

# Iluka Resources Limited



## 2014 Half Year Results

David Robb, Managing Director  
Alan Tate, Chief Financial Officer  
22 August 2014

# Disclaimer – Forward Looking Statements



## Forward Looking Statements

This presentation contains certain statements which constitute “forward-looking statements”. These statements include, without limitation, estimates of future production and production potential; estimates of future capital expenditure and cash costs; estimates of future product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves.

Where Iluka expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and on a reasonable basis. No representation or warranty, express or implied, is made by Iluka that the matters stated in this presentation will in fact be achieved or prove to be correct.

Forward-looking statements are only predictions and are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks and factors include, but are not limited to:

- changes in exchange rate assumptions;
- changes in product pricing assumptions;
- major changes in mine plans and/or resources;
- changes in equipment life or capability;
- emergence of previously underestimated technical challenges; and
- environmental or social factors which may affect a licence to operate.

Except for statutory liability which cannot be excluded, Iluka, its officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the material contained in this presentation and exclude all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission there from.

Iluka does not undertake any obligation to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## Non-IFRS Financial Information

This presentation uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, Group EBITDA and Group EBIT which are used to measure both group and operational performance. A reconciliation of non-IFRS financial information to profit before tax is included in the supplementary slides. Non-IFRS measures have not been subject to audit or review.

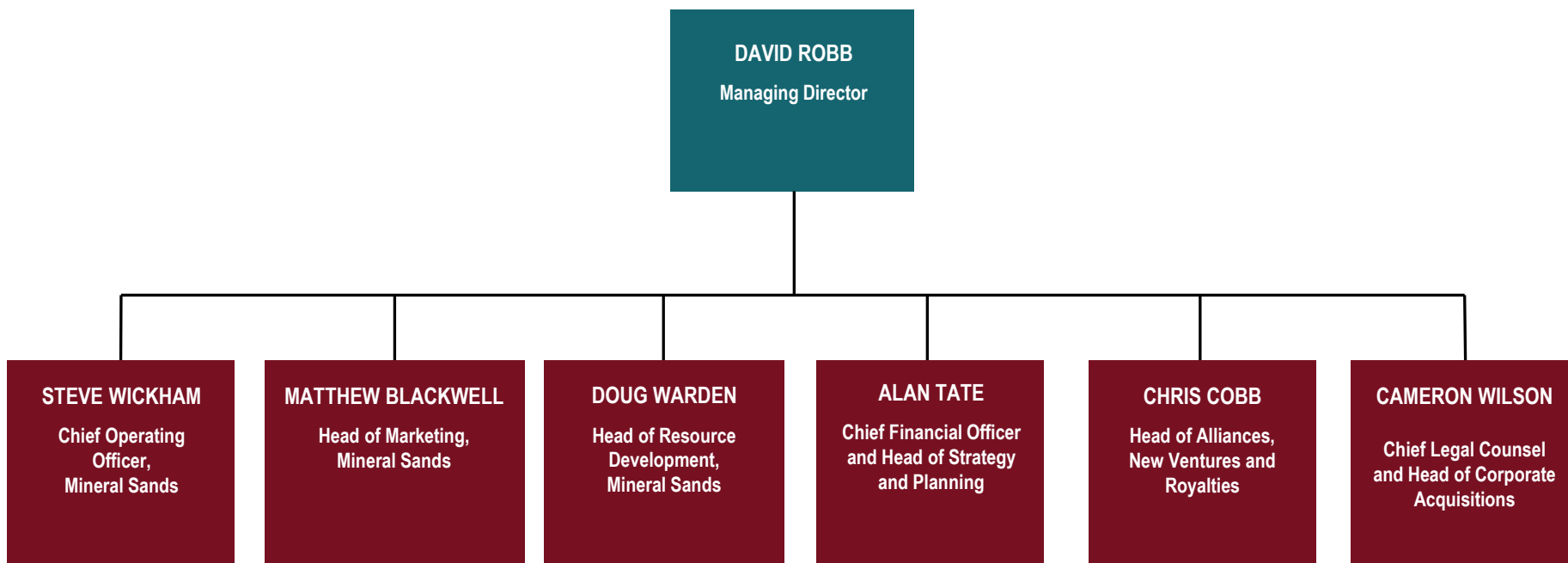
## Mineral Resources Estimates

The information in this presentation that relates to Mineral Resources estimates on the Tapira and Puttalam Projects has been previously announced to ASX (see relevant slides for details). Iluka confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed. Iluka confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.

# Iluka Approach

- Focus on shareholder returns through the cycle
- Flex asset operation in line with market demand
- Continue market development through the cycle
- Maintain strong balance sheet
- Preserve/advance mineral sands growth opportunities
- Continue to evaluate/pursue corporate growth opportunities
- Act counter-cyclically where appropriate

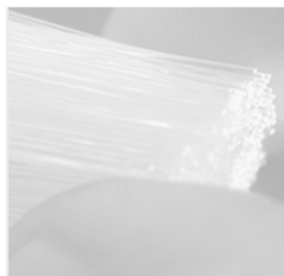
# Iluka Executive Team



# Structure



Business  
Performance  
1H Financials



Market  
Conditions

Industry Context and Industry Dynamics

Iluka's  
Focus



Supplementary  
Slides

# 2014 Half Year – Key Features

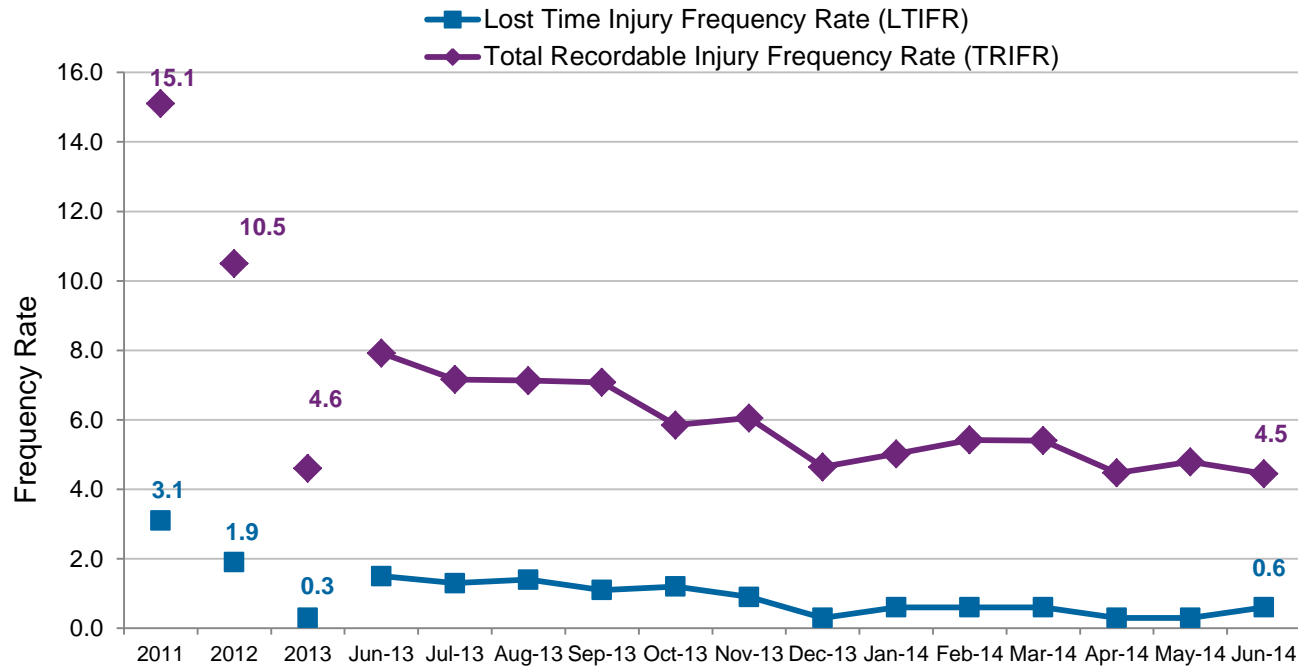
- Flexibility, unit costs, capex, FCF, balance sheet, sustainability
- Earnings reflect low product pricing
- Free cash flow \$63.9 million
- 6 cents dividend per share fully franked
- Net debt / net debt + equity (gearing ratio) reduced to 9.2%
- Cash costs of production \$200.7 million
  - trending below FY guidance (~\$430 million)
  - unit cash costs / tonne Z/R/SR produced \$796
  - Z/R/SR revenue / tonne \$1,015
- SA Premier's Award for Environmental Excellence

# Main Features of 1H 2014 versus 1H 2013



Mineral Sands Sales Volumes	↓	Z/R/SR sales down 3.5% , higher rutile and SR sales offset by lower zircon sales
Mineral Sands Revenue	↓	10.1% - lower sales volumes and lower prices
Cash Costs of Production	↓	0.6% to \$200.7 million - reduction in total cash costs sustained
Cost of Goods Sold	↑	\$897/tonne of Z/R/SR vs \$864/tonne
Unit Cash Costs of Production	↓	\$796/tonne (Z/R/SR) compared to \$848/tonne – reflecting 5.9% higher Z/R/SR production
Unit Cash Costs (excl. by products)	↓	\$718/tonne (Z/R/SR) compared to \$798/tonne
Revenue per Tonne	↓	13.8% to \$1,015/tonne (Z/R/SR) – lower pricing across products
Mining Area C EBIT	↓	\$38.0 million vs \$45.4 million – lower sales volumes, lower capacity payments, lower iron ore prices
Mineral Sands EBITDA	↓	21.0% to \$107.9 million
Group EBITDA Margin	↓	32.9% vs 37.5%
Group EBITDA	↓	\$125.6 million vs \$160.2 million
Reported Earnings (NPAT)	↓	\$11.7 million vs \$34.3 million
Return on Capital (annualised)	↓	3.1% vs 5.9%
Return on Equity (annualised)	↓	1.5% vs 4.5%
Capital Expenditure	↑	\$42.2 million vs \$31.5 million
Free Cash Flow	↑	\$63.9 million vs (\$44.5) million; 15.3 cents per share vs (10.6) cents
Net Debt	↓	\$155.2 million vs \$206.6 million (as at 31 December 2013)
Gearing (net debt/net debt + equity)	↓	9.2% vs 11.8% (as at 31 December 2013)
Earnings per Share	↓	2.8 cents vs 8.2 cents
Dividend	↑	6 cents (fully franked) vs 5 cents (fully franked)





- Safety performance improvement maintained
- Strong safety culture, despite business reconfiguration

- First native revegetation in Yellabinna Nature Reserve
- 2014 SA Premier's Award for Environmental Excellence



# Interim Dividend

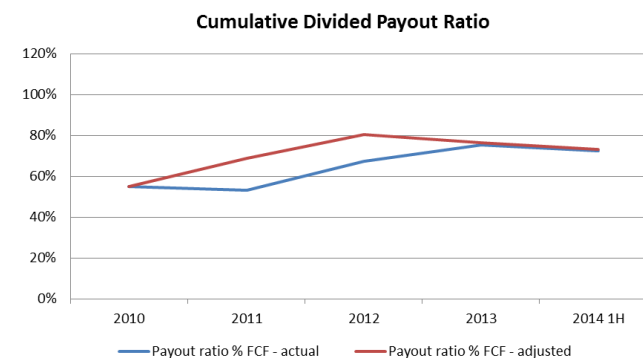
- 6 cents interim dividend fully franked payable 3 October 2014
- Equals 40% of 1H free cash flow
- Cumulative 72% free cash flow pay out ratio since end 2010

## Distribution Metrics

	FCF	NPAT
First half 2014 pay out ratio (%)	40	214
Cumulative dividend payout ratio (2010 – 30 June 2014) (%)	72	57
Cumulative retained free cash flow (2010 – 30 June 2014) (\$m)	211	N/A

(1) Free cash flow adjusted to align cash tax payments with corresponding earnings period.

