KEY PHYSICAL & FINANCIAL PARAMETERS ILUKA 2013
(originally issued 21 February, updated 24 July 2013)

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This document provides an indicative guide to key physical and financial parameters expected for the Iluka business in the 2013 financial year. **Some sections were updated following the issue of Iluka's June Quarterly Production Report. Sections changed are marked in bold.**

The information contained within this document is developed in the context of continuing uncertain market conditions, including the nature and pace of demand recovery in 2013 for the company's main products. As with 2012, many factors which may affect the business are outside of the company's direct control.

Iluka does not undertake to update this information regularly in part or whole, but can be expected to comment on any material variations. Iluka does not provide pricing forecasts.

The following excludes the Mining Area C iron ore royalty which contributed $72 million in EBIT in 2012.

The information is provided to assist sophisticated investors with the modelling of the company, but should not be relied upon as a predictor of future performance.

Disclaimer – Forward Looking Statements

This briefing paper contains information which is based on projected and/or estimated expectations, assumptions and outcomes.

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.

Iluka Physical Trends

Production (kt)	2012	2013 Guidance	Commentary
Zircon	343	**~280**	**220 kt guidance increased to 280 kt, reflecting demand recovery in zircon market.** Lower production reflects partial processing of concentrate produced from Jacinth-Ambrosia (SA) and Woornack, Rownack and Pirro (VIC), as well as reduced zircon production associated with the idling of Eneabba (WA). Production levels also reflect Iluka's intent to draw down on inventory of finished material before resuming more normal production.
Rutile and synthetic rutile	220 248	~200[1]	Reflects: • lower production as a result of reduced rutile output from the Woornack, Rownack and Pirro deposits, as well as reduced rutile production associated with the idling of the Eneabba mining operation. • an intention to keep SR3 kiln idled in 2013 and to idle SR2 until market demand warrants recommencement. **SR2 idled in first half 2013.**
Saleable ilmenite	386	~330	The level of product available for sale is dependent on internal synthetic rutile feed requirements, and production settings during the year at various operations.

[1] Combined rutile and synthetic rutile.

Sales Volumes (kt)	2012	2013 Guidance	Commentary
Sales (kt)			Sales are expected to be above production, but full year outcomes will be determined by the pace and strength of global demand recovery through 2013. Iluka will provide quarterly updates on sales trends with its quarterly production reports.
Zircon	213	Not guided	**First half sales of 210.9 kt. Iluka indicated it "expects a more even half to half profile…" for zircon sales.**
Rutile Synthetic rutile	105 170	Not guided	Iluka expects high grade titanium dioxide demand to build through 2013 and for total rutile and synthetic rutile **sales to be in line with 2013 production levels (~200 kt).**
Saleable ilmenite	443	Not guided	

Historical Iluka Sales Volumes – Zircon, Rutile and Synthetic Rutile

Annual Volume	2009	2010	2011	2012	2013 1H
Zircon (kt)	223	479	514	213	**211**
Rutile (kt)	139	240	266	105	**56**
Synthetic rutile (kt)	397	363	258	170	**20**
Total Z/R/SR (kt)	**759**	**1,082**	**1,038**	**488**	**287**

Iluka Financial Trends

	2012	2013 Guidance	Commentary
Cash Costs A$m			
Production costs	583	~375	Materially lower cash production costs reflect the production and asset reconfiguration activities announced by the company. Refer below for one-off restructure costs. **First half 2013 cash costs were $202 m.**
Z/R/SR unit costs A$/tonne produced	719	Not guided	Higher unit costs reflect a ~50 per cent reduction in production year-on-year. **First half cash costs were $848/t of Z/R/SR. With higher second half production, unit cash costs in second half can be expected to reduce.**
Revenue A$/t Z/R/SR sold	1,991	Not guided	**Revenue per tonne for first half was A$1,178/t.**
Other cash costs	133	~135	Includes government royalties, marketing, corporate, project product and technical development, exploration and other costs.
Restructure, idle capacity, rehabilitation & holding costs	25	**~70**[1]	This amount is an estimate based on planned asset reconfiguration activities, including redundancy costs and idling costs. **Redundancy and operational adjustment costs of $30 m incurred in the first half, which means total full year costs in the category reduced from $90 to $70 m**.
Total Cash Costs	741	**~580**	
Non Cash Costs			
Depreciation & amortisation	203	~175	
Other	28	~25	Rehabilitation unwind and other finance costs can be expected to be at a similar level to 2012.
Capital Expenditure	167	~100	

[1] **~$30 million of this estimate relates to restructure and redundancy costs associated with Iluka's production curtailment measures announced on 21 February 2013 and was committed in the first half.** Refer to Iluka's ASX release, 2013 Key Physical and Financial Parameters, 21 February 2013.

