10 May 2023

ILUKA RESOURCES 2023 ANNUAL GENERAL MEETING

Iluka Resources Limited (Iluka) will today hold its 68th Annual General Meeting of Shareholders.

Shareholders will vote on five resolutions: the re-election of Director Susie Corlett; the re-election of Director Lynne Saint; the adoption of the remuneration report; and the grant of securities to the Managing Director (two separate resolutions).

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

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

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2023 Annual General Meeting
Iluka Resources Limited
10 May 2023

Chairman's and Managing Director's Addresses

Chairman's address

Hello and welcome to the 2023 Annual General Meeting of Iluka Resources. Thank you for joining us.

This is Iluka's 68th AGM, my fifth as a director and first as Chairman. Last year I spoke briefly about being excited and humbled regarding my appointment. In delivering my first formal AGM address this morning, I am again especially mindful of our company's proud history.

For over 70 years, Iluka and its predecessors have been in the business of mining and processing what are now called critical minerals in Australia.

Those seven decades have seen us at the forefront of many industry advancements. They have also seen several points where the company has repositioned itself and its investment proposition, either through opportunity or necessity, including in the context of developments in the global economy.

This record matters when considering Iluka's current position. Along with our proud history, we have a bright future. Never has this been more evident than the pathway established by the company over the past 12 months. As Tom and I outlined in our letter to shareholders in February, 2022 was an extraordinary year for Iluka, both in terms of business performance and the achievement of strategic milestones that provide a foundation for the continued delivery of sustainable value.

Chief among these milestones is our diversification into rare earths, which Tom will speak to in a moment.

But when put in proper context, much of what was delivered in 2022 was in fact part of a broader evolution at Iluka that has been underway for some time. Little more than three years ago, we confronted a set of circumstances that would have resulted in the company looking quite different than it does today, with a less compelling future, had the company not taken decisive steps to evolve.

- Our iron ore royalty over BHP's Mining Area C, generally regarded as the best royalty asset in the world, was set for extensive growth via the development of the South Flank project.

- We had significant exposure to West Africa, where we had not demonstrated strong operational performance, with the prospect of major capital allocation decisions on the horizon.

- Key planks of our Australian development pipeline and resource base, Balranald and Wimmera, required sustained investment in R&D in order to be commercialised.

- And our strategy for rare earths diversification, while promising, would have left us reliant on a single customer geography, with China the dominant player in the supply chain.

This was our situation in 2019. What did we do in response?

- We established Deterra Royalties as a new company on the ASX, with the Mining Area C royalty its cornerstone asset. This has enabled shareholders to realise substantial value. Deterra's market capitalisation is currently around $2.4 billion, much higher than the value attributed to this asset when it was held within Iluka. And the company remains very well positioned for further growth as a dedicated royalty business of scale, essentially a unique offering in the Australian equities landscape. Iluka retains a 20% stake in Deterra, which adds materially to both our financial strength and dividend framework.

- We demerged our business in Sierra Leone, with Sierra Rutile now trading as a separately listed company. This has enabled Iluka and Sierra Rutile to focus on their respective strategies and capital allocation priorities, which in Iluka's case are now located exclusively in Australia.

- We have progressed the Balranald project to final investment decision and the Wimmera project to definitive feasibility study and Reserve declaration. For Balranald, this has been achieved through Iluka's development of a new, remotely operated underground mining technology. Tom has likened this technology to keyhole surgery for the mining of critical minerals. It has enabled Iluka to commercialise a deposit that, because of its depth, would otherwise be uneconomic, with environmental benefits including marked reductions in disturbance footprint and carbon intensity.

- Most significantly, we are building Australia's first fully integrated rare earths refinery at Eneabba. In doing so, Iluka has foregone the short term returns available from the export of monazite concentrate for the opportunity to build a multi-generational refining business. We are in fact leading the development of new supply chains, underpinned by a new Australian industry – one that places our company at the centre of global electrification and the transition to a lower carbon economy. This is occurring in strategic partnership with the Australian Government, which has provided Iluka a $1.25 billion non-recourse loan to construct the refinery.

Together, these initiatives represent a considerable evolution for our company in a short space of time. And I think it's worth adding that we've carried this out while delivering average annual operating cash flows of $485 million per annum over the past five years; achieving a net cash position of $431 million as of last quarter; managing the myriad impacts of the COVID-19 pandemic; and realising total shareholder returns of 152% between the beginning of 2019 and the end of 2022.

It's an impressive performance that is ultimately testament to Iluka's people. On behalf of the Board, I would like to acknowledge that work and commitment, which we've observed right across the company. Tom and his team have done an excellent job – not just this past year but indeed over the past several years – delivering on Iluka's objective against an uncertain macroeconomic and geopolitical backdrop. They have also once again repositioned our company, this time perhaps more substantially and with more potential than at any point in its past.

While much has been done, there is of course much more still to do. Iluka is undertaking activities that are significant globally and significant to our industry; and the period to 2025 promises to be particularly busy from an operational perspective, on major project delivery and among our corporate support functions.

