

**ILUKA**

Australian Securities Exchange Notice

16 July 2015

QUARTERLY PRODUCTION REPORT 30 JUNE 2015

SUMMARY OF PHYSICAL AND FINANCIAL DATA

	Jun-14 Quarter	Mar-15 Quarter	Jun-15 Quarter	Jun-14 YTD	Jun-15 YTD	Jun-15 YTD vs Jun-14 YTD
	kt	kt	kt	kt	kt	%
Production						
Zircon	96.2	65.7	97.6	174.0	163.3	(6.1)
Rutile	44.9	20.3	35.9	78.1	56.2	(28.0)
Synthetic Rutile	-	1.6	55.8	-	57.4	n/a
Total Z/R/SR Production	141.1	87.6	189.3	252.1	276.9	9.8
Ilmenite – Saleable & Upgradeable	116.6	79.6	115.5	226.8	195.1	(14.0)
Total Mineral Sands Production¹	257.7	167.2	304.8	478.9	472.0	(1.4)
Sales						
Zircon				146.3	153.4	4.9
Rutile				95.5	59.1	(38.1)
Synthetic Rutile				35.3	63.4	79.6
Total Z/R/SR Sales				277.1	275.9	(0.4)
Ilmenite				221.8	159.5	(28.1)
Total Mineral Sands Sales				498.9	435.4	(12.7)
Z/R/SR revenue \$ million	186.6	99.1	212.6	281.3	311.7	10.8
Ilmenite and other revenue \$ million	25.7	16.1	21.8	61.9	37.9	(38.5)
Mineral Sands Revenue \$ million	212.3	115.2	234.4	343.2	349.6	2.0
Revenue per Tonne of Z/R/SR Sold \$	984	1,187	1,105	1,015	1,130	11.3

All currency is Australian dollar denominated unless otherwise indicated. Iluka does not report quarterly sales volumes.

OVERVIEW

Production and sales volumes for the 6 months to 30 June 2015 were in line with expectations, while unit cash costs were below guidance and lower than 2014. Key features of the half are summarised below.

- Revenue for Iluka's main products of zircon, rutile and synthetic rutile (Z/R/SR) increased by 10.8 per cent to \$312 million compared with the previous corresponding period (first half 2014: \$281 million), reflecting overall sales volumes similar to the previous period. Revenue per tonne of Z/R/SR sold increased by 11.3 per cent to \$1,130 (first half 2014: \$1,105), mainly reflecting the lower AUD:USD exchange rate.
- Mineral sands revenue (including by-products) was \$350 million (first half 2014: \$343 million), with lower by-products revenue in the June 2015 half of \$24 million than in the previous corresponding period, associated with lower sales of iron oxide.
- Zircon sales volumes of 153 thousand tonnes for the first half were 4.9 per cent higher than the previous corresponding period, with a step up of sales volumes in the second quarter in most markets.

¹ Total mineral sands production includes ilmenite available for upgrading to synthetic rutile and that available for sale. The relative utilisation of ilmenite for upgrading or sale is more apparent with the reporting of sales volumes in the June and December quarterly reports.

- Combined rutile and synthetic rutile sales volumes of 123 thousand tonnes were marginally lower than the first half of 2014 (131 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.
- Unit cash costs of production for Z/R/SR of \$616/tonne declined by 14 per cent (first half 2014: \$719/tonne).
- Unit costs of goods sold (COGS) per tonne of Z/R/SR declined to \$821 (first half 2014: \$897).

SUMMARY CASH COST AND REVENUE PER TONNE DATA

	Jun-14 Quarter	Mar-15 Quarter	Jun-15 Quarter	Jun-14 YTD	Jun-15 YTD	Jun-15 YTD vs Jun-14 YTD %
Production Cash Costs Z/R/SR \$ million (excluding ilmenite and by-products)				181.2	170.5	(5.9)
Ilmenite concentrate and by-product costs \$ million				19.5	5.0	(74.4)
Total Cash Costs of Production \$ million				200.7	175.5	(12.6)
Unit Cash Prod Costs per tonne of Z/R/SR Produced \$ (excluding ilmenite and by- products)				719	616	(14.3)
Unit Cash Prod Costs per tonne of Z/R/SR Produced \$ (including ilmenite and by- products)				796	634	(20.4)
Unit Cost of Goods Sold per tonne of Z/R/SR Sold \$				897	821	(8.5)
Revenue per Tonne of Z/R/SR Sold \$	984	1,187	1,105	1,015	1,130	11.3
Average AUD:USD cents	93.2	78.7	77.8	91.4	78.3	(14.3)

All currency is Australian dollar denominated unless otherwise indicated. Iluka does not report quarterly prices, cash costs of COGS. For commercial and contractual reasons

PRODUCTION

Total zircon/rutile/synthetic rutile (Z/R/SR) production for the half was 277 thousand tonnes (first half 2014: 252 thousand tonnes), comprising 163 thousand tonnes of zircon (first half 2014: 174 thousand tonnes), 56 thousand tonnes of rutile (first half 2014: 78 thousand tonnes), and 57 thousand tonnes of synthetic rutile (first half 2014: no production).

