

ILUKA RESOURCES
KEY PHYSICAL & FINANCIAL PARAMETERS
2015

19 February 2015

IMPORTANT NOTE:

The following guidance was updated on 16 December 2015 and can be accessed via the following link [Full Year Physical and Financial Update](#).

This document provides an indicative guide to key physical and financial parameters expected for the Iluka business in the 2015 financial year.

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.

This information is based on Iluka forecasts and as such is subject to variation related to, but not restricted to, economic, market demand/supply and competitive factors.

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 price forecasts.

The following excludes the Mining Area C iron ore royalty. In 2014, Mining Area C contributed \$66.4 million EBIT.

The current guidance parameters supersede all previous key physical and financial parameters.

[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)	2011-2013 Average p.a.	2014	2015 Guidance	Commentary 2015 vs 2014
Zircon	410	357	~ 400	Higher planned production in 2015.
Rutile	210	177	~140	In the Murray Basin, heavy mineral concentrate (HMC) inventory will continue to be built until March, when mining will be completed at the Wornack, Rownack and Pirro mine. HMC will then progressively be drawn down.
Synthetic rutile (SR)	197	0	~140	Partial year production associated with kiln re-start in April.
Total Z/R/SR	817	534	~680	
Ilmenite	640	365	Not guided	Ilmenite produced can be sold directly, and some can be used as a feed source for synthetic rutile production.

Production and cash cost estimates are based on a full year wind down of the Virginia, US operations. In the event that an earlier idling is implemented, Iluka will advise any change in physical production and/or cash cost guidance, if material.

Sales Volumes (kt)	2011-2013 Average p.a.	2014	2015 Guidance	Commentary 2015 vs 2014
Zircon	366	352	Not guided	Iluka expects that aggregate Z/R/SR sales may exceed 2015 production as it did in 2014 and also be above 2014 total Z/R/SR sales.
Rutile	180	182		
Synthetic rutile	158	82		
Total Z/R/SR	704	616		
Ilmenite	451	317		

In addition to its main mineral sands products of zircon, rutile and synthetic rutile, Iluka also generates revenue from, and incurs production costs related to, ilmenite and by-product streams, including iron concentrate and activated carbon. In 2014, this other ilmenite and other revenue was \$90.1 million.

Five Year Historical Iluka Production Volumes

Annual Volume (kt)	2010	2011	2012	2013	2014
Zircon	413	601	343	285	357
Rutile	250	281	220	127	177
Synthetic rutile	347	285	248	59	-
Total Z/R/SR	1,010	1,167	811	471	534
Ilmenite	685	660	674	584	365

Five Year Historical Iluka Sales Volumes

Annual Volume (kt)	2010	2011	2012	2013	2014
Zircon	479	514	213	370	352
Rutile	240	266	105	168	182
Synthetic rutile	363	258	170	46	82
Total Z/R/SR	1,082	1,038	488	584	616
Ilmenite	373	570	443	337	317

Iluka Financial Trends

	2011 – 2013 Average p.a.	2014	2015 Guidance	Commentary 2015 vs 2014
Cash Costs A\$m				
Production cash costs Z/R/SR (excluding ilmenite concentrate and by- products)	520	357	~410	Cash costs of production increase ~15% (Z/R/SR production up ~28% including reactivation of a SR kiln). Higher total cost associated with higher processing costs, offset in part by lower mining costs associated with end of mining at WRP in the Murray Basin. Refer to Note 1.
Ilmenite concentrate and by-product costs	10	25	~20	Slightly lower volumes expected.
Total Cash Costs of Production	530	382	~430	
Other cash costs	132	135	~160	The figure includes ~\$40 million of cash non-production costs (mainly higher royalties and port costs) and ~\$120 million of other costs (exploration, marketing, innovation and technology, major projects and corporate costs). Refer Note 2 for elements of this item.
Restructure, idle capacity, rehabilitation & holding costs	45	40	~40	Similar to 2014 levels, as end of mining at WRP is offset by reactivation of mining at Tutunup South and SR kiln reactivation. Refer Notes 3 & 4.
Total Cash Costs	680	557	~620	
Unit Cash Costs (A\$/t) (of Z/R/SR produced, excluding by-product costs)	668	668	~605	Lower unit costs reflecting continuing cost control and higher Z/R/SR production.
Unit Cash Costs (A\$/t) (of Z/R/SR produced, including by-product costs)	685	714	~635	
Non Cash Costs				
Depreciation & amortisation	203	192	~130	Mainly associated with lower mining activity in 2015, as well as impairment of US assets, partially offset by restart of mining at Tutunup South and of SR2. Refer Note 6
Other	28	18	~20	Rehabilitation provision discount – refer Note 7.
Capital Expenditure	121	64	~120	Iluka's corporate plan (2015-2019) indicates an average ~\$250 million per annum level of capital expenditure, depending on final project scope decisions, approvals and the phasing of expenditure.

