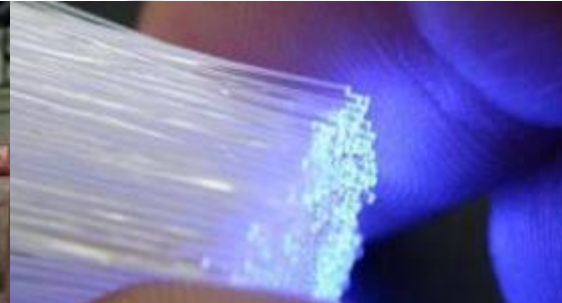


The Way Forward in the Zircon Industry



TZMI Conference

Christian Barbier – General Manager Zircon Sales, ILUKA RESOURCES
Hong Kong, 8 November 2016



Disclaimer, Forward Looking Statements

Forward Looking Statements

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This presentation constitutes a summary of Iluka’s financial performance and should be read in conjunction with the Iluka Resources Limited ASX Preliminary Final Report – 31 December 2014, which contains financial statements and consolidated financial statements of the group.

- **Zircon Demand**

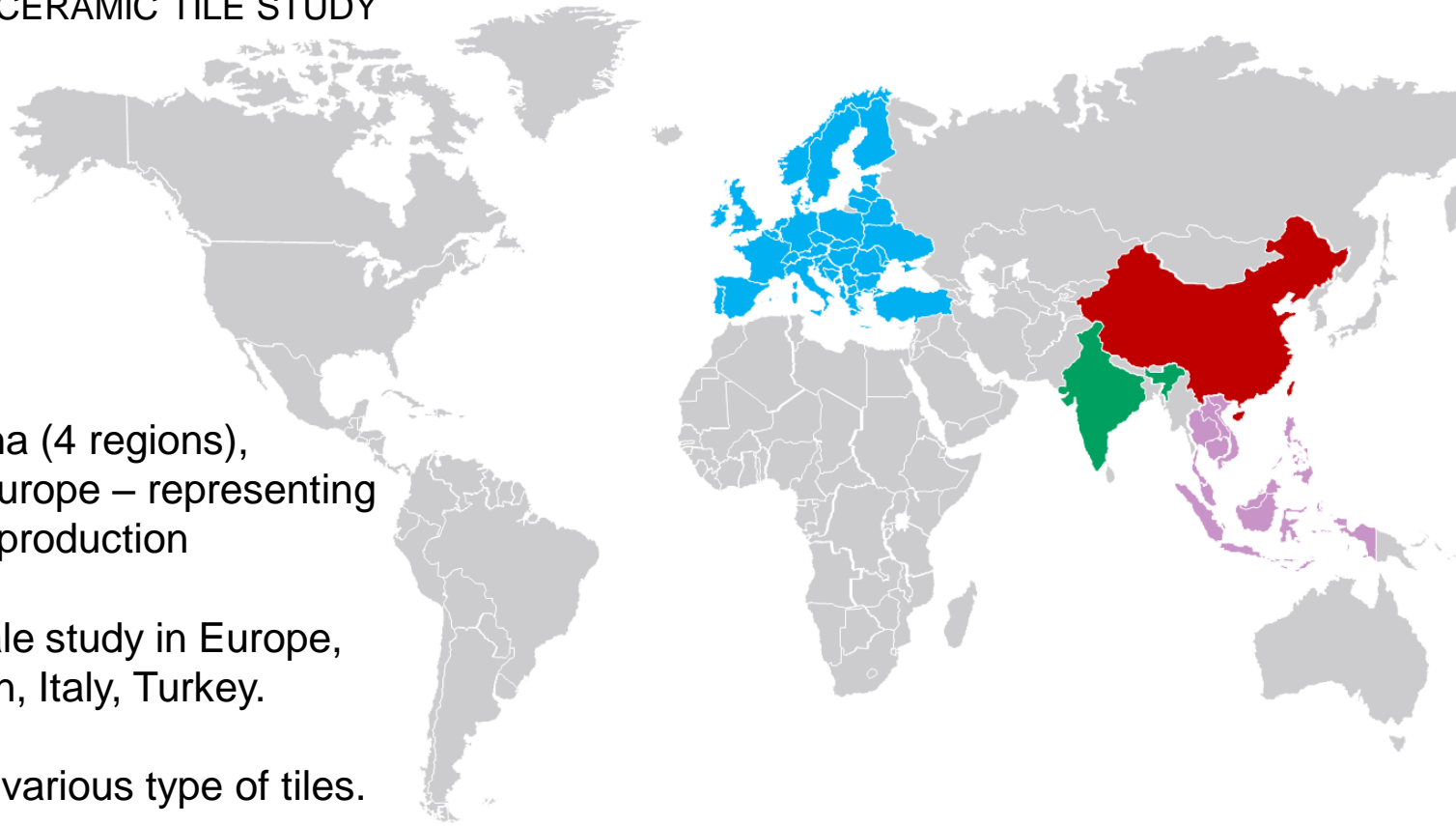
- **Zircon Supply**

- **Need to Adapt**

1. Iluka Tile Study

PROPRIETARY CERAMIC TILE STUDY

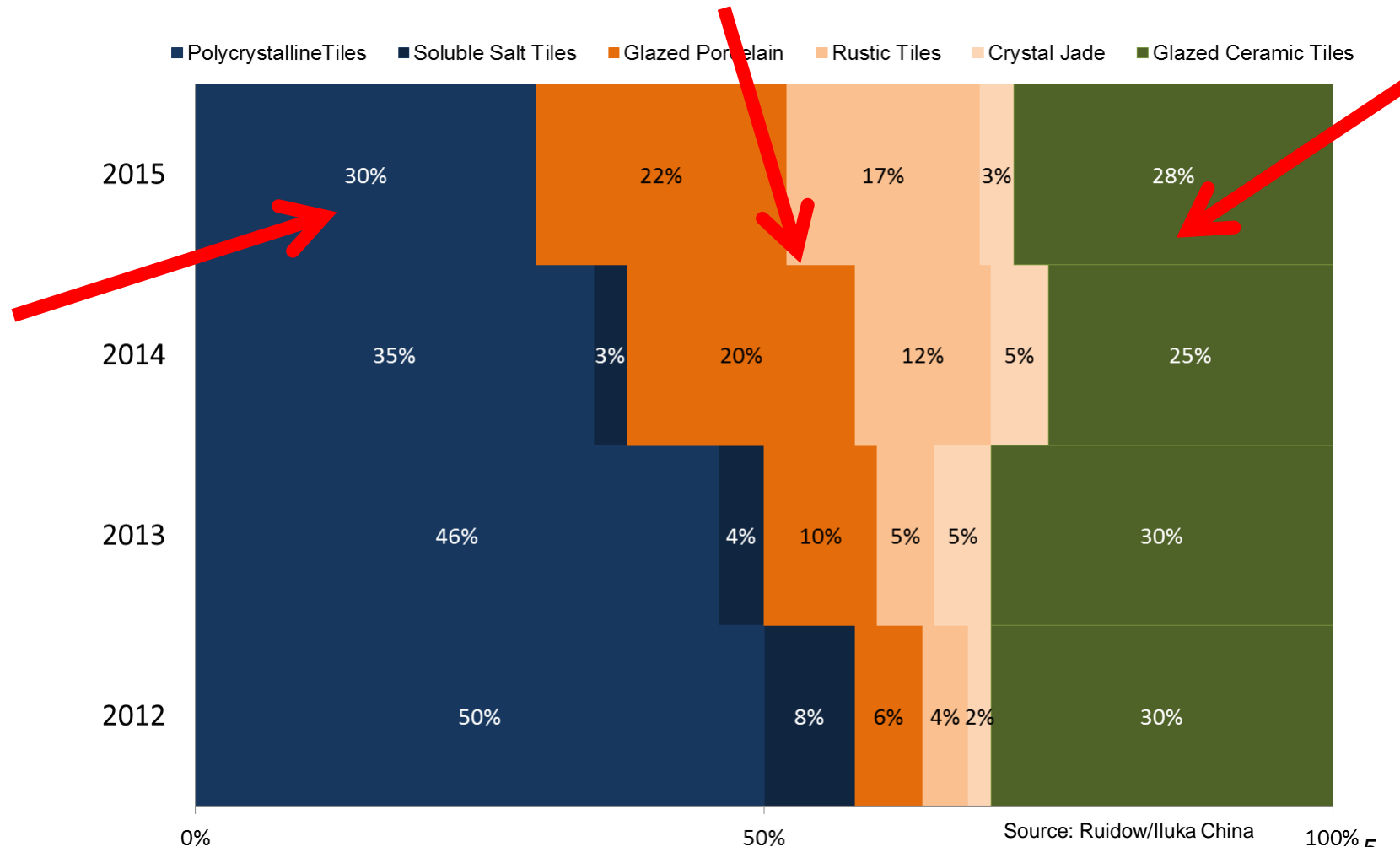
- 4th annual study on ceramic tile.
- Focusing on China (4 regions), SEA, India and Europe – representing 72% of world tile production
- In 2015 large scale study in Europe, in particular Spain, Italy, Turkey.
- Zircon loading of various type of tiles.
- Trend from one year to the other.



