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**Tom O'Leary, Managing Director, Iluka Resources**

17 May 2017

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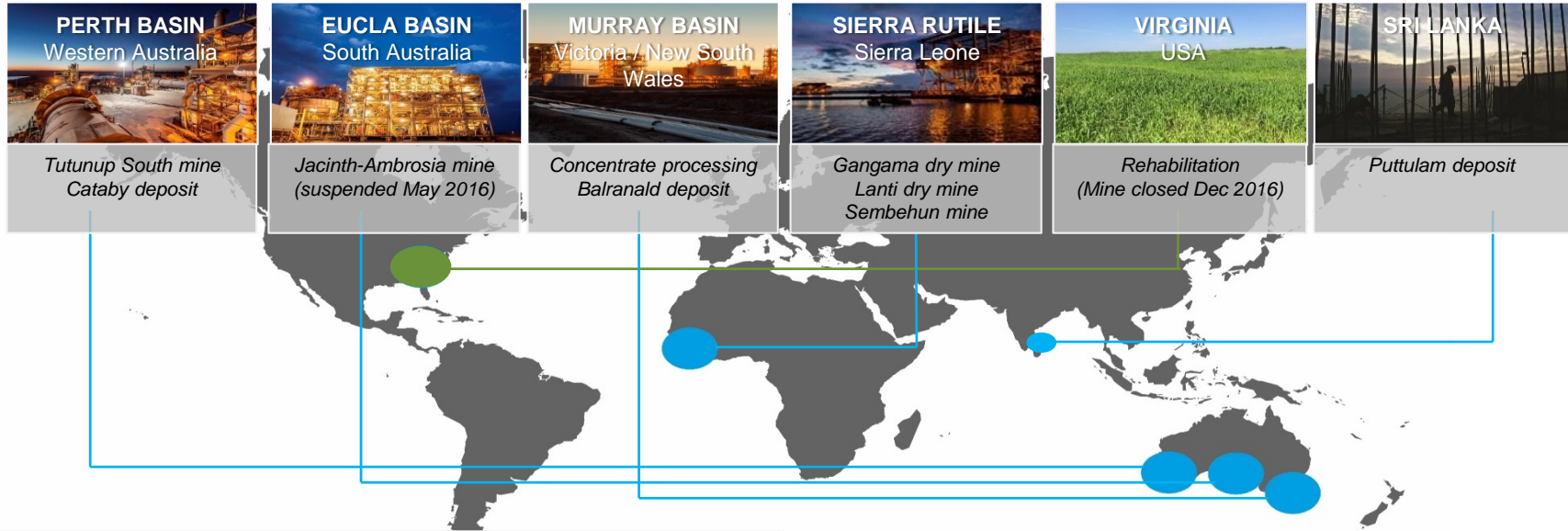
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This presentation constitutes a summary of Iluka’s financial performance and should be read in conjunction with the Iluka Resources Limited Annual Report – 31 December 2016, which contains financial statements and consolidated financial statements of the group.

# Iluka's Mineral Sands Portfolio

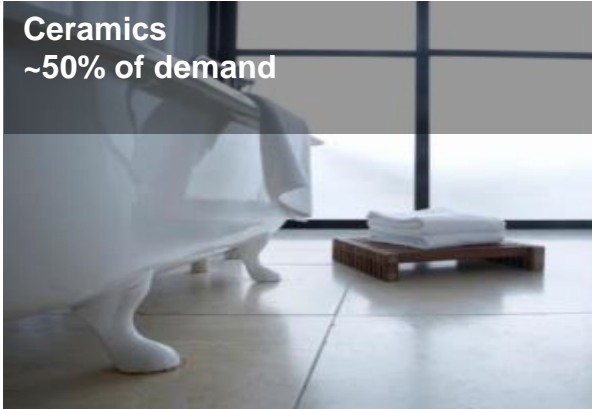


## COMPANY OVERVIEW

Largest producer of zircon  
Third largest producer of titanium dioxide feedstocks  
Recent acquisition of Sierra Rutile Ltd  
Combined Iluka and Sierra Rutile Ltd revenue of ~\$800m in 2016  
Average operating margin over 35 per cent over last five years  
Returned 66% of free cashflow in dividends since 2010 (A\$727m)

