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Iluka Resources Limited

ABN 34 008 675 018

Interim report for the half-year 30 June 2015

Iluka Resources Limited ABN 34 008 675 018
ASX Half-year information - 30 June 2015

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
31 December 2014 Annual Report

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

All currencies shown in this report are Australian dollars unless otherwise indicated.

Revenue from ordinary activities	Up 1.9% to \$389.0m	
Profit from ordinary activities after tax attributable to members	Up 74.4% to \$20.4m	
Net profit for the period attributable to members	Up 74.4% to \$20.4m	
Dividends		
2015 interim: 6 cents per ordinary share (100% franked), to be paid in September 2015		
2014 final: 13 cents per ordinary share (100% franked), paid in March 2015		
2014 interim: 6 cents per ordinary share (100% franked), paid in October 2014		
Key ratios	1st Half	1st Half
	2015	2014
Basic and diluted earnings per share (cents)	4.9	2.8
Free cash flow per share ¹ (cents)	9.3	15.3
Return on Equity ² (% annualised)	2.9	1.5
Net tangible assets per share (\$)	3.27	3.61

¹ Free cash flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.

² Calculated as Net Profit after Tax (NPAT) on an annualised basis as a percentage of the average monthly shareholders equity.

OVERVIEW OF FIRST HALF RESULTS

Iluka recorded a profit after tax for the half year ended 30 June 2015 of \$20.4 million, compared with \$11.7 million for the previous corresponding period.

Sales volumes of zircon, rutile and synthetic rutile (Z/R/SR) were comparable to the 2014 half year at 275.9 thousand tonnes (2014: 277.1 thousand tonnes).

Z/R/SR revenue was \$311.7 million, up 10.8 per cent compared with the previous corresponding period (2014: \$281.3 million) due to increased revenue per tonne of Z/R/SR of \$1,130 (2014: \$1,015), mainly reflecting the lower AUD:USD exchange rate. Ilmenite and other revenue was down 38.5 per cent to \$37.9 million associated with lower sales volumes of both ilmenite and iron concentrate.

Total cash production costs reduced by 12.6 per cent from the previous corresponding period to \$175.5 million (2014: \$200.7 million). The reduction includes \$14.5 million of lower costs associated with lower production of by-products and ilmenite concentrate. This is due to Iluka's decision to market less iron concentrate as a result of the reduction in iron ore prices and decreased volumes of ilmenite concentrate transported for sale associated with prevailing low prices for this product.

On a unit basis, cash costs of production were \$634 per tonne of Z/R/SR, a 20.4 per cent decrease compared with the previous corresponding period, reflecting 9.8 per cent higher production of Z/R/SR combined with lower costs. Excluding the costs for ilmenite concentrate and by-products, the underlying unit cash costs of production were \$616 per tonne of Z/R/SR, compared with \$719 per tonne in the previous corresponding period. The reduction in underlying unit cash costs of production reflects higher production and completion of mining at the Woorneck, Rownack, Pirro (WRP) deposits in the Murray Basin, partially offset by the recommencement of mining at Tutunup South and the restart of the synthetic rutile (SR2) kiln in the South West of Western Australia.

Mineral sands EBITDA for the first half of 2015 was \$114.4 million, a 6.0 per cent increase compared with the previous corresponding period. Mineral sands EBIT increased by \$17.0 million (123.2 per cent) to \$30.8 million (2014: \$13.8 million).

Mining Area C iron ore royalty earnings (MAC) increased by 2.6 per cent to \$39.0 million (2014: \$38.0 million), including capacity payments of \$3.0 million (2014: \$1.0 million). The increase was predominantly due to higher capacity payments and a one-off receipt of US\$8.0 million (A\$10.4 million) following the modification to the royalty agreement with BHP Billiton and its joint venture partners, as announced to the ASX on 21 July 2015. These factors were partially offset by lower royalty receipts associated with the reduction in iron ore prices.

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Group EBIT was \$43.5 million, an increase of 38.1 per cent compared to \$31.5 million in the previous corresponding period.

Profit before tax was \$27.8 million (2014: \$17.2 million). A net tax expense of \$7.4 million (2014: \$5.5 million) was recognised in respect of the profit for the period, at an effective tax rate of 26.6 per cent (2014: 32.0 per cent).

Earnings per share for the period was 4.9 cents compared to 2.8 cents in the previous corresponding period. The number of shares on issue at 30 June 2015 of 418.7 million was unchanged during the period.

Free cash flow of \$39.0 million was \$24.9 million lower than the previous corresponding period (2014: \$63.9 million) mainly reflecting \$14.2 million lower receipts from the MAC royalty as a result of lower iron ore prices.

Capital expenditure of \$35.5 million related to various major projects including Balranald and Cataby, combined with land acquisitions.

Net debt at 30 June 2015 was \$80.2 million, with a corresponding gearing ratio (net debt/net debt + equity) of 5.4 per cent. This compares with net debt at 31 December 2014 of \$59.0 million and a gearing ratio of 3.9 per cent. Undrawn facilities at 30 June 2015 were \$784.9 million and cash and cash equivalents of \$79.3 million. Net debt at 31 July 2015 was \$71.0 million.

DIVIDEND

Directors have determined a fully franked interim dividend of 6 cents per share, payable on 29 September 2015 with a record date of 2 September 2015.

