



Large write down in value of African assets causes a big loss.

Company/ASX Code	Iluka Resources Limited/ILU
AGM date	Thursday 9 April 2020
Time and location	9.30 AWST Perth Convention Centre, Mounts Bay Road Perth WA
Registry	Computershare
Webcast	Yes at www.iluka.com
Poll or show of hands	Poll on all items
Monitor	Geoff Read assisted by Geoff Field.
Pre AGM Meeting?	Yes, with Chairman Greg Martin and others.

Notice of Meeting. <https://www.asx.com.au/asxpdf/20200304/pdf/44frd6g53srcbb.pdf>

Item 0	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

2019 was a mixed year for Iluka, there were many achievements and one large disappointment namely the write down in the value of the assets in Sierra Leone.

Iluka purchased Sierra Rutile with a plan to modernise the mining equipment, install additional processing capacity and thus reduce the overall unit costs. Unfortunately the costs of production are still unsustainable high and the valuation of the asset in the accounts was not supportable. Thus there was an impairment charge (write down) of \$414M and an associated loss of a tax benefit of \$162M. Approximately \$750M has been ploughed into Sierra Rutile in the 4 years since purchase and the present value in the accounts is approximately \$85M.

The financial results before this write down were remarkably good being one of Iluka's best three years. Underlying EBITDA was up at \$616M and underlying NPAT was down slightly at \$279 million. Production volumes, sales volumes and prices were all good. There was some bad news in the accounts too, there was a net loss after tax of \$300M and this led to a return on shareholders' equity of -27%. Free cash flow was \$140M representing a decline from \$308M in the prior year.

Many new projects were completed on time and on budget. These include the Cataby Mine (WA), the Capel SR2 kiln was relined, the Ambrosia mine (SA) was successfully relocated, and three major expansion projects were completed at Sierra Rutile at Lanti and Gangama. The exploration program continued as planned.

The dividend of 13 cents was reduced from 29 cents in 2018. This equates to 40% of free cash flow.

After many years of consideration and with some gentle nudges from institutional shareholders the board has reached the decision to spin off the asset known as the Mining Area C royalty (MAC) into a new company named RoyaltyCo. Shares in RoyaltyCo will be allotted to Iluka shareholders on the basis of one RoyaltyCo share for each ILU share held.

ILU propose retaining 15% of RoyaltyCo for the long term, and nominating one director to the board. We have requested ILU to establish RoyaltyCo with a very low cost structure for what could be a Post Office Box and associated bank accounts.

It is proposed that this decision will be put to shareholders at an EGM later in 2020. Jenny Seabrook has been nominated to become the Chairman of RoyaltyCo. Mining Area C contains the BHP mines at North Flank and South Flank near Mount Newman.

For a full explanation of this MAC royalty and the proposal see pages 7-11 of <https://www.asx.com.au/asxpdf/20200220/pdf/44f7y75wxfkbbj.pdf>

Two new directors have joined the board in the past year. They are Susie Corlett and Lynne Saint. One director retired at the last AGM (Dr Xiaoling Liu) and Jenny Seabrook mentioned above will retire at the coming AGM to move to RoyaltyCo.

The role of Chief Operations Officer has been abolished and replaced with 3 general managers. The previous COO Steve Wickham will leave Iluka from a transition role some time in 2020.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	(300)	304	(171.6)	(224)	53.5
UPAT (\$m)	278.7	301	13.8	(23)	53.5
Share price (\$)	9.30	7.62	10.17	7.27	6.13
Dividend (cents)	13	29	31	3	25
TSR (%)	-15.8	-22	41	22.6	5.4
EPS (cents)	(71)	72.2	(41)	(53.6)	12.8
CEO total remuneration, actual (\$m)	2.644	3.386	3.544	6.147 now retired	3.131

For 2019, the CEO's total actual remuneration was 29.5 times the Australian Full time Adult Average Weekly Total Earnings (based on November 2019 data from the Australian Bureau of Statistics).

Item 1	Election of Susie Corlett as a Director
ASA Vote	For

Summary of ASA Position

Ms Corlett was appointed to the board in 2019. She has a background in geology, mining and metallurgy followed by experience in mining private equity and mining project finance. She has one other non-executive directorship with Aurelia Metals Ltd. She is an independent director. At present Ms Corlett has a shareholding in ILU which is below the minimum expected of a director.

Item 2	Election of Lynne Saint as a Director
ASA Vote	For

Summary of ASA Position

Ms Saint was appointed to the board in October 2019. She has a background in senior roles in audit, accounting, and finance as well as governance and risk management. It is proposed that she will become the chair of the audit and risk committee. She is an independent director. Since reporting date Ms Saint has acquired a shareholding in ILU, although it is below the minimum expected of a director.

Item 3	Re-election of Marcelo Bastos as a Director
ASA Vote	For

Summary of ASA Position

Mr Bastos has been a director of ILU for 6 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.

Item 4	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

Iluka received a first strike against the remuneration report last year and so they have been busy improving their remuneration scheme to place a greater emphasis on financial results, to reward employees in equity, thus ensuring that senior employees have some “skin in the game” and to measure performance over longer periods.

For the 2020 Employee incentive plan:-

The CEO will receive all his incentive in shares, other KMP will have a small percentage paid in cash. 40% of the incentive is paid in performance rights and measured over 5 years. The balance of the incentive is paid in restricted rights which are measured and may vest at a rate of one quarter each year from years 1 to 4. TSR must be above the median for vesting to occur. The entire incentive plan is now weighted more heavily towards financial measures than it was previously. Financial measures will now count towards 50% of total incentive payments.

We might have minor quibbles about the precise details of this new incentive plan but overall on balance it is well worth supporting and we will vote undirected proxies in favour of the remuneration report.

Directors fees were unchanged this year. Employees only received pay increases if their roles were changed and increased.

Actual remuneration of KMP is disclosed. Face value is used to award performance rights. The KMP received incentive awards of between 58-67% of target. (CEO 64%). The write down of Sierra Rutile referred to above caused all the financial measures to fall well short of target.

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.4	53%	1.4	33%
STI - Cash	0.179	7%	0.424	10%
STI - Equity	0.620	23%	0	
LTI	0.433	17%	2.418	33%
Total	2.644	100.0%	4.24	100%

Item 4	Spill motion (contingent resolution)
ASA Vote	Against

Summary of ASA Position

We do not believe it is in the best interests of the shareholders to spill the board. Also, early indications are that this resolution will not be required as the pre-condition is unlikely to be satisfied.

An associate of an individual involved in the preparation of this voting intention has a shareholding in this company.

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