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ASX: ILU

ILUKA RESOURCES 2020 ANNUAL GENERAL MEETING

Iluka Resources Limited (Iluka) is holding its 65th Annual General Meeting (AGM) today, including a webcast. A transcript of the addresses delivered by the Chairman and Managing Director is attached.

A summary of the key points covered in these addresses is as follows.

- **Operational response to COVID-19**

- Iluka's first priority is the safety and wellbeing of its people, their families and the communities in which the company operates.
- The company has established a Crisis Management Team, charged with the coordination and oversight of Iluka's crisis response at the group level.
- Emergency Management Teams have been established at each operational site and site-specific infectious disease management plans are in place to minimise the risk of infection and ensure preparedness in the event of an infection.
- Iluka has, to date, maintained operational continuity across the company's sites. Further, the company's supply chains remain operational at this time and product is being moved as planned.
- Iluka's response to the pandemic is becoming more 'business as usual' in Australia: infection risk minimisation and business continuity efforts now focussed on continuous improvement rather than implementing new measures. Given shifting emphasis of the response to the pandemic, Iluka's attention is being directed at working through a range of potential scenarios considering longer term settings.
- Sierra Leone has far fewer reported cases (less than 10) of COVID-19 and the pandemic is at an earlier stage there than in other countries. While Sierra Rutile remains operational, the country has closed its borders.
- In the company's 2019 Full Year Results on 20 February, Iluka foreshadowed potential impacts of COVID-19 on global demand and its markets. Given continued uncertainty in relation to the impacts and duration of the pandemic, the company has today withdrawn its 2020 guidance.

- **Project pipeline**

- Work on some aspects of the company's project development portfolio has been curtailed in the short term by restrictions on the movement of people.
- Mining trials scheduled for the first half of 2020 at Balranald in New South Wales and Sembahun in Sierra Leone have both been delayed.
- Completion of preliminary feasibility studies for the Wimmera and Atacama projects have also been delayed to 2021.
- Commissioning of Phase 1 of Eneabba mineral sands recovery project in Western Australia has been able to continue, with first sales expected in the third quarter.

• **Royalty business demerger update**

- Intention remains to undertake the demerger of the royalty business in 2020.
- There is no further update to the timeline for the demerger at this stage, given the impact of travel and social distancing restrictions currently in place around the world on the practicalities of executing a demerger process.
- The demerger will proceed when it is practicable to do so, and the company will update the market in due course.

• **Markets update**

- Seasonally low period for zircon sales has been exacerbated by widespread factory shutdowns that occurred in China in January and February.
- Pace at which factories re-open and the Chinese economy normalises will be important influences on zircon sales for the remainder of the year, as will impacts on downstream zircon customers located in Europe, including Italy and Spain, where the pandemic has hit especially hard.
- The take-or-pay offtake agreements in place for Iluka's high grade titanium feedstock production (rutile and synthetic rutile) provide a high degree of revenue certainty for sales of the company's titanium dioxide feedstocks.

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

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Iluka Resources 2020 AGM Addresses

Chairman's Address

Ladies and gentlemen, hello and thank you for joining us today. I regret that we are prevented from convening under the same roof, as is customary for Iluka at this time of the year. And I think I speak for everyone when I say that we look forward to hosting an AGM of a more familiar style in 2021.

We meet, of course, in unprecedented circumstances. The past weeks and months have seen the COVID-19 pandemic escalate, matched by a worldwide health and economic mitigation effort. Rather than seek to add to the litany of commentary on the unfolding crisis, I will keep my remarks brief and focus on what matters from a business perspective, which I think is captured in the following key points.

1. Iluka's first priority, now as ever, is the safety and well-being of our people, their families and the communities in which we operate. Following the emergence of the pandemic, we initiated a range of precautionary and scalable measures to manage the company's response. We have also worked closely with our contractors, customers and suppliers to align our approach. Quite apart from ensuring Iluka is appropriately prepared, these measures form an important component of the collective efforts of our home countries and governments, with whom we are in regular contact.
2. At least in the short term, the economic impact of the pandemic on Iluka's business, like all others, is uncertain. This is likely to remain the case for some time. We are looking forward to taking questions from shareholders a little later in the meeting. Insofar as they may relate to this specific topic, you'll appreciate we will do our best to provide answers with the information currently available. Substantive updates will be provided to the market in the usual way as and when this picture becomes clearer.
3. Iluka has a track record of resilient business performance, which is underpinned by strong financial, operational and market fundamentals. This resilience was demonstrated in 2019, with the company posting one of the best underlying results in its history while commissioning five key capital projects; and amidst an increasingly challenging business environment. Needless to say, the external environment is now many orders of magnitude more challenging, rendering our capacity for resilience that much more essential. Tom will elaborate shortly on the elements reinforcing Iluka's resilience in his remarks. For the Board's part, we are confident the company possesses the wherewithal to emerge from the pandemic well-positioned to respond to the eventual global economic recovery.

