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# 2018 Half Year Results

## Iluka Resources Limited

Tom O'Leary, Managing Director  
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Matthew Blackwell, Head of Marketing and Procurement

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All figures are expressed in Australian dollars unless stated otherwise.

# Safety and Sustainability

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Ongoing integration of Iluka's **safety and risk mitigation framework** to strengthen Sierra Rutile's sustainability performance



Sierra Rutile Limited

Group total recordable injury frequency rate (TRIFR) 2.7



Completion of **440 hectares** of rehabilitation



**Annual Sustainability Report** was released April 2018 at [www.iluka.com](http://www.iluka.com)

MEMBER OF

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Incorporated into **DJSI Australia index** for leading sustainability performance



Senior female representation

**30%**

Executive management

**29%**

Board

# Key Features

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<b>Positive market conditions</b>	Mineral sands revenue up 21% from first half 2017 to \$607 million
<b>Zircon</b>	Zircon (premium and standard) prices up 47% on H1 2017 Q4 2018 Zircon Reference Price increased by US\$170 to US\$1,580 per tonne
<b>High-grade titanium feedstock</b>	Rutile <sup>1</sup> prices up 20% on H1 2017, and a 14% price increase applied for H2 2018 All second half high-grade feedstock production either under contract or allocated to customers
<b>Strong free cash flow</b>	Free cash flow of \$226 million Continued draw down of inventory
<b>Net debt reduction</b>	Net debt reduced to \$34 million at 30 June 2018 (3.5% gearing) from \$183 million in December 2017
<b>Financials</b>	Underlying EBITDA up 80% from first half 2017 to \$279 million First half 2018 NPAT of \$126 million
<b>Cataby development and Lanti/Gangama expansions</b>	All works progressing on time and on budget
<b>Mining Area C royalty income</b>	Mining Area C royalty income of \$29 million including additional capacity payment of \$1 million South Flank expansion project approved by BHP board, first ore expected 2021
<b>Dividend</b>	Interim dividend of 10 cents per share fully franked

<sup>1</sup>Excludes HYTI

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## Result

- First half 2018 zircon sales of 190kt, slightly lower vs H1 2017
- Reflects more evenly weighted sales spread over year vs 2017
- H1 2018 zircon production of 159kt
- Iluka continues to release inventory to ease shortage and help balance market

## Pricing

- Zircon price (excl. concentrate) up 47% vs H1 2017
- Six monthly reference pricing intervals receiving positive feedback
- Q2 2018 Zircon Reference Price<sup>1</sup> increased by US\$180/t to US\$1,410/t
- Q4 2018 Zircon Reference Price increase of US\$170/t to US\$1,580/t

## Supply/Demand

- Solid demand for Iluka products across all major sectors and regions
- Some tightness remains driven by supply side constraints
- Ramp-up of production from Indonesian artisanal 'swing' producers
- No evidence of substitution, thrifting more apparent in some markets

<sup>1</sup> Iluka's Zircon Reference Price is based on a 2 tonne bag of Zircon Premium, Delivered At Terminal, ex-China warehouse.



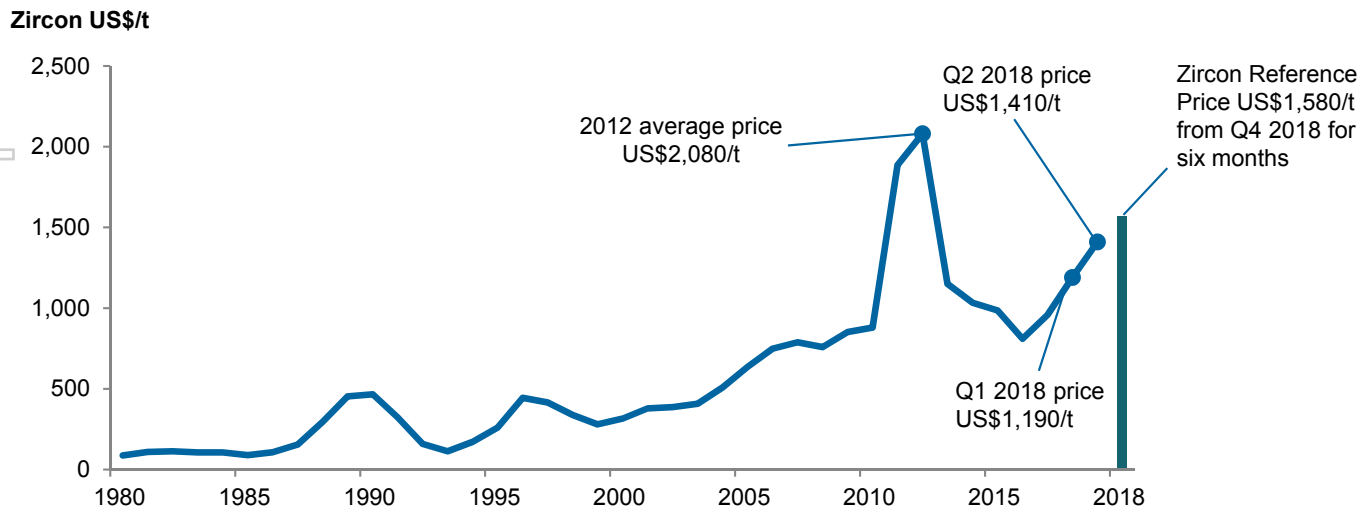
# 2018 Zircon Market

- Price of major zircon substitutes is relatively high, mitigating the incentive to use
- Price increases have encouraged some sectors to thrift with the consequence of lower quality production
- Price of zircon (and most opacifiers) not at a point that supports noticeable substitution in ceramics industry
- Current pricing cadence dampening volatility

## Iluka's Approach

- Continue to supply zircon to satisfy underlying demand
- Price points will be based on assessment of end-consumers capability to absorb
- Pricing cadence to avoid historic volatility
- Continued focus on higher value end-markets
- Flexibility in approach to adapt to market conditions


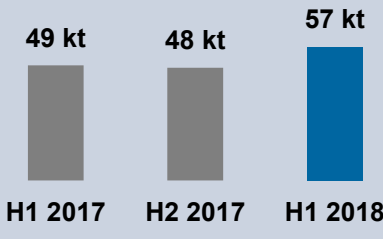
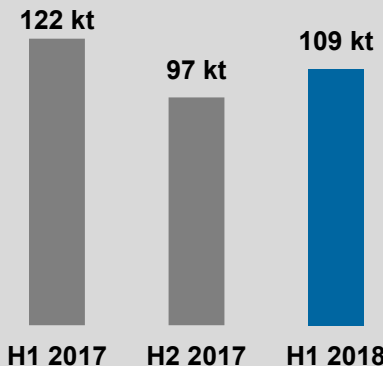

## Zircon Price History



# Zircon Sales



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Americas	EMEA (Europe, Middle East, Africa, India)	China	East Asia (excl. China)																																
 <table border="1"> <tr> <th>Period</th> <th>Sales (kt)</th> </tr> <tr> <td>H1 2017</td> <td>7</td> </tr> <tr> <td>H2 2017</td> <td>5</td> </tr> <tr> <td>H1 2018</td> <td>7</td> </tr> </table>	Period	Sales (kt)	H1 2017	7	H2 2017	5	H1 2018	7	 <table border="1"> <tr> <th>Period</th> <th>Sales (kt)</th> </tr> <tr> <td>H1 2017</td> <td>49</td> </tr> <tr> <td>H2 2017</td> <td>48</td> </tr> <tr> <td>H1 2018</td> <td>57</td> </tr> </table>	Period	Sales (kt)	H1 2017	49	H2 2017	48	H1 2018	57	 <table border="1"> <tr> <th>Period</th> <th>Sales (kt)</th> </tr> <tr> <td>H1 2017</td> <td>122</td> </tr> <tr> <td>H2 2017</td> <td>97</td> </tr> <tr> <td>H1 2018</td> <td>109</td> </tr> </table>	Period	Sales (kt)	H1 2017	122	H2 2017	97	H1 2018	109	 <table border="1"> <tr> <th>Period</th> <th>Sales (kt)</th> </tr> <tr> <td>H1 2017</td> <td>19</td> </tr> <tr> <td>H2 2017</td> <td>33</td> </tr> <tr> <td>H1 2018</td> <td>17</td> </tr> </table>	Period	Sales (kt)	H1 2017	19	H2 2017	33	H1 2018	17
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<p>Demand growing on the back of strong industrial activity; particularly refractory and foundry applications.</p> <p>Domestic tile manufacturing industry continues to grow.</p> <p>Iluka focus on specialty markets (including additive manufacturing).</p>	<p>Europe very strong with ceramics industry running hard. Spanish and Italian ceramic producers benefiting from solid export demand.</p> <p>Indian ceramics industry expanding to service both domestic growth and export demands – some competition with China.</p>	<p>Chinese market stable for Iluka, but broader market showing some signs of slowing.</p> <p>Consumption down as:</p> <ol style="list-style-type: none"> <li>1. environmental closures limit production; and</li> <li>2. increasing competition with emerging tile producers (e.g. India) reducing exports.</li> </ol>	<p>Strength in Japanese economy and exports markets underpinning strong demand.</p> <p>Activity in rest of Asia remains positive.</p>																																



