



Iluka Resources Limited

2020 Half Year Results Presentation

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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. 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.



Iluka's Sustainability Approach

Key Pillars

- Health and Safety
- People
- Social Performance
- Environmental Stewardship
- Economic Responsibility and Governance

Approach

- Creating a culture that recognises all members of the workforce are leaders in promoting a safe environment
- Maintaining an engaged, diverse and capable workforce
- Use resources efficiently, leaving positive rehabilitation and closure outcomes
- Respect human rights, engage meaningfully with stakeholders and communities in which we operate



Member of
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



27%
Reduction in Serious
Potential Injuries
(H1 2020: 29
H1 2019: 40)

3.2 TRIFR
H1 2020 (2019: 2.9)

26%
Indigenous Employment at
Jacinth-Ambrosia

**Female
representation**
33% **29%**
Exec. Mgt. Board

304
hectares
rehabilitated in H1 2020

Zero
Major environmental
incidents

Iluka's first priority is the safety and wellbeing of its people, their families, and the communities in which the company operates. During this period of uncertainty, the company has maintained operations across all sites and marketing and logistics channels remain open.

Approach and response

Health and Safety Measures

Iluka has implemented a number of health and safety measures across all sites to effectively manage the risks and impacts of the virus while maintaining operational continuity

- Roster changes, increased cleaning and site based physical distancing measures
- Site-specific risk-based Infectious Disease Management Plans in place
- Employee support programs, including mental health focus

Operational and Project Changes

Changes to operational settings have been implemented in response to the uncertain market conditions – aimed at reducing costs and preserving cash to maintain a strong balance sheet:

- Altered production settings at the Narngulu mineral separation plant from Q2 to reduce zircon production in light of market conditions
- Return from Ambrosia to mining at Jacinth from August 2020 to reduce costs and defer tailings management capital spend
- Balranald field trial has been able to commence with some easing of travel restrictions in New South Wales
- Other projects continue, focussed on progressing non-site based technical and desktop study work

Maintaining Strong Financial Position

- Focus on costs and capital discipline
- Accessed Australian Government JobKeeper payment (\$6 million)
- Deferral of 2019 final tax payment to H2 2020 (\$99 million)

Solid earnings in challenging market	Underlying group EBITDA \$225 million despite challenging business conditions, particularly in the zircon market (H1 2019: \$274 million) NPAT \$113 million, down 18% (H1 2019: \$137 million)
Retained strong margins	Mineral sands EBITDA margin 39%, down slightly from 43% in H1 2019 Margins supported by relatively stable pricing, with a modest decline in zircon prices of 6% following strong efforts to contain price erosion and rutile prices up 7% AUD:USD movement partially offset reduced sales volumes
Mining Area C royalty business	Mining Area C royalty EBITDA up 16% to \$48 million, reflecting higher iron ore prices Work continues towards completion of demerger in H2 2020 - booklet expected to be provided to shareholders in September
Demonstrated operational flexibility	Altered operational settings at Narngulu mineral separation plant to reduce zircon production in line with market conditions, and a return from mining at Ambrosia to Jacinth to reduce costs
Eneabba Phase 1 project delivered, Phase 2 approved	Eneabba Phase 1 operation commissioned and first shipment of monazite-zircon concentrate dispatched Execute for Eneabba Phase 2 approved by Board - expected to deliver value accretive opportunity and next step in Iluka's incremental approach to entering rare earth market
Strong balance sheet maintained	Net cash of \$62 million as at 30 June 2020 (\$43 million net cash as at 31 December 2019) Focus on cash preservation and disciplined capital allocation - return of mining to Jacinth and deferral of 2019 final tax payment (\$99 million to be paid September 2020)

Iluka continues to work towards completion of the demerger in H2 2020, with Iluka to retain a 20% stake. The demerger booklet is expected to be provided to shareholders in September. The new royalty business will be called Deterra Royalties.

Demerger timing

- Board approval to put the demerger to shareholders in the coming weeks with planned timeline, subject to final Board and other approvals:

September 2020

**Demerger booklet provided
to shareholders**

October 2020

Shareholder vote

- Iluka continues to engage with the ATO and remains confident in receiving a favourable ruling

Deterra Royalties Board and Key Management

- In addition to Jennifer Seabrook, Independent Chair, appointments to the Deterra Royalties Board (subject to shareholder approval of the proposed demerger) are:
 - Graeme Devlin, Independent Non-Executive Director
 - Joanne Warner, Independent Non-Executive Director
 - Adele Stratton, Non-Executive Director (Iluka nominee)
- The Board reflects a diverse range of expertise in the global resources sector including mining investment, project finance, business development, capital markets, funds management and corporate governance. More detailed biographies in supplementary information.
- Brendan Ryan will be joining Deterra Royalties as CFO
 - 30 years commercial and operational experience, including CFO and senior business development roles at Boart Longyear and Rio Tinto

Deterra Royalties Board



Jennifer Seabrook
Chair



Julian Andrews
MD & CEO



Graeme Devlin
Non-Executive
Director



Joanne Warner
Non-Executive
Director



Adele Stratton
Non-Executive
Director
(Iluka nominee)

A photograph of an industrial facility, likely a refinery or chemical plant. The image shows a complex network of large, yellow-painted pipes and metal structures. The pipes are arranged in a way that suggests a flow of material through the system. The lighting is warm, and the overall scene is one of industrial complexity.

Financial Results



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\$225m
Group EBITDA
H1 2020
(\$274m H1 2019)

\$113m
NPAT
H1 2020
(\$137m H1 2019)

	Units	H1 2020	H1 2019	% Change	
Z/R/SR Production	kt	287.8	323.5	(11.0)	▼
Z/R/SR Sales	kt	241.6	301.8	(19.9)	▼
Mineral sands revenue	\$m	456.6	545.6	(16.3)	▼
Mineral sands EBITDA	\$m	177.0	232.7	(23.9)	▼
Mineral sands EBITDA margin	%	38.8	42.7	3.9pp	▼
MAC EBITDA	\$m	48.0	41.2	16.5	▲
Underlying Group EBITDA ¹	\$m	225.1	273.9	(17.8)	▼
Profit for the period (NPAT)	\$m	113.2	137.2	(17.5)	▼
Operating cash flow	\$m	96.7	179.9	(46.2)	▼
Free cash flow ²	\$m	46.2	(65.2)	n/a	▲
Dividend	cps	XX	5	XX	
		At 30 Jun 2020	At 31 Dec 2019		
Net (debt) cash	\$m	62.3	43.3	43.8	▲
Gearing ratio ³	%	n/a	n/a	n/a	-

