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**ILUKA**

# 2019 Bank of America Merrill Lynch Global Metal, Mining and Steel Conference

Tom O'Leary, Managing Director

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This document provides an indicative outlook for the Iluka business in the 2019 financial year. The information is provided to assist sophisticated investors with the modelling of the company, but should not be relied upon as a predictor of future performance. The current outlook parameters supersede all previous key physical and financial parameters.

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## Non-IFRS Financial Information

This document contains non-IFRS financial measures including cash production costs, non production costs, Mineral Sands EBITDA, Underlying Group EBITDA, EBIT, free cash flow, and net debt amongst others. Iluka management considers these to be key financial performance indicators of the business and they are defined and/or reconciled in Iluka's annual results materials and/or Annual report. Non-IFRS measures have not been subject to audit or review.

All figures are expressed in Australian dollars unless stated otherwise.



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## 2018 Sustainability Results




22% decrease in serious potential incidents  
3.5 TRIFR<sup>1</sup>



741 hectares of land rehabilitated



Human rights policy released



Climate change approach developed  
Aligned with TCFD recommendations



Approach to Tax Statement published

Member of  
**Dow Jones Sustainability Indices**

In Collaboration with RobecoSAM



FTSE4Good

## Iluka's Sustainability Approach

Key pillars of approach: people, health and safety, social performance, environment, economic responsibility and governance.

Delivery of sustainable returns requires skilled, engaged, diverse and empowered workforce.

Ongoing trust of our communities earned from delivering on commitments.



1. Total recordable injury frequency rate

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## Tailings storage facilities management

Active tailings storage facilities in Australia and Sierra Leone

No upstream raised tailings containments

Facilities constructed to full height or with downstream method, audited annually and inspected regularly by operational teams

Risk-based approach to tailings management in accordance with ANCOLD guidelines

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## Water Management

Site-specific water management plans and water balances guide responsible water use throughout the mine lifecycle

Water recycling utilised where possible and fresh water consumption minimised

## Climate Change Approach

Support of the Paris Agreement objectives and IPCC assessment of climate change science

Commitment to align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations over 3 year period

TCFD year 1 focus: Scenario analysis to assess physical risks and opportunities from climate change

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## Human Rights

Human Rights Policy released and work program underway

Supply chain screening to identify and mitigate occurrences of modern slavery in preparation for *Modern Slavery Act 2018* reporting



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## Strong Market Fundamentals

Mineral sands demand linked to urbanisation, rising living standards, increasing array of applications

## Quality Mineral Sands Assets

Australia and Sierra Leone operations  
Product mix weighted to premium zircon and high grade titanium dioxide

## Project Pipeline

Sustaining and growth projects in Australia and Sierra Leone

## Value Driven Marketing Model

Direct customer relationships  
Price driven by value in use  
Focussed on sustainable pricing

## Capital Discipline Framework

Strong balance sheet, disciplined capital allocation  
Focus on shareholder returns via dividend framework

