



**Iluka achieved the Deterra de-merger in the COVID affected year.**

<b>Company/ASX Code</b>	Iluka Resources Ltd. (ILU)
<b>AGM date</b>	Thursday 29 April 2021
<b>Time and location</b>	9.30am WST A virtual online AGM Lumi ID is 385-467-567
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes, <a href="http://web.lumiagm.com/385467567">http://web.lumiagm.com/385467567</a>
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Geoff Read assisted by Jordan Purser
<b>Pre AGM Meeting?</b>	Yes with Chair Greg Martin and others.

The individuals who prepared this voting intention do not have a shareholding in this company.

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

**Summary of ASA Position**

In 2020 Iluka successfully de-merged the Deterra Royalties business by means of a share distribution to shareholders. After six months it is clear that there has been value created by the split and that this value far exceeds the cost of the transaction. For participating shareholders there is a calculator on the Iluka web site which will assist you to establish your new cost base for CGT purposes. [final-class-ruling-from-ato-demerger-accounting-an.aspx \(iluka.com\)](http://www.iluka.com/final-class-ruling-from-ato-demerger-accounting-an.aspx).

The company managed its COVID response thoroughly, although the outbreak caused travel to Sierra Leone to be very restricted. This has delayed major projects in that country. Iluka applied for, and received, some JobKeeper funding early in 2020 but now that the years results are in, those funds will be returned to the ATO.

Iluka's sales and revenue were down sharply this year as COVID closed paint and ceramics factories around the world. One customer (Chemours) reneged on a contract for synthetic rutile and this is now the subject of legal action by Iluka in the USA.

The operation in Sierra Leone (SRL) continues to be a disappointment. This year it made a loss of -\$41M EBIT. It is valued at zero in the Iluka accounts. We look forward to Iluka presenting a plan which can lead to the profitable development of the Sembehun deposit which is said to be very high grade. A World Bank associate, International Finance Corporation, now owns 10% of SRL after increasing its stake this year, previous year 3.5%

Iluka has discontinued its development plans in Sri Lanka. The legislative framework was not suitable. They retain an option to buy back in if the situation improves.

The monazite/zircon concentrate operation at Eneabba commenced production and has shipped several cargoes. Monazite contains many of the rare earth elements. Iluka is exploring the feasibility of the costs and revenues from further local refining of the mineral.

Shareholders were disappointed by the small 2 cent dividend this year. Earnings per share were 24 cps. We questioned the company on this matter and were told that the dividend is based on free cash flow after the requirements for CAPEX and debt repayment. Free cash flow was low this year due to the lower sales volumes and the conclusion of the MAC royalty stream.

Iluka has a longstanding policy which requires directors to achieve a shareholding equivalent to one year's fees after 5 years tenure. Previously all directors complied with this policy but the demerger of Deterra caused the Iluka share price to virtually halve overnight and as a consequence of this fall none of the current directors have the requisite number of shares. The chairman has given them 1 year to restore their shareholdings to complying levels. 5 years in the case of newly elected directors.

We are disappointed that there will not be a physical AGM this year as the situation here in Perth is well under control. We have expressed this opinion to the company.

### Summary

(As at FYE)	2020*	2019	2018	2017	2016
NPAT (\$m)	2410	(300)	304	(171.6)	(224)
UPAT (\$m)	104	278.7	301	13.8	(23)
Share price (\$)	6.46	9.30	7.62	10.17	7.27
Dividend (cents)	2	13	29	31	3
TSR (%)	34.1	-15.8	-22	41	22.6
EPS (cents)	24.5	(71)	72.2	(41)	(53.6)
CEO total remuneration, actual (\$m)	4.28	2.644	3.386	3.544	6.147 now retired

\*Note. The demerger of Deterra occurred in October 2020. Share price was \$4.80 at FYE

For 2020 the CEO's total actual remuneration was **46 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

<b>Item 1</b>	<b>Election of Ms Andrea Sutton as a director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Ms Sutton was appointed to the board in March 2021. She is an independent non-executive Director. Ms Sutton is a member of the Nominations and Governance Committee and the People and Performance Committee. She is appropriately qualified and experienced and we support her election. She is yet to achieve a meaningful shareholding in Iluka.

<b>Item 2</b>	<b>Re-election of Robert Cole as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Cole was appointed to the Board in March 2018. He is an independent no-executive director. He is a member of the Nominations and Governance Committee and the People and Performance Committee. Mr Cole is a director of Perenti Global, and is Chairman of two WA government businesses, Synergy and Landgate. He has a modest shareholding in Iluka

Mr Cole is appropriately qualified and experienced and we support his re-election.

<b>Item 3</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

The table below shows the remuneration plan for the CEO.

CEO rem. Framework for FY2020	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%

After receiving a first strike on its remuneration report at the 2019 AGM, ILU's board has worked hard to implement a new remuneration scheme that satisfies both KMP and shareholder demands for long-term performance and greater shareholder alignment. 2020 gives us our first opportunity to assess the success of this endeavour.

ILU's executive remuneration scheme consists of both a fixed and incentive component where the incentive component is made up of restricted rights, performance rights and cash. Targets are set by the board and consist of 50% financial measures, 10% production measures, 15% sustainability measures and 25% individual measures. Restricted rights vest in equally weighted tranches over 4 years from grant date. Performance rights are subject to a relative TSR hurdle at the end of 5 years, with 50% of the rights vesting at performance equal to the median, then on a straight line basis to the 75<sup>th</sup> percentile (100% of performance rights vest if TSR performance meets/exceeds 75% of peers).

To our satisfaction the board did not lower the bar in light of COVID, having maintained targets determined at the beginning of the year. As such, neither financial nor production targets were met. The 30% of maximum remuneration achieved by the CEO and between 23% - 30% for other KMP was due to the partial achievement of sustainability and individual targets only. In one tweak to the plan, the board has decided to pay all incentive awards in equity for 2020 with KMP transitioning back into a part cash, part equity mix (roughly 20/80 split) in 2021 (CEO incentives are paid entirely in equity from 2020).

No increase was made to director's fees or the fixed remuneration component for KMP in 2020. Whilst it is disappointing to see that no non-executive director satisfied the board's own requirement for minimum shareholding as at the reporting date, this must be viewed in the context of increased holding requirements post Deterra demerger.

With reference to Deterra, it is also important to note the issuance of additional rights to KMP in order to compensate for the loss of value on existing rights post-demerger. We deem this fair as management are no better off after the issue and should not be penalised for actions taken in the best interests of shareholders.

Whilst areas for improvement exist (such as the addition of an absolute TSR hurdle on performance rights), we believe that on the whole the remuneration report is worth supporting and intend to vote undirected proxies in favour of the report.

<b>Item 4</b>	<b>Approval of a grant of securities to Managing Director Tom O’Leary.</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

In accordance with the executive incentive plan it is proposed to grant share rights and performance rights to the MD. The number of rights comprising each component of the 2020 EIP award was determined by dividing the 2020 EIP outcome award by \$7.47, being the volume weighted average price of shares traded on the ASX over the 5 trading days following the release of the Company’s 2020 results announcement. The proposed grant to the Managing Director will comprise 70,827 Share Rights and 47,218 Performance Rights. It is the usual practice of Iluka to buy the shares to satisfy this grant on-market.

We support this resolution.

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