

Iluka Resources Limited



Iluka's Operations - Creating and delivering value to shareholders

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Mineral Sands Conference
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Disclaimer – Forward Looking Statements



Forward Looking Statements

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- changes in product pricing assumptions;
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- changes in equipment life or capability;
- emergence of previously underestimated technical challenges; and
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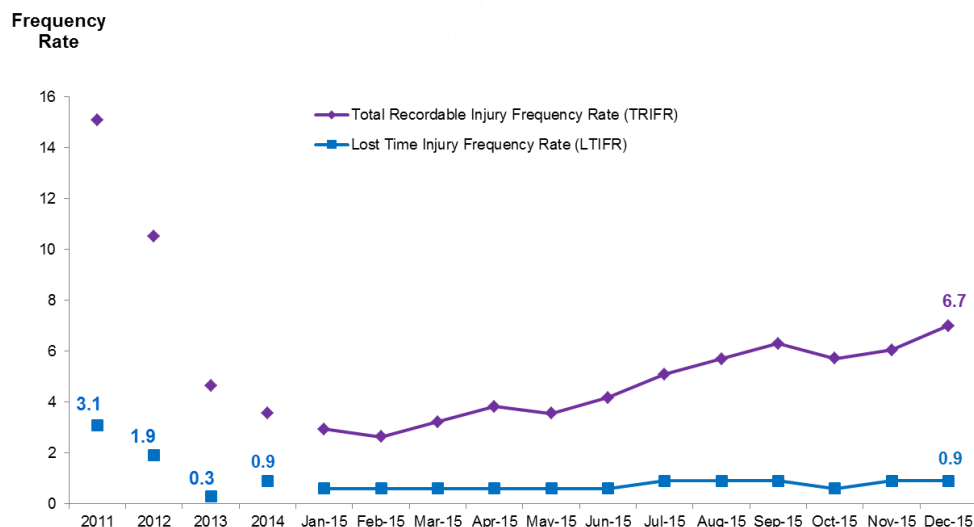
Non-IFRS Financial Information

This presentation uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, Group EBITDA 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. Non-IFRS measures have not been subject to audit or review.

Mineral Resources Estimates

The information in this presentation that relates to Mineral Resources estimates on the Tapira and Puttalam Projects has been previously announced to ASX (see relevant slides for details). Iluka confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed. Iluka confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.

Sustainable Development



- Increase in TRIFR – higher occurrence of minor injuries/first aid – redoubled focus
- Strong safety culture/performance evidenced by safe synthetic rutile kiln restart
- Excellent land rehabilitation progress – third consecutive year of net closure
- Sustainability performance recognised via South Australian Premiers Awards (2013/14/15)

