ILUKA

Annual Report
2013

FOCUS ON SHAREHOLDER RETURNS THROUGH THE CYCLE / FLEX OPERATIONS IN LINE WITH MARKET DEMAND / CONTINUE MARKET DEVELOPMENT / MAINTAIN STRONG BALANCE SHEET / PRESERVE AND ADVANCE MINERAL SANDS GROWTH OPPORTUNITIES / CONTINUE TO EVALUATE/ PURSUE CORPORATE GROWTH OPPORTUNITIES / ACT COUNTER-CYCLICALLY WHERE APPROPRIATE

CREATE AND DELIVER VALUE FOR SHAREHOLDERS

ILUKA IS A LEADING MINERAL SANDS COMPANY INVOLVED IN EXPLORATION, PROJECT DEVELOPMENT, OPERATIONS AND MARKETING. ILUKA IS THE LARGEST GLOBAL PRODUCER OF ZIRCON AND HAS A MAJOR POSITION IN THE HIGH GRADE PRODUCTS OF RUTILE AND SYNTHETIC RUTILE.

CREATE AND DELIVER VALUE FOR SHAREHOLDERS

SHAREHOLDER VALUE FOCUS

Iluka is focussed on shareholder returns through the cycle.
As the company has navigated through a low in the mineral sands business cycle, Iluka's approach has been to:

- flex asset operation in line with market demand
- continue market development
- preserve/advance mineral sands growth opportunities
- maintain a strong balance sheet
- continue to evaluate/pursue corporate growth opportunities
- act counter-cyclically where appropriate

Iluka has a commitment to "proactivity" in environmental management and sustainability, seeking to achieve the highest standards in health and safety performance.

MINERAL SANDS DEMAND GROWTH

Demand for mineral sands products over the medium-to-longer term is linked to three key dynamics:

Urbanisation

The rapid rate of urbanisation of China, India and other emerging economies increases floor space, creating demand for mineral sands bearing products including tiles, paint and other products.

Rising living standards and consumption

Rising wealth and living standards in emerging economies, often measured by GDP or income per capita, is linked to increased spending on durable consumer goods, many of which make use of titanium dioxide and zircon.

Increasing array of uses

Titanium dioxide and zircon are used in an array of new applications. Examples include: catalytic converters, fibre optics, capacitors and motherboards, aerospace, air and water filtration, digital printing, nano coatings and specialised industrial componentry such as those used in offshore gas and desalinisation plants.

TECHNICAL AND RESOURCE DIFFERENTIATION

Iluka has integrated mining and processing operations located in Australia and the US, allowing it to flex production in light of market conditions.

The company has over 60 years' experience in mineral sands with specialist in-house expertise in metallurgy, engineering, exploration and industry analysis.

Iluka is focused on high margin products and has a global market presence, including international distribution facilities and in-country presence in key markets, reflecting its commitment to its customers.

GROWTH OPPORTUNITIES

Growth opportunities available to Iluka shareholders relate to:

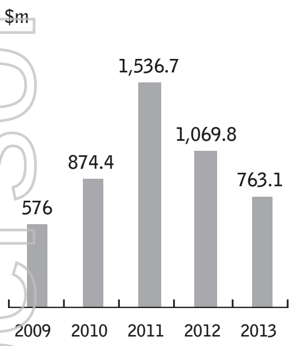
- advanced mineral sands projects, the development of which is subject to strict financial return and market dynamics criteria
- investment in innovation and technology related to mineral sands
- Australian and international exploration programme
- continued expansion of the company's international marketing presence

The company also evaluates acquisition opportunities.

MINERAL SANDS REVENUE

$763 million

▼ 29%



Lower mineral sands revenues largely reflect lower received prices during 2013 across all major products.

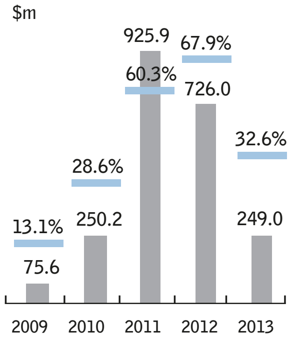
Average revenue per tonne of zircon/rutile/synthetic rutile sold for 2013 was US$1,173 per tonne, 41% lower than 2012.

Sales volumes were mixed with zircon and rutile sales up (73% and 59% respectively) and synthetic rutile sales down 73%.

MINERAL SANDS EBITDA

$249 million

▼ 66%



Lower EBITDA is primarily due to lower revenue.

Production cash costs were reduced during the year as a result of operational changes implemented. Overall production cash costs were $376 million (36% lower than 2012) or $798/tonne of zircon/rutile/synthetic rutile produced.

EBITDA

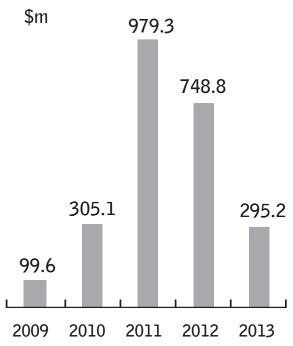
EBITDA Margin

GROUP EBITDA

$295 million

(including Mining Area C)

▼ 61%

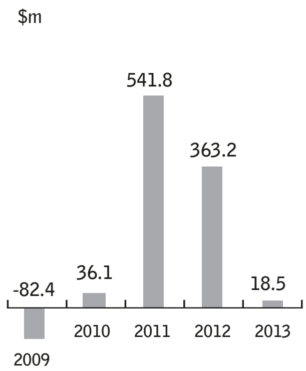


Iluka's Mining Area C iron ore royalty in Western Australia contributed $87.9 million to Group EBITDA in 2013.

NET PROFIT AFTER TAX

$18.5 million

▼ 95%

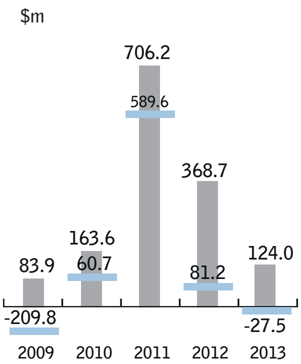


NPAT declined significantly in 2013, primarily due to materially lower product prices, and a year-end accounting (non-cash) adjustment of $41.0 million after tax.

CASH FLOW

$124 million

▼ 66%



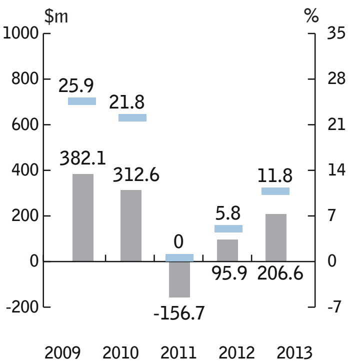
Full year free cash outflow was $27.5 million, reflecting weaker revenues and a first half taxation payment of $118 million. $17.0 million free cash flow was generated in the second half.

Operating Cash Flow
Free Cash Flow

NET DEBT (CASH)

$207 million

▲ 115%



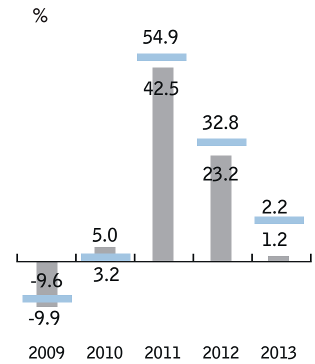
Net debt increased but Iluka retains a strong balance sheet with significant capacity headroom of ~ $835 million of total facilities. Gearing ratio (net debt/net debt + equity) of 11.8% at 31 December 2013.

Net Debt
Gearing %

ROC AND ROE

ROC 2.2% ▼ 93%

ROE 1.2% ▼ 95%



Weaker earnings were reflected in a markedly lower return on capital and return on equity.

Return on Equity
Return on Capital

2013 was a challenging year for Iluka. The mineral sands industry continued to reflect low cycle conditions, with only a partial and uneven recovery in zircon demand, and with subdued demand for high grade titanium dioxide feedstocks. Prices declined materially year-on-year. In these conditions the company's approach was to flex production, maintain a strong balance sheet and preserve growth options. Given the prevailing market conditions, erosion in financial performance has occurred and will spill over into 2014. However, Iluka remains well placed to capitalise on a demand-led recovery and the favourable medium-to-longer term dynamics in its sector.

David Robb, Managing Director

Health and safety

- Continued improvement in safety performance.
- Total recordable industry frequency rate of 4.6, 56% lower than 2012.
- Lost time injury frequency rate of 0.3, 84% lower than 2012.

Sustainability and social responsibility

- No major environmental incidents with 79% of incidents level one (lowest severity).
- Awarded South Australian Premier's Award for Excellence in Social Inclusion.

Ore reserves and resources

- Ore Reserves declined by 2.3 million tonnes to 26.6 million tonnes (including depletions).
- Approximately 10 years of reserve cover at 2013 depletion rate.
- Mineral Resources increased by 45% to 178.7 million tonnes, mainly reflecting resources associated with tenements acquired and granted in Sri Lanka.

Financial performance

- Net profit after tax of $18.5 million.
- Mineral sands EBITDA margin of 32.6%
- Return on capital 2.2% and return on equity 1.2%.
- Negative free cash flow of $(27.5) million (positive in second half).
- Net debt of $206.6 million (2012: $95.9 million) with available funding facilities of ~$835 million.
- Gearing (net debt/ net debt + equity) of 11.8%

Market conditions

- Partial and uneven global recovery in zircon demand.
- Zircon sales of 370.2 thousand tonnes (2012: 213.8 thousand tonnes).
- Ongoing low demand in high grade titanium feedstock market, but with precursors for demand recovery evident.
- Combined rutile and synthetic rutile sales of 214.2 thousand tonnes (2012: 275.1 thousand tonnes).
- 2013 weighted average prices: zircon US$1,160/tonne (2012: US$2,080), rutile US$1,069/tonne (2012: US$2,464), synthetic rutile US$1,150/tonne (2012: US$1,771).

Operational flexibility

Significant operational adjustments, reflecting the approach to operate assets in line with market demand.

- Combined 2013 zircon, rutile and synthetic rutile production level 60% of 'mid cycle' settings.
- Idled remaining synthetic rutile kiln in Western Australia.
- Lower utilisation rates at Iluka's three mineral separation plants in Australia and the US.
- Idling the Tutunup South and Eneabba mining operations in Western Australia.

Shareholder returns

- Total dividends of 9 cents per share fully franked (5 cents interim dividend and 4 cents final dividend).
- Share price declined by 4.3% to 31 December 2013. The S&P/ASX 200 Materials index declined by 5.8% over same period.
- 3 year cumulative Iluka total shareholder return of 76%
- The S&P/ASX 200 Materials Index total return over the corresponding three-year period to 31 December was negative 22%.

Projects advanced

- Evaluation of internal mineral sands projects progressed.
- West Balranald, New South Wales; Cataby, Western Australia and Aurelian Springs, US advanced to definitive feasibility stage.
- Detailed design completed for Hickory, US.
- Eucla Basin satellite deposits, South Australia progressed to pre-feasibility stage.

Exploration

- Total exploration expenditure of $23.1 million.
- International prospecting programme in Brazil, Africa and Asia expanded.

Operations

Assets

- **Mining and processing facility**

Sales and Marketing

- Warehouse and small lot distribution facility
- Corporate/marketing/exploration office

Exploration

- Other assets

UNITED STATES

The US operation includes two mines and a mineral separation plant located in Virginia.
The company also has two potential developments, Hickory and Aurelian Springs.

EXPLORATION

Iluka's exploration programme expanded during 2013, with an increased focus in new international jurisdictions.
The company also established an internal resource to evaluate non-mineral sands exploration opportunities. Exploration offices have been established in Brazil and South Africa as a base to evaluate regional opportunities.

MARKETING APPROACH

Iluka adopts an international marketing approach which includes strong direct customer relations, worldwide distribution points, in-country presence in key markets, and a commitment to further market development.

SRI LANKA

In 2013, Iluka re-established a tenement and resource position in Sri Lanka. This large, long life ilmenite resource is being evaluated for potential development.

WESTERN AUSTRALIA

Iluka's Perth Basin operations in Western Australia include the Narngulu mineral separation plant (Mid West), four synthetic rutile kilns and multiple mineral sands deposits, including the Tutunup South mine (South West) and the potential development, Cataby.

SOUTH AUSTRALIA

Jacinth-Ambrosia in the Eucla Basin is the largest, highest zircon assemblage mineral sands mine globally. Iluka is evaluating development options for three satellite ilmenite deposits.

VICTORIA/NEW SOUTH WALES

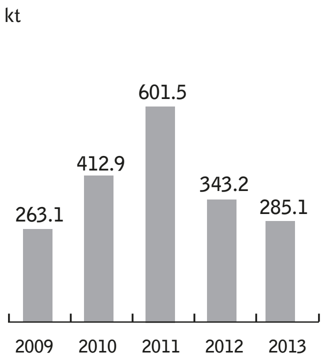
The Murray Basin contains multiple mineral sands deposits which Iluka is progressively developing. The next planned development is Balranald. Mining is occurring at the Woornack, Rownack and Pirro deposits. Iluka operates a mineral separation plant in Hamilton.

Mineral sands production

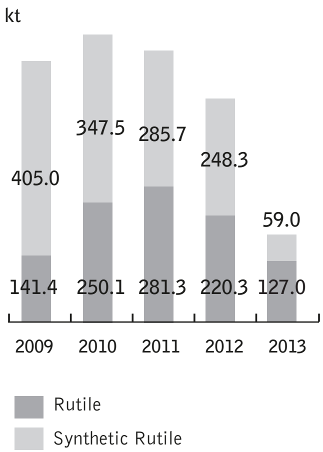
Iluka's approach to operate assets in line with market demand led to lower production across all products. High grade titanium dioxide (rutile and synthetic rutile) production was curtailed given market conditions, with the company operating only one of its four synthetic rutile kilns for part of the year. Zircon production was also constrained for a second year, mainly by lower processing of concentrate into finished goods.

Iluka maintains the capacity to increase production rapidly in line with demand recovery and inventory drawdown. Ilmenite production is available either for use as a feedsource for synthetic rutile production, or for direct sale. Lower mining rates and lower processing of concentrate was associated with a reduction in ilmenite production.

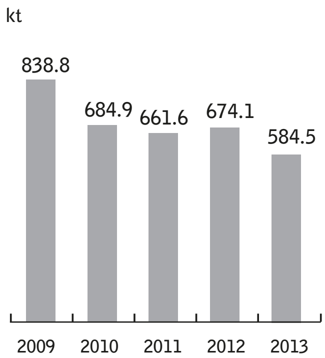
ZIRCON



RUTILE AND SYNTHETIC RUTILE



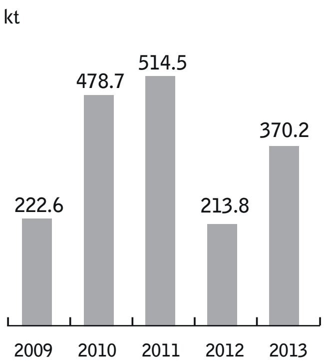
ILMENITE*



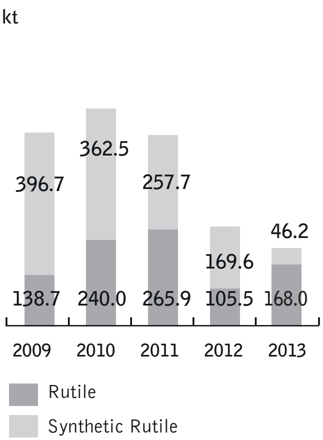
* Includes chloride ilmenite and sulphate ilmenite for external sales and for internal synthetic rutile production

Mineral sands sales

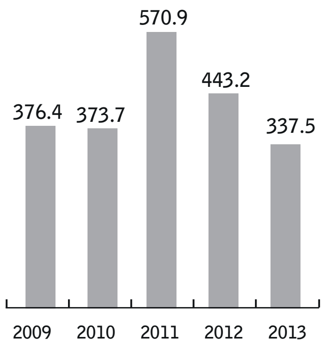
ZIRCON



RUTILE AND SYNTHETIC RUTILE



ILMENITE



Zircon

Zircon sales increased by 73 per cent in 2013 to 370.2 thousand tonnes following low sales in 2012. Sales remain lower than 2010-11 levels, reflecting a partial recovery in demand

Rutile and synthetic rutile

Weak demand for high grade titanium dioxide feedstocks led to an overall decline in sales from an already low 2012 level. 2013 rutile sales increased by 59 per cent to 168.0 thousand tonnes. Synthetic rutile sales fell by 73 per cent to 46.2 thousand tonnes.

Ilmenite

Ilmenite sales of 337.5 thousand tonnes were 23.8 per cent lower relative to 2012 levels of 443.2 thousand tonnes.

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The Iluka Annual Report 2013 provides shareholders with an overview of Iluka's 2013 financial year. The Business Review contains an overview of the main factors affecting the business, while the Statutory Information section has been structured in accordance with the Corporations Act 2001.

Australian currency is shown in this document unless otherwise specified.

kt refers to thousand ('000) metric tonnes.

Greg Martin, Chairman

I am pleased to write to shareholders for the first time as Chairman of your company, having joined the Board in January 2013. In December 2013 I succeeded John Pizzey, after John retired following eight years of service as a Director and three and a half years as Chairman.

The key focus for my fellow Directors and I is to support management to profitably grow your company and, thereby, to create and deliver value for shareholders. And crucially, for this to be done in a safe, responsible and sustainable manner which, I am pleased to observe, has been the case throughout the year.

Management and the Board have overseen and, in some cases influenced, a major transformation in industry dynamics. In the process, this has generated significant value for shareholders, as well as demonstrating a capital discipline, which has also been translated into capital-efficient decisions and a track record of returning to shareholders funds, in excess of investment requirements, in the form of fully franked dividends.

As evidenced by the company's financial performance in 2013, this has been a challenging year as the mineral sands industry has experienced a cyclical low in business conditions. Your Directors believe that the company has navigated the challenges well: preserving solid margin structures; maintaining a strong balance sheet; keeping potential mineral sands projects on track and continuing to invest in other areas, such as exploration, marketing and innovation, which will underpin the future growth of the company.

Clearly, the level of cyclicality in business performance has been more extreme than your Directors would like to see shareholders experience in the future. Much of the cyclicality is due to an industry which has evolved rapidly over recent years. Recent industry settings, including multi-tiered pricing arrangements and residual industry contracting terms, combined with the abrupt reduction in demand across both the main product suites of zircon and titanium dioxide feedstocks, have exacerbated the volatility in earnings and cash flow. However, I believe there are steps the company can take to moderate the adverse impact of volatility in future.

In addressing growth and the evolution of the financial characteristics of Iluka, your Directors will continue to support various options. Clearly, optimising the company's resource base, as well as growing it, is of paramount importance. Quality reserves and the potential to progressively convert resources to reserves are the lifeblood of any minerals commodities company. In this regard, I believe, there are opportunities arising from technological innovation, partnering and astute investment where value can be added to the company's resources and where new applications and markets can be developed. Considerable work has been initiated in this area, as evident by the greater commitment to innovation, research and development and to facilitating an industry association for zircon. Most recently, the investment made in the private United Kingdom based Metalysis Limited, a technology company seeking to commercialise a patented process for the production of high value metals, including titanium powder, at a materially lower cost than existing technology, provides Iluka with an investment in a potential breakthrough technology which may have significant implications for growing demand, or adding value, to one part of the company's resource base.

It is also noteworthy that recent changes in executive management responsibility facilitate a greater focus on resources development, strategic partnerships and alliances, as well as innovation. All are a hallmark of an approach the Board will support and encourage. To grow, Iluka must be more creative, innovative and prepared to adopt risks in pursuing investment options in areas allied or adjacent to its core business. Such pursuits can create new options and with that the potential to evolve the company; broaden its franchise and customer base; and in turn enhance and contribute to a greater resilience in the financial characteristics of the company over time.

Iluka has numerous opportunities within its current portfolio through focused efforts in: new project development; international exploration and other resource development activities; advancement of its global marketing and sales capabilities; technical development and innovation. Clearly, the company will also consider and where appropriate progress growth opportunities which lie outside of its existing portfolio. Board and management have a willingness to act in a counter-cyclical manner in accordance with defined acquisition criteria.

Of course, the successful execution of strategy – and ability to attenuate risk – is delivered by and through Iluka's people. The company is fortunate to have a skilled and capable workforce who seek to provide Iluka's customers with a quality product that satisfies their needs and, in turn, those of their customers.

In doing so, they recognise that any extractive industry's licence to operate is a function of its ability to engage meaningfully and constructively with the communities in which it operates. The integrity and mutual respect of Iluka's interactions with its stakeholders is, ultimately, of paramount importance to the sustainability and viability of the company's activities.

By way of example, Iluka's track record of land rehabilitation over many years, as well as its commitment to genuine engagement with the communities where it conducts its business activities, has underpinned the company's licence to operate. The challenge, as always, is that this right must continually be re-earned if it is to be maintained.

For a company with an objective to create and deliver shareholder value, and of Iluka's size, there must be a balance between the use of cash to fund growth opportunities and provide returns to shareholders through dividend payments. The ideal outcome is to have the ability to do both. In the Board's view, it remains appropriate for the company to return the maximum practicable amount of free cash flow to shareholders after allowing for value-adding decisions in relation to investment growth — whether organic or inorganic in nature. In this regard, magnified by the low cycle business conditions, free cash flow has been variable leading to some variability in the level of dividend payments over recent periods.

In relation to the 2013 year, after declaring a 2012 full year dividend of 10 cents per share, fully franked, the interim 2014 dividend was lower at 5 cents, fully franked. The lower interim dividend, as well as the lower dividend compared with prior corresponding periods, reflected the fact that free cash flow was not generated in the first half of 2013, in large part due to a $118.4 million taxation payment in respect of 2012 earnings. Directors determined to pay a smaller interim dividend on the expectation that free cash flow would be generated in the second half, a situation which occurred, although on a full year basis positive cash flow was not generated.

Notwithstanding this, Directors determined to declare a final dividend for 2013 of 4 cents per share, fully franked, representing 100 per cent of the free cash flow generated in the second half of the year. This decision was taken on the basis of free cash flow generated in the second half not being required for investing or balance sheet purposes.

In February 2014 I announced the appointment of new non-executive Director, Marcelo Bastos, to the Board. Marcelo brings extensive minerals operational and technical experience, including in the development and operation of major projects in numerous international jurisdictions. I am confident his experience will complement and extend the current skills base of the Iluka Board.

In closing, and on behalf of my fellow Directors, I would like to pass on my sincere thanks to John Pizzey for his contribution as a Director and, subsequently, Chairman of Iluka. John served shareholder interests with distinction during a transformative period in the mineral sands industry. His deep international resource and minerals processing industry experience together with his judgment, insight and guidance have been invaluable to Board deliberations. We wish him well for the future.

I would also like to acknowledge the efforts and dedication of all Iluka employees, as well as contractors, in tough circumstances. It is at the bottom of the cycle that the calibre and mettle of a company's human capital comes to the fore. This has been most evident to the Board in the area of health and safety with the commitment and performance of Iluka's people approaching global industry best practice levels.

During a difficult period the Board considers your interests as shareholders have been well served.

Greg Martin
Chairman

Share price and dividends

In 2013 Iluka's share price declined by 4.3 per cent over the year. In comparison, the S&P ASX 200 Materials Sector index declined by 5.8 per cent.

Total shareholder return (share price and dividends received) for 2013 declined by 3.3 per cent. The S&P ASX 200 Materials Sector index (total return) declined by 3.0 per cent. The company's dividend framework is to return a minimum of 40 per cent of free cash flow not required for investing or balance sheet activity. Since the reintroduction of dividends at the end of 2010, the company has returned 76 per cent of free cash flow to shareholders in the form of dividends. Over the period 31 December 2010 to 31 December 2013 net debt has also reduced from $313 million to $207 million.

David Robb, Managing Director

Iluka's principal objective is to create and deliver value for shareholders. We aim to achieve this objective while at all times staying true to our values of commitment, integrity and responsibility. In line with both our objective and values we are focused on environment, health and safety performance. And we know that to succeed in the long term the company must continue to attract high quality people, provide development opportunities for existing employees and maintain a commitment to diversity and sustainability principles. Our objective, values and principles are enduring and are not diminished by either favourable or unfavourable business cycles.

Mineral sands market conditions were again challenging in 2013.

We believe these conditions reflect a cyclical low in business conditions within our industry, impacting both zircon and titanium dioxide markets and influenced by factors which have been referred to by the company previously: macro-economic conditions and global political uncertainties; fragile business and customer confidence levels; inventory drawdown dynamics; competition between suppliers in a sustained low demand environment and also the final evolution of titanium dioxide markets away from low priced legacy contract arrangements.

Despite production cutbacks by Iluka and others, these factors led to a marked fall in zircon and titanium feedstock prices in 2013, as reflected in the table shown on page 21. As we entered 2014, some further minor erosion of prices occurred but it is Iluka's view that "volumes lead prices" and so as demand returns and volumes recover, prices will stabilise and then, potentially, could increase again.

Adjusting production in line with demand is, I believe, the right approach for this company in this industry. Despite significantly lower prices realised in 2013, pricing levels for all of Iluka's main products in 2013 remain above the levels achieved in the last year of reduced demand, 2009. We have protected unit margins to the extent practicable in a competitive industry and are well leveraged, in both profit and cash flow terms, to returning demand and growing volumes.

Mineral sands market conditions

Zircon demand recovered in 2013, albeit the nature of the demand recovery was uneven across markets and end use sectors and was, in aggregate, somewhat inconsistent quarter to quarter throughout the course of 2013. Iluka sold 73 per cent more zircon volume in 2013 (refer chart on page 8) than 2012, although price competitiveness meant that the weighted average selling price for 2013 was approximately half 2012 levels.

China, as the major global zircon consumer, imported higher volumes in 2013 than in each of the preceding three years and so, even allowing for varying levels of inventories typically held by producers and downstream customers in China, it appears that China's underlying demand characteristics did not deteriorate structurally in 2013 as some hypothesised would occur.

Demand in other parts of the world, notably Europe and the European ceramic exports markets in the Middle East and North Africa; in India, Japan and parts of South-East Asia, was generally subdued. North American demand was supported by industrial applications such as in precision casting, as well as a strengthening of the US economy and a recovery in the US housing market. Factors influencing demand in other markets varied. In India, for example, which had been a fast growing zircon market for Iluka in 2011, the depreciation of the domestic currency made imports more expensive while a protracted strike in a major ceramics producing province in the country, depressed demand in this important, emerging market. South East Asian demand was patchy and below usual levels reflecting weaker economic conditions.

In high grade titanium dioxide markets, typically encompassing Iluka's products of rutile and synthetic rutile, the major end use remained chloride pigment production. A focus by major western pigment producers on reducing pigment inventories in 2012 led to historically low pigment plant operating yields, which continued through the first half of 2013. In this context, a preference for lower grade titanium dioxide feedstocks and/or those available under lower priced legacy contracts meant that demand for Iluka's higher grade feedstocks remained subdued in late 2012 and 2013. Iluka sold 20 per cent less rutile and synthetic rutile combined in 2013 compared with 2012, and 2013 sales were at a level less than half the 2011 combined sales volumes of these products. With very low volumes required, price declines followed - price makers can become price takers in such conditions. Weighted average rutile and synthetic rutile prices in 2013 were approximately 45 per cent of 2012 weighted average pricing outcomes.

Iluka's production response

Iluka's view is that the lower demand we have seen recently is mainly a result of global economic and cyclical industry business conditions. Our belief is also that the lower demand environment was primarily a cyclical issue, not a structural issue, for our industry. Most industries investigate and adopt over time more efficient production methods and cheaper inputs where possible. Mineral sands is no different, but the effect in this area, in my view is often overstated. For example zircon loadings ("intensity of use") in ceramic tiles have been reducing for around thirty years, despite which global demand has grown consistently — so what some have referred to in recent times as thrifting and substitution is not a new phenomenon. In fact, a positive turning point may be upon us given the recent detailed ceramics tile analysis the company conducted suggests that zircon loadings across varying types of tile types in different geographies have increased year-on-year and that new technologies such as digital printing may be a positive, not negative, factor in future demand.

With a focus on medium and long term supply/demand outlooks, Iluka's approach is to exercise what we term production flexibility. Simply put, the company seeks to match production to demand in low demand environments rather than seek to displace others. This approach entailed a build of inventory in 2012 as initial production adjustments were made. Entering 2013 further measures to reduce both production and capital expenditure were implemented in a manner designed to maximise cash flow but protect the company's capacity to benefit from future volume recovery and growth opportunities. Iluka's zircon production was 52 per cent lower than 2011 levels, while rutile and synthetic rutile production was 67 per cent lower than 2011 levels. This major operational response to a cyclical low in market demand was seen as appropriate to progressively draw down finished goods inventory, conserve cash through lowering overall production costs, while maintaining the capacity to respond quickly to market demand recovery. Iluka's 2013 cash cost of production of $376 million, excluding one-off restructuring costs of $69 million, was a 40 per cent reduction from 2011 cash production costs. On a unit of production basis, some inefficiencies have flowed from markedly lower utilisation levels, reflected by higher unit production costs in 2013 than in previous periods.

Iluka's production response measures are conveyed later in this Report, and have entailed idling the last operating synthetic rutile kiln, and running mineral processing capacity in Australia at reduced capacity. Regrettably, the major reconfiguration in operations resulted in approximately 250 people being made redundant during 2013.

It is likely that production settings in 2014 will remain similar to 2013, including no planned synthetic rutile kiln operation being envisaged at this stage. Iluka has idled one of its mining operations, Concord, in Virginia and will operate the remaining mine, Brink, with lower mineral separation plant utilisation.

The company's approach should enable a further draw down in finished goods inventory levels in 2014, and a likely stabilisation and then reduction in concentrate inventories. Iluka retains the ability to rapidly re-activate production capacity, as required, including synthetic rutile production.

Market outlook

Recent industry volatility makes forecasting difficult, particularly the nature and timing of clear inflection points in demand or, indeed, supply. Hindsight is perhaps the only really accurate 'sight' available at such times. It is apparent, though, that at the time of writing many factors typically indicative of, or precursors to, demand recovery are in place. These include:

- generally more positive expectations for global economic growth (and the indicators that flow from this), including continued strengthening in the US economy, China growth continuing at recent levels and the beginnings of a modest recovery in the Eurozone;
- unequivocally positive trends in the United States housing sector, including housing starts, housing pricing and remodelling activity, all of which are important lead indicators for paint, pigment and high grade titanium dioxide markets. When combined with pigment producer commentary of a draw down in pigment inventories to more usual levels, these collectively can be seen as very positive indicators; and
- increases in China floor space starts, tile production, real estate lending and housing sales – all of which can be expected to a have flow on to ceramic and zircon demand in the context, in Iluka's assessment, of low inventories of zircon raw material being held by Iluka's direct customers in China.

Medium term demand fundamentals for mineral sands remain favourable: the trends of urbanisation; increased per capita income and consumption levels in developing economies; and the increasing array of end applications for mineral sands products, underpin a favourable outlook. While on the supply-side, a limited amount of new production may become evident in the short term, the medium term outlook remains one of few new, credible, high quality sources of supply, especially of zircon or high grade titanium dioxide products. In addition, existing major producers, including Iluka, have decisions to make about replacing or sustaining existing operations and hence committing fresh capital to an industry with volatile returns, at least recently. Iluka, for one, remains focussed on generating acceptable returns for shareholders and views its own decisions in this context.

Sustainability

A core aspect of what we refer to internally as "Iluka's Game Plan" is a commitment to sustainability. In 2013, areas of progress included:

- the rehabilitation of over 950 hectares of land during the year (compared with a prior four year average of 425 hectares per annum);
- establishment of a major research partnership with the University of Western Australia in the area of Vegetation Science and Biogeography with significant research goals towards conservation and restoration of biodiversity;
- further improvement in health and safety performance. As an example, the total recordable injury frequency rate declined, recorded at 4.6 per million hours, while the lost time injury frequency rate (the number of days lost per million days worked) was 0.3. Both figures represent a very pleasing improvement towards best practice levels of performance and reflect a company-wide safety production leadership programme;
- a more diverse workforce as assessed against the four focus areas in Iluka: age distribution, opportunities for people with disabilities, gender diversity and indigenous employment. Progress is being made with, for example, females comprising over 40 per cent of all new employees recruited in 2013, across the full spectrum of operational, professional and functional roles; and
- continued commitment to productive stakeholder engagement across Iluka operations as recognised by the award of the South Australian Premier's Award for Excellence for Social Inclusion for the company's activities at Jacinth-Ambrosia.

Iluka approach to sustainability goals and the means to achieve them will continue to evolve but will be centred on an approach to environmental management and stakeholder engagement we term "proactivity", which encourages employees to operate beyond the minimum legal compliance and company policy levels where possible and practicable to do so. Iluka will also be investigating social responsibility frameworks which adopt pertinent Global Reporting Initiative measures.

Growth

Iluka has maintained its commitment to a range of activities which should deliver value for shareholders. In 2013, this commitment had a number of elements:

- feasibility study work progressing or stages completed on five potential mineral sands projects in Australia and the United States;
- continued expansion of the company's international marketing presence, through increased in-country presence, including additional points of representation in China, establishment of new country offices, such as Dubai which serves the Indian and European markets, more comprehensive industry and market analysis, and additional warehousing and distribution facilities;
- close monitoring and facilitation of the nascent China chloride pigment industry;
- an increased commitment to international mineral sands exploration, with early stage tenement acquisition or evaluative work in multiple overseas jurisdictions, as well as the establishment of a small, dedicated 'new commodities' capability, involving recruitment of geologists to evaluate non-mineral sands potential on existing tenements;
- re-establishment of a heavy mineral resource position in Sri Lanka through the grant and acquisition of a large, long life, scaleable, sulphate ilmenite deposit; and
- an increased commitment to innovation and development activities.

Priorities

In entering 2014, Iluka's business approach has the following key elements:

- a focus on shareholder returns;
- flexing asset operation in line with market demand;
- continuing market development;
- preserving and advancing mineral sands growth opportunities;
- maintaining a strong balance sheet;
- continue to evaluate/pursue corporate growth opportunities; and
- acting counter-cyclically where appropriate.

I thank employees for their unceasing pursuit of our objective: to create and deliver value for shareholders, in a manner consistent at all times with our corporate values – commitment, integrity and responsibility.

I thank shareholders and the Iluka Board for their support. I would also like to convey my appreciation to our valued customers, contractors and suppliers. Their professionalism in what has been a challenging period is appreciated.

David Robb
Managing Director

The following table provides a summary of Iluka's Ore Reserves and Mineral Resources as at 31 December 2013. Iluka's complete Ore Reserves and Mineral Resources statement is available on pages 133 to 135 of this document and on Iluka's website www.iluka.com.

SUMMARY ORE RESERVES AND MINERAL RESOURCES

ORE RESERVES

In Situ Heavy Mineral	Tonnes (millions)
Opening Reserves 2013	29.0
Production/depletions	(2.5)
New Ore Reserves/adjustments	0.1
Closing Ore Reserves	26.6
Ore Reserves net change	(2.3)

MINERAL RESOURCES

In Situ Heavy Mineral	Tonnes (millions)
Opening Mineral Resources 2013	122.7
Production/depletions	(2.5)
New Mineral Resources/adjustments	58.5
Closing Mineral Resources	178.7
Mineral Resources net change	56.0

Totals may not add due to rounding.

Ore Reserves decreased by 2.3 million tonnes of heavy mineral, following mining depletion and adjustments.

Mineral Resources increased by 56.0 million tonnes of heavy mineral, net of mining depletion and adjustments (sale, relinquishment, exploration discovery and development and write-downs).

Ore Reserves Cover (Ore Reserves divided by annual depletion) is approximately 10 years at 2013 depletion rates (a lower than usual year of depletions), while the amount of Mineral Resources (which is inclusive of Ore Reserves) is approximately 6 times the Ore Reserve level.

The movement in Ore Reserves and Mineral Resources are described on the opposite page.

Eucla Basin, South Australia

Eucla Basin Ore Reserves decreased by 0.7 million tonnes of heavy mineral, principally associated with mining depletion from the Jacinth deposit.

Eucla Basin Mineral Resources increased by 1.4 million tonnes of heavy mineral as mining depletion at Jacinth (0.7 million tonnes) and write-downs were offset by increased inferred heavy mineral resources.

Perth Basin, Western Australia

Ore Reserves in the Perth Basin decreased by 0.2 million tonnes of heavy mineral, inclusive of mining depletion from the Eneabba and Tutunup South deposits.

Perth Basin Mineral Resources decreased by 0.9 million tonnes due to mining and updated resource estimates at the Tutunup, Cataby and Scotts' deposits.

Murray Basin, Victoria / New South Wales

Murray Basin Ore Reserves decreased by 1.1 million tonnes of heavy mineral due to mining depletion at the Woornack, Rownack and Pirro deposits (0.8 million tonnes of heavy mineral) and write-offs.

Mineral Resources decreased by 0.8 million tonnes of heavy mineral with mining depletions and write-offs partially offset by the addition of the Manly heavy mineral resource (0.6 million tonnes of heavy mineral).

Atlantic Seaboard, Virginia / North Carolina, United States

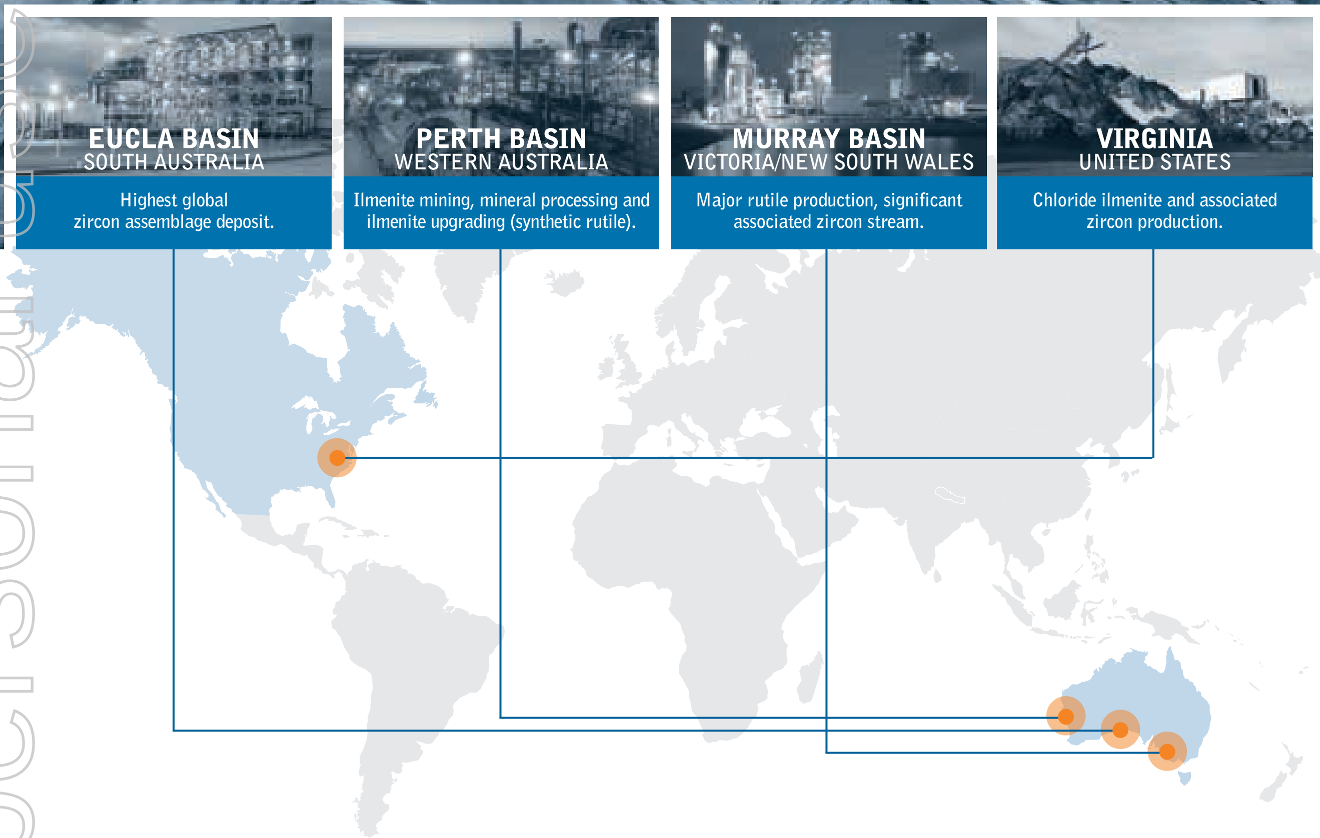
Ore Reserves in the United States decreased by 0.3 million tonnes of heavy mineral. Mining depletion (0.3 million tonnes) and write-downs were offset slightly by 0.1 million tonnes of increased ore reserves at the Hickory deposit with the acquisition of additional leases.

