

Iluka Resources Limited



WA Mining Club
May 2016 Luncheon

David Robb, Managing Director and CEO, Iluka Resources Limited (ASX: ILU)
Perth, 26 May 2016

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 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.

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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**

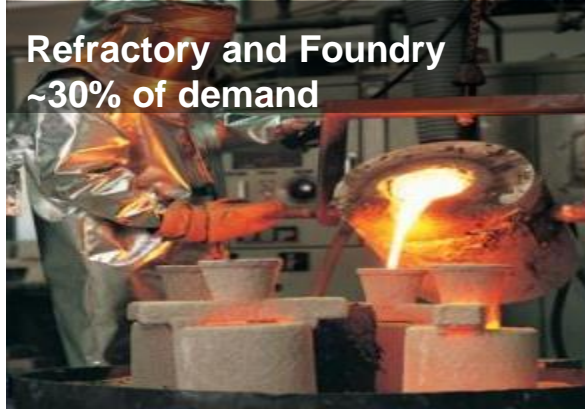


Zircon Applications

Ceramics
~50% of demand



Refractory and Foundry
~30% of demand



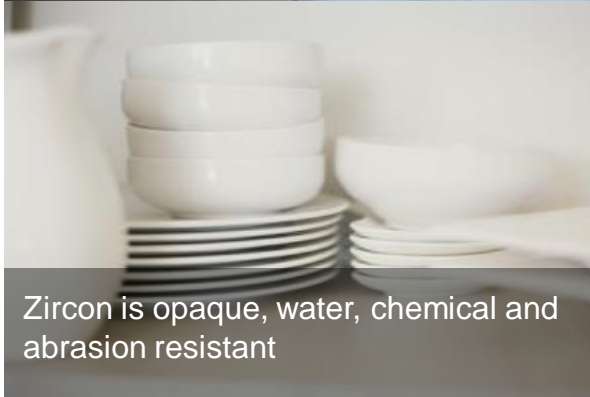
Zircon is heat resistant and non-reactive
Uses include steel and glass manufacturing and metal casting

Zirconia, Zirconium Chemicals and Metal
~20% of demand



Zircon has many unique properties
Uses include fibre optics, electronics, catalytic converters,

Zircon is opaque, water, chemical and abrasion resistant



Titanium Applications

Pigment ~90% of demand



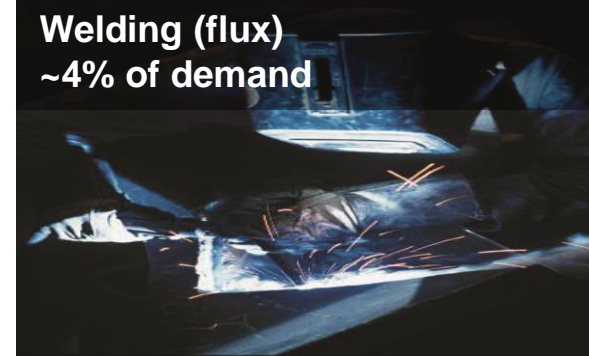
Titanium dioxide pigment is opaque (white), UV resistant and inert. Uses include paints, plastics, paper and inks.

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



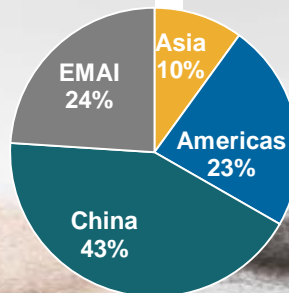
Nanomaterials Growing market



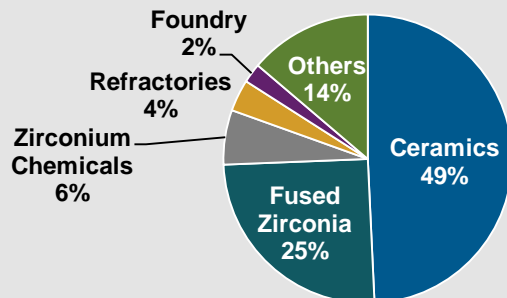
Uses include solar cells, water purification, cancer treatment, noise absorption.

