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Operator: Good day and thank you for standing by. Welcome to Illuka Resources Conference Call. At this time all participants are in a listen only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during the session, you will need to press star one and one on your telephone. You will then hear an automated message advising your hand is raised.

To withdraw your question, please press star one and one again. Please be advised that today's conference is being recorded. I would now like to hand to conference over to your speaker today, Tom O'Leary, Managing Director of Illuka Resources. Please go ahead.

Tom O'Leary: Thank you and good morning. With me on the line are Adele Stratton, Matt Blackwell and Luke Woodgate. Thank you for joining us. We've announced this morning that Illuka will be suspending production at our Cataby mine and Synthetic Rutile 2 processing facility from 1 December. This reflects two main factors, market conditions and inventory levels.

Taking those in order, on markets, global economic uncertainty continues to impact demand for mineral sands and the products they're used for. In the case of pigment, there hasn't been a material painting season in North America since 2022. While some had anticipated it would return this year, that hasn't materialised. As many of you know, demand for mineral sands is typically linked to activity levels in key geographies, particularly construction, urbanisation, and other associated indicators. These have been subdued for some time, further complicated by geopolitical and trade tensions, which have also impacted the ability of customers to forecast reliably.

Many of you also know that when the pigment market turns, it has a habit of doing so quickly. Illuka is well positioned to respond when the market conditions improve. That's important both in itself and in the context of broader industry changes currently taking place. A key development in the pigment industry over the last decade has been the over-capacity established in China.

In recent months, we estimate around 20 small to mid-size sulphate pigment plants, around half a million tonnes per annum capacity have been put into care and maintenance, and exports of pigment from China have declined around 10% to 15% when compared to the same time last year. The rest of the world response to that over capacity has included anti-dumping duties targeting Chinese imports and the closure of some pigment plants, both of which have occurred against a backdrop of low demand.

One western pigment company, not the entity we supply, but part of the same group has entered administration just last week. In mineral sands we've seen the continued depletion of those operations that have sustained the industry for decades and now a review and potential divestment of one of those operations. This has been accompanied by a few new mines coming into production with new entrants experiencing challenges, and in one case failure.

It is clear that the rest of world response to China's over capacity is still playing out and I once again emphasise the relative strength of Illuka's position to respond to improved demand conditions when they eventuate. In the meantime, our sales of synthetic rutile will be serviced from inventory, which we built off the back of a strong production performance over the past two years. The cost to produce that inventory has of course already been incurred. Liberating it will deliver a significant cash benefit in 2026 alongside the reduced costs that result from idling part of our operations.

We regard this course of action as prudent and disciplined, including to preserve balance sheet strength in what remains an uncertain macroeconomic environment. I'll conclude by noting that our other operations are unaffected by the decision we've announced this morning as they produce a different mix of products.

Similarly, our capital project at Balranald and Eneabba continue on schedule with mining to commence at Balranald in the fourth quarter and Illuka's rare earths business being established in parallel to key global and industry development as I outlined at our half year results. Eneabba will be commissioned in 2027. So with that, happy to take your questions.

Operator: Thank you. As a reminder to ask questions, please press star one, one on your telephone keypad and wait for your name to be announced. To withdraw your question, please press star one, one again. Please stand by as we compile the Q&A roster. Our first question comes from Paul Young from Goldman Sachs. Please go ahead.

Paul Young: (Goldman Sachs, Analyst) Hi Tom. Morning Adele, morning Matt. Hope you're well. Tom, I guess the first question is, you've always made these decisions or Illuka has over the past 15 years made these prudent decisions when the market backdrop is weak. So we've seen this before, but just on the pigment market, maybe starting with that, just your views around or can you share by region what's actually resulted in - what's actually been the main driver of this curtailment? Has it been weakness in the US or has it been weakness with your customer in Europe?

Then just further to that, around the SR inventories that you have. I presume that if you've got the take or pays of 180,000 or 200,000 tonnes per annum - excuse me, I'm actually in a taxi, so I don't have numbers in front of me specifically, so please correct me. Does this mean that you have inventories under the take or pays and also understanding the skew is on take or pay has being to the second half, more than first half. You've got enough inventories to get you through to June next year.

