

16 January 2014

QUARTERLY PRODUCTION REPORT 31 DECEMBER 2013

2013 OVERVIEW

Lower Production, Higher Sales Volumes, Revenue Impacted by Lower Prices

- Lower annual production of zircon, rutile and synthetic rutile (Z/R/SR), down 42.0 per cent year-on-year, is in line with guidance and reflects production constraint consistent with Iluka's preferred approach to a period of low market demand.
- Sales volumes of Z/R/SR increased 19.5 per cent overall year-on-year, with zircon and rutile sales increasing 73.2 and 59.2 per cent respectively from 2012 levels, but with synthetic rutile sales declining by 72.7 per cent.
- Zircon sales recovery was encouraging but uneven, while a decline in aggregate high grade titanium dioxide (R/SR) 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.
- Mineral sands sales revenue for the three months to 31 December 2013 was \$234.3 million (December quarter 2012: \$182.5 million). Mineral sands sales revenue for the 12 months to 31 December 2013 was \$763.0 million (2012: \$1,069.9 million).
- Revenue per tonne of Z/R/SR sold during 2013 declined by 41.1 per cent to \$1,173, compared with \$1,991 in 2012, mainly reflecting a material reduction in prices year-on-year, as detailed on page 5. Mineral sands revenue excludes the contribution from Mining Area C iron ore royalty.

Lower Total Cash Production Costs, Unit Cash Production Costs up Slightly

- 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 materially reduced cash production costs arose from lower utilisation of some assets, a reduction in employment levels and other cost saving initiatives. Total cash production costs exclude restructure and idle costs, which amounted to \$69.6 million in 2013 (2012: \$14.8 million).
- Given the fixed cost component of the business, unit cash costs of production of \$798/tonne of Z/R/SR reflected some inefficiencies at low production levels when compared with 2012 (2012: \$719/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/tonne of Z/R/SR (1st half 2013: \$848/tonne), reflecting 13.7 per cent lower cash production costs in the second half, following the idling of the Tutunup South mine and SR kiln 2 in Western Australia in the first half.

Inventory Movements

- Z/R/SR finished goods inventories reduced by 113 thousand tonnes. The idling of all of Iluka's synthetic rutile production together with continued production of ilmenite from Jacinth-Ambrosia (South Australia), Murray Basin (Victoria) and Virginia (US), meant that ilmenite finished goods inventory built by approximately 175 thousand tonnes. Heavy mineral concentrate (HMC) produced exceeded the volume processed and resulted in a HMC inventory build of approximately 500 thousand tonnes, mainly at Jacinth-Ambrosia.
- While an initial estimate, and subject to verification with the full year results, Iluka advises that it expects a favourable inventory impact through the profit and loss in the order of approximately \$15 million for the full year, associated with the net value of increased inventory of approximately \$25 million, partially offset by net realisable value (NRV) adjustments of approximately \$10 million on higher cost material in inventory relating to mines no longer operating and on synthetic rutile produced with lower plant throughputs in the first half. Refer Appendix 1.

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SUMMARY PHYSICAL AND FINANCIAL DATA

	Dec-12 Quarter	Dec-13 Quarter	12 mth to Dec-12	12 mth to Dec-13	12 mth Dec-13 vs 12 mth Dec-12
Production	kt	kt	kt	kt	%
Zircon	56.5	68.5	343.2	285.1	(16.9)
Rutile	56.7	22.2	220.3	127.0	(42.4)
Synthetic Rutile	52.7	-	248.3	59.0	(76.2)
Total Z/R/SR Production	165.9	90.7	811.8	471.1	(42.0)
Ilmenite	115.8	116.4	674.1	584.5	(13.3)
Total Mineral Sands Production¹	281.7	207.1	1,485.9	1,055.6	(29.0)
	6 mth to Jun-13	6 mth to Dec-13	12 mth to Dec-12	12 mth to Dec-13	12 mth Dec-13 vs 12 mth Dec-12
Sales	kt	kt	kt	kt	%
Zircon	210.9	159.3	213.8	370.2	73.2
Rutile	56.3	111.7	105.5	168.0	59.2
Synthetic Rutile	20.0	26.2	169.6	46.2	(72.7)
Total Z/R/SR Sales	287.2	297.2	488.9	584.4	19.5
Ilmenite	147.0	190.5	443.2	337.5	(23.8)
Total Mineral Sands Sales	434.2	487.7	932.1	921.9	(1.1)
	Dec-12 Quarter	Dec-13 Quarter	12 mth to Dec-12	12 mth to Dec-13	12 mth Dec-13 vs 12 mth Dec-12
Z/R/SR Revenue A\$ million	158.9	217.4	973.8	685.8	(29.6)
Ilmenite and Other Revenue ² A\$ million	23.6	16.9	96.0	77.2	(19.6)
Mineral Sands Revenue A\$ million	182.5	234.3	1,069.8	763.0	(28.7)
Cash Costs of Production - A\$ million			583.5	376.1	35.5
Cash Prod Costs per Tonne of Z/R/SR Produced - A\$			719	798	(11.0)
Revenue per Tonne of Z/R/SR Sold - A\$	1,423	1,127	1,991	1,173	(41.1)
Average AUD:USD cents	103.9	92.9	103.6	96.8	6.6

¹ Total mineral sands production includes ilmenite available for upgrading to synthetic rutile and that available for sale. For both commercial reasons and given the company's increased flexibility in utilising ilmenite production from multiple sources for upgrading to synthetic rutile, the company no longer separates ilmenite production into saleable and upgradeable components. The relative utilisation of ilmenite for upgrading or sale is apparent in the reporting of ilmenite sales volumes which occurs in the June and December quarterly reports and can be seen above. Clearly, there is usually a lag between production of ilmenite and either its sale or utilisation as a synthetic rutile feedsource.

² Ilmenite and other revenues (typically minor) include revenues derived from other materials not included in production volumes, including activated carbon products and iron oxide. Iluka receives a royalty payment from its Mining Area C iron ore royalty. This is not reported as part of quarterly reports but is disclosed in the financial statements.

MINERAL SANDS MARKET CONDITIONS

Variable demand patterns through the year and across zircon and titanium dioxide markets continued to reflect fragile business confidence levels and business owner/operator caution, which were in turn influenced by economic and political uncertainties. Encouragingly, various pre-conditions as well as certain lead indicators point to a progressive recovery in demand in 2014. (Refer Appendix 2 for a sample of lead indicator data).

A material reduction in prices for zircon and high grade titanium dioxide products adversely affected mineral sands revenue year-on-year. As conveyed in the table on page 5, 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/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/tonne, associated with the weak demand for high grade titanium products.

Zircon

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.

China, as the major global zircon consumer, imported higher volumes in 2013 than in 2012 and 2011 (according to China import data) and, even allowing for uncertainties associated with inventories held by producers and downstream customers in China, it appears that China's underlying demand characteristics were comparatively robust in 2013. This relatively solid demand was exhibited despite there being little improvement, as yet, in the large Chinese zirconium chemicals industry.

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. As the traditional low season has commenced (December to Chinese New Year) muted buying activity is expected until February 2014.

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 in the second half. 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.

