

Iluka Resources Limited



Industry Outlook and Iluka's Approach Minerals Sands Conference 2017

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Industry Outlook and Iluka's Approach



1. Industry Outlook
2. Market Update
3. Iluka's Approach

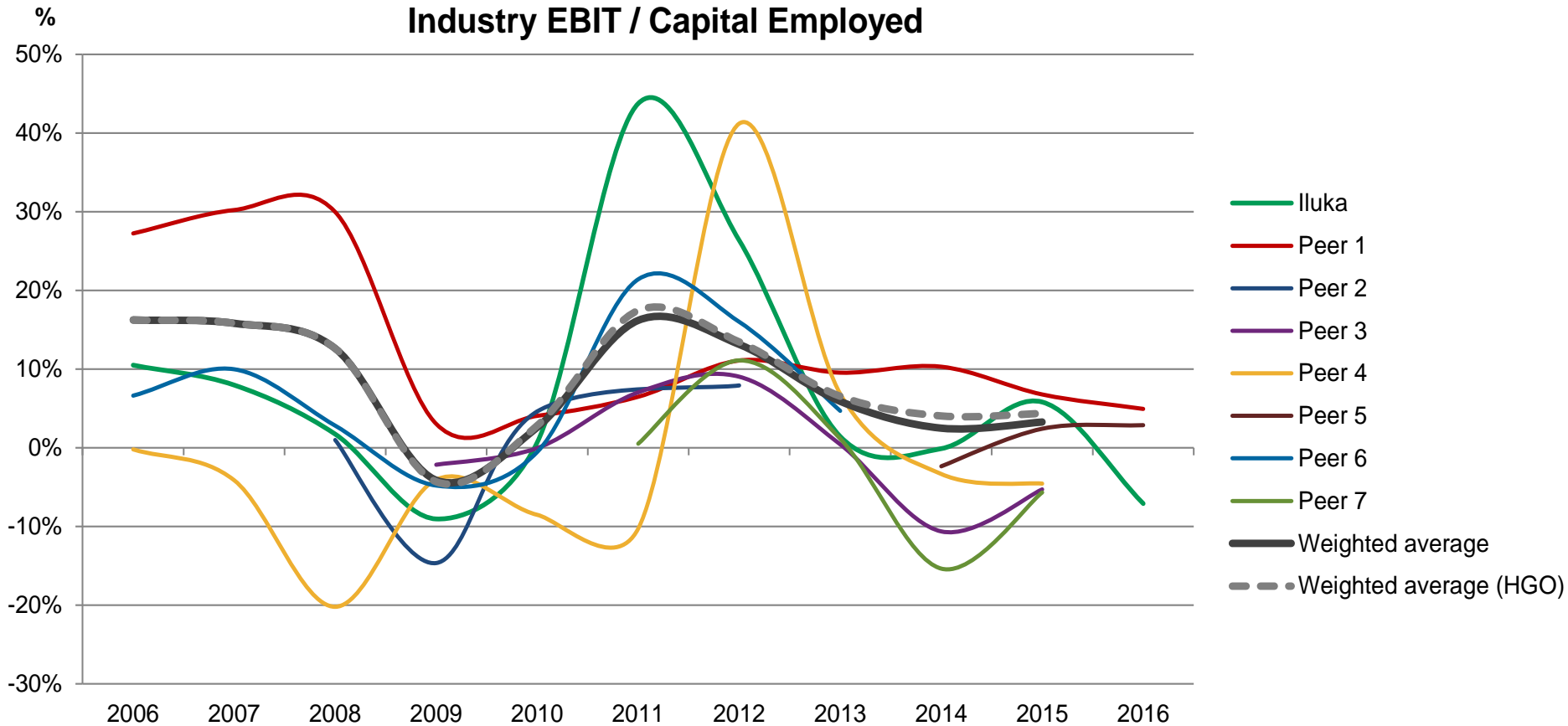


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Industry Outlook

