18 August 2015

ILUKA HALF YEAR RESULTS
SIX MONTHS TO 30 JUNE 2015

Summary of Financial Results

$ million	1st Half 2015	1st Half 2014	% change
Mineral Sands Revenue	349.6	343.2	2.0
Mineral Sands EBITDA	114.4	107.9	6.0
Mineral Sands EBITDA/ revenue (%)	32.7	31.4	4.1
Mining Area C EBIT	39.0	38.0	2.6
Group EBITDA	127.2	125.8	1.1
Group EBITDA / revenue (%)	32.7	33.0	(0.9)
Group EBIT	43.5	31.5	38.1
Reported Earnings (NPAT)	20.4	11.7	74.4
Earnings per share (cents)	4.9	2.8	75.0
Operating Cash Flow	92.1	101.9	(9.6)
Free Cash Flow[1]	39.0	63.9	(39.0)
FCF per share (cents)	9.3	15.3	(39.1)
Dividend per share (cents)	6.0	6.0	-
Net Debt	(80.2)	(155.2)	48.3
Gearing (net debt/net debt + equity) (%)	5.4	9.2	40.9
Return on Capital, annualised (%)[2]	4.7	3.1	54.3
Return on Equity, annualised (%)[3]	2.9	1.5	92.7
Average AUD/USD (cents)	78.3	91.4	14.3

Key Features of Results

- Iluka recorded mineral sands revenue for the first half of 2015 of $349.6 million, marginally higher than the previous corresponding period (2014: $343.2 million). Revenue for the main products of zircon/rutile/synthetic rutile (Z/R/SR), excluding by-product revenues from the sale of ilmenite concentrate, iron concentrate and activated carbon, was $311.7 million, a 10.8 per cent increase (2014: $281.3 million).

[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 EBIT on an annualised basis as a percentage of average monthly capital employed for the year.
[3] Calculated as NPAT on an annualised basis as a percentage of the average monthly shareholders' equity.
All currency in Australian dollars unless otherwise stated.

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- Z/R/SR sales volumes in the first half of 2015 were 0.4 per cent lower than the previous corresponding period, with the higher Z/R/SR revenue reflecting an increased average realised Australian dollar revenue per tonne, due to a lower exchange rate offsetting marginally lower volumes and weighted average received US dollar sales prices. Lower by-product revenues reflect Iluka's decision to sell less iron concentrate and ilmenite concentrate given prevailing prices for these products.
- Iluka reported a net profit after tax of $20.4 million for the first half of 2015, compared with $11.7 million for the previous corresponding period. Higher earnings reflect a lower exchange rate combined with lower depreciation charges.
- Free cash flow of $39.0 million was generated in the first half, compared with $63.9 million in the previous corresponding period. This decline was in part due to receipts from the Mining Area C (MAC) royalty declining by $14.2 million as a result of lower iron ore prices, and lower operating receipts due to timing of cash collections. Included in MAC income is a US$8.0 million receipt, associated with changes to the MAC royalty arrangement, to be received in the second half of 2015.
- Combined Z/R/SR sales volumes in the first half of 2015 were similar at 275.9 thousand tonnes compared to 277.1 thousand tonnes in 2014. Zircon sales increased 4.9 per cent period-on-period to 153.4 thousand tonnes. Combined rutile and synthetic rutile sales volumes of 122.5 thousand tonnes were marginally lower than the first half of 2014 (130.8 thousand tonnes), mainly reflecting scheduling of high grade titanium dioxide sales during the year, with some customers rebalancing their supply chains in line with the ramp up of Iluka's synthetic rutile production, which re-commenced in April. The majority of Iluka's high grade ore sales are now contracted for 2015, including from the recently re-started synthetic rutile kiln 2. As Iluka has advised previously, the company expects overall sales volumes to be second half weighted.
- Cash costs of production declined by 12.6 per cent to $175.5 million (2014: $200.7 million), associated mainly with lower production of by-products and ilmenite concentrate (by-product costs were $14.5 million lower period-on-period). Total cash cost of production for Z/R/SR, excluding by-products was $170.5 million (2014: $181.2 million).
- Unit cash costs of production for Z/R/SR (excluding by-product costs) in the first half of 2015 were $616/tonne, compared with $719/tonne in the first half of 2014 and a 2014 full year unit cash cost of $668/tonne. Lower unit cash costs reflect higher production and completion of mining at Woornack, Rownack, Pirro in the Murray Basin, amongst other factors.
- Including by-products, unit cash costs of production of Z/R/SR were down 20.4 per cent to $634 per tonne of Z/R/SR compared with the previous corresponding period.
- 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 was $30.8 million, up 123.2 per cent (2014: $13.8 million).
- MAC iron ore royalty earnings increased by 2.6 per cent to $39.0 million (2014: $38.0 million), including capacity payments of $3.0 million (2013: $1.0 million) and a one off US$8.0 million receipt associated with changes to the MAC royalty arrangement.
- Group EBIT was $43.5 million, up 38.1 per cent compared to the previous corresponding period (2014: $31.5 million).
- Inventory value increased by $17.6 million, mainly reflecting a slight increase of work in progress (mainly heavy mineral concentrate), up $20.8 million. Finished goods inventory value decreased by $5.5 million. Total inventory held on the balance sheet at 30 June 2015 was $827.8 million, compared with $810.2 million as at 31 December 2014 and $815.2 million as at 30 June 2014.
- As advised previously, Iluka built inventory of both finished rutile products as well as heavy mineral concentrate in the Murray Basin, in advance of the cessation of mining activities at Woornack, Rownack, Pirro in the first quarter of 2015. This inventory of finished product and concentrate will be utilised in the period leading up to the next planned mining operation in the Murray Basin, the Balranald deposit.
- Capital expenditure of $35.5 million was incurred in the first half of the year, related to various major projects including Cataby (Western Australia), Balranald (New South Wales) and land acquisitions.
- Net debt as at 30 June 2015 was $80.2 million, with a gearing ratio (net debt/net debt + equity) of 5.4 per cent. This compares with net debt at 30 June 2014 of $155.2 million and a gearing ratio of 9.2 per cent