Zircon demand experienced by Iluka in other parts of the world, notably 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. Given the avoidance of worst case economic scenarios, European demand showed some tentative signs of improvement in the second half, but it is expected that the recovery in both domestic and export led demand in Europe will evolve only slowly over 2014.

Factors influencing demand in other markets varied. In India, for example, depreciation of the Rupee made imports more expensive, while a protracted strike in a major ceramics producing province in the country in the last quarter depressed demand in this important, emerging market.

High Grade Titanium Dioxide

In high grade titanium dioxide markets, typically encompassing Iluka's products of rutile and synthetic rutile and competitor products of upgraded slag, the major source of demand remained chloride pigment production. As has been widely canvassed, an excess production of pigment and associated inventory build by major western pigment producers in 2012 led to the targeting of historically low levels of pigment plant yields, which continued through the first half of 2013. Pigment inventory levels at the end of 2012 were highly elevated (in some cases in excess of 100 days) and have, according to recent pigment producer commentary, been progressively drawn down over 2013. Several pigment producers have indicated that pigment inventories are at or near "normal levels." Accordingly, pigment plant yields, which were as high as 90 per cent in 2011, declined to the mid 70 per cent level in 2012 and in some cases to as low as 65 per cent in early 2013. These have now increased to more usual levels, and with this an improvement in demand for higher grade titanium products in the feed mix can be expected.

In this context, there has been a preference for lower grade titanium dioxide feedstocks and/or those available under lower priced legacy contracts. This has meant that demand for Iluka's higher grade feedstocks remained subdued in late 2012 and throughout 2013. As indicated in the September 2013 quarterly report, price competitiveness, at a stage when customer inquiries for high grade feedstock were beginning to recover, saw a reduction in Iluka's received rutile prices to around US\$900/tonne in the December quarter. Welding markets in the Americas and Western Europe also remain subdued.

A variety of industry indicators became more positive as the year progressed, suggesting pre-conditions for demand recovery are in place.

Geographical Distribution of 2013 Sales

The following table shows the geographical distribution of Iluka's 2013 sales of overall mineral sands products, with comparative data for the two preceding years. It should be noted that 2011 reflects a more usual to higher demand year for mineral sands products. The data shows a higher proportion of sales revenue derived from China in 2013, mainly reflecting the relatively robust zircon demand characteristics in this market, relative to some other markets, such as Europe and Asia. The lower demand in 2013 overall from the Americas and Europe, mainly reflects lower demand for high grade feedstocks from traditional pigment producer customers in these locations, as well as lower European demand for zircon. Typically, Iluka has a reasonably balanced overall mineral sands sales profile, with comparable revenues across the across the four main geographies of China, Europe, the Americas and Asia/other markets.

Chart 1 Total Mineral Sands Sales Revenue by Region

	2013	2012	2011
	%	%	%
Region			
Europe	21	25	30
China	40	23	25
Asia	20	30	22
Americas	18	21	22
Other	1	1	1

PRODUCTION

The main features of Iluka's production settings during 2013 included the following:

- total 2013 Z/R/SR production of 471.1 thousand tonnes, a 42.0 per cent reduction from 2012 and a level which represents approximately 40 per cent of production settings in 2010 and 2011; years of moderate to high demand for mineral sands products.
- the Murray Basin (Victoria) mining operations at Woorack, Rownack and Pirro continued at near full capacity. The Hamilton mineral separation plant operated on a one month on and one month off basis for the first half, then ran continuously until the end of October before being idled in November and December. The lower mineral separation plant operational rates were reflected in lower annual rutile and zircon production. Iluka has built concentrate stockpiles in the Murray Basin to allow for an increase in mineral separation plant production as demand recovers and to also allow heavy mineral concentrate (HMC) drawdown after the planned completion of mining at Woorack, Rownack and Pirro in the first half of 2015, prior to commencement of the next planned Murray Basin mining operation at Balranald;
- Jacinth-Ambrosia (Eucla Basin, South Australia) continued mining and heavy mineral concentrate production at normal levels during the year, to ensure cash cost efficiency in producing concentrate. A build of HMC in 2013 occurred as the main separation facility for Jacinth-Ambrosia concentrate, the Narngulu mineral separation plant in Western Australia, continued to operate at materially lower rates of potential processing capacity (approximately 40 per cent of Jacinth-Ambrosia processing capacity levels). As with other Iluka operations, the Jacinth-Ambrosia mining operation and the Narngulu mineral separation plant were idled over the Christmas and New Year period. The production settings at Narngulu contributed to a material reduction in Group zircon production in 2013 to 285.1 thousand tonnes, compared with 343.2 thousand tonnes in 2012. Jacinth-Ambrosia sourced production was 147.3 thousand tonnes in 2013;
- in the Perth Basin (Western Australia) the Tutunup South mine in the south-west of the State was idled in June. This mine is a principal source of ilmenite feed to Iluka's synthetic rutile (SR) kilns. The major SR kiln, SR2, was also idled in June and remains idled. Both the mining operation and synthetic rutile kiln production can be reactivated rapidly as demand recovers; and
- in Virginia (United States) mining continued normally at both the Concord and Brink mines in the remaining lower grade sections of the deposits. Despite efficiency improvements that have increased throughput rates, the lower grade resulted in lower HMC production than in the previous corresponding periods.

In 2014, the company does not expect that there will be a material change in the mine production settings referred to above but, subject to global demand and competitive market conditions, increased HMC processing is expected, resulting in higher finished goods production. As indicated previously, the company has the ability to rapidly reactivate production capacity as required.

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. Approximately 5 thousand tonnes of zircon due to be shipped in December has been delayed until January due to ship loader issues at Geraldton port.

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 72.7 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.

The lower high grade feedstock sales volumes reflect plant optimisation decisions by pigment producers in the context of efforts to work down pigment inventories as well as preferential consumption of remaining lower priced, lower titanium grade feedstocks available under legacy contracts.

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.

Sales Revenue Pricing and Cash Production Cost/Revenue Per Tonne

This table conveys mineral sands revenues, weighted average pricing and cash costs for 2013. Pricing is influenced by product specifications and quality, lot size sold, contractual and customer arrangements. As such, actual pricing for individual sales can vary markedly.

	6 mth to Jun-13	Sep-13 Quarter	Dec-13 Quarter	6 mth to Dec-13	12 mth to Dec-12	12 mth to Dec-13
Z/R/SR Revenue A\$ million	338.4	130.0	217.4	347.4	973.8	685.8
Ilmenite and Other Revenue A\$ million	43.3	17.0	16.9	33.9	96.0	77.2
Mineral Sands Revenue \$Am	381.7	147.0	234.3	381.3	1,069.8	763.0
Weighted average pricing US\$/t FOB						
Zircon	1,173	1,174	1,083	1,119	2,080	1,150
Rutile	1,307	1,033	910	949	2,464	1,069
Synthetic rutile	1,200	1,074	1,121	1,111	1,771	1,150
Cash costs of production \$Am	201.9			174.2	583.5	376.1
Cash prod costs per tonne – Z/R/SR produced - \$A	848			748	719	798
Revenue per tonne of Z/R/SR sold - \$A	1,178			1,169	1,991	1,173
Average A\$/US\$ spot rate (cents)	101.5	91.6	92.9	92.2	103.6	96.8

GROUP MINERAL SANDS PRODUCTION

The following table details total Iluka production by product group, with the source of that production attributed to the regional operating mines and basins. Processing of final product occurs, in Australia, at one of two mineral separation plants, Hamilton in Victoria and Narngulu in Western Australia. All United States material is processed at the Stony Creek mineral separation plant in Virginia. A similar table showing a 12 month comparison is on page 7. Given the integrated nature of Iluka's Australian operations, heavy mineral concentrate is capable of being processed into final product at one or both of the Australian mineral processing facilities. Appendix 3 provides details of the physical data for operating mines.