Shareholders would be aware that Iluka published its Annual Report on 20 February and its Sustainability report on 3 April. Key features of the company's 2019 performance are outlined in these documents. I will not repeat these today, though I do encourage you to review our reports if you have not done so already. Copies are available either by post or online at Iluka's website.

Two significant decisions taken by the company last year do warrant specific mention – the write down of Sierra Rutile and the proposed demerger of the Mining Area C royalty business.

Beginning with the former, we have communicated previously the challenges encountered at Sierra Rutile since Iluka's acquisition of that business in late 2016. The targets and assumptions of the investment case have not been realised, including in relation to confirming a defined development path for the Sembehun deposit. This necessitated a write-down in the carrying value of Sierra Rutile to reflect the remaining life of the business's current operations and a lesser option valuation for Sembehun. This was clearly a very disappointing outcome. Nevertheless, Sembehun remains one of the largest, high quality known rutile deposits in the world; and Tom and the team are progressing potential development options to deliver this project with an appropriate balance between risk and return, particularly given our experience to date. As for Sierra Rutile's current operations at Lanti and Gangama, expansions to each of these assets were delivered successfully in 2019; and we were pleased to see improved production performance over the second half of the year.

Turning to the proposed royalty business demerger, I conveyed the Board's rationale in taking this decision in my Annual Report letter. To recap, BHP's development of its South Flank project – which is wholly within the Mining Area C royalty area and now more than 50% complete – holds the prospect of substantially increasing future cash flows generated by Iluka's royalty business. The greater clarity, proximity and certainty in relation to South Flank's development enabled the Board to form a view that a demerger is the best means to deliver

value to shareholders from what is an historically significant expansion of BHP's Pilbara iron ore mining operations.

In releasing Iluka's 2019 results we stated our intention to put the proposed demerger to a vote of shareholders; to do so this year; and to provide a further update on the timeline for doing so at today's AGM. Notwithstanding the global economic volatility as a result of COVID-19, the first two components of that trio of outcomes remain the company's position. However, the marked increase in travel and social distancing restrictions between February and now mean that I am unfortunately not in a position to deliver the third component this morning, beyond reiterating Iluka's intention to undertake the demerger in 2020. You will appreciate that the practicalities of executing a demerger – including matters such as shareholder engagement, arranging and holding an extraordinary general meeting and the like – are somewhat difficult and unpredictable in the current climate. I can assure shareholders this morning that preparations are continuing and the Board will proceed with the demerger when it is practicable to do so. We will update the market in this regard as and when appropriate.

Participating at their first Iluka AGM today – albeit virtually – are our new Directors, Susie Corlett and Lynne Saint. Susie and Lynne commenced their appointments in May and October respectively. Both retire at this meeting and stand for formal election, in accordance with Iluka's constitution. By contrast, attending her last AGM as an Iluka Director is Jenny Seabrook, who retires today having first joined the Board in 2008. Jenny has overseen considerable progress, development and change at Iluka during her tenure, and has served with great professionalism and distinction as Chair of the Audit and Risk Committee. That Jenny's considerable and considered contributions will be missed goes without saying. As shareholders will be aware, Jenny will serve as inaugural Chair of the royalty company, once the demerger takes place. On behalf of my fellow Directors and all at Iluka, I thank you Jenny for your outstanding service to our company over the past 12 years.

I began my remarks at last years' AGM by saying that Iluka was well positioned financially, strategically and culturally to deliver on its objective – to deliver sustainable value. While the concept of sustainable value may acquire a new frame of reference for companies in the aftermath of the present crisis, it is my assessment that Iluka finds itself in the same position. In 2019 we weathered challenges and proved resilient. Over the coming year we will doubtless encounter further, likely even greater challenges; and I believe we will prove resilient once more. I thank shareholders for their continued interest in, and support of, the company. My best wishes to you and your families at this unprecedented time. I will now hand over to Tom to share with you our current business priorities and future opportunities.

Managing Director's Address

Thank you, Greg and Rob; and welcome everyone. Reflecting the Chairman's emphasis on safety being the company's first and enduring priority, I will commence with an overview of the COVID-19 crisis management arrangements we have in place at present.

Iluka took the pre-emptive step of restricting all travel to and within China in January, including for our expat sales and marketing managers who are based in Shanghai.

The company established a formal Crisis Management Team (CMT) on 5 March. This team is led by our Chief Financial Officer, Adele Stratton, and is charged with the coordination and oversight of Iluka's crisis response at the group level. Emergency Management Teams have also been established at each of our operational sites.

We have been following the advice of government authorities and have implemented a number of changes to work practices to reduce the health risk posed to employees. Site-specific infectious disease management plans are in place to minimise the risk of infection at our operations; and also to be prepared in the event of an infection. These arrangements are being reviewed on a daily basis. Furthermore, all company roles capable of being undertaken from home have transitioned as such. This accounts for the vast majority of support roles that are not carried out on site.