# High-grade Feedstock Market

## Result

- Combined Rutile/SR sales of 249kt comparable with H1 2017 (256kt)
- Combined first half 2018 Rutile/SR production of 192kt
- Solid demand reflected in inventory draw

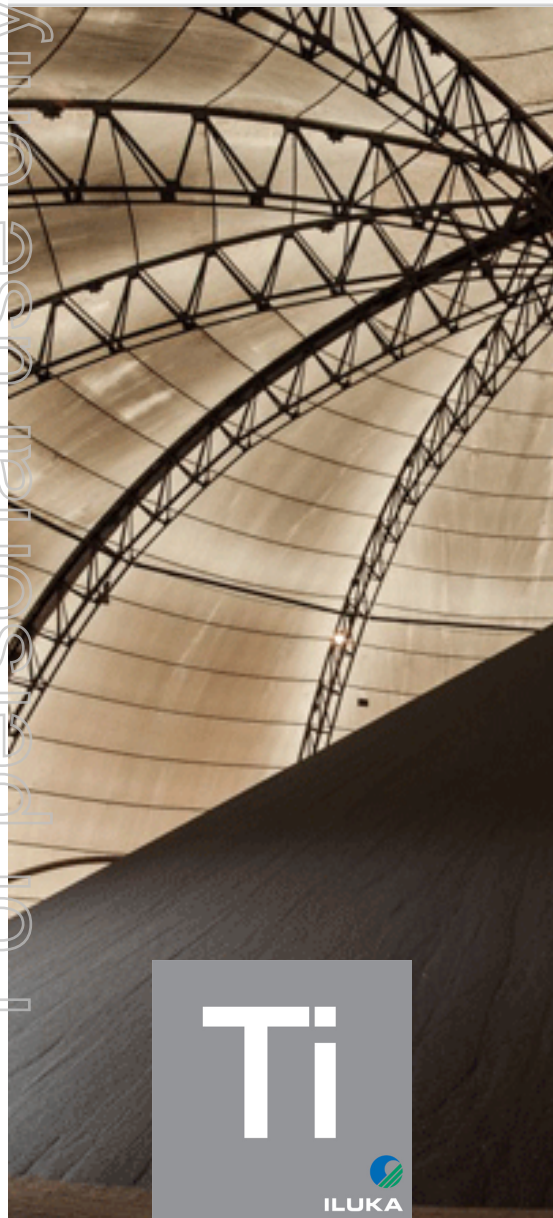
## Pricing

- Average price of rutile<sup>1</sup> up 20% to US\$906 per tonne from H1 2017
- 14% price increase for natural rutile applied for second half of 2018

## Supply/Demand

- Continued strong demand for high-grade titanium dioxide feedstocks
- All high-grade feedstock production allocated or contracted for H2 2018
- Supply of high-grade feedstock remains tight on back of production interruptions

<sup>1</sup>Excludes HYTI

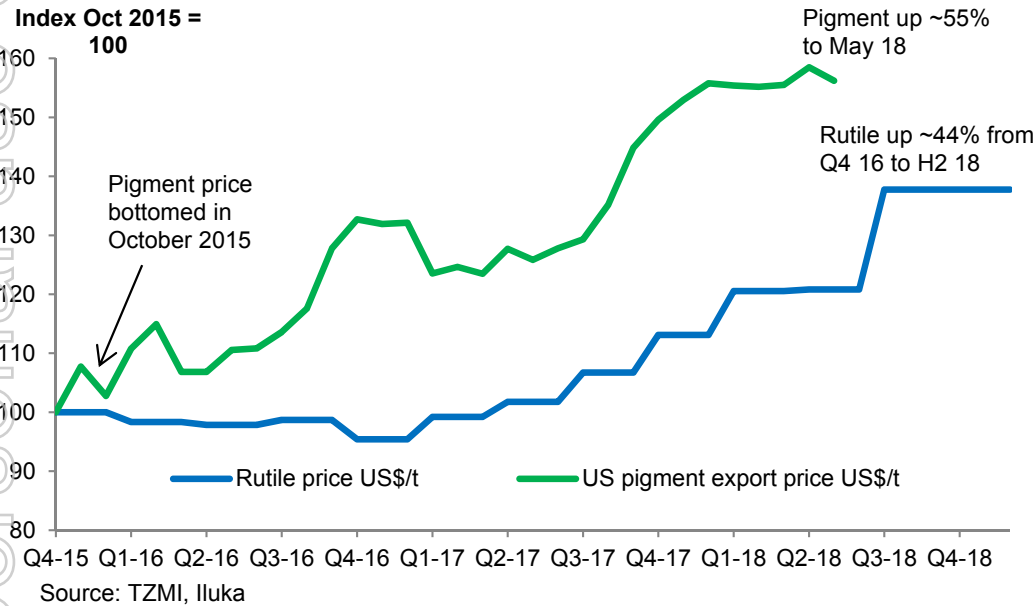




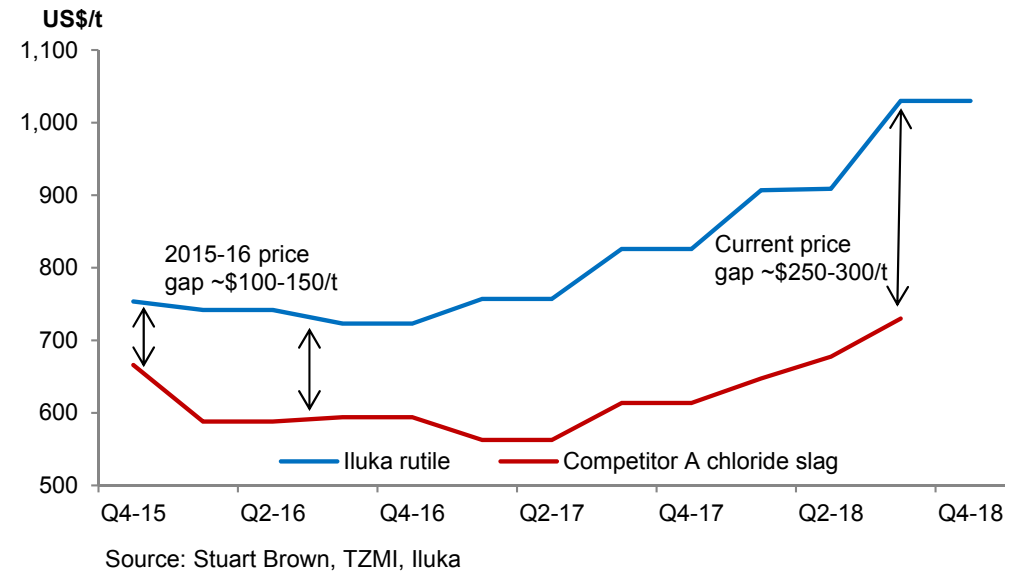
# 2018 Titanium Feedstock Market



## Rutile prices increasing, historical lag to pigment prices



## Rutile premium


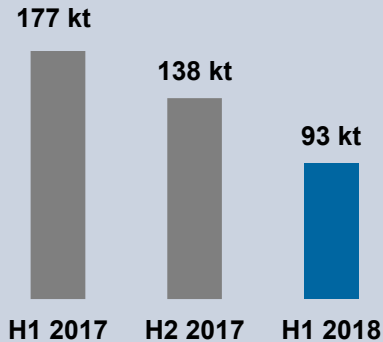
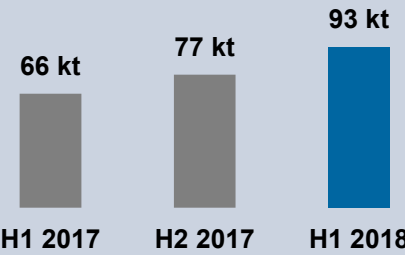