## World-class Iron Ore Royalty

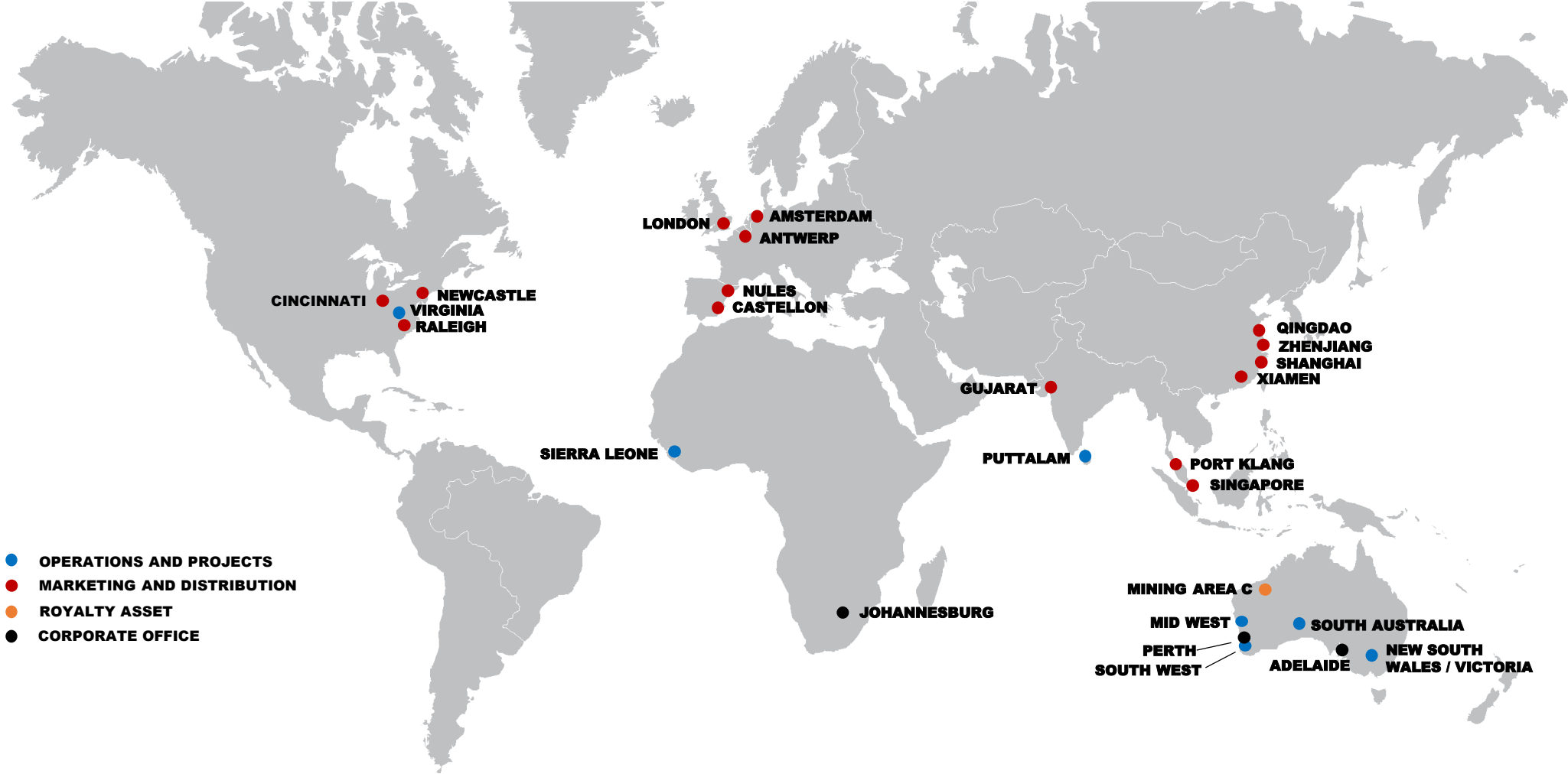
Royalty stream from BHP's Mining Area C hub in Western Australia  
Growth from BHP's South Flank development



# Iluka's Asset Portfolio

60 years experience in mineral sands exploration, project development, mining, processing and marketing

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# Strong Financial Results in 2018

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Jacinth-Ambrosia, South Australia

**Mineral sands  
revenue ▲ 22%**

Zircon prices ▲ 41%

Rutile prices ▲ 21%

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**\$600m**

**EBITDA**

▲ 67%

48% EBITDA margin

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**\$304m**

**NPAT**

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**\$304m**

**Free cash flow**

**40% free cash  
flow returned to  
shareholders**

29 cents full year  
dividend, fully franked

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**54% ROC**

**32% ROE**

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**\$2m**

**Net cash**

(as at 31 Dec)

Net debt at end 2017 \$183m

\$312m capex on growth

Cataby,  
Western Australia



- Large chloride ilmenite rich deposit
- 150km north of Perth
- ilmenite to feed synthetic rutile kiln
- Synthetic rutile offtake contracts underpin returns
- Significant zircon and rutile production
- 8.5 year mine life, with potential 4 year extension

Jacinth-Ambrosia,  
South Australia



- World's largest zircon mine
- Discovered in 2004, mining commenced 2010
- Iluka's major source of zircon production
- Mining ceasing at Jacinth deposit in 2H19
- Move to Ambrosia deposit accelerated to smooth production
- Studies commenced for potential satellite mine at Atacama

Sierra Rutile,  
Sierra Leone



- Began operations 1960s
- Acquired by Iluka in December 2016
- World's largest rutile mine
- Large, long life operations (~20 years)
- Planned closure of dredge operation completed Q1 2019



# Pipeline of Growth Projects

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### Ambrosia, South Australia

Mine move to Ambrosia brought forward to 2019 to smooth zircon production  
Construction and earth works progressing