Diversity in Customer Base

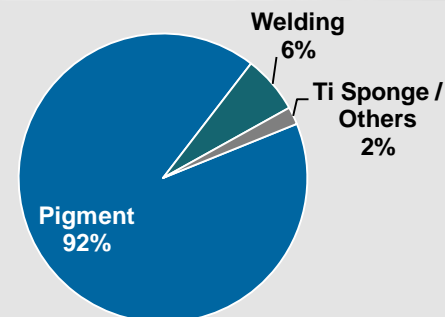
Combined Sales by Geographic Region



Zircon Sales by Sector



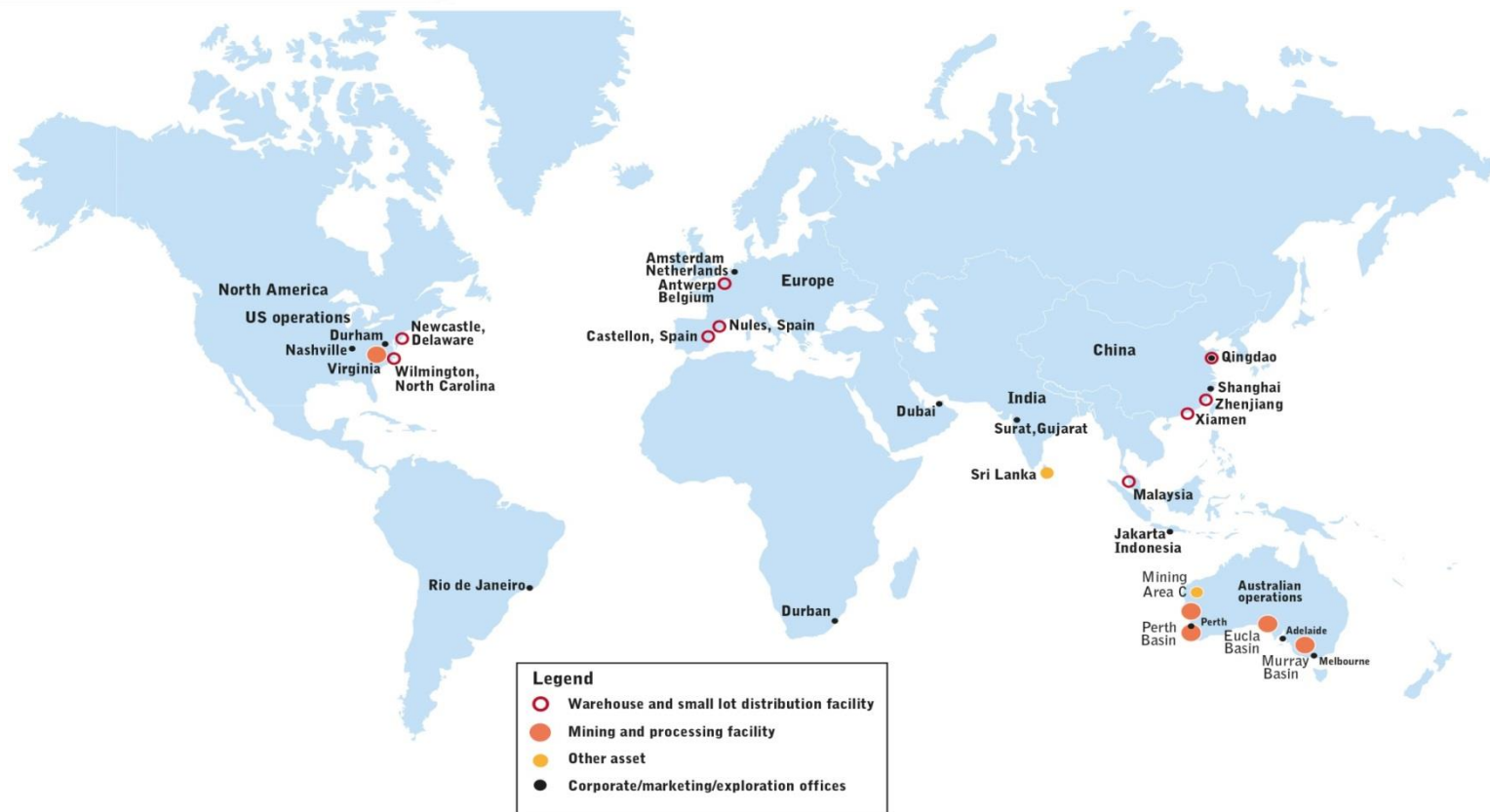
High Grade Titanium Sales by Sector



Objective – to create and deliver value for shareholders

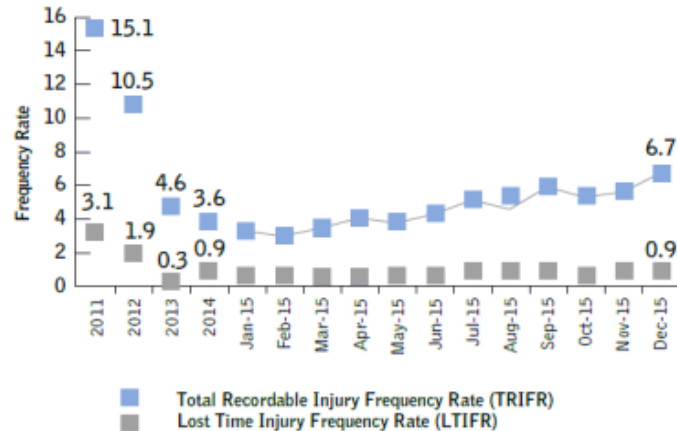
- ~A\$2.4 bn market capitalisation; 6th ranked Australian resource company
- Leading position in mineral sands industry
 - largest producer of zircon – market share ~35%
 - significant high grade titanium dioxide feedstock producer
- Production assets in Australia and US (some idled currently)
- Comprehensive 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

Iluka Activities



Sustainable Development

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

Mineral Sands Value Chain