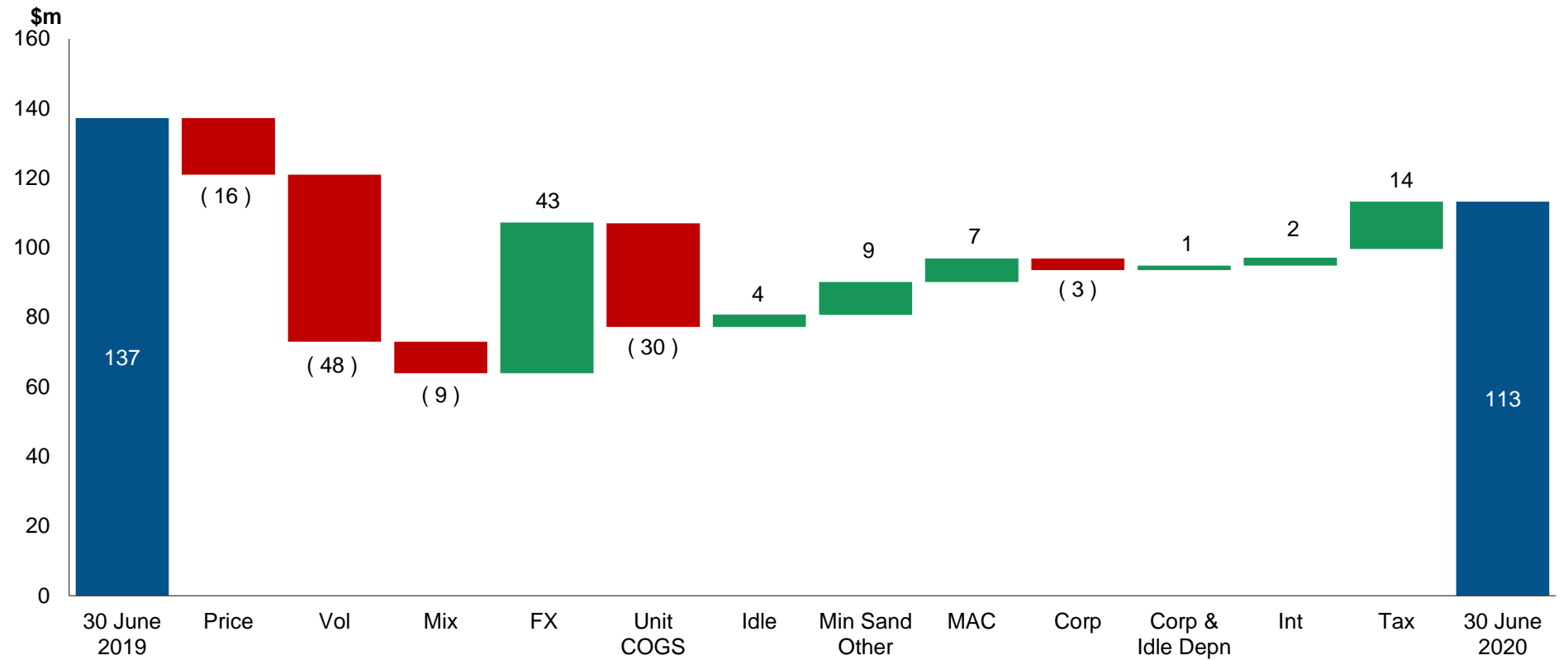
1. Underlying Group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites which are non-cash in nature.

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

NPAT – H1 2020 versus H1 2019

9

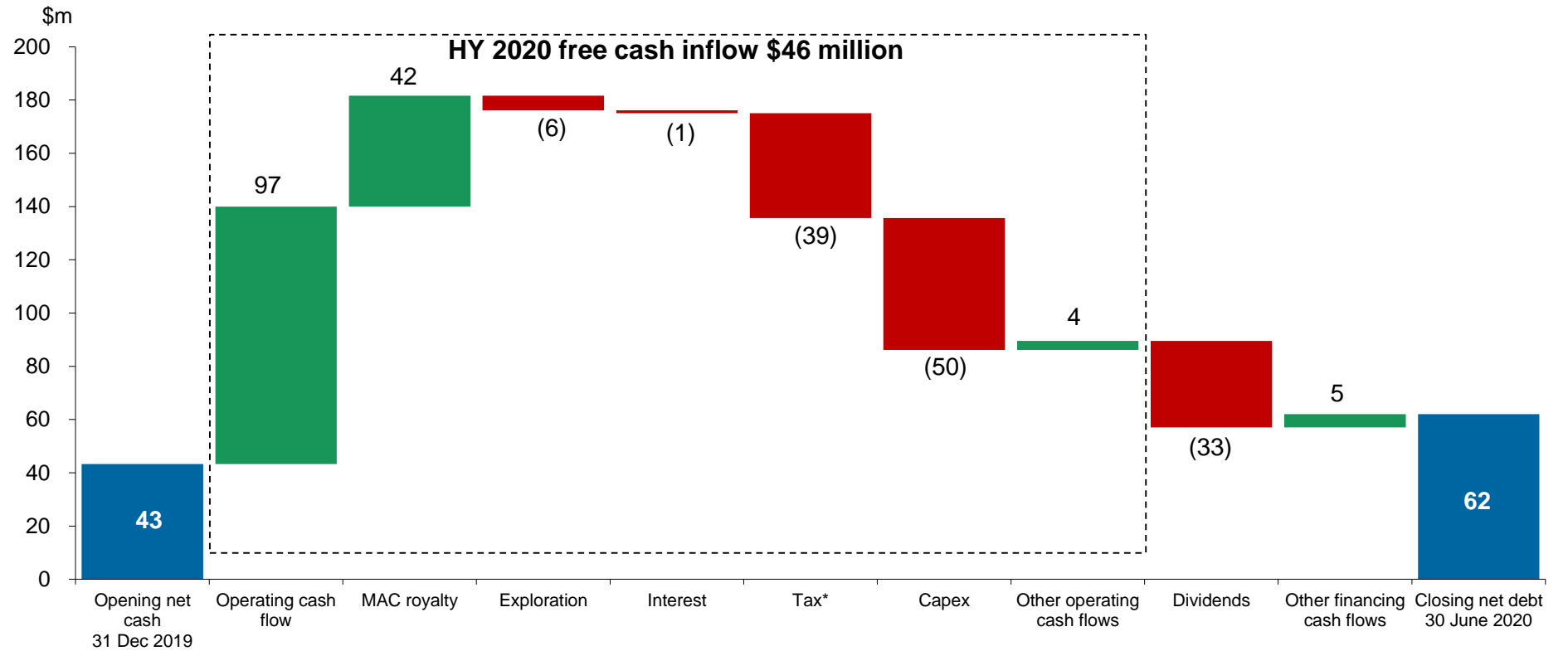


Main contributors to H1 2020 results:

- Reduced sales volumes due to the impact of COVID-19 on markets
- Lower US\$ exchange rate (65.7 cents versus 70.6 cents) positively impacting sales receipts
- Higher unit cost of goods sold, reflecting higher cost of synthetic rutile from Cataby ilmenite and higher COGS at Sierra Rutile

Net Debt – 31 December 2019 to 30 June 2020

10



Main contributors to H1 2020 cash flow:

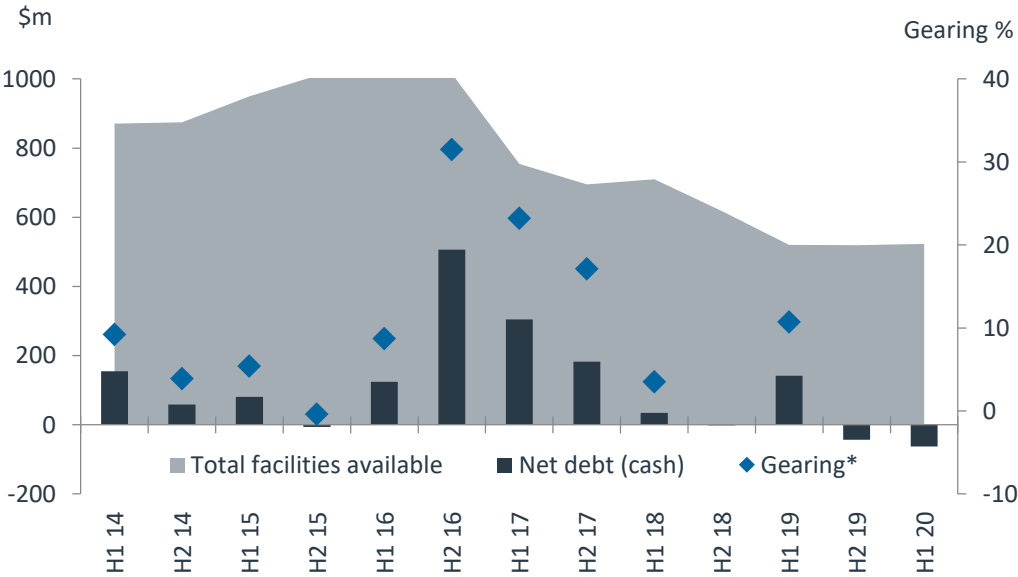
- Operational setting changes to reduce cash costs and preserve operating cash flow
- Disciplined capital allocation to progress studies (modest capex of \$50 million)
- Increase royalty receipts

* Does not include deferred 2019 final tax payment to H2 2020 (\$99 million)



Net Debt, Gearing and Funding Headroom

- Maintained net cash position while investing \$50 million in capital expenditure
 - net cash of \$62.3 million (31 Dec 2019: net cash \$43.3 million)
- Significant funding headroom of \$434 million undrawn facilities



* Net debt / net debt + equity

Multi Option Facility Agreement (MOFA)

- Total facilities \$523 million
- Maturity July 2024
- MOFA remains in place post demerger

\$48m
EBITDA
H1 2020
(\$41m H1 2019)

~\$930m
EBITDA
Since MAC mining
commenced

		H1 2020	H1 2019	% change
Sales volumes	MDMT	28.6	27.8	2.9
Implied price	A\$/t	132.9	120.2	10.6
Net Royalty income	\$m	47.0	41.2	14.1
Annual capacity payments	\$m	1.0	-	-
Iluka EBITDA	\$m	48.0	41.2	16.5

(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 Update

- Expansion in Mining Area C royalty area to ~145wmtpa
- Project 76% complete (as at 30 June 2020)
- Remains on schedule for first production in the middle of the 2021 calendar year
- 30+ year life

Source: BHP

Mineral Sands Markets

A large industrial machine, possibly a conveyor or hopper, is shown pouring a thick, dark stream of mineral sand into a large, deep pile. The sand is dark and appears to be a heavy mineral. The background shows a large, curved structure, possibly a conveyor belt or a large container, with a wooden or metal surface. The lighting is bright, casting shadows on the sand pile.

Sierra Leone



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Result

- H1 2020 sales 78kt (H1 2019: 133kt)
 - Q2 sales of 53 kt (-21% YoY) after Q1 sales of 25kt (-62% YoY)
- Key markets significantly impacted by COVID-19 shutdowns

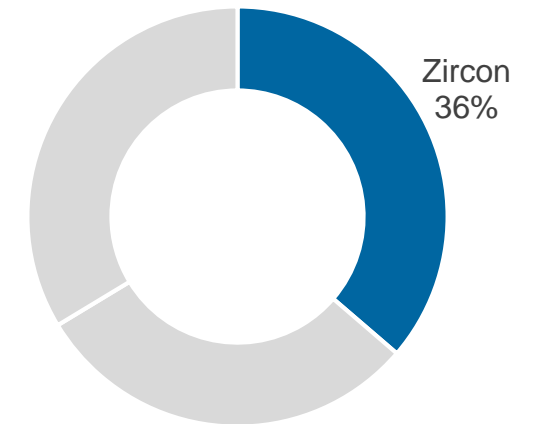
Pricing

- H1 2020 weighted average received zircon (premium and standard) price US\$1,354/t, down 6% from H2 2019
- Pricing remains relatively stable given challenging market conditions
 - strong effort to contain price erosion

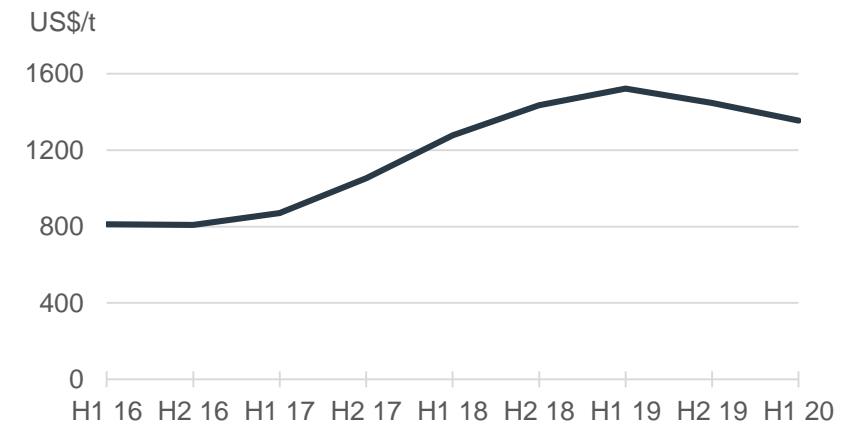
Supply/Demand

- Widespread shutdowns of key industries during Feb-May 2020 due to COVID-19
- Tile manufacturers in China and Europe have partially restarted but operating rates remain around 50-60% of pre-pandemic previous levels
- Foundry markets impacted by reduced demand for automotive and other consumer goods and industrial parts
- Fused zirconia and zircon chemicals markets remained solid in first half but potential for softness next quarter
- Customer inventories remain low with focus on conserving cash
- Iluka has changed operational settings at Narngulu to reduce zircon output and finished goods inventory