### Wimmera, Victoria

Zircon and rare earth project  
Feasibility study commenced  
Test pit completed and customer samples prepared

### Atacama, South Australia

Satellite deposit to existing J-A operation  
Feasibility study commenced  
Potential to add material zircon production

Other

### Eneabba Mineral Sands Recovery, Western Australia

Monazite-rich stockpile from historic mining  
Feasibility study commenced  
Simple process proposed with low capital expenditure



### Lanti and Gangama expansions, Sierra Leone

Doubling of mining capacity at Lanti and Gangama operations  
Both scheduled for commissioning in 2019

### Sembehun, Sierra Leone

Expansion to new deposit  
Currently undergoing value optimisation work  
Optimisation studies completing H2 2019

### SR1 restart, Western Australia

Scoping study commenced  
Potential for ~120ktpa of synthetic rutile  
Subject to appropriate commercial arrangements

### Balranald, New South Wales

Rutile and zircon rich deposits  
Development of innovative underground mining method via directional drilling  
Final field trial subject to Board decision in H2 2019



Wimmera, Victoria

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## Catby, Western Australia



### Major works:

- 2 in-pit mining units
- Wet concentrator
- Power, water, roads, camp
- Highway upgrade
- Processing plant upgrades

**\$265-275m Capex**

Completed within budget  
and on schedule

**600+ people on site**

900,000 hours worked  
(Jan 18 – Mar 19)

### Utilising existing assets

- Concentrator relocation to mine
- Mineral processing plant
- SR2 kiln

**Major ongoing  
regional employer**

## Kiln Major Maintenance Outage, Western Australia



### Major works:

- SR2 kiln reline
- New rotary cooler shell
- New quench tower

**~\$35m Capex**

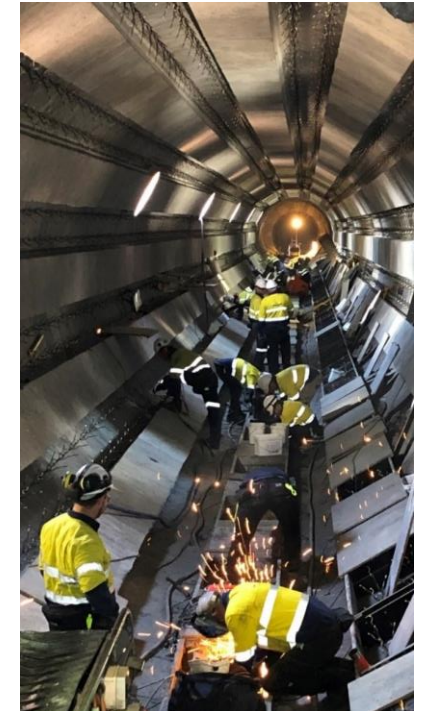
Completed on budget, ahead  
of schedule

**600+ tasks**

400+ people on site

**Zero**

Level 3+ environmental incidents



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## Lanti and Gangama Expansion, Sierra Leone



### Doubling of capacity at each operation

To 1,000-1,200 tonnes per hour (ore feed rate)

- Duplication of existing design
- Gangama expansion: commissioning underway
- Lanti expansion: commissioning mid 2019
- Both expansions ramping up in H2 2019
- Projects on schedule and on budget



