

# Iluka Resources Limited



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## 2015 Half Year Results

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# Disclaimer – Forward Looking Statements



## Forward Looking Statements

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## Non-IFRS Financial Information

This presentation uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, Group EBITDA and Group EBIT which are used to measure both group and operational performance. A reconciliation of non-IFRS financial information to profit before tax is included in the supplementary slides. Non-IFRS measures have not been subject to audit or review.

## Mineral Resources Estimates

The information in this presentation that relates to Mineral Resources estimates on the Tapira and Puttalam Projects has been previously announced to ASX (see relevant slides for details). Iluka confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed. Iluka confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.

# Key Features

- Higher production and forecast full year sales
- Safe, efficient reactivation of mine and synthetic rutile capacity
- Unit cash cost efficiencies
- Mineral sands A\$ margin expansion – cost and currency benefits
- Free cash flow generation
- Dividend payment – 6 cents per share, fully franked
- Balance sheet strength – low gearing and funding headroom
- Ongoing investment in growth options and industry/market capabilities
- Continued work on satisfaction of pre-conditions for potential Kenmare acquisition

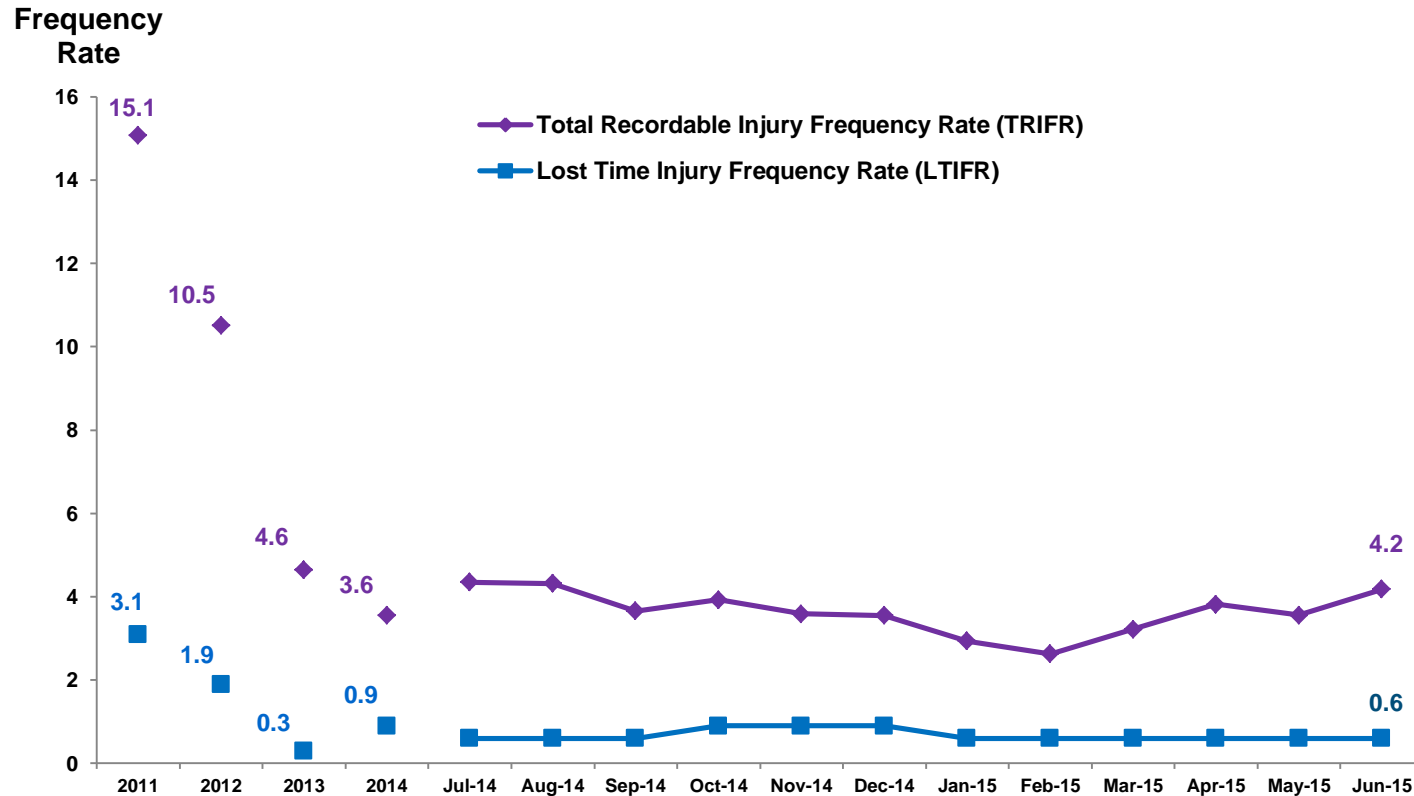
# Main Features 1H 2015 versus 1H 2014



Mineral Sands Sales Volumes	-	Z/R/SR sales down 0.4%, higher SR and zircon sales offset by lower rutile sales
Mineral Sands Revenue	↑	2.0% - increased A\$ revenue per tonne reflecting the lower AUD:USD exchange rate
Cash Costs of Production	↓	12.6% to \$175.5 million
Cost of Goods Sold	↓	\$821/tonne of Z/R/SR vs \$897/tonne
Unit Cash Costs of Production	↓	\$634/tonne (Z/R/SR) compared to \$796/tonne – reflecting 9.8% higher Z/R/SR production
Unit Cash Costs (excl. by products)	↓	\$616/tonne (Z/R/SR) compared to \$719/tonne
Revenue per Tonne	↑	11.3% to \$1,130/tonne (Z/R/SR) – lower AUD:USD exchange rate
Mining Area C EBIT	↑	\$39.0 million vs \$38.0 million – one-off receipt, higher capacity payments, offset by lower iron ore prices
Mineral Sands EBITDA	↑	6.0% to \$114.4 million
Group EBITDA Margin	-	32.7% vs 33.0%
Group EBITDA	-	\$127.2 million vs \$125.8 million
Reported Earnings (NPAT)	↑	\$20.4 million vs \$11.7 million
Return on Capital (annualised)	↑	4.7% vs 3.1%
Return on Equity (annualised)	↑	2.9% vs 1.5%
Capital Expenditure	↓	\$39.6 million vs \$42.2 million (2014 included \$18.6m re Metalysis investment versus \$4.1m in 2015)
Free Cash Flow	↓	\$39.0 million vs \$63.9 million; 9.3 cents per share vs 15.3 cents per share
Net Debt	↓	\$80.2 million vs \$155.2 million as at 30 June 2014 (\$59.0 million as at 31 December 2014)
Gearing (net debt/net debt + equity)	↓	5.4% vs 9.2% (as at 30 June 2014)
Earnings per Share	↑	4.9 cents vs 2.8 cents
Dividend	-	6 cents (fully franked) vs 6 cents (fully franked)

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# Sustainability



- Safety performance improvement maintained – continued focus
- Strong safety culture maintained with synthetic rutile kiln restart
- Australian Research Council supporting Iluka heathland rehabilitation research

# Interim Dividend

- 6 cents interim dividend fully franked payable 29 September 2015
- Equals 64 per cent of 1H free cash flow
- Cumulative 68 per cent of free cash flow since recommencement of dividends at end 2010

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## Distribution Metrics

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1H 2015 free cash flow pay out ratio (%)	64
2010 – 30 June 2015 cumulative dividend payout ratio (%)	68
Cumulative free cash flow returned to shareholders (\$m)	635
Cumulative cents per share returned to shareholders (cents)	152
Cumulative retained free cash flow (\$m)	303

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(1) Free cash flow adjusted to align cash tax payments with corresponding earnings period.