In the Murray Basin, mining was completed at the Woorneck, Rownack, Pirro (WRP) deposits in March 2015. Stockpiled heavy mineral concentrate from WRP and a proportion of heavy mineral concentrate from Jacinth-Ambrosia in South Australia continued to be blended into the Hamilton mineral separation plant.

Jacinth-Ambrosia mining continued at full capacity. Jacinth-Ambrosia heavy mineral concentrate was processed at both the Narngulu mineral separation plant in Western Australia and at Hamilton in Victoria.

Mining at the Tutunup South mine in Western Australia restarted in February as a precursor to synthetic rutile kiln reactivation in March. Ilmenite produced from the mine is being used as a feed source for synthetic rutile kiln 2, with production from the kiln ahead of expectations, reflecting higher synthetic rutile kiln feed rates and plant utilisation levels.

In the United States, production from the Brink deposit was slightly below forecasts due to delays in accessing high grade sections of the ore body. The Concord mine remained idled, with recommencement of production planned from July. The mine will operate until depleted, which is expected before year end. As previously advised, mining and processing at Iluka's United States operations will be completed in 2015 (refer ASX Release, 12 December 2014).

CASH COSTS OF PRODUCTION

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 Woorneck, Rownack, Pirro in the Murray Basin, amongst other factors.

Unit cost of goods sold for the half was \$821/tonne of Z/R/SR, compared with \$897/tonne in the first half of 2014. The 2014 full year unit cost of goods sold was \$862/tonne.

MINERAL SANDS MARKETS

Market conditions remained as described in comments made at the company's Annual General Meeting (20 May 2015) and in the March quarterly production report, that is, variable demand across markets for zircon, and indications of a recovery in demand for high grade titanium dioxide feedstocks.

Zircon

The second quarter of 2015 saw improved zircon sales, following the implementation of Iluka's new pricing and payments framework towards the end of the March quarter which, as Iluka commented previously, delayed some sales.

Regional demand for Iluka's zircon during the half was characterised by:

- year-to-date sales in China in line with the same period in 2014;
- a moderation of sales in the North American market, reflecting the wind down of operations in the United States; and
- strengthening sales into Europe, to South East Asian markets and to India.

Iluka's weighted average received zircon price reflects a variety of product offerings to a range of customers. As such, price outcomes can vary period-to-period according to product and customer mix. Overall, relative to the weighted average full year 2014 zircon price of US\$1,030/tonne FOB, prevailing weighted average received prices were similar in the first half of 2015.

High Grade Titanium Dioxide

Demand from pigment markets for Iluka's high grade titanium dioxide products has increased and the majority of Iluka's high grade ore sales are now contracted for 2015, including from the recently re-started synthetic rutile kiln 2. While the total 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 taking time to rebalance their supply chains in line with the ramp up of Iluka's synthetic rutile production.

Demand for rutile in the welding market in Asia was buoyant but, conversely, demand associated with titanium metal production in China remained subdued.

Although not a major market for Iluka, demand for and prices of sulphate feedstocks remained subdued, resulting in Iluka shipping less sulphate ilmenite and ilmenite concentrate from its Murray Basin operations.

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/tonne FOB. Prices received in any period, as is the case for zircon, can vary based on product specifications (Iluka offers four products in this category grading ~90 to ~95 per cent TiO₂). For commercial and contractual reasons Iluka is not able to disclose the weighted average received price for synthetic rutile.

GROUP MINERAL SANDS PRODUCTION

The following table details Iluka's total production by product group, with the source of that production attributed to the regional operating mines and basins. Processing of final product occurs in Australia, at one of two mineral separation plants, at Hamilton, Victoria, and Narngulu, Western Australia. Iluka also has a mineral separation plant at Stony Creek in Virginia, United States. A similar table showing a 12 month comparison is on page 6. Given the integrated nature of Iluka's Australian operations, heavy mineral concentrate is capable of being processed into final product at either of the Australian mineral processing facilities. Appendix 1 provides details of the physical flows from mining operations to mineral processing facilities.