## Capital Management



- Dividend payment consistent with Iluka's stated framework:
  - pay a minimum 40% of FCF not required for investing or balance sheet activity
  - distribute available franking credits

# Summary Group Results



\$m	1H 2014	2H 2013	1H 2014	
			vs 1H 2013	% change
<b>Mineral sands revenue</b>	<b>343.2</b>	<b>381.4</b>	<b>381.7</b>	<b>(10.1)</b>
<b>Mineral sands EBITDA</b>	<b>107.9</b>	<b>112.4</b>	<b>136.6</b>	<b>(21.0)</b>
Mining Area C royalty	38.0	42.7	45.4	(16.3)
<b>Group EBITDA</b>	<b>125.6</b>	<b>135.0</b>	<b>160.2</b>	<b>(21.6)</b>
Group EBITDA margin %	32.9	31.8	37.5	(12.2)
Depreciation and amortisation	(94.1)	(82.7)	(98.8)	4.8
Idle asset write downs	-	(40.0)	-	n/a
<b>Group EBIT</b>	<b>31.5</b>	<b>12.3</b>	<b>61.2</b>	<b>(48.5)</b>
Net interest and financing costs	(14.3)	(35.5)	(14.0)	2.1
<b>Profit (loss) before tax</b>	<b>17.2</b>	<b>(23.2)</b>	<b>47.2</b>	<b>(63.6)</b>
Tax expense (benefit)	(5.5)	7.4	(12.9)	57.4
<b>Profit (loss) after tax</b>	<b>11.7</b>	<b>(15.8)</b>	<b>34.3</b>	<b>(65.9)</b>
EPS (cents per share)	2.8	(3.8)	8.2	(65.9)
Free cash inflow (outflow)	63.9	17.0	(44.5)	243.6
<b>Free cash inflow (outflow) (cents per share)</b>	<b>15.3</b>	<b>4.1</b>	<b>(10.6)</b>	<b>244.3</b>
Dividend – fully franked (cents per share)	6.0	4.0	5.0	20.0
<b>Net debt</b>	<b>(155.2)</b>	<b>(206.6)</b>	<b>(197.0)</b>	<b>21.2</b>
Gearing (net debt /net debt + equity) %	9.2	11.8	11.2	(17.9)
Return on capital % (annualised)	3.1	1.3	5.9	(47.5)
<b>Return on equity % (annualised)</b>	<b>1.5</b>	<b>(2.1)</b>	<b>4.5</b>	<b>(66.7)</b>
Average A\$/US\$ exchange rate	91.4	92.2	101.5	(10.0)

# Mining Area C Royalty

1H 2014 versus 1H 2013



		<b>1H 2014</b>	<b>1H 2013</b>	<b>1H 2014 vs 1H 2013 % change</b>
Sales volumes	mdmt	25.9	26.6	(2.6)
Implied price	A\$/t	114.3	125.1	(8.6)
Net Royalty income	\$m	37.0	41.4	(11.1)
Annual capacity payments	\$m	1.0	4.0	(75)
Iluka EBIT	\$m	38.0	45.4	(16.3)

(mdmt = million dry metric tonnes)

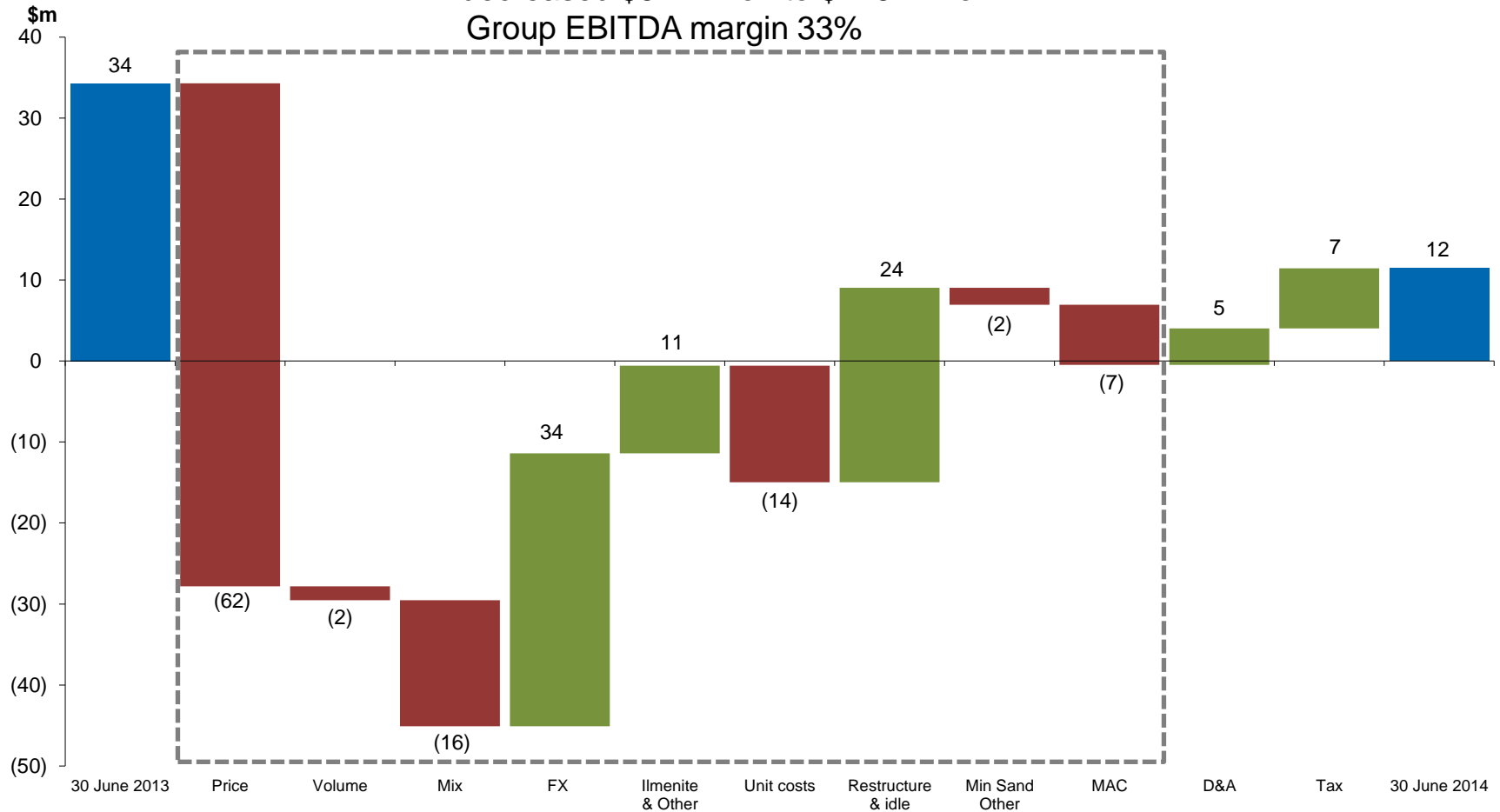
- Iron ore sales volumes down 2.6%
- \$1.0m of annual capacity payments to 30 June (1H 2013: \$4.0m)
- Average A\$/tonne iron ore realised price decreased by 8.6%