H1 2020 Z/R/SR Sales Revenue



Zircon (premium and standard) net realised FOB price US\$/t

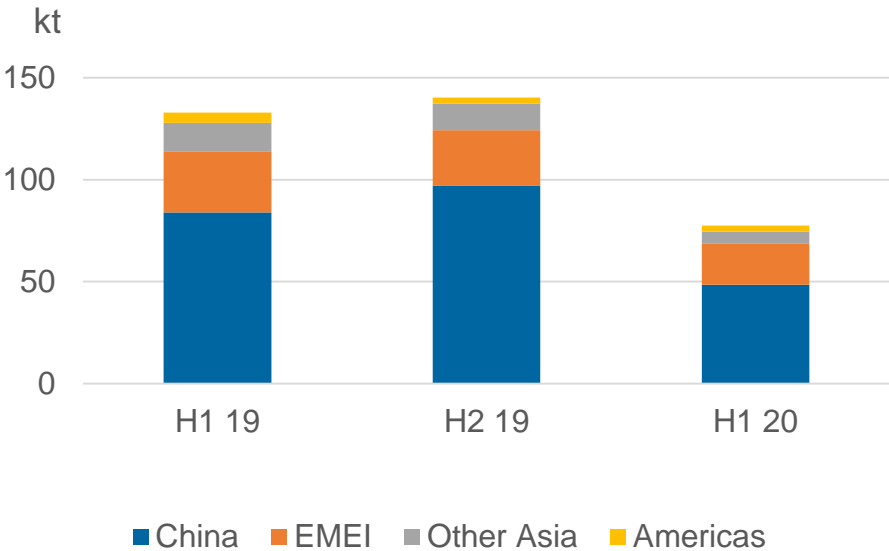




Sales by Region

- Chinese lockdowns of industry significantly impacted Q1 sales
- Sales to China improved in Q2 as restrictions eased and economy reopened
- Q2 sales to other regions (ex China) impacted by COVID-19 related restrictions

Half yearly zircon sales by region

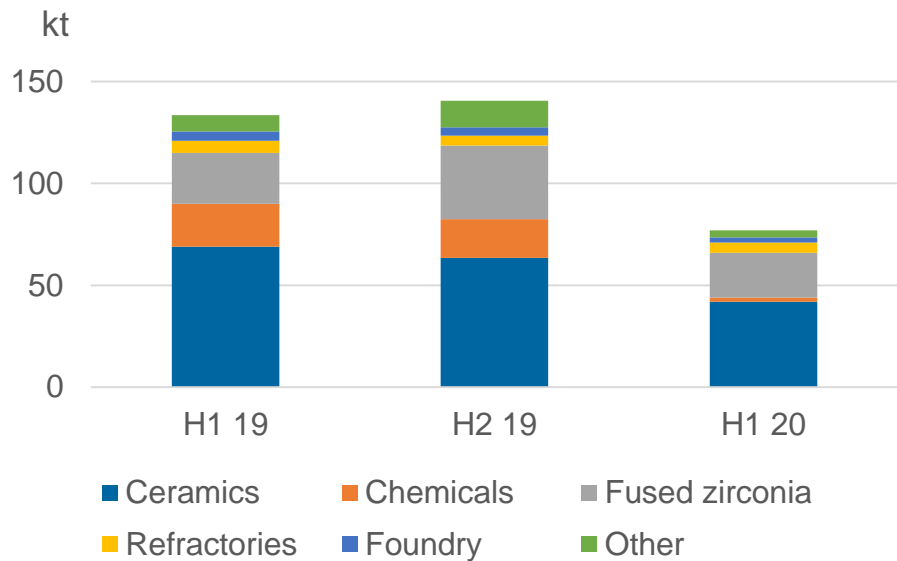


EMEI = Europe, Middle East, India

Sales by industry

- Significant decline in sales to ceramics industry due to end demand and impact of lockdowns on manufacturers
- Refractory and fused zirconia remained relatively solid

Half yearly zircon sales by industry





Result

- H1 2020 sales of 163kt (H1 2019: 169kt)
- Demand slowdown occurred in 2Q in all end markets due to COVID-19 impacts

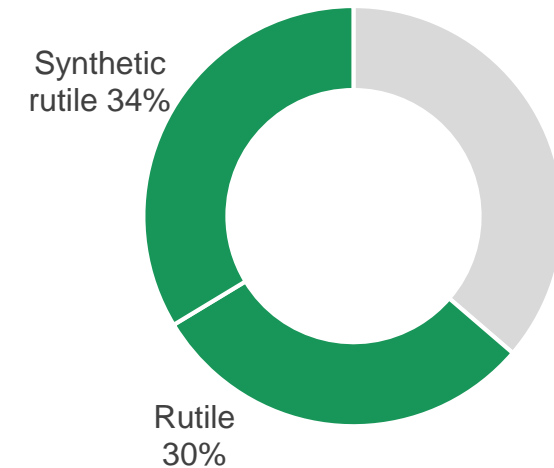
Pricing

- First half rutile price of US\$1,246/t, up 7% from H2 2019

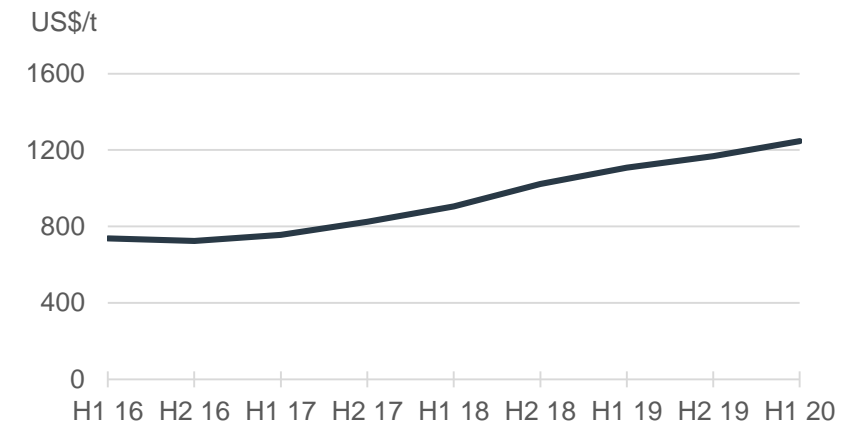
Supply/Demand

- After a solid Q1 pigment demand declined in Q2 by ~20%, despite strong performance of DIY and packaging applications
- Pigment customers reduced capacity utilisation rates and pulled forward planned maintenance in H1
- Pigment producer results show improving trend with gradual demand improvement over May, June and July
- Reports from paint producers indicate possible improvement early Q3
- Welding segment remained fairly resilient, while titanium sponge end-demand affected by downturn in aerospace market

