

Iluka Resources Limited



Acquisition of Sierra Rutile Limited

Information for Iluka Shareholders
1 August 2016

To be read in association with AIM Joint Announcement and Iluka ASX Announcement
"Recommended offer for Sierra Rutile Limited by Iluka Resources Limited"
(available on Iluka's website www.iluka.com)

Important Notice



IMPORTANT NOTICES

This presentation contains information regarding Sierra Rutile Limited (**SRL**) and its business, assets and operations (**SRL Information**) which SRL has provided to Iluka. Whilst steps have been taken to review that information, no warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. This presentation should be read in conjunction with the joint announcement made by Iluka and SRL in relation to the proposed acquisition of SRL by Iluka dated 1 August 2016.

This presentation is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to the Announcement or otherwise. The distribution of the Announcement in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession the Announcement comes should inform themselves about, and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

In proceeding with this transaction, Iluka will assume a number of risks to which it is not currently subject. This includes the fact that this is a material investment in Africa (with associated political and other risks). Whilst Iluka has under taken due diligence on the assets and associated risks and has taken and will continue to take steps which it considers appropriate to manage and mitigate such risks, they cannot be eliminated entirely.

A copy of the announcement is available on the Iluka website www.iluka.com

Disclaimer



Limitation on information in relation to SRL

The SRL Information in this presentation - including in relation to SRL's production, resources and reserves, costs, financial information and life of mine plans - has been sourced from information supplied by SRL and its subsidiaries. Whilst steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. The information in relation to mining resources for SRL includes Measured, Indicated and Inferred Mineral Resources, and has been stated by SRL to have been prepared in accordance with the Australasian Joint Ore Reserves Committee Code for Reporting of Ore Reserves and Mineral Resources, 2012 edition (the JORC Code). The Competent Person's statement for the SRL Information is set out on slide 31 of this presentation.

Reserves and resources reporting of Iluka and SRL

It should be noted that it is a requirement of the Australian Securities Exchange listing rules that the reporting of Ore Reserves and Mineral Resources in Australia comply with the JORC Code. While Iluka's Ore Reserve and Mineral Resource estimates comply with the JORC Code, SRL is listed on AIM and as a result the public reporting requirements for SRL are different to those of an ASX listed company which reports in accordance with the JORC Code. **If the proposed acquisition is completed, further evaluation work and appropriate studies will be undertaken by Iluka to report the SRL Mineral Resources in accordance with the ASX Listing Rules.** It should not be assumed that the quantities reported as "resources" will be converted to reserves under the JORC Code or any other reporting regime or that Iluka will be able to legally and economically extract them.

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1. SRL Acquisition – Offer Terms

Key Features

- Acquisition of Sierra Rutile Limited's (SRL) mineral sands operation in Sierra Leone
- All cash offer valuing the equity of SRL at £215 million (A\$375 million)
- Iluka assumes ~US\$60 million (~A\$80 million) of SRL's debt under its existing facilities
- SRL has a substantial resource base – estimated 20+ years mine life^{1,2}
- One of the largest known natural rutile deposits in the world³
- Rutile with minor ilmenite stream - 126kt production in 2015, with expansion potential

1. Subject to Iluka feasibility studies and resource assessment post acquisition
2. SRL 2015 Annual Report
3. SRL website

Offer Terms

Equity Offer	<ul style="list-style-type: none"> Board recommended acquisition of 100% of the outstanding shares of SRL by Iluka to be implemented by way of a statutory merger under British Virgin Islands (BVI) Companies Act¹
Consideration	<ul style="list-style-type: none"> All cash consideration to SRL shareholders of £215 million (A\$375 million², US\$285 million²)
Offer	<ul style="list-style-type: none"> 36p (A\$0.63, US\$0.48) per SRL share based <ul style="list-style-type: none"> (1.4)% discount to the closing price of SRL's shares on the AIM as of 29 July 2016 32.3% premium to the 1 month VWAP³ of SRL shares on the AIM as of 29 July 2016 34.7% premium to the 3 month VWAP⁴ of SRL shares on the AIM as of 29 July 2016 43.9% premium to the 6 month VWAP⁵ of SRL shares on the AIM as of 29 July 2016
Debt	<ul style="list-style-type: none"> SRL forecast total debt of ~US\$60 million at completion (31 December 2015 US\$51 million) Iluka to refinance SRL debt using existing facilities (total facilities A\$1,010 million) Pro-forma gearing (net debt / (net debt + equity)) of ~25% as at 31 December 2015
Board and management	<ul style="list-style-type: none"> The Board of SRL has provided its unanimous recommendation for the acquisition
Shareholders	<ul style="list-style-type: none"> Institutional shareholder irrevocables have been received from the following SRL shareholders Pala Investments Limited and Neon Liberty Capital Management LLC representing 59.2% of SRL shares on issue
Indicative timetable to completion	<ul style="list-style-type: none"> Expected completion in September 2016 (and before 30 November 2016)

1. Simple majority (50%+1 share) required for approval.

2. USD:GBP 0.756 as at 29 July 2016, AUD:GBP 0.575 as at 29 July 2016.

3. Premium based on SRL's 1 month volume weighted average price (VWAP) 27.2p.

4. Premium based on SRL's 3 month VWAP 26.7p.

5. Premium based on SRL's 6 month VWAP 25.0p.

2. Strategic Rationale and Financial Merit

Strategic Rationale

- Counter-cyclical investment
- Gives Iluka access to a long life asset – estimated 20+ years plus mine life ^{1,2}
- Substantially increases Iluka's rutile resource
- SRL is 5% of high grade chloride market³
- Operational improvement opportunities
- Identified production growth potential – three expansion projects at feasibility stage
- Iluka portfolio flexibility – scope for project timing and capital profile benefits
 - complements Iluka's high grade feedstock position
 - flexible timing of Iluka's and SRL projects = capital expenditure profile flexibility
- Enhanced customer benefit
 - leverages Iluka's international marketing and distribution capabilities

