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**ILUKA**

# Value For Customers – Value For Investors

Matthew Blackwell, Head of Marketing and Procurement



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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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## 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, Sierra Leone and Sri Lanka

## 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

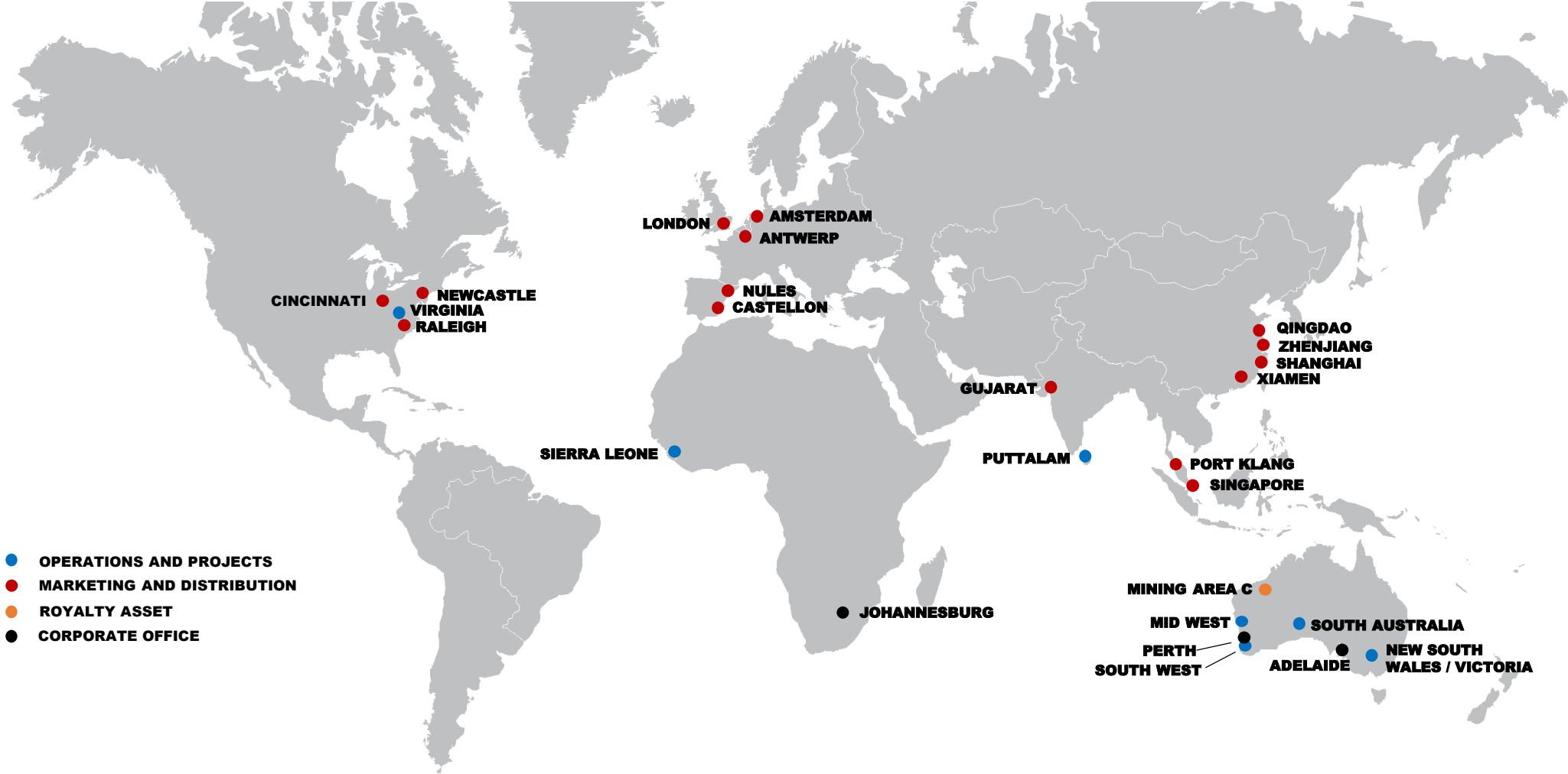
Royalty stream from BHP's Mining Area C hub in Western Australia  
Growth from BHP's South Flank development



