ILUKA

2016 ANNUAL REPORT

DIRECTORS' AND STATUTORY INFORMATION

CREATING AND DELIVERING SHAREHOLDER VALUE

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4E for the consolidated entity Iluka Resources Limited and its controlled entities for the year ended 31 December 2016 (the 'financial year') compared with the year ended 31 December 2015 ('comparative year').

All currencies shown in this report are Australian dollars unless otherwise indicated.

Revenue from ordinary activities	Down 12.2% to $774.4m
Profit (loss) from ordinary activities after tax attributable to members	Down 518.7% to -$224.0m
Net (loss) for the period attributable to members	Down 518.7% to -$224.0m

Dividends
2016 final: nil
2016 interim: 3 cents per ordinary share (100% franked), paid in October 2016
2015 final: 19 cents per ordinary share (100% franked), paid in April 2016
2015 interim: 6 cents per share (100% franked), paid in September 2015

Key ratios		**2016**	**2015**
Basic (loss) earnings per share (cents)		(53.6)	12.8
Free cash flow per share (cents)	(i)	11.3	37.0
Return on Equity	(ii)	(17.1)	3.8
Net tangible assets per share ($)		2.18	3.31

(i) Free cash flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year. 2016 free cash flow is stated before the acquisition cost of Sierra Rutile Limited of $375.4 million.

(ii) Calculated as Net Profit / (Loss) after Tax (NPAT) for the year as a percentage of average monthly shareholders equity over the year.

The Company's Dividend Reinvestment Plan was suspended in late 2010 and remains suspended.

The commentary on the consolidated results and outlook are set out in the Operating and Financial Review section of the Directors' Report.

Independent auditor's report

The Consolidated Financial Statements upon which this Appendix 4E is based have been audited.

Contents

Directors' Report

The directors present their report on the Group consisting of Iluka Resources Limited (the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2016.

OPERATING AND FINANCIAL REVIEW

ABOUT ILUKA

Iluka is a leading mineral sands company involved in mineral sands exploration, project development, operations and marketing. Iluka has mineral sands mining, concentrating and processing operations in Australia and more recently in Sierra Leone, following the acquisition of Sierra Rutile Limited ('SRL') in December 2016. Iluka has conducted mining and processing operations in the United States of America for an extended period, most recently in Virginia. Iluka idled these operations at the end of 2015 and, in an ASX release dated 31 January 2017, announced the closure and transition to rehabilitation status for these operations. Iluka is the largest global producer of zircon and the second largest producer of titanium dioxide feedstocks, with a major position in the high grade products of rutile and synthetic rutile. These products are used in a diverse range of applications from consumer, industrial and manufacturing applications. The Company also has a royalty associated with BHP Billiton's Mining Area C iron ore operations in Western Australia.

Iluka's objective is to create and deliver value for shareholders supported by values centred on Commitment, Integrity and Responsibility. To facilitate this, a focus on environment, health and safety performance is paramount, while the Company must continue to attract high quality people, provide training and growth opportunities for existing employees, and maintain a commitment to diversity and sustainability principles.

Features of the Company's business approach include the following:

Operations

- Over 60 years mineral sands exploration, mining, processing and metallurgy operational experience
- Highly skilled operators and extensive technical knowledge base in an industry with limited external technical consulting resources
- Flexible and integrated operating base
- Approach to match production to sales through the cycle, with ability to quickly adapt to changing market conditions

Financial Focus

- Focus on shareholder returns through the cycle
- Return on capital as an internal proxy for return on equity
- Track record of returning excess cash flow to shareholders
- Maintain credit metrics that are broadly consistent with an investment grade credit profile, whilst balancing the impact of commodity pricing and investment factors through the cycle
- Capital-efficient project development and growth

Sustainable Development Focus

- High standards in health, safety and environmental matters
- Sound planning, control and risk management systems
- Stakeholder relationships are key considerations

Customer Focus

- Focus on customer benefits
- Full range of titanium dioxide feedstock grades and zircon for all applications
- Global distribution network and logistics capabilities
- Reliable supplier with a strong balance sheet
- Consistent product quality and track record of delivering on promises

Growth

- Technically experienced in-house exploration team with a domestic and international programme
- New developments subject to strict financial return criteria and assessed against industry supply-demand dynamics
- Focus on product development and innovation and technology activities

Further information regarding Iluka's operations can be found in the Iluka Review 2016.

BUSINESS STRATEGIES AND FUTURE PROSPECTS

Iluka maintains its commitment to a range of activities designed to generate future growth and deliver value for shareholders. Its business approach has the following key elements:

- flex operations in line with market demand;
- continue market development through the cycle;
- preserve/advance mineral sands growth opportunities;
- maintain credit metrics that are broadly consistent with an investment grade credit profile, whilst balancing the impact of commodity pricing and investment factors through the cycle;
- continue to evaluate/pursue corporate growth opportunities; and
- act counter-cyclically where appropriate.

The future prospects of the Company are dependent on the execution of the Company's business strategies and operating and market demand/supply conditions for its principal products.

Following the appointment of Tom O'Leary as Managing Director and Chief Executive Officer in September 2016 and the completion of the acquisition of Sierra Rutile Limited on 7 December 2016, the Managing Director noted that Iluka's priorities were:

- the commencement of an effective integration process for Sierra Rutile;
- completion of the five year corporate planning and 2017 budgetary process;
- a detailed review of the existing production portfolio and projects, including assets, configurations and operating regimes;
- an assessment of the feasibility, attraction and timing of the expansion projects available to the Company; and
- a review of all non-production costs of the business to ensure a sustainable cost structure.

Progress has been made in these areas and, on 31 January 2017, Iluka disclosed to the ASX a number of measures implemented as part of the review of the business. These included asset impairments and increased provisions for rehabilitation which were described in some detail in the release. The release also included an update of various outcomes from what is referred to as a sustainable business review. These included a reduction in non cash cost of production associated with approximately 90 positions being made redundant, mainly in support roles. The release also contained details of the reclassification of certain Ore Reserves as Mineral Resources and those reclassifications, as well as the reporting of the inaugural JORC 2012 compliant Ore Reserves for Sierra Rutile, are reported in Iluka's Ore Reserves and Mineral Resources Statement which is set out in pages 109 to 115.