CAPITAL DISCIPLINE AND BALANCE SHEET MANAGEMENT

- 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 DEVELOPMENT

- 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

MINING AND PROCESSING

- 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

MINERAL SANDS PROJECTS/GROWTH OPTIONS

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

SUSTAINABLE DEVELOPMENT

- 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

CUSTOMER 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

MINERAL SANDS – PART OF EVERYDAY LIFE

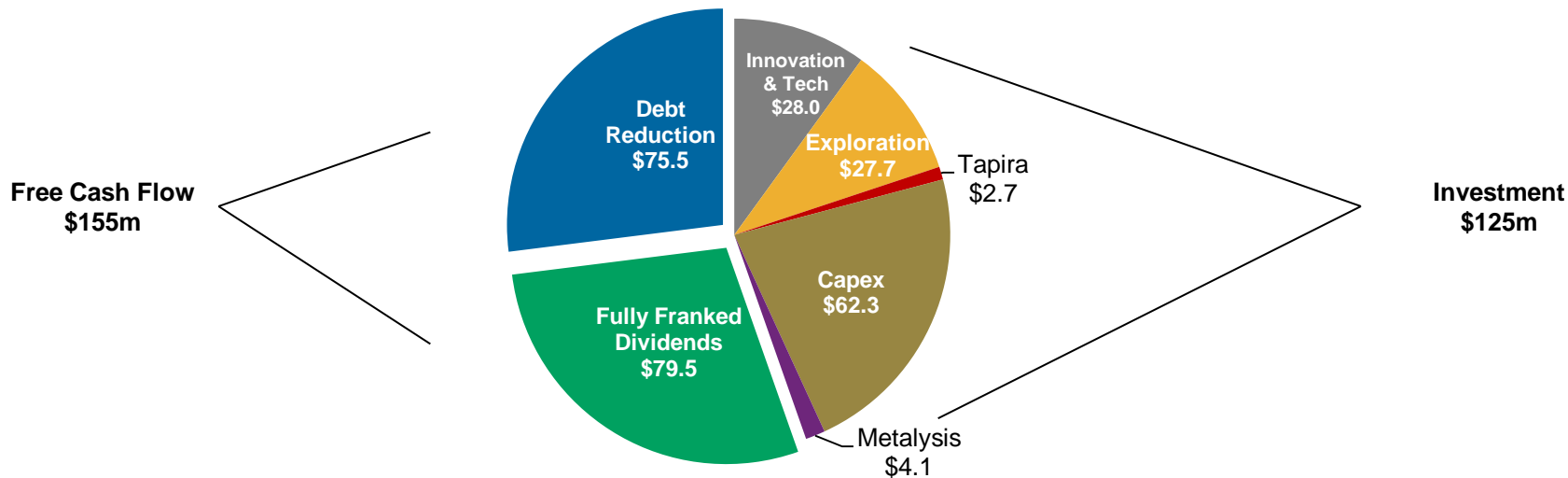
From everyday applications in the home and workplace, to medical, lifestyle and industrial applications, the unique properties of titanium dioxide and zircon are utilised in a vast and increasing array of products and applications.

