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**Smithers TiO<sub>2</sub> Conference**

**Alicante Spain**

October 2017

# Disclaimer, Forward Looking Statements



## Forward Looking Statements

This presentation contains certain statements which constitute “forward-looking statements”. These statements include, without limitation, estimates of future production and production potential; estimates of future capital expenditure and cash costs; estimates of future product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves.

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- changes in product pricing assumptions;
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- emergence of previously underestimated technical challenges; and
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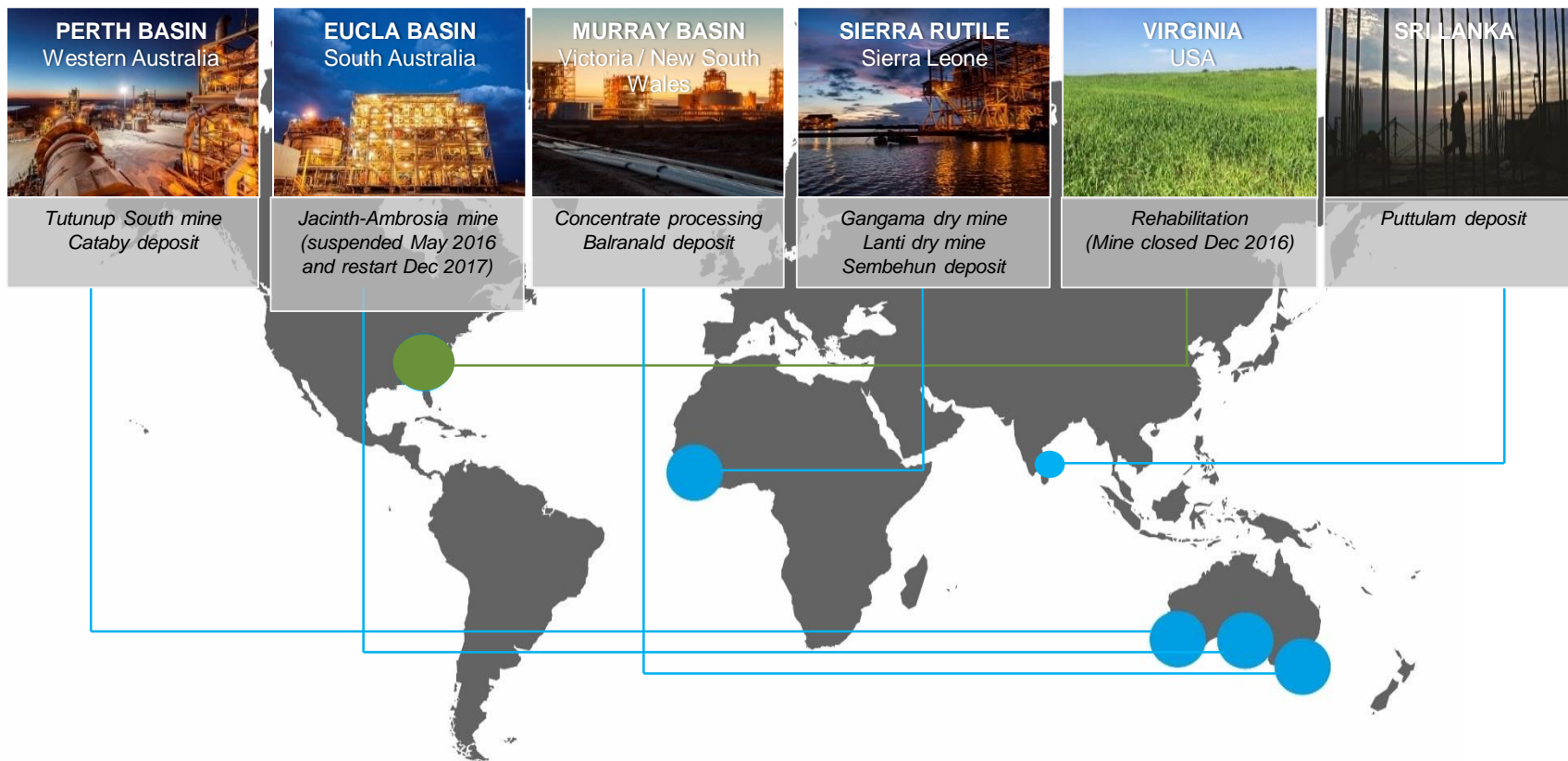
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## Non-IFRS Financial Information

This presentation may use non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT and Group EBIT which are used to measure both group and operational performance. A reconciliation of non-IFRS financial information to profit before tax is included in the supplementary slides where appropriate. Non-IFRS measures have not been subject to audit or review.