Zircon Demand

1. Iluka Tile Study

In China, continuing shift towards glazed porcelain & rustic tiles, albeit slower

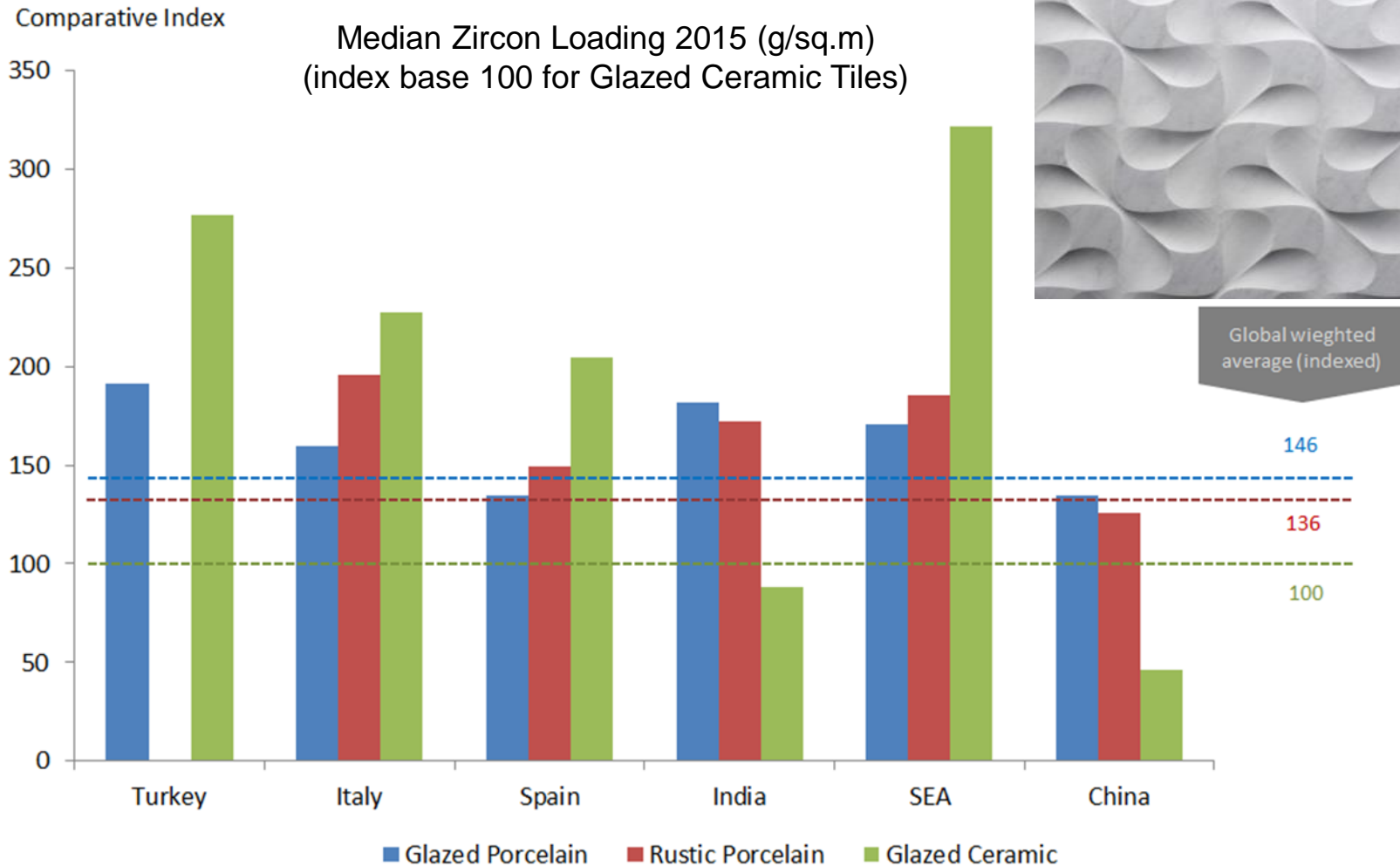


Zircon Demand



ILUKA

1. Iluka Tile Study



1. Iluka Tile Study

Key messages:

Stable loadings since 2012

- High end and top brands are higher
- Variations as per colour and texture trends
- Digital printing sustains zircon usage
- No sign of substitution

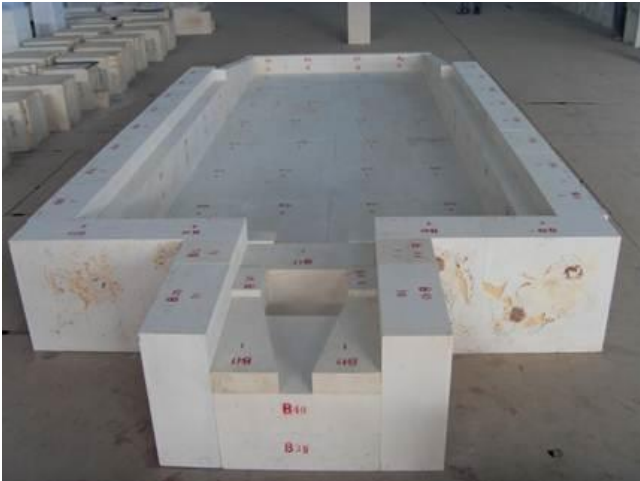
PROPRIETARY CERAMIC TILE STUDY



Zircon Demand

