

2015

Bank of America
Merrill Lynch
Conference,
Barcelona

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Iluka's Approach

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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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- changes in product pricing assumptions;
- major changes in mine plans and/or resources;
- changes in equipment life or capability;
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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.

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.

Mineral Sands – Part of Everyday Life

Titanium dioxide and zircon used in an increasing array of applications
- home, workplace, medical, lifestyle and industrial uses



Roof /
Building /
Construction

Home /
Office

Bathroom /
Lifestyle

Kitchen /
Utilities

Automotive

Sporting
goods /
Recreation

Health care /
Medicine

Aircraft /
Industry

Objective: Create and deliver value for shareholders

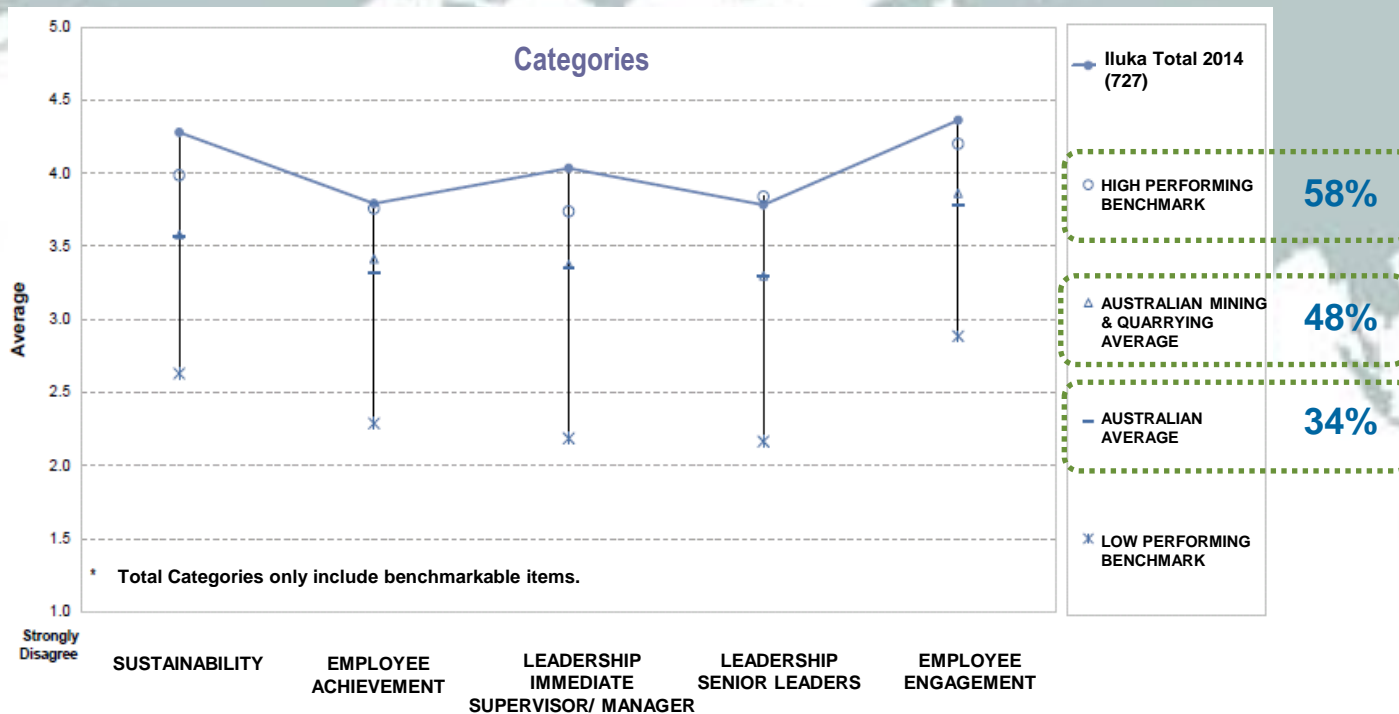


Three key aspects:

- flex asset operation in line with market demand
- preserve and advance growth opportunities
- act counter cyclically where appropriate

Culture – Employee Engagement

2006	2008	2010	2012	2014
28%	49%	59%	63%	69%



Flex Asset Operation

- Flex asset operation in line with market demand
 - seek to maintain attractive margin structure at low point of cycle
 - idle capacity but retain rapid reactivation capacity
 - accept inventory build and subsequent monetisation
 - focus on unit cost efficiency preservation
- Reflects focus on maximising NPV of resources and reserves
- As opposed to volume push or market share centric approach
- Industry structure and supply/demand views influence this approach