# 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



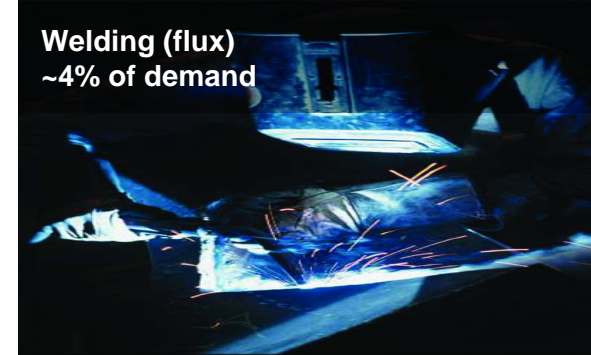
Titanium dioxide pigment is opaque (white), UV resistant and inert.  
Uses include paints, plastics, paper and inks



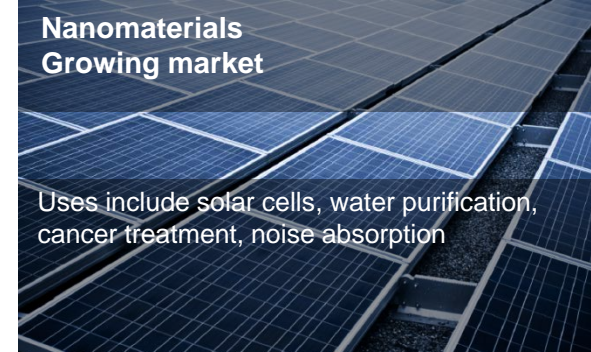
**Titanium Metal**  
~6% of demand



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

# Iluka's Approach

## CREATE AND DELIVER VALUE FOR SHAREHOLDERS



Commenced as Managing Director in September 2016

Key aspects of business approach remain unchanged

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

Focus on disciplined capital allocation

# Mineral Sands Industry Dynamics

## Short term

- The most positive market conditions in five years
  - 131% increase in Z/R/SR sales volumes in Q1 2017, period on period.
  - US\$50/t increase in zircon price achieved in Q1 2017
  - Rutile price rise of up to 4 per cent in first half of 2017
- Iluka well positioned to benefit

## Medium and longer term

- Robust demand fundamentals
- Titanium and zircon strongly linked to improving living standards in developing economies
- Quality internal project options

# 2017 Zircon Market

- Iluka estimates supply and demand now broadly balanced
- Strong initial 2017 volumes
- Evidence of downstream restocking from depleted levels
- Minimal inventories held by competitors
- Implemented a US\$50/tonne price increase from 15 February
  - further price appreciation in spot market
- Shift to premium zircon products
- Decision on Jacinth-Ambrosia zircon mine restart by end of year
  - suspended April 2016 to allow drawdown of inventories