1. Iluka Tile Study

2. Zircon Processing



Operating Model with Overcapacity

Milling

Fused Zirconia

ZOC

Casting

40%

BEFORE: Invest Ahead of Demand

NOW:

- Cost Optimisation
- Swing Capacity (high cost)
- Low Return on Investment

Zircon Demand

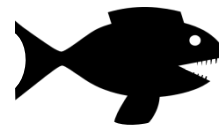
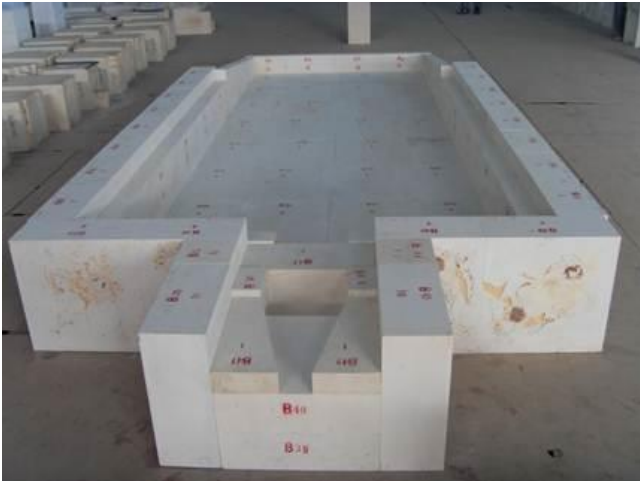
1. Iluka Tile Study

2. Zircon Processing



Trends in Concentration influenced by

- ✗ Cultural resistance
- ✓ Profitability pressure
- ✓ Environmental regulations
- ✓ Technology developments



