

Zircon Market Update



ZIA Conference

Christian Barbier – General Manager Zircon Sales, ILUKA RESOURCES

Bologna, 22 September 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.

Where Iluka expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and on a reasonable basis. No representation or warranty, express or implied, is made by Iluka that the matters stated in this presentation will in fact be achieved or prove to be correct.

Forward-looking statements are only predictions and are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks and factors include, but are not limited to:

- changes in exchange rate assumptions;
- changes in product pricing assumptions;
- major changes in mine plans and/or resources;
- changes in equipment life or capability;
- emergence of previously underestimated technical challenges; and
- environmental or social factors which may affect a licence to operate.

Except for statutory liability which cannot be excluded, Iluka, its officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the material contained in this presentation and exclude all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission there from.

Iluka does not undertake any obligation to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

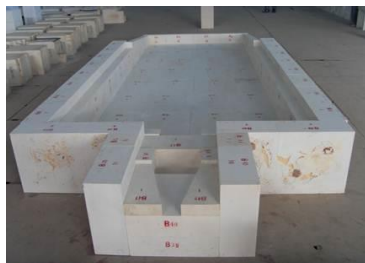
Non-IFRS Financial Information

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.

This presentation constitutes a summary of Iluka’s financial performance and should be read in conjunction with the Iluka Resources Limited ASX Preliminary Final Report – 31 December 2014, which contains financial statements and consolidated financial statements of the group.

- **Zircon Markets in 2017**
- **Supply & Demand Balance**
- **Commodity vs Industrial Mineral**