This presentation constitutes a summary of Iluka’s financial performance and should be read in conjunction with the Iluka Resources Limited Annual Report – 31 December 2016, which contains financial statements and consolidated financial statements of the group.

# Iluka's Mineral Sands Portfolio



## COMPANY OVERVIEW

Largest producer of zircon

Third largest producer of titanium dioxide feedstocks

Recent acquisition of Sierra Rutile Ltd

Combined Iluka and Sierra Rutile Ltd revenue of ~\$800m in 2016

Average operating margin over 35 per cent over last five years

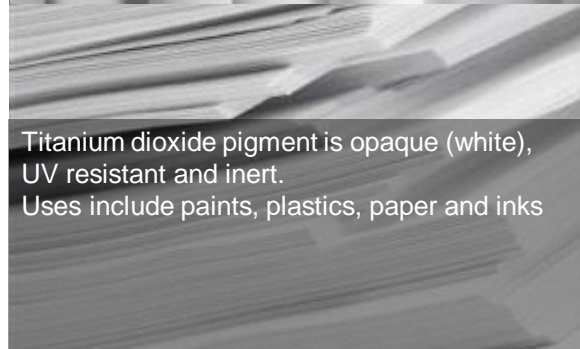
Returned 59% of free cashflow in dividends since 2010 (A\$752m)



# Titanium Applications



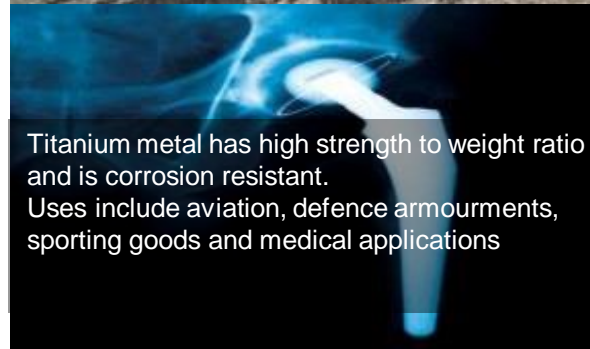
**Pigment**  
~90% of demand



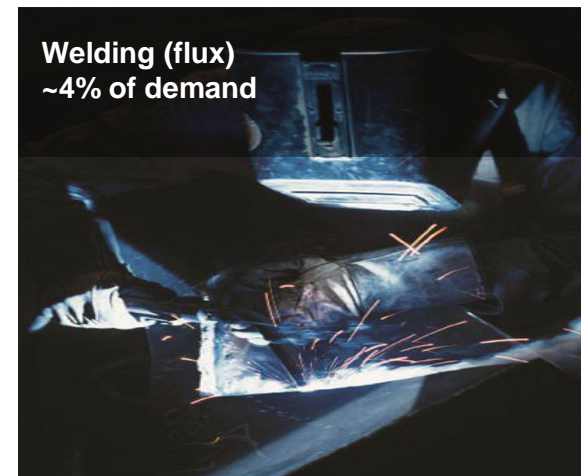
Titanium dioxide pigment is opaque (white), UV resistant and inert.  
Uses include paints, plastics, paper and inks



**Titanium Metal**  
~6% of demand



Titanium metal has high strength to weight ratio and is corrosion resistant.  
Uses include aviation, defence armourments, sporting goods and medical applications



