17 February 2015

ILUKA FULL YEAR RESULTS TO 31 DECEMBER 2014

Key Features of Results

- Iluka recorded a loss after tax of $62.5 million (2013: net profit after tax of $18.5 million). Included in this loss was a non-cash impairment charge of $86.5 million after tax (announced 12 December 2014).
- Other elements of the result demonstrate Iluka's sound financial position: strong free cash flow ($196.3 million); low net debt (gearing 3.9 per cent); lower unit cash costs of production; a Group EBITDA margin of 32.5 per cent; payment of a full year dividend of 19.0 cents per share fully franked (representing a dividend yield of 2.6 per cent)[1]; and continued investment in, and advancement of, numerous growth options.

Summary of Financial Results

$ million	2014	2013	% Change
Mineral Sands Revenue	724.9	763.1	(5.0)
Mineral Sands EBITDA	238.6	249.0	(4.2)
Mineral Sands EBITDA Margin %	32.9	32.6	0.3
Group EBITDA	257.0	295.2	(12.9)
Group EBITDA Margin %	32.5	34.7	(2.2)
Group EBIT	(16.7)	73.5	n/a
Reported Earnings (Loss) After Tax	(62.5)	18.5	n/a
Earnings per Share (cents)	(15.0)	4.4	n/a
Operating Cash Flow	254.8	124.0	105.5
Free Cash Flow[2]	196.3	(27.5)	n/a
Free Cash Flow per Share (cents)	46.9	(6.6)	n/a
Dividend (cps)	19.0	9.0	111.1
Net Debt	59.0	206.6	(71.4)
Gearing (Net Debt/Net Debt + Equity) (%)	3.9	11.8	(7.9)
Return on Capital (%)[3]	(2.0)	2.2	n/a
Return on Equity (%)[4]	(4.1)	1.2	n/a
Average AUD/USD	90.3	96.8	(6.7)

[1] Calculated as the full year dividend of 19.0 cents divided by the closing Iluka share price on Monday, 16 February 2015 of A$7.35.
[2] Free Cash Flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.
[3] Calculated as EBIT for the year as a percentage of average monthly capital employed for the year.
[4] Calculated as NPAT for the year as a percentage of the average monthly shareholders equity over the year.

- Free cash inflow was $196.3 million in 2014 (compared with a free cash outflow of $27.5 million in 2013). Second half 2014 free cash inflow was $132.4 million.

- Net debt at 31 December 2014 was $59.0 million, a reduction of $147.6 million compared with the previous corresponding period. The 2014 gearing ratio (net debt/net debt + equity) of 3.9 per cent is also significantly lower than 2013 (11.8 per cent). Iluka has undrawn facilities and cash at bank as at 31 December 2014 of $809.1 million.

- Mineral sands revenue of $724.9 million was 5.0 per cent lower than 2013 levels of $763.1 million, with 5.4 per cent higher sales volumes of the main products of zircon, rutile and synthetic rutile (Z/R/SR), offset by lower weighted average received prices, especially for the high grade titanium dioxide products, which was reflected in a 12.2 per cent decline in the revenue per tonne of these products (2014: $1,030/tonne compared with $1,173/tonne in 2013).

- Cash costs of production increased only marginally, up 1.5 per cent to $381.9 million (2013: $376.1 million), despite a 13.5 per cent increase in Z/R/SR production. Cash costs of production include $25.0 million of costs in relation to ilmenite concentrate and by-product costs (2013: $19.6 million).

- Unit cash production costs declined in 2014 ($714/tonne of Z/R/SR, compared with $798/tonne in 2013 including ilmenite concentrate and by-product costs). Excluding ilmenite and by-product costs, the unit cash cost of production was $668/tonne of Z/R/SR (2013: $757/tonne).

- Iluka's unit cost of goods sold (cash and non-cash cost) was lower year-on-year at $862/tonne of Z/R/SR (2013: $890/tonne of Z/R/SR).

- Mineral Sands EBITDA was $238.6 million (2013: $249.0 million). The Minerals Sands EBITDA margin was 32.9 per cent (2013: 32.6 per cent).

- Mineral Sands EBIT was a loss of $34.7 million (2013: $27.7 million profit), including the non-cash impairment charge relating to the United States operations.