PRODUCTION

	Jun-14 Quarter	Mar-15 Quarter	Jun-15 Quarter	Jun-14 YTD	Jun-15 YTD	Jun-15 YTD vs Jun-14 YTD
	kt	kt	kt	kt	kt	%
Zircon¹						
Eucla/Perth Basin (SAWA)	65.4	49.0	74.7	119.8	123.7	3.3
Murray Basin (VIC)	22.6	7.6	15.1	38.5	22.7	(40.8)
Australia	88.0	56.6	89.8	158.3	146.4	(7.5)
Virginia (USA)	8.2	9.1	7.8	15.7	16.9	7.6
Total Zircon Production	96.2	65.7	97.6	174.0	163.3	(6.1)
Rutile						
Eucla/Perth Basin (SAWA)	8.4	7.3	9.0	13.9	16.3	17.3
Murray Basin (VIC)	36.5	13.0	26.9	64.2	39.9	(37.9)
Total Rutile Production	44.9	20.3	35.9	78.1	56.2	(28.0)
Synthetic Rutile (WA)	-	1.6	55.8	-	57.4	n/a
TOTAL Z/R/SR PRODUCTION	141.1	87.6	189.3	252.1	276.9	9.8
Ilmenite – Saleable & Upgradeable						
Eucla/Perth Basin (SAWA)	27.4	35.2	67.9	45.2	103.1	128.1
Murray Basin (VIC)	58.6	9.2	16.6	122.5	25.8	(78.9)
Australia	86.0	44.4	84.5	167.7	128.9	(23.1)
Virginia (USA)	30.6	35.2	31.0	59.1	66.2	12.0
Total Ilmenite – Saleable & Upgradeable	116.6	79.6	115.5	226.8	195.1	(14.0)
TOTAL MINERAL SANDS PRODUCTION	257.7	167.2	304.8	478.9	472.0	(1.4)

¹ Iluka's zircon production figures include small volumes of zircon attributable to external processing arrangements.

PRODUCTION – 12 MONTH COMPARISON

	12 mths to Jun-14	12 mths to Jun-15	12 mths Jun-15 vs 12 mths Jun-14
	kt	kt	%
Zircon			
Eucla/Perth Basin (SAWA)	235.8	243.4	3.2
Murray Basin (VIC)	67.8	77.2	13.9
Australia	303.6	320.6	5.6
Virginia (USA)	37.0	26.4	(28.6)
Total Zircon Production	340.6	347.0	1.9
Rutile			
Eucla/Perth Basin (SAWA)	30.4	32.0	5.3
Murray Basin (VIC)	114.1	123.2	8.0
Total Rutile Production	144.5	155.2	7.4
Synthetic Rutile (WA)	-	57.4	n/a
TOTAL Z/R/SR PRODUCTION	485.1	559.6	15.4
Ilmenite – Saleable & Upgradeable			
Eucla/Perth Basin (SAWA)	102.7	160.6	56.4
Murray Basin (VIC)	218.6	71.3	(67.4)
Australia	321.3	231.9	(27.8)
Virginia (USA)	156.1	101.8	(34.7)
Total Ilmenite –Saleable & Upgradeable	477.4	333.8	(30.1)
TOTAL MINERAL SANDS PRODUCTION	962.5	893.4	(7.2)

PLANNED PRODUCTION

West Balranald, New South Wales

Balranald and Nepean are two rutile-rich mineral sands deposits in the northern Murray Basin, New South Wales. The Balranald development, if approved, will provide the potential for approximately eight years of substantial rutile, zircon and associated ilmenite production. It is proposed that the Balranald development will utilise the existing Hamilton mineral separation plant.

Activities associated with the definitive feasibility study have continued, including the completion of an extensive hydrogeological pilot programme. Mining simulation activities have refined pre-feasibility assumptions and activities focus on optimising material movement. These works are substantially complete, and are to be followed by the detailed engineering required for project pre-execution activities. Initial test work to better assess the proportion of the ilmenite from Balranald suitable for various downstream processing technologies supports preliminary assessments and has continued during the quarter. Iluka placed on public exhibition the completed Environmental Impact Statement as part of the statutory planning process and continued to communicate and inform the community of the assessments and proposed management of the development. The timing of the Balranald project remains subject to the final results of the definitive feasibility study, environmental and other approvals and economic and market conditions.

Cataby, Western Australia

The Cataby mineral sands deposit, located north of Perth, is a deposit that is expected to produce ilmenite suitable for sale, or as a feed source for synthetic rutile production, plus material volumes of zircon and rutile. Cataby is expected to have an economic life of approximately 8.5 years.

The definitive feasibility study is complete and pre-execute activities including environmental approvals and amenity agreements are progressing on schedule.