In 2016, specific areas of strategy implementation included:

- The acquisition of Sierra Rutile Limited (SRL) by means of a statutory merger of SRL with Iluka Investments Limited (BVI), a wholly owned Iluka subsidiary for A$375.4 million and A$14.1 million in transaction costs. Iluka also assumed SRL's net debt of US$59.3 million (A$79.7 million);
- Continued flexing of production in light of market demand. In April 2016 Iluka suspended mining and concentrate production at Jacinth-Ambrosia in South Australia, to allow the progressive draw down of concentrate held at site;
- Mining continued at Tutunup South in the south west of Western Australia with ilmenite from this mine, and other sources, allowing a full year of production for the Company's synthetic rutile kiln 2 in the south west;
- The continuation of detailed feasibility studies on the Cataby project, Western Australia. This project, if approved, has the ability to provide high quality chloride ilmenite feed to Iluka's synthetic rutile kiln in the south west of Western Australia, and thus extend the current production campaign. The development would also provide an associated zircon and rutile production stream;

- The completion of a definitive feasibility study for the Balranald deposit in New South Wales. The definitive feasibility study included assessment of conventional mine development options, with detailed work undertaken on a cross pit stacker concept. Associated work has included dewatering ore requirements with hydrogeological modelling and testing. Work on a conventional development approach has ceased. In parallel with the conventional development option, the Company has been evaluating, through full scale field trials, an unconventional mining approach. In this regard, the year saw a significant investment in trialling an unconventional underground mining approach. The key potential benefit of the unconventional approach is a lower capital-intensive development option, while allowing the deposit to be phased with potential flexibility in operational settings. Evaluation of this mining approach has provided the Company with sufficient confidence in terms of technical and commercial criteria, to commence detailed operational and financial planning for the next phase of activities, subject to all necessary regulatory approvals and concluding the few remaining stakeholder agreements;
- Iluka completed a scoping study on the Sonoran, Atacama and Typhoon satellite deposits located in proximity to the Jacinth-Ambrosia operation in the Eucla Basin. The pre-feasibility study had been completed previously on Sonoran and Typhoon. Geological analysis and modelling has been completed. Given market conditions, no further work is currently being undertaken on this project;
- The potential for the development of the mineral sands deposit known as the Puttalam Quarry (PQ) continued to be assessed. The PQ deposit is a large sulphate ilmenite deposit, located approximately 30 kilometres north of the town of Puttalam in the North Western Province of Sri Lanka. PQ project work is focussed on legal and investment terms for the development which involves securing surface access rights, ministerial and other governmental approvals for any subsequent mining licence, reaching agreement with the Sri Lankan Government regarding the extent of in-country upgrading and Iluka's ultimate percentage holding in subsequent mining operations. A pre-feasibility study is currently being undertaken;
- Continued market development activities, including the development and launch of new products as well as marketing efforts to secure future sales arrangements for Iluka's high grade titanium feedstocks in China associated with the development of chloride pigment production within this country;
- The implementation of a zircon price increase in the third quarter, that was partially achieved, with a US$50/tonne price increased advised to customers late in 2016, with effect from 15 February 2017; and
- Proactive advancement of the Company's sustainability and social responsibility performance and reputation, including workforce capability and diversity, sustainable development practices and alignment to international reporting frameworks.

Further detail surrounding the future prospects for Iluka are detailed in the Mineral Sands Projects section in the Iluka Review 2016.

Innovation and technology

Iluka considers investment in mineral sands innovation and technology as important to: maximising the value created from existing operations through production and recovery improvements; enabling the potential commercialisation of non-conventional mineral sands deposits; introducing new products to enhance customers' production processes; as well as supporting technical and commercialisation activities related to Metalysis Limited. Metalysis has developed a single stage process for the transformation of various metal oxides into a metallic powder form. The commercial production of titanium alloy powder direct from rutile and synthetic rutile could lead to a material reduction in the cost of titanium metal and titanium metal alloys. Lower prices for titanium metal alloys could dramatically expand the use of titanium metal, for example, replacing stainless steels and high performance steel alloys in some sectors and opening up demand in other markets, such as in the manufacture of automobiles. The equity capital injection by Iluka and UK based Woodford Patient Capital Trust in August 2016 (totalling approximately A$40 million) provides funding for the establishment of new research and development facilities and for the development of a larger scale reactor.

In July 2014 Iluka entered into a Joint Development Agreement and Intellectual Property Agreement with Vale S.A. for the staged evaluation and development of the major titanium mineral bearing deposit located at Tapira in Minas Gerais State, Brazil. In December 2016, Iluka announced that the Joint Venture had been terminated. Iluka and Vale have decided not to continue with further evaluation due to the inability to determine a method to produce a market acceptable titanium dioxide feedstock using current conventional or alternative technological routes.

The Company has a dedicated team of industry and technical experts to further work in these areas, and operates a Metallurgical Test Facility at Capel, Western Australia, as well as various laboratories at its operations.

BUSINESS RISKS AND MITIGATIONS

The identification and management of risk is fundamental to achieving Iluka's objective. We are, therefore, committed to managing risk in a proactive and effective manner.

Iluka's Risk Management Policy is supported by a risk management framework which is aligned to the International Standard for risk management, ISO 31000:2009. This framework is being expanded to cover Iluka's entry into new jurisdictions. It provides a whole of business approach to the management of risks and sets out the process for the identification, management and reporting of risk to the achievement of our plans and objectives.

The Board, through the Board Charter, delegates responsibility for identifying and managing risks to management. Management is required to report to the Board on those risks which could have a material impact on the Company's business. The Audit and Risk Committee assists the Board with regard to oversight of the Company's risk management practices.

