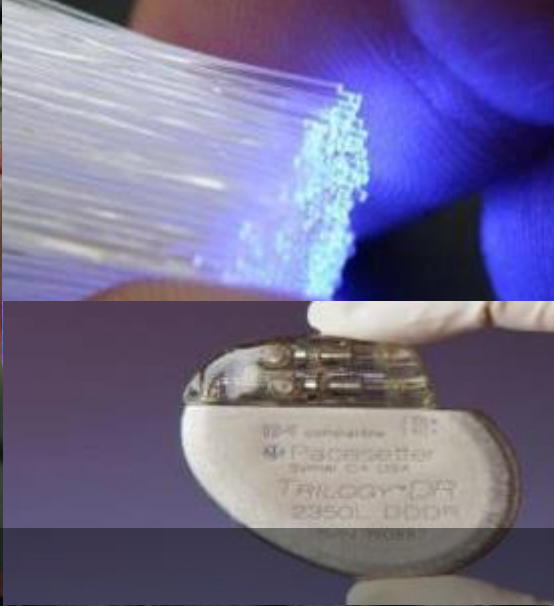


The Way Forward in the Zircon Industry



TZMI Conference
Christian Barbier – General Manager Zircon Sales, ILUKA RESOURCES
Hong Kong, 8 November 2016



Disclaimer, Forward Looking Statements



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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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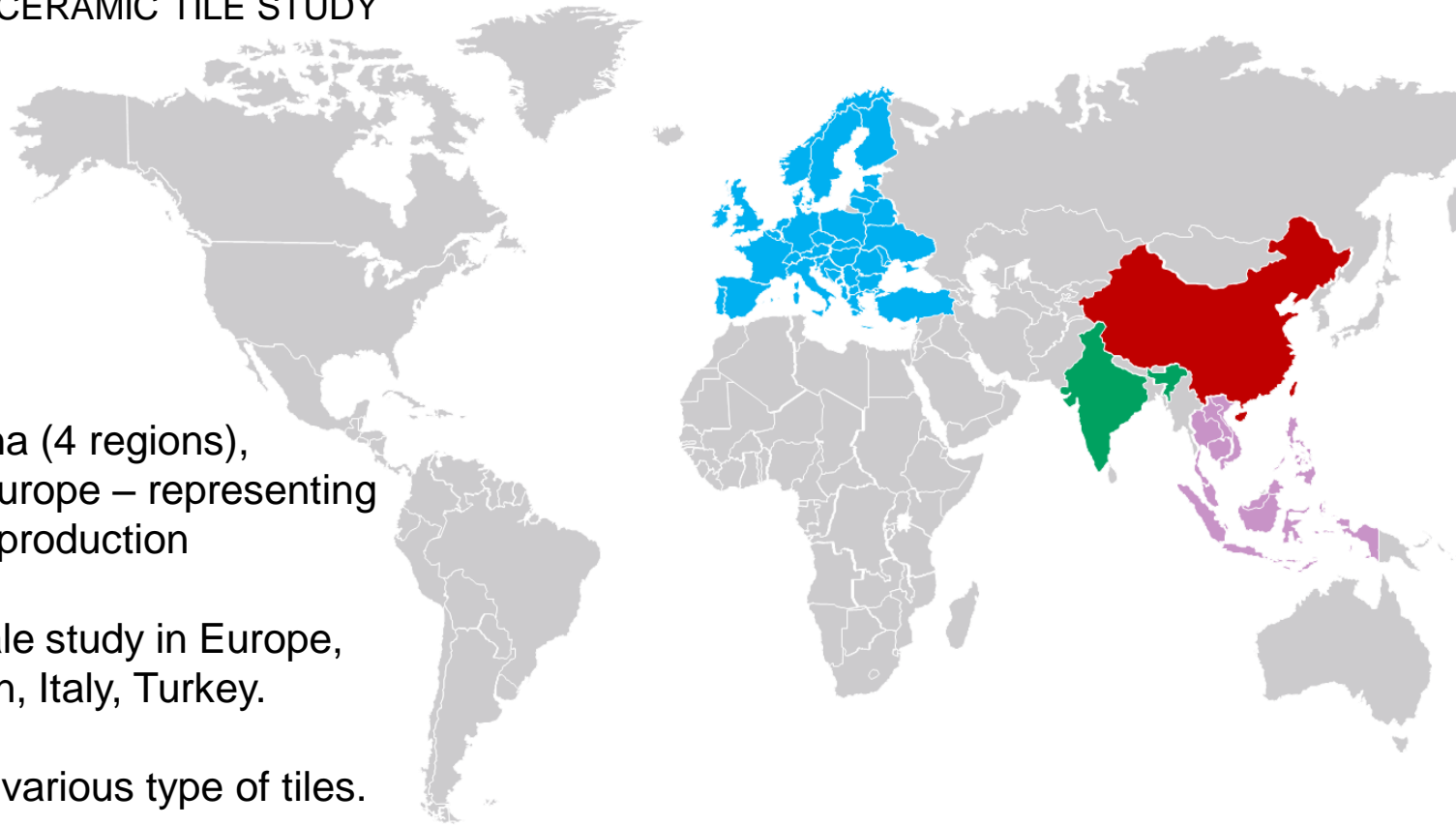
- **Zircon Demand**