Eucla Basin Satellite Deposits, South Australia

Iluka has undertaken a scoping study on the Sonoran, Atacama and Typhoon satellite deposits in proximity to the Jacinth-Ambrosia operation in the Eucla Basin. The pre-feasibility study is completed on Sonoran and the final report is under review.

Following the resource delineation air core drilling on the Atacama deposit in early 2014, the Atacama resource increased substantially. A further drilling programme has subsequently been completed to move the resource definition from Inferred to Indicated. Geological analysis and updated modelling is scheduled for the third quarter of 2015. The pre-feasibility works on Atacama and Typhoon remain ongoing.

Planned activities associated with the next phase of the study focus primarily on the geometallurgical characteristics and ilmenite quality of the Atacama mineral to assist in process design.

Hickory, Virginia, United States of America

The Hickory project is located in Dinwiddie County, Virginia, approximately 19 kilometres west of the existing Iluka Stony Creek mineral separation plant and includes unmined portions of the Old Hickory ore body. The Hickory project is capable of producing high quality chloride grade ilmenite and an associated zircon production stream utilising the existing mineral separation plant at Stony Creek.

The definitive feasibility study for the Hickory project has been completed and further activities suspended in accordance with Iluka's ASX Release of 12 December 2014.

Aurelian Springs, North Carolina, United States of America

The Aurelian Springs project involves a feasibility study for the potential development of a mineral sand deposit located in Halifax County, North Carolina, approximately 90 kilometres south of Iluka's mineral separation plant at Stony Creek, Virginia. The evaluation is based currently on the relocation of the Concord mining unit and concentrator plant to Aurelian Springs. The deposit is capable of producing chloride ilmenite and an associated zircon production stream.

The project has progressed to the definitive feasibility stage with permitting activities continuing in accordance with the plan, while further activities have been suspended in accordance with Iluka's ASX Release of 12 December 2014.

Puttalam, Sri Lanka

The Puttalam project focus remained on Government negotiations with respect to the legal and investment terms for the development and on a scoping study on the PQ deposit.

Refer Iluka's website (www.iluka.com) – Section: Company Overview, Projects, for more detail on these projects.

EXPLORATION

Eucla Basin, South Australia

Processing of samples from the Atacama (refer Figure 1) delineation drilling programme continued during the quarter. Work continued on updating the geological model and revising the resource estimate, which will be completed in the September quarter.

Perth Basin, Western Australia

Iluka finalised Exploration Access Agreements with land owners and occupiers for parts of E70/2464 (refer Figure 2). Iluka commenced exploration drilling on parts of E70/2464 in June and will complete the first phase drilling in July.

Canning Basin, Western Australia

Iluka commenced drilling on E40/2279, E40/2280 and E40/2283 in the Canning Basin (Figure 3). To the end of the quarter 41 holes were drilled for 2,266m. Drilling has intercepted the host Cretaceous Broome Sandstone in most holes. The drilling has established that this sediment is largely unconsolidated and consists of fine to medium grained well sorted sands with low grade (<0.5 per cent HM) mineralisation. Drilling in the September quarter will continue across widely spaced traverses to further define the stratigraphy.

Project Generation

Iluka is continuing exploration activities (from initial prospecting and tenement acquisition to drilling activity) for mineral sands in several other areas in both Australia and at early stages in numerous international jurisdictions. During the quarter, Iluka established an exploration office in Kazakhstan in order to conduct early stage exploration for mineral sands targets within the country. Drilling on Iluka-held tenements in Brazil commenced in the quarter.

