high grade feedstocks generally, enabled the resumption of production in April, earlier than anticipated. Eneabba – once a multi-decade mineral sands province – returned to operational status in 2020 and is now the world's highest grade rare earths operation, with Phase 1 production activities progressing as planned.

The Chairman highlighted our Indigenous employment at Jacinth-Ambrosia, which is both a source of pride for the company and an example in terms of future operations. The bedrock of this performance is Iluka's strong working relationship with the Far West Coast people of South Australia, which has several touchpoints, including at Board and Executive level. I mention this because it has obviously been a tumultuous year for the resources industry in relation to cultural and heritage matters. While Iluka makes no claims to perfection – like others, we have much to learn – I do think fostering those touchpoints builds strength in the relationship; and this will continue to form a central aspect of our approach to sustainable development.

While our operational performance in Australia has been impressive, this has not been the case in Sierra Leone. What was already a challenging situation at Sierra Rutile has in recent times become increasingly acute, including as a result of the impact of COVID-19. This has led to poor production outcomes; and a financial performance that is unacceptable.

The Sembehun development is the investment opportunity that lies ahead for Sierra Rutile, it is one of the world's best undeveloped rutile deposits. I have outlined previously that further investment by Iluka in Sierra Rutile – namely, the Sembehun development – is contingent on our current operations in the country demonstrating improvement and consistency. In January, we announced an external process to identify third parties willing to invest in the next phase of Sierra Rutile's growth. That process continues. And finally on Sierra Rutile and Sembehun, our plan to trial a new mining method, hydraulic mining, remains in place and the trial should proceed in May, as scheduled. The trial is targeted at improving the mining approach to Sembehun, but will occur within the existing operational area.

Returning to Australia, Iluka continues to make important and pleasing progress across the company's development pipeline. In our mineral sands portfolio, this includes major projects such as Balranald in New South Wales, Atacama in South Australia and Wimmera in Victoria, which contains both mineral sands and rare earths. Work on each of these developments is focussed on overcoming long-known technical challenges, either from a mining or processing perspective. It’s also significant that both the mining technology we’re developing at Balranald and the zircon processing technology we’re developing at Wimmera have potential applications beyond these respective deposits, both within and outside Iluka. As I said at the Full Year Results, this underscores the industry significance of each project in a post COVID-19 world, where international mobility may be more limited; and where overcoming technical challenges in mature jurisdictions may assume greater significance than has been the case over the last decade.

Aside from the demerger of Deterra, perhaps the area of greatest external interest in Iluka in the period since our last AGM has been the company’s re-entry into the rare earths market. I thought I might close my remarks today by reiterating a few points on our strategy in this area and its status.

- Phase 1 operations at Eneabba commenced last April. We sold 44 thousand tonnes of product – a mixed monazite and mineral sands concentrate – in 2020 and will sell a similar amount this year. That is all we plan to sell under Phase 1, in line with our incremental approach.

- Phase 2 is currently under construction, with commissioning scheduled for H1 2022. This will produce two separate products; a mineral sands concentrate, which will be further processed at Narngulu; and a 90% monazite feedstock concentrate, which is a direct feed to a rare earths refinery. The latter is strategically significant in that it is a much higher value product relative to Phase 1; and widens our potential customer base considerably. With no mining associated with the Eneabba stockpile, Phase 2 represents a development that is low cost (both in terms of capital and operating expenditure), low risk and high return, with an anticipated life of approximately 10 years.

- That said, we may choose not to sell a material quantity of our Phase 2 monazite product, subject to determining our own plans to move downstream. In January, Iluka commenced a feasibility study for Phase 3, a fully integrated rare earths refinery at Eneabba, which, if it existed today, would be the only such refinery in the Western World. That decision followed extensive discussions with the Australian Government, discussions which are ongoing. The feasibility study is progressing and the key elements of the study are scheduled to be complete later this year.

- Phase 3 represents an exciting and potentially defining opportunity for Iluka, consistent with our longstanding plans to diversify into rare earths. However, it is not an opportunity without risk, nor one we will pursue at any cost, particularly when considering the projected returns from Phase 2. This is the focus of our discussions with governments, along with the potential for alignment between commercial objectives and policy objectives regarding supply chain security for critical minerals, modern manufacturing and the essential applications of some rare earths in a future low carbon economy. I have been impressed with the quality of engagement Iluka is receiving on these matters; and shareholders can be assured we are progressing this part of our business with the same discipline we apply elsewhere.

I’ll conclude by echoing the thanks expressed by the Chairman to Iluka’s people, shareholders and all our stakeholders. Back to you, Greg.