Industry Needs Better Returns



Source: S&P Capital IQ, company announcements

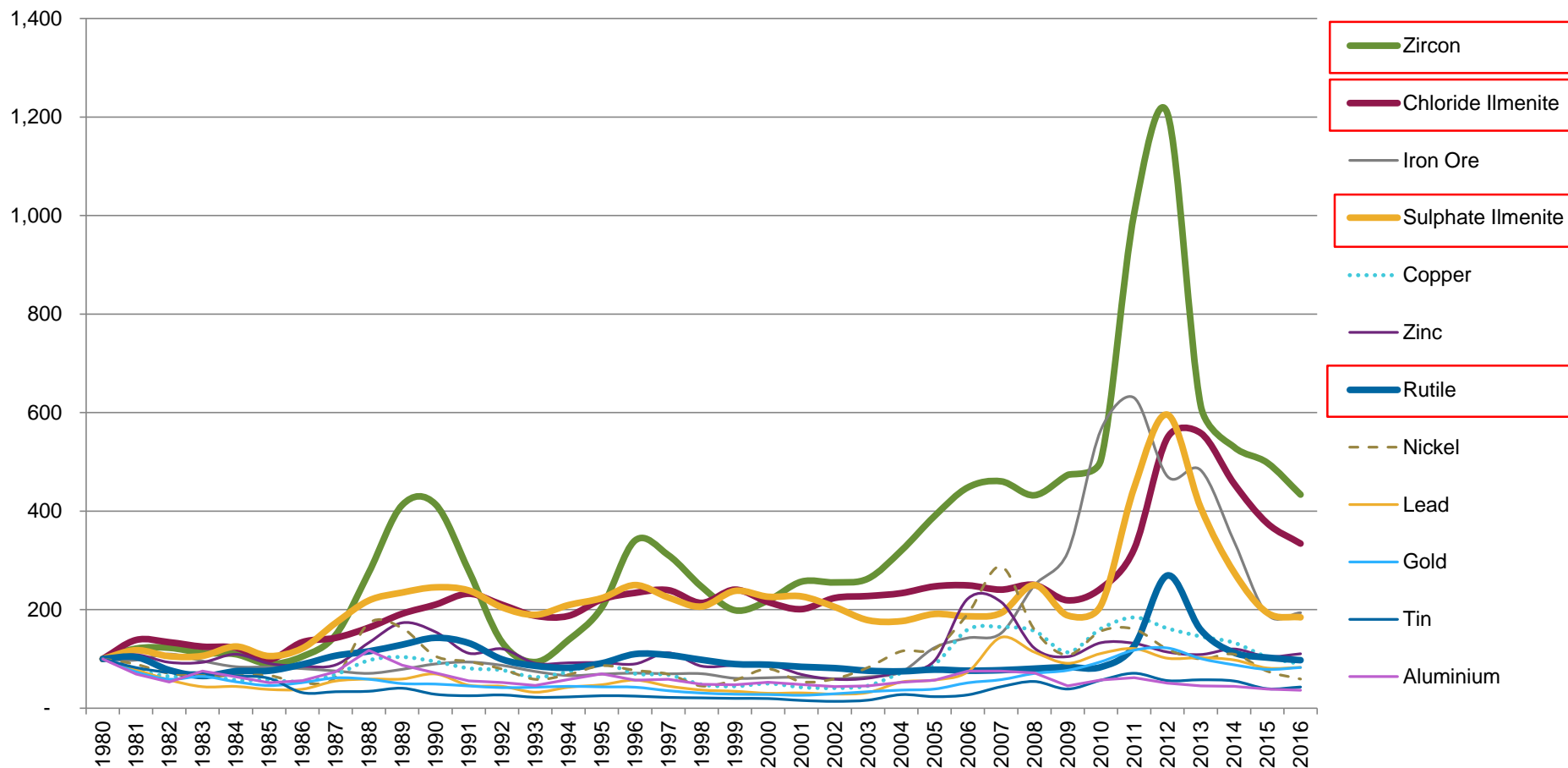
* Weightings based on capital employed / operating assets
 Capital employed calculated as Net Debt + Equity where possible

Prices Are Better Today



1980=100

Commodity Price History (real, indexed, 1980=100)

