

16 August 2017

Half-Year Results to 30 June 2017

Key features

- Strong free cash flow of \$180 million and net debt reduced by 40% to \$305 million
- Underlying EBITDA increased 147% to \$155 million
- Sales volumes of high value products zircon, rutile and synthetic rutile (Z/R/SR) up 43%
- Zircon Premium and Standard weighted average price increased 7% to US\$871 per tonne
- Rutile prices up 4% to US\$741 per tonne
- Impairment charge of \$151 million in relation to the Hamilton mineral separation plant (MSP), as announced on 21 June 2017, which will be placed on care and maintenance
- Restructure, redundancy and rehabilitation costs of \$14 million in relation to the Hamilton MSP
- Net loss after tax of \$82 million
- Interim dividend of 6 cps fully franked
- Restart of mining and concentrating at Jacinth-Ambrosia planned for December 2017 given improved market conditions
- Increased Z/R/SR production guidance for 2017 from 720kt to 795kt, driven by stronger zircon and rutile production

Iluka Resources Limited (Iluka) (ASX: ILU) has recorded its results for the six months ended 30 June 2017.

In the period, Iluka reported strong free cash flow of \$180 million, driven by a significant improvement in the company's operating cash flow with strengthening market conditions for zircon and titanium dioxide products. This enabled Iluka to reduce its net debt by 40% to \$305 million in H1 2017 and support an interim dividend of 6 cents per share, fully franked.

Iluka recorded a loss after tax of \$82 million for H1 2017, due largely to the \$106 million post tax (\$151 million pre-tax) impairment of the Hamilton mineral separation plant (MSP), which will be placed on care and maintenance from October 2017. Going forward, the Nargulu MSP is considered sufficient for processing all expected Australian heavy mineral concentrate production. Underlying EBITDA, which removes the impact of this impairment charge, significantly increased to \$155 million (H1 2016: \$63 million).

Iluka Managing Director Tom O'Leary said "These results reflect improved market conditions for both zircon and titanium dioxide products. Iluka's cash flow generation was a highlight for the half, with operating cash flows up \$209 million to \$194 million; and free cash flow of \$180 million. This enabled a significant reduction in net debt and a return to moderate gearing levels of 23 per cent following the acquisition of Sierra Rutile in December 2016."

"The profit result reflects the decision announced in June to consolidate Iluka's Australian processing operations and idle the Hamilton plant, resulting in a one-off impairment charge. However, the significant improvement in the underlying result is encouraging and has enabled Iluka to announce an interim dividend to shareholders of 6 cents per share, fully franked."

"I am pleased that the company reduced non production cash costs and made some good progress with Sierra Rutile during its first six months under Iluka's ownership. Integration of Sierra Rutile into Iluka is now largely complete and, while we are starting to see some higher production rates and lower unit costs, we are focused on further improvement."

Summary

\$ million	H1 2017	H1 2016	Change
Mineral sands revenue	503.6	338.4	+49%
Underlying mineral sands EBITDA	123.5	41.9	195%
MAC EBITDA	31.1	20.8	+50%
Underlying Group EBITDA ¹	154.6	62.7	+147%
(Loss) profit for the period (NPAT)	(81.5)	(20.9)	-290%
Operating Cash Flow	193.9	(15.5)	n/a
Free Cash Flow ²	180.2	(50.6)	n/a
Dividend – interim (cps)	6	3	+100%

\$ million	At 30 June 2017	At 31 Dec 2016	Change
Net debt	304.6	506.3	-40%
Net gearing ratio	23%	32%	n/a

Note: This is the first full reporting period for which Sierra Rutile has been included in the results following the acquisition on 7 December 2016.

Guidance and outlook

Iluka has increased its full year production guidance following revisions to mineral separation plant settings. Iluka now expects full year 2017 production of 795kt compared to 720kt previously. This includes an increase in expected zircon production to 310kt (from 275kt) and rutile to 280kt (from 240kt), while expected synthetic rutile production is unchanged at 205kt. Sales are expected to be evenly weighted across H1 and H2.

Capital expenditure guidance has been reduced to \$135 million in 2017 from \$260 million guided in January 2017, predominantly reflecting timing of spend on the Cataby project.

Mr O'Leary added "Looking at Iluka's projects, the feasibility studies for the three Sierra Rutile expansion projects at Lanti, Gangama and Sembehun are progressing well. Once executed, these projects will contribute to higher production and a lower unit cash cost of production, resulting in a more robust business through the cycle."

"In addition, we are also restarting mining at Jacinth-Ambrosia in December 2017, as planned, given improved supply and demand fundamentals."

"On the Cataby project in Western Australia, Iluka continues to engage with customers regarding off-take arrangements on appropriate commercial terms and I am encouraged by the progress we are making."

¹ Underlying Group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites. Underlying EBITDA also excludes Iluka's share of Metalysis Ltd's losses.

² Free Cash Flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.

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2017 half year results teleconference

An investment conference call will take place at 10.00am (AEST) on 16 August 2017. Dial in numbers are listed below. Please quote passcode ID: **167117#**.

For locations within **Australia** dial toll-free **1800 041 303**, or toll +61 (0)2 9001 2114.

If you are calling from another country, please use one of the following toll-free dial-in numbers:

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Other Iluka Disclosures:

The half year results briefing pack follows this announcement and will be referred to during the conference call.

The Iluka 2017 Appendix 4D has been released to the Australian Securities Exchange on 16 August 2017 and should be referred to for detailed financial commentary of the results.

All information about the half year results is also included on Iluka's website – refer www.iluka.com