and at 31 December 2014 of $59.0 million with an associated gearing ratio of 3.9 per cent. The increase in net debt from 31 December 2014 reflects free cash flow 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.

- Undrawn facilities at 30 June 2015 were $784.9 million and cash and cash equivalents were $79.3 million.
- Net debt at 31 July 2015 was $71.0 million with a gearing ratio of 4.8 per cent. Iluka's undrawn facilities at 31 July were $806.5 million.
- During 2015 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).

Dividend

Directors have determined an interim dividend of 6.0 cents per share, fully franked. The dividend is payable on 29 September 2015 for shareholders on the register as at 2 September 2015. This dividend compares with a 2014 interim dividend of 6.0 cents (fully franked).

Market Conditions

Zircon

A feature of the half was the implementation of Iluka's pricing and payments framework, which occurred in all markets, mainly in March and April. Following implementation, volume momentum recovered and has continued through the month of July. Iluka continues to expect 2015 zircon sales to be second half weighted.

Regional zircon demand was characterised by the following factors:

- year-to-date sales in China are in line with those in the same period in 2014;
- a moderation of Iluka sales in the North American market, reflecting lower availability of Iluka's Virginia zircon supply associated with the wind down of operations in the United States, customers logically seeking alternative sources, and Iluka's sales management approach to maximise the net present value of remaining production in Virginia;
- strengthening sales into both ceramic and non-ceramic sectors in Europe, which in large measure offset the reduced demand in North America; and
- volume recovery in South East Asian markets and India, although still at lower than historical run rates.

Iluka's weighted average received price reflects a variety of zircon product offerings, as well as commercial arrangements with customers. As such, price outcomes can vary period-to-period. However, relative to the weighted average full year 2014 zircon price of US$1,033 per tonne FOB, the 2015 first half weighted average received price was similar.

High Grade Titanium Dioxide

Demand from pigment markets for Iluka's high grade titanium dioxide products has increased. As previously advised, the recommencement of synthetic rutile production, from kiln 2, is a reflection of demand for high grade feed stocks. While the volume of high grade product (rutile and synthetic rutile) shipped in the first half was slightly lower than the previous corresponding period in 2014, this reflects shipment scheduling with some customers rebalancing their supply chains in line with the ramp up of Iluka's synthetic rutile production. The majority of Iluka's second half rutile and synthetic rutile sales are contracted.

The prevailing weakness in some pigment manufacturer results are not considered reflective of demand for end products, such as paints and coatings, but reflect other factors including currency movements and pigment-specific sector dynamics. Capacity utilisation and pigment inventories have been reported at usual levels.