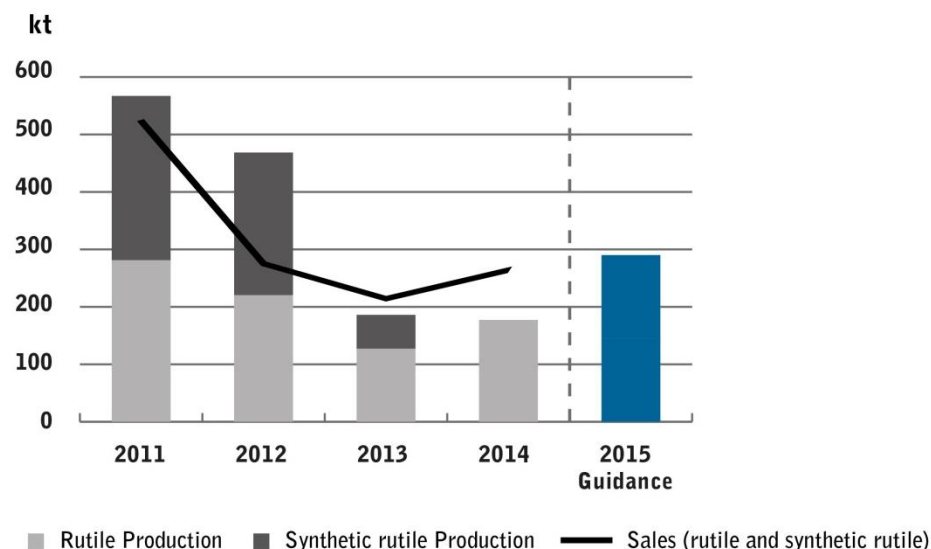
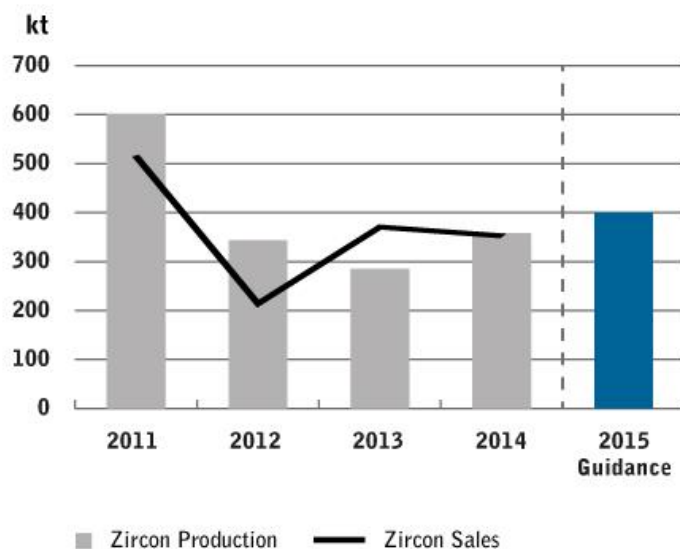
Asset Operation Flex – Results

- 2014 conditions challenging, but Iluka maintained:
 - free cash flow generation
 - balance sheet strength
 - inventory monetisation potential
 - production reactivation capability (at low / appropriate capital cost)
 - e.g. recent SR kiln reactivation
 - market development activities