Business Commentary – Explanatory Notes

Mining Area C Iron Ore Royalty

The guidance above relates to Iluka's mineral sands business. It does not include the royalty from Iluka's ownership of BHP Billiton's Mining Area C iron ore royalty. This royalty contributed $72.3 million EBIT in 2012.

The key elements of this "in perpetuity" royalty include:

- the greater of (1) ongoing quarterly royalty payments of 1.25% of free-on-board sales revenue from the MAC royalty area (less all export duties and export taxes), or (2) A$0.25 per tonne of all ore produced from the MAC royalty area in that quarter; and
- when applicable, annual capacity payments of A$1 million per million tonne increase in the annual production level from the MAC royalty area during any 12 month period ending 30 June above the previous highest annual production level, paid within 30 days of the relevant amount of production being produced.

Cash costs of production include the following main components:

- mining and concentrating costs; transport of heavy mineral concentrate; mineral separation; synthetic rutile production and costs for externally purchased ilmenite and production overheads. This category also includes landowner royalty payments, but not Australian State Government royalties.

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Other cash costs include:

- Australian State Government royalties ($19.6 million in 2012);
- marketing and selling costs (including marketing overhead costs and port costs - $30.2 million in 2012);
- product and technical and major development costs ($13.6 million in 2012);
- exploration expenditure expensed ($29.5 million in 2012); and
- corporate and overhead support costs ($45.7 million in 2012).

Restructure costs/plant idling costs will be incurred in 2013 associated with the intention to make further changes in asset configuration. While subject to finalisation, these costs are estimated at $90 million.

Rehabilitation and holding costs for closed sites - $9.8 million in 2012.

Other non-cash costs include the unwind of the discount on rehabilitation provisions which are recognised as a liability at net present value which is reported as a finance cost.

Other Matters (not part of guidance) – inventory movement represents movement in balance sheet inventory, including D&A component. Although Iluka does not guide on this component, it comprises the movement in work-in-progress and finished goods. http://www.iluka.com/docs/mineral-sands-briefing-papers/accounting-treatment-for-inventory-movements-november-2012.pdf?sfvrsn=4

Inventory Movement

Iluka lodged an explanatory paper on inventory movements or costs of goods on its website in February 2013, explaining inventory movement methodology.

http://www.iluka.com/docs/mineral-sands-briefing-papers/2013-inventory-movements-february-2013.pdf?sfvrsn=4

In relation to inventory **draw down of finished goods in 2013**, the following is relevant:

"Iluka reported cost of goods sold for 2012 of $439.7 million, being cash and non-cash production costs of $786.6 million less an inventory increase of $346.9 million. Cost of goods sold includes costs relating to the sale of ilmenite and other products (revenue $96.0 million) but when expressed simply in terms of sales of zircon, rutile and synthetic rutile (Z/R/SR) **equals $900 per tonne (cash and non-cash costs)."**

In relation to concentrate build in 2013, the following two paragraphs are relevant:

“Iluka provides guidance on cash and non-cash costs of production, as well as finished goods production volumes, which in periods of low and stable inventory levels will be a surrogate for cost of goods sold. Finished goods production guidance for 2013 and operational settings included in the *Production Cuts and Cost Reductions* release of 21 February 2013 **indicate that HMC production will exceed the amount required to be processed to produce finished goods**; this will result in an increase in HMC and other concentrate volumes. **The inventory movement component of cost of goods sold in 2013 will therefore comprise a draw down in finished goods and an increase in work in progress** based on 21 February 2013 guidance.”

“Cost of goods sold reported in 2013 will reflect the actual mix of finished goods sold as, for example, zircon produced from Jacinth-Ambrosia has a different cost structure to that from Murray Basin or Virginia. As noted above, reported cost of sales also includes production costs attributable to ilmenite and other products sold in the year such as iron oxide, these costs form part of Iluka’s 2013 cash cost of production guidance of $375 million. The cost of goods sold is expressed simply in terms of Z/R/SR per tonne, a **small increase on the 2012 number of $900 per tonne can be expected**.”

Iluka is not in a position to guide on this matter as it is dependent on level of sales of finished goods and level of concentrate (or work in progress) build, but the two components affecting inventory movement should be recognised. The volume of concentrate build will become apparent in the Physical Flow section of the Quarterly Production Reports although note that the cost of concentrate can vary significantly between sites. ***The majority of cash andnon-cash costs that are added to inventory is associated with the production of concentrate****, with further costs being added at the transport and separation stages together with upgrade costs in the case of synthetic rutile production. It should be noted that unit cash costs of concentrate and non cash costs vary between mine sites.*

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