OVERVIEW OF SALES AND PRODUCTION

	1st Half 2015	1st Half 2014	% change
Sales (kt)			
Zircon	153.4	146.3	4.9
Rutile	59.1	95.5	(38.1)
Synthetic rutile	63.4	35.3	79.8
Total Z/R/SR sales	275.9	277.1	(0.4)
Ilmenite - saleable and upgradeable	159.5	221.8	(28.1)
Total sales volumes	435.4	498.9	(12.7)
Z/R/SR revenue (\$m)	311.7	281.3	10.8
Ilmenite and other revenue ¹ (\$m)	37.9	61.9	(38.5)
Total mineral sands revenue(\$m)	349.6	343.2	2.0
Revenue per tonne of Z/R/SR sold ² (\$/t)	1,130	1,015	11.3
Production (kt)			
Zircon	163.3	174.0	(6.1)
Rutile	56.2	78.1	(28.0)
Synthetic rutile	57.4	-	n/a
Total Z/R/SR production	276.9	252.1	9.8
Ilmenite - saleable and upgradeable	195.1	226.8	(14.0)
Total Mineral Sands Production	472.0	478.9	(1.4)
HMC produced	632	676	(6.6)
HMC processed	526	480	9.5
Cash costs of production (\$m)	175.5	200.7	12.6
Unit cash cost per tonne of Z/R/SR produced ³ (\$/t)	634	796	20.4

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

² Revenue per tonne of Z/R/SR sold is determined as total Z/R/SR revenue divided by total Z/R/SR sales volumes.

³ Unit cash cost per tonne of Z/R/SR produced is determined as cash costs of production divided by total Z/R/SR production volumes.

Mineral sands sales volumes

Zircon sales volume for the half year of 153.4 thousand tonnes was a 4.9 per cent increase from the previous corresponding period sales volume of 146.3 thousand tonnes, with a step up of sales volumes in the second quarter in most markets. Zircon market conditions year-to-date reflect many of the features of 2014 in terms of variable demand patterns across countries and end use segments.

Sales of high grade titanium dioxide products (rutile and synthetic rutile) for the half year were 122.5 thousand tonnes, marginally lower than the first half of 2014 (130.8 thousand tonnes), mainly reflecting shipment scheduling, with some customers rebalancing their supply chains in line with the ramp up of Iluka's synthetic rutile production. Demand from pigment markets for Iluka's high grade titanium dioxide products has increased and the majority of Iluka's high grade ore sales are now contracted for 2015, including from the recently re-started synthetic rutile kiln 2.

Mineral sands production

Total Z/R/SR production for the half was 276.9 thousand tonnes, representing a 9.8 per cent increase from the previous corresponding period (2014: 252.1 thousand tonnes). Higher production reflects the restart of the synthetic rutile kiln 2 during the first half of 2015 offset by lower production from Murray Basin, Victoria due to the idling of the Hamilton mineral separation plant in January and February.

Mineral sands production (continued)

In the Murray Basin, mining was completed at the Woorneck, Rownack, Pirro (WRP) deposits in March 2015. Stockpiled heavy mineral concentrate from WRP and a portion of heavy mineral concentrate from Jacinth-Ambrosia in South Australia continued to be blended into the Hamilton separation plant.

Jacinth-Ambrosia mining continued at full capacity. Jacinth-Ambrosia heavy mineral concentrate was processed at both the Narngulu mineral separation plant in Western Australia and at Hamilton in Victoria.

Mining at the Tutunup South mine in Western Australia restarted in February as a precursor to synthetic rutile kiln reactivation in March. Ilmenite produced from the mine is being used as a feed source for synthetic rutile kiln 2, with production from the kiln ahead of expectations, reflecting higher feed rates and plant utilisation levels.

In the United States, production from the Brink deposit was slightly below forecasts due to delays in accessing high grade sections of the ore body. The Concord mine remained idled, with recommencement of production planned from July. The mine will operate until depleted, which is expected before year end. As previously advised, mining and processing at Iluka's United States operations will be completed in 2015 (refer ASX Release, 12 December 2014).

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INCOME STATEMENT ANALYSIS

\$ million	1st Half 2015	1st Half 2014	% change
Z/R/SR revenue	311.7	281.3	10.8
Ilmenite and other revenue	37.9	61.9	(38.5)
Mineral sands revenue	349.6	343.2	2.0
Cash costs of production	(175.5)	(200.7)	12.6
Inventory movement	14.8	24.7	(40.1)
Restructure and idle capacity charges	(27.4)	(19.2)	(42.7)
Rehabilitation and holding costs for closed sites	(1.1)	(1.7)	35.3
Government royalties	(7.8)	(6.9)	(13.0)
Marketing and selling costs	(17.2)	(14.1)	(22.0)
Asset sales and other income	2.2	1.4	57.1
Resource development	(23.2)	(18.8)	(23.4)
Mineral sands EBITDA	114.4	107.9	6.0
Depreciation and amortisation	(83.6)	(94.1)	11.2
Mineral sands EBIT	30.8	13.8	123.2
Mining Area C	39.0	38.0	2.6
Corporate and other costs	(23.6)	(21.9)	(7.8)
Foreign exchange	(2.7)	1.6	(268.8)
Group EBIT	43.5	31.5	38.1
Net interest and bank charges	(5.8)	(7.7)	24.7
Rehabilitation unwind and other finance costs	(9.9)	(6.6)	(50.0)
Profit before tax	27.8	17.2	61.6
Tax expense	(7.4)	(5.5)	(34.5)
Profit for the period (NPAT)	20.4	11.7	74.4
Average AUD/USD rate for the period (cents)	78.3	91.4	14.3

Mineral sands operational results

\$ million	Revenue		EBITDA		EBIT	
	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014
Australia	335.3	293.1	148.7	121.4	66.1	38.2
United States	14.3	50.1	(6.2)	9.8	(6.2)	(0.1)
Resource development and other	-	-	(28.1)	(23.3)	(29.1)	(24.3)
Total	349.6	343.2	114.4	107.9	30.8	13.8

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 below.

Mineral sands revenue

Mineral sands sales revenue for the half year was \$349.6 million representing an increase of 2.0 per cent compared with previous corresponding period (2014: \$343.2 million). Higher revenue reflects an increased average realised price of \$1,130 per tonne in the first half of 2015 (2014: \$1,015) mainly due to the lower AUD:USD exchange rate.

Sales volumes of Z/R/SR were comparable to the first half of 2014 at 275.9 thousand tonnes (2014: 277.1 thousand tonnes) whilst ilmenite sales were down 28.1 per cent to 159.5 thousand tonnes.