**Welding (flux)**  
~4% of demand



**Nanomaterials**  
Growing market

Uses include solar cells, water purification, cancer treatment, noise absorption

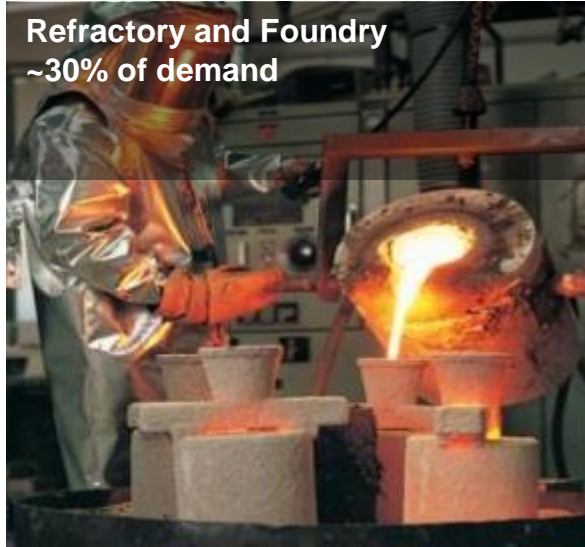
# Zircon Applications

**Ceramics**  
~50% of demand



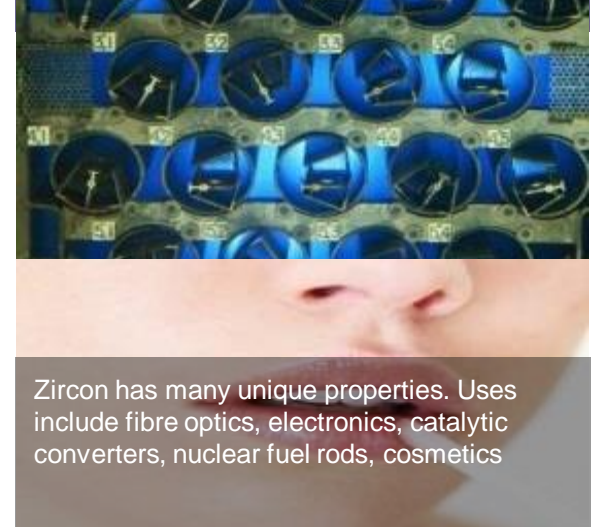
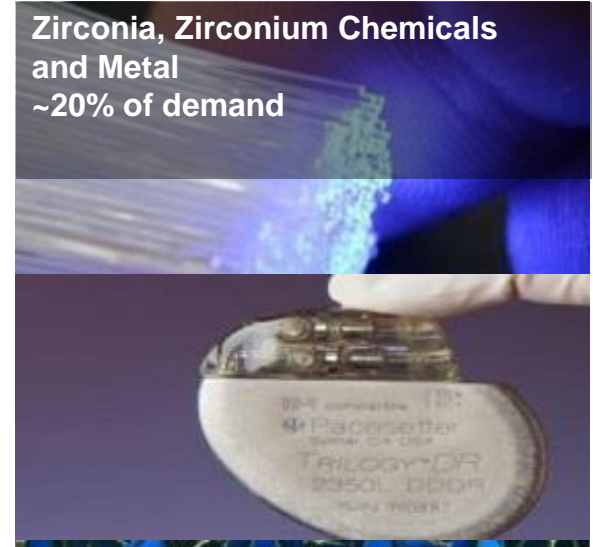
Zircon is opaque, water, chemical and abrasion resistant.

**Refractory and Foundry**  
~30% of demand



Zircon is heat resistant and non-reactive  
Uses include steel and glass manufacturing and metal casting.

**Zirconia, Zirconium Chemicals and Metal**  
~20% of demand



Zircon has many unique properties. Uses include fibre optics, electronics, catalytic converters, nuclear fuel rods, cosmetics

# Zircon Market



## Iluka result

- Zircon sales up 28% relative to H1 2016
- Very active first quarter, against seasonal trend

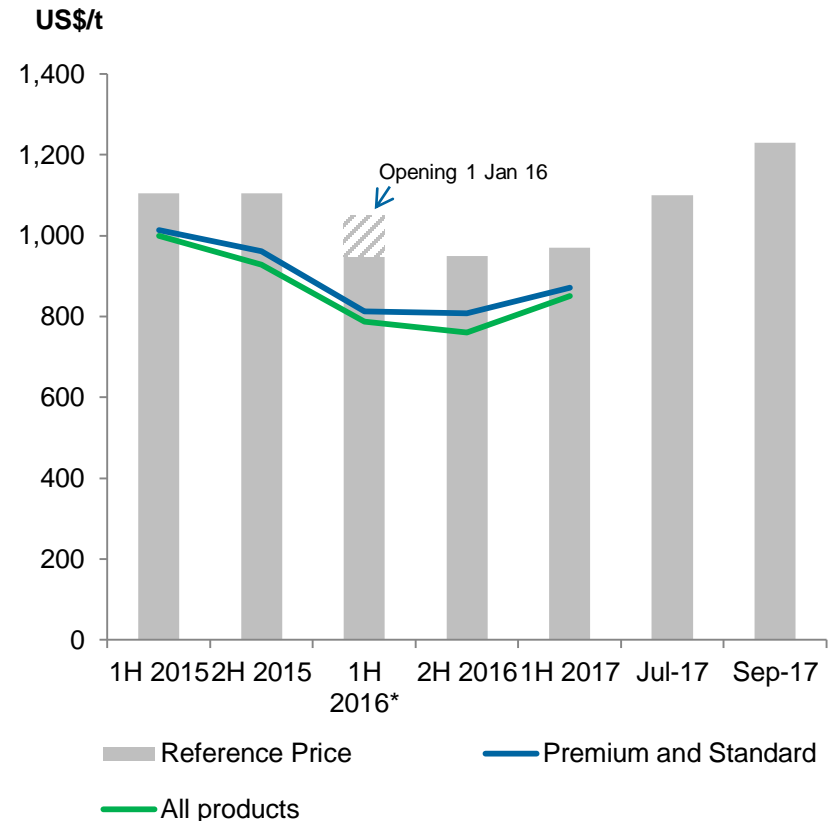
## Pricing

- Limited global zircon inventories outside Iluka
- Weighted average premium and standard received price up 7% relative to H1 2016
- Increase to Reference Price of US\$130/t to US\$1,230/t from 1 Oct 2017 for six month period announced 12 Sept 2017

