

13 April 2022

INTENTION TO DEMERGE SIERRA RUTILE

Iluka Resources Limited (Iluka) announces that it intends to demerge Sierra Rutile Holdings Limited (Sierra Rutile), subject to shareholder and other approvals.

If the demerger proceeds, Sierra Rutile will be established as an ASX listed, West African focused mineral sands company. It will have the primary objective of maximising value from Sierra Rutile's remaining deposits at Area 1 and developing the globally significant Sembehun project.

A demerger of Sierra Rutile allows Iluka to focus its capital allocation priorities and management attention on its core Australian assets and development opportunities.

The Iluka Board has concluded that a separation of Sierra Rutile by way of demerger is the optimal outcome for Sierra Rutile to reach its potential and maximise value for shareholders.

This determination follows the process Iluka initiated in late 2020, seeking to identify third parties willing to invest in the next phase of Sierra Rutile's growth. Having progressed these discussions, the Iluka Board has concluded that it is too early to crystallise an appropriate value for the Sembehun development; and that a demerger, which provides shareholders with the option to retain an exposure to Sembehun, is a more appropriate outcome.

Sierra Rutile will be established with a high quality Board and management team, led by Iluka's outgoing Chairman, Greg Martin, who will transition to be Sierra Rutile's inaugural Chairman elect. Sierra Rutile's current Chief Executive Officer, Theuns de Bruyn, will transition to Sierra Rutile's Managing Director and Chief Executive Officer elect. Martin Alciaturi has been appointed to the executive Board position of Finance Director elect of Sierra Rutile.

Under the dedicated leadership of Greg, Theuns and Martin, Sierra Rutile will be a strong, independent business that is well placed to maximise value from the existing Area 1 operations and secure the development of Sembehun.

Sierra Rutile will be financially well positioned to maximise the value of its asset base; Iluka intends to establish a US\$45 million cash funded rehabilitation trust to support Sierra Rutile's existing rehabilitation obligations.

Greg Martin said "After a comprehensive process, the Iluka Board considers that a demerger represents the optimal pathway for Sierra Rutile to reach its full potential. Sierra Rutile will be well equipped to implement strategies to maximise the value from the remaining producing deposits at Area 1 and to continue to progress the globally significant Sembehun project. I am excited about working closely with Theuns and Martin in leading Sierra Rutile and ensuring the business is positioned to deliver for shareholders.

For Iluka, the demerger of Sierra Rutile will enhance its focus on its core activities and growth opportunities in Australia, particularly at this important juncture in its evolution and diversification into rare earths. The demerger will simplify Iluka's structure and ensure management focus is on executing its attractive Australian based growth opportunities."

Iluka's Managing Director, Tom O'Leary said "Iluka's business has evolved significantly since it acquired Sierra Rutile in 2016, with our strategic and capital allocation priorities now focused on our Australian operations and development projects. Key among these is our continued diversification into rare earths, where we recently announced FID for the development of Australia's first fully integrated rare earths refinery at Eneabba in Western Australia.

Sierra Rutile benefits from robust sustainability frameworks that have been implemented during Iluka's ownership, with a focus on safety, environmental management, community relations and anti-bribery and corruption. Under Theuns' leadership, the business has demonstrated improved performance throughout the second half of 2021, which has continued in 2022. Further, the recently ratified adjustments to Sierra Rutile's fiscal regime and the favourable outlook for the titanium feedstock market all place Sierra Rutile in a strong position as a standalone entity. A demerger will not only position Sierra Rutile to reach its full potential, but also provides investors the opportunity to choose their desired exposure to each business based on their individual preferences for differing geographic exposures and risk-return profiles."

Sierra Rutile post demerger

If the demerger proceeds, Sierra Rutile will be an Australian headquartered, West African focused mineral sands producer and developer listed on the ASX. Sierra Rutile's principal business activities will be the management and operation of its existing Area 1 mine, which encompasses two operations at Lanti and Gangama; a mineral separation plant; and a dedicated port facility.

Sierra Rutile's main product stream is natural rutile. The operation also produces smaller quantities of ilmenite and zircon (in concentrate).

Sierra Rutile's growth strategy will initially be focused on progressing the development of its flagship Sembahun project.

Board and senior management appointments for Sierra Rutile

The Chair of Sierra Rutile will be Greg Martin. Greg has over 40 years' experience in the mining, utilities, financial services, energy and energy related infrastructure sectors in Australia, New Zealand and internationally. Greg currently serves as an independent, non-executive Director and Chair of Global Energy Ventures, non-executive Chair of Hunter Water Corporation, non-executive Deputy Chair of Western Power Corporation and non-executive Chair of Mawson Infrastructure Group. Greg has been a non-executive director of Iluka since January 2013 and Chairman since December 2013 and, as disclosed on 24 February 2022, will retire at Iluka's 2022 AGM on 13 April 2022.

The Managing Director and Chief Executive Officer of Sierra Rutile will be Theuns de Bruyn. Theuns joined Sierra Rutile in August 2019 as the Chief Operating Officer and was appointed Chief Executive Officer in January 2021. Theuns has over 25 years' experience in the mineral sector, starting his career with BHP where he worked across various commodities and departments including Engineering and Business Development. Theuns has held a range of senior positions including Executive Vice President of Processing with Lonmin Platinum and as Chief Operating Officer for Metorex.

Martin Alciaturi will be Finance Director of Sierra Rutile. Martin is an experienced finance professional with combined experience of over 40 years' across investment banking, corporate finance and as a mining executive. Martin's previous roles include Partner at Ernst & Young, Director at Macquarie Capital and Chief Financial Officer at Aquila Resources. Martin is currently a Non-Executive Director of 29Metals.

Iluka expects over the coming months to add additional Board personnel to support Sierra Rutile's transition to an independent company.

Demerger structure, conditions and timeline

If it proceeds, the demerger will be effected by a capital reduction and in-specie distribution, under which all of the shares in Sierra Rutile will be distributed to Iluka shareholders on a pro rata basis in proportion to their existing shareholding in Iluka on a record date to be determined by the Iluka Board. Sierra Rutile will be an Australian incorporated company and will apply for admission to the official list of the ASX in conjunction with the demerger.

International Finance Corporation (IFC) will exit its investment in Sierra Rutile prior to the demerger.

The demerger is subject to final Board, regulatory and shareholder approvals. If approved, the demerger is expected to be completed in 2022.

Iluka has appointed Gresham Advisory Partners as financial adviser, Herbert Smith Freehills and King & Wood Mallesons as legal advisers and Greenwoods as tax adviser.

This document was approved and authorised for release to the market by Iluka's Managing Director.

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