- **Zircon Supply**

- **Need to Adapt**

1. Iluka Tile Study

PROPRIETARY CERAMIC TILE STUDY

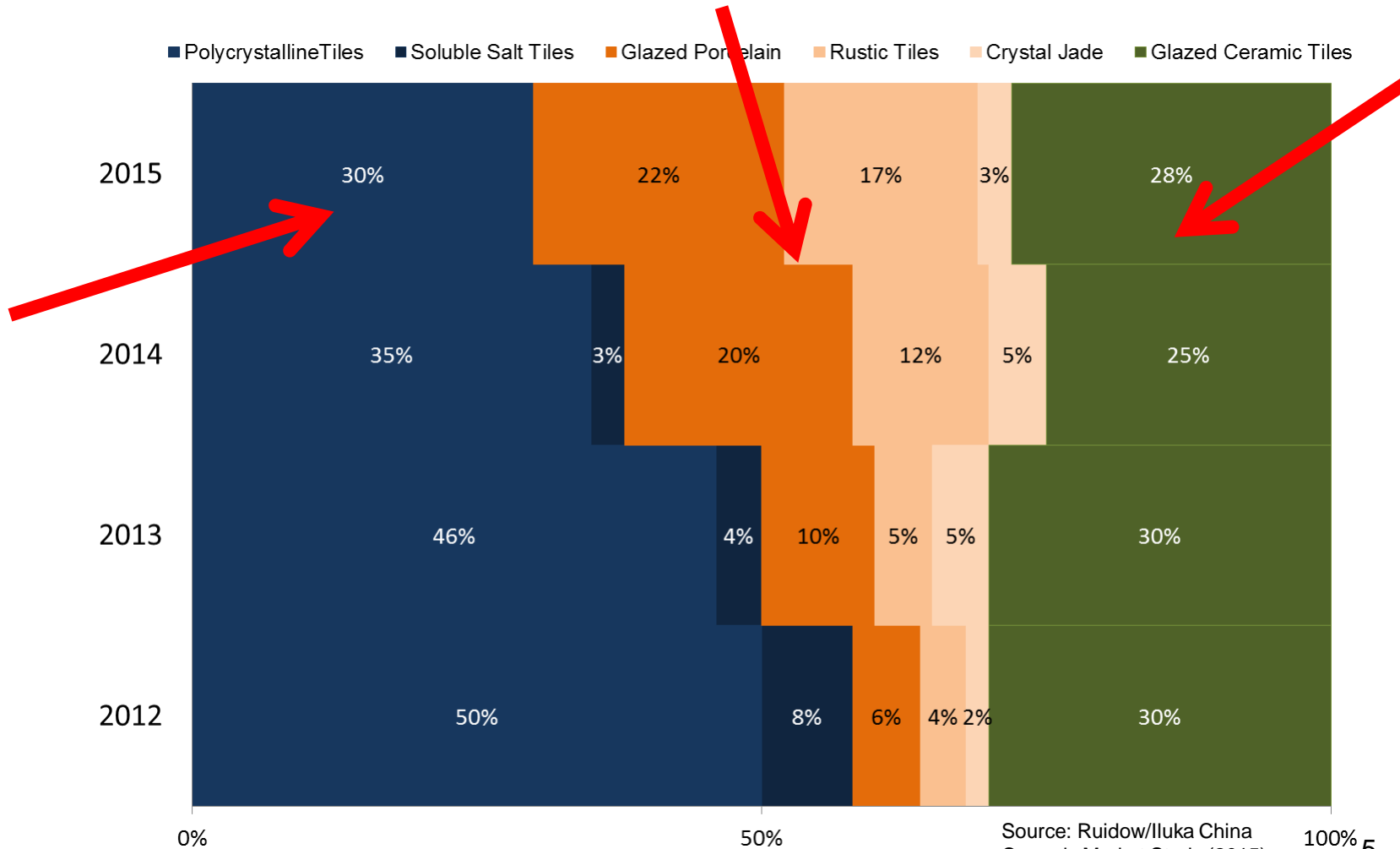


- 4th annual study on ceramic tile.
- Focusing on China (4 regions), SEA, India and Europe – representing 72% of world tile production
- In 2015 large scale study in Europe, in particular Spain, Italy, Turkey.
- Zircon loading of various type of tiles.
- Trend from one year to the other.

Zircon Demand

1. Iluka Tile Study

In China, continuing shift towards glazed porcelain & rustic tiles, albeit slower