1. Subject to Iluka feasibility studies and resource assessment post acquisition

2. SRL 2015 Annual Report

3. High grade chloride market includes rutile, upgraded slag (UGS), synthetic rutile (SR), chloride slag, leucoxene 90

Consistent with Iluka's Approach

Company objective: create and deliver value for shareholders

- Disciplined, diligent and rigorous evaluation of investment opportunities
- Willingness to act counter-cyclically where appropriate
- Seek to maintain a strong balance sheet – “shadow” investment grade
- Favourable Iluka view of medium term industry dynamics
 - attractive medium term demand; but
 - supply challenges – VHM grade / assemblage decline
- Rigorous financial assessment:
 - due diligence and comprehensive risk assessment (resource, operational, environmental)
 - sales forecasts based on detailed marketing plans
 - modelled product prices consistent with industry outlook / TZMI analysis
 - assessment metrics (IRR, NPV, ROE, EPS, CFPS, gearing, market multiples)
- Stress testing of returns and balance sheet under multiple scenarios (economic / operating / market)

- Earnings per share accretive in first full year (2017)
- Potential for unit cash cost improvement
 - via production efficiencies
 - via production expansions
- December 2015 pro-forma combined debt position
 - moderate gearing (net debt/ (net debt + equity)) of ~25%
 - funding headroom of ~A\$500 million
- Iluka's cash flow distribution payment framework¹ maintained
- Balance sheet capacity (funding headroom) maintained
- Further details on financial physical and financial parameters – post transaction

1. Iluka's distribution payment framework is to pay a minimum of 40% of free cash flow not required for investing or balance sheet activity.

SRL Physicals and Financials

<i>Physicals kt</i>	CY12A	CY13A	CY14A	CY15A	Comment
Rutile production	94	120	114	126	Potential to increase
Rutile sales volume	81	111	130	118	
<i>Financial Performance US\$m</i>	CY12A	CY13A	CY14A	CY15A	
Total revenue	179	123	118	106	
Operating costs	(71)	(88)	(103)	(90)	
EBITDA	108	35	15	16	
EBIT	92	17	(6)	(5)	
NPAT	84	10	(9)	(13)	
EBITDA margin	60%	28%	13%	15%	
Average rutile price ¹	2,041	1,044	799	775	"low" cycle prices
<i>US\$m</i>	CY12A	CY13A	CY14A	CY15A	
Cash flow from operations	66	41	9	19	
Cash flow from investing activities	(60)	(40)	(20)	(31)	
Free cash flow	5	1	(11)	(12)	
Production cash cost (US\$/t)	704	644	643	614	Higher production & operational efficiencies = lower potential unit costs

Source: SRL CY13 -15 audited financial statements.

1. 2014-2015 average rutile prices on an ex-Sierra Leone basis i.e. Free Along Ship basis. 2012-2013 average rutile prices on a CIF basis.

Long Life Resource Position

+80% increase in Rutile Resources



Iluka	Material (Mt)	Rutile (Mt)	Zircon (Mt)	Ilmenite (Mt)	HM Grade (% of HM)		
					Rutile (%)	Zircon (%)	Ilmenite (%)
Measured	1,050	3.07	7.97	40.32	5%	12%	60%
Indicated	565	3.72	5.59	28.63	8%	11%	58%
Inferred	846	3.48	3.94	33.67	6%	7%	60%
Total Resources	2,460	10.27	17.50	102.61	6%	10%	59%

Source: Iluka Review 2015 (as at 31 December 2015)

- Note, SRL reports rutile grade as in-situ, i.e. as a percentage of material, whereas Iluka reports grade as a percentage of heavy mineral (HM)
- Difference in reporting relates to how grade % is shown and does not impact reported resource tonnes
- Iluka will carry out the required work to allow reporting of SRL's Ore Reserves and Mineral Resources in accordance with the JORC Code guidelines (2012 ed.) as soon as reasonably possible post acquisition