# Iluka's Asset Portfolio

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

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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 completing at Jacinth deposit in 2H19
- Move to Ambrosia deposit accelerated to smooth production
- Studies commenced for potential satellite mine at Atacama

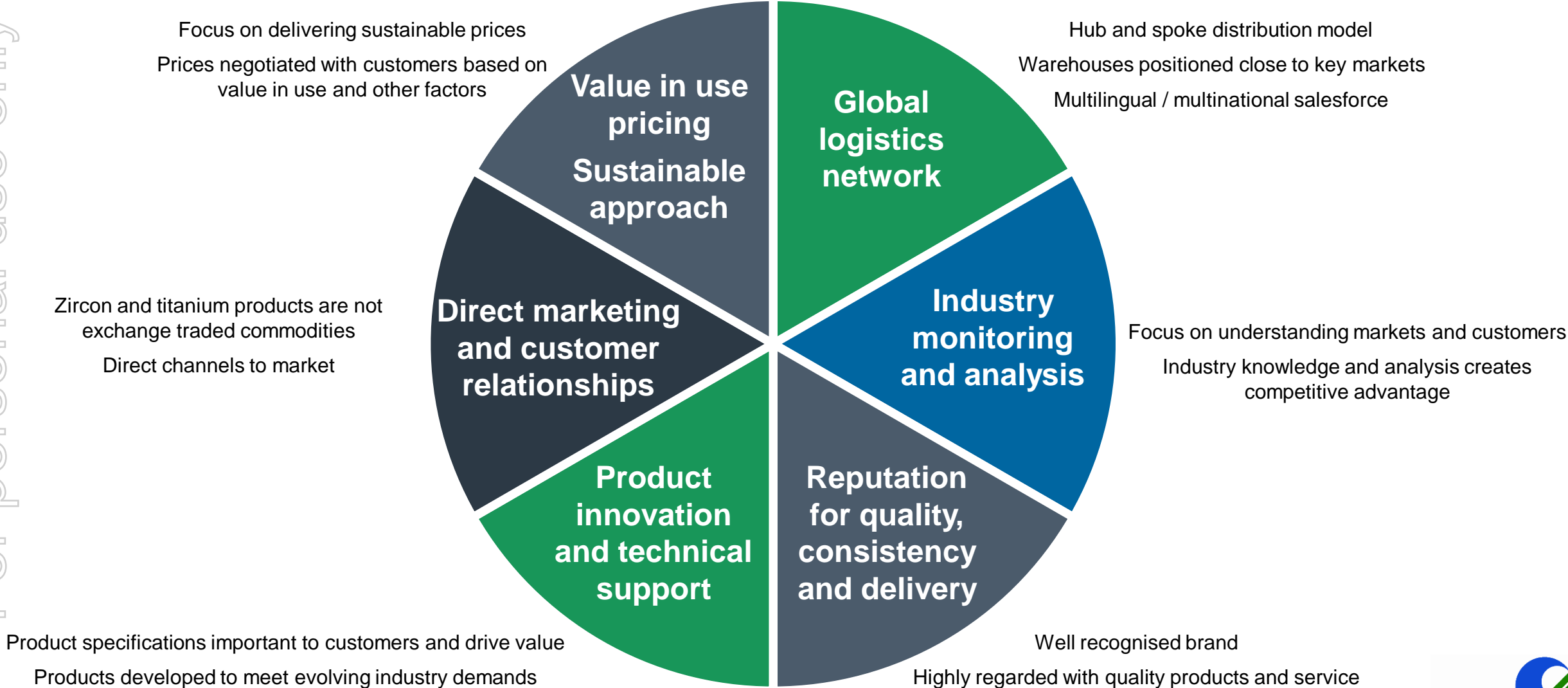
Sierra Rutile,  
Sierra Leone



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

# Iluka's Marketing Model of Value Creation

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# High Grade Titanium Feedstock Advantage