Tom O'Leary: Yes, look, I'll take the last question first if I may. Yes, we do is the short answer around inventories, Paul. In terms of timing and stepping back a bit more broadly, as you've observed, Illuka manages our operational settings with discipline and that includes adjusting production to match market conditions. We've run our mines at capacity through '24 to optimise costs, and we've continued to operate effectively and cost effectively in '25.

With production outpacing demand inventories have continued to increase, particularly the synthetic rutile, which is obviously going into the pigment space. We continuously evaluate our operational settings. I mentioned you've seen the Venator subsidiary going into administration last week and we've continued to engage with pigment customers and that's indicated to us that market conditions have remained subdued. So all of those give - amount to the context for the current decision. In terms of specific markets, Paul, I might hand to Matt to touch on the US and European markets more specifically. Matt.

Matthew Blackwell: Yes, thanks Tom. Morning, Paul. I think Paul, the way to think about it, it's more a function of the lack of recovery as well. That year on year TZMI for example, would have a view that probably '25 in terms of overall demand is going to be similar to '24. The pigment producers were expecting an uptick in '25. What we haven't seen is that northern hemisphere paint season.

The uncertainty in the US, high interest rates, we have not seen the uptick in housing and the uptick in home sales that the pigment people or the paint people, and then the pigment rely on for that increased demand. Europe is slightly down. China probably down to flat. As a result - and even at the end of last year, we saw some of our customers anticipating an uptick this year and probably running a little bit harder. That's resulted in them holding some pigment inventories. So we're just not seeing that lift in demand that was expected. Does that make sense?

Paul Young: (Goldman Sachs, Analyst) Yes, thanks Matt. I guess we can all make an assumption on the implications for SR 1 and duration on that and an assumption on the

recovery in these markets. So thanks for that. Second question is on the cost and - yes, thanks Matt.

Matthew Blackwell: Sorry. I was just going to say, and I'll just remind you what we also shared at the half, is that there's an expectation that titanium and feedstock demand, particularly pigment demand, tracks pretty well with GDP. If you look at that, between 2024 and 2029, TZMI are predicting that there's going to be - I think it's an additional 1 million TR2 units or tons required between now and end of 2029.

That's the equivalent of nine SR1 restarts from over this period of time. So given that uptick hasn't occurred in '25, that then has to occur over '26, '27, '28, '29. So that medium to longer term outlook remains still very positive.

Paul Young: (Goldman Sachs, Analyst): Yes, thank you, Matt, understood. So then a question, Tom and Adele, on the costs, and just care and maintenance cost implications for CapEx as well, can you maybe step through that.

Just sort of, again, not having numbers in front of me, but [JA's] costs are $200 to $250 if you - I know you don't provide the breakdown, but roughly that, and Cataby and including SR2 are $400 or so. Rough round numbers.

But, and if you - so, I guess the question is what's the fixed cost component and what will be the ongoing care and maintenance costs and any implications for CapEx over the next 12 months?

Adele Stratton: Yes, so, Paul, just in terms of - as you say, we guide the full production costs for the Group and we've guided that beginning of the year of $680 million for the full year 2025. Obviously it's not going to be that number as a result of the care and maintenance that we've just announced today.

As we've said, that's an effective date of 1 December, so costs in 2025 will be a little bit lower. But if you're projecting forward into 2026, when we're thinking about the cash benefits of undertaking these actions, a lot of that obviously depends on how long [inaudible] SR2 and the 12 months approximately for Cataby.

So we'd expect from a cash cost reduction, around $110 million lower next year for that. When we come to the fixed cost aspect, we're still working through that. In terms of the kiln, the SR2, we expect to retain all of the workforce for that operation.

You're normally only down for six months, it's a really skilled labour force, so, you know, those labour costs will be maintained as fixed costs for, and there'll be some other standing charges.

We're currently working through the employee impact at Cataby. So that is still a work in progress in terms of redeployment opportunities. As you know, we're in the process of commissioning Balranald.

We've obviously got the project underway, including Eneabba and some of the study work. So that fixed cost base is still to be worked through as we go through that detailed planning over the next three to four weeks.

If I think about capital, your other component of the question, it certainly will result in a deferral of some sustained capital in 2026. So we expect probably a $40 million deferral of some sustained capital out of 2026 as well. So hopefully that gives a bit of an indication.