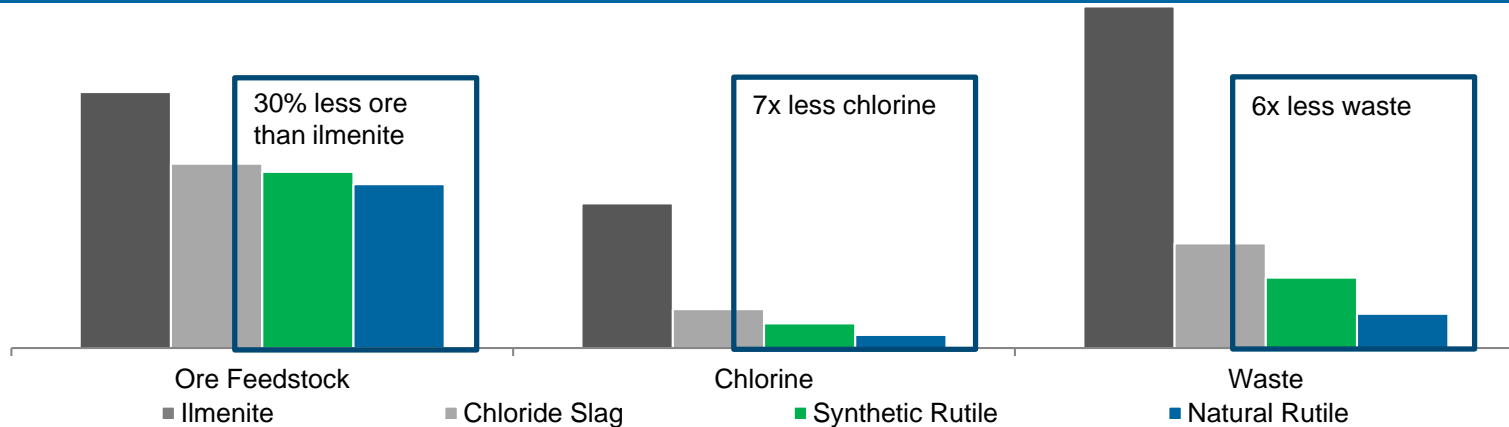
# 2017 Titanium Feedstock Market

- Pigment market enters 2017 with favourable conditions
  - historically low pigment inventories;
  - industry wide pigment plant utilisation rates increasing; and
  - multiple pigment price increases.
- External events compounding inventory tightness
- Iluka rutile price rise of up to 4 per cent in first half of 2017
- Deliberately contracted first half only (where able)
  - greater exposure to upside

# High Grade Titanium Feedstock Advantage

- Natural and synthetic rutile have a higher titanium grade than other feedstocks
- Advantages in pigment production:
  - lower ore tonnes required;
  - lower chlorine input cost; and
  - lower waste generation (environmental and cost benefits)
- High 'value in use' for Iluka's main products

## Input and outputs based on feedstock of pigment plant, per tonne of pigment



# Robust Demand Fundamentals



## Array of applications

Unique properties used in:

- Solar cells
- Air and water purification
- Noise absorption
- Medical implants
- Nanotechnologies
- Aeronautics and military
- Vehicle exhaust systems
- Sporting equipment

## Consumption based growth

Rising income and living standards linked to higher per capita demand of zircon and titanium bearing products:

- Household interior fit out
- Cars
- Whitegoods
- Plastics
- Paper

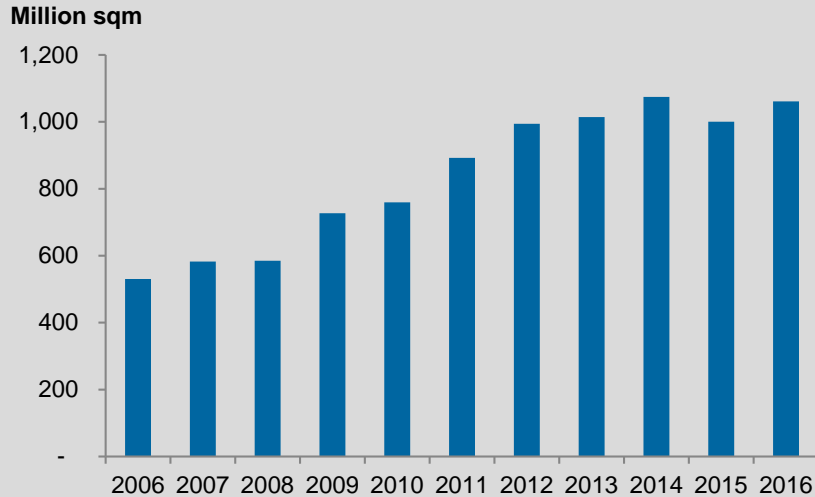
## Urbanisation

- Mid to late cycle demand characteristics
- Urban floor space growth
- High propensity for tile floor coverings in developing regions

# Urbanisation and Tile Use

Increasing floor space in China and other developing regions.

