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# Iluka Resources Limited

## 2019 Half Year Results Presentation

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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.

## Mineral Resources and Ore Reserves Estimates

As an Australian company with securities listed on the Australian Securities Exchange (ASX), Iluka is subject to Australian disclosure requirements and standards, including the requirements of the Corporations Act and the ASX. Investors should note that it is a requirement of the ASX listing rules that the reporting of ore reserves and mineral resources in Australia comply with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") and that the Ore Reserve and Mineral Resource estimates underpinning the production targets in this presentation have been prepared by a Competent Person in accordance with the JORC Code 2012.

Information that relates to Mineral Resources estimates has been previously announced to ASX on 21 February 2019 in *2018 Annual Report*, on 24 July 2019 in *Eneabba Mineral Sands Recovery Project Updated Mineral Resource Estimate*, and on 20 February 2017 in *Updated Mineral Resource and Ore Reserve Statement*, all available at [www.iluka.com/investors-media/asx-disclosures](http://www.iluka.com/investors-media/asx-disclosures). 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 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.

## Production outlook

Production outlook and the basis thereof are noted within the relevant disclosure. The outlook included in this presentation is indicative only and should not be construed as guidance. The information is subject to changes in market and operating conditions; political risk; and any significant unplanned operational issues.



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**TRIFR<sup>1</sup> Down**  
3.2 H1 2019  
3.5 2018



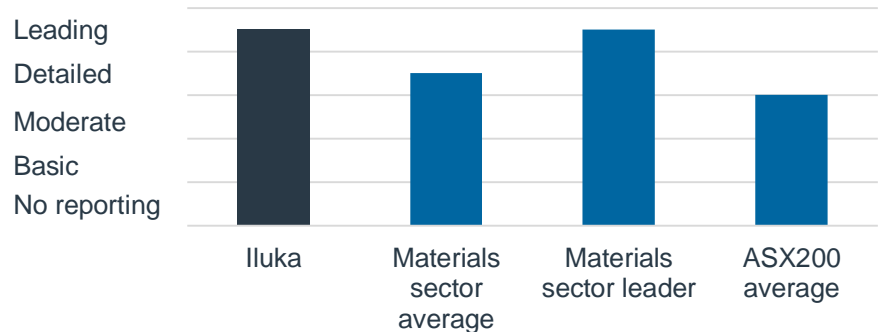
**80% Reduction in Level 3+ environmental incidents**

**Mid West Chamber of Commerce and Industry Business Excellence Award for Aboriginal Engagement**



**490 hectares rehabilitated**

**Assessed as having Leading Environmental, Social and Governance (ESG) Reporting Level**



Source: Australian Council of Superannuation Investors (ACSI)

1. Total recordable injury frequency rate

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 communities in which we operate, earned from delivering on commitments.



<b>Solid earnings</b>	Underlying group EBITDA \$274 million, down 2% (H1 2018: \$278 million) NPAT \$137 million, up 9% (H1 2018: \$126 million)
<b>Strong margins</b>	Mineral sands EBITDA margin 43%, up from 41% in H1 2018
<b>Dividend</b>	Interim dividend of 5 cents per share, fully franked Reflects solid underlying result and strong balance sheet
<b>Mining Area C royalty</b>	Mining Area C royalty up 41% to \$41 million, reflecting higher iron ore prices BHP's South Flank project 39% complete, first ore expected 2021
<b>Operational performance</b>	Commissioning and ramp up of Cataby; successful maintenance overhaul and restart at SR2 kiln Strong production continued from Jacinth-Ambrosia and Narngulu Gangama operation meeting expectations with operational stability efforts continuing at Lanti
<b>Projects delivered</b>	Cataby, Western Australia, new mine development with potential 12 year life Gangama, Sierra Rutile, mine expansion
<b>Mineral sands revenue</b>	Mineral sands revenue of \$546 million (H1 2018: \$607 million)
<b>Mineral sands prices</b>	Weighted average zircon price up 19% (H1 2019: US\$1,522/t, H1 2018: US\$1,278/t) Rutile price up 22% (H1 2019: US\$1,107/t, H1 2018: US\$906/t) Zircon Reference Price of US\$1,580/t extended through to 31 March 2020

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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