## Ambrosia, South Australia



### Early mine move

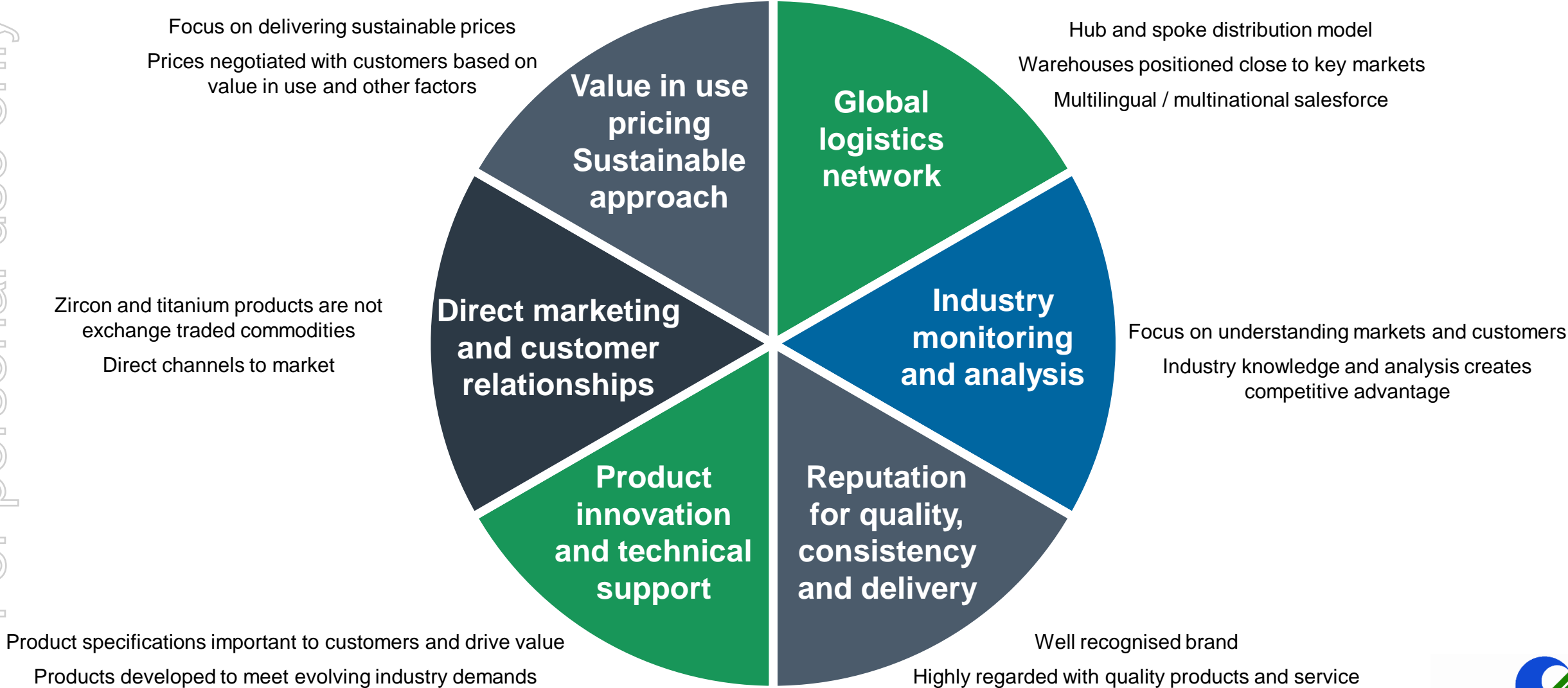
Smooths production to partially offset grade decline

- Utilises existing mining and concentrating assets
- \$35m capex budgeted in 2019
- \$20m further capex in 2020/21 for tailings management
- Progressing ahead of schedule
- Move to Ambrosia planned for H2 2019



# Iluka's Marketing Model of Value Creation

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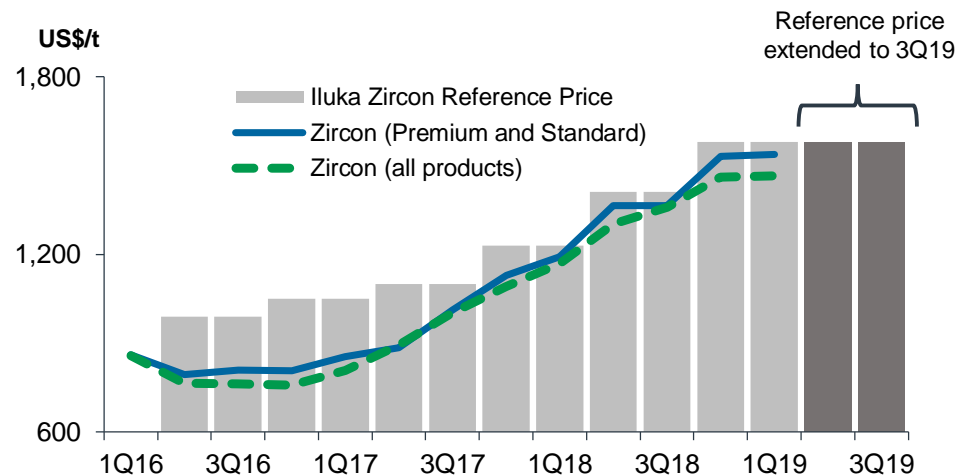
## Sustainable pricing based on value in use

### Zircon Pricing Model

Iluka introduced Zircon Reference Price in 2016

- Provides transparency for customers
- Actual price paid function of location, quantity, quality, purchase history etc

Iluka's Zircon Reference Price has delivered sustainable price growth



Notes: Zircon Reference Price is based on a 2 tonne bag of Zircon Premium, DAT, ex-China warehouse. Price differential between Zircon (Premium and Standard) and Zircon (all products) varies based on the price of each product and the mix of products sold in each period.