## Supply and demand

- Strong sales reflects:
  - Underlying market conditions
  - Restocking from depleted levels
- Increased demand for premium products
- Moderate market growth expected in 2017 and 2018

## Zircon Prices\*



\* Notes:  
 'Premium and Standard' and 'All products' prices are weighted average received price, FOB.  
 'Reference Price' is based on a 2 tonne bag of Zircon Premium, DAT, ex-China warehouse.  
 During 1H 2016 reference price decreased from US\$1050/t to US\$950/t.



# High Grade Feedstock Market

## Iluka result

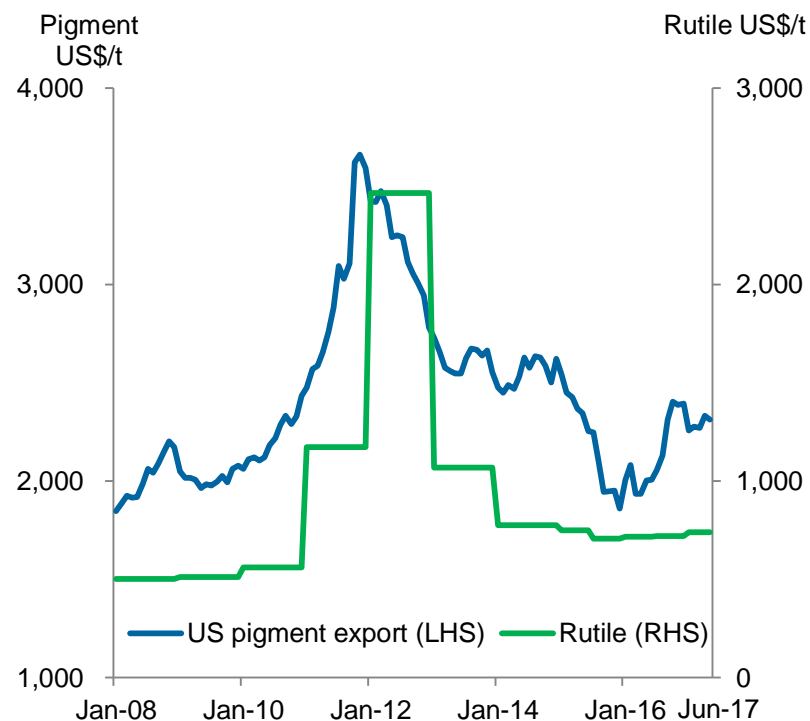
- Rutile and SR sales volumes, excluding Sierra Rutile, are 20% higher than H1 2016
  - including Sierra Rutile (H1 2017: 62kt) sales are up 58%

## Pricing

- Rutile prices up 4% relative to H1 2016
  - 40% of SRL's 2017 rutile production volumes (~60kt) contracted at fixed prices for 2017
- Successful implementation of US\$70-100/t increase effective 1 July on uncontracted rutile volumes
- Pigment prices up ~10% since beginning of 2017
  - typical lag of 6-12 months to feedstock price