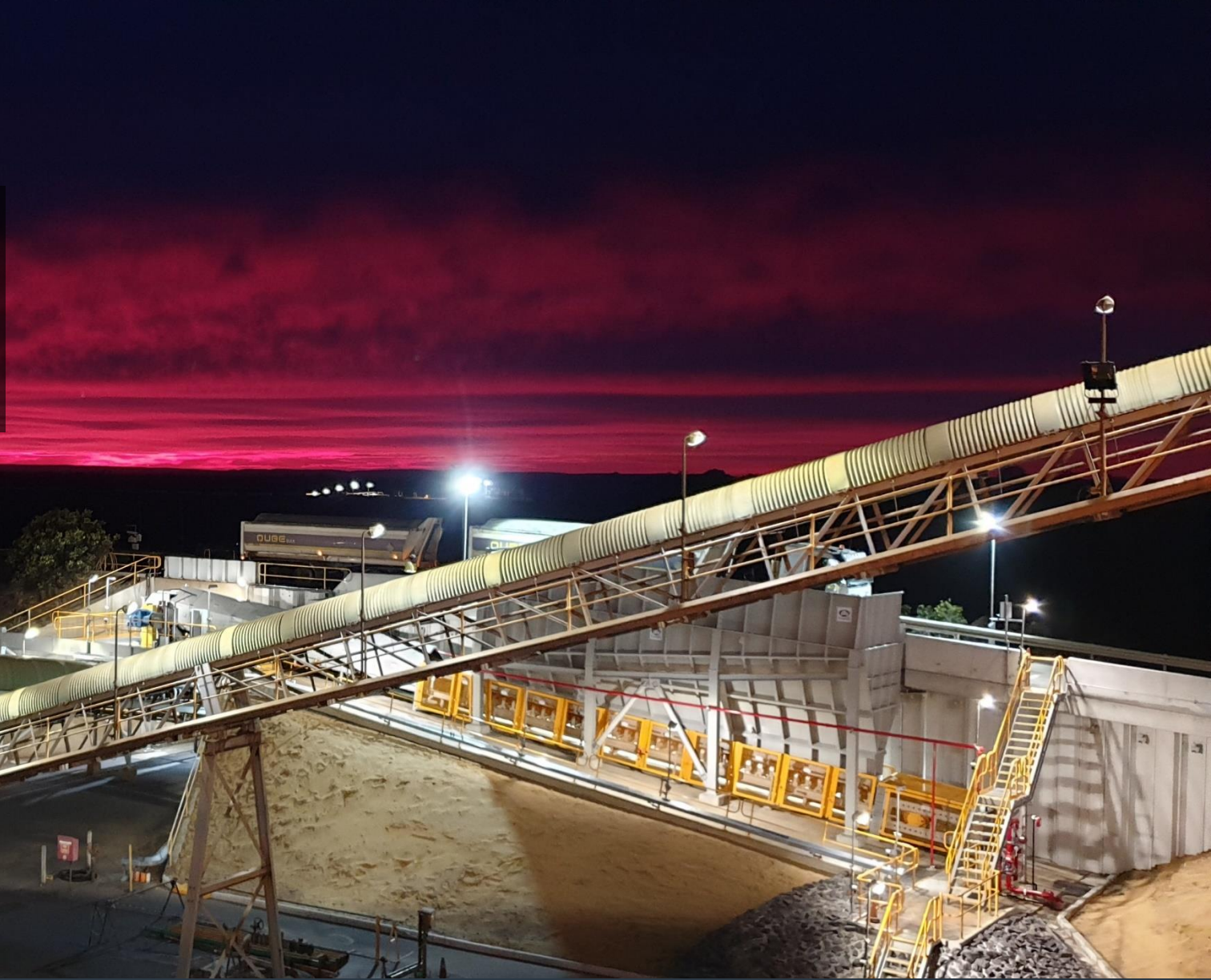


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# Financial Results

Adele Stratton, Chief Financial Officer

North Capel, Western Australia



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# Key Financial Metrics

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**\$274m**  
**Group EBITDA**  
**H1 2019**  
**(\$278m H1 2018)**

**\$137m**  
**NPAT**  
**H1 2019**  
**(\$126m H1 2018)**

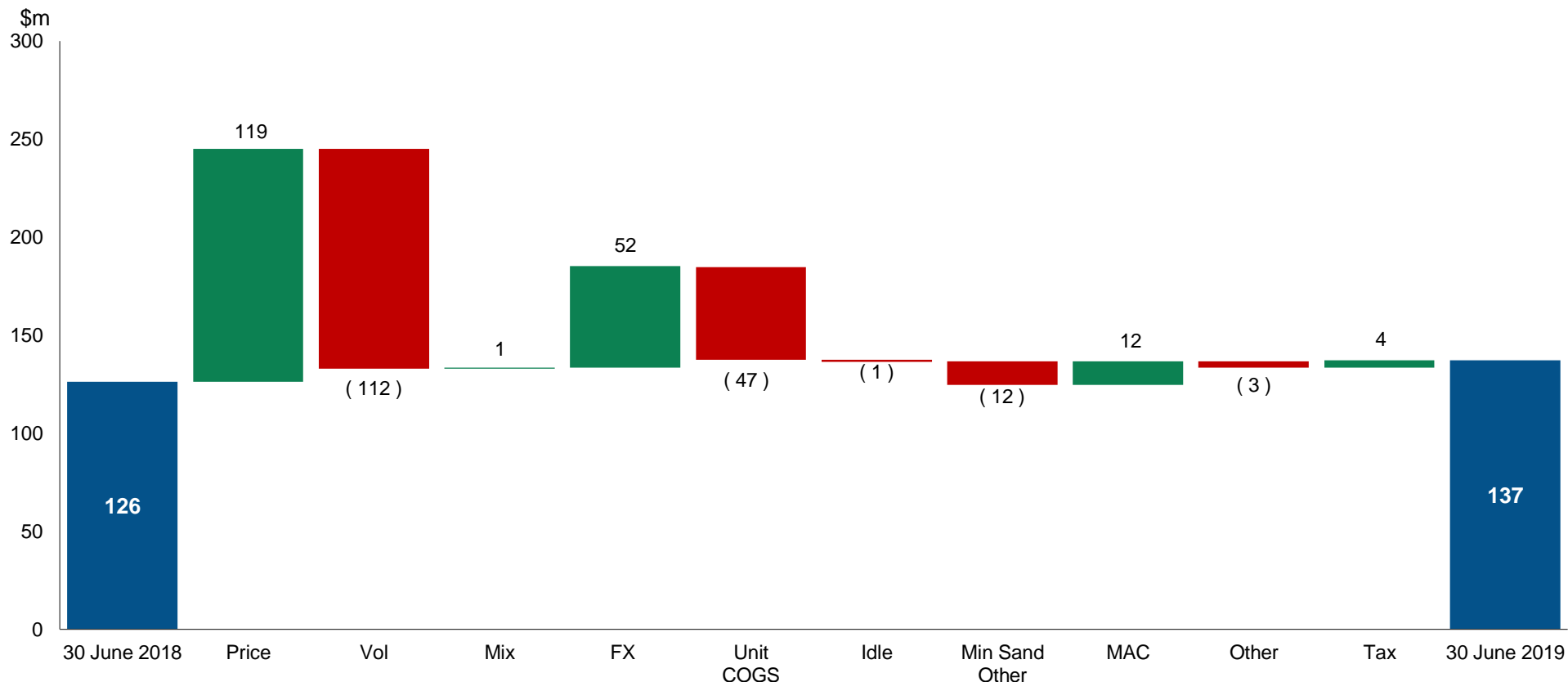
	Units	H1 2019	H1 2018	% Change	
Z/R/SR Production	kt	323.5	351.0	(7.8)	▼
Z/R/SR Sales	kt	301.8	438.6	(31.2)	▼
Mineral sands revenue	\$m	545.6	606.9	(10.1)	▼
Mineral sands EBITDA	\$m	232.7	249.3	(6.7)	▼
Mineral sands EBITDA margin	%	42.7	41.1	3.8	▲
MAC EBITDA	\$m	41.2	29.2	41.1	▲
Underlying Group EBITDA <sup>1</sup>	\$m	273.9	278.5	(1.7)	▼
Profit for the period (NPAT)	\$m	137.2	126.1	8.8	▲
Operating cash flow	\$m	179.9	306.5	(41.3)	▼
Free cash flow <sup>2</sup>	\$m	(65.2)	225.5	n/a	▼
Dividend	cps	5	10	(50.0)	▼
		<b>At 30 Jun 2019</b>	<b>At 31 Dec 2018</b>		
Net (debt) cash	\$m	(141.5)	1.8	n/a	▲
Gearing ratio <sup>3</sup>	%	10.7	n/a	n/a	▲