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)

Balanced Apportionment of 2015 Cash Flow

2015 Operating Cash Flow Usage (\$m)

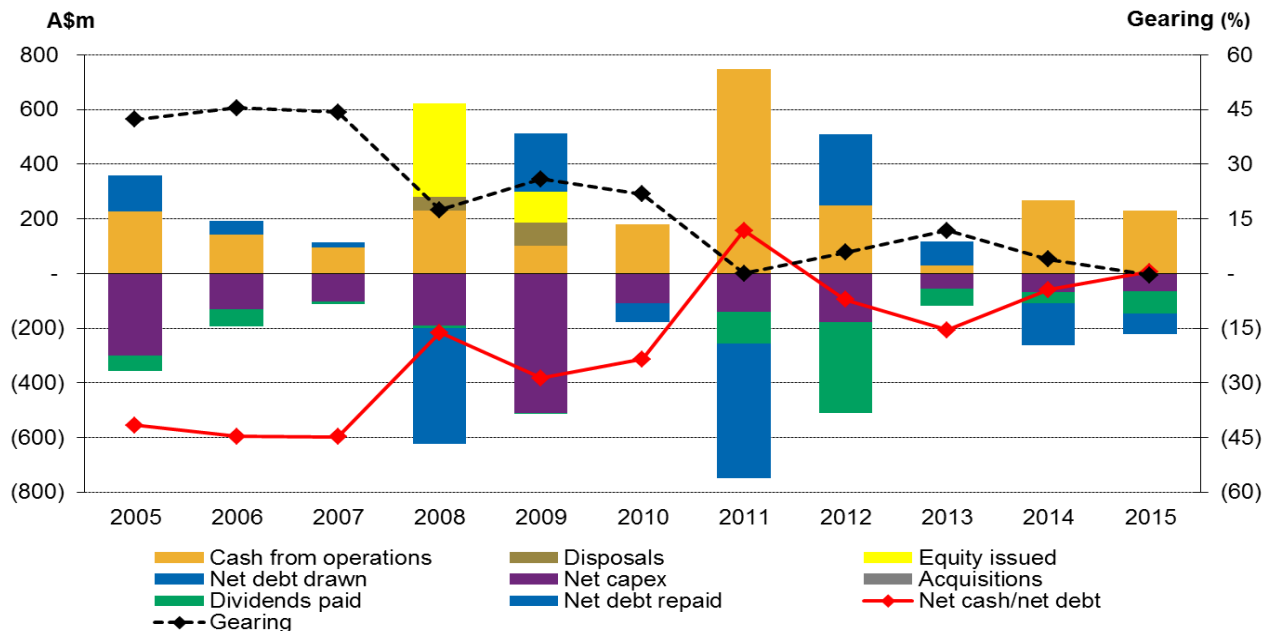


Net cash inflow from operating activities in the 2015 Financial Statements of \$229.5m includes expenditure for innovation & technology (\$28.0m), exploration (\$27.7m) and Tapira (\$2.7m). Free cash flow includes a net outflow of \$8.1m comprised of purchase of Treasury Shares (\$9.0m) and asset sales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

- 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)

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

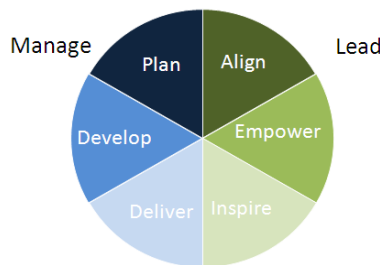
Iluka Game Plan



We recognise that leadership at all levels is required to create alignment of purpose which, together with the right resources, is crucial to the achievement of extraordinary performance

Leadership Competency Model

- describes the behaviours that are required of leaders in our business
- guides recruitment, assessment, development and promotion of people into leadership roles and supports succession planning for key positions



Leaders

- We encourage all employees to be leaders as their skills and circumstances demand