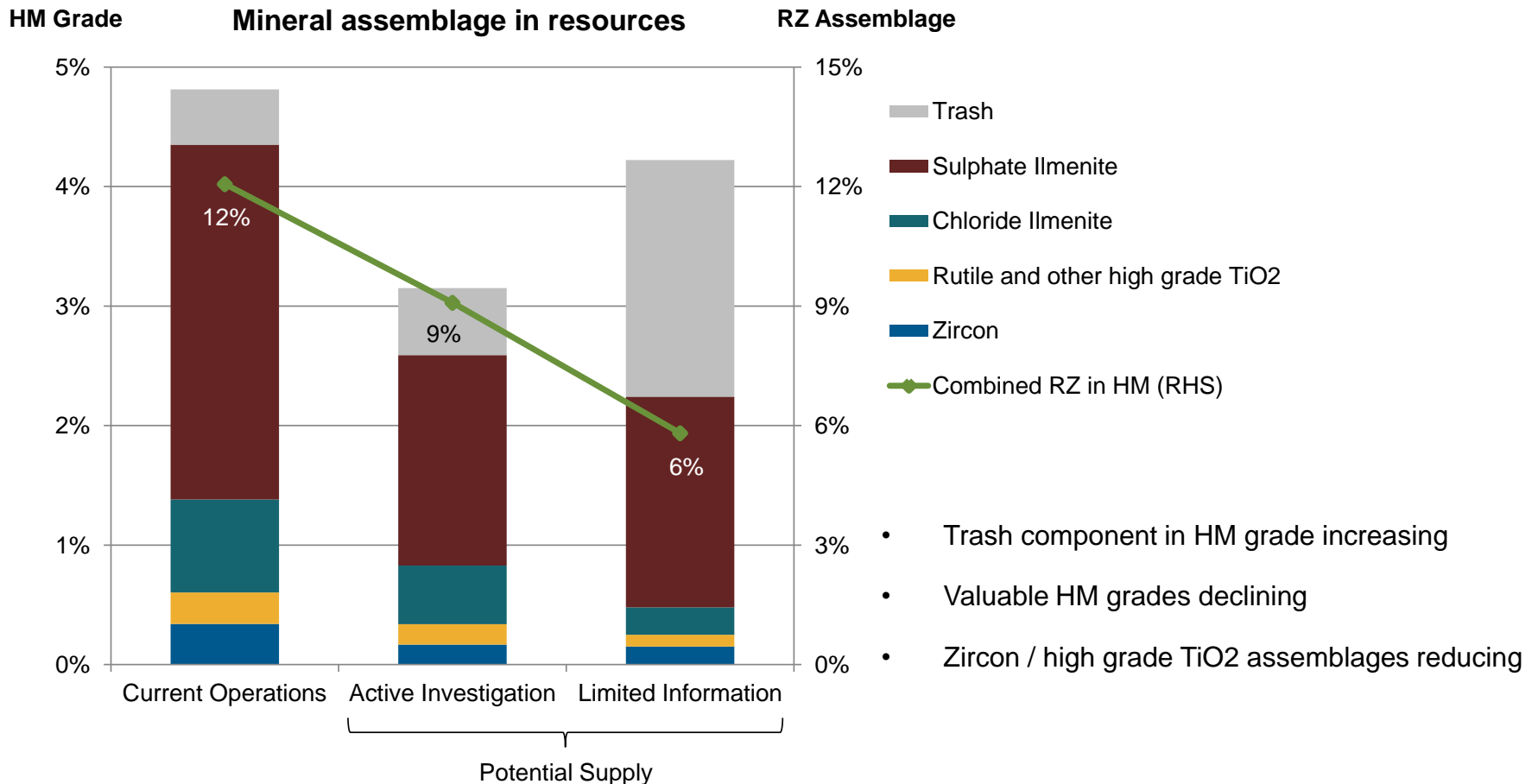


Source: TZMI, S&P Capital IQ, CEIC

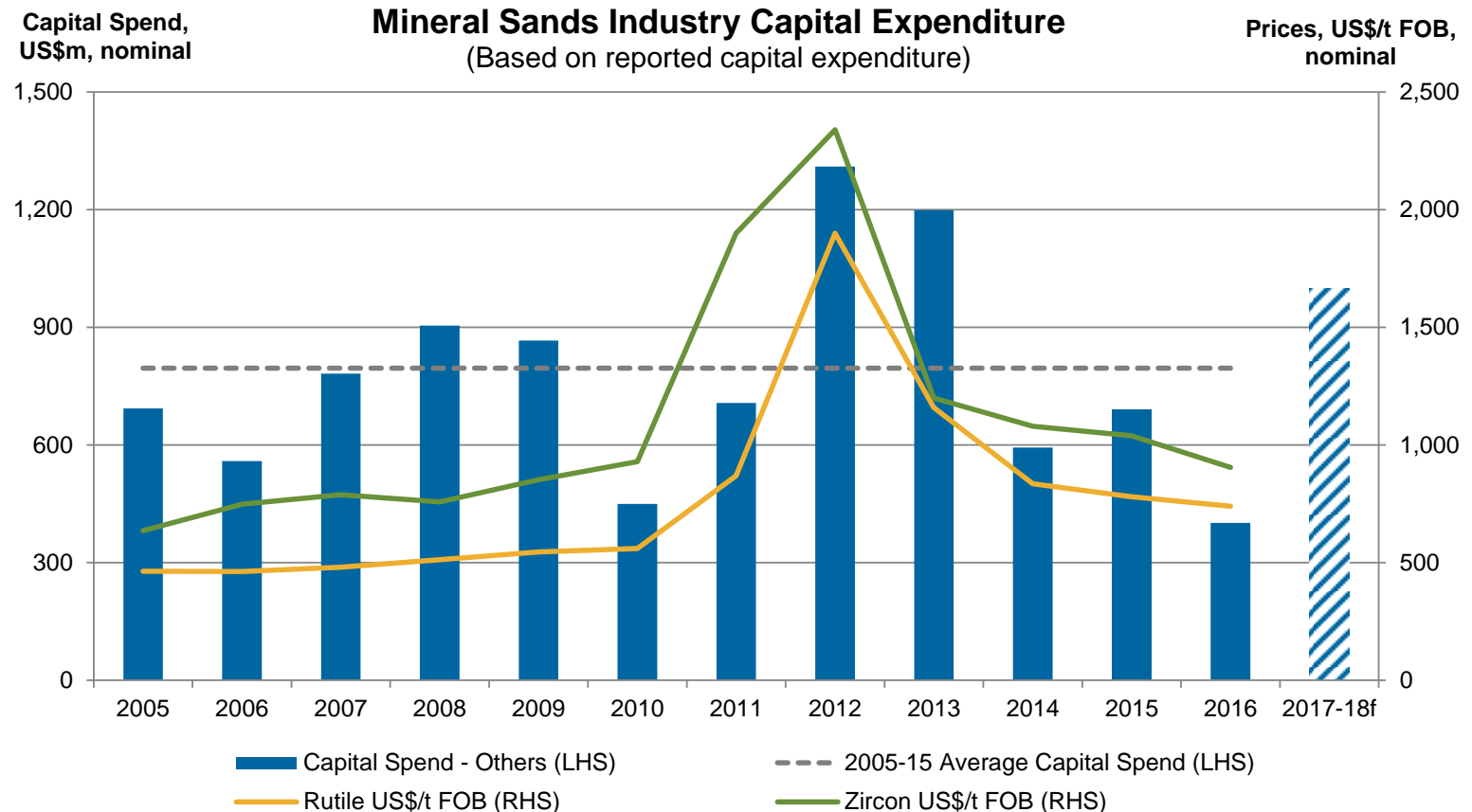
Mega Trends Support Our Industry