1. Underlying Group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites which are non-cash in nature.  
 2. Free Cash Flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year. Free Cash Flow includes the proceeds received from IFC for their stake in Sierra Rutile.  
 3. Gearing ratio = Net debt / net debt + equity





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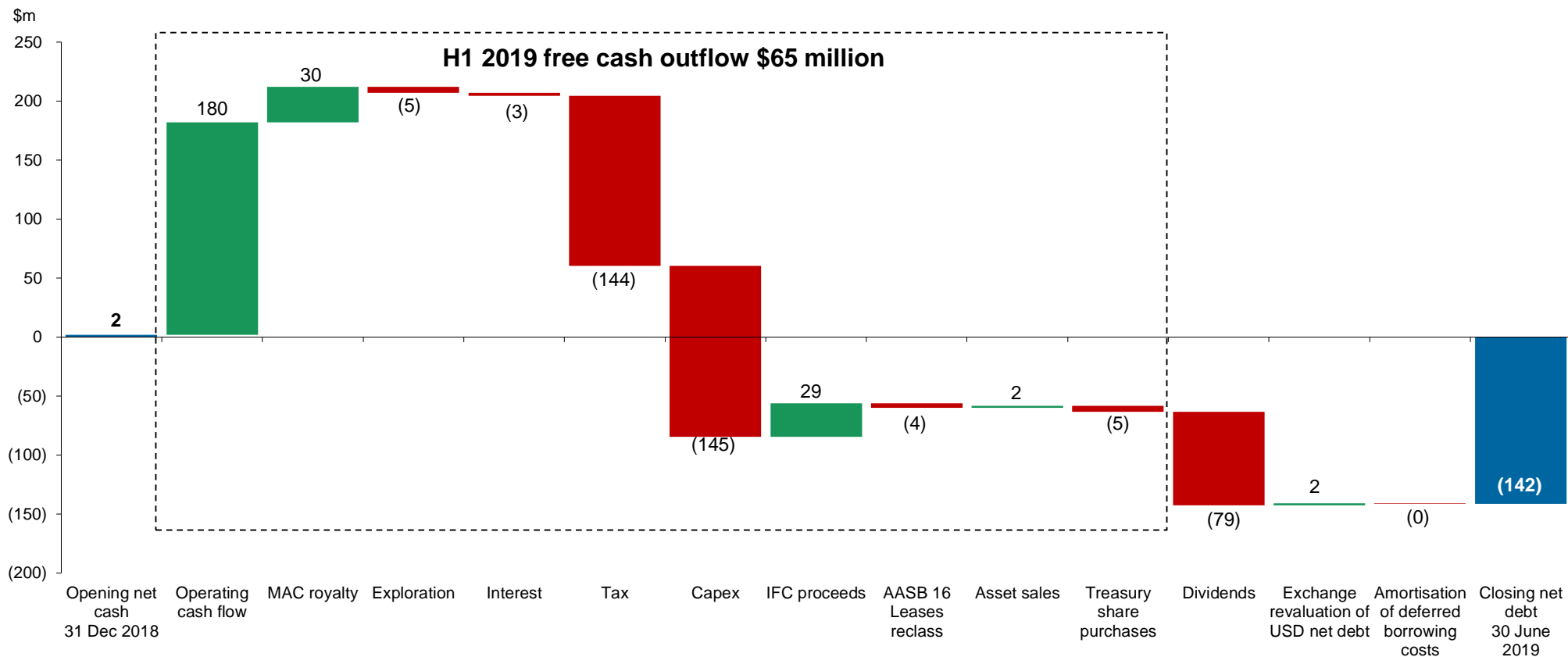
**Main contributors to H1 2019 results:**