### Titanium Pricing Model

Titanium feedstock prices negotiated with each customer

- Pricing based on specifications, relative economic value

High grade feedstock has natural advantage in production processes and Iluka's main products have high 'value in use'

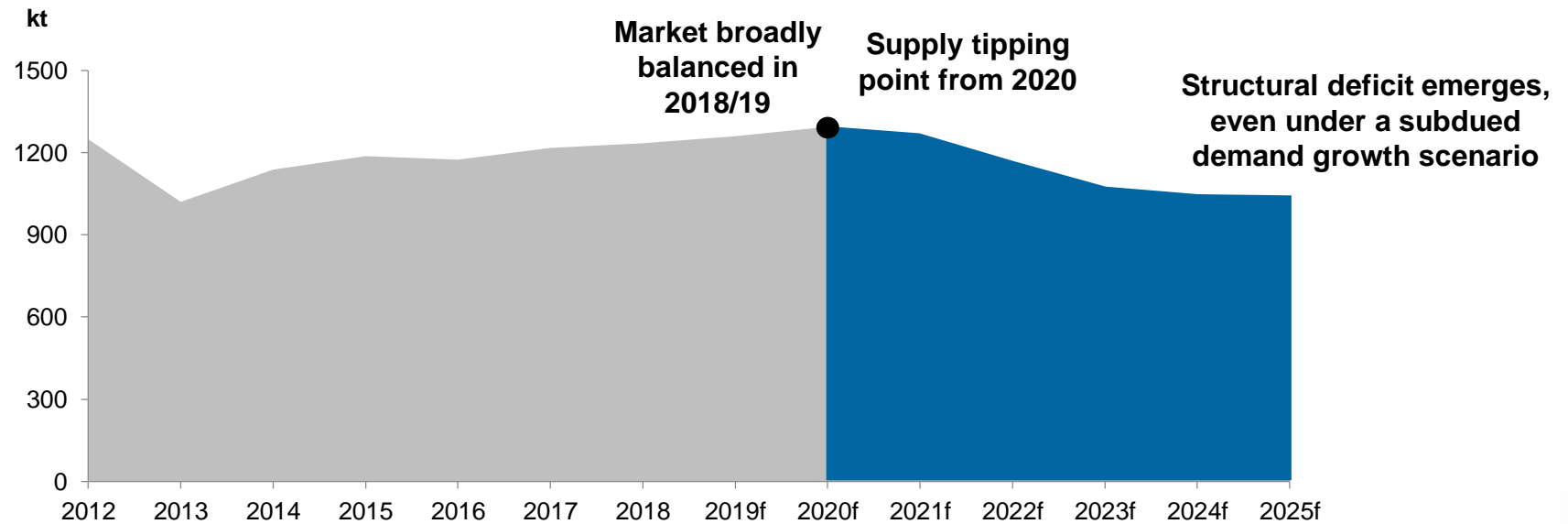
- Less waste
- Less consumables

Innovative contracting mechanisms to provide certainty for customers and protect Iluka's margins



Lack of quality mineral sands projects, particularly with high zircon assemblage, and depletion of current operations (which includes Iluka)

## Global Zircon Supply Outlook



Production outlook only includes new projects with funding approval.

Source: Iluka and TZMI

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- Some slowness in ceramic plant restarts in China following Chinese new year
- Improvements in Chinese housing market expected to support demand
- Environmental inspections continue with China Customs inspections now also stricter
- Cautious buying in European markets and drawing down of inventories
- Global supply remains tight for Premium zircon, although Standard zircon is now well supplied
- Progressive pick-up of consumption expected throughout rest of 2019



