

**IRREVOCABLE DIRECTION
TO DEDUCT AND WITHHOLD AMOUNT FROM MERGER CONSIDERATION**

THIS DEED is made on *26 October* 2016

BETWEEN:

- (1) **Pala Investments Limited**, a company incorporated under the laws of Jersey with company number 94738 (**Pala**);
- (2) **Iluka Resources Limited**, a company incorporated under the laws of Australia with Australian Company Number 008 675 018 (**Iluka**); and
- (3) **Iluka Investments (BVI) Limited**, a company incorporated under the laws of the British Virgin Islands with company number 1919262 (**Iluka BVI**).

REFERENCE is made to:

- (1) The merger implementation agreement between Iluka, Iluka (BVI) and Sierra Rutile Limited, a company incorporated under the laws of the British Virgin Islands with company number 629748 (**SRL**) dated 31 July 2016 (**MIA**) in relation to the proposed acquisition by Iluka of the entire issued and to be issued shares of SRL by way of a statutory merger regulated under the laws of the British Virgin Islands (**Merger**).
- (2) The deed entered into by (among other persons) Iluka, SRL and the Government (as defined in clause 1.1 below) in relation to capital gains tax payable under the laws of Sierra Leone (**CGT**) in connection with the Merger (**Government CGT Deed**).

RECITALS:

- (A) Pursuant to the MIA, the consideration payable to SRL shareholders under the Merger is £0.36 in cash per SRL share (**Merger Consideration**).
- (B) Subject to satisfaction of the conditions precedent under the MIA and neither of Iluka or SRL terminating the MIA in accordance with its terms, Iluka and SRL anticipate that the Merger shall become legally effective and the Merger Consideration shall be paid by or on behalf of Iluka to SRL shareholders during November or December 2016.
- (C) Pala is the majority shareholder of SRL, holding approximately 53.39% of the shares issued by SRL.
- (D) Following the announcement of the Merger, the Government indicated to the Parties and SRL that it considers that capital gains tax under the laws of Sierra Leone (**CGT**) is payable by SRL shareholders in connection with the Merger, and that the Merger cannot proceed until such CGT as it deems is payable in connection with the Merger is settled in full.
- (E) Pursuant to the Government CGT Deed, the Government has irrevocably confirmed that the amount of **US Dollars 8 million** is required to be paid in full and final settlement of the CGT as determined by the Government as payable by the SRL shareholders in connection with the Merger (**Agreed CGT Amount**).
- (F) Pursuant to the terms of this deed, amongst other things, Pala has agreed to pay the Agreed CGT Amount from the Merger Consideration due to it for the benefit of all SRL shareholders and to provide authority and direction in relation to such payment.
- (G) The terms of this deed are also for the benefit of, and may be relied upon by, the Paying Agent (as defined in clause 1.1 below).

THE PARTIES AGREE AS FOLLOWS:

1. INTERPRETATION

1.1 Definitions

In addition to the terms defined elsewhere in this deed, the following definitions apply in this deed.

Parties means each of the parties to this deed.

Paying Agent means Computershare Investor Services PLC or such other person ultimately appointed by Iluka or Iluka BVI as paying agent in connection with payment of the Merger Consideration to SRL shareholders.

Government means the Government of the Republic of Sierra Leone, including but not limited to: all bureaus, agencies, ministries, departments, port authorities, political subdivisions and other governmental or quasi-governmental entities of any kind (including, without limitation, the National Revenue Authority of Sierra Leone).

SRL Shareholder means any person who holds or has held shares in SRL on or prior to completion of the Merger in accordance with the terms of the MIA.

1.2 Rules for interpreting this deed

Unless the contrary intention appears, a reference in this deed to:

- (a) a document (including this deed) includes any variation or replacement of it;
- (b) "clause", "Annexure" and "Schedule" is to a clause in or annexure or schedule to this deed;
- (c) the singular includes the plural and vice versa;
- (d) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (e) a group of persons or things is a reference to any two or more of them jointly and to each of them individually; and
- (f) "£" or "GBP", is to pounds sterling, the official currency of the United Kingdom.