- Higher prices largely offset by lower sale volumes
- Lower US\$ exchange rate (70.6 cents versus 77.2 cents) positively impacting sales receipts
- Higher unit cost of goods sold, reflecting
  - higher ilmenite feed costs for synthetic rutile
  - higher costs at Sierra Rutile, exacerbated by US dollar depreciation impact on US denominated costs



# Net Debt – 31 December 2018 to 30 June 2019

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### Main contributors to H1 2019 cash flow:

- Final 2018 tax instalment payment of \$127 million
- Capital expenditure to deliver on projects
- Formally established strategic partnership with IFC in Sierra Leone

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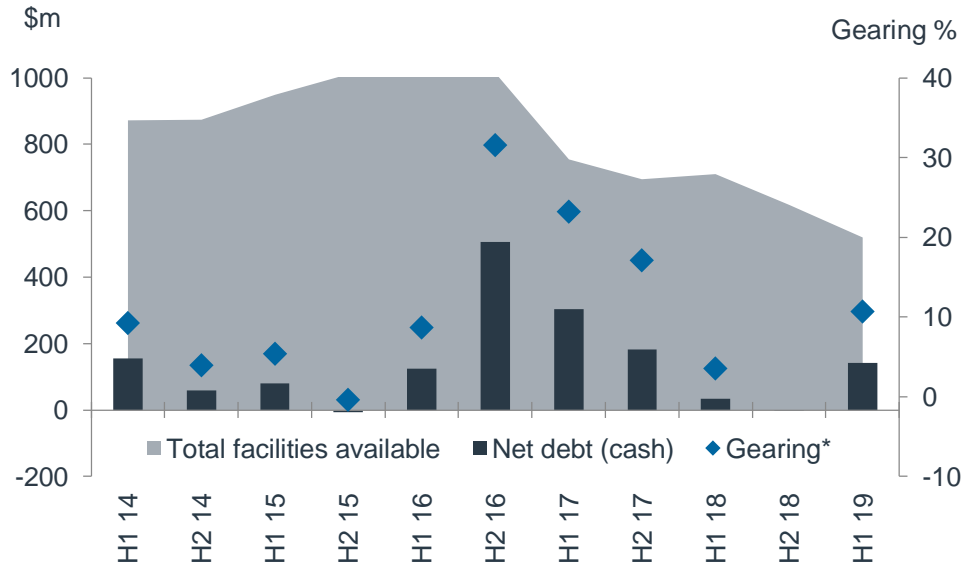


## Net Debt, Gearing and Funding Headroom

- Net debt of \$141.5 million (31 Dec 2018: net cash \$1.8 million)
  - 10.7% gearing ratio\*
- Significant funding headroom remains
  - completed refinancing in July
- Net debt as at July of \$108.7 million
  - undrawn facilities of \$346 million at end of July

## Multi Option Facility Agreement (MOFA)

- Completed refinancing of MOFA in July
- Total facilities reduced to \$519 million
  - reflecting medium term liquidity requirements
- Reset 5 year tenure with maturity July 2024



\* Net debt / net debt + equity

## Balance Sheet Framework

Target credit metrics broadly consistent with investment grade credit profile including:

- net debt to EBITDA ratio of 1.0-1.5 times;
- whilst balancing impacts of commodity pricing; and
- investment factors through the cycle.



**\$41m**  
**EBITDA**  
H1 2019  
(\$29m H1 2018)

**~\$850m**  
**EBITDA**  
Since MAC mining  
commenced

		H1 2019	H1 2018	% change
Sales volumes	MDMT	27.8	27.3	1.8
Implied price	A\$/t	120.2	83.9	43.2
Net Royalty income	\$m	41.2	28.2	42.6
Annual capacity payments	\$m	-	1.0	n/a
Iluka EBITDA	\$m	41.2	29.2	41.1

(mdmt = million dry metric tonnes)

## Mining Area C (MAC) Royalty Terms

- Royalty over iron ore from BHP's Mining Area C in Western Australia
- Royalty terms:
  - 1.232% of Australian denominated revenue from royalty area; and
  - one-off payment of A\$1 million per million tonne increase in annual capacity

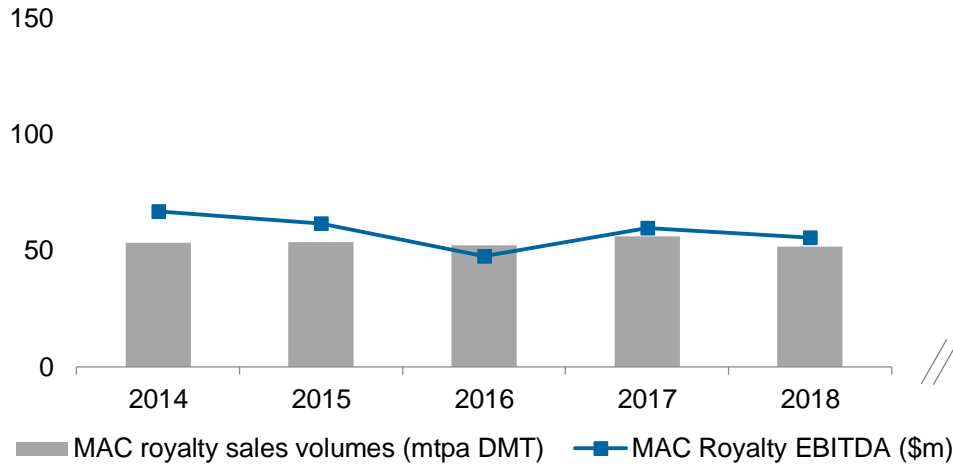
## South Flank Development

- Expansion in Mining Area C royalty area
- 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 39% complete (as at July 2019)
- Initial production target 2021
- 25+ year life