## Supply and demand

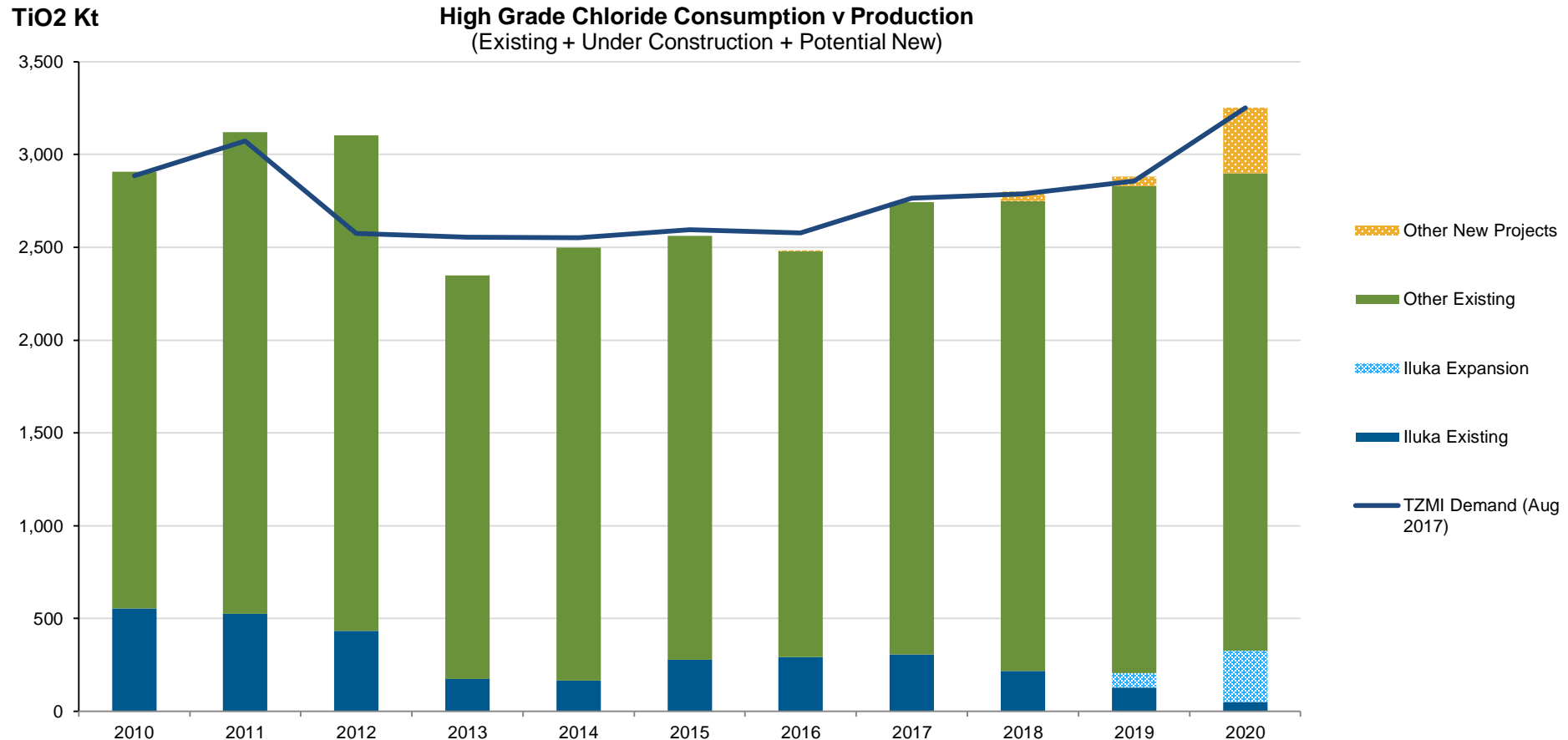
- Broad-based, continuing improvement in chloride pigment market (90% of feedstock end use)
  - pigment industry commentary of above trend demand
- Continued restocking of depleted pigment inventories
  - feedstock demand expected to exceed underlying market conditions
- Potential for pigment plants to increase high grade feed (rutile and synthetic rutile) to deliver higher plant output