H1 2020 Z/R/SR Sales Revenue



Rutile net realised FOB price US\$/t





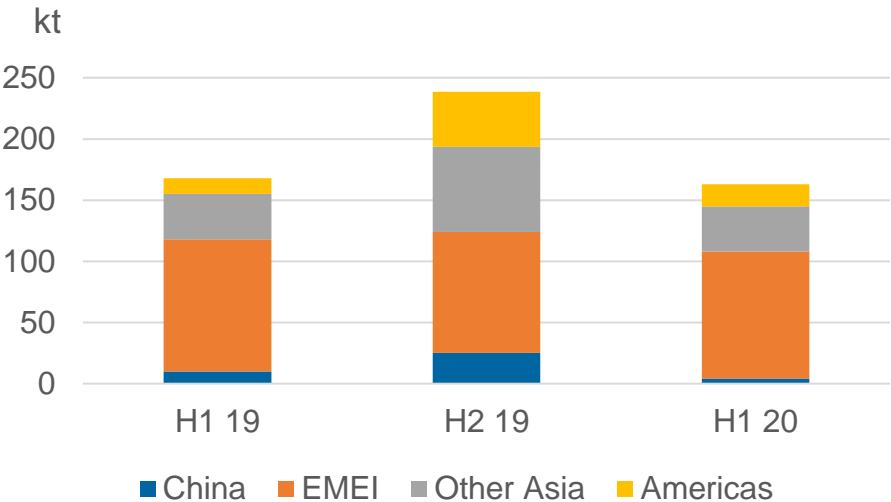
Sales by Region

- Iluka sales to Europe and Middle East held steady with H1 2019 as pigment plants were running hard in Q1 before moderating in Q2
- Sales to the Americas were slightly higher in H1 20 as compared to H1 19 as demand in Q1 was strong on the back of high operating rates prior to COVID-19 impacts in Q2

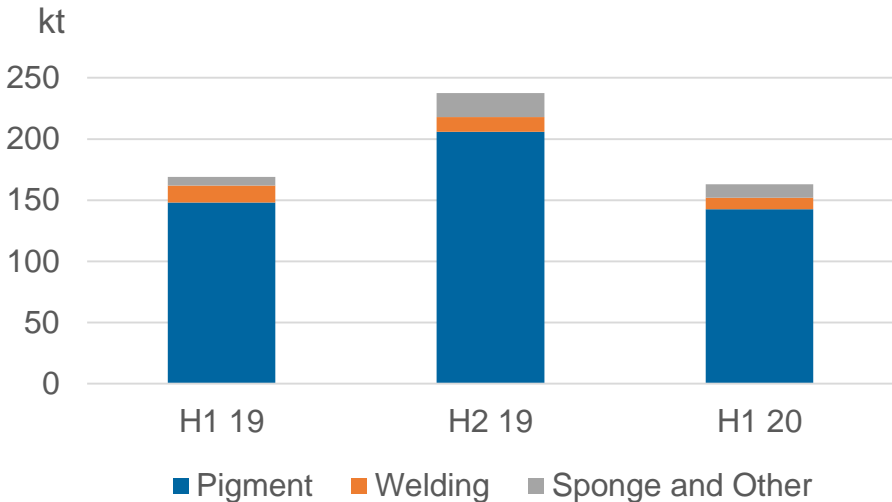
Sales by industry

- Sales to pigment were down slightly due to a May shipment of SR not taken as per take-or-pay contract terms
- Sales to welding have held up despite government imposed lockdowns in key markets such as India
- Sales to Ti Sponge producers held up well in H1 20 due to take or pay agreements put in place in 2019

Half yearly high grade sales by region



Half yearly high grade sales by industry



EMEI = Europe, Middle East, India



Mineral Sands Operations



Gbeni, Sierra Leone



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Full mining rates at Cataby in 1H 2020 and synthetic rutile production at capacity

Operations Overview

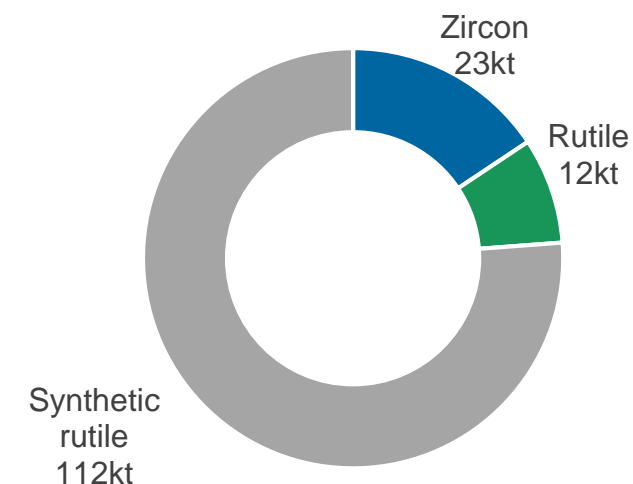
- Large chloride ilmenite rich mine 150km from Perth
- Ilmenite to feed synthetic rutile kiln
- Synthetic rutile offtake contracts in place
- Provides material zircon and rutile production (processed at Narngulu)
- Began operations in 2019 with 8.5 year mine life, and potential 4 year extension

H1 2020 Operational Settings and Outlook

- Mining and processing settings as planned in H1 2020
- Reduction in synthetic rutile offtake volumes as announced in June 2020
 - 175kt of synthetic rutile subject to take or pay arrangements in 2020
 - 78kt sold under these contracts in 1H (total sales 88kt)
 - notice of Default issued against Chemours for failure to take scheduled shipments and proceedings commenced for breach of contract
 - another customer has notified of reduction of 12kt shipment in September
- Production settings will be monitored in context of customer offtake levels and Iluka maintains its ability to adjust if appropriate



H1 2020 Production





Altered mining and processing settings in light of market conditions

Operations Overview

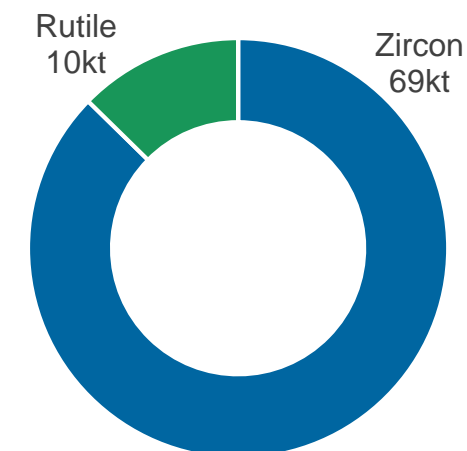
- World's largest zircon mine
- Iluka's major source of zircon production
- Narngulu mineral separation plant processes Jacinth-Ambrosia material (to produce zircon, Hyti and ilmenite) and Cataby non-magnetic stream (to produce zircon and rutile)

H1 2020 Operational Settings and Outlook

- Mining successfully returned from Ambrosia to Jacinth, with less than 2 days to safely move to the new location and restart mining on 1 August
 - improved cash flow from lower operating costs mainly due to lower strip ratio
 - lower unit costs (less haulage and pumping distance)
 - expected cash cost savings ~\$30m 2020-2022
 - delayed capital spend required for tailings facilities
- Mining to continue at full rate to optimise unit costs
- Altered production settings at Narngulu to reduce zircon production
 - if settings remained in place for 2020, zircon production would be ~170kt (~110kt less than previously guided level)
- Narngulu plant retains full flexibility to return to higher production in 24 hours



H1 2020 Production





Dry mining at Lanti and Gangama operations with processing at the operation's mineral separation plant