# Net Profit after Tax

1H 2014 versus 1H 2013

EBITDA decreased \$34 million to \$126 million  
Group EBITDA margin 33%

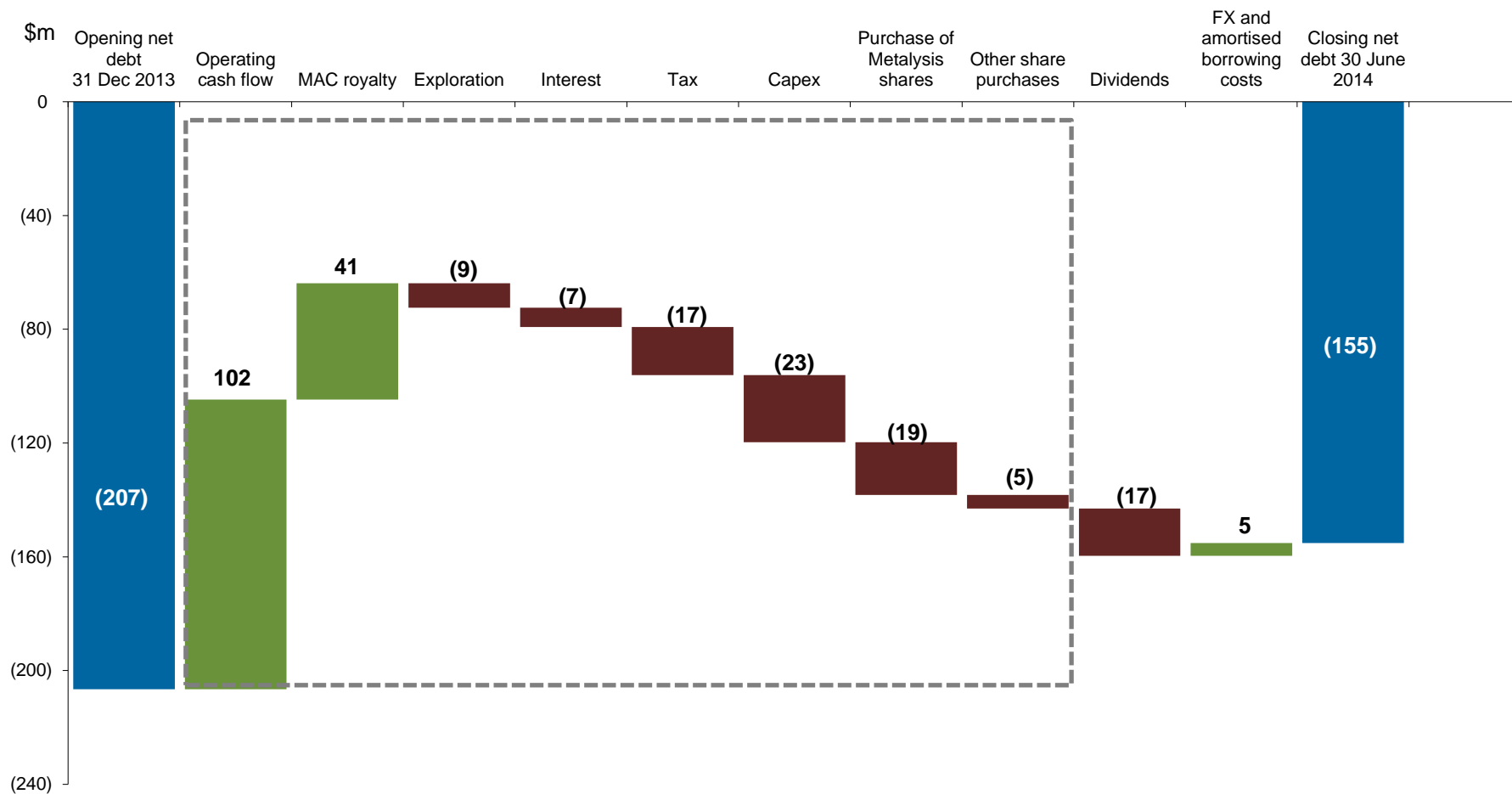


# Net Debt Movement

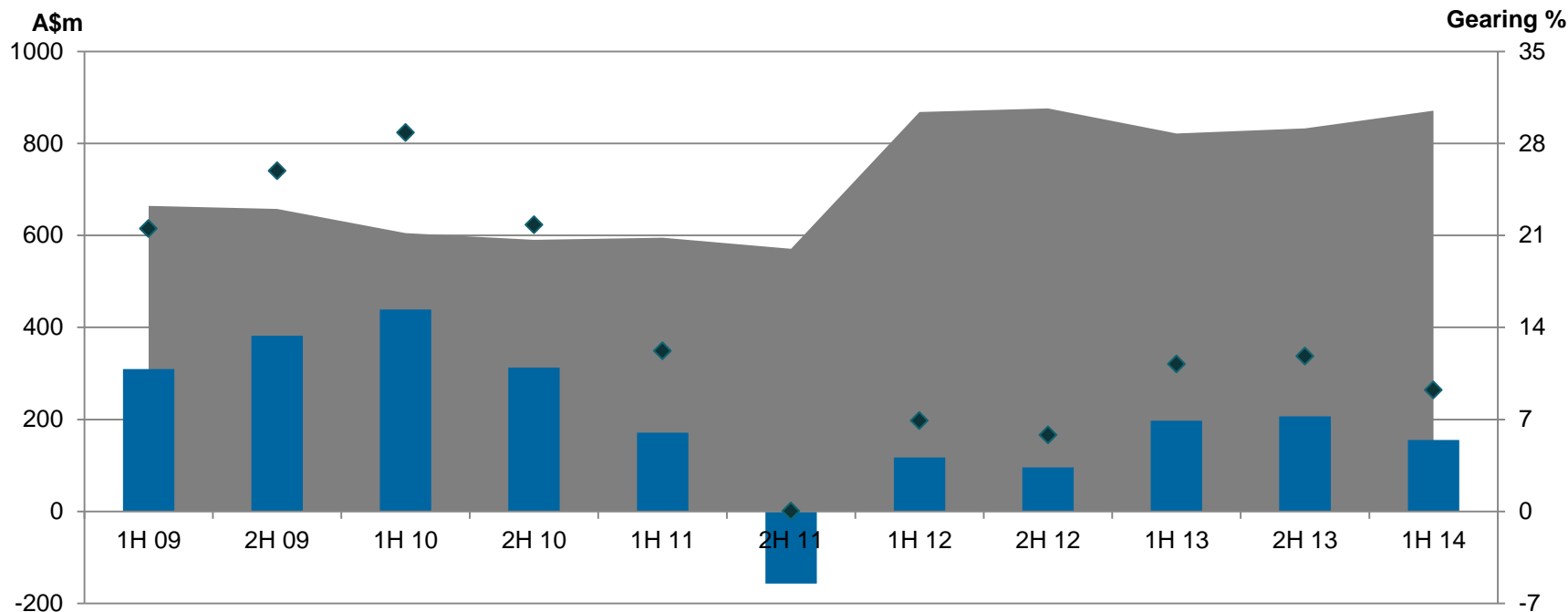
## 1H 2014



1H 2014 free cash inflow \$64 million



# Balance Sheet



- Gearing of 9.2% (30 June 2014)
- Available debt facilities increased by \$50 million in the half
- Total facilities A\$850 million + US\$20 million US Private Placement
  - A\$175 million due April 2017
  - A\$675 million due April 2019
  - US\$20 million USPP due June 2015
- A\$174 million drawn as at 30 June 2014
- Undrawn facilities of A\$676 million and cash at bank of A\$34 million as at 30 June 2014

Business  
Performance  
1H Financials



Market  
Conditions

Industry Context and Industry Dynamics

Iluka's  
Focus



Supplementary  
Slides

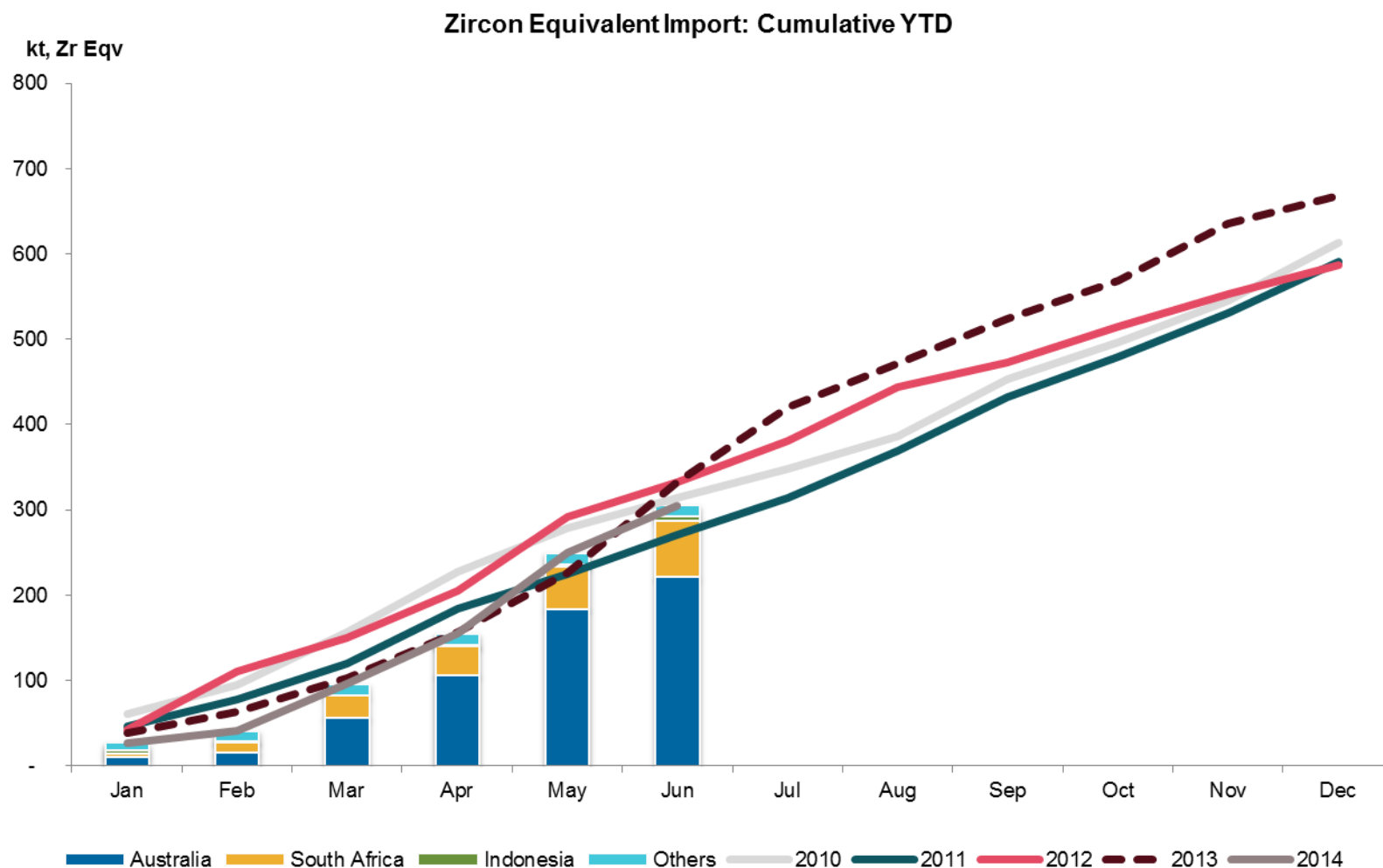


# Market Conditions – Zircon

	2013 Market Characteristics	1H 2014
<b>Demand</b>	<ul style="list-style-type: none"> <li>• Cyclical low</li> <li>• Demand variable across countries and end segments</li> <li>• Impact of substitution, modernisation and thrifting mainly worked through</li> </ul>	<ul style="list-style-type: none"> <li>• Variable demand:               <ul style="list-style-type: none"> <li>– countries and end segments continued</li> <li>– Nth America and China most robust</li> <li>– Europe demand subdued (recovery signs?)</li> <li>– other markets subdued</li> </ul> </li> <li>• Demand YTD dissimilar to 2013 market conditions</li> </ul>
<b>Inventories</b>	<ul style="list-style-type: none"> <li>• 1H Iluka price increase led to some restocking in 1H (and 2H destocking)</li> </ul>	<ul style="list-style-type: none"> <li>• Industry inventory levels being drawn down</li> </ul>
<b>Production</b>	<ul style="list-style-type: none"> <li>• Iluka lower production settings</li> <li>• Compared with 2011, 2013 production settings estimated as follows:               <ul style="list-style-type: none"> <li>– Iluka ↓ ~50%</li> <li>– Rio Tinto ↓ ~50%</li> <li>– Tronox ↓ ~20%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Continued producer “flex”</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• Material reduction in pricing from peaks:               <ul style="list-style-type: none"> <li>– ~ US\$1150/t in 2013 (2012: ~US\$2080/t)</li> <li>– 4Q 2013 ~US\$1080/t</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Flat pricing               <ul style="list-style-type: none"> <li>– no material change to 4Q 2013 level</li> </ul> </li> <li>• Pricing below previous inducement levels</li> </ul>