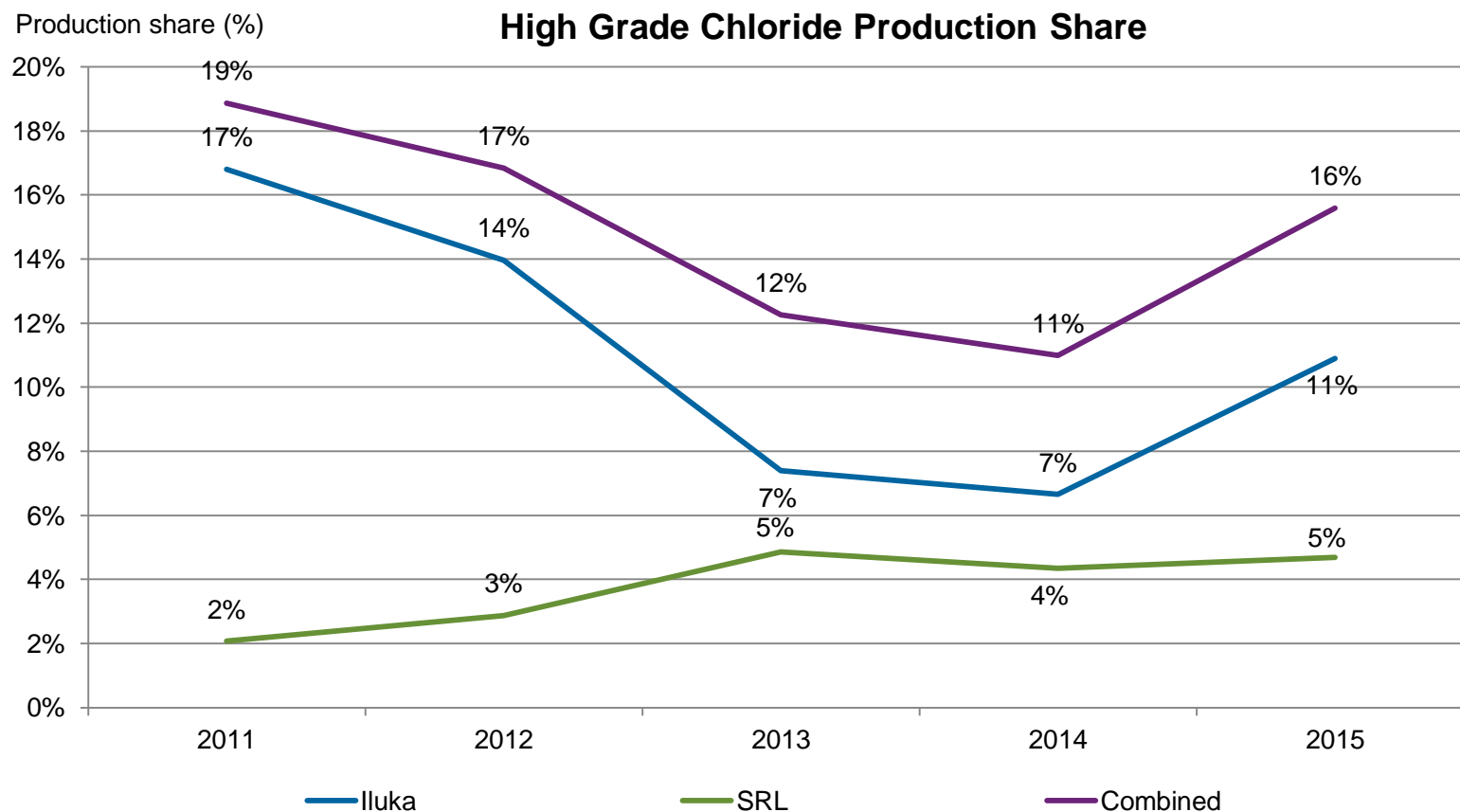
SRL	Material (Mt)	Rutile (Mt)	Zircon (Mt)	Ilmenite (Mt)	In-situ Grade (% of material)		
					Rutile (%)	Zircon (%)	Ilmenite (%)
Measured	65	0.65	0.05	0.10	1.00%	0.07%	0.23%
Indicated	668	6.17	0.29	1.02	0.92%	0.08%	0.24%
Inferred	134	1.35	0.02	0.00	1.01%	0.07%	0.02%
Total Resources	867	8.16	0.35	1.12	0.94%	0.08%	0.20%

Source: SRL 2015 Annual Report (as at September 2015)

Combined Resources	3,327	18.85	17.85	103.73
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Note: Refer important notices on slide 31 in relation to 2012 JORC.

Global Production Shares – Iluka & SRL



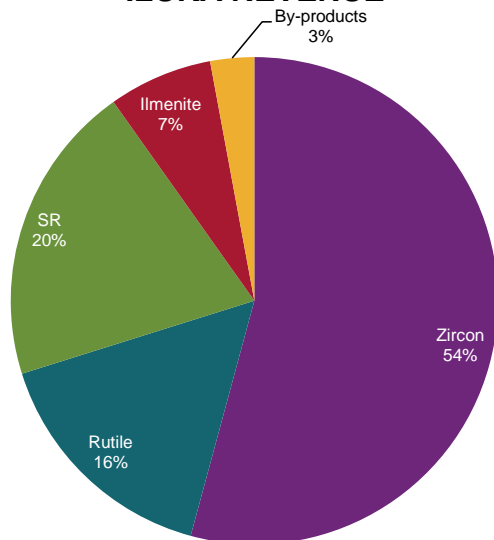
Source: Iluka Resources

The above refers to estimated market shares of high grade titanium feedstock products by both companies individually and combined based on estimates of total production.

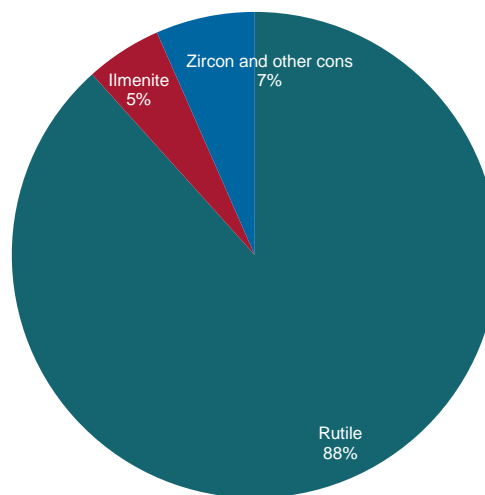
Note: High grade chloride market includes rutile, upgraded slag (UGS), synthetic rutile (SR), chloride slag, leucoxene 90