- Natural rutile and synthetic rutile have a higher titanium grade than other feedstocks
- Iluka's high grade products considered to have high 'value in use' for pigment producers

## High grade feedstock advantages in pigment production:

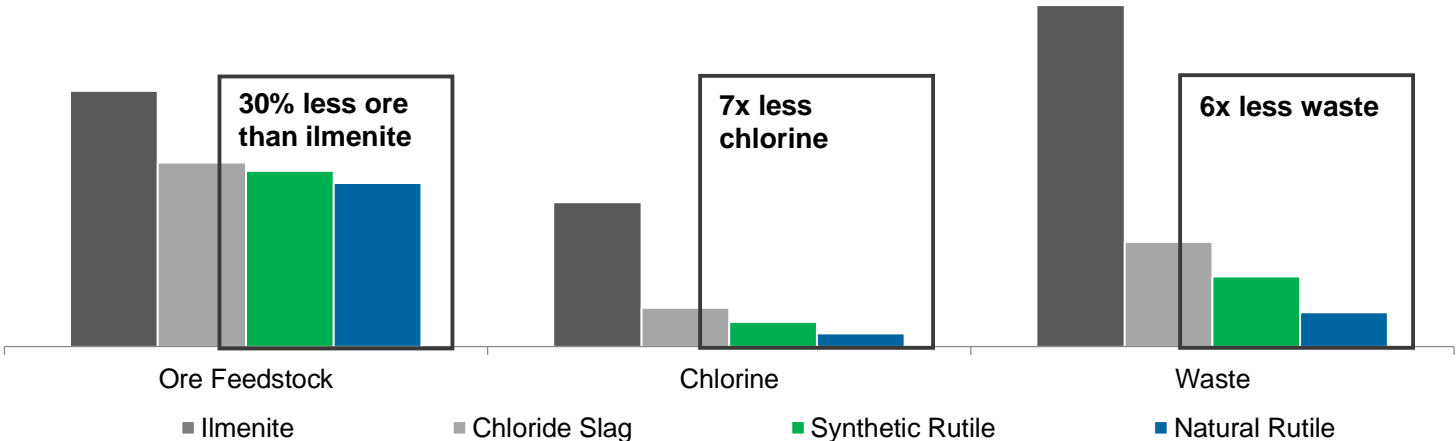
**Lower ore tonnes required**

**Lower chlorine input**

**Lower waste generation**

Environmental and cost benefits