Mineral Resources increased marginally. Mining depletions were largely offset by increased resources at Hickory, Old Hickory, Brink and Aurelian Springs deposits as a result of the additional leases and updated resource estimates.

Sri Lanka

Mineral Resources of 56.2 million tonnes of heavy mineral were recorded as a result of Iluka being granted four Sri Lankan exploration tenements and acquiring Sri Lankan based PKD Resources (Pvt) Ltd, the holder of an additional exploration tenement.

Iluka implemented major operational adjustments in 2013, reflecting the company's approach to operate assets flexibly and in line with market demand. This resulted in lower overall production, as conveyed on page 8 which in turn led to a drawdown of finished goods inventory for zircon and rutile, although heavy mineral concentrate built during the year as a result of a focus on balancing unit costs with inventory objectives.



Cash production costs declined appreciably year-on-year and are at lower levels than in years of more typical production. Iluka maintains a capability to respond rapidly through reactivating capacity, as market demand recovers. Overall, mineral sands production (zircon, rutile, synthetic rutile and ilmenite) in 2013 was approximately 30 per cent below 2012 levels, a year also of constrained production, and around 40 per cent below 2010-2011 levels, years of more usual operational settings

Australian operations

Iluka's two mineral separation plants in Australia operated at reduced capacity during the year. The Narngulu, Western Australia, mineral separation plant operated at approximately 45 per cent capacity during the year through idling plant 1 from April and reducing plant 2 utilisation to below 50 per cent. The Hamilton, Murray Basin mineral separation plant operated on a one-month-on, one-month-off basis in the first half of the year, followed by continuous operation from July to October before being idled at the end of the year. The constraining of processing capacity, as opposed to major changes in mining rates, was the major factor that reduced overall production.

Mining at Jacinth-Ambrosia in South Australia and the Woornack, Rownack, Pirro deposits in the Murray Basin was at full capacity during in the year. This approach, especially with lower prevailing zircon prices, optimised unit cash costs of production for heavy mineral concentrate. Shipping of heavy mineral concentrate from Jacinth-Ambrosia to Narngulu and Hamilton ceased in the first half of the year to reduce cash expenditure. This resulted in elevated volumes of heavy mineral concentrate stocks being built at the Jacinth-Ambrosia site.

An improvement in demand in some zircon markets resulted in the draw-down zircon finished goods inventories. Recommencement of limited shipment of heavy mineral concentrate from Jacinth-Ambrosia to either the Narngulu or Hamilton mineral separation plants in the second half of the year facilitated the restocking of parts of the logistics chain. Heavy mineral concentrate feed for the Hamilton mineral separation plant was also adjusted to a higher proportion of Jacinth-Ambrosia material (approximately 20 per cent) to produce additional zircon final product.

Synthetic rutile kiln 2 in South West Western Australia was idled in June 2013, as planned. Of Iluka's four kilns, this was the remaining kiln operational during the year (synthetic rutile kiln 3 in Narngulu, Western Australia was idled in December 2012) and as such, no synthetic rutile was produced in the second half of the year. The Eneabba and Tutunup South mines in Western Australia were idled from April and June 2013, respectively. The synthetic rutile 2 kiln and the Tutunup South mine are expected to remain idled in 2014. Both can be reactivated rapidly as demand recovers.

United States operation

Iluka's Virginia operations were idled over Christmas and New Year period in 2012/13 with operations recommencing in February.

During the year, the Concord mining unit was moved as planned in the September quarter. Mining at both the Concord and Brink deposits was in lower grade areas, resulting in the Stony Creek mineral separation plant operating below capacity.

Stronger 2013 market demand for zircon compared with a lower requirement for ilmenite (as anticipated at the end of 2012) resulted in increased ilmenite stocks and a decision to defer the scheduled Concord mining unit move, idle that plant and rely on the Brink mining operation for required heavy mineral concentrate production. This action occurred subsequent to the end of 2013 in early 2014.

Iluka operations – 2013 and 2012 production levels

Production	2013	2012
	kt	kt
Australian operations		
Eucla / Perth Basins		
Zircon	186	158
Rutile	33	50
Ilmenite	211	291
Synthetic rutile	59	248
Murray Basin		
Zircon	60	136
Rutile	94	170
Ilmenite	184	169
Australian operations total		
Zircon	246	294
Rutile	127	220
Ilmenite	395	459
Synthetic rutile	59	248
United States operation		
Zircon	40	49
Ilmenite	190	215

Note: Numbers are rounded to nearest whole number.

Demand for zircon and titanium dioxide products was at, or close to, a cyclical low over 2012 and 2013. While a recovery was evident across some markets during 2013, fragile business confidence as well as ongoing economic uncertainty, especially in Europe, contributed to an uneven pattern of demand across Iluka's main products, sales regions and end markets relative to 2012.

The global zircon market partially recovered in 2013, although demand growth was uneven across regions and end applications. Solid sales were recorded in China, the largest market for zircon, mainly reflecting demand from the ceramics sector as underlying demand in the tile market was robust. A feature towards the end of the year was that zircon sand inventories held by customers in China were again at low levels, with customers continuing to order on an "as required" basis and with some holding back from buying activities as prices softened marginally. The traditional low season (December to Chinese New Year), means muted buying activity is expected early in 2014.

There was little improvement in demand in the zirconium chemicals market in 2013, due to weak export markets for China production.

North American demand, mainly influenced by industrial applications such as precision casting, as well as ceramic tile and sanitary ware applications, aided by a recovery in the United States economy and housing market, was generally stable. Working capital decisions by several US customers resulted in the rescheduling of some ordering expected in the second half of 2013, but overall, as with China, North American demand has been solid.

Demand in other regions remained subdued, including Europe, and its ceramic exports markets in the Middle East was weak, as it was in North Africa, Brazil, India, Japan and parts of South-East Asia.

Iluka principally sells into the high grade titanium dioxide market, of which pigment producers account for over 90 per cent of end demand. At the beginning of 2013, pigment inventories held by most major western pigment producers were highly elevated as a result of weak demand in 2012. Over the course of the year these inventories were progressively drawn down as pigment plant yields were as low as 60-75 per cent, relative to usual operating levels of around 90 per cent. Lower grade titanium feedstocks were favoured during this period, while feedstocks sold under remaining lower priced legacy contracts further reduced demand for Iluka's higher grade products. By the end of the year, public commentary by pigment producers indicated that pigment inventories were approaching normal levels. As a result, while still subject to downstream markets (paints and coatings demand), ordering patterns for high grade titanium feedstock are expected to recover.

The titanium metal and welding markets also displayed weak demand in 2013.

Mineral sands prices

Iluka's weighted average received zircon price commenced 2013 materially lower than the weighted average 2012 levels and remained stable for much of the year before softening slightly in the fourth quarter. Iluka's weighted average zircon price for 2013 of US$1,150 per tonne was 44 per cent lower than the weighted average 2012 level.

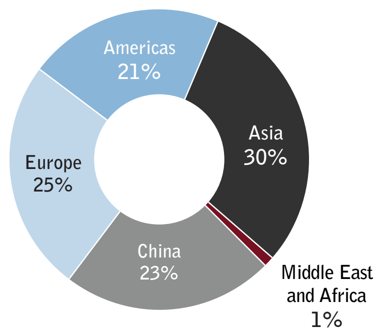
Lower demand for high grade titanium products and competitive pricing behaviour led to material reductions in prices from levels in 2012. Iluka's weighted average rutile price declined 56 per cent to US$1,069 per tonne and the synthetic rutile price declined 35 per cent to US$1,150 per tonne.

Iluka weighted average prices US$/t FOB	2009	2010	2011	2012	2013
Zircon	850	880	1,886	2,080	1,150
Rutile	540	550	1,174	2,464	1,069
Synthetic rutile	425	450	878	1,771	1,150
Iluka revenue per tonne of Z/R/SR sold (US$/tonne)	550	684	1,453	2,056	1,135

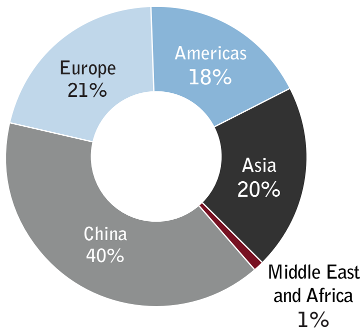
Mineral sands sales by region

The international geographical distribution of Iluka's mineral sands revenues is typically reasonably balanced. In 2013, revenues have been skewed towards China, mainly reflecting the relatively robust zircon demand in this market. The lower demand in Europe and the Americas, mainly reflects lower demand for high grade feedstocks from traditional pigment producer customers in these locations, as well as lower European demand for zircon reflecting market conditions in this region and for its export markets.

2012 MINERAL SANDS SALES REVENUE BY REGION



2013 MINERAL SANDS SALES REVENUE BY REGION



Iluka's approach to growth is focussed on creating and delivering shareholder value by utilising the company's expertise and existing assets, as well as pursuing new opportunities. The following are the main areas of Iluka's growth focus.

NEW PROJECTS

Advancing internal projects to provide options to extend and/or increase mineral sands production.

EXPLORATION

Providing the platform for future growth by replacing and growing the company's resources and reserves, as well as utilising the company's existing tenement holding and expanding to new regions and commodities to generate potential new development opportunities.

INNOVATION AND TECHNOLOGY

Enhancing the returns generated from Iluka's resource and production base as well as identifying and advancing new technologies.

ACQUISITIONS

Assessment of external mineral sands and non-mineral sands acquisition, partnering or investment opportunities. Any decision to proceed is based on acquisition criteria that relate to financial metrics (return, cash flow profile, payback), quality of asset, level of risk and fit with existing Iluka business.

New Projects

Iluka progressed several internal mineral sands projects during 2013. Each of these projects provides the company with options to extend or increase production. Final investment decisions will be based on strict financial criteria and a consideration of market supply/demand conditions.

West Balranald and Nepean, Murray Basin, New South Wales

West Balranald and Nepean are two rutile-rich mineral sands deposits in the northern Murray Basin, New South Wales. If approved for development, the two deposits have potential to provide for approximately eight years of rutile, zircon and associated ilmenite fractions.

During 2013, the pre-feasibility study for the project was completed and a definitive feasibility study commenced. This study is a two part exercise that will initially confirm hydrogeological models through an extensive pilot programme and complete additional detailed mining simulations, followed by detailed engineering required for project execution. Ilmenite from the deposits continues to be assessed for its suitability as a synthetic rutile feed. Impact assessments and stakeholder consultation has continued, as has progressing the necessary regulatory approvals. An innovative alternative mining method is also being assessed for the region.

Cataby, Western Australia

Cataby is a mineral sands deposit, located north of Perth. The deposit contains chloride ilmenite but is also expected to produce material volumes of zircon.

The pre-feasibility study on the deposit was completed, as planned, in mid-2013. Subsequent to the completion of the pre-feasibility study, approvals and funding were provided by the Board to commence a definitive feasibility study. This study is intended to be completed in 2014.

Sonoran, Atacama and Typhoon, Eucla Basin, South Australia

The Sonoran, Atacama and Typhoon deposits are chloride ilmenite and zircon bearing satellite deposits located in close proximity to Iluka's current Jacinth-Ambrosia operation. Chloride ilmenite from these deposits is expected to be suitable as a feed source to Iluka's synthetic rutile kilns or for direct sale.

Over the year, the pre-feasibility study for the development of these deposits was progressed and is scheduled for completion in 2014. Innovative mining and processing design work is included in the scope of the pre-feasibility study.

Hickory, Virginia, United States

The Hickory mineral sands deposits are lower grade than those mined to date, but contain high quality chloride ilmenite and associated zircon products and are located close to Iluka's existing Stony Creek mineral separation plant.

The definitive feasibility study for the project was completed in December 2012. In 2013, detailed engineering was completed for the concentrator and mine, construction bids were received from contractors, operating permits were advanced and investment incentives secured from the Commonwealth of Virginia. Work is continuing to optimise the mine and tailings plan, finalise designs and secure mining permits.

Aurelian Springs, North Carolina, United States

The Aurelian Springs project comprises the potential development of several mineral sands deposits in Halifax County, North Carolina, approximately 90 kilometres south of Iluka's Stony Creek mineral separation plant. The deposits contain high quality chloride, sulphate ilmenite and zircon. Currently, it is proposed that Iluka will utilise existing infrastructure by relocating the Concord mining unit and concentrator plant to the site.

The pre-feasibility study was completed in 2013 and confirmed that ilmenite from the deposits is suitable for use in both the chloride pigment manufacturing process and the sulphate pigment manufacturing process. This significantly increases the marketability of the product.

The definitive feasibility study work is underway and includes the acquisition of the remaining land, securing of permits, detailing the work plan for relocation of the mine and concentrator, and developing a detailed cost estimate and time schedule.

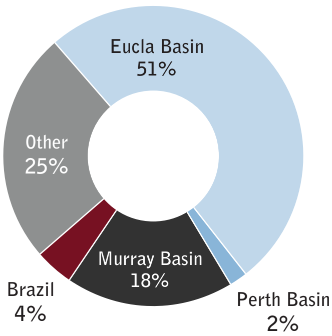
Iluka maintains a well-resourced and highly capable exploration function, and views exploration success and associated resource and reserve growth, as fundamental to the sustainability and growth the business. Iluka has an exploration team of 50 individuals, including geologists, geophysicists, drilling engineers, tenements/land personnel. In Australia, Iluka has a large tenement holding of over 50 thousand square kilometres. International exploration activities now encompass early stage reconnaissance through to tenement acquisition and drilling in 11 countries. The company's Project Generation team seeks to identify new search spaces for mineral sands internationally. Iluka possesses its own internal drilling capability.

Exploration

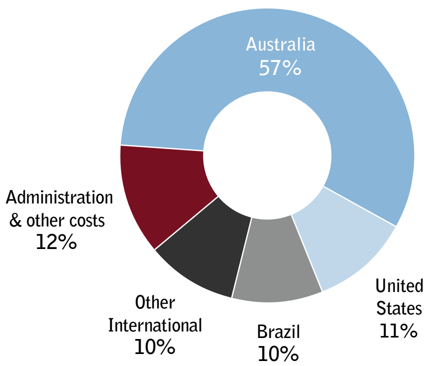
In recent years, following the delineation and development of new operations in the Eucla Basin and Murray Basin, the exploration effort has become predominantly greenfield in orientation. Iluka will continue to explore in the Perth, Eucla and Murray Basins, though increasingly exploration activities will be focused in other Australian and international areas. In 2013, Iluka significantly increased its exploration outside of Australia, with drilling programs undertaken in the United States and Brazil and early stage reconnaissance in Africa and Asia.

Iluka also recognises the potential to create value for shareholders via non-mineral sands deposits on its tenement holdings within Australia and elsewhere and recently established a dedicated capability to assess other than mineral sands opportunities on its tenements and as part of tenement acquisition criteria. Exploration work on a variety of metals on prospective ground within Iluka's licenced areas has been initiated and the company plans to expand these activities in 2014.

ILUKA TENEMENT POSITION
31 December 2013 Total 71,129 km²



EXPLORATION EXPENDITURE 2013
$23.1 MILLION



Australia

Iluka holds the majority of exploration tenements in the Eucla Basin, the location of Iluka's Jacinth-Ambrosia operation. The company's tenements cover an area of approximately 36 thousand square kilometres.

2013 exploration activity in the Eucla Basin included:

- over 35 thousand metres of drilling on Eucla Basin tenements with 90 per cent of that drilling on greenfields targets. Greenfields exploration drilling primarily focussed on the following areas: the Bay of Plenty, to the east of Atacama/Sonoran, the Yumburra region, Immarna North, and southwest of the Mojave prospect;
- brownfield exploration drilling within 20 kilometres of Jacinth-Ambrosia, approximately 10 per cent of total drilling, and focussed immediately north and east of the Atacama deposit; and
- interpretation of earlier drilling data for the Atacama deposit which led to the reporting of resources from two new strands delineated on the western side of the Atacama deposit, reflected in the Mineral Resources section of this Report.

In 2014, Iluka will continue exploration in the Eucla Basin with follow up drilling on a number of mineralised targets identified in 2013.

Iluka's second main area of current exploration commitment is on the company's Murray Basin tenement holdings across Victoria, eastern South Australia and south west New South Wales. Over 23 thousand metres of drilling on Murray Basin tenements was completed with more than 90 per cent focussed on greenfield activities.

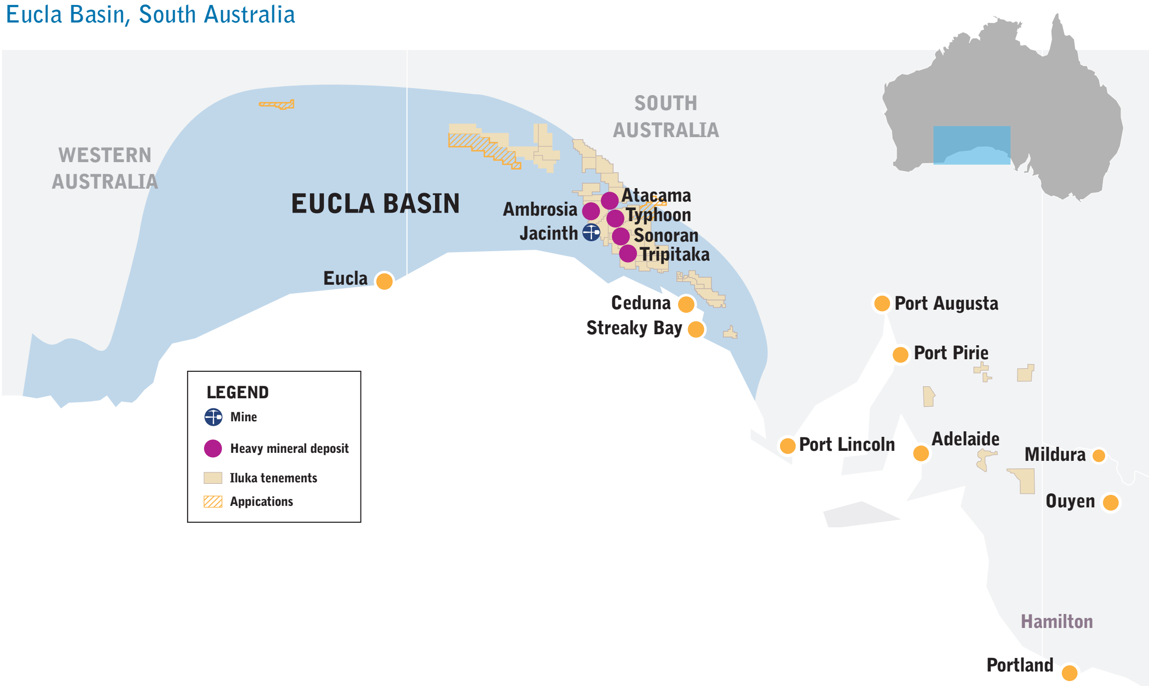
The 2013 exploration activities included:

- exploration in Victoria, focussed in East Gippsland to test new areas where Iluka is seeking to locate stratigraphy suitable for hosting mineral sands and in the north west portion of the Murray Basin;
- greenfield exploration undertaken to assess new targets in south eastern South Australia along the western margin and central portions of the Murray Basin; and
- mineral resource delineation programs continuing on the West Balranald deposits as part of studies for the potential development of these large rutile-dominated deposits.

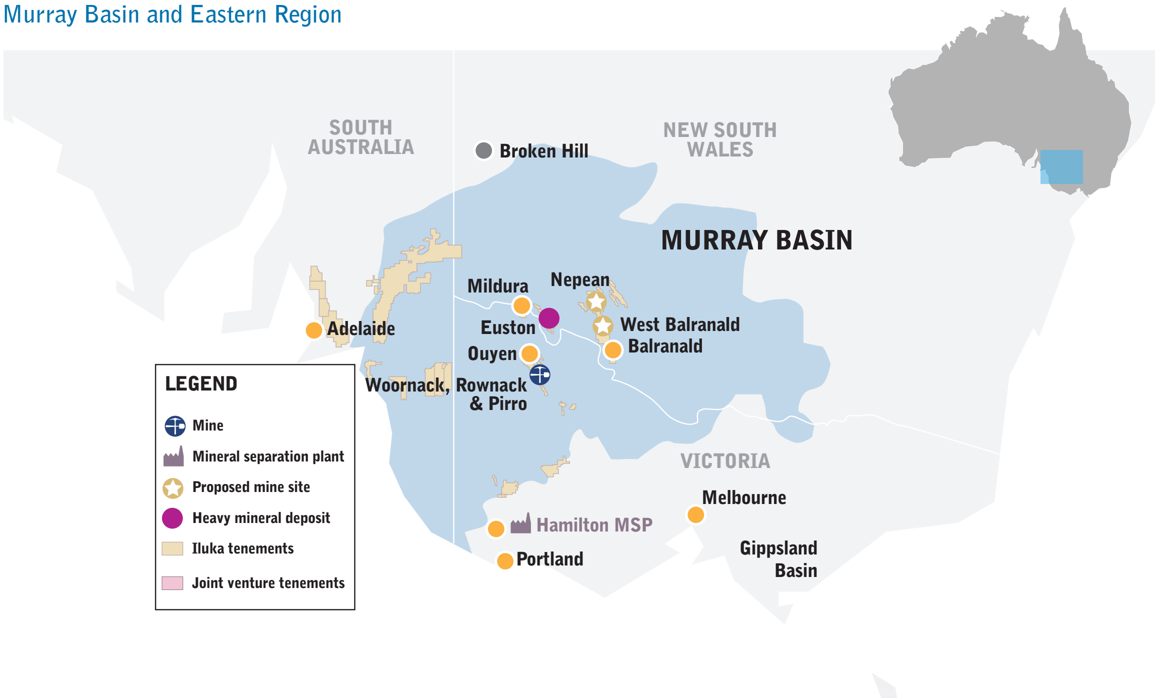
Iluka's also holds tenements in the Canning Basin in north west Western Australia. In 2013, over 10 thousand metres of greenfield drilling was completed on these tenements, including assessing new targets in the western Canning Basin to locate stratigraphy suitable for hosting mineral sands.

Exploration

Eucla Basin, South Australia



Murray Basin and Eastern Region



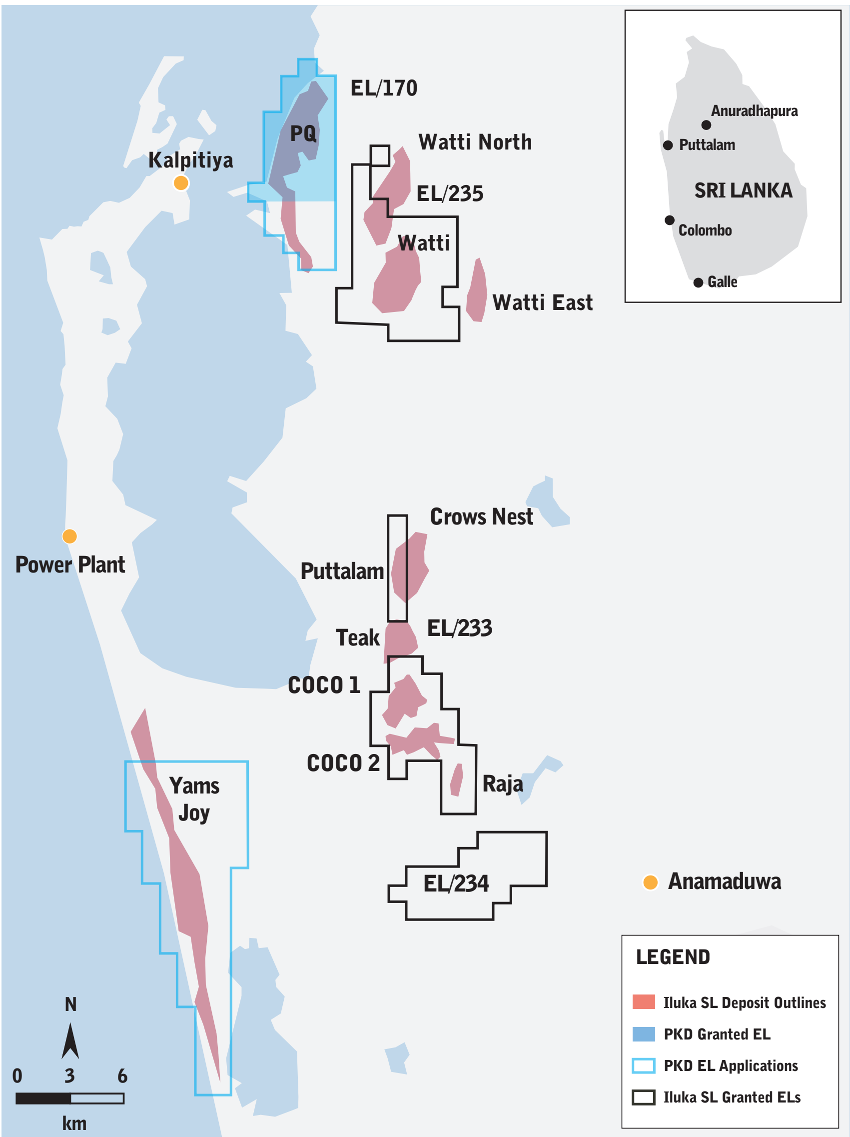
Puttalam, Sri Lanka

In 2013 Iluka was granted four exploration tenements and acquired Sri Lankan based PKD Resources (Pvt) Ltd, the holder of an additional exploration tenement. The deposits are large, long life and considered potentially very competitive in terms of scale and grade.

The total resource is 688 million tonnes of material at an average heavy mineral grade of 8.2 per cent, representing a 45 per cent increase to Iluka's 2012 heavy mineral resource inventory. The resource contains predominantly sulphate ilmenite.

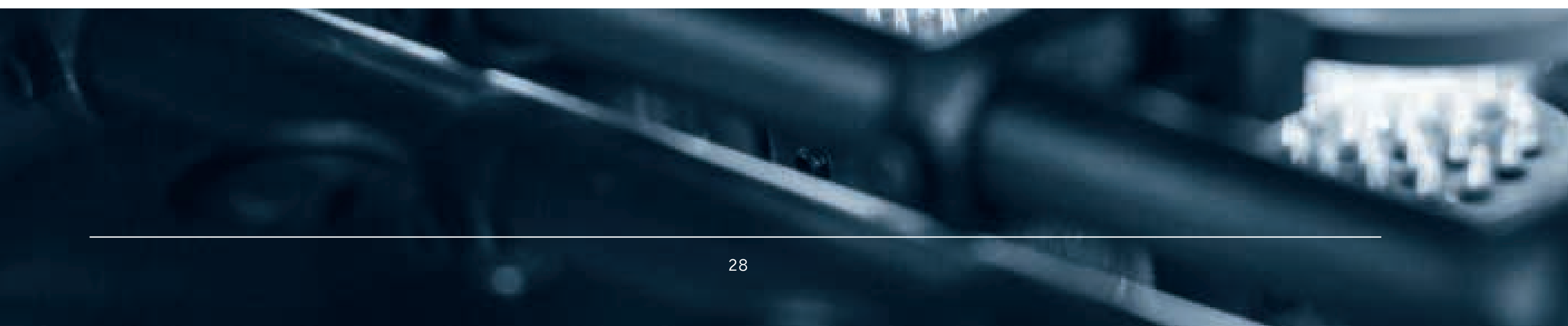
The Puttalam deposits are subject to evaluation for potential development at an early stage.

Puttalam, Sri Lanka



Innovation and technology

Iluka views investment in mineral sands innovation and technology as important to maximising the value created from existing operations, enabling the development of non-traditional mineral sands projects and introducing new products to enhance customers' production processes and final products. The company has a dedicated team of industry and technical experts to further work in these areas.



Several projects were progressed over the year as well as research continuing in the areas of mining technology and product development.

In 2013, Iluka undertook pilot trials for the production of Acid Soluble Synthetic Rutile (ASSR), including production at a test facility in Europe. This involved utilising Murray Basin ilmenite and different coal blends under varying operational settings and followed on from test work conducted in Iluka kiln facilities in Australia. Samples of the material were provided to a selection of customers for their initial evaluation. Iluka's decision to idle its synthetic rutile capacity has meant a more extensive trial has been deferred. Technical and commercial evaluation will recommence when market conditions warrant.

Investigations on the processing of the fine grained Murray Basin deposits also continued. Test work performed at the Iluka research facilities focussed on traditional technologies used in the mineral sands industry, as well as alternative process technologies to concentrate and separate the fine grained heavy minerals, including those that contain elevated levels of radioactive elements.

Other work over the year included research into new mineral sands mining techniques to assist with the development of non-traditional deposits, investigation on improved and more cost-effective methods to handle mining by-products, and the expansion of capabilities at Iluka's metallurgical testing facility, enabling investigation of a wider range of mineral sands materials and end products.

Iluka also contributes to the work of the Zircon Industry Association (ZIA), an independent body promoting the benefits and use of zircon through industry collaboration, product support, innovation, research and market development. Iluka is represented on the Board and on various technical committees and believes the ZIA has the ability to advance the interests of participants at all levels of the zircon value chain. The ZIA also fosters linkages with other industry bodies, research and academic institutions. Over the year, the ZIA focussed on research into technologically advanced and emerging applications of zircon, ceramic applications and addressing sustainability and regulatory issues relating to zircon use. In 2014, the ZIA intends to further investigate potential new zircon applications and support emerging markets.

In February 2014, Iluka announced that it had concluded an Investment Agreement with the private, UK based, Metalysis Limited for an interest of 18.3 per cent of the company. Iluka's involvement as a major shareholder and funding partner provides access to a new, potentially disruptive technology which is close to commercialisation, and the potential benefits of a new source of high grade titanium dioxide feedstock demand.

Iluka is committed to operating in a sustainable manner

The company believes operating in a sustainable and responsible manner contributes to its primary objective: to create and deliver value for shareholders. In practice, this means consideration of environmental, social and economic implications prior to, throughout and following the closure of operations. This is central to Iluka's licence to operate and underpins the future growth of the business.

Iluka's environmental, social and economic performance is overseen by the Board and is supported by a management system that defines how the company will deliver its business objectives, and the framework within which its employees and contractors are expected to work. Iluka's senior management are accountable for delivering sustainability objectives.

Iluka's sustainability objectives are to achieve:

- high levels of environmental, health and safety performance;
- sound planning, control and risk management systems; and
- stakeholder relationships which, over time, are mutually beneficial.

Health and Safety

The health and safety of Iluka's employees, contractors and visitors to Iluka's sites is a priority.

Iluka's primary safety measures, in accordance with industry practice, include: lost time injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR). The relative severity of injuries is tracked by means of a severity rate, a measure not normally employed in the industry. The company also measures a series of proactive or leading measures, such as the number of safety visits and planned workplace inspections as well as hazard cards. Health and safety performance is reported to the Board on a monthly basis.

In 2013, Iluka achieved strong year-on-year improvements and met its internal targets. The lost time injury frequency rate for Iluka reduced from 1.9 in 2012 down to 0.3 at the end of 2013. Similarly, the total recordable injury frequency rate decreased from 10.5 in 2012 to 4.6. The severity rate decreased by 28 per cent.

For further statistical information, refer to page 136.

Safe Production Leadership programme

In 2011, the company established the Safe Production Leadership (SPL) programme with the aim of improving the company's safety culture and performance. Since its inception, approximately 200 employees and contractors have completed Iluka's leadership skills training.

The performance improvements on the metrics of LTIFR and TRIFR since the implementation of SPL highlight the success of the programme. Iluka's LTIFR has improved from 4.1 in April 2011 to 0.3 at the end of December 2013. In the period, the TRIFR started at 16.1 and improved to 4.6, a 71.4 per cent reduction.

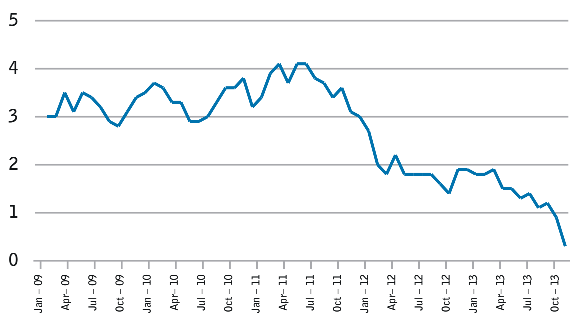
Contractor management

Contractors are an integral part of Iluka's business. An initiative to improve the company's management of contractors was initiated in February 2012 and continued in 2013. The objectives of the programme are to:

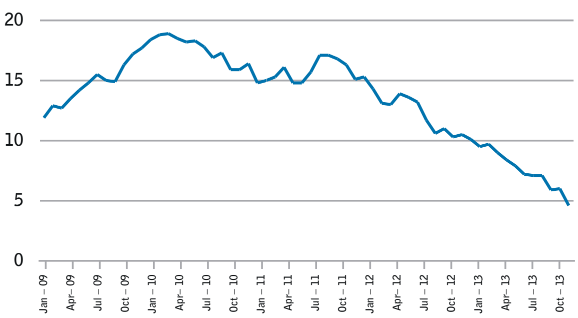
- standardise business processes regarding contractor pre-qualification;
- validate sustainability systems, commitments and performance of approved contractors; and
- conduct audits on identified contractors conducting high-risk work to ensure their on-going suitability to perform work.

Further auditing of contractors conducting high-risk works, pre-qualification of new contractors onto Iluka's approved supplier list and ongoing evaluation of contractor performance were carried out in 2013. Appropriate improvements to contractor practices will be embedded into Iluka's procedural systems in 2014.

LOST TIME INJURY FREQUENCY RATE (LTIFR)
5 YEAR HISTORY



TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)
5 YEAR HISTORY



TRIFR, LTIFR and Severity Rate expressed per million hours worked (includes both permanent employee and contractor hours).

TRIFR = (sum of lost time injuries + medical treatment injuries + first aid and minors assessed as restricted work cases) x 1 million divided by the actual hours worked.

Environment

Iluka's approach to environmental management is based on understanding and minimising potential impacts of its operations on the environment. It also includes developing effective plans for the cessation of operations and rehabilitation of disturbed areas, and using resources efficiently.

The company's environment, health and safety management system governs how potential environmental impacts are managed throughout all phases of Iluka's operations - from exploration through to mine closure. Each operational site has its own management plan that identifies and mitigates risks unique to that operating environment.

The company has in-house environment and rehabilitation professionals responsible for identification and management of Iluka's environmental risks, with performance reported to the Board on a monthly basis.

Iluka recognises that compliance with legislative requirements is the minimum standard that it should achieve while performing at or beyond legal requirements is means of achieving operational efficiency, competitive advantage and industry leadership.

In 2013, the key areas of environmental performance and risk management included:

- environmental incident reporting, investigation and management;
- land management and rehabilitation;
- energy efficiency; and
- water management.

Environmental incident reporting

Iluka uses an event management system to record environmental incidents, which are then classified according to the severity of the potential impact to the environment. Level 1 incidents have no or minimal impact, and Level 5 incidents have the greatest potential cumulative impact over time. The number of incidents being reported has increased steadily, which the company considers a positive indication of a culture prepared to report a range of incidents. In 2013, the number of incidents classified Level 3 and above was 57, similar to the level in 2012, however fewer level 4 incidents were reported. Investigations determined equipment design factors, inadequacy in internal controls and procedures and poor risk assessment as the main contributing factors for Level 3 and above incidents.

Environmental incident performance 2011 to 2013

Indicator Classification[1]	2011	2012	2013
Level 1	481	796	777
Level 2	180	187	145
Level 3	82	43	45
Level 4	3	16	12
Level 5	0	0	0
Total	746	1,042	979

[1]Level 1 incidents have no or minimal impact, and Level 5 incidents have the greatest potential cumulative impact over time.

Land management and rehabilitation

Land management, rehabilitation and closure activities are a major focus in the mine planning phase and constitute a significant, ongoing part of the company's activities.

Iluka's practices are guided by standards and procedures within its environment, health and safety management system. Rehabilitation efforts are aligned with accepted leading practice, applicable legislation and undertaken in a socially and environmentally responsible manner.

During 2013, Iluka rehabilitated[1] 957 hectares of land which represents a 54 per cent increase when compared with 619 hectares rehabilitated in 2012. The main locations where rehabilitation activity occurred include Iluka's Mid West operations in Western Australia and in the Murray Basin in Victoria, since mining was completed at the Eneabba, Kulwin, Echo and Douglas deposits during 2012. Rehabilitation at Iluka's Lulaton operation in Florida, United States, has been completed, seven years post mining. The company's mining permit was relinquished in December 2013. The table below provides details of a range of rehabilitation activities and progress at Iluka's sites in 2013.

New disturbance is 48 per cent lower at 572 hectares in 2013 compared with 1,097 hectares in 2012, with the major earth-moving works completed at Woornack, Rownack and Pirro (Murray Basin) and Eneabba (Perth Basin) in the previous year. The provision of access tracks as part of Iluka's exploration activities is the major contributor to new disturbance of 277 hectares, and further development in the Murray Basin accounted for 191 hectares of land clearing.

Iluka's land use for exploration has increased steadily and accounts for approximately 20 per cent of Iluka's total area of land open (total disturbed area). This reflects the company's broader exploration strategy with reconnaissance and drilling programmes occurring globally, in particular, in South America and Sri Lanka, as well as a proportion of land having completed rehabilitation however still defined as open area until the tenement is relinquished.[2]

For further statistical information, refer to the table below and page 137.

Overview of rehabilitation activities[3]

Site (year mining completed)	Nature of rehabilitation activities
Perth Basin, Western Australia	
Eneabba, Mid West (idled)	• 130 hectares of rehabilitation to pasture completed • final land-use design submitted to landowner • 25 hectares seeding and planting of native vegetation
Waroona, South West (2008)	• rehabilitation completed to monitoring and maintenance phase
Murray Basin, Victoria	
Kulwin (2012)	• 101 hectares rehabilitated, final 62 hectares scheduled for completion 2014 • closure plan submitted to DSDBI[4] for review
Echo (2012)	• 115 hectares rehabilitated, final 6 hectares to be completed in 2014 • final void area re-designed and closure plan submitted to DSDBI
Douglas (2012)	• 90 hectares rehabilitated and earthworks to achieve topsoil return
Eucla Basin, South Australia	
Jacinth-Ambrosia (continuing)	• rehabilitation activities on an initial 11 hectares were completed with positive germination from topsoil and seed achieved
United States	
Old Hickory, Virginia	• 216 hectares of the total 469 hectares disturbed have been returned to final pasture and 223 hectares released from bond
Lulaton, Florida (2006)	• Rehabilitation complete • Permit released in December 2013

[1] Includes backfilling, topsoil, vegetation established. Exploration rehabilitation includes drill hole and sump remediation, access tracks stable for re-generation in 12 months, tenement area relinquished.
[2] Different regulatory requirements apply for rehabilitation of tenements.
[3] Not a complete list of Iluka's land management and rehabilitation activities.
[4] Denotes Department of State Development Business and Innovation.

Environment

Iluka Chair in Vegetation Science and Biogeography

In 2013, Iluka formed a partnership with The University of Western Australia (UWA) to research and restore areas of kwongan heathland near Eneabba in the Mid West, Western Australia, at one of Iluka's mining and processing operations.

As part of the partnership, Iluka sponsors the Iluka Chair in Vegetation Science and Biogeography at UWA's School of Plant Biology. The five-year commitment is valued at $1.3 million.

The appointed Iluka Chair, Winthrop Professor[1] Ladislav Mucina, is an internationally recognised vegetation scientist, researching the ecology, classification, and mapping of vegetation. His research as Iluka Chair has commenced with investigation of the assembly rules that govern kwongan vegetation. This investigation aims to improve the understanding of how functional groups of species respond to natural disturbance like drought and fire, which will improve species selection for resilient rehabilitation. The research also focuses on descriptive vegetation science, ecological and evolutionary assembly in plant communities, as well as the conservation and restoration of biodiversity in species rich shrub-lands around the world. In addition to his research, Professor Mucina has eight postgraduate research students training in various aspects of this research.

Sponsorship of the UWA Chair enables scientifically based information and studies to be conducted independently, ensuring credibility and transparency in an area of research fundamental to Iluka's ongoing rehabilitation activities at Eneabba and the long-term sustainability of kwongan heath.

[1] Winthrop Professor is the highest professorial title conferred at The University of Western Australia.

Energy efficiency

Iluka recognises the importance of improving its energy efficiency. Iluka focuses on maintaining and reporting complete, accurate and transparent energy and carbon data and actively identifying, assessing and prioritising emissions minimisation and energy efficiency opportunities.

In 2013, the company progressed its emissions minimisation strategy as part of its compliance commitments with the Australian Government's Energy Efficiency Opportunities Act 2006 (EEO). Energy audits were completed at Iluka's Mid West operations in Western Australia, and have commenced at its South West operations. Four energy saving opportunities were identified at the Narngulu mineral separation plant in the Mid West and are subject to further investigation.

Iluka complied with the requirements of the carbon tax, and completed external reporting and permit surrender obligations. Settlement of its permit allowances and obligations was complete in February 2014. Iluka is not expected to have a carbon permit liability during 2014.

