

7 April 2016

ILUKA REFERENCE PRICE - ZIRCON

Iluka Resources Limited (Iluka), advises its Zircon Reference Price for the second quarter will be reduced by ~10 per cent to ~US\$950/tonne. The Reference Price is the benchmark against which a range of Iluka zircon products are priced. Iluka's weighted average received price can vary from this, reflecting product and customer mix as well as commercial arrangements for specific customers.

Iluka is adjusting its Zircon Reference Price in the context of a price reduction for the April to June period of ~US\$100/tonne by a major competitor.

Iluka believes zircon demand is stable and that generic price reductions will not stimulate additional overall industry demand which, in many aspects simply reflects global economic conditions.

Iluka's approach to a competitor action may result in zircon sales for 2016 being below initial expectations. Accordingly, 2016 zircon production of ~350 thousand tonnes may be adjusted as the year evolves in light of market developments. However, combined zircon/rutile/synthetic rutile (Z/R/SR) sales are still expected to exceed combined Z/R/SR production of ~660 thousand tonnes, as guided on 19 February 2016 (refer ASX Release Key Physical and Financial Parameters).

Iluka's Head of Mineral Sands Marketing, Matthew Blackwell, stated:

"Iluka's approach has not changed. It will continue to balance maximising value for shareholders from its assets with keeping its customers competitive as part of a long term relationship, particularly the large proportion of customers that are part of the company's recently introduced loyalty arrangements.

The company will maintain its disciplined, margin and return on capital focused, approach to managing its production and marketing. As indicated at the full year results, the company is in a sound position, with solid margins and no debt as at the end of the 2015 financial year."

In terms of year-to-date zircon market conditions, in Europe, demand has increased year-on-year which has been reflected in Iluka's sales in the region. Demand in the Americas remains stable, while in China demand in March was low with a negative impact on Iluka's sales volumes, as a result of the rumoured action on second quarter price by a major Iluka competitor. This prospect, now confirmed, meant that customers were disincentivised to purchase in March.

Demand for Iluka's high grade titanium dioxide feedstocks of rutile and synthetic rutile has increased year-on-year, reflected in Iluka's sales being higher on a year-to-date basis than 2015. Iluka has been asked by some customers to bring forward shipments, the first time this has occurred since 2012. Demand from pigment consumers reflects favourable paint sales trends in the later part of 2015 and the first quarter of 2016 together with lower inventories of both titanium feedstocks and pigment held through the value chain.

Investor and media enquiries

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