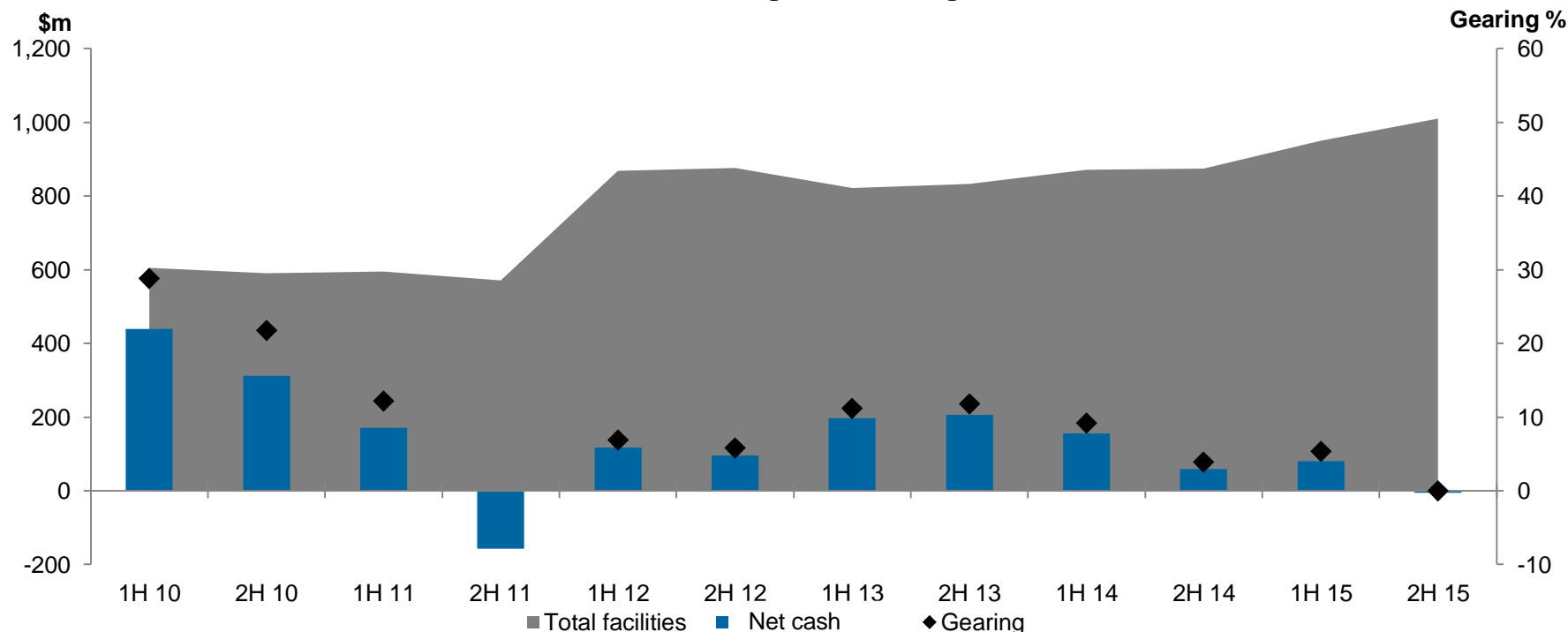
Business Overview



- Principal objective – to create and deliver value for shareholders
- Largest producer of zircon; major producer of high grade titanium dioxide
- Operations at multiple locations
- Mineral sands projects at advanced stages of evaluation
- International marketing presence
- Industry leading sustainability credentials
- Investment in exploration; research and development; and technical evaluation
- Strong balance sheet – net cash; significant funding capacity

Balance Sheet

Net Debt, Gearing and Funding Headroom



- Differentiated industry position – balance sheet strength; funding capacity; ability to act counter-cyclically
- Balance sheet strength at 31 December 2015
 - net cash of \$6 million (debt of \$55 million less borrowing costs \$6 million, cash of \$55 million)
 - undrawn facilities of \$955 million with total facilities of \$1,010 million
- Adjusting net debt for 19 cps final dividend increases gearing from -0.4% to ~5.2%

Commitment to Mineral Sands

Growth Options / Focus Areas

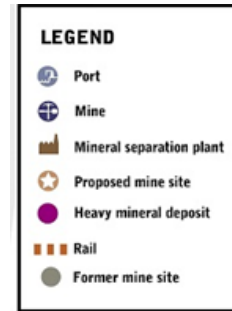


Other Growth Options

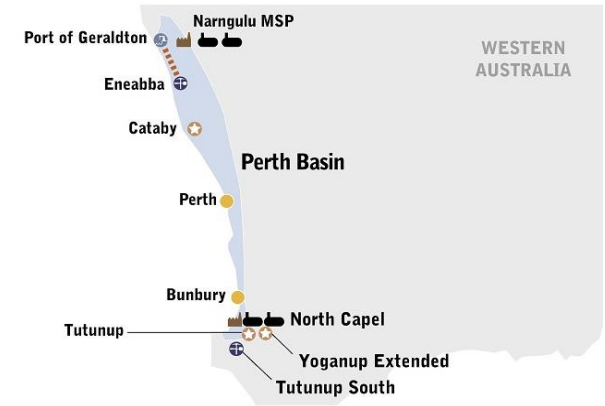
Potential acquisitions, mergers and joint ventures that demonstrate financial and strategic merit