Cash costs of production

Cash costs of production were down \$25.2 million from the previous corresponding period to \$175.5 million (2014: \$200.7 million). Cash costs of production include \$5.0 million of costs in relation to ilmenite concentrate and by-products, a 74.4 per cent decrease compared to \$19.5 million in the first half of 2014 associated with a decrease in sales volumes for these products. On a unit basis, cash costs of production were \$634 per tonne of Z/R/SR produced, a 20.4 per cent decrease compared with the previous corresponding period, reflecting 9.8 per cent higher production of Z/R/SR. Excluding the costs relating to ilmenite concentrate and by-products, the underlying unit cash cost of production per tonne of Z/R/SR reduced by 14.3 per cent to \$616 per tonne.

Inventory movement

Work-in-progress inventory increased by \$20.8 million to \$464.9 million as heavy mineral concentrate production of 632 thousand tonnes exceeded heavy mineral concentrate processed of 526 thousand tonnes, consistent with the approach of maintaining mining operations at Jacinth-Ambrosia at full capacity and utilising the mineral separation plants at reduced capacity, thereby reducing production of finished product. Mining at Wornack, Rownack and Pirro (WRP) was fully depleted in the first quarter. Finished product inventory has decreased by \$5.5 million to \$328.2 million, despite sales of Z/R/SR being one thousand tonnes below production, due to changes in sales mix.

Restructure and idle capacity costs

Idle capacity charges reflect costs incurred during periods of no or restricted production. Idle costs of \$24.7 million were higher than in the previous corresponding period (2014: \$19.2 million) reflecting idled operations at Concord mine in the US in the first half of 2015 and Hamilton mineral separation plant being idled for the first two months of the year. Restructure costs of \$2.7 million were incurred in association with the cessation of mining at WRP (2014: \$nil).

Rehabilitation and holding costs for closed sites

Rehabilitation and holding costs incurred in the first half of 2015 relate mainly to ongoing maintenance work at closed sites. There were no charges arising from the reassessment of rehabilitation provisions for closed sites.

Government royalties

Government royalties were higher than the previous corresponding period reflecting increased revenue.

Marketing and selling costs

Marketing and selling costs were higher due to a decrease in trading commissions received combined with an increase in bulk shipment volumes from Australia for high grade titanium dioxide material which increased ship-loading costs.

Resources development

Resource development costs were \$4.4 million higher than the previous corresponding period reflecting increased exploration expenditure in the first half of 2015 combined with increased mining and processing technical evaluation work.

Depreciation and amortisation

The decrease of \$10.5 million compared to the previous corresponding period reflects no depreciation charge on the US assets following the impairment charge taken in December 2014 combined with no depreciation at WRP following cessation of mining in the first quarter of 2015. Depreciation has been recommenced on mine specific equipment and mine reserves associated with the restart of mining operations at Tutunup South and the restart of the synthetic rutile kiln in the South West of Western Australia during the first half of 2015. No depreciation was incurred on the mine specific equipment at these locations during 2014.

Mining Area C

Iron ore sales volumes increased 6.4 per cent to 27.5 million dry metric tonnes (DMT). The average AUD realised price upon which the royalty is payable decreased by 35.1 per cent from the previous corresponding period. The EBIT contribution of \$39.0 million includes \$3.0 million of annual capacity payments for production increases in the year to 30 June (2014: \$1.0 million) combined with a one-off US\$8.0 million (A\$10.4 million) receipt upon modifications to the MAC royalty agreement.

Corporate and other

Corporate costs were \$1.7 million higher than the previous corresponding period, reflecting increased costs associated with the evaluation of a potential acquisition of Kenmare Plc.

Foreign exchange

Net foreign exchange translation losses were \$2.7 million, compared to a net gain of \$1.6 million in the previous corresponding period.

Net Interest and bank charges

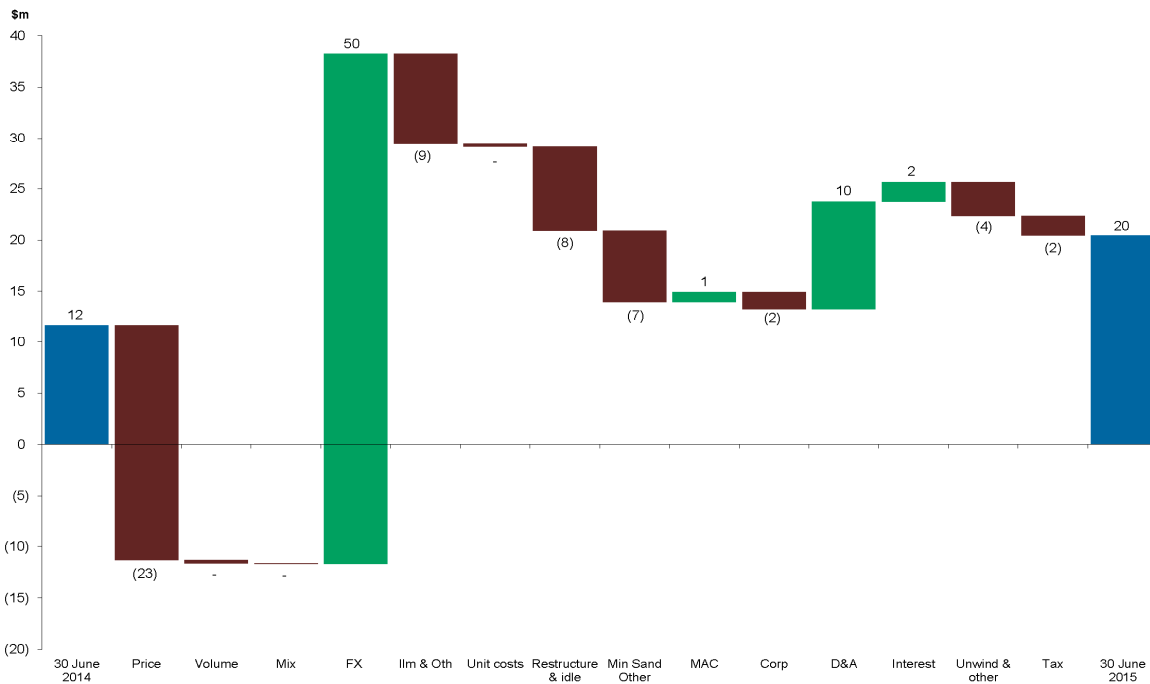
The decrease in interest costs reflects lower average bank borrowings during the period compared to the previous corresponding period. Net debt at 31 December 2013 was \$206.6 million decreasing to \$155.2 million at 30 June 2014. Net debt in 2015 commenced at \$59.0 million and has increased to \$80.2 million at 30 June 2015.