Our Values centre on: **Commitment, Integrity and Responsibility**

Commitment

- We understand our role, the company, our industry and do our best

Integrity

- We expect and show honesty, openness and fairness

Responsibility

- We take responsibility for our actions and care for others and the environment

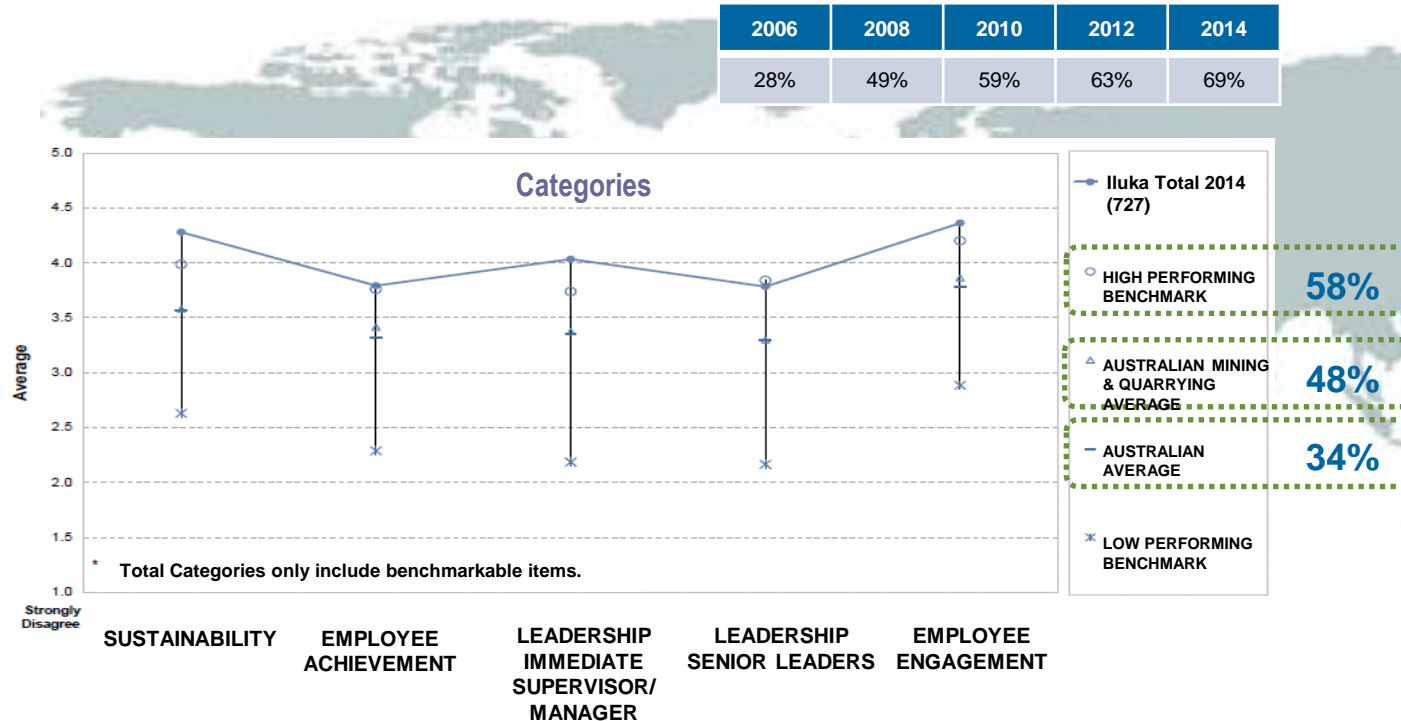
Everybody Counts

“Winning companies are convinced that their future rests not on the brilliance of their executives but on the dedication and inventiveness of their middle managers and employees”.