Through its risk management framework Iluka seeks to:

- embed a culture of risk awareness;
- identify, assess and manage risks in a structured and systematic manner;
- enable prudent risk taking in line with business objectives and strategies;
- establish and monitor appropriate controls in line with business objectives and strategies;
- ensure material business risks are effectively identified, communicated and appropriately elevated throughout all levels of management to the Board; and
- continue to fulfil governance requirements for risk management.

Iluka applied a structured and systematic approach to assess the consequence of risk in areas such as environment; injury; illness; reputation; stakeholder; compliance; financial and Company objectives. Company risks and how they are being managed, are reviewed by the Executive team regularly and reported to the Audit and Risk Committee on a twice yearly basis.

Set out below are the key risk areas that could have a material impact on the Company. The nature and potential impact of risks changes over time. The risks described below are not the only risks that Iluka faces, and whilst every effort is made to identify and manage material risks, additional risks not currently known or detailed below may also adversely affect future performance.

Sustaining operations risks

Maintaining a pipeline of mineral resources, mineral reserves and projects in order to sustain operations and maintain business is a key focus for Iluka. The success of exploration activity and project delivery are critical to sustain operations in a timely manner.

Product demand and price risks

The resources sector typically exhibits cyclicality. In 2016, Iluka operated in business conditions of lower than typical demand for its products, with the Company's approach in such conditions to adjust production in the context of market demand and inventory levels. The prices for our products are also subject to these market conditions generally.

Financial risks

Iluka faces risks relating to the cost of and access to funds, movement in interest rates and foreign exchange rates (refer note 18). Iluka maintains policies which define appropriate financial controls and governance which seek to ensure financial risks are fully recognised, managed and recorded in a manner consistent with:

- the financial risk appetite and delegations as set by Iluka's Board;
- generally accepted industry practice and corporate governance standards; and
- shareholder expectations of a mineral sands producer.

Iluka will consider hedging the AUD:USD foreign exchange exposure associated with contracted sales where the US dollar price has been fixed.

Any changes to, or material breaches of, Iluka's financial policies are reported to the Board.

Project development risks

Iluka regularly assesses its ability to enhance its production profile, or extend the economic life of deposits, by the development of new deposits within its portfolio. A failure to develop and operate projects in accordance with expectations could negatively impact results of operations and the Company's financial position. Risks to major development projects include the ability to acquire and/or obtain appropriate access to property, regulatory approvals, supply chain risks, construction and commissioning risks. There are also technology and regulatory risks regarding a new unconventional mineral sands mining approach planned for the Balranald deposit.

A structured capital process and project delivery framework is utilised to facilitate successful project development and manage risks in bringing new projects into operation.

Growth risks

To ensure a sustainable business going forward, Iluka attempts to generate growth options through exploration, innovation and appropriate external growth opportunities. The ability of Iluka to create and deliver value for shareholders is to some extent dependent on successful growth strategies.

Evaluating growth opportunities requires prudent risk taking as part of a disciplined process of project selection and interrogation to maximise the opportunity, achieve the desired outcomes, and manage the associated risks to the Company. This includes applying the Company's established disciplines and systems to evaluate growth opportunities and assess their potential value and impact considering a range of modifying factors and assumptions.

Country risk

Increasing international activities have increased Iluka's exposure to country risks. The potential development of international opportunities can be jeopardised by changes in fiscal or regulatory regimes, difficulties in interpreting or complying with local laws, material differences in sustainability standards and practices, or reversal of current political, judicial or administrative policies. The acquisition of SRL also increases Iluka's exposure to the above risk areas within Sierra Leone.

Sierra Rutile integration risks

Prior to Iluka's acquisition, SRL operated under different operational, legal and governance regimes. Sierra Rutile's full and integrated adoption of Iluka's governance standards, operational processes, and cultural expectations cannot be instant at the time of settlement. Thus during the integration period, there is a risk that Iluka identifies risks relating to the standard of internal governance, systems, processes, policies, practices, or any related key controls which require material improvement to meet Iluka's standards.

As further detailed in the Company's 31 December 2016 Quarterly Production Report, Iluka has begun to implement improvements outlined at the time of acquisition such as modifying the dry mining method to in-pit mining units and slurry pumping to the wet concentrator plant, increasing throughput at Lanti, revising plant designs for the current mining units, improving in mine pit de-watering and making improvements to the mineral separation plant. A failure to fully integrate the operations of Sierra Rutile or a delay in the integration process, could impose unexpected costs that may adversely affect the financial performance and position of Iluka.

Anti-bribery and corruption risk

Iluka's business activities and operations are located in jurisdictions with varying degrees of political and judicial stability, including some countries with a relatively high inherent risk with regards to bribery and corruption. This exposes Iluka to the risk of unauthorised payments or offers of payments by employees, agents or distributors that could be in violation of applicable anti-corruption laws. Risks also include possible delays or disruptions resulting from a refusal to make so-called facilitation payments or any other form of benefit counter to Iluka policy or applicable laws.

Iluka has a clear Anti-bribery and Corruption Policy, internal controls and procedures to protect against such risks including training and compliance programs for its employees, agents and distributors. However, there is no assurance that such controls, policies, procedures or programmes will protect Iluka from potentially improper or criminal acts. Violations of anti-corruption laws or regulations may result in criminal or civil sanctions and adverse publicity.

Environmental standards risk

Mining operations, by their nature, can have a significant impact on the environment. Given this, Iluka is committed to leading practice in environmental management as outlined in the Iluka Environment, Health and Safety Policy.

Leading practice is based upon current community expectations, applicable legislation and regulatory standards, all of which change over time. With increasing government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent. Iluka could be subject to increasing environmental responsibility and liability, including laws and regulations dealing with air quality, water and noise pollution and other discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of certain of its properties, greenhouse gas emissions, the storage, treatment and disposal of wastes and the effects of its business on the water table and groundwater quality. Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits, reputational issues, increased licence conditions and corrective action orders.