Tax expense

The income tax expense of \$7.4 million is at an effective tax rate of 26.6 per cent compared to 32.0 per cent in the previous corresponding period. The lower effective rate was due mainly to the benefit of research and development tax credits and non-assessable income.

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MOVEMENT IN NPAT



Commentary in respect of the NPAT waterfall above is provided below:

Z/R/SR sales price (-ve \$23 million)

Lower average USD sales prices for all products compared to the previous corresponding period.

Z/R/SR sales volumes (\$nil)

The amount reflects the impact of marginally lower Z/R/SR sales volumes (down 0.4 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 (\$nil)

The proportion of higher priced zircon product has increased to 56 per cent (2014: 54 per cent) but has been offset by an increased proportion of the lowest priced product of synthetic rutile in the mix (23 per cent compared to 13 per cent in 2014).

Z/R/SR foreign exchange (+ve \$50 million)

The impact of a lower weighted average spot exchange rate of 77.5 cents applicable to Z/R/SR revenue compared with the rate in the previous corresponding period of 92.1 cents. Foreign exchange impacts on operating costs, mainly those relating to the US operations, are included in the overall movement in unit cost of sales.

Ilmenite and other revenue (-ve \$9 million)

Decreased volume of ilmenite sales and lower realised prices, together with decreased sales volumes of iron concentrate offset by lower production costs.

Z/R/SR unit cash cost of sales (\$nil)

Unit cash cost of sales for Z/R/SR are comparable with the previous corresponding period.

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Restructure and idle capacity (-ve \$8 million)

An increase in idle costs is due to Concord mining operations in the US idled for the first half of 2015 along with cessation of all mining activity in the Murray Basin in the first half of 2015, which incurred \$2.7 million of restructure costs (2014: \$nil).

Mineral sands other costs (-ve \$7 million)

The higher costs were due mainly to higher marketing and resource development costs.

MAC (+ve \$1 million)

Underlying iron ore royalties decreased compared to the previous corresponding period despite a 6.4 per cent increase in sales volumes, due to a 35.1 per cent decrease in realised AUD iron ore prices. MAC capacity payments of \$3.0 million, before tax, were \$2.0 million higher than in the previous corresponding period. Royalty and capacity payments are payable on dry metric tonnes. Included in MAC income for the first half of 2015 is a one-off receipt of US\$8.0 million (A\$10.4 million) as referenced previously.

Corporate costs (-ve \$2 million)

The higher corporate costs were due to increased costs related mainly to a potential acquisition of Kenmare Plc.

Depreciation and amortisation (+ve \$10 million)

The decreased charges compared to the previous corresponding period were due mainly to the impairment of US assets in December 2014 resulting in no depreciation charge in 2015 combined with the cessation of mining operations at WRP at the end of the first quarter. This was only partially offset by the restart of mining operations at Tutunup South and the synthetic rutile kiln 2.

Interest (+ve \$2 million)

Interest costs decreased due to lower average borrowing levels than in the previous corresponding period.

Tax (-ve \$2 million)

The variance reflects an increased tax expense as a result of the higher earnings compared to the previous corresponding period, partially offset by the decrease in the effective rate to 26.6 per cent from 32.0 per cent in 2014.

Other matters

On 24 March 2014 Iluka became aware that a litigation funder proposed to fund claims that current or former shareholders may have against the Company in respect of continuous disclosure obligations in 2012. As advised to ASX on 24 March 2014, Iluka is of the view that it has at all times fulfilled its disclosure obligations and on receipt of any such claims, Iluka will vigorously defend its position. There has been no commencement of legal proceedings, other than a pre-action discovery application filed with the Tasmanian Registry of the Federal Court of Australia pursuant to which the applicant was seeking disclosure from Iluka of non-public documents. Iluka opposed the pre-action discovery application. In July 2015 the Federal Court dismissed the pre-action discovery application and awarded costs to Iluka. The applicant has filed an application for leave to appeal the Federal Court's decision. Iluka will defend the application for leave to appeal.

BALANCE SHEET, CASH FLOW AND NET DEBT

Balance sheet by operation - \$ million

30 June 2015	AUS	US	MAC	Corp	Group	31 Dec 2014
Receivables	47.4	11.1	25.1	6.1	89.7	98.8
Inventories	779.8	48.0	-	-	827.8	810.2
Payables and accruals	(51.1)	(16.0)	-	(11.1)	(78.2)	(80.7)
Employee and other provisions	(10.2)	(12.2)	-	(14.2)	(36.6)	(34.5)
Rehabilitation provisions	(394.9)	(55.7)	-	-	(450.6)	(457.0)
Property, plant & equipment	1,027.8	23.6	-	17.0	1,068.4	1,117.2
Investment in Metalysis Ltd	-	-	-	22.7	22.7	18.6
Intangibles	-	-	5.4	-	5.4	5.5
Capital employed	1,398.8	(1.2)	30.5	20.5	1,448.6	1,478.1
Net tax asset					(27.1)	(15.5)
Net debt					80.2	59.0
Total equity					1,395.5	1,434.6
Net funding					1,448.6	1,478.1

Lower receivables reflect the continued use of two trade receivables purchase facilities entered into in late 2014 which enabled the earlier collection of \$68.2 million of receivables at 30 June 2015 (31 December 2014: \$84.4 million) combined with the lower sales profile in the June half compared to the December half.