Commitment to Internal Project Development

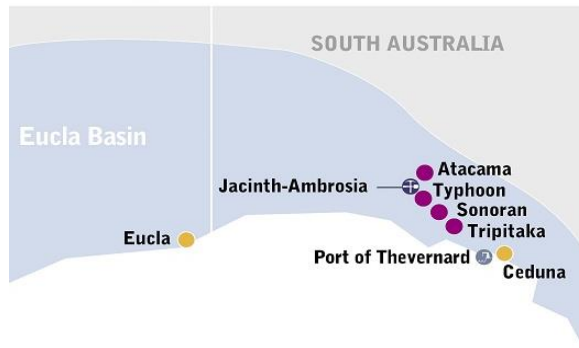
Catoby, Western Australia



Balranald, New South Wales



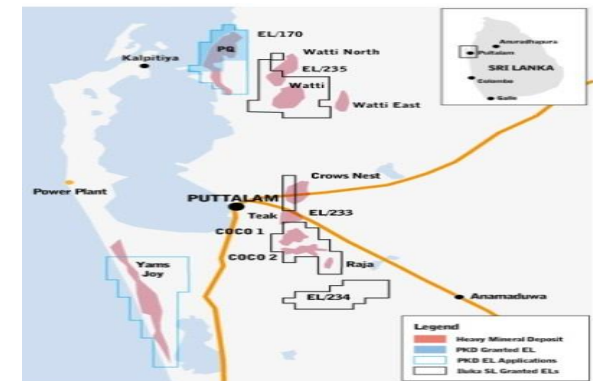
Eucla Basin, South Australia



Aurelian Springs/Hickory, United States



Puttalam, Sri Lanka



Industry Dynamics

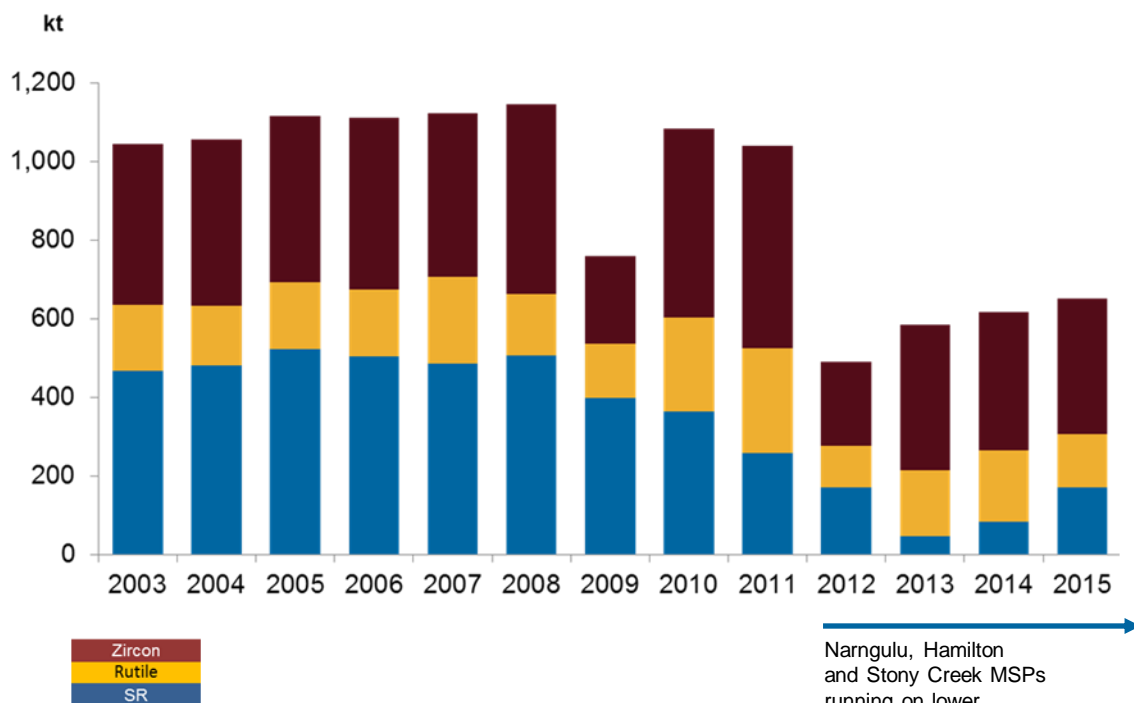
- Subdued market demand
- Growth exists, but not in all segments and geographies
- Industry cash flow and balance sheet pressures
 - some distressed selling
 - debt/equity restructuring
- New project underperformance
- Industry sustaining capital expenditure requirement large (~\$1.6 billion) and imminent
- Current industry profitability insufficient to support required investment
- Financing challenges for new projects
- Medium term demand growth will challenge supply, particularly for zircon