While free cash flow is not guided, free cash flow generation in 2015 is expected to be second half weighted, due to:

- capital expenditure being 1st half weighted; and
- sales revenue expected to be second half weighted.

The actual cash flow profile will be dependent upon timing of operating receipts and product pricing throughout the year.

The charts below illustrate historical production, total cash costs of production and unit cash costs, with indicative 2015 trends based on guidance parameters provided above.

Figure 1. Cash Production Costs and Unit Cash Costs – Z/R/SR (Update of Full Year Results Slide 13)

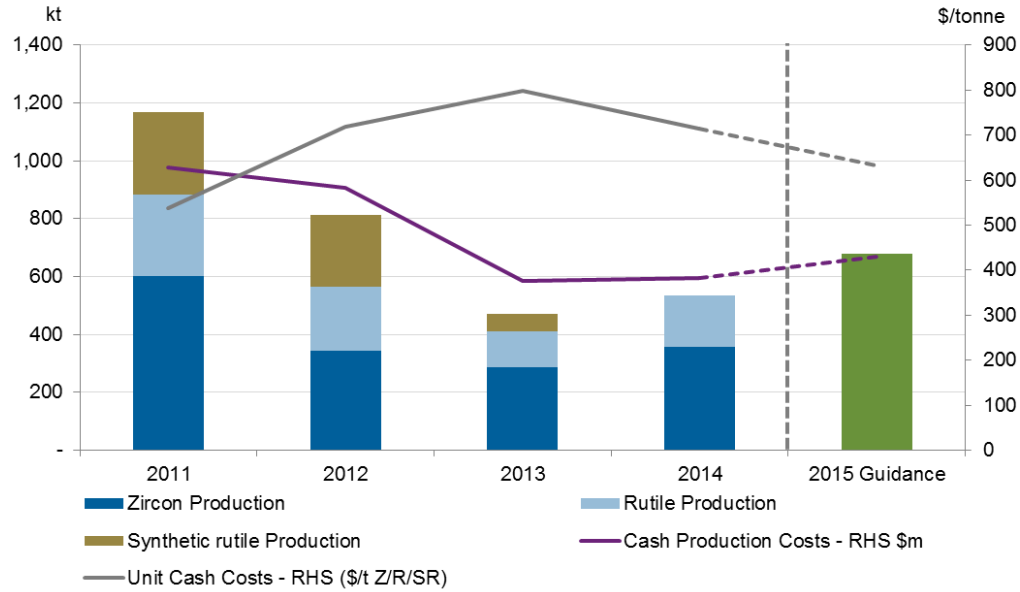


Figure 2. Zircon Production (Update of Full Year Results Slide 14)

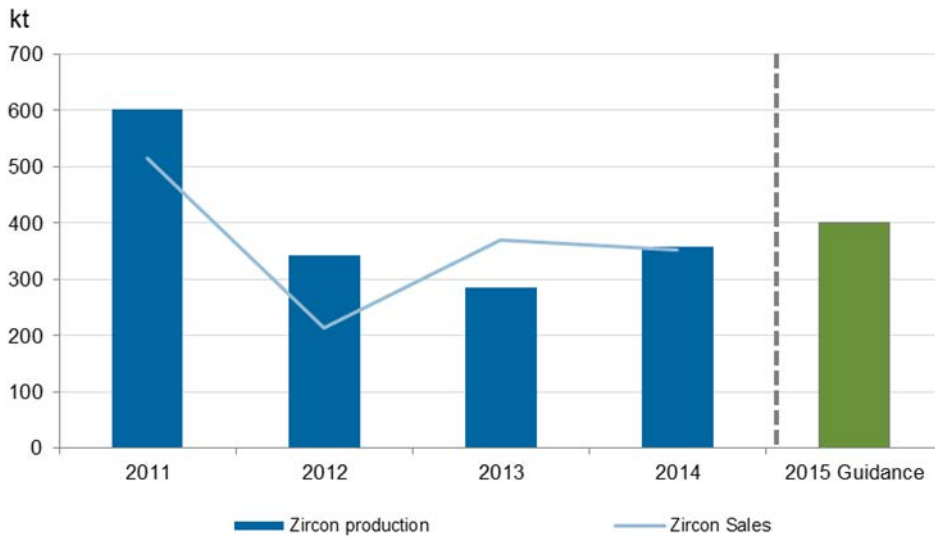
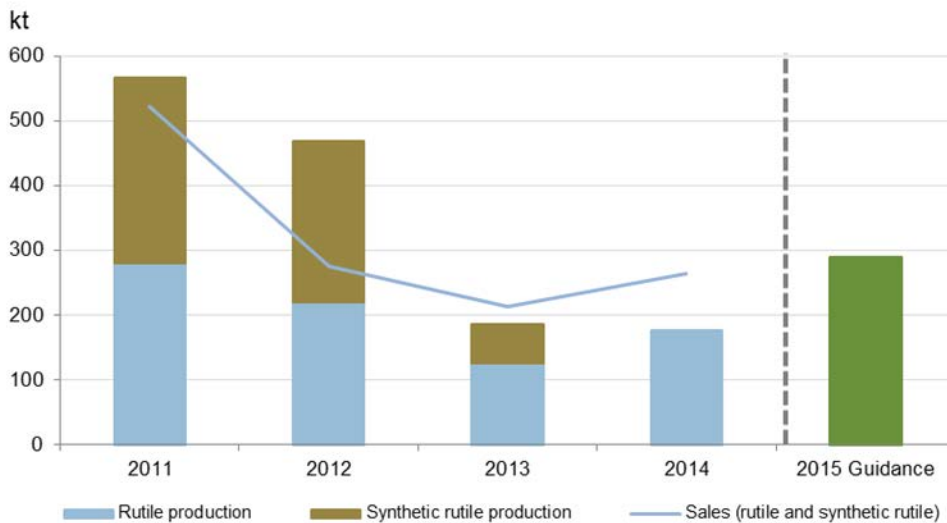