Iluka expects its compliance requirements will change with the Australian Federal Government's proposed revision of its energy efficiency and carbon emissions policy. The company will review its management of energy and carbon for compliance with new legislative requirements once passed.

Performance

Iluka's carbon dioxide emissions were 333 kilotonnes (kt) of CO_2-e, a reduction of 56 per cent from 2012. The major component of Iluka's emissions relates to synthetic rutile production. Iluka has reduced the operation of its synthetic rutile kilns and in 2013 operated just one of its four kilns for a part of the year.

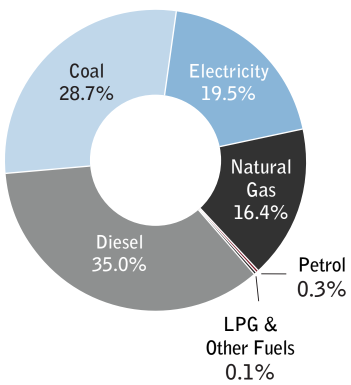
Water management

Water is essential to Iluka's mining, processing and separation processes. The company uses either fresh water or naturally occurring hypersaline water in these processes, the latter defined as water containing dissolved solids in excess of sea water.

Iluka recycles water where possible and discharges[1] are managed responsibly. Fresh water discharges are performed within strict licence conditions and excess saline water is disposed of back into the original source location. Risks to groundwater resources are managed by monitoring and regular interpretation of monitoring data is performed by aquifer reviews.

Iluka's water use in 2013 was 10,822 megalitres which represents a decrease of 55.2 per cent from 24,162 megalitres used in 2012. Lower water use in the year was associated with a lower level of mining, concentrating and processing operations in 2013. Discharges were higher, an increase of 32 per cent compared to 2012. Iluka's US operations recorded a 191 per cent increase in water discharges from 2012. Higher rainfall in Florida and Virginia (46 per cent increase recorded at Virginia sites), together with reduced holding capacities in process ponds due to solids accumulation, forced more frequent and larger volumes to be discharged during the year.

2013 ENERGY RESOURCES BY TYPE



Energy use and carbon dioxide emissions

	2009	2010	2011	2012	2013
Energy Use (terajoules)	10,615	10,072	9,496	8,461	3,702
Carbon Dioxide Emissions (kt CO_2-e)	1,011	996	861	765	333

For further statistical information, refer to page 137.

[1] Defined as water discharged via metered flow to either surface drainage or groundwater infiltration basins

People

Iluka seeks to build and maintain a diverse, sustainable and high performing workforce of talented people which reflects the communities in which the company operates.






The company encourages employee achievement through the principles of accountability, commerciality and engagement, and strives to maintain a work culture that reflects its values of commitment, integrity and responsibility. This includes a high standard of health and safety behaviour and the development of individuals, leaders and teams to achieve extraordinary performance.

2013 workforce profile

850 direct employees globally, predominantly in Australia Iluka reduced its workforce by approximately 250 positions in 2013 associated with major reconfiguration of its production base, due to low cycle business conditions.
780 contractors (year average)
76% male/24% female
4% indigenous[1]
Less than1% recognised disability[1]
10% of employees have flexible work arrangements
13.9% turnover, from 12% in 2012

[1] Iluka respects employee privacy, data is identified employees only.

Organisational structure and development

The organisational structure is designed to facilitate the achievement of the key deliverables of the company's corporate planning process and prime objective: to create and deliver value for shareholders. The Iluka Game Plan provides cultural and behavioural alignment and all employees, through their annual performance and development review, are aware of the contribution they are expected to make in the areas of financial performance, sustainability and contribution to organisational growth. Employees' performance plans also include a development planning component and the company facilitates professional development across the company, as well as adopting internal mechanisms to identify high performance individuals and to facilitate succession planning across all levels of the company. Succession planning is in place for leadership positions, including the Managing Director and his direct reports.

Iluka is committed to investing in training and development. In addition to regulatory compliance training, employees are encouraged and supported to participate in skill and professional training and leadership development.

The workforce was reduced during 2013 by approximately 250 positions associated with major reconfigurations in the production base, due to lower demand for Iluka's mineral sand products, materially lower pricing outcomes and the company's decision to respond to such conditions by flexing, or reducing overall production levels. This had a direct consequence in terms of the number of roles required.

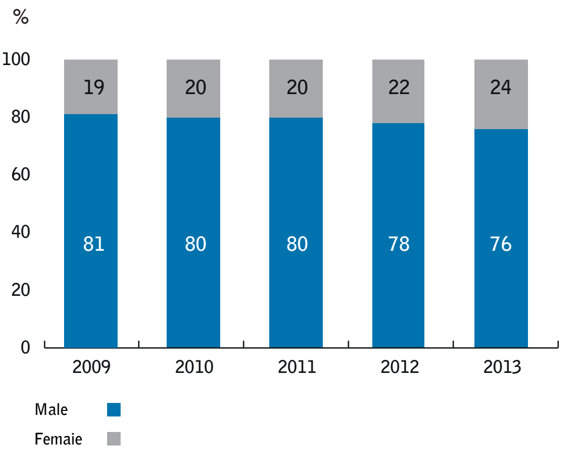
Diversity

Iluka's People Policy underpins the company's approach to diversity. The company respects and encourages workplace diversity and strives to create a flexible and inclusive workplace environment which assists employees to balance their responsibilities. A Diversity Committee, chaired by the Managing Director, continued to meet in 2013 to promote awareness of diversity and integrate workplace diversity principles into company activities, including recruitment, training and employment policies.

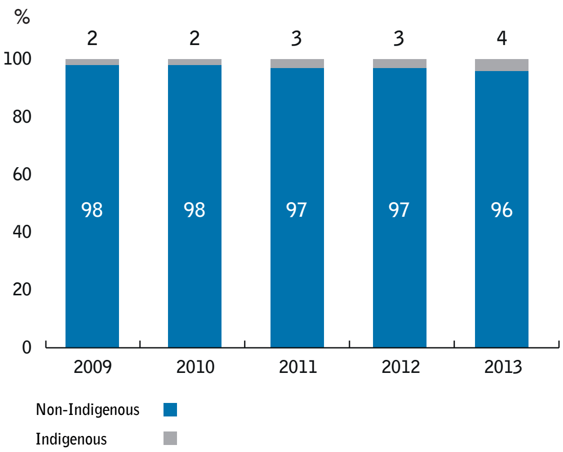
Area of Focus	Objectives	Progress
Promote awareness of diversity	Employees and stakeholders have access to meaningful diversity information.	• Iluka's People Policy and Diversity Standard is highly visible in employee online and physical locations. • Diversity Committee, chaired by the Managing Director, established in 2011. • Diversity initiatives and outcomes are reported to Executive Group and the Remuneration & Nomination Committee of the Board. • Managing Director presentation to the Committee for the Economic Development of Australia, Perth - Diversity Practices at Iluka.
Integrate workplace diversity principles into company activities	An employee manual covering values' policies developed and distributed. Recruitment and selection guidelines reviewed to reflect diversity and inclusion.	• The Iluka Game Plan Guide developed and provided to all employees in 2012. New employees receive a copy on commencement. • A review of people management practices commenced in 2013 to align to the Western Australian Government's Workplace Gender Equality Agency Employer of Choice criteria to Iluka's practices. • Diversity questions included in the biennial employee engagement survey.
Attract, develop and retain more employees across various age ranges, people with a disability, women and indigenous people	Equal opportunities for indigenous people in the workplace. Employer of Choice accreditation. Increased female employment at Board and Senior Management level. Sustainable employment opportunities for people with disabilities.	• Sponsorship partnership with the Clontarf Foundation in Western Australia has resulted in recruitment of 2 trainees and 2 apprentices. • 4% of workforce indigenous. • Survey of 80 employees completed and 83% of respondents believe Iluka was an Employer of Choice. • 1 female Board member; consideration of potential female Directors a criteria in Director selection. • 2 senior females appointed during 2013. 41% of new employees recruited were female. • Iluka seeks to offer employment opportunities for people with disabilities wherever practicable and has employed more people with significant disabilities in 2013.
Create a flexible work-place culture which assists employees to balance their responsibilities	Flexible employment arrangements supported.	• Iluka supports part-time and flexible work arrangements for all employees, including but not limited to, women returning from maternity leave and men wishing to care for young children. 7% of Iluka employees are on part-time arrangements and 10% have flexible work arrangements.

Iluka seeks to achieve a year-on-year increase in female employee numbers levels across all levels in the company. The progress over the last five years is shown below.

GENDER REPRESENTATION 2009 TO 2013



INDIGENOUS REPRESENTATION 2009 TO 2013



Workforce profile from the 2012 to 2013 Workplace Gender Equality Agency Report[1]

	Women		Men		Total	%	
	Full time	Part time	Full time	Part time		Women	Men
Board	0	1	1	6	8	12	88
Senior Executives	1	0	8	0	9	11	89
Senior Managers	6	0	41	2	49	12	88
Line Managers	0	0	11	0	11	0	100
Senior Professionals	16	6	71	2	95	23	77
Professionals	57	6	118	2	183	34	66
Supervisors	0	0	46	0	46	0	100
Coordinators	35	7	89	1	132	32	68
Trades/Technicians	0	0	91	0	91	0	100
Operators	8	0	182	0	190	4	96
Admin/Site Support	49	11	45	2	107	56	44
TOTAL	172	31	703	15	921	22	78

[1] Prepared as part of the public reporting requirements of the Australian Governments' Workplace Gender Equality Act 2012.

The number of indigenous employees has increased from 2012 to approximately 4 per cent. The majority of these employees are based at the Jacinth-Ambrosia operation in South Australia. In 2013, an additional five indigenous people were employed, with four at the Woornack, Rownack and Pirro mining operation in Victoria. Iluka's Narngulu processing operation in Western Australia hired two indigenous apprentices and two indigenous trainees as part of the company's partnership programme with Clontarf.

Employee volunteering

Iluka's volunteer leave programme, introduced in 2011, supports and encourages employees to volunteer their time to community or charity groups. Every employee in the company is able to take two paid working days to contribute individually or in teams, to an organisation that is of direct interest to them.

In 2013, the participation in volunteer leave was 25 per cent of all employees, compared with 14 per cent in 2012. A total of 246 full time equivalent days were recorded, which equates to a community donation of approximately $160 thousand.[1]

[1] Calculated at average cost of $80 per hour per employee, including on-costs.

Stakeholder Relations

Iluka recognises that open and meaningful engagement with stakeholders is integral to the establishment, operation, rehabilitation and relinquishment of its mining and processing facilities.

All engagement activities are conducted in a transparent, collaborative and consistent manner. Stakeholder rights, values, beliefs and cultural heritage aspects are acknowledged, respected and included in the company's decision making process in order to develop mutually beneficial relationships.

The company works in partnership with its stakeholders, including landholders, communities, indigenous groups, non-government organisations and government representatives to add value to the regions in which it operates. Iluka's Stakeholder Relations Policy was revised in 2013 to maintain alignment with the Iluka Game Plan and industry best practice. A Stakeholder Relations Standard was also developed and incorporated in the Environmental, Health and Safety Management System, establishing requirements for all sites, projects and functions. The Policy and Standard outline the company's principles for engagement and ensure its business activities are conducted in consideration of all internal and external stakeholders.

Social impact assessments

Social impact assessments (SIA) were conducted at Iluka's Australian Operational sites in 2012. The studies provided the company with improved understanding of:

- appropriate methods and frequency of communication;
- the attitude towards and perception of Iluka in communities;
- issues of interest regarding the company's operations; and
- community expectations for sponsorship and support.

In response to the SIA recommendations, stakeholder engagement plans for operational sites and major projects were developed during the year. The plans include regulatory requirements, stakeholder identification and prioritisation, engagement activities, methods and frequency. Review of the stakeholder engagement plans will be undertaken annually or earlier for milestone activities.

Iluka's stakeholder complaint recording and resolution procedure was revised in line with industry best practice and Iluka's internal standards. Implementation of the procedure was completed in 2013 at its Australian operations and project sites.

Employment and economic contribution

A study of Iluka's employment and economic contribution was conducted at its Australian operations. The analysis included employment, contractor and procurement data and assessed the direct and indirect contributions at a regional and state level in Western Australia, South Australia, and Victoria. In total, Iluka contributed 1,332 direct jobs, 3,838 indirect positions and $1.1 billion in economic value add to the States and regions where it operates.

Regional employment and economic data – Australian operations

Region - Geographical Region - State	Direct Contribution Employment No. of jobs	Direct Contribution Value Add $m	Indirect Contribution Employment No. of jobs	Indirect Contribution Value Add $m
Eucla Basin				
- Ceduna West Coast	183	54.2	172	20.3
- South Australia	–	–	566	72.6
Murray Basin				
- Regional Victoria	462	148.8	397	–
- Victoria	–	–	1,507	213.2
Perth Basin				
- Mid West & South West	687	283.8	1,010	–
- Western Australia	–	–	1,765	295.9
TOTAL	1,332	486.8	5,417	602.0

Partnering and community investment

In 2013, Iluka's partnering programme involved an investment of approximately $450 thousand, and additional in-kind support to a total of 90 organisations. Iluka's major corporate partnerships include:

- OCHRE Contemporary Dance Company, Western Australia;
- Clontarf Foundation;
- Conservation Volunteers; and
- Virginia Tech Foundation Inc. and Virginia Tech Research Division, USA.

Iluka also commenced a five year partnership with the University of Western Australia to fund a professorial chair for the study and rehabilitation of areas of kwongan heathland in Western Australia.

Iluka joined London Benchmarking Group (LBG) Australia and New Zealand in 2013. LBG is the global standard for measuring and benchmarking corporate community investment. The LBG model will allow Iluka to monitor and measure its community investment inputs (financial and non-financial); outputs and their impacts; improve its understanding of the community and business benefits from the investment; and further seek opportunities that support its business objectives.

Community complaints

The company maintains a community complaint procedure which tracks all community complaints. These complaints are addressed and are reported through to the company's Executive and the Board of Directors.

Although Iluka strives to contribute positively to the communities in which it operates, it recognises that at times activities can impact on the lives of its stakeholders, in particular neighbours and community groups. Iluka closely monitors its operations for potential issues and have site-based representatives to respond to identified, potential or actual impacts with affected stakeholders and, where required, regulators. In 2013, the company received 76 public complaints, an increase from 28 in 2012. The majority of the complaints related to operational matters, including noise and vibration from rail activities and post-mining land use.

Five Year Physical and Financial Summary

Summary physical information

	2013	2012	2011	2010	2009
Production volumes (kt)					
- Zircon	285.1	343.2	601.5	412.9	263.1
- Rutile	127.0	220.3	281.3	250.1	141.4
- Synthetic rutile	59.0	248.3	285.7	347.5	405.0
- Ilmenite	584.5	674.1	661.6	684.9	838.8
Sales volumes (kt)					
- Zircon	370.2	213.8	514.5	478.7	222.6
- Rutile	168.0	105.5	265.9	240.0	138.7
- Synthetic rutile	46.2	169.6	257.7	362.5	396.7
- Ilmenite saleable	337.5	443.2	570.9	373.7	376.4
Weighted average annual prices (US$/t)					
- Zircon	1,150	2,080	1,886	913	815
- Rutile	1,069	2,464	1,174	560	511
- Synthetic rutile	1,150	1,771	878	481	461
Average AUD:USD spot exchange rate (cents)	96.8	103.6	103.2	92.0	79.3
AUD:USD range (cents)	88.5/105.9	96.8/108.1	95.3/110.3	81.2/101.8	62.9/93.7
Unit Revenue and Cash Cost					
Revenue per tonne Z/R/SR sold ($/t)	1,173	1,991	1,480	809	760
Unit cash costs of production per tonne Z/R/SR produced ($/t)	798	719	538	538	560
Summary financials ($m)					
Z/R/SR revenue	685.8	973.8	1,461.2	790.7	517.5
Ilmenite and other revenue	77.3	96.0	75.5	83.7	58.5
Revenue from operations[1]	763.1	1,069.8	1,536.7	874.4	576.0
Cash costs of production	(376.1)	(583.5)	(628.9)	(543.8)	(453.6)
Inventory movement	14.0	346.9	147.7	(2.9)	33.4
Restructure and idle capacity charges	(69.6)	(14.8)	(8.5)	(13.2)	(50.1)
Rehabilitation and holding costs for closed sites	2.8	(9.8)	(36.2)	(10.4)	0.0
Government royalties	(15.2)	(19.6)	(25.2)	(17.1)	(13.7)
Marketing and selling costs	(28.2)	(30.2)	(34.5)	(24.1)	(10.2)
Asset sales and other income	3.1	10.3	7.5	7.4	14.2
Exploration and resources development	(44.9)	(43.1)	(32.7)	(20.1)	(20.4)
- Mineral sands EBITDA	249.0	726.0	925.9	250.2	75.6
- Mining Area C EBITDA	88.3	72.7	88.5	76.3	50.6
- Other EBITDA	(42.1)	(49.9)	(35.1)	(21.4)	(26.1)
- Group EBITDA	295.2	748.8	979.3	305.1	100.1
Significant non-cash items	(40.0)	-	35.6	-	(67.6)
Depreciation and amortisation	(181.7)	(203.1)	(224.6)	(219.0)	(176.6)
Net interest and finance charges	(49.5)	(33.5)	(29.6)	(46.2)	(22.7)
Income tax (expense) benefit	(5.5)	(149.0)	(218.9)	(3.8)	61.5
Net profit (loss) after tax for the period (NPAT)	18.5	363.2	541.8	36.1	(105.3)
Operating cash flow	124.0	368.7	706.2	163.6	83.9
Capital expenditure	(52.5)	(167.3)	(142.5)	(117.2)	(521.6)
Free cash (outflow) inflow[2] ($m)	(27.5)	81.2	589.6	60.7	(209.8)
Net (debt) cash	(206.6)	(95.9)	156.7	(312.6)	(382.1)

[1] 2010-2009 excludes hedging gains/(losses).

[2] Free Cash Flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.

Five Year Physical and Financial Summary

	2013	2012	2011	2010	2009
Capital and dividends					
Ordinary shares on issue (millions)	418.7	418.7	418.7	418.7	418.7
Dividends per share in respect of the year (cents)	9.0	35.0	75.0	8.0	N/A
Franking level (per cent)	100.0	100.0	73.3	0.0	N/A
Opening year share price ($)	9.02	15.50	9.14	3.58	4.64
Closing year share price ($)	8.63	9.02	15.50	9.14	3.58
Financial ratios					
EBITDA/revenue margin %	34.7	65.5	60.3	32.1	16.0
Mineral sands EBITDA/revenue margin %	32.6	67.9	60.3	28.6	13.1
Basic earnings (loss) per share (cents)	4.4	87.1	130.1	8.6	(8.7)
Cash flow per share (cents)	(6.6)	19.4	140.6	14.5	(50.1)
Return on shareholders' equity[3] (per cent)	1.2	23.2	42.5	3.2	(7.5)
Return on capital[4] (per cent)	2.2	31.3	54.9	5.0	(9.6)
Gearing (net debt/net debt + equity) (per cent)	11.8	5.8	N/A	21.8	25.9
Financial position as at 31 December ($m)					
Total assets	2,368.7	2,426.6	2,453.8	1,939.9	2,098.4
Total liabilities	(830.6)	(859.5)	(919.1)	(815.3)	(1,003.1)
Net assets	1,538.1	1,567.1	1,534.7	1,124.6	1,095.3
Shareholders' equity	1,538.1	1,567.1	1,534.7	1,124.6	1,095.3
Net tangible asset backing per share ($)	3.65	3.74	3.65	2.54	2.46

[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.

Operating Mines – Physical Data

12 Months to 31 December 2013

	Jacinth-Ambrosia	Murray Basin	Western Australia	Australia Total	Virginia	Group Total
Mining						
Overburden moved bcm	279.4	11,358.5	236.4	11,874.3	0.0	**11,874.3**
Ore mined kt	8,684.1	3,020.2	2,600.9	14,305.2	4,995.1	**19,300.3**
Ore grade HM %	8.5	26.8	7.3	12.1	6.4	**10.7**
VHM grade %	7.7	22.7	6.4	10.6	5.3	**9.3**
Concentrating						
HMC produced kt	664.3	396.0	163.2	1,223.5	314.8	**1,538.3**
VHM produced kt	594.6	348.1	139.2	1,081.9	244.8	**1,326.7**
VHM in HMC assemblage %	89.5	87.9	85.3	88.4	77.8	**86.2**
Zircon	55.7	25.3	12.4	40.1	14.6	**34.9**
Rutile	6.4	42.1	6.1	17.9	0.0	**14.2**
Ilmenite	26.9	19.1	62.6	29.1	63.1	**36.1**
HMC processed kt	254.7	227.2	254.5	736.4	307.8	**1,044.2**
Finished product kt						
Zircon	147.3	59.8	38.4	245.5	39.6	**285.1**
Rutile	16.3	93.7	17.0	127.0	0.0	**127.0**
Ilmenite	68.5	183.7	142.7	394.9	189.6	**584.5**
Synthetic rutile produced kt			59.0	59.0		**59.0**

Explanatory Comments on Terminology

Overburden moved (bank cubic metres) refers to material moved to enable mining of an ore body.

Ore mined (thousands of tonnes) refers to material moved containing heavy mineral ore.

Ore Grade HM % refers to percentage of heavy mineral (HM) found in a deposit. In the case of Murray Basin it excludes grade attributable to low quality, unsaleable ilmenite which is returned to the mine.

VHM Grade % refers to percentage of valuable heavy mineral (VHM) - titanium dioxide (rutile and ilmenite), and zircon found in a deposit.

Concentrating refers to the production of heavy mineral concentrate (HMC) through a wet concentrating process at the mine site, which is then transported for final processing into finished product at one of the company's two Australian mineral processing plants, or the Virginia mineral processing plant.

HMC produced refers to heavy mineral concentrate (HMC), which includes the valuable heavy mineral concentrate (zircon, rutile, ilmenite) as well as other non valuable heavy minerals (gangue).

VHM produced refers to an estimate of valuable heavy mineral in heavy mineral concentrate expected to be processed.

VHM produced and the VHM assemblage - provided to enable an indication of the valuable heavy mineral component in HMC.

HMC processed provides an indication of material emanating from each mining operation to be processed.

Attributable finished product is provided as an indication of the finished production (zircon, rutile, ilmenite – both saleable and upgradeable) attributable to the VHM in HMC production streams from the various mining operations. Finished product levels are subject to recovery factors which can vary. The difference between the VHM produced and finished product reflects the recovery level by operation, as well as processing of finished material/concentrate in inventory. Ultimate finished product production (rutile, ilmenite, zircon) is subject to recovery loss at the processing stage – this may be in the order of 10%.

Ilmenite saleable is ilmenite produced for sale rather than as a synthetic rutile feedstock.

Ilmenite upgradeable is that which is used in the manufacture of synthetic rutile. Typically 1 tonne of upgradeable ilmenite will produce between 0.58 to 0.62 tonnes of SR. Iluka also purchases external ilmenite for its synthetic rutile production process.

Refer Iluka's website www.iluka.com – Mineral Sands Technical Information for more detailed information on the mineral sands mining and production process.

Statutory Information

Directors' Report

The Directors present their report on the group consisting of Iluka Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2013.

OPERATING AND FINANCIAL REVIEW

ABOUT ILUKA

Iluka is a leading mineral sands company involved in mineral sands exploration, project development, operations and marketing. Iluka is the largest global producer of zircon and the second largest producer of titanium dioxide products, with a leading position in the high grade products of rutile and synthetic rutile. These products are used in a diverse range of applications from ceramics and paint to jet engines and solar panels. The company also has a royalty associated with a tier one iron ore operation - BHP Billiton's Mining Area C province in Western Australia.

Iluka's objective is to create and deliver value for shareholders supported by values centred on Commitment, Integrity and Responsibility. To facilitate this, a focus on environment, health and safety performance is paramount, while the company must continue to attract high quality people, provide training and growth opportunities for existing employees, and maintain a commitment to diversity and sustainability principles.

Features of the company's business approach include the following:

Operations

- Globally integrated operations located in lower risk jurisdictions
- Over 60 years mineral sands exploration, mining, processing and metallurgy operational experience
- Highly skilled operators and extensive technical knowledge base in an industry with limited external technical consulting resources
- Flexible and integrated operating base
- Strategic and tactical approach to match production to sales through the cycle, with ability to quickly adapt to changing market conditions
- Approximately 10 years reserve cover, with resources six times ore reserves

Products and Marketing

- Broad product suite from lower risk jurisdictions
- Focus on high margin products
- World's largest zircon producer, second largest titanium dioxide producer
- Innovative marketing approach including strong direct customer relationships, worldwide distribution points, in-country presence in key markets, and commitment to further market penetration

Growth

- Technically experienced in-house exploration team and drilling capability with domestic and international programme
- Suite of internal growth options - several under advanced evaluation
- New developments subject to strict financial return criteria and assessed against industry supply-demand dynamics
- Focus on product development and innovation
- Mineral sands and non-mineral sands corporate acquisition opportunities assessed

Further information regarding Iluka's operations can be found on pages 6 to 7 of the Annual Report, entitled Features of 2013 along with the section Operational Review on pages 18 to 19.

BUSINESS STRATEGIES AND FUTURE PROSPECTS

Iluka maintains its commitment to a range of activities designed to generate future growth and deliver value for shareholders. This has a number of elements:

- feasibility study work progressing or completed on five potential mineral sands projects in Australia and the United States, to a stage where an execute decision can be taken, depending on financial characteristics and market conditions;
- continued expansion of the company's international marketing presence, through increased in-country presence, including additional points of representation in China, establishment of new country offices, such as Dubai which serves the Indian and European markets; increased industry and market analysis, and expansion of warehousing and distribution facilities;
- a close monitoring of the nascent China chloride pigment industry as a market opportunity;

- an increased commitment to international mineral sands exploration, with early stage tenement acquisition or evaluative work in multiple overseas jurisdictions, as well as the establishment of a small, dedicated new commodities capability, involving recruitment of geologists to evaluate non-mineral sands potential on existing tenements;
- reestablishment of a heavy mineral resource position in Sri Lanka through the grant and acquisition of a large, long life, scaleable sulphate ilmenite deposit;
- an increased investment commitment to innovation and development activities; and
- assessment of external mineral sands and non-mineral sand acquisitions, partnering or investment opportunities.

Iluka's business approach has the following key elements:

- flex asset operation in line with market demand;
- continue market development through the cycle;
- preserve/advance mineral sands growth opportunities;
- maintain a strong balance sheet;
- continue to evaluate/pursue corporate growth opportunities; and
- act counter-cyclically where appropriate.

The future prospects of the company are dependent on the execution of the company's business strategies and by operating and market demand/supply conditions for its principal products.

Further detail surrounding the future prospects for Iluka are detailed in the Growth section on pages 22 to 29 of the Annual Report.

BUSINESS RISKS AND MITIGATIONS

Iluka maintains a whole of business approach to the management of risks, recognising that prudent risk taking is a key element of the Iluka Game Plan. This approach allows both opportunities and threats to be identified and managed effectively. Iluka has adopted a risk management framework which sets out the processes for the identification and management of risk across the group.

The Board delegates responsibility for identifying and managing risks to management. Management is required to report to the Board on those risks which could have a material impact on the company's business. The Audit and Risk Committee assists the Board with regard to oversight of the company's risk management practices.

Through its risk management framework Iluka seeks to:

- embed a culture of risk awareness and decision making;
- identify, assess and manage risks in a structured and systematic manner;
- enable prudent risk taking in line with business objectives and strategies;
- establish and monitor appropriate controls in line with business objectives and strategies;
- ensure material business risks are effectively identified, communicated and appropriately elevated throughout all levels of management to the Board; and
- fulfil governance requirements for risk management.

Set out below are the key risk areas that could have a material impact on the company and its ability to achieve its objective. The nature and potential impact of risks changes over time. The risks described below are not the only risks that Iluka faces, and whilst every effort is made to identify and manage material risks, additional risks not currently identified or detailed below may also adversely affect future performance.

Product demand risks

The resources sector typically exhibits cyclicality. In 2013 Iluka operated in business conditions of cyclically low demand for its products resulting in lower volumes being sold at lower prices than in 2012. Iluka maintains a risk based approach to business planning and asset configuration to take account of uncertainties in global economic performance and the nature of associated demand swings. In this case, Iluka has implemented significant asset reconfiguration measures as well as seeking to reduce cash expenditure levels.

Financial risks

Iluka faces risks relating to the cost of and access to funds, movement in interest rates and foreign exchange rates (refer note 17). Iluka maintains a Treasury Policy which establishes the framework and parameters under which the Treasury function operates. The Policy seeks to ensure all financial risks are fully recognised, managed and recorded in a manner consistent with:

- Iluka's Board management philosophy;
- generally accepted industry practice and corporate governance standards; and
- shareholder expectations of a mineral sands producer.

Any changes to, or breaches of, the Treasury Policy are reported to the Board.

Project development risks

Iluka as a matter of business focus, regularly assesses its ability to enhance its production profile, or extend the economic life of deposits, by the development of new deposits within its portfolio. A failure to develop and operate projects in accordance with expectations could negatively impact results of operations and the company's financial position. A structured capital process and project delivery framework is utilised to facilitate successful project development and mitigate risks in bringing new projects into operation.

Growth risks

To ensure a sustainable business going forward, Iluka attempts to generate growth options through exploration, innovation and identification of appropriate external growth opportunities. The ability of Iluka to create and deliver value for shareholders is to some extent dependent on success in growth strategies.

Evaluating growth opportunities requires a disciplined process of project selection and interrogation to maximise the opportunity to identify value potential and to achieve desired financial outcomes. This entails established disciplines and systems to evaluate value opportunities and assess the potential impact of a range of modifying factors on potential business outcomes.

Country risk

Increasing international activities have increased Iluka's exposure to country risks. The potential development of international opportunities can be jeopardised by changes in fiscal or regulatory regimes, difficulties in interpreting or complying with local laws and reversal of current political, judicial or administrative policies.

Business interruption risks

Circumstances may arise which preclude sites from operating; including natural disaster, critical plant failure or industrial action. Iluka's operations depend on the use of key items of infrastructure; including ports, railways and roads which are owned and maintained by other parties. Iluka undertakes regular reviews and mitigation of property and business continuity risks. Iluka also conducts planning and preparedness activities to ensure rapid and effective response in the event of a crisis. Appropriate business policies and training seek to support Iluka's risk mitigation activities.

Social licence to operate risks

An integral part of Iluka's activities is maintaining a social licence to operate. Iluka's safety, health, environmental, people and stakeholder performance is overseen by the Board and is supported by policies and procedures, including stakeholder engagement risk assessments, which influence how the company will operate.

2013 OVERVIEW OF RESULTS

Iluka recorded a profit after tax for the year of $18.5 million, compared with $363.2 million for the previous corresponding period.

Sales volumes of zircon, rutile and synthetic rutile (Z/R/SR) increased 19.5 per cent year-on-year finishing 2013 at 584.4 thousand tonnes compared to 488.9 thousand tonnes in 2012. Mineral sands sales revenue for the year ended 31 December 2013 was $763.1 million (2012: $1,069.8 million). Revenue per tonne of Z/R/SR sold during 2013 declined by 41.1 per cent to $1,173 per tonne, compared with $1,991 per tonne in 2012.

Total cash production costs in 2013 were reduced by 35.5 per cent from 2012 levels to $376.1 million (2012: $583.5 million). The lower total cash production costs arose from lower utilisation of some assets, a reduction in employment levels and other cost saving initiatives.

Given the fixed cost component of the business, unit cash costs of production of $798 per tonne of Z/R/SR reflected some inefficiencies at low production levels when compared with 2012 (2012: $719 per tonne of Z/R/SR). These inefficiencies can be expected to reverse as production reverts to more usual levels. Unit cash costs declined in the second half of 2013 to $748 per tonne of Z/R/SR (1st half 2013: $848 per tonne), reflecting 13.7 per cent lower cash production costs in the second half, following the idling of the Tutunup South mine and synthetic rutile (SR) kiln 2 in Western Australia in the first half.

Total cash production costs exclude restructure and idle costs, which amounted to $69.6 million in 2013 (2012: $14.8 million). Restructure costs amounted to $33.5 million, which compares to $50 million of expected restructure costs disclosed in the 2012 Annual Report, the lower outcome reflecting better than anticipated commercial outcomes.

Mineral sands EBITDA for 2013 was $249.0 million, a 65.7 per cent decrease compared with the previous corresponding period. Mineral sands EBIT decreased by 94.7 per cent to $27.7 million (2012: $523.3 million) including idle asset write downs of $40.0 million (2012: $nil).

Mining Area C iron ore royalty earnings (MAC) increased by 21.6 per cent to $87.9 million (2012: $72.3 million), reflecting higher iron ore sales volumes and price and higher capacity payments of $4.0 million (2012: $3.0 million).

Profit before tax was $24.0 million (2012: $512.2 million). A net tax expense of $5.5 million (2012: $149.0 million) was recognised in respect of the profit for the period, at an effective tax rate of 22.9 per cent (2012: 29.1 per cent).

Free cash outflow of $27.5 million compares to a free cash inflow of $81.2 million in the previous corresponding period. Operating cash flow remained positive at $124.0 million although at reduced levels from the previous corresponding period (2012: $368.7 million). Tax payments of $140.1 million compare to a tax expense of $19.7 million. Payments in the year include $118.4 million in respect of earnings in 2012.

Net debt at 31 December 2013 was $206.6 million, with a corresponding gearing ratio (net debt/net debt + equity) of 11.8 per cent. This compares with net debt at 31 December 2012 of $95.9 million and a gearing ratio of 5.8 per cent. Undrawn facilities at 31 December 2013 were $579.6 million (2012: $718.2 million) and cash at bank was $46.4 million (2012: $54.3 million). Free cash flow in January 2014 was $78.1 million (January 2013: $6.0 million) and net debt at 31 January 2014 was $130.5 million (31 January 2013: $98.0 million).

Directors have determined a fully franked dividend of 4 cents per share, payable on 3 April 2014 with a record date of 6 March 2014.

OVERVIEW OF SALES AND PRODUCTION

	2013	2012	2011	2012 vs 2013 % change
Sales (kt)				
Zircon	370.2	213.8	514.5	73.2
Rutile	168.0	105.5	265.9	59.2
Synthetic rutile	46.2	169.6	257.7	(72.8)
Total Z/R/SR sales	**584.4**	**488.9**	**1,038.1**	**19.5**
Ilmenite - saleable	337.5	443.2	570.9	(23.8)
Total sales volumes	**921.9**	**932.1**	**1,609.0**	**(1.1)**
Z/R/SR revenue ($m)	685.8	973.8	1,461.2	(29.6)
Ilmenite and other revenue ($m)	77.3	96.0	75.5	(19.5)
Total mineral sands revenue[1] ($m)	**763.1**	**1,069.8**	**1,536.7**	**(28.7)**
Revenue per tonne of Z/R/SR sold[2] ($/t)	1,173	1,991	1,406	(41.1)
Production (kt)				
Zircon	285.1	343.2	601.5	(16.9)
Rutile	127.0	220.3	281.3	(42.4)
Synthetic rutile	59.0	248.3	285.7	(76.2)
Total Z/R/SR production	**471.1**	**811.8**	**1,168.5**	**(42.0)**
Ilmenite	584.5	674.1	661.6	(13.3)
Total saleable production volume	**1,055.6**	**1,485.9**	**1,830.1**	**(29.0)**
HMC produced	1,538.3	1,529.7	2,121.6	0.6
HMC processed	1,044.2	1,468.1	1,937.6	(28.9)
Cash costs of production ($m)	376.1	583.5	628.9	35.5
Unit cash cost per tonne of Z/R/SR produced ($/t)	798	719	538	(11.0)

[1] Mineral sands revenues include revenues derived from other materials not included in production volumes, including activated carbon products and iron oxide.

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

Mineral sands sales volumes

Sales volumes for zircon for the full year were 370.2 thousand tonnes (2012: 213.8 thousand tonnes), a 73.2 per cent increase, with sales of 210.9 thousand tonnes in the first half and 159.3 thousand tonnes in the second half of 2013.

Zircon demand overall recovered in 2013, but the recovery was uneven across geographical markets, end use sectors, as well quarter to quarter and sales remain below the levels seen in 2010 and 2011.

Combined sales volumes for the high grade titanium dioxide products of rutile and synthetic rutile for the full year were 214.2 thousand tonnes (2012: 275.1 thousand tonnes), a 22.1 per cent decrease reflecting higher rutile sales (up 59.2 per cent) offset by lower synthetic rutile volumes (down 72.8 per cent). Sales of rutile and synthetic rutile combined in the second half were 137.9 thousand tonnes, compared with 76.3 thousand tonnes in the first half. A decline in aggregate high grade titanium dioxide (rutile/synthetic rutile) sales, despite a stronger second half, reflected lower demand for high grade feedstocks from the pigment sector during a period when alternate feedstocks, particularly those available under legacy contracts, were preferred.

Iluka sold 337.5 thousand tonnes of ilmenite in 2013 (2012: 443.2 thousand tonnes), with lower sales to both chloride pigment and sulphate slag segments.

Mineral sands production

Overall production volumes of Z/R/SR were 471.1 thousand tonnes, representing a 42.0 per cent decline from the previous corresponding period (2012: 811.8 thousand tonnes). Lower annual production in 2013 reflects production constraints consistent with Iluka's preferred approach to a period of low market demand, facilitating a progressive draw down of finished goods inventory.

INCOME STATEMENT ANALYSIS

$ million	**2013**	**2012**	**% change**
Z/R/SR revenue	685.8	973.8	(29.6)
Ilmenite and other revenue	77.3	96.0	(19.5)
Mineral sands revenue	**763.1**	**1,069.8**	**(28.7)**
Cash costs of production	(376.1)	(583.5)	35.5
Inventory movement	14.0	346.9	(96.0)
Restructure and idle capacity charges	(69.6)	(14.8)	(370.3)
Rehabilitation and holding costs for closed sites	2.8	(9.8)	n/a
Government royalties	(15.2)	(19.6)	22.4
Marketing and selling costs	(28.2)	(30.2)	6.6
Asset sales and other income	3.1	10.3	(69.9)
Resources development	(44.9)	(43.1)	(4.2)
Mineral sands EBITDA	**249.0**	**726.0**	**(65.7)**
Depreciation and amortisation	(181.3)	(202.7)	10.6
Idle asset write downs	(40.0)	-	n/a
Mineral sands EBIT	**27.7**	**523.3**	**(94.7)**
Mining Area C	87.9	72.3	21.6
Corporate other costs	(41.2)	(45.7)	9.8
Foreign exchange loss	(0.9)	(4.2)	(78.6)
Group EBIT	**73.5**	**545.7**	**(86.5)**
Net interest and bank charges	(13.1)	(6.6)	98.5
Rehabilitation unwind, discount rate change and other finance costs	(36.4)	(26.9)	(35.3)
Profit before tax	**24.0**	**512.2**	**(95.3)**
Tax expense	(5.5)	(149.0)	96.3
Profit for the period (NPAT)	**18.5**	**363.2**	**(94.9)**
Average AUD/USD (cents)	**96.8**	**103.6**	**6.6**

Mineral sands operational results

	Revenue		**EBITDA**		**EBIT**	
$ million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Australia	676.5	958.2	274.6	706.3	67.7	513.7
United States	86.6	111.6	30.1	70.0	19.1	63.0
Exploration and other	-	-	(55.7)	(50.3)	(59.1)	(53.4)
Total	**763.1**	**1,069.8**	**249.0**	**726.0**	**27.7**	**523.3**

An overview of performance for Australian operations and United States operations is provided later in this report. Commentary in respect of the income statement analysis is provided on the following page.

Mineral sands revenue

Mineral sands sales revenue for the year was $763.1 million representing a decrease of 28.7 per cent compared with the previous corresponding period (2012: $1,069.8 million) despite Z/R/SR sales volumes increasing 19.5 per cent.

Lower revenue reflects a material reduction in sales prices, with average Z/R/SR revenue per tonne declining from $1,991 in 2012 to $1,173 in 2013. Zircon prices commenced 2013 materially lower than 2012 levels and remained stable for much of the year before softening slightly in the fourth quarter, with a resultant weighted average annual zircon price for 2013 of US$1,150 per tonne, a reduction of approximately 45 per cent year-on-year. Weighted average rutile pricing declined during 2013 by approximately 56 per cent to US$1,069 per tonne, associated with the weak demand for high grade titanium products.

Cash costs of production

Cash costs of production were $376.1 million, a 35.5 per cent decline relative to the previous corresponding period (2012: $583.5 million) associated with operational adjustments implemented in the period, which included plant idling and reductions in workforce levels. Cash costs of production include costs such as iron oxide processing, char and WHIMs ilmenite transport costs of $19.6 million (2012: $7.7 million).