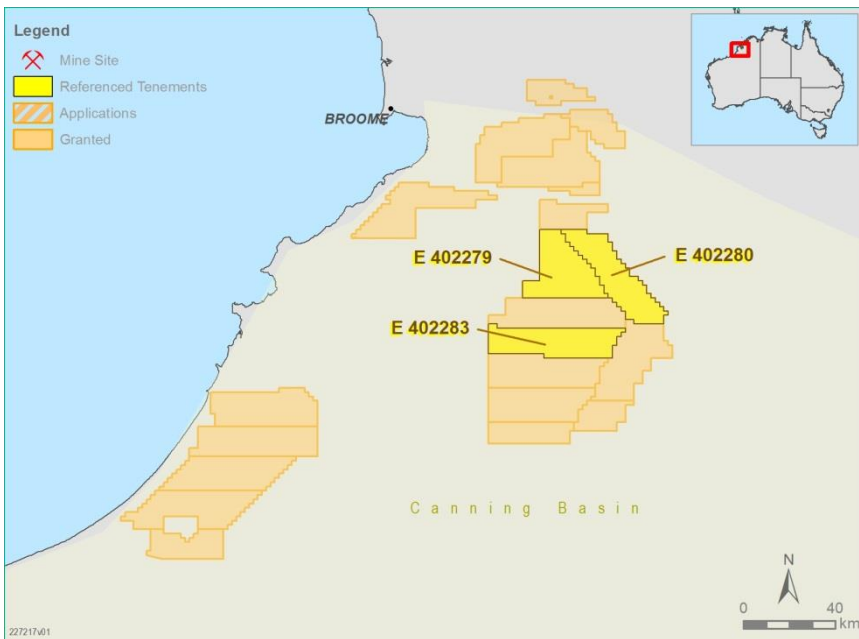
Figure 1 Eucla Basin Tenements



Figure 2 Perth Basin, Western Australia



Figure 3 Canning Basin, Western Australia



Exploration – New Commodities

Iluka has established a small team to assess non mineral sands prospectivity on its tenements, and also to evaluate other proximate opportunities. Recent activities included: completion of airborne magnetic and ground gravity surveys at the Fowler Project, located 60 kilometres north east of the Jacinth-Ambrosia mine, and finalisation of a farm-in and Joint Venture Agreement with Monax Mining in which Iluka has the right to earn 80 per cent interest in the Phar Lap Project, in South Australia by spending \$2 million over four years.

Investment market and media inquiries:

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APPENDIX 1 - OPERATING MINES – PHYSICAL DATA
6 Months to 30 June 2015

	Jacinth- Ambrosia	Murray Basin	Western Australia	Australia Total	Virginia	Group Total
Mining						
Overburden Moved kbcm	677	2,172	204	3,053	-	3,053
Ore Mined kt	4,082	567	773	5,422	1,352	6,774
Ore Grade HM %	7.7	38.9	10.1	11.3	7.6	10.6
VHM Grade %	6.9	32.2	9.5	9.9	6.4	9.2
Concentrating						
HMC Produced kt	307	144	75	526	106	632
VHM Produced kt	275	127	70	472	81	553
VHM in HMC Assemblage %	89.6	87.9	93.7	89.7	76.6	87.5
Zircon	58.4	22.9	17.3	42.8	15.5	38.2
Rutile	6.4	40.3	4.8	15.5	-	12.9
Ilmenite - Saleable & Upgradeable	24.8	24.7	71.5	31.4	61.1	36.4
HMC Processed kt	212	105	96	413	113	526
Finished Product ¹ kt						
Zircon	108.0	22.7	15.7	146.4	16.9	163.3
Rutile	13.4	39.9	2.9	56.2	-	56.2
Ilmenite - Saleable & Upgradeable	52.6	25.8	50.5	128.9	66.2	195.1
Synthetic Rutile Produced kt			57.4	57.4		57.4

An explanation of the Iluka's physical flow information can be obtained from the Iluka Investor Modelling Information document on the company's website www.iluka.com, under Investors & Media, Shareholder Information and in an October 2010 Briefing Paper, Mineral Sands Physical Flow Information. The nature of the Iluka operations base means that heavy mineral concentrate from various mining locations can be processed at various mineral separation plants.

¹ Finished product includes material from heavy mineral concentrate (HMC) initially processed in prior periods.

Explanatory Comments on Terminology

Overburden moved (bank cubic metres) refers to material moved to enable mining of an ore body.

Ore mined (thousands of tonnes) refers to material moved containing heavy mineral ore.

Ore Grade HM % refers to percentage of heavy mineral (HM) found in a deposit. In the case of Murray Basin it excludes grade attributable to low quality, unsaleable ilmenite which is returned to the mine.

VHM Grade % refers to percentage of valuable heavy mineral (VHM) - titanium dioxide (rutile and ilmenite), and zircon found in a deposit.

Concentrating refers to the production of heavy mineral concentrate (HMC) through a wet concentrating process at the mine site, which is then transported for final processing into finished product at one of the company's two Australian mineral processing plants, or the Virginia mineral processing plant.

HMC produced refers to HMC, which includes the valuable heavy mineral concentrate (zircon, rutile, ilmenite) as well as other non-valuable heavy minerals (gangue).

VHM produced refers to an estimate of valuable heavy mineral in heavy mineral concentrate expected to be processed.

VHM produced and the VHM assemblage - provided to enable an indication of the valuable heavy mineral component in HMC.

HMC processed provides an indication of material emanating from each mining operation to be processed.