Paul Young: (Goldman Sachs, Analyst) Yes, okay, thanks, Adele. So mostly the cost reductions is variable costs it sounds like. Just lastly, any considerations of take or pay on gas or any other sort of costs that we should be aware of?

Adele Stratton: Yes, look, so in terms of both - if we think of both operations, there aren't really any take or pay. There's a little bit on PPA, but you know - so the renewables, but pretty small fry in terms of dollars. So yes, we've got quite flexible contract servicing in both of those operations. But you will have some normal standing charges as you'd expect.

Paul Young: (Goldman Sachs, Analyst) Okay, understood. That's great. Thank you. I'll pass the call on. Thanks, Adele. Thanks, Tom. Thanks, Matt.

Operator: Thank you. Next, we have Rahul Anand from Morgan Stanley. Please go ahead.

Rahul Anand: (Morgan Stanley, Analyst) Hi, Tom, Adele, Matt, and team. Thanks for the call. Yes, absolutely, and quite a prudent move given where the market is at the moment, especially US housing.

Look, I just have two questions. I just wanted to dig into perhaps the contract side of things. Obviously, synthetic retail sales sitting at about 70,000 tons in the first half. You've got a contract for about 200,000 tons per annum out to calendar year '26 end I believe, and then your Europe exposure in there was about 31%.

So I guess I just wanted to touch upon today's decision, obviously clearly driven by inventories, but is there any sort of risk coming from that Venator announcement that we

had last week in terms of administration that you're seeing potentially in the volumes that have to go out still that adds to this decision?

Tom O'Leary: Yes, good question, Rahul. I'll just point out that the Venator announcement related to a part of the Group which is not the company that is - or not the entity that we supply.

So the entity that we supply is not in administration. It's continuing to operate and really regarded by the market as the premier asset in the Venator group and would be expected to continue operating, continue producing pigment, and continue procuring feedstock.

So that said, the consumption levels, the demand levels of pigment for our customers and pigment consumers globally are relatively low and so there is pressure on those arrangements, to the extent that customers start struggling to take their volume.

It may be that we enter into arrangements with them to the extent they're mutually beneficial, but that's very much yet to play out. So we are anticipating those contracts to be honoured.

Rahul Anand: (Morgan Stanley, Analyst) Got it, okay. So it seems like understanding the market and the downstream, you're obviously going to be a bit more constructive with your customers and then potentially see some of the sales shift into next year. But then the underlying contract still holds in terms of the total volumes. Is that the right way to think about it?

Tom O'Leary Yes. It's pretty accurate, Rahul. I mean, those take or pay contracts are in place for a reason. It's an allocation of risk in relation to the market. We'll be expecting our customers to meet their obligations. It may be, as I say, that we enter into mutually beneficial arrangements, but absent that, we would expect that there would be compliance with the contract.

Rahul Anand: (Morgan Stanley, Analyst) Got it. Okay. That's clear, thanks. Look, the second one is just a follow up to Paul's question. Just wanted to get a handle on - perhaps this is for Adele.

How many permanent employees do we have on site in terms of the assets that are being shut in and is there potential to deploy elsewhere like JA or elsewhere where you may have contractors in the mix where you can perhaps work that workforce better?

Tom O'Leary: Yes, well there's two sites that are impacted. There's our synthetic rutile asset at Capel SR2. As we've alluded to I think already, we're going to be retaining that

full workforce to ensure that we're ready to have a very quick restart as and when conditions are right.

So no impact there. At Cataby, where we've indicated we're down for - or we're planning for being down for a year, we're conducting a review at the moment, and I wouldn't want to guide there as to the outcome of that.

I think Matt's alluded to already, the possibility of deployment of people elsewhere in our project suite and so on. So beyond that, I think, you know, we'll update as the year progresses.

Rahul Anand: (Morgan Stanley, Analyst) Got it. Okay. No worries. That's all from me. Thanks.

Tom O'Leary: Thanks, Rahul.

Operator: Thank you. Next we have Chen Jiang from Bank of America. Please go ahead.

Chen Jiang: (Bank of America, Analyst) Morning, Tom and morning, Adele. Thank you for taking my questions. By looking at your inventory level, the heavy mineral concentrate, as Rahul mentioned earlier, 700,000 tons, and the finished goods, 325,000 tons of the finished goods, it seems like they are sufficient to fulfill your sales contract for synthetic rutile, as well as probably because Cataby also produced zircon.