Accidents, environmental incidents, the failure to comply with laws or regulations and real or perceived threats to the environment or the amenity of local communities could result in a loss of Iluka's ability to operate leading to delays, disruption or the shut-down of exploration and production activities. Accidents, environmental incidents and failures to comply with laws or regulations could also lead to fines, additional costs and adverse publicity. There is a risk that historic operations or disposal methods by the Company or its predecessor companies, although materially compliant with regulatory requirements at the time, may be subject to increased or new environmental standards which require additional material remediation costs.

The Company monitors these risks on an ongoing basis as part of the ongoing remediation of its former mine sites and operations.

Business interruption risks

Circumstances may arise which preclude sites from operating including natural disaster, material disruption to our logistics, critical plant failure or industrial action. Iluka undertakes regular reviews for mitigation of property and business continuity risks. Iluka also conducts planning and preparedness activities to ensure rapid and effective response in the event of a crisis. Appropriate business plans, policies and training provides support to Iluka's risk mitigation activities.

Social licence to operate risks

An integral part of Iluka's activities is maintaining a social licence to operate. Iluka's safety, health, environmental, people and stakeholder performance expectations are clearly articulated by our policies and is overseen by the Board.

The Iluka Review 2016 contains further information on the Company's 2016 operating conditions, as well as elements of the business strategy. This document, as well as other Company information is available on Iluka's website www.iluka.com

OVERVIEW OF RESULTS

During December 2016 Iluka acquired Sierra Rutile Limited (SRL), a large, long life rutile mining and processing operation with material expansion options located in Sierra Leone. The results in the 2016 Annual Report include SRL's contribution from the acquisition date of 7 December 2016, reflecting 24 days of ownership by Iluka in 2016.

Iluka recorded a loss after tax for the year of $224.0 million, compared with a profit of $53.5 million for the previous corresponding period. The 2016 loss was significantly impacted by several non-recurring adjustments including an impairment charge of $140.7 million after tax and an increase in rehabilitation provision for closed sites of $42.1 million after tax.

The non-cash impairment charge of $201.0 million pre-tax related to the following assets:

- idle and surplus equipment in the Murray Basin of $156.0 million pre-tax, including the Douglas wet concentrator, mining unit and other equipment, as well as the mining unit and wet concentrator utilised for the Woornack, Rownack, Pirro deposits. In the case of this equipment, some was previously considered able to be utilised for a Balranald conventional mine development, which has been passed over in favour of an unconventional mining approach;
- in the Murray Basin, Iluka is continuing with trialling and evaluating an unconventional, underground mining approach for Balranald following the cessation of work associated with the conventional mine development. As a consequence, $20.4 million of capitalised costs associated with feasibility work for the conventional method have been impaired; and
- $24.6 million related to exploration and evaluation assets previously capitalised, as well as mine reserves in the Perth and Murray Basins have been impaired. This category includes a number of areas where no further work is contemplated.

The increase in the rehabilitation provision predominantly relates to Iluka's former operating assets in the United States ($40.9 million), including Virginia which was idled at the end of 2015 and is now undergoing rehabilitation as a closed site, and Florida, which was closed in 2009. The increase in rehabilitation provisions follows an extensive review and relates to the refinement of estimates including the current scope of work and approach to undertaking the work. In the second half of 2016, the focus of the US activities shifted from being an idled site ready to restart should market conditions improve, to a permanently closed site, the primary purpose of which is to rehabilitate in a cost effective and responsible manner. This clarification resulted in a number of costs previously forecast as operating expenses, being incorporated into the costs of rehabilitating and holding the land during rehabilitation.

Other key factors influencing Iluka's result included:

- lower weighted average received USD prices for zircon, down 19.6 per cent to US$773 per tonne from the previous corresponding period of US$961 per tonne. The reduction is driven by a combination of lower reference prices and a higher proportion of standard grade zircon and zircon in concentrate sales;
- higher resource development costs, with costs of $79.4 million compared to $58.4 million in the previous corresponding period, mainly due to costs associated with trialling an unconventional, underground mining approach;
- higher restructure and idle costs following the suspension of mining and concentrating at Jacinth Ambrosia in April 2016 and the idling of the US operations in December 2015;
- lower income received from the Mining Area C iron ore royalty (MAC), down $14.1 million year-on-year. No capacity payments were received in 2016 (2015: $3.0 million) and the previous corresponding period included a one-off receipt of US$8.0 million (A$10.4 million) following the modification to the royalty agreement with BHP Billiton and its joint venture partners;
- lower ilmenite revenues, down $47.9 million, reflecting higher internal usage of ilmenite for synthetic rutile production and lower sales of remaining ilmenite inventory from the Virginia operations (idled December 2015);
- transaction costs of $14.1 million associated with the SRL acquisition; offset by
- no revisions in 2016 to the discount rate used to calculate the rehabilitation provisions (2015: $25.3 million).

In addition to the above factors, excluded from underlying Group EBITDA is the non-cash inventory movement of $57.3 million (2015: $15.3 million). When inventory is built, both cash and non-cash production costs (i.e. depreciation and amortisation) are capitalised to the balance sheet and do not impact earnings. When inventory is drawn, the profit or loss is charged with the inventory movement, which reflects both the cash and non-cash components.

Iluka's total higher value product sales of zircon, rutile and synthetic rutile (Z/R/SR) increased 7.2 per cent to 697.7 thousand tonnes compared to 651.0 thousand tonnes in 2015. Z/R/SR revenue was $696.8 million, down 5.8 per cent compared with the prior year (2015: $739.7 million) associated with lower received zircon prices over the year. Mineral sands sales revenue, including ilmenite and by-products revenues, decreased 11.4 per cent to $726.3 million (2015: $819.8 million). Revenue per tonne of Z/R/SR sold decreased by 12.1 per cent to $999 per tonne (2015: $1,136 per tonne), as a result of lower weighted average received USD prices for zircon, and a higher proportion of standard grade zircon and zircon in concentrate sales. Rutile prices were stable year-on-year, with a slight increase in the weighted average received price in the fourth quarter. The AUD:USD exchange rate averaged 74.4 cents (2015: 75.2 cents).

