

**ILUKA**

Australian Securities Exchange Notice

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REVIEW TO CONSIDER OPTIMAL STRUCTURE OF MINERAL SANDS OPERATIONS AND MINING AREA C ROYALTY

Iluka Resources Limited (Iluka) announces that it has commenced a formal review (the Review) of the corporate and capital structure of Iluka's two principal businesses – mineral sands operations and the Mining Area C royalty (MAC). Work on the Review commenced in September 2019.

The decision to undertake the Review followed a significant increase in the current and future materiality of MAC's contribution to Iluka's overall valuation as BHP progresses the development of South Flank:

- BHP has stated that, with the development of South Flank, the intended capacity from the expanded MAC hub will be 145 million wet metric tonnes per annum and is expected to produce at close to capacity from 2023 onwards. This is expected to translate to an increase in annual iron ore production within the MAC royalty area from approximately 55 million dry metric tonnes per annum (dmtpa) to 135 dmtpa or more from 2023 onwards.
- Since BHP announced approval of the development of South Flank, it has progressed to 50% complete as at 30 September 2019.
- On completion of South Flank, the expected increase to annual iron ore production from the royalty area has the potential to materially increase the cash flows generated from MAC, and in turn its value to Iluka shareholders. MAC's earnings contribution to Iluka will ultimately be dependent on a range of factors including iron ore pricing and the USD:AUD exchange rate.

The Review will consider a range of options, and will include a review of Iluka's corporate and capital structure, including dividend policies and a structural separation of MAC by way of demerger. Capital requirements, business plans, management structures, and cost and tax implications will also be examined as part of the Review.

Iluka Managing Director, Tom O'Leary said: "Iluka's mineral sands business continues to be a global market leader in the production of zircon and high grade titanium feedstock. The business is producing solid cash flows in the current market environment and is well positioned for the future, with a pipeline of attractive growth projects.

"MAC earnings are derived from a high quality, long life asset. The MAC area is a high grade, low cost iron ore asset with a tier one operator in BHP. Thanks to the South Flank development, it has significant growth in expected cash flows. In addition, further growth in the value of MAC is possible given the potential for the development by BHP of deposits within the area covered by the royalty agreement."

Iluka Chairman, Greg Martin said: “The Iluka Board consistently reviews all of our operations and assets to determine what is in the best long term interests of our Company and shareholders. Given the substantial scale of the mineral sands business and the prospective scale of MAC, the time is right to formally review Iluka’s corporate and capital structure with the objective of fully capitalising on the respective features of both assets.”

The company expects to provide an update on the Review at the announcement of its full year results in February 2020. The company’s priority is to ensure all relevant matters are carefully and rigorously examined.

Iluka cautions that there are a number of significant issues to be considered in the Review and, as such, there is no certainty that it will result in a change to the current corporate or capital structure. The company will continue to operate as usual during the Review, maintaining a strong focus on delivering sustainable value from both its mineral sands operations and the MAC royalty.

Iluka has appointed Gresham Advisory Partners, Herbert Smith Freehills and Greenwoods to advise it on the Review.

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