



Iluka to de-merge Sierra Rutile via an EGM

Company/ASX Code	ILU
EGM date	Friday 22 July 2022
Time and location	9.30 am AWST, Theatrette, 240 St Georges Terrace Perth 6000.
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on the single item
Monitor	Geoff Read
Pre AGM Meeting?	No

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

Background

Iluka Resources Limited (ILU) acquired Sierra Rutile Limited (SRL) late in 2016. The business case supporting the purchase of SRL has been shown to be rather optimistic and at every stage it has fallen short and underperformed.

The SRL operation comprises an existing rutile mine, a processing plant, and a very large undeveloped rutile deposit. This is said to be the largest known undeveloped resource in the world. Unfortunately, it lies in a remote area with no access to rail or port and to develop it would require one or two villages to be relocated and roads and bridges to be constructed.

At one stage ILU sold a 10% stake in SRL to a subsidiary of the World Bank in the hope that their expertise would assist in improving relations with the Sierra Leone government and the local people. ILU has recently re-purchased this stake. In 2021 ILU achieved a more favourable tax regime from the government. During the period of ILU's ownership there have been labour disputes, equipment breakdowns and the disruption caused by COVID-19. Sierra Leone was also affected by Ebola fever, but this did not reach the mine site.

SRL was substantially written down in ILU's account to reflect its very poor profitability.

We in the ASA have lobbied the board of ILU to take firm action on SRL and to either return it to profitability or to move it on to new owners. We also advocated focussing ILU capital and management skills on ILU's core Australian business and the emerging rare earths business.

We are pleased to see that this de-merger of SRL is occurring so that shareholders can decide for themselves whether they wish to continue on the SRL journey or leave that joy to others.

The Proposal

Under the de-merger proposal ILU shareholders will receive one share in SRL for each ILU share they hold. Shareholders who have 2,000 ILU shares or less may elect to participate in the share sale facility where their SRL entitlement will be sold on their behalf. This facility will also apply to certain ineligible overseas shareholders.

We suggest you read Section 6 taxation implications to assist you in determining if you need to seek tax advice. Iluka has applied to the ATO for a class ruling confirming certain income tax implications of the Demerger for Iluka Shareholders, but the ruling will not be received until after the implementation date. If the demerger is approved, you will need to apportion the tax cost base of your Iluka Shares between the Iluka Shares and the Sierra Rutile Shares held just after the Demerger. Further information will be given to you to assist in this apportionment.

The new SRL shares are expected to trade on the ASX under the code SRX. ILU has stated that they will apply to the ATO for de-merger tax relief. This will depend on the ATO issuing a final ruling on the topic. The head office of SRL/SRX will be in Perth WA.

Item 1	To approve the de-merger of Sierra Rutile from Iluka
ASA Vote	No recommendation is given.

Summary of ASA Position

Voting recommendations associated with de-mergers are considered to relate to dealings in financial products and require a financial service licence which ASA does not hold. For this reason, we urge you to read the scheme booklet and make your own decision and lodge a proxy with a directed vote either for or against the resolution based on your circumstances.

We note that the board of Iluka are unanimously in favour of the de-merger and that the independent expert (Deloitte Corporate Finance P/L) considers it is in the best interests of shareholders.

If we receive any open proxy votes, we will vote them in favour of the resolution.

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