2016 GUIDANCE AND FIRST HALF RESULTS

September 2016

Developed by Iluka Investor Relations to assist with modelling and reconciliation of forecasts to Iluka 1st half actuals. As is occasionally the case, broker forecasting can miss some elements of Iluka guidance and/or actual reported figures. Refer also to Iluka Simplified Profit and Loss Model 2016. All information supplied is in the public domain with all of Iluka's guidance parameters subject to the caveats published in its Key Physical and Financial Parameters disclosure of 19 February 2016 and below.

	FY 2016 GUIDANCE	1H 2016 ACTUAL	BROKER FULL YEAR ESTIMATES AS AT 12 SEPTEMBER 2016[1] (AVERAGE, MAXIMUM, MINIMUM)	COMMENTS (ALL PREVIOUSLY DISCLOSED)
Prices (US$/t)	Not guided	Zircon (Premium, Standard) – US$812/t[2] Zircon (wtd avg all products) – **US$787/t**	Zircon: avg **US$886**, max US$956, min US$804	Overall weighted average zircon price impacted by decline in Q1 prices; higher proportion of standard grade sales - 40% 1H 2016: 27% FY 2015; Premium grade sales - 47% 1H 2016: 40% FY2015.
		Rutile – **US$712/t** Synthetic rutile (SR) – not provided[3]	Rutile: avg **US$729**, max US$745, min US$700 Synthetic rutile: avg US$698, max US$750, min US$650	*As previously advised, a major proportion of Iluka's 2016 rutile and SR sales are contracted as to volume and price.*
Sales	Not guided	Zircon – 154.5kt Rutile – 57.4kt	Zircon: avg 341kt, max 370kt, min 302kt Rutile: avg 138kt, max177kt, min 108kt	
		SR – 104.5kt Ilmenite – 17.7kt	SR: avg 211kt, max 237kt, min 171kt	Iluka's synthetic rutile kiln 2 has a capacity of 200-225ktpa.Iluka would typically seek to maintain some level of inventory. 1H 2016 sales of 104kt included some volume brought forward 1H 2016 SR production of 102kt, 2H expected to be similar.
Cash production costs	~$300m	$140.7m		Trending below full year guidance. First half reflects several months of mining and concentrating at Jacinth-Ambrosia (suspended April 2016).
Other cash costs	~$190m	$99.5m - Government royalties, $9.4m - Marketing and selling costs, $18.4m - Asset sales and other income, +$0.9m - Resource development, $47.1m - Corporate and other costs, $25.5m		Resource Development costs (1H 2016 $47.1m), includes $24m expensed in 1H 2016 relating to progressing innovative mining technique at Balranald (full year guidance relating to this expenditure is $35m, i.e. expected additional expenditure to be expensed in 2H is ~$11m).
Restructure, idle capacity, rehab	~$65m	$28.4m		1H 2016 reflects idling of US operations in Dec 2015 slightly offset by restart of synthetic rutile kiln 2. 2H 2016 will be impacted by idling of Jacinth Ambrosia operations in April 2016.

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Total cash costs	~$555m	$268.6m	Avg $651m, max $732m, min $580m	
Inventory	Not guided	$51.7m drawdown		Inventory on balance sheet $755.2m Inventory expected to reduce to pre-2012 levels over ~2 years Further details on calculation of inventory impact on P&L is provided in: Modelling Methodology Briefing Paper - June 2016 Simplified Profit and Loss Model - 2016
Unit costs of goods sold per tonne of Z/R/SR	Not guided	$717/t		2015 unit COGS A$780/t of Z/R/SR, 2016 unit COGS expected to be in line with 2015 levels, although ultimately sales mix dependent. In periods of draw-down from inventory balances, the unit cost of inventory drawn has a more significant influence on COGS, than current year production costs.
D&A	~$75m	$44.1m		1H includes period of Jacinth Ambrosia operation, suspended in April 2016.
Other non-cash costs - Rehab unwind and other finance costs	~$15m	$7.2m		
Mining Area C	Not guided	$20.8m		1H 2016 iron ore prices were down 10.2% (vs 1H 2015); no capacity payments.
Capex	~$90m	$28.8	Avg $101m, max $185m, min $76m	
Tax	Not guided	$2.4m		1H 2016 tax expense on operating loss due to no tax benefit associated with: US operating loss or international exploration expenditure. Refer note 4.
Metalysis	Not guided (see comments)	$1.4m loss		Iluka increased its investment in Metalysis to 28.8 per cent, resulting in Iluka obtaining “significant influence” over this investment which entails equity accounting effective from 18 February 2016. This requires Iluka to record its share of the Metalysis earnings/losses each year and is expected to be reflected in a loss within the P&L, of an amount of ~A$5 million for 2016.