- Positive conditions in downstream pigment market (90% of demand)
- Pigment prices up 55% from market low (Oct 2015)
- Pigment pricing now showing signs of slowing with latest (Q4) price rise of \$60-\$80/t announced
- Feedstocks prices traditionally lag pigment prices by 6-12 months
- Rutile prices now up 44% from market low (Q4 2016)

# High-grade Feedstock Sales



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Americas	EMEA (Europe, Middle East, Africa, India)	Asia																								
 <p>A bar chart showing sales for the Americas region. The x-axis lists H1 2017, H2 2017, and H1 2018. The y-axis represents sales in kilotonnes (kt). The bars are labeled with their respective values: 13 kt for H1 2017, 37 kt for H2 2017, and 63 kt for H1 2018. The H1 2018 bar is highlighted in blue.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Sales (kt)</th> </tr> </thead> <tbody> <tr> <td>H1 2017</td> <td>13</td> </tr> <tr> <td>H2 2017</td> <td>37</td> </tr> <tr> <td>H1 2018</td> <td>63</td> </tr> </tbody> </table>	Period	Sales (kt)	H1 2017	13	H2 2017	37	H1 2018	63	 <p>A bar chart showing sales for the EMEA region. The x-axis lists H1 2017, H2 2017, and H1 2018. The y-axis represents sales in kilotonnes (kt). The bars are labeled with their respective values: 177 kt for H1 2017, 138 kt for H2 2017, and 93 kt for H1 2018. The H1 2018 bar is highlighted in blue.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Sales (kt)</th> </tr> </thead> <tbody> <tr> <td>H1 2017</td> <td>177</td> </tr> <tr> <td>H2 2017</td> <td>138</td> </tr> <tr> <td>H1 2018</td> <td>93</td> </tr> </tbody> </table>	Period	Sales (kt)	H1 2017	177	H2 2017	138	H1 2018	93	 <p>A bar chart showing sales for the Asia region. The x-axis lists H1 2017, H2 2017, and H1 2018. The y-axis represents sales in kilotonnes (kt). The bars are labeled with their respective values: 66 kt for H1 2017, 77 kt for H2 2017, and 93 kt for H1 2018. The H1 2018 bar is highlighted in blue.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Sales (kt)</th> </tr> </thead> <tbody> <tr> <td>H1 2017</td> <td>66</td> </tr> <tr> <td>H2 2017</td> <td>77</td> </tr> <tr> <td>H1 2018</td> <td>93</td> </tr> </tbody> </table>	Period	Sales (kt)	H1 2017	66	H2 2017	77	H1 2018	93
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<p>Growth in sales reflects new contractual arrangements combined with previously flagged shift of customers to high-grade ore.</p>	<p>Demand in Europe remains very strong with most plants running hard to meet orders.</p> <p>Iluka sales are down on (i) redistribution of customers base and (ii) production constraints (no Murray Basin production).</p>	<p>Increased volumes on back of expanded sales into China and strong demand from rest of Asia.</p> <p>Demand from the welding market remains positive with industrial grade rutile sales up 120%.</p>																								

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# Financial Results

Doug Warden, Chief Financial Officer

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# Key Financial Metrics

## H1 2018 versus H1 2017

	Units	H1 2018	H1 2017	% Change	
Z/R/SR Production	kt	351.0	453.1	(22.5)	▼
Z/R/SR Sales	kt	438.6	453.8	(3.3)	▼
Mineral sands revenue <sup>1</sup>	\$m	606.9	503.6	20.5	▲
Underlying mineral sands EBITDA <sup>2</sup>	\$m	249.3	123.5	101.9	▲
MAC EBITDA	\$m	29.2	31.1	(6.1)	▼
Underlying Group EBITDA <sup>2</sup>	\$m	278.5	154.6	80.1	▲
Profit (loss) for the period (NPAT)	\$m	126.1	(81.5)	n/a	▲
Operating Cash Flow	\$m	306.5	193.9	58.1	▲
Free Cash Flow <sup>3</sup>	\$m	225.5	180.2	25.1	▲
Dividend – interim	cps	10	6	66.7	▲
		At 30 Jun 2018	At 30 Dec 2017		
Net debt	\$m	34.4	182.5	-81.1%	▼
Gearing ratio <sup>4</sup> (%)	%	3.5	17.1	13.6 pts	▼

<sup>1</sup> Mineral sands revenue and cash costs of production do not include qualifying freight revenue and expenses that are disclosed separately per AASB 15.

<sup>2</sup> Underlying Group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites which are non-cash in nature.

<sup>3</sup> Free cash flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid.

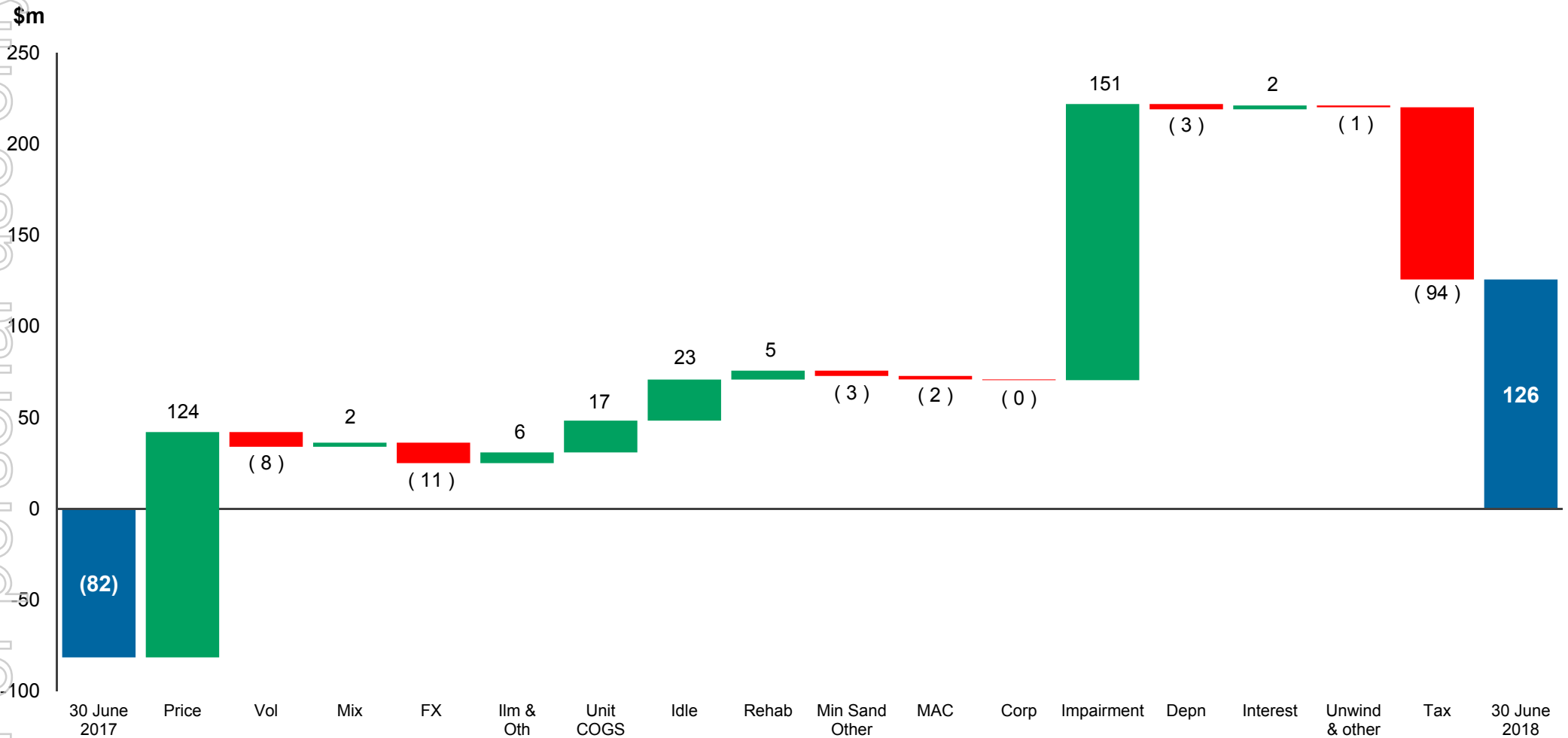
<sup>4</sup> Net debt / net debt + equity