- Dividend payment consistent with Iluka's stated framework:
  - pay a minimum 40 per cent of FCF not required for investing or balance sheet activity
  - distribute maximum practicable available franking credits

# Summary Group Results



\$m	1H 2015	2H 2014	1H 2014	1H 2015
				vs 1H 2014 % change
<b>Mineral sands revenue</b>	<b>349.6</b>	<b>381.7</b>	<b>343.2</b>	<b>2.0</b>
<b>Mineral sands EBITDA</b>	<b>114.4</b>	<b>130.7</b>	<b>107.9</b>	<b>6.0</b>
Mining Area C royalty	39.0	28.4	38.0	2.6
<b>Group EBITDA</b>	<b>127.2</b>	<b>131.2</b>	<b>125.8</b>	<b>1.1</b>
Group EBITDA margin %	32.7	32.0	33.0	(0.9)
Depreciation and amortisation	(83.6)	(97.2)	(94.1)	11.2
Impairment expense	-	(82.0)	-	n/a
<b>Group EBIT</b>	<b>43.5</b>	<b>(48.2)</b>	<b>31.5</b>	<b>38.1</b>
Net interest and financing costs	(15.7)	(17.5)	(14.3)	(9.8)
<b>Profit (loss) before tax</b>	<b>27.8</b>	<b>(65.7)</b>	<b>17.2</b>	<b>61.6</b>
Tax (expense) benefit	(7.4)	(8.5)	(5.5)	(34.5)
<b>Profit (loss) after tax</b>	<b>20.4</b>	<b>(74.2)</b>	<b>11.7</b>	<b>74.4</b>
EPS (cents per share)	4.9	(17.8)	2.8	75.0
Free cash inflow (outflow)	39.0	132.4	63.9	(39.0)
<b>Free cash inflow (outflow) (cents per share)</b>	<b>9.3</b>	<b>31.6</b>	<b>15.3</b>	<b>(39.0)</b>
Dividend – fully franked (cents per share)	6.0	13.0	6.0	0.0
<b>Net debt</b>	<b>(80.2)</b>	<b>(59.0)</b>	<b>(155.2)</b>	<b>48.3</b>
Gearing (net debt /net debt + equity) %	5.4	4.0	9.2	40.9
Return on capital % (annualised)	4.7	(2.1)	3.1	54.3
<b>Return on equity % (annualised)</b>	<b>2.9</b>	<b>(4.4)</b>	<b>1.5</b>	<b>92.7</b>
Average A\$/US\$ exchange rate	78.3	89.1	91.4	14.3



# Mining Area C Royalty

1H 2015 versus 1H 2014



		1H 2015	1H 2014	1H 2015 vs 1H 2014 % change
Sales volumes	mdmt	27.5	25.9	6.4
Implied price	A\$/t	74.8	114.3	(34.5)
Net Royalty income	\$m	25.6	37.0	(30.9)
Annual capacity payments <sup>1</sup>	\$m	3.0	1.0	200.0
Agreement modification one-off receipt <sup>1</sup>	\$m	10.4	-	n/a
Iluka EBIT	\$m	39.0	38.0	2.6

(mdmt = million dry metric tonnes)

- Royalty EBIT to 30 June increased 2.6 per cent to \$39.0 million
  - higher capacity payments of \$3.0 million (1H 2014: \$1.0 million)
  - a one-off payment of US\$8.0 million as part of revised royalty arrangements
  - largely offset by reduction in iron ore prices
- Revised royalty rate arrangements
  - increased revenue base upon which royalty is payable
  - decreased rate from 1.25 per cent to 1.232 per cent

<sup>1</sup> Revenue recognised in 1H 2015, cash payment received 2H 2015.



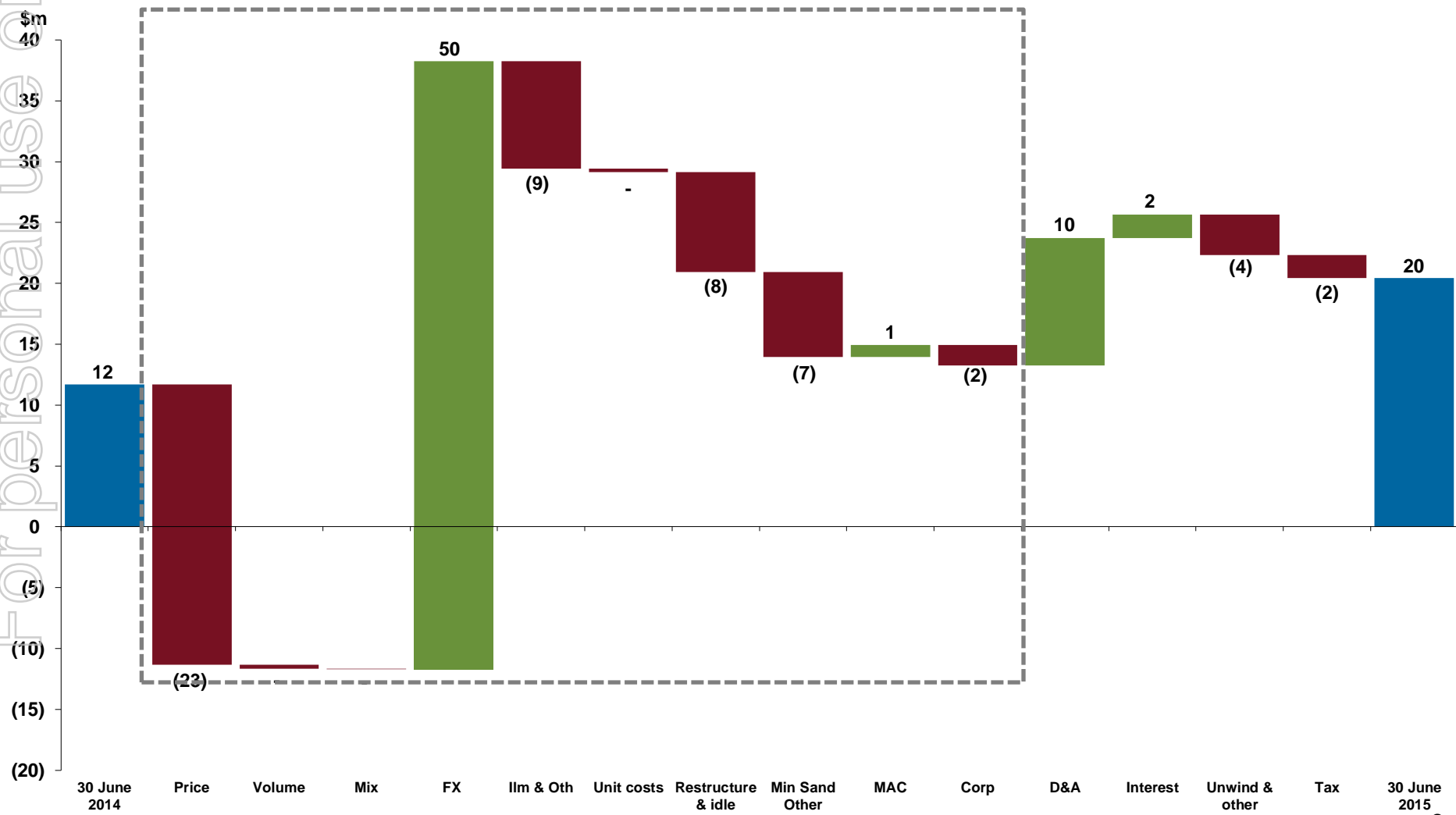
# Net Profit after Tax

1H 2015 versus 1H 2014



EBITDA increased \$1.4 million to \$127.2 million  
Group EBITDA margin 32.7 per cent