**Synthetic Rutile Kiln
Perth Basin,
Western Australia**

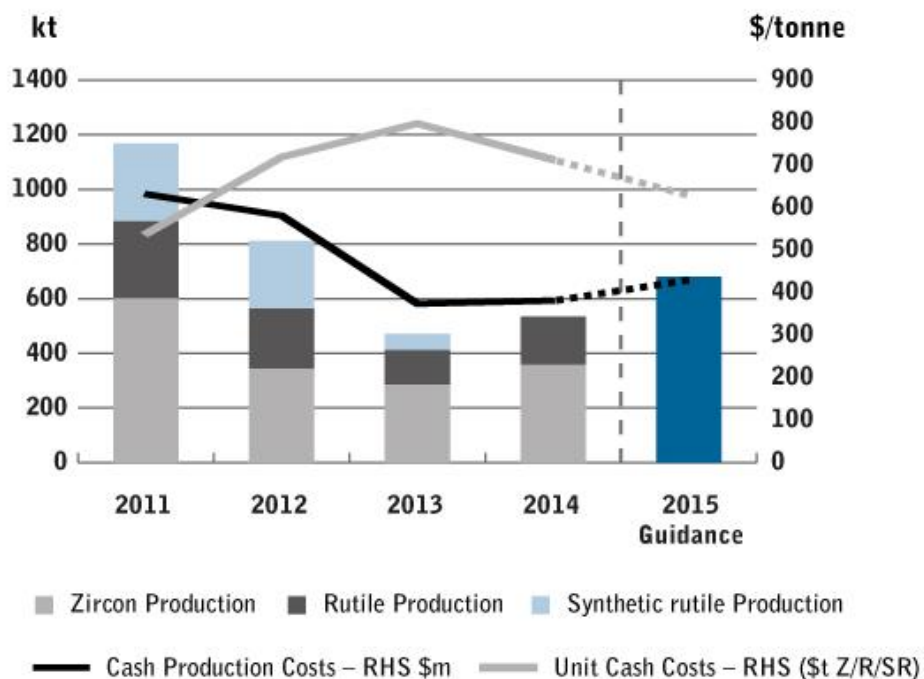
Production Reflects Market Conditions



- Total 2014 Z/R/SR production lower than 'high cycle' levels
 - higher Z/R/SR production expected in 2015
- Total sales Z/R/SR increased in 2014 and expected to be higher than production in 2015
- Sales 'match' production over the cycle

Production Cash Costs

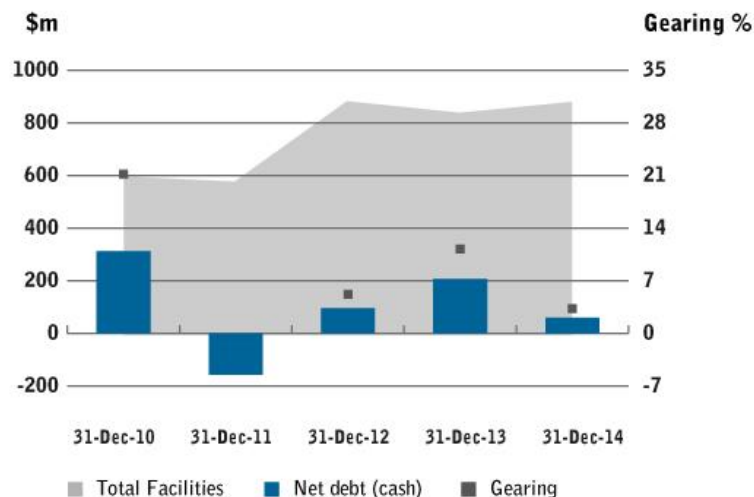
Z/R/SR PRODUCTION AND CASH PRODUCTION COSTS



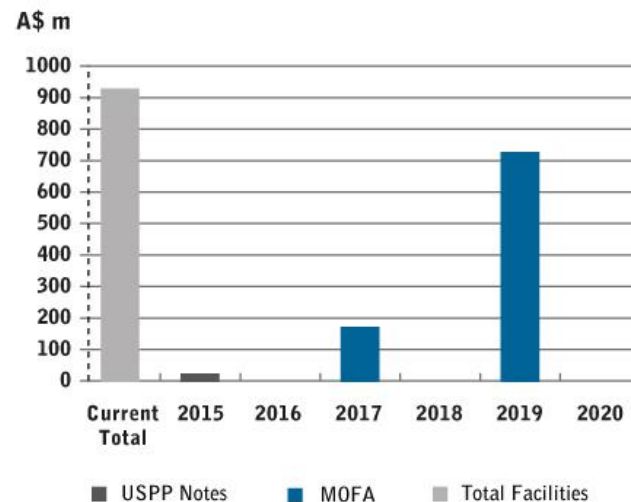
- Cost reduction focus during period of lower production
- Solid margins maintained (Group EBITDA margins of >30% during low cycle)
- Improving unit cash costs and margins expected as volumes grow (scale efficiencies)