Physical Production

	Dec-12 Quarter	Mar-13 Quarter	Jun-13 Quarter	Sep-13 Quarter	Dec-13 Quarter	Dec-13 Qtr vs Sep-13 Qtr	Dec-13 Qtr vs Dec-12 Qtr
	kt	kt	kt	kt	kt	%	%
Zircon¹							
Eucla/Perth Basin (SAWA)	15.2	32.8	36.9	65.2	50.8	(22.1)	234.2
Murray Basin (VIC)	32.4	13.3	17.2	21.4	7.9	(63.1)	(75.6)
Australia	47.6	46.1	54.1	86.6	58.7	(32.2)	23.3
Virginia (USA)	8.9	10.0	8.3	11.5	9.8	(14.8)	10.1
Total Zircon Production	56.5	56.1	62.4	98.1	68.5	(30.2)	21.2
Rutile							
Eucla/Perth Basin (SAWA)	6.5	9.5	7.3	9.1	7.4	(18.7)	13.8
Murray Basin (VIC)	50.2	16.3	27.5	35.1	14.8	(57.8)	(70.5)
Total Rutile Production	56.7	25.8	34.8	44.2	22.2	(49.8)	(60.8)
Synthetic Rutile (WA)	52.7	29.0	30.0	-	-	n/a	(100.0)
TOTAL Z/R/SR PRODUCTION	165.9	110.9	127.2	142.3	90.7	(36.3)	(45.3)
Ilmenite							
Eucla/Perth Basin (SAWA)	53.4	91.9	61.8	32.1	25.4	(20.9)	(52.4)
Murray Basin (VIC)	17.0	21.1	66.5	44.4	51.7	16.4	204.1
Australia	70.4	113.0	128.3	76.5	77.1	0.8	9.5
Virginia (USA)	45.4	47.9	44.7	57.7	39.3	(31.9)	(13.4)
Total Ilmenite	115.8	160.9	173.0	134.2	116.4	(13.3)	0.5
TOTAL MINERAL SANDS PRODUCTION	281.7	271.8	300.2	276.5	207.1	(25.1)	(26.5)

¹ Iluka's zircon production figures include small volumes of zircon attributable to external processing arrangements.

Physical Production – 12 Month Comparison

	12 mth to Dec-12	12 mth to Dec-13	12 mth Dec-13 vs 12 mth Dec-12
	kt	kt	%
Zircon			
Eucla/Perth Basin (SAWA)	158.2	185.7	17.4
Murray Basin (VIC)	135.6	59.8	(55.9)
Australia	293.8	245.5	(16.4)
Virginia (USA)	49.4	39.6	(19.8)
Total Zircon Production	343.2	285.1	(16.9)
Rutile			
Eucla/Perth Basin (SAWA)	50.0	33.3	(33.4)
Murray Basin (VIC)	170.3	93.7	(45.0)
Total Rutile Production	220.3	127.0	(42.4)
Synthetic Rutile (WA)	248.3	59.0	(76.2)
TOTAL Z/R/SR PRODUCTION	811.8	471.1	(42.0)
Ilmenite			
Eucla/Perth Basin (SAWA)	290.6	211.2	(27.3)
Murray Basin (VIC)	168.8	183.7	8.8
Australia	459.4	394.9	(14.0)
Virginia (USA)	214.7	189.6	(11.7)
Total Ilmenite	674.1	584.5	(13.3)
TOTAL MINERAL SANDS PRODUCTION	1,485.9	1,055.6	(29.0)

PLANNED NEW PRODUCTION

West Balranald, New South Wales

Balranald and Nepean are two rutile-rich mineral sands deposits in the northern Murray Basin, New South Wales. The Balranald development, if approved, would provide the potential for approximately eight years of rutile, zircon and associated ilmenite products. It is proposed that the Balranald development would follow the completion of mining at Woonack, Rownack and Pirro and utilise the existing Hamilton mineral separation plant. Dependent on the outcome of the definitive feasibility study and the form of development, as well as market conditions, Balranald has the potential to produce approximately 170 thousand tonnes of rutile; 130 thousand tonnes of zircon and 450 thousand tonnes of ilmenite in total across both chloride and sulphate grade material on average per annum.

Subsequent to the completion of the pre-feasibility study in the June quarter, approvals and funding were provided by the Iluka Board to commence a definitive feasibility study. This study is a two part exercise that will initially confirm hydrogeological models through an extensive pilot programme, followed by the detailed engineering required for project execution. Test work to better assess the proportion of the ilmenite from Balranald suitable for various downstream processing technologies occurred during the quarter. Iluka also continued progress with all regulatory approvals.

During the quarter, site works commenced on hydrological test drilling and for an innovative alternative mining method trial, scheduled to commence in mid 2014. Geological investigation and re-injection drilling for the hydrological programme commenced and will continue in 2014 as planned.

Environmental approvals planning work continues as a precursor to the submission of an Environmental Impact Statement, planned currently for early 2015.

Cataby, Western Australia

The Cataby mineral sands deposit, located north of Perth, is a chloride ilmenite deposit that is also expected to produce material levels of zircon during its initial years. Subject to study completion and approvals, Cataby has the potential to produce annual volumes of approximately 330 thousand tonnes of chloride ilmenite (suitable for sale or as a feed source for synthetic rutile production); approximately 40 thousand tonnes of zircon and approximately 25 thousand tonnes of rutile over an initial 6 years economic life, which is potentially extendable.

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 Iluka Board to commence a definitive feasibility study. This study is intended to be completed in late 2014.

During the quarter the definitive feasibility study works progressed culminating in a contract being awarded to Parsons Brinckerhoff.

Preparation of conceptual layouts for the mining units commenced, incorporating inputs from both Iluka's Australian and US operations. This is expected to be completed in the second quarter of 2014.

A contract was awarded during the period for the groundwater modelling which is expected to be completed in the second quarter of 2014.

The relocation of the 330 kV power line on site has been completed.

Discussions have occurred with various stakeholder groups including the indigenous native title claimant groups.

Eucla Basin Satellite Deposits, South Australia

Iluka has undertaken a scoping study on the Sonoran, Atacama and Typhoon satellite deposits in close proximity to the Jacinth-Ambrosia operation in the Eucla Basin. Chloride ilmenite from these deposits is expected to be suitable as a feed source to Iluka's synthetic rutile kilns or for direct sale. The deposits would also produce associated zircon. The pre-feasibility study is underway and on schedule for completion in 2014, for the potential development of one or more of these deposits. Innovative mining and processing designs for these deposits are included in the scope of the pre-feasibility study.