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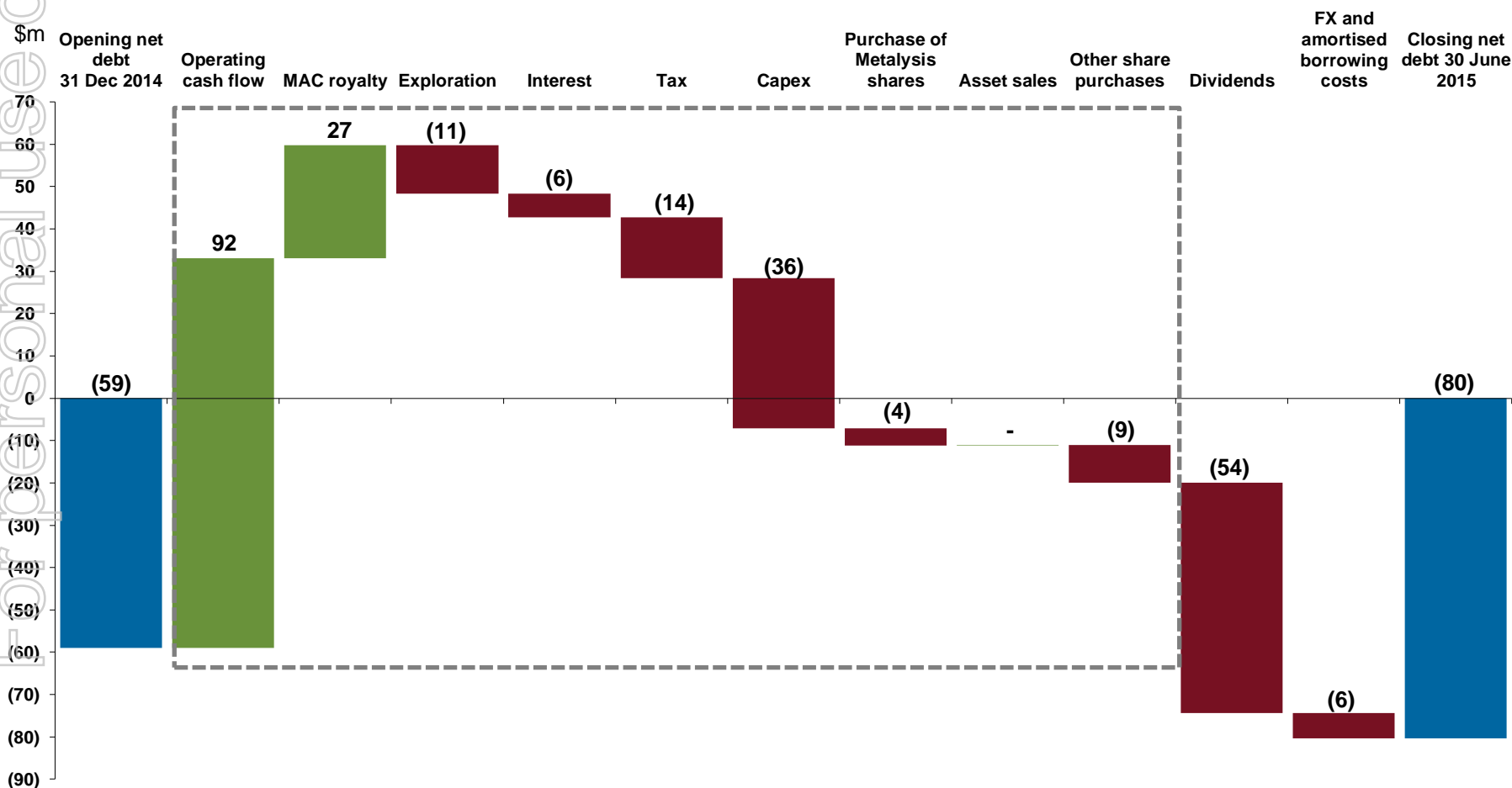


# Net Debt Movement

1H 2015



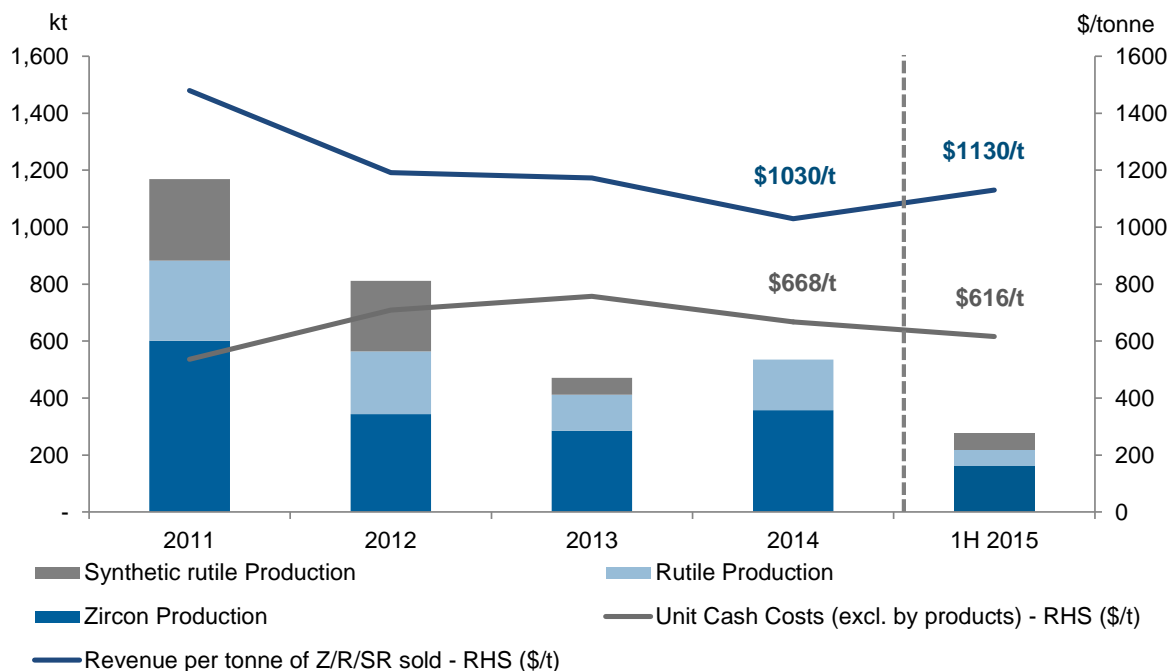
1H 2015 free cash inflow \$39.0 million



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# Unit Cash Costs and Revenue

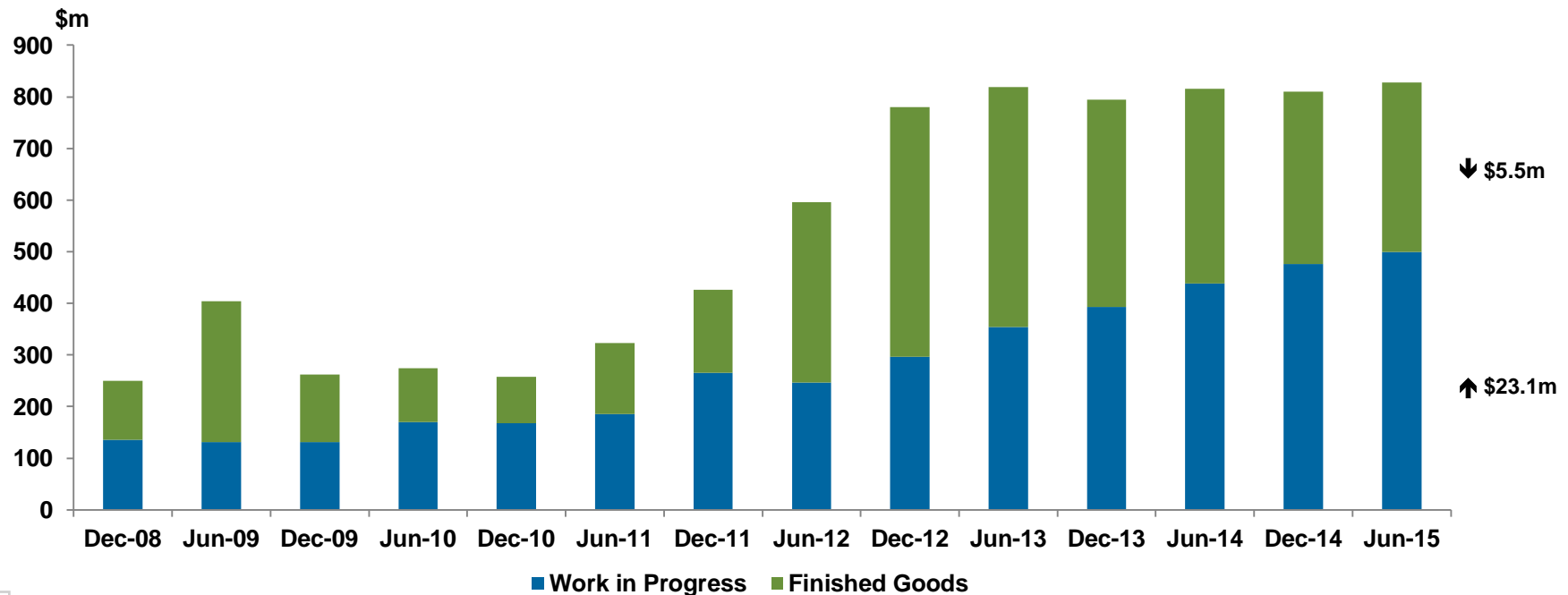
Production, Revenue per tonne Sold and Unit Cash Costs



- Unit cash costs (excluding by-products) decreased 14.3 per cent to \$616/tonne
  - unit cash costs (including by-products) decreased 20.4 per cent to \$634/tonne
- Higher average A\$ revenue per tonne sold (1H 2015: \$1,130/tonne) – improved margins
- Mineral Sands EBITDA margin 32.7 per cent (Group EBITDA margin 32.7 per cent)
- Lower 1H by-product costs of \$5.0 million - decreased sales of iron concentrate