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# NPAT

## H1 2018 versus H1 2017

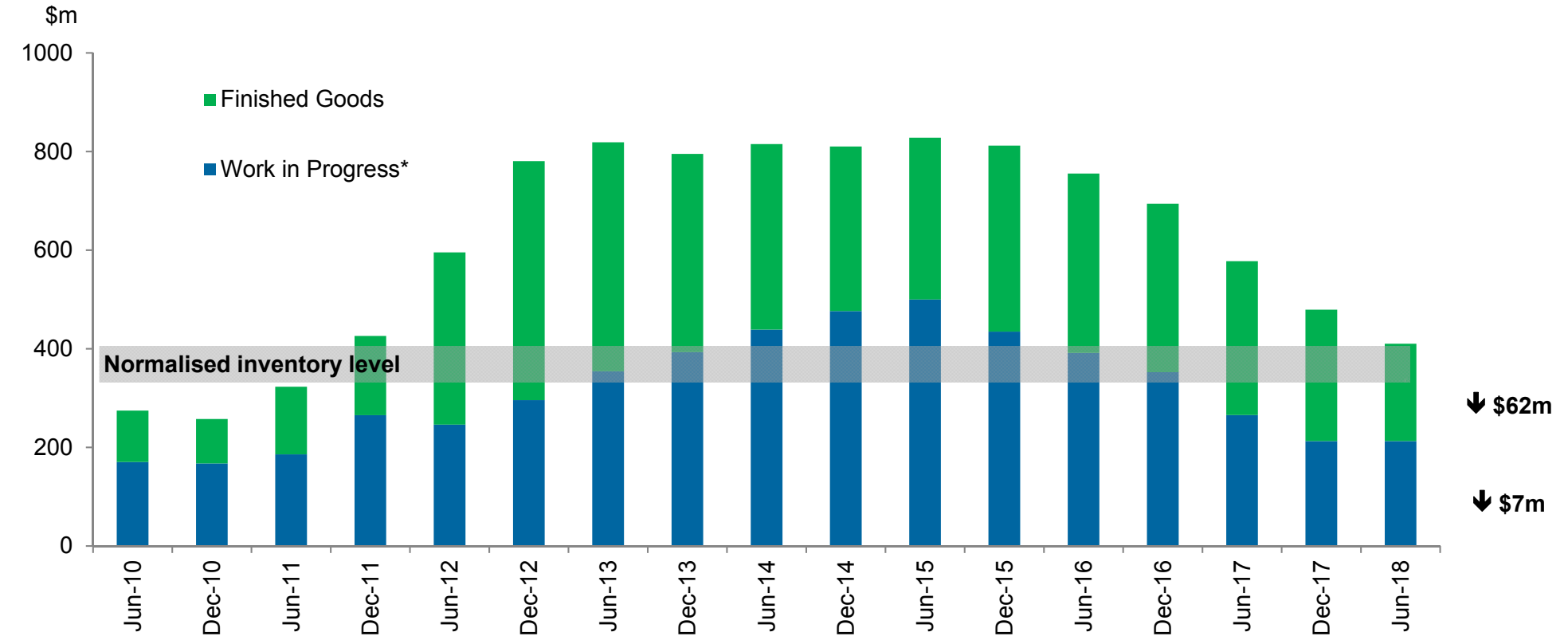


Key drivers for movement in NPAT from H1 2017:

- improved sales prices across product suite
- lower idle costs due to restart of operations at Jacinth-Ambrosia
- idling of Hamilton MSP in October 2017 led to an impairment charge of \$151 million and an increase to the rehabilitation provision of \$5 million recorded in 2017 with no such charges occurring in 2018

# Continued Inventory Draw Down

## Total Inventory



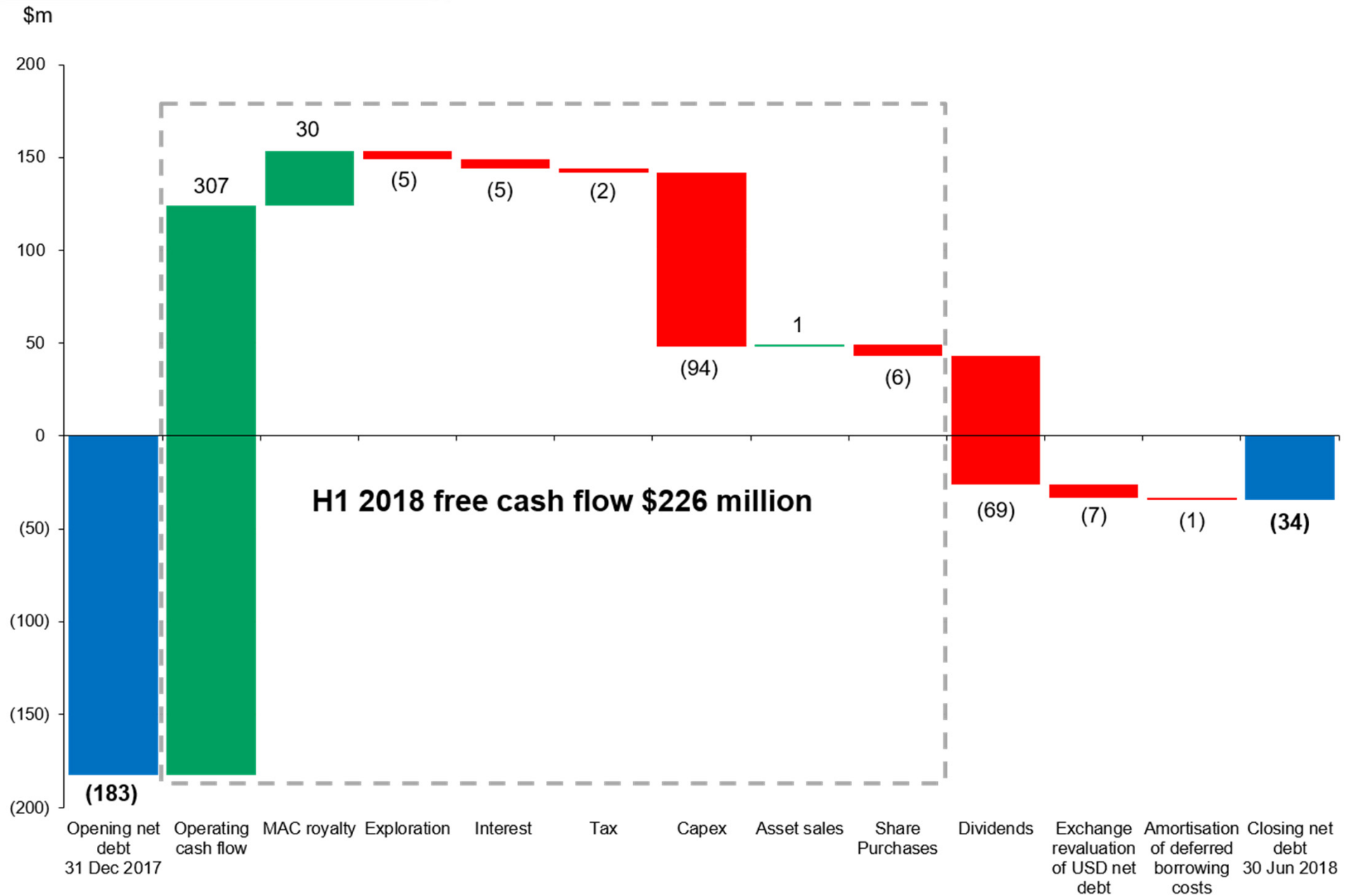
- Total inventory reduced by \$69 million to \$410 million
- Continued sell down of finished goods inventory
- Inventory levels proximate to 'normalised' range