During the quarter, the following activities occurred:

- discussions progressed for a formal Native Title Mining Agreement;
- hydrogeological, geotechnical and soils survey drilling programmes commenced;
- a geo-metallurgical test work programme commenced at Iluka's Capel Minerals Testing Facility;
- pre-concentrator plant test work programmes for Sonoran and Typhoon were completed; and
- a review of the geological bulk and drilling data for Atacama, which may have Mineral Resource implications, concluded and the findings are under review.

Hickory, Virginia, United States of America

The Hickory project is located in Dinwiddie County, Virginia, approximately 19 kilometres west of the existing Iluka Stony Creek mineral separation plant and includes unmined portions of the Old Hickory ore body.

The Hickory project, if approved, would constitute a third mine and mineral concentrating operation in Virginia, producing quality chloride grade ilmenite and an associated zircon production stream. Ore concentrated at Hickory would be trucked to the existing mineral separation plant at Stony Creek, Virginia for processing into final products.

Iluka has previously undertaken mining operations over parts of the project area from 1995 to 2009. The mining and concentrating operations ceased in January 2009 when the economic reserves were depleted. The Old Hickory concentrator was subsequently moved to the Brink deposit.

A definitive feasibility study was completed for the Hickory project in December 2012. During 2013, the project progressed detailed engineering activities including infill drilling and ore sampling; additional mineral processing tests; detailed construction designs for the concentrator plant, mine, and tailings areas; bid documents preparation; acquisition of construction quotes; and securing of environmental and operating permits.

During the quarter, work focused on finalising the concentrator plant design, identifying qualified construction contractors, obtaining construction quotes and schedules, optimisation of mining and tailings plans, and undertaking a value engineering exercise.

The project team will finalise the mine and tailings optimisation plans and the concentrator value engineering activities, in early 2014. All information will then be at hand to enable a development decision; pending final regulatory approvals and suitable market conditions for the products.

Aurelian Springs, North Carolina, United States of America

The Aurelian Springs project involves a feasibility study for the potential development of a mineral sand deposit located in Halifax County, North Carolina, approximately 90 kilometres south of Iluka's mineral separation plant at Stony Creek, Virginia. The evaluation is based currently on the relocation of the Concord mining unit and concentrator plant to Aurelian Springs in 2015. The mine is capable of producing chloride ilmenite and an associated zircon production stream, and would extend the economic life of Iluka's current United States' mineral sands operation for approximately 11 years.

The pre-feasibility study was completed in 2013 in accordance to plan, and the project has progressed to the definitive feasibility stage which will be completed in 2014. One key outcome of the pre-feasibility study has been confirmation that the ilmenite produced is suitable not only for use in the chloride pigment manufacturing process, but also the sulphate pigment manufacturing process, increasing the global marketability of the product.

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

During the quarter Iluka was issued a Conditional Use Permit by local authorities. This is a significant step in the permitting process. In addition, the following work scope was progressed:

- in-fill drilling and sample analysis;
- confirmation of additional water supply wells;
- preparation of submittal packages for major environmental permits; and
- successful processing of a bulk sample of ore through the Brink concentrator.

EXPLORATION

Eucla Basin, Murray Basin and Canning Basin

Exploration activity during the quarter included greenfields drilling in three domains across Australia. Greenfields exploration in the Eucla Basin included:

- completion of drilling on the North Immarna Prospect on Exploration Licences (EL) 4344 and EL 4345.

Exploration activity in the Murray Basin included greenfields drilling at several locations in the western region of the basin:

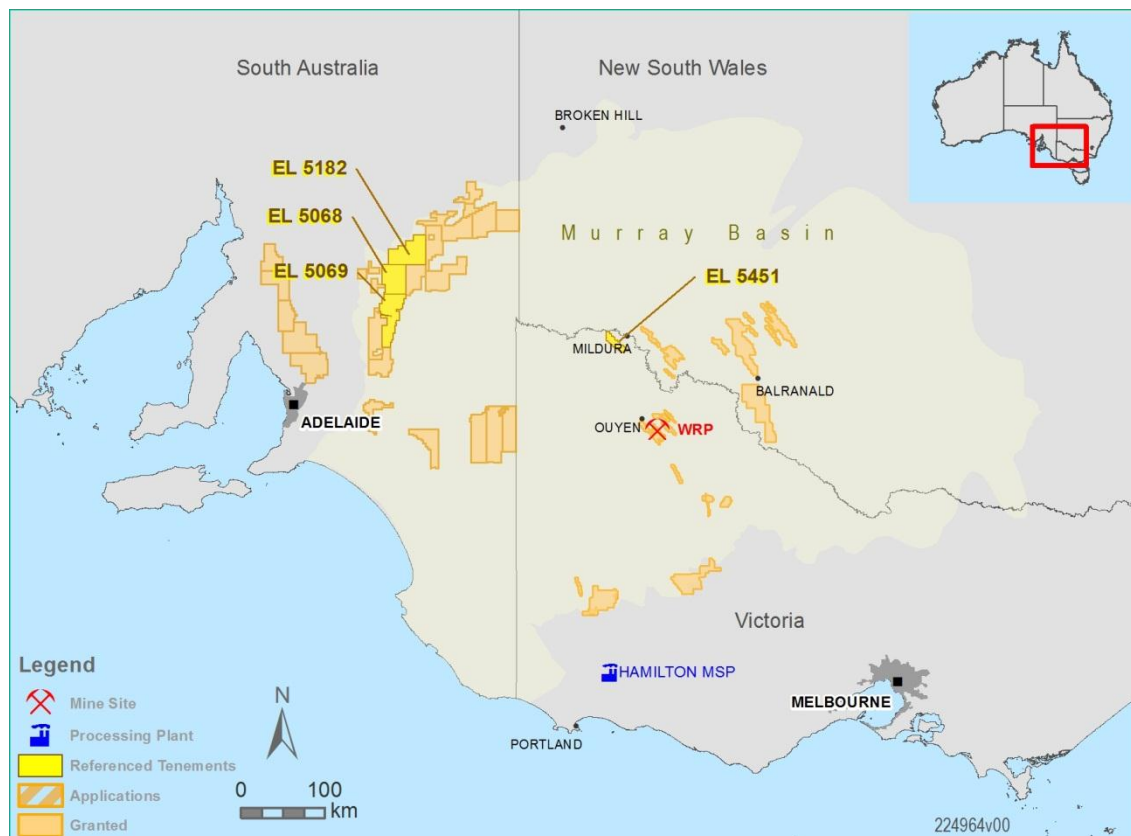
- continuation of on Delamerian Project on EL 5068, EL 5069 and EL 5182; and
- completion of drilling on Meridian Project on EL 5451.

Figure 1 Eucla Basin Tenements and Recent Areas of Exploration Activity



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Figure 2 Murray Basin Tenements and Recent Areas of Exploration Activity



Greenfields drilling was completed in two areas of the Canning Basin in north-west Western Australia:

- south-east of Port Headland on EL 4504058 and EL 4504059; and
- EL 402202 and EL 402204, to the east of Broome

Further exploration within the Canning Basin is awaiting heritage approval for those exploration tenements under application.

Project Generation

Iluka is continuing exploration activities (from initial prospecting and tenement acquisition to drilling activity) for mineral sands in several other areas in both Australia and, at early stages, in numerous international jurisdictions.