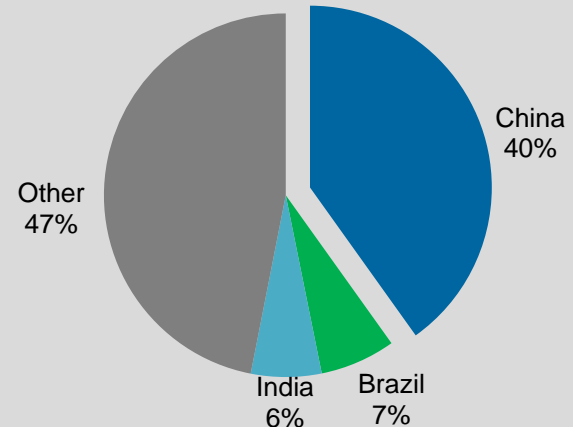
## China Floor Space Completed



Source: CEIC

Tile use highest in China and other developing regions.

## Global Tile Consumption, 2015



Source: Ceramic World Review

# Business Review

Comprehensive review of business and improvements implemented

- 2017 non-production costs down \$70 million from 2016:
  - reduced exploration activity and research and development; and
  - lower corporate overheads
- Detailed review of existing production portfolio and projects
- Ore reserves adjustment in line with mine plan
  - assessment of feasibility, attraction, timing of expansion projects



Jacinth Ambrosia mine South Australia

## Transaction Summary

- Iluka acquired Sierra Rutile Limited in December 2016
- Transaction cost of \$389 million plus assumed \$80 million of net debt
- Counter cyclical investment - consistent with Iluka approach

## Operations

- High quality producer
- Large, long life asset - 20 year mine life modelled
- Operational improvements and expansion options identified prior to acquisition and key value drivers
- Enhances high grade titanium market position
- Increased portfolio flexibility



Sierra Rutile Limited

# Sierra Rutile Projects

Operational improvement and expansion projects expected to:

- increase production;
- materially improve unit costs; and
- ensure a robust margin through the cycle.

## Operational improvements:

- Revised mining method to increase throughput
- Mineral separation plant capacity expansion

## Expansion options:

- Gangama and Lanti dry mine expansions: from 500tph to 1,000tph at each mine, definitive feasibility studies underway 1H 2017
- Sembehun dry mine development: new 1,000tph mine, pre-feasibility study commencing mid-2017



Bucket dredge, Sierra Rutile

# Australian Mineral Sands Projects

## CATABY, PERTH BASIN, WESTERN AUSTRALIA



- High quality chloride ilmenite deposit
  - material zircon / rutile co-product credits
- Supports ongoing synthetic rutile production
- Utilisation of existing assets
- Capex \$250m - \$275m
- Execute decision subject to contractual underpinning

## BALRANALD, MURRAY BASIN, VICTORIA



- High grade deposit / rich assemblage
- Material source of global rutile and zircon supply
  - large ilmenite co-product stream
- Evaluating new underground mining technology