Higher inventories mainly reflect an increase of \$20.8 million in work in progress product (heavy mineral concentrate) to \$464.9 million (December 2014: \$444.1 million), partially offset by a \$5.5 million decrease in finished product stocks to \$328.2 million. Higher work in progress values reflect heavy mineral concentrate produced of 632 thousand tonnes exceeding heavy mineral concentrate processed through the mineral separation plants of 526 thousand tonnes. Inventories include \$371.8 million of predominantly heavy mineral concentrate material classified as non-current (2014: \$353.7 million) and also \$34.7 million of consumable stores (2014: \$32.4 million).

Lower property, plant and equipment values reflect mainly the depreciation charge for the period of \$83.6 million being higher than capital expenditure of \$35.5 million.

During the period Iluka increased its equity stake in Metalysis Limited to 18.3 per cent (diluted). Metalysis Limited is a private UK based entity that is developing a new technology for titanium metal powder production. The investment cost to date was \$22.7 million and Iluka has a right to increase its shareholding to between 20 to 24.9 per cent in the event of an Initial Public Offering.

The increase in the net tax asset reflects a reduction in the Australian tax group's deferred tax liability due to the unwind of timing differences, mainly in relation to depreciable assets.

Net debt increased \$21.2 million from December 2014 due to free cashflow for the period of \$39.0 million, offset by currency translation impacts of \$4.6 million on the USD component of net debt and the payment of \$54.4 million in respect of the 13 cent final dividend for 2014 in March 2015. Since the start of the period, Iluka has increased the size of the Multi Option Facility Agreement (MOFA) facilities by \$100.0 million to \$950.0 million through the addition of a new bilateral facility to April 2020 and the expansion of an existing facility. Iluka repaid the final tranche of the US Private Placement Notes in June 2015 (US\$20.0 million). Undrawn facilities at 30 June 2015 were \$784.9 million (December 2014: \$707.8 million) and cash and cash equivalents were \$79.3 million (December 2014: \$101.3 million).

Movement in net (debt) cash

\$ million	1st Half 2014	2nd Half 2014	1st Half 2015
Opening net cash (debt)	(206.6)	(155.2)	(59.0)
Operating cash flow	101.9	152.9	92.1
MAC royalty	40.9	34.3	26.7
Exploration	(8.6)	(13.5)	(11.5)
Interest (net)	(6.8)	(6.0)	(5.6)
Tax	(16.9)	(10.6)	(14.3)
Capital expenditure	(23.6)	(24.7)	(35.5)
Purchase of investment in Metalysis Limited	(18.6)	-	(4.1)
Asset sales	0.3	-	0.2
Share purchases for employee share schemes	(4.7)	-	(9.0)
Free cash flow	63.9	132.4	39.0
Dividends	(16.7)	(25.1)	(54.4)
Net cash flow	47.2	107.3	(15.4)
Exchange revaluation of USD net debt	5.2	(9.9)	(4.6)
Amortisation of deferred borrowing costs	(1.0)	(1.2)	(1.2)
(Decrease) increase in net cash (debt)	51.4	96.1	(21.2)
Closing net debt	(155.2)	(59.0)	(80.2)

Operating cash flow in the period of \$92.1 million is lower than the previous corresponding period reflecting the timing of cash collections with receipts from customers down \$5.4 million.

Mining Area C iron ore royalty cash flows in the first half of 2015 were lower than the previous corresponding period reflecting lower iron ore prices. The one-off receipt of US\$8.0 million (A\$10.4 million) in relation to the modification of the royalty agreement will be received in the second half of 2015.

Iluka continued monthly tax instalments in Australia during the period. Iluka's tax expense in the period was \$7.4 million in comparison to net tax payments of \$14.3 million, reflecting the level of timing differences mainly in relation to depreciable assets.

Capital expenditure of \$35.5 million in the half year related to various major projects, including Cataby (Western Australia), Balranald (New South Wales) as well as land acquisitions. In addition, Iluka increased its equity interest in Metalysis Limited for a cost of \$4.1 million in the period taking the diluted equity holding to 18.3 per cent (20.7 per cent undiluted).

Share purchases are on-market purchases associated with the Group's equity based incentive plans. The increase in share purchases reflects the Board's objective of holding a balance of shares based on the amount of unvested share rights.

A 2014 final dividend of 13 cents per share was paid in March 2015. The prior period cash flows included a 4 cents per share 2013 final dividend, paid in April 2014 and a 6 cents per share 2014 interim dividend, paid in October 2014.

The exchange revaluation of USD net debt in the period predominantly reflects the retranslation of USD\$50 million of debt from an exchange rate of 81.9 cents at 31 December 2014 to 76.8 cents at 30 June 2015.

REVIEW OF AUSTRALIAN OPERATIONS

		1st Half 2015	1st Half 2014	% change
Production volumes				
Zircon	kt	146.4	158.3	(7.5)
Rutile	kt	56.2	78.1	(28.0)
Synthetic rutile	kt	57.4	-	n/a
Total Z/R/SR production	kt	260.0	236.4	10.0
Ilmenite - saleable and upgradeable	kt	128.9	167.7	(23.1)
Total production volume	kt	388.9	404.1	(3.8)
HMC produced	kt	526	564.0	(6.7)
HMC processed	kt	413	369.1	11.9
Unit cash cost of production - Z/R/SR *	\$/t	549	712	22.8
Mineral sands revenue	\$m	335.3	293.1	14.4
Cash cost of production	\$m	(142.8)	(168.2)	15.1
Inventory movements	\$m	(2.9)	31.6	(109.2)
Restructure and idle capacity charges	\$m	(21.9)	(18.2)	(20.3)
Rehabilitation and holding costs for closed sites	\$m	(1.1)	(1.7)	35.3
Government royalties	\$m	(7.8)	(6.9)	(13.0)
Marketing and selling costs	\$m	(10.2)	(8.4)	(21.4)
Asset sales and other income	\$m	0.1	0.1	0.0
EBITDA	\$m	148.7	121.4	22.5
Depreciation & amortisation	\$m	(82.6)	(83.2)	0.7
EBIT	\$m	66.1	38.2	73.0

* Calculated as cash costs of production, including by-product costs divided by Z/R/SR production.