# Inventory

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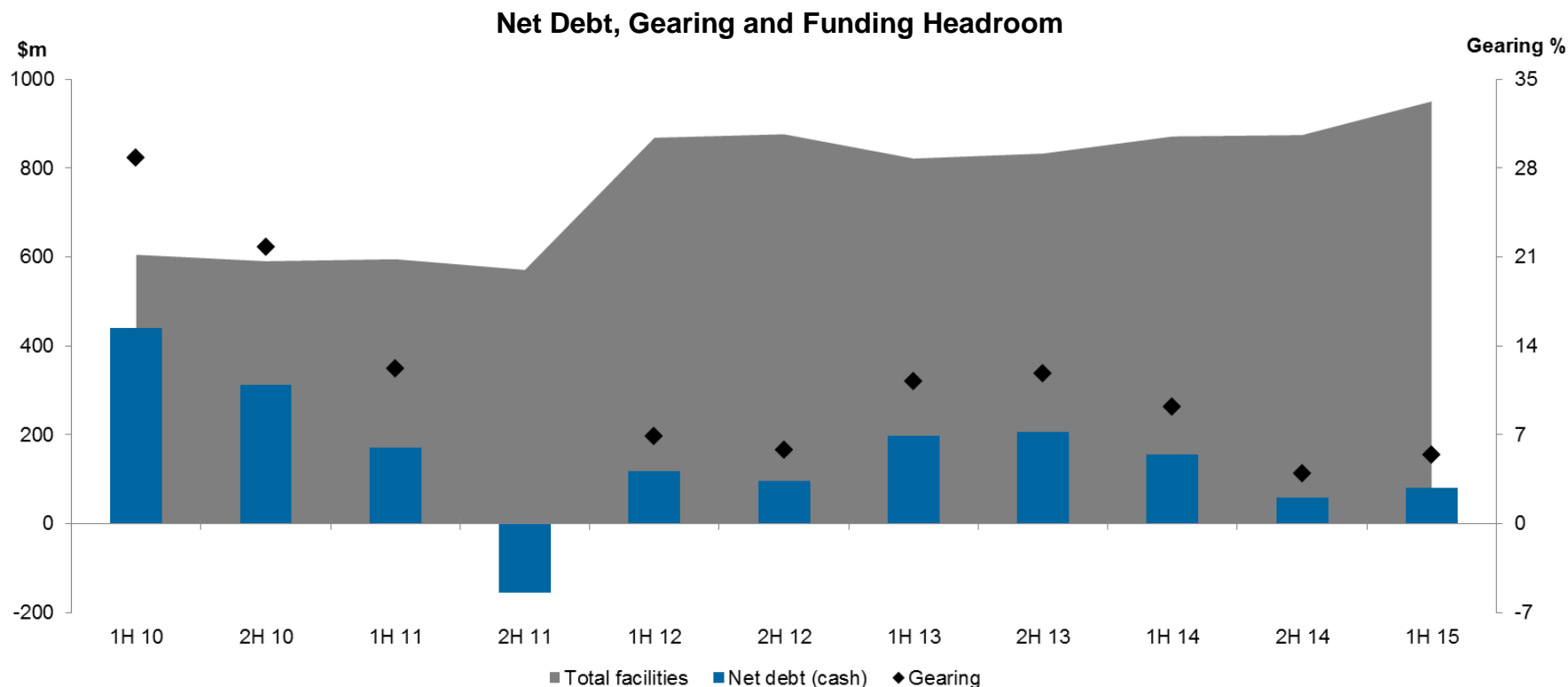


- Total inventory at 30 June 2015 was \$827.8 million (31 December 2014: \$810.2 million)
- Finished goods inventory decreased \$5.5 million
- Work in progress and other inventory<sup>1</sup> increased by \$23.1 million
- Net inventory increase for 1H 2015 of \$17.6 million

<sup>1</sup> Heavy mineral concentrate, work in progress, ilmenite and consumables

# Balance Sheet

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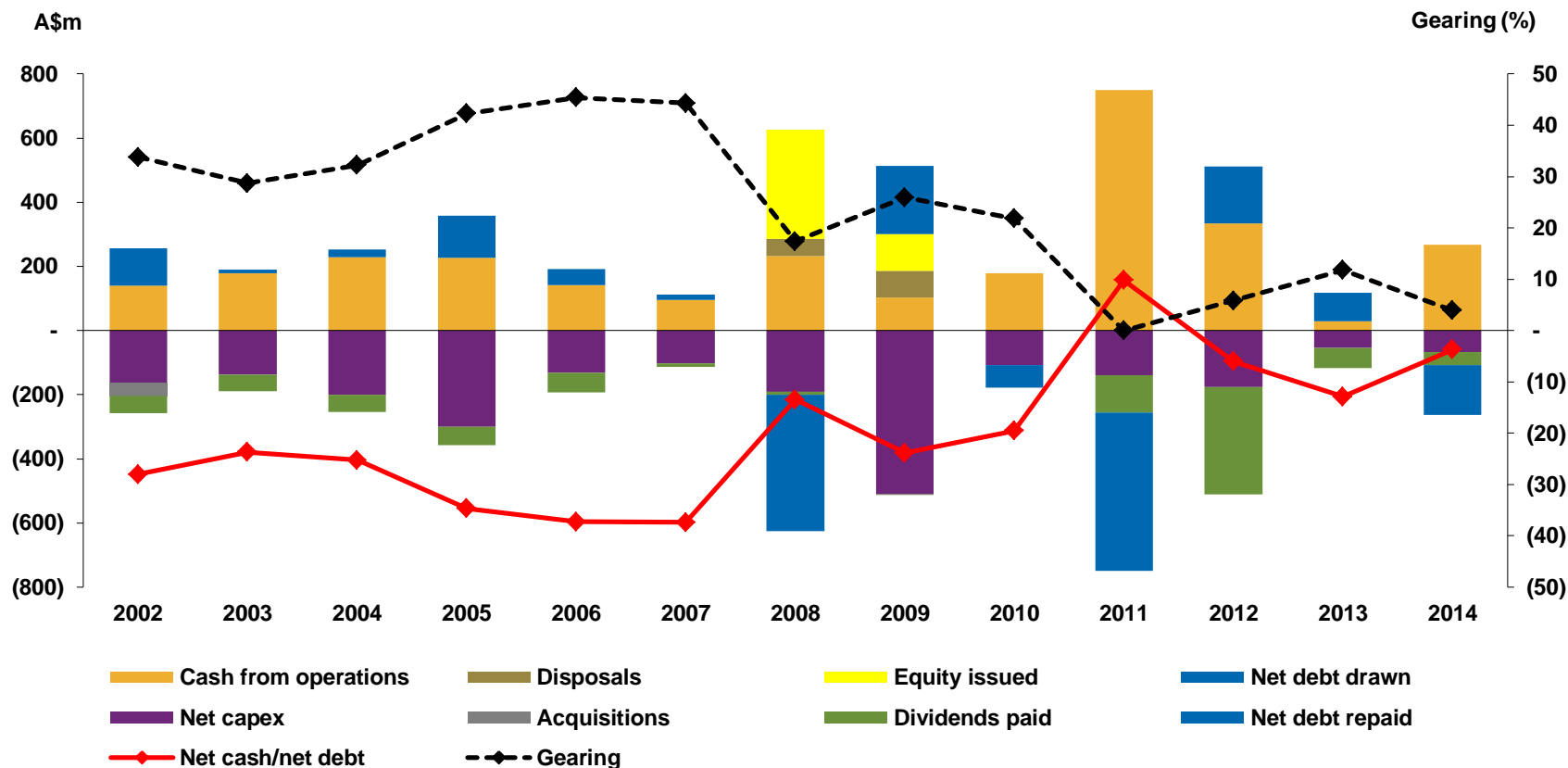


## Balance sheet strength maintained

- net debt (as at 30 June 2015) of \$80.2 million
- gearing (net debt/net debt + equity) 5.4 per cent
- undrawn facilities of \$784.9 million with total facilities of \$950.0 million
- \$100.0 million in facilities added in 1H 2015