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Free cash flow	Not guided (see comments)	$(50.6)m	Avg $55m, max $177m, min $(34)m	1H 2016 impacted by: $103m increase in trade receivables, partly reflecting sales made late in the half and associated later cash collection. Refer pages 2, 10 and 25 (note 7) of Iluka 4D 30 June 2016. While free cash flow is not guided, free cash flow generation in 2016 is expected to be strongly weighted to the second half[5]
Net debt	Not guided	$124.1m	Avg $79m, max $526m, min $(70)m	
Dividend	Not guided	3.0 cents per share	Avg 14cps, max 27cps, min 3cps	FY final dividend is a Board determination in the context of Iluka's framework, which is to pay a minimum of 40% of FCF not required for investing or balance sheet activity. *A means to "calibrate" logic of full year 2016 dividend forecasts is to assume a minimum of 40% of forecast free cash flow. Some estimates in the column to the left do not accord with this logic.*

Notes

1. Based on 10 broker forecasts compiled by Iluka. Iluka makes no representation to the timeliness of these forecasts and in at least two instances do not appear to have been updated.
2. Zircon prices reflect the weighted average price for zircon premium and zircon standard, also with a weighted average price for all zircon materials, including zircon in concentrate and zircon tailings. The prices for each product vary considerably, as does the mix of such products sold period to period. For example, Iluka sold more zircon standard and zircon in concentrate in the second half of 2015 compared with the first half of 2015 and more in 2015 than 2014. In the first half of 2016, Iluka sold a higher proportion of standard product compared to premium product, relative to the first half of 2015. In the case of rutile, Iluka sells a lower titanium dioxide product, HyTi. Refer Iluka Briefing Paper, Iluka Zircon Products & Pricing Briefing Paper for further information.
3. Iluka's synthetic rutile sales are, in large part, underpinned by commercial off-take 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, typically is priced lower than natural rutile.
4. Iluka recorded an effective taxation rate of 38.2 per cent in 2015. This was above the Australian corporate tax rate of 30 per cent due to minimal tax benefits recognised for US losses of A$35.5 million incurred during 2015, combined with an increase in non-deductible expenses, specifically in relation to overseas exploration and Kenmare Resources Plc transaction costs. In simple terms Iluka has predominantly two separate tax groups: one in Australia and one in US. Iluka cannot claim tax deductions in Australia for work undertaken in the US, so in 2015 (and 2016) the US losses as well as some level of overseas exploration and marketing-related expenditure, do not reduce the tax expense of the Australian group, resulting in a higher effective tax rate for the Group. The overseas exploration expenditure in 2015 which could not be tax-effected was A$15 million. The amount in 2016 is expected to be of a similar order of magnitude.
5. While free cash flow is not guided, free cash flow generation in 2016 has been stated as expected to be weighted to the second half, due to:
   - timing of planned expenditure (first half weighted in terms of cash cost of production associated with mining and concentrating activities at Jacinth-Ambrosia and $24 million 1H expenditure related to Balranald out of an estimated $35 million for full year, to be expensed; and
   - sales revenue expected to be second half weighted as usual.

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These forward-looking statements are subject to a range of risk factors associated, but not exclusive, with 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

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