

Challenging year lies ahead for loss-making Iluka

Company/ASX Code	Iluka Resources Ltd (ASX: ILU)
AGM time and date	9.30 am on Thursday, 30 April 2026
Location	Theatrette, mezzanine level, 240 St Georges Terrace, Perth,
Registry	Computershare
Type of meeting	Physical with webcast (https://www.iluka.com/AGM)
Monitor	John Campbell assisted by Leanne Harrison
Pre-AGM Meeting	Yes, with chairman James Mactier and GM Investor Relations Luke Woodgate

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

1) How we intend to vote

No.	Resolution description	
1(a)	Election of director – James Mactier	For
1(b)	Election of director – Greg Meyerowitz	For
2	Adoption of remuneration report	For
3(a)	Grant of 2025 short-term incentive award to the managing director	For
3(b)	Grant of 2025 long-term strategic award to the managing director	For
3(c)	Grant of 2025 long-term incentive award to the managing director	For

2) Summary of Issues and Voting Intentions for AGM

- We were disappointed when Iluka moved from having a hybrid AGM in 2024 to a physical AGM with a webcast in 2025. This continues in 2026. Shareholders who are unable to attend the meeting will need to submit a proxy to vote at the meeting.
- Iluka incurred a net loss for 2025 of \$288.4m and had net debt of \$1.06bn at year-end at a gearing ratio of 34% (including the non-recourse loan to the RE subsidiary). It has stopped production of synthetic rutile due to the size of its stockpiles and lack of demand, with inventory exceeding \$1bn at net realisable value. Whilst it has substantial undrawn facilities for both minerals sands activities and the construction of its rare earth refinery, it has undisclosed covenants relating to gearing and interest cover for its mineral sands funding and other conditions for the RE funding, one of which is to contribute its own funds of \$214m to complete construction and provide working capital to enable the refinery to achieve commercial production in 2028. We will ask the board how it has confidence that

the company can continue to meet its obligations through to commercial production at the RE refinery.

- Iluka has introduced a new executive strategic incentive award to emphasise the importance of getting the RE refinery completed on time and on budget to the designated level of operating efficiency. We will ask why this incentive is additional to other executive remuneration and why the existing long-term incentive plan could not be modified (retrospectively if necessary) to accommodate this objective.

3) Matters Considered

Accounts and reports

Financial performance

(As at FYE - December)	2025	2024	2023	2022	2021
NPAT (\$m)	-288	231	343	589	366
UPAT (\$m)	78	231	343	597	315
Share price (\$)	5.79	5.05	6.60	9.53	10.1
Dividend (cents)	6	8	23	37	14
Simple TSR (%)	15.8	-22.3	-28.3	-9.7	58
EPS (cents)	-67.30	54.10	80.50	139.30	86.70
CEO total remuneration, actual (\$m)	2.352	2.362	2.622	3.76	4.515

1) Rare earths

The importance of rare earth resources to provide permanent magnets and other exotic metals for global decarbonisation and military uses has rarely been out of the news and the dominance of China in refining rare earths and its actions to limit export of these products has led the US and Australian governments to take steps to bolster mining, refining and stocking of the RE products. The US government has set a floor price of US\$110/kg for neodymium, praseodymium, and dysprosium (Npdr) oxides, boosting prices in the open market and indicating a substantial profit if Iluka can produce these for less than A\$20/kg as anticipated. The environment for Iluka to successfully refine its 1m tonne stockpile of monazite and xenotime concentrates into Npdr and terbium oxides, could not be better but its challenges in doing so are significant due to the difficult trading conditions being experienced in its other segment, mineral sands. The RE refinery being built at Eneabba was less than 50% complete at year-end, with all the complex chemical processing equipment to be installed and tested and the process then to be brought up to commercial production, expected in 2028. In the meantime, interest is being incurred and capitalised on the Export Finance Australia loan to the extent of about \$60m to FY25 year-end. The interest rate payable on funding provided by EFA was at 7.8% at year-end. Iluka's construction cost contribution has been approx \$200m to FY25 with a further \$214m to be injected for capex and working capital up to achieving commercial production in 2028.