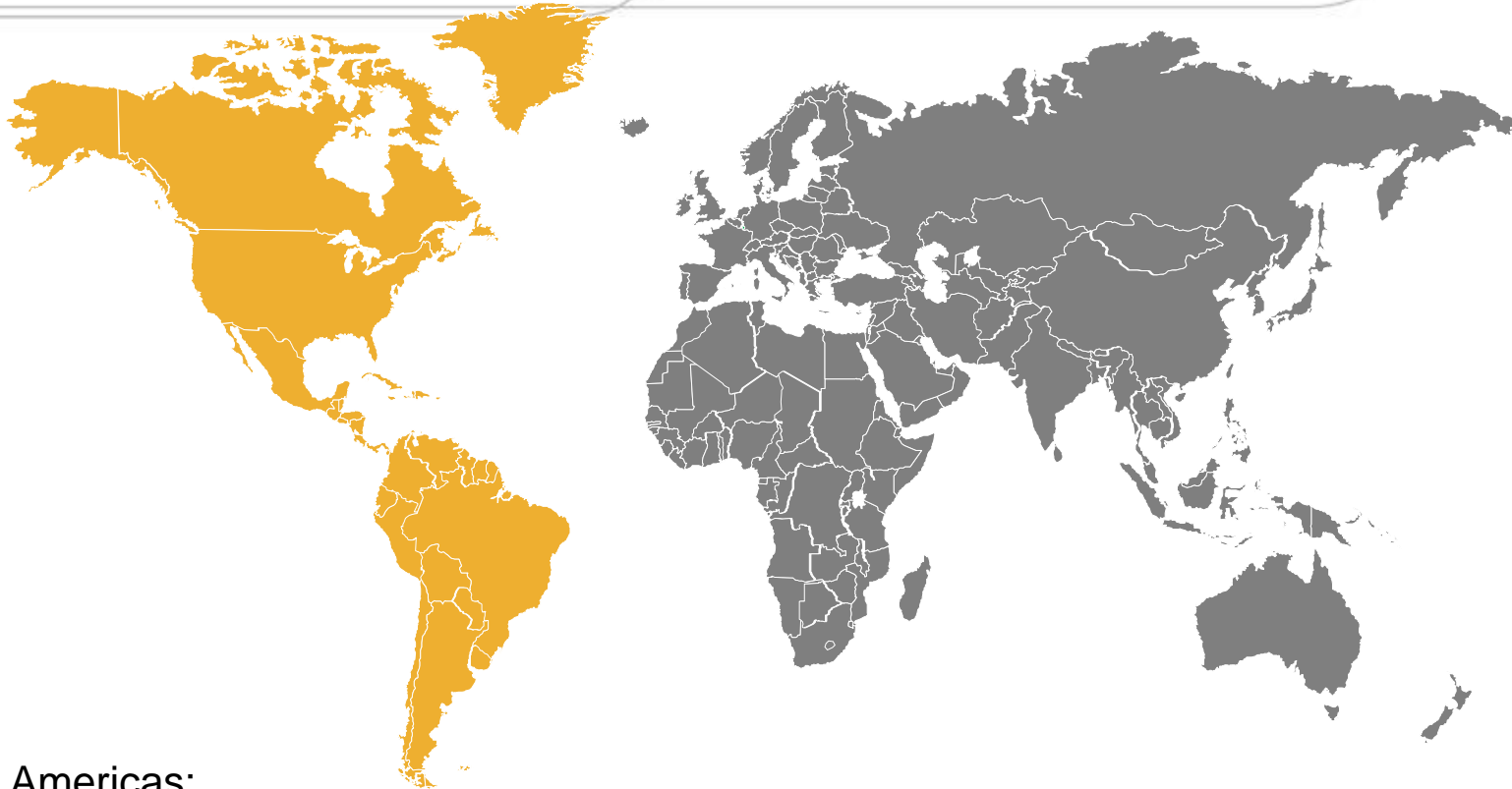
Zircon Markets in 2017



General observations:

- Low overall growth over the last few years.
- Ceramics continues to grow moderately.
- Steel and glass overcapacity has weighed on refractories.
- Global infrastructure needs.
- China hasn't hard landed.
- New forecasts: light at the end of the tunnel?