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

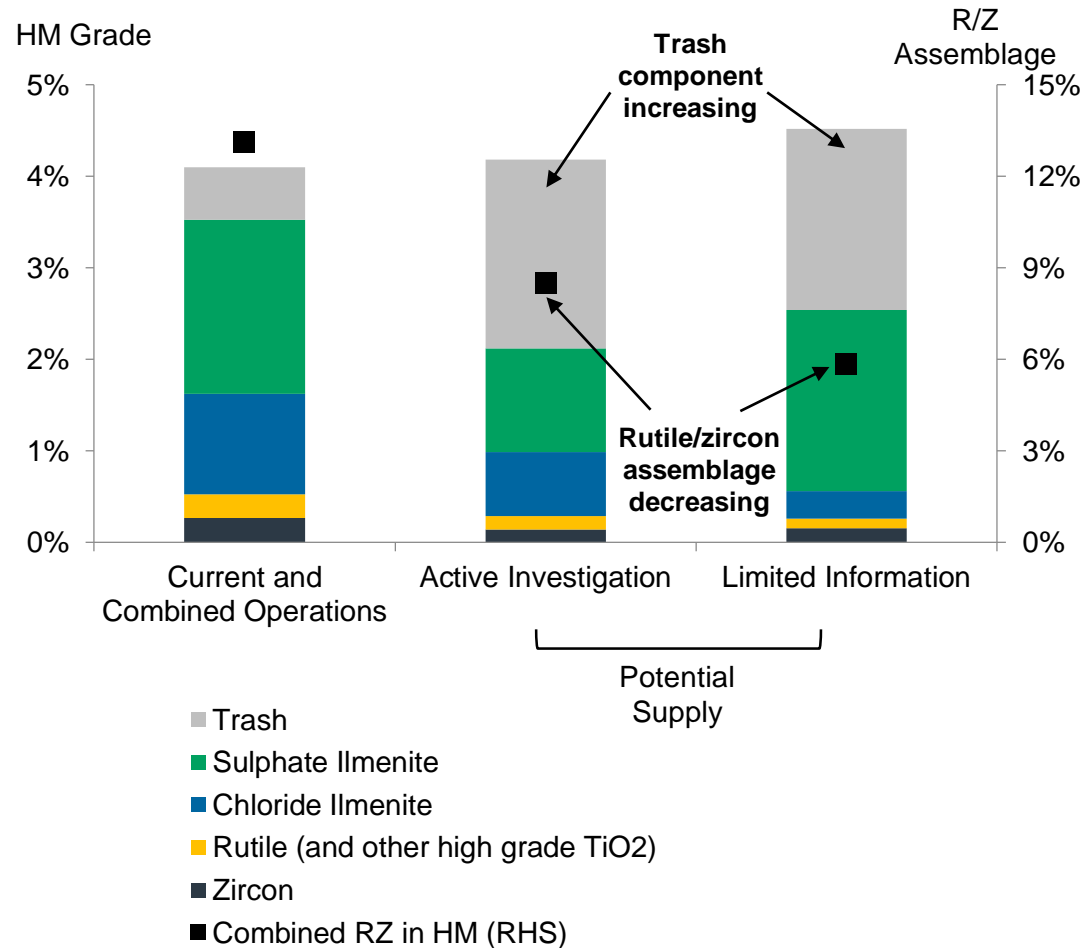




# Valuable Heavy Mineral Decline

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**Assemblage of Global Mineral Sands Resources**



Source: Iluka and company reports, 2016

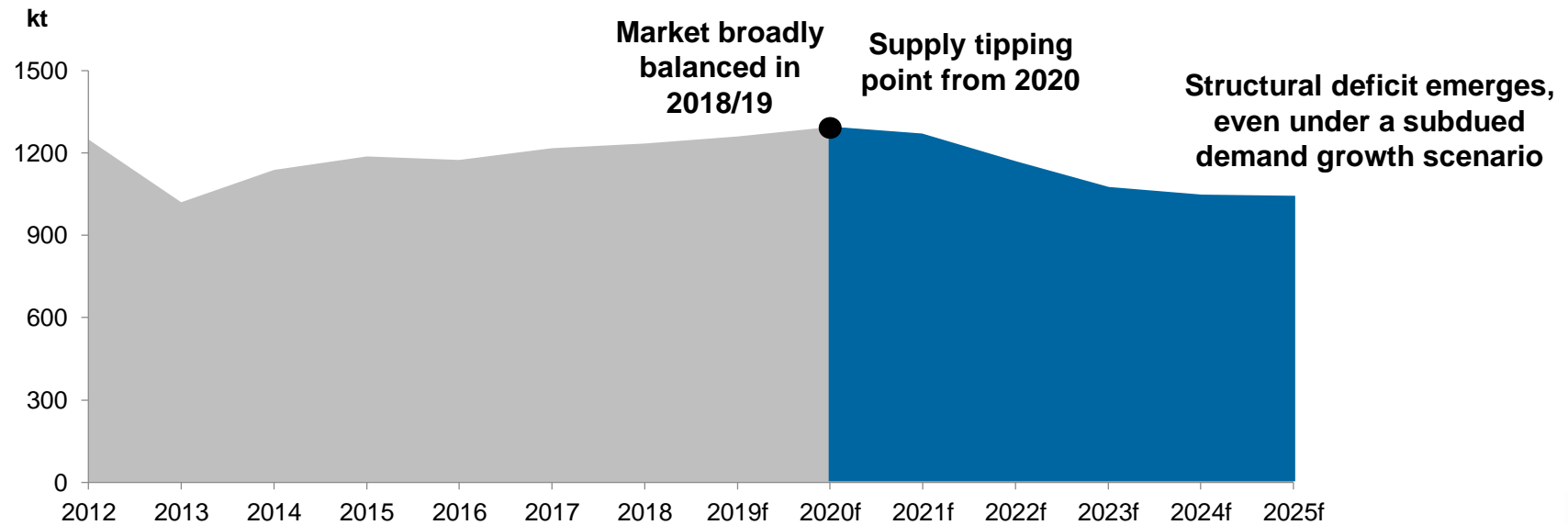
## The mineral sands industry challenge:

1. Need technical solutions for unconventional ore bodies and product specifications
2. Exploration to find better ore bodies
3. Achieving prices that generate sufficient return on investment but not so high as to incentivise substitution and thrifting



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.

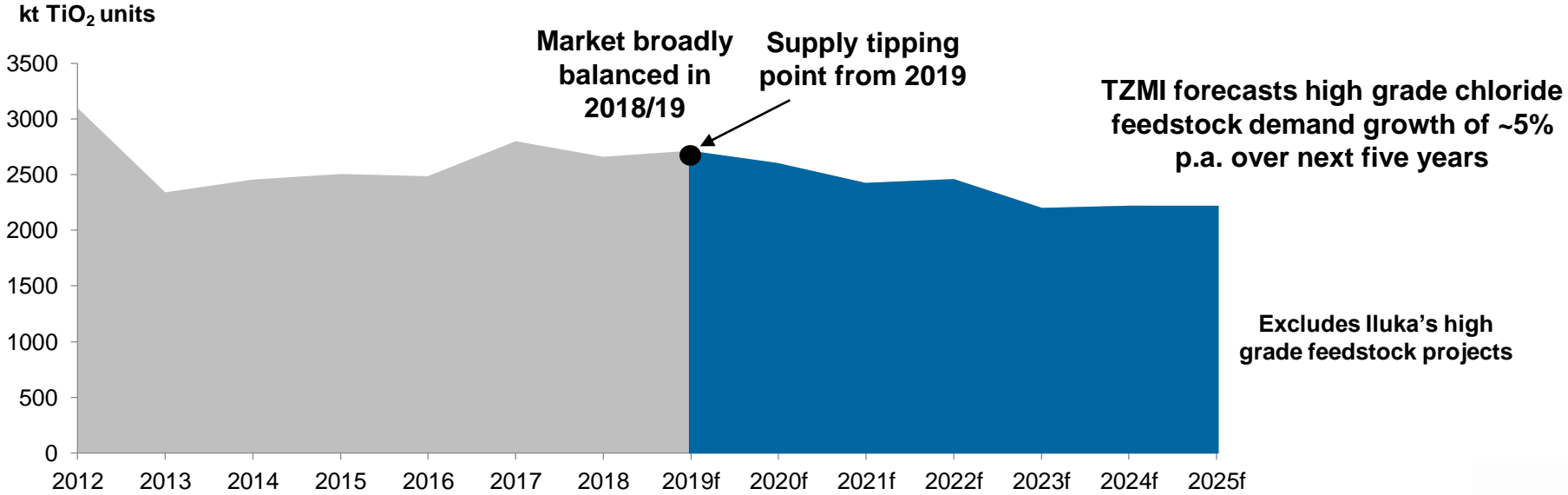
Source: Iluka and TZMI

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Absent a supply side response, High Grade Chloride feedstock production starts to decrease from 2019....