Zircon Demand

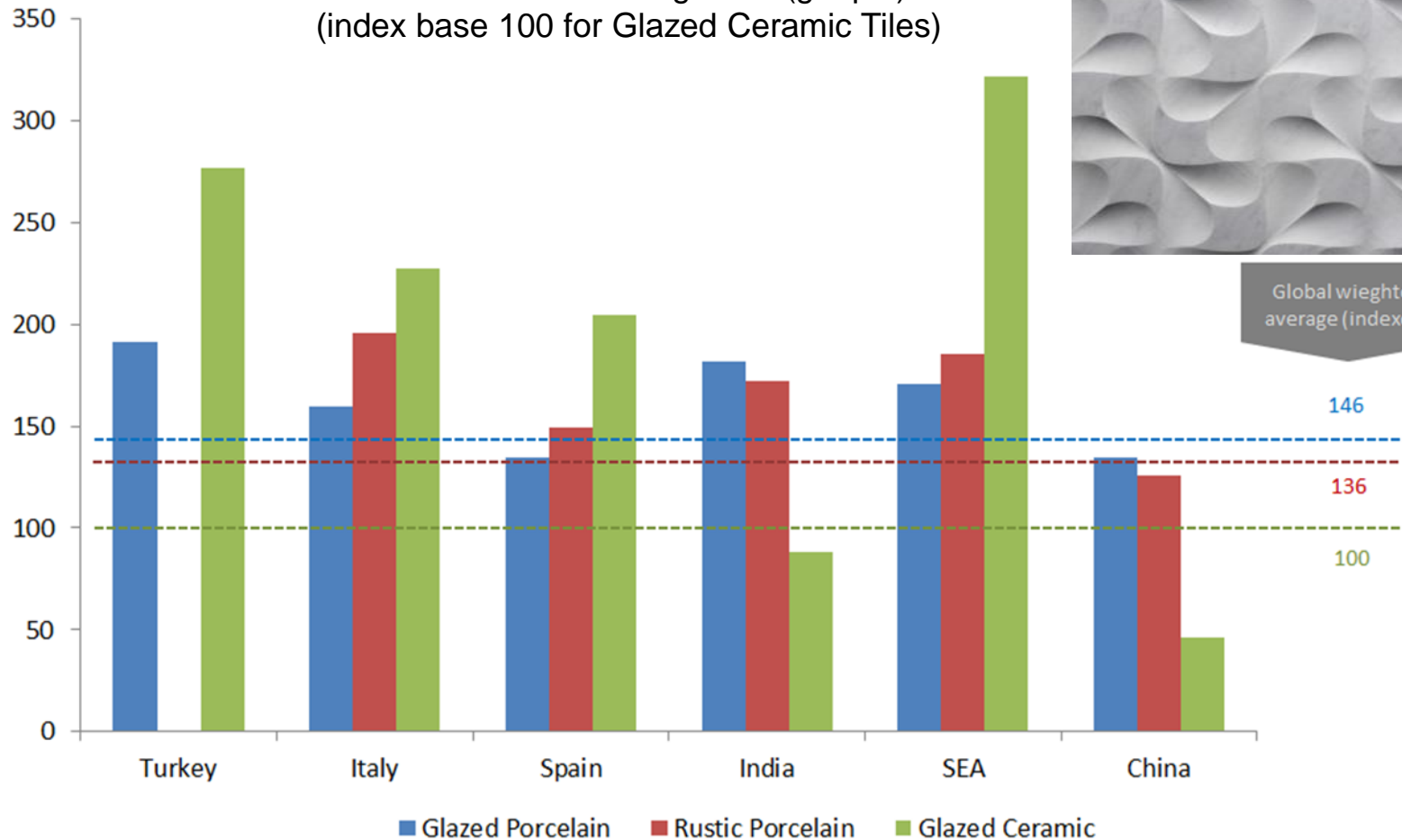


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1. Iluka Tile Study

Comparative Index

Median Zircon Loading 2015 (g/sq.m)
(index base 100 for Glazed Ceramic Tiles)



Global weighted average (Indexed)

146

136

100

1. Iluka Tile Study

Key messages:

Stable loadings since 2012

- High end and top brands are higher
- Variations as per colour and texture trends
- Digital printing sustains zircon usage
- No sign of substitution

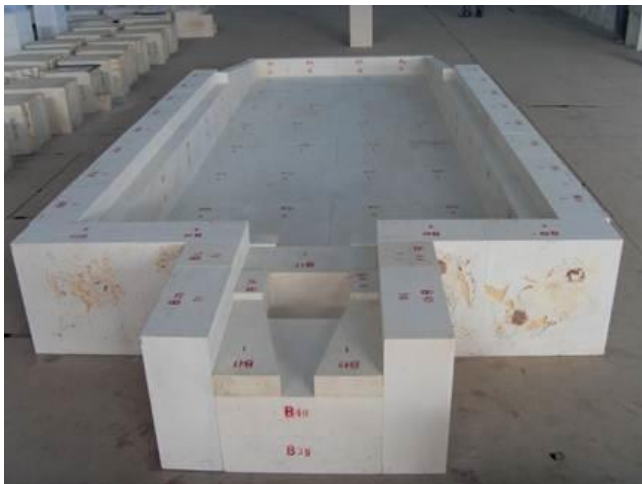
PROPRIETARY CERAMIC TILE STUDY