- Mining Area C (MAC) iron ore royalty earnings decreased by 24.5 per cent to $66.4 million (2013: $87.9 million), reflecting a 23.2 per cent decrease in the average Australian Dollar iron ore price upon which the royalty is paid. 2014 earnings include a $1.0 million capacity payment (2013: $4.0 million).

- Group EBITDA, including Mining Area C revenue, was $257.0 million (2013: $295.2 million). The Group EBITDA margin was 32.5 per cent (2013: 34.7 per cent).

- Full year operating cash flow of $254.8 million was higher than 2013 ($124.0 million) due to earlier cash realisations from sales. MAC cash flows of $75.2 million are lower than 2013 ($82.7 million), reflecting lower MAC royalty income.

- Tax payments in the year of $27.5 million were significantly lower than 2013 ($140.1 million). Iluka commenced monthly tax instalments in Australia during the year, such that the timing of incurred tax expense and actual tax payments are now more closely aligned than in previous years.

- Capital expenditure was $66.9 million (2013: $52.5 million), including $18.6 million associated with acquisition of an 18.3 per cent equity investment in the UK metal powder technology company, Metalysis Limited.

Dividend

- Directors have determined a fully franked dividend of 13.0 cents per share, payable on 31 March 2015 with a record date of 10 March 2015. Full year dividend payments for 2014 are 19.0 cents per share, 100 per cent franked. This represents a 40 per cent payout of free cash flow in 2014. Iluka's cumulative payout ratio of free cash flow payout since the recommencement of dividends at the end of 2010 has been 68 per cent.

Mineral Sands Markets

Iluka has previously discussed details of variable demand conditions across markets for zircon in 2014, and indicators of a recovery in demand for high grade titanium dioxide feedstocks. This was reflected in full year sales volumes, with lower overall zircon sales volumes and an increase in rutile and synthetic rutile sales relative to 2013 levels.

Z/R/SR sales volumes in 2014 (616 thousand tonnes) were higher than 2013 (584 thousand tonnes). Second half 2014 Z/R/SR sales of 339 thousand tonnes were higher than in any of the three previous half year periods: the first half 2014 (277 thousand tonnes), second half 2013 (297 thousand tonnes) and first half 2013 (287 thousand tonnes).

The sales trends for Iluka's main products are displayed in the following table.

Sales Volume kt		1st Half	2nd Half	Total
		kt	kt	kt
Zircon	2013	210.9	159.3	370.2
	2014	146.3	205.9	352.2
Rutile / synthetic rutile	2013	76.3	137.9	214.2
	2014	130.8	133.2	264.0
Total Z/R/SR	**2013**	**287.2**	**297.2**	**584.4**
Total Z/R/SR	**2014**	**277.1**	**339.1**	**616.2**

Weighted average price outcomes in 2014 reflect a reduction in high grade titanium dioxide prices, mainly in the first part of 2014 and stable zircon prices. Product mix factors had a minor influence on weighted average received prices. This related, predominantly, to the sale of a higher proportion of lower titanium dioxide content product, HyTi (90 per cent TiO_2 content), in the latter part of the year, and a higher proportion of sales of standard grade zircon, in line with specific customer requirements.

The weighted average price outcomes for 2014 compared with 2013 are shown below.

	12 mth to Dec-14	12 mth to Dec-13	12 mth Dec-14 vs 12 mth Dec-13
			%
Weighted Average Price US$/tonne FOB			
Zircon	1,033	1,150	(10.2)
Rutile	777	1,069	(27.3)
Synthetic rutile	750	1,150	(34.8)
Revenue per Tonne of Z/R/SR Sold - A$	**1,030**	**1,173**	**(12.2)**

Zircon

Iluka's zircon sales in 2014 were second half weighted, and with a progressive increase in sales each quarter. Total zircon sales for Iluka in 2014 were lower than in 2013, reflecting softer demand in Europe, Middle East and India. In Europe, continuing weak business conditions and export markets, and the depreciation of the Euro relative to the US dollar, resulted in lower sales year-on-year. European sales levels also reflected Iluka's decision to step away from some potential business at the beginning of the year.

