

Iluka Resources Limited



Bank of America Merrill Lynch Global Metals, Mining and Steel Conference

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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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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.

Mineral Sands – Part of Everyday Life



**Roof/building/
construction**

Home/office

**Bathroom/
lifestyle**

**Kitchen/
utilities**

Automotive

**Sporting goods/
recreation**

**Healthcare/
medicine**

**Aircraft/
industry**



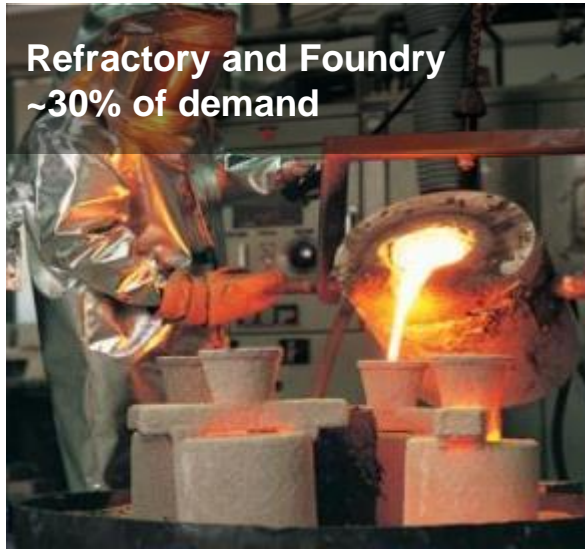
Zircon Applications

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

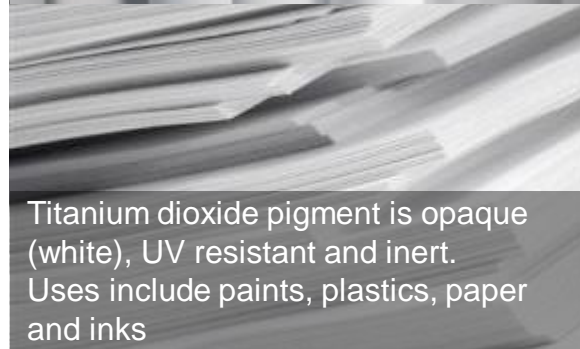


Zircon has many unique properties
Uses include fibre optics, electronics, catalytic converters, nuclear fuel rods, cosmetics

Titanium Applications



Pigment
~90% of demand



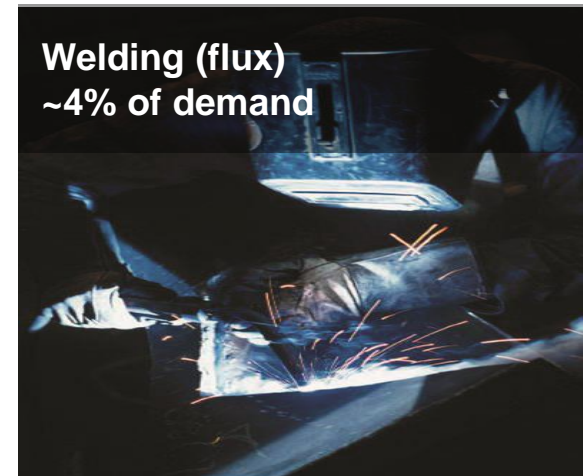
Titanium dioxide pigment is opaque (white), UV resistant and inert. Uses include paints, plastics, paper and inks



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



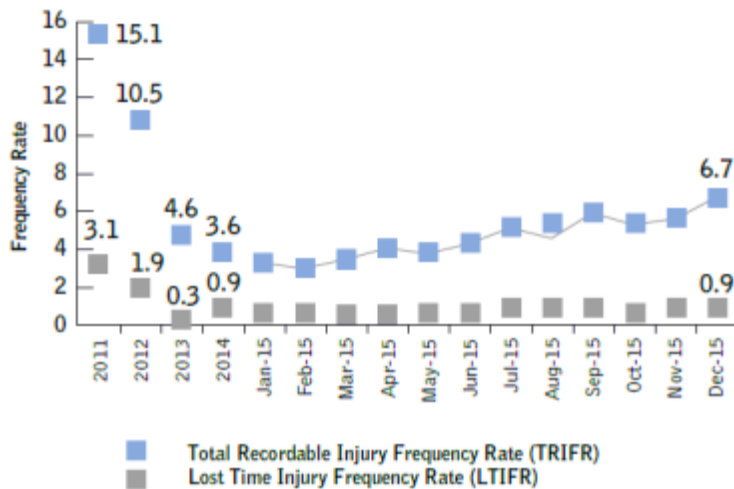
Nanomaterials
Growing market

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

Objective – to create and deliver value for shareholders

- ~A\$2.4 bn market capitalisation; 6th ranked Australian resource company
- Leading position in mineral sands industry
 - largest producer of zircon – market share ~35%
 - significant high grade titanium dioxide feedstock producer
- Production assets in Australia and US (some idled currently)
- Comprehensive marketing presence and capability
- Long life iron ore royalty from BHP Billiton's Mining Area C in WA
- Two Australian mineral sands projects at advanced stages of evaluation/planning
- Investments in Metalysis (titanium powder UK) and Tapira (Vale JV Brazil) opportunities
- Shareholder focus – asset flex; capital discipline; options; counter-cyclical investing
- Strong balance sheet