# Sources and Uses of Cash

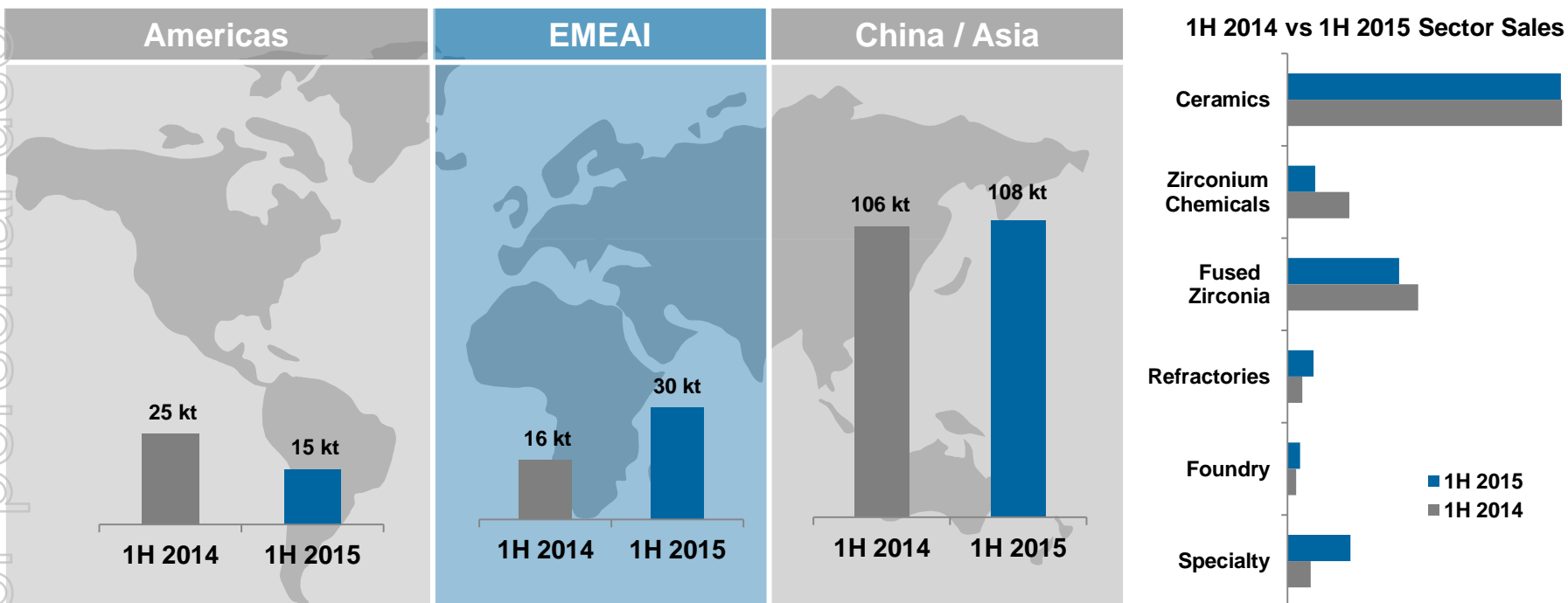
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- Efficient capital management approach evident since 2007
- Debt reduced – balance sheet strength restored
- Cash surplus to investing and balance sheet management returned to shareholders
  - 68 per cent of free cash flow returned since 2010 (\$635 million, \$1.52 per share)

# Zircon Market Update

- Zircon sales up 5 per cent on previous corresponding period
- 1H 2015: 153.4 thousand tonnes (1H 2014: 146.3 thousand tonnes)
- 2015 sales 2H weighted per usual seasonal patterns



- Americas (North and South) demand lower as Iluka's customers adjust to idling of Virginia operations
- Weakness in US offset by higher European sales in both ceramic and non-ceramic sectors
- Sales into China and Asia stable year-on-year; sales to ceramics sector remain consistent
- July sales in line with expectations; higher proportion of standard grade and decision to monetise zircon concentrate in 2H
- Positive response to new Iluka pricing and payments framework



# Zircon Market Update

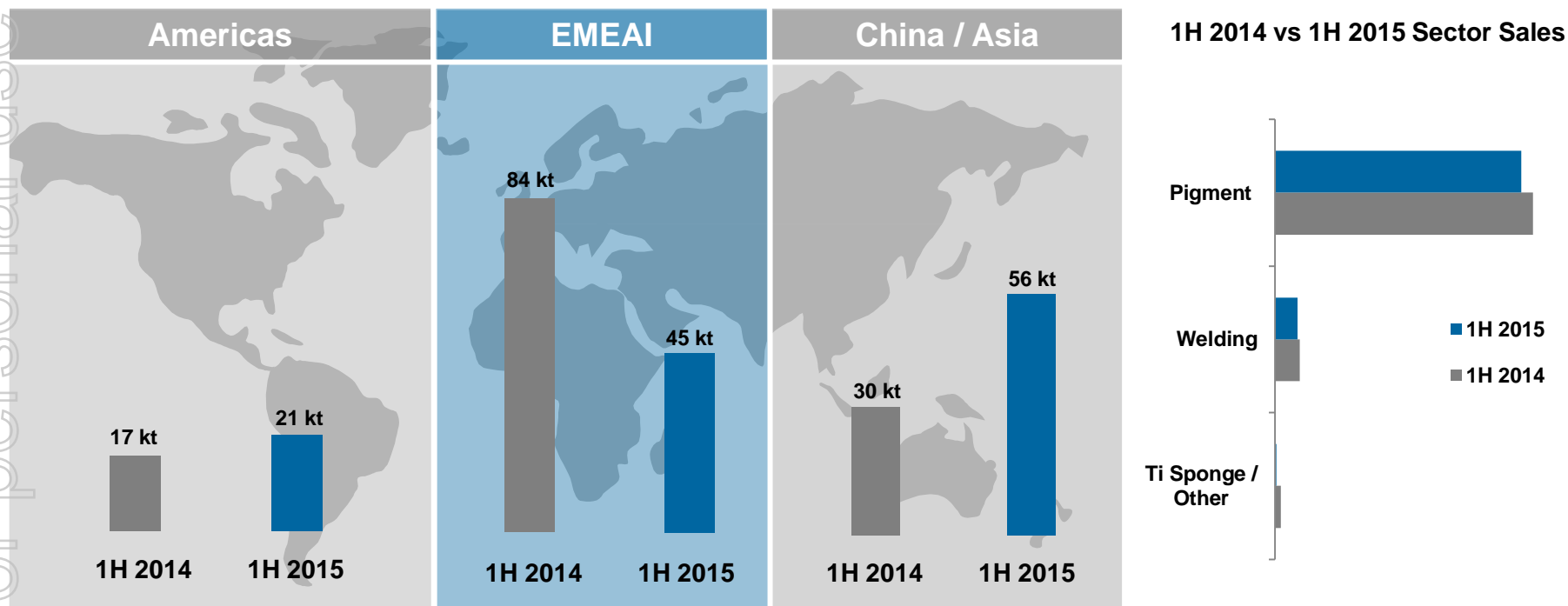


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REGION	
<b>Americas</b>	<ul style="list-style-type: none"> <li>• US markets exhibiting variable demand</li> <li>• Despite Virginia idling, Iluka continues to be supported by key accounts</li> </ul>
<b>Europe / Middle East / Africa / India</b>	<ul style="list-style-type: none"> <li>• Weaker Euro benefiting European exporters - increased sales expected from select customers</li> <li>• Spanish market continues to grow with strong frit production as does Middle East</li> </ul>
<b>China / Asia</b>	<ul style="list-style-type: none"> <li>• Positive signs of growth from major Chinese customers investing in expansions despite cautious sentiment overall</li> <li>• Iluka sales increasing as some consumers move away from less reliable alternatives</li> </ul>
SEGMENT	
<b>Ceramics</b>	<ul style="list-style-type: none"> <li>• Ceramic demand remains stable - shift towards glazed tiles influenced by digital printing</li> <li>• Iluka has strong position with fit-for-purpose products (premium and other grades)</li> </ul>
<b>Fused Zirconia</b>	<ul style="list-style-type: none"> <li>• Overall market stable with China and Europe steady due to ceramic pigment demand</li> <li>• Some easing in US</li> <li>• Iluka well positioned with the major global producers</li> </ul>
<b>Chemicals</b>	<ul style="list-style-type: none"> <li>• Market centered in China where ZOC producers face weak conditions and excess capacity</li> <li>• Robust market fundamentals over medium term given array of end applications – consumer/industrial</li> </ul>
<b>Refractory and Casting</b>	<ul style="list-style-type: none"> <li>• Steel refractory based demand weak due to steel industry dynamics</li> <li>• Glass refractory demand weak due to current overcapacity – growth in smart glass demand a positive</li> </ul>
<b>Specialty</b>	<ul style="list-style-type: none"> <li>• Iluka working closely with several new users to develop unique applications</li> </ul>

# High Grade Feedstocks Market

- Rutile / synthetic rutile sales: 1H 2015: 122.5 thousand tonnes (1H 2014: 130.8 thousand tonnes)
- Increased sales of HGO<sup>1</sup> in Americas and Asia partially offsetting declines in EMEAI



- 1H 2015 volumes reflect ramp up of shipments of synthetic rutile following March restart of Iluka production
- Full year sales weighted to 2H with majority of synthetic rutile and rutile sales contracted
- Rutile sales will continue on an allocation basis aligned to production

<sup>1</sup> HGO (High grade ore) refers to feedstocks with greater than 80 per cent TiO<sub>2</sub> content. Iluka's HGO products include rutile, HyTi and synthetic rutile and are sold for use in chloride process.