Zircon Demand

1. Iluka Tile Study

2. Zircon Processing



Operating Model with Overcapacity

Milling

Fused Zirconia

ZOC

Casting

40%

BEFORE: Invest Ahead of Demand

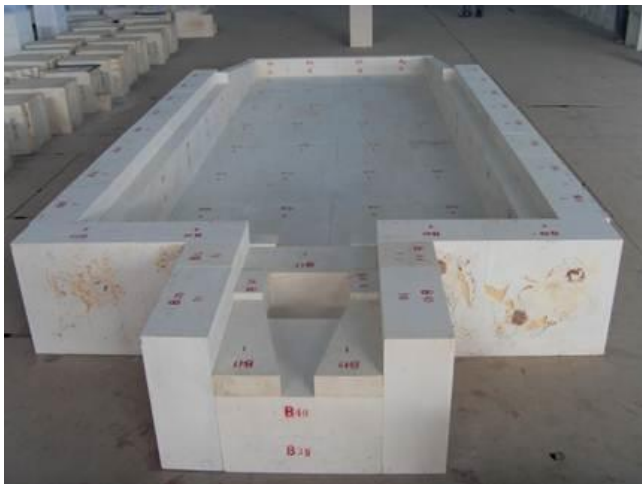
NOW:

- Cost Optimisation
- Swing Capacity (high cost)
- Low Return on Investment

Zircon Demand

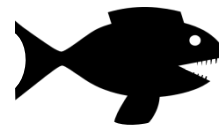
1. Iluka Tile Study

2. Zircon Processing



Trends in Concentration influenced by

- ✗ Cultural resistance
- ✓ Profitability pressure
- ✓ Environmental regulations
- ✓ Technology developments