2) Mineral Sands

Iluka's mineral sands business relies primarily on the worldwide construction industry for its sales and this has been in a depressed condition in recent years - the Gulf war will not improve its outlook in the short term but the fact remains that there is a lack of housing which has been impacted by destruction in Gaza, Ukraine and now the Gulf countries and which is fuelled by the ever-expanding world population. The outlook for mineral sands is therefore depressing in the short term but better in the longer term – the question is if Iluka can withstand the wait. Iluka took early steps to reduce the impact of the downturn in demand by shutting down its No1 kiln used to manufacture synthetic rutile in 2024 and then closing its No2 kiln from December 2025 as well as ceasing production from its Cataby mine which fed ilmenite to the synthetic rutile production process. The annual report notes that Iluka has modified the terms of some of its take-or-pay synthetic rutile sales contracts because of customer difficulties, which have included a UK TiO2 customer going into administration.

Sales of zircon and rutile exceeded 2024 but synthetic rutile and ilmenite sales were considerably reduced. The average price achieved for all grades was reduced with the average \$A revenue per tonne 13% less than 2024. Total revenue was \$1,015m compared to \$1,170m in 2024. Profit before tax would have been \$139m (FY24 \$325m) were it not for inventory write-downs of \$216m and impairments of \$351m, which led to a loss before tax of \$427m - tax relief of \$139m reduced that to a net loss of \$288m (FY24 profit \$231m).

3) Financial position

The financial position of the group is complex because the rare earths business is contained in a separate subsidiary. Its funding is both from Iluka itself and via a non-recourse loan from the government's Export Finance Australia. The financial position of the two elements of the group is not set out in the annual report but appears to be as follows from scattered information:

	\$M	RE	Z/R/SR	Total
Current assets				
Cash			45.7	45.7
Inventory			732.0	732.0
Debtors and other			394.1	394.1
		0.0	1,171.8	1,171.8
Non-Current assets				
Inventory			360.8	360.8
Deterra			444.5	444.5
PPE		768.9	1,219.1	1,988.0
Other			255.0	255.0
		768.9	2,279.4	3,048.3
Liabilities				
Current liabilities		0.0	334.3	334.3
Non-Current liabilities				
Loans		609.7	492.6	1,102.3
Other		0.0	714.7	714.7
		609.7	1,541.6	2,151.3
Net assets		159.2	1,909.6	2,068.8
Undrawn facilities		1,040.7	261.0	
Iluka funding commitment		200.0	(200.0) approx!!	

The RE subsidiary's net assets have been funded either by loan or share capital from Iluka. It is evident that if the RE refinery is completed within its \$1.8bn budget, there is a further \$1031.1m of capital expenditure which is covered by the EFA facility. Iluka advises it has fulfilled its commitments under the facility to provide \$200m to enable drawdown of the first \$1.2bn of EFA loan funds but it then needs to provide \$140m on a \$1 for \$3 basis to enable

drawdown of the second \$400m of EFA funding and up to \$82m in working capital for the ramp-up to commercial production. Iluka has undrawn bank loan facilities, subject to undisclosed covenants, of \$261m and it has a readily-realizable investment in Deterra Royalties as a backstop if needed – the book value of its equity-accounted investment in Deterra is similar to its market value. The financial position of the group is not to be described as comfortable but is not critical either – Lincoln Stock Doctor rates it as ‘marginal’.

Governance and culture

The company has a small board of 6 with a good cross-section of skills and one-third female membership. We looked for a board skills matrix showing each director’s skills but the matrix only shows the collective board skills. We believe that showing individual skills would provide important information for shareholders in considering director elections and re-elections and urge its inclusion in future. We have no other issues with governance arrangements but would prefer Iluka to return to holding its AGM in hybrid format as it did in 2024.

Iluka continues to employ 23% female in the total workforce and over 4% Aboriginal and Torres Strait Islander peoples, including 20% at Jacinth- Ambrosia.

Key events

The commencement of mining activities at Balranald occurred in December 2025 and the shut-down of synthetic rutile production in Capel also occurred in December together with the closure of mining at Cataby in response to poor market conditions for rutile.