<sup>1</sup> Includes consumables and ilmenite



# Net Debt Reduction

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# Balance Sheet Capacity

Significantly strengthened balance sheet

- H1 2018 free cash flow of \$226 million
- 81% reduction in net debt from 31 December 2017 to \$34 million
- Gearing<sup>1</sup> at 3.5%

Total facilities of \$710 million during reporting period

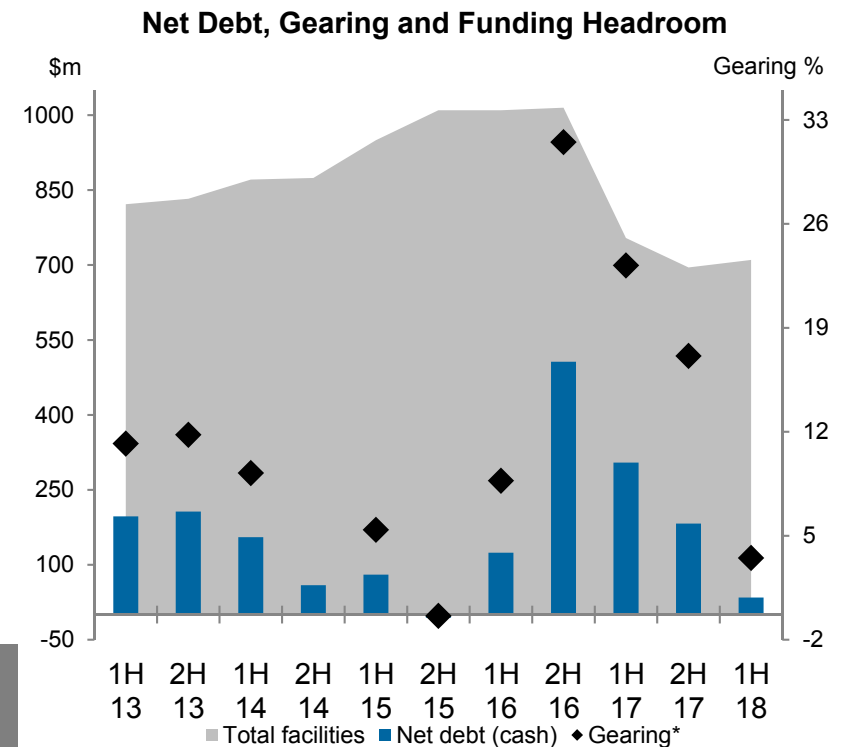
- Undrawn facilities of \$593 million at 30 June 2018
- Facilities reduced by \$100 million to \$610 million on 4 July 2018
- Reduces cost of holding unused facilities
- Significant funding headroom still available

Capital expenditure of \$94 million in H1 2018 (H1 2017: \$25 million)

- FY18 guidance of ~\$385 million, second half weighted

## Balance Sheet Framework

Target credit metrics broadly consistent with investment grade credit profile, whilst balancing impacts of commodity pricing and investment factors through the cycle



<sup>1</sup>Net debt / net debt + equity

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# Dividend



## Dividend Framework

Pay a minimum 40% of free cash flow not required for investing or balance sheet activity

Distribute maximum practicable available franking credits

- 10 cents per share fully franked interim dividend payable 27 September 2018, represents 19% of H1 free cash flow
- Board considered elevated near term capital expenditure in 2018/19 for Cataby development and Sierra Rutile expansions and tax payments attributable to 2018 earnings
- Cumulative 57% of free cash flow distributed since dividends recommenced in 2010
- Franking credit balance of \$44 million at 30 June 2018

## Distribution Metrics

H1 2018 free cash flow pay out ratio	19%
2010 – 30 June 2018 cumulative payout ratio	57%
Cumulative free cash flow returned to shareholders	\$899 million
Cumulative cents per share returned to shareholders	215 cents
Cumulative retained free cash flow	\$688 million



# Mining Area C

- Iluka holds a royalty over iron ore produced from specific tenements of BHP Billiton's Mining Area C (MAC) hub in Western Australia
- BHP South Flank Development received Board approval in June 2018
  - South Flank expansion will replace production from Yandi (depleted in 5-10 years)
  - South Flank contained within Mining Area C royalty area
  - Potential for up to ~150mtpa from MAC hub (current MAC production ~55mtpa)
  - BHP targeting first ore ~2021

		1H 2018	1H 2017	% change
Sales volumes	mdmt	27.3	27.0	1.1
Implied price	A\$/t	83.9	93.8	(10.6)
Net Royalty income	\$m	28.2	31.2	(9.6)
Annual capacity payments	\$m	1.0	-	-
<b>Iluka EBITDA</b>	<b>\$m</b>	<b>29.2</b>	<b>31.1</b>	<b>(6.1)</b>

(mdmt = million dry metric tonnes)

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# Operations and Projects



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# Operations Update



First half Z/R/SR production of 351kt, 23% lower than first half 2017

- Lower production expected given cessation of HMC processing from Murray Basin

## **Jacynth-Ambrosia**

- 329kt of HMC produced since mining restarted December 2017
- H1 2018 zircon production at Jacynth-Ambrosia 135kt
- Reduction in processing rate at Narngulu to optimise recovery of final product

## **Sierra Rutile**

First half rutile production of 61kt, down 23% from H2 2017

- Production affected by lower than expected mining rates
- Lanti dredge affected by age-related failure of equipment



# Cataby

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- Large, chloride-ilmenite rich deposit, 150km north of Perth
  - Underpins continued synthetic rutile production at Capel
  - Offtake secured for 85% of SR production for minimum four years
  - Conventional mineral sands development
- All works progressing on-time and on-budget
  - Accommodation and power distribution nearing completion
  - Concentrator relocated from Eneabba, reassembly underway
  - Mining unit construction well advanced
  - Overburden removal underway
- Average annual production over 8.5 year mine life:
  - 200kt synthetic rutile (from ilmenite)
  - 30kt natural rutile
  - 50kt zircon
  - Potential to add four years to life of mine

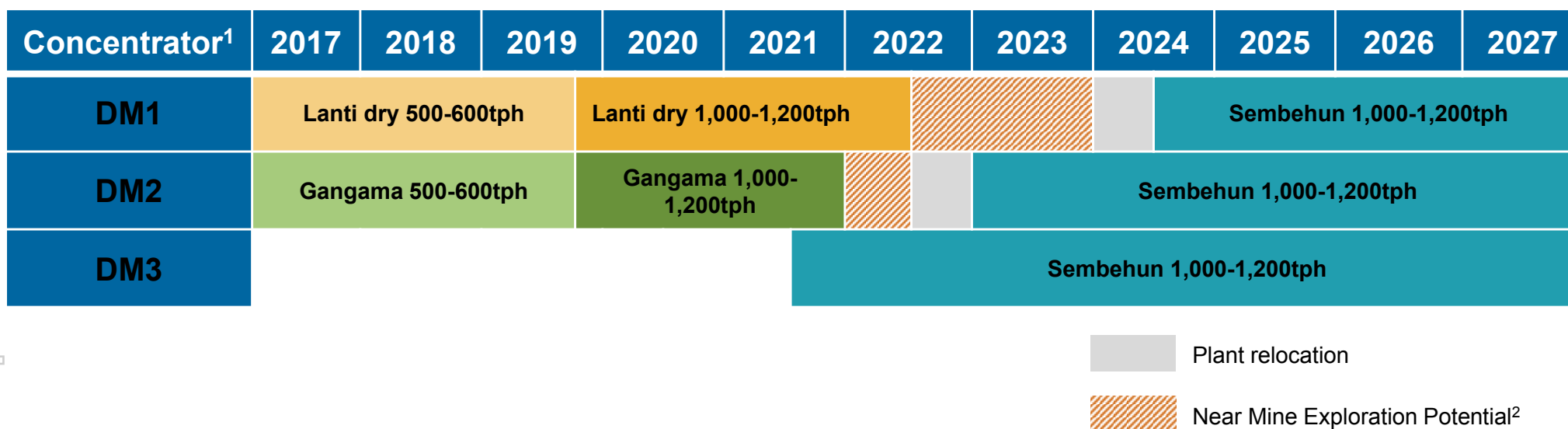
- DFS completed 2016
- Development approved December 2017
- Est. capex \$250-\$275 million
- 18 month construction period
- First production planned 2019