Zircon Demand



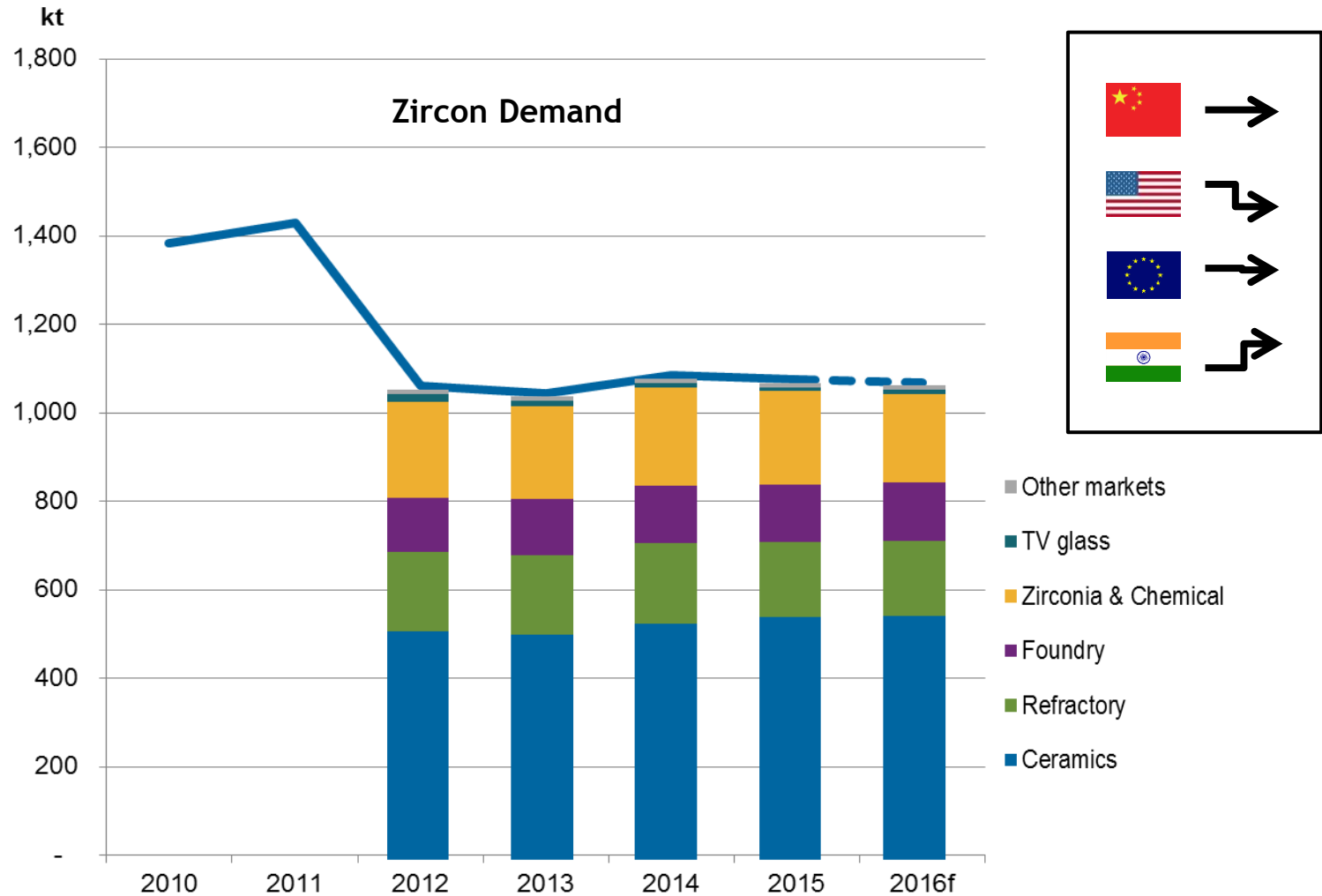
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1. Iluka Tile Study