Total Z/R/SR production increased 10.0 per cent from the previous corresponding period reflecting the restart of synthetic rutile production from kiln 2 in the South-West of Western Australia from the second quarter of 2015.

Higher mineral sands revenue reflects higher average received prices for zircon, rutile and synthetic rutile mainly due to lower AUD:USD exchange rates, partially offset by reduced revenues from the sale of lower volumes of ilmenite (including wet high intensity magnetic separation or WHIMs concentrate) and by-products.

Cash costs of production were \$25.4 million lower than the previous corresponding period, with lower mining and concentrating costs due to the cessation of mining operations at WRP in the Murray Basin in the first quarter of 2015. This was only partially offset by the re-start of mining at Tutunup South in the South-West of Western Australia. Ilmenite concentrate and by-product costs were \$14.5 million lower than the previous corresponding period due to reduced activity, whilst synthetic rutile costs have increased on reactivation of kiln 2.

Unit cash costs of production per tonne Z/R/SR declined due to the increase in production and lower cash production costs.

The inventory movement reflects increased heavy mineral concentrate accumulated at WRP in the lead up to the cessation of operations, partially offset by decreased finished goods products as a result of sales of Z/R/SR exceeding production during the period.

Restructure and idle capacity charges have increased marginally from the previous corresponding period due to the cessation of mining in Murray Basin, which incurred \$2.7 million restructure costs.

Higher marketing and selling costs reflect higher warehouse and distribution costs for product.

REVIEW OF UNITED STATES OPERATIONS

		1st Half 2015	1st Half 2014	% change
Production volumes				
Zircon	kt	16.9	15.7	7.6
Ilmenite - saleable and upgradeable	kt	66.2	59.1	12.0
Total production volumes	kt	83.1	74.8	11.1
HMC produced	kt	106	112.3	(5.6)
HMC processed	kt	113	111.1	1.7
Unit cash cost of production - saleable product Z/I *	\$/t	394	434	9.4
Minerals sands revenue				
	\$m	14.3	50.1	(71.5)
Cash cost of production	\$m	(32.7)	(32.5)	0.6
Inventory movements	\$m	17.7	(6.9)	(356.5)
Restructure and idle capacity charges	\$m	(5.5)	-	n/a
Rehabilitation and holding costs for closed sites	\$m	-	(1.0)	n/a
Marketing and selling costs	\$m	-	0.1	n/a
EBITDA	\$m	(6.2)	9.8	(163.3)
Depreciation & amortisation	\$m	-	(9.9)	n/a
EBIT	\$m	(6.2)	(0.1)	(6,100.0)

* Calculated as cash costs of production, including by-product costs divided by zircon and ilmenite production.

Zircon and ilmenite production was 11.1 per cent higher than the previous corresponding period reflecting 1.7 per cent higher HMC processed through the mineral separation plant combined with higher finished product recoveries.

Unit cash cost of production per tonne of finished product decreased from the prior period, driven predominately by the higher production volumes, partially offset by foreign exchange currency translation impacts, with USD cash costs of production being \$4.1 million lower than the previous corresponding period.

Lower sales revenue was due to decreased sales volumes.

The inventory movement reflects increased finished goods products as a result of production exceeding sales during the period.

Costs for rehabilitation and idle capacity relate to the idling of the Concord mining operations.

Depreciation has decreased from the previous corresponding period following the impairment of all US assets in Virginia at December 2014.

Directors' report

The directors present their report on the consolidated entity consisting of Iluka Resources Limited and the entities it controlled at the end of, or during, the half-year 30 June 2015.

Directors

The following individuals were directors of Iluka Resources Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

G Martin
M Bastos
W Osborn
J Ranck
G Rezos
D Robb
J Seabrook

Review of operations

Revenue for the half-year ended 30 June 2015 from operations was \$389.0 million (2014: \$381.8 million).

Profit before income tax expense for the half-year ended 30 June 2015 from operations was \$27.8 million (2014: \$17.2 million profit).

Profit for the half-year ended 30 June 2015 was \$20.4 million (2014: \$11.7 million profit).

Dividends

Director's have determined a fully franked interim dividend of 6 cents per share, payable on 29 September 2015 with a record date of 2 September 2015.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

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 thousand dollars, or in certain cases, to the nearest dollar.

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



G Martin
Chairman



D Robb
Managing Director

Perth
18 August 2015



Auditor's Independence Declaration

As lead auditor for the review of Iluka Resources Limited for the half-year ended 30 June 2015, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink that reads 'Henry' with a stylized flourish at the end.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
18 August 2015

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

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Iluka Resources Limited ABN 34 008 675 018
Interim report - 30 June 2015

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Iluka Resources Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2015

	Notes	Half-year 2015 \$m	Half-year 2014 \$m
Revenue	3	389.0	381.8
Other income	4	2.2	2.9
Expenses	5	(347.4)	(352.9)
Interest and finance charges		(7.3)	(9.0)
Rehabilitation and mine closure provision discount unwind		(8.7)	(5.6)
Total finance costs	5	(16.0)	(14.6)
Profit before income tax		27.8	17.2
Income tax expense	6	(7.4)	(5.5)
Profit for the half-year attributable to owners		20.4	11.7
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation of foreign operations		0.8	(4.9)
Hedge of net investment in US operation, net of tax		(1.4)	0.8
Total other comprehensive (loss) income for the half-year, net of tax		(0.6)	(4.1)
Total comprehensive income for the half-year attributable to owners		19.8	7.6
		Cents	Cents
<i>Earnings per share attributable to ordinary equity holders</i>			
Basic and diluted earnings per share		4.9	2.8