# Sierra Rutile Expansion Profile



- Sierra Rutile expansion occurs across three mining fronts
- Initial Sembehun development includes infrastructure early works for road and bridge construction
- Mine moves from Lanti and Gangama are required to maintain expanded production levels



Note: Mining rates dependent on spiral plant feed

1. Rates refer to tonnes per hour (tph) rougher head feed rate and are an indicator of capacity of each concentrator and not expected production.
  2. Extension of DM1 + DM2 dependent on further study of near mine exploration potential. DM1 Production to 2027 includes approximately 12% Inferred Mineral Resource and 6% Exploration Target. DM2 Production to 2027 includes 5% Inferred Mineral Resource.
- While the Exploration Potential is hosted in the same geological setting as historically mined material, the production forecast from near mine exploration potential is based on a number of assumptions and limitations with the estimated grade and quantity being conceptual in nature. It is uncertain if future exploration will result in the estimation of a Mineral Resource or Ore Reserve.
  - The Mineral Resources and Exploration Targets underpinning the Production Targets have been signed-off by the Competent Person in previous releases to the ASX: Updated Mineral Resources and Ore Reserve Statement, dated 20 February 2017 and Sembehun Mineral Resource Increase and Pejebu Exploration Target, Sierra Rutile, dated 15 August 2018.

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# Sierra Rutile – Near Mine Exploration

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## Near Mine Exploration Target<sup>1</sup>

Consolidation and interrogation of historical SRL drilling data highlighted the Pejebu Exploration Target

Pejebu Exploration Target is 15 – 20 Mt HM at 0.9% to 1.1% in situ rutile grade

Potential 135 to 220 thousand tonne in situ rutile

Adjacent to the historical Pejebu dredge path

Drilling in progress, Mineral Resource Modelling in Q4

## Near Mine Resource Development

Drilling in progress to upgrade confidence of existing ML1 Mineral Resources

Drilling in progress at Gangama North and West, Taninahun and Ndendemoia Prospects

Adjacent or proximal to current production areas

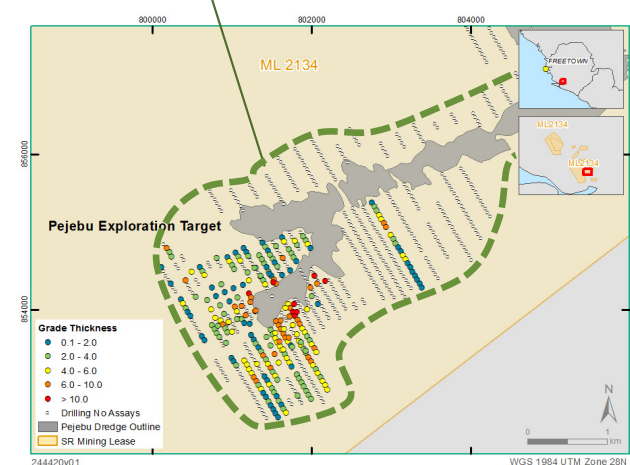
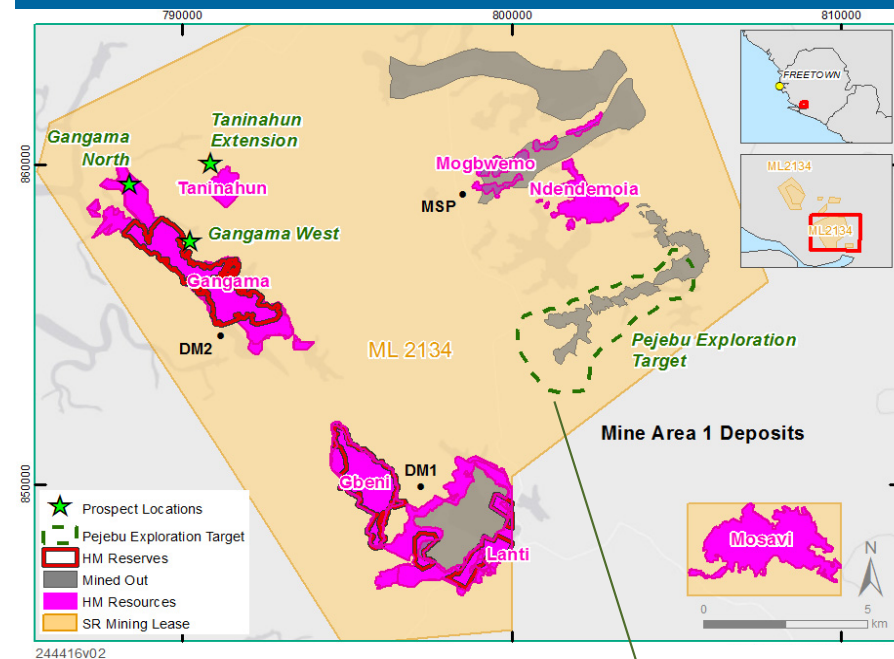
Conventional material that may feed DM1 and DM2

Updated Mineral Resource estimation in Q4

**Updated Mineral Resource reporting expected early 2019**

**Additional feed to DM1 and DM2 may delay mining unit relocation to Sembehun**

## Sierra Rutile deposits



<sup>1</sup> Refer to ASX Release “Sembehun Mineral Resource Increase and Pejebu Exploration Target, Sierra Rutile” 15 August 2018

# Sierra Rutile – Sembehun Mineral Resource

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## Sembehun Mineral Resource addition<sup>1</sup>

Additional Mineral Resource based on updated data compilation, geological interpretation and Mineral Resource modelling

0.62 Mt of rutile added to Sembehun Mineral Resource

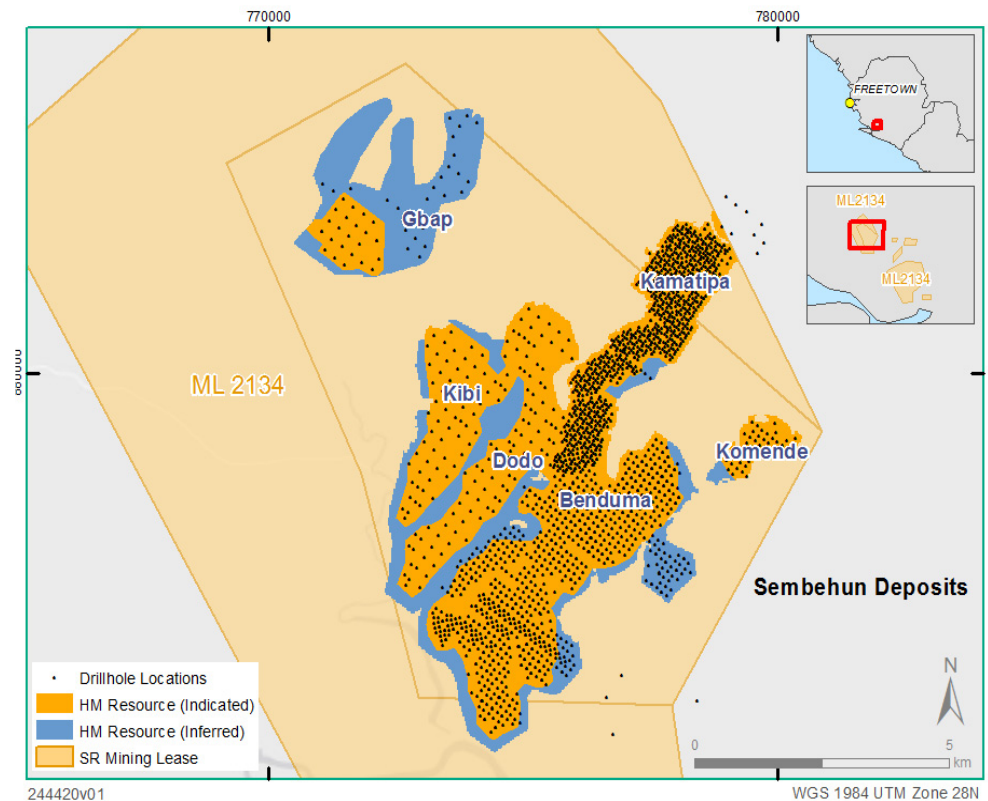
Total Mineral Resource of 5.0 Mt of rutile