Iluka expects chloride ilmenite sales volumes in the US to increase in the second half of 2015. Demand for sulphate based feedstocks (not a major market for Iluka) remained subdued, with Iluka shipping less sulphate ilmenite and ilmenite concentrate from its Murray Basin operations in the first half.

Weighted average received prices for rutile on a year-to-date basis are similar to the disclosed weighted average full year 2014 received price of US$777 per tonne FOB. Given that a proportion of Iluka's synthetic rutile sales are contracted to specific customers, and commercial terms are in confidence, Iluka is not able to disclose the weighted average received price for synthetic rutile. As with zircon, weighted average received price can reflect product mix factors in any period.

Group Profit and Loss Summary

$ 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

	Revenue		**EBITDA**		**EBIT**	
$ million	**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[4]	-	-	(28.1)	(23.3)	(29.1)	(24.3)
Total	**349.6**	**343.2**	**114.4**	**107.9**	**30.8**	**13.8**

[4] Comprises resource development, including product and technical development, exploration, corporate marketing and selling costs and asset sales and other income.

Mineral Sands Production and Sales Volumes

	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 ($m)	311.7	281.3	10.8
Ilmenite and other revenue[5] ($m)	37.9	61.9	(38.5)
Total mineral sands revenue ($m)	349.6	343.2	2.0
Z/R/SR revenue per tonne of Z/R/SR sold ($/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)**
Heavy mineral concentrate produced	632	676	(6.6)
Heavy mineral concentrate processed	526	480	9.5
Z/R/SR cash costs of production ($m)	170.5	181.2	5.9
Ilmenite concentrate and by-products cash costs of production ($m)	5.0	19.5	74.4
Total cash costs of production ($m)	**175.5**	**200.7**	**12.6**
Unit cash cost per tonne of Z/R/SR produced excl. by-products ($/t)	616	719	14.3
Unit cash cost per tonne of Z/R/SR produced incl. by-products ($/t)	634	796	20.4

Managing Director Commentary

David Robb, Iluka Resources' Managing Director, provided the following commentary in relation to the half year results:

"Iluka's progress year-to-date is in line with expectations that in 2015 we could see:

- zircon/rutile/synthetic rutile (Z/R/SR) production higher than 2014, meeting demand;
- combined Z/R/SR sales exceeding production and 2014 Z/R/SR sales;
- recommencement of synthetic rutile kiln 2 production and sales;
- lower unit cash costs of production;
- potential foreign exchange benefits;
- inventory stabilisation before drawdown;
- free cash flow generation; likely more second half weighted; and
- maintenance of a strong balance sheet and investment capacity.

All of these factors appear intact, based on current business indicators, and some are already well evident.

5 Include revenues derived from materials not included in production volumes, including activated carbon products and iron concentrate.

Overall production is expected to be second half weighted, following the safe, efficient and rapid reactivation of mining at Tutunup South and the subsequent recommencement of synthetic rutile kiln 2 in the South West of Western Australia. The SR kiln has operated at a 99 per cent utilisation rate and, as such, delivered higher than budgeted volumes, while displaying efficient unit cash cost performance. Combined sales of rutile and synthetic rutile are also expected to be second half weighted, along with revenues and free cash flow.

Free cash flow generation in the first half was associated with the decision by Directors to declare a 6 cents per share interim dividend, fully franked. Iluka's balance sheet remains strong, both absolutely and relative to many players in the resources sector, with low net debt and significant funding headroom. This enables Iluka to continue to invest in its business and to consider external investments in a counter cyclical manner where financial merit and strategic rationale are evident.

In this regard, Iluka is investing in areas such as: market development; innovation and technology; exploration; and in the advancement of its internal mineral sands projects. The company has continued its initial investment in the potentially disruptive and value creating industry opportunities associated with Metalysis and the Tapira mineralisation in Brazil. The company has also continued to work towards the satisfaction of pre-conditions to its potential acquisition of Kenmare Resources Plc.

In light of some demand recovery, but with lower cycle characteristics still evident in a number of industries, I consider the company has positioned itself appropriately and in line with its objective: to create and deliver value for shareholders."

Investment market and media enquiries

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Refer Attachment – Appendix 4D for detailed financial commentary of the results.
Iluka's website contains presentational material associated with the half year results – refer **www.iluka.com**

Forward Looking Statements

This announcement 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.

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- 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
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