Injury frequency rates



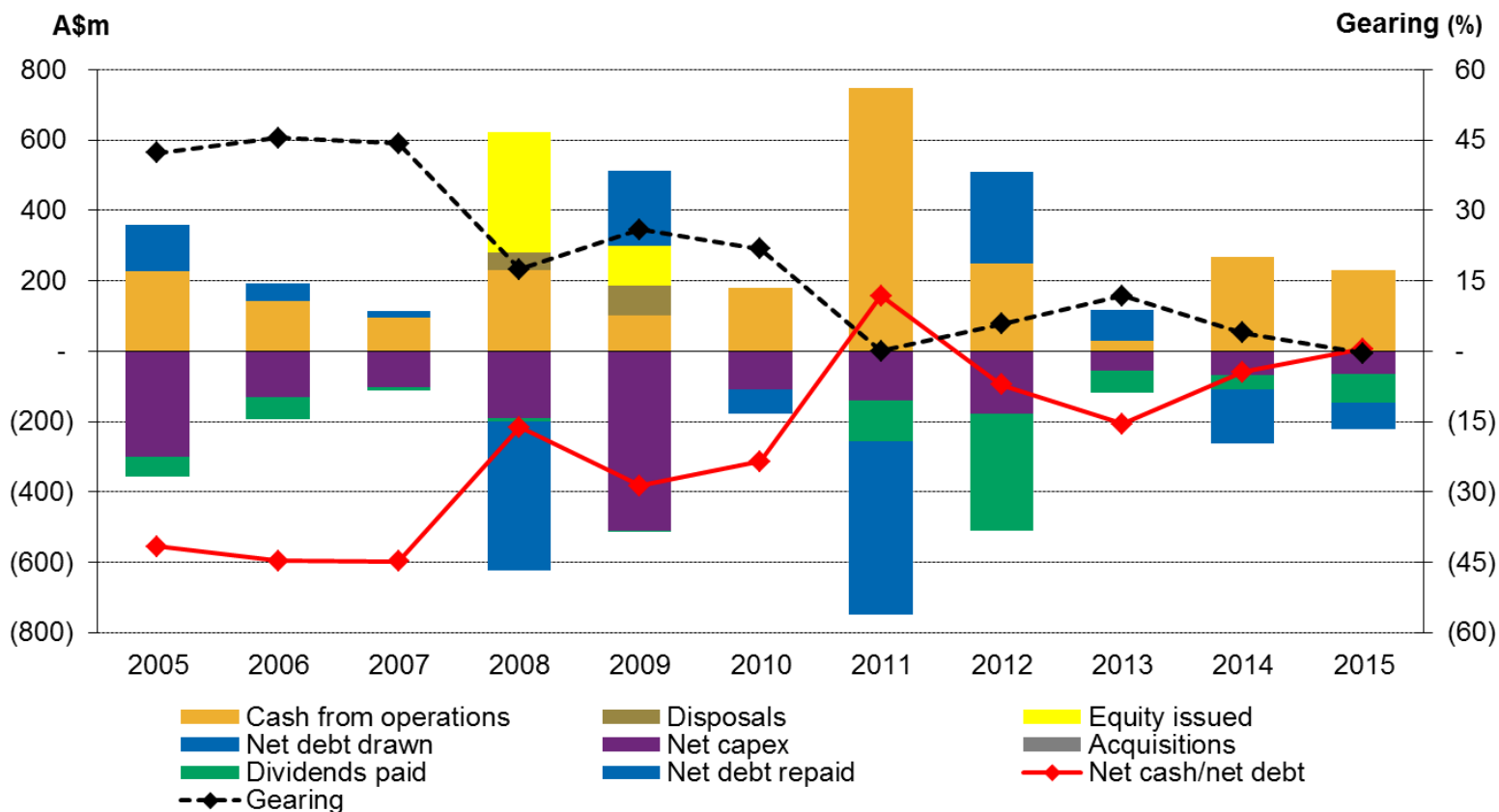
- Stable LTIFR, increase in TRIFR – minor injuries/first aid – additional focus
- Strong safety culture/performance evidenced by exemplary synthetic rutile kiln restart
- Excellent land rehabilitation progress – 3rd consecutive year of net closure

Capital Management Discipline



- Iluka's approach:
 - maintain a strong balance sheet
- Iluka's distribution framework:
 - pay a minimum 40% of FCF not required for investing or balance sheet activity
 - distribute maximum practicable level of available franking credits
- Balance sheet 2015 year end:
 - zero net debt
 - facilities available \$1,010 million
 - average tenor 4 years
- Distributions (incl 2015 final dividend of 19 cents)
 - 2010 – 2015 cumulative 68% of FCF returned to shareholders
 - franking account balance available for future years \$103m (equal to FF divs of 57 cps)

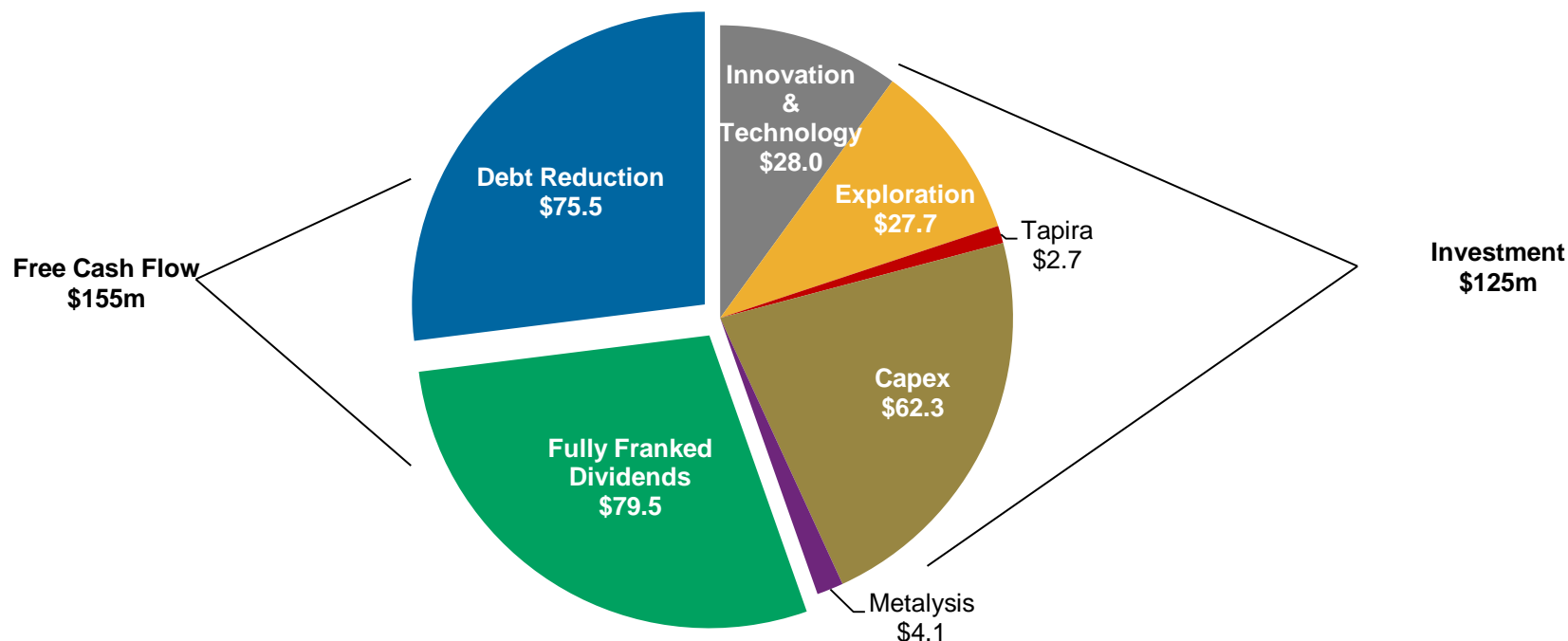
Capital Management Trend



- Shareholder focused capital management approach evident since 2007
- 2010 - 2015 cash returned to shareholders >2X cash retained (\$715m vs \$340m)
- Balance sheet strength enhanced in 2015 – additional facilities, longer tenor
- Significant funding headroom – ability to act counter-cyclically

Balanced Apportionment of 2015 Cash Flow

2015 Operating Cash Flow Usage (\$m)




Net cash inflow from operating activities in the 2015 Financial Statements of \$229.5m includes expenditure for innovation & technology (\$28.0m), exploration (\$27.7m) and Tapira (\$2.7m). Free cash flow includes a net outflow of \$8.1m comprised of purchase of Treasury Shares (\$9.0m) and asset sales income (\$0.9m).