## Global High Grade Chloride Titanium Feedstocks Supply Outlook\*



\* High Grade Chloride Feedstocks include Rutile, Synthetic Rutile, Chloride Slag and UGS.  
Production outlook only includes new projects with funding approval.  
Assumes capacity utilisation rates at upgrading facilities held constant.  
Source: Iluka and TZMI



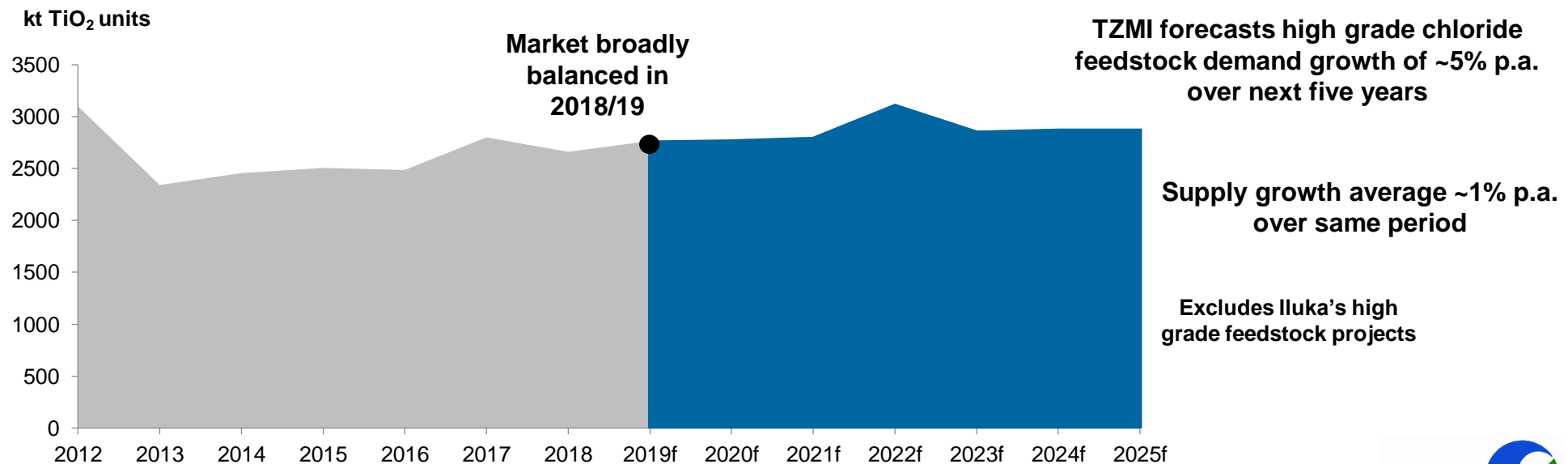


# High Grade Titanium Deficit

Absent a supply side response, High Grade Chloride feedstock production starts to decrease from 2019....

....Yet even if feedstock was available to restart today's idled capacity, and Jazan ramped up, supply still fails to keep up with predicted demand.

## Global High Grade Chloride Titanium Feedstocks Supply Outlook\*



\* High Grade Chloride Feedstocks include Rutile, Synthetic Rutile, Chloride Slag and UGS.  
Production outlook only includes new projects with funding approval.  
Assumes capacity utilisation rates at idled slag upgrading facilities reach ~75%.  
Source: Iluka and TZMI

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# High Grade Titanium Pricing Dynamics