North America and China were the most robust markets. Sales into North America were similar to 2013, reflecting firm demand in industrial and manufacturing markets. Iluka's sales into China were marginally higher in 2014 compared to 2013, despite some softening in the ceramics sector in the latter part of the year associated with property market factors and tile manufacturers idling plants earlier than usual. This is expected to be translated into a slow start for zircon sales in 2015, as is often the case prior to Chinese New Year, although sales in the month of January were ahead of expectations. Demand recovery in the zirconium chemical sector was evident in the second half.

Asian market demand (ex-China), were variable and subdued, although sales levels improved from 2013 levels.

Titanium Dioxide

Higher sales volumes of high grade feedstocks (rutile and synthetic rutile) and substantive progress in relation to commercial arrangements necessary for a restart of Iluka's largest synthetic rutile kiln in 2015, were principal features of the high grade titanium dioxide market.

For rutile, fourth quarter volumes increased from third quarter levels, associated with the timing of bulk shipments. Iluka built inventory of finished rutile products and concentrate in the Murray Basin, in advance of the cessation of mining activities at Woornack, Rownack, Pirro. The inventory will be utilised in the period leading up to the next planned mining operation in the Murray Basin, the Balranald deposit.

Group Profit and Loss Summary

$ million	**2014**	**2013**	**% change**
Z/R/SR revenue	634.8	685.8	(7.4)
Ilmenite and other revenue	90.1	77.3	16.6
Mineral sands revenue	**724.9**	**763.1**	**(5.0)**
Cash costs of production	(381.9)	(376.1)	(1.5)
Inventory movement	14.7	14.0	5.0
Restructure and idle capacity charges	(40.1)	(69.6)	42.4
Rehabilitation and holding costs for closed sites	1.0	2.8	(64.3)
Government royalties	(10.6)	(15.2)	30.3
Marketing and selling costs	(30.1)	(28.2)	(6.7)
Asset sales and other income	6.0	3.1	93.5
Resources development	(45.3)	(44.9)	(0.9)
Mineral sands EBITDA	**238.6**	**249.0**	**(4.2)**
Depreciation and amortisation	(191.3)	(181.3)	(5.5)
Impairment of US assets	(82.0)	-	n/a
Idle asset write downs	-	(40.0)	n/a
Mineral sands EBIT	**(34.7)**	**27.7**	**n/a**
Mining Area C	66.4	87.9	(24.5)
Corporate other costs	(48.4)	(41.2)	(17.5)
Foreign exchange loss	-	(0.9)	n/a
Group EBIT	**(16.7)**	**73.5**	**n/a**
Net interest and bank charges	(13.9)	(13.1)	(6.1)
Rehabilitation unwind and other finance costs	(17.9)	(36.4)	50.8
Profit before tax	**(48.5)**	**24.0**	**n/a**
Tax expense	(14.0)	(5.5)	(154.5)
Profit for the period (NPAT)	**(62.5)**	**18.5**	**n/a**
Average AUD/USD (cents)	**90.3**	**96.8**	**(6.7)**

Financial Ratios

	2014	**2013**	**% change**
Group EBITDA Revenue Margin (%)	32.5	34.7	(2.2)
Gearing (Net Debt/Net Debt + Equity) (%)	3.9	11.8	(7.9)
Return on Equity (%)	(4.1)	1.2	n/a
Basic Earnings Per Share (cents)	(15.0)	4.4	n/a

Mineral Sands Production and Sales Volumes

	2014	2013	% change
Sales (kt)			
Zircon	352.2	370.2	(4.9)
Rutile	182.0	168.0	8.3
Synthetic rutile	82.0	46.2	77.5
Total Z/R/SR sales	**616.2**	**584.4**	**5.4**
Ilmenite - saleable	316.6	337.5	(6.2)
Total sales volumes	**932.8**	**921.9**	**1.2**
Z/R/SR revenue ($m)	634.8	685.8	(7.4)
Ilmenite and other revenue[1] ($m)	90.1	77.3	16.6
Total mineral sands revenue($m)	**724.9**	**763.1**	**(5.0)**
Revenue per tonne of Z/R/SR sold[2] ($/t)	1,030	1,173	(12.2)
Unit cash costs per tonne of Z/R/SR produced[1] (including by-product costs) ($/t)	714	798	(10.5)
Unit cash costs per tonne of Z/R/SR produced[1] (excluding by-product costs) ($/t)	668	757	(11.8)
Cost of goods sold per tonne of Z/R/SR sold[3] ($/t)	862	890	(3.1)
Production (kt)			
Zircon	357.6	285.1	25.4
Rutile	177.2	127.0	39.5
Synthetic rutile	-	59.0	n/a
Total Z/R/SR production	**534.8**	**471.1**	**13.5**
Ilmenite	365.4	584.5	(37.5)
Total saleable production volume	**900.2**	**1,055.6**	**(14.7)**

