Value For Customers – Value For Investors

Matthew Blackwell, Head of Marketing and Procurement
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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.
## Deliver Sustainable Value

### 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

### Capital Discipline Framework
- Strong balance sheet, disciplined capital allocation
- Focus on shareholder returns via dividend framework

### 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

### 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
Quality Mineral Sands Operations

**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 Rutil, 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

**Key Features**

- **Iluka’s Marketing Model of Value Creation**
- **Zircon and titanium products are not exchange traded commodities**
- **Direct channels to market**
- **Direct marketing and customer relationships**
- **Global logistics network**
- **Product innovation and technical support**
- **Reputation for quality, consistency and delivery**
- **Industry monitoring and analysis**
- **Sustainable approach**
- **Value in use pricing**
- **Sustainable approach**
- **Hub and spoke distribution model**
- **Well recognised brand**
- **Highly regarded with quality products and service**
- **Focus on delivering sustainable prices**
- **Prices negotiated with customers based on value in use and other factors**

**Products developed to meet evolving industry demands**

**Focus on understanding markets and customers**

**Industry knowledge and analysis creates competitive advantage**

**Multilingual / multinational salesforce**

**Warehouses positioned close to key markets**
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

- 30% less ore than ilmenite
- 7x less chlorine
- 6x less waste
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

Source: Iluka and company reports, 2016
Zircon Market Structural Deficit

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
High Grade Titanium Deficit

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

Global High Grade Chloride Titanium Feedstocks Supply Outlook*

- Market broadly balanced in 2018/19
- Supply tipping point from 2019
- TZMI forecasts high grade chloride feedstock demand growth of ~5% p.a. over next five years
- Excludes Iluka's high grade feedstock projects

* 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
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

Excludes Iluka’s high grade feedstock projects.
1. Pigment and rutile prices have historically moved together with a 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.

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

**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

**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

**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.
### Pipeline of Growth Projects

<table>
<thead>
<tr>
<th>Location</th>
<th>Project Details</th>
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<tbody>
<tr>
<td><strong>Ambrosia, South Australia</strong></td>
<td>Mine move to Ambrosia brought forward to 2019 to smooth zircon production</td>
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<td>Construction and earth works progressing</td>
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<td><strong>Sembehun, Sierra Leone</strong></td>
<td>Expansion to new deposit</td>
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<td>Currently undergoing value optimisation work</td>
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<td><strong>SR1 restart, Western Australia</strong></td>
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**Zr**
- Mine move to Ambrosia brought forward to 2019 to smooth zircon production
- Construction and earth works progressing

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

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

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- Zircon and rare earth project
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- Development of innovative underground mining method via directional drilling
- Final field trial subject to Board decision in H2 2019
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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