2. Zircon Processing

3. End-Market Growth

Since 2012 the growth of zircon demand has been very modest



Source:
TZMI Q2 2016

Zircon Demand

1. Iluka Tile Study

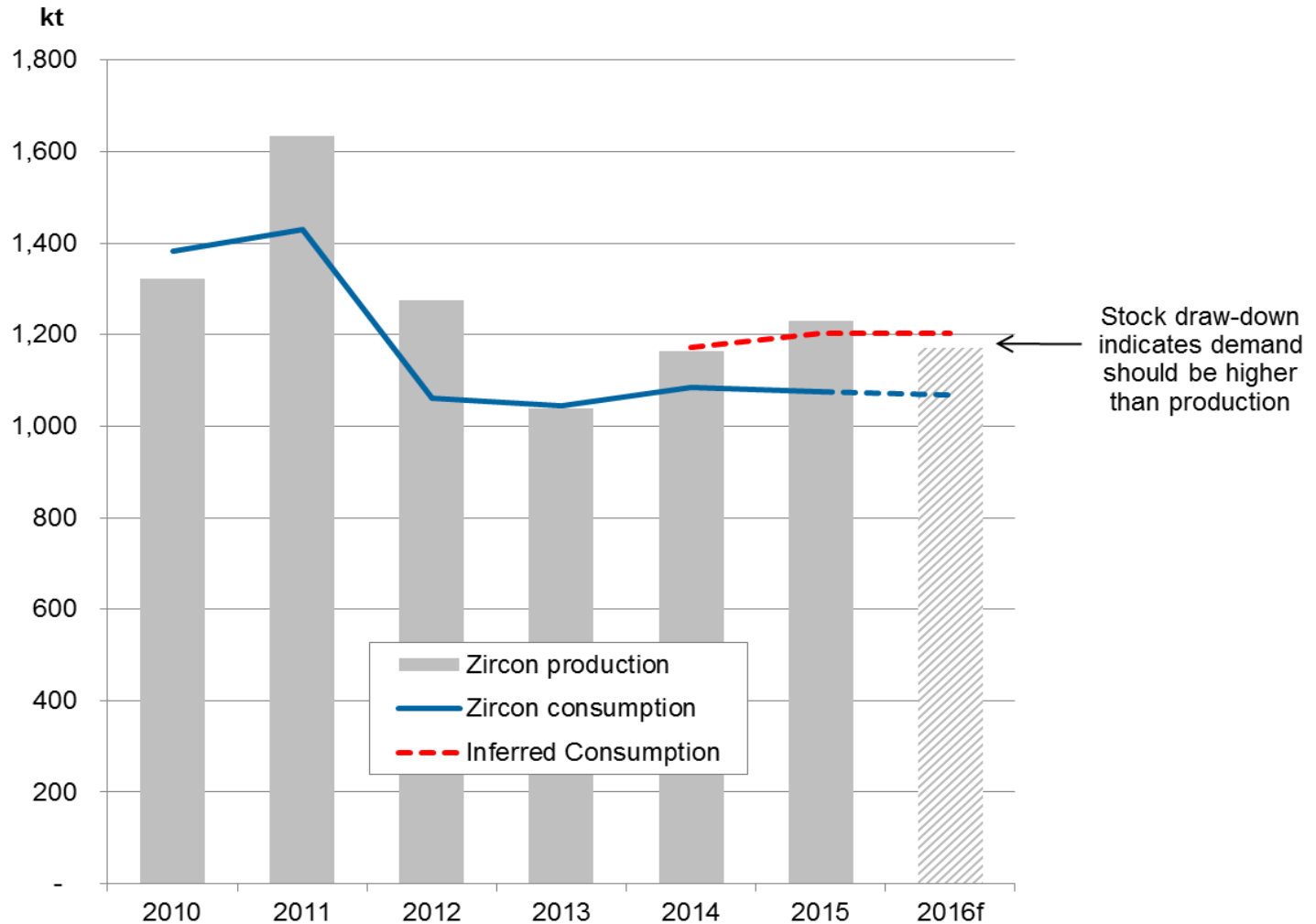
2. Zircon Processing

3. End-Market Growth



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Iluka's analysis suggests demand has been under estimated



Source: Iluka estimates, TZMI, company reports

- **Zircon Demand**

- **Zircon Supply**

- **Need to Adapt**

1. Zircon Deposits

- ✘ The highest quality and most accessible deposits are mined out
- ✓ There is plenty of zircon left in the world... but
- ✘ Capital required to develop new projects is higher per tonne of product