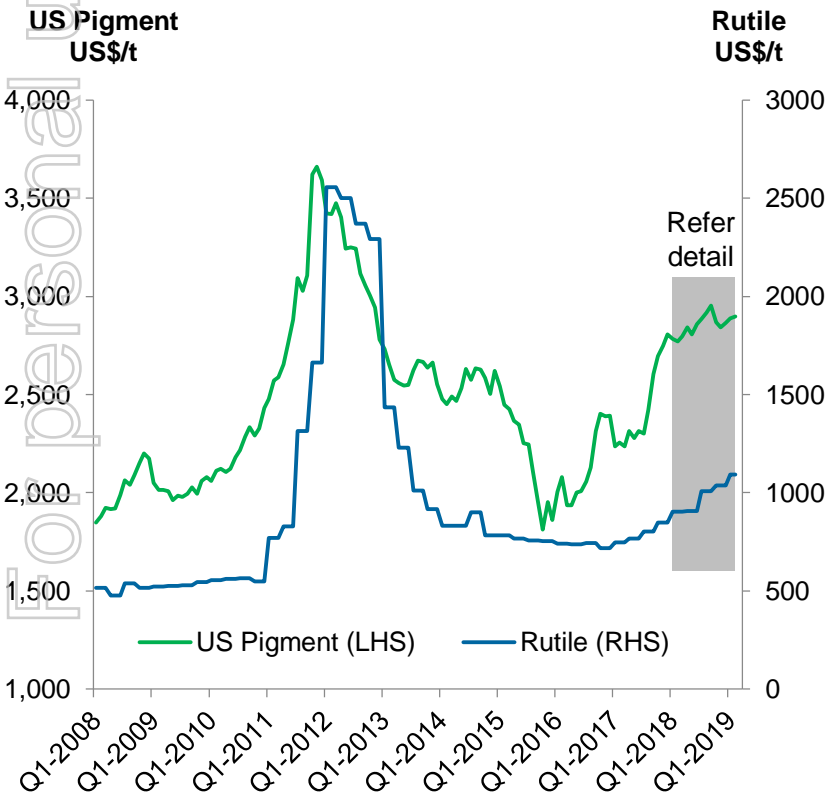
Recent decoupling of rutile and pigment prices due to supply tightness in very high grade feedstock market

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

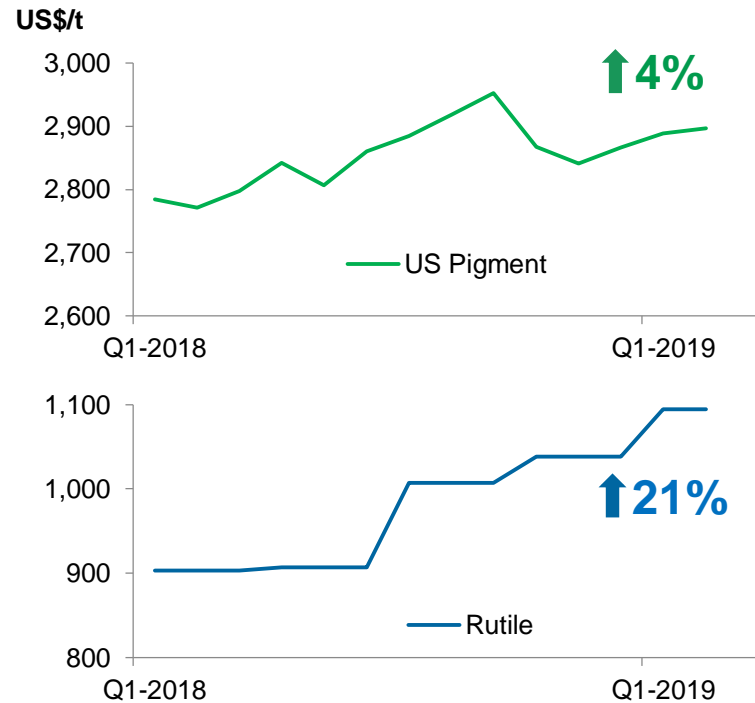
2. Pigment price growth eased in 2018 while rutile price growth continued with further growth expected