Inferred and Indicated category according to JORC 2012

Dedicated 75,000m drilling program from now to 2021 to:

- improve confidence of Mineral Resource estimate
- test areas adjacent and proximal to Mineral Resource

## Sembehun deposits



**Sembehun Mineral Resource increased by 0.62 Mt to a total of 5.0 Mt of rutile**

**Dedicated 75,000m drilling program 2018 – 2021 to upgrade Sembehun Mineral Resources**

<sup>1</sup> Refer to ASX Release “Sembehun Mineral Resource Increase and Pejebu Exploration Target, Sierra Rutile” 15 August 2018



# Sierra Rutile – Sembehun and MSP Expansion



## Sembehun mine development

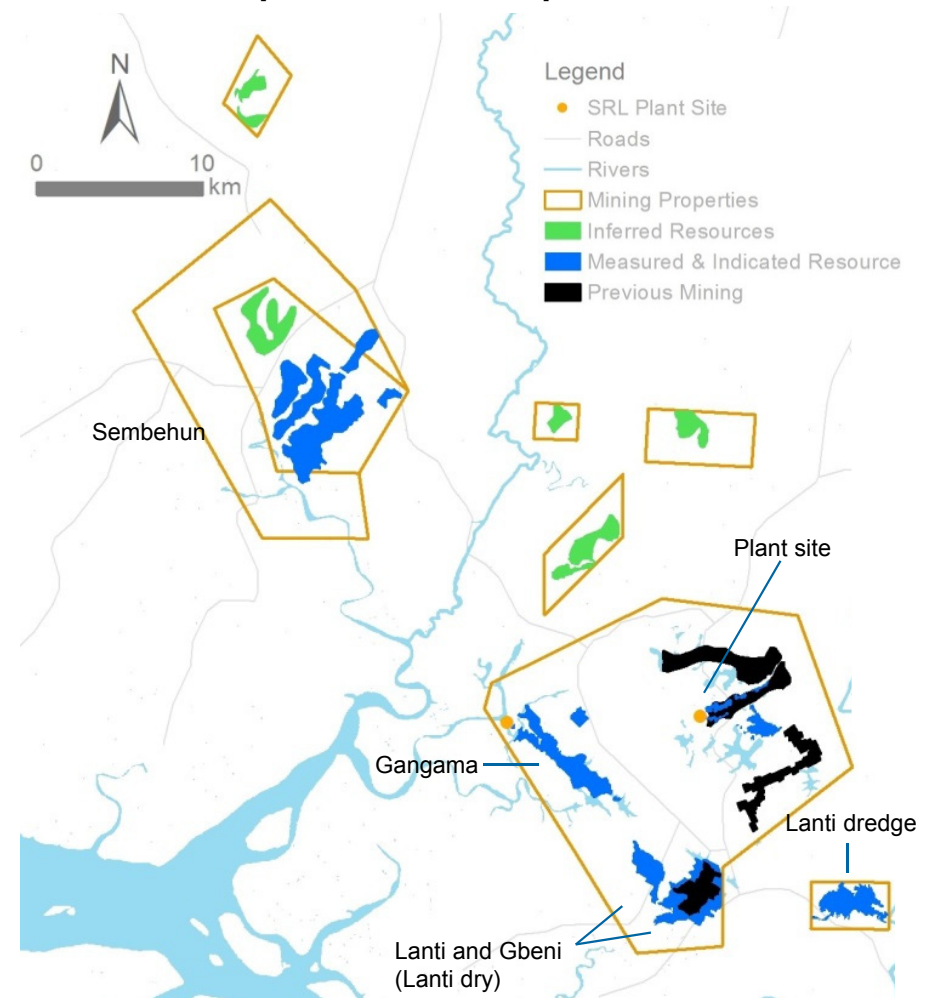
New 1,000 -1,200 tph mine northwest of existing operations

Definitive feasibility study expected to complete Dec 2018

Planned commissioning 2021<sup>1</sup>

- Original acquisition capital expenditure estimated at US\$300 million over 2017-2020<sup>2</sup> for expansion projects (Lanti, Gangama and Sembehun), safety and operational improvements and sustaining capital
- Current estimates indicate 40-60% increase from US\$300 million in real terms to deliver these projects
- Increase largely reflects higher estimates of Sembehun and mineral separation plant (MSP) expansion projects
- Iluka focussed on disciplined capital deployment; options for reducing capital spend and maximising returns being investigated

## Sierra Rutile operations and deposits



<sup>1</sup> Iluka announced in February 2018, that planned commissioning was deferred one year to 2021 to allow further financial and operational evaluation and develop reasonable estimates of project cost based on the outcome of a detailed feasibility study and that, based on this timing, bridge and road construction are expected to commence in 2019, subject to Board approval.

<sup>2</sup> US\$300 million capital estimate based in 2015 real dollars, disclosed in *Sierra Rutile Acquisition* presentation (9 December 2016).

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# Updated 2018 Physicals Guidance

Key Parameters		Feb 2018 Guidance	Aug 2018 Updated Guidance	Comments
<b>Annual production</b>				
Zircon	kt	300	330	Zircon production is expected to be approximately 30kt higher due to the supply of additional tonnes of zircon in concentrate (ZIC) in an attempt to alleviate supply constraints
Rutile	kt	200	185	Rutile production is expected to be ~15kt lower at Sierra Rutile due to the poor first half performance, as noted in the June Quarterly Review (24 July 2018). Group production includes 40kt of HYTI
Synthetic Rutile	kt	205	205	
<b>Total Z/R/SR</b>	<b>kt</b>	<b>705</b>	<b>720</b>	

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# Updated 2018 Cost Guidance



Key Parameters	Feb 2018 Guidance	Aug 2018 Updated Guidance	Comments
<b>Cash Costs (A\$m)</b>			
Cash costs of production (incl. ilmenite and by-products) <sup>3</sup>	415	450	Higher cash production costs due to higher Sierra Rutile costs (US\$13 million; US\$4 million expected to be recurring in 2019) from increased dredge maintenance costs, higher fuel and commissioning costs with the in-pit mining unit. Exchange rate depreciation has also contributed to higher Australian dollar costs on conversion of Sierra Rutile US dollar cost base.  Australian operations costs have increased by \$10 million due to increased production of both finished goods and HMC.
Restructure and idle costs	20	20	
Resource development and corporate costs <sup>4</sup>	75	85	Higher costs with increased expenditure on the Fine Minerals project
Marketing, selling and royalty costs	Not guided	Not guided	
<b>Average annual unit costs and capital expenditure</b>			
Unit cash costs of production (A\$/t Z/R/SR produced)	575	625	Higher unit cash cost of production mainly due to increased costs at Sierra Rutile
Unit cost of goods sold (A\$/t Z/R/SR sold)	710	725	Reflects higher SRL unit cash costs
Capital expenditure (A\$m)	410	385	Lower due to deferral of the Balranald field trial to 2019 (announced in June Quarterly Review)

- No changes to non-cash cost guidance from that provided in February 2018



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# Supplementary Information

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# Production and Sales Volumes



	H1 2018	H1 2017	% change
<b>Production</b>			
Zircon kt	158.9	203.7	(22.0)
Rutile kt	82.8	149.8	(44.7)
Synthetic rutile kt	109.3	99.6	9.7
<b>Total Z/R/SR production kt</b>	<b>351.0</b>	<b>453.1</b>	<b>(22.5)</b>
Ilmenite	210.8	228.1	(7.6)
<b>Total mineral sands production kt</b>	<b>561.8</b>	<b>681.2</b>	<b>(17.5)</b>
Heavy mineral concentrate produced kt	469	314	49.2
Heavy mineral concentrate processed kt	529	713	(25.8)
<b>Sales</b>			
Zircon kt	189.6	197.4	(4.0)
Rutile kt	136.1	118.4	14.9
Synthetic rutile kt	112.9	138.0	(18.2)
<b>Total Z/R/SR kt</b>	<b>438.6</b>	<b>453.8</b>	<b>(3.3)</b>
Ilmenite kt	119.5	95.1	25.7
<b>Total sales volumes kt</b>	<b>558.1</b>	<b>548.9</b>	<b>1.7</b>
<b>Revenue and Cash Costs</b>			
Mineral sands revenue <sup>1</sup> \$m	606.9	503.6	20.5
Total cash cost of production \$m	224.9	200.1	12.4
Unit cash production cost per tonne of Z/R/SR produced <sup>2</sup> \$/t	617	424	45.5
Unit cost of goods sold per tonne of Z/R/SR sold \$/t	753	772	(2.5)
Revenue per tonne of Z/R/SR sold \$/t	1,292	1,036	24.7

All currency is Australian dollar denominated unless otherwise indicated.