Grade and Assemblage Challenges Ahead

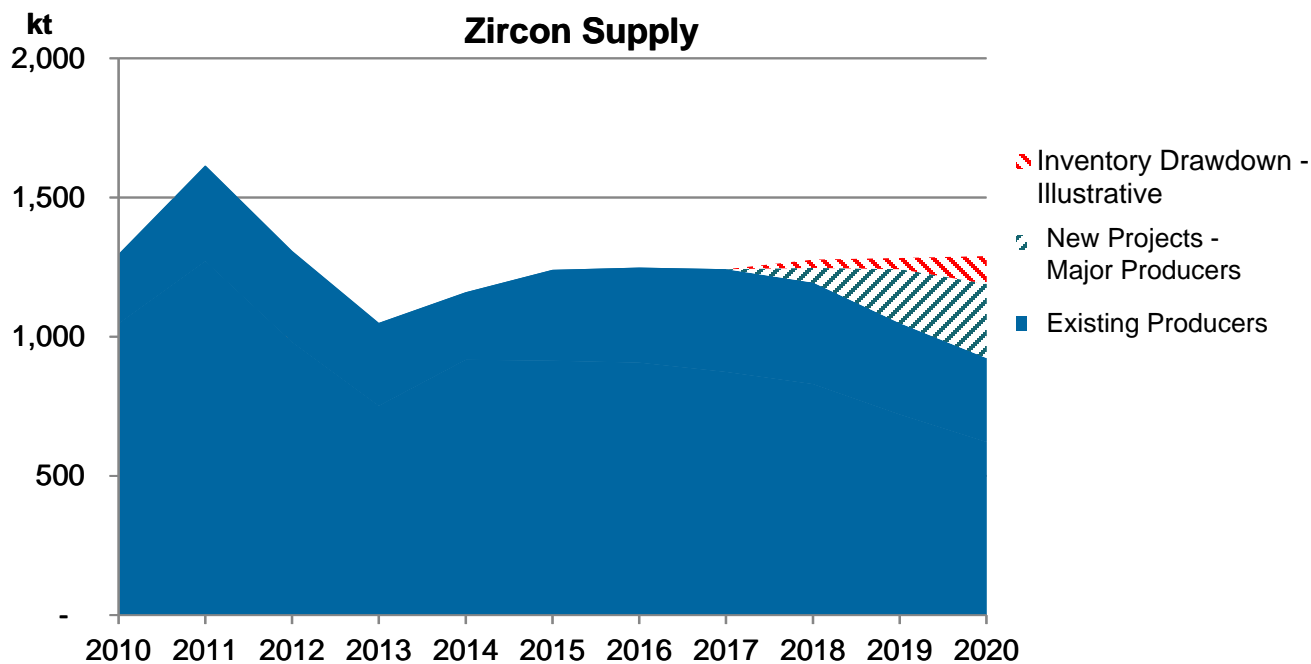


Significant Industry Re-investment Required



- Iluka estimates ~US\$1.6b to be spent on major projects (2016 – 2018) to sustain production
 - this estimate excludes maintenance capital
 - relates to major existing producers, not potential new players