Zircon Demand

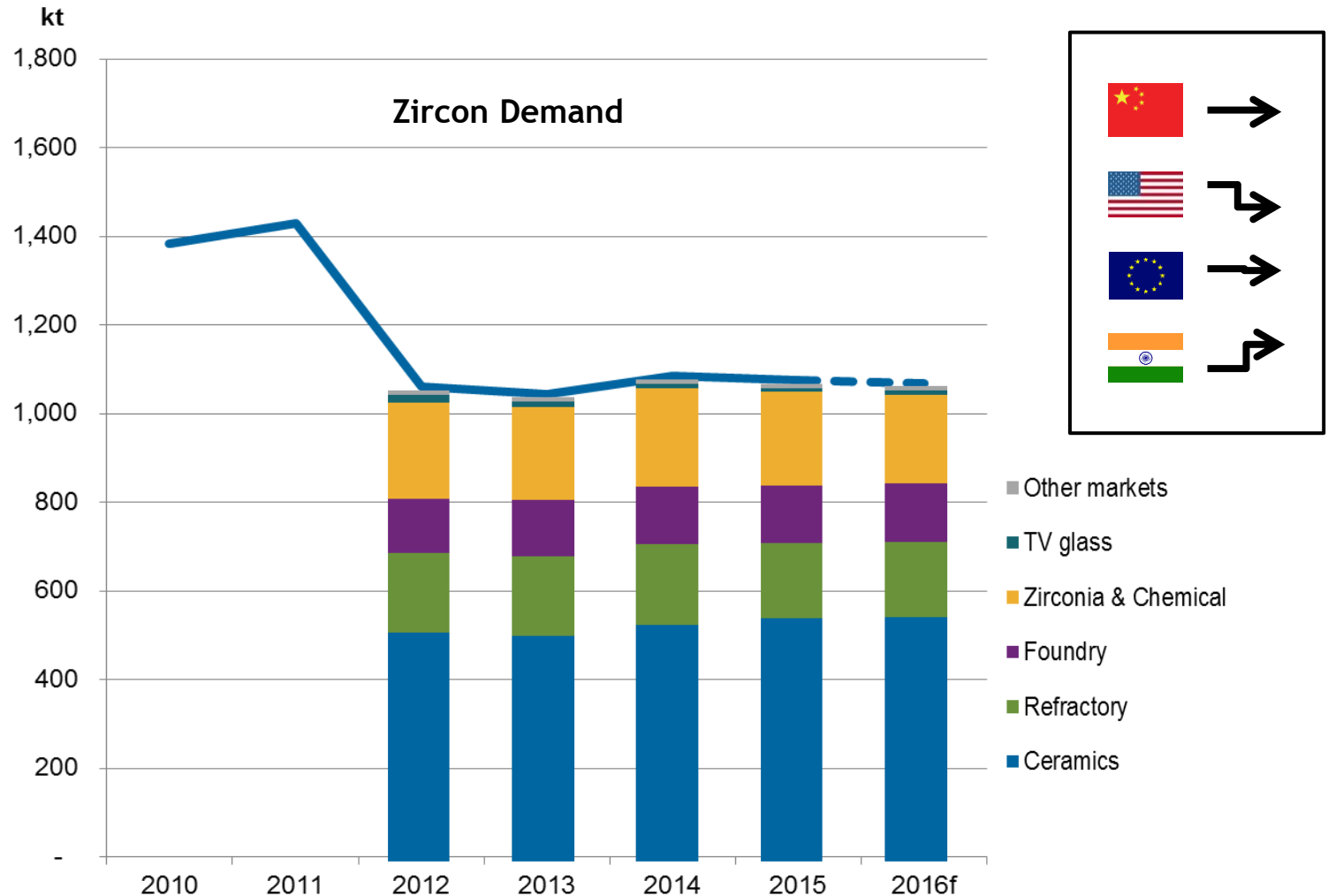
1. Iluka Tile Study

2. Zircon Processing

3. End-Market Growth



Since 2012 the growth of zircon demand has been very modest



Source:
TZMI Q2 2016

Zircon Demand

1. Iluka Tile Study

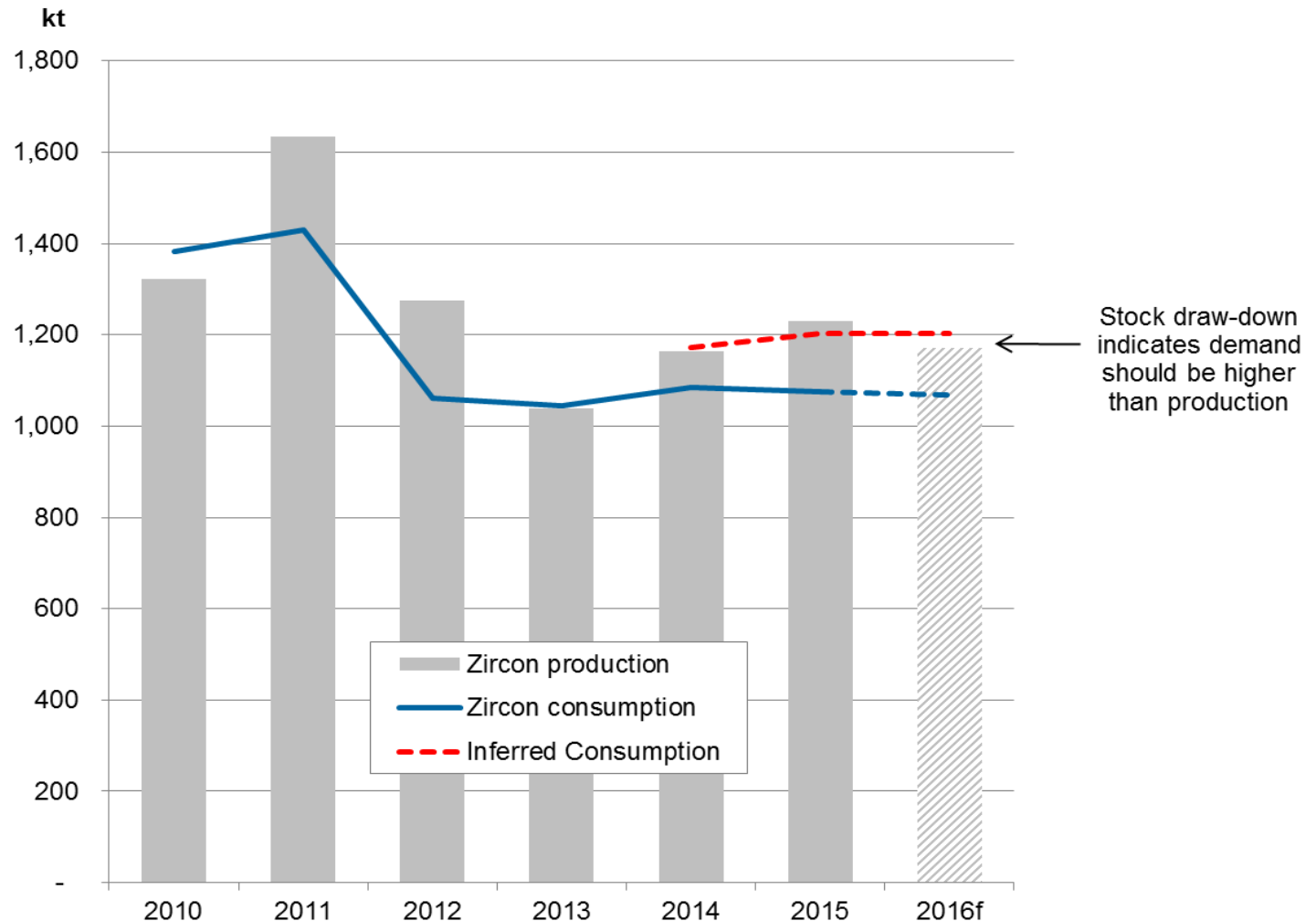
2. Zircon Processing

3. End-Market Growth



ILUKA

Iluka's analysis suggests demand has been under estimated



Source: Iluka estimates, TZMI, company reports

- **Zircon Demand**

- **Zircon Supply**

- **Need to Adapt**

1. Zircon Deposits

- ✗ The highest quality and most accessible deposits are mined out
- ✓ There is plenty of zircon left in the world... but
- ✗ Capital required to develop new projects is higher per tonne of product