# Titanium Feedstock Market



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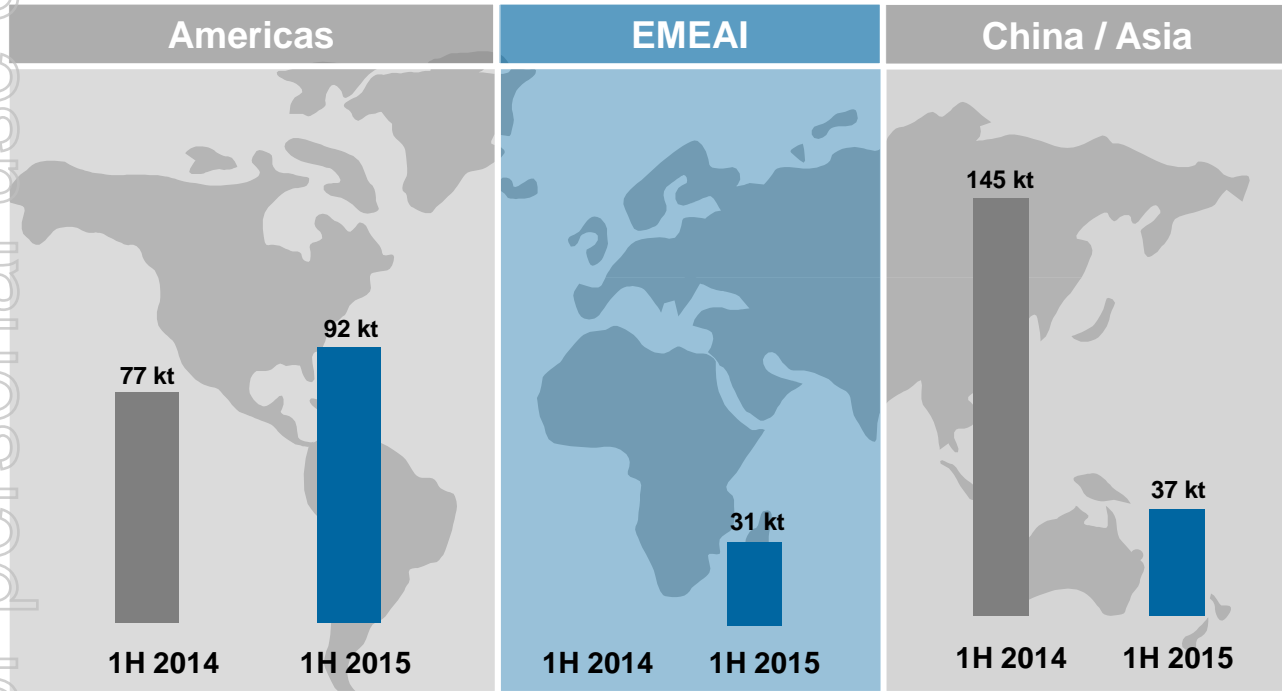
REGION	
<b>Americas</b>	<ul style="list-style-type: none"> <li>• Sales stable and fundamentals exist for increased demand                             <ul style="list-style-type: none"> <li>– US existing home sales and renovations strong</li> </ul> </li> <li>• New pigment capacity coming on line expected to increase demand for feedstocks</li> </ul>
<b>Europe / Middle East / Africa / India</b>	<ul style="list-style-type: none"> <li>• Capacity utilisation quoted as high 80 per cent range</li> <li>• Iluka positioned to take advantage of increased sales in Euro zone</li> </ul>
<b>China/Asia</b>	<ul style="list-style-type: none"> <li>• Positive signs emerging in China property sector (sales volumes, inventory falling, time to occupancy)</li> <li>• Iluka well positioned to benefit from China pigment plant consolidation and adoption of chloride pigment technology</li> </ul>
SEGMENT	
<b>Pigment</b>	<ul style="list-style-type: none"> <li>• Weakness in western pigment manufacturers' results not reflective of demand for paints and coatings</li> <li>• Iluka's synthetic rutile campaign largely underpinned by contracts</li> </ul>
<b>Welding</b>	<ul style="list-style-type: none"> <li>• Shipbuilding influencing continued demand in Asia although some slowing in Western activity</li> <li>• Continued strong demand from premium welding - Iluka's rutile highly regarded</li> </ul>
<b>Ti Metal</b>	<ul style="list-style-type: none"> <li>• China weak demand offset by other countries</li> <li>• Low inventory of scrap sponge driving an increase in production</li> <li>• New aircraft build supports increased demand</li> </ul>



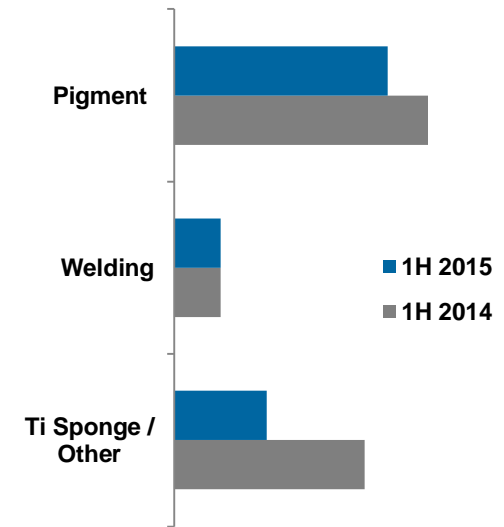
# Low Grade Feedstocks

## Chloride and sulphate ilmenites

- Americas and EMEAI sales strong vs weak China market



1H 2014 vs 1H 2015 Sector Sales



- Depressed sulphate ilmenite pricing continues to impact seaborne ilmenite sales into China
  - including Iluka's sales of sulphate ilmenite and ilmenite in concentrate from Murray Basin (not a major part of Iluka volumes)
  - Iluka selling less Murray Basin ilmenite in light of market conditions
- Titanium metal sponge market in China running at 25 per cent capacity utilisation

Note: Low grade feedstocks generally refers to feedstocks with 50 – 65 per cent TiO<sub>2</sub> content. Iluka's products include chloride ilmenite, sulphate ilmenite and ilmenite in concentrate which is sold for use in the chloride process, sulphate pigment process and for further processing respectively.

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# Titanium Customer Offering



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- Iluka is unique in that it can offer customers a full range of titanium product grades
- Committed to providing benefits to customers through technical collaboration
- China Technical Centre development continues
  - site selection delayed to accommodate Environmental Impact Assessment requirements
  - equipment and laboratory design progressing
  - technical personnel assisting customers with commissioning and product development
- ASSR product development
  - continued work for soluble high grade ore for China and Europe sulphate markets
  - production scale trial set for early 2016 (deferred due to demand for synthetic rutile)
  - encouraging customer interest to test production scale quantities
  - attendant production efficiency and environmental benefits

# Marketing Update



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- Production – flexible, demand following
- Sales strategy – continued focus on volume growth in line with market demand
- Focused – on sectors and geographies where Iluka can bring additional value
- First mover – will continue to position in markets/segments where Iluka sees growth potential
  - early mover into infrastructure, well established in China
  - now positioning (markets, warehouses, logistics) in other emerging economies
  - presence in key regional demand centres enhances knowledge of market dynamics
- Ability to react quickly to changing demand conditions
- Expanded product offering
  - design products for emerging downstream applications (e.g. digital and 3D printing)

# Preserve / Advance Growth Opportunities

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## EXPLORATION



Australian and international  
\$11m spend in 1H 2015  
Tier 1 discovery focus  
Kazakhstan presence  
Brazil drilling  
Non-MS: Fowler drilling

## INTERNAL PROJECTS



Cataby:  
- DFS completed  
- timing flexibility  
Balranald:  
- EIS  
- DFS Stage 1 in progress  
Sonoran:  
- PFS completed  
Sri Lanka:  
- scoping stage

## MARKET DEVELOPMENT



Zircon pricing framework  
China Technical Centre  
Product development

## INNOVATION & TECHNOLOGY



ASSR:  
- production 1H 2016  
Metalysis:  
- feedstock customisation  
Tapira:  
- resource delineation  
- technical route evaluation