In September, Iluka entered an exploration joint venture agreement with a third party in Brazil to explore the RJ Project near Campos, north-east of Rio de Janeiro. During the December quarter, Iluka completed a drilling campaign on this project. A total of 2230 metres was drilled in 97 drill holes within the project area. The results are being assessed.

In Sri Lanka, Iluka progressed the establishment of an in-country presence as well as regulatory discussions before the planned commencement of a pre-feasibility study for the potential development of the large, long life ilmenite deposit.

Investment market and media enquiries

Dr Robert Porter
General Manager, Investor Relations
Direct (Melbourne): +61 (3) 9225 5008
Mobile: +61 (0) 407 391 829
Email: robert.porter@iluka.com

APPENDIX 1

INVENTORY MOVEMENTS

This section has been included, on a one-off basis, to assist investors and analysts with consideration of inventory movements as they influence reported results.

Inventory movements during the year reflect the following trends in sales and production:

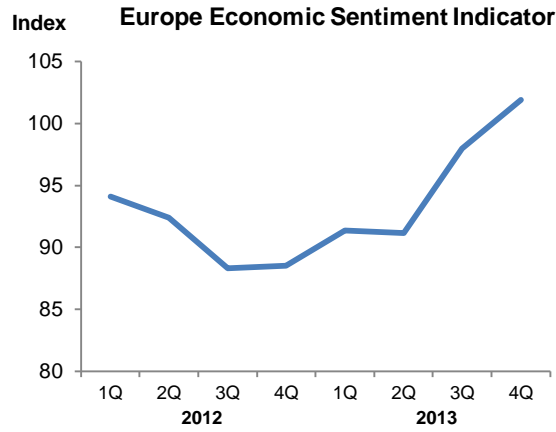
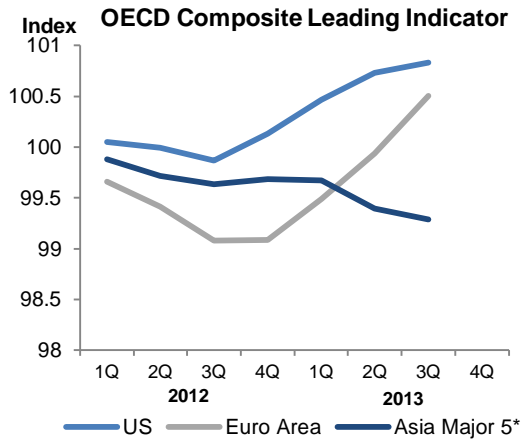
- a drawdown of finished goods of Iluka's main products of zircon, rutile and synthetic rutile of a total of 113 thousand tonnes, reflecting sales of 584 thousand tonnes compared with 471 thousand tonnes of production. Based on previously disclosed group average indicative total cash and non cash costs for inventory in 2013 of approximately \$910/tonne, this drawdown in inventory is reflected in cash generation from the sale of finished goods, and an expense through the P&L of these costs;
- a build of ilmenite finished goods in 2013, by approximately 175 thousand tonnes, reflecting higher ilmenite production than both sales and that utilised in synthetic rutile production during the year. The cash cost associated with ilmenite production is not disclosed for commercial reasons, but results in an inventory build in the period of approximately \$32 million;
- a build of heavy mineral concentrate (HMC) volumes of approximately 500 thousand tonnes, reflecting a balancing of separate objectives relating to mine production efficiency and finished goods inventory minimisation. This has resulted in an inventory build of approximately \$100 million for work in progress materials.

A change during the quarter in forecast sales timing and selling prices for some specific material in inventory suggests a net realisable value (NRV) adjustment of \$10 million should be taken associated with higher cost non-magnetic product (ilmenite and rutile), produced at the Eneabba mine in Western Australia before its idling in 2011, as well as certain synthetic rutile products produced from synthetic rutile kiln 2 while this facility was operating at low utilisation rates.

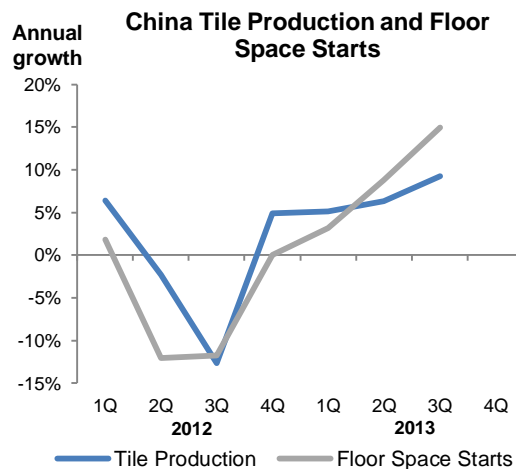
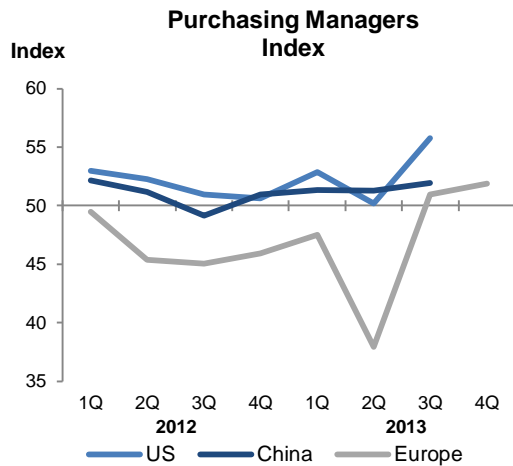
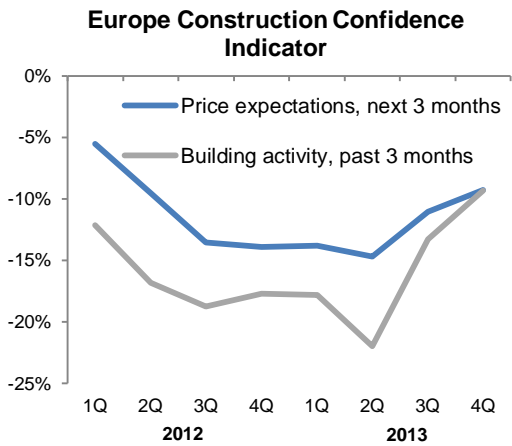
While an initial estimate, and subject to verification with the full year results, Iluka advises that it expects a favourable inventory impact overall through the profit and loss in the order of approximately \$15 million for the full year, reflecting the net value of increased inventory of approximately \$25 million, partially offset by the NRV adjustments of approximately \$10 million.