# High Grade Titanium Pricing Dynamics

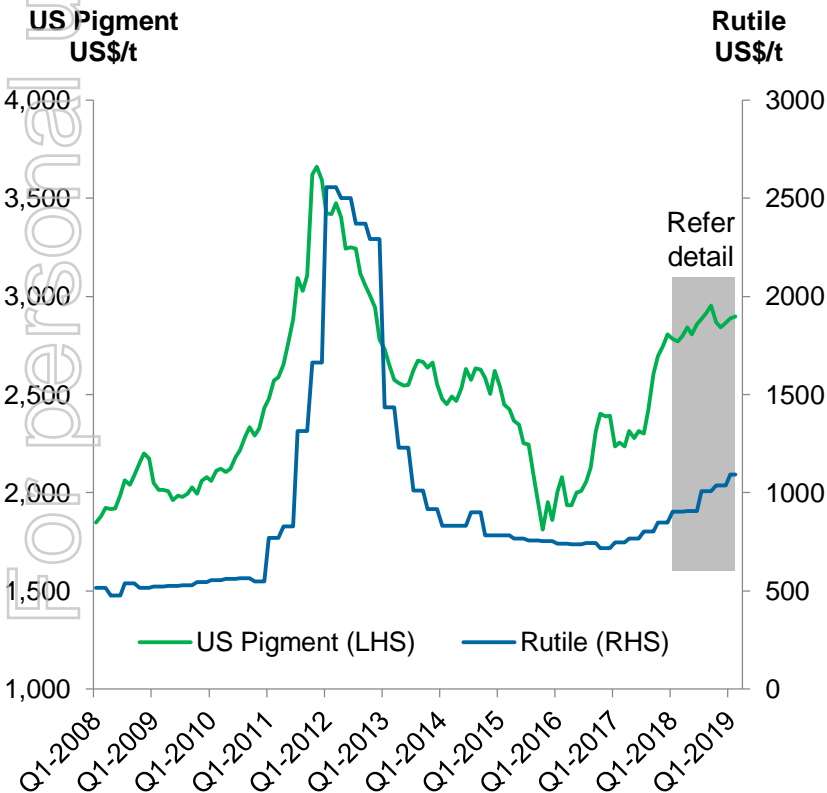
Recent decoupling of rutile and pigment prices due to supply tightness in very high grade feedstock market

1. Pigment and rutile prices have historically moved together with lag of 6 to 12 months

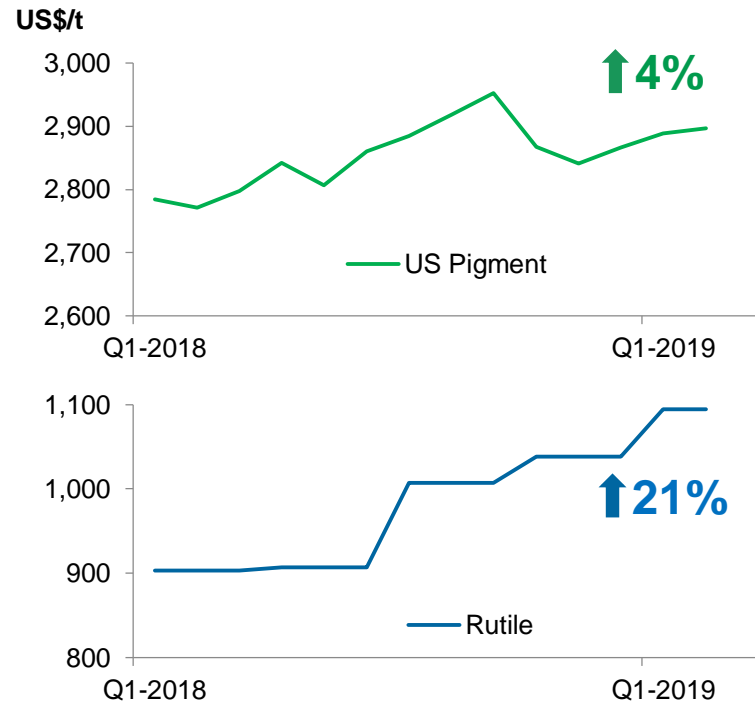
2. Pigment price growth eased in 2018 while rutile price growth continued with further growth expected