HBR “What Really Works” July 2003

(Nitin Nohria, William Joyce and Bruce Roberson)

Culture – Employee Engagement



Board Workshop

Direction and Priorities

2 February 2007

Iluka Board Workshop 2007

Agenda

- Background
- Staff communication
- Management process
- Direction and priorities
- Market messages
- Iluka performance
- Industry
- Iluka Consolidated Model
- Board support

Iluka Board Workshop 2007

Values

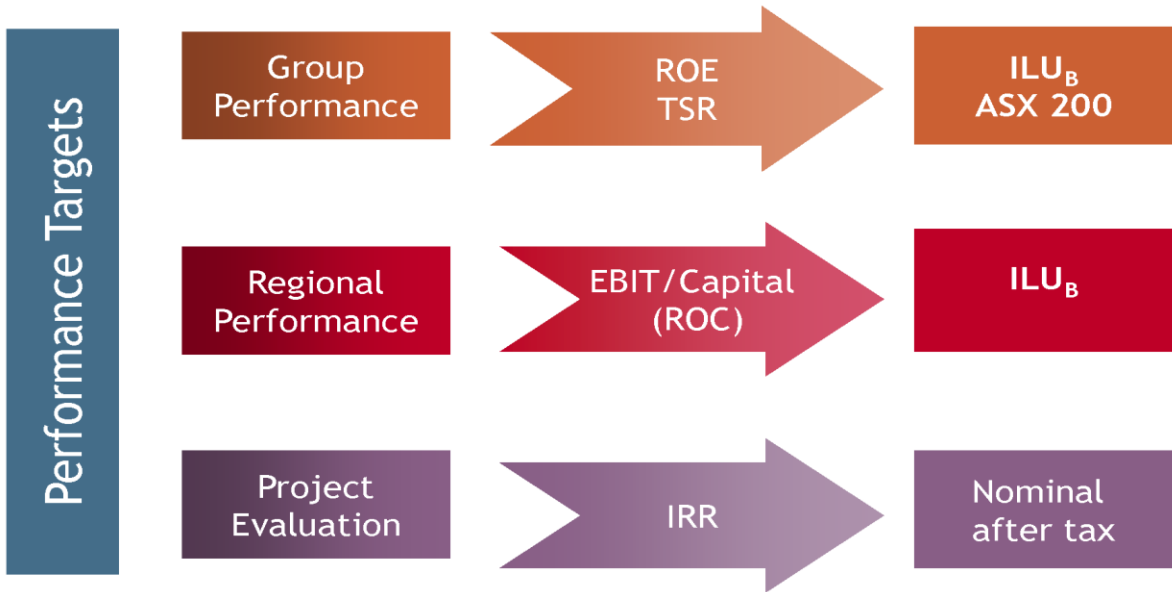
- Integrity
- Honesty
- Teamwork
- Commitment
- Individual accountability
- Having fun
- Celebrating success
- Modesty

Direction & Priorities



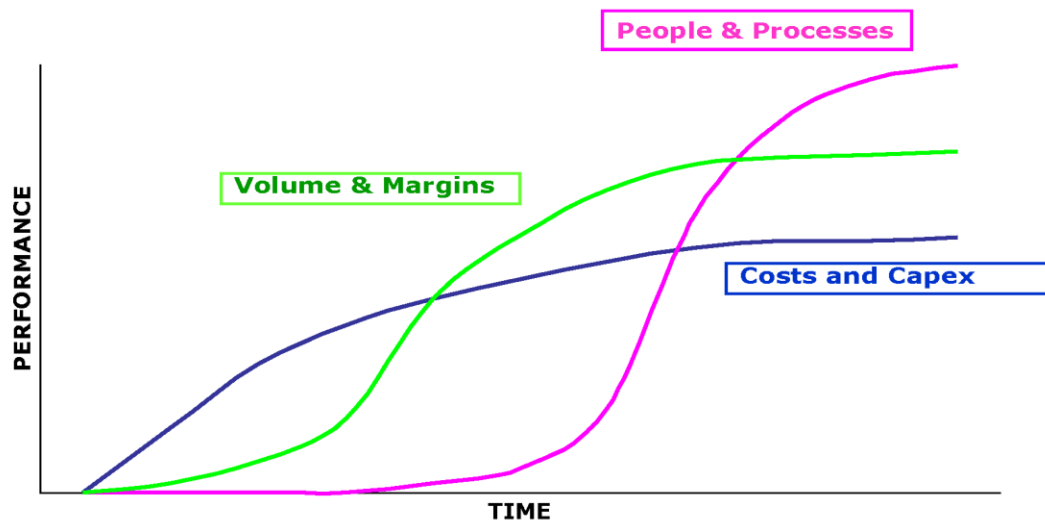
Objective:	to create and deliver value for shareholders
Business Model:	mineral sands – exploration, project development, operations and marketing may evolve consistent with Objective
Value Drivers:	Profitability, Sustainability and Growth (PSG)
Priorities:	<ul style="list-style-type: none">- align organisation to shareholder objective- address legacy issues- deliver on value drivers (PSG)- improve capital efficiency & balance sheet