Is that fair to say, even though you've suspended production - you will suspend production from December, but your sales for FY26 should be roughly flat or no impact comparing with FY25? For all the mineral sand products, zircon, rutile, and synthetic rutile. Can you hear me?

Adele Stratton: Yes, can you hear us okay?

Chen Jiang: (Bank of America, Analyst) Yes. I think the line was bad. Yes, yes, I can hear you now, yes.

Adele Stratton: So if we think of the two decisions that we've taken today, by idling SR2 for the six months, that's got an average production of about 220,000 tons, so we're taking out 110,000 tons through the six month idle.

When we think about the inventory levels, as you've noted from the half year results, the 325,000 tons of finished goods is for all zircon, rutile, and synthetic rutile. You can see the inventory build in synthetic rutile that we've had over the past three years, which is around 100,000 tons.

So it's really designed to bring you back down to the normal operating levels of inventory for synthetic rutile, which is normally about three months of production once you factor in the supply chain and getting that product to customers.

So when I think about taking it down the Cataby mine, the consequences of that will be less - obviously less ilmenite to feed into the kiln, that's one of the big drivers. A little bit less rutile and zircon. But once again, we do have inventory available.

So in terms of outlook for 2026 sales, we don't obviously guide sales outlook, Chen. But we've got sufficient inventory we believe in order to meet customer requirements.

Tom O'Leary: The only thing I'd add, Chen, is that we have guided that we have those offtakes for synthetic rutile at 200,000 tons per annum through to the end of 2026.

Chen Jiang: (Bank of America, Analyst) Sure, sure. I understand the contract. But I'm just trying to figure out your zircon and rutile sales for FY26. Then maybe a follow up question on the cost. I understand the production suspended, cash costs, et cetera, but how should I think of the cost of goods sold over the next - for FY26?

Adele Stratton: Yes, so the cost of goods sold, Chen, comes out of inventory. So when you think about the P&L charge, that's whatever your sales volumes are, multiplied by your unit cost of goods sold. So, we're not anticipating any change because that sits within your inventory already.

What impacts your unit cost of goods sold of your sales mix. So, depending on which product you sell more of, it can have an impact on the unit cost measure. As Tom said at the outset, we've already incurred the cash cost to produce that inventory. We'll be drawing down on that inventory to satisfy sales, so it shouldn't really have an impact.

Chen Jiang: (Bank of America, Analyst) Right. Got it. That's clear. Thank you very much. I'll pass it on.

Tom O’Leary: Thanks, Chen.

Operator: Thank you. Next, we have [Ari Shani] from UBS. Please, go ahead.

Dim Ariyasinghe: (UBS, Analyst) Good morning, Team. Could you maybe just try a little on the commodity? Please, help me understand how much of this is a demand issue and how much of this is supply.

So, the structure of the market changing, that seems to be a problem that's not going away, and the hope on anti-dumping investigations, that's played out now, right? Or is that still to come, please?

Tom O'Leary: Yes, look, I think it's probably not fair to say that it's played out. I mean, certainly some of the anti-dumping duties are in force, but they do take time to play through and have a genuine impact. Then there are often follow-ons.

It is a combination of the two, and I'll hand over to Matt to perhaps provide a bit more colour, but we've certainly seen, as I've mentioned at the outset, some significant overcapacity. Some of that is being rectified both in China, quite materially already, and also in the West.

So, that's continuing, but difficult to put a specific percentage or quantitative assessment of how much of the issue relates to overcapacity versus demand.

We've certainly seen, as I mentioned at the outset, the absence of a painting season in the Northern Hemisphere, which is where we supply the bulk of our materials over the last several years. There's an expectation, as Matt alluded to, that that is going to revert over coming years.

So, I think we are well-positioned for that return, and want to continue to be well-positioned.

Matt, I don't know if you've got anything to add to that.

Matthew Blackwell: Thanks, Tom. I think a couple of comments on the anti-dumping. To reinforce Tom's point, I don't think it has played out entirely. The reason I say that is, in Europe, given the lead time into making those decisions, that Chinese manufacturers moved a lot of product into Europe ahead of those anti-dumping rules coming into effect, or duties coming into effect. As a result, it took a while for that inventory to work through, right?