Net debt decreased \$65.0m compared to the previous corresponding period due to free cash flow for the year of \$155.0m, payments of \$79.5m in respect of the 13c 2014 final dividend in March 2015 and the 6c 2015 interim dividend in October 2015, currency translation impacts of \$8.1m on the USD component of net debt and amortisation of deferred borrowing costs of \$2.4m.

- Pre-investing cash flows of \$279.8 million used to fund \$124.8m of future growth opportunities
- Remaining \$155.0 million of free cash flow used to:
 - pay down debt (\$75.5 million)
 - pay dividends (\$79.5 million)

Mineral Sands Value Chain



CAPITAL DISCIPLINE AND BALANCE SHEET MANAGEMENT

RESOURCE DEVELOPMENT

MINING AND PROCESSING

MINERAL SANDS PROJECTS/GROWTH OPTIONS

SUSTAINABLE DEVELOPMENT

CUSTOMER FOCUS

MINERAL SANDS – PART OF EVERYDAY LIFE

- Focus on return on capital
- Pay as dividends a minimum of 40% of free cash flow
- Distribute maximum practicable level of available franking credits
- Maintain a strong, effective and efficient balance sheet
- Investments assessed in terms of market supply / demand as well as financial characteristics

- Resource identification, delineation and resource-reserve conversion focus

Exploration – mineral sands

- Consistent investment
- Internal geological and geophysical expertise
- Australian presence, expanding international activities

Exploration – other minerals

- Specialist team – focus on other minerals on Iluka tenements

Farm in & farm out arrangements

Innovation and technology

Commercialisation of non-conventional resources

- Integrated mining and processing
- Flex production in light of market demand
- Mining, concentrating and processing experience across multiple ore bodies over 60 years
- Ability to reactivate idled capacity
- New mining and processing approaches

Options at advanced evaluation

- Balranald, Cataby, Hickory, Aurelian Springs

Earlier stage evaluation

- Jacinth-Ambrosia satellite deposits; Puttalam (Sri Lanka)

Joint ventures

- Tapira mineralisation (Brazil with Vale S.A.)
- Adjacent investments
- Metalysis 28% interest / potentially disruptive new technology / focus on titanium powder production from high grade feedstocks

Mergers and acquisitions

- Assessment of mineral sands deposits in industry
- Willingness to invest counter-cyclically where strategic rationale and financial merit exist

- Governance – highest standards with established codes, policies and practices

- Integrating economic, environmental and social considerations into business practices

- Ensuring safe and responsible conduct underpins everything the Company does

- Environment – water, biodiversity, land rehabilitation and closure focus

Wide range of quality products

- 48 products, with different technical specifications
- 18 specifications of zircon
- Range of TiO₂ grade products
- Product development focus

People and product closer to customers

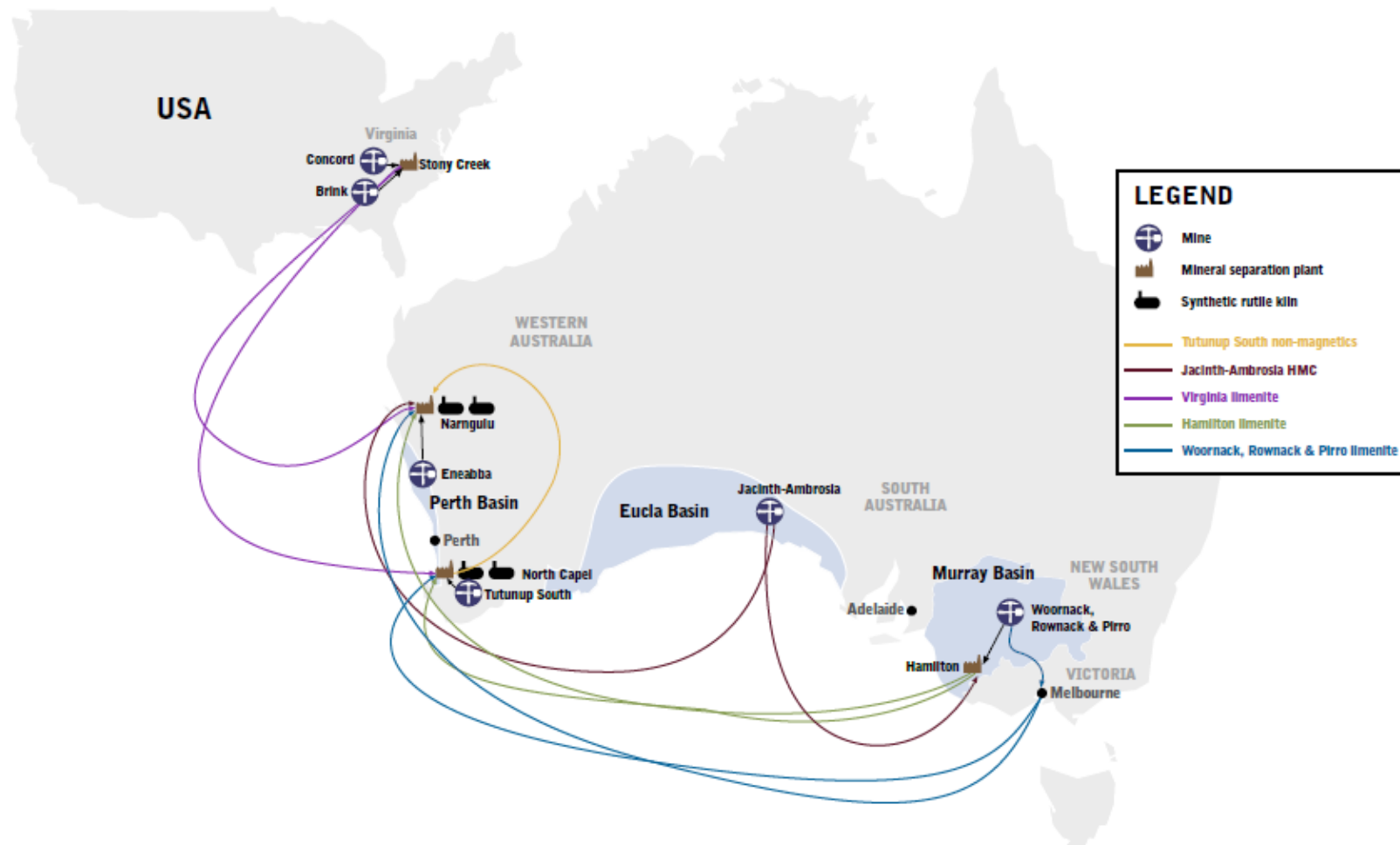
- 14 global points of distribution
- Logistics flexibility – small lot/container/cargo
- Marketing offices in 10 locations

Dedicated product sales teams

- TiO₂ and zircon sales teams
- Technical experts who understand customer businesses
- Trading arm

From everyday applications in the home and workplace, to medical, lifestyle and industrial applications, the unique properties of titanium dioxide and zircon are utilised in a vast and increasing array of products and applications.