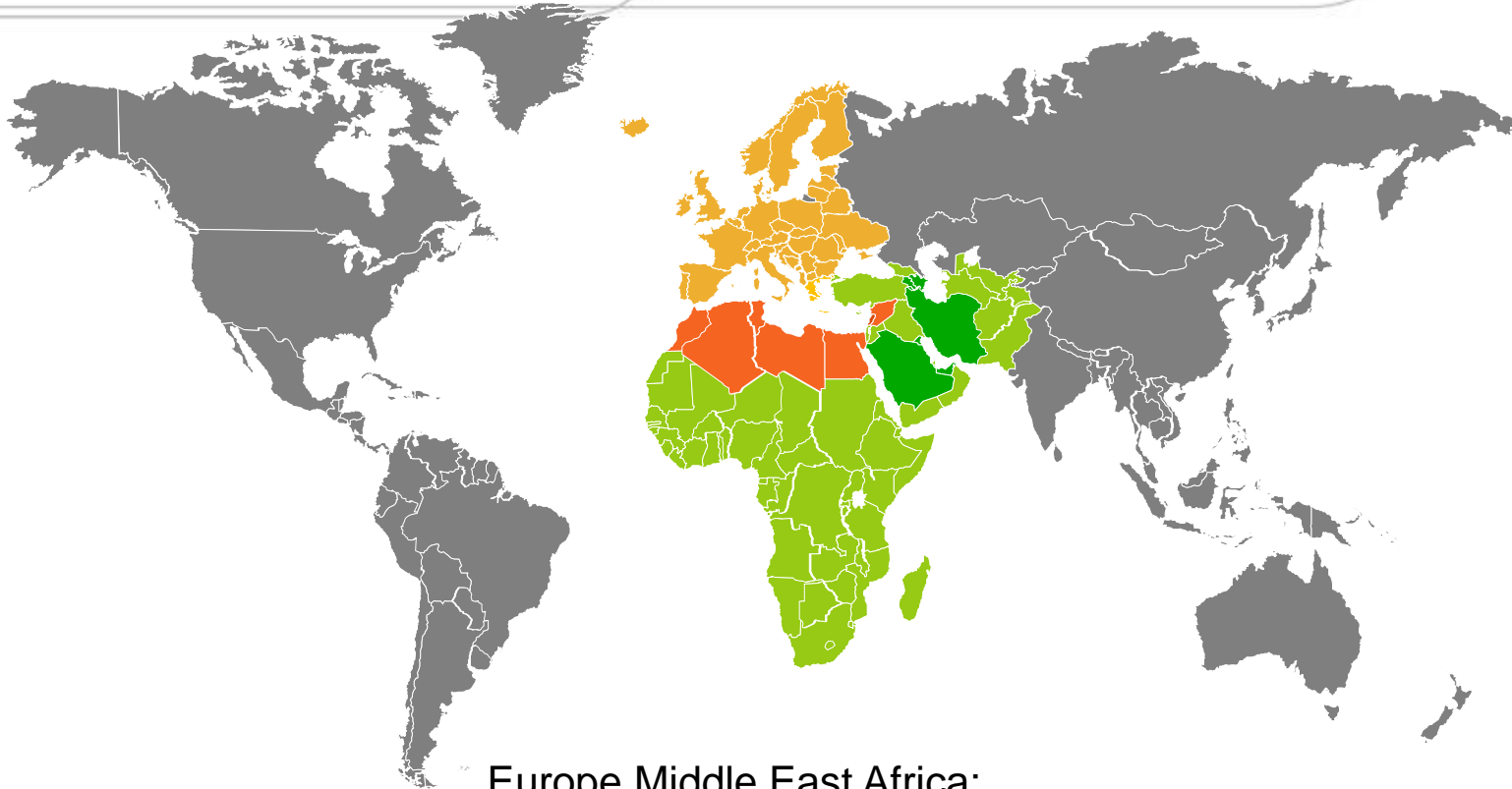
Zircon Markets in 2017



Americas:

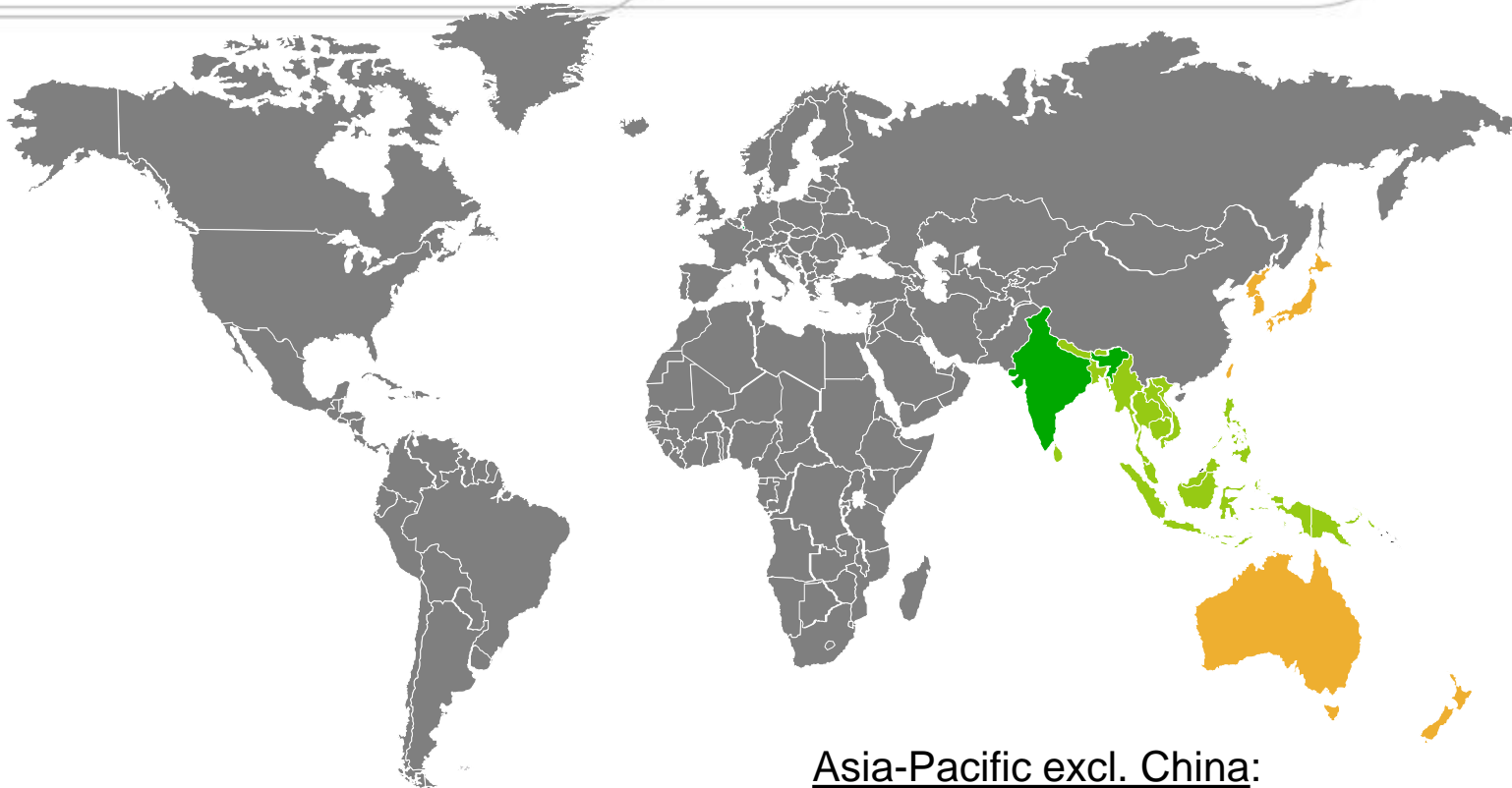
- Stable demand in North America.
- ✗ Infrastructure projects.
- ✗ No increase yet in Oil & Gas .
- ✓ Aerospace and automotive are faring well.