Unforeseen events translate in costs

- Governments modify the rules of the game
- Strikes and social unrest

Zircon Demand **Zircon Supply**

1. Zircon Deposits 2. Environmental Pressure

Rehabilitation is essential... but is also increasingly expensive



External pressure related to the environment is ever growing

- Droughts
- Floods
- Community

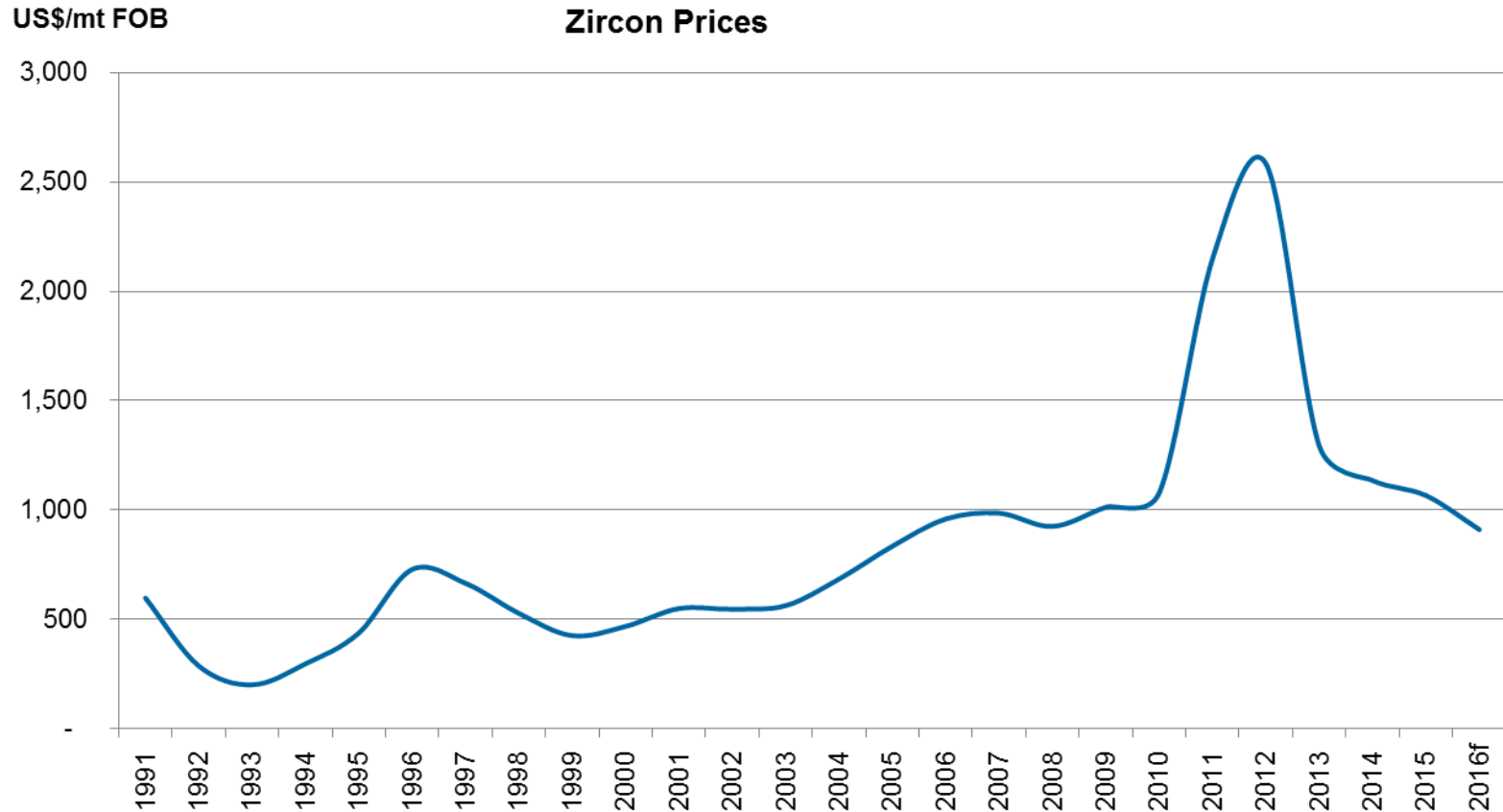
Zircon Demand **Zircon Supply**



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1. Zircon Deposits
2. Environmental Pressure
3. Cyclical Effects

The belief that the peaks of the cycle guarantee the viability of a project is no longer valid... The recent peaks are shorter and induce substitution.