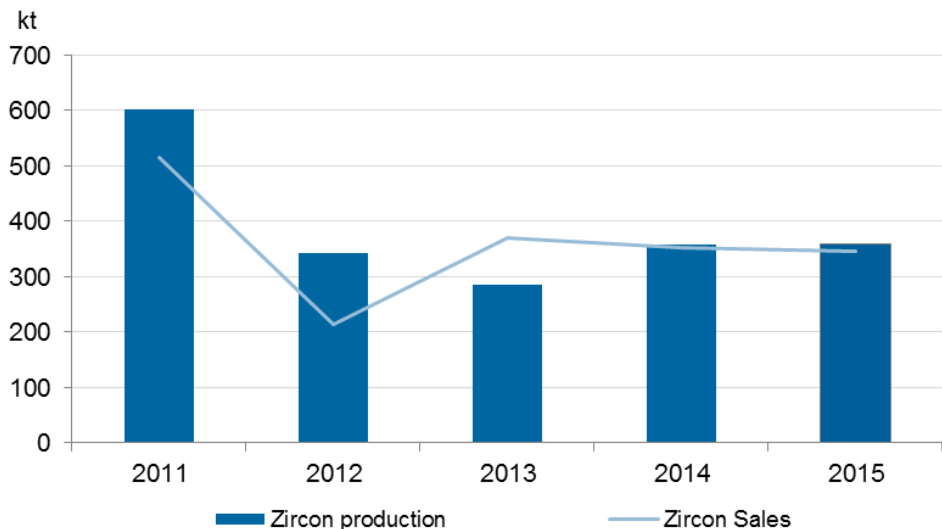
Integrated and Flexible Operations



Historical Production and Sales



Historical Zircon Production and Sales

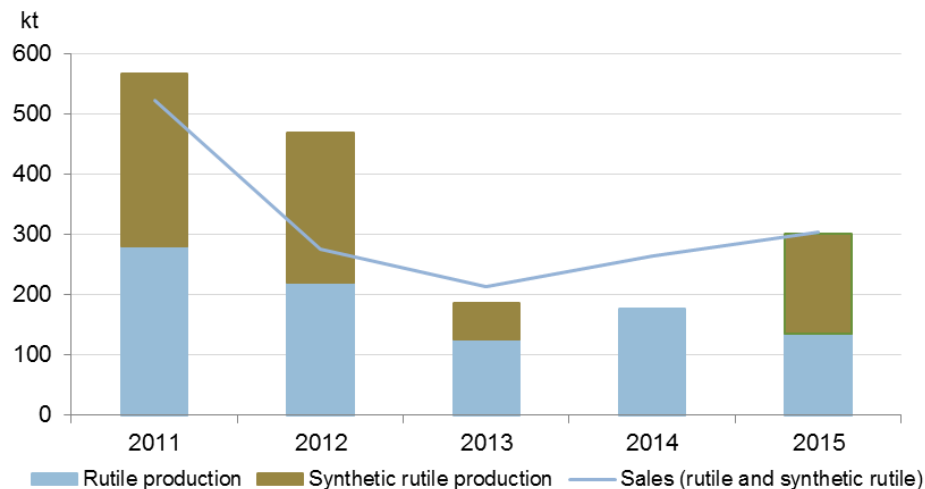


2011 - 2015

Cumulative zircon production	1,976kt
Cumulative zircon sales	1,797kt

Iluka's zircon logistics chain and nature of sales arrangements means that a 3 to 6 month inventory holding of finished goods is not atypical.

Historical Rutile and Synthetic rutile Production and Sales



2011 - 2015

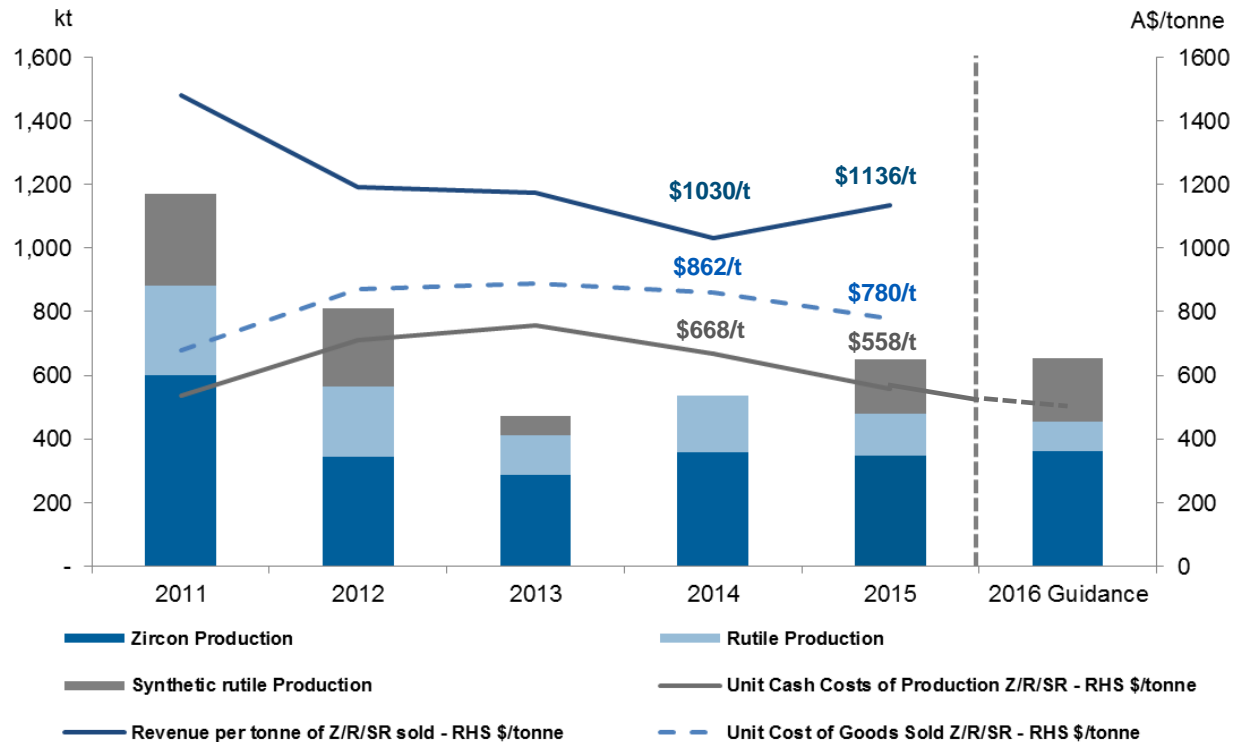
Cumulative rutile and synthetic rutile production	1,700kt
Cumulative rutile and synthetic rutile Sales	1,582kt

Iluka will typically hold finished goods inventory to maintain supply flexibility.