So that's now - or that product has worked through, and the full impact of those anti-dumping duties will become more evident. We haven't seen the uptick in demand from Europe yet. Anti-dumping in Brazil was paused. India's in place. It's also in places like Saudi and in the central European economies, those anti-dumping duties are in place.

So, I think there's a little bit more to see on that front over the course of the next couple of years as the trade balance is sort of restored or rebalanced.

Then secondly, is it supply and demand? It's - at the moment, I would say it's more of a demand story, because we haven't seen that increase in demand, and we haven't seen that recovery as Tom alluded to.

On the supply side, and as Tom said in his opening remarks, what we've actually seen is a reduction in supply, particularly to the Western producers of economic supply, and a number of mine failures and operations that haven't ramped up successfully at all.

So, on the supply side, really, we're pretty well positioned with our inventory to start with, restarting SR2, and then having the capacity to turn on SR1 over the next couple of years, or whenever the conditions require it to, to capture some of that growth.

So, I think it's a bit of a combination of both, but predominantly demand, and I don't see it as a big structural issue yet, when you look at what's available to be sold in the market compared to what the predictions of demand are going to be over the next period of time.

Ari Shani: (UBS, Analyst) Right. Okay. Thanks. Maybe just one last one, so the take or pays roll off next year, how confident are you entering into negotiations for the next phase into CY27 and beyond?

Do you think, you know, is [180,000 to 200,000 tonnes] possible from '27 onwards? I guess your comments would suggest so, but yes.

Tom O'Leary: Yes, it's probably not appropriate to be commenting on that yet. We've got the annual conference where the industry gets together to think about the future, so it'll be an interesting backdrop this year for that conference, and that's really when discussions will begin in earnest for - in some cases, for next year, but in our case, we'll obviously be looking to the longer term. So, we'll be continuing to comment on that prospect over the next 18 months. So, yes.

Ari Shani: (UBS, Analyst) Yes. Awesome. Thanks, guys.

Tom O'Leary: Thanks [unclear].

Operator: Thank you. Just a moment for our next question, please. Next, we have Matthew Hope from [Ord Minnett]. Please, go ahead.

Matthew Hope: (Ord Minnett, Analyst) Yes, thanks very much. Just looking at Cataby, I was just wondering, what would be the reason you would need to bring that back in 12 months? Would you be presumably looking to zircon or rutile with Balranald coming on? So, it would be ilmenite to supply the SR kiln.

With the SR1 down, does that mean you have a lot of inventory anyway? So, is 12 months really necessary or could it even stay out longer with SR1 down?

Tom O'Leary: Yes. Well, we've all got some flexibility, as you point out, Matt, and we've also pointed out that the market can, and it's demonstrated an ability to change quite quickly.

So, to the extent that we were to restart SR2 more quickly and potentially bring on SR1 in the case of a significant demand scenario, then you could see it bringing Cataby on quite quickly.

So, look, I just emphasise that we do have flexibility, that the strong production outcomes over the last couple of years have enabled us to build a pretty material amount of inventory, which puts us in a good position to respond, and it also provides some flexibility on this question.

Matthew Hope: (Ord Minnett, Analyst) Okay. Just with SR2 being down, and you're keeping the workforce, does that mean you're going through this sort of annual four-year refurbishment so that when it comes back on it can run for another four years with no stops?

If so, does that mean that there'll be sort of [$30 million-odd] with the costs that it normally costs to refurbish these kilns?

Tom O'Leary: No, it doesn't. It's not actually due to that refurbishment. So, we're not going to undertake that refurbishment.

We're actually - with the predictive maintenance we've engaged over the last decade, really, we've continued to get longer and longer periods of operation between major outages for SR2.

So, we're currently at a - looking at a five-year runtime. So, with the - that isn't due for some time yet, so we wouldn't be undertaking that major expense at this point. It's simply not worth it, notwithstanding the opportunity presented by a suspension.

Matthew Hope: (Ord Minnett, Analyst) Okay, thanks.

Tom O'Leary: Thank you. I think that's - oh, is there one more? No?

Operator: No, there is not.

Tom O'Leary: Okay. Look, well, I just thank you all for dialling in. We're commencing our domestic roadshow today, so I look forward to catching up with you all in person. Bye for now.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

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