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

Iluka Resources Limited
Consolidated balance sheet
As at 30 June 2015

	Notes	30 June 2015 \$m	31 December 2014 \$m
ASSETS			
Current assets			
Cash and cash equivalents		79.3	101.3
Receivables		89.7	98.8
Inventories		456.0	456.5
Current tax receivable		9.8	8.5
Total current assets		<u>634.8</u>	<u>665.1</u>
Non-current assets			
Inventories		371.8	353.7
Property, plant and equipment		1,068.4	1,117.2
Intangible asset - MAC Royalty		5.4	5.5
Deferred tax assets		19.0	13.3
Available-for-sale financial assets		22.7	18.6
Total non-current assets		<u>1,487.3</u>	<u>1,508.3</u>
Total assets		<u>2,122.1</u>	<u>2,173.4</u>
LIABILITIES			
Current liabilities			
Payables		87.4	89.7
Provisions		65.2	63.8
Interest bearing liabilities		-	24.4
Current tax payable		1.7	6.3
Total current liabilities		<u>154.3</u>	<u>184.2</u>
Non-current liabilities			
Provisions		412.8	418.7
Interest-bearing liabilities		159.5	135.9
Total non-current liabilities		<u>572.3</u>	<u>554.6</u>
Total liabilities		<u>726.6</u>	<u>738.8</u>
Net assets		<u>1,395.5</u>	<u>1,434.6</u>
EQUITY			
Contributed equity	7	1,112.8	1,114.4
Reserves		19.3	22.8
Retained profits		263.4	297.4
Total equity		<u>1,395.5</u>	<u>1,434.6</u>

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

Iiluka Resources Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2015

	Attributable to owners of Iiluka Resources Limited			Total equity \$m
	Contributed equity \$m	Other reserves \$m	Retained profits \$m	
Notes				
Balance at 1 January 2014	1,112.1	19.0	407.0	1,538.1
Profit for the period	-	-	11.7	11.7
Other comprehensive income	-	(4.1)	-	(4.1)
Total comprehensive income for the half-year	-	(4.1)	11.7	7.6
Transactions with owners in their capacity as owners:				
Transfer of shares to employees, net of tax	5.7	(5.7)	-	-
Purchase of treasury shares, net of tax	(3.4)	-	-	(3.4)
Share-based payments, net of tax	-	2.6	-	2.6
Dividends paid	-	-	(16.7)	(16.7)
8	2.3	(3.1)	(16.7)	(17.5)
Balance at 30 June 2014	1,114.4	11.8	402.0	1,528.2
Balance at 1 January 2015	1,114.4	22.8	297.4	1,434.6
Profit for the period	-	-	20.4	20.4
Other comprehensive income	-	(0.6)	-	(0.6)
Total comprehensive income for the half-year	-	(0.6)	20.4	19.8
Transactions with owners in their capacity as owners:				
Transfer of shares to employees, net of tax	4.3	(4.3)	-	-
Purchase of treasury shares, net of tax	(6.3)	-	-	(6.3)
Share-based payments, net of tax	0.4	1.4	-	1.8
Dividends paid	-	-	(54.4)	(54.4)
8	(1.6)	(2.9)	(54.4)	(58.9)
Balance at 30 June 2015	1,112.8	19.3	263.4	1,395.5

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

Iluka Resources Limited
Consolidated statement of cash flows
For the half-year 30 June 2015

	30 June 2015 \$m	30 June 2014 \$m
Notes		
Cash flows from operating activities		
Receipts from customers	377.9	383.3
Payments to suppliers and employees	(285.8)	(281.4)
Operating cash flow	<u>92.1</u>	<u>101.9</u>
Interest received	0.3	0.3
Interest paid	(5.9)	(7.1)
Income taxes paid	(14.3)	(16.9)
Exploration expenditure	(11.5)	(8.6)
Mining Area C royalty receipts	26.7	40.9
Net cash inflow from operating activities	9 <u>87.4</u>	<u>110.5</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(35.5)	(23.6)
Sale of property, plant and equipment	0.2	0.3
Purchase of shares in Metalysis Limited	(4.1)	(18.6)
Net cash outflow from investing activities	<u>(39.4)</u>	<u>(41.9)</u>
Cash flows from financing activities		
Repayment of borrowings	(67.4)	(98.0)
Proceeds from borrowings	60.0	40.0
Purchase of treasury shares	(9.0)	(4.7)
Dividends paid	(54.4)	(16.7)
Debt refinance costs	(0.4)	(1.0)
Net cash outflow from financing activities	<u>(71.2)</u>	<u>(80.4)</u>
Net decrease in cash and cash equivalents	(23.2)	(11.8)
Cash and cash equivalents at 1 January	101.3	46.4
Effects of exchange rate changes on cash and cash equivalents	1.2	(0.6)
Cash and cash equivalents at end of half-year	<u>79.3</u>	<u>34.0</u>

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

1 Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 30 June 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by Iluka Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Where applicable, certain comparatives have been adjusted to conform with current year presentation.

The same accounting policies and methods of computation have been applied by each entity in the consolidated Group and are consistent with those adopted and disclosed in the most recent annual financial report.

(a) 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 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 (a level 3 fair value estimation method).

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 (which for the impaired US CGU was 9% in 2014).

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.

Specifically, the prior year impairment charge of \$82.0 million in relation to the US operations is sensitive to improvements in forecast commodity prices and changes to the commitment of development capital to new projects. As the carrying value of the US Virginia operations was reduced to Nil in the prior year, there is no downside sensitivity.

Iluka Resources Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

(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 charge to profit or loss in accordance with the Group's accounting policy.

The total rehabilitation and mine closure provision of \$450.7 million (31 December 2014: \$457.0 million) includes \$314.4 million (31 December 2014: \$274.0 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 5.

(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 30 June 2015 was \$827.8 million (31 December 2014: \$810.2 million). Inventory of \$371.8 million (31 December 2014: \$353.7 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date.

2 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 2014.

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 deposits in Victoria (Murray Basin). The mined material is processed predominantly at Mineral Separation Plants in the 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.

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 arm's length prices. Any transfers of intermediate products between operating segments are made at cost. During the first half of 2015, no finished product was transferred from the US to Australia (2014: Nil). Any such transfer would be 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.