Unit Costs and Unit Revenue – 2016 Trend



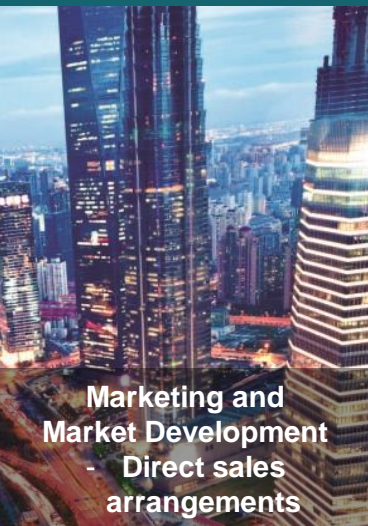
Production, Revenue per tonne Sold and Unit Cash Costs / COGS



- 2016 trend - lower cash costs of production; lower unit cash costs
- COGS should inform modeling - refer Iluka's Key Physical and Financial Parameters document for explanation

Iluka – Growth Focus

GROWTH FOCUS AREAS



Marketing and Market Development
- Direct sales arrangements



Projects Mineral Sands
- Internal options advanced



Exploration Mineral Sands / Other Commodities



Innovation and Technology
- resource commercialisation



Other Options
- Metalysis, Tapira

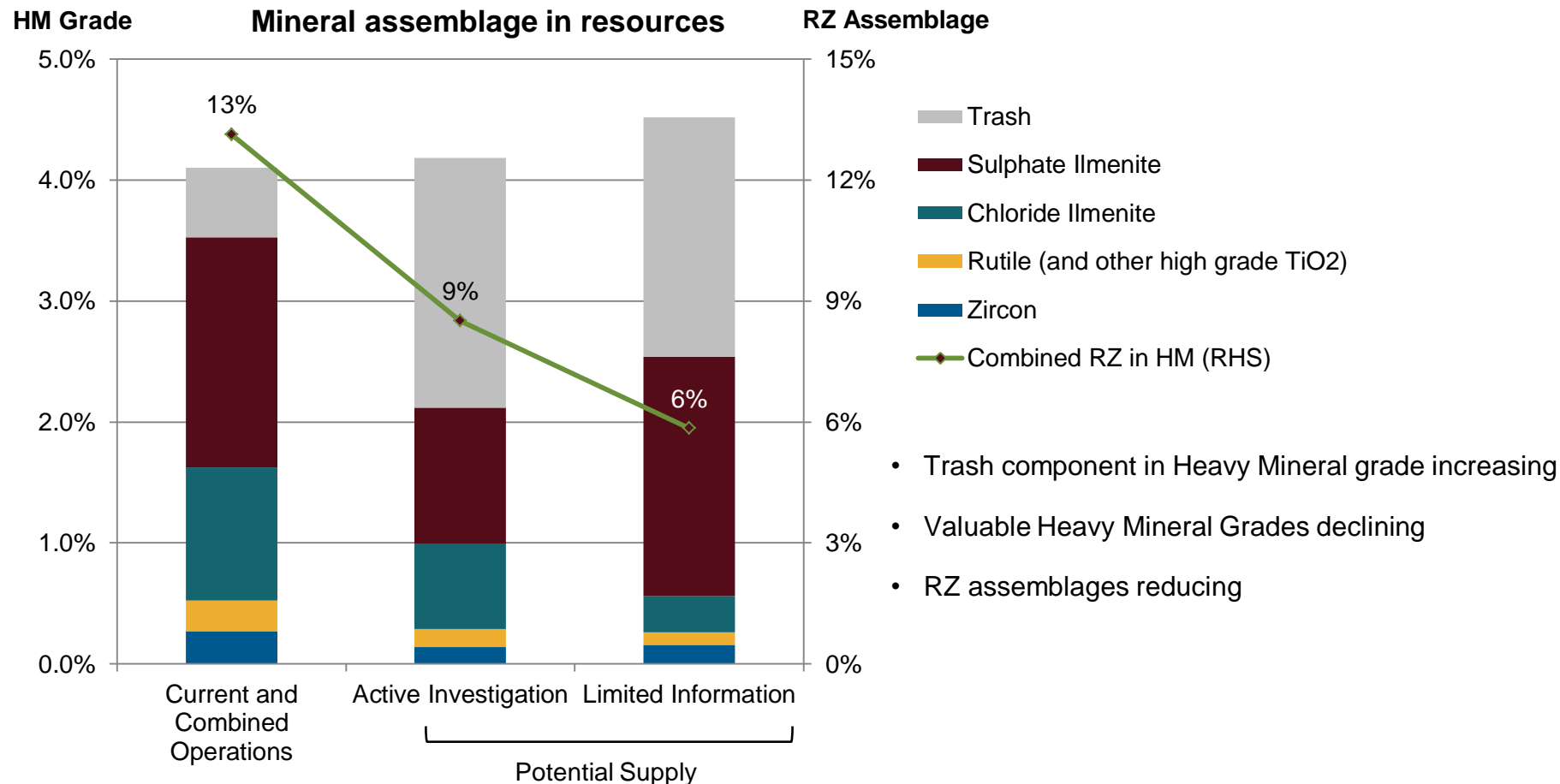
Acquisitions, Mergers and Joint Ventures

Where strategic rationale and financial merit can be demonstrated.