Zircon Market Supply Characteristics

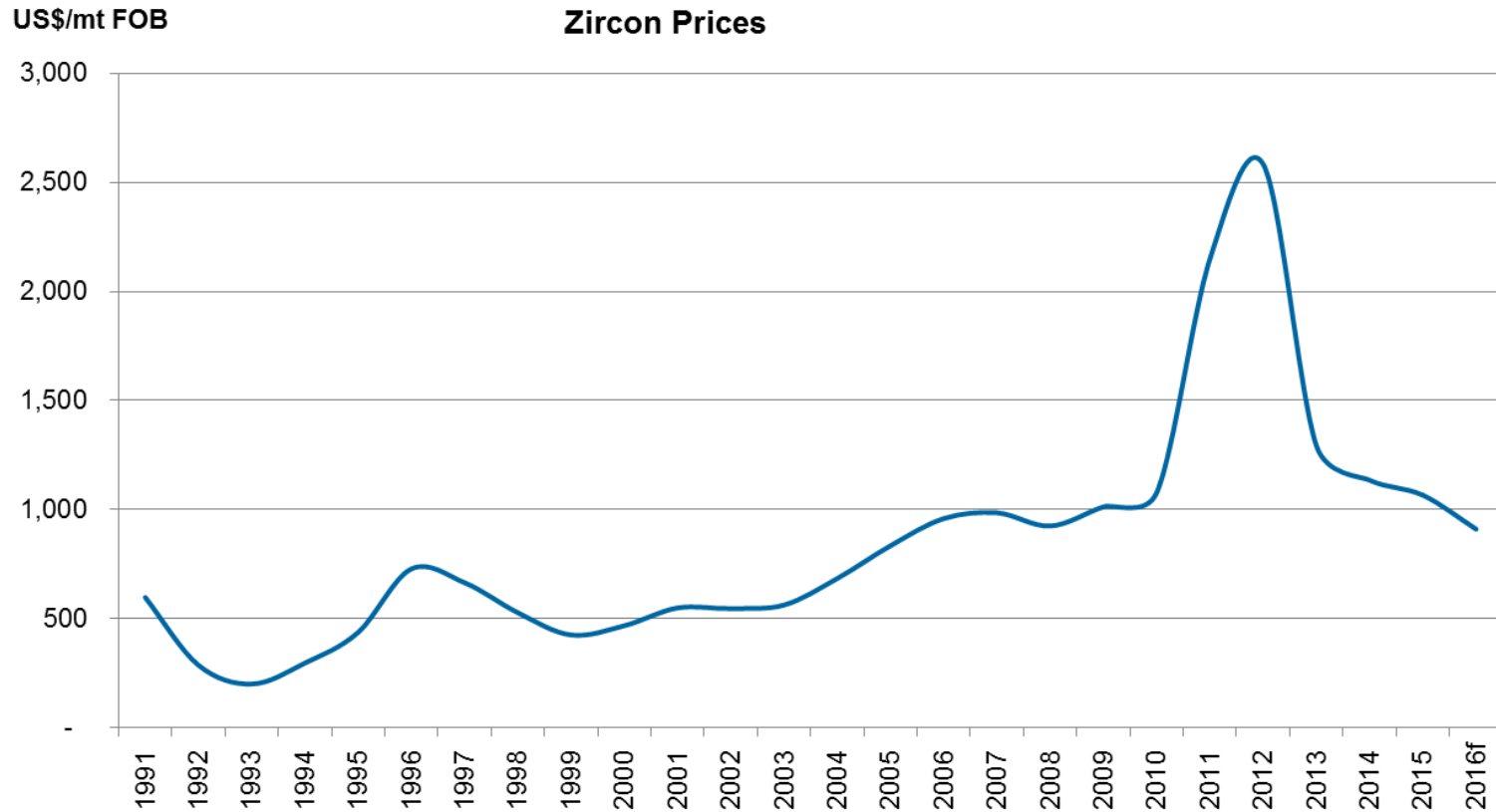


- Zircon from existing producers declining due to depletion and decline in grade and assemblage
- Minor producers not sufficient to fill structural supply gap
- Inventory largely held in the hands of Iluka – can and will fill gap
- New zircon production dependent on co-product zircon from yet to be built TiO₂ mines

Source: Iluka

*Zircon production from 2016 onwards excludes any finished goods inventory held at 31 December 2015, but includes zircon processed from concentrate stockpiles held by Iluka at the end of 2015

Cyclical Effects



- Belief that the peaks of the cycle guarantee viability of a project is no longer valid
 - recent peaks are shorter and induce substitution
 - a business case that is robust through the cycle is essential