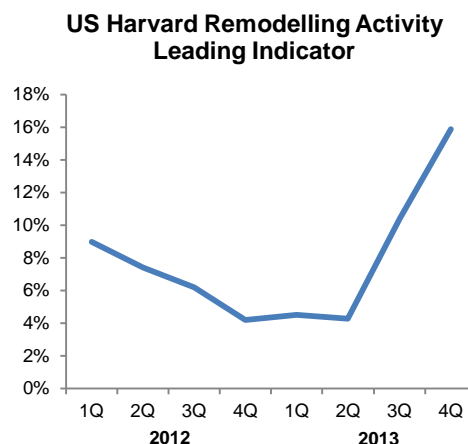
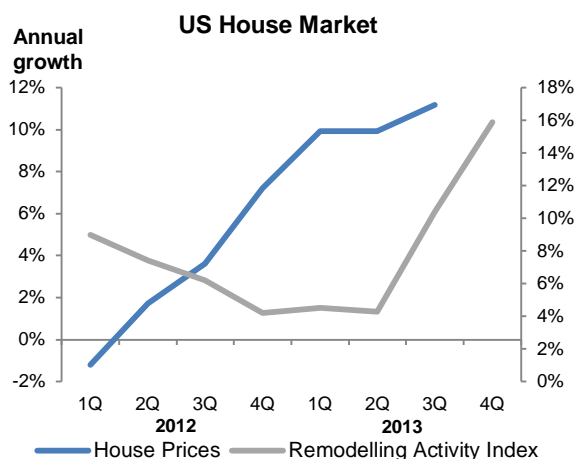
APPENDIX 2 – SAMPLE OF LEAD INDICATOR DATA

Iluka monitors a wide range of leading indicators relevant to key end markets of zircon and titanium dioxide, as well as downstream industries, trade and financial results and broader (macro) economic indicators. Downstream industries include paint, pigment, tile and titanium metal producers. The following is a selection of some of the indicators the company considers. Lead indicator data supplements short, medium and long term demand forecasts by end use application and individual geographical markets, as well as in-country direct market analysis.



* Asia Major 5 – China, India, Indonesia, Japan, Korea





Selection of Leading Indicators Heat Map

The "heat map" is a visual representation of data movements. For each row or data series, more positive movements (relative to other numbers in the series) are coloured in shades of green while more negative movements are coloured in shades of red and orange. Each line therefore provides a relative health indicator over the period, from low to high, for the parameter concerned.

	Unit	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
China floor space starts*	% yoy	2%	(12%)	(12%)	0%	3%	9%	15%	-
China purchasing managers index*	Index	52	51	49	51	51	51	52	52
China purchasing managers index - new orders less inventory*	Index	2	(0)	1	2	3	3	5	6
China tile production (sqm)*	% yoy	6%	(2%)	(13%)	5%	5%	6%	9%	9%
US Harvard remodelling activity leading indicator	%	9%	7%	6%	4%	5%	4%	10%	16%
US house prices	% yoy	(1%)	2%	4%	7%	10%	10%	11%	-
Europe economic sentiment index*	Index	94	92	88	89	91	91	98	102
Europe construction confidence indicator *	%	(28%)	(30%)	(32%)	(34%)	(30%)	(32%)	(29%)	(27%)
Europe construction confidence indicator - price expectations next 3 months*	%	(6%)	(10%)	(14%)	(14%)	(14%)	(15%)	(11%)	(9%)
Europe construction confidence indicator - building activity past 3 months*	%	(12%)	(17%)	(19%)	(18%)	(18%)	(22%)	(13%)	(9%)

* Quarterly average of monthly data
Source: CEIC, S&P, Markit, OECD, Company reports

APPENDIX 3 - 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

An explanation of the Iluka's physical flow information for mineral sands, from overburden removal and mining to processing, can be obtained from Iluka's Briefing Paper - Iluka Physical Flow Information on the company's website www.iluka.com, under Investor Relations, Mineral Sands Briefing Material, October 2010.

Explanatory Comments on Terminology

Overburden moved (bulk 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 ilmenite.

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.

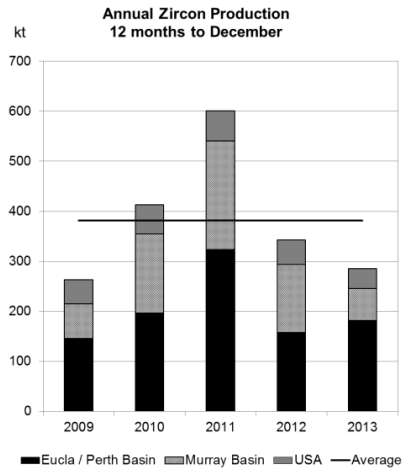
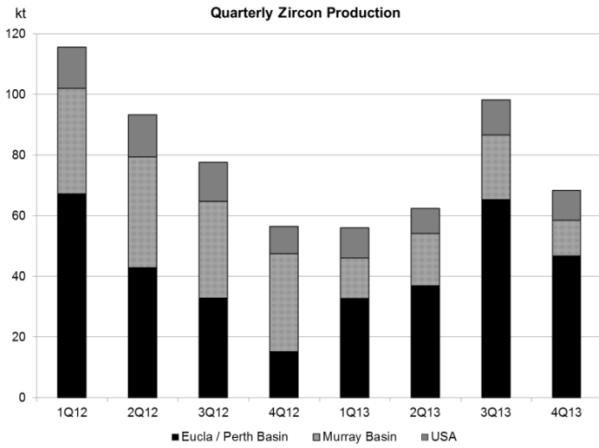
HMC processed provides an indication of material emanating from each mining operation to be processed.

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 is produced for sale or as a feedstock for synthetic rutile production. 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.

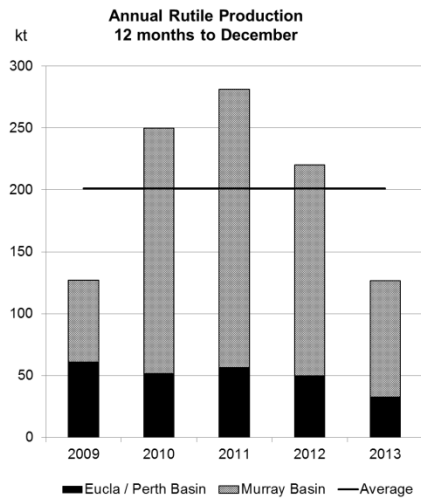
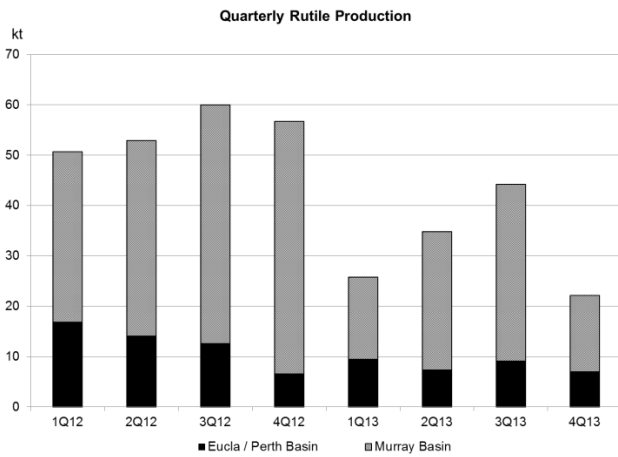
APPENDIX 4 – PRODUCTION SUMMARIES