As a result of lower Z/R/SR production, partially offset by the decline in cash costs of production, the unit cash costs of production for 2013 were $798 per tonne of Z/R/SR, compared with $719 per tonne of Z/R/SR in 2012.

Inventory movement

Inventory of finished product decreased by $82.6 million to $402.0 million due to sales of Z/R/SR exceeding production by 113.3 thousand tonnes during the year, offset partially by an increase in ilmenite stocks. Work in progress (WIP) inventory has increased by $100.5 million in light of reduced processing of material through the mineral separation plants at Narngulu (Western Australia) and Hamilton (Victoria) and maintaining production at the Jacinth-Ambrosia, South Australia and Woornack, Rownack and Pirro (WRP), Victoria mines.

Restructure and idle capacity cash charges

In response to weak market conditions, Iluka took measures to curtail production and reduce production costs in late 2012 and into 2013, including plant idling and reductions in workforce levels. This has resulted in higher restructure and idle capacity costs compared with the previous corresponding period. Restructure costs incurred in the year amounted to $33.5 million, of which $31.1 million was in the first half, with the remaining cost relating to idle capacity charges incurred during periods of no production.

Rehabilitation and holding costs for closed sites

Rehabilitation and holding costs for closed sites have a net credit of $2.8 million in 2013. Changes in cost estimates for rehabilitation work associated with closed sites in Australia and the US reduced the rehabilitation provision by $5.5 million (2012: increase of $8.3 million), resulting in a release of these costs to the profit and loss account. This credit is offset partially by costs incurred relating to ongoing maintenance work completed on closed sites.

Government royalties

Government royalties decreased with lower sales revenue.

Marketing and selling costs

Lower marketing and selling costs are mainly due to improved freight cost management with a move to bulk freight transfers, partially offset by an expanded global marketing presence and changes in selling arrangements in some locations, including increased direct sales arrangements.

Resources development

Costs are higher than the previous corresponding period at $44.9 million (2012: $43.1 million) reflecting increased expenditure related to new product development, offset partially by reduced exploration activity, especially within Australia. Exploration expenses, which form part of the overall resource development expense, reduced to $21.5 million from $29.5 million in 2012.

Depreciation and amortisation

The decrease of $21.4 million compared to the previous corresponding period reflects the idling of plant during the period, including the mining operations at Eneabba and Tutunup South in Western Australia and the SR 2 and SR 3 synthetic rutile kilns in Western Australia.

Idle asset write downs

The write down in the carrying value of idle assets of $40.0 million relates to equipment in Western Australia that is likely to remain idle as a result of changes in mine plans and successful technical developments.

Mining Area C

Iron ore sales volumes increased 10.8 per cent to 52.5 million dry metric tonnes (DMT). The average AUD realised price upon which the royalty is payable increased by 8.9 per cent from the previous corresponding period. The EBIT contribution of $87.9 million includes $4.0 million of annual capacity payments for production increases in the year to 30 June (2012: $3.0 million).

Corporate and other

Corporate and other costs are $2.7 million lower than the previous corresponding period, including lower charges for the group's equity remuneration schemes.

Foreign exchange

Foreign exchange translation losses were $4.2 million compared to a gain of $0.4 million in the previous corresponding period.

Rehabilitation unwind and discount rate change

Rehabilitation unwind costs have increased $10.0 million from 2012 mainly associated with a reduction in the risk free discount rates used in the calculation of the net present value of the rehabilitation provisions in Australia and the US. The change in discount rate resulted in a $38.5 million increase to the rehabilitation provisions, of which $18.0 million was charged to profit and loss in respect of closed sites.

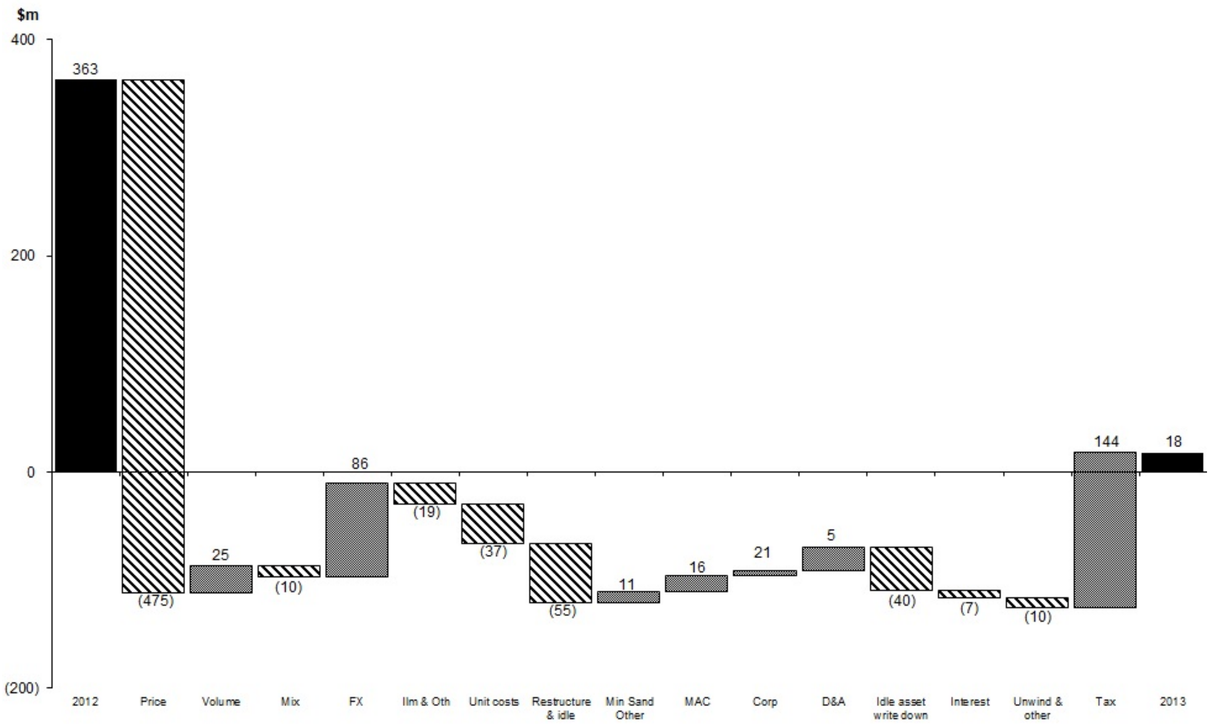
Interest

The increase in net interest costs reflects an increase in borrowings during the year, with net debt increasing to $206.6 million from $95.9 million at 31 December 2012.

Tax expense

The income tax expense of $5.5 million is at an effective tax rate of 22.9 per cent compared to 29.1 per cent in the previous corresponding period.

MOVEMENT IN NPAT



Commentary in respect of each bar in the NPAT waterfall above is provided on the following page.

Z/R/SR sales price (-ve $475 million)

Lower average prices than the previous corresponding period for all products. Average annual zircon prices were US$1,050 per tonne, a reduction of 45 per cent year-on-year. Softening demand in the high grade titanium market resulted in rutile prices achieving an average US$1,069 per tonne, 57 per cent lower year-on-year and synthetic rutile was 35 per cent lower year-on-year with an average annual price of US$1,150 per tonne.

Z/R/SR sales volumes (+ve $25 million)

The amount reflects the impact of higher Z/R/SR sales volumes (up 19.5 per cent on the previous corresponding period) using the average margin achieved for Z/R/SR product sales in the current period.

Z/R/SR sales mix (-ve $10 million)

Z/R/SR sales volumes for the period include a higher proportion of lower priced zircon and a lower proportion of higher priced synthetic rutile products than in the previous corresponding period.

Z/R/SR foreign exchange (+ve $86 million)

The impact of a lower weighted average spot exchange rate of 95.0 cents applicable to Z/R/SR revenue compared with the rate in the previous corresponding period of 103.0 cents. Foreign exchange impacts on operating costs, mainly those relating to the US operations, are included in the overall movement in unit costs.

Ilmenite and other products (-ve $19 million)

Decreased volume of ilmenite sales combined with lower prices.

Z/R/SR unit cost of sales (-ve $37 million)

Higher unit cash costs of sales for Z/R/SR sold during the period reflects higher cost of goods sold and a change in sales mix to higher cost material.

Restructure and idle capacity (-ve $55 million)

The increase in costs is predominantly the result of $33.5 million of restructure costs in the year as a result of operational adjustments, including contract terminations for idled plant and reductions in workforce levels. The remaining increase is due to more operations being idle compared to the previous corresponding period.

Mineral sands other costs (+ve $11 million)

The lower costs are due mainly to revisions in cost estimates for rehabilitation on closed sites in Australia and lower royalty costs as a result of lower sales revenue.

Mining Area C (+ve $16 million)

Iron ore royalties increased compared to the previous corresponding period due to a 10.8 per cent increase in sales volumes to 52.5 million dry metric tonnes, combined with an 8.9 per cent decrease in realised AUD iron ore prices. MAC capacity payments of $4.0 million, before tax, were $1.0 million higher than in the previous corresponding period. Production from MAC for the royalty year ended 30 June 2013 amounted to 54.1 million wet metric tonnes. Royalty and capacity payments are payable on dry metric tonnes.

Depreciation and amortisation (+ve $21 million)

The lower charges compared to the previous corresponding period are due mainly to the idling of plant and operations during the year, including Eneabba and Tutunup South mining operations and the SR 2 and SR 3 kilns.

Idle asset write downs (-ve $40 million)

The write down in the carrying value of idle assets of $40.0 million relates to equipment in Western Australia that is likely to remain idle as a result of changes in mine plans and successful technical developments.

Corporate (+ve $5 million)

Lower corporate costs reflect lower charges for the group's equity remuneration schemes, combined with continuing focus on cost minimisation.

Interest and bank charges (-ve $7 million)

Net interest costs increased due to lower cash holdings, with interest income for cash on deposit reducing by $5.9 million from the previous corresponding period.

Rehabilitation unwind and other finance charges (-ve $10 million)

The increase from the previous corresponding period reflects the charge to profit and loss in respect of the increase to provisions for closed sites resulted from a reduction in the discount rate used in the determination of the liabilities.

Tax (+ve $144 million)

The variance reflects the decreased tax expense as a result of the declining earnings compared to the previous corresponding period.

BALANCE SHEET, CASH FLOW AND NET DEBT

Balance sheet by operation - $ million

31 December 2013	AUS	US	MAC	Corp	Group	31 Dec 2012
Receivables	151.5	15.1	21.1	3.8	**191.5**	139.5
Inventories	751.0	44.1	-	-	**795.1**	780.5
Payables and accruals	(48.1)	(12.6)	-	(10.7)	**(71.4)**	(76.1)
Employee and other provisions	(10.7)	(4.7)	-	(11.3)	**(26.7)**	(38.2)
Rehabilitation provisions	(409.3)	(56.6)	-	-	**(465.9)**	(444.5)
Property, plant & equipment	1,222.7	76.9	-	14.9	**1,314.5**	1,430.3
Intangibles	-	-	5.9	-	**5.9**	6.3
Capital employed	**1,657.1**	**62.2**	**27.0**	**(3.4)**	**1,743.0**	**1,797.8**
Net tax (asset) liability					**(1.7)**	134.8
Net debt (cash)					**206.6**	95.9
Total equity					**1,538.1**	1,567.1
Net funding					**1,743.0**	**1,797.8**

Higher receivables are associated mainly with additional sales in December compared to the previous corresponding period.

Higher inventories mainly reflect an increase of $100.5 million in work in progress product to $358.4 million (2012: $257.9 million), partially offset by an $82.6 million decrease in finished product stocks to $402.0 million. Higher work in progress values reflects increased heavy mineral concentrate (HMC) due to HMC produced of 1,538.3 thousand tonnes exceeding the HMC processed of 1,044.2 thousand tonnes. The drawdown in finished goods is due mainly to sales of Z/R/SR exceeding production by 113.3 thousand tonnes. Inventories include $271.0 million of predominantly concentrate material classified as non-current (2012: $257.9 million) and $34.7 million of consumable stores (2012: $38.0 million).

Lower property, plant and equipment values reflect mainly the depreciation charge for the period of $181.3 million and idle asset write downs of $40.0 million being higher than capital expenditure of $52.5 million, offset partially by currency retranslation effects on US balances and increases related to adjustments to rehabilitation obligations.

The reduction in the net tax liability is a result of reduced earnings combined with final settlement in the year of the 2012 Australian tax liabilities following return to a tax paying position in the previous corresponding period. The net tax asset includes $1.8 million of tax payable in respect of 2013 and prior years, with the balance being deferred tax amounts due to timing differences between tax and accounting treatments.

Net debt increased $110.7 million compared to the previous corresponding period due to free cash outflow for the year of $27.5 million, payments of $62.8 million in respect of the 10 cent 2012 final dividend in April 2013 and the 5 cent 2013 interim dividend in September 2013 and currency translation impacts of $18.6 million on the USD component of net debt. In June 2013, a US$40.0 million tranche of the US Private Placement Notes was repaid in accordance with its maturity; this debt was subject to an interest rate and cross currency swap to AUD with the effective repayment of $56.9 million being matched by debt drawn under the group's existing bank facilities. The final US$20.0 million tranche of the US Private Placement Notes is due for repayment in June 2015. The group has $800.0 million of bank facilities which expire in April 2017.

Movement in net (debt) cash

$ million	Full Year 2012	1st Half 2013	2nd Half 2013	Full Year 2013
Opening net cash (debt)	**156.7**	**(95.9)**	**(197.0)**	**(95.9)**
Operating cash flow	368.7	92.4	31.6	124.0
MAC royalty	76.1	36.1	46.6	82.7
Exploration	(34.4)	(9.8)	(13.3)	(23.1)
Interest (net)	(0.7)	(6.6)	(7.1)	(13.7)
Tax	(159.1)	(124.0)	(16.1)	(140.1)
Capital expenditure	(167.3)	(31.5)	(21.0)	(52.5)
Purchase of Sri Lanka deposits	-	-	(4.6)	(4.6)
Asset sales	1.4	0.7	1.3	2.0
Share purchases for employee share schemes	(3.5)	(1.8)	(0.4)	(2.2)
Free cash flow	**81.2**	**(44.5)**	**17.0**	**(27.5)**
Dividends	(333.7)	(41.9)	(20.9)	(62.8)
Net cash flow	**(252.5)**	**(86.4)**	**(3.9)**	**(90.3)**
Exchange revaluation of USD net debt	2.2	(13.8)	(4.8)	(18.6)
Amortisation of deferred borrowing costs	(2.3)	(0.9)	(0.9)	(1.8)
Increase in net debt	**(252.6)**	**(101.1)**	**(9.6)**	**(110.7)**
Closing net debt	**(95.9)**	**(197.0)**	**(206.6)**	**(206.6)**

Operating cash flow in the year of $124.0 million is significantly lower than the previous corresponding period, reflecting lower sales revenue.

MAC cash flows were $6.6 million higher than the previous corresponding period reflecting higher MAC royalty income of $14.0 million, offset partially by higher amounts receivable for the December quarter, payable in January of the subsequent year.

Tax payments in the year of $140.1 million were $19.0 million lower than the previous corresponding period due mainly to lower payments in respect of prior years (2013 included $118.4 million in respect of 2012 and 2012 included $152.3 million in respect of 2011). Iluka resumed quarterly tax payments in Australia during the year.

Capital expenditure of $52.5 million in the year related mainly to various major projects, including Cataby (Western Australia), West Balranald (New South Wales) and Hickory (Virginia), as well as the construction of additional product storage facilities.

Share purchases are on-market purchases associated with the group’s equity based incentive plans.

A 2013 interim dividend of 5 cents per share was paid in October 2013 and a 2012 final dividend of 10 cents per share was paid in April 2013. 2012 cash flows included the 2012 interim dividend of 25 cents per share paid in the second half of 2012 and the 2011 final dividend of 55 cents per share paid in the first half of 2012.

The exchange revaluation of USD net debt in the year of $18.6 million period predominantly reflects the retranslation of US$105.0 million of debt from an exchange rate of 104.0 cents at 31 December 2012 to 89.1 cents at 31 December 2013. The exchange impacts in previous periods reflect more stable exchange rates and lower levels of USD denominated net debt.

REVIEW OF AUSTRALIAN OPERATIONS

		2013	2012	% change
Production volumes				
Zircon	kt	245.5	293.8	(16.4)
Rutile	kt	127.0	220.3	(42.4)
Synthetic rutile	kt	59.0	248.3	(76.2)
Total Z/R/SR production	**kt**	**431.5**	**762.4**	**(43.4)**
Ilmenite	kt	394.9	459.4	(14.0)
Total production volume	**kt**	**826.4**	**1,221.8**	**(32.4)**
HMC produced	kt	1,223.5	1,206.6	1.4
HMC processed	kt	736.4	1,117.5	(34.1)
Unit cash cost of production - zircon/rutile/SR	$/t	708.0	687.0	(3.1)
Mineral sands revenue	**$m**	**676.5**	**958.2**	**(29.4)**
Cash costs of production	$m	(305.4)	(523.6)	41.7
Inventory movements	$m	(0.6)	328.3	n/a
Restructure and idle capacity charges	$m	(69.6)	(12.8)	(443.8)
Rehabilitation and holding costs for closed sites	$m	3.2	(9.1)	n/a
Government royalties	$m	(15.2)	(19.6)	22.4
Marketing and selling costs	$m	(14.8)	(18.1)	18.2
Asset sales and other income	$m	0.5	3.0	(83.3)
EBITDA	**$m**	**274.6**	**706.3**	**(61.1)**
Depreciation & amortisation	$m	(166.9)	(192.6)	13.3
Idle asset write downs	$m	(40.0)	-	n/a
EBIT	**$m**	**67.7**	**513.7**	**(86.8)**

Total Z/R/SR production decreased from the previous corresponding period reflecting completion of operating adjustments commenced in late 2012 to curtail output in response to lower demand, to facilitate a progressive draw down of finished goods inventory, as well as to reduce total operating costs.

Cash costs of production are $218.2 million lower than the previous corresponding period as a result of the idling of mining at Eneabba and Tutunup South (Western Australia) during the year and curtailed production of finished goods due to lower processing of HMC and the idling of both synthetic rutile kilns. Whilst Z/R/SR production has reduced by 43.4 per cent compared to the previous corresponding period, HMC production remains constant across the periods reflecting normal mining activities at Jacinth-Ambrosia and WRP. The increase in reported unit cash cost reflects the calculation of this measure based on cash costs of production and Z/R/SR production.

The inventory movement reflects increased WIP offset by a drawdown in finished goods products as a result of sales of Z/R/SR exceeding production during the year. In the previous corresponding period the increase related mainly to a build of finished goods.

Restructure and idle capacity charges have increased significantly compared to the previous corresponding period due to the decisions taken in the year to curtail production. Of the total balance, $33.5 million relates to restructure costs most of which were incurred in the first half of 2013.

Lower government royalties reflect decreased mineral sands revenues associated with lower sales prices.

Lower marketing and selling costs reflect improved freight cost management with a move to bulk freight.

Lower depreciation and amortisation charges are a result of idling operations, including the SR 2 and SR 3 kilns in Western Australia, with no depreciation being charged on idle assets.

The idle assets write downs relate to old equipment in Western Australia; three wet concentrator plants, two mining unit plants and capitalised expenditure associated with restarting synthetic rutile kiln 3 which was idled in the first half of 2013.

REVIEW OF UNITED STATES OPERATIONS

		2013	2012	% change
Production volumes				
Zircon	kt	39.6	49.4	(19.8)
Ilmenite	kt	189.6	214.7	(11.7)
Total saleable production volume	**kt**	**229.2**	**264.1**	**(13.2)**
HMC produced	kt	314.8	323.1	(2.6)
HMC processed	kt	307.8	350.6	(12.2)
Unit cash cost of production - saleable product	$/t	308.0	238.0	(29.4)
Mineral sands revenue	**$m**	**86.6**	**111.6**	**(22.4)**
Cash cost of production	$m	(70.7)	(59.9)	18.0
Inventory movements	$m	14.6	18.6	(21.5)
Rehabilitation costs for closed sites	$m	(0.4)	(0.7)	(42.9)
Marketing and selling costs	$m	-	0.4	(100.0)
EBITDA	**$m**	**30.1**	**70.0**	**(57.0)**
Depreciation & amortisation	$m	(11.0)	(7.0)	(57.1)
EBIT	**$m**	**19.1**	**63.0**	**(69.7)**

Zircon and ilmenite production is 13.2 per cent lower than the previous corresponding period as production was reduced based on the availability of HMC for processing from the Concord and Brink mines in the United States.

Higher unit cash cost of production reflect lower finished goods production volumes, higher local cash costs and an unfavourable exchange rate movement.

Lower sales revenue is due to lower realised zircon prices and lower ilmenite sales volumes, partially offset by increased zircon sales volumes.

The inventory movement for the year predominantly reflects a build in ilmenite inventory, representing 31 per cent of the annual production.

Higher depreciation and amortisation charges are due to higher capital spend at the end of 2012 and in 2013 resulting primarily from mining unit relocations at both mine sites which have short economic lives.

NON-IFRS FINANCIAL INFORMATION

This annual report uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, group EBITDA and group EBIT which are used to measure both group and operational performance. A reconciliation of non-IFRS financial information to profit before tax is provided below. Non-IFRS measures have not been subject to audit or review.

	AUS	US	Exploration & Other[1]	**Mineral sands**	MAC	Corp	**Group**
Mineral sands revenue	676.5	86.6		**763.1**			**763.1**
Mineral sands expenses	(401.9)	(56.4)	(55.8)	**(514.1)**			**(514.1)**
Mining Area C					88.3		**88.3**
Foreign exchange						(0.9)	**(0.9)**
Corporate costs						(41.2)	**(41.2)**
EBITDA	**274.6**	**30.2**	**(55.8)**	**249.0**	**88.3**	**(42.1)**	**295.2**
Depreciation & amortisation	(166.9)	(11.0)	(3.4)	**(181.3)**	(0.4)		**(181.7)**
Ilde assets write down	(40.0)			**(40.0)**			**(40.0)**
EBIT	**67.7**	**19.2**	**(59.2)**	**27.7**	**87.9**	**(42.1)**	**73.5**
Net interest costs						(13.1)	**(13.1)**
Rehabilitation unwind	(31.7)	(2.9)		**(34.6)**		(1.8)	**(36.4)**
Profit before tax	36.0	16.3	(59.2)	**(6.9)**	87.9	(57.0)	**24.0**
Segment result	*36.0*	*16.3*			*87.9*		***140.2***

[1]Comprises resource development costs ($44.9m), marketing and selling costs ($13.5m), offset by asset sales and other income ($2.6m).

DIRECTORS

The following individuals were Directors of Iluka Resources Limited during the whole of the financial year and up to the date of this report:

G Martin
W Osborn
J Ranck
G Rezos
D Robb
J Seabrook
S Turner

On 18 December 2013, Mr G Pizzey retired as both Chairman and Director. He was replaced as Chairman by Mr G Martin. On 21 February 2014, Mr M Bastos was appointed as Director.

DIRECTORS' PROFILES

Greg Martin, BEc, LLB, FAIM, MAICD, Chairman

Mr Martin was appointed to the Board with effect from 1 January 2013. He has over 30 years' experience in the energy, utility and infrastructure sectors, having spent 25 years with the Australian Gas Light Company Ltd (AGL), including five years as CEO and Managing Director. After leaving AGL, Mr Martin was CEO of the infrastructure division of Challenger Financial Services Group and, subsequently, Managing Director of Murchison Metals Limited. He is currently Chairman of Prostar Investments (Australia) Pty Ltd, and a non-executive Director of Santos Ltd, Energy Developments Limited and the industry-funded Australian Energy Market Operator. Mr Martin is Chairman of the Board, a member of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee (appointed 21 February 2014).

Directorships of Listed Entities (last 3 years):
Santos Limited (appointed October 2009)
Energy Developments Limited (appointed May 2006)
Murchison Metals Limited (appointed May 2011, resigned November 2012)

Wayne Osborn, DipEng, MBA, FTSE, MIE(Aust), MAICD, Chairman of the Remuneration and Nomination Committee

Mr Osborn was appointed to the Board in March 2010. He is a former Managing Director of Alcoa of Australia Limited. He is a director of Wesfarmers Limited and Alinta Holdings. Mr Osborn is Chairman of the Australian Institute of Marine Science. He was formerly a director of Leighton Holdings Limited, the Australian Business Arts Foundation and Vice President of the Chamber of Commerce and Industry, Western Australia. Mr Osborn is Chairman of the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years):
Leighton Holdings Limited (appointed November 2008, resigned March 2013)
Wesfarmers Limited (appointed March 2010)

James Hutchison Ranck, BSE (Econ), FAICD

Mr Ranck was appointed to the Board with effect from 1 January 2013. He has held senior management positions with DuPont, both in Australia and internationally in finance, chemicals, pharmaceuticals and agriculture for over 30 years. He also served as a Director of DuPont's Hong Kong based subsidiary, Titanium Technologies, for seven years. Mr Ranck retired as Managing Director of DuPont Australia and New Zealand and Group Managing Director of DuPont ASEAN in May 2010. He is currently a non-executive Director of Elders Limited and the CSIRO. Mr Ranck is a member of the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years):
Elders Limited (appointed 2008)

Gavin Rezos, BA, LLB, B.Juris, MAICD

Mr Rezos was appointed to the Board in June 2006. He has extensive Australian and international investment banking experience and is a former Investment Banking Director of the HSBC Group with regional roles during his HSBC career based in London, Sydney and Dubai. Mr Rezos has held chief executive positions and executive directorships of companies in the technology, energy and resources areas in the UK, US and Singapore and was formerly a director of Amity Oil NL (Antares). He is Chairman of Alexium International Group Limited, a principal of Viaticus Capital Pty Ltd and a director of Rowing Australia. Mr Rezos is a member of the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years):
Alexium International Group Limited (appointed March 2010)
Niuminco Group Limited, formerly DSF International Holdings Limited (appointed November 2008, resigned August 2011)

David Alexander Robb, BSc, GradDip (Personnel Administration), FAIM, FAICD, Managing Director

Mr Robb is Managing Director and CEO of Iluka Resources Limited. He is also currently a Director of the Centre for Independent Studies and Chair of the Faculty of Engineering, Computing and Mathematics at the University of Western Australia. He worked in the downstream oil industry with BP in Australia, the UK, the USA and Asia, before joining Wesfarmers in Perth in 1995. In 2004 he was appointed an Executive Director of Wesfarmers Limited, a role relinquished in 2006 on joining Iluka. Other previous roles include Chairman of Consolidated Rutile Limited and Deputy Chair of Methodist Ladies College, Perth.

Jennifer Anne Seabrook, BCom, FCA, FAICD, Chairman of the Audit and Risk Committee

Ms Seabrook was appointed to the Board in May 2008. She is also a non-executive director of IRESS Ltd and Export Finance and Insurance Corporation and is a Special Advisor to Gresham Partners Limited. She was formerly a member of the Takeovers Panel (2000 to 2012), and previous directorships include being a non-executive director of Amcor Limited, Bank of Western Australia Limited, West Australian Newspapers Holdings Limited, Australian Postal Corporation, Alinta Gas and Western Power. In her executive career Ms Seabrook worked at senior levels in chartered accounting, capital markets and investment banking businesses. Ms Seabrook is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years):
IRESS Limited (appointed August 2008)
Amcor Limited (appointed December 2011, resigned July 2012)

Stephen John Turner, BCom, ACA

Mr Turner was appointed to the Board in March 2010. He is a founder of the London Stock Exchange listed company, International Ferro Metals Limited. He was the Chief Executive Officer of International Ferro Metals Limited from 2002 to 2009 and continues as a director of that company. He is also a director of South American Ferro Metals Limited and Chairman of Vantage Goldfields Limited. Mr Turner has had responsibility for resource projects in Australia, Africa and the Pacific Islands. He was a founding director of the Australian subsidiary of PSG Investment Group, a South African investment bank. He is an Australian Chartered Accountant. Mr Turner is a member of the Audit and Risk Committee.

Directorships of Listed Entities (last 3 years):
International Ferro Metals Limited (appointed January 2002)
South American Ferro Metals Limited (appointed November 2010)
Vantage Goldfields Limited (appointed October 2009)
Timpetra Resources Limited (appointed May 2010, resigned May 2013)

George John Pizzey, BE(Chem), FellDip(Management), FTSE, FAICD, FAIM

Mr Pizzey was appointed to the Board in November 2005 and retired in December 2013. He has extensive experience in mining and mineral processing. Mr Pizzey was Chairman of Alcoa of Australia and held a number of senior executive positions with Alcoa Inc (USA). He is Chairman of Alumina Limited and a director of Amcor Limited. He was formerly a director of St Vincent's Medical Research Institute (retired November 2011) and of the London Metal Exchange UK from 1997 to 2003.

Directorships of Listed Entities (last 3 years):
Alumina Limited (appointed June 2007)
Amcor Limited (appointed September 2003, resigned December 2013)

Marcelo Bastos, Mechanical Engineering (UFMG), MBA (FDC-MG), MAICD

Mr Bastos was appointed to the Board with effect from 20 February 2014. Mr Bastos is the Chief Operating Officer of the global resources company, MMG Limited, with responsibility of operations in three continents. He has extensive experience in major projects development and operation, and company management in the metals and mining industry (iron ore, gold, copper, nickel and coal sectors). Mr Bastos has served as the Chief Executive Officer of BHP Billiton Mitsubishi Alliance (BMA), as President of Nickel West of BHP Billiton Limited, President and Chief Operating Officer of Cerro Matoso and Nickel Americas of BHP Billiton and also had a 19 year career with Vale (CVRD) in senior management and operational positions, last of those as Director of Non Ferrous operations. He is a former non-executive director of Golding Contractors Pty Ltd. He is also a former Member of the Western Australia Chamber of Mines and Energy and served as Vice President of the Queensland Resources Council. Mr Bastos is a member of the Audit and Risk Committee (appointed 21 February 2014).

MEETINGS OF DIRECTORS

	Board of Directors' meetings		Audit and Risk Committee meetings		Remuneration and Nomination Committee meetings	
	Number attended	Number held	Number attended	Number held	Number attended	Number held
G Martin	8	9	6	6	-	-
W Osborn	8	9	-	-	-	-
G Pizzey	9	9	-	-	-	-
J Ranck	9	9	-	-	4	4
G Rezos	8	9	2[1]	2	3	4
D Robb	9	9	-	-	-	-
J Seabrook	9	9	6	6	4	4
S Turner	9	9	6	6	-	-

[1]Mr Rezos resigned from the Audit and Risk committee effective from 24 June 2013.

Although not members of the respective committees:

- Mr Martin attended three Remuneration and Nomination committee meetings;
- Mr Osborn attended five Audit and Risk Committee meetings;
- Mr Pizzey attended five Audit and Risk Committee meetings and four Remuneration and Nomination Committee meetings;
- Mr Ranck attended three Audit and Risk Committee meetings; and
- Mr Turner attended one Remuneration and Nomination Committee meeting.

DIRECTORS SHAREHOLDING

Directors shareholding is set out in note 27.

EXECUTIVE TEAM PROFILES

Matthew Blackwell, B Eng (Mech), Grad Dip (Tech Mgt), MBA, MAICD, MIEAust
Head of Marketing, Mineral Sands

Mr Blackwell joined Iluka in 2004 as President of US Operations. He has had responsibilities for Land Management and as General Manager, USA, before being appointed Head of Marketing, Mineral Sands in February 2014. Prior to joining Iluka he was Executive Vice President of TSX listed Asia Pacific Resources and based in Thailand. Mr Blackwell has a background in mining and processing with positions in project management, maintenance, production and business development.

Chris Cobb, Dip CSM, FIQ, MAICD
Head of Alliances, New Ventures and Royalties

Mr Cobb joined Iluka in 2009 as General Manager, Sales and Marketing and appointed to his current role in February 2014. Mr Cobb has 33 years of resource and manufacturing experience in Africa, Europe, Asia and Australia. Previous roles include five years as Managing Director of Consolidated Rutile Ltd, an ASX listed Queensland mineral sands company, 12 years in copper/cobalt mining in Zambia, and four years as Chief Executive Officer of the largest construction materials company in Malaysia.

Alan Tate, BCom, FCA, FAICD
Chief Financial Officer and Head of Strategy and Planning

Mr Tate joined Iluka in May 2008. He was previously Chief Financial Officer for Jabiru Metals. Prior to joining Jabiru, he held senior planning, finance and accounting roles with BHP Billiton and WMC Resources. He commenced his career with Peat Marwick.

Doug Warden, BCom, CA, MBA, GAICD
Head of Resource Development, Mineral Sands

Mr Warden joined Iluka in 2003 and held a number of senior financial and commercial roles before leaving the company in 2007. Since returning to Iluka in 2009, Mr Warden has held a number of roles including, General Manager Business Development and General Manager Exploration. He was appointed to his current role as Head of Resource Development in early 2013. Mr Warden has previously been CFO at Summit Resources Limited and Jabiru Metals Limited and began his career in corporate finance and insolvency with Ernst & Young and KPMG.

Steve Wickham, Assoc Dip in Mechanical Engineering
Chief Operating Officer, Mineral Sands

Mr Wickham is a mechanical engineer with extensive experience in senior and executive roles in Australia and South Africa in the manufacturing and mining sectors. Prior to joining Iluka in 2007, he was Chief Executive Officer of Ticor South Africa and Managing Director of Australian Zircon.

Cameron Wilson, General Manager, LLB, GAICD
Chief Legal Counsel and Head of Corporate Acquisitions

Mr Wilson joined Iluka in 2004. He has specialised in mining, corporate and general commercial law for most of his professional career. Prior to joining Iluka, Mr Wilson worked in a range of legal and commercial roles with WMC Resources.

COMPANY SECRETARY

Mr Cameron Wilson is the Company Secretary of the Company. Mr Wilson was appointed to the position of Company Secretary in 2004. Refer to the previous section for his profile.

Mr Nigel Tinley BBus CPA GAICD also acts as Company Secretary for the Company. Mr Tinley was appointed to the position of Joint Company Secretary in 2013 and prior to that he held senior positions in Finance and Sales and Marketing. Before joining Iluka in 2006, Mr Tinley held a range of accounting, financial and commercial roles for over 18 years with BHP Billiton Limited (and former BHP Limited) both in Australia and internationally.

REMUNERATION REPORT

The Remuneration Report is set out on pages 63 to 83.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The company indemnifies all Directors of the company named in this report and current and former executive officers of the company and its controlled entities against all liabilities to persons (other than the company or the related body corporate) which arise out of the performance of their normal duties as Director or Executive Officer unless the liability relates to conduct involving bad faith. The company also has a policy to indemnify the Directors and Executive Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The terms of engagement of Iluka's external auditor includes an indemnity in favour of the external auditor. This indemnity is in accordance with PricewaterhouseCoopers' standard Terms of Business and is conditional upon PricewaterhouseCoopers acting as external auditor. Iluka has not otherwise indemnified or agreed to indemnify the external auditors of Iluka at any time during the financial year.

During the year the company has paid a premium in respect of Directors' and Executive Officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

ENVIRONMENTAL REGULATIONS

The group's Australian operations are subject to various Commonwealth and State laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation and access to, and use of, ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation of the state in which they operate and such licenses include requirements specific to the subject site.

So far as the Directors are aware, there have been no material breaches of the group's licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

NON-AUDIT SERVICES

The group may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the external auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- fees paid to external auditors for non-audit services for the 2013 year were within the group policy; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2011* is set out on page 84.

Fees that were paid or payable during the year for non-audit services provided by the auditor of the parent entity, its network firms and non-related audit firms is set out in note 21 on page 117 of the financial report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 21 February 2014, Iluka announced that it had concluded an Investment Agreement with Metalysis Limited (Metalysis) for an interest of 18.3 per cent, subject to usual conditions precedent, for a consideration of £12.2 million (approximately A$22.5 million). Metalysis is a private, Venture Capital funded technology company established in 2001, which is based near Sheffield in the United Kingdom. Metalysis has demonstrated that it is able to produce titanium powder directly from Iluka's main high grade titanium feedstock products of rutile. Iluka's investment in Metalysis provides the following:

- a 18.3 per cent interest, on a fully diluted basis (19.6 per cent on an undiluted basis), which would make Iluka the largest shareholder;
- a right to increase its shareholding to between 20 to 24.9 per cent in the event of an Initial Public Offering;
- a pro-rata first right of refusal over any transfers of existing shares or issues of new shares;
- one Board seat with full voting rights and one observer;
- a non-exclusive world-wide licence over the Metalysis technology to produce titanium powder in return for a revenue royalty on normal commercial terms; and
- right of first offer over future titanium metal licences, excluding current negotiations Metalysis is undertaking with respect to two specific licences.

All conditions precedent were satisfied on 28 February 2014.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, likely developments in and expected results of the operations of the group have been disclosed in the Operating and Financial Review on page 46. Disclosure of further material relating to those matters could result in unreasonable prejudice to the interests of the group.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or in certain cases, to the nearest thousand dollars.

This report is made in accordance with a resolution of the Directors.

G Martin
Chairman
Perth
19 March 2014

Remuneration Report

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The Directors of Iluka Resources Limited present this Remuneration Report (Report) for the consolidated entity for the year ended 31 December 2013. The information provided in this Report has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth) and forms part of the Directors' Report.

This Report sets out remuneration information for the Non-executive Directors, Managing Director and other senior executives, the Key Management Personnel (KMP) who have authority for planning, directing and controlling the activities of the company (as defined in AASB 124 *Related Party Disclosures*).

SECTION 1 2013 OVERVIEW

The following provides an overview of Iluka's remuneration and incentive outcomes in 2013.

Total Fixed Remuneration (TFR) *(Section 5.2)*	A re-organisation, in February 2013, resulted in changes in reporting relationships and individual accountabilities for certain executive roles and, in some cases, re-evaluation of remuneration levels against the market. A separate review was undertaken, as required under the Managing Director's contract, for the Managing Director's remuneration and further details are set out in section 6. Due to the low level of profitability for the company in 2013, the Board has taken the decision, on management's recommendation, to exclude all executives and senior managers from the 2014 salary review.
Short Term Incentive Plan (STIP) *(Section 5.4)*	The 2013 STIP outcome equated to an average payment of 26 per cent of maximum opportunity for all executive KMP (including the Managing Director). The Profitability component of the STIP award reflected the low cycle mineral sands industry conditions and resulting financial outcomes. In determining the final STIP awards, the Board exercised its discretion to adjust the Profitability component for the Managing Director and Executive KMP (50 per cent and 60 per cent of the total STIP opportunity respectively) from a relatively small payment under one of the measures, to a zero result for the Profitability component overall. Strong performance was achieved in relation to the Sustainability targets and executives maintained focus on their individual objectives relating to growth opportunities for the company. There was mandatory deferral of 50 per cent of the STIP award for executives into restricted shares. The deferred portion vests over a two year period, and is subject to clawback during deferral. The 2013 STI outcomes for executive KMP are at a similar level to 2012 (on average 3 per cent lower). Whilst financial performance was lower in 2013 than 2012, targets for each year are set based on industry conditions and business performance expectations at the time. In 2012, a year in which the second highest profit ever for the company was recorded, no payment was made in relation to the Profitability component due to the challenging targets set. Threshold, Target and Stretch levels of performance are set in advance for incentive payments in all financial years and as a result may vary depending on prevailing business performance expectations.

	The Board believes the final 2013 STIP awards reflect 2013 company performance while rewarding actions that are critical to the company's future and so appropriately reflect management performance balanced against outcomes for shareholders.
Long Term Incentive Plan (LTIP) *(Section 5.5)*	100 per cent vesting of the 2011 LTIP (performance period 1 January 2011 to 31 December 2013) reflected: • TSR of 39.4 per cent which ranked at the 91.1st percentile of the S&P/ASX 200 Materials Index comparator group; and • ROE performance of 22.3 per cent against a stretch target of 20 per cent.
Managing Director's Long Term Incentive Deferral (LTID) Plan *(Section 6)*	The Managing Director's LTID plan performance period ended on 1 March 2014. Of the 750,000 share rights offered, 250,000 will vest based on the company's financial performance over the three year period. However, vesting will not occur until 12 months after the end of performance period, that is, vesting will not occur until March 2015 The Board and the Managing Director have agreed that a replacement for the expired Managing Director's LTID plan is not appropriate at this time.
Total Remuneration *(Section 2.1 and Section 10)*	In 2013, average total remuneration for the Managing Director and other executive KMP reduced by 12 per cent on a statutory basis (see section 10) and reduced 16 per cent on a realised or "take-home" basis (non IFRS) (see section 2.1) compared with 2012 total remuneration levels.
Employee Share Plan *(Section 5.7)*	In line with the company's focus on share ownership for all employees, offers were made under the A$1,000 employee share plan in 2013. Overall 596 employees (98 per cent of eligible employees) accepted the offer to participate in the plan for which a total of 56,620 shares were awarded.
Minimum Shareholding Requirements *(Section 5.6)*	Consistent with prior years, the minimum shareholding requirements for executive KMP are 100 per cent of TFR for the Managing Director and 75 per cent of TFR for other executive KMP. Minimum shareholding guidelines were introduced for Non-executive Directors which require a shareholding equivalent to 50 per cent of annual base fees within three years of joining the Board.
Non-Executive Directors Fees *(Section 8)*	No changes were made to Non-executive Director fees in 2013 (fees have not been increased since 2011). The Board determined that Non-executive Director fees and the Non-executive Director fee pool would not be adjusted for the 2014 financial year.
Plans for 2014	During the 2014 financial year, the Remuneration & Nomination Committee will conduct a review of incentive based reward covering the STIP and LTIP arrangements. The purpose of the review is to ensure the company's incentive arrangements continue to support the creation and delivery of value for shareholders and remain appropriate in light of current market practice and other external factors.