Key board or senior management changes

James Mactier was appointed chair on 5 May 2025 replacing Andrea Sutton who was acting chair after the resignation of Rob Cole through illness in December 2024. Lynne Saint is stepping down as a director at the conclusion of the AGM and is replaced as head of the audit and risk committee by Greg Meyerowitz whose appointment, together with James Mactier’s, is subject to shareholder approval at the AGM. There were no changes in senior management.

Sustainability/ESG

The annual report details progress with the company’s Climate Change Program, focusing on climate related risks and opportunities. These include the risk of increased energy costs, increased compliance costs and decarbonization technology being not yet commercially feasible. The company made a \$67M coal purchase to ensure the short-term supply for North Capel before the decision to shut down its No2 kiln was made. Coal is used as a reagent to convert ilmenite to synthetic rutile and the technology to replace coal in this process is not yet commercially viable. The kiln shutdown in December means that it will have little difficulty in reducing its emissions in line with Safeguard Mechanism requirements in 2026 but its obligations under that legislation required the purchase of 30,376 Australian Carbon Credit Units in 2025. Steps taken in 2025 to reduce emissions included building two operational solar farms at Jacinth-Ambrosia and Cataby.

Increased global demand for rare earths due to the global transition towards electrification creates an opportunity for the Eneabba refinery with the commissioning scheduled for 2027.

Mining involves disturbance of the environment so there is a focus on rehabilitation which your monitors experienced first-hand during a visit to Capel where we saw wildlife grazing in paddocks previously subject to strip mining. There is a dedicated team specialising in this activity. In 2025, Iluka rehabilitated 272ha in Australia. This included the successful closure of the Gingin mineral sand site being approved by the Minister for the Environment. Iluka’s rehabilitation efforts were recognized by the Virginia Energy 2025 Mineral Mine Reclamation Award for the Old Hickory/Cancord mine in Virginia USA for excellence in environmental planning and execution.

There is an ongoing collaboration with Murdoch University to study Carnaby's cockatoo and positive outcomes were reported by the WA Museum monitoring the moving hollow-bearing trees back into key nesting sites.

Other aspects of mining also present environmental risk such as tailing storage which is subject to annual inspections to ensure adherence to industry standards.

4) Rationale for Voting Intentions

Resolution 1(a) & (b) Election of directors James Mactier and Greg Meyerowitz (for)

Both nominees have appropriate qualifications and experience for their roles.

Resolution 2 Remuneration report (for)

The Remuneration Report clearly describes the remuneration structure which is not dissimilar to many other companies with the exception of the one-off long-term strategy incentive award. Disclosure is made of take-home pay – the MD's is shown as \$2.35m, similar to 2024. Also, in line with 2024, the long-term incentive did not vest in 2025 as total shareholder return fell short of the comparator index. The MD's realised pay compares with \$3.77m determined under the accounting standard's complex method of determining the value of incentives, and with his 2025 target total remuneration of \$4.2m as shown in the table in the appendix at the end of these voting intentions.

We have some concerns with Iluka's remuneration structure:

- There was a change to the performance measures for the short-term incentive in 2024 to remove NPAT as a yardstick and use unit cost of production and operating cash flow instead. We see this as a retrograde step because it discards the NPAT measure which is directly related to shareholder rewards and determines other financial measures such as price/earnings. In addition, the short-term incentive plan makes no allowance for the fact that shareholders have been hit with an inventory write-down to net realisable value of \$216m and impairment of manufacturing assets of \$351M affecting their return on investment. The short-term incentive calculations are set out in the remuneration report – the category of financial KPIs are said to have achieved 60% of target but only one KPI – unit cost of production – achieved target and that was weighted 20% of the 50% allowed for this component, and the other two KPIs did not get to threshold. The other KPI category of sustainability achieved 112% of target to give a 77% outcome for group KPIs to be aggregated with individual KPIs to achieve 80% of target overall for the MD. The other two financial KPIs are operating cash flow and group return on capital - with these failing to achieve threshold performance and with the write-downs not reflected in the calculations, we think that an overall rating of 80% of target is too high.
- There is only one hurdle for the 2025 long-term incentive performance rights – that is to achieve a level of total shareholder reward comparable to or better than a comparator group of resource companies. The ASA prefers there be two hurdles, one of which is TSR and the other is an absolute measure such as return on capital or earnings per share. Iluka's titanium feedstock results are dependent upon commodity prices over which management has little control and its rare earth refinery is not expected to generate profits for several years. A year ago, we said we were worried that the LTI does not provide a real strategic incentive for management in these circumstances and suggested that other hurdles such as meeting cost budgets and construction deadlines for the RE project be considered. No change was made to the LTIP plan for the 2025 year but the plan for the 2026 year has been changed to reduce the TSR element to just 50% of the KPIs and to include delivery of strategic initiatives for the other 50% of the award – these initiatives being assessed by the board at the end of the 4-year appraisal period. These changes do