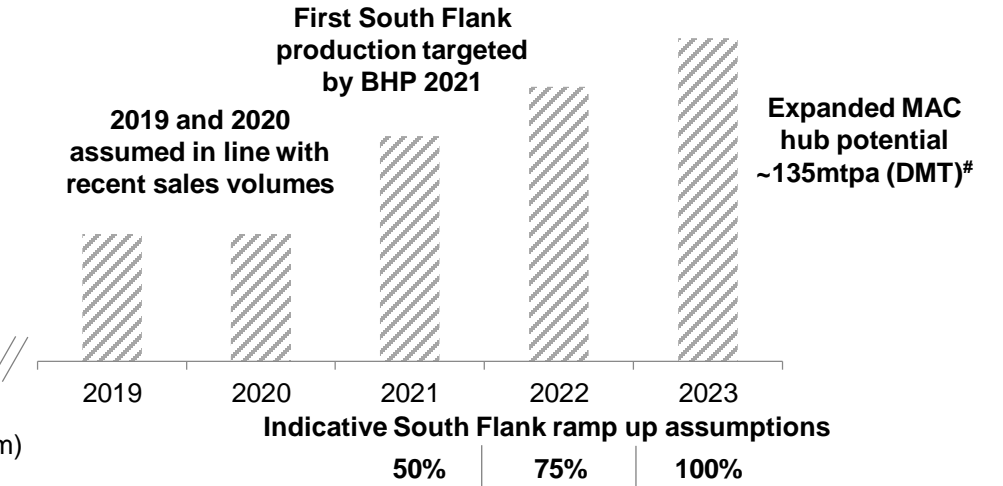
Source: BHP

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## Historical Royalty EBITDA and Sales Volumes



## Indicative Royalty Sales Volumes with South Flank Development



## Indicative Royalty Revenue 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 table.
- 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.
- Iluka Board remains focused on optimising returns to shareholders from MAC royalty. South Flank development enhances Iluka's capacity to pay dividends in coming years.

		Iron Ore Fines: US\$/DMT, 62% Fe (FOB)		
		50	55	95*
AUD:USD	0.75	\$118m	\$129m	\$223m
	0.70	\$126m	\$139m	\$239m
	0.65	\$136m	\$149m	\$258m

\* Based on spot pricing as at July 2019

#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.



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# Mineral Sands Markets



Geraldton, Western Australia



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## Result

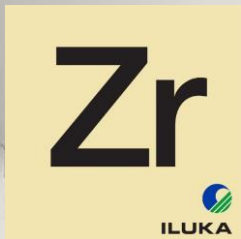
- H1 2019 sales of 133kt (H1 2018: 190kt)
- Reflects normal seasonal pattern in Q1 and business sentiment impacting purchasing in Q2
- Some demand shifting from Premium to Standard Zircon with higher market availability of Standard Zircon

## Pricing

- First half weighted average received zircon price of US\$1,522/t, up 19% from H1 2018
- Iluka's Zircon Reference Price of US\$1,580/t extended for 6 months through until 31 March 2020
- Increased Standard Zircon in product mix and use of rebates in H2 will result in weighted average zircon price declining

## Supply/Demand

- Political and trade tensions affecting end market sentiment and customer purchasing
  - Demand particularly affected in ceramics applications across most regions
- Increased availability of concentrates and Standard Zircon in market meeting customer efforts to reduce costs
- Iluka meeting increased demand for concentrate and Standard products with adjustment to product mix
- Producer held inventories across industry expected to rise in H2
- Iluka maintaining steady production outlook
- Medium term outlook for supply tightness remains







## Result

- H1 2019 sales of 169kt (H1 2018: 249kt)
- Sales constrained by production in H1
- Market conditions remain strong
  - pigment inventories returned to seasonal norms and higher utilisation rates being recorded by most major producers
  - increased demand for high grade feedstocks from new Chinese chloride pigment plants

## Pricing

- First half rutile price of US\$1,107/t, up 22% from H1 2018
- Rutile and synthetic rutile prices expected to increase 6-8% in H2

## Supply/Demand

- Solid demand from pigment and welding markets
- Normalisation of pigment inventory expected to ensure stable demand
- Requests for additional and pull forward of scheduled shipments suggests tight supply conditions



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# Mineral Sands Operations



Catby, Western Australia



## Cataby / South West



- Commissioned H1 with focus on stable operations
- Synthetic rutile kiln returned to full capacity following planned major maintenance outage
- South West kiln and Narngulu plant now processing Cataby feed

## Jacinth-Ambrosia / Mid West



- Strong production in H1 - good grades and recoveries
- Mining moving from Jacinth North deposit in August
- Mine move to Ambrosia deposit completed
  - move accelerated to smooth production
  - commissioning completed, now ramping up

## Sierra Leone



- Planned closure of Lanti dredge completed Q1 2019
- Lanti dry operations still facing operational issues
- Gangama expansion completed and commissioned
- Lanti expansion commissioning commenced
- IFC partnership established



Product	Operation	H1 2019	H1 2018	% change
<b>Zircon (kt)</b>	Jacinth-Ambrosia / Mid West WA	137.2	142.6	(3.8)
	Cataby / South West WA	18.6	6.7	177.6
	Sierra Leone	4.1	5.1	(19.6)
	Idle operations (US / Australia)	-	4.5	n/a
<b>Zircon Total</b>		<b>159.9</b>	<b>158.9</b>	<b>0.6</b>
<b>Rutile (kt)</b>	Jacinth-Ambrosia / Mid West WA	17.5	19.6	(10.7)
	Cataby / South West WA	3.6	2.1	71.4
	Sierra Leone	59.7	61.1	(2.3)
	<b>Rutile Total</b>	<b>80.8</b>	<b>82.8</b>	<b>(2.4)</b>
<b>Synthetic Rutile (kt)</b>	<b>Cataby / South West WA</b>	<b>82.8</b>	<b>109.3</b>	<b>(24.2)</b>
<b>Total</b>	<b>Z/R/SR</b>	<b>323.5</b>	<b>351.0</b>	<b>(7.8)</b>