SECTION 2 2013 TOTAL REALISED EARNINGS

The table below sets out the total realised earnings for the Managing Director and other executive KMP for 2013 and provides shareholders with details of the "actual" or "take-home" pay executives received during the year.

These earnings include cash salary and fees, superannuation, non-cash benefits received during the year and the full value of incentive payments earned during the performance period ended 31 December 2013. The table does not include the accounting value of share based payments consisting of share rights granted in the current and prior years. This is because those share based payments are dependent on the achievement of performance hurdles and so may or may not be realised.

As indicated in the previous section and illustrated in the following two tables, in 2013 average total remuneration for the Managing Director and other executive KMP reduced by 16 per cent on a realised or "take-home" basis compared with 2012 total remuneration levels.

Details of the remuneration received by the executive KMP prepared in accordance with statutory requirements and accounting standards are detailed on pages 81 to 83 of this Remuneration Report.

2.1 Executive Total Realised Earnings in 2013 (non-IFRS)

Name	Base $	Super $	Other[1] $	2013 STIP[2] $	$	2011 LTIP[3] $	2013 Total Earnings $
				Cash	Restricted Shares	Shares	
D Robb Managing Director	1,984,725	17,603	60,916	380,700	380,700	462,458	3,287,102
C Cobb Head of Marketing	626,815	37,953	30,471	73,149	127,858	158,560	1,054,806
A Tate Chief Financial Officer and Head of Strategy and Planning	637,346	20,658	-	60,042	60,041	163,837	941,924
D Warden Head of Resource Development, Mineral Sands[4]	541,055	35,534	-	65,957	65,957	81,477	789,980
S Wickham General Manager Australian Operations	661,225	17,122	5,476	89,644	156,236	163,837	1,093,540

[1]Includes non-monetary benefits.
[2]Represents the value of the 2013 STIP which was awarded partly in cash and partly in deferred equity in March 2014. Restricted shares remain subject to continued service over a two year vesting period. (See section 5.3 for more details).
[3]Represents the value of the 2011-13 LTIP award for which the performance period concluded 31 December 2013 calculated at the closing share price of $9.39 at the date of vesting (3 March 2014).
[4]Doug Warden was appointed to his current role and became a KMP on 1 July 2013.

2.2 Executive Total Realised Earnings in 2012 (non-IFRS)

The table below shows the total earnings for the Managing Director and other executive KMP relating to the 2012 performance year for comparison purposes.

Name	Base $	Super $	Other[1] $	2013 STIP[2] $	$	2011 LTIP[3] $	2013 Total Earnings $
				Cash	Restricted Shares	Shares	
D Robb Managing Director	1,727,189	22,811	53,146	391,965	391,965	1,235,366	3,822,442
C Cobb Head of Marketing	620,338	46,503	46,298	78,434	132,450	345,902	1,269,925
A Tate Chief Financial Officer and Head of Strategy and Planning	604,012	20,208	-	74,904	74,903	406,847	1,180,874
S Wickham General Manager Australian Operations	631,725	16,123	6,600	79,653	134,511	411,789	1,280,401

[1]Includes non-monetary benefits.
[2]Represents the value of the 2012 STIP which was awarded partly in cash and partly in deferred equity in March 2013. Restricted shares remain subject to continued service over a two year vesting period.
[3]Represents the value of the 2010-12 LTIP award for which the performance period concluded 31 December 2012 calculated at the closing share price of $10.13 at the date of vesting (1 March 2013).
[4]Doug Warden's details are not included as he became a KMP during the 2013 financial year.

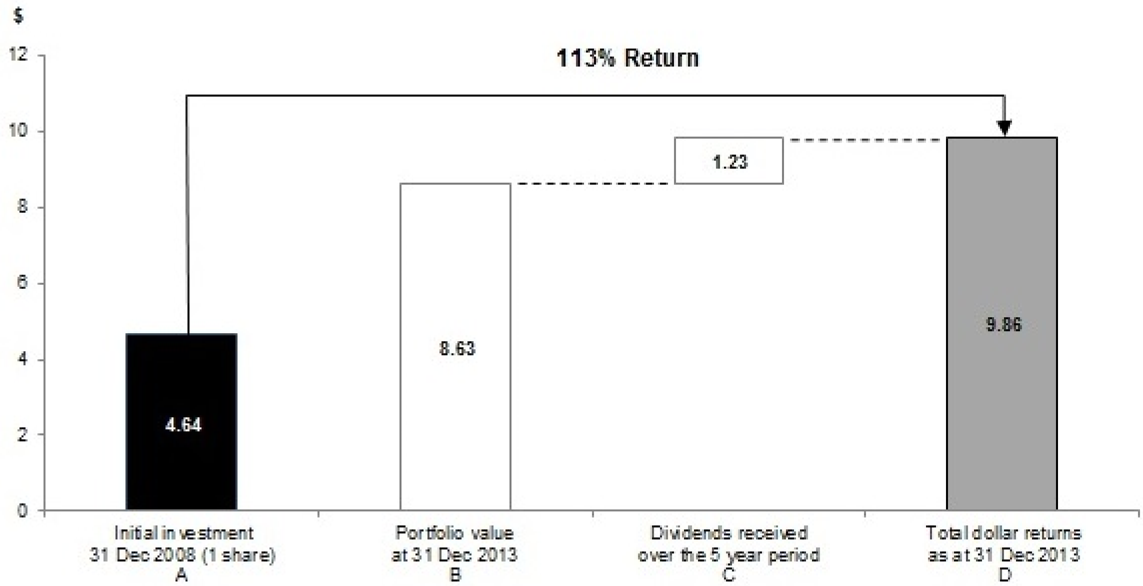
SECTION 3 LINK BETWEEN PERFORMANCE AND REWARD

The following section sets out details of Iluka's financial performance and how performance has translated to incentive outcomes for executive KMP.

3.1 Shareholder Alignment

Shareholder Returns

For the five years to 31 December 2013, shareholders achieved total returns of 113 per cent (before franking credits and tax). This is illustrated in the below chart.



A. A shareholder invests $4.64 to acquire one share on the last day of trading in 2008.

B. As at 31 December 2013, share price was $8.63.

C. Aggregate dividends paid over the five year period were $1.23 per share (before franking credits).[1]

D. Total value of shares plus dividends received as at 31 December 2013 was $9.86 (B+C), amounting to a return of 113 per cent over the five year period.

[1]Comprised of 2010 final dividend (8 cps unfranked), 2011 interim dividend (20 cps unfranked), 2011 final dividend (55 cps franked), 2012 interim dividend (25 cps franked), 2012 final dividend (10 cps franked) and 2013 interim dividend (5 cps franked).

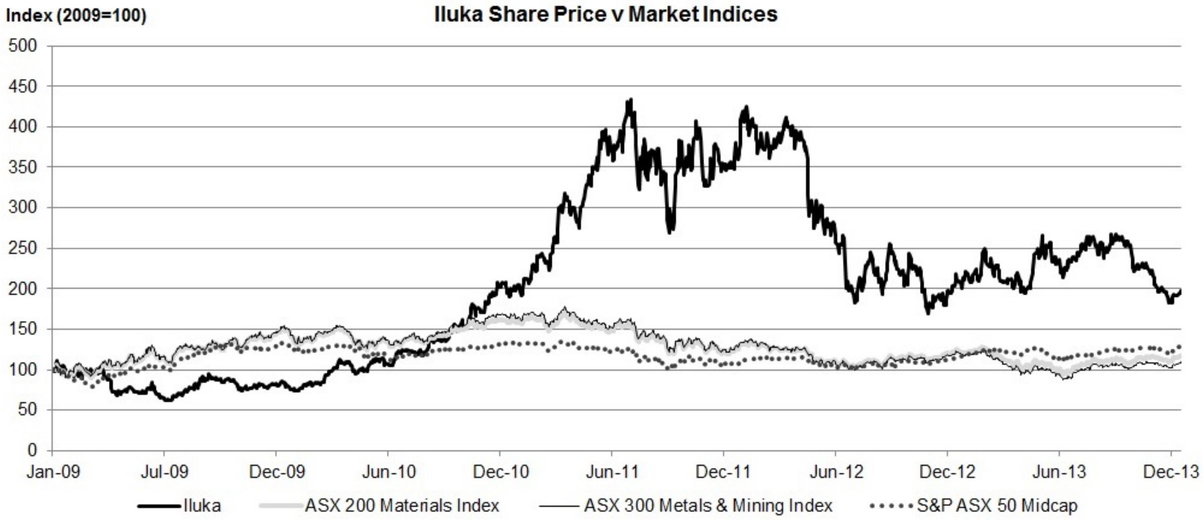
Earnings and free cash flow over the same five year period are set out in the table below:

	31 Dec 09	31 Dec 10	31 Dec 11	31 Dec 12	31 Dec 13
Net profit after tax ($ million)	(82.4)	36.1	541.8	363.2	18.5
Free cash flow ($ million)	(209.8)	60.7	589.6	81.2	(27.5)
Earnings per share (cents)	(20.2)	8.6	130.1	87.1	4.4
Cash flow per share (cents)	(50.1)	14.5	140.6	19.4	(6.6)
Dividends paid (cents)	0	0	28	80	15
Closing share price ($)	3.58	9.14	15.50	9.02	8.63

Over the five years to 31 December 2013, a period in which capital expenditure and free cash flow have varied markedly year to year, 108 per cent of the company's Free Cash Flow (FCF) in total has been paid to shareholders in dividends. Total incentives awarded under the STIP and LTIP over the corresponding period is 10 per cent of FCF.

Share price performance

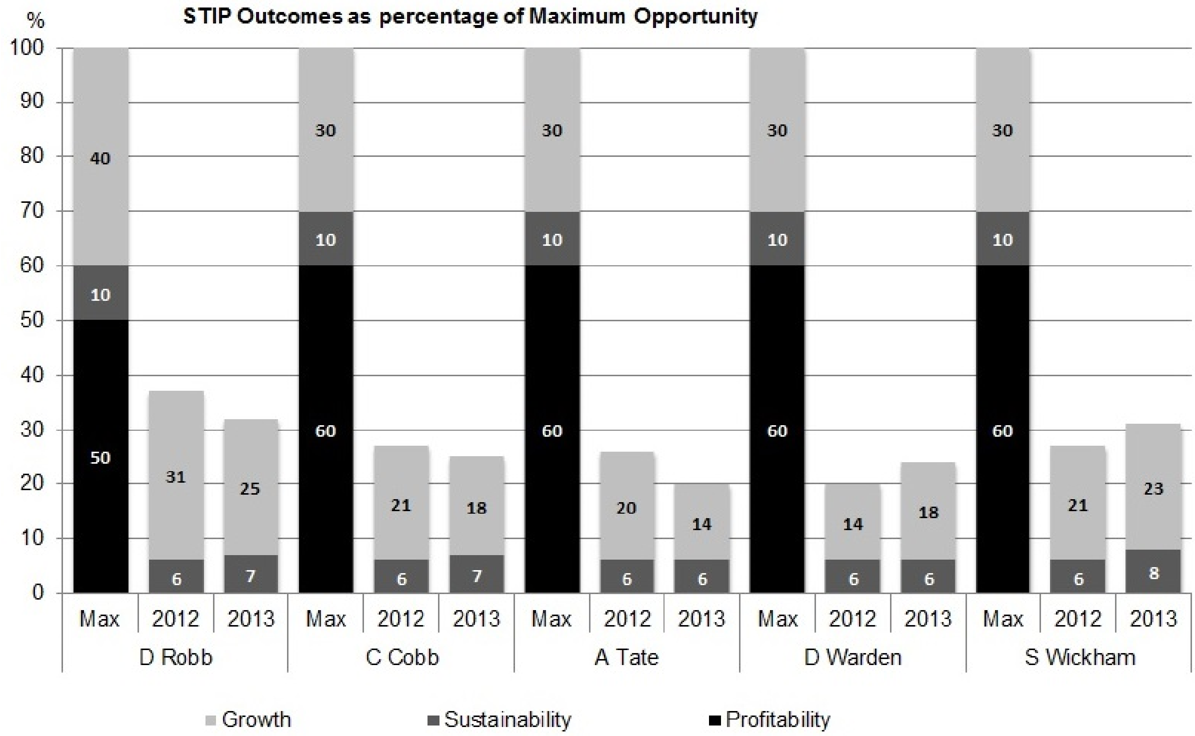
The graph below shows how Iluka's share price has outperformed the ASX 200 Materials, ASX 300 Metals & Mining and ASX 50 Midcap Indices over the corresponding five year period from 1 January 2010 to 31 December 2013.



3.2 Performance Based Reward

2013 STIP Performance

The following chart provides a comparison between the maximum STIP opportunity for the Managing Director and other executive KMP and the actual amounts that were awarded in 2013 and 2012. Note Doug Warden became a KMP during 2013 on appointment to his current role, so 2012 outcomes are not included.



Commentary on the performance outcome for each STIP component is detailed in the next table.

2013 Performance against 2013 STIP Targets

Strategic Driver	STIP Measures	Rationale for inclusion	Outcome
Profitability (50%-60% weighting)	Return on Capital (ROC)	Reflects how efficiently Iluka utilises capital to generate earnings and is the 'internal surrogate' for ROE.	The result for the year of 2.2 per cent (2012: 32.3 per cent) reflects the significantly lower Group EBIT for the year and a relatively stable level of capital employed compared to the prior year.[1]
	Free Cash Flow (FCF)[2]	Reflects the cash generation of Iluka, with higher FCF allowing more dividends to be paid and/or greater investment in sustaining and growing the business while maintaining a conservatively geared balance sheet.	Negative free cash flow for the year of $27.5 million (2012: positive $81.2 million) reflects a lower level of cash inflow due to reduced sales volumes and lower prices offset partially by a reduction in cash costs and capital expenditure. FCF in 2013 also reflects a net increase in working capital of $256.8 million including a reduction in current tax payable of $126.5 million, with the payment of $118 million in tax in 2013 which related to 2012 profit.
	Net Profit After Tax (NPAT)	Reflects the profit made by Iluka and the result impact on returns generated for shareholders.	Competitive market dynamics in a sustained low demand environment led to significantly lower prices being received on average across 2013, when compared to the previous corresponding period. The results were also adversely impacted by idle asset write downs and the impact of changes in discount rates for long dated rehabilitation provisions of $41.0 million after tax.
Sustainability (10% weighting)	Total Recordable Injury Frequency Rate (TRIFR)	Providing a safe workplace for all employees is an integral part of Iluka's corporate objective and values.	Very strong performance with a 56 per cent reduction in the TRIFR from 2012 and a 45 per cent reduction from 2009 levels.
	Severity rate – numbers of days lost per million hours worked	Reflects the amount of time that is lost due to avoidable injuries.	Strong performance against prior year, with 28 per cent reduction from 2012 levels.
	Level 3 & above environmental incidents	Iluka has a strong commitment to ensuring that its activities do not have an adverse impact on the environment.	Strong reporting focus with a continued reduction in the number of incidents and following achievement of stretch targets in 2012.

Strategic Driver	STIP Measures	Rationale for inclusion	Outcome
Growth (30%-40% weighting)	Individual objectives	Individual objectives that advance the company's longer term prospects – which "make a difference" – are referred to as "Growth objectives" and are set at a stretch level. Objectives reflect individual roles and are linked to major business opportunities and the management of key risks as identified in Iluka's five year Corporate Plan, as well as the priorities for the relevant year.	The Managing Director and the Executive achieved, inter alia, the following objectives focusing on the medium to long term future of the company: • progression, economic improvement and delivery flexibility of the company's major project pipeline; • expansion of the company's international marketing presence, logistics capabilities, customer relationships and market knowledge; • exploration tenement acquisition and early stage evaluation work in multiple overseas jurisdictions, including acquisition of potentially long life, scalable sulphate ilmenite deposits in Sri Lanka; • identification and investigation into new technologies and processes with the potential to transform the value of Iluka's resource base; and • year on year progress in workforce diversity across four areas of age, gender, disability and indigenous diversity.

[1]Capital employed includes non-current inventory and property plant and equipment associated with idled operations which do not contribute to earnings.
[2]FCF was included as a profitability measure for 2013 replacing EBIT.

2011 LTIP Outcome

At the end of 2013, the 2011 LTIP grant completed its performance period (1 January 2011 to 31 December 2013). Performance was measured against both the ROE and relative TSR hurdles. Performance and vesting outcomes were as follows:

Component	Performance target	Actual performance	Implication for vesting
ROE (50%)	50% vesting for Threshold of 10% with full vesting at target of 14%	22.97 per cent	Full vesting of the ROE component
Relative TSR (50%) (S&P/ASX 200 Materials Index)	50% vesting for 50th percentile and full vesting for 75th percentile	100th percentile	Full vesting of the TSR component

257,231 shares in total, having been purchased on market, were awarded to participants under the 2011 LTIP.

Iluka's ROE outcome for the last five years is set out in the table below:

	31 Dec 09	31 Dec 10	31 Dec 11	31 Dec 12	31 Dec 13
ROE	(7.5)	3.2	42.5	23.2	1.2

SECTION 4 REMUNERATION GOVERNANCE

4.1 Board Oversight

The Remuneration and Nomination Committee (Committee) operates in accordance with its charter as approved by the Board. The Committee is comprised of the following independent Non-executive Directors:

W G Osborn (Committee Chairman)
J A Seabrook
G A Rezos
J H Ranck

The Committee's responsibility is to provide assistance and recommendations to the Board in support of the company's objective of creating and delivering value for shareholders and in fulfilling its corporate governance responsibilities relating to the following:

- overall remuneration strategy of the company;
- remuneration of Non-executive Directors;
- performance and remuneration of the Managing Director and Executives;
- selection and appointment of, and succession planning for, Non-executive Directors;
- selection and appointment of, and succession planning for, the Managing Director;
- STIP and LTIP offers and outcomes, including all equity offers to employees;
- succession planning for key roles; and
- diversity strategy, policies and practices of the company.

The Committee also makes decisions on behalf of the Board where such authority has been expressly delegated.

4.2 Use of Remuneration Consultants

The Committee has the resources and authority appropriate to discharge its duties and responsibilities, including the authority to engage external professionals on terms it determines to be appropriate. During 2013, external advisers were engaged by the Committee and provided input on several matters relating to remuneration. These advisers were:

- Ernst & Young (EY) – were engaged to provide assistance in relation to executive remuneration including market benchmarking data for Managing Director Remuneration, executive remuneration market trends, the short term incentive plan and Iluka's employee share plans;

- Jackson McDonald and Herbert Smith Freehills - were engaged to provide legal advice in respect of share plans and executive contracts.

During the year ended 31 December 2013 no remuneration recommendations, as defined by the Corporations Act, were provided by Ernst & Young, Jackson McDonald or Herbert Smith Freehills.

4.3 Securities Trading and Hedging Policy

Iluka's policy in relation to employees holding Iluka securities is set out in the company's Securities Trading Policy, which can be found on the company's website at www.iluka.com. The policy sets out the circumstances in which employees may trade in company securities.

Directors and executives are prohibited from trading in financial products issued or created over the company's securities by third parties, and from trading in associated products and entering into transactions which operate to limit the economic risk of their security holdings in the company. This prohibition extends to directors and executives taking out margin loans on their holdings of Iluka securities.

4.4 Clawback Policy

Under the company's STIP and LTIP offer terms and conditions and the plan rules, the Board has discretion to determine forfeiture of deferred or unvested equity awards in certain circumstances (e.g. unlawful, fraudulent, dishonest behaviour or serious breach of obligations owed to the company). All incentive offers and final outcomes are subject to the full discretion of the Board.

4.5 People Policy and Remuneration Principles

The Iluka People Policy seeks to:

- attract and retain the best people while building and maintaining a diverse, sustainable and high achieving workforce;
- recognise that leadership at all levels is required to create alignment of purpose, which together with the right resources, is crucial to the achievement of extraordinary performance; and
- provide a workplace in which our employees gain a sense of achievement based on the principles of accountability, commerciality and engagement.

To achieve these objectives, the following principles form the basis of Iluka's remuneration framework:

Market competitive	• Fixed remuneration reflecting skills, experience and performance and which is comparable and competitive within the resources sector. • An appropriate balance between fixed and variable (at risk) components of remuneration. • Remuneration practice is reasonable and effective through cyclical market conditions.
Performance based	• Variable component focused on both short and long term business performance. • Reward for achievement of corporate and individual objectives. • Targets set reflect both prevailing business performance expectations and minimum requirements over time.
Aligned to shareholder returns	• Performance objectives support business profitability, sustainability and growth and result in improved shareholder returns. • Share ownership for all employees with significant trailing exposure to company performance for executives through deferred share plans and minimum shareholding requirements.
Fair and transparent	• Fair remuneration and reward based on performance. • Clear and concise disclosure. • Compliant with relevant legislative frameworks.

SECTION 5 EXECUTIVE REMUNERATION

The remuneration of executive KMP is linked to both annual business and individual performance outcomes and to the company's ability to create and deliver competitive levels of shareholder value, as defined by total shareholder return (TSR) and return on equity (ROE), on a longer term basis. Managing Director Remuneration is detailed separately in Section 6.

5.1 Components of Executive Remuneration

Executive remuneration is made up of fixed (TFR) and at risk (STIP and LTIP) components. A significant portion of total remuneration is at risk. The components of executive remuneration are as follows:

Total Fixed Remuneration (TFR)	Set at a level that reflects the scope and responsibility of the role, experience and performance. TFR levels are benchmarked against the median level of the resources sector.
Short Term Incentive Plan (STIP)	Strong link to financial performance and delivery of results. Satisfactory individual performance against Growth objectives and above threshold performance against group Profitability and Sustainability targets is required before any award is payable on the relevant component. Equity exposure is achieved through STIP deferral, with 50 per cent of the total STIP award deferred in restricted shares for executives and senior managers and 25 per cent deferred for all other participants. Half of the restricted shares vest one year after the end of the performance period, while the remaining half vests two years after the end of the performance period.
Long Term Incentive Plan (LTIP)	Alignment with shareholder interests with the vesting of the award subject to ROE and TSR over a three year period.

The following table sets out the relative mix of remuneration components as a percentage of total remuneration for executive KMP for the 2013 Financial Year.

		At Risk Remuneration		
	Fixed Remuneration	**Maximum STIP Opportunity[1]**		**LTIP Opportunity[2]**
		STIP Cash	**STIP Equity**	
D Robb	40%	24%	24%	12%
C Cobb	40%	18%	30%	12%
A Tate	45%	20%	20%	14%
D Warden	45%	20%	20%	14%
S Wickham	40%	18%	30%	12%

[1]Subject to achievement of all objectives at stretch
[2]Subject to achievement of TSR and ROE hurdles set

5.2 Total Fixed Remuneration

Total Fixed Remuneration (TFR) consists of base salary, superannuation and any salary sacrifice items. TFR levels are assessed against the median level of the resources sector through independent data provided by Hay Group. Individual TFR is determined within an appropriate range around the market median by referencing job evaluation data, individual experience and performance. Allowance may also be made for the competition for certain skills within the resources sector.

The company conducts a review of the remuneration of all employees and executives on an annual basis or as required. Review guidelines and budgets, approved by the Remuneration and Nomination Committee, are based upon the outcomes of direct and related market review data and external advice from the company's remuneration advisers. Annual assessments of performance against individual objectives are used in conjunction with market data to determine appropriate remuneration recommendations.

A one up approval process applies to all remuneration adjustments with final Managing Director approval prior to any remuneration review being implemented. Remuneration adjustments for direct reports to the Managing Director are subject to Remuneration and Nomination Committee approval.

5.3 Performance and Incentives

The performance and incentive arrangements are comprised of a Short Term Incentive Plan (STIP) and a Long Term Incentive Plan (LTIP). These distinct plans balance the short and long term aspects of business performance, reflect market practice and ensure a strong alignment between the incentive arrangements of executives and the creation and delivery of shareholder value.

Executive Incentive Opportunity

At target levels of performance, the STIP generally represents two-thirds of potential variable remuneration, and the LTIP generally represents one-third.

Plan	Award as percentage of TFR at Target	Award as percentage of TFR at Stretch
STIP*	60% to 90%	90% to 120%
LTIP	30%	N/A

*Varies for individuals according to job size and impact

5.4 Short-Term Incentive Plan (STIP)

The STIP aims to provide an incentive to participants whilst driving shareholder value creation and promoting equity ownership by providing awards partly in cash and partly in deferred equity. The structure of Iluka's STIP is as follows:

Eligibility	All executives and other nominated senior employees are eligible to participate in the STIP. In 2013, 195 employees (representing 23 per cent of employees and including all executives) participated in the STIP.
Entitlement	The level of award opportunity (based on a percentage range of each participant's TFR) is determined by an individual's role within the business and capacity to impact the results of the company.
Performance measures and targets	STIP performance measures and targets are set on an annual basis under the categories of Profitability, Sustainability and Growth. The process for setting all targets is a rigorous one, and measures and targets are subject to the approval of the Remuneration and Nomination Committee. STIP performance measures are linked to Iluka's corporate plan and prevailing industry dynamics to ensure that maximum shareholder returns are being provided to investors. *Profitability* Profitability measures typically consist of return on capital and net profit after tax metrics with the third element varying from time to time between an earnings measure and a cash flow measure. Free Cash Flow (FCF) was introduced in 2013 (replacing EBIT), reflecting the difficult operating and economic environment that was foreseen and the company's focus in such circumstances on cash low maximisation. (See section 3.2 for further details of 2013 STIP performance measures). Profitability targets are set based on the budget agreed by the Board, assessed adequacy of challenge and business objectives. Targets reflect business expectations at that time and may vary from prior year performance depending on economic and market conditions. What are deemed to be challenging targets are set each year. No adjustment is made to targets and outcomes for uncontrollable items such as foreign exchange movements. The Board in all years may exercise discretion (up or down) if circumstances eventuate that are different enough to expectations at the start of the year to warrant such discretion. *Sustainability* Sustainability targets relate to safety and environmental objectives and are set based on a combination of industry best practice and continual improvement versus the prior year performance. *Growth* Individual objectives that advance the company's longer term prospects – which "make a difference" – are referred to as "Growth objectives" and are set at a stretch level. Individual Growth objectives are linked to major business opportunities and risks from the Corporate Plan and business priorities for the year ahead. Executive Growth objectives are set in conjunction with the Managing Director and are reviewed and approved by the Remuneration and Nomination Committee. Managing Director Growth objectives are reviewed and approved by the Board.

Performance levels

For the Profitability and Sustainability STIP performance measures, a threshold, target and stretch goal is set at the start of the performance year. The STIP outcome for the each performance measure is calculated according to the following schedule:

Performance Level	STI Outcome (% Target)
Threshold[1]	0%
Target	100%
Stretch	150% (maximum)

No payment is made in relation to Profitability and Sustainability objectives until above threshold levels of performance achieved.

Achievement of the threshold level of performance exactly results in a zero payout.

Thereafter, a sliding scale operates between threshold and target, and between target and stretch.

Individual Growth objectives are set at a stretch level of performance.

Payment timing

Awards are made in March following the performance year.

STI deferral

The company operates a mandatory deferral for all STIP participants. Fifty per cent of the award (for executives and senior managers) is deferred in the form of ordinary restricted shares (25 per cent is deferred for lower level employees). The Board has discretion to increase the deferred proportion (thereby reducing the cash component).

Half of the restricted shares vests one year after the end of the performance period, while the remaining half vests two years after the end of the performance period.

The process for determining the number of restricted shares to be awarded to each participant is determined by dividing the dollar value of the deferred component by the Volume Weighted Average Price (VWAP) of Iluka shares traded on the ASX over the five trading days following release of the company's full year results.

Executives must remain employed with the company and continue to perform satisfactorily for the shares to vest. As a consequence, executives may have a significant trailing exposure to their own and company performance subsequent to the award. The deferred amount supports executive focus on both annual and multi-year performance, as well as providing a retention element.

Termination/forfeiture

Where an employee resigns or is dismissed for cause, they will forfeit the right to any unvested deferred STIP awards. If an employee leaves due to circumstances such as redundancy, retirement, total or permanent disablement or death, at the Board's discretion they still retain the right to any unvested deferred STIP awards.

Clawback

All STIP incentive offers and final outcomes are subject to the full discretion of the Board. Under the STIP offer terms and conditions and the plan rules, the Board has discretion to determine forfeiture of deferred equity awards in certain circumstances (e.g. unlawful, fraudulent, dishonest behaviour or serious breach of obligations to the company).

[1]Typically set at 90 per cent of budget for Profitability measures

5.5 The Long Term Incentive Plan (LTIP)

Iluka's LTIP is designed to focus executives' attention on sustainable long term growth and align the interests of executives with those of shareholders.

Key details of the LTIP are set out in the table below:

Eligibility	All executives and nominated senior managers are eligible to participate in the LTIP. Grants are generally restricted to employees who are most able to influence shareholder value. In 2013, 110 employees (representing 13 per cent of employees and including all executives) participated in the LTIP.
Instrument	Awards are made in the form of share rights for Iluka shares that vest after three years subject to performance over a three year vesting period. Share rights are issued under the Directors, Executives and Employees Share Acquisition Plan (DEESAP) and entitle the recipient to acquire fully paid ordinary shares in the company. No amount is payable by a recipient for the grant of any share rights under the DEESAP.
Grant value	The level of the grant is determined by an individual's role within the business and capacity to impact the results of the company. The maximum LTIP opportunity for the executive KMP is typically 30 per cent of TFR.
Performance hurdles	The grant is split equally into two components: • one component (50 per cent) is assessed based on ROE relative to an internal target; and • the other component (50 per cent) is assessed based on TSR performance relative to a comparator group of companies.
ROE	The ROE component of the LTIP grant vests based on a prospective three year average ROE performance measure. Vesting occurs on a straight line basis for performance between Threshold and Target. Targets are set giving consideration to: • the company's ROE performance history; • planned strategic and business plan activity throughout the performance period; and • the performance of comparable companies in the ASX 200 Materials Index. Targets are reviewed annually and set for a forward three year period. Targets reflect expectations of the company's position within the mineral sands industry, the industry business cycle, corporate plan and budget business performance expectations. Where sustainable performance improves, it can be expected targets will be increased - within the bounds of feasible achievement - creating a "staircase" effect over time. Similarly, because performance is measured over the three years as an average, a failure to achieve targeted levels of performance in any one year increases the hurdle in the remaining years. In the interest of transparent reporting, Iluka discloses its ROE target range measure which forms part of the LTIP. ROE targets for the 2011, 2012 and 2013 LTIP are shown in the table below:

LTIP Grant	Threshold	Target
2013-2015	10%	14%
2012-2014	40%	50%
2011-2013	12%	20%

TSR	The TSR component of the LTIP grant may vest based on TSR relative to a comparator group of companies. The S&P/ASX 200 Materials Index is used as the comparator group as it reflects the companies that operate within the same industry as Iluka and with which Iluka competes for investment.

A relative TSR hurdle is used as opposed to an absolute TSR hurdle in recognition of the fact that Iluka and many of its peers operate in cyclical markets. This allows awards to still be made where Iluka is out performing its peers, even if the market is in a cyclical low, and creates incentives for executives to continue to grow the business and look to the future at all points in the cycle.

Vesting schedule

The LTIP vesting schedule below details the portion of the grant which will vest after the three year performance period subject to the ROE and TSR hurdles.

Measure	Performance level to be achieved	Percentage of total grant that will vest	Maximum percentage of total grant
ROE	Below threshold	0%	50%
	Threshold	25%	
	Target or above	50%	
TSR	Below 50th percentile	0%	50%
	50th percentile	25%	
	75th percentile or above	50%	
Total Grant (Maximum award)			**100%**

Vesting occurs on a straight-line basis for performance between threshold and target (ROE measure) and 50th percentile and 75th percentile (TSR measure).

If at the end of the performance period the performance criteria have not been met there will be no entitlement to the share rights.

Termination/forfeiture

When employment with Iluka ceases, all unvested share rights are forfeited.

All LTIP offers and details of the maximum allocation for the Managing Director and executive KMP are shown on page 82.

5.6 Minimum Shareholding Requirements

The company places strong emphasis on promoting employee share ownership, as it increases the incentive for employees to drive continual shareholder wealth. In line with this goal, a minimum shareholding requirement for executives has been in place since 2011 to continue to align the interests of executives and shareholders.

As with prior years, the minimum shareholding requirements for executive KMP are:

- the Managing Director is required to maintain a shareholding equivalent to 100 per cent of TFR; and
- executive KMP are required to maintain a shareholding equivalent to 75 per cent of TFR.

Current shareholdings of all executive KMP are disclosed in Section 9 of this Remuneration Report.

5.7 Employee Share Plan

The primary objective of the Iluka Employee Share Plan is to encourage share ownership and a focus on shareholder returns by all employees.

Australian employees are offered shares up to $1,000 under a tax-exempt plan, with a three year sale restriction period. US employees do not have access to a tax exemption plan, and are therefore offered shares up to $1,000 through a grant of restricted shares, also subject to a three year restriction period. To enable US employees to receive a tax deferral, strict forfeiture conditions apply.

In 2013, of the 488 Australian employees eligible to participate in the Employee Share Plan, 479 (98 per cent) accepted the offer. In the US, of the 118 employees eligible to participate, 117 (99 per cent) accepted the offer.

Employees who participated in the STIP or LTIP were not eligible to participate in the 2013 Employee Share Plan.

SECTION 6 MANAGING DIRECTOR REMUNERATION

The employment terms and conditions for the Managing Director, David Robb, are set out below.

Total Fixed Remuneration (TFR)	$2,000,000 for the year ended 31 December 2013. TFR is subject to annual review by the Board in December each year. At the commencement of the 2013 financial year, the Board determined an increase to the Managing Director's TFR was appropriate, taking into account the Managing Director's experience and performance. Prior to this, there had been no increase since 1 January 2011. The Board obtained benchmarking data from EY. The comparator group selected was based on specific resource industry peers with whom Iluka competes for talent. The Board has determined that the Managing Director will not participate in the 2014 financial year salary review.
2013 Short Term Incentive (STIP)	90 per cent of TFR at target with up to 120 per cent of TFR for stretch performance awarded 50 per cent as cash and 50 per cent as deferred equity. **Measure** — **Weighting** Profitability (ROC, FCF, NPAT) — 50 per cent Sustainability (TRIFR, 10 per cent severity rate, and environmental incidents) — 10 per cent Growth (individual objectives) — 40 per cent Growth objectives are set for the Managing Director each year by the Board at the stretch level of performance. These objectives typically vary from year to year in line with the company's objective of creating and delivering value for shareholders.
2013 Long Term Incentive	A grant of equity in the form of share rights valued at up to 30 per cent of TFR measured over of a three year performance period. **Measure** — **Weighting** ROE — 50 per cent TSR — 50 per cent

Long Term Incentive Deferred Plan (2011 to 2013) - Plan Details

	At the 2011 AGM, shareholders approved the following retention arrangements for Mr Robb (referred to as the Long Term Incentive Deferred Plan or LTID Plan).
Retention Offer	750,000 share rights offered in three tranches over a three year retention period with each tranche being subject to performance criteria referable to Iluka's absolute TSR and ROE.
Performance Hurdles	For each tranche of share rights there are TSR performance hurdles referable to each performance period as detailed below. Each tranche is assessed in each of the three years.
- Tranche 1 450,000 Share Rights	A base tranche of 150,000 share rights each year that requires an absolute TSR of 12.5 per cent compounding over the three years.
- Tranche 2 150,000 Share Rights	A base tranche of 50,000 share rights each year that requires an absolute TSR of 15 per cent compounding over the three years.
- Tranche 3 150,000 Share Rights	A base tranche of 50,000 share rights each year that requires an absolute TSR of 17.5 per cent compounding over the three years.
Vesting Conditions	A tranche of share rights will vest on the Vesting Date if the absolute TSR performance hurdle calculated over the Performance Period for that tranche is achieved, subject to achievement of the Gateway.

Gateway

In order for the rights to be awarded in any of the three years, an ROE gateway of at least 12 per cent must be achieved in addition to the TSR hurdle.

Vesting Date

Subject to the performance criteria of each tranche being satisfied, share rights will vest 12 months after the last day of the third Performance Period (i.e. February / March 2015).

Forfeiture

All entitlements under the LTID Plan are forfeited if Mr Robb resigns prior to the end of the three year retention period.

Full details of the Managing Director's LTID Plan can be found on the Remuneration section of Iluka's website (www.iluka.com).

Long Term Incentive Deferred Plan (2011 to 2013) - Outcome

The table below sets out the vesting outcome of the LTID Plan against performance hurdles over the three performance periods and the subsequent share rights that will vest in 2015. A total of 250,000 shares will vest in February/March 2015 versus a maximum possible vesting of 750,000 shares.

Performance Hurdles	ROE gateway (12%)	Tranche 1		Tranche 2		Tranche 3	
		TSR	Outcome	TSR	Outcome	TSR	Outcome
Year 1 Performance Period[1]	Achieved	**12.5%**	Achieved	**15.0%**	Achieved	**17.5%**	Achieved
Year 2 Performance Period[2]	Achieved	**26.6%**	Not Achieved	**32.3%**	Not Achieved	**38.1%**	Not Achieved
Year 3 Performance Period[3]	Not Achieved	**42.4%**	Not Achieved	**52.1%**	Not Achieved	**62.2%**	Not Achieved
Total Share Rights to Vest		150,000		50,000		50,000	

[1]2011 Financial Year - performance measured from 4 March 2011 to the date 5 business days after announcement of the 2011 annual financial results.
[2]2012 Financial Year - performance measured from the end of the Year 1 Performance Period to the date 5 business days after announcement of the 2012 annual financial results.
[3]2013 Financial Year - performance measured from the end of the Year 2 Performance Period to the date 5 business days after announcement of the 2013 annual financial results.

Termination Arrangements

At the 2011 AGM, shareholders approved the following termination payments which may become payable to Mr Robb under the terms of the Executive Employment Agreement entered into between Mr Robb and the company on 11 April 2011.

With Notice

Employment can be terminated by the company during the contract period by giving 12 months' notice or pay in lieu of notice plus the total incentive for performance at target under the STIP and LTIP, pro-rata up to the end of the 12 month notice period. All shares to which Mr Robb is entitled under the DEESAP will vest within three months of termination.

Without Notice

In the case of misconduct and in certain other circumstances, employment can be terminated without notice and with no entitlement to pro-rata long service leave or any payment under any relevant incentive plan.

Voluntary Termination

Employment may be terminated by giving six months' notice. Any pro-rata award under any relevant incentive plan will be at the discretion of the Board.

Termination for other reasons

- By Iluka on the ground of redundancy or by Mr Robb if, at the instigation of the Board he suffers a material diminution in his status as Managing Director, by giving 12 months' notice or shall pay an equivalent amount of TFR in lieu of notice.
- By Iluka if Mr Robb suffers illness, accident or other cause which renders him unable to perform his duties, by giving Mr Robb 12 months' notice or pay an equivalent amount of TFR in lieu of notice.

	• In the circumstances described above, Mr Robb will receive the total incentive for performance at target under the STIP and LTIP, pro-rata up to the end of the 12 month notice period. All shares to which Mr Robb is entitled under the DEESAP will vest within three months of termination.
Protection of Interests	Mr Robb is restrained from engaging in certain activities during his employment, and for a period of one year following termination of his employment, in order to protect Iluka's interests. The Executive Employment Agreement contains provisions relating to the protection of confidential information and intellectual property.

SECTION 7 EXECUTIVE EMPLOYMENT AGREEMENTS

Remuneration and other terms of employment for the Managing Director and executive KMP are formalised in service agreements. The Managing Director and executive KMP are employed on a rolling basis with no specified fixed terms. The Managing Director and executive KMP are remunerated on a TFR basis, inclusive of superannuation.

7.1 Executive KMP Service Agreements

Major provisions of the agreements relating to executive KMP (excluding the Managing Director) are set out below.