While it has been a matter of delicate balance, Iluka has to this point managed to maintain operational continuity. Despite the border restrictions instituted throughout Australia and West Africa over the past month, the continued functioning of our sites has the support of the Western Australian, South Australian and Sierra

Leonean governments. For the most part, Iluka has the advantage of workforces located in close proximity to our operations.

We have also benefited from some inter-state (at Jacinth-Ambrosia) and expat (at Sierra Rutile) employees volunteering to relocate to South Australia and Sierra Leone temporarily, thereby limiting the impact of border restrictions on our business. Given the circumstances, I think it appropriate that I acknowledge these members of our team for their selflessness and dedication.

The company's supply chains too remain fully operational at this time and we are moving product as planned.

In the last couple of weeks, Iluka's response to the pandemic has become more business as usual, with infection risk minimisation and business continuity efforts now focused on continuous improvement rather than implementing new measures. This is the case particularly in Australia; Sierra Leone has far fewer reported cases of COVID 19 and the pandemic is at an earlier stage there than in other countries. In response to the changed emphasis, our CMT is, for the moment, meeting less frequently and the Executive's attention is being directed to Iluka's longer term settings to ensure the company maintains its strength through the challenges ahead and is well placed for longer term success.

As Greg alluded to, the outlook for 2020 and the specific impacts of the pandemic on our business remain uncertain. As a result of this uncertainty, Iluka has today withdrawn its 2020 guidance. We have demonstrated in the past the flexibility to adjust our operational settings in line with market conditions as required. The Executive is working through a number of potential scenarios in this regard and we will update the market in the event of any changes.

In terms of our key commodity markets, the first quarter is traditionally a seasonally low period for zircon sales. This year, the impact has been exacerbated by the widespread factory shutdowns that occurred in China – where we sell around 60% of our zircon – in January and February. Iluka had planned for these seasonal low zircon sales and so had factored in a relatively weak first quarter, the full details of which will be in our Quarterly Review, to be released later this month.

The pace at which factory utilisation and capacity rates in China normalise will be an important influence on our zircon sales for the remainder of the year. It is perhaps also worth noting that a number of our zircon customers are themselves supplying to customers located in Europe, including Italy and Spain, where the pandemic has hit especially hard. As in 2019, we will work with our customers to adjust product offerings as necessary to meet their requirements and market conditions more broadly.

For our titanium dioxide feedstock business, the take-or-pay offtake agreements we have in place for rutile and synthetic rutile production provide a high degree of revenue certainty. These arrangements are outlined in our Annual Report.

Iluka's financial position is strong and we have the balance sheet capacity to withstand a global downturn. We ended last year with net cash after delivering on a significant \$198 million capital expenditure programme. As at today we have no debt; and undrawn facilities of \$519 million. Managing this source of strength prudently is always a key priority for us, never more so given the prospect of acute and prolonged market volatility.

Regrettably, work on the company's project development portfolio, which provides a range of options to sustain, grow and diversify Iluka's business, has been curtailed in the short term by restrictions on the movement of people as a result of COVID-19. Whereas we had scheduled for the first half of 2020 key mining trials at Balranald in New South Wales and Sembehun in Sierra Leone, both, by necessity, have been delayed until at least later in 2020.

The completion of preliminary feasibility studies for our Wimmera and Atacama projects have also been delayed to 2021. Some activities can still be progressed despite the pandemic; and work on these projects this year will focus on addressing their respective technical challenges. Each of these delays is obviously frustrating, particularly given our project pipeline has a number of very important opportunities.

On a more positive note, the commissioning of Phase 1 of our Eneabba mineral sands recovery project in Western Australia has been able to continue, with first sales expected in the third quarter. Eneabba is a unique, strategic stockpile, rich in monazite and zircon, resulting from Iluka's historic mineral sands processing operations.

The monetisation of this stockpile not only generates very strong returns; but also reduces an ongoing rehabilitation obligation. It will establish our re-entry into the market for monazite – a mineral containing rare earths – and mark an important diversification for the company. The customer and shareholder credibility we hope to demonstrate from the success of this project will feed in to related developments currently at feasibility study stage, including Phase 2 at Eneabba and, longer-term, the Wimmera project in Victoria.

When I wrote to shareholders in February I noted that Iluka commenced 2020 with a healthy balance sheet; settled operations; a diverse project pipeline; and a demonstrated capacity to adapt to changes in our key markets, both of which display strong fundamentals over the long term. While the COVID 19 pandemic will challenge our business, like others, possibly in unprecedented ways over the next year, these elements remain as true today as they were two months ago.

While I have no doubt that our ability to adapt will once again be tested, we confront the current and coming uncertainty from a position of underlying strength; and this should not be underestimated. That strength is similarly reflected in our decision to demerge Iluka's mineral sands and royalty businesses, which should provide added assurance of the capital discipline the company will employ as it navigates the path ahead.

I'm proud of the efforts and resilience exhibited by our people and I'd like to conclude by thanking Iluka's employees for their hard work in preparing and implementing the company's pandemic response plans. Thank you once again for your attendance this morning. We look forward to taking your questions.

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