In his farewell address last year my predecessor spoke about the importance of Iluka's reputation given the trust invested in us by our stakeholders.

As ever, the Board is particularly focused on its first and foremost responsibility to ensure the safety of our people. I am pleased that we've had an improved safety performance thus far this year following a mixed performance last year, where we decreased our serious potential injuries but recorded an increase in TRIFR.

It is also vitally important that we continue to be an industry leader on environmental rehabilitation. In October, our work in this area was further recognised by the Government of Western Australia via a prestigious Golden Gecko award for environmental excellence. We received this for our bespoke seeding machine, the Flora Restorer – another internally developed innovation that has allowed us to more than double the annual area rehabilitated to native vegetation at Eneabba. In all, we rehabilitated 574 hectares of land in 2022 at a cost of $61 million.

The decarbonisation of Iluka's operations is technically complex and the subject of dedicated emphasis. Our particular challenge relates to the use of coal as a reductant to produce synthetic rutile, for which there is no commercially feasible alternative. Work has commenced on the identification and assessment of potential low emission alternatives; and we are also in the process of identifying decarbonisation pathways across the broader company. This includes continuing to implement renewable energy to power our operations.

I alluded earlier to developments in the global economy. While these have always been relevant to Iluka's business, as Tom will cover shortly, at present there are macro trends that are seeing increased attention paid to our country, our industry and our company.

Much of the world's attention is focussed on the safe, secure and sustainable supply of critical minerals for strategic purposes and to enable the energy transition. This plays directly to Iluka's history and strength – mining and processing critical minerals in Australia – and the tremendous opportunities made possible by the company's evolution over the past three years.

The result is that we face a bright future; one we are determined to seize, consistent with our objective to deliver sustainable value.

I thank shareholders for their ongoing support in these endeavours and will now hand over to Tom for his address.

Managing Director's address

Thank you, Rob. Good morning everyone and welcome.

It's no exaggeration to say the past year has been momentous for Iluka.

We delivered record revenue; advanced our development pipeline; entered a historic strategic partnership with the Australian Government; and broke ground on Australia's first fully integrated rare earths refinery.

I'd also like to echo the Chairman's comments on the importance of our sustainability outcomes, particularly in the areas of safety and environmental management.

The performance, milestones and other achievements that Rob has just outlined showcase our strengths and evolution as a company.

They demonstrate our conviction that we can continue to deliver sustainable value by harnessing the megatrends shaping the global economy.

The energy transition is underway and accelerating.

The need to diversify critical minerals supply chains to achieve this transition is undeniable.

And the urgency among allied and likeminded nations to bolster their sovereign capabilities, strengthen international alliances and establish new industries in support of national security, is clear.

Right now, countries are racing to win their share of the green economy; and Iluka is determined to be a flagbearer for the possibilities that these economic and geopolitical shifts present to Australia.

Rare earths are central to these possibilities.

Four key rare earth elements – neodymium, praseodymium, dysprosium and terbium – are essential to produce high strength permanent magnets. These magnets are in turn essential for the electric motors used most notably in electric vehicles, as well as in wind turbines and in defence applications.

Other critical minerals, like lithium, enable electrification through the production of batteries to store energy. But magnet rare earths enable electrification via the motors that convert stored energy to kinetic energy, or motion. Similarly, wind turbines also require magnet rare earths in the generators that convert motion to electricity.

Rare earths are among the essential building blocks of an electrified, lower carbon economy. We cannot decarbonise without them, which is why a secure, sustainable supply chain is a global priority. Given the rapid pace at which demand is set to increase over the coming decades, the supply of magnet rare earths is also only set to grow in importance.

China currently accounts for 80-90 percent of all magnet rare earth oxides produced globally. For dysprosium and terbium – the key heavy rare earth oxides – China's dominance is almost 100 percent.

And we should remember that the world's path to net zero cannot be traversed successfully without China arriving at the same destination.

But Australia has its own ambitions for carbon reduction and industrial advancement. We should not be wholly dependent on others to achieve them, nor should those ambitions be constrained by geopolitical tensions or a lack of national commitment.

We need to align policy and commercial goals in a way that ensures Australia advances its national interest, that we develop our industrial base and that we build our economic resilience.

Governments across the world are focussed on these imperatives.

The Australian Government has been a leader – partnering with Iluka to build one of few rare earth oxide refineries globally, here in Western Australia. Commissioning of the Eneabba refinery is scheduled for 2025.

The US, Canada, EU and others have all since taken concrete steps to boost domestic production of critical minerals, strengthen supply chains and promote energy independence.

The US Inflation Reduction Act is emblematic of these efforts.

But these initiatives aren't just defensive positions. They represent foundational investments in the future economic fortunes of those countries.

We're fortunate to witness policy heading in a similar direction in Australia. The Commonwealth's decision to develop a new Critical Minerals Strategy has the potential to usher in a new era of sovereign capability, value addition, high skilled jobs and economic growth.