- Production maintained during period of operational configuration change
  - Cataby mine commissioned
  - Sierra Rutile dredge decommissioned
- Zircon and rutile broadly in line with previous period across group
- Synthetic rutile lower due to planned major maintenance outage in Q1 2019



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# Projects



Ambrosia, South Australia



## Cataby, Western Australia



### \$270m Capex

Completed within budget  
and on schedule

### Major works

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

### Utilising existing assets

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

## Kiln Major Maintenance Outage, Western Australia



### ~\$35m Capex

Completed on budget, ahead  
of schedule

### Major works

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

## Gangama Expansion, Sierra Leone



### Delivered on schedule

Commissioning and ramp up on schedule  
Reached design rates end H1

### Major works

- Second mining unit
- Concentrator doubling capacity

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Gangama, Sierra Leone

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**Ambrosia,  
South Australia**

Mine move to Ambrosia accelerated to 2019 to smooth zircon production  
Construction and mine move complete, ramping up

**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 progressing  
Potential to add material zircon production

**Other**

**Eneabba Mineral Sands Recovery,  
Western Australia**

Monazite-rich stockpile from historic mining  
Offtake secured, execute phase  
Simple process proposed with low capital expenditure



**Lanti expansion,  
Sierra Leone**

Doubling of mining capacity at Lanti operations  
Commissioning underway

**Sembehun,  
Sierra Leone**

Expansion to new deposits  
Value optimisation studies extended to broaden and revisit development options

**SR1 restart,  
Western Australia**

Scoping study progressing  
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 planning underway





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## Project Overview

- Extraction, processing and sale of historical monazite rich stockpile
- ~98% recoveries expected due to minimal processing
- Monazite and zircon concentrate product in line with assemblage
- Feasibility study completed in Q2 2019
- Construction of recovery plant expected to commence Q4 2019
- Commissioning and first sales H1 2020



## Project Economics

- Offtake agreement for 50ktpa for 2 years
- Pricing commercial in confidence - recognises monazite and zircon value
- Low capex ~\$10m
- Low opex , ~6 FTE, utilise existing water and power infrastructure, transport to Geraldton for export
- Material from Narngulu plant during life of project will add to resource

## Mineral Resource Summary

Mineral Resource Category	Resource Tonnes <sup>1</sup> (Mt)	In situ HM Tonnes (Mt)	HM (%)	Mineral Assemblage in HM <sup>2</sup>			
				Zircon (%)	Monazite (%)	Xenotime (%)	Ilmenite (%)
<b>Measured</b>	0.84	0.70	83.7	26	20	1.2	33
<b>Indicated</b>	0.16	0.12	77.5	28	15	1.2	37
<b>Total</b>	1.0	0.83	82.7	26	20	1.2	34

Source: ASX Release *Eneabba Mineral Sands Recovery Project Updated Mineral Resource Estimate*, 24 July 2019

1. In site (dry) metric tonnage reported

2. Mineral assemblage is reported as percentage of HM

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## Project Overview

- Conventional open pit mine, focus on WIM100 deposit
- Mine life of WIM100 ~20 years
- Innovative mineral recovery process for fine grained deposit
- New mineral refinery for purification and value add
- Zircon and rare earth product streams

## Work Program

- Pre-feasibility study commenced August 2018
- Pilot plant test work has produced sample product
- Environmental referral documents submitted

## Rare Earth Elements

WIM100 contains high value elements, including neodymium, dysprosium, praseodymium and terbium.

Key end use applications of these elements is in permanent magnets, as used in electric cars, wind turbines and consumer electronics.



## Value Additive Processing

Current project parameters incorporate refining of zircon for market eligibility and rare earth products beyond that which currently occurs in Australia on industrial scale.



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## Project Overview

- Large, deep, high grade rutile-rich deposit
- Significant source of rutile, zircon and ilmenite

## Final Field Trial (T3)

- To prove underground mining and backfilling technology as a system
- Approved by Board in August 2019, trial costs of ~\$40m
- Trial to commence 2020

## Balranald Development Path

Date	Phase
2013 – 2015	T1 - Proof of concept underground mining trial
2015 – 2016	T2 - Commercial scale underground mining trial
2017 – 2018	Full scale wear test at surface for key mining equipment
2018 – 2019	Sonic drilling program to provide more detailed understanding of deposit mineralisation
2020	T3 – Continuous underground mining and backfilling

This slide should be read in conjunction with the Disclaimer and Compliance Statement on slide 2.