Geographical Revenue Sales – 2015

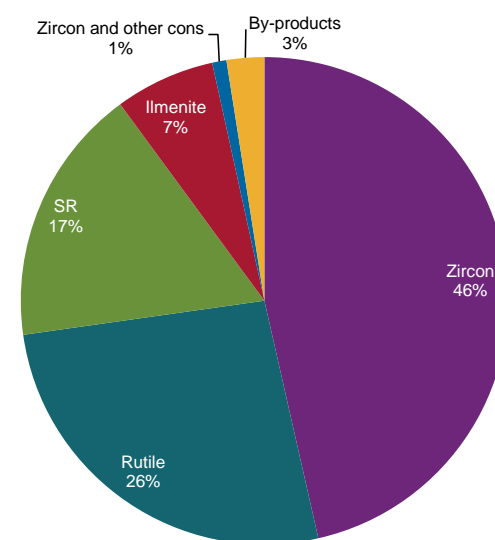
ILUKA REVENUE



SRL REVENUE

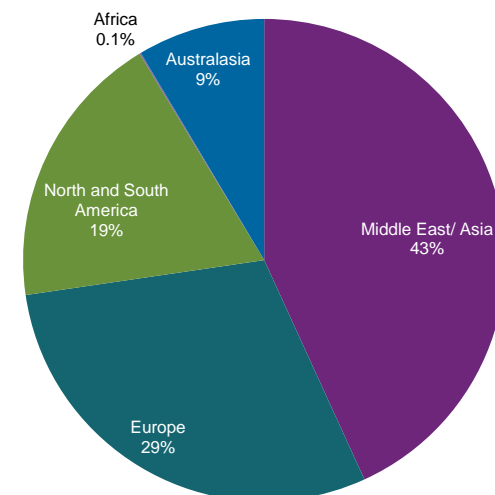
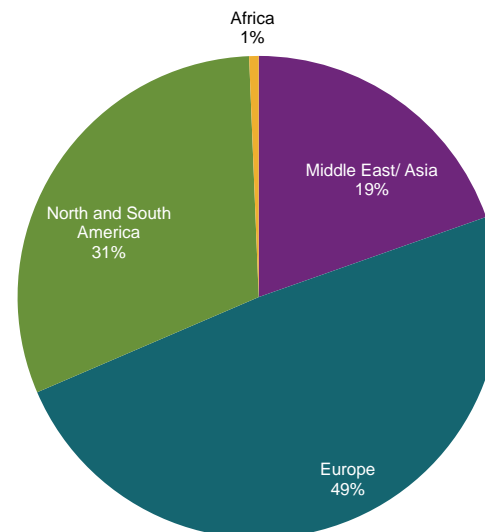
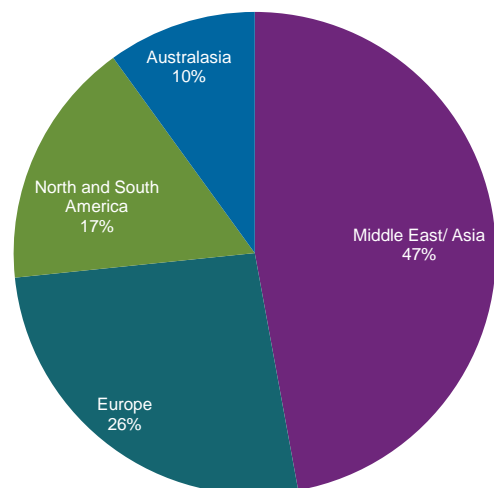