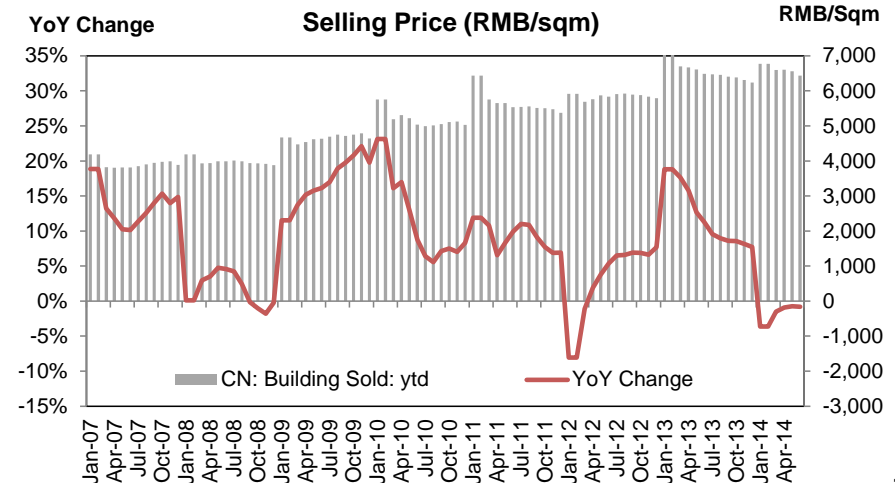
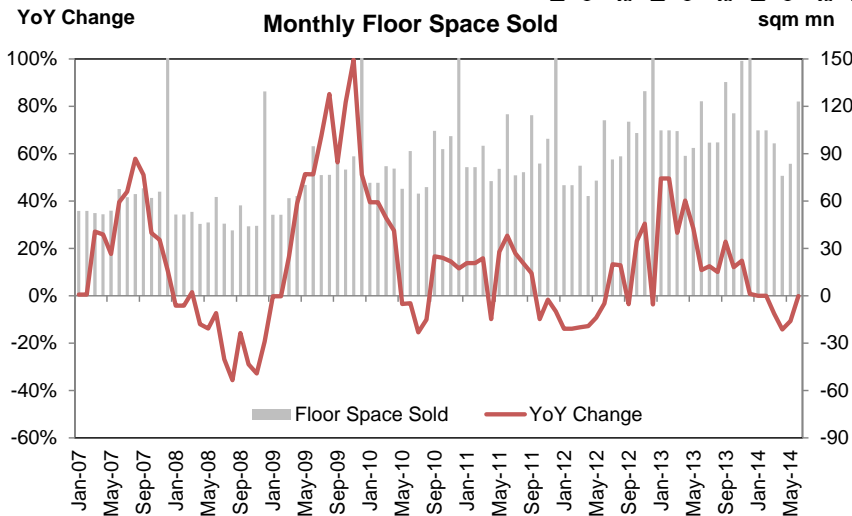
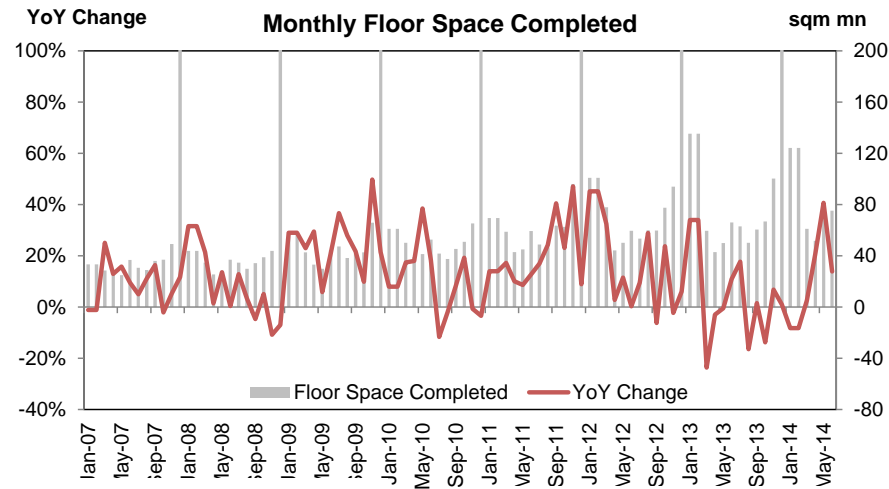
# China Zircon Imports

- Year-to-date China zircon imports in line with previous years.



# Lead Indicators – China Housing

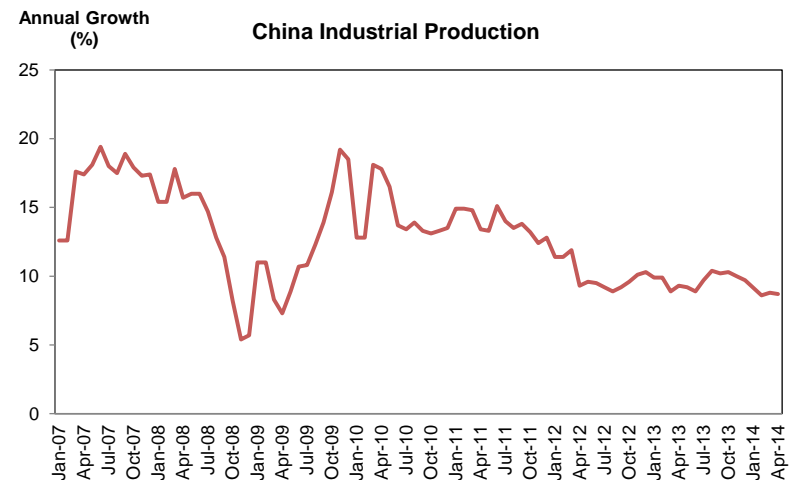
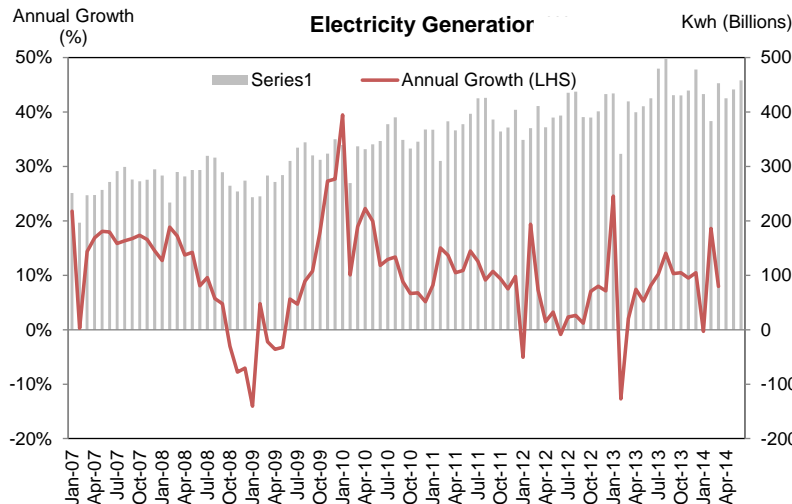
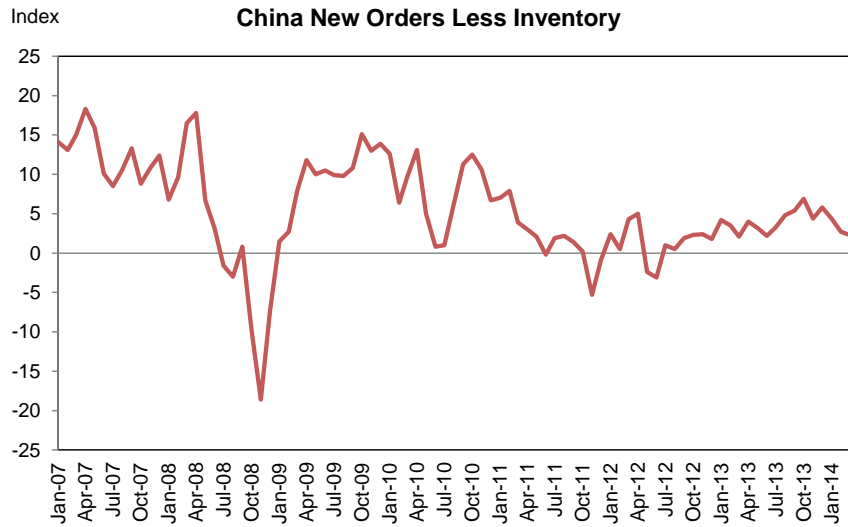
- Floor space completions up year-on-year (although down on the previous month)
- Completions, and more importantly sales data, are lead indicators for tile and zircon demand (fit out normally occurs with sale and occupancy)