Figure 3. Rutile and Synthetic Rutile (Update of Full Year Results Slide 14)



Iluka Weighted Average Prices

The following table provides weighted average received prices for Iluka's main products in 2014, compared with weighted average received prices in previous years. Prices are influenced by product specifications and quality, lot size sold, contractual and customer arrangements.

Iluka Price US\$/tonne FOB	12 mth to Dec-10	12 mth to Dec-11	12 mth to Dec-12	12 mth to Dec-13	12 mth to Dec-14
Zircon	880	1,886	2,080	1,150	1,033
Rutile	550	1,174	2,464	1,069	777
Synthetic rutile	450	878	1,771	1,150	750
Average AUD/USD (cents)	92.0	103.2	103.6	96.8	90.3

Notes

Note 1 – Product 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 excludes Australian State Government royalties.
- cost of goods sold (COGS) per tonne is not guided, however, in 2014, COGS per tonne of Z/R/SR was \$862, down from \$890 per tonne in 2013. COGS comprise the cash costs of production, plus depreciation and amortisation (D&A), plus or minus inventory movement. Given cash costs of production are expected to increase only marginally in 2015, while production increases and D&A is guided lower, this should be reflected in the expected COGS trend.

Note 2 - Other cash costs include:

- Australian State Government royalties - \$10.6 million in 2014. In 2015, royalty payments are expected to increase materially, associated with an increase in the royalty rate applicable to Jacinth-Ambrosia under the State Agreement, as well as higher royalties associated with increased sales.
- marketing and selling costs - including marketing overhead costs and port costs - \$30.1 million in 2014;
- exploration expenditure expensed and resources development expenditure - \$45.3 million in 2014; and
- corporate and support - \$48.4 million in 2014.

Note 3 - Restructure costs/plant idling costs

- 2014 costs of \$40.1 million relating to ongoing costs for operations and assets that have been idled.
- Of the assets that were idled in 2014, three of the synthetic rutile kilns are expected to remain idle throughout 2015, while the largest synthetic rutile kiln, SR2, will restart in April. Mining recommenced at Tutunup South in February 2015. Iluka's WRP mine in the Murray Basin will be idled in the first quarter of 2015, with concentrate processed after this period.

Note 4 - Rehabilitation and holding costs for closed sites

- \$1 million credit in 2014 as adjustments to the rehabilitation provisions for closed sites exceeded the ongoing holding costs for those sites.

Note 5 – Interest and Tax

- net interest expenses of \$13.9 million in 2014.
- the majority of Iluka's taxable income is Australian based with a prevailing corporate tax rate of 30 per cent:
- Iluka is in a tax paying position in Australia and as such generates franking credits from the payment of tax.

Note 6 – Depreciation and Amortisation

- depreciation and amortisation of most assets is charged over the life of the relevant mine or asset, whichever is the shorter.

Note 7 - Other non-cash costs

- includes 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. In 2014, other non-cash costs were \$17.9 million.

Other Matters

Mining Area C Iron Ore Royalty

The Key Physical and Financial Parameters information 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 \$66.4 million EBIT in 2014.

For clarification, please contact:

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