- Strong balance sheet (zero debt)
- Business running efficiently, safely and sustainably
- 2015 year-on-year production and sales volume growth
- Margins stable and healthy, free cash flow generation
- Maintaining a balance in use of cash flow between
 - investing to secure options for the future
 - distributing funds to shareholders
- Operations focused on unit costs and adapting to market conditions

Operational Focus – Flexibility, Execution and Unit Costs



Iluka Sales of Z/R/SR



Narngulu, Hamilton and Stony Creek MSPs running on lower utilisation and manning

2009

Eneabba idled
 Capel Dry Plant idled
 SR 1 and SR 4 idled
 Kulwin constructed
 Jacinth-Ambrosia constructed

2010

Kulwin and Jacinth-Ambrosia ramped up

2011

Eneabba restarted
 Tutunup South commenced

2012

Kulwin and Douglas – end of commercial life
 Woonack, Rownack, Pirro (WRP) commenced
 SR 3 idled

2013

Eneabba idled
 SR 2 idled
 Tutunup South idled

2014

Concord idled

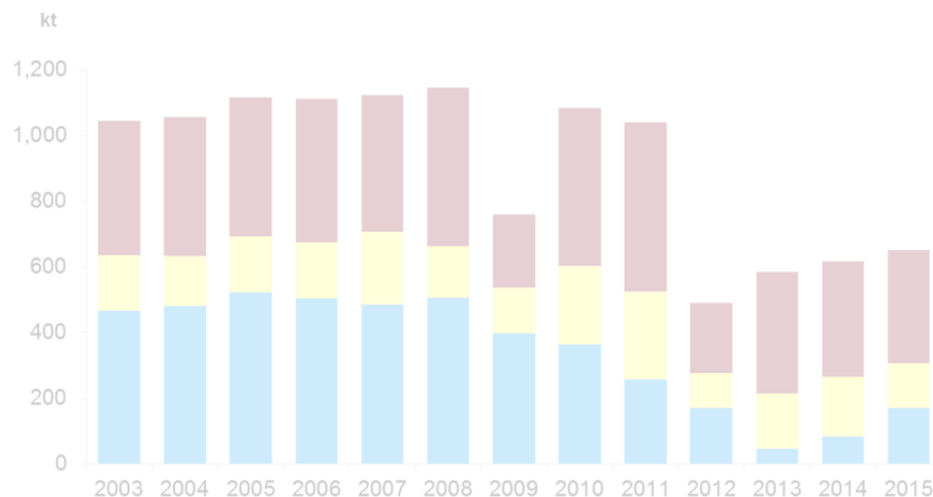
2015

WRP – end of commercial life
 Concord restarted and concluded
 Brink concluded
 Stony Creek MSP idled
 SR 2 restarted
 Tutunup South restarted

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2013

Eneabba idled
 SR 2 idled
 Tutunup South mining idled

2014

Concord idled

2015

WRP – end of commercial life
 Concord restarted and end of commercial life
 Brink – end of commercial life
 Stoney Creek MSP idled

SR 2 restarted
 Tutunup South restarted

- SR2 kiln reactivated March 2015 after concluding suitable commercial arrangements
 - 11 week refurbish and commissioning campaign ~ \$3.5 million
 - experienced operators and key technical resources retained for ~18mths - fast track restart
 - recruitment of ~ 80 additional personnel
 - favourable gender and indigenous diversity outcomes (18% female and 5% indigenous)
 - kiln production exceeded budget by 13% underpinned by >98% utilisation
- Tutunup South mine reactivated with name plate production reached in 12 hours