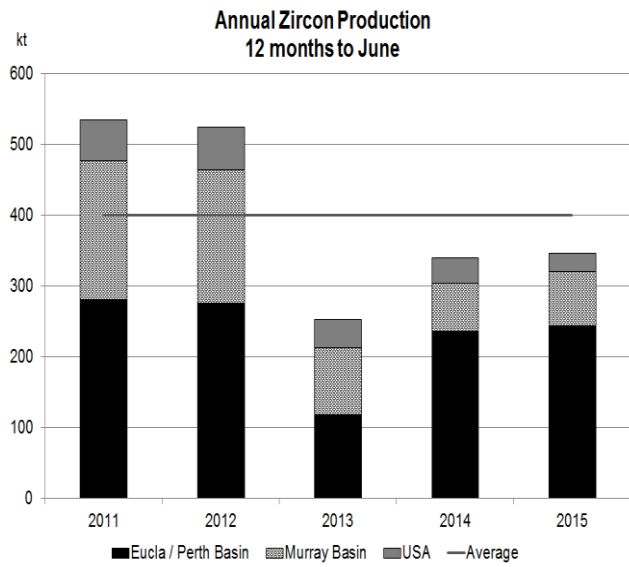
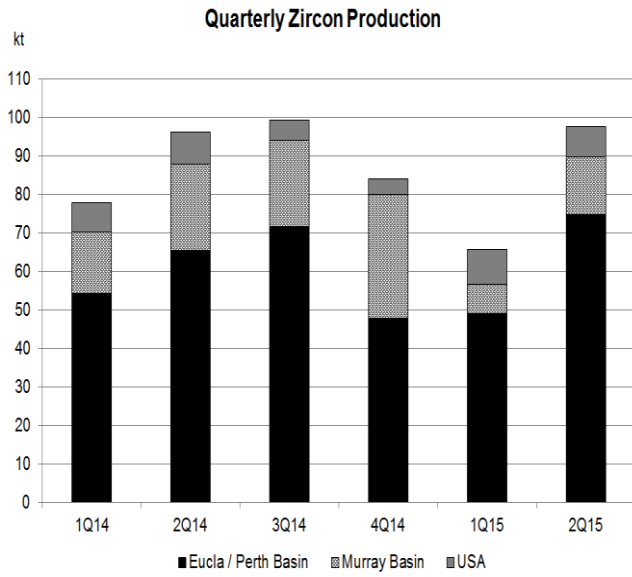
Finished product is provided as an indication of the finished production (zircon, rutile, ilmenite – both saleable and upgradeable) attributable to the VHM in HMC production streams from the various mining operations. Finished product levels are subject to recovery factors which can vary. The difference between the VHM produced and finished product reflects the recovery level by operation, as well as processing of finished material/concentrate in inventory. Ultimate finished product production (rutile, ilmenite, and zircon) is subject to recovery loss at the processing stage – this may be in the order of 10 per cent.

Ilmenite is produced for sale or as a feedstock for synthetic rutile production.

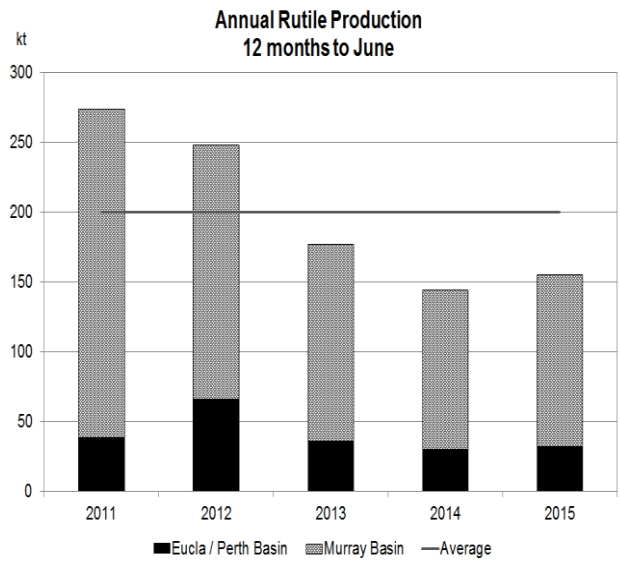
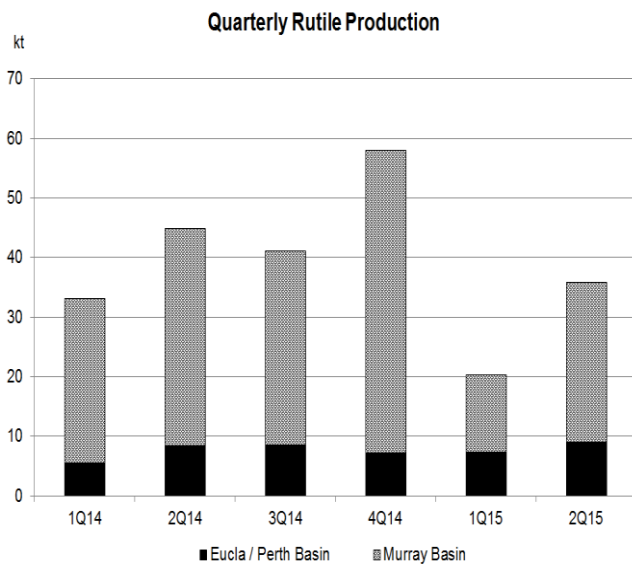
Typically, 1 tonne of upgradeable ilmenite will produce between 0.56 to 0.60 tonnes of SR. Iluka may purchase external ilmenite for a part of its synthetic rutile production requirements.