Total cash production costs, excluding ilmenite concentrate and by-product costs, decreased by 34.4 per cent to $252.3 million (2015: $384.9 million), reflecting lower mining costs, following the suspension of mining and concentrating activities at Jacinth-Ambrosia, South Australia in April 2016 and the cessation of the US operations in December 2015. The only mining activity in Australia occurred at Tutunup South, with ilmenite used as feedstock for SR kiln 2 which was in operation for the full year. Ilmenite concentrate and by-products costs were comparable at $8.3 million (2015: $7.6 million).

On a unit basis, cash cost of production excluding ilmenite concentrate and by-products was $373 per tonne of Z/R/SR, a 33.1 per cent decrease compared with the prior year (2015: $558 per tonne).

Unit cost of goods sold has reduced 10.2 per cent to $700 per tonne of Z/R/SR sold compared to $780 per tonne in the previous corresponding period.

Mining Area C iron ore royalty earnings (MAC) decreased 23.0 per cent to $47.1 million (2015: $61.2 million). MAC EBITDA was $47.5 million (2015: $61.6 million), with annual amortisation of $0.4 million. No capacity payments were received in 2016 (2015: $3.0 million) and the previous corresponding period included a one-off receipt of US$8.0 million (A$10.4 million) following the modification to the royalty agreement with BHP Billiton and its joint venture partners.

During the year Iluka further increased its equity stake in Metalysis Limited to 28.1 per cent. Metalysis is a private UK based entity that is developing a new technology for titanium metal powder production. The investment has resulted in Metalysis becoming an associate and Iluka has commenced equity accounting from 18 February 2016. During the year, Iluka's share of the Metalysis earnings was a loss of $3.3 million and Iluka expects Metalysis to report losses during the development phase of the technology.

Loss before tax was $277.7 million (2015: profit $86.6 million). A net tax benefit of $53.7 million (2015: expense of $33.1 million) was recognised in respect of the loss for the year. The tax benefit relates mainly to the Group's Australian earnings, with minimal benefits recognised for overseas losses.

Loss per share for the period was 53.6 cents compared to an earnings per share of 12.8 cents in the previous corresponding period. The number of fully paid ordinary shares on issue at 31 December 2016 of 418.7 million was unchanged during the year.

Iluka undertook a sustainable business review in the last quarter of 2016 to remove cost from the business, and to ensure a more appropriate resourcing structure in the context of current business priorities and business conditions. This has resulted in Iluka making the difficult decision to make approximately 90 roles redundant, largely within support functions, and a number of exploration and other activities have either ceased or expenditure has been reduced. The total workforce at the commencement of the review was 814 with approximately 440 roles in support functions, including resource development, corporate and marketing; being the focus of the review. Redundancy and other associated costs were approximately $7 million, pre-tax.

Free cash flow of $47.3 million was $107.7 million lower than the previous corresponding period (2015: $155.0 million) largely reflecting lower operating cash flow (2016: $137.3 million compared to 2015: $222.2 million) and $20.4 million lower receipts from MAC royalty. The free cash flow is noted before the acquisition of SRL, with an acquisition cost of $375.4 million.

Capital expenditure of $82.5 million in the year (2015: $66.4 million) related to various major projects, including Balranald (New South Wales) and Cataby (Western Australia), new earth moving equipment at SRL, combined with land acquisitions and an increased equity stake in Metalysis Limited.

Net debt at 31 December 2016 was $506.3 million, with a corresponding gearing ratio (net debt/ net debt + equity) of 31.5 per cent. This compares with net cash of $6.0 million at 31 December 2015. The increase in net debt follows the acquisition of SRL, with the final consideration reflecting $375.4 million (£215.3 million) paid for SRL equity and A$14.1 million of transaction costs. Iluka also assumed SRL's net debt of US$59.3 million ($79.7 million). Undrawn facilities at 31 December 2016 were $404.2 million and cash and cash equivalents of $101.3 million. Net debt at 31 January 2017 was $441.8 million.

OTHER MATTERS

On 24 March 2014 Iluka became aware that a litigation funder proposed to fund claims that current or former shareholders may have against the Company in respect of continuous disclosure obligations in 2012. The potential applicants sought an order from the Federal Court for pre-action discovery which was dismissed in July 2015 and which subsequently appealed to the Full Federal Court. The Full Federal Court has not yet handed down its decision. This is not considered a contingent liability.

DIVIDEND

In the context of the Company's potential investment opportunities, including Cataby and the Sierra Rutile expansion options, Directors have determined no final dividend will be declared for 2016. Iluka's interim dividend was 3.0 cents per share, fully franked. The dividend payment in 2016 represents 27 per cent of free cash flow generated. This is lower than the Iluka framework of a minimum of 40 per cent, but reflects the consideration of potential investment requirements.

OVERVIEW OF SALES AND PRODUCTION

		2016	2015	% change
Sales (kt)				
Zircon		338.8	346.2	(2.1)
Rutile		172.1	133.6	28.8
Synthetic rutile		186.8	171.2	9.1
Total Z/R/SR sales		**697.7**	**651.0**	**7.2**
Ilmenite - saleable		17.7	299.8	(94.1)
Total sales volumes		**715.4**	**950.8**	**(24.8)**
Z/R/SR revenue ($m)		696.8	739.7	(5.8)
Ilmenite and other revenue ($m)		29.5	80.1	(63.2)
Total mineral sands revenue ($m)	(i)	**726.3**	**819.8**	**(11.4)**
Revenue per tonne of Z/R/SR sold ($/t)	(ii)	999	1,136	(12.1)
Production (kt)				
Zircon		347.1	388.6	(10.7)
Rutile		117.6	136.5	(13.8)
Synthetic rutile		210.9	164.9	27.9
Total Z/R/SR production		**675.6**	**690.0**	**(2.1)**
Ilmenite		329.4	466.1	(29.3)
Total production volume		**1,005.0**	**1,156.1**	**(13.1)**
HMC produced		395	1,137	(65.3)
HMC processed		967	1,206	(19.8)
Cash costs of production ($m)		260.6	392.5	(33.6)
Unit cash cost per tonne of Z/R/SR produced ($/t)		386	569	(32.2)
Unit cash cost per tonne of Z/R/SR produced excluding by-products ($/t)		373	558	(33.1)
Unit costs of goods sold per tonne of Z/R/SR sold ($/t)		700	780	(10.2)

(i) Mineral sands revenues include revenues derived from other materials not included in production volumes, including activated carbon products and iron concentrate.