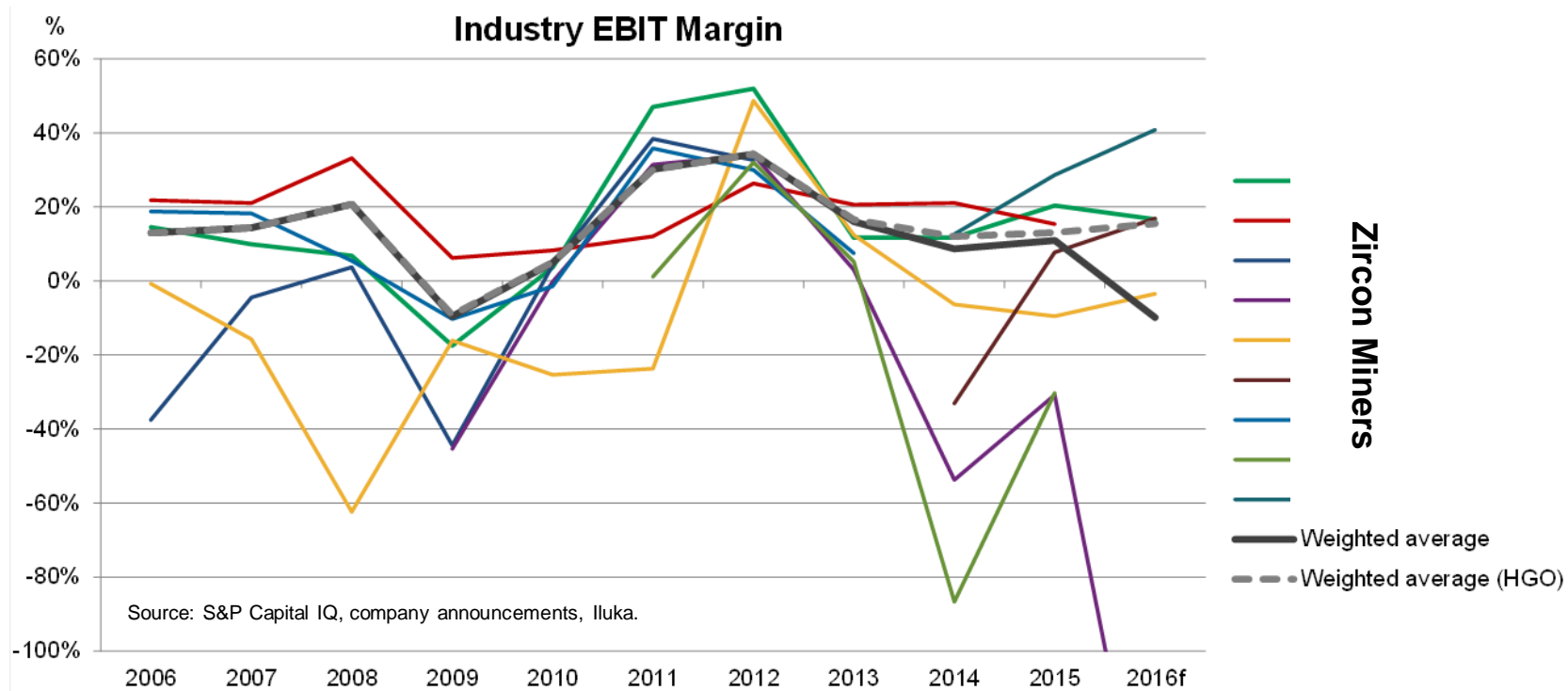
Price in 2016 real US\$/mt
Source: Iluka, TZMI. TZMI forecast per Q3 2016 Feedstock Price Forecast

- **Zircon Demand**
- **Zircon Supply**
- **Need to Adapt**

1. Capital Discipline

The Zircon industry can't escape the change

Miners and processors alike need to have a very disciplined approach to return on capital



The Industry Margin of -10% in 2016f is equivalent to 2009 levels

1. Capital Discipline

2. Developing Value



- Value protects from Substitution
- Environmental Impact
- Better rather than More
- Technology in Processing

Zircon Demand | Zircon Supply **Need to Adapt**

1. Capital Discipline 2. Developing Value 3. Industrial Mineral



From Commodity to Industrial Mineral

- Technical Development
- Commercial Initiative
- Sustainable Practices
- Financial Discipline



**Iluka will remain a leader
in this evolution**

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