

29 June 2016

Chairman's Letter to Shareholders

Dear Shareholder,

Appointment of CEO and Managing Director

On 29 June 2016 I announced, on behalf of the Board, the appointment of Tom O'Leary as Chief Executive Officer and Managing Director to succeed David Robb. As shareholders will be aware, David has been Managing Director since October 2006 and in March this year it was announced that the Board planned an orderly transition in the second half of this year.

I am very pleased to announce Tom O'Leary's appointment. Tom is a seasoned business executive, who has run complex businesses, most recently as Managing Director of Wesfarmers Chemicals, Energy & Fertilisers Division. He has a depth of business development and capital deployment experience, including major transactional experience. Tom provides an important continuity in terms of the capital disciplines and capital allocation abilities that I know our shareholders regard highly as distinguishing features of Iluka. Tom also has a reputation as being personable and a creator and motivator of talent. I am sure he will provide a new perspective and continued dynamism to our company.

I can assure shareholders that the transition process has been a disciplined and comprehensive one. As part of this process, David has provided valuable input through presenting experienced and capable internal candidates for the process of selection. Ultimately the Board determined that shareholders' interests are best served by an external appointment, despite the evident strength of the internal candidates.

While Iluka, as with other companies in the resources sector, has had the challenges of a lower demand environment and lower prices for its main products, the Board believes our company is well placed. Despite depressed earnings, the balance sheet is strong and, as with 2015, the company expects to generate free cash flow over the course of 2016, although very much second half weighted. The company has well developed capital management and analytical abilities. There is a depth of management and technical capabilities within the organisation. The culture is strongly aligned to shareholder interests and I am confident the company and its people demonstrate integrity built around longstanding and clearly understood and practiced values.

These attributes will continue with the transition of CEO and Managing Director. In fact, I believe they provide a firm foundation upon which Tom can take the company to the next stage of its development, as well as manage the transition from low demand conditions, which inevitably will occur in the mineral sands sector.

The transition of CEO and Managing Director comes with a number of opportunities and key decisions to be made for value to be created and delivered to shareholders. These include:

- the commitment to at least two major internal mineral sands projects - Cataby (Western Australia) and Balranald (New South Wales), both of which are necessary to sustain production of key products such as rutile, synthetic rutile and zircon;
- the continued evaluation and pursuit of inorganic, industry consolidation opportunities. The Board will continue to provide support and guidance to the new CEO and Managing Director to continue to evaluate and, where appropriate on financial and strategic grounds, pursue such opportunities; and
- the advancement and delivery of a number of technologically based opportunities - work on commercialising non-conventional resources; potentially transformational new mineral sands mining and processing technologies; the Metalysis titanium powder and other titanium mineralisation opportunities, and so on.

At the core of most of these opportunities is a focus on building the resource – and ultimately the reserve base of your company.

Tom's appointment has been made in the context of these priorities.

Associated with this communication are a summary of Tom O'Leary's professional resume and the material terms of employment.

Please welcome Tom to the company. I am sure he will be eager to ensure shareholders are updated on his plans and activities to create and deliver shareholder value.

Sincerely,



Greg Martin
Chairman