Executive	Position	Termination Notice Period by Iluka	Termination Notice Period by Employee	Termination Payments[1]
C Cobb	Head of Marketing	3 months	3 months	9 months
A Tate	Chief Financial Officer and Head of Strategy and Planning	3 months	3 months	9 months
D Warden	Head of Resource Development, Mineral Sands	3 months	3 months	9 months
S Wickham	General Manager Australian Operations	3 months	3 months	9 months

[1]Termination payments (other than for gross misconduct) are calculated on current TFR at date of termination and are inclusive of the notice period.

SECTION 8 NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration of the Non-executive Directors is determined by the Board on recommendation from the Remuneration and Nomination Committee within a maximum aggregate amount approved by shareholders at an Annual General Meeting. The current cap on Non-executive Directors' fees (including superannuation) as approved by shareholders in May 2011 is $1.5 million. The total amount paid to Non-executive Directors in 2013 (including superannuation) was $1,320,427.

There has been no increase to Non-executive Director fees since March 2011 and fees have not been adjusted for the 2014 financial year. Details of Non-executive Director fees in 2013 are as follows:

Non-Executive Director Fees	
Board Chairman (inclusive of Committee fees)	$312,000
Board Member	$125,000
Board Member Committee Fees	
Audit and Risk Committee Chair	$35,000
Remuneration and Nomination Committee Chair	$25,000
Audit and Risk Committee Member	$17,500
Remuneration and Nomination Committee Member	$12,500

The minimum required employer superannuation contribution up to the statutory maximum is paid into each Non-executive Director's nominated eligible fund and is in addition to the above fees.

Minimum shareholding guidelines

Effective for the 2014 financial year, the Board has introduced minimum shareholding guidelines requiring all Non-executive Directors to acquire a shareholding of approximately 50 per cent of the value of gross base fees within three years of appointment.

SECTION 9 NON-EXECUTIVE DIRECTOR AND EXECUTIVE SHAREHOLDINGS

9.1 Shareholdings

	Number Of Shares[1]				
Name	Balance held at 1/1/13	Vesting of share rights	Awarded as Restricted Shares	Other changes	Balance held at 31/12/13[4]
Non-executive Directors					
G Martin[2]	20,000	n/a	n/a	-	20,000
W Osborn	1,800	n/a	n/a	5,000	6,800
G Pizzey[3]	21,351	n/a	n/a	-	21,351
J Ranck	2,000	n/a	n/a	2,500	4,500
G Rezos	75,000	n/a	n/a	-	75,000
J Seabrook	19,314	n/a	n/a	-	19,314
S Turner	50,000	n/a	n/a	-	50,000
Executive Director					
D Robb	740,860	121,951	38,428	(149,472)	751,767
Executives					
C Cobb	41,502	34,146	12,985	(21,700)	66,933
A Tate	76,763	40,163	7,343	(53,809)	70,460
D Warden	15,718	10,976	3,954	(6,976)	23,672
S Wickham	123,518	40,650	13,187	(53,970)	123,385

[1]Shares may be held be held directly or through a nominee or agent (e.g. family trust).
[2]G Martin was appointed Chairman on 18 December 2013.
[3]G Pizzey was Chairman until his retirement on 18 December 2013. His final holdings reflect the balance held at this date.
[4]No shares were forfeited during the year.

9.2 Share Rights

	Number Of Share Rights[1]					
Name	Balance held at 1/1/13	Granted during 2013	Vested as shares during 2013	Lapsed during 2013[2]	Balance held at 31/12/13	Fair value of Share Rights granted in 2013[3]
Executive Director						
D Robb	952,676	58,824	(121,951)	0	889,549	$517,941
Executives						
C Cobb	62,597	20,088	(34,146)	0	48,539	$176,877
A Tate	69,302	19,853	(40,163)	0	48,992	$174,805
D Warden	27,513	17,765	(10,976)	0	34,302	$156,418
S Wickham	69,843	20,088	(40,650)	0	49,281	$176,877

[1]Non-executive Directors do not have any entitlement to share rights.
[2]500,000 of the share rights held by D Robb will not vest under the Long Term Incentive Deferred Plan for which the performance period ends in March 2014.
[3]Share rights granted in respect of the 2013 LTIP which forms part of share based payments for 2013 to 2015 inclusive.

SECTION 10 DETAILS OF STATUTORY REMUNERATION DISCLOSURES

Details of the remuneration of the KMP (as defined in AASB 124 *Related Party Disclosures*) of Iluka Resources Limited and the Iluka Resources Limited Group are set out in the following tables. Other KMP of the company and the group are the executives who have authority for planning, directing and controlling the activities of the company and the group.

- amounts in the "STIP Cash" column are dependent on the satisfaction of performance conditions as set out in Section 5.4.
- amounts in the "Share Based Payments" column relate to the component of the fair value of awards from prior years made under the various incentive plans attributable to the year measured in accordance with AASB 2 *Share Based Payments*

All other elements of remuneration included in the tables are not directly related to performance.

2013

Name	Base, Committee, Cash, Salary & Fees	STIP Cash[1,2]	Non-monetary Benefits	Other	Super-annuation	Share-based payments[1,2]	2013 Statutory Total
	$	$	$	$	$	$	$
Non-executive Directors							
G Martin	148,278	n/a	-	n/a	13,386	n/a	161,664
W Osborn	150,000	n/a	-	n/a	13,688	n/a	163,688
G Pizzey	301,364	n/a	5,480	n/a	20,004	n/a	326,848
J Ranck	137,500	n/a	5,292	n/a	12,547	n/a	155,339
G Rezos	155,000	n/a	-	n/a	14,144	n/a	169,144
J Seabrook	172,500	n/a	-	n/a	15,741	n/a	188,241
S Turner	142,500	n/a	-	n/a	13,003	n/a	155,503
Total	**1,207,142**		**10,772**		**102,513**		**1,320,427**
Executive Director							
D Robb	1,984,725	380,700	60,916	-	17,603	1,811,437	4,255,381
Executives							
C Cobb	626,815	73,149	30,471	-	37,953	314,243	1,082,631
A Tate	637,346	60,042	-	-	20,658	217,949	935,995
D Warden[3]	541,055	65,957	-	-	35,534	133,530	776,076
S Wickham	661,225	89,644	5,476	-	17,122	321,501	1,094,968
Total	**2,466,441**	**288,792**	**35,947**	**-**	**111,267**	**987,223**	**3,889,670**

[1]STIP cash and share-based payments for 2013 were made in March 2014.
[2]n/a denotes that Non-executive Directors are not eligible for cash STIP or share-based payments.
[3]D Warden became a KMP during the 2013 financial year.

2012

Name	Base, Committee, Cash, Salary & Fees[1] $	STIP Cash[1,2] $	Non-monetary Benefits $	Other $	Super -annuation $	Share-based payments[1,2] $	2012 Statutory Total $
Non-executive Directors							
W Osborn	150,000	n/a	-	n/a	13,500	n/a	163,500
G Pizzey	312,000	n/a	-	n/a	16,675	n/a	328,675
G Rezos	155,000	n/a	-	n/a	13,950	n/a	168,950
J Seabrook	172,500	n/a	-	n/a	15,525	n/a	188,025
S Turner	142,500	n/a	-	n/a	12,825	n/a	155,325
Total	**932,000**				**72,475**		**1,004,475**
Executive Director							
D Robb	1,727,189	391,965	53,146	-	22,811	3,294,351	5,489,462
Executives							
C Cobb	620,338	78,434	46,298	-	46,503	422,191	1,213,764
A Tate	604,012	74,904	-	-	20,208	320,031	1,019,155
S Wickham	631,725	79,653	6,600	-	16,123	444,617	1,178,718
Total	**1,856,075**	**232,991**	**52,898**	**-**	**82,834**	**1,186,839**	**3,411,637**

[1]STIP Cash and Share-based payments for 2012 were made in March 2013.
[2]n/a denotes that Non-executive Directors are not eligible for cash STIP or share-based payments.

SHARE-BASED COMPENSATION

STIP Restricted Shares awarded to the Managing Director and executive KMP yet to vest

				Awarded %[2]		
Name	2011 STIP[1]	2012 STIP[1]	2013 STIP[1]	2011	2012	2013
D Robb	26,166	38,428	40,312	83	37	32
C Cobb	12,160	12,985	13,539	90	27	25
A Tate	6,659	7,343	6,358	80	26	20
D Warden	3,536	3,954	6,984	85	21	24
S Wickham	12,565	13,187	16,544	90	27	30

[1]STIP restricted share fair value is determined as the volume weighted average price of ordinary shares over the five trading days following the release of the company's annual results. STIP restricted shares are awarded in March of the following year (e.g. 2013 STIP awards are made in March 2014).

[2]The percentage achieved of the STIP maximum incentive opportunity awarded for the financial year.

Maximum value of unvested restricted shares and share rights

The maximum value of restricted shares and/or share rights that will be recognised as share based payments in future years is set out below. The maximum value of those restricted shares and/or share rights yet to vest has been determined as the amount of the grant date fair value of the shares and/or shares rights that is yet to be expensed. No share and/or share rights will vest if the conditions are not satisfied, hence the minimum value of the unvested shares and/or share rights is nil.

	Maximum Value ($)		
	Vesting Year		
Name	2014	2015	2016
D Robb	1,046,624	3,743,839	708,512
C Cobb	411,069	278,969	240,875
A Tate	295,264	217,917	204,915
D Warden	152,119	154,288	153,195
S Wickham	423,581	296,494	255,063

Fair Value

The fair value of each restricted share or share right and the vesting year for each incentive plan is set out below.

Incentive Plan	Grant Date	Fair Value per Share or Right at Grant Date	Vesting Year
LTID (Tranche 1)	March 2011	11.81	2015
LTID (Tranche 2)	March 2011	11.49	2015
LTID (Tranche 3)	March 2011	11.16	2015
2011 LTIP	January 2011	8.41	2014
*2011 STIP	March 2012	16.68	2013 & 2014
2012 LTIP	January 2012	12.87	2015
*2012 STIP	March 2013	10.20	2014 & 2015
2013 LTIP	February 2013	8.81	2016
*2013 STIP	March 2014	9.44	2015 & 2016

*Awards under these plans are restricted shares, all other plans grant share rights.

The fair value is calculated in accordance with the measurement criteria of Accounting Standard AASB 2 *Share Based Payments* as set out in note 24 of the financial report.

Auditor's Independence Declaration

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Iluka Resources Limited and the entities it controlled during the period.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
19 March 2014

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Corporate Governance Statement

APPROACH TO CORPORATE GOVERNANCE

Iluka believes that the highest standards of corporate governance are essential in order to create and deliver value for shareholders.

ASX CORPORATE GOVERNANCE RECOMMENDATIONS

Iluka considers that it meets each of the requirements of the Australian Securities Exchange (ASX) Corporate Governance Council's (Council) Corporate Governance Principles and Recommendations with 2010 Amendments (Second Edition) (ASX Principles).

The Governance section of the Iluka website www.iluka.com contains Iluka's key corporate governance policy documents. These include the:

- Board Charter
- Code of Conduct
- Directors' Code of Conduct
- Audit and Risk Committee Charter
- Remuneration and Nomination Committee Charter
- Securities Trading Policy
- Continuous Disclosure and Market Communications Policy
- Whistleblower Policy
- Anti-bribery and Corruption Policy

DIVERSITY

Iluka acknowledges the Council's amendments to the ASX Principles released on 30 June 2012 (Diversity Principles).

Iluka seeks to attract and retain the best people while building and maintaining a diverse, sustainable and high achieving workforce. Iluka will continue to develop and implement programmes which foster workforce and Board diversity.

Further information outlining Iluka's approach and compliance with Diversity Principles is set out on pages 37 to 39 of this report and in the People section of the Iluka website.

ROLE AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board operates in accordance with the broad principles set out in the Board Charter. The primary roles of the Board are:

- appointing and removing the Managing Director;
- monitoring the performance of the Managing Director and the senior management group;
- determining the strategic direction and financial objectives of Iluka and ensuring appropriate resources are available to management;
- monitoring the implementation and achievement of strategic and financial objectives; and
- reporting to shareholders and the investment community on the performance of the company.

The Board delegates the implementation of corporate strategy and day-to-day management to senior management, led by the Managing Director.

For further information on the roles and responsibilities of the Board and senior executives, please refer to the copy of the Board Charter available in the Governance section of the Iluka website.

BOARD MEMBERSHIP

Details of the members of the Board, their date of appointment, qualifications and experience are set out on pages 58 to 59 of this report. The Remuneration and Nomination Committee considers and recommends potential Directors to the Board based on the skills and experience they are able to bring to the Board. The Board seeks to ensure that its size and the blend of skills of the Directors are conducive to effective discussion and efficient decision-making.

With the exception of the Managing Director, the Board is comprised of non-executive Directors.

Iluka's Constitution requires Directors to retire from office no later than the third Annual General Meeting following their election or re-election. The Directors have adopted an internal guideline that the maximum preferred length of service is ten years.

DIRECTOR INDEPENDENCE

The Board recognises the importance of independent judgement in the decision-making process. The Board's Charter expressly requires that the majority of the Board be comprised of independent Directors and that the Chairman is an independent Director.

The Board Charter sets out the criteria for determining whether a non-executive Director is independent. The Board considers that all non-executive Directors are independent and no non-executive Directors have any relationships, which could be considered to affect that independent status.

For further details on the criteria used for director independence, please refer to the copy of the Board Charter available in the Governance section of the Iluka website.

MANAGING DIRECTOR

The Managing Director recommends policy, strategic direction and business plans for the Board's approval and is responsible for managing Iluka's day-to-day activities.

The Managing Director is selected and appointed by the Board and is subject to an annual performance review by the non-executive Directors.

CONFLICTS OF INTEREST

Each Director has an ongoing responsibility to:

- disclose to the Board details of transactions or interests, actual or potential that may create a conflict of interest; and
- if requested by the Board, within a reasonable period, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or will not remove a conflict of interest then the Director must, in accordance with the Corporations Act 2001, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

DIRECTOR INDUCTION AND EDUCATION

Directors undergo an induction process upon appointment which includes a detailed briefing on Iluka, meeting key executives and touring operational sites. Thereafter, Directors undertake operational site visits and are provided with regular updates and briefings on current and emerging issues relating to the company and the industry.

Directors are encouraged to undertake continuing education relevant to the discharge of their duties. Iluka meets all reasonable costs of continuing Director education.

DIRECTORS' ACCESS TO INDEPENDENT ADVICE

A Director may, with prior written approval of the Chairman, obtain independent professional advice to assist the Director in fulfilling their responsibilities. Iluka meets reasonable expenses incurred in obtaining that advice.

BOARD MEETINGS

In 2013, the Board met on nine occasions to conduct its duties. All meetings were scheduled, with one meeting dedicated primarily to strategic planning. The Chairman chaired all the meetings.

The non-executive Directors periodically meet independent of management to discuss relevant issues.

Directors' attendance at Board and Committee meetings are detailed on page 60 of this report.

COMPANY SECRETARY

The Company Secretary is responsible for:

- advising the Board on corporate governance matters;
- management of the company secretarial function;
- attending all Board and Board committee meetings and taking minutes; and
- communication with the ASX.

COMMITTEES OF THE BOARD

The Board has established two committees: the Remuneration and Nomination Committee and the Audit and Risk Committee. Each committee functions under a specific charter and is comprised wholly of independent, non-executive Directors. The structure and membership of these committees are reviewed periodically. Each committee reviews its charter on an annual basis. Unless expressly delegated by the Board to a committee, a committee submits all decisions of that committee to the full Board as recommendations to the Board.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is responsible for providing assistance and recommendations to the Board in relation to:

- development, review and implementation of the remuneration strategy of Iluka;
- remuneration of executives and non-executive Directors;
- performance of the Managing Director and senior executives;
- succession planning for key roles to ensure a diverse range of candidates; and
- assessment, composition and succession of the Board.

The Remuneration and Nomination Committee consists of the following independent, non-executive Directors: Mr Wayne Osborn (Chairman), Ms Jenny Seabrook, Mr Gavin Rezos, Mr Hutch Ranck and Mr John Pizzey (retired 18 December 2013). Details of Directors' attendance at Remuneration and Nomination Committee meetings in 2013 are set out on page 60 of this report.

Comprehensive details of the processes and principles underlying the work of the Remuneration and Nomination Committee are discussed in the Remuneration Report appearing on pages 63 to 83 of this report.

For further information on the scope and responsibilities of the Remuneration and Nomination Committee, please refer to the copy of the Remuneration and Nomination Committee Charter available in the Governance section of the Iluka website.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee's role is to assist the Board to fulfil its responsibilities in relation to Iluka's accounts, external reporting and risk. This is achieved by ensuring that appropriate processes are in place in relation to:

- the integrity of financial reporting;
- the adequacy of the control environment;
- the process for the management of risk;
- the scope and performance of the internal audit function; and
- the independence and performance of the external audit function.

The Audit and Risk Committee consists of the following independent, non-executive Directors: Ms Jenny Seabrook (Chairman), Mr Gavin Rezos (retired 24 June 2013), Mr Stephen Turner and Mr Greg Martin. Details of Directors attendance at Audit and Risk Committee meetings in 2013 are set out on page 60 of this report.

For further information on the scope and responsibilities of the Audit and Risk Committee, please refer to the copy of the Audit and Risk Committee Charter available in the Governance section of the Iluka website.

BOARD AND COMMITTEE PERFORMANCE EVALUATION

The Board carries out an annual review of its performance in meeting key responsibilities. This review process, which is periodically facilitated by external consultants, serves to identify any issues and initiatives for improving the functioning and performance of the Board. This annual review was last undertaken in December 2013.

Each of the Board's committees also conducts an annual self-assessment of their performance in meeting their key responsibilities. These reviews serve to identify strengths, weaknesses and areas for improvement. The Remuneration and Nomination Committee and the Audit and Risk Committee completed their respective self-assessments in December 2013.

SENIOR EXECUTIVES PERFORMANCE EVALUATION

Twice yearly, the Managing Director undertakes a review of the performance of each senior executive against individual objectives and deliverables linked to the Corporate Plan that were agreed at the beginning of the performance period. These personal objectives relate to key areas of performance over which the individual has accountability and influence. The performance reviews of the senior executives conducted in 2013 were in accordance with the disclosed process.

The Remuneration and Nomination Committee obtains independent remuneration benchmarking information for comparative purposes. Salary reviews and short-term incentives are determined by assessing performance against both individual performance and profitability and sustainability performance targets. Long-term incentives vest subject to Return on Equity and Total Shareholder Return performance compared with that of an industry peer group. In 2013, the Remuneration and Nomination Committee conducted those reviews in accordance with the disclosed process.

For information on senior executive's incentive plan performance, refer to pages 68 to 69 of this report.

RISK MANAGEMENT

Iluka maintains a whole of business approach to the management of risks. This approach allows both opportunities and threats to be identified and managed effectively. Iluka has adopted a risk management framework which sets out the processes for the identification and management of risk across the group.

The Board, through the Board Charter, delegates responsibility for identifying and managing risks to management. Management is required to report to the Board on those risks which could have a material impact on the company's business. The Audit and Risk Committee assists the Board with regard to oversight of the company's risk management practices.

Further information outlining Iluka's approach to the management of risks is set out on pages 47 to 48 of this report and in the Policies section of the Iluka website.

CORPORATE REPORTING

The Managing Director and Chief Financial Officer have made the following certifications to the Board with respect to the 2013 accounts:

- that Iluka's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of Iluka and group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board, and that Iluka's risk management and internal control is operating efficiently and effectively in all material respects in relation to financial reporting risks and material business risks.

AUDIT FUNCTIONS

PricewaterhouseCoopers (PwC) is Iluka's external audit provider. During 2013, Iluka complied with its internal guidelines, which require the fees paid to external auditors for non-audit-related work to remain below 50 per cent of the audit-related fees without pre-approval by the Audit and Risk Committee.

The external auditor will attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Iluka has an internal audit function that assists the Board by undertaking an objective evaluation of the Iluka's internal control framework. The Audit and Risk Committee is responsible for approving the programme and scope of internal audit reviews to be conducted each financial year. An assessment of the quality and focus of the internal audit function is undertaken periodically as part of the review of Audit and Risk Committee effectiveness.

ETHICAL STANDARDS AND CONDUCT

Iluka has a Code of Conduct, which identifies the standard of ethical conduct expected of Iluka employees. In addition, the Board has specifically adopted a Director's Code of Conduct, which establishes guidelines for their conduct in carrying out their duties.

Iluka has also established a Whistleblower Policy to provide for the confidential reporting of issues of unacceptable or undesirable conduct. The policy provides protection against reprisal to the whistleblower.

Copies of the Code of Conduct, Directors' Code of Conduct and the Whistleblower Policy can be found in the Governance section of the Iluka website.

SECURITIES TRADING POLICY

Iluka has a policy on the trading of Iluka's securities (shares, options, warrants, etc.) by Directors and employees. The Board believes it is in the best interests of shareholders for Directors and employees to own shares in Iluka, subject to strict controls and guidelines on share trading.

The Securities Trading Policy prohibits Directors and employees from trading in Iluka's securities if they are in possession of price-sensitive information, which is not generally available to the market. In addition to this general prohibition, senior management and those employees involved in preparing Iluka's statutory financial information (Restricted Employees) and Directors are prohibited from trading in securities in the company during the period from the end of half or full financial year and the release of the results for the relevant period.

Prior to trading in Iluka's securities, Directors must seek approval from the Chairman and Restricted Employees must seek approval from the Company Secretary.

A copy of Iluka's Securities Trading Policy is located in the Governance section of the Iluka website.

CONTINUOUS DISCLOSURE

Iluka has developed a comprehensive Continuous Disclosure and Market Communications Policy to ensure compliance with its disclosure obligations under the Corporations Act and the ASX Listing Rules and to providing accurate information to all shareholders and market participants. Iluka has established a Disclosure Committee comprising the Company Secretary, Chief Financial Officer and the General Manager, Investor Relations. The Committee reports to the Managing Director. The Committee's responsibilities include determining if disclosure is required, ensuring the Managing Director is advised of and approves all information disclosed to the market and ensuring the Board is kept fully informed of the Disclosure Committee's determinations and all information subsequently disclosed to the market. The Company Secretary is convenor of the Disclosure Committee and has primary responsibility for administration of the Continuous Disclosure and Market Communications Policy. The Company Secretary's responsibilities include ensuring compliance with Iluka's continuous disclosure obligations and overseeing and co-ordinating information disclosure to the ASX.

A copy of Iluka's Continuous Disclosure and Market Communications Policy is available in the Governance section of the Iluka website.

SHAREHOLDER COMMUNICATION

Iluka is committed to providing accurate information to all shareholders and the market. Iluka communicates with shareholders through releases to the ASX, Iluka's website, information distributed direct to shareholders and the general meetings of Iluka.

At the Annual General Meeting, shareholders elect the Directors and have the opportunity to express their views, ask questions about company business and vote on items of business for resolution by shareholders.

More information on shareholder communication is contained in Iluka's Continuous Disclosure and Market Communications Policy available in the Governance section of the Iluka website.

Iluka Resources Limited ABN 34 008 675 018
Financial Report - 31 December 2013

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These financial statements are the consolidated financial statements of the group consisting of Iluka Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Iluka Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Iluka Resources Limited
Level 23
140 St George's Terrace
Perth WA 6000

A description of the nature of the group's operations and its principal activities is included in the review of operations and activities in the Directors' Report, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 19 March 2014. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at www.iluka.com

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2013

	Notes	2013 $m	2012 $m
Revenue	5	**853.2**	1,150.2
Other income	20	**3.1**	10.3
Expenses	6	**(781.0)**	(607.1)
Interest and finance charges		**(16.7)**	(16.6)
Rehabilitation and mine closure unwind		**(34.6)**	(24.6)
Total finance costs	16(d)	**(51.3)**	(41.2)
Profit before income tax		**24.0**	512.2
Income tax expense	8	**(5.5)**	(149.0)
Profit for the period attributable to owners		**18.5**	363.2
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation of US operation	23	**11.6**	(0.4)
Hedge of net investment in US operation, net of tax	23	**(3.2)**	0.5
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit plans, net of tax	23	**5.0**	(1.7)
Total other comprehensive income/(loss) for the year, net of tax		**13.4**	(1.6)
Total comprehensive income for the year attributable to owners		**31.9**	361.6
		Cents	Cents
Earnings per share attributable to ordinary equity holders			
Basic earnings per share	7	**4.4**	87.1
Diluted earnings per share	7	**4.4**	86.7

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 31 December 2013

	Notes	2013 $m	2012 $m
ASSETS			
Current assets			
Cash and cash equivalents	16	**46.4**	54.3
Receivables	11	**191.5**	139.5
Inventories	12	**524.1**	522.6
Current tax receivable		**2.1**	-
Total current assets		**764.1**	716.4
Non-current assets			
Inventories	12	**271.0**	257.9
Property, plant and equipment	13	**1,314.5**	1,430.3
Intangible asset - MAC Royalty		**5.9**	6.3
Deferred tax assets	22	**13.2**	15.7
Total non-current assets		**1,604.6**	1,710.2
Total assets		**2,368.7**	2,426.6
LIABILITIES			
Current liabilities			
Payables	14	**80.2**	87.3
Interest-bearing liabilities	16	**11.1**	56.9
Provisions	15	**49.7**	64.1
Current tax payable		**3.9**	128.4
Total current liabilities		**144.9**	336.7
Non-current liabilities			
Interest-bearing liabilities	16	**241.9**	93.3
Provisions	15	**434.2**	407.3
Deferred tax liabilities	22	**9.6**	22.2
Total non-current liabilities		**685.7**	522.8
Total liabilities		**830.6**	859.5
Net assets		**1,538.1**	1,567.1
EQUITY			
Contributed equity	18	**1,112.1**	1,104.8
Reserves	23	**19.0**	18.1
Retained profits	23	**407.0**	444.2
Total equity		**1,538.1**	1,567.1

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 December 2013

		Attributable to owners of Iluka Resources Limited			
		Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
	Notes				
Balance at 1 January 2012		**1,102.0**	**16.4**	**416.3**	**1,534.7**
Profit for the year	23	-	-	363	363
Other comprehensive income	23	-	-	(1.6)	(1.6)
Total comprehensive income		**-**	**-**	**361.6**	**361.6**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax	18(b)	5.3	(5.3)	-	-
Purchase of treasury shares, net of tax	18(b)	(2.5)	-	-	(2.5)
Share-based payments, net of tax		-	7.0	-	7.0
Dividends paid	23	-	-	(333.7)	(333.7)
		2.8	1.7	(333.7)	(329.2)
Balance at 31 December 2012		**1,104.8**	**18.1**	**444.2**	**1,567.1**
Profit for the year	23	-	-	18.5	18.5
Other comprehensive income	23	-	6.2	7.2	13.4
Total comprehensive income		**-**	**6.2**	**25.7**	**31.9**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax	18(b)	8.8	(8.8)	-	-
Purchase of treasury shares, net of tax	18(b)	(1.5)	-	-	(1.5)
Share-based payments, net of tax	23	-	3.5	-	3.5
Dividends paid	23	-	-	(62.9)	(62.9)
		7.3	(5.3)	(62.9)	(60.9)
Balance at 31 December 2013		**1,112.1**	**19.0**	**407.0**	**1,538.1**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2013

	Notes	**2013 $m**	2012 $m
Cash flows from operating activities			
Receipts from customers		**727.2**	1,170.6
Payments to suppliers and employees		**(603.2)**	(801.9)
Operating cash flow		**124.0**	368.7
Interest received		**3.1**	7.8
Interest paid		**(16.8)**	(8.5)
Income taxes paid		**(140.1)**	(159.1)
Exploration expenditure		**(23.1)**	(34.4)
Mining Area C royalty receipts		**82.7**	76.1
Net cash inflow from operating activities	10	**29.8**	250.6
Cash flows from investing activities			
Payments for property, plant and equipment		**(52.5)**	(167.3)
Sale of property, plant and equipment		**2.0**	1.4
Acquisition of Sri Lanka deposits		**(4.6)**	-
Net cash outflow from investing activities		**(55.1)**	(165.9)
Cash flows from financing activities			
Repayment of borrowings		**(56.9)**	(86.7)
Proceeds from borrowings		**141.1**	81.7
Purchase of treasury shares		**(2.2)**	(3.5)
Dividends paid		**(62.8)**	(333.7)
Debt refinance costs		**-**	(8.8)
Net cash inflow (outflow) from financing activities		**19.2**	(351.0)
Net decrease in cash and cash equivalents		**(6.1)**	(266.3)
Cash and cash equivalents at 1 January		**54.3**	320.7
Effects of exchange rate changes on cash and cash equivalents		**(1.8)**	(0.1)
Cash and cash equivalents at 31 December	16	**46.4**	54.3

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Basis of preparation

This section of the financial report sets out the group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also sets out information related to critical accounting estimates and judgements applied to these financial statements.

1 Reporting entity

Iluka Resources Limited (company or parent entity) is domiciled in Australia. The financial statements are for the group consisting of Iluka Resources Limited and its subsidiaries. A detailed list of the group's subsidiaries is provided in note 28.

2 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Iluka Resources Limited is a for-profit entity and is primarily involved in mineral sands exploration, project development, operations and marketing.

Iluka Resources Limited had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2013, which are detailed in note 33.

The consolidated financial statements of Iluka Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are required to be measured at fair value.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Iluka Resources Limited as at 31 December 2013 and the results of all subsidiaries for the period then ended. Iluka Resources Limited and its subsidiaries together are referred to in this financial report as the group.

Subsidiaries are all entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the group.

Intercompany transactions and balances, and unrealised gains on transactions between group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The group accounts for business combinations using the acquisition method when control is transferred to the group. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Employee Share Trust

The group's Employee Share Schemes are administered through the Iluka Director's Executives and Employees Share Acquisition trust (the trust). This trust is consolidated, as the substance of the relationship is that the trust is controlled by the group. Shares in the company held by the trust are disclosed as treasury shares in the consolidated financial statements and deducted from contributed equity, net of tax.

(b) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances

Where group companies based in Australia transact in foreign currencies, these transactions are translated into Australian dollars using the exchange rate on that day. Foreign currency monetary assets and liabilities are translated to Australian dollars at the reporting date exchange rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to Australian dollars at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(iii) Group companies

The financial position of foreign operations is translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations for each month are translated into Australian dollars at average exchange rates. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

(iv) Hedge of net investment in foreign operations

The group has US dollar denominated borrowings that are used to hedge against translation differences arising from assets held by the group's US operations (see note 4 for more information about these assets).

To the extent that these borrowings do not exceed the net assets of the US operations, foreign currency differences arising on the translation of these borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Any remaining differences are recognised in profit or loss. If the US operations were to be disposed of (in full or in part), the relevant amount in the foreign currency translation reserve would be transferred to profit or loss as part of the gain or loss on disposal.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(d) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars and the nearest dollar.

3 Critical accounting estimates and judgements

The group makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and future periods affected.

(i) Impairment of assets

In accordance with the group's accounting policy set out in note 13(e) non-current assets are assessed for impairment when there is an indication that their carrying amount may not be recoverable. The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value-in-use and fair value less costs to sell estimated on the basis of discounted present value of the future cash flows.

The estimates of future cash flows for each CGU are based on significant assumptions including:

- estimates of the quantities of mineral reserves and ore resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and ore resources;
- future production levels and the ability to sell that production;
- future product prices based on the group's assessment of short and long term prices for each of the key products;
- future exchange rates for the Australian dollar compared to the US dollar using external forecasts by recognised economic forecasters;
- successful development and operation of new mines in Australia and the US, consistent with latest forecasts;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure; and
- the asset specific discount rate applicable to the CGU.

Given the nature of the group's mining activities, future changes in assumptions upon which these estimates are based may give rise to material adjustments to the current or prior years. This could lead to a reversal of part, or all, of impairment charges recorded in the current or prior years, or the recognition of new impairment charges in the future such as the idle asset write downs of $40.0 million made in the year.

(ii) Rehabilitation and mine closure provisions

These provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of the cash flows and the discount rate. Changes to one or more of these assumptions is likely to result in a change to the carrying value of the provision and the related asset or a change to profit or loss in accordance with the group's accounting policy stated in note 15(a). In 2013, changes to the discount rates in Australia and the US have resulted in increases to the rehabilitation provisions of $38.4 million, of which $18.0 million was charged to profit or loss in respect of closed sites.

The total rehabilitation and mine closure provision of $465.9 million (2012: $444.5 million) includes $299.6 million (2012: $312.6 million) for assets no longer in use or for obligations arising from production process outputs. Changes to the provisions for assets or operations no longer in use are charged to profit or loss and are reported within *rehabilitation and holding costs for closed sites* in note 6. The changes to the provisions for closed sites, excluding the aforementioned impact of the change in discount rates, was a reduction of $5.0 million (2012: increase of $8.3 million).

(iii) Net realisable value and classification of inventory

The group's assessment of the net realisable value and classification of its inventory holdings requires the use of estimates, including the estimation of the relevant future product price and the likely timing of the sale of the inventory.

Total inventory at 31 December 2013 was $795.1 million, inclusive of a provision of $10.0 million to reduce specific products to their net realisable value. $271.0 million (2012: $257.9 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date. See note 12 for further details.

Performance for the year

This section focuses on the results and performance of the group. This covers both profitability and the resultant return to shareholders via earnings per share combined with cash generation and the return of cash to shareholders via dividends.

4 Segment information

(a) Description of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Managing Director. Cash, debt and tax balances are managed at a group level and, together with resource development and other corporate activities, are not allocated to segments. The segments are unchanged from those reported at 31 December 2012.

Australia (AUS) comprises the integrated mineral sands mining and processing operations in Victoria, Western Australia and South Australia. Material is mined from various deposits in the South West and Mid West of Western Australia (Perth Basin), together with the Jacinth-Ambrosia deposit in South Australia (Eucla Basin) and several deposits in Victoria (Murray Basin). The mined material is processed predominantly at Mineral Separation Plants in the South West and Mid West of Western Australia and the Murray Basin to produce saleable products. The processing activities in Western Australia also include the group's synthetic rutile kilns. Mining and processing activities in the South West of Western Australia, mining activities in the Mid West of Western Australia and the group's synthetic rutile operations were idled during 2013.

United States (US) comprises the integrated mineral sands mining and processing operations in Virginia and rehabilitation obligations in Florida.

Mining Area C (MAC) comprises a deferred consideration iron ore royalty interest over certain mining tenements in Australia operated by BHP Billiton Iron Ore.

Where finished product capable of sale to a third party is transferred between operating segments, the transfers are made at arms length prices. Any transfers of intermediate products between operating segments are made at cost. During 2013, $10.2 million of finished product was transferred from the US to Australia (2012: $3.0 million). This transfer is excluded from the results below. Revenue from the sale of finished product from the transferred material to third party customers is included in total segment sales to external customers for Australia.

(b) Segment information

2013	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	676.5	86.6	-	763.1
Total segment result	36.0	16.3	87.9	140.2
Segment assets	2,124.6	136.1	27.0	2,287.7
Segment liabilities	468.1	73.7	-	541.8
Depreciation and amortisation expense	166.9	11.0	0.4	178.3
Idle asset write downs	40.0	-	-	40.0
Additions to non-current segment assets	73.1	31.7	-	104.8

2012	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	958.2	111.6	-	1,069.8
Total segment result	492.0	60.1	72.3	624.4
Segment assets	2,217.6	98.1	21.8	2,337.5
Segment liabilities	462.9	67.5	-	530.4
Depreciation and amortisation expense	192.6	7.0	0.4	200.0
Additions to non-current segment assets	388.3	20.2	-	408.5

Segment revenue is derived from sales to external customers domiciled in various geographical regions. Details of segment revenue by location of customers are as follows:

	2013 $m	2012 $m
China	**303.9**	255.9
Asia excluding China	**151.5**	299.3
Europe	**159.0**	247.9
Americas	**137.6**	251.5
Other countries	**11.1**	15.2
Sale of goods	**763.1**	1,069.8

Revenue of $101.3 million and $96.2 million was derived from two external customers of the mineral sands segments, which individually accounts for greater than 10 per cent of segment revenue (2012: revenues of $181.3 million and $135.9 million from two external customers).

Segment result is reconciled to the profit before income tax as follows:

	2013 $m	2012 $m
Segment result	**140.2**	624.4
Interest income	**1.8**	7.7
Other income	**2.6**	7.3
Marketing and selling	**(13.5)**	(12.5)
Corporate and other costs	**(41.2)**	(45.7)
Depreciation	**(3.4)**	(3.1)
Resources development	**(44.9)**	(43.1)
Interest and finance charges	**(16.7)**	(16.6)
Net foreign exchange losses	**(0.9)**	(4.2)
Corporate restructure charges	**-**	(2.0)
Profit before income tax	**24.0**	512.2

Total segment assets and total segment liabilities are reconciled to the balance sheet as follows:

	2013 $m	2012 $m
Segment assets	**2,287.7**	2,337.5
Corporate assets	**19.3**	19.1
Cash and cash equivalents	**46.4**	54.3
Current tax receivable	**2.1**	-
Deferred tax assets	**13.2**	15.7
Total assets as per the balance sheet	**2,368.7**	2,426.6
Segment liabilities	**541.8**	530.4
Corporate liabilities	**22.3**	28.3
Current tax payable	**3.9**	128.4
Deferred tax liabilities	**9.6**	22.2
Interest-bearing liabilities	**253.0**	150.2
Total liabilities as per the balance sheet	**830.6**	859.5

5 Revenue

	2013 $m	2012 $m
Sales revenue		
Sale of goods	**763.1**	1,069.8
Other revenue		
Mining Area C royalty income	**88.3**	72.7
Interest	**1.8**	7.7
	90.1	80.4
	853.2	1,150.2

(a) Sale of goods - Mineral sands

The group sells mineral sands under a range of International Commercial Terms. Product sales are recognised as revenue when the group has transferred both the significant risks and rewards of ownership and control of the products sold and the amount of revenue can be measured reliably. The passing of risk to the customer occurs when the product has been dispatched to the customer and is no longer under the physical control of the group, or when the customer has formally acknowledged its legal ownership of the product including all inherent risks. Where the sold product continues to be stored in facilities the group controls, it is clearly identified and available to the buyer.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates, sales commissions, duties and other taxes.

(b) Mining Area C royalty income and amortisation of royalty asset

Royalty income is recognised on an accrual basis. Royalty income is received on a quarterly basis and any under or over accrual applicable to previously recognised royalty income is adjusted for based on the receipt of the royalty income entitlement.

The royalty entitlement asset is an intangible asset and is amortised on a straight-line basis ($0.4 million per year) over its estimated useful life of 25 years, of which 15 years is remaining (2012: 16 years remaining). The carrying value of the asset at the 31 December 2013 is $5.9 million (2012: $6.3 million).

(c) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

6 Expenses

	Notes	2013 $m	2012 $m
Expenses			
Cash costs of production		**376.1**	583.5
Depreciation/amortisation		**181.7**	203.1
Inventory movement		**(14.0)**	(346.9)
Cost of goods sold		**543.8**	439.7
Restructure and idle capacity charges		**69.6**	14.8
Rehabilitation and holding costs for closed sites		**(2.8)**	9.8
Idle asset write downs		**40.0**	-
Government royalties		**15.2**	19.6
Marketing and selling costs		**28.2**	30.2
Corporate and other costs		**41.2**	45.7
Resources development		**44.9**	43.1
Foreign exchange losses		**0.9**	4.2
		781.0	607.1
Finance costs	16(d)	**51.3**	41.2

(a) Cash costs of production

Cash costs of production include mining and concentrating costs; transport of heavy mineral concentrate; mineral separation; synthetic rutile production, costs for externally purchased ilmenite and production overheads. This category also includes landowner royalty payments, but excludes Australian State Government royalties which are reported separately. Cash costs of production also include by-product costs such as iron oxide processing, char and WHIMs ilmenite transport costs of $19.6 million (2012: $7.7 million).

(b) Cost of goods sold and inventory movement

Cost of goods sold is the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation, allocated on the basis of relative sales value. There are separate inventory stockpile values for each product, including HMC and other intermediate products, at each inventory location. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average value per tonne for the stockpile from which the product is sold.

Inventory movement represents the movement in balance sheet inventory of work in progress and finished goods, including the non-cash depreciation and amortisation components and net realisable value adjustments of $10.0 million (2012: nil).

(c) Restructure and idle capacity charges

Restructure and idle costs in 2013 include $33.5 million associated with restructuring (2012: $4.4 million), with the balance relating to ongoing costs for operations and assets that have been idled.

Liabilities for employee termination benefits associated with restructuring activities are recognised when the group is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal and there is no further service required. Where further service is required to be eligible for the benefit, the liability is recognised over the relevant service period.

(d) Rehabilitation and holding costs for closed sites

These costs include adjustments to the rehabilitation provision for closed sites which are expensed in accordance with the policy described note 15(a) arising from the annual review combined with ongoing holding costs for closed sites such as property rates and taxes.