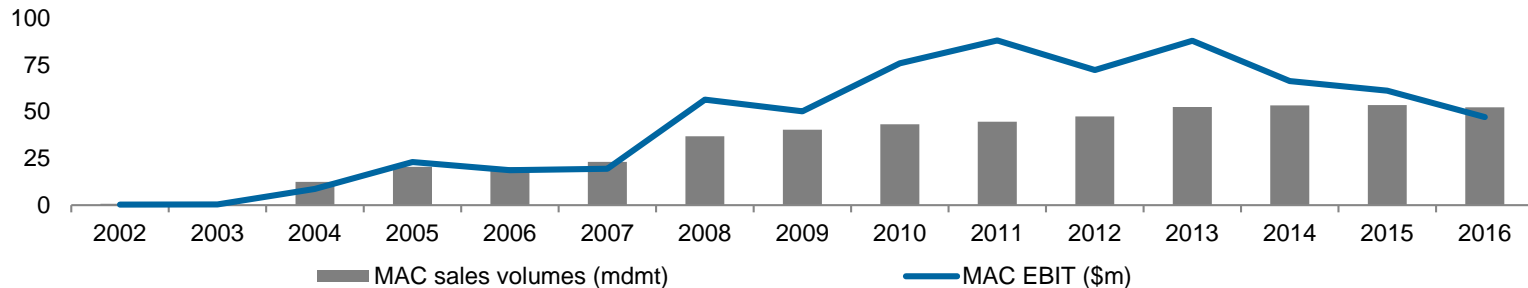




# Mining Area C Royalty Asset

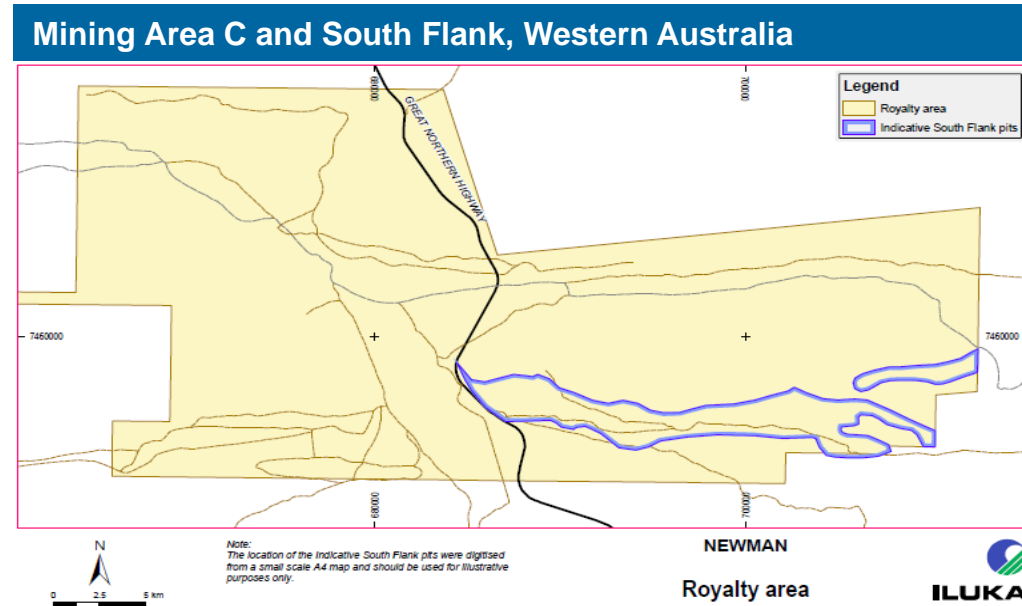
- Mining Area C is a large iron ore mining area in Pilbara region, Western Australia
- High quality, low risk asset, operated by BHP Billiton
- Iluka royalty stream paid as:
  - 1.232% of Australian denominated revenue from royalty area; and
  - one-off payment of A\$1 million per million tonne increase in annual capacity
- Total contribution of over \$680 million since mining began

**Mining Area C Sales Volumes and Iluka EBIT Contribution**



# Mining Area C – South Flank

- Preliminary assessment indicates BHP South Flank contained in Mining Area C royalty area
- BHP expects Yandi deposits to be depleted in 5 to 10 years
- South Flank is BHP's preferred replacement for Yandi production
- Yandi currently produces 80 Mtpa



# 2017 Areas of Focus

- Operate safely and in a sustainable manner
- Sierra Rutile integration & expansion projects
- Sustainable Business Review – focus on cost reduction and productivity
- Strong free cash flows applied to debt reduction post Sierra Rutile acquisition
- Marketing contracts to underpin Cataby development

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