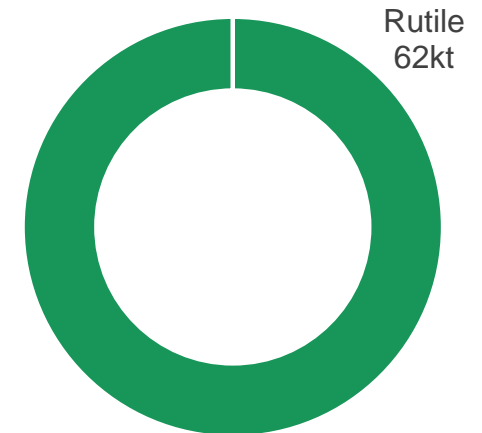
Operations Overview

- Began operations 1960s
- Acquired by Iluka in December 2016
- World's largest rutile mine
- Transition to dry mining following successful decommissioning of dredge and delivery of Gangama and Lanti expansion projects in 2019

H1 2020 Operational Settings and Outlook

- H1 production impacted by infrastructure moves, mining of lower grade areas and lower throughputs due to several downtime events
- COVID-19 disruptions included closed borders which impacted operations at site – some specialised skillsets typically provided by expatriate resources were not available
- Iluka providing additional assistance to manage local impacts of COVID-19

H1 2020 Production

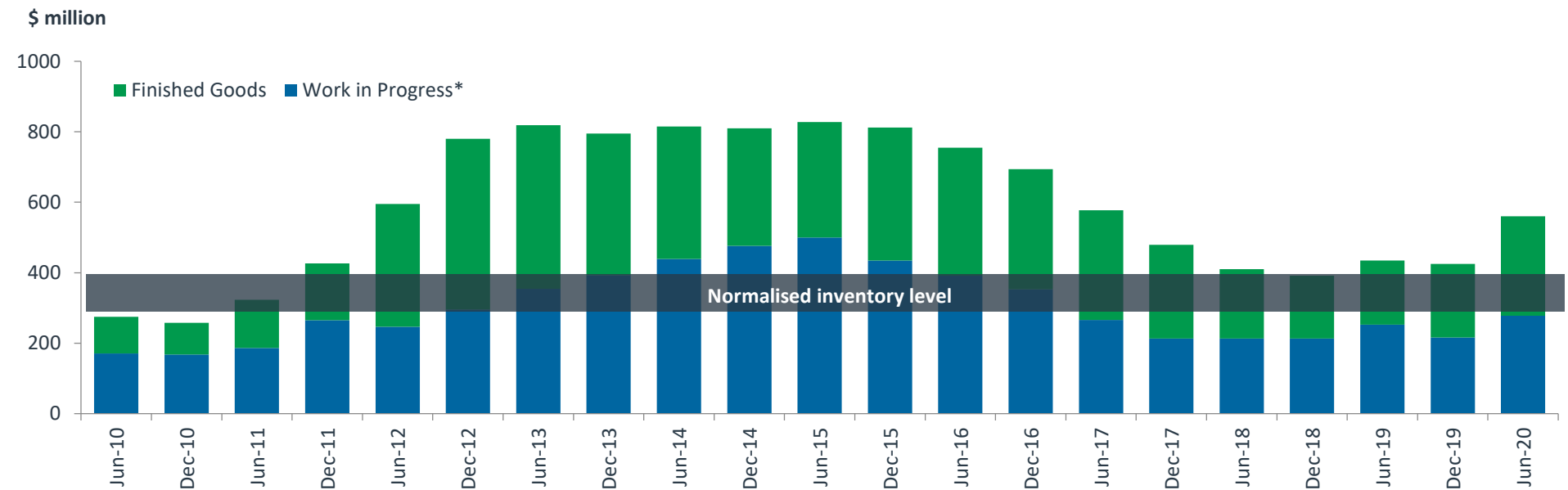




Inventory increase reflects operational setting changes and market uncertainty due to COVID-19

- Increase in total inventory to \$560 million (\$425 million at December 2019)
- Increase reflects higher work in progress (heavy mineral concentrate), zircon and synthetic rutile finished products
- Retain strong balance sheet to support inventory position
- Continue to manage operational settings and inventories in response to market conditions

Total Inventory



* Includes ilmenite and consumables



Eneabba Rare Earths Project

Eneabba involves the extraction, processing and marketing of a high grade monazite-rich strategic stockpile. Phase 1 is operational and involves sale of monazite-zircon concentrate requiring minimal capital and processing.

Further development is being fast tracked that will see additional processing to produce a higher-value monazite product.

Iluka is actively exploring the potential for downstream processing.

The phased approach to development allows Iluka to gain an increased understanding of the market and industry and proceed in a low risk manner.

Rare Earth Elements

Eneabba monazite contains high value elements, including neodymium and praseodymium.

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



Eneabba Phase 1 Delivered

- First production in April 2020 and first shipment of 9kt monazite-zircon concentrate in June 2020
- Offtake agreement for 50ktpa for 2 years
- Pricing commercial in confidence - recognises monazite and zircon value
- Low capex ~\$10 million, low opex , ~6 FTE, utilise existing water and power infrastructure, transport to Geraldton for export
- ~98% recoveries expected due to minimal processing

Eneabba Phase 2 Execute approved by Board

- Iluka Board has approved ~\$35 million to progress execution of Eneabba Phase 2
- project will involve upgrading and separating mineral sands concentrate (from Phase 1) to a ~90% monazite concentrate product¹
- upgraded concentrate suitable as direct feedstock for rare earth cracking and leaching plant, with additional streams of zircon, ilmenite and HyTi products

1. Refer to Supplementary Information slide for further project parameters.

Projects



Drilling, New South Wales



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Iluka develops and gates projects in a disciplined manner towards execution subject to acceptable progress in the following areas: (i) confidence in satisfactory project risk-return attributes, (ii) high level of strategic alignment, and (iii) sequenced to take advantage of the economic and market lookout

Region	Mineral Resource ¹	ASSESS Scoping Study	SELECT Preliminary Feasibility Study	DEVELOP Definitive Feasibility Study	EXECUTE Project execution	PRODUCING Operate and maximise
Eucla Basin	361Mt @ 4.8% HM for 17.4Mt In Situ HM		Atacama			Jacinth-Ambrosia
Murray Basin	195Mt @ 17.2% HM for 33.4Mt In Situ HM		Wimmera	Balranald		
Mid West / South West WA	994Mt @ 5.6% HM for 55.6Mt In Situ HM		South West Deposits	SR1 Kiln Restart	Eneabba (Phase 2)	Eneabba (Phase 1) Cataby
Sierra Leone	739Mt @ 1.1% Rutile for 8.2Mt In Situ Rutile		Sembehun			Lanti Gangama
Sri Lanka	673Mt @ 8.1% HM for 54.6Mt In Situ HM		Puttalam			
Stage description:		Determine what it could be	Determine what it should be	Determine what it will be	Deliver the project	Grow and improve
Estimate Accuracy Range (at end of phase):		-30% to +60%	-15% to +30%	-10% to +15%	n/a	n/a

No Resource estimate

Resource estimate

Reserve estimate

Other

1. Refer to the 2019 Annual Report for additional information. The Mineral Resource (MR) information on this indicative growth pipeline summary is extracted from the company’s previously published MR statements and are available at: www.iluka.com.au . Iluka confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement 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 announcement. All Mineral Resource figures are estimates. This slide should be read in conjunction with disclaimers and compliance statement on slide 2.