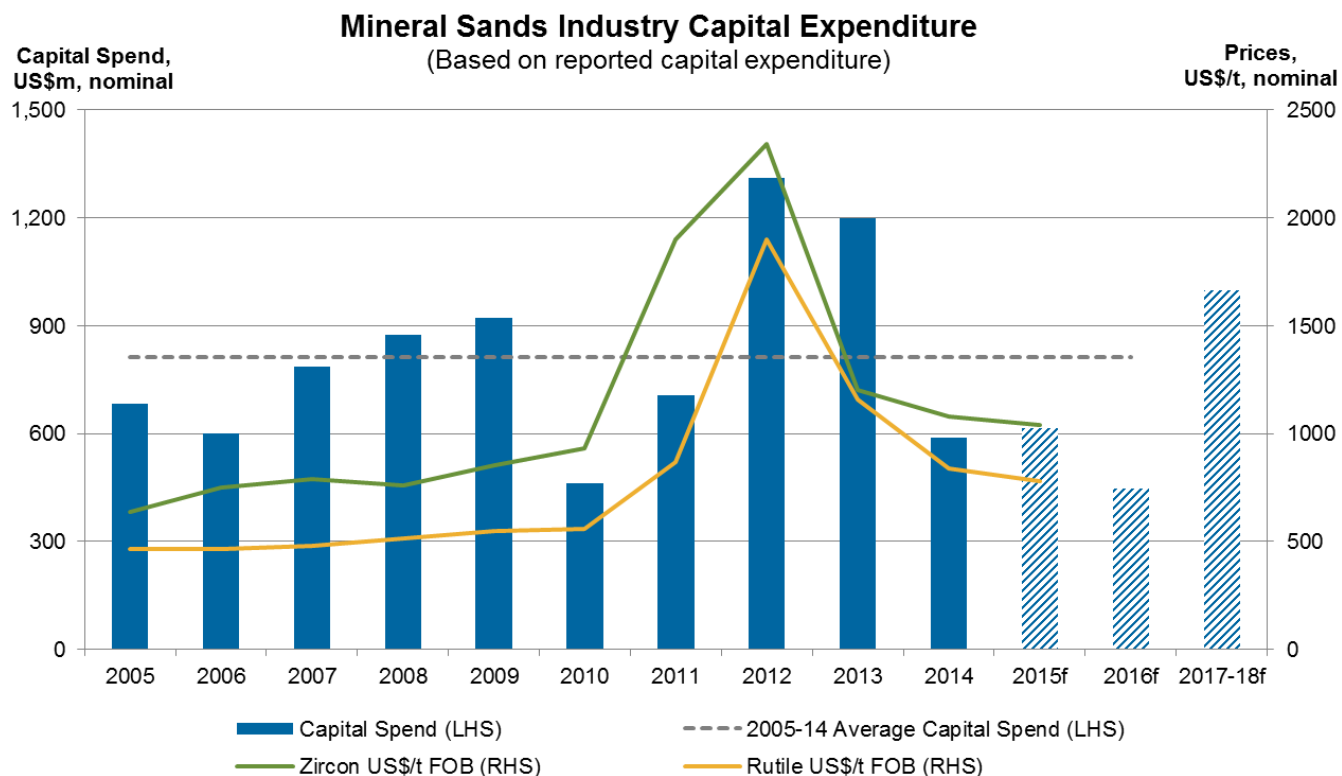
Industry Supply Considerations

- Short term factors
 - inventory and surplus upgrading capacity in hands of major producers
 - fresh capital (~\$1.6 billion) required to sustain production
 - cash flow and balance sheet stress for several industry players
- Supply forecasts should 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 ability to generate appropriate returns
 - prevailing prices (titanium feedstocks and zircon) unlikely to induce such supply
- Potential short to medium term supply shortfall

Global Grade and Assemblage Challenges



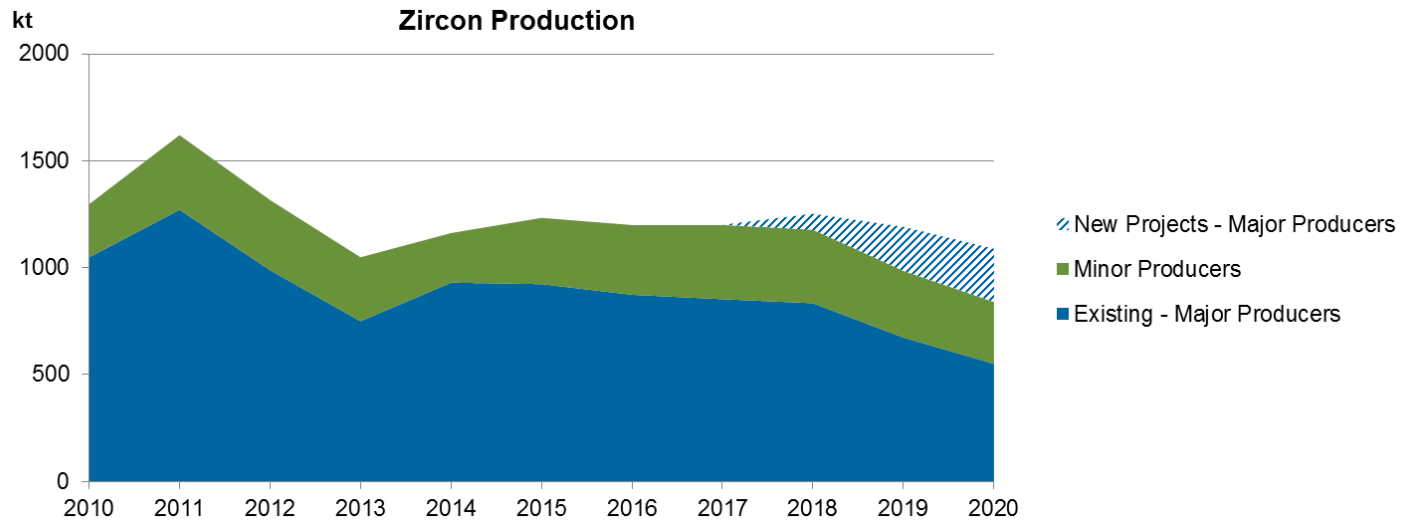
Industry Re-investment Activity



Source: TZMI, S&P Capital IQ, company announcements

- Iluka estimates ~US\$1.6b to be spent on major projects during the next few years to sustain production
 - this estimate excludes maintenance capital
 - relates to major existing producers, not potential new players