Unforeseen events translate in costs

- Governments modify the rules of the game
- Strikes and social unrest

Zircon Demand Zircon Supply

1. Zircon Deposits 2. Environmental Pressure

Rehabilitation is essential... but is also increasingly expensive



External pressure related to the environment is ever growing

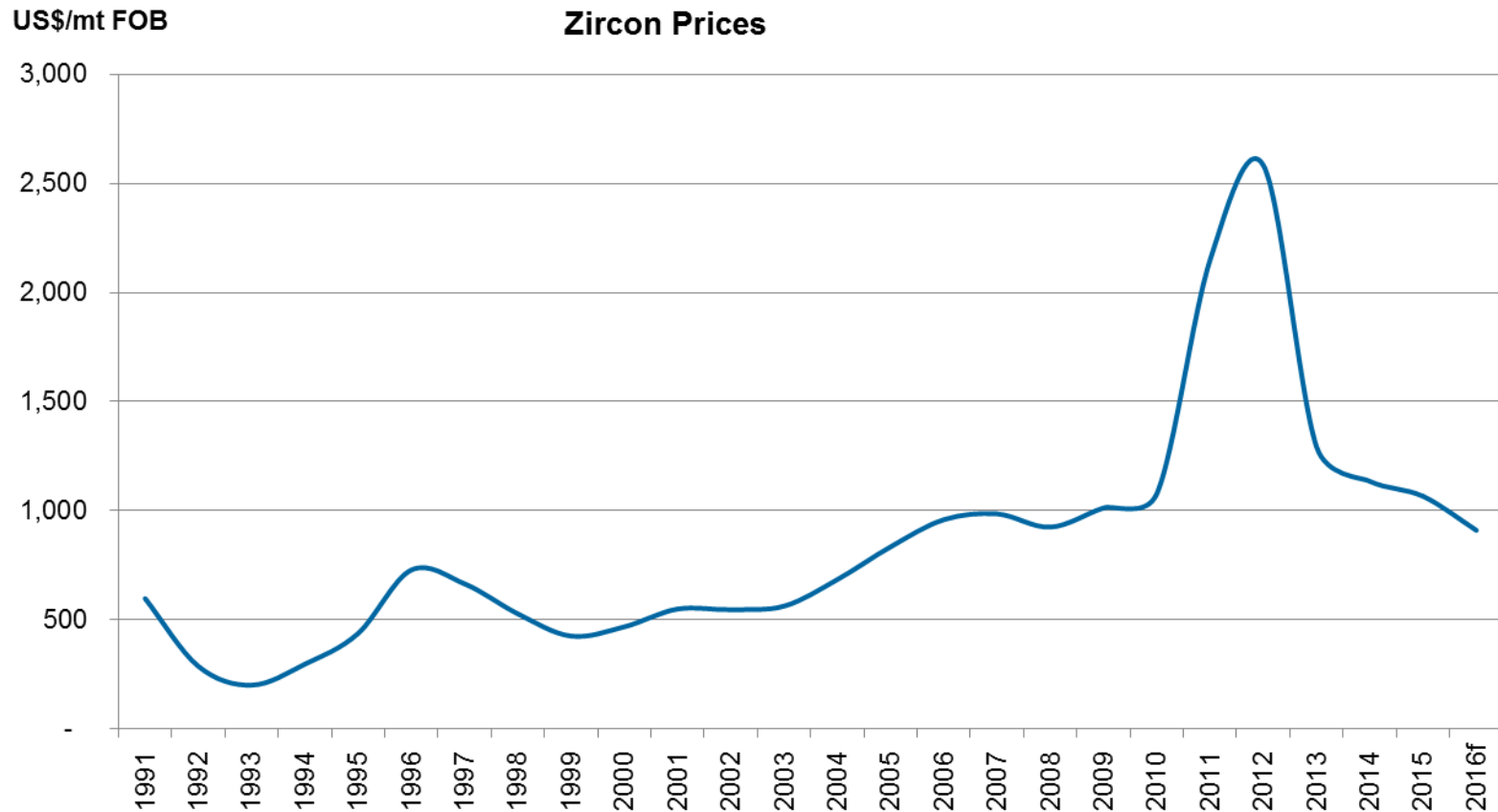
- Droughts
- Floods
- Community

Zircon Demand **Zircon Supply**

1. Zircon Deposits
2. Environmental Pressure
3. Cyclical Effects



The belief that the peaks of the cycle guarantee the viability of a project is no longer valid... The recent peaks are shorter and induce substitution.



