



ILUKA

Australian Securities Exchange Notice

28 May 2014

ILUKA RESOURCES 2014 AGM MINERAL SANDS MARKET UPDATE

Iluka Resources Limited (Iluka) today held its 59th Annual General Meeting of Shareholders in Perth, Western Australia.

Shareholders were asked to vote on three resolutions: the re-election of one non-executive Director; the election of one non-executive Director and the company's Remuneration Report. The results of the voting on these resolutions will be disclosed to the ASX separately.

The full addresses by the Chairman, Greg Martin and Managing Director and CEO, David Robb, are available on Iluka's website (www.iluka.com).

Mineral Sands Market Update

As part of the Managing Director's address, an update on mineral sands market conditions was provided. For the purposes of separate disclosure of this matter, the following information is provided, relating to mineral sands market conditions as at May 2014. The commentary is made in the context of Iluka's guidance parameters, as disclosed in the ASX Release, Key Physical and Financial Parameters 2014, 21 February 2014 (available on Iluka's website under Briefing Papers and with an extract reproduced in Figure 1 on page 3).

The company makes the following observations:

- production volumes are expected to be in accordance with previous guidance and therefore the data in Figure 1;
- based on sales year-to-date and internal forecasts, and in line with previous guidance, Iluka expects total zircon/rutile/synthetic rutile sales in 2014 to exceed production and to be above 2013 sales levels of 580 thousand tonnes;
- other elements of guidance – cash and non-cash costs, capital expenditure - are trending year-to-date at, or better than, guidance numbers.

In relation to market conditions, the company makes the following observations.

Zircon

Zircon market conditions remain uneven both geographically and in terms of market segment.

In particular and as Iluka advised in its March Quarterly Production report, market conditions in Europe, Asia, India and the Middle East have been and remain subdued.

As the company observed previously, in Europe in particular, some pressure on zircon value chain price structures has been evident, in large measure associated with market share based competition by downstream customers. Iluka has chosen not to be drawn into this situation, even if that means sales are deferred into future periods.

Given these circumstances and in the absence to date of broad based zircon price increases, as were communicated to customers in the first half of 2013 and which prompted some increased ordering, zircon sales year-to-date have been lower than last year. Second half sales are expected to be, correspondingly, greater than last year.

Iluka advised that its weighted average received zircon price in the December quarter 2013 was US\$1080/tonne FOB. There has been no material change, year-to-date in the average weighted price received by the company.

Titanium Dioxide

It is evident that more favourable demand dynamics are emerging in the pigment sector (the major end use sector for titanium dioxide) which, if sustained, should lead to improved sales opportunities for both rutile and synthetic rutile. In the near term, this does, however, remain dependent on paint and pigment demand over the northern hemisphere summer season.

Improving confidence levels and the prospect of suitable commercial arrangements in relation to those sales opportunities may provide a basis for a decision before year end to reactivate part of Iluka's currently idled synthetic rutile capacity.

High grade titanium dioxide feedstock price erosion, as the company commented upon at the time of the March quarterly production report (see below), had moderated, with current indications that prices may have found a floor.

Iluka advised in the March report, on 16 April:

Iluka does not provide price forecasts and does not provide price updates unless a material change in weighted average received prices in its markets has occurred. Seasonal impacts and the anticipated slow start to 2014, referred to below for high grade titanium dioxide ore sales, have been associated with some price erosion in high grade titanium ore markets relative to the fourth quarter of 2013. [Iluka had previously advised that its received weighted average December quarter rutile price was US\$910/tonne FOB]¹.

¹ Iluka had also previously advised in relation to synthetic rutile prices: "Synthetic rutile pricing in 2013 was influenced by particular contractual arrangements distorting the typical synthetic rutile to natural rutile price relativity (with synthetic rutile generally being a slightly lower grade than natural rutile and therefore typically realising a slightly lower price)."

Figure 1 – Iluka Physical Trends Guidance, as disclosed 21 February 2014.

Production (kt)	2010-2012 Average p.a.	2013 Actual	2014 Guidance	Commentary 2014 vs 2013
Zircon	452	285	~ 360	Higher planned production in 2014, with increased processing of heavy mineral concentrate.
Rutile and synthetic rutile (SR)	544	186	~190	Unlike 2013 when Iluka produced 59kt of SR, 2014 guidance assumes no SR production. In the Murray Basin, concentrate inventory is likely to be built, for processing after the planned completion of the Woorneck, Rownack and Pirro mine in the 1 st half of 2015 and before the commencement of production from the Balranald deposit.
Total Z/R/SR	996	471	550	

Sales Volumes (kt)	2010-2012 Average	2013 Actual	2014	Commentary 2014 vs 2013
Sales (kt)				
Zircon	402	370	Not guided	Detailed sales guidance is not provided, as was the case in 2013. However, Iluka expects that total Z/R/SR sales may exceed production and also be above 2013 sales levels
Rutile	204	168		
Synthetic rutile	263	46		
Total Z/R/SR	869	584		
Ilmenite	463	337		

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These forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the company's control, and which may cause actual results to differ from those expressed in the statements contained in this release. Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements include, but are not limited to potential changes in:

- exchange rate assumptions
- product pricing assumptions
- mine plans and/or resources
- equipment life or capability
- current or new technical challenges
- market conditions
- management decisions

While Iluka has prepared this information based on its current knowledge and understanding and in good faith, there are risks and uncertainties involved which could cause results to differ from projections. Iluka shall not be liable for the correctness and/or accuracy of the information nor any differences between the information provided and actual outcomes, and furthermore reserves the right to change its projections from time to time. Iluka does not undertake to update the projections provided in this document on a regular basis. All currency is in nominal Australian dollar terms unless stated differently.