3. Rutile market dynamics no longer mimic other titanium feedstocks - instead pricing driven by rutile supply tightness

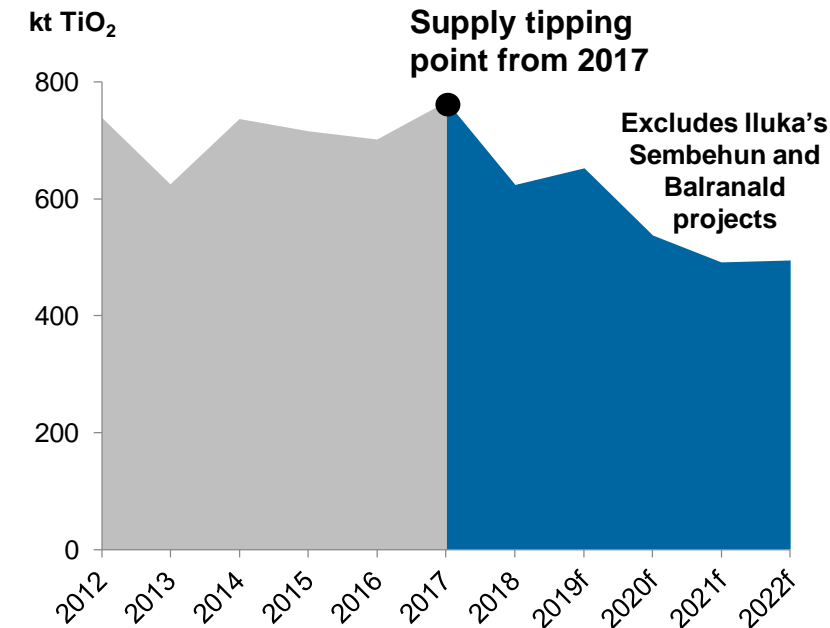
Rutile and US Pigment Prices, from 2008



Rutile and US Pigment Prices, from 2018



Global Rutile Supply Outlook



Source: Iluka and TZMI



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- Pigment demand stable in Q1 2019
  - Pigment producers commentary suggests stronger demand in H2 2019
- Pigment producers continue to use high grade feedstocks to increase plant throughput
- Minimal inventories through value chain
- Outlook for continued growth in demand over 2019
- Iluka unable to satisfy all requests for feedstock
  - Majority of product contracted or committed for 2019



**\$56m**  
**EBITDA**  
**2018**

**~\$800m**  
**EBITDA**  
**Since mining**  
**commenced**

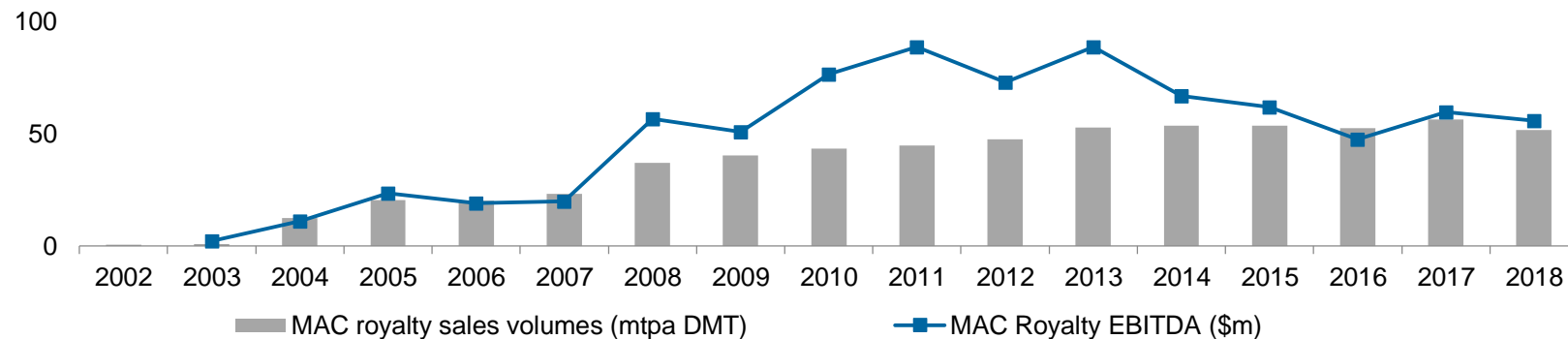
- Iluka holds a royalty over iron ore from BHP’s Mining Area C (MAC), Western Australia
- Terms of royalty:
  - 1.232% of Australian denominated revenue from royalty area; and
  - one-off payment of A\$1 million per million tonne increase in annual capacity
- Royalty revenue set to grow with BHP’s South Flank development

### South Flank Development

- Approved by BHP Board June 2018
- ~145Mtpa (WMT) from combined MAC hub
- Quality ore – contributing to increase in BHP’s Western Australian average iron grade from 61% to 62%, and overall proportion of lump from 25% to ~35%
- Project 29% complete (as at April 2019)
- Initial production target 2021
- 25+ year life