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

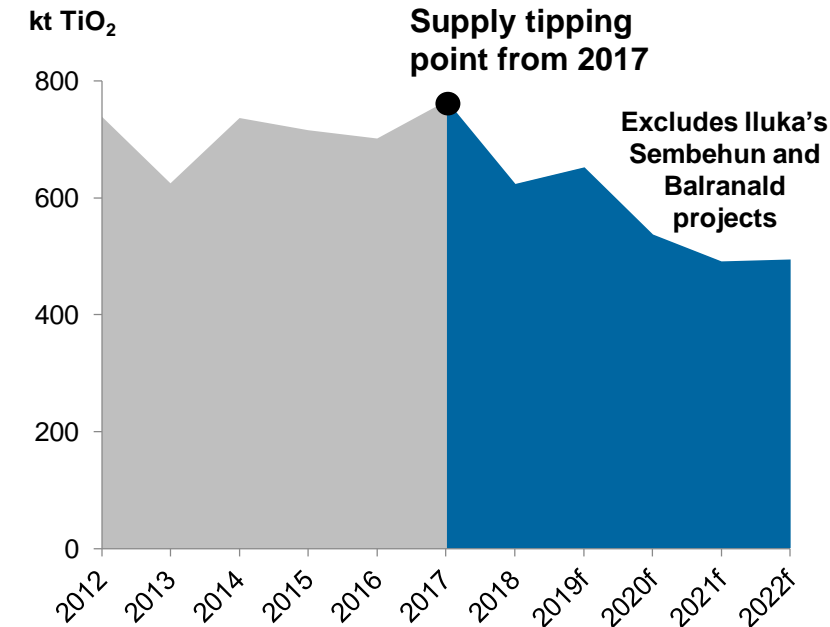
Rutile and US Pigment Prices, from 2008



Rutile and US Pigment Prices, from 2018



Global Rutile Supply Outlook



Source: Iluka and TZMI



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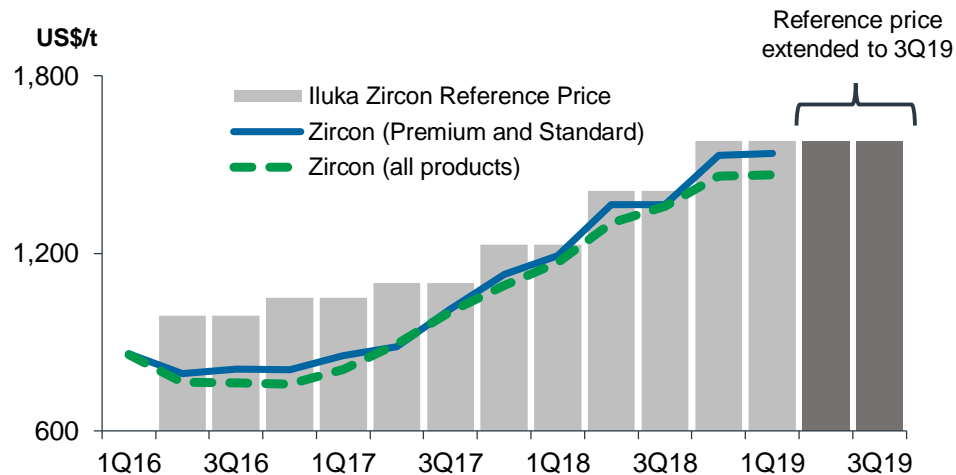
## Sustainable pricing based on value in use

### 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 for receiving plant

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

- Lower transportation costs per Ti unit
- Less waste creation = lower disposal costs
- Less consumables = lower costs

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

# 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



We seek a shared commitment to the future

## Collaborating with our customers we have re-set the contracting landscape

- Moved away from the value-destructive 'cap and collar' agreements of the past
- Focused on mechanisms that move with the market
- Customer support for our new approach is yielding benefits for both contracting parties
  - Reduced volatility in pricing
  - Better line of sight to pricing for both Iluka and our customers
  - Fairness in pricing to ensure customers are not disadvantaged with Iluka's products appropriately valued
  - Security of supply to customers with guarantees of offtake for Iluka
- Iluka now has higher confidence on project returns which supports our investment decisions



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