## Mineral Resource Summary

Balranald Project Mineral Resources (at 31 December 2016)	Material mt	HM Grade %	Ilmenite %	Zircon %	Rutile %
<b>Nepean</b>					
Indicated	8.4	27.5	59.8	14.4	14.5
Inferred	0.8	11.2	57.3	14.6	14.0
<b>West Balranald</b>					
Measured	11.9	31.9	64.1	10.8	12.2
Indicated	19.9	35.1	64.3	11.3	12.2
Inferred	4.5	26.5	62.4	8.3	9.4
<b>Total Balranald</b>	<b>45.5</b>	<b>31.6</b>	<b>63.1</b>	<b>11.5</b>	<b>12.4</b>

Source: ASX Release Updated Mineral Resource and Ore Reserve Statement, 20 February 2017



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# Summary and Outlook



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Key Parameters		2017	2018	2019 outlook as at February	2019 outlook as at July <sup>1</sup>	Comments
<b>Annual production</b>						
Zircon	kt	312	349	330	330	
Rutile <sup>2</sup>	kt	302	163	210	210	
Synthetic Rutile	kt	211	220	180	180	
<b>Total Z/R/SR</b>	<b>kt</b>	<b>825</b>	<b>732</b>	<b>720</b>	<b>720</b>	
<b>Average annual unit costs</b>						
<b>Unit cash costs of production</b>	A\$/t Z/R/SR	439	606	750	750	
<b>Unit cost of goods sold</b>	A\$/t Z/R/SR	743	750	765	840	Higher ilmenite feedstock costs from Cataby and a greater proportion of higher cost (in AUD) SRL rutile as part of the product sales mix
<b>Other Parameters</b>						
<b>Capital expenditure</b>	A\$m	93	312	330	260	Delay of Sembehun early works beyond 2019, and some timing of spend for other projects
<b>Depreciation and amortisation</b>	A\$m	111	94	135	155	Increase depreciation following capital improvement works at Sierra Rutile

1. Indicative only. Production settings are able to be adjusted and are dependent on market demand conditions. This slide should be read in conjunction with the disclaimer on forward looking statements on slide 2.
2. Includes HYTI



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# Supplementary Information



Narngulu, Western Australia



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## Production and Sales Volumes, Revenue and Cash Costs

	H1 2019	H1 2018	% change
<b>Production</b>			
Zircon kt	159.9	158.9	0.6
Rutile kt	80.8	82.8	(2.4)
Synthetic rutile kt	82.8	109.3	(24.2)
<b>Total Z/R/SR production kt</b>	<b>323.5</b>	<b>351.0</b>	<b>(7.8)</b>
Ilmenite – saleable and upgradeable kt	125.0	210.8	(40.7)
<b>Total production volume kt</b>	<b>448.5</b>	<b>561.8</b>	<b>(20.2)</b>
Heavy mineral concentrate produced kt	480	469	2.3
Heavy mineral concentrate processed kt	415	529	(21.6)
<b>Sales</b>			
Zircon kt	133.3	189.6	(29.7)
Rutile kt	82.9	136.1	(39.1)
Synthetic rutile kt	85.6	112.9	(24.2)
<b>Total Z/R/SR kt</b>	<b>301.8</b>	<b>438.6</b>	<b>(31.2)</b>
Ilmenite kt	121.5	119.5	1.7
<b>Total sales volumes kt</b>	<b>423.3</b>	<b>558.1</b>	<b>(24.2)</b>
<b>Revenue and Cash Costs</b>			
Mineral sands revenue <sup>1</sup> \$m	545.6	606.9	(10.1)
Total cash cost of production \$m	251.8	224.9	(12.0)
Unit cash production cost per tonne of Z/R/SR produced <sup>2</sup> \$/t	755	619	(22.3)
Unit cost of goods sold per tonne of Z/R/SR sold \$/t	861	753	(14.3)
Revenue per tonne of Z/R/SR sold \$/t	1,681	1,292	30.1

1. Includes revenues derived from other materials not included in production volumes, including activated carbon products and iron concentrate. Iluka receives a royalty payment from its Mining Area C iron ore royalty. This is not reported as part of quarterly reports but is disclosed in the financial statements.

2. Excludes ilmenite and by-products.

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## Weighted Average Received Prices

	H1 2018	H2 2018	H1 2019
<b>Weighted Average Price US\$/tonne FOB</b>			
Zircon Premium and Standard	1,278	1,434	1,522
Zircon (all products including zircon in concentrate) <sup>1</sup>	1,240	1,403	1,465
Rutile (excluding HYTI) <sup>2</sup>	906	1,022	1,107
Synthetic rutile	Refer Note 3	Refer Note 3	Refer Note 3

Note 1: Zircon prices reflect the weighted average price for zircon premium and zircon standard, also with a weighted average price for all zircon materials, including zircon-in-concentrate. The prices for each product vary, as does the mix of such products sold period to period. In 2018 the split of zircon sand and concentrate by zircon sand-equivalent was approximately: 79%;21% (full year 2017: 88%;12%).

Note 2: Excluded from rutile sales prices is a lower value titanium dioxide product, HYTI that typically has a titanium dioxide content of 70 to 90%. This product sells at a lower price than rutile, which typically has a titanium dioxide content of 95%.

Note 3: Iluka's synthetic rutile sales are, in large part, underpinned by commercial offtake arrangements. The terms of these arrangements, including the pricing arrangements are commercial in confidence and as such not disclosed by Iluka. Synthetic rutile, due to its lower titanium dioxide content than rutile, is priced lower than natural rutile.