Zircon



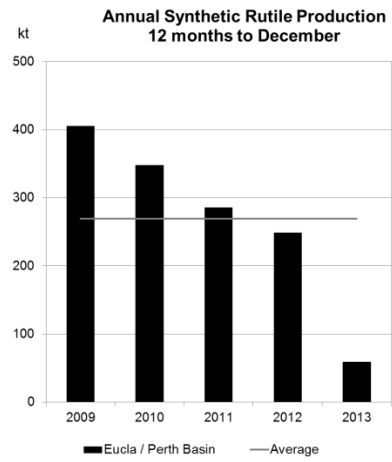
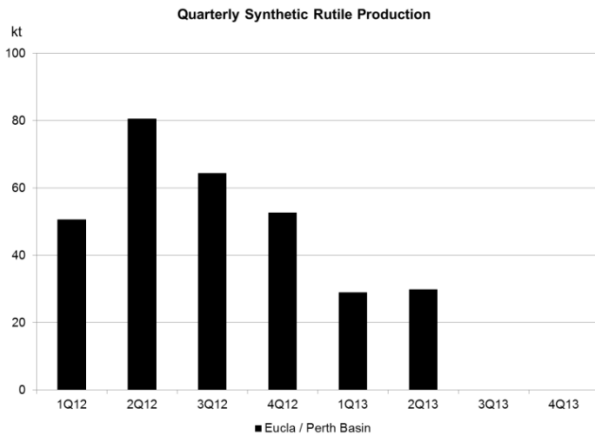
Zircon volumes exclude CRL attributed volumes. Iluka had a 51.04% interest in CRL to May 2009.

Rutile

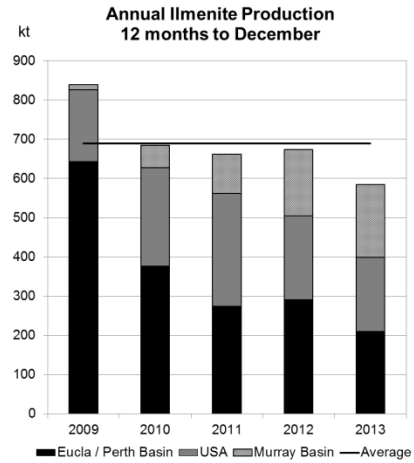
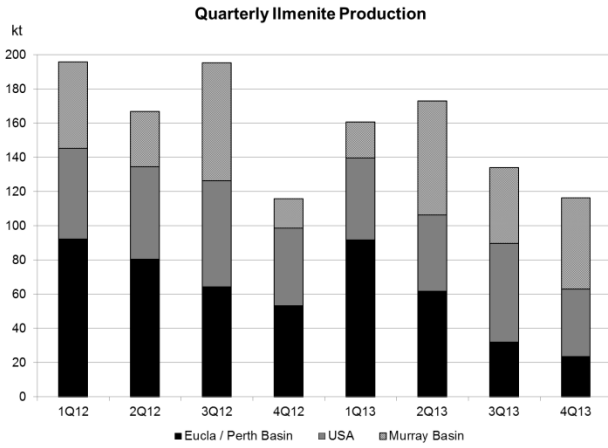


Rutile volumes exclude CRL attributed volumes. Iluka had a 51.04% interest in CRL to May 2009.

Synthetic Rutile

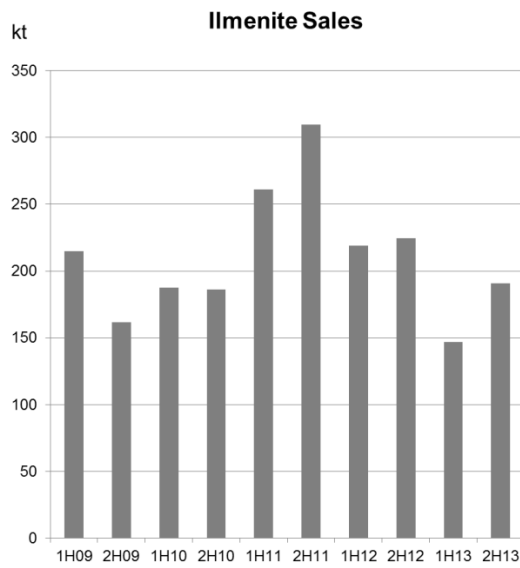
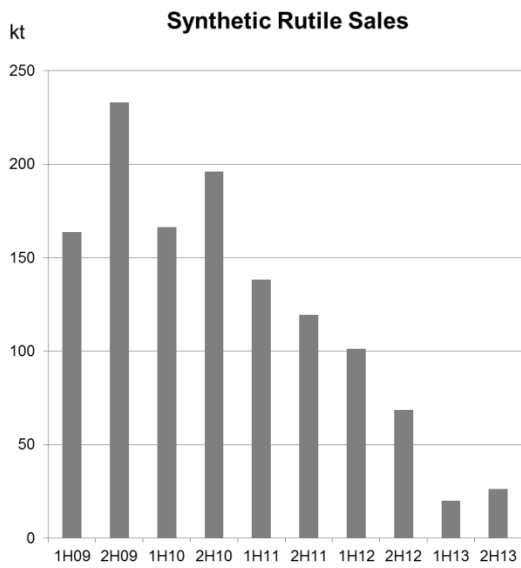
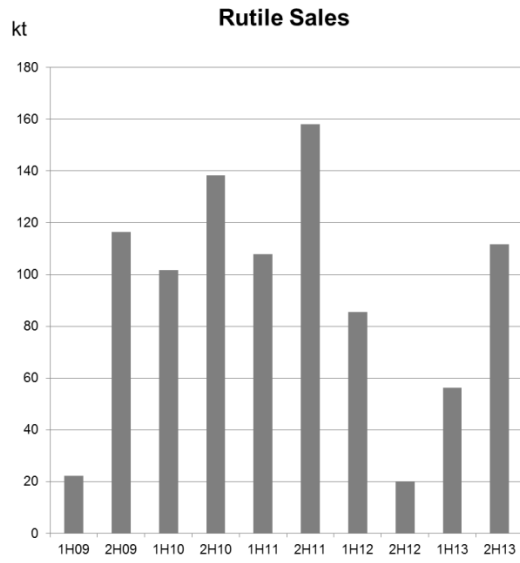
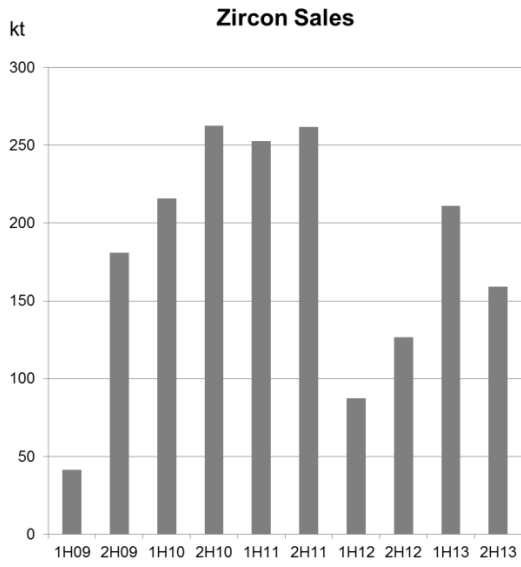