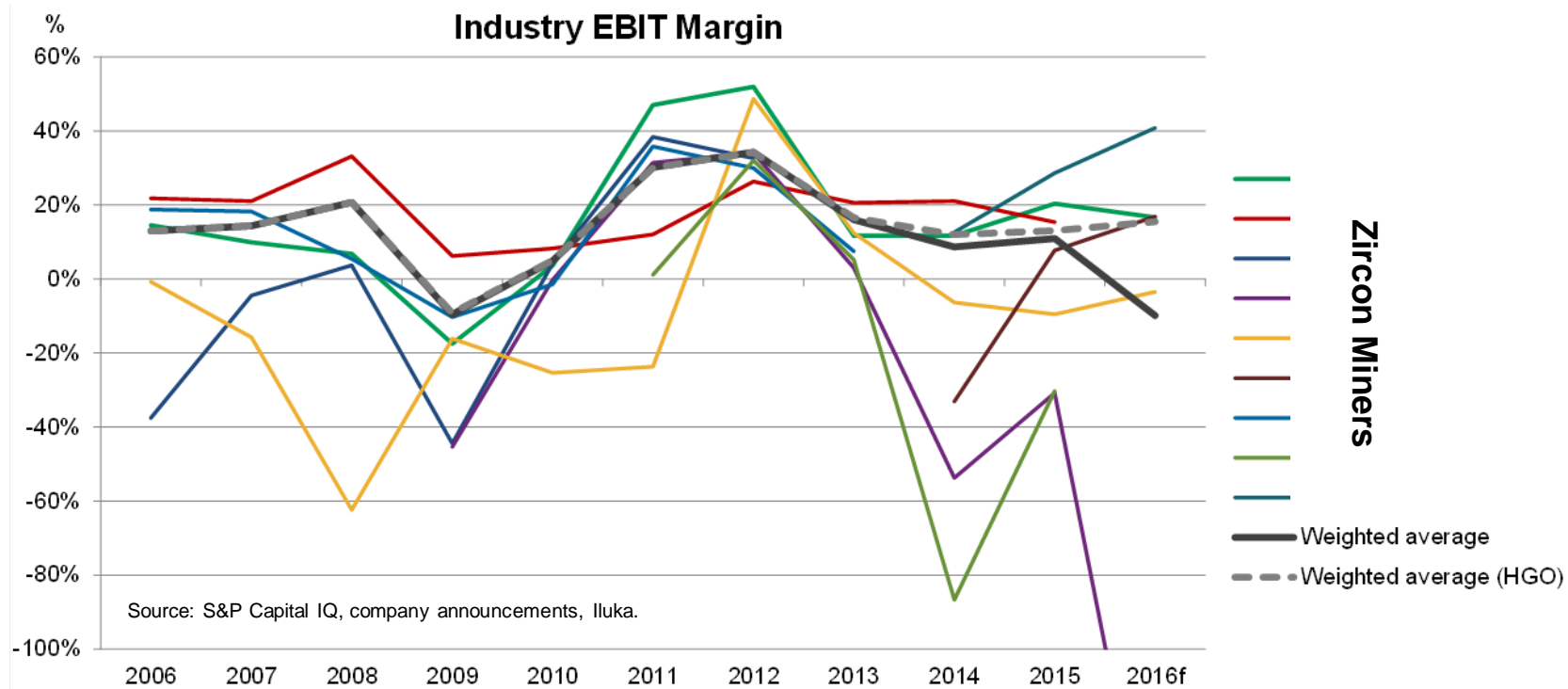
Price in 2016 real US\$/mt
Source: Iluka, TZMI. TZMI forecast per Q3 2016 Feedstock Price Forecast

- **Zircon Demand**
- **Zircon Supply**
- **Need to Adapt**

1. Capital Discipline

The Zircon industry can't escape the change

Miners and processors alike need to have a very disciplined approach to return on capital



The Industry Margin of -10% in 2016f is equivalent to 2009 levels

1. Capital Discipline

2. Developing Value



- Value protects from Substitution
- Environmental Impact
- Better rather than More
- Technology in Processing

Zircon Demand | Zircon Supply **Need to Adapt**

1. Capital Discipline 2. Developing Value 3. Industrial Mineral



From Commodity to Industrial Mineral

- Technical Development
- Commercial Initiative
- Sustainable Practices
- Financial Discipline



**Iluka will remain a leader
in this evolution**

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