1. Represents FOB revenue.

2. Excludes ilmenite and by-products.

# Weighted Average Received Prices



	H1 2017	H2 2017	H1 2018
<i>US\$/tonne FOB</i>			
Zircon Premium and Standard	871	1,053	1,278
Zircon (all products, including zircon-in-concentrate) <sup>1</sup>	850	1,037	1,240
Rutile (excluding HYTI) <sup>2</sup>	756	825	906
Synthetic rutile	Refer Note 3	Refer Note 3	Refer Note 3

Note 1: Zircon prices reflect the weighted average price for zircon premium, zircon standard and zircon-in-concentrate. The prices for each product vary considerably, as does the mix of such products sold period to period. In the first half of 2018 the split of premium, standard and concentrate by zircon sand-equivalent was approximately: 51%:33%:15% (2017 full year: 56%:32%:12%).

Note 2: Included in rutile sales volumes reported elsewhere is a lower titanium dioxide product, HYTI that typically has a titanium dioxide content of 70 to 91%. This product sells at a lower price than rutile, which typically has a titanium dioxide content of 95%. In first half 2018, 19% of total sales in this category were of the lower grade HYTI material (2017 full year: 18%).

Note 3: Iluka's synthetic rutile sales are, in large part, underpinned by commercial offtake arrangements. The terms of these arrangements, including the pricing arrangements are commercial in confidence and as such not disclosed by Iluka. Synthetic rutile, due to its lower titanium dioxide content than rutile, is priced lower than natural rutile.

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# Summary - Group Results



\$m	H1 2018	H2 2017	H1 2017
<b>Mineral sands revenue</b>	<b>606.9</b>	<b>513.9</b>	<b>503.6</b>
<b>Underlying mineral sands EBITDA</b>	<b>249.3</b>	<b>177.4</b>	<b>123.5</b>
Mining Area C royalty	29.2	28.5	31.1
<b>Underlying Group EBITDA*</b>	<b>278.5</b>	<b>205.9</b>	<b>154.6</b>
Underlying Group EBITDA margin %	45.9	40.1	30.7
Depreciation and amortisation	(42.6)	(52.5)	(58.5)
Impairment expense	-	(34.0)	(151.4)
<b>Group EBIT</b>	<b>209.9</b>	<b>(40.4)</b>	<b>(93.0)</b>
<b>Profit (loss) before tax</b>	<b>193.6</b>	<b>(56.9)</b>	<b>(108.7)</b>
Tax expense	(67.5)	(33.2)	27.2
<b>Profit (loss) after tax</b>	<b>126.1</b>	<b>(90.1)</b>	<b>(81.5)</b>
EPS (cents per share)	30.0	(21.5)	(19.5)
Free cash inflow (outflow)	225.5	141.7	180.2
<b>Free cash inflow (outflow) (cents per share)</b>	<b>53.4</b>	<b>33.8</b>	<b>43.0</b>
Dividend – fully franked (cents per share)	10.0	25.0	6.0
<b>Net debt</b>	<b>(34.4)</b>	<b>(182.5)</b>	<b>(304.6)</b>
Gearing (net debt /net debt + equity) %	3.5	17.1	23.2
Average A\$/US\$ exchange rate	77.2	77.9	75.4

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# Income Statement



<b>\$ million</b>	<b>H1 2018</b>	<b>H1 2017</b>	<b>% change</b>
Z/R/SR revenue	566.6	470.0	20.6
Ilmenite and other revenue	40.3	33.6	19.9
<b>Mineral sands revenue</b>	<b>606.9</b>	<b>503.6</b>	<b>20.5</b>
Cash costs of production	(224.9)	(200.1)	(12.4)
Inventory movement - cash costs of production	(49.8)	(78.6)	36.6
Restructure and idle capacity charges	(10.8)	(33.3)	67.6
Government royalties	(17.9)	(13.3)	(34.6)
Marketing and selling costs <sup>1</sup>	(18.0)	(18.5)	2.7
Asset sales and other income	1.0	0.4	150.0
Resource development	(12.5)	(14.0)	10.7
Corporate and other costs	(23.6)	(23.2)	(1.7)
Foreign exchange gain (loss)	(1.1)	0.5	n/a
<b>Underlying mineral sands EBITDA<sup>2</sup></b>	<b>249.3</b>	<b>123.5</b>	<b>101.9</b>
Mining Area C EBITDA	29.2	31.1	(6.1)
<b>Underlying Group EBITDA</b>	<b>278.5</b>	<b>154.6</b>	<b>80.1</b>
Depreciation and amortisation	(42.6)	(58.5)	27.2
Inventory movement - non-cash production costs	(25.5)	(30.6)	16.7
Rehabilitation costs for closed sites	(0.5)	(5.4)	90.7
Share of Metalysis Ltd's losses (associate)	-	(1.7)	n/a
Impairment of assets	-	(151.4)	n/a
<b>Group EBIT</b>	<b>209.9</b>	<b>(93.0)</b>	<b>n/a</b>
Net interest and bank charges	(7.1)	(9.2)	22.8
Rehabilitation unwind and other finance costs	(9.2)	(6.5)	(41.5)
<b>Profit (loss) before tax</b>	<b>193.6</b>	<b>(108.7)</b>	<b>n/a</b>
Tax benefit (expense)	(67.5)	27.2	n/a
<b>Profit (loss) for the period (NPAT)</b>	<b>126.1</b>	<b>(81.5)</b>	<b>n/a</b>
<b>Average AUD/USD rate for the period (cents)</b>	<b>77.2</b>	<b>75.4</b>	<b>2.4</b>

<sup>1</sup> Freight revenue and expenses are included as a net number in marketing and selling costs.

<sup>2</sup> Underlying Group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites which are non-cash in nature.

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



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	Aus	US	SRL	Exploration & Other	Mineral Sands	MAC	Corp	Group
Mineral Sands Revenue	507.8	23.0	88.5	(12.4)	<b>606.9</b>			<b>606.9</b>
AASB 15 freight revenue	20.1	1.5	4.1		<b>25.7</b>			<b>25.7</b>
Mineral Sands Expenses	(245.8)	(27.1)	(78.6)	(7.1)	<b>(358.6)</b>			<b>(333.8)</b>
Mining Area C					-	29.2		29.2
FX					-		(1.1)	(1.1)
Corporate costs					-		(23.6)	(23.6)
<b>EBITDA</b>	<b>282.1</b>	<b>(2.6)</b>	<b>14.0</b>	<b>(19.5)</b>	<b>274.0</b>	<b>29.2</b>	<b>(24.7)</b>	<b>278.5</b>
Depn & Amort	(21.1)		(19.7)	(1.6)	<b>(42.4)</b>	(0.2)		<b>(42.6)</b>
Inventory movement - non-cash	(26.9)		1.4		<b>(25.5)</b>			<b>(25.5)</b>
Rehabilitation for closed sites	(0.5)				<b>(0.5)</b>			<b>(0.5)</b>
<b>EBIT</b>	<b>233.6</b>	<b>(2.6)</b>	<b>(4.3)</b>	<b>(21.1)</b>	<b>205.6</b>	<b>29.0</b>	<b>(24.7)</b>	<b>209.9</b>
Net interest costs					-		(7.1)	<b>(7.1)</b>
Rehab unwind and other finance costs	(5.1)	(2.2)	(1.0)		<b>(8.3)</b>		(0.9)	<b>(9.2)</b>
<b>Profit Before Tax</b>	<b>228.5</b>	<b>(4.8)</b>	<b>(5.3)</b>	<b>(21.1)</b>	<b>197.3</b>	<b>29.0</b>	<b>(32.7)</b>	<b>193.6</b>
<b>Segment result</b>	<b>228.5</b>	<b>(4.8)</b>	<b>(5.3)</b>			<b>29.0</b>		<b>247.4</b>



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