COMBINED REVENUE



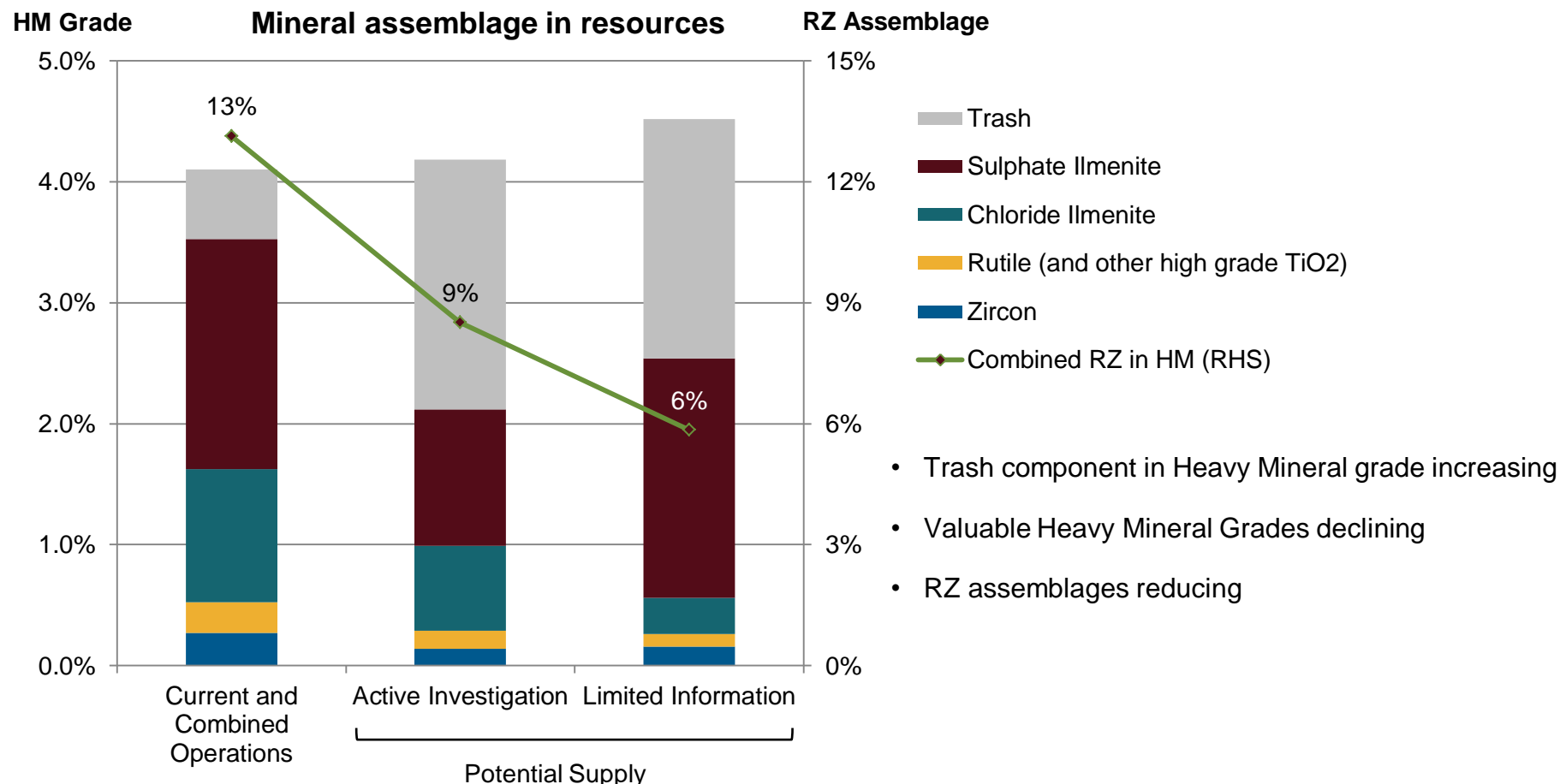
Note:
SR – Synthetic Rutile

Revenue by region



Industry Supply Challenges

Declining grade and assemblages



Source: Iluka

SRL Operational Improvement

- Iluka's technical and operating expertise to be applied
- Improvement potential identified in a number of operational areas
- Historic performance impacted by construction, operational issues and funding constraints
- Iluka scoped operational improvements to accelerate production; reduce unit costs
 - if delivered appropriate margins are expected to be generated through the cycle
- Capital expenditure planned (~US\$60m) to achieve specific performance improvements
- Corporate synergies – achievable but not significant in \$ terms

SRL Operational Improvement

Specific areas of improvement:

- Mining and concentrating
 - increase throughput and wet concentrator plant (WCP) recoveries
 - lower unit cash costs via revised mining approach
 - capital cost estimate of ~US\$20 million in 2017
- Mineral separation plant (MSP) and general site works
 - increased MSP recoveries and capacity
 - capital cost estimate of ~US\$40 million over 2016 – 2018

Production Expansion

Existing production from:

- Lanti dredge: effective capacity 780tph
- Lanti DM: nameplate capacity 500tph
- Gangama: nameplate capacity 500tph

Production expansion options – SRL:

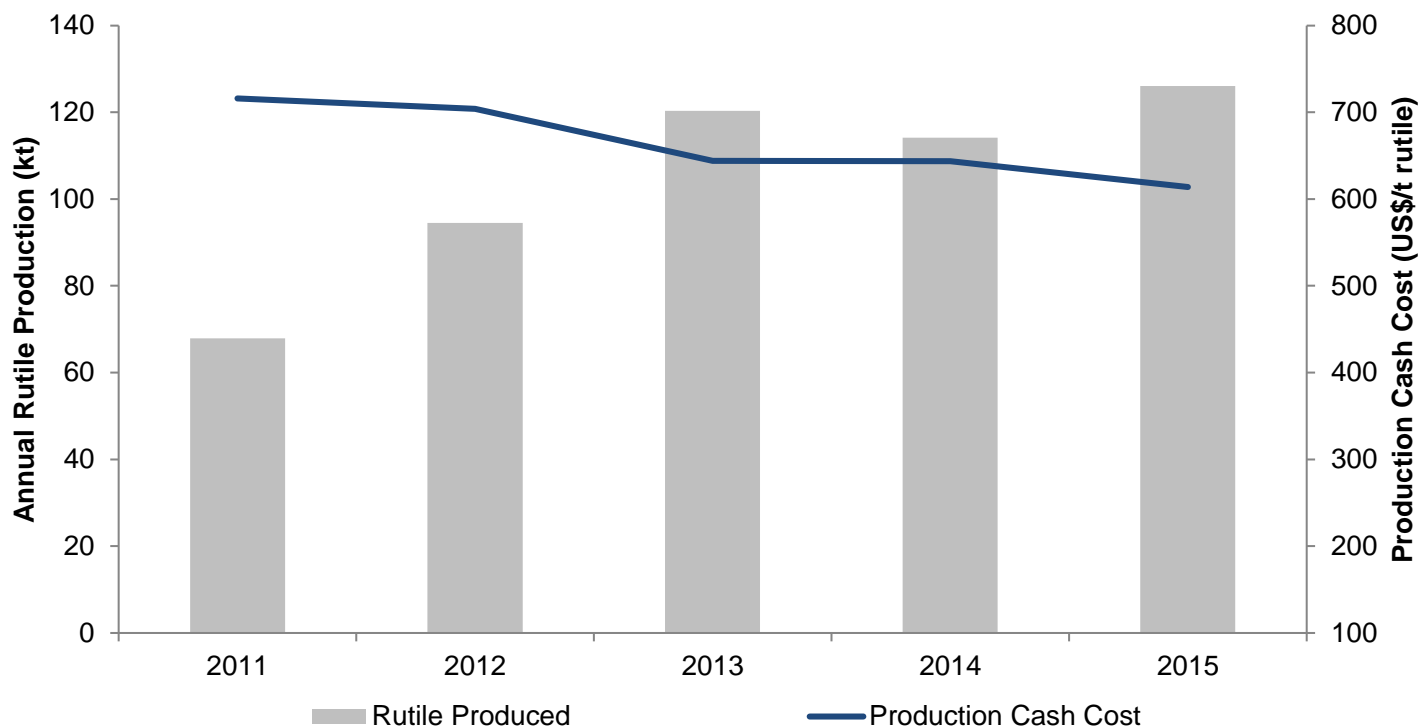
- Lanti DM: dry mining, additional 250tph²
 - Iluka considering a larger expansion, potentially 500tph
- Gangama: dry mining, 500tph¹
- Sembehun: dry mining, +1,000tph²
- Iluka capex estimate ~US\$160 million (over ~3-5 years)
 - estimate for above 3 projects
 - estimate to be reviewed post-acquisition as part of detailed feasibility studies