Balance Sheet Strength

NET DEBT, GEARING FUNDING HEADROOM



ILUKA DEBT FACILITIES AND MATURITY PROFILE



- Strong balance sheet
 - low gearing / low net debt
 - significant funding headroom
- Total facilities of A\$926 million with majority not maturing until 2019
- Bilateral arrangements with 11 banks
 - common terms, flexibility, “caveat light”, low cost

Industry Feedstock Dynamics

VHM GRADE / ASSEMBLAGE DECLINE	MEDIUM TO LONGER TERM SUPPLY CHALLENGE	MATURING ORE BODIES / FRESH CAPITAL REQUIRED	HIGHER PRICES REQUIRED TO INCENTIVISE SUPPLY?	RISE OF CHINA – SULPHATE AND CHLORIDE PIGMENT
<ul style="list-style-type: none"> • Global decline in VHM <ul style="list-style-type: none"> – increasing trash • Global decline in assemblage <ul style="list-style-type: none"> – lower R/Z – higher sulphate ilmenite • Zircon and rutile credits critical to project economics • Technical challenges of new supply 	<ul style="list-style-type: none"> • Limited known high quality deposits • Poorer resources, often in higher risk jurisdictions • Supply issue in context of: <ul style="list-style-type: none"> – usage intensity increase (e.g. pigment in China) – urbanisation – consumerism – new applications 	<ul style="list-style-type: none"> • Major players operating within mature provinces • Increasing capital required to sustain production levels • Significant capital required for new supply to meet demand 	<ul style="list-style-type: none"> • Declining grades and assemblages <ul style="list-style-type: none"> – challenging economics • Operating costs increasing • Jurisdictional challenges more pronounced 	<ul style="list-style-type: none"> • China's consumption of TiO₂ is expected to continue growing • Production to date predominately sulphate • China chloride pigment industry encouraged • Requirement for imported feedstocks • Higher grade feedstock imports/ilmenite for domestic upgrading

Robust Demand Fundamentals

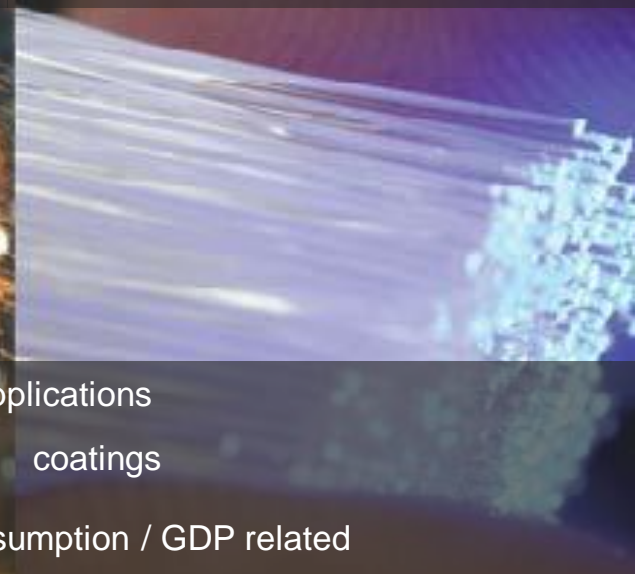
Urbanisation



Consumption based growth



Array of applications



ZIRCON	→	ceramics, range of chemical and consumer applications		
TITANIUM DIOXIDE	→	pigment	→	paint, plastics → coatings
MINERAL SANDS	→	mid-to-late cycle demand characteristics; consumption / GDP related		

Preserve / Advance Growth Opportunities

- View on industry fundamentals influences approach to maintaining multiple options
 - organic and inorganic
- Driven by medium term view of supply and demand, not short term
- Consistent areas of focus are:

EXPLORATION



INTERNAL PROJECTS



MARKET DEVELOPMENT



INNOVATION & TECHNOLOGY



Exploration

- Modest investment - \$20 million per annum
- Mineral sands exploration in Australia
 - large tenement positions in existing producing basins
- Increasing international focus
 - Sri Lanka, Kazakhstan, Brazil
- Targeting some 'adjacent' commodity opportunities
- Capturing opportunities when others are 'cash strapped'



**Consistent Investment
in Exploration**

Internal Projects

- Multiple mineral sands projects at different stages of evaluation
- Includes two material sources of potential global supply
- Current technical and financial analyses for these two options
 - support view that financial returns likely to be above risk weighted hurdle rate
- Evaluation and progression of projects to ‘shovel ready’ stage
 - goal to phase project commencement in line with demand
- Timing dependent on DFS outcomes, economics and market conditions