Performance Targets

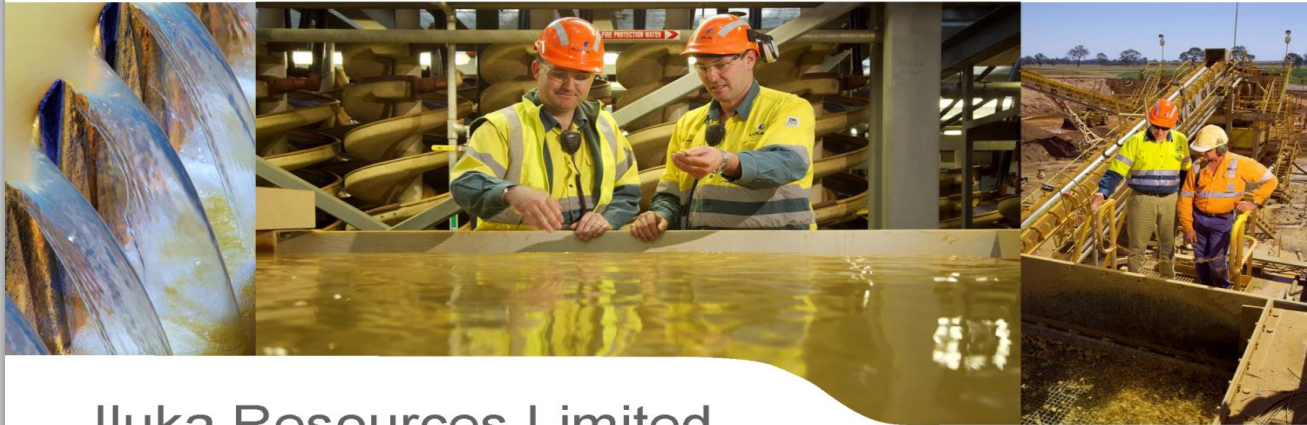


Iluka Board Workshop 2007

Performance Curves



Iluka Senior Management Conference 2007



Iluka Resources Limited

Senior Management Conference, March 2007



The Vision Thing



“There is a lot of speculation that I'm going to deliver a 'vision' of the future of IBM. The last thing IBM needs right now is a vision. What IBM needs right now is a series of very tough-minded, market-driven and highly effective strategies that deliver performance in the market place and shareholder value.”

Lou Gerstner, March 1993

Talent and Productivity

Task complexity	The “top 1%” performs better than the “average” by ...
Low	52%
Medium	85%
High	127%

Winning - Alignment



“In order to have a winner the team must have a feeling of unity; every player must put the team first – ahead of personal glory.”

P.B. (“Bear”) Bryant

Iluka Senior Management Conference 2007



Iluka's Evolution

2015/16 – Positioning: Conservative yet Counter Cyclical

2014 – Protecting Cash Flows and Options

2013 – Low Cycle Conditions

2012 – Fresh Challenges

2011 – New Iluka

2010 – Recovery

2009 – Global Economic Crisis

2008 – Growth Commitments

2007 – Alignment

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 – Growth Focus

GROWTH FOCUS AREAS



**Marketing and
Market Development**
- Direct sales
arrangements



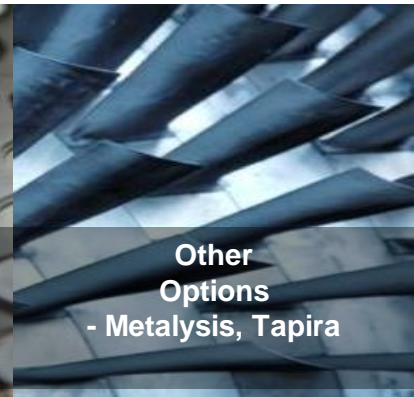
**Projects
Mineral Sands**
- Internal options
advanced



**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.

Iluka Game Plan



Iluka Resources Limited



For more information contact:
Dr Robert Porter, General Manager Investor Relations
robert.porter@iluka.com
+61 (0)3 9225 5008 / +61 (0) 407 391 829
www.iluka.com