From a rare earths perspective, Australia's financing, foreign investment and domestic manufacturing policy frameworks should be calibrated to tilt the balance in support of these goals.

Together, our natural endowment of key rare earth resources; strong safety and environmental standards; and the ability to refine these materials domestically at Eneabba, provide us an important source of international influence.

We have a once in a generation opportunity to use that influence to pursue downstream industries and lift our sights beyond the mere extraction, and even the refining of minerals. Taking the further step to rare earth metallisation would represent a crucial gateway step to the potential manufacture of rare earth magnets in future.

We've always been a trading nation; and bulk agricultural and then commodity exports have enriched Australia for decades. But I think many would agree that, as we reflect back, perhaps an opportunity was missed in the 1960s and 1970s to establish lasting value addition in the Australian economy alongside the birth of the iron ore industry. Instead, for a range of reasons, that opportunity was won by other nations with greater ambition and commitment.

We have now arrived at a similar historic moment for critical minerals, with the prospect of seeding the advanced manufacturing industries that will have increased longevity and strategic importance; and which could help underpin Australia's security and prosperity in the century ahead.

Insofar as rare earths are concerned, our ambition should not be limited to being the quarry of others; refining, metallising and eventually magnetising these key products for ourselves and our international partners that need them is a rational and, with appropriate policy settings and commitment, an achievable ambition.

Some argue this is unrealistic, citing the historical challenges of establishing heavy industry in an environment where Australia's proposed customers were already well established and dominant incumbents.

The context of Australia's rare earths opportunity is different. Among allies and likeminded nations, key links in the value chain downstream of rare earth oxides have not been widely established. In some cases they are absent entirely. Hence the opportunity to establish downstream in Australia is enormous; and the global shift to electrification, as well as the desire for diversification of supply chains, will help support the industry's success.

The alternatives are worth touching on.

If Australia elects to export its rare earths feedstocks unrefined, that can only serve to strengthen the industry's existing major players, contrary to our policy objectives, particularly for heavy rare earths.

There are some who advocate a phased approach whereby unrefined concentrates are exported initially, with a refinery to be established at some vague point in the future, when cashflows and other circumstances allow. History shows the second phase remains conspicuous by its absence, and exports of unrefined concentrates continue, while downstream incumbents offshore keep getting stronger.

Similarly, if other countries establish metallisation capability with speed to market, and Australia does not, it is those nations that will inevitably be the destination of investment to develop magnet industries.

The tyranny of distance and transport costs to more populated markets – the "next step" in the value chain – was one key hurdle that constrained Australia's success in the downstream industries of the twentieth century. This constraint has no application to highly valuable critical minerals that have quantities measured in kilograms rather than in the millions of tonnes. Rare earth oxides, metals and magnets can readily bear the cost of transport.

Iluka is already at the forefront of expanding the range of opportunities available to Australia.

Our Eneabba refinery will produce separated neodymium, praseodymium, dysprosium and terbium, with the latter two heavy rare earth oxides a key competitive advantage for Iluka and for Australia over other sources of Western world supply.

Remember – China at present accounts for practically all the world's dysprosium and terbium oxide production, including that which it sources from Myanmar.

Iluka's internal feedstocks for Eneabba include our unique rare earths stockpile, our Wimmera development in Western Victoria and our Balranald development in New South Wales. All of the operations and projects in the company's portfolio will contribute rare earth feedstocks to the refinery.

In addition, Eneabba has been designed specifically with the size and capability to process a broad range of feedstocks provided by third parties.

Whereas previously Australian rare earth resources would have to have been refined overseas, this is no longer the case.

In strategic partnership with the Australian Government, Iluka is catalysing the development of Australia's rare earths industry by facilitating other emerging Australian mining companies into production, with Iluka as their customer, and with value addition taking place domestically.

In October last year, Iluka concluded an agreement with Northern Minerals – just such an emerging rare earths company – for the future supply of concentrate from its planned rare earths mine at Browns Range in the Eastern Kimberley.

Browns Range is a deposit of global strategic importance in that it has an uncommon assemblage, elevated in dysprosium and terbium.

Beyond Browns Range, Western Victoria is a key source of Australian heavy rare earths and a critical minerals province of national significance. This is where Iluka's Wimmera development is located.

Wimmera is now in definitive feasibility study following Iluka's declaration of a rare earths Ore Reserve in February.

With this declaration, Iluka more than doubled the total Ore Reserves in the company's portfolio and confirmed the economic viability of what is a potential multi decade source of feedstock for the Eneabba refinery.

In closing, I'd like to convey my thanks and appreciation to Iluka's shareholders for their interest and enthusiasm regarding the company's activities.

Both Iluka and Australia have undoubtedly benefited from our endowment of critical minerals over the last century. But today we have a once in a generation opportunity to unlock a critical, new, domestic industry.

As a company and as a country, we should be ambitious in our aspirations for a greater legacy for our rare earth resources: a legacy that delivers new jobs and skills; makes a meaningful contribution to the world's switch to a lower carbon economy; and helps to build our national economic resilience.