1. SRL's June 2015 investor presentation.

2. SRL, 2015 Preliminary Results presentation, 31 March 2016.

Production and Cash Costs

- In the period 2011 - 2015, rutile production has grown at a CAGR of 17%
- Production growth to via the commissioning of Gangama in Q2 2016 and pipeline of expansion opportunities
- Unit production cash costs have trended downwards and should continue to do so as operating leverage increases



Source: SRL

1. Production Cash Cost (gross of by-product credits) calculated as total direct costs of sales less depreciation, amortisation, inventory write-offs, freight costs and change in value of finished goods inventory divided by tonnes of rutile produced.

Expected combined portfolio flexibility benefits include:

- Capacity to invest across a range of mineral sands products, product qualities/specifications, geographies
- Flexible timing of Iluka current projects and SRL projects = capital expenditure profile flexibility
- Iluka internal mineral sands options:
 - Balranald – rutile / zircon / ilmenite – New South Wales – advanced DFS
 - Cataby – ilmenite suitable as SR feed, associated zircon and rutile – WA – DFS complete
 - currently idled synthetic rutile capacity
 - Aurelian Springs, Hickory – chloride ilmenite with associated zircon – USA – DFS complete
 - Puttalam – sulphate ilmenite – Sri Lanka – initial PFS
- International exploration – consideration to near field / Sierra Leone country opportunities
- SRL transaction and progression of Iluka internal options are not mutually exclusive