not meet our concerns above and introduce a level of retrospective board discretion that we believe to be inappropriate.

- To address the concern that the LTIP as currently structured provides no real incentive due to the unlikely prospects of vesting, the company has proposed a one-off strategic long term incentive to be awarded at 60% of the managing director's fixed salary and to be determined at 31 December 2028 based on the achievement of stated objectives for the RE refinery. We accept that the inclusion of this type of incentive is appropriate but believe the one-off fix of this nature is inappropriate and that the incentives relating to the RE refinery should have been introduced when the go-ahead for the RE refinery was given in prior years. We would have preferred to see the existing LTIP adjusted to include these objectives.

Against these concerns, we note that the MD has had no increase to his fixed remuneration since 2016 and other aspects of the remuneration report are satisfactory from our perspective, so on balance we are prepared to accept the report.

Resolution 3(a) (b) & (c) Grant of incentives to managing director (for)

Whilst we have some concerns about the structure of the incentives, we believe that their overall effect is appropriate and reasonable. Shares have been awarded based on the market value of shares without any discount for risk or dividends. There are appropriate safeguards built in and if the rare earth performance hurdles are met, shareholders stand to benefit substantially. We would have preferred to see less board discretion in terms of the 2026 LTIP but appreciate the difficulty of setting yardsticks in concrete for managing a complex refinery that is yet to be completed.

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Appendix 1 Remuneration framework detail

The 2025 Executive Incentive Plan provided for the managing director to earn benefits to the value of \$4.2m at target (300% of base) and \$4.76m at maximum (340% of base) from a fixed pay (base pay + superannuation) of \$1.4m as shown in the table below.

Executive KMP fixed salaries were unchanged from 2025 levels, including the MD's.

CEO rem. Framework for FY25	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.40	33.3%	1.40	29.4%
STI - Cash	0.56	13.3%	0.84	17.6%
STI - Equity	0.56	13.3%	0.84	17.6%
LTI	1.68	40.0%	1.68	35.3%
Total	4.20	100.00%	4.76	100%

Other executive key management personnel had a remuneration structure of a similar nature to the managing director but to a target of 250% and a maximum of 280% of base pay.

The amount of the allocation of restricted shares is based on assessed performance in the 2025 financial year as determined by a scorecard for each executive. The company-wide performance achieved was assessed to be 77% of target then further modified by individual performance factors leading to the MD's award being 80% of target, and other executive KMP between 72 and 82% of target.

The short-term incentive element of remuneration is split 50/50 between cash and restricted shares (to vest in equal instalments over 2 years commencing in 2026 without further testing). The 2025 long term incentive as approved at last year's AGM is awarded in performance rights and will be assessed against a TSR objective of minimum 50% and maximum 75% of a comparator group of companies based on the S&P 200 Resources Index (excluding companies primarily engaged in the oil and gas sector and non-mining activities) over the 4 years commencing in 2025 and concluding at 31 December 2029. We note that the 2026 LTIP to be approved at the AGM has introduced a 50% KPI relating to stated strategic objectives. Both restricted shares and performance rights are awarded using a volume weighted average actual share prices to determine the number allotted. Dividends are paid on restricted shares during the disposal restriction period. Dividends are not paid on performance rights.

Non-executive directors' fees were again unchanged in 2025.