



**ILU 2022 Good prices for increased volumes, and a rare earths future.**

<b>Company/ASX Code</b>	Iluka Resources Limited (ILU)
<b>AGM date</b>	Wednesday 13 April 2022
<b>Time and location</b>	9.30 am AWST, Theatre, 240 St Georges Terrace, Perth, WA
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes, This is a hybrid meeting. <a href="http://meetnow.global/MYMUKHC">http://meetnow.global/MYMUKHC</a>
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Geoff Read
<b>Pre AGM Meeting?</b>	Yes, with Chair Greg Martin, Deputy Chair Rob Cole and others.

The individual who prepared this voting intention does not have a shareholding in this company.

**Summary of issues for meeting**

We will ask Iluka to do more on greenhouse gas reporting and action. The ESG report which they publish is very light on this subject.

Once again this year we will ask the company about its plans for the operation in Sierra Leone. Will they de-merge it or make more attempts at getting to a positive EBITDA?

<b>Item 0</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

**Summary of ASA Position**

18 months ago Iluka demerged its various royalty streams into Deterra. Shareholders who participated should be pleased that the combined value of their shareholdings in the two companies exceeds any previous ILU share price. Further good news for shareholders comes from ILU's decision to revise its dividend framework. In a very welcome change ILU will now pay out the entire dividend it receives from its residual 205 shareholding in Deterra and 40% of the free cash flow not required from CAPEX and balance sheet purposes. This result of this change was an increase in the dividend from 2 cents in the prior year to 24 cents for FY2021.

Production volumes increased and the prices obtained for both zircon and titanium increased as world supply decreased and demand rose as the world recovered from the COVID-19 hiatus. A shutdown at Rio Tinto's operation in Richards Bay South Africa caused a reduction in world supply.

NPAT was \$366M and eps were 94cents. ILU ended the year with no debt and \$295M in the bank.

The company successfully navigated COVID in both Australia and Sierra Leone. A cyclone in the Geraldton region caused three days production loss at the Cataby and Eneabba facilities.

The Chairman Greg Martin has announced his retirement from the end of the AGM. He will be succeeded by the deputy chairman Rob Cole.

Andrea Sutton joined the board as a non-executive director in March 2021. She has a mining operations background. Three of the six non-executive directors are female. (Three 3 out of seven including the CEO)

The company has a pipeline of projects at various stages of development. One of the most interesting is a proposed rare earth metals refinery. This has enthusiastic support from both the state and federal governments. It remains to be seen if either government will provide financial support as well. In zircon and titanium the Australian operations continue to perform very well. Unfortunately this is not the case in Sierra Leone. The operations at SRL continue to be loss making. We note that there has been a change in the taxation and royalty regime which is favourable to the company. We also note that ILU is seeking a partner to develop a large resource deposit in Sierra Leone and is even open to the prospect of selling SRL. We have been promoting this concept for 3 years.

Iluka produces a comprehensive ESG report each year. It is wide ranging but is very light on detail describing the company's greenhouse gas emissions and the action plan to reduce them. We will ask the company to improve both its action plan and reporting in this area.

### **Summary**

(As at FYE)	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
NPAT (\$m)	366	2410	(300)	304	(171.6)
UPAT (\$m)	315	104	278.7	301	13.8
Share price (\$)	10.10	6.46	9.30	7.62	10.17
Dividend (cents)	14	2	13	29	31
Simple TSR (%)	58	34.1	-15.8	-22	41
EPS (cents)	94	24.5	(71)	72.2	(41)
CEO total remuneration, actual (\$m)	4.515	4.28	2.644	3.386	3.544

For 2021 the CEO's total actual remuneration was **48 times** the Australian full time adult average weekly total earnings. (\$94,276 pa in November 2021)

<b>Item 1</b>	<b>Re-election of Marcelo Bastos as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Mr Bastos has been a director of ILU for 8 years. He has an extensive background in the metals and mining industry and was formerly the Chief Operating Officer of MMG limited. He holds a meaningful shareholding of 14,000 shares which meets the minimum shareholding requirement for NED's. He is an independent director. He is a non-executive director at Aurizon, and Anglo American PLC.

<b>Item 2</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Iluka received a first strike against the remuneration report in 2019. The new remuneration scheme introduced since then is a great improvement and aligns with most of the ASA guidelines. It now places a greater emphasis on financial results, it rewards employees in equity, thus ensuring that senior employees have some "skin in the game" and it measures performance over longer periods.

The CEO receives all his incentive in shares, other KMP will have a small percentage paid in cash. 60% of the incentive is paid in restricted share rights which vest at a rate of one quarter each year from years 1 to 4. 40% of the incentive is paid in performance rights and measured/tested over 5 years. Relative TSR must be above the median for vesting to occur on a sliding scale. Financial measures will now count towards 50% of total incentive payments.

Director's fees were unchanged this year. Employees only received pay increases if their roles were increased.

Actual remuneration of KMP is disclosed. Face value is used to award performance rights. The KMP received incentive awards of around 90% of target. (CEO 92%)

ILU has a minimum shareholding requirement for the KMP. 3 out of 4 KMP meet the requirement.

We might have minor quibbles about the precise details of the incentive plan, but the link between performance outcomes and pay is strong and the amounts paid are not excessive. On balance it is well worth supporting and we will vote undirected proxies in favour of the remuneration report.

<b>Item 3</b>	<b>Approval of LTI grant to CEO/Managing Director Mr Tom O’Leary</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

This resolution seeks to award the CEO share rights and performance rights to satisfy the 2021 Executive Incentive Plan (EIP).

For the 2021 results the CEO was awarded 92% of his LTI or \$2,722,660. This award consists of 152,056 share rights and 101,371 performance rights. These numbers were calculated using the VWAP of ILU shares during a five day period in February 2022. (\$10.70) The share rights vest in four equal tranches over four years without further testing. The performance rights are tested against five year company performance and may be awarded in February 2026.

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## Appendix 1 Remuneration framework detail

The table below shows the remuneration plan for the CEO.

CEO rem. Framework for FY2021	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.4	42%	1.4	32%
Cash	0	0%	0	0%
Restricted Rights	1.176	35%	1.764	41%
Performance Rights	0.784	23%	1.176	27%
Total	3.36	100.0%	4.34	100%