[1] Mineral sands revenues derived from sales of ilmenite, and other materials (by-products) not included in production volumes, including activated carbon products and iron concentrate.

[2] Revenue from sale of zircon, rutile and synthetic rutile products.

[3] Cash production costs and non-cash costs ascribed to the sale of mineral sands products.

Managing Director Commentary

David Robb, the Managing Director of Iluka Resources, stated:

"2014 was a year in which the financial health of the company was preserved and in which foundations were laid for recovery in the existing business and new options were secured for future growth.

But reported profit was not satisfactory.

However, healthy free cash flow of $196 million; low gearing (net debt/net debt + book equity) of 3.9 per cent; significant available funding headroom; a reduction in unit cash costs of production; an EBITDA margin of 32 per cent; and the ability to pay an increased level of dividend, all highlight the financial strength of the company.

In 2014 areas of focus and material progress was made in a number of areas, including:

- advancement of Iluka's major internal mineral sands projects;
- expansion of exploration activities, internationally, and with early stage non mineral sands evaluation on Iluka tenements;
- market development activities including increased global sales and market representation; product development and industry analysis;
- innovation and technology activities, including technical evaluation of a new high grade sulphate feedstock and new mineral sands mining techniques to assist with the development of non-traditional mineral sands deposits;
- excellent environmental, health and safety performance - continuing industry leading safety performance, post mining land rehabilitation, including first in mixed use regional reserve, South Australia;
- progression of technical work in relation to the potential commercialisation of the Metalysis metal powder technology;
- early stage technical evaluation and market studies for the large Tapira mineralisation in Brazil, in conjunction with Vale S.A; as well as
- evaluation of merger and acquisition opportunities where strategic rationale and financial merit exist.

The major projects, Balranald and Cataby, are at an advanced evaluative stage and current technical and financial analyses support the view that financial returns are likely to be above risk weighted hurdle rates and so also support continued investment in feasibility studies and approval processes.

Three new points of global marketing representation were established in 2014, eight new products were developed and launched, all were products delivered to specifications throughout the year and plans were laid for the opening of a China Technical Centre in 2015 to advance the company's focus on chloride and sulphate pigment feedstock opportunities in China.

Iluka's commitment to innovation and technology work was substantial and multi-faceted, with encouraging work in relation to the development of the company's new high grade sulphate pigment feedstock and the advancement of co-operative work with Metalysis for titanium powder production. Early stage work in relation to the Tapira mineralization in Brazil commenced with Vale S.A.

In contrast to the many positive aspects of 2014 technical and project activities, Iluka announced in December 2014 its plans to close its Virginia operations in 2015. This is a regrettable decision, especially for our employees. It reflects an inability, in the required timeframe, to secure appropriate commercial terms to underpin the development of one or both of the US life-extending projects (Hickory and Aurelian Springs).

Potential 2015 characteristics include:

- zircon/rutile (Z/R) production higher than 2014;
- Z/R sales may exceed 2015 production and 2014 Z/R sales;
- potential synthetic rutile kiln 2 (SR 2) production and sales;
- lower potential unit cash costs of production;
- inventory draw down;
- free cash flow generation, likely second half weighted; and
- a continued strong balance sheet with investment capacity."

Iluka is not in a position to issue 2015 Key Physical and Financial Guidance Parameters at this time, but will do so in due course. This decision is not related to any M&A activity.

Investment market and media enquiries
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Refer Iluka's separate release – ASX Preliminary Final Report – 31 December 2014 for more detailed financial information and commentary.

Iluka's website contains presentational material associated with the full year results – refer **www.iluka.com**