2. AUTHORITY AND DIRECTION

The provisions of this clause 2 shall take effect from and be conditional upon the MIA becoming unconditional in accordance with the terms of the MIA.

2.1 Agreement to pay Agreed CGT Amount

Pala irrevocably agrees with Iluka and Iluka BVI that Pala will pay the Agreed CGT Amount for the benefit of all SRL Shareholders who are or may be deemed by the Government to be liable to pay CGT.

2.2 Irrevocable authority and direction

- (a) Pala irrevocably authorises and directs:
 - (i) the Paying Agent (as agent of Iluka and Iluka BVI) to deduct and withhold an amount equal to the Agreed CGT Amount (**Withheld Amount**) from the

Merger Consideration that is otherwise payable to Pala pursuant to the Merger; and

(ii) any of the Paying Agent, Iluka or Iluka BVI (on behalf of the Paying Agent) to pay the Withheld Amount to the Government in satisfaction of the Agreed CGT Amount in accordance with clause 3.1 below.

(b) Pala irrevocably undertakes that it will not revoke or amend the authority and direction described in clause 2.2(a).

2.3 Full satisfaction of the Merger Consideration under the MIA

Pala irrevocably:

(a) confirms and agrees that receipt of an amount equal to the Merger Consideration otherwise payable to it pursuant to the Merger **less** the Withheld Amount (**Net Amount**) will fully and finally satisfy any claim by Pala for payment of all amounts (including, without limitation, the Merger Consideration) due or owing by Iluka and Iluka BVI (both in its own capacity and in its capacity as the surviving company of the Merger) in connection with the Merger; and

(b) subject only to receipt of the Net Amount, releases and forever discharges Iluka and Iluka BVI (both in its own capacity and in its capacity as the surviving company of the Merger) from any claim, liability or obligation in relation to any amount claimed by Pala in connection with the Merger.

3. PAYMENT TO GOVERNMENT

Iluka and Iluka BVI agree to, or agree to procure that the Paying Agent shall, pay the Withheld Amount to the Government in satisfaction of all obligations to pay CGT pursuant to the Government CGT Deed as soon as reasonably practicable, and in any event within five Business Days following completion of the Merger and payment of the Merger Consideration to the SRL Shareholders in accordance with the terms of the MIA.

4. WARRANTIES

4.1 Warranties of Pala

Pala warrants to Iluka and Iluka BVI that:

(a) **(status)** it is duly incorporated and validly existing under the law of its jurisdiction of incorporation;

(a) **(power)** it has full legal capacity and power to:

(i) own its assets; and

(ii) enter into, and perform the transactions contemplated by, this deed;

(b) **(authorisation)** it has duly authorised the execution and delivery of this deed and has obtained all necessary consents in relation thereto; and

(c) **(legal, valid and binding)** the authority and direction it gives under this deed constitute legal, valid and binding obligations, irrevocable and enforceable in accordance with its terms.

4.2 Warranties of Iluka

Iluka warrants to Pala that:

- (b) **(status)** it is duly incorporated and validly existing under the law of its jurisdiction of incorporation;
- (a) **(power)** it has full legal capacity and power to:
 - (i) own its assets; and
 - (ii) enter into, and perform the transactions contemplated by, this deed;
- (b) **(authorisation)** it has duly authorised the execution and delivery of this deed and has obtained all necessary consents in relation thereto; and
- (c) **(legal, valid and binding)** the authority and direction it gives under this deed constitute legal, valid and binding obligations, irrevocable and enforceable in accordance with its terms.

4.3 Warranties of Iluka BVI

Iluka BVI warrants to Pala that:

- (c) **(status)** it is duly incorporated and validly existing under the law of its jurisdiction of incorporation;
- (a) **(power)** it has full legal capacity and power to:
 - (i) own its assets; and
 - (ii) enter into, and perform the transactions contemplated by, this deed;
- (b) **(authorisation)** it has duly authorised the execution and delivery of this deed and has obtained all necessary consents in relation thereto; and
- (c) **(legal, valid and binding)** the authority and direction it gives under this deed constitute legal, valid and binding obligations, irrevocable and enforceable in accordance with its terms.