(e) Idle asset write downs

At year end, the company's assessment was that, in light of continued idling of some assets, as well as changes to mine plans and successful technical developments, the carrying value of a number of idled Western Australian assets had to be written down. The idle asset value adjustments relate to old equipment: three wet concentrator plants; two mining unit plants; and capitalised expenditure associated with restarting synthetic rutile kiln 3 (SR kiln 3) which was subsequently idled in the first half of 2013.

(f) Other expenses

Expenses also include the following:

	2013 $m	2012 $m
Defined contribution superannuation	**8.7**	11.9
Defined benefits superannuation	**2.4**	1.1
Employee benefits (excluding share-based payments)	**151.9**	135.6
Share-based payments	**5.5**	9.7
Exploration expenditure (included in Resource development above)	**21.5**	29.5
Operating leases	**11.2**	10.1

Operating leases are leases in which a significant portion of the risks and rewards of ownership are not transferred to the group. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

7 Earnings per share

	2013 Cents	2012 Cents
Basic earnings per share (cents)	**4.4**	87.1
Diluted earnings per share (cents)	**4.4**	86.7

Earnings per share (EPS) is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the profit for the period attributable to equity owners of $18.5 million (2012: $363.2 million) divided by the weighted average number of shares on issue during the year, excluding treasury shares, being 417,672,163 shares (2012: 417, 041,967 shares).

Diluted EPS takes into account the dilutive effect of all outstanding share rights vesting as ordinary shares. The weighted average share rights outstanding of 1,274,951 (2012: 2,025,870 share rights) are added to the weighted average number of shares on issue during the year disclosed above to give the weighted average number of ordinary shares and potential ordinary shares used as the denominator for calculating diluted earnings per share of 418,947,114 shares (2012: 419,067,837 shares).

8 Income tax

Income tax expense comprises current and deferred tax and is recognised in profit or loss, as disclosed in (a) below, except to the extent that it relates to items recognised directly in equity or other comprehensive income as disclosed in (c) below.

(a) Income tax expense

	Notes	**2013 $m**	2012 $m
Current tax		**22.8**	131.9
Deferred tax	22	**(16.2)**	16.2
(Over)/under provided in prior years		**(1.1)**	0.9
		5.5	149.0

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current tax charge is calculated using the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the group operates and generates taxable income. Deferred taxes are explained in more detail in note 22.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2013 $m	2012 $m
Profit before income tax expense	**24.0**	512.2
Tax at the Australian tax rate of 30% (2012: 30%)	**7.2**	153.7
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**(1.5)**	(1.6)
US tax concessions	**-**	(0.6)
Tax losses not recognised/(recognised) by overseas operations	**0.6**	(3.3)
Other items	**1.1**	2.0
	7.4	150.2
Difference in overseas tax rates	**(0.8)**	(2.1)
(Over)/under provision in prior years	**(1.1)**	0.9
Income tax expense	**5.5**	149.0

(c) Tax expense relating to items of other comprehensive income

	2013 $m	2012 $m
Currency translation of US operation	**(1.4)**	-
Actuarial (losses)/gains on retirement benefit obligation	**(1.6)**	0.6
	(3.0)	0.6

(d) Tax losses

Unused capital losses for which no deferred tax asset has been recognised are approximately $87.7 million (2012: $87.7 million) (tax at the Australian rate of 30%: $26.3 million (2012: $26.3 million)). The benefit of these unused capital losses will only be obtained if sufficient future capital gains are made and the losses remain available under tax legislation.

9 Dividends

	2013 $m	2012 $m
Final dividend		
for 2012 of 10 cents per share, franked	**41.9**	-
for 2011 of 55 cents per share, franked	**-**	229.4
	41.9	229.4
Interim dividend		
for 2013 of 5 cents per share, franked	**21.0**	-
for 2012 of 25 cents per share, franked	**-**	104.3
	21.0	104.3
	62.9	333.7

Since balance date the Directors have determined a final dividend for 2013 of 4 cents per share, fully franked (2012: 10 cents, fully franked). The dividend is payable on 3 April 2014 for shareholders on the register as at 6 March 2014. The aggregate amount of the proposed dividend is $16.7 million, which has not been included in provisions at balance sheet date as it was not declared on or before the end of the financial year.

The company has a dividend reinvestment plan (DRP) which was suspended in 2010 until further notice.

(a) Franking Credits

The balance of franking credits available for future years is $113.8 million (2012: $133.5 million). This balance is based on a tax rate of 30 per cent (2012: 30 per cent). These amounts include franking credits of $3.9 million (2012: $126.7 million) that will arise from the payment of current income tax in Australia as provided for in these financial statements and the reduction of $7.2 million (2012: reduction of $17.9 million) that will arise on payment of the final dividend.

10 Reconciliation of profit after income tax to net cash inflow from operating activities

	2013 $m	2012 $m
Profit for the year	**18.5**	363.2
Depreciation and amortisation	**181.7**	203.1
Exploration capitalised	**(2.9)**	(4.9)
Net gain on disposal of property, plant and equipment	**(0.6)**	(1.3)
Exchange translation differences on USD denominated debt	**13.6**	(2.7)
Rehabilitation and mine closure unwind	**16.6**	24.6
Rehabilitation discount rate change	**18.0**	-
Non-cash share-based payments expense	**5.5**	9.7
Amortisation of deferred borrowing costs	**1.8**	2.3
Idle asset write downs	**40.0**	-
Non-cash rehabilitation expense for closed sites	**(5.0)**	8.3
Change in operating assets and liabilities		
Increase (decrease) in receivables	**(47.2)**	116.3
Increase in inventories	**(13.7)**	(354.9)
Decrease in net current tax liability	**(126.5)**	(17.0)
Decrease in net deferred tax	**1.4**	4.9
Increase in payables	**(65.4)**	(95.9)
Increase in provisions	**(6.0)**	(5.1)
Net cash inflow from operating activities	**29.8**	250.6

Operating assets and liabilities

This section shows the assets used to generate the group's trading performance and the liabilities incurred as a result. Liabilities relating to the group's financing activities are addressed in the Capital structure and finance costs section on page 112.

11 Receivables

	2013 $m	2012 $m
Trade receivables	**159.3**	111.9
Mining Area C royalty receivable	**21.1**	15.5
Other receivables	**4.0**	7.8
Prepayments	**7.1**	4.3
	191.5	139.5

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amount considered recoverable (amortised cost). Trade receivables are generally due for settlement within 45 days of the invoice being issued. The group sells mineral sands to substantially all its customers on credit terms. Sales are generally denominated in US dollars. Revenue is recognised using spot exchange rates on the date of sale, with trade receivables being translated at the spot exchange rate at balance date with translation differences accounted for in line with the group's accounting policy (refer note 2(b)(ii)).

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is sufficient evidence that the group will not be able to collect all amounts due.

At 31 December 2013, no trade receivables are impaired (2012: nil). There is $5.1 million overdue (2012: $0.9 million), of which $5.0 million are less than 28 days overdue (2012: $0.9 million). Due to the short term nature of the group's receivables, their carrying value is considered to approximate fair value.

12 Inventories

	2013 $m	2012 $m
Current		
Work in progress	**161.4**	44.0
Finished goods	**328.0**	440.6
Consumable stores	**34.7**	38.0
Total current inventories	**524.1**	522.6
Non-current		
Work in progress	**197.0**	213.9
Finished goods	**74.0**	44.0
Total non-current inventories	**271.0**	257.9

Inventories are valued at the lower of weighted average cost and estimated net realisable value. All inventory is carried at cost except for $106.2 million (2012: nil) of finished goods which are carried at net realisable value.

Weighted average cost includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation. As a result of mineral sands being co-products from the same mineral separation process, costs are allocated to inventory on a monthly basis based on relative sales prices of the finished goods produced. No cost is attributed to by-products.

Net realisable value is the amount estimated to be obtained from sale in the normal course of business, less any anticipated costs of completion and the estimated costs necessary to make the sale, including royalties.

Consumable stores include ilmenite acquired from third parties, flocculant, diesel and warehouse stores. A regular and ongoing review is undertaken to establish the extent of surplus, obsolete or damaged stores, which are then valued at estimated net realisable value.

Inventories expected to be sold (or consumed in the case of stores) within twelve months after the balance sheet date are classified as current assets, all other inventories are classified as non-current assets.

13 Property, plant and equipment

	Land & Buildings $m	Plant, Machinery & Equipment $m	Mine Reserves & Development $m	Exploration & Evaluation $m	Total $m
At 1 January 2012					
Cost or fair value	107.0	1,836.5	741.0	24.7	2,709.2
Accumulated depreciation*	(14.7)	(854.2)	(409.7)	(0.2)	(1,278.8)
Opening written down value	92.3	982.3	331.3	24.5	1,430.4
Additions	5.3	61.7	131.7	4.9	203.6
Disposals	(0.1)	-	-	-	(0.1)
Depreciation/amortisation	(3.3)	(107.8)	(91.6)	-	(202.7)
Foreign exchange	-	(0.8)	(0.1)	-	(0.9)
Transfers/reclassifications	-	-	0.4	(0.4)	-
Closing written down value	94.2	935.4	371.7	29.0	1,430.3
At 31 December 2012					
Cost or fair value	121.1	1,914.1	836.6	30.2	2,902.0
Accumulated depreciation*	(26.9)	(978.7)	(464.9)	(1.2)	(1,471.7)
Closing written down value	94.2	935.4	371.7	29.0	1,430.3
Year ended 31 December 2013					
Opening written down value	94.2	935.4	371.7	29.0	1,430.3
Additions	2.9	59.9	29.2	7.9	99.9
Disposals	(0.6)	(1.2)	-	-	(1.8)
Depreciation/Amortisation	(3.2)	(84.5)	(92.7)	(0.9)	(181.3)
Foreign exchange	0.4	5.3	1.7	-	7.4
Transfers/reclassifications	(0.5)	0.5	0.4	(0.4)	-
Idle asset write downs	(0.3)	(39.3)	(0.4)	-	(40.0)
Closing written down value	92.9	876.1	309.9	35.6	1,314.5
At 31 December 2013					
Cost	124.6	1,964.8	871.6	37.7	2,998.7
Accumulated depreciation*	(31.7)	(1,088.7)	(561.7)	(2.1)	(1,684.2)
Closing written down value	92.9	876.1	309.9	35.6	1,314.5

* Accumulated depreciation includes cumulative impairment charges

(a) Property, plant and equipment

Property plant and equipment is stated at cost less accumulated depreciation and impairment charges. Cost includes:

- expenditure that is directly attributable to the acquisition of the items;
- direct costs associated with the commissioning of plant and equipment, including pre-commissioning costs in testing the processing plant;
- if the asset is constructed by the group, the cost of all materials used in construction, direct labour on the project, project management costs and unavoidable borrowing costs incurred during construction of assets with a construction period greater than twelve months and an appropriate proportion of variable and fixed overheads; and
- the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

As set out in note 15(a), in the case of rehabilitation provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Total additions in the year include $34.9 million (2012: $51.1 million) related to changes in the rehabilitation provision (refer note 15(a)).

(b) Maintenance and repairs

Certain items of plant used in the primary extraction, separation and secondary processing of extracted minerals are subject to a major overhaul on a cyclical basis. Costs incurred during such overhauls are characterised as either in the nature of capital or in the nature of repairs and maintenance. Work performed may involve:

(i) the replacement of a discrete sub-component asset, in which case an asset addition is recognised and the book value of the replaced item is written off; and
(ii) demonstrably extending the useful life or functionality of an existing asset, in which case the relevant cost is added to the capitalised cost of the asset in question.

Costs incurred during a major cyclical overhaul which do not constitute (i) or (ii) above, are written off as repairs and maintenance as incurred. General repairs and maintenance which are not characterised as part of a major cyclical overhaul are expensed as incurred.

(c) Depreciation and amortisation

Depreciation is provided to expense the cost of property, plant and equipment over its estimated useful life on either a straight line or units of production basis. Units of production depreciation is calculated using the quantity of heavy mineral concentrate extracted from the applicable mine or processed through the mine specific plant as a percentage of the total quantity of heavy mineral concentrate planned to be extracted/processed in the current and future periods based on mine plans. The basis of depreciation of each asset is reviewed annually and changes to the basis of depreciation are made if the straight line or units of production basis is no longer considered to represent the expected pattern of consumption of economic benefits. The expected useful lives for the main categories of assets are as follows:

- Land	not depreciated
- Mine buildings	the shorter of applicable mine life and 25 years
- Mine specific machinery and equipment	the applicable mine life
- Mine specific plant	units of production
- Mine reserves and development	units of production
- Other non-mine specific plant and equipment	3-25 years

The reserves and life of each mine and the remaining useful life of each class of asset are reassessed at regular intervals and the depreciation rates adjusted accordingly on a prospective basis.

(d) Assets not being depreciated

Included in property, machinery and equipment and mine reserves and development are amounts totalling $28.2 million and $1.6 million respectively (2012: $26.3 million and $0.6 million respectively) relating to assets under construction which are currently not being depreciated as the assets are not ready for use.

In addition, within property, plant and equipment are amounts totalling $164.2 million (2012: $115.9 million) which have not been depreciated in the year as mining of the related area of interest has not yet commenced or the asset is currently idle.

(e) Recoverable amount of non-current assets

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell (FVLCS) and value-in-use. For the purposes of assessing impairment, operating assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units). Assets that are not currently in use and not scheduled to be brought back in to use (idle assets) are considered on a standalone basis. Indicators of impairment may include significant changes in business performance or future operating plans along with changes in technology. Assets that have suffered an impairment charge are reviewed for possible reversal of the impairment at each reporting date.

In light of the continued idling of some assets, as well as changes to mine plans and successful technical developments during the year, a $40.0 million write down (2012: $nil) of a number of idled Western Australian assets occurred in the year. The write down relates to old equipment: three wet concentrator plants; two mining unit plants; and capitalised expenditure associated with restarting synthetic rutile kiln 3 (SR kiln 3) which was subsequently idled in the first half of 2013.

(f) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Expenditure is carried forward when incurred in areas for which the group has rights of tenure and where economic mineralisation is indicated, but activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable ore reserves and active and significant operations in relation to the area are continuing. Each such project is regularly reviewed. If the project is abandoned or if it is considered unlikely the project will proceed to development, accumulated costs to that point are written off immediately.

Each area of interest is limited to a size related to a known mineral resource capable of supporting a mining operation. Identifiable exploration assets acquired from another mining company are recognised as assets at their cost of acquisition.

Projects are advanced to development status when it is expected that accumulated and future expenditure on development can be recouped through project development or sale. Capitalised exploration is transferred to Mine Reserves once the related ore body achieved JORC reserve status (reported in accordance with JORC, 2012) and has been included in the life of mine plan.

All of the above expenditure is carried forward up to commencement of operations at which time it is amortised in accordance with the reserves and development depreciation policy noted in (c) above.

During the year the group acquired all of the share capital in PKD Resources (Pvt) Ltd, a Sri Lankan domiciled company which owns an exploration tenement located near the city of Puttalam in the North Western Province of Sri Lanka. The consideration paid was US$5.0 million and is included within exploration and evaluation additions above. Further details in relation to future consideration are detailed in note 30.

14 Payables

	31 December 2013 $m	31 December 2012 $m
Trade payables	**17.4**	25.4
Accrued expenses	**46.6**	46.0
Annual leave payable	**8.6**	11.2
Government royalties payable	**7.6**	4.7
	80.2	87.3

Trade payables are recognised at the value of the invoice received from the supplier. The amounts are unsecured and are usually paid within 30 days of recognition. Due to the short term nature of the group's trade payables, their carrying value is considered to approximate fair value.

15 Provisions

	Notes	**2013 $m**	2012 $m
Current			
Rehabilitation and mine closure		**40.5**	50.0
Employee benefits - long service leave		**8.3**	10.2
Workers compensation and other provisions		**0.9**	3.9
		49.7	64.1
Non-current			
Rehabilitation and mine closure		**425.4**	394.5
Employee benefits - long service leave		**4.9**	4.2
Retirement benefit obligations	26	**3.9**	8.6
		434.2	407.3

The following table demonstrates the drivers behind the change in provisions form the prior year.

	Notes	**Rehabilitation and mine closure $m**	**Other provisions $m**
Movements in provisions			
Balance at 1 January		**444.5**	**3.9**
Change in provisions - expense for closed sites	6	**(5.0)**	**-**
Change in provision - additions to property plant and equipment	13	**15.2**	**-**
Rehabilitation and mine closure unwind	16(d)	**16.6**	**-**
Rehabilitation discount rate changes - for closed sites	16(d)	**18.0**	**-**
Rehabilitation discount rate changes - for open sites	13	**19.0**	**-**
Foreign exchange rate movements		**7.5**	**-**
Amounts spent during the year		**(49.9)**	**(1.8)**
Change in provision - unused amounts reversed		**-**	**(1.2)**
Balance at 31 December		**465.9**	**0.9**

(a) Rehabilitation and mine closure

The group has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they sit.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date, discounted to present value using an appropriate pre-tax discount rate.

Where the obligation is related to an item of property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. Costs that relate to obligations arising from waste created by the production process are recognised as production costs in the period in which they arise.

The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of the cash flows and the discount rate. The increase in the provision due to passage of time of $16.6 million (2012: $24.6 million) is recognised as a finance cost in note 16(d).

The provisions are reassessed at least annually. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use, such as mines and processing sites that have been closed, any adjustment is reflected directly in profit or loss.

The total rehabilitation and mine closure provision of $465.9 million (2012: $444.5 million) includes $299.6 million (2012: $312.6 million) for assets no longer in use. Changes to the provisions for assets no longer in use are charged/credited directly to profit or loss. A review of cost estimates resulted in a credit of $5.5 million (2012: charge of $8.3 million) which is reported within the expense item *Rehabilitation and holding costs for closed sites* in note 6. The change in discount rate resulted in a charge of $18.0 million (2012: nil) which is reported within the finance costs item *Rehabilitation discount rate changes* in note 16(d).

(b) Employee benefits

The employee benefits provision relates to long service leave entitlements measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Liabilities for annual leave are included in payables in note 14.

The current provision represents amounts for vested long service leave for which the group does not have an unconditional right to defer settlement, regardless of when the actual settlement is expected to occur. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Capital structure and finance costs

This section outlines how the group manages its capital and related financing costs.

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an efficient capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the level of return on capital and also the level of net cash/debt and compliance with bank covenants, including the gearing ratio calculated as a net debt / (net debt + equity). The group manages funds on a group basis with all funds being drawn by the parent entity.

16 Net debt and finance costs

	2013 $m	2012 $m
Cash and cash equivalents		
Cash at bank and in hand	**23.4**	184.3
Deposits at call	**23.0**	356.9
Total cash and cash equivalents	**46.4**	541.2
Current interest-bearing liabilities (unsecured)		
Senior Notes 2003	**-**	185.4
Trade advance facility	**11.1**	11.1
	11.1	196.5
Non-current interest-bearing liabilities (unsecured)		
Multi Optional Facility Agreement	**225.4**	599.1
Senior Notes 2003	**22.4**	312.2
Deferred borrowing costs	**(5.9)**	(34.4)
	241.9	876.9
Total interest-bearing liabilities	**253.0**	1,073.4
Net debt	**206.6**	532.2

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions with original maturities of three months or less.

Cash and deposits are at floating interest rates between 0.0 per cent and 2.95 per cent (2012: 0.0 per cent and 3.45 per cent) on US dollar and Australian dollar denominated deposits. The weighted average interest rate for the year was 3.33 per cent (2012: 2.03 per cent).

(b) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption amount is recognised in profit or loss over the period of the borrowings on an effective interest basis.

Interest-bearing liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

A description of each of the facilities is provided below.

(i) Trade advance facility

In December 2013 Iluka entered into a US$9.9 million Trade advance facility. Drawings under the facility are at the discretion of the facility provider based on the acceptance of credit insured receivables. The facility is fully drawn and matures in May 2014.

(ii) US Private Placement Notes - 2003 Series

In June 2013, the US$40.0 million tranche was repaid in accordance with its maturity; this debt was subject to an interest rate and cross currency swap to AUD with the effective repayment of $56.9 million being matched by AUD debt drawn under the group's existing bank facilities. The final US$20.0 million tranche is due for repayment in June 2015.

(iii) Multi Optional Facility Agreement

The Multi Optional Facility Agreement (MOFA) comprises a series of unsecured five year bilateral revolving credit facilities with several domestic and foreign institutions, totaling $800 million which all expire in April 2017. Drawings under the MOFA at 31 December 2013 were A$130.0 million and US$85.0 million (2012: US$85.0 million).

(c) Interest rate exposure

Of the above interest-bearing liabilities, $236.5 million is subject to an effective weighted average floating interest rate of 3.6 per cent (2012: interest-bearing liabilities of $81.8 million at 2.3 per cent; interest rate swaps (notional principal) of $56.9 million at 3.9 per cent). The contractual repricing date of all of the floating rate interest-bearing liabilities at the balance dates is within one year.

The only fixed interest rate borrowing at balance date is the $22.4 million (2012: $19.2 million) payable in respect of the US Private Placement Senior Notes due in 2015.

(d) Finance costs

	2013 $m	2012 $m
Interest and finance charges paid/payable	**13.4**	11.5
Bank fees and similar charges	**1.5**	2.8
Amortisation of deferred borrowing costs	**1.8**	2.3
Rehabilitation and mine closure unwind	**16.6**	24.6
Rehabilitation discount rate changes	**18.0**	-
Total finance costs	**51.3**	41.2

(i) Interest charges

Interest charges include interest on interest-bearing liabilities; including amounts paid or received on interest rate swaps and finance lease charges.

(ii) Amortisation of deferred borrowing costs

Fees paid on establishment of borrowing facilities are recognised as transaction costs and amortised over the period to which the facility relates. No transaction costs were capitalised in 2013 (2012: $8.8 million recognised in the deferred borrowing costs balance above).

(iii) Rehabilitation and mine closure unwind

Rehabilitation and mine closure unwind represents the cost associated with the passage of time. Rehabilitation provisions are recognised as the discounted value of the present obligation to restore, dismantle and rehabilitate with the increase in the provision due to passage of time being recognised as a finance cost in accordance with the policy described in note 15(a).

17 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Financial risk management is managed by a central treasury department under policies approved by the Board.

(a) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates - will affect the group's income or value of its holdings of financial instruments.

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The group operates internationally and is exposed to foreign exchange risk arising predominantly from the US dollar which is the currency in which the group's sales are generally denominated. As discussed in note 2(b)(ii), the group has operations in the US and the balance sheet translation risk is managed by borrowing in US dollars to provide a hedge for the net US dollar investment in the US operation (translation differences are taken to the foreign currency translation reserve). US dollar borrowings also provide a 'natural' hedge against movements in US dollar receivables from Australian sales (translation differences are taken to profit or loss).

The group's exposure to USD foreign currency risk (by entities which have an Australian dollar functional currency) at the end of the reporting period, expressed in Australian dollars, was as follows:

	2013 $m	2012 $m
Cash and cash equivalents	**2.7**	16.7
Receivables	**144.3**	93.2
Payables	**(4.3)**	(5.3)
Interest-bearing liabilities (2012: net of swap)	**(129.0)**	(81.8)
	13.7	22.8

(ii) Group sensitivity

The average US dollar exchange rate applied during the year was 0.9678 (2012: 1.0358). The US dollar spot rate at 31 December 2013 was 0.8907 (31 December 2012: 1.0403). If the US dollar exchange rate strengthened/(weakened) against the Australian dollar by 10 per cent (2012: 10 per cent), with all other variables held constant, the group's post-tax profit for the year and equity would have moved as per the table below.

	-10% Strengthen		+10% Weaken	
	Profit $m	Equity $m	Profit $m	Equity $m
31 December 2013	**3.2**	**(1.7)**	**(2.1)**	**1.5**
31 December 2012	1.8	(1.5)	(1.5)	1.2

The foreign currency sensitivity related to the US Private Placement Notes impacts equity rather than profit as it is a hedge of the net investment in the US operations.

(iii) Interest rate risk

Interest rate risk arises from the group's borrowings and cash deposits. When managing interest rate risk the group seeks to mitigate its risk by utilising a blend of floating and fixed rate debt. During 2013 and 2012, the group's borrowings at variable rates were denominated in Australian dollars and US dollars. At 31 December 2013, if interest rates for the full year were -/+ 1 per cent from the year-end rate with all other variables held constant, post-tax profit for the year would have moved as per the table below.

	+1% $m	-1% $m
31 December 2013	**2.6**	**(2.6)**
31 December 2012	1.5	(1.7)

The sensitivity is calculated using the net debt position at 31 December 2013. The interest charges in note 16(d) of $13.4 million (2012: $11.5 million) reflect interest-bearing liabilities in 2013 that range between $76.1 million and $259.0 million (2012: $67.5 million and $356.1 million).

(b) Credit risk

Credit risk arises from cash and cash equivalents held with financial institutions, as well as credit exposure to customers.

The group has policies in place to ensure that credit sales are only made to customers with an appropriate credit history. The group also maintains an insurance policy to assist in managing the credit risk of its customers and therefore has no significant concentrations of credit risk. Of the total trade receivables balance of $159.3 million, $95.3 million is covered by an insurance policy and $13.9 million by letters of credit. The insurance policies which have a maximum claim amount of $61.7 million. All trade receivables are considered low risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and policies limit the amount of credit exposure to any one financial institution.

The group has policies in place to ensure that cash deposits are held with counterparties with an appropriate credit rating. Credit exposure limits are approved by the Board based on both credit and sovereign ratings.

(c) Liquidity risk

Liquidity risk is the risk the group will not be able to meet its financial obligations as they fall due. Liquidity risk management involves maintaining sufficient cash on hand or undrawn credit facilities to meet the operating requirements of the business. This is managed through committed undrawn facilities under the MOFA (refer note 16(b)(iii)) of $574.6 million at balance date, and prudent cash flow management.

(d) Maturities of financial liabilities

The tables below analyses the group's interest-bearing liabilities and net settled derivative financial instruments into maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For the MOFA, the contractual maturity date is the facility expiry date of April 2017, contractual cash flows are until the next contractual re-pricing date which are all within one year. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The fair value of interest rate swaps (2012 only) is calculated as the present value of the estimated future cash flows. All other financial liabilities are due within 12 months (refer note 14).

At 31 December 2013	**Weighted average rate**	**Less than 1 year $m**	**Between 1 and 2 years $m**	**Between 2 and 5 years $m**	**Total contractual cash flows $m**	**Carrying amount liabilities $m**
	%					
Non-derivatives						
Interest-bearing variable rate	**2.2**	**12.9**	**-**	**225.4**	**238.3**	**236.5**
Interest-bearing fixed rate	**5.4**	**1.0**	**22.9**	**-**	**23.9**	**22.4**
Total non-derivatives		**13.9**	**22.9**	**225.4**	**262.2**	**258.9**

At 31 December 2012	**Weighted average rate**	**Less than 1 year $m**	**Between 1 and 2 years $m**	**Between 2 and 5 years $m**	**Total contractual cash flows $m**	**Carrying amount liabilities $m**
Non-derivatives						
Interest-bearing variable rate	2.3	-	-	82.2	82.2	81.8
Interest-bearing fixed rate	4.3	58.9	1.0	19.7	79.6	76.1
Total non-derivatives		58.9	1.0	101.9	161.8	157.9
Derivatives						
Interest rate swaps (net receivable)		0.1	-	-	0.1	-

18 Contributed equity

(a) Share capital

	2013 Shares	2012 Shares	**2013 $m**	2012 $m
Ordinary shares - fully paid	**418,701,360**	418,701,360	**1,120.0**	1,120.0
Treasury shares - net of tax	**(937,719)**	(1,630,066)	**(7.9)**	(15.2)
	417,763,641	417,071,294	**1,112.1**	1,104.8

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. There have been no movements in fully paid ordinary shares since 7 May 2009.

(b) Treasury shares

Treasury shares are shares in Iluka Resources Limited acquired on market and held for the purpose of issuing shares under the Directors, Executives and Employees Share Acquisition Plan.

	Number of shares	**$m**
Opening balance at 1 January 2012	2,269,590	18.0
Acquisition of shares, net of tax	341,621	2.5
Employee share issues, net of tax	(981,145)	(5.3)
Balance at 31 December 2012	**1,630,066**	**15.2**
Acquisition of share net of tax	217,819	1.5
Employee share issues, net of tax	(910,166)	(8.8)
Balance at 31 December 2012	**937,719**	**7.9**

Other notes

19 Events occurring after the reporting period

On 21 February 2014, Iluka announced that it had concluded an Investment Agreement with Metalysis Limited (Metalysis) for an interest of 18.3 percent, subject to usual conditions precedent, for a consideration of £12.2 million (approximately A$22.5 million). Metalysis is a private, venture capital funded technology company established in 2001, which is based in the United Kingdom. Metalysis has demonstrated that it is able to produce titanium powder directly from Iluka's main high grade titanium feedstock products of rutile. Iluka's investment in Metalysis provides the following:

- a 18.3 per cent interest, on a fully diluted basis (19.6 per cent on an undiluted basis), which makes Iluka the largest shareholder;
- a right to increase its shareholding to between 20 to 24.9 per cent in the event of an Initial Public Offering;
- a pro-rata first right of refusal over any transfers of existing shares or issues of new shares;
- one Board seat with full voting rights and one observer;
- a non-exclusive world-wide licence over the Metalysis technology to produce titanium powder in return for a revenue royalty on normal commercial terms; and
- right of first offer over future titanium metal licences, excluding current negotiations Metalysis is undertaking with respect to two specific licences.

All conditions precedent were satisfied on 28 February 2014.

20 Other income

	2013 $m	2012 $m
Net gain on disposal of property, plant and equipment	**0.6**	1.3
Commissions and other sundry income	**2.5**	9.0
	3.1	10.3

21 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PricewaterhouseCoopers Australia	**2013 $000**	2012 $000
Audit and other assurance services		
Audit and review of financial statements	**584**	551
Other assurance services	**9**	46
	593	597
Tax and other services		
Tax Compliance and advisory services	**22**	-
Total remuneration	**615**	597

(b) Network firms of PricewaterhouseCoopers Australia

Audit and review of financial statements	**17**	10
Other compliance and advisory services	**12**	-
	29	10

22 Deferred tax

	2013 $m	2012 $m
Deferred tax asset:		
Deferred tax asset amounts recognised in profit or loss		
Employee benefits	**7.7**	8.2
Rehabilitation provisions	**133.9**	129.5
Tax revenue losses	**3.6**	3.3
Other	**3.6**	4.6
Gross deferred tax assets	**148.8**	145.6
Deferred tax asset amounts recognised directly in equity		
Share issue costs	**-**	0.2
Actuarial losses on retirement benefit obligations	**(0.1)**	1.8
	(0.1)	2.0
Amount offset to deferred tax liabilities pursuant to set-off provision	**(135.5)**	(131.9)
Net deferred tax assets	**13.2**	15.7
Deferred tax liability:		
Deferred tax liability amounts in profit or loss		
Depreciation/amortisation	**(111.8)**	(123.0)
Foreign currency exchange	**(0.2)**	(5.1)
Receivables	**(6.3)**	(5.0)
Inventory	**(26.0)**	(19.6)
Other	**(0.8)**	(1.4)
Gross deferred tax liabilities	**(145.1)**	(154.1)
Amount offset to deferred tax assets pursuant to set-off provision	**135.5**	131.9
Net deferred tax liabilities	**(9.6)**	(22.2)
Movements in net deferred tax balance:		
Balance at 1 January	**(6.5)**	0.3
Credited to the income statement	**16.2**	(16.2)
Over provision in prior years	**(8.1)**	7.6
Charged directly to equity	**2.0**	1.8
Balance at 31 December	**3.6**	(6.5)

Deferred income tax is provided on all temporary differences at the balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities.

Deferred income tax liabilities are recognised for all taxable temporary differences, other than for the exemptions permitted under accounting standards.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these deductible temporary differences, other than for the exemptions permitted under accounting standards. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets of $20.0 million (2012: $20.8 million) and deferred tax liabilities of $32.9 million (2012: $26.6 million) are expected to be recovered in less than 12 months of the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority. Given this, the net deferred tax assets arising in the group's US operations have not been offset against the net deferred tax liabilities arising in the group's Australian operations.

23 Reserves and retained earnings

	2013 $m	2012 $m
Asset revaluation reserve		
Balance at 1 January	**15.9**	16.0
Transfer to retained earnings on disposal	**(2.2)**	(0.1)
Balance at 31 December	**13.7**	**15.9**
Share-based payments reserve		
Balance at 1 January	**4.4**	2.7
Transfer of shares to employees, net of tax	**(8.8)**	(5.3)
Share-based payments, net of tax	**3.5**	7.0
Balance at 31 December	**(0.9)**	**4.4**
Foreign currency translation		
Balance at 1 January	**(2.2)**	(2.3)
Currency translation of US operation	**11.6**	(0.5)
Hedge of net investment in US operation	**(4.6)**	0.5
Deferred tax	**1.4**	0.1
Balance at 31 December	**6.2**	**(2.2)**
Total reserves	**19.0**	**18.1**
Retained earnings		
Balance at 1 January	**444.2**	416.3
Net profit for the period	**18.5**	363.2
Dividends paid	**(62.9)**	(333.7)
Transfer from asset revaluation reserve, net of tax	**2.2**	0.1
Actuarial losses on retirement benefit obligation, net of tax	**5.0**	(1.7)
Balance at 31 December	**407.0**	444.2

(a) Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets prior to the adoption of AIFRS. Transfers are made to retained earnings on disposal of previously revalued assets.

(b) Share-based payments reserve

The employee share-based payments reserve is used to recognise the fair value of equity instruments granted but not yet issued to employees under the group's various equity-based incentive schemes. On settlement of the share-based payment by the issue of equity instruments to employees, the cost of the on-market acquisition is transferred from treasury shares (refer note 18(b)) to the share based payment reserve.

(c) Foreign currency translation reserve

Exchange differences arising on translation of the net investment in foreign operations, including US dollar denominated debt used as a hedge of the net investment, are taken into the foreign currency translation reserve net of applicable income tax, as described in note 2(b)(iv). US$20.0 million of debt (2012: US$20.0 million) is designated as a hedge of the net investment in the US operations at balance date. The reserve is recognised in profit or loss when the net investment is disposed of.

24 Share-based payments

Share-based compensation benefits are provided to employees via incentive plans, the Directors', Executives and Employees Share Acquisition Plan and the Employee Share Ownership scheme. Information relating to these schemes is set out in the Remuneration Report.

The fair value of shares granted is determined based on market prices at grant date, taking into account the terms and conditions upon which those shares were granted. The fair value is recognised as an expense through profit or loss on a straight-line basis between the grant date and the vesting date for each respective plan.

The fair value of share rights is independently determined using a Monte Carlo simulation that takes into account the exercise price, the term of the share right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate of the term of the share right. The fair value of the Long Term Incentive Plan (LTIP - TSR tranche) also takes into account the company's predicted share prices against the comparator group performance at vesting date.

A credit to the share-based payments expense arises where unvested entitlements lapse on resignation or the non-fulfillment of the vesting conditions that do not relate to market performance. Payroll tax payable on the grant of restricted shares or share rights is recognised as a component of the share-based payments expense when paid.

The share-based payment expense recognised in profit or loss of $5.5 million (2012: $9.7 million) results from several schemes summarised below.

Schemes	Grant date	Vesting date	Fair value $	**Shares / Rights at 31 Dec 13**	**Expense 2013 $m**	Shares / Rights at 31 Dec 12	Expense 2012 $m
STIP (i)							
2012	Mar-13	Mar-14/15	10.20	**163,552**	**1.0**	-	-
2011	Mar-12	Mar-13/14	16.68	**121,567**	**1.5**	276,056	3.1
2010	Jan-11	Jan-12/13	9.14	**-**	**-**	175,001	0.8
LTIP - TSR (ii)							
2013	Feb-13	Jan-16	7.72	**199,135**	**0.4**	-	-
2012	Jan-12	Jan-15	11.07	**98,898**	**0.2**	113,970	0.5
2011	Jan-11	Jan-14	7.37	**127,644**	**0.2**	146,665	0.4
2010	Jan-10	Jan-13	2.59	**-**	**-**	335,846	0.3
LTIP - ROE (ii)							
2013	Feb-13	Jan-16	9.89	**199,136**	**0.5**	-	-
2012	Jan-12	Jan-15	14.66	**98,899**	**(0.4)**	113,970	0.6
2011	Jan-11	Jan-14	9.44	**127,645**	**0.3**	146,665	0.4
2010	Jan-10	Jan-13	3.58	**-**	**-**	335,846	0.3
MD LTID (iii)	Mar-11	Feb-15	11.62	**750,000**	**1.0**	750,000	2.2
Employee Share Plan (iv)					**0.6**		0.6
Restricted Employee Share Plan (v)			-	**-**	**-**	-	0.5
					5.5		9.7

(i) Short Term Incentive Plan (STIP)

The fair value of the STIP is determined as the volume weighted average price of ordinary shares over the five trading days following the release of the company's annual results.

(ii) Long Term Incentive Plan (LTIP)

The fair value at grant date for the 2013 LTIP Plan takes into account the exercise price of $nil, the share price at grant date of $10.91, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of 3.25% and the risk free rate of return of 2.92%. The fair value of the TSR tranche also takes into account the company's predicted share prices against the comparator group performance at vesting date.

Prior year expenses related to rights that do not vest for the Return on Equity (ROE) tranche are credited to the share-based payments expense. The credit for the 2012 ROE tranche is based on the likelihood that the threshold will not be achieved.

(iii) Managing Director's Long Term Incentive Deferred (LTID) share rights

The LTID plan performance period ended on 1 March 2014. Of the 750,000 share rights offered, 250,000 will vest based on the company's financial performance over the three year period. However, vesting will not occur until March 2015, 12 months after the end of performance period. The lower LTID expense in 2013 is due to the threshold ROE not being achieved in 2013.

Full details of the LTID share rights granted in March 2011 and approved by shareholders at the 2011 AGM are set out in the Remuneration Report. The fair value of $11.62 per right is the weighted average for all share rights in the LTID.

(iv) Employee share plan

A total of 56,620 (2012: 46,200) shares were issued to eligible employees who participated in the plan. Each participant was issued with shares worth $1,000 based on a volume weighted average market price of $10.47 (2012: $13.33) for the five days prior to the start of the offer period.

(v) Restricted employee share plan

In 2012, a total of 125,488 restricted shares were awarded to eligible employees who would have been entitled to participate in the Employee Share Plan for 2009/10 that was cancelled.

25 Commitments

(a) Exploration and mining lease commitments	**2013 $m**	2012 $m
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable:		
Within one year	**20.4**	21.3
Later than one year but not later than five years	**30.5**	39.4
Later than five years	**52.7**	50.1
	103.6	110.8

These costs are discretionary. If the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

(b) Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**11.9**	12.5
Later than one year but not later than five years	**21.6**	16.1
Later than five years	**-**	0.4
	33.5	29.0

(c) Capital commitments

Capital expenditure contracted for and payable within 1 year of the reporting date, but not recognised as liabilities are $5.2 million (2012: $8.2 million). All of the commitments relate to the purchase of property, plant and equipment.

(d) Other commitments

Commitments for payments in relation to non-cancellable contracts at balance date are $75.1 million (2012: $118.6 million). Other commitments include $17.9 million (2012: $114.6 million) in respect of the group for term contracts for gas, electricity and water used in the production process.

26 Retirement benefit obligations

(a) Superannuation plan

(i) Australia

All employees of the group who do not elect an alternate fund under the Superannuation Fund Choice Legislation are entitled to benefits on leaving service, retirement, disability or death from the Iluka Section of the ING Master Trust, a sub-plan of the ING Masterfund. Within the Iluka Plan (the plan) the vast majority of members are entitled to accumulation (that is, defined contribution) benefits only. The plan also provides defined lump sum and pension benefits based on years of service and final average salary for a small number of members. The accumulation contribution section receives fixed contributions from group companies. The group's legal or constructive obligation is limited to these contributions.

(ii) USA

All employees of the United States (US) operations are entitled to benefits from the US operations' pension plans on retirement, disability or death. The US operations have one remaining defined benefit plan and one defined contribution plan. The defined benefit plan provides a monthly benefit based on average salary and years of service. The defined contribution plan receives an employee's elected contribution and an employer's match-up to a fixed percentage. The entity's legal or construction obligation is limited to these contributions.

The following sets out details in respect of the defined benefit sections only of the Australian and US plans. The expense recognised in relation to the defined contribution plans is disclosed in note 6(f) and is a related party transaction.

(b) Financial position

The net financial position of the group’s defined benefit plans based on information supplied from the plans' actuarial advisors are, for the Australian plan a surplus $0.3 million (2012: deficit $0.4 million) and for the US plan a deficit $4.1 million (2012: deficit $8.2 million). A net deficit of $3.8 million (2012: deficit $8.6 million) is included in non-current provisions in note 15. The table below provides a summary of the net financial position at 31 December for the past five years.