Source: BHP

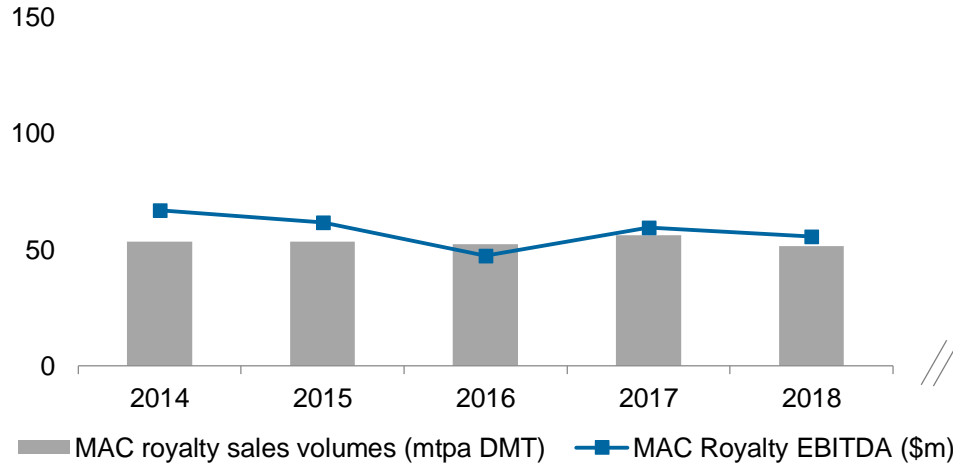
**Iluka Royalty EBITDA and Mining Area C Sales Volumes (DMT)**



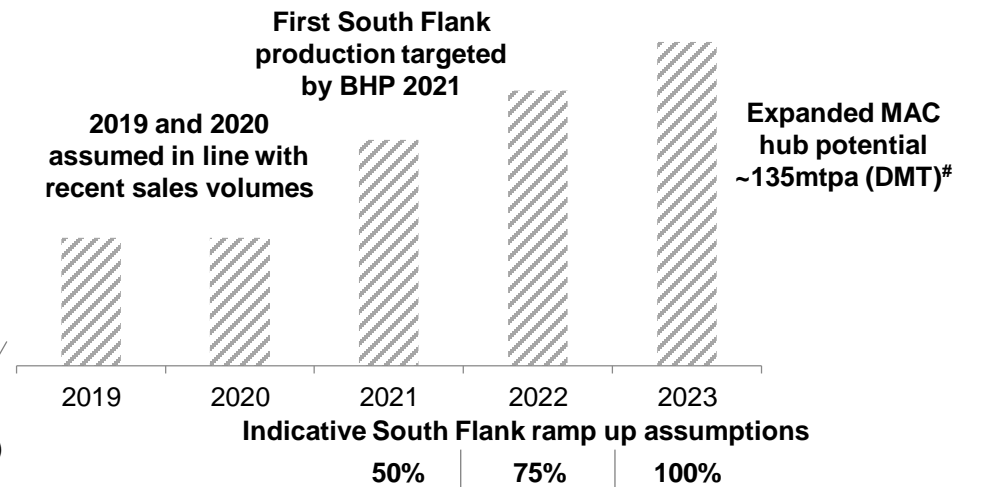
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## Historical Royalty EBITDA and Mining Area C Sales Volumes (DMT)



## Indicative Royalty Sales Volumes (DMT) with South Flank Development



## Royalty revenue set to grow with South Flank development

Earnings contribution will be dependent on the rate of ramp up, iron ore pricing, the ratio of lump to fines, the premium lump attracts over fines and the USD:AUD exchange rate.

- If 145mtpa (WMT) production is achieved by 2023 (135mtpa DMT), the lump ratio from South Flank is 35% and the premium attracted by lump is 20%, then EBITDA contribution in that year could be as shown.
- In addition to annual royalty earnings, one-off capacity payments will be approximately A\$80 million, payable as annual tonnages increase over the course of the ramp up of South Flank.

Royalty revenue (A\$)		Iron Ore Fines: US\$/DMT, 62% Fe (FOB)		
		50	55	85*
AUD:USD	0.75	\$118m	\$129m	\$200m
	0.70	\$126m	\$139m	\$214m
	0.65	\$136m	\$149m	\$231m

#145mtpa (WMT) expanded MAC hub potential assumption in line with BHP disclosures, noting BHP's May 2017 EPA approval has nominal combined processing rate of 150mtpa (WMT) of blended ore.

\* Based on spot pricing as at 10 May 2019



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