Ilmenite



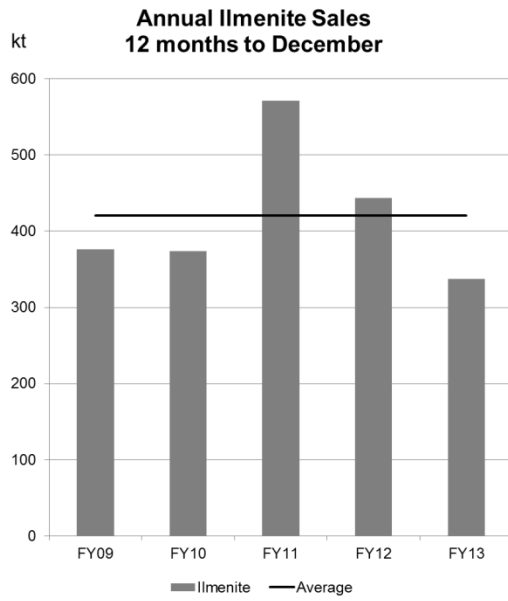
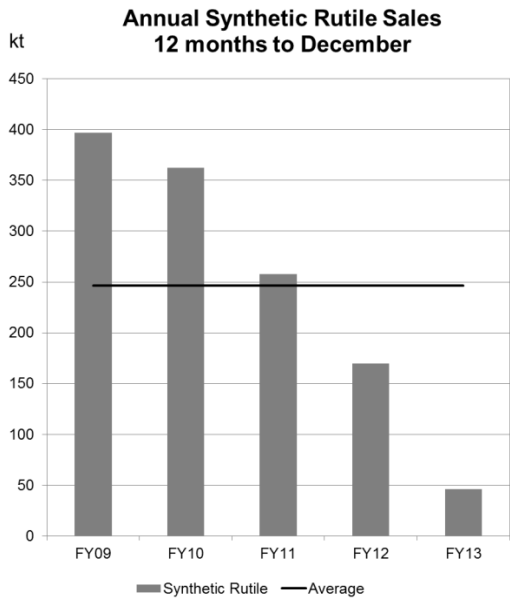
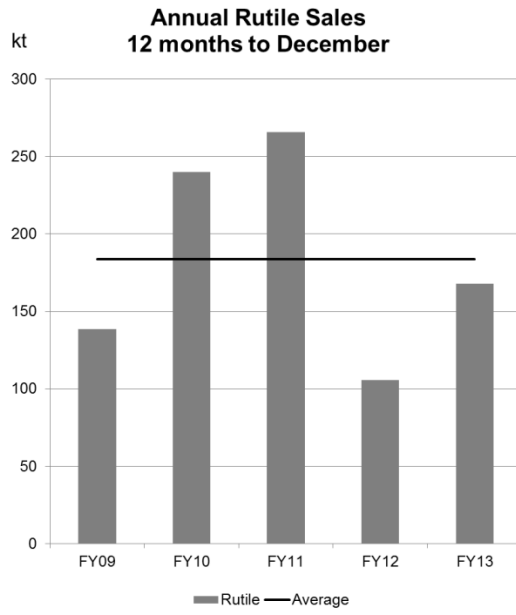
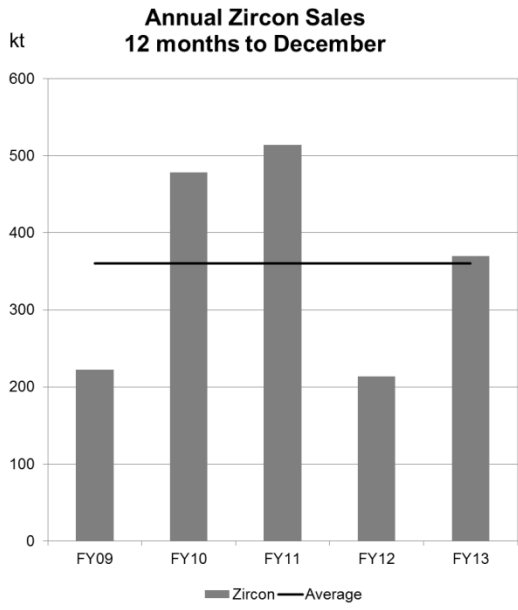
Ilmenite volumes exclude CRL attributed volumes. Iluka had a 51.04% interest in CRL to May 2009.

APPENDIX 5 – SIX MONTHLY SALES PROFILE



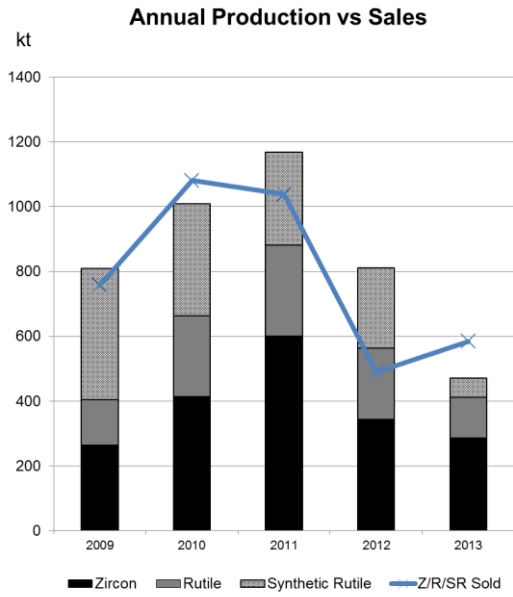
Volumes exclude CRL attributed volumes. Iluka had a 51.04% interest in CRL to May 2009.

APPENDIX 6 – ANNUAL SALES PROFILE



Volumes exclude CRL attributed volumes. Iluka had a 51.04% interest in CRL to May 2009.

APPENDIX 7 – ANNUAL PRODUCTION VS SALES



5 Year Summary Data 2009 - 2013

	2009	2010	2011	2012	2013
	kt	kt	kt	kt	kt
Annual Production					
Zircon	263	413	601	343	285
Rutile	141	250	281	220	127
Synthetic Rutile	405	347	286	248	59
<u>Z/R/SR</u>	<u>809</u>	<u>1,010</u>	<u>1,168</u>	<u>811</u>	<u>471</u>
Ilmenite	839	685	662	674	585

	2009	2010	2011	2012	2013
	kt	kt	kt	kt	kt
Annual Sales					
Zircon	223	479	514	214	370
Rutile	139	240	266	105	168
Synthetic Rutile	397	362	258	170	46
<u>Z/R/SR</u>	<u>759</u>	<u>1,081</u>	<u>1,038</u>	<u>489</u>	<u>584</u>
Ilmenite	376	374	571	443	337

	Average	High	Low
	kt	kt	kt
Production Z/R/SR	854	1,168	471
Sales Z/R/SR	790	1,038	489

APPENDIX 8 – 1ST HALF AND 2ND HALF 2013 DATA

	6 mth to Jun-13	6 mth to Dec-13	12 mth to Dec-13
	kt	kt	kt
<u>Production</u>			
Zircon	118.5	166.6	285.1
Rutile	60.6	66.4	127.0
Synthetic Rutile	59.0	-	59.0
Total Z/R/SR Production	238.1	233.0	471.1
Ilmenite	333.9	250.6	584.5
Total Mineral Sands Production	572.0	483.6	1,055.6
<u>Sales</u>			
Zircon	210.9	159.3	370.2
Rutile	56.3	111.7	168.0
Synthetic Rutile	20.0	26.2	46.2
Total Z/R/SR Sales	287.2	297.2	584.4
Ilmenite	147.0	190.5	337.5
Total Mineral Sands Sales	434.2	487.7	921.9

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