Source: TZMI and Iluka



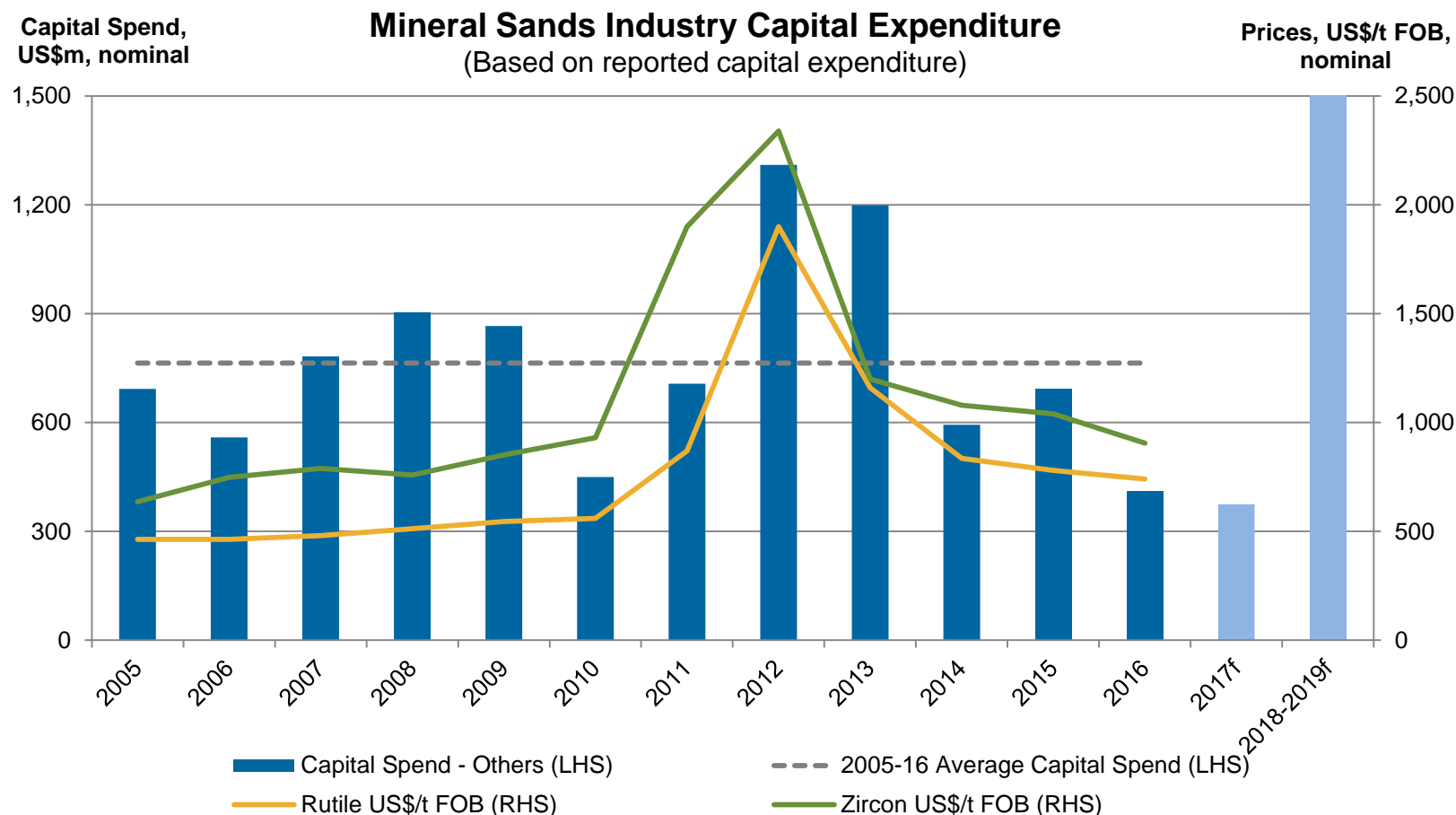
# High Grade Chloride



- Iluka expansion includes Cataby, Lanti and Gangama expansion, and Sembehun
- Feedstock production reduced to align supply and demand
- Future feedstock production to project inducement pricing
- Short term inventory rebalancing in final stages of completion

