ILUKA

BRIEFING PAPER
ILUKA KEY PROFIT AND LOSS COMPONENTS

27 March 2014

As the company has done on previous occasions as an aid to understanding the methodology for the company's financials, the following explanation of the main parts of the profit and loss statement, and in particular, cost of goods sold component, is provided. The following table is designed to outline the key steps in considering P&L, based on 2013 actuals and the guidance provided for 2014 (as issued to the ASX on 21 February 2014 Key Physical and Financial Parameters 2014). It should be noted that the methodology is in accordance with generally accepted accounting principles.

This document contains no new or material information in addition to what the company has already disclosed.

As context, Iluka stated in its Key Physical and Financial Parameters document issued on 21 February:

Finished goods inventory (Z/R/SR) is expected to be drawn down in 2014. Heavy mineral concentrate (HMC) processed is expected to increase relative to 2014, but it is expected that there will be a build in HMC inventories overall based on balancing production cost and inventory reduction objectives.

If realised, the net effect of the above is expected to be an overall inventory drawdown (i.e. an expense) relating to inventory movement in 2014 (2013 and 2012 were years of positive inventory movement reflecting an inventory build rather than draw down).

Other elements of Iluka's guidance for 2014 are contained in the Key Physicals and Financials.

SUMMARY PROFIT & LOSS COMPONENTS

Iluka P&L – Main Components	**2013 Actuals**		**2014 Guidance Parameters**	
	Basis	$m	Basis	$m
Z/R/SR revenue	584.4kt @ $1,173/t (2013 average)	685.8	Sales volumes not guided nor prices	
Ilmenite & other revenue	As disclosed in December QPR and full year financials	77.3	Not guided	
Mineral Sands revenue	**As disclosed in QPR/full year results**	**763.1**		
Z/R/SR Cost of Goods Cold - COGS (cash and non cash costs ascribed to volumes sold)	584.4kt @ $896/t as per slide 7 Full Year Results and page 3 of Key Physical and Financial Parameters	(523.6)	2014 Z/R/SR COGS (hence total Z/R/SR COGS = Z/S/SR volumes x COGS)	
Ilmenite & other COGS	Imputed as difference to disclosed COGS	(20.2)	Guidance indicates ~$65 million for ilmenite and by-product costs. This represents ~$45 million increase in costs from 2013. These costs can be assumed to be expensed.	~(65)
COGS COGS is cash costs of production + D&A +/- inventory movement	Refer Note 4 of the 4E - cash costs of production - $376.1 - depreciation/amortisation – $181.3 - less inventory movement $(14.0)	**(543.4)**		
Other cash costs	Refer 4E page 5. Main elements: $15.2m – Government royalties $28.2m – Marketing and selling costs $44.9m – Resource development costs $41.2m - Corporate and other costs $0.9m - Foreign exchange losses -$2.8m - Rehabilitation and holding costs -$3.1m - Asset sales and other income	(124.5)	Refer guidance	~(150)
Restructure & idle	As disclosed in 4E page 5	(69.6)	Refer guidance	~(45)
Idle asset write down	As disclosed in 4E page 5	(40.0)	Non-recurring item	-
MAC	As disclosed in 4E page 5	87.9	Not guided	
EBIT		**73.5**		
Rehab unwind & other	Balance of disclosure in 4E page 5 (ref note 4)	(18.4)	Refer guidance	~(25)
Rehab discount change	As disclosed in 4E note 4 (non-recurring)	(18.0)	Non-recurring item	-
Net interest	As disclosed in 4E page 5	(13.1)	Not guided	
Profit before tax		**24.0**		
Tax	As disclosed in 4E p5	(5.5)		
NPAT		**18.5**		

Dr Robert Porter, General Manager, Investor Relations
Phone: +61 3 9225 5008
Mobile: + 61 (0) 407 391 829
Email: robert.porter@iluka.com

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