Internal Projects

CATABY, PERTH BASIN, WESTERN AUSTRALIA



- High quality chloride ilmenite deposit
 - material zircon / rutile co-product credits
- DFS completed
- Start date flexibility
- Utilisation of existing assets

BALRANALD, MURRAY BASIN, VICTORIA



- High grade deposit / rich assemblage, but deep
- Material source of global rutile and zircon supply
 - large ilmenite co-product stream
- DFS underway
- Utilisation of existing assets

Customer Service and Market Development

- Continued focus upon customer needs
- Expanded market presence and logistics flexibility
- Dedicated zircon and titanium dioxide sales teams
- Commitment to product quality and consistency
 - all products in 2014 delivered to defined specifications
- Product development
 - 8 new products launched in last 18 months
- Focused growth in developing markets
 - China Technical Centre to be established
- New zircon pricing and payments framework

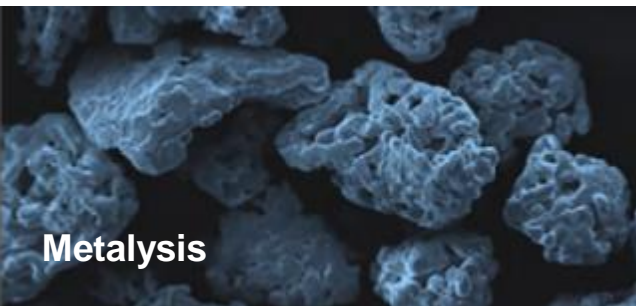


Artist's impression - Iluka China Technical Centre

- Industry specific technical expertise, self-sufficiency critical to success
- Ongoing commitment to enhancing Iluka's technical expertise
 - metallurgical knowledge and sophisticated processing capabilities
 - product development
- Current areas of innovation focus and investment
 - high grade sulphate pigment feed stock
 - resource to reserve conversion
 - technical input to Metalysis

Willingness to Act Counter Cyclically

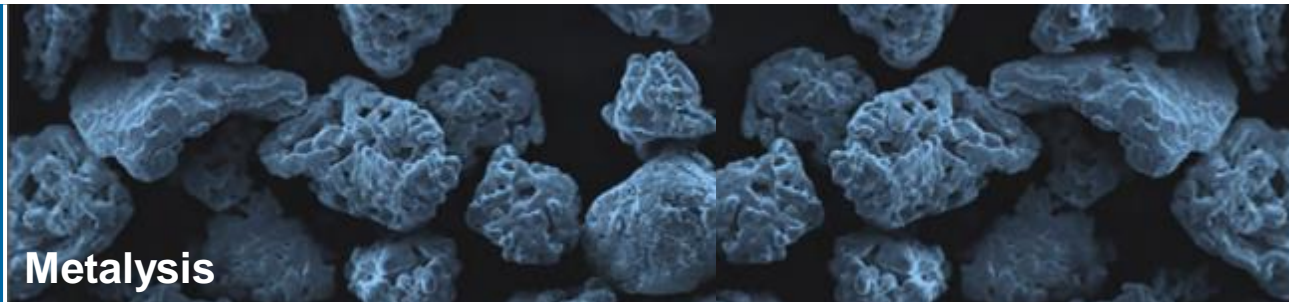
- Iluka is prepared to:
 - act counter cyclically and take a medium term view about options
 - invest where financial merit and strategic rationale exist
 - create options using balance sheet to ‘place small bets’
- All opportunities are evaluated within a disciplined decision framework
- Joint venture and alliancing opportunities increasingly relevant