Zircon Markets in 2017



- Europe in line with seasonal trend.
- ✓ Spanish and Italian ceramic markets.
- ✓ Middle East demand improving.
- ✗ North Africa still facing difficulties.

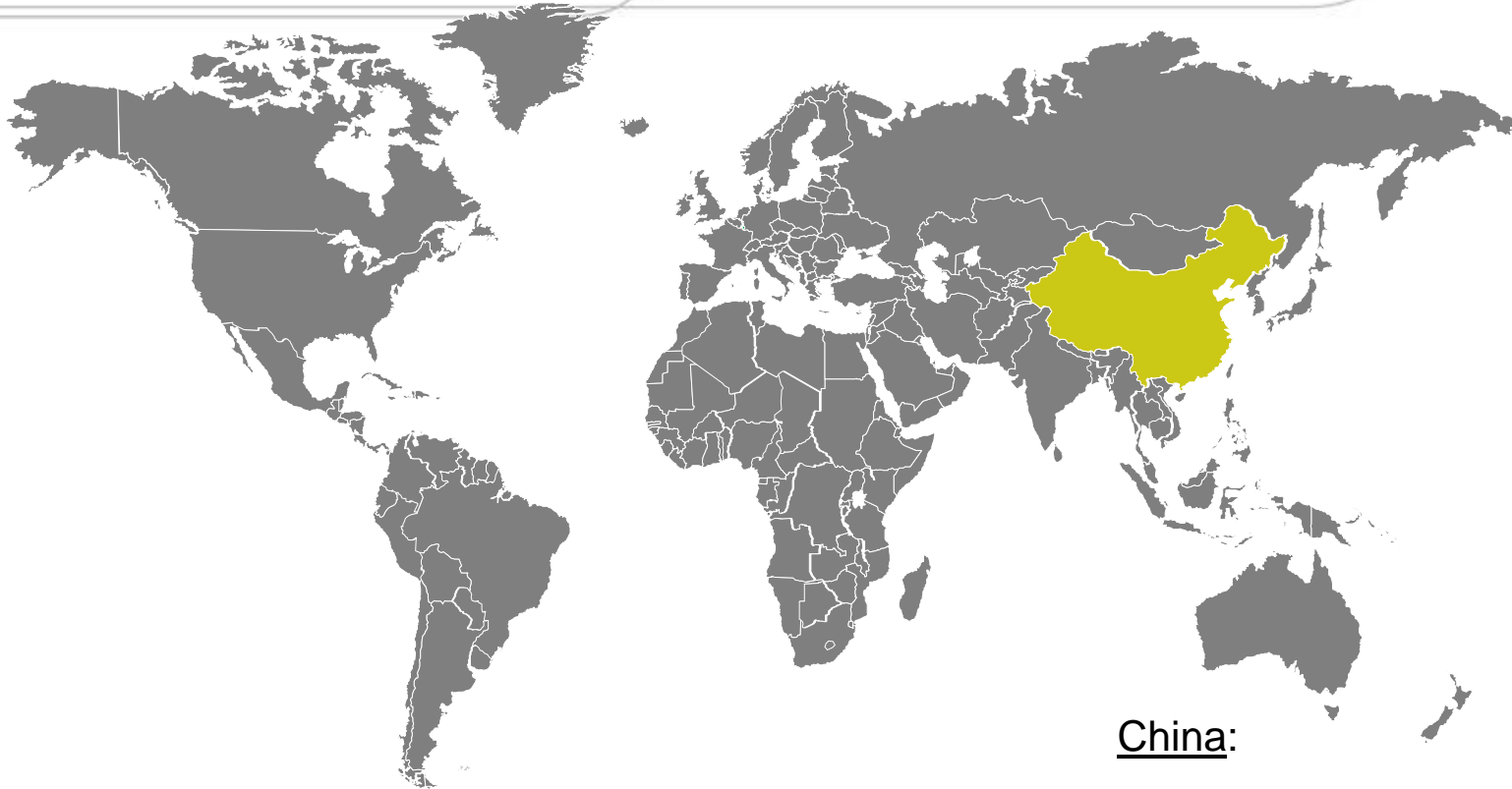
Zircon Markets in 2017



Asia-Pacific excl. China:

- ✓ India: strong growth, infrastructure & reforms
- Asean: stable but highly competitive
- Japan/Korea/Taiwan: wait-and-see, positive signs

Zircon Markets in 2017



China:

- Overall stable, low level of stocks.
- ✓ Real estate still positive.
- ✗ Environmental closures (from North to South).
- ✓ Industry consolidation.

- **Zircon Markets in 2017**
- **Supply & Demand Balance**
- **Commodity vs Industrial Mineral**

Supply & Demand Balance

Tightness has arrived

Recovery in prices
since 2H 2016



Downstream
restocking
movement



Reduction in producer-
held inventories



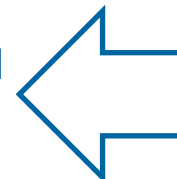
Buyers can't
stock up much



- No inventory build up and some demand can't be met.
- However underlying demand shows very modest growth overall.