Iluka Resources Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

(b) Segment information

<i>Half-year 2015</i>	AUS \$m	US \$m	MAC \$m	Total \$m
Total segment sales to external customers	335.3	14.3	-	349.6
Total segment result	57.9	(6.7)	39.0	90.2
Segment assets as at 30 June 2015	1,855.0	82.7	30.5	1,968.2
Segment liabilities as at 30 June 2015	456.2	83.9	-	540.1
<hr/>				
<i>Half-year 2014</i>	AUS \$m	US \$m	MAC \$m	Total \$m
Total segment sales to external customers	293.1	50.1	-	343.2
Total segment result	32.9	(0.5)	38.0	70.4
Segment assets at 31 December 2014	2,055.9	120.2	24.1	2,200.2
Segment liabilities at 31 December 2014	476.7	64.9	-	541.6

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

	Half-year 2015 \$m	Half-year 2014 \$m
Segment result	90.2	70.4
Interest income	0.3	0.4
Other income	2.1	1.2
Marketing and selling	(7.0)	(5.7)
Corporate and other costs	(23.6)	(21.9)
Depreciation	(1.0)	(1.0)
Resource development	(23.2)	(18.8)
Interest and finance charges	(7.3)	(9.0)
Net foreign exchange (loss)/gain	(2.7)	1.6
Profit before income tax	27.8	17.2

3 Revenue

	Half-year 2015 \$m	Half-year 2014 \$m
<i>Sales revenue</i>		
Sale of goods	349.6	343.2
<i>Other revenue</i>		
Mining Area C royalty income	39.1	38.2
Interest	0.3	0.4
	39.4	38.6
	389.0	381.8

Iluka Resources Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

4 Other income

	Half-year 2015 \$m	Half-year 2014 \$m
Sundry income	2.2	1.2
Net gain on disposal of property, plant and equipment	-	0.1
Foreign exchange gains (net)	-	1.6
	<u>2.2</u>	<u>2.9</u>

5 Expenses

	Half-year 2015 \$m	Half-year 2014 \$m
Expenses		
Cash costs of production	175.5	200.7
Depreciation and amortisation	83.7	94.3
Inventory movement	(14.8)	(24.7)
Cost of goods sold	<u>244.4</u>	<u>270.3</u>
Restructure and idle capacity charges	27.4	19.2
Rehabilitation and holding costs for closed sites	1.1	1.7
Government royalties	7.8	6.9
Marketing and selling costs	17.2	14.1
Corporate and other costs	23.6	21.9
Resource development	23.2	18.8
Foreign exchange losses (net)	2.7	-
	<u>347.4</u>	<u>352.9</u>
Finance costs		
Interest charges	5.8	7.1
Bank fees and similar charges	0.3	0.9
Amortisation of deferred borrowing costs	1.2	1.0
Rehabilitation and mine closure provision discount unwind	8.7	5.6
	<u>16.0</u>	<u>14.6</u>

Iluka Resources Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

6 Income tax

(a) Income tax expense

	Half-Year 2015 \$m	Half-year 2014 \$m
Current tax	17.6	13.7
Deferred tax	(9.4)	(8.3)
(Over) under provided in prior years	(0.8)	0.1
	<u>7.4</u>	<u>5.5</u>

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

Profit before income tax expense	27.8	17.2
Tax at the Australian tax rate of 30% (2014: 30%)	8.3	5.2
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	3.7	-
Non-assessable income	(3.1)	-
Research and development credit	(1.2)	(0.8)
Tax losses not recognised by overseas operations	0.5	0.6
Other items	-	0.2
	<u>8.2</u>	<u>5.2</u>
Difference in overseas tax rates	-	0.2
(Over) under provision in prior years	(0.8)	0.1
Income tax expense	<u>7.4</u>	<u>5.5</u>

7 Contributed equity

(a) Movements in ordinary share capital

There have been no movements in share capital since 7 May 2009.

(b) Movements in treasury shares

During the period 685,202 treasury shares were transferred to employees (2014: 609,549) and 1,044,355 shares were purchased (2014: 490,382). Following the transfer and purchase the total number of treasury shares on hand at 30 June 2015 was 1,184,263 (31 December 2014: 825,110).

Iluka Resources Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

8 Dividends

	Half-year 2015 \$m	Half-year 2014 \$m
<i>Final dividend</i>		
For 2014 of 13 cents per share, fully franked	54.4	-
For 2013 of 4 cents per share, fully franked	-	16.7
	54.4	16.7

(a) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since half-year end the directors have determined an interim dividend of 6 cents per share, fully franked (2014: 6 cents per share, fully franked). The dividend is payable on 29 September 2015 for shareholders on the register as at 2 September 2015. The aggregate amount of the proposed dividend is \$25.1 million.

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

	Half-year 2015 \$m	Half-year 2014 \$m
Profit for the year	20.4	11.7
Depreciation and amortisation	83.7	94.3
Exploration capitalised	(1.0)	(0.4)
Net gain on disposal of property, plant and equipment	-	(0.1)
Exchange translation differences on USD denominated debt	4.6	(4.5)
Rehabilitation and mine closure provision discount unwind	8.7	5.6
Non-cash share-based payments expense	1.2	3.7
Amortisation of deferred borrowing costs	1.2	1.0
<i>Change in operating assets and liabilities</i>		
Decrease in receivables	7.9	43.3
Increase in inventories	(15.4)	(22.3)
Increase in net current tax liability	(5.3)	(7.9)
Increase in net deferred tax	(1.7)	(0.1)
Increase (decrease) in payables	0.7	(10.4)
Decrease in provisions	(17.6)	(3.4)
Net cash inflow from operating activities	87.4	110.5

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 16 to 26 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year 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.

This declaration is made in accordance with a resolution of directors.



G Martin
Chairman



D Robb
Managing Director

Perth
18 August 2015

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Independent auditor's review report to the members of Iluka Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Iluka Resources Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Iluka Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Iluka Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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

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Independent auditor's review report to the members of Iluka Resources Limited (cont'd)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Iluka Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

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A handwritten signature in blue ink that reads 'Henry' with a stylized flourish at the end.

Nick Henry
Partner

Perth
18 August 2015