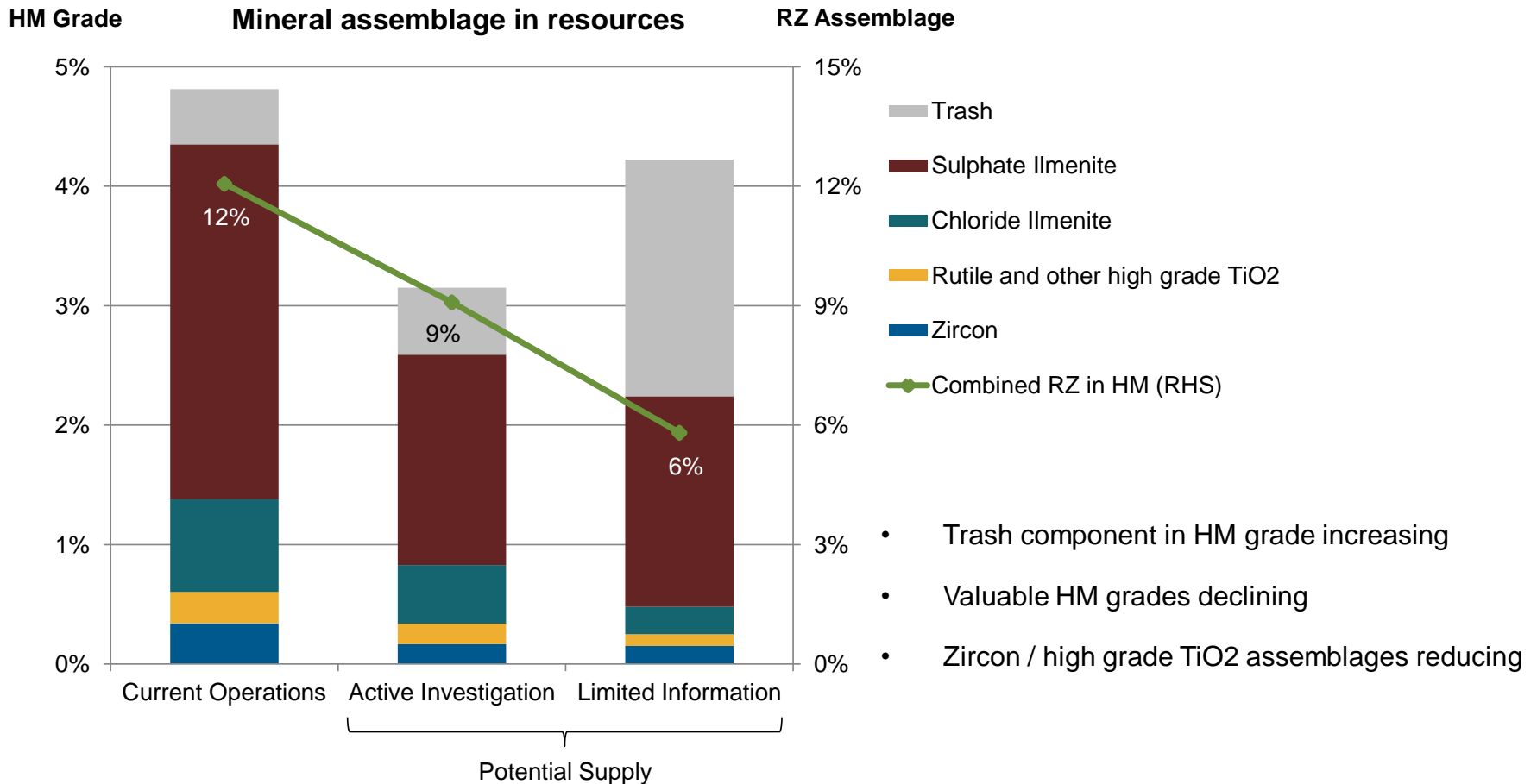


# Industry Re-investment Required



- Several years of below average expenditure
- Iluka estimates ~US\$1.5bn to be spent by major mineral sands producers in coming years
  - relates to major existing producers, not potential new projects

# Grade and Assemblage Challenges Ahead



# Sierra Rutile Acquisition

- Counter-cyclical investment with strategic rationale and financial merit
- Reserves support of 18.5 years – large resource base capable of extending economic life further
- Iluka now the number one producer of rutile
- Implementation of mining and processing improvements delivering higher mining rates, concentrate grades and product recoveries
- Investment in port improvements, including new push boat and additional barges



# Sierra Leone

Capital	Freetown
Population	6.4 million
Government	Presidential republic
Politics	Two main political parties. Free democratic elections. Next election 2018.
Language	English (official), Krio (lingua franca)
Economy	GDP US\$4.5 billion (2015), GDP per capita US\$696 (2015)
Main Industries	Agriculture (rice, coffee, cocoa) Mining (diamonds, iron ore, rutile, bauxite)
Recent Events	1991-2002 civil war <ul style="list-style-type: none"> <li>• Two peaceful elections subsequently</li> <li>• Change of governing party and President</li> <li>• Now ranked one of the most peaceful countries in Africa*</li> </ul> 2014-16 Ebola outbreak <ul style="list-style-type: none"> <li>• Economic growth significantly affected</li> <li>• Sierra Rutile mine continued operations</li> </ul>



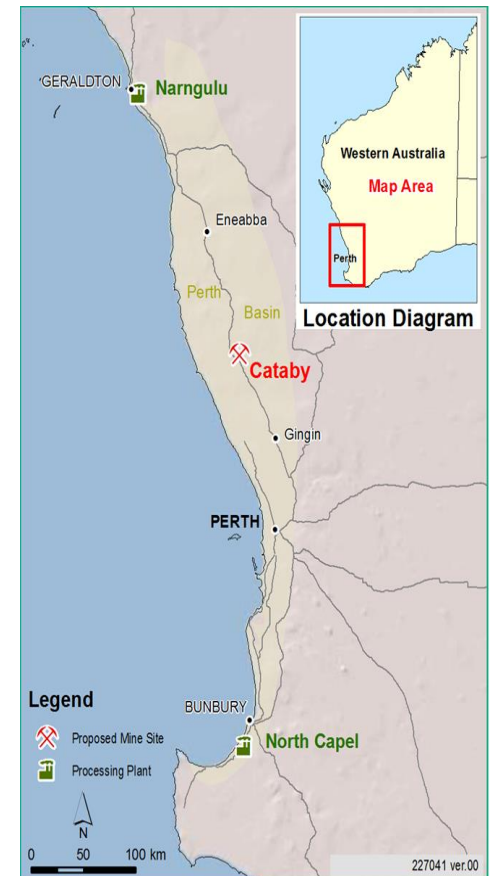
\*Source: Institute for Economics and Peace, 2016

- Sierra Rutile is a significant source of private sector revenue and employment in Sierra Leone, ~2.4 per cent of GDP