APPENDIX 2 – PRODUCTION SUMMARIES

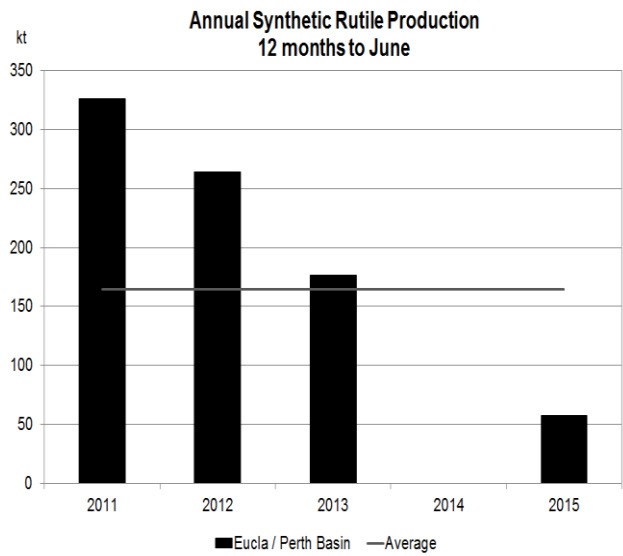
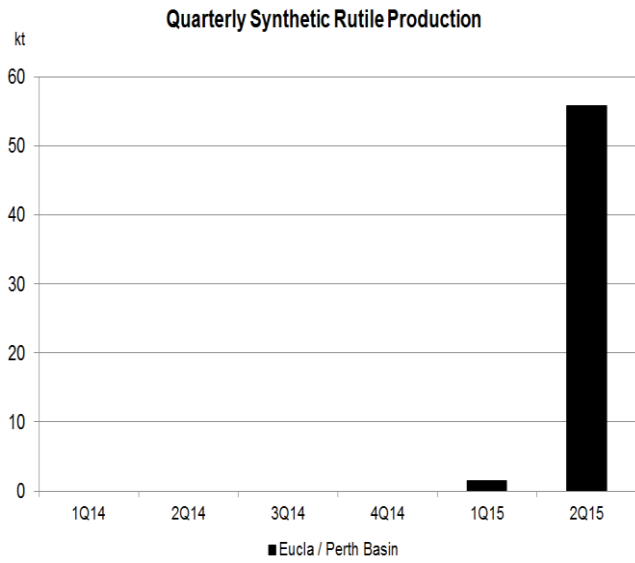
Zircon



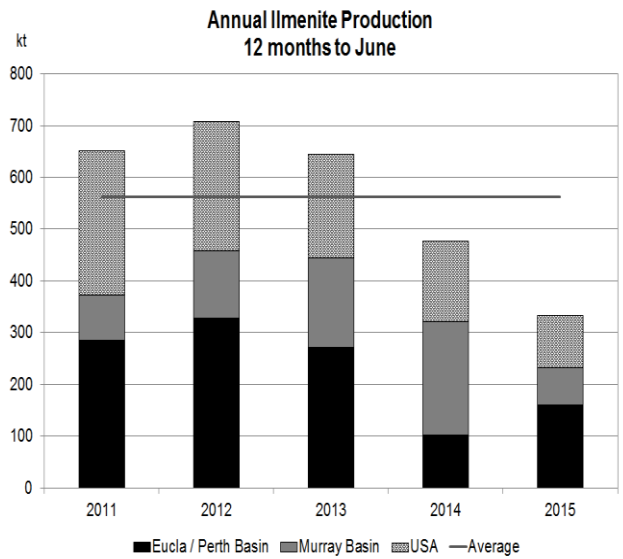
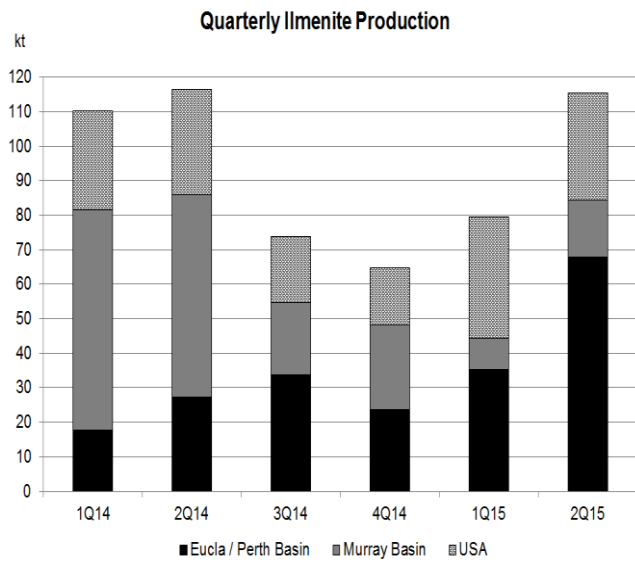
Rutile