Mix of denial and
active buying



Iluka balances supply
when some miners
reduce deliveries

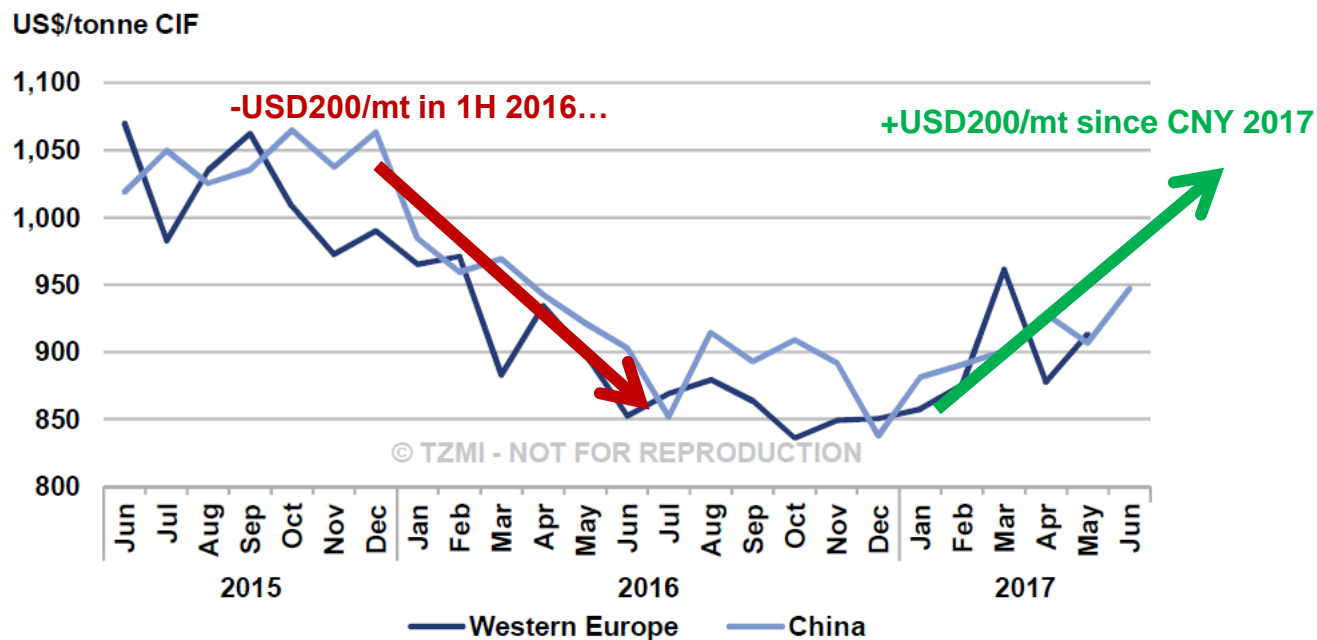
Supply & Demand Balance

Tightness has arrived

The change was very quick

AVERAGE CIF PRICES FOR BULK ZIRCON INTO CHINA AND WESTERN EUROPE: JUNE 2015 – JUNE 2017

Unsustainable prices don't last.