(ii) Calculated as revenue from the sale of zircon, rutile and synthetic rutile (Z/R/SR) products divided by Z/R/SR sales volumes.

Mineral sands sales volumes

Zircon sales decreased marginally by 2.1 per cent to 338.8 thousand tonnes (2015: 346.2 thousand tonnes). The zircon market entered 2016 with demand characteristics similar to 2015. 2016 was the fourth consecutive year Iluka's sales volumes have been approximately 350 thousand tonnes, relative to higher sales levels in the immediately preceding years. This steady sales profile was achieved in the context of new entrants bringing approximately 150 thousand tonnes (net) into the market over the same period. A result has been some diminution of Iluka's market share as it has sought to exercise production flexibility and supply discipline. An appropriate approach in Iluka's view compared to pursuing volume or market share outcomes.

Combined sales volumes for the high grade titanium dioxide products of rutile and synthetic rutile for the full year were up 17.7 per cent to 358.9 thousand tonnes (2015: 304.8 thousand tonnes). Rutile sales were 172.1 thousand tonnes (2015: 133.6 thousand tonnes), with SRL contributing 18.1 thousand tonnes in 2016. Market conditions for pigment, the main end sector for the high grade feedstocks of rutile, synthetic rutile and slag, improved dramatically towards the end of 2015 and continued to improve through 2016. Most of Iluka's rutile and synthetic rutile volumes in 2016 were contracted (volume and price). The weighted average rutile price Iluka received over 2016 remained relatively stable compared with the 2015 average, although the Company achieved price increases in the order of US$50/tonne for smaller lot supply into speciality markets, such as welding and titanium sponge.

Iluka sold 17.7 thousand tonnes of ilmenite in 2016 (2015: 299.8 thousand tonnes), reflecting the idling of the US operations and utilisation of Australian ilmenites as feedstock for SR production.

Mineral sands production

Total Z/R/SR production was 675.6 thousand tonnes, representing a 2.1 per cent decrease from the previous corresponding period (2015: 690.0 thousand tonnes).

Lower production of zircon (down 10.7 per cent) reflects the Company's intent to match production with demand.

Rutile production was 117.6 thousand tonnes or 13.8 per cent lower year-on-year, reflecting the Company's continued approach to allocate remaining rutile volumes following the completion of mining activities at the Woornack, Rownack and Pirro deposits in Victoria in early 2015. SRL contributed 8.8 thousand tonnes of rutile production. Synthetic rutile production, at 210.9 thousand tonnes, was 27.9 per cent higher than the previous year (2015: 164.9 thousand tonnes) reflecting a full year of production from synthetic rutile kiln 2 in the south west of Western Australia. This kiln re-commenced production in April 2015, fed by ilmenite predominantly from the Tutunup South mine in Western Australia.

For the 12 months to 31 December, Iluka produced 394.8 thousand tonnes of heavy mineral concentrate (HMC) and processed 967.0 thousand tonnes. This reflects the Company's approach to draw-down concentrate held in inventory. As announced on 16 February 2016, mining and concentrating activities at Jacinth-Ambrosia were suspended on 15 April 2016 to allow the progressive draw down of HMC stockpiles held at site. Iluka expects the period of mining and concentrating suspension to be for 18 to 24 months from April 2016, dependent on market demand.

INCOME STATEMENT ANALYSIS

$ million	2016	2015	% change
Z/R/SR revenue	696.8	739.7	(5.8)
Ilmenite and other revenue	29.5	80.1	(63.2)
Mineral sands revenue	**726.3**	**819.8**	**(11.4)**
Cash costs of production	(260.6)	(392.5)	33.6
Inventory movement - cash costs of production	(107.6)	9.6	n/a
Restructure and idle capacity charges	(69.5)	(38.3)	(81.5)
Government royalties	(20.4)	(21.0)	2.9
Marketing and selling costs	(36.3)	(32.0)	(13.4)
Asset sales and other income	(0.6)	1.4	n/a
Resource development costs	(79.4)	(58.4)	(36.0)
Corporate and other costs	(53.8)	(52.7)	(2.1)
Foreign exchange gain (loss)	4.9	(4.1)	n/a
Underlying mineral sands EBITDA*	**103.0**	**231.8**	**(55.5)**
Mining Area C EBITDA	47.5	61.6	(22.9)
Underlying Group EBITDA*	**150.5**	**293.4**	**(48.7)**
SRL transaction costs	(14.1)	-	n/a
Depreciation and amortisation	(79.9)	(132.4)	39.7
Inventory movement - non-cash production costs	(57.3)	(15.3)	(275.2)
Rehabilitation costs for closed sites	(42.6)	(2.7)	(1,477.8)
Share of Metalysis Ltd's losses (associate)	(3.3)	-	n/a
Impairment of assets	(201.0)	-	n/a
Group EBIT	**(247.7)**	**143.0**	**n/a**
Net interest and bank charges	(15.4)	(11.0)	(40.0)
Rehabilitation unwind, discount rate change and other finance costs	(14.6)	(45.4)	67.8
(Loss) profit before tax	**(277.7)**	**86.6**	**n/a**
Tax benefit (expense)	53.7	(33.1)	n/a
(Loss) profit for the period (NPAT)	**(224.0)**	**53.5**	**n/a**
Average AUD/USD (cents)	**74.4**	**75.2**	**(1.1)**

* Underlying Group EBITDA excludes non-recurring adjustments including impairments, SRL transaction costs, changes to rehabilitation provisions for closed sites. Underlying EBITDA also excludes Iluka's share of Metalysis Ltd's losses, which are non-cash in nature.