# Lead Indicators – China Production

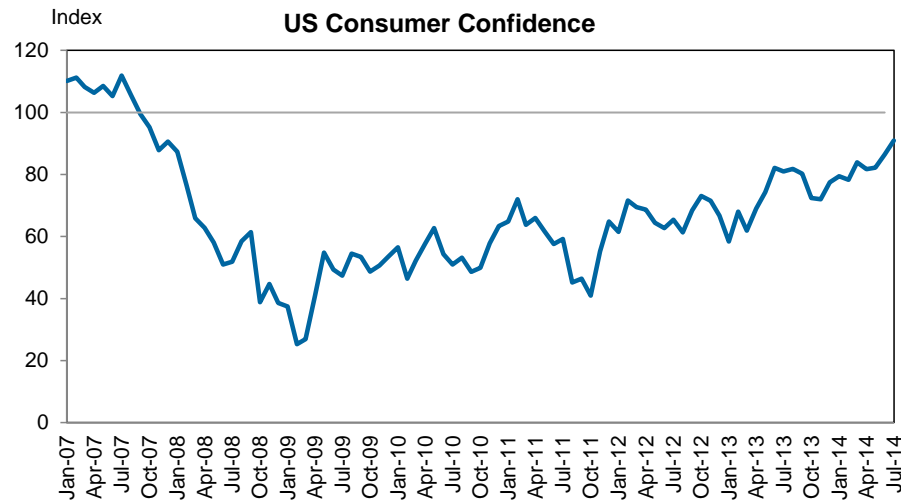
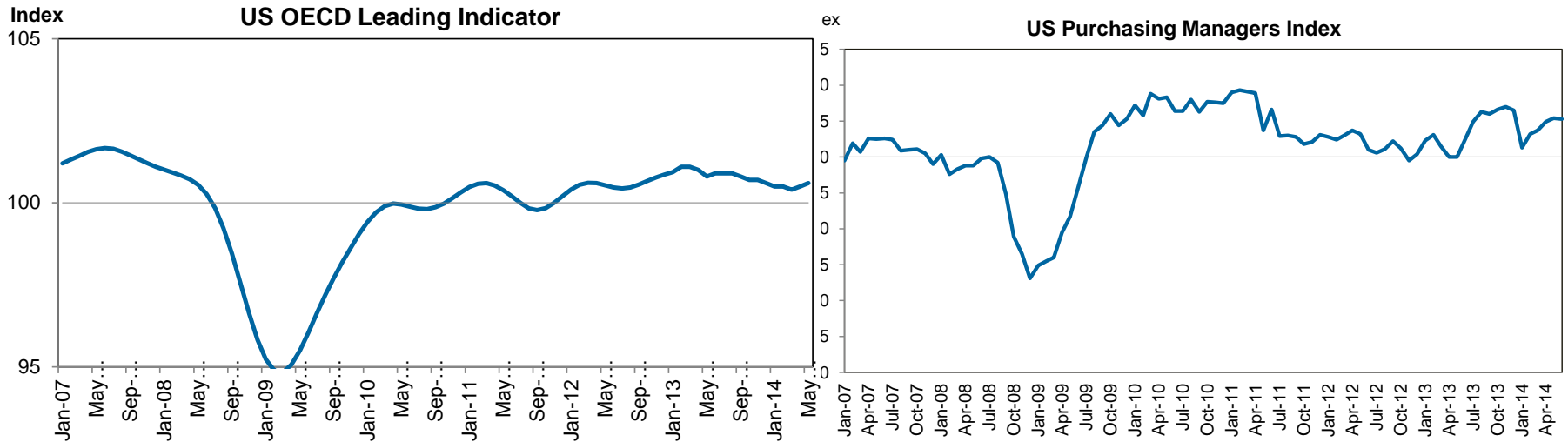


- The industrial sector (chemicals, refractories, foundries etc.) is a source of demand for Iluka products
- China IP has trended downward since 2Q 2010, but other measures are trending positively



# Lead Indicators - USA

- PMI remains above 50 and trending upwards since 2Q 2013 (zircon demand in the US linked largely to industrial and manufacturing applications)
- Consumer confidence trends feeds into consumption levels

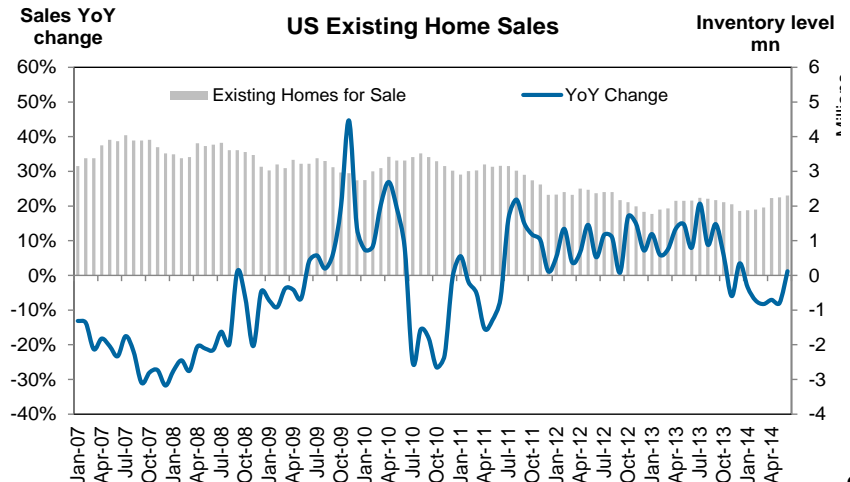
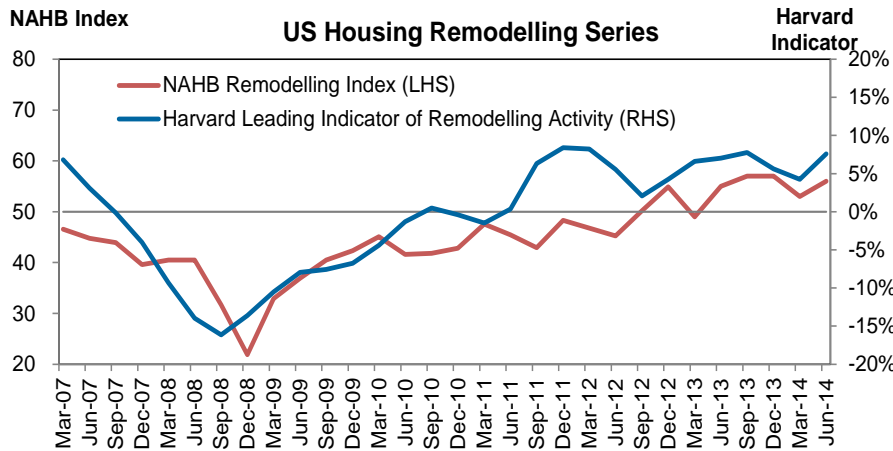
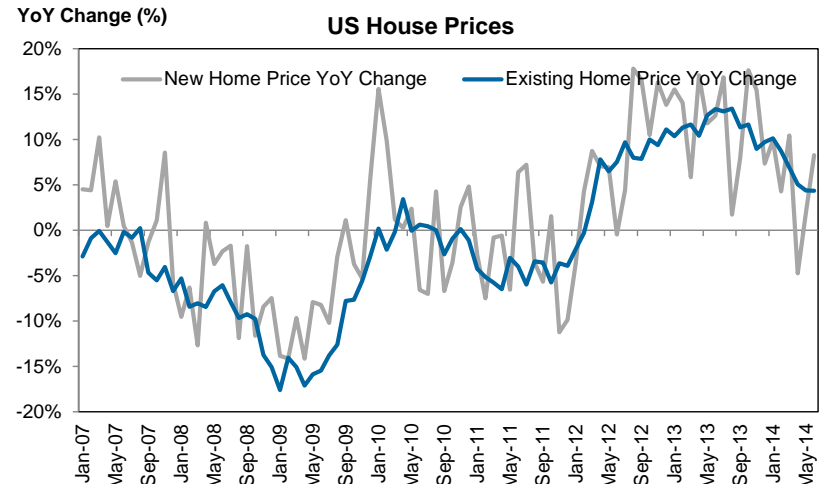
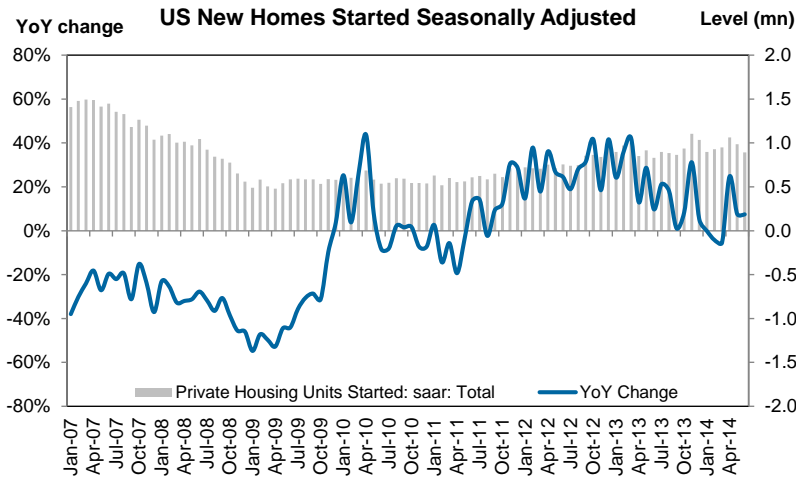


# Market Conditions – Titanium Dioxide

	2013 Market Characteristics	1H 2014
<b>Demand</b>	<ul style="list-style-type: none"> <li>• Demand below historic trend                             <ul style="list-style-type: none"> <li>– pigment production the main end demand for high grade ores</li> </ul> </li> <li>• Ti metal and welding markets                             <ul style="list-style-type: none"> <li>– reflected lower demand</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Demand recovering, particularly high grade feedstocks</li> <li>• Favourable Nth hemisphere paint demand</li> <li>• Recent Western pigment producer volumes:                             <ul style="list-style-type: none"> <li>– Tronox +11% y-o-y</li> <li>– Huntsman +3% y-o-y</li> <li>– DuPont TiO<sub>2</sub> volumes “up slightly”</li> <li>– Kronos -8% y-o-y</li> </ul> </li> <li>• Signs of demand recovery in minor markets</li> </ul>
<b>Inventories</b>	<ul style="list-style-type: none"> <li>• Historically elevated pigment inventories                             <ul style="list-style-type: none"> <li>– ~70 days end 2013 (down from levels as high as ~100 days in 2012)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Commentary suggests inventories “normalised”                             <ul style="list-style-type: none"> <li>– Tronox 45-50 days</li> <li>– Huntsman ~60 days</li> <li>– DuPont “levels...stable”</li> </ul> </li> </ul>
<b>Production</b>	<ul style="list-style-type: none"> <li>• Pigment producers operate below usual pigment operating rates                             <ul style="list-style-type: none"> <li>– ~ 65% to ~70%+</li> </ul> </li> <li>• Lower requirement for the high grade feedstocks (rutile and SR)</li> <li>• Continued quantities of lower priced legacy contracts                             <ul style="list-style-type: none"> <li>– preference for such products e.g. slag (non Iluka)</li> <li>– some feedstock inventory build downstream</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Pigment producers returning to ‘normal’ operating rates                             <ul style="list-style-type: none"> <li>– ~85%+ currently</li> </ul> </li> <li>• Iluka rutile sales in 2014 more 1H weighted</li> <li>• Potential for SR kiln 2 re-activation:                             <ul style="list-style-type: none"> <li>– subject to appropriate commercial arrangements</li> </ul> </li> <li>• Rutile supply in 2015:                             <ul style="list-style-type: none"> <li>– drawn mainly from finished goods inventory</li> <li>– processing of Murray Basin HMC</li> </ul> </li> <li>• Allocation of Iluka rutile volumes</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• Lower pigment prices - ~US\$3500/t 2012 to ~US\$2800/t</li> <li>• Declining feedstock prices                             <ul style="list-style-type: none"> <li>– Iluka average rutile price ~US\$2400/t in 2012; ~US\$1070 in 2013</li> <li>– 4Q 2013 ~US\$910/t</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Indications that pigment pricing may have stabilised</li> <li>• Iluka prices stabilised in 1H</li> </ul>