# Potential Acquisition of Kenmare Plc



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- A non-binding proposal relating to potential acquisition of Kenmare
  - all-share exchange offer
  - Kenmare shareholders to receive 0.016 new Iluka shares for each Kenmare share
- If implemented, the potential combination of Iluka and Kenmare would:
  - consolidate complementary assets, reserves and skills
  - enhance current and future production flexibility, product range and marketing
  - bring to bear Iluka's industry-specific technical expertise and market knowledge, access and reach to improve Kenmare's operations for the benefit of all stakeholders
- Iluka and Kenmare have agreed a series of steps and target deadlines towards satisfying the pre-conditions set out in the Proposal
  - detailed in Iluka ASX Release, 30 April 2015

# Business Characteristics - 2H 2015



- 2015 full year guidance parameters maintained:
  - Z/R/SR production higher than 2014
  - Z/R/SR sales may exceed 2015 production and 2014 sales
- Sales expected to be 2H weighted
- Free cash flow expected to be 2H weighted
- Lower unit cash costs – trend expected to continue with higher production
- Continued strong balance sheet

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# Iluka Approach

- Focus on shareholder returns through the cycle
- Flex asset operation in line with market demand
- Continue market development through the cycle
- Preserve/advance mineral sands growth opportunities
- Maintain a strong balance sheet
- Continue to evaluate/pursue corporate growth opportunities
- Act counter-cyclically where appropriate

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A close-up photograph of a metal grate, likely part of an industrial machine. The grate is composed of numerous sharp, pointed metal bars arranged in a grid pattern. The lighting is dramatic, with strong highlights and deep shadows, giving it a metallic, industrial appearance.

## Supplementary Slides

# Reconciliation of Non-IFRS Financial Information to Profit before Tax

Non-IFRS financial measures of Mineral sands EBITDA, Mineral sands EBIT, Group EBITDA and Group EBIT are highlighted in the table below, together with profit before tax.

\$m	AUS	US	Exploration & Other <sup>(1)</sup>	Mineral Sands	MAC	Corp	Group
<b>Mineral sands revenue</b>	<b>335.3</b>	<b>14.3</b>	-	<b>349.6</b>	-	-	<b>349.6</b>
Mineral sands expenses	(186.6)	(20.5)	(28.1)	(235.2)	-	-	(235.2)
Mining Area C	-	-	-	-	39.1	-	39.1
Corporate and other costs	-	-	-	-	-	(23.6)	(23.6)
Foreign exchange	-	-	-	-	-	(2.7)	(2.7)
<b>EBITDA</b>	<b>148.7</b>	<b>(6.2)</b>	<b>(28.1)</b>	<b>114.4</b>	<b>39.1</b>	<b>(26.3)</b>	<b>127.2</b>
Depreciation and amortisation	(82.6)	-	(1.0)	(83.6)	(0.1)	-	(83.7)
<b>EBIT</b>	<b>66.1</b>	<b>(6.2)</b>	<b>(29.1)</b>	<b>30.8</b>	<b>39.0</b>	<b>(26.3)</b>	<b>43.5</b>
Net interest expense	-	-	-	-	-	(5.8)	(5.8)
Rehab unwind/other finance costs	(8.2)	(0.5)	-	(8.7)	-	(1.2)	(9.9)
<b>Profit before tax</b>	<b>57.9</b>	<b>(6.7)</b>	<b>(29.1)</b>	<b>22.1</b>	<b>39.0</b>	<b>(33.3)</b>	<b>27.8</b>
<i>Segment result</i>	<i>57.9</i>	<i>(6.7)</i>	-	<i>51.2</i>	<i>39.0</i>	-	<i>90.2</i>

<sup>1</sup> Comprises exploration and resources development costs (\$23.2m) and marketing and selling costs (\$7.0m), offset by other income \$2.1m

# Production Volumes

kt	1H 2015	1H 2014	% change
Zircon	163.3	174.0	(6.1)
Rutile	56.2	78.1	(28.0)
Synthetic rutile	57.4	-	n/a
<b>Total Z/R/SR production</b>	<b>276.9</b>	<b>252.1</b>	<b>9.8</b>
Ilmenite – saleable and upgradeable	195.1	226.8	(14.0)
<b>Total production volume</b>	<b>472.0</b>	<b>478.9</b>	<b>(1.4)</b>
Heavy mineral concentrate produced	632	676	(6.6)
Heavy mineral concentrate processed	526	480	9.5

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# Sales Volumes



kt	1H 2015	1H 2014	% change
Zircon	153.4	146.3	4.9
Rutile	59.1	95.5	(38.1)
Synthetic rutile	63.4	35.3	79.8
<b>Total Z/R/SR</b>	<b>275.9</b>	<b>277.1</b>	<b>(0.4)</b>
Ilmenite	159.5	221.8	(28.1)
<b>Total sales volumes</b>	<b>435.4</b>	<b>498.9</b>	<b>(12.7)</b>

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# Mineral Sands Results



\$m	1H 2015	1H 2014	% change
Mineral sands revenue	349.6	343.2	2.0
Australia EBITDA	148.7	121.4	22.5
United States EBITDA	(6.2)	9.8	(163.3)
Exploration and other EBITDA	(28.1)	(23.3)	(20.6)
<b>Total mineral sands EBITDA</b>	<b>114.4</b>	<b>107.9</b>	<b>6.0</b>
Depreciation and amortisation	(83.6)	(94.1)	11.2
<b>Mineral sands EBIT</b>	<b>30.8</b>	<b>13.8</b>	<b>123.2</b>

# Unit Cash Costs and Revenue per tonne



		1H 2015	1H 2014	% change
Total Z/R/SR production	kt	276.9	252.1	9.8
Ilmenite – saleable and upgradeable	kt	195.1	226.8	(14.0)
Total production	kt	472.0	478.9	(1.4)
Total cash costs of production	\$m	175.5	200.7	12.6
Unit cash costs per tonne of Z/R/SR produced <sup>1</sup>	\$/t	634	796	20.4
Cost of goods sold per tonne of Z/R/SR sold <sup>2</sup>	\$/t	821	897	8.5
Z/R/SR revenue	\$m	311.7	281.3	10.8
Ilmenite and other revenue	\$m	37.9	61.9	(38.5)
Revenue per tonne of Z/R/SR sold <sup>3</sup>	\$/t	349.6	343.2	2.0

<sup>1</sup> Unit cash cost per tonne of Z/R/SR produced is determined as cash costs of production divided by total Z/R/SR production volumes.

<sup>2</sup> Cost of goods sold per tonne of Z/R/SR sold is determined as cost of goods sold divided by total Z/R/SR sales volumes.

<sup>3</sup> Revenue per tonne of Z/R/SR sold is determined as total Z/R/SR revenue divided by total Z/R/SR sales volumes.

# Cash Flow and Net Debt

\$m	1H 2015	1H 2014	2H 2014	1H 2015 vs 1H 2014 % change
<b>Opening debt</b>	<b>(59.0)</b>	<b>(206.6)</b>	<b>(155.2)</b>	<b>71.4</b>
Operating cash flow	92.1	101.9	152.9	(9.6)
MAC royalty	26.7	40.9	34.3	(34.7)
Exploration	(11.5)	(8.6)	(13.5)	(33.7)
Interest (net)	(5.6)	(6.8)	(6.0)	17.6
Tax	(14.3)	(16.9)	(10.6)	15.4
Capital expenditure	(35.5)	(23.6)	(24.7)	(50.4)
Purchase of investment in Metalysis	(4.1)	(18.6)	-	78.0
Asset sales	0.2	0.3	-	(33.3)
Share purchases	(9.0)	(4.7)	-	(91.5)
<b>Free cash flow</b>	<b>39.0</b>	<b>63.9</b>	<b>132.4</b>	<b>(39.0)</b>
Dividends	(54.4)	(16.7)	(25.1)	(225.7)
<b>Net cash flow</b>	<b>(15.4)</b>	<b>47.2</b>	<b>107.3</b>	<b>(132.6)</b>
Exchange revaluation of USD net debt	(4.6)	5.2	(10.0)	(188.5)
Amortisation of deferred borrowing costs	(1.2)	(1.0)	(1.2)	(20.0)
<b>(Decrease) / Increase in net debt</b>	<b>(21.2)</b>	<b>51.4</b>	<b>96.1</b>	<b>(141.2)</b>
<b>Closing net debt</b>	<b>(80.2)</b>	<b>(155.2)</b>	<b>(59.0)</b>	<b>48.3</b>