Price in 2016 real US\$/mt

Source: Iluka, TZMI. TZMI forecast per Q3 2016 Feedstock Price Forecast



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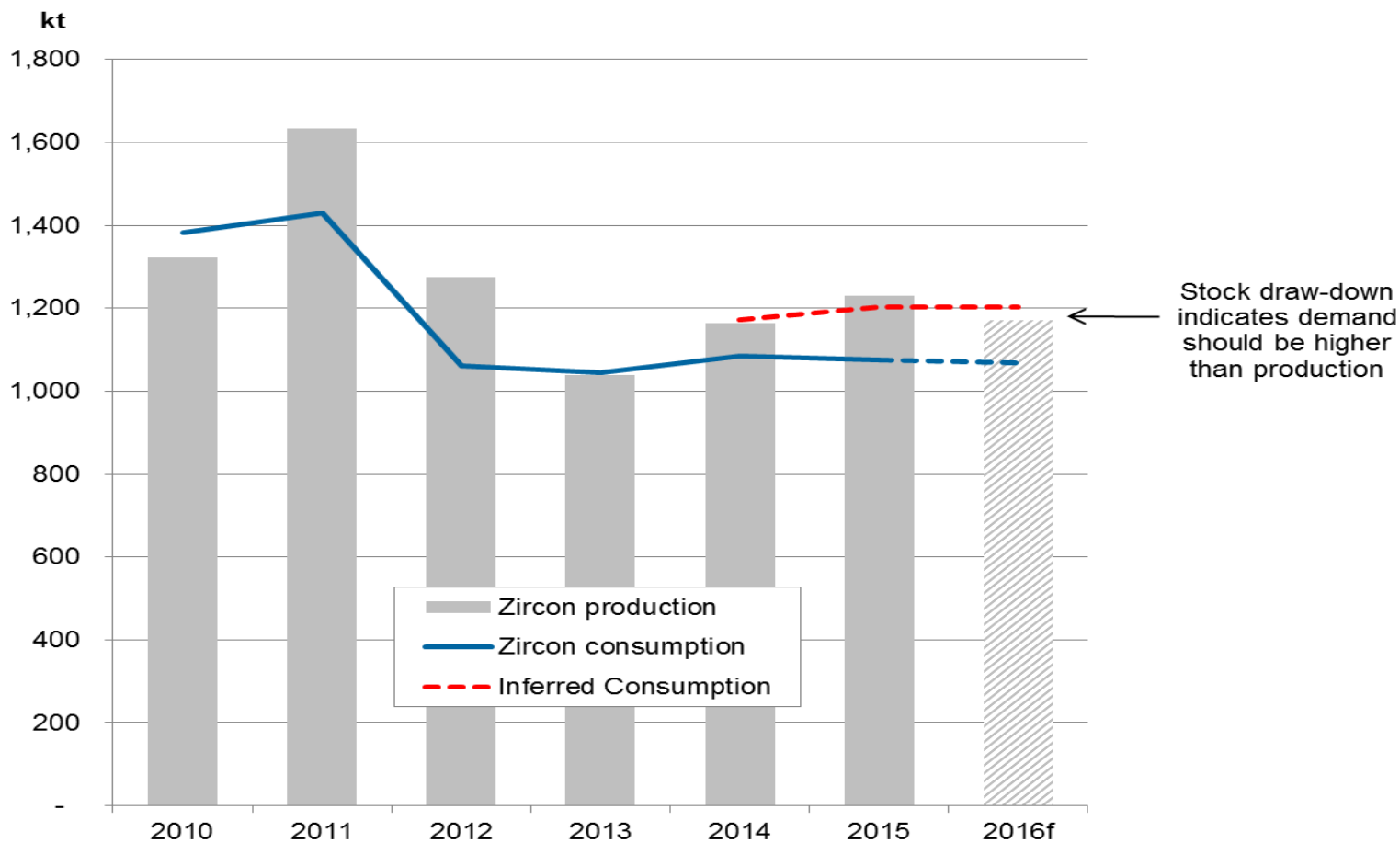
Market Update

Zircon Market – 2016 Overview



- Producer inventory levels normalised over 2016
- 2016 demand variable across sectors and regions – consistent year on year
- Iluka weighted average price 20 per cent lower to US\$773/tonne
 - 15 per cent decline in first half as competitors cleared inventory
 - product mix changes with increased sales of zircon concentrate
- First zircon price rise for five years in third quarter 2016
 - partially achieved US\$60/tonne increase announced

Zircon End-Market Growth



- Iluka's analysis suggests zircon demand has been underestimated

Zircon Market – 2017 Outlook

- Iluka estimates supply and demand now broadly balanced
- Strong initial 2017 volumes – some evidence of restocking
- Implemented a US\$50/tonne price increase from 15 February
 - indications of broader supplier support
- First quarter 2017 volumes secured at higher prices
- Demand growth expected in 2017 and 2018

Titanium Feedstock Market

- Pigment market enters 2017 with favourable set of factors
 - historically low pigment inventories
 - industry wide pigment plant utilisation rates increasing
 - recent, multiple, pigment price increases
- Spot price enquiries increasing
- Confluence of events compounding inventory tightness
 - Pori fire; Panzhihua shutdown; shipping delays
- Iluka rutile price rises of up to four per cent in first half of 2017
- Deliberately contracted first half only (where able)
 - 40 per cent of Sierra Rutile volume contracted prior to merger
 - greater exposure to upside in 2017 than 2016



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Iluka's Approach

Business Overview



Objective – to create and deliver shareholder value

- ~A\$2.8 billion market capitalisation; listed on Australian Securities Exchange
- Largest global producer of zircon; major producer of high grade titanium dioxide
- ~2300 direct employees
- Production assets in Australia and Sierra Leone
- Projects in Australia, Sierra Leone and Sri Lanka
- Investment in exploration, market development, innovation and technology
- Sustainability focus: governance; health; safety; environmental and community outcomes