Mineral sands operational results

	Revenue		Mineral Sands EBITDA		Group EBIT	
$ million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Australia	690.2	770.5	281.6	366.8	(52.7)	246.8
United States	18.3	49.3	(35.4)	(6.9)	(76.3)	(34.5)
Sierra Rutile Limited	17.8	-	1.1	-	(0.9)	-
Resource development and support costs	-	-	(144.3)	(128.1)	(117.8)	(69.3)
Total	**726.3**	**819.8**	**103.0**	**231.8**	**(247.7)**	**143.0**

An overview of performance for Australian operations, United States operations and Sierra Rutile operations is provided later in this report.

Commentary in respect of the income statement analysis is provided below.

Mineral sands revenue

Mineral sands sales revenue for the year was $726.3 million, a decrease of 11.4 per cent compared with the previous corresponding period (2015: $819.8 million).

As noted, Z/R/SR sales volumes increased 7.2 per cent to 697.7 thousand tonnes (2015: 651.0 thousand tonnes), which included 18.1 thousand tonnes of rutile sales from SRL; offset by a 12.1 per cent decrease in revenue per tonne of Z/R/SR sold to $999 (2015: $1,136 per tonne) associated with lower received zircon prices over the year. Ilmenite and by-product revenue was down 63.2 per cent to $29.5 million given the greater use of internal ilmenite for upgrading to synthetic rutile and the closure of the US operations.

Cash costs of production

Cash costs of production were down $131.9 million from the prior year to $260.6 million (2015: $392.5 million). Cash costs of production include $8.3 million of costs in relation to ilmenite concentrate and by-products (2015: $7.6 million). The reduction in cash costs is driven by a number of factors including:

- $79.5 million reduction in cash production costs in the US operations following the cessation of mining and concentrating activities in December 2015;
- the suspension of mining and concentrating activities at Jacinth-Ambrosia from April 2016, reducing costs by $45.5 million from the previous corresponding period;
- the cessation of mining and concentrating activities in the Murray Basin in March 2015 following the depletion of the Woornack, Rownack, Pirro (WRP) deposit; partially offset by
- a full year of synthetic rutile operations in 2016 following the restart of SR2 in March 2015; and
- the acquisition of SRL in December 2016 which incurred $9.4 million of production costs in the 24 days Iluka owned the operations in 2016.

Unit cash costs per tonne of Z/R/SR produced, excluding ilmenite concentrate and by-product costs, was $373 per tonne compared with $558 per tonne in 2015. Unit cash costs of Z/R/SR produced, including by-product costs, was $386 per tonne of Z/R/SR (2015: $569 per tonne).

Inventory movement

Work in progress (WIP) inventory has decreased by $113.2 million as HMC processed of 967 thousand tonnes exceeded HMC produced of 395 thousand tonnes. This draw-down in HMC inventory is consistent with Iluka's reduced production settings.

Finished product inventory also decreased by $35.6 million to $341.4 million due to sales of Z/R/SR exceeding production by 22.1 thousand tonnes during the year. Inventory movements in the balance sheet include the impacts of foreign currency translation for the US and SRL operations, which are accounted for within a foreign currency translation reserve and not through the profit and loss account. The inventory movement noted above also excludes the inventory acquired with SRL on 7 December 2016. SRL's HMC produced and processed were comparable in December and rutile sales exceeded production by 9.4 thousand tonnes.

Restructure and idle capacity cash charges

Restructure and idle capacity charges of $69.5 million (2015: $38.3 million) reflect costs incurred during periods of no or restricted production. The increased costs reflect the change in operations with the suspension of mining and concentrating at Jacinth-Ambrosia in April 2016 and the idling of the US operations in December 2015; partially offset by the reactivation of the SR 2 kiln at Tutunup South in south west of Western Australia at the end of the first quarter 2015.

Rehabilitation costs for closed sites

Rehabilitation costs for closed sites of $42.6 million (2015: $2.7 million credit) include changes in cost estimates for rehabilitation work associated with closed sites, with US operations rehabilitation up $40.9 million. The increase in rehabilitation provisions in the US follows an extensive review in the last 12 months and relates to the refinement of estimates including the current scope of work, approach to undertaking the required work and a change in methodology for calculating the amount of contingency. In the second half of 2016, the focus of the US activities shifted from being an idled site ready to restart should market conditions improve, to a permanently closed site, the primary purpose of which is to rehabilitate in a cost effective and responsible manner. This clarification resulted in a number of costs previously forecast as operating expenses, being incorporated into the provision estimate. The US rehabilitation provision at December 2016 is now $104.6 million (US$75.5 million).

Government royalties and marketing costs

Government royalties were comparable with the previous corresponding period at $20.4 million (2015: $21.0 million).

Marketing and selling costs

Marketing and selling costs of $36.3 million are 13.4 per cent higher than the previous corresponding period (2015: $32.0 million) and reflect a number of small increases associated with SRL operations, redundancies and insurance.

Resource development costs

Resource development costs were $21.0 million higher than the prior year reflecting increased investment in trialling an unconventional underground mining approach, with expenditure of $36.0 million during the year (2015: $15.0 million). Exploration expenditure decreased $2.7 million to $24.3 million.

Depreciation and amortisation

The decrease of $52.5 million to $79.9 million compared to the previous corresponding period (2015: $132.4 million) reflects no depreciation at WRP following cessation of mining in the first quarter of 2015. Depreciation has also been suspended for mine specific plant at Jacinth-Ambrosia following the suspension of mining and concentrating activities in April 2016. Depreciation has recommenced on mine specific equipment and mine reserves associated with the restart of mining operations at Tutunup South and the restart of the SR 2 kiln during the first half of 2015.