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## Summary Group Results

\$m	H1 2019	H1 2018	% change
<b>Mineral sands revenue</b>	545.6	606.9	(10.1)
<b>Mineral sands EBITDA</b>	<b>232.7</b>	<b>249.3</b>	(6.7)
<i>Mineral sands EBITDA margin %</i>	42.7	41.1	3.8
Mining Area C royalty EBITDA	41.2	29.2	41.1
<b>Underlying group EBITDA*</b>	<b>273.9</b>	<b>278.5</b>	(1.7)
Depreciation and amortisation	(64.7)	(42.6)	(51.9)
<b>Group EBIT</b>	<b>216.9</b>	<b>209.9</b>	3.3
<b>Profit (loss) before tax</b>	<b>200.8</b>	<b>193.6</b>	3.7
Tax expense	(63.6)	(67.5)	5.8
<b>Profit (loss) after tax</b>	<b>137.2</b>	<b>126.1</b>	8.8
<i>EPS (cents per share)</i>	32.5	30.0	8.3
Free cash inflow (outflow)	(65.2)	225.5	n/a
<b>Free cash inflow (outflow) (cents per share)</b>	<b>(15.5)</b>	<b>53.4</b>	n/a
Dividend – fully franked (cents per share)	5.0	10.0	(50.0)
<b>Net (debt) cash</b>	<b>(141.5)</b>	<b>(34.4)</b>	(311.3)
Gearing (net debt / net debt + equity) %	10.7	3.5	205.7
Average AUD/USD exchange rate	70.6	77.2	(9.3)

\* Underlying Group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites which are non-cash in nature.

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## Income Statement

\$ million	H1 2019	H1 2018	% change
Z/R/SR revenue	507.5	566.6	(10.4)
Ilmenite and other revenue	38.1	40.3	(5.5)
<b>Mineral sands revenue</b>	<b>545.6</b>	<b>606.9</b>	<b>(10.1)</b>
Cash costs of production	(251.8)	(224.9)	(12.0)
Inventory movement - cash	36.8	(49.8)	n/a
Restructure and idle capacity charges	(11.8)	(10.8)	(9.3)
Government royalties	(21.5)	(17.9)	(20.1)
Marketing and selling costs <sup>1</sup>	(15.2)	(18.0)	15.6
Asset sales and other income	(3.2)	1.0	n/a
Resource development	(19.4)	(12.5)	(55.2)
Corporate and other costs	(25.9)	(23.6)	(9.7)
Foreign exchange gain (loss)	(0.9)	(1.1)	18.2
<b>Underlying mineral sands EBITDA<sup>2</sup></b>	<b>232.7</b>	<b>249.3</b>	<b>(6.7)</b>
Mining Area C EBITDA	41.2	29.2	41.1
<b>Underlying Group EBITDA</b>	<b>273.9</b>	<b>278.5</b>	<b>(1.7)</b>
Depreciation and amortisation	(64.7)	(42.6)	(51.9)
Inventory movement - non-cash	8.0	(25.5)	n/a
Rehabilitation for closed sites	(0.3)	(0.5)	40.0
<b>Group EBIT</b>	<b>216.9</b>	<b>209.9</b>	<b>3.3</b>
Net interest and bank charges	(6.3)	(7.1)	11.3
Rehabilitation unwind and other finance costs	(9.8)	(9.2)	(6.5)
<b>Loss before tax</b>	<b>200.8</b>	<b>193.6</b>	<b>3.7</b>
Tax benefit (expense)	(63.6)	(67.5)	5.8
<b>Loss for the period (NPAT)</b>	<b>137.2</b>	<b>126.1</b>	<b>8.8</b>
<b>Average AUD/USD rate for the period (cents)</b>	<b>70.6</b>	<b>77.2</b>	<b>(9.3)</b>

1. Freight revenue and expenses are included as a net number in marketing and selling costs.

2. Underlying Group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites which are non-cash in nature.



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## Reconciliation of non-IFRS financial information to profit before tax

	JA/MW	C/SW	Idle	SRL	Expl & Other	Mineral Sands	MAC	Corp	Group
Mineral sands revenue	242.4	167.0	24.4	111.8	-	545.6	-	-	545.6
AASB 15 freight revenue	10.9	3.3	1.5	6.1	-	21.8	-	-	21.8
Expenses	(81.7)	(81.8)	(23.5)	(94.8)	(26.1)	(295.5)	-	-	(307.9)
Mining Area C	-	-	-	-	-	-	41.2	-	41.2
FX	-	-	-	-	-	-	-	(0.9)	(0.9)
Corporate costs	-	-	-	-	-	-	-	(25.9)	(25.9)
<b>EBITDA</b>	<b>171.6</b>	<b>88.5</b>	<b>2.4</b>	<b>23.1</b>	<b>(26.1)</b>	<b>271.9</b>	<b>41.2</b>	<b>(26.8)</b>	<b>273.9</b>
Depn & Amort	(14.0)	(20.2)	(0.3)	(27.5)	(2.5)	(64.5)	(0.2)	-	(64.7)
Inventory movement - non-cash	6.8	4.5	(1.6)	(1.7)	-	8.0	-	-	8.0
Rehabilitation for closed sites	-	(0.2)	(0.1)	-	-	(0.3)	-	-	(0.3)
<b>EBIT</b>	<b>164.4</b>	<b>72.6</b>	<b>0.4</b>	<b>(6.1)</b>	<b>(28.6)</b>	<b>215.1</b>	<b>41.0</b>	<b>(26.8)</b>	<b>216.9</b>
Net interest costs	-	-	-	-	-	-	-	(6.3)	(6.3)
Rehab unwind and other finance costs	(2.3)	(2.6)	(3.7)	(1.1)	-	(9.7)	-	(0.1)	(9.8)
Profit before tax	<b>162.1</b>	<b>70.0</b>	<b>(3.3)</b>	<b>(7.2)</b>	<b>(28.6)</b>	<b>205.4</b>	<b>41.0</b>	<b>(33.2)</b>	<b>200.8</b>
<b>Segment Result</b>	<b>162.1</b>	<b>70.0</b>	<b>(3.3)</b>	<b>(7.2)</b>	<b>(28.6)</b>	<b>205.4</b>	<b>41.0</b>	<b>(33.2)</b>	<b>200.8</b>



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