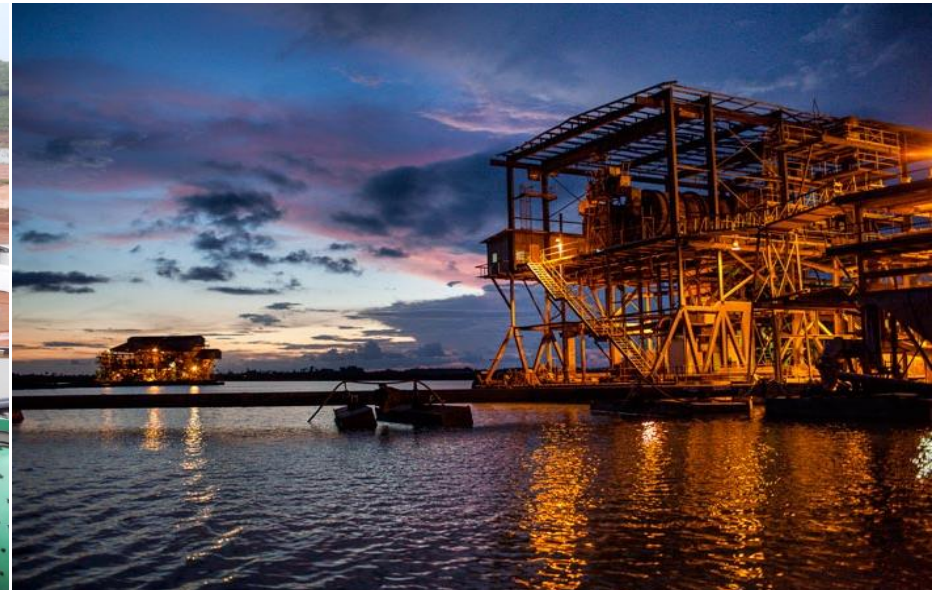
Business Update



- Acquired Sierra Rutile Limited on 7 December 2016 – transaction value of \$389 million
- Reported net loss after tax of \$224.0 million for FY 2016
 - includes non-recurring adjustments of \$182.8 million (after tax)
 - underlying Group EBITDA of \$150.5 million
- Net debt increased to \$506.3 million – largely due to Sierra Rutile transaction
 - net debt as of 31 January 441.8 million
- US operations closed
- Continued evaluation of Cataby and Balranald projects
- Comprehensive review of business
 - non-production costs; operating assets; projects; ore reserves

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
- Operational improvement measures and production expansion options
 - expected to materially improve unit cash costs



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"> • Two peaceful elections subsequently • Change of governing party and President • Now ranked one of the most peaceful countries in Africa* 2014-16 Ebola outbreak <ul style="list-style-type: none"> • Economic growth significantly affected • Sierra Rutile mine continued operations |

*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
- Integration on track – focus on safety; operational improvements; improving product value capture
- Building on existing relationships with key stakeholders, including community and government

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)
 - ~380 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
- Engaging with customers on off take arrangements on appropriate commercial terms



Balranald Project

- Balranald is a large, deep, high grade rutile-rich deposit in Murray Basin, NSW
- Definitive feasibility study on a conventional mining approach completed
- Separate DFS using unconventional, underground mining method in progress
- Proprietary underground mining technology developed by Iluka
- Directional drilling technology with patented equipment and Iluka specific expertise
- Significant advantages
 - enables access to deep deposits (Balranald deposit is ~60 metres underground)
 - minimal environmental footprint versus conventional open cut mining
 - potentially less capital intensive
 - scalable operations and portfolio flexibility in the context of Sierra Rutile



Aerial photo (looking north) of monitoring infrastructure directly over an area of ore mined

2017 Key Activities and Outlook

- Sierra Rutile – integration, operational improvements and evaluation of expansion projects
- Cataby project progression
- Phased evaluation of Balranald
- Operational settings to continue to be aligned to market conditions; inventory drawdown
- Support costs reduced
- Mineral sands market conditions improving
 - positive titanium feedstock dynamics
 - zircon price recovery; more balanced industry supply characteristics

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