# Lead Indicators – USA Housing

- US property indicators remain positive y-o-y, supporting the sector's cyclical upturn
- July data: housing starts increased by 15.7% in July while permits issued rose ~8% (indicating strong starts in coming months)



Business  
Performance  
1H Financials



Market  
Conditions

## Industry Context and Industry Dynamics

Iluka's  
Focus



Supplementary  
Slides



# Industry Context and Dynamics

## VHM Grade / Assemblage decline

- Global decline in VHM/ assemblage characteristics
- Increasing trash – adverse to VHM component
- TiO<sub>2</sub> abundant but higher sulphate ilmenite assemblage
- Zircon and rutile credits critical to project economics
- Technical challenges of new supply

## Medium to longer term supply challenge

- Limited known high quality deposits
- Poorer resources, often in higher risk jurisdictions
- Supply issue in context of:
  - increased intensity of demand (e.g. pigment in China)
  - urbanisation
  - consumerism
  - new applications

## Maturing ore bodies / fresh capital required

- Major players operating within mature ore bodies
- Significant capital required to sustain production levels and bring on supply to meet market demand over medium term
- Shareholder return consideration

## Higher prices required to incentivise supply?

- Nature of declining grades and assemblages - challenging economics
- Costs increasing and jurisdictional challenges more pronounced

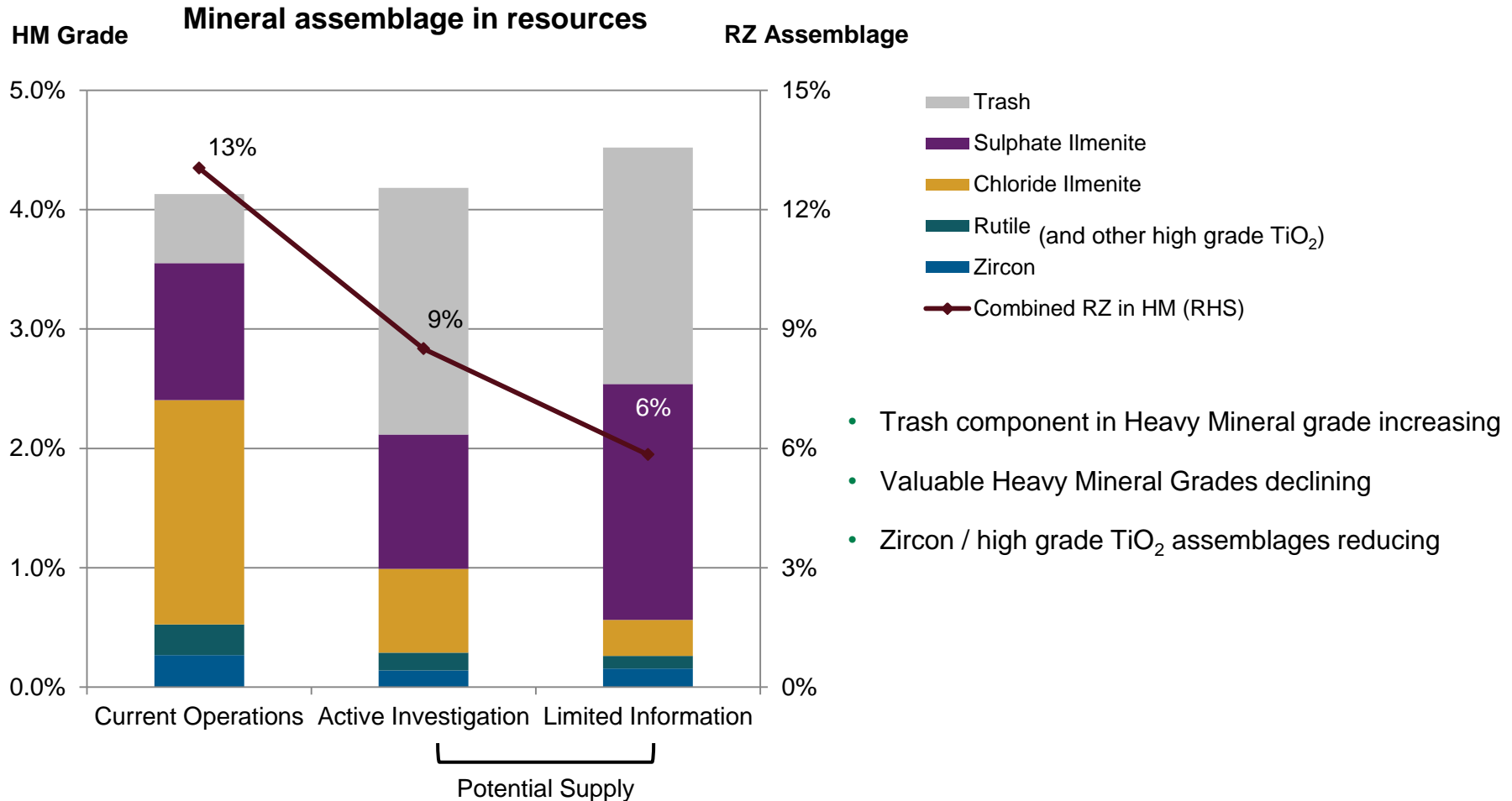
## Rise of China – sulphate and chloride pigment

- China's consumption of TiO<sub>2</sub> is expected to continue growing
- Production to date predominately sulphate
- China chloride pigment industry encouraged
- Requirement for imported feedstocks
- Higher grade feedstock imports/ilmenite for domestic upgrading

# Industry is Changing

- Pigment – ownership, geography, technology shifts
  - China factor
- Feedstock – quality diminishing, pipeline emptying, risk increasing
  - supply cost and availability challenge
- Zircon – assemblage decline, tile manufacturing transformations
  - intensity of use additive to demand, leaner resources to supply
- Technology to play a bigger role

# Industry Grade and Assemblage Challenges



Source: Iluka analysis

Business  
Performance  
1H Financials



Market  
Conditions

Industry Context and Industry Dynamics

Iluka's  
Focus



Supplementary  
Slides

## NEW RESOURCES AND RESOURCE TO RESERVE CONVERSION

### Exploration

- Internal expertise
- Consistent expenditure ~ \$20m p.a.
- Predominantly greenfield
- Wider international search spaces
- Focused non mineral sands team

### Innovation and Technology

- Production efficiencies / recoveries / product quality
- Non conventional resource conversion
  - e.g. fine grained
- Resource development pathways
  - e.g. Tapira

### Market Development

- Market representation
- Facilitate potential demand drivers
  - Zircon Industry Association
  - Metalysis
- Position in China pigment market
  - both sulphate and chloride
  - detailed country analysis

# Areas of Focus

- Maintain multiple options
- Five internal mineral sands projects at advanced evaluation
- Two at earlier stage evaluation (Tapira, Sri Lanka)
- Focus on capital efficiency / returns e.g. kiln reactivation
- Timeframe for all options dependent on:
  - timely and satisfactory completion of feasibility studies
  - prevailing and forecast market demand conditions
  - commercial arrangements and/or project economics

# Mineral Sands Project Development



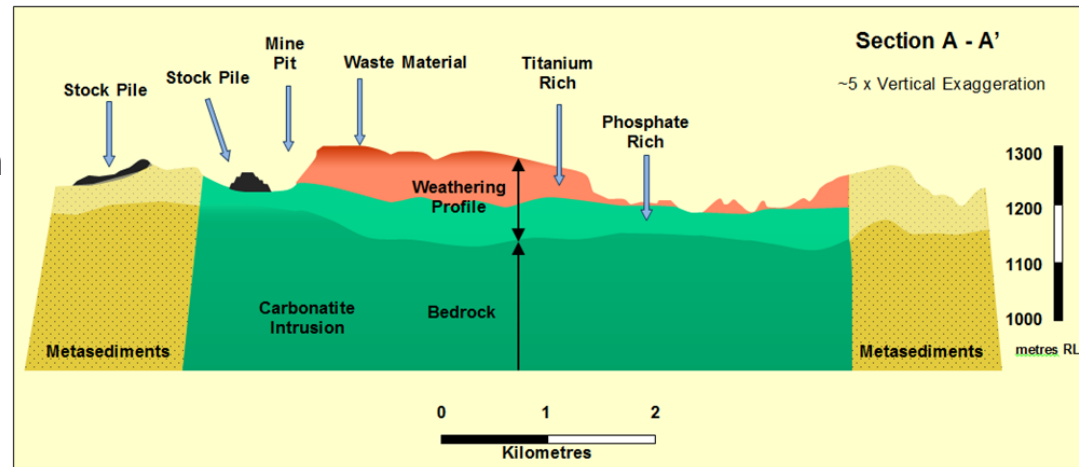
Project	Location	Characteristics
<b>Pre-execute</b>		
Hickory	Virginia, USA	<ul style="list-style-type: none"> <li>• Chloride ilmenite with associated zircon</li> <li>• Utilisation of existing mineral separation plant (MSP)</li> </ul>
<b>Definitive Feasibility Study</b>		
Balranald	Murray Basin, NSW	<ul style="list-style-type: none"> <li>• High grade rutile, zircon and ilmenite</li> <li>• Next planned mine development in Murray Basin</li> </ul>
Cataby	Perth Basin, WA	<ul style="list-style-type: none"> <li>• Chloride ilmenite with associated zircon</li> <li>• Next planned mine development in WA</li> </ul>
Eucla Basin Satellite Deposits	Eucla Basin, SA	<ul style="list-style-type: none"> <li>• 3 chloride ilmenite deposits with associated zircon</li> <li>• Close proximity to Jacinth-Ambrosia infrastructure</li> </ul>
Aurelian Springs	North Carolina, USA	<ul style="list-style-type: none"> <li>• Chloride and sulphate ilmenite with associated zircon</li> <li>• Utilisation of Virginia MSP</li> </ul>
<b>Scoping / Pre PFS</b>		
Puttalam	Sri Lanka	<ul style="list-style-type: none"> <li>• Large, long life mainly sulphate resource, re- acquired by Iluka in 2013</li> </ul>

Projects may be a significant component of the carrying value of the associated assets.