	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Defined benefit plan obligation	**20.5**	22.8	22.6	17.5	40.2
Plan assets	**(16.7)**	(14.2)	(15.0)	(14.1)	(31.7)
Deficit	**3.8**	8.6	7.6	3.4	8.5

(c) Defined benefits superannuation expense

In 2013, $2.4 million (2012: $1.1 million) was recognised in expenses for the year in respect of the defined contribution plans (refer note 6(f)).

Other disclosures in respect of retirement benefit obligations required by AASB 119 are not included in the financial report as the Directors do not consider them to be material to an understanding of the financial position and performance of the group.

27 Key Management Personnel

(a) Key Management Personnel

Key Management Personnel of the group comprise Directors of Iluka Resources Limited as well as other specific employees of the group who met the following criteria: "personnel who have authority and responsibility for planning, directing and controlling the activities of the group, either directly or indirectly."

(i) Key Management Personnel - Directors

The following persons were Directors of Iluka Resources Limited during the financial year:

Managing Director and Chief Executive Officer: D Robb

Non-executive Directors:

- G Martin *(Chairman from 18 December 2013)*
- W Osborn
- G Pizzey *(Chairman, retired 18 December 2013)*
- J Ranck
- G Rezos
- J Seabrook
- S Turner

All above persons were Directors of Iluka Resources Limited for all of the financial year, as well as for the financial year ended 31 December 2012, except for Mr G Pizzey who retired on 18 December 2013 and Mr J Ranck and Mr G Martin were appointed as Directors, with effect from 1 January 2013.

(b) Key Management Personnel - Employees other than Directors (The Executives)

C Cobb	Head of Marketing
A Tate	Chief Financial Officer and Head of Strategy and Planning
D Warden	Head of Resource Development, Mineral Sands
S Wickham	General Manager Australian Operations

(i) Key Management Personnel compensation

The company has taken advantage of the relief provided by the Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Remuneration Report. The relevant information can be found in the Remuneration Report on pages 63 to 83.

2013	Short term benefits $	Post employment benefits $	Share-based payments $	Total $
Non-executive Directors	1,217,914	102,513	-	1,320,427
Executive Director	2,426,341	17,603	1,811,437	4,255,381
Executives	2,791,180	111,267	987,223	3,889,670
Total	6,435,435	231,383	2,798,660	9,465,478

2012	Short term benefits $	Post employment benefits $	Share-based payments $	Total $
Non-executive Directors	932,000	72,475	-	1,004,475
Executive Director	2,172,300	22,811	3,294,351	5,489,462
Executives	2,141,964	82,834	1,186,839	3,411,637
Total	5,246,264	178,120	4,481,190	9,905,574

No termination benefits were paid in either 2013 or 2012.

The numbers of shares in the company and share rights for ordinary shares in the company are set out on the next page for each Key Management Personnel, including their personally related entities.

(ii) Share rights and shareholdings of Key Management Personnel

	Number Of Shares[1]				
Name	Balance held at 1/1/13	Vesting of share rights	Awarded as Restricted Shares	Other changes	Balance held at 31/12/13[4]
Non-executive Directors					
G Martin[2]	20,000	n/a	n/a	-	20,000
W Osborn	1,800	n/a	n/a	5,000	6,800
G Pizzey[3]	21,351	n/a	n/a	-	21,351
J Ranck	2,000	n/a	n/a	2,500	4,500
G Rezos	75,000	n/a	n/a	-	75,000
J Seabrook	19,314	n/a	n/a	-	19,314
S Turner	50,000	n/a	n/a	-	50,000
Executive Director					
D Robb	740,860	121,951	38,428	(149,472)	751,767
Executives					
C Cobb	41,502	34,146	12,985	(21,700)	66,933
A Tate	76,763	40,163	7,343	(53,809)	70,460
D Warden	15,718	10,976	3,954	(6,976)	23,672
S Wickham	123,518	40,650	13,187	(53,970)	129,385

[1]Shares may be held be held directly or through a nominee or agent (e.g. family trust).
[2]G Martin was appointed Chairman on 18 December 2013.
[3]G Pizzey was Chairman until his retirement on 18 December 2013. His final holdings reflect the balance held at this date.
[4]No shares were forfeited during the year.

	Number Of Share Rights[1]					
Name	Balance held at 1/1/13	Granted during 2013	Vested as shares during 2013	Lapsed during 2013	Balance held at 31/12/13[2]	Fair value of Share Rights granted in 2013 ($)[3]
Executive Director						
D Robb	952,676	58,824	(121,951)	0	889,549	517,941
Executives						
C Cobb	62,597	20,088	(34,146)	0	48,539	176,877
A Tate	69,302	19,853	(40,163)	0	48,992	174,805
D Warden	27,513	17,765	(10,976)		34,302	156,418
S Wickham	69,843	20,088	(40,650)	0	49,281	176,877

[1]Non-executive Directors do not have any entitlement to share rights.
[2]500,000 of the share rights held by D Robb will not vest under the Long Term Incentive Deferred Plan for which the performance period ends in March 2014.
[3]Share rights granted in respect of the 2013 LTIP which forms part of share based payments for 2013 to 2015 inclusive.

(c) Transactions with Key Management Personnel

There were no transactions between the group and Key Management Personnel that were outside of the nature described below:

(i) occurrence was within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those it is reasonable to expect the group would have adopted if dealing at arms length with an unrelated individual;

(ii) information about these transactions does not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the Key Management personnel; and

(iii) the transactions are trivial or domestic in nature.

Therefore, specific details of other transactions with Key Management Personnel are not disclosed.

28 Controlled entities and deed of cross guarantee

The following companies are all incorporated in Australia and are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others: Iluka Resources Limited, Westlime (WA) Limited, Ilmenite Pty Limited, Southwest Properties Pty Limited, Western Mineral Sands Pty Limited, Yoganup Pty Limited, Iluka Corporation Limited, Associated Minerals Consolidated Limited, Iluka Royalty Holdings Limited (formerly Iluka Administration Limited), Iluka Consolidated Pty Limited, Iluka Exploration Pty Limited, Gold Fields Asia Limited, Iluka International Limited, NGG Holdings Limited, Iluka Midwest Limited, Western Titanium Limited, The Mount Lyell Mining and Railway Company Limited, Renison Limited, Iluka Finance Limited, The Nardell Colliey Pty Limited, Glendell Coal Limited, Lion Properties Pty Limited, Basin Minerals Limited, Basin Minerals Holdings Pty Limited, Basin Properties Pty Limited, Swansands Pty Limited and Iluka (Eucla Basin) Pty Limited. On 28 March 2013, the following entities became parties to the Deed; Iluka International (UAE) Pty Limited, Iluka International (Lanka) Pty Limited, Iluka International (China) Pty Limited, Iluka International (Brazil) Pty Limited and Iluka Share Plan Holdings Pty Limited. On 21 November 2013, Iluka International (Netherlands) Pty Limited also became a party to the Deed.

In addition to the members of the extended closed group, the Iluka group also includes the following entities:

- Ashton Coal Interests Pty Limited (Iluka interest 95.8 per cent and incorporated in Australia).
- Iluka International Cooperatief U.A., Iluka Investments 1 B.V. and Iluka Trading (Europe) B.V. All are 100 per cent owned and incorporated in The Netherlands.
- Iluka Lanka P Q (Private) Limited, P.K.D. Resources (Private) Limited and Iluka Lanka Exploration (Private) Limited. All are 100 per cent owned and incorporated in Sri Lanka.
- Iluka Trading (Shanghai) Co., Ltd (Iluka interest 100.0 per cent and incorporated in China).
- Iluka International (UAE) Pty Ltd (DMCC Branch) (Iluka interest 100.0 per cent and incorporated in UAE).
- Iluka Brasil Mineralcao Ltda (Iluka interest 100.0 per cent and incorporated in Brazil).
- The group's activities in the US are undertaken by Iluka Resources Inc, which is 100 per cent owned.

By entering into the Deed, the wholly-owned entities represent a closed group and have been relieved from the requirements to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended by Class Order 98/2017) issued by the Australian Securities and Investments Commission. The closed group is also the extended closed group.

(a) Condensed financial statements of the Extended Closed Group

Condensed statement of profit or loss and other comprehensive income	**2013 $m**	2012 $m
Revenue from ordinary activities	**767.4**	1,041.1
Expenses from ordinary activities	**(695.3)**	(542.8)
Finance costs	**(48.5)**	(38.2)
Income tax (expense)/benefit	**(2.5)**	(139.3)
Profit for the period	**21.1**	320.8
Other comprehensive income		
Actuarial gains on defined benefit plans, net of tax	**0.5**	-
Total comprehensive income for the period	**21.6**	320.8

Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**428.0**	440.9
Total comprehensive income for the year	**21.6**	320.8
Dividends paid	**(62.9)**	(333.7)
Retained earnings at the end of the financial year	**386.7**	428.0

Condensed balance sheet	2013 $m	2012 $m
Current assets		
Cash and cash equivalents	**34.0**	35.4
Receivables	**176.0**	122.1
Inventories	**480.0**	490.0
Total current assets	**690.0**	647.5
Non-current assets		
Receivables	**3.2**	2.3
Inventories	**271.0**	257.9
Other financial assets - investments in non-closed group entities	**58.3**	41.6
Property, plant and equipment	**1,239.5**	1,389.6
Intangible assets	**5.9**	6.3
Total non-current assets	**1,577.9**	1,697.7
Total assets	**2,267.9**	2,345.2
Current liabilities		
Payables	**58.6**	77.7
Interest-bearing liabilities	**11.1**	56.9
Provisions	**43.7**	54.1
Current tax payable	**3.9**	126.7
Total current liabilities	**117.3**	315.4
Non-current liabilities		
Interest-bearing liabilities	**241.9**	93.3
Provisions	**387.9**	359.1
Deferred tax liabilities	**9.6**	22.2
Total non-current liabilities	**639.4**	474.6
Total liabilities	**756.7**	790.0
Net assets	**1,511.2**	1,555.2
Equity		
Contributed equity	**1,112.1**	1,104.8
Reserves	**12.4**	22.4
Retained profits	**386.7**	428.0
Total equity	**1,511.2**	1,555.2

29 Parent entity financial information

(a) Summary financial information for Iluka Resources Limited

	2013 $m	2012 $m
Balance sheet		
Current assets	**155.7**	129.7
Non-current assets	**1,942.4**	1,933.8
Total assets	**2,098.1**	2,063.5
Current liabilities	**55.2**	90.6
Non-current liabilities	**811.1**	567.2
Total liabilities	**866.3**	657.8
Net assets	**1,231.8**	1,405.7
Shareholders' equity		
Contributed equity	**1,120.0**	1,120.0
Reserves	**9.8**	17.8
Retained earnings	**102.0**	267.9
	1,231.8	1,405.7
(Loss)/profit for the year	**(105.2)**	492.6
Total comprehensive income	**(105.2)**	492.6

(b) (Loss)/profit for the year

The loss for the year includes expenses of $13.1 million for the write off of idle assets and $7.8 million for rehabilitation discount rate changes. The profit for the prior year includes dividends received from controlled entities of $475.0 million.

(c) Contingent liabilities of the parent entity

The parent had contingent liabilities for performance commitments and guarantees of $48.7 million as at 31 December 2013 (2012: $28.9 million).

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 31 December 2013, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $0.8 million (2012: $7.0 million).

(e) Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost.

(ii) Tax consolidation legislation
Iluka Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004. On adoption of the tax consolidation legislation, the entities in the tax consolidation group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Iluka Resources Limited.

30 Contingent liabilities

(a) Bank guarantees

The group has a number of bank guarantees in favour of various government authorities and service providers to meet its obligations under exploration and mining tenements. At 31 December 2013, the total value of performance commitments and guarantees was $135.6 million (2012: $115.0 million).

(b) Native title

There is some risk that native title, as established by the High Court of Australia's decision in the Mabo case, exists over some of the land over which the group holds tenements or over land required for access purposes. It is impossible at this stage to quantify the impact, if any, which these developments may have on the operations of the group.

(c) Sri Lanka exploration deposits

During the year the group acquired all of the share capital in PKD Resources (Pvt) Ltd, a Sri Lankan domiciled company which owns an exploration tenement located near the city of Puttalam in the North Western Province of Sri Lanka. The consideration for the acquisition comprised:

- payment of US$5.0 million to the shareholders and creditors of PKD;
- possible payment of US$2.0 million on the grant of a mining license over EL 170;
- possible payment of US$8.0 million on the Iluka Board approving a development on EL 170; and
- the payment of an annual trailing payment calculated at one per cent of the gross sale proceeds received from the annual sale of all mineral products and sand clay produced from the tenement, less the US$2.0 million paid on the grant of the mining license over EL 170, which is being treated as an advance on the trailing payment.

Only the initial payment of US$5.0 million has been recognised in the financial statements as the payment of the other consideration is not considered probable at this stage.

(d) Other claims

In the course of its normal business, the group occasionally receives claims arising from its operating activities. In the opinion of the Directors, all such matters are covered by insurance or, if not covered, are without merit or are of such a kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the group if settled unfavourably.

31 Related party transactions

The only related party transactions are with Directors and Key Management Personnel (refer note 27). Details of material controlled entities are set out in note 28. The ultimate Australian controlling entity and the ultimate parent entity is Iluka Resources Limited.

32 Other accounting policy

(a) Carbon emissions

Carbon emission units granted by the Australian Government are recognised at nil value. Carbon emission units purchased for compliance purposes under the Australian Carbon Pricing Mechanism are recognised at cost.

An emissions liability is recognised as a liability when actual emissions exceed the emission units granted by the Australian Government. Any liability recognised is measured at the value of the purchased units held, with any excess liability measured at the current market value of carbon units at the reporting date. The movement in the liability is recognised in the income statement.

33 New accounting standards and interpretations

Iluka Resources Limited had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2013. The affected policies and standards are:

- Principles of consolidation - new standard AASB 10 *Consolidated Financial Statements;* and
- AASB Interpretation 20 *Stripping Costs in the Production Phase of Surface Mine*

One other new standard that is applicable for the first time for the 2013 report is AASB 13 *Fair Value Measurement*. This standard introduced additional disclosure requirements for assets and liabilities recorded at fair value. The group does not have any assets or liabilities recorded at fair value at 31 December 2013 and so this standard has not impacted on the current year financial statements.

(i) AASB 10 Consolidated Financial Statements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation - Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

(ii) Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Interpretation 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, can be measured reliably and it is probable that future economic benefits will flow to the entity. The costs form part of Mine Reserves and Development and are charged to profit or loss as amortisation over the life of the identified ore body.

Previously, the Group's accounting policy has been to defer expenditure associated with the removal of mine overburden after the initial development of a mine and charge it to profit or loss as a cash cost of production over its useful life, which typically does not exceed one year.

The group has reviewed its operations and determined that no material deferred stripping undertaken at any producing mine met the asset recognition criteria set out in IFRIC 20, therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of Interpretation 20.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting periods. The group's assessment of the impact of those new standards and interpretations considered relevant to the group is set out below. The group does not intend to early adopt any of the new standards or interpretations.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The group has not yet determined the extent of the impact, if any.

(ii) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

These amendments remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*. While this will reduce the disclosures that are currently required in the notes to the financial statements (note 27), it will not affect any of the amounts recognised in the financial statements.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 90 to 129 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and

   (ii) giving a true and fair view of the group's financial position as at 31 December 2013 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 28 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28.

Note confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

G Martin
Chairman

D Robb
Managing Director

Perth
19 March 2014

Independent auditor's report to the members of Iluka Resources Limited

Report on the financial report

We have audited the accompanying financial report of Iluka Resources Limited (the company), which comprises the balance sheet as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Iluka Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Independent auditor's report to the members of Iluka Resources Limited (cont'd)

Auditor's opinion

In our opinion:

(a) the financial report of Iluka Resources Limited is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 63 to 83 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Iluka Resources Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Nick Henry
Partner

Perth
19 March 2014

Ore Reserves and Mineral Resources Statement

Iluka Ore Reserves Breakdown by Country, Region and JORC category at 31 December 2013

Summary of Ore Reserves for Iluka[1,2,3]

Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	HM Assemblage[4] Ilmenite Grade (%)	HM Assemblage[4] Zircon Grade (%)	HM Assemblage[4] Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Proved	119.7	5.13	4.3	27	51	4	
		Probable	3.4	0.07	2.1	20	51	5	
	Total Eucla Basin		**123.1**	**5.20**	**4.2**	**27**	**51**	**4**	**(0.74)**
	Murray Basin	Proved	4.5	1.30	28.6	54	11	18	
		Probable	11.1	1.70	15.2	46	14	19	
	Total Murray Basin[5]		**15.7**	**3.00**	**19.1**	**49**	**13**	**19**	**(1.06)**
	Perth Basin	Proved	8.2	0.71	8.8	59	14	2	
		Probable	305.1	16.54	5.4	59	10	5	
	Total Perth Basin[6]		**313.3**	**17.26**	**5.5**	**59**	**10**	**5**	**(0.21)**
USA	Atlantic Seaboard	Proved	8.4	0.42	5.0	68	15	-	
		Probable	16.4	0.75	4.6	57	18	-	
	Total Atlantic Seaboard[7]		**24.8**	**1.17**	**4.7**	**61**	**17**	**-**	**(0.35)**
	Total Proved		**140.8**	**7.56**	**5.4**	**37**	**39**	**6**	
	Total Probable		**336.1**	**19.06**	**5.7**	**58**	**11**	**6**	
	Grand Total		**476.9**	**26.62**	**5.6**	**52**	**19**	6	**(2.35)**

[1] Competent Persons - Ore Reserves
Eucla Basin (South Australia) Perth Basin (Western Australia) and Murray Basin (Victoria/New South Wales): C Lee (MAusIMM (CP))
Atlantic Seaboard (Virginia, United States of America): C Stilson (SME)

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

[3] Rounding may generate differences in last decimal place.

[4] Mineral assemblage is reported as a percentage of in situ heavy mineral (HM) content.

[5] Ilmenite currently has had no value ascribed in the reserve optimisation process for the Murray Basin. Metallurgical testwork and marketing studies are presently underway; the outcomes of which may see a revision of the Ore Reserves.

[6] Rutile component in Perth Basin South West operation is sold as a leucoxene product.

[7] Rutile is included in ilmenite for the Atlantic Seaboard region.

Ore Reserves and Mineral Resources are estimated using all available geological and relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries and final product qualities. Reserve estimates are determined by the consideration of all of the “modifying factors” in accordance with the JORC Code, and for example, may include but are not limited to, product prices, mining costs, metallurgical recoveries, environmental consideration, access and approvals. These factors may vary significantly between deposits. Resource estimates are determined by consideration of geology, HM cut-off grades, mineralisation thickness vs. overburden ratios and consideration of the potential mining and extraction methodology. These factors may vary significantly between deposits.

The information in relation to the Ore Reserves and Mineral Resources for Australia and the USA was first prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported.

The information in relation to the Mineral Resources for Sri Lanka has been separately reported in an announcement to the Australian Securities Exchange (ASX) on 5 August 2013 “Acquisition of Sri Lankan Tenement and Heavy Mineral Resource Base” which complies with the guidelines of the 2012 JORC Code.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC Code). Each of the Competent Persons for deposits located outside Australia is a member of a Recognised Overseas Professional Organisations as listed by the ASX. Each of the Competent Persons had, at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they were undertaking to qualify as a Competent Person as defined by the JORC Code. At the reporting date, each Competent Person listed in this report was a full-time employee of Iluka Resources Limited. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures reported represent estimates at 31 December 2013. All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information is inclusive of Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

Iluka Ore Reserves Mined and Adjusted by Country and Region at 31 December 2013

Summary of Ore Reserves for Iluka[1,2,3]

Country	Region	Category	In Situ HM Tonnes Millions 2012	In Situ HM Tonnes Millions Mined 2013	In Situ HM Tonnes Millions Adjusted 2013[2]	In Situ HM Tonnes Millions 2013	In Situ HM Tonnes Millions Net Change[3]
Australia	Eucla Basin	Active Mines	3.99	(0.67)	(0.06)	3.25	(0.74)
		Non-Active Sites	1.95	-	-	1.95	-
	Total Eucla Basin		**123.1**	**(0.67)**	**(0.06)**	**5.20**	**(0.74)**
	Murray Basin	Active Mines	2.36	(0.82)	(0.24)	1.30	(1.06)
		Non-Active Sites	1.70	-	-	1.70	-
	Total Murray Basin		**4.05**	**(0.82)**	**(0.24)**	**3.00**	**(1.06)**
	Perth Basin	Active Mines	1.15	(0.17)	(0.03)	0.95	(0.21)
		Non-Active Sites	16.31	-	-	16.31	-
	Total Perth Basin		**17.41**	**(0.17)**	**(0.03)**	**17.26**	**(0.21)**
USA	Atlantic Seaboard	Active Mines	0.90	(0.32)	(0.16)	0.42	(0.48)
		Non-Active Sites	0.61	-	0.14	0.75	0.14
	Total Atlantic Seaboard		**1.51**	**(0.32)**	**(0.03)**	**1.17**	**(0.35)**
	Total Active Mines		**8.40**	**(1.99)**	**(0.50)**	**5.91**	**(2.49)**
	Total Non-Active Sites		**20.57**	**-**	**0.14**	**20.71**	**0.14**
	Total Ore Reserves		**28.97**	**(1.99)**	**(0.36)**	**26.62**	**(2.35)**

[1]Rounding may generate differences in last decimal place.

[2]Adjusted figure includes write-downs and modifications in mine design.

[3]Net change includes depletion by mining and adjustments.

Iluka Mineral Resource Breakdown by Country, Region and JORC Category at 31 December 2013
Summary of Ore Reserves for Iluka[1,2,3]

						HM Assemblage[4]			
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Measured	197.3	7.62	3.9	34	42	4	
		Indicated	107.7	3.40	3.2	42	36	3	
		Inferred	139.5	10.49	7.5	67	15	2	
	Total Eucla Basin		**444.5**	**21.51**	**4.8**	**51**	**28**	**3**	**1.41**
	Murray Basin	Measured	21.2	5.80	27.4	60	11	13	
		Indicated	114.4	20.31	17.7	55	11	13	
		Inferred	1.8	9.81	12.0	49	10	15	
	Total Murray Basin		**217.5**	**35.92**	**16.5**	**54**	**11**	**14**	**(0.77)**
	Perth Basin	Measured	531.1	31.02	5.8	59	10	5	
		Indicated	316.2	16.09	5.1	54	10	5	
		Inferred	264.6	12.34	4.7	57	8	5	
	Total Perth Basin[5]		**1,111.8**	**59.44**	**5.3**	**57**	**10**	**5**	**(0.91)**
USA	Atlantic Seaboard	Measured	37.3	1.44	3.9	63	17	-	
		Indicated	70.2	3.43	4.9	66	10	-	
		Inferred	20.9	0.73	3.5	62	10	-	
	Total Atlantic Seaboard[6]		**128.4**	**5.60**	**4.4**	**65**	**12**	**-**	**0.03**
Sri Lanka	Sri Lanka	Measured	213.9	22.20	10.4	69	3	3	
		Indicated	69.9	6.06	8.7	67	3	3	
		Inferred	404.3	27.99	6.9	65	4	5	
	Total Sri Lanka		**688.2**	**56.25**	**8.2**	**67**	**4**	**4**	**56.25**
	Total Measured		**1,000.8**	**68.07**	**6.8**	**60**	**12**	**5**	
	Total Indicated		**678.5**	**49.29**	**7.3**	**56**	**11**	**8**	
	Total Inferred		**911.2**	**61.35**	**6.7**	**61**	**8**	**6**	
	Grand Total		**2,590.4**	**178.71**	**6.9**	**59**	**10**	**6**	**56.01**

[1]Competent Persons - Mineral Resources
Eucla Basin, Perth Basin and Sri Lanka: B Gibson (MAIG)
Murray Basin: R Cobcroft (MAIG)
Atlantic Seaboard: A Karst (SME)

[2]Mineral Resources are inclusive of Ore Reserves.

[3]Rounding may generate differences in last decimal place.

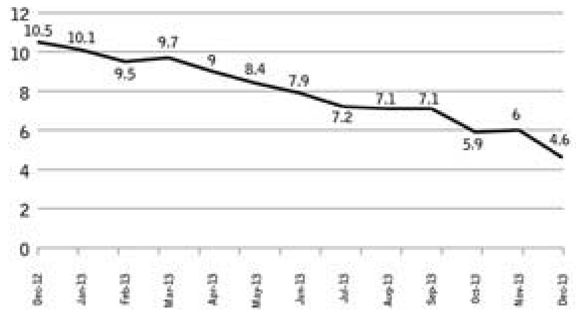
[4]Mineral assemblage is reported as a percentage of in situ heavy mineral content.

[5]Rutile component in Perth Basin South West operations, Western Australia is sold as a leucoxene product.

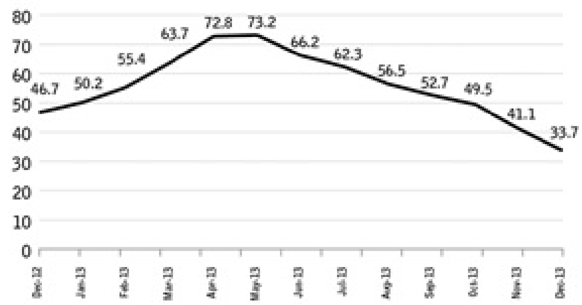
[6]Rutile is included in ilmenite for the Atlantic Seaboard region.

Sustainability Performance Data

Lost Time Injury Frequency Rate 2013 and Total Recordable Injury Frequency Rate 2013



Severity Rate 2013



All safety metric rates are expressed per million hours worked and includes both permanent employee and contractor hours.

Safety performance by area 2013

	Fatality	LTI	MTI	FAI	TRI	Minor
Murray Basin (Victoria)	0 (0)	0 (1)	1 (3)	4 (12)	1 (14)	68 (107)
Eucla Basin (South Australia)	0 (0)	0 (0)	0 (2)	4 (8)	0 (2)	39 (47)
Perth Basin (Western Australia)	0 (0)	0 (5)	2 (4)	11 (63)	4 (13)	42 (155)
United States	0 (0)	0 (2)	2 (7)	3 (3)	2 (10)	15 (29)
Exploration	0 (0)	0 (0)	0 (1)	2 (3)	0 (3)	12 (11)
Projects	0 (0)	0 (0)	0 (2)	0 (6)	0 (2)	0 (10)
Corporate	0 (0)	1 (1)	5 (5)	13 (14)	8 (7)	44 (21)
Total	**0 (0)**	**1 (9)**	**10 (24)**	**37 (109)**	**15 (51)**	**220 (380)**

Expressed as the number of incidents (2012 data in brackets).

Data includes employees and contractors.

LTI = lost time injury MTI = medical treatment injury FAI = first aid injury TRI = total recordable injury

Environmental incidents

Classification[1]	2011	2012	2013
Level 1	481	796	777
Level 2	180	187	145
Level 3	82	43	45
Level 4	3	16	12
Level 5	0	0	0
Total	**746**	**1,042**	**979**
< Level 3 or above target	n/a	85	53

[1]Potential severity of impact. Level 1 incidents have no or minimal impact and Level 5 incidents have the greatest potential cumulative impact.

Land use by region – land disturbed (hectares)

	2011	2012	2013
Murray Basin (Victoria)	1,193	363	191
Eucla Basin (South Australia)	67	62	2
Perth Basin (Western Australia)	173	162	0
United States	66	124	102
Exploration1[1]	351	386	277
Total	**1,850**	**1,097**	**572**

[1]Comprised predominantly of access tracks which naturally rehabilitate within 12 months.

Land use by region - land rehabilitated (hectares)[1]

	2011	2012	2013
Murray Basin (Victoria)	62	225	345
Eucla Basin (South Australia)	5	0	11
Perth Basin (Western Australia)	79	310	343
United States	77	83	128
Exploration	26	1	130
Total	**249**	**619**	**957**

[1]Includes backfilling, topsoil, vegetation established. Exploration rehabilitation includes drill hole and sump remediation, access tracks stable for re-generation in 12 months, tenement area relinquished.

Land use by region – total area of land open as at 31 December 2013 (hectares)

	2011	2012	2013
Murray Basin (Victoria)	3,008	3,146	2,992
Eucla Basin (South Australia)	1,032	1,094	1,085
Perth Basin (Western Australia)	4,026	3,878	3,535
United States	513	554	528
Exploration[1]	1,453	1,838	1,985
Total	**10,032**	**10,510**	**10,125**

[1]Includes land where rehabilitation activity is complete but Iluka retains the tenement holding.

Energy use by region (terajoules)

	2009	2010	2011	2012	2013
Murray Basin (Victoria)	740	1,451	1,352	903	677
Eucla Basin (South Australia)	251	522	547	670	563
Perth Basin (Western Australia)	7,941	7,059	6,591	6,393	1,987
United States	1,368	977	997	485	470
Exploration	314	62	8	8	4
Corporate	1	1	1	2	1
Total	**10,615**	**10,072**	**9,496**	**8,461**	**3,702**

Carbon dioxide emissions (kt CO2-e)

	2009	2010	2011	2012	2013
Murray Basin (Victoria)	112	182	161	105	81
Eucla Basin (South Australia)	19	40	38	38	32
Perth Basin (Western Australia)	830	704	588	549	147
United States	48	69	72	73	73
Exploration	2	1	1	<1	<1
Corporate	n/a	n/a	1	<1	<1
Total	**1,011**	**996**	**861**	**765**	**333**

Water use by region (megalitres)

	2011	2012	2013
Murray Basin (Victoria)	3,925	2,742	1,977
Eucla Basin (South Australia)	6,867	7,763	3,384
Perth Basin (Western Australia)	5,040	11,623	4,175
United States	1,589	2,034	1,287
Total	**17,421**	**24,162**	**10,823**

Water discharged by region (megalitres)[1]

	2011	2012	2013
Murray Basin (Victoria)	123	114	52
Eucla Basin (South Australia)	0	0	0
Perth Basin (Western Australia)	1,603	1,457	1,601
United States	509	264	768
Total	**2,235**	**1,835**	**2,421**

[1]Defined as water discharged via metered flow to either surface drainage or groundwater infiltration basins.

Shareholder Information
as at 7 March 2014

Australian Securities Exchange listing

Iluka's shares are listed on the Australian Securities Exchange (ASX) Limited. The company is listed as "Iluka" with an ASX code of ILU.

Number of shares on issue

The company had 418,701,360 shares on issue as at 31 December 2013.

Number of shareholdings

There were 25,927 shareholders. Voting rights, on a show of hands, are one vote for every registered holder and on a poll, are one vote for each share held by registered holders.

Distribution of Shareholdings

Size of shareholding	Number of holders
1 - 1,000	14,583
1,001 - 10,000	10,524
10,001 - 100,000	767
100,001 - 1,000,000	40
1,000,001 and over	13
Unmarketable parcel (less than $500)	1,298

Substantial Shareholders (as provided in disclosed Substantial Shareholder Notices to the company)

Shareholder	Size of shareholding	% of issued capital
M&G Investment Management Limited, London	46,095,678	11.00
BlackRock Investment Management (Australia) Limited	40,111,686	9.58
Schroder Investment Management Australia Limited	35,898,163	8.57
RS Investment Management Co. LLC	34,188,739	8.17
MFS Investment Management	29,710,433	7.10
RS Investment Management Co. LLC	25,556,248	6.10
Northcape Capital Pty Ltd	21,590,918	5.18
RS Global Natural Resources Fund	21,225,646	5.07

Top 20 Shareholders (Nominee Company Holdings)

Shareholder	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	145,094,323	34.65
J P Morgan Nominees Australia Limited	100,384,213	23.98
National Nominees Limited	57,168,023	13.65
BNP Paribas Nominees Pty Ltd	13,851,456	3.31
Citicorp Nominees Pty Limited	12,347,157	2.95
Citicorp Nominees Pty Limited	5,153,131	1.23
J P Morgan Nominees Australia Limited	4,103,934	0.98
HSBC Custody Nominees (Australia) Limited	2,703,234	0.65
AMP Life Limited	2,418,050	0.58
Australian Foundation Investment Company Limited	2,367,000	0.57
CS Fourth Nominees Pty Ltd	1,756,831	0.42
Argo Investments Limited	1,700,000	0.41
R O Henderson (Beehive) Pty Limited	1,125,000	0.27
UBS Nominees Pty Ltd	950,000	0.23
UBS Nominees Pty Ltd	788,448	0.19
UBS Wealth Management	754,865	0.18
Suncorp Custodian Services Pty Limited	719,684	0.17
HSBC Custody Nominees (Australia) Limited	715,706	0.17
RBC Investor Services	672,639	0.16
BNP Paribas Nominees (New Zealand) Ltd	570,086	0.14

2014 Calendar

21 February	Announcement of Full Year Financial Results
6 March	Record Date for Full Year Dividend
3 April	Full Year Dividend Payment
16 April	March Quarter Production Report
26 May 9:30am WST	Closure of acceptances of proxies for AGM
28 May 9:30am WST	Annual General Meeting – Perth
16 July	June Quarter Production Report
22 August	Announcement of Half Year Financial Results
16 October	September Quarter Production Report
31 December	Financial Year End

All dates are indicative and subject to change. Shareholders are advised to check with the company to confirm timings.

Recent Iluka Publications

Iluka Ceramics Tile Study Briefing Paper, March 2014
Iluka Key Physical and Financial Parameters, February 2014
Investment in New Technology for Titanium Metal Powder Production, February 2014
Executive Management Changes, February 2014
2013 Full Year Results Presentation, February 2014

All are available on the Investors and Media section of Iluka's website www.iluka.com.

Investor Relations Inquiries

Dr Robert Porter
General Manager, Investor Relations
robert.porter@iluka.com
+61 3 9225 5008
+61 (0) 407 391 829

Share registry inquiries

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the company's share registry:

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: +61 3 9415 5000 (Head office) +61 8 9323 2000 (Perth) or 1300 850 505
Facsimile: +61 8 9323 2033 (Perth) or +61 3 9473 2500 (Melbourne)

Postal address

GPO Box 2975
Melbourne VIC 3000

Website: www.computershare.com

Each inquiry should refer to the shareholder number which is shown on issuer-sponsored holding statements and dividend statements.

Dividends

Iluka recommenced dividend payments with the 2010 full year results. Iluka has suspended its dividend reinvestment plan.

Corporate Information

Company details

Iluka Resources Limited
ABN: 34 008 675 018

Registered office

Level 23, 140 St George's Terrace
Perth WA 6000 Australia

Postal address

GPO Box U1988
Perth WA 6845 Australia
Telephone: +61 8 9360 4700
Facsimile: +61 8 9360 4777

Website

www.iluka.com

This site contains information on Iluka's products, marketing, operations, ASX releases, financial and quarterly reports. It also contains links to other sites, including the share registry.

Iluka Investor Relations Guide

The Iluka Investor Relations Guide ("app") is available for download on iOS and Android tablet devices. It provides online and offline access to information relating to the company.

Disclaimer - Forward Looking Statements

This Report may contain certain forward looking statements. These statements may include, without limitation, estimates of future production and production potential; estimates of future capital expenditure and cash costs; estimates of future product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves.

Where Iluka expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and on a reasonable basis. No representation or warranty, express or implied, is made by Iluka that the matters stated in this presentation will in fact be achieved or prove to be correct.

Forward-looking statements are only predictions and are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks and factors include, but are not limited to:

- changes in exchange rate assumptions;
- changes in product pricing assumptions;
- major changes in mine plans and/or resources;
- changes in equipment life or capability;
- emergence of previously underestimated technical challenges; and
- environmental or social factors which may affect a licence to operate.

Iluka does not undertake any obligation to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this report, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Non-IFRS Financial Information

This document uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, Group EBITDA and Group EBIT which are used to measure both group and operational performance. Non-IFRS measures are unaudited but derived from audited accounts. A reconciliation of non-IFRS financial information to the audited Profit before tax in the Consolidated statement of profit or loss and other comprehensive income is included on page 57.

Greg Martin David Robb Gavin Rezos Jenny Seabrook Wayne Osborn Stephen Turner James Ranck Marcelo Bastos

The Iluka Board comprises seven non-executive (independent) Directors and one Executive Director (Managing Director and CEO)

Board

GREG MARTIN
BEc, LLB, FAIM, MAICD
Chairman
Australian Gas Light Company Ltd, Challenger Financial Services Group, Murchison Metals Ltd
2013

GAVIN REZOS
BA, LLB, B.Juris, MAICD
Independent Non-Executive Director
HSBC, Amity Oil NL, Alexium International Group Ltd, Viaticus Capital LLC
2006

JENNIFER SEABROOK
BCom, FCA, FAICD
Independent Non-Executive Director
Gresham Partners Ltd, IRESS Ltd, Export Finance & Insurance Corp
2008

WAYNE OSBORN
DipEng, MBA, FTSE, MIE (Aust), FAICD
Independent Non-Executive Director
Alcoa of Australia Ltd, Wesfarmers Ltd, Alinta Holdings, Leighton Holdings Ltd
2010

DAVID ROBB
BSc, Grad Dip (Personnel Admin), FAIM, FAICE
Managing Director
BP, Wesfarmers Ltd
2006

STEPHEN TURNER
BCom, ACA
Independent Non-Executive Director
International Ferro Metals Ltd, Vantage Goldfields Ltd
2010

JAMES RANCK
BSE (Econ), FAICD
Independent Non-Executive Director
DuPont, Elders Ltd, CSIRO
2013

MARCELO BASTOS
Mech Eng, MBA, MAICD
Independent Non-Executive Director
MMG, BHP Billiton, Vale
2014

Executive Team

DOUG WARDEN
BCom, CA, MBA, GAICD
Head of Resource Development, Mineral Sands
Summit Resources, Jabiru Metals, Ernst & Young, KPMG
2003

STEVE WICKHAM
Assoc Dip Mech Eng
Chief Operating Officer, Mineral Sands
Ticor South Africa, Australian Zircon
2007

MATTHEW BLACKWELL
B Eng (Mech), Grad Dip (Tech Mgt), MBA, MAICD, MIE (Aust)
Head of Marketing, Mineral Sands
Asia Pacific Resources, WMC Resources
2004

ALAN TATE
BCom, FAICD
Chief Financial Officer and Head of Strategy and Planning
Jabiru Metals, BHP Billiton, WMC Resources
2008

CHRIS COBB
Dip CSM, FIQ, MAICD
Head of Alliances, New Ventures and Royalties
CRL, Zambia Consolidated Copper
2009

CAMERON WILSON
LLB, GAICD
Chief Legal Counsel and Head of Corporate Acquisitions
WMC Resources
2004

Profiles can be found on pages 58 – 60.

SELECTED EXPERIENCE

YEAR JOINED ILUKA/BOARD

ILUKA INVESTOR RELATIONS GUIDE (APP)

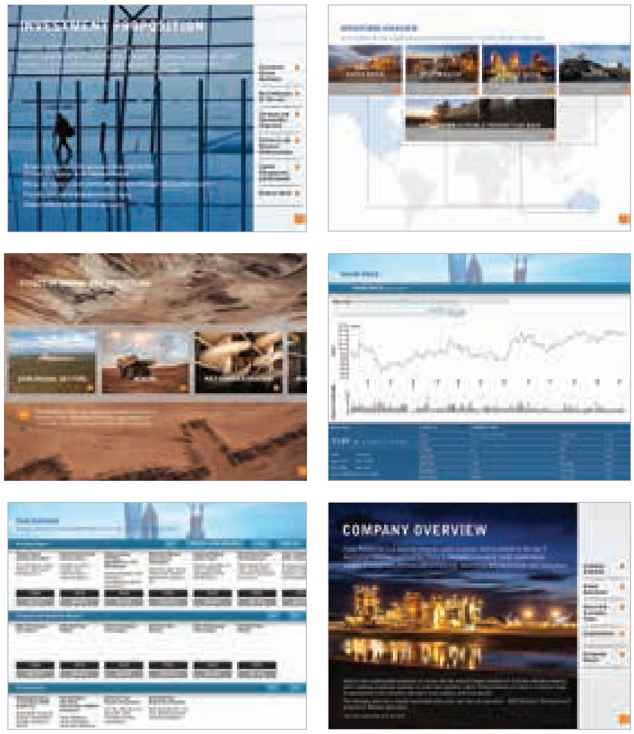
The Iluka Investor Relations Guide (App) for Apple iPad and other table devices provides online and offline access to company information, including the latest news and events.

The App can be downloaded from the Apple App Store or Google Play Store by searching "Iluka Investor Relations Guide".

The Iluka Investor Relations Guide is designed for those wishing to gain an understanding of the main elements of the company, its assets, industry context and basis for shareholder value generation.

Information available on the App includes:

- Iluka's investment proposition, company and shareholder alignment and capital management framework;
- company outline, resource base and operations;
- mineral sands industry overview;
- Iluka's sales and marketing strategy and customer base
- historical financials and company presentations;
- latest ASX releases; and
- calendar of events.



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ILUKA

www.iluka.com