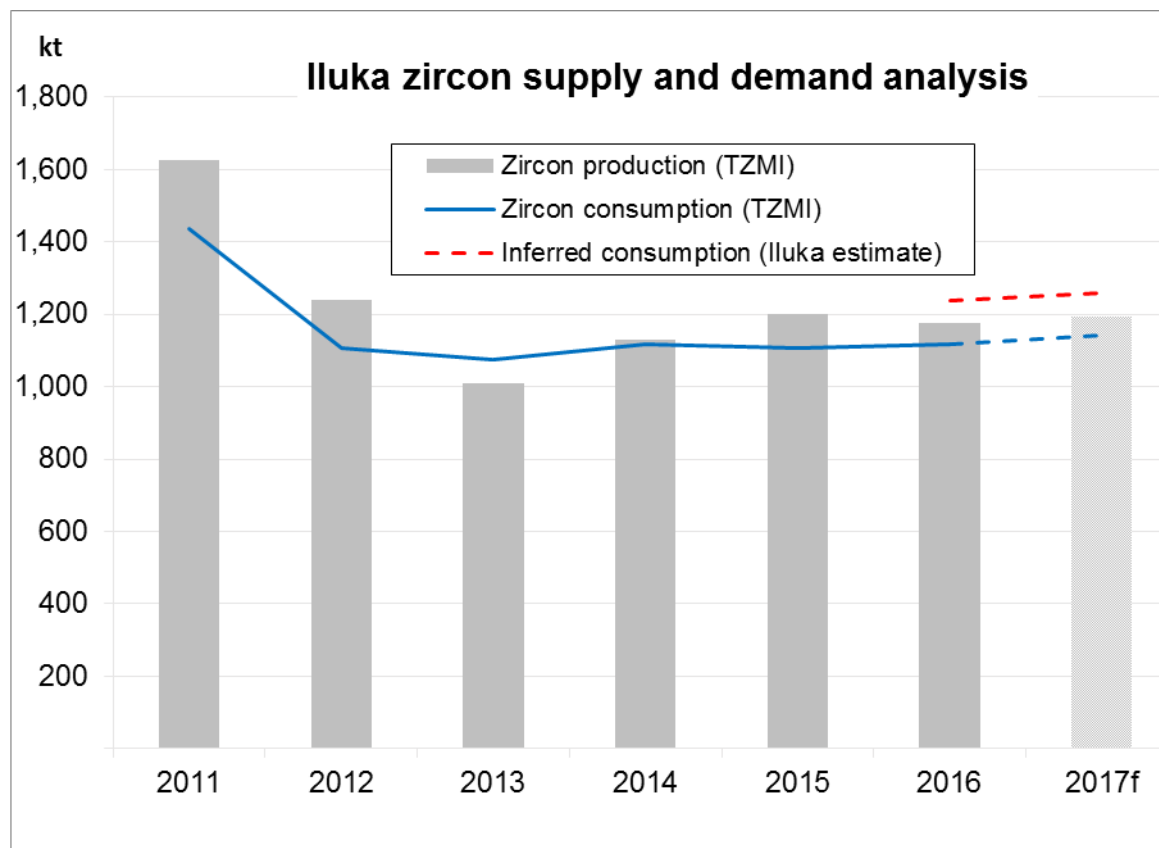


Supply & Demand Balance

Tightness has arrived

The change was very quick

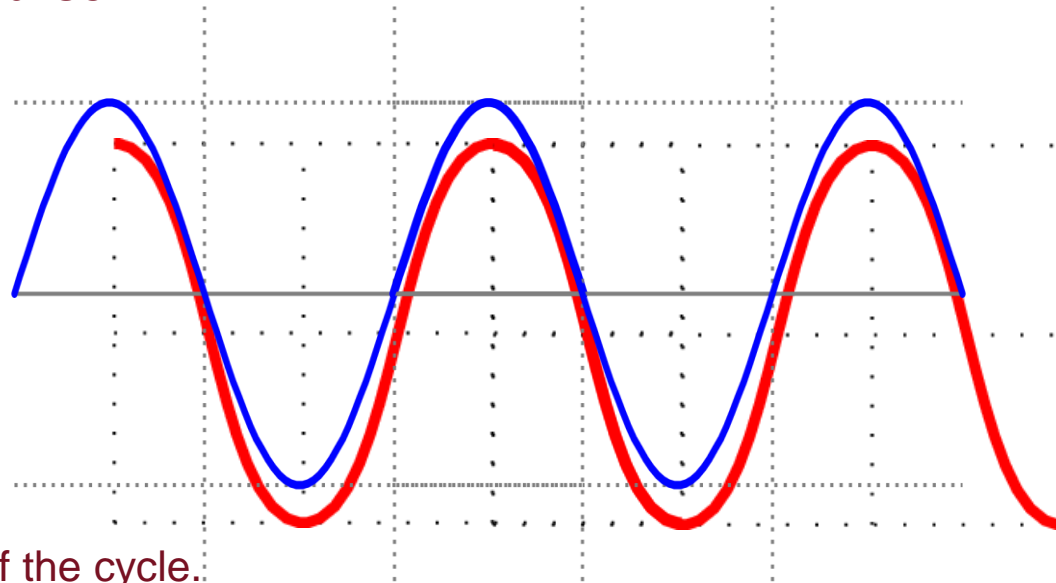
Many were surprised



- Zircon Markets in 2017
- **Supply & Demand Balance**
- **Commodity vs Industrial Mineral**

Commodity vs Industrial Mineral

The “Commodity Curse”



- Taking advantage of the cycle.
- Not focusing on product value.
- Insufficient margin throughout the cycle.
- Behaviour reproduces the cycle.

ILUKA

- prefers LT sustainable pricing based on value-in-use,
- won't engage in opportunistic pricing and fuel a short peak.

Commodity vs Industrial Mineral

Zircon is a better product... but there are lower quality substitutes



- ✓ Opacity – whiteness
- ✓ Hardness
- ✓ Low thermal expansion
- ✓ High melting point
- ✓ Thermal conductivity
- ✓ Chemically inert
- ✓ Low neutron absorption

ALUMINA

FELDSPAR



.....

KAOLIN

CHROMITE

S.MULLITE

Commodity vs Industrial Mineral

What the industry should focus on

DEVELOPING VALUE:

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

INDUSTRIAL MINERALS:

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

2017-2019 isn't 2010-2012

Responsible behaviour to ensure long term prosperity of all in our industry.

Christian Barbier, General Manager Zircon Sales
christian.barbier@iluka.com