# Cataby Project

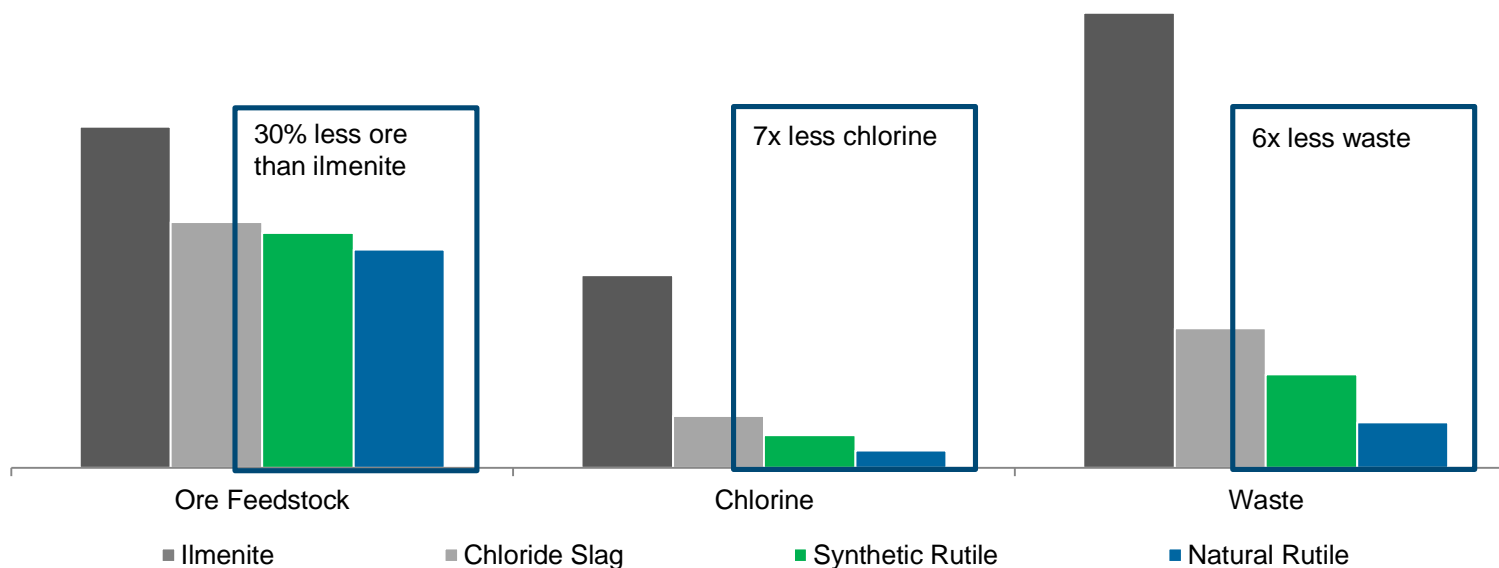
- Large chloride ilmenite deposit with significant associated zircon and rutile production
  - ilmenite production to underpin continuation of synthetic rutile kiln 2 in South West
- Located 150km north of Perth, Western Australia
- Estimated life of ~8.5 years
- Annual average production over life of mine (thousand tonnes per annum, ktpa)
  - ~370 ktpa chloride ilmenite, equivalent to ~200 ktpa synthetic rutile
  - ~50 ktpa zircon
  - ~30 ktpa rutile
- Conventional mining method (open cut, dozer push and truck and shovel)
- Execute-ready stage; attractive financial characteristics
- Substantial progress on off take arrangements on appropriate commercial terms
- Capital spend approved to spend additional \$30-35m to keep project on track



# High Grade Titanium Feedstock Advantage

- Natural and synthetic rutile have a higher titanium grade than other feedstocks
- Advantages in pigment production:
  - lower ore tonnes required;
  - lower chlorine input cost; and
  - lower waste generation (environmental and cost benefits)
- High 'value in use' for Iluka's main products

## Input and outputs based on feedstock of pigment plant, per tonne of pigment



## Create and deliver value for shareholders

### Flex assets in line with market conditions

Operational settings reflect market conditions to deliver value and reduce costs, where appropriate, for example Jacinth-Ambrosia mine idling in April 2016 and subsequent restart in December 2017



### Preserve and advance growth opportunities

Cataby project execute ready – investments continue

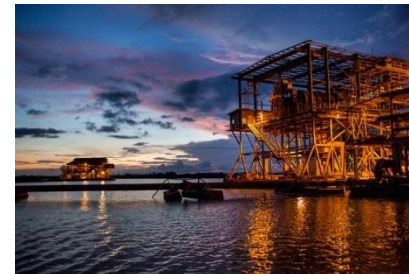
Sierra Rutile expansion projects progressed in line with industry analysis of key product markets

Balranald staged development approach



### Act counter cyclically where appropriate

Sierra Rutile acquisition completed during subdued market conditions



### Disciplined capital allocation

Iluka applies a capital allocation framework that prioritises funds for investment where strict financial criteria and strategic rationale can be met

Iluka is focused on shareholder returns through the cycle



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# Thank You



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