Balranald Project

The Balranald project comprises the West Balranald and Nepean deposits, two large, deep, high grade rutile, zircon and ilmenite rich deposits. The depth of the deposits makes conventional open-pit development challenging.

An Iluka developed directional drilling Underground Mining Technology (UMT) provides an opportunity to develop the deposit.

If able to be applied, UMT would be a significant milestone in mining technology and potentially unlock other assets within Iluka's portfolio not feasible to access with conventional mining. There is also potential to commercialise UMT for other assets globally.

UMT is also scaleable, providing the ability to utilise infrastructure at nearby deposits to Balranald

Third Technology Trial (T3)

- A third technology trial (T3) to determine the economic viability of the technology in a continuous mining and processing environment
- Approved by Board in August 2019, trial costs of ~\$40m
- Trial timing had been delayed due to travel restrictions associated with the COVID-19 pandemic. However, in close collaboration with contractors and technology partners, personnel and resources have been mobilised to site and trial activities commenced.
- Absent any further COVID-19 related delays, preliminary results of the trial are expected in Q4 2020.

Summary and Outlook

Rehabilitated land, Murray Basin



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H1 2020 Key Features

- Key markets initially impacted by COVID-19 shutdowns with subsequent restart but at reduced utilisation
- Operational settings altered in response to demonstrate discipline in market supply and reduce finished product inventory build
- Enacted measures to conserve cash flow and maintain strong balance sheet
- Delivered solid earnings and net cash
- Commencement of Phase 1 operations at Eneabba and approval of Phase 2 rare earths project execute
- Zircon pricing showed modest easing while rutile pricing increased, which supported earnings over the period given challenging market conditions

H2 2020 Areas of Focus

- Progress execution of Deterra Royalties demerger
- Continue to monitor market conditions and optimise operational settings as appropriate
- Progression of Balranald technology trial and results
- Continued focus on disciplined capital allocation

Supplementary Information

Jacynth-Ambrosia, South Australia



ILUKA

JENNIFER SEABROOK*Independent Chair*

- Over 30 years experience across capital markets, mergers and acquisitions and accounting advisory roles and numerous directorships
- Currently a non-executive director of BGC and Australian Rail Track Corporation
- Select previous directorships include Iluka Resources, MMG, Export Finance and Insurance Corporation and AlintaGas

JULIAN ANDREWS*Managing Director &
Chief Executive Officer*

- More than 20 years experience in diversified portfolio investment, project finance, capital raising and mergers and acquisitions across a range of industries including mining, energy and chemicals
- Previous roles include Head of Strategy, Planning & Business Development at Iluka Resources and prior to that held roles as General Manager, Business Development and Chief Financial Officer in Wesfarmers Chemicals, Energy & Fertilisers division

GRAEME DEVLIN*Independent
Non-Executive Director*

- Highly experienced mining executive, served as BHP's head of acquisitions and divestments from 2009 to 2016
- Previous experience in variety of business development, investment evaluation, project and structured finance roles within BHP group, Rio Tinto and CRA Limited
- Instrumental in leading several global business development opportunities within BHP, including the fundamental strategic reshaping of BHP's core asset portfolio during his tenure as head of assets and divestments, including the demerger of South32

JOANNE WARNER*Independent
Non-Executive Director*

- Extensive global asset management experience in mining and energy sector, including 8 years as Head of Global Resources at Colonial First State Global Asset Management
- Currently a non-executive director of First Quantum Minerals, a globally diversified TSX-listed base metals group, and Geo40 Limited, a pioneering company focused on the extraction of silica and other minerals from geothermal fluids associated with power generation

ADELE STRATTON*Non-Executive Director,
Iluka Nominee*

- Joined Iluka in 2011 and was appointed Chief Financial Officer in September 2018. In the intervening period held numerous senior roles across the company, most recently General Manager Finance, Investor Relations and Corporate Affairs
- Qualified chartered accountant with 20 years' experience working in both practice and public listed companies, including holding roles within KPMG's assurance practice and Rio Tinto Iron Ore

BRENDAN RYAN*Chief Financial Officer*

- Over 30 years of commercial and operational experience in the global mining industry, most recently served as Chief Financial Officer and Chief Business Development Officer at Boart Longyear
 - Previously held a number of senior business development roles at Rio Tinto with a focus on evaluation and delivery of investment opportunities across a range of commodities including copper, nickel, zinc and diamonds, culminating in the position of Rio Tinto's Global Head of Business Evaluation from 2012 to 2015
-

Eneabba Key Project Parameters

	Metric (average over project life)	Comment
Life of Mine (Phase 1 and Phase 2)	~10 years	Based on reserve and production rates assumed below
Ore mined (Phase 1 and Phase 2)	~100ktpa	
Average annual production (Phase 1 only)		
Monazite-zircon concentrate	~50ktpa	Offtake contract for 50ktpa for 2 years
Average annual production (from Phase 2)		
90% monazite concentrate	16-20ktpa	No offtake contracts in place at present
Zircon	7-9ktpa	Re-based recovery to produce Premium grade
Ilmenite	~20ktpa	Saleable or suitable synthetic rutile feed
HyTi90	~1ktpa	
Cash costs (from Phase 2)	\$35-40 million p.a.	
Capital expenditure		
Phase 1 (execute 2019)	<\$10 million	
Phase 2 (execute August 2020)	~\$35 million	
Payback period (Phase 2 capex)	<1 year	Payback from first production of Phase 2

Notes: All values approximate. Production figures stated as estimated recovered mineral in the concentrate. Payback period based on externally sourced long term monazite price forecast and internal mineral sands prices.