3. SRL Operational Description



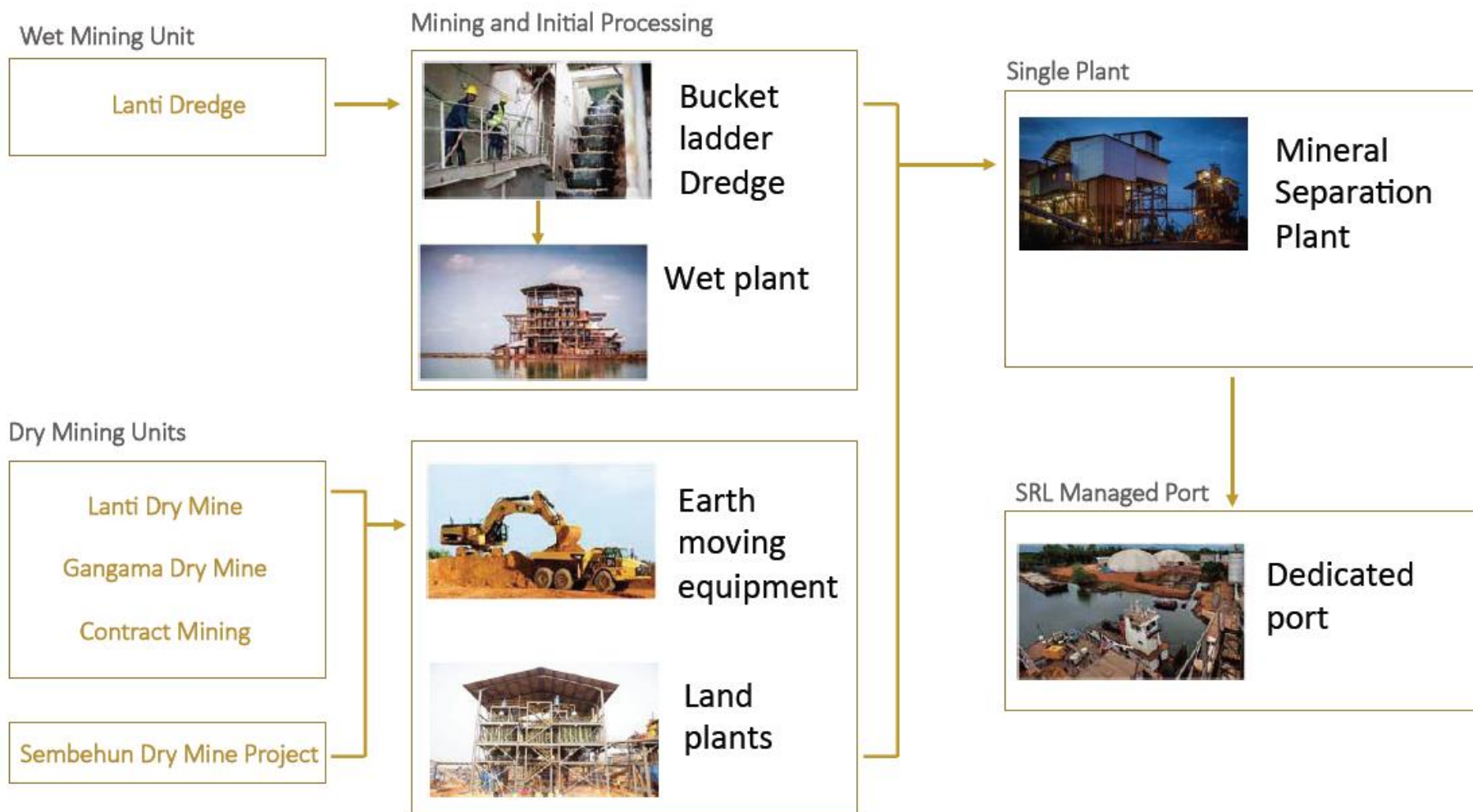
SRL Operation

Dry mining and concentrating at Gangama



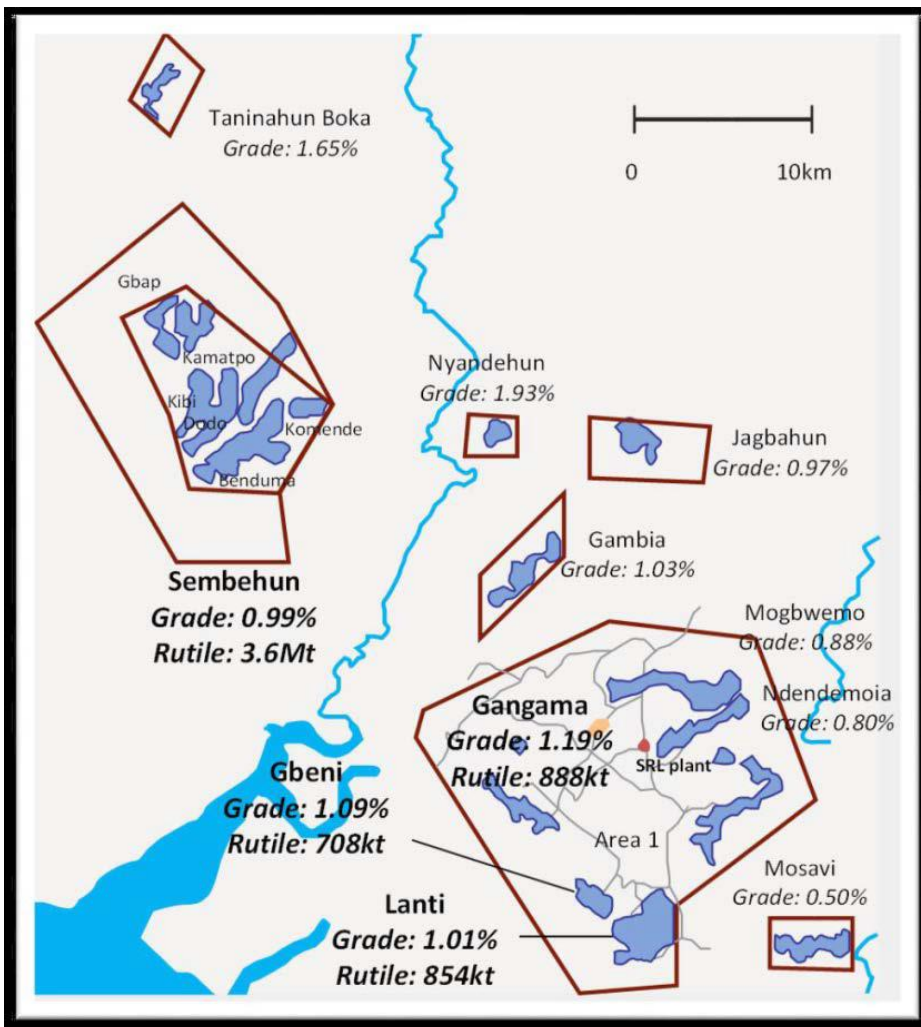
Source: Sierra Rutile Limited

SRL Key Assets



SRL Resources and Mine Planning

SRL deposits



Source: Sierra Rutile Limited

- Mining is currently across three deposits:
 - dredge mining at Lanti dredge pond
 - end of life expected in 2018
 - dry mining at Gbeni (Lanti Dry)
 - dry mining at Gangama (recently commissioned)
- Sembehun group of deposits next project to be developed
- Lanti Dry and Gangama mining units to be relocated to Sembehun area in due course