2016 Jacinth-Ambrosia

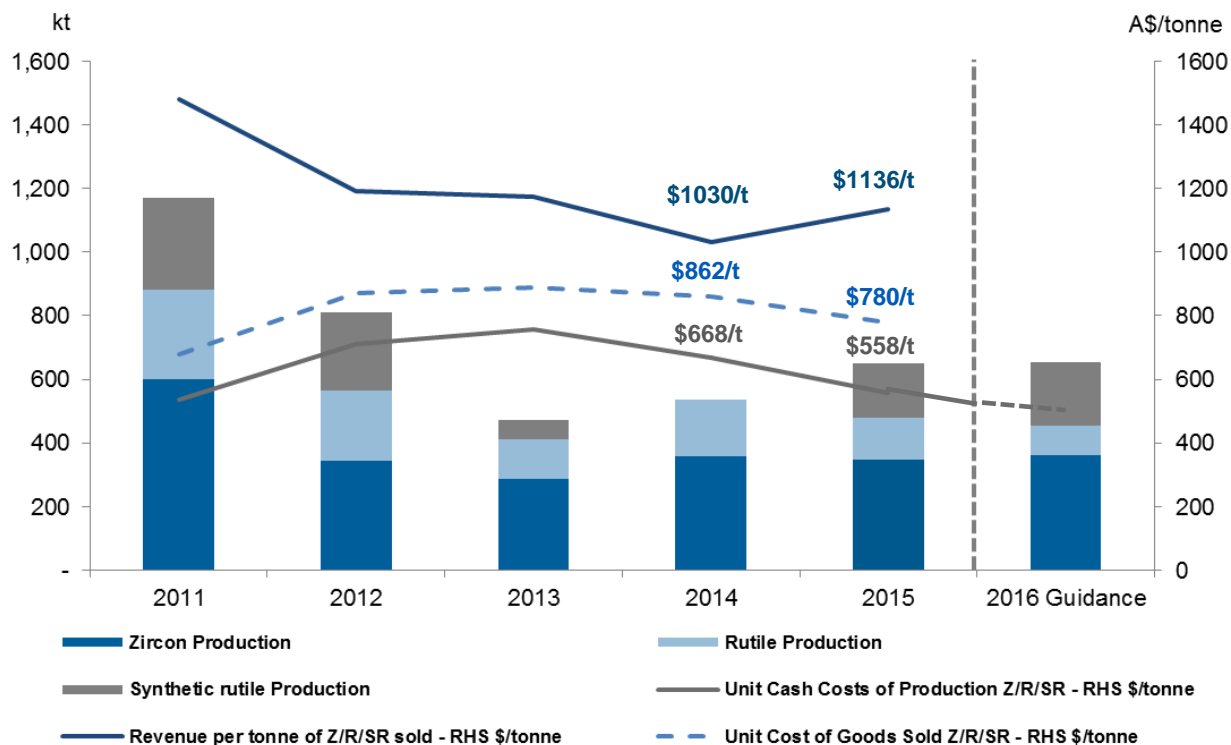
- Mining and concentrating suspended for 18 - 24 months from 16 April
- Enables HMC and finished good to be drawn down in advance of expected zircon supply issue
- Contribution to reduction of zircon inventory “overhang” – potential positive for zircon market dynamics
- Production/sales capacity unchanged – dependent on market demand conditions
- HMC to be processed via Hamilton and Narngulu mineral separation plants
- Core capability to be retained to ensure rapid reactivation
- Improves cash flow
- Net cash cost benefits
 - 2016 ~\$30 million net, after ~\$16 million restructure/rehab expenses
 - 2017 ~\$45 million net, after ~\$25 million expenses
- South Australian Government royalties continue – based on HMC transported from mine