Zircon Supply Outlook

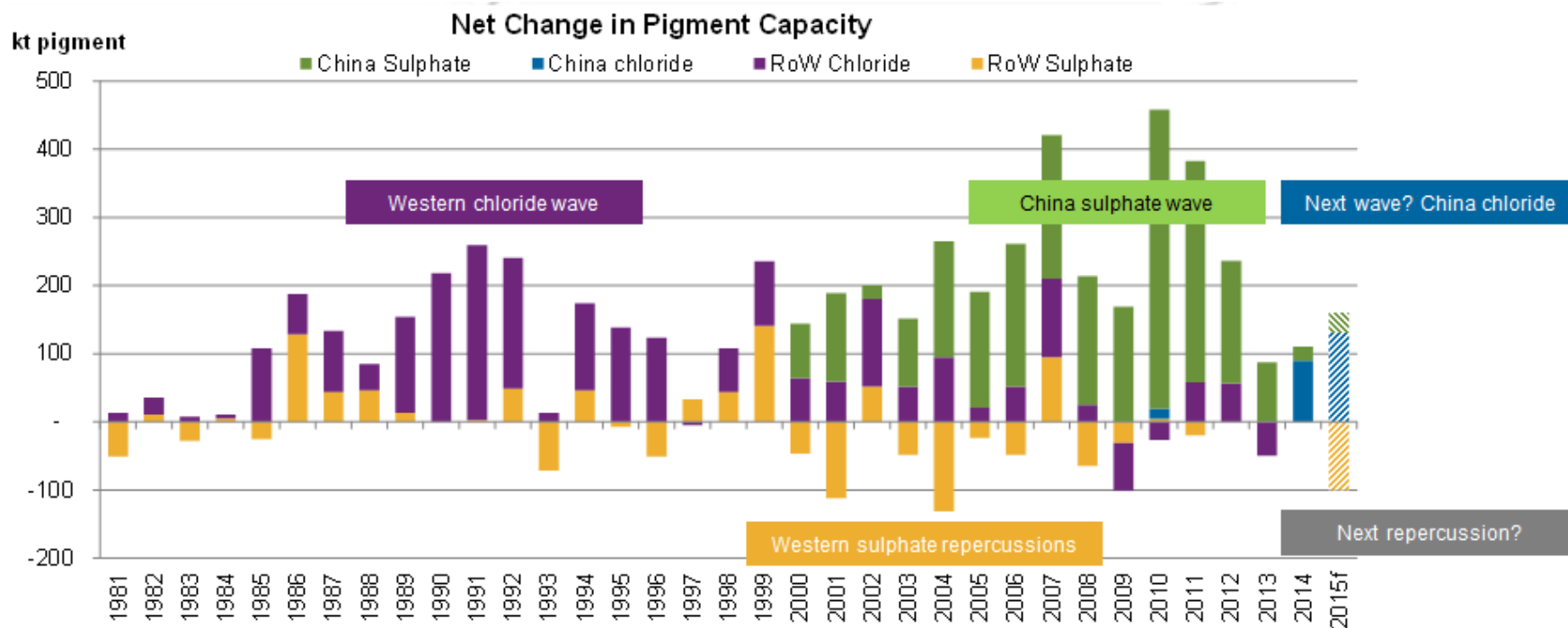


Source: Iluka

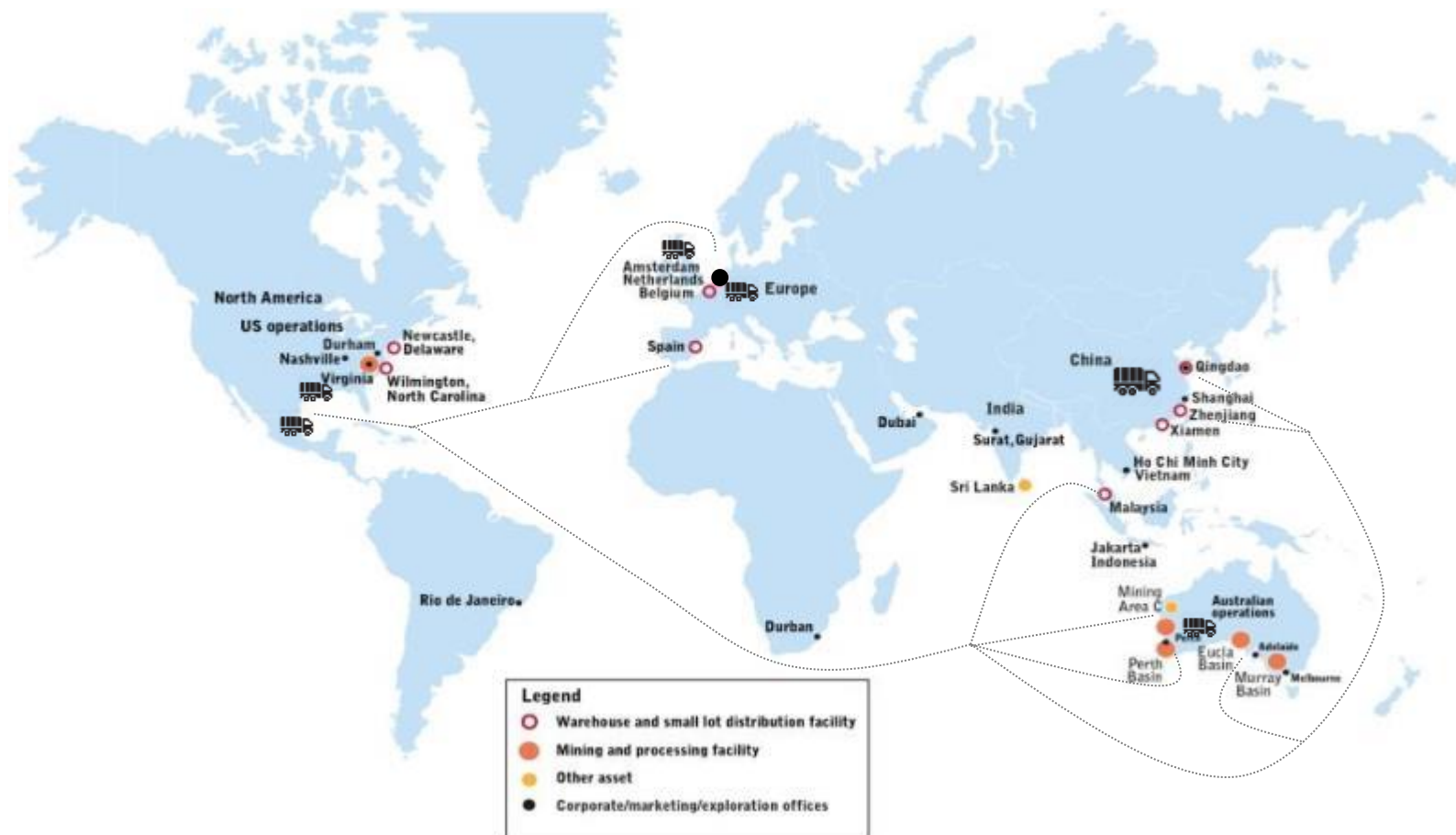
* Zircon production from 2016 onwards excludes any finished goods inventory held at 31 December 2015, but includes zircon processed from concentrate stockpiles held by Iluka at the end of 2015.