# Tapira, Brazil

- Tapira complex
  - host to large volumes of titanium bearing minerals
  - ~ 6 x 8 kms; area of ~ 35 square kms
  - In-situ and stockpiled materials<sup>1</sup>
- Vale and Iluka teams formed under Phase 1

- Phase 1 evaluation involves
  - geological, technical evaluation
  - market assessment
  - pilot plant design
  - review of existing data



<sup>1</sup> Refer Iluka ASX Release, 4 June 2014, Agreement with Vale for information on exploration target mineralisation sizes.



## Puttalam Project

- Large scaleable sulphate ilmenite deposits
- 56 million tonnes of in situ HM Mineral Resource<sup>1</sup>
  - HM grade 8.2%
  - ilmenite 67%, zircon 3%, rutile 4% of HM assemblage
- Discussions with Government to determine legislative framework:
  - mineral policy
  - legal and investment terms
- Extension granted on key Exploration Licence
- Further resource drilling conducted

<sup>1</sup>Refer Iluka ASX Release, 5 August 2013, Acquisition of Sri Lanka Tenements and Heavy Mineral Base and Iluka 2013 Annual Report, Iluka Mineral Resources Breakdown by Country, Region and JORC Category page 135.

- Iluka payment of \$18.6 million for 18.3% equity
- Completion of Commercial Framework Agreement
- Metalysis hired new process engineers and metallurgists
  - drive scale-up of proposed UK based reference plant
- Joint collaboration on feedstock development research
  - focusing on synthetic and natural rutile
- Metalysis won “European Automotive 3D Printing Customer Leadership Award”
- Re-commissioning of Industrial Plant
  - focus on tantalum powder production for electronic and metallurgical applications

# Iluka Approach

- Focus on shareholder returns through the cycle
- Flex asset operation in line with market demand
- Continue market development through the cycle
- Maintain strong balance sheet
- Preserve/advance mineral sands growth opportunities
- Continue to evaluate/pursue corporate growth opportunities
- Act counter-cyclically where appropriate

Business  
Performance  
1H Financials



Market  
Conditions

Industry Context and Industry Dynamics

Iluka's  
Focus



Supplementary  
Slides

# Reconciliation of Non-IFRS Financial Information to Profit before Tax



Non-IFRS financial measures of Mineral sands EBITDA, Mineral sands EBIT, Group EBITDA and Group EBIT are highlighted in the table below, together with profit before tax.

\$m	AUS	US	Exploration & Other <sup>(1)</sup>	Mineral Sands	MAC	Corp	Group
<b>Mineral sands revenue</b>	<b>293.1</b>	<b>50.1</b>		<b>343.2</b>			<b>343.2</b>
Mineral sands expenses	(171.7)	(40.3)	(23.3)	(235.3)			(235.4)
Mining Area C					38.2		38.2
Corporate and other costs						(21.9)	(21.9)
Foreign exchange						1.6	1.6
<b>EBITDA</b>	<b>121.4</b>	<b>9.8</b>	<b>(23.3)</b>	<b>107.9</b>	<b>38.2</b>	<b>(20.3)</b>	<b>125.7</b>
Depreciation and amortisation	(83.2)	(9.9)	(1.0)	(94.1)	(0.2)		(94.3)
<b>EBIT</b>	<b>38.2</b>	<b>(0.1)</b>	<b>(24.3)</b>	<b>13.8</b>	<b>38.0</b>	<b>(20.3)</b>	<b>31.4</b>
Net interest expense						(7.6)	(7.6)
Rehab unwind/other finance costs	(5.2)	(0.4)		(5.6)		(1.0)	(6.6)
<b>Profit before tax</b>	<b>32.9</b>	<b>(0.5)</b>	<b>(24.3)</b>	<b>8.1</b>	<b>38.0</b>	<b>(28.9)</b>	<b>17.2</b>
<i>Segment result</i>	<i>32.9</i>	<i>(0.5)</i>		<i>32.4</i>	<i>38.0</i>		<i>70.4</i>

<sup>(1)</sup>Comprises exploration and resources development costs (\$18.8m) and marketing and selling costs (\$5.7m), offset by asset sales and other income (\$1.2m)

# Production Volumes

kt	1H 2014	1H 2013	% change
Zircon	174.0	118.5	46.8
Rutile	78.1	60.6	28.9
Synthetic rutile	-	59.0	n/a
<b>Total Z/R/SR production</b>	<b>252.1</b>	<b>238.1</b>	<b>5.9</b>
Ilmenite – saleable and upgradeable	226.8	333.9	(32.1)
<b>Total production volume</b>	<b>478.9</b>	<b>572.0</b>	<b>(16.3)</b>
HMC produced	676.3	880.4	(23.2)
HMC processed	480.2	534.8	(10.2)

# Sales Volumes

kt	1H 2014	1H 2013	% change
Zircon	146.3	210.9	(30.6)
Rutile	95.5	56.3	69.6
Synthetic rutile	35.3	20.0	76.5
<b>Total Z/R/SR</b>	<b>277.1</b>	<b>287.2</b>	<b>(3.5)</b>
Ilmenite	221.8	147.0	50.9
<b>Total sales volumes</b>	<b>498.9</b>	<b>434.2</b>	<b>14.9</b>

# Mineral Sands Results



\$m	1H 2014	1H 2013	% change
Mineral sands revenue	343.2	381.7	(10.1)
Australia EBITDA	121.4	146.1	(17.0)
United States EBITDA	9.8	15.1	(35.1)
Exploration and other EBITDA	(23.3)	(24.6)	(5.3)
<b>Total mineral sands EBITDA</b>	<b>107.9</b>	<b>136.6</b>	<b>(21.0)</b>
Depreciation and amortisation	(94.1)	(98.8)	(4.8)
<b>Mineral sands EBIT</b>	<b>13.8</b>	<b>37.8</b>	<b>(63.5)</b>



# Unit Cash Costs and Revenue/tonne



		1H 2014	1H 2013	% change
Total Z/R/SR production	kt	252.1	238.1	5.9
Ilmenite – saleable and upgradeable	kt	226.8	333.9	(32.1)
Total production	kt	478.9	572.0	(16.3)
Total cash costs of production	\$m	200.7	201.9	(0.6)
Unit cash costs per tonne of Z/R/SR produced <sup>1</sup>	\$/t	796	848	(6.1)
Cost of goods sold per tonne of Z/R/SR sold <sup>2</sup>	\$/t	897	864	3.8
Z/R/SR revenue	\$m	281.3	338.4	(16.9)
Ilmenite and other revenue	\$m	61.9	43.3	42.3
Revenue per tonne of Z/R/SR sold <sup>3</sup>	\$/t	1,015	1,178	(13.8)

<sup>1</sup>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.

<sup>2</sup>Cost of goods sold per tonne of Z/R/SR sold is determined as cost of goods sold divided by total Z/R/SR sales volumes.

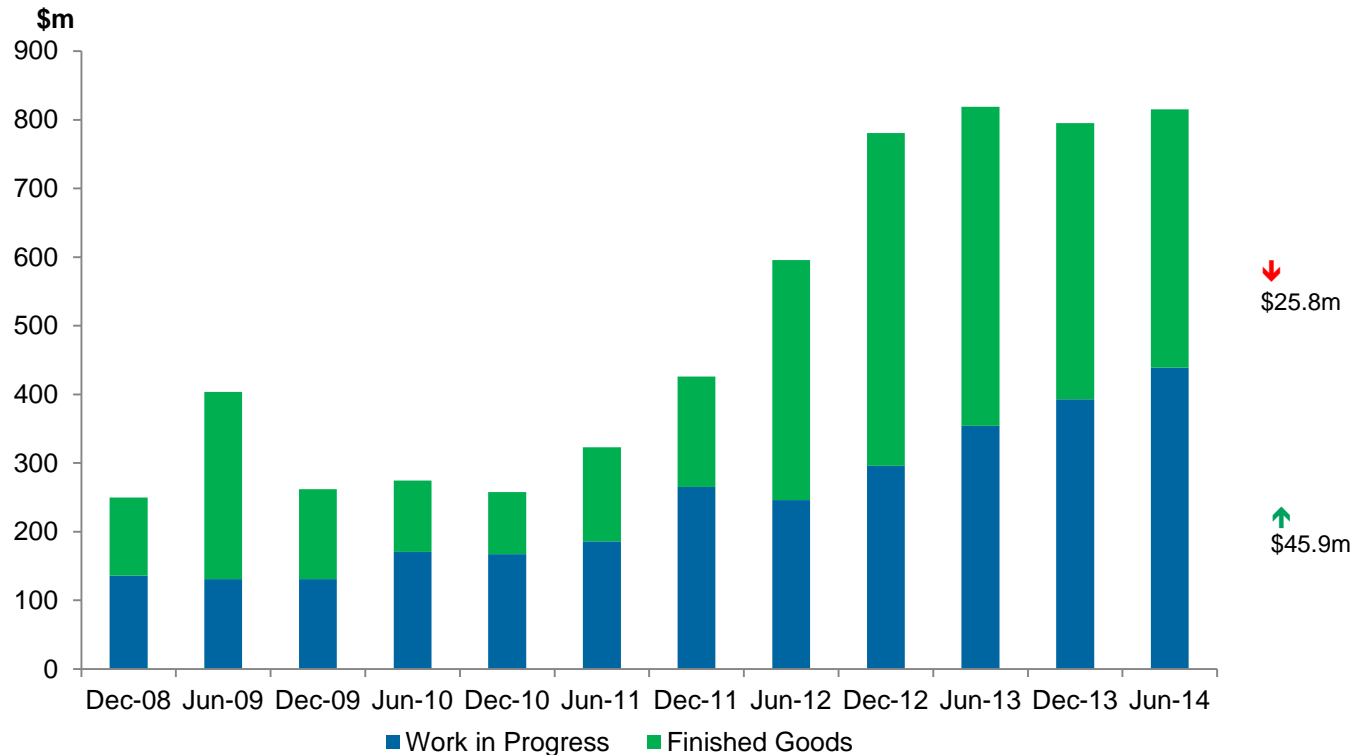
<sup>3</sup>Revenue per tonne of Z/R/SR sold is determined as total Z/R/SR revenue divided by total Z/R/SR sales volumes.