Nitti Port



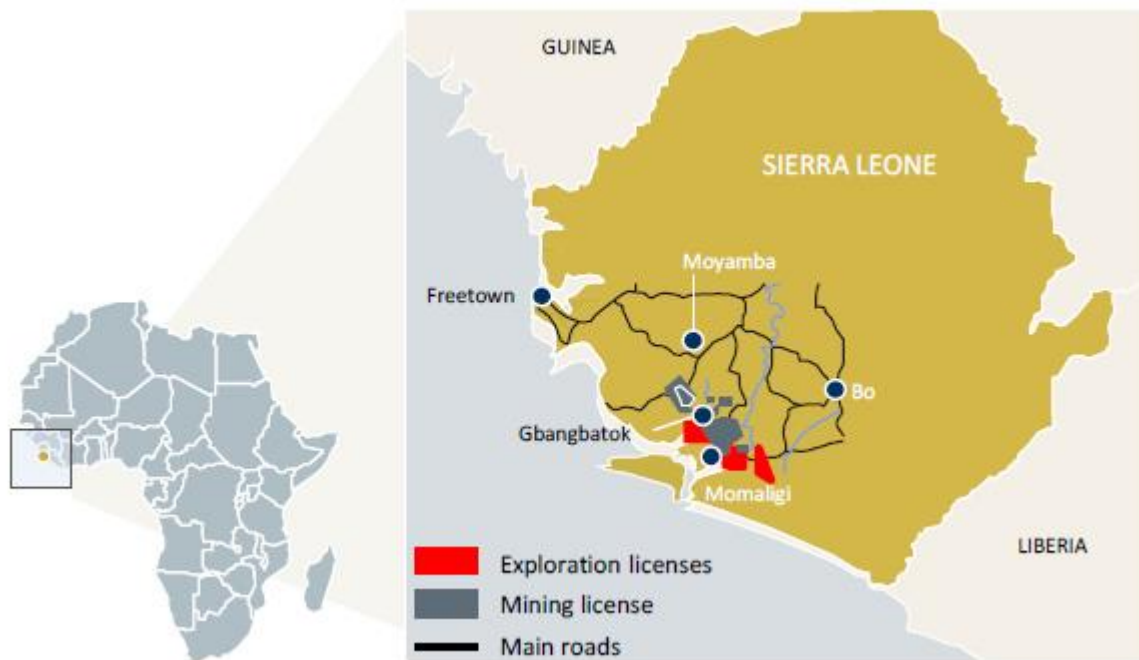
Rutile storage at Nitti Port

INFRASTRUCTURE	
TYPE	DESCRIPTION
Port / Export	<ul style="list-style-type: none"> Bulk shipment via Nitti Port, ~15km from MSP Port facilities include heavy fuel oil (HFO) storage facilities, diesel storage facilities, two 15,000t dome sheds for bulk dry product and three 1,700t capacity dumb barges, with a tugboat
In-bound logistics	<ul style="list-style-type: none"> 190km bituminised and 80km gravel road from Freetown
Housing	<ul style="list-style-type: none"> On-site accommodation village can accommodate 420 people Community centre includes kitchen, mess, pool, gym, tennis courts and squash court
Power	<ul style="list-style-type: none"> 28MW capacity (4x7MW generators) run on heavy fuel oil Site consumption ~12.5MW Availability exceeds 99%

SRL Workforce and Community

- Total employees ~1,500
 - expatriate workforce: ~35
- SRL contributes significantly to the gross domestic product and is the largest employer in Sierra Leone
- Language
 - English
 - Kreo
- Project area is located in Moyamba and Bonthe Districts
- Recently SRL supported a number of development programs through donations, mostly relating to infrastructure projects, including schools, churches and mosques

Sierra Leone Country Setting



Source: Sierra Rutile Limited

Sierra Leone County Features

- Stable political environment
- Government supportive of regional development activities
- SRL community and social investment credentials
- Encouragement of foreign investment



4. Transaction Process Information

Indicative Transaction Timetable

Subject to completion of conditions:

- | | |
|---|---|
| • Details of the Merger (Merger Circular) distributed | Before 23 August 2016 |
| • Shareholder meeting | During September 2016 |
| • Closing | During September 2016 (and before 30 November 2016) |

Important Information – Resources



JORC Reserves and Resources Statements

Iluka Reserves and Resources

The information in this document relating to Iluka's Ore Reserves and Mineral Resources is extracted from Iluka's 2015 Annual Report (the Report), issued to ASX on 19 February 2016, and is available at www.iluka.com. The Company confirms it is not aware of any new information or data that materially affects the information included in the Report and that all material assumptions and technical parameters underpinning the estimates in the Report continue to apply and have not materially changed. The Company confirms the form and context in which the Competent Persons' findings are presented have not been materially modified from the Report.

SRL Reserves and Resources

SRL's Mineral Resources are stated to have been estimated by a Competent Person as defined by the guidelines of the JORC Code. The Competent Person has consented to the inclusion of the SRL Ore Reserves and Mineral Resources information in this presentation (refer to the Competent Person's Statement below). The supporting "Table 1" commentary has not been included with this presentation. If the proposed acquisition is completed, the "Table 1" commentary will be included with the first Iluka announcement after the proposed acquisition which includes the SRL Ore Reserves and Mineral Resources as part of the Iluka Ore Reserves and Mineral Resources, in accordance with the ASX Listing Rules.

SRL Competent Person's Statement

The information in this presentation regarding SRL's Mineral Resources and/or Ore Reserves has been extracted from SRL's 2015 Annual Report (**SRL Report**), issued to AIM on 28 April 2016 and available (along with other SRL announcements) on the SRL website at <http://www.sierra-rutile.com>. The information is based on information compiled by MTG Button.

MTG Button is a consultant working as an Independent Mineral Resource Professional and was engaged by SRL as a consultant. MTG Button is a member of The South African Council for Natural Scientific Professions, (accreditation number 400088/01) which is included on the list of 'Recognised Professional Organisations' for the purpose of reporting Mineral Resources in accordance with the JORC Code (2012 ed.). MTG Button has confirmed that he has five years' experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activities undertaken. MTG Button has confirmed that this qualifies him as a "Competent Person" as defined in the JORC Code. MTG Button consents to the inclusion of information in this announcement in the form and context in which it appears. MTG Button is a consultant working as an Independent Mineral Resource Professional and was engaged by SRL as a consultant.

SRL has confirmed to Iluka 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 that market announcement continue to apply and have not materially changed. SRL has confirmed that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Iluka Resources Limited



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