- Zircon from existing producers declining due to depletion and decline in grade and assemblage
- Minor producers not sufficient to fill emerging structural supply gap
- Existing inventory largely held by major producers (including Iluka)
- New zircon production dependent on co-product zircon from yet to be built TiO₂ mines
- No economic incentive currently to build such mines

Industry Technology Waves



Hub and Spoke Distribution



Commitment to Internal Project Development

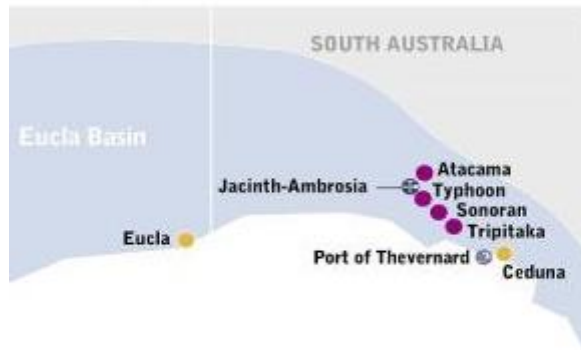
Balranald, Murray Basin, Victoria/NSW



Catby, Western Australia



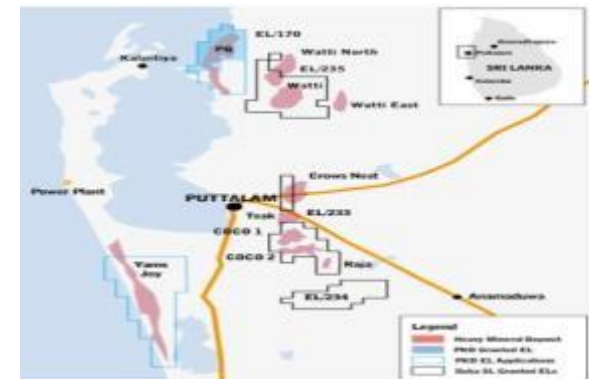
Eucla Basin, South Australia



Aurelian Springs/Hickory, United States



Puttalam, Sri Lanka



Exploration

- Well funded, consistent exploration programme ~\$20 million per annum
- Gated approach to exploration progress and expenditure
- Mineral sands exploration in Australia
 - testing new concepts in mature basins
- Increasing international activity
 - Sri Lanka, Kazakhstan, Brazil, US, Denmark
- Targeting ‘adjacent’ commodity opportunities also
- Capturing opportunities counter-cyclically



**Consistent Investment
in Exploration**

- Means to address resource challenges – current and future
- Network of site based process specialists supported by central technology group
- Dedicated Metallurgical Test Facility (MTF):
 - mimics mineral sands value chain
 - supports development of new technologies
- Supported by Iluka Analytical Laboratories
- Additional support from ANSTO, CSIRO Minerals, Mintek, JKMRC, Curtin University
- Technical bench strength:
 - MTF: 11 technical officers and metallurgists ~150 years mineral sands experience
 - technology group: 20 metallurgists/chemical engineers ~230 years experience
 - International mineral sands experience – e.g. South Africa, Africa, Europe, Asia

Metalysis, UK

- Iluka equity holding of 28%
- Potential to revolutionise metal powder production:
 - cost-effective and simple
 - transformational products
- Iluka shareholder value potential:
 - large position in valuable company (IPO)
 - titanium feedstock supply and customisation
 - increased global demand for Iluka feedstocks
 - right of first offer over Ti production licences

SR Mineral

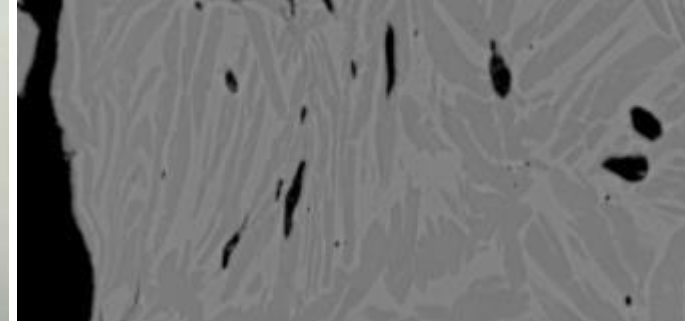


Ti Billet




Metalysis

Grain structure of SR sourced Ti metal



Business Characteristics - 2016



- Continued investment in exploration, technology, marketing, people
- First half, significant investment in innovative mining and processing solutions
- Cataby project execute planning and Balranald project FS Stage 1 completion
- Physical and financial parameters (February Guidance):
 - Z/R/SR sales volumes higher than 2015 sales and 2016 production
 - initial work in progress inventory drawdown
 - materially lower total cash costs and unit cash cost of production
 - low organic capital expenditure
 - free cash flow generation, strongly 2H weighted

Market Conditions – Zircon

- January/February sales in line with expectations
- Low zircon buying in March for price-related reasons
 - rumoured 2Q price reduction by a major supplier
- Iluka ASX Release 7 April
 - Zircon Reference Price reduced by ~10% to ~US\$950/tonne¹
- European zircon demand firmer
- Americas demand stable
- Iluka expects recovery in zircon volumes in the second quarter
- Value maximisation objective across product portfolio

¹ Note – Zircon prices reflect the weighted average price for zircon premium and zircon standard, also with a weighted average price for all zircon materials, including zircon in concentrate and zircon tailings. The prices for each product vary considerably, as does the mix of such products sold period to period. For example, Iluka sold more zircon standard and zircon in concentrate in the second half of 2015 compared with the first half of 2015 and more in 2015 than 2014. In the case of rutile, Iluka sells a lower titanium dioxide product, HyTi.

Market Conditions – High Grade TiO₂

- Demand for TiO₂ pigment (largest market for feedstocks) improved since end of 2015
 - series of price increases for pigment announced
- Earlier R/SR supply requested by some customers
- Additional TiO₂ sales secured above contracted volumes
- Demand improvement, firmer prices in smaller, niche markets, e.g. welding
- TiO₂ recovery to precede zircon recovery?

Investment Considerations – Near Term

- Sound financial position at “low point” of cycle
 - reasonable margins, +ve cash flow, balance sheet strength
- Disciplined capital allocation and flexible investment timing
- Lower operating costs
- Value realisable from inventory
- Counter-cyclical opportunity to create/secure future growth options
 - bias to deploy capital
- Volume recovery normally expected to be pre-condition for price recovery
- Demand ‘green shoots’ – HGO, zircon

Investment Proposition – Medium Term

CREATE AND DELIVER VALUE FOR SHAREHOLDERS



SHAREHOLDER FOCUS

Iluka is focussed on shareholder returns through the cycle



FAVOURABLE MINERAL SANDS DEMAND VS SUPPLY

Favourable medium term demand dynamics vs challenging investment and supply outlook



TECHNICAL AND RESOURCE DIFFERENTIATION

Integrated mining and processing operations...flex production in light of market conditions



GROWTH OPPORTUNITIES

Internal growth options...commitment to innovation, exploration and market development

Iluka Resources Limited



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