# Cash Flow and Net Debt



\$m	1H 2014	1H 2013	2H 2013	1H 2014 vs 1H 2013 % change
<b>Opening debt</b>	<b>(206.6)</b>	<b>(95.9)</b>	<b>(197.0)</b>	<b>(115.4)</b>
Operating cash flow	101.9	92.4	31.6	10.3
MAC royalty	40.9	36.1	46.6	13.3
Exploration	(8.6)	(9.8)	(13.3)	(12.2)
Interest (net)	(6.8)	(6.6)	(7.1)	3.0
Tax	(16.9)	(124.0)	(16.1)	(86.4)
Capital expenditure	(23.6)	(31.5)	(21.0)	(25.1)
Purchase of investment in Metalysis	(18.6)	-	-	n/a
Purchase of Sri Lanka deposits	-	-	(4.6)	n/a
Asset sales	0.3	0.7	1.3	(57.1)
Share / asset purchases	(4.7)	(1.8)	(0.4)	261.1
<b>Free cash flow</b>	<b>63.9</b>	<b>(44.5)</b>	<b>17.0</b>	<b>(243.6)</b>
Dividends	(16.7)	(41.9)	(20.9)	(60.1)
<b>Net cash flow</b>	<b>47.2</b>	<b>(86.4)</b>	<b>(3.9)</b>	<b>(154.6)</b>
Exchange revaluation of USD net debt	5.2	(13.8)	(4.8)	(137.7)
Amortisation of deferred borrowing costs	(1.0)	(0.9)	(0.9)	11.1
<b>Increase in net debt</b>	<b>51.4</b>	<b>(101.1)</b>	<b>(9.6)</b>	<b>(150.8)</b>
<b>Closing net debt</b>	<b>(155.2)</b>	<b>(197.0)</b>	<b>(206.6)</b>	<b>(21.2)</b>

# Inventory



- Finished goods inventory drawn down \$25.8m due to zircon sales above production
- Work in progress and other inventory<sup>1</sup> increased by \$45.9m
- Net inventory increase for 1H 2014 of \$20.1m

<sup>1</sup> Heavy mineral concentrate, work in progress, ilmenite and consumables

# Capital and Exploration Expenditure (cash)



\$m	1H 2014	1H 2013	% change
Capital expenditure	23.6	31.5	(25.1)
Metalysis	18.6	-	n/a
Exploration	8.6	9.8	(12.2)
<b>Total</b>	<b>50.8</b>	<b>41.3</b>	<b>23.0</b>

# Summary Group Operations



		1H 2014	1H 2013	% change
<b>Production volumes</b>				
Zircon	kt	174.0	118.5	46.8
Rutile	kt	78.1	60.6	28.9
Synthetic rutile	kt	-	59.0	n/a
<b>Total Z/R/SR production</b>	<b>kt</b>	<b>252.1</b>	<b>238.1</b>	<b>5.9</b>
Ilmenite	kt	226.8	333.9	(32.1)
HMC produced	kt	676.3	880.4	(23.2)
HMC processed	kt	480.2	534.8	(10.2)
Unit cash cost of production – Z/R//SR	\$/t	796	848	(6.1)
Z/R/SR revenue	\$m	281.3	338.4	(16.9)
Ilmenite and other revenue	\$m	61.9	43.3	42.3
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>343.2</b>	<b>381.7</b>	<b>(10.1)</b>
Cash cost of production	\$m	(200.7)	(201.9)	0.6
Inventory movements	\$m	24.7	38.4	(35.7)
Restructure and idle capacity charges	\$m	(19.2)	(43.6)	56.0
Rehabilitation and holding costs for closed sites	\$m	(1.7)	(1.1)	(54.5)
Government royalties	\$m	(6.9)	(6.6)	(4.5)
Marketing and selling costs	\$m	(14.1)	(13.1)	(7.6)
Asset sales and other income	\$m	1.4	1.3	7.7
Resources development	\$m	(18.8)	(18.5)	(1.6)
<b>Mineral sands EBITDA</b>	<b>\$m</b>	<b>107.9</b>	<b>136.6</b>	<b>(21.0)</b>
Mineral sands Depreciation and amortisation	\$m	(94.1)	(98.8)	4.8
<b>Mineral sands EBIT</b>	<b>\$m</b>	<b>13.8</b>	<b>37.8</b>	<b>(63.5)</b>
Cost of goods sold <sup>1</sup>	\$m	(250.3)	(250.4)	0.0

<sup>1</sup>Cost of goods sold is calculated as cash costs of production net of any by-product costs, plus depreciation and amortisation plus movement in inventory.

# Australian Operations



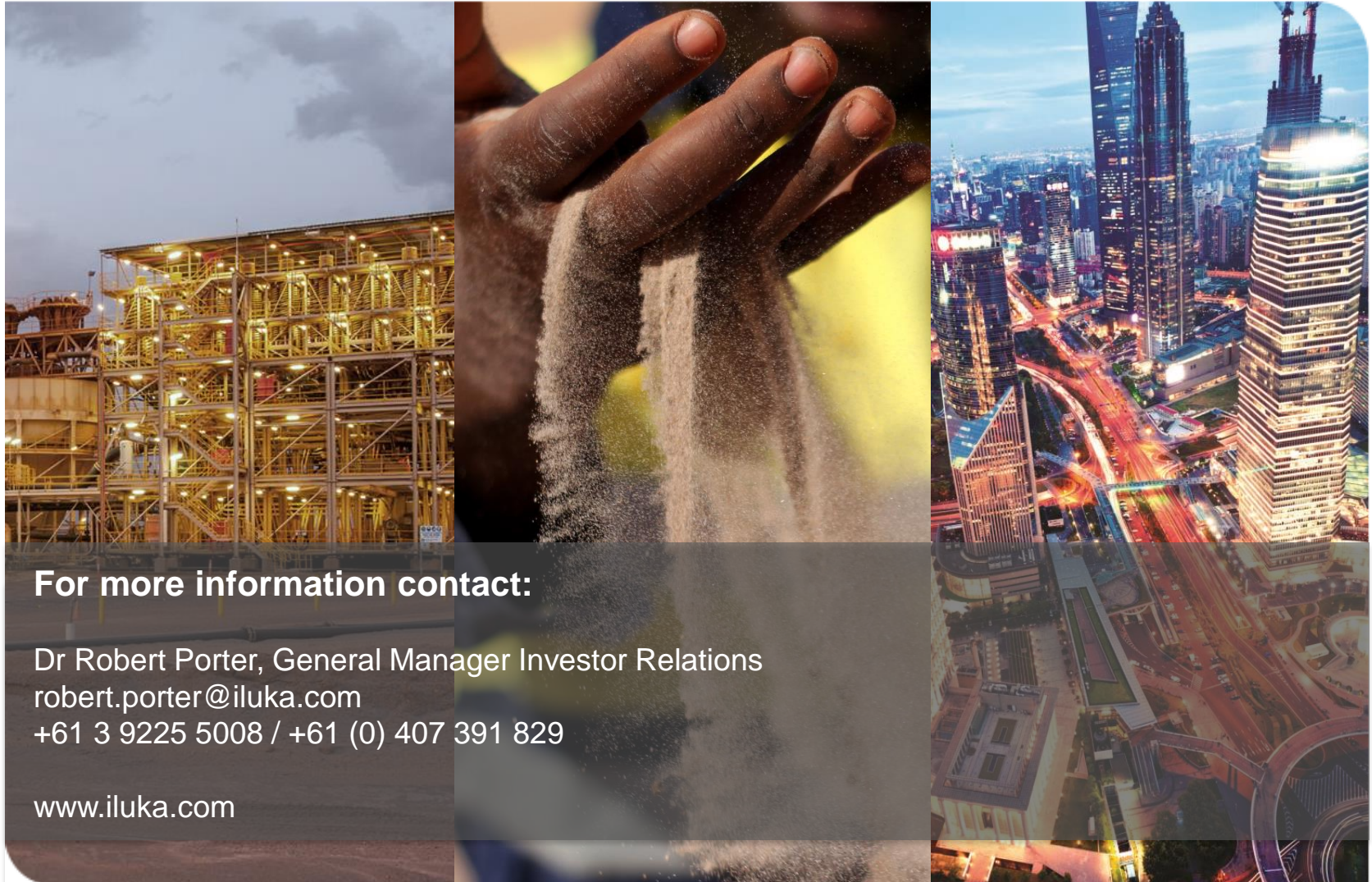
		1H 2014	1H 2013	% change
<b>Production volumes</b>				
Zircon	kt	158.3	100.2	58.0
Rutile	kt	78.1	60.6	28.9
Synthetic rutile	kt	-	59.0	(100.0)
<b>Total Z/R/SR production</b>	<b>kt</b>	<b>236.4</b>	<b>219.8</b>	<b>7.6</b>
Ilmenite	kt	167.7	241.3	(30.5)
Total production	kt	404.1	461.1	(12.4)
HMC produced	kt	564.0	716.7	(21.3)
HMC processed	kt	369.1	391.9	(5.8)
Unit cash cost of production – Z/R/SR	\$/t	712	769	7.4
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>293.1</b>	<b>340.3</b>	<b>(13.9)</b>
Cash cost of production	\$m	(168.3)	(169.0)	0.5
Inventory movements	\$m	31.6	31.6	-
Restructure and holding costs for closed sites	\$m	(19.9)	(43.6)	54.4
Government royalties	\$m	(6.9)	(6.6)	(4.5)
Marketing and selling costs	\$m	(8.4)	(5.8)	(44.8)
Asset sales and other income	\$m	0.1	0.3	(66.7)
<b>EBITDA</b>	<b>\$m</b>	<b>121.4</b>	<b>146.1</b>	<b>(16.9)</b>
Depreciation and amortisation	\$m	83.2	(92.8)	10.3
<b>EBIT</b>	<b>\$m</b>	<b>38.2</b>	<b>53.3</b>	<b>(28.3)</b>

# US Operations



		1H 2014	1H 2013	% change
<b>Production volumes</b>				
Zircon	kt	15.7	18.3	(14.2)
Ilmenite	kt	59.1	92.6	(36.2)
<b>Total production</b>	<b>kt</b>	<b>74.8</b>	<b>110.9</b>	<b>(32.6)</b>
HMC produced	kt	112.3	163.7	(31.4)
HMC processed	kt	111.1	142.9	(22.3)
Unit cash cost of production	\$/t	434	297	(46.1)
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>50.1</b>	<b>41.4</b>	<b>21.0</b>
Cash cost of production	\$m	(32.5)	(32.9)	(1.2)
Inventory movements	\$m	(6.9)	6.8	(201.5)
Rehabilitation and idle capacity costs	\$m	(1.0)	-	n/a
Marketing and selling costs	\$m	0.1	(0.2)	(150.0)
<b>EBITDA</b>	<b>\$m</b>	<b>9.8</b>	<b>15.1</b>	<b>(35.1)</b>
Depreciation & amortisation	\$m	(9.9)	(4.8)	(106.3)
<b>EBIT</b>	<b>\$m</b>	<b>(0.1)</b>	<b>10.3</b>	<b>(101.0)</b>

# Iluka Resources Limited



**For more information contact:**

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

[www.iluka.com](http://www.iluka.com)