Eneabba Mineral Resources and Ore Reserves⁵

Mineral Resource Category	Resource Tonnes ¹ (Mt)	In situ HM Tonnes ⁴ (Mt)	HM (%)	Mineral Assemblage in HM ³			
				Zircon (%)	Monazite (%)	Xenotime (%)	Ilmenite (%)
Measured	0.84	0.70	83.7	25.7	20.2	1.2	33
Indicated	0.16	0.12	77.5	7.6	15.3	1.2	37
Total	1.0	0.83	82.7	26.0	19.5	1.2	34

Ore Reserve Category	Reserve Tonnes ^{1,2} (Mt)	In situ HM Tonnes ⁴ (Mt)	HM (%)	Mineral Assemblage in HM ³			
				Zircon (%)	Monazite (%)	Xenotime (%)	Ilmenite (%)
Proved	0.81	0.68	84.4	26	20	1.2	33
Probable	0.15	0.12	78.3	28	15	1.2	37
Total	0.96	0.80	83.5	26	20	1.2	34

Notes:

1. In situ (dry) metric tonnage is reported.

2. Ore Reserves are a sub-set of Mineral Resources.

3. Mineral assemblage is reported as a percentage of HM.

4. Rounding may generate differences in the last decimal place.

5. ASX Release "Eneabba Mineral Sands Recovery Project Ore Reserve Estimate" 18 Feb 2020 available at www.iluka.com

Production and Sales Volumes, Revenue and Cash Costs

	H1 2020	H1 2019	% change
Production			
Zircon kt	92.2	159.9	(42.3)
Rutile kt	84.0	80.8	4.0
Synthetic rutile kt	111.6	82.8	34.8
Total Z/R/SR production kt	287.8	323.5	(11.0)
Ilmenite – saleable and upgradeable kt	215.4	125.0	72.3
Total production volume kt	503.2	448.5	12.2
Heavy mineral concentrate produced kt	601	480	25.2
Heavy mineral concentrate processed kt	520	456	14.1
Sales			
Zircon kt	78.4	133.3	(41.2)
Rutile kt	74.7	82.9	(9.9)
Synthetic rutile kt	88.5	85.6	3.4
Total Z/R/SR kt	241.7	301.8	(19.9)
Ilmenite kt	107.1	121.5	(11.9)
Total sales volumes kt	348.8	423.3	(17.6)
Revenue and Cash Costs			
Mineral sands revenue ¹ \$m	456.6	545.6	(16.3)
Total cash cost of production \$m	293.2	251.8	16.4
Unit cash production cost per tonne of Z/R/SR produced ² \$/t	983	755	30.1
Unit cost of goods sold per tonne of Z/R/SR sold \$/t	961	861	11.6
Revenue per tonne of Z/R/SR sold \$/t	1,689	1,681	0.5

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.

Weighted Average Received Prices

	1 st half 2019	2 nd half 2019	1 st half 2020
<i>US\$/tonne FOB</i>			
Zircon Premium and Standard	1,522	1,446	1,354
Zircon (all products, including zircon in concentrate) ¹	1,465	1,299	1,265
Rutile (excluding HYTI) ²	1,108	1,167	1,246
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 the first half of 2020 the split of zircon sand and concentrate by zircon sand-equivalent was approximately: 80%:20% (2019 full year: 70%:30%).

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.

Summary Group Results

\$m	H1 2020	H1 2019	% change
Mineral sands revenue	456.6	545.6	(16.3)
Mineral sands EBITDA	177.0	232.7	(23.9)
<i>Mineral sands EBITDA margin %</i>	38.8	42.7	3.9pp
Mining Area C royalty EBITDA	48.0	41.2	16.5
Underlying group EBITDA*	225.1	273.9	(17.8)
Depreciation and amortisation	(74.7)	(64.7)	15.5
Group EBIT	174.5	216.9	(19.5)
Profit (loss) before tax	163.2	200.8	(18.7)
Tax expense	(50.0)	(63.6)	(21.4)
Profit (loss) after tax	113.2	137.2	(17.5)
<i>EPS (cents per share)</i>	26.8	32.5	(63.0)
Free cash inflow (outflow)	46.2	(65.2)	n/a
Free cash inflow (outflow) (cents per share)	10.9	(15.5)	n/a
Dividend – fully franked (cents per share)	-	5.0	-
Net (debt) cash	62.3	(141.5)	n/a
Gearing (net debt / net debt + equity) %	n/a	10.7	n/a
Average AUD/USD exchange rate	65.8	70.6	(6.8)

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

Income Statement

\$ million	H1 2020	H1 2019	% change
Z/R/SR revenue	415.9	507.2	(18.0)
Ilmenite and other revenue	40.7	38.4	6.0
Mineral Sands Revenue	456.6	545.6	(16.3)
Cash costs of production	(293.2)	(251.8)	16.4
Inventory movement - cash	98.1	36.8	166.6
Restructure and idle capacity charges	(8.2)	(11.8)	(30.5)
Government royalties	(9.5)	(21.5)	(55.8)
Marketing and selling costs	(15.8)	(15.2)	3.9
Asset sales and other income	6.5	(3.2)	n/a
Major Projects, exploration and innovation	(31.2)	(19.4)	60.8
Corporate and other costs	(29.3)	(25.9)	13.1
Foreign exchange	3.0	(0.9)	n/a
Mineral sands EBITDA	177.0	232.7	(23.9)
Mining Area C EBITDA	48.0	41.2	16.5
Underlying Group EBITDA	225.1	273.9	(17.8)
Depreciation and amortisation	(74.7)	(64.7)	15.5
Inventory movement - non-cash	24.5	8.0	206.3
Rehabilitation for closed sites	(0.4)	(0.3)	33.3
Group EBIT	174.5	216.9	(19.5)
Net interest costs and bank charges	(4.0)	(6.3)	(36.5)
Rehabilitation unwind and other finance costs	(7.3)	(9.8)	(25.5)
Profit (loss) before tax	163.2	200.8	(18.7)
Tax expense	(50.0)	(63.6)	(21.4)
Profit (loss) for the period (NPAT)	113.2	137.2	(17.5)
Average AUD/USD (cents)	65.8	70.6	(6.8)

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.

Reconciliation of non-IFRS financial information to profit before tax

	JA/MW	C/SW	Idle (US/MB)	SRL	Expl & Other	Mineral Sands	MAC	Corp	Group
Mineral sands revenue	143.2	188.6	17.7	107.1	(0.0)	456.6	-	-	456.6
AASB 15 freight revenue	7.2	3.0	1.7	2.5	-	14.4	-	-	14.4
Expenses	(50.0)	(88.6)	(11.0)	(86.8)	(37.1)	(273.5)	-	5.9	(267.5)
Mining Area C	-	-	-	-	-	-	48.0	-	48.0
FX	-	-	-	-	-	-	-	3.0	3.0
Corporate costs	-	-	-	-	-	-	-	(29.3)	(29.3)
EBITDA	100.4	103.0	8.4	22.8	(37.1)	197.5	48.0	(20.4)	225.1
Depn & Amort	(17.5)	(35.8)	(0.2)	(19.3)	(1.7)	(74.5)	(0.2)	-	(74.7)
Inventory movement - non-cash	9.7	11.0	(0.7)	4.5	-	24.5	-	-	24.5
Rehabilitation for closed sites	-	(0.3)	(0.1)	-	-	(0.4)	-	-	(0.4)
EBIT	92.6	77.9	7.4	8.0	(38.8)	147.1	47.8	(20.4)	174.5
Net interest costs	(0.7)	(0.3)	(0.1)	(0.1)	-	(1.2)	-	(2.8)	(4.0)
Rehab unwind and other finance costs	(1.3)	(1.4)	(3.2)	(1.4)	-	(7.3)	-	0.0	(7.3)
Profit before tax	90.6	76.2	4.1	6.5	(38.8)	138.6	47.8	(23.2)	163.2
Segment Result	90.6	76.2	4.1	6.5	(38.8)	138.6	47.8	(23.2)	225.2



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