Unit Costs and Unit Revenue – 2016 Trend



Production, Revenue per tonne Sold and Unit Cash Costs / COGS



- 2016 trend - lower cash costs of production; lower unit cash costs

2016 Production Settings

	2015	2016
Jacinth-Ambrosia mining South Australia	100% utilisation	Mining and Concentrating suspended from 16 April Concentrate to be processed at Hamilton and Narngulu mineral separation plants
Murray Basin mining Victoria	WRP mine idled March at end of commercial life	Concentrate continues to be processed and rutile product allocated before next planned mine development at Balranald
Tutunup South mining Western Australia	Recommenced March after being idled in June 2013	100% utilisation
Hamilton mineral separation plant (MSP) Victoria	~ 78% utilisation	~60% utilisation Murray Basin & Jacinth-Ambrosia concentrate being processed
Narngulu MSP Western Australia	~60% utilisation	~50% utilisation Jacinth-Ambrosia concentrate
SR kiln 2	Recommenced April after being idled in June 2013	100% utilisation Ilmenite feed source from Tutunup South, Jacinth-Ambrosia, Murray Basin and an external source
3 other SR kilns	Idled in previous periods	Idle. SR1 located in the South West likely to be the next kiln recommenced, dependent on market conditions.
US Mining (Virginia)	Iluka announced decision to idle given inability to secure appropriate commercial terms for development of new deposit/s Concord recommenced & Brink to end December	Idle. Iluka has two well evaluated mineral sands deposits in the US. Mining and processing can be re-activated dependent on appropriate commercial arrangements.
Stony Creek MSP, Virginia	~70% utilisation	Idle – able to be re-activated.
Cash Cost of Production	\$393 million	~\$300 million

Industry Supply Considerations

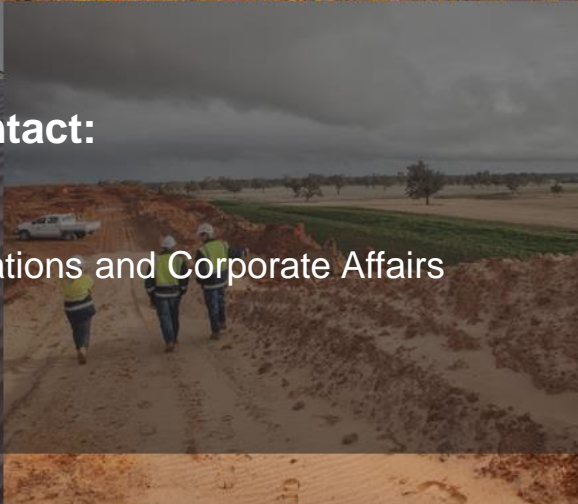
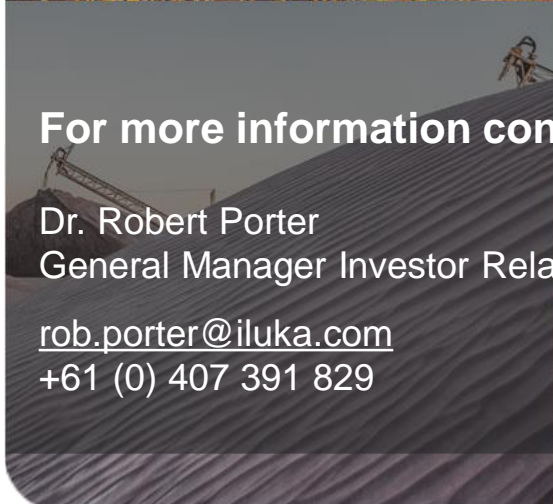
- Short term factors
 - inventory and surplus upgrading capacity in hands of major producers
 - fresh capital (~1.6 billion) required to sustain production
 - balance sheet issues for several industry players
- Supply forecasts need to allow for:
 - assemblage decline impacting high value components (rutile/zircon)
 - project commissioning issues (multiple examples in recent years)
 - supply decisions by major producers – e.g. Jacinth-Ambrosia mining suspension
- For medium term HGO/Z supply to be available, substantial capital required near term
 - requires confidence in availability in ability to generate appropriate shareholder returns
 - prevailing prices (titanium feedstocks and zircon) unlikely to induce such supply
- Absent new investment there is a zircon supply challenge within three years

Iluka Characteristics - 2016



- Iluka well placed for current global conditions
 - strong balance sheet, margins, cash flow generation realisable from inventory drawdown
- Bias to act counter-cyclically and deploy capital
- Iluka 2016 characteristics
 - Z/R/SR sales volumes may be higher than 2016 production and 2015 sales
 - expected inventory drawdown
 - lower total cash costs and unit cash cost of production
 - a further year of low capital expenditure (approximately ~\$90 million)
 - free cash flow generation, strongly 2H weighted
- Operations positioned to adapt promptly to market demand

Iluka Resources Limited



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