# Capital and Exploration Expenditure (cash)



\$m	1H 2015	1H 2014	% change
Capital expenditure	35.5	23.6	50.4
Metalysis	4.1	18.6	(78.0)
Exploration	11.5	8.6	33.7
<b>Total</b>	<b>51.1</b>	<b>50.8</b>	<b>0.6</b>

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# Summary Group Operations



		1H 2015	1H 2014	% change
<b>Production volumes</b>				
Zircon	kt	163.3	174.0	(6.1)
Rutile	kt	56.2	78.1	(28.0)
Synthetic rutile	kt	57.4	-	n/a
<b>Total Z/R/SR production</b>	<b>kt</b>	<b>276.9</b>	<b>252.1</b>	<b>9.8</b>
Ilmenite	kt	195.1	226.8	(14.0)
Heavy mineral concentrate produced	kt	632	676	(6.6)
Heavy mineral concentrate processed	kt	526	480	9.5
Unit cash cost of production – Z/R/SR	\$/t	634	796	20.4
Z/R/SR revenue	\$m	311.7	281.3	10.8
Ilmenite and other revenue	\$m	37.9	61.9	(38.5)
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>349.6</b>	<b>343.2</b>	<b>2.0</b>
Cash cost of production	\$m	(175.5)	(200.7)	12.6
Inventory movements	\$m	14.8	24.7	(40.1)
Restructure and idle capacity charges	\$m	(27.4)	(19.2)	(42.7)
Rehabilitation and holding costs for closed sites	\$m	(1.1)	(1.7)	35.3
Government royalties	\$m	(7.8)	(6.9)	(13.0)
Marketing and selling costs	\$m	(17.2)	(14.1)	(22.0)
Asset sales and other income	\$m	2.2	1.4	57.1
Resource development	\$m	(23.2)	(18.8)	(23.4)
<b>Mineral sands EBITDA</b>	<b>\$m</b>	<b>114.4</b>	<b>107.9</b>	<b>6.0</b>
Mineral sands depreciation and amortisation	\$m	(83.6)	(94.1)	11.2
<b>Mineral sands EBIT</b>	<b>\$m</b>	<b>30.8</b>	<b>13.8</b>	<b>123.2</b>
Cost of goods sold <sup>1</sup>	\$m	(239.3)	(250.3)	4.4

<sup>1</sup> Cost of goods sold is calculated as cash costs of production including by-product costs, plus depreciation and amortisation plus movement in inventory.

# Australian Operations



		1H 2015	1H 2014	% change
<b>Production volumes</b>				
Zircon	kt	146.4	158.3	(7.5)
Rutile	kt	56.2	78.1	(28.0)
Synthetic rutile	kt	57.4	-	n/a
<b>Total Z/R/SR production</b>	<b>kt</b>	<b>260.0</b>	<b>236.4</b>	<b>10.0</b>
Ilmenite	kt	128.9	167.7	(23.1)
Total production	kt	388.9	404.1	(3.8)
Heavy mineral concentrate produced	kt	526	564	(6.7)
Heavy mineral concentrate processed	kt	413	369	11.9
Unit cash cost of production – Z/R/SR	\$/t	549	712	22.8
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>335.3</b>	<b>293.1</b>	<b>14.4</b>
Cash cost of production	\$m	(142.8)	(168.2)	15.1
Inventory movements	\$m	(2.9)	31.6	(109.2)
Restructure and holding costs for closed sites	\$m	(23.0)	(19.9)	(15.6)
Government royalties	\$m	(7.8)	(6.9)	(13.0)
Marketing and selling costs	\$m	(10.2)	(8.4)	(21.4)
Asset sales and other income	\$m	0.1	0.1	-
<b>EBITDA</b>	<b>\$m</b>	<b>148.7</b>	<b>121.4</b>	<b>22.5</b>
Depreciation and amortisation	\$m	(82.6)	(83.2)	0.7
<b>EBIT</b>	<b>\$m</b>	<b>66.1</b>	<b>38.2</b>	<b>73.0</b>

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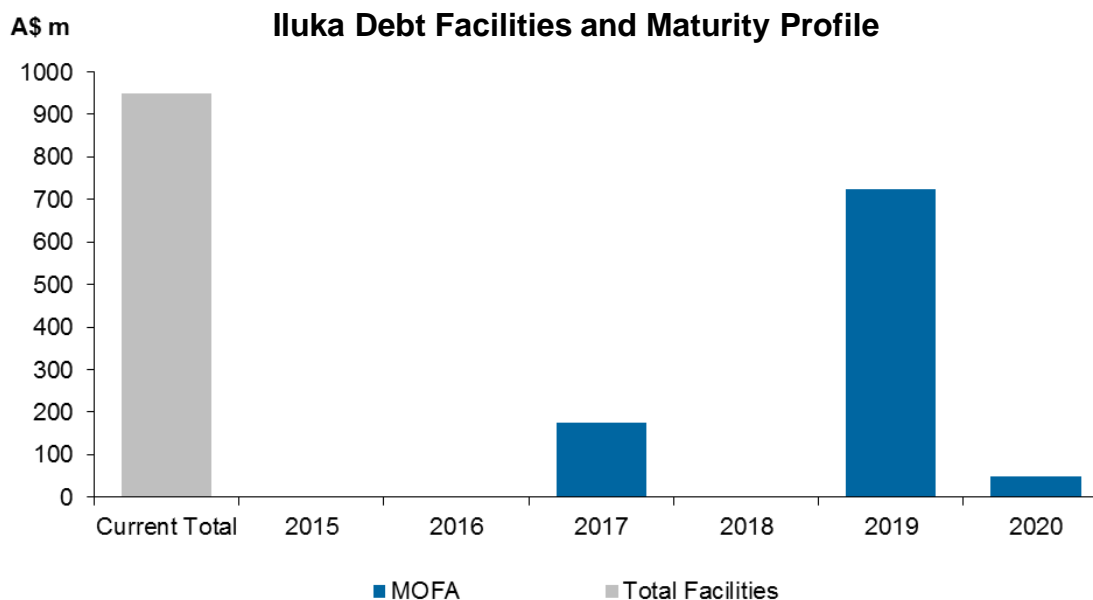
# US Operations



		1H 2015	1H 2014	% change
<b>Production volumes</b>				
Zircon	kt	16.9	15.7	7.6
Ilmenite	kt	66.2	59.1	12.0
<b>Total production</b>	<b>kt</b>	<b>83.1</b>	<b>74.8</b>	<b>11.1</b>
Heavy mineral concentrate produced	kt	106	112	(5.6)
Heavy mineral concentrate processed	kt	113	111	1.7
Unit cash cost of production	\$/t	394	434	9.4
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>14.3</b>	<b>50.1</b>	<b>(71.5)</b>
Cash cost of production	\$m	(32.7)	(32.5)	(0.6)
Inventory movements	\$m	17.7	(6.9)	356.5
Rehabilitation and idle capacity costs	\$m	(5.5)	(1.0)	(450.0)
Marketing and selling costs	\$m	-	0.1	n/a
<b>EBITDA</b>	<b>\$m</b>	<b>(6.2)</b>	<b>9.8</b>	<b>(163.3)</b>
Depreciation & amortisation	\$m	-	(9.9)	n/a
<b>EBIT</b>	<b>\$m</b>	<b>(6.2)</b>	<b>(0.1)</b>	<b>(6,100.0)</b>

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# Debt Facilities



- Significant funding headroom
  - undrawn facilities of A\$784.9 million as at 30 June 2015
  - cash and cash equivalents of A\$79.3 million
- Total facilities of A\$950.0 million with majority not maturing until 2019
  - USPP facility matured 1H 2015
- Bilateral arrangements with 12 banks
  - common terms, flexibility, “caveat light”, low cost



# Potential Acquisition of Kenmare Plc



## IMPORTANT NOTICES

The Directors of Iluka accept responsibility for the information contained in Slide 23 and the 30 April 2015 Iluka ASX Release (collectively, the Announcement). To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the Announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to the Announcement or otherwise. The distribution of the Announcement in jurisdictions outside Ireland or the United Kingdom may be restricted by law and therefore persons into whose possession the Announcement comes should inform themselves about, and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

A person interested in 1% or more of any class of relevant securities of Kenmare or Iluka may have disclosure obligations under Rule 8.3 of the Irish Takeover Rules. This requirement will continue until the offer period ends.

A copy of the Announcement will be available on the Iluka website at [www.iluka.com](http://www.iluka.com)

# Iluka Resources Limited



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