5. GENERAL

5.1 Amendment

This deed may only be amended or replaced by another deed executed by the Parties.

5.2 Third party Rights

- (a) With the exception of the right of the Paying Agent to enforce the terms of clauses 2.2 and 2.3, no term of this deed is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this deed.
- (b) The rights of the Paying Agent under clause 2.2 and 2.3 are also subject to the other terms of this deed.
- (c) The Parties to this deed may by agreement rescind or vary any term of this deed without the consent of any SRL Shareholder.

5.3 Governing law and effect

This deed and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual disputes or claims) shall be governed by and construed in accordance with the

laws of England. Each Party irrevocably submits to the exclusive jurisdiction of the English courts in respect of any dispute or claim arising out of or in connection with this deed or subject matter (including non-contractual disputes or claims) (**Dispute**).

5.4 **Service of Process**

- (a) Pala irrevocably appoints [Insert] as its agent for service of process in connection with any Dispute. The relevant details of [Insert] are as follows:

[Insert]

- (b) Each of Iluka and Iluka BVI irrevocably appoint Iluka (UK) Ltd as their agent for service of process in connection with any Dispute. The relevant details of Iluka (UK) Ltd are as follows:

Iluka (UK) Ltd, 20-22 Bedford Row, London, United Kingdom, WC1R 4JS

FAO: Cameron Wilson, Chief Legal Counsel

with a copy to:

Iluka Resources Limited, 140 St Georges Terrace, Perth WA 6000, Australia

FAO: Cameron Wilson, Chief Legal Counsel

- (c) The Parties agree that any document may be effectively served on them in connection with a Dispute in England by service on that party's agent. A copy of the document served on an agent shall be sent by post to the relevant party. Failure or delay in so doing shall not prejudice the effectiveness of the service on such agent.

5.5 **Costs**

The Parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this deed and other related documentation except for stamp duty.

5.6 **Giving effect to documents**

Each Party must do anything (including executing any document), and must ensure that its employees and agents do anything (including executing any document), that any other Party may reasonably require to give full effect to this deed.

5.7 **Waiver of rights**

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a Party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right or as an estoppel precluding enforcement of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

5.8 Operation of this deed

- (a) A right that a person may have under this deed is in addition to, and does not replace or limit, any other right that person may have.
- (b) Any provision of this deed which is unenforceable or partly enforceable is, where possible, to be severed to the extent necessary to make this deed enforceable, unless this would materially change the intended effect of this deed.

5.9 Exclusion of contrary legislation

Any legislation that adversely affects an obligation of a Party, or the exercise by a Party of a right or remedy, under or relating to this deed is excluded to the full extent permitted by law.

5.10 Counterparts

This deed may be executed in any number of counterparts which together shall constitute one deed. Any Party may enter into this deed by executing a counterpart and this deed shall not take effect until it has been executed by all Parties. Delivery of an executed signature page of a counterpart together with the attached counterpart by facsimile transmission or in Adobe Portable Document Format (PDF) sent by electronic mail shall take effect as delivery of an executed counterpart of this deed. If either method is adopted, without prejudice to the validity of such deed, each party shall provide the others with the original of such page as soon as reasonably practicable thereafter.

EXECUTED as a deed.

Each person who executes this document on behalf of a Party under a power of attorney or any other authority declares that he or she is not aware of any fact or circumstance that might affect his or her authority to do so under that power of attorney or the relevant authority instrument.

EXECUTED by **PALA INVESTMENTS LIMITED**, by its duly authorised agent, in the presence of:


Signature of witness

GLADYS H. KARGISO
Name



Signature of agent

STEPHEN GILL
Name

EXECUTED by **ILUKA RESOURCES LIMITED**:



Signature of director

TOM O'LEARY
Full name


Signature of director/secretary

Nigel George Tinley
Full name

EXECUTED by **ILUKA INVESTMENTS (BVI) LIMITED**, by its duly authorised agent, in the presence of:


Signature of witness

GLADYS H. KARGISO
Full name


Signature of agent

TOM O'LEARY
Full name