Synthetic Rutile

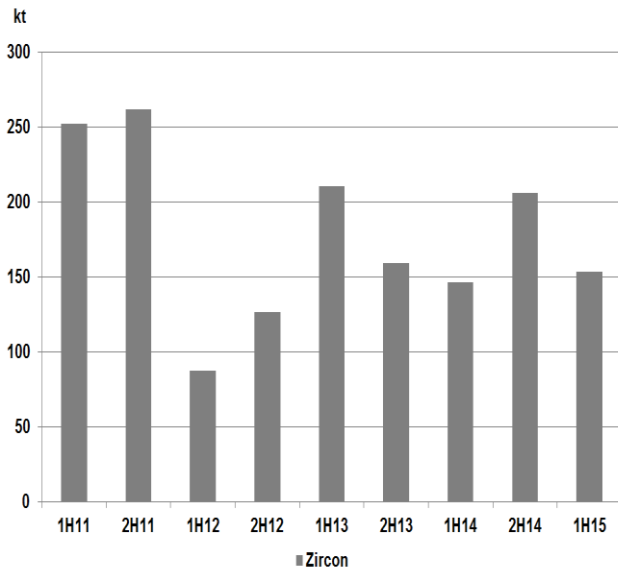


Ilmenite (upgradeable and saleable ilmenite)

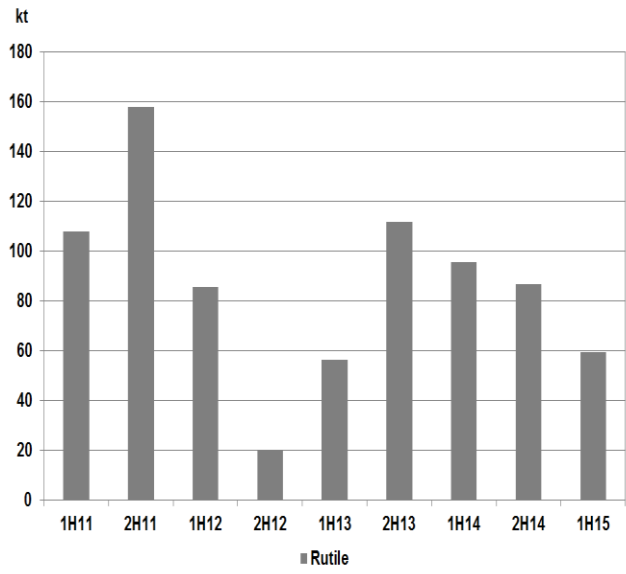


APPENDIX 3 – HALF YEARLY SALES SUMMARIES

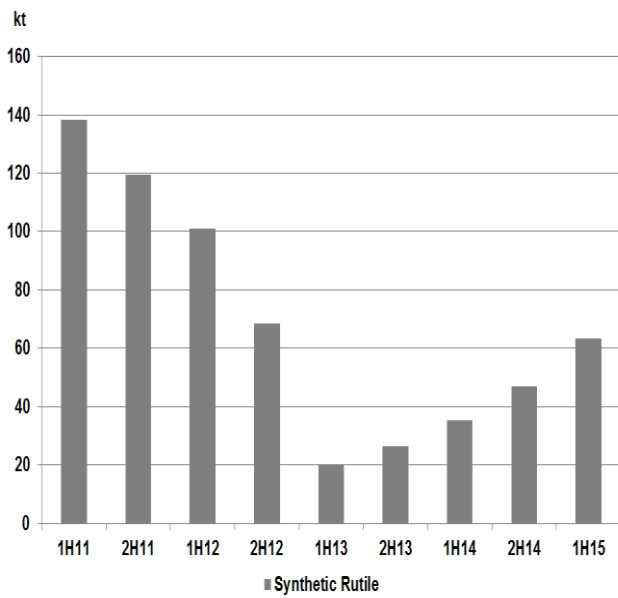
Zircon



Rutile



Synthetic Rutile



Ilmenite