**Other Inorganic
Mineral Sands Opportunities**

Metalysis, UK

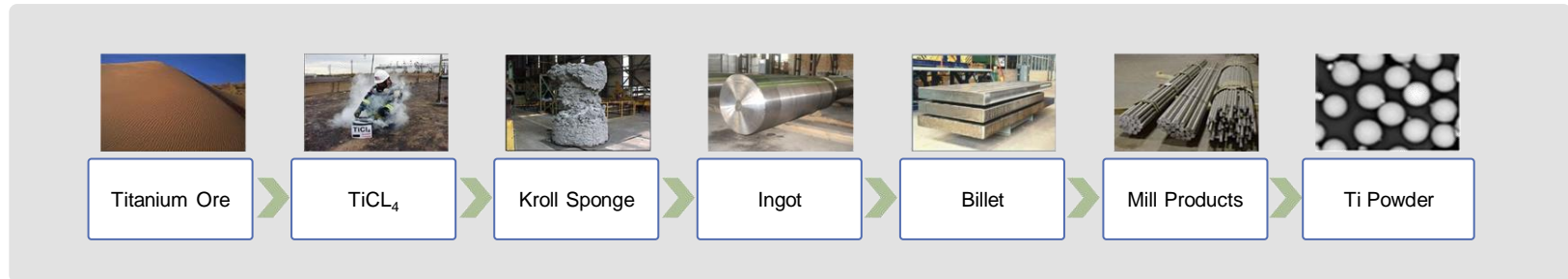
- Iluka equity holding of 18.3%
 - right to increase up to 24.9% in event of IPO
- Potentially disruptive technology
- Relatively low investment for size of potential shareholder value creation
- Iluka provide important expertise (“more than a cheque book”)
 - customisation of titanium feedstock blends
 - project management and commercialisation
 - process engineering



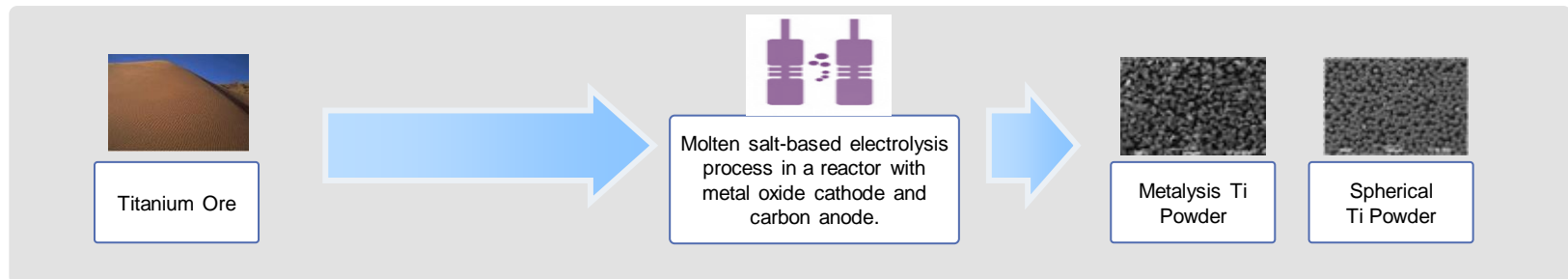
Metalysis

**New Titanium Powder
Production Technology**

Conventional Multi-step Process to Powder (Ti – Kroll process)



Metalysis Process (directly to Powder)



Tapira, Brazil

- Large mineralisation associated with long established phosphate operation
 - operated by Vale S.A.
- High grade titanium dioxide ore, significant rare earth elements
- Potential world scale titanium feedstocks and rare earth element operation
- Phased approach to evaluation of opportunity
- Iluka expertise contributing to non-conventional commercialisation pathway



**Large Titanium
Mineralisation**

Potential Acquisition of Kenmare Plc



- Revised, non-binding proposal
- All-share exchange offer
 - Kenmare shareholders to receive 0.016 new Iluka shares for each Kenmare share
 - subject to a number of pre-conditions
- Iluka and Kenmare have agreed steps and deadlines towards satisfying pre-conditions
- If implemented, the combination would
 - consolidate complementary assets, reserves and skills
 - enhance production flexibility, product range and marketing effectiveness
 - leverage Iluka's technical expertise and market knowledge, access and reach to improve operations for the benefit of all stakeholders

Create and Deliver Value for Shareholders



- Capable of generating high shareholder returns and cash distribution
- Through 'low cycle' conditions, Iluka has maintained
 - attractive margins
 - free cash flow generation
 - balance sheet strength
- Iluka's current position
 - financial health of the company preserved
 - foundations laid for recovery in existing business
 - internal project options advanced
 - new options secured for future growth

Potential Acquisition of Kenmare Plc



IMPORTANT NOTICES

The Directors of Iluka accept responsibility for the information contained in this announcement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

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A person interested in 1% or more of any class of relevant securities of Kenmare or Iluka may have disclosure obligations under Rule 8.3 of the Irish Takeover Rules. This requirement will continue until the offer period ends.

A copy of this announcement will be available on the Iluka website at www.iluka.com

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