Iluka currently adopts a unit of production depreciation policy for all mine specific plant and mine reserves. All other assets are depreciated using the straight line method. As a result, all mine specific plant, such as mining units, concentrators and mineral separation plants, do not incur any depreciation charges when they are not in use (i.e. when they are idle). Given Iluka’s approach to flexing production to meet market demand, sometimes for extended periods, Iluka has decided to change its depreciation method to a straight line methodology for all mine specific plant, with effect from 1 January 2017. This will result in additional depreciation charges of approximately $12 million in 2017. Mine reserves will continue to be depreciated using units of production, consistent with common industry practice.

Impairment

A review of the mineral sands mining and processing assets within the portfolio has been undertaken and several decisions relating to carrying values have been made resulting in an impairment charge of $201.0 million. The majority of the charge relates to idle and surplus equipment in the Murray Basin of $156.0 million, including the Douglas wet concentrator, mining unit and other equipment, as well as the mining unit and wet concentrator utilised for the Woornack, Rownack, Pirro deposits. In the case of this equipment, some was previously considered able to be utilised for a Balranald conventional mine development, which has been passed over in favour of an unconventional mining approach. This has resulted in a further $20.4 million of capitalised costs associated with feasibility work for the conventional method being impaired. The remaining idle assets that were not designated for the Balranald conventional project, were previously a component of the Australian Cash Generating Unit (CGU). These assets are now no longer expected to contribute to the future cash inflows of the Group's operations predominantly due to the decline in zircon prices. In addition, an impairment charge of $24.6 million has been recorded in relation to exploration and evaluation assets previously capitalised, as well as mine reserves in the Perth and Murray Basins. This category includes a number of areas where no further work is contemplated.

Mining Area C

Iron ore sales volumes decreased 2.2 per cent to 52.3 million dry metric tonnes (DMT) (2015: 53.5 DMT). The average AUD realised price upon which the royalty is payable increased by 3.1 per cent from the previous corresponding period. The EBIT contribution of $47.1 million (2015: $61.2 million) includes no annual capacity payments for production increases in the year to 30 June (2015: $3.0 million). The previous corresponding period also included a one-off receipt of US$8.0 million (A$10.4 million) following the modification to the royalty agreement with BHP Billiton and its joint venture partners.

Corporate and other costs

Corporate costs were $1.1 million higher than the previous corresponding period, associated with redundancy costs and the Managing Director transition, partially offset by lower costs in 2016 associated with the evaluation of the potential acquisition of Kenmare Resources Plc.

Foreign exchange

Foreign exchange translation gains were $4.9 million compared to a net loss of $4.1 million in 2015.

Rehabilitation unwind

The reduction in the rehabilitation unwind costs from the previous corresponding period reflects the reduction in the risk free discount rate used in the calculation of the net present value of the rehabilitation provisions from 4.7 per cent in 2015 to 3.0 per cent in 2016 in respect of closed sites in Australia. The 2015 cost includes a one-off $25.3 million charge arising from the reduction in the risk free discount rate as at 31 December 2015.

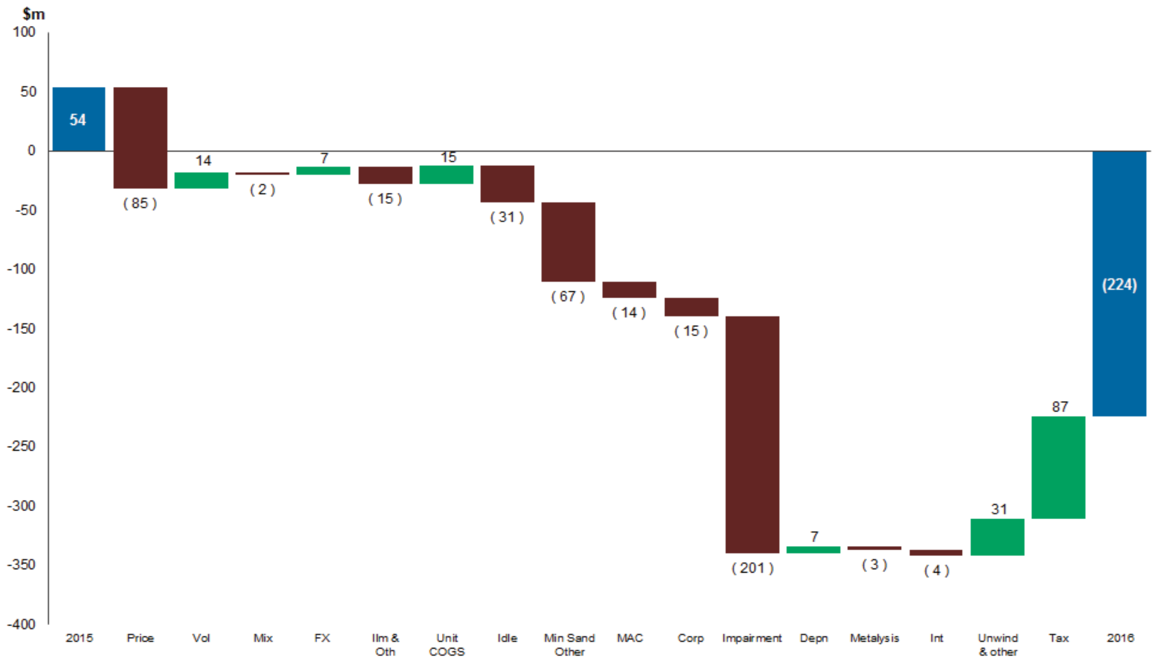
Net interest and bank charges

Net interest and bank charges have increased $4.4 million from the previous corresponding period due to the increase in net debt, mainly the result of the acquisition of SRL in December 2016. Net debt at 31 December 2014 was $59.0 million reducing to a net cash position of $6.0 million at 31 December 2015. As at 31 December 2016, net debt was $506.3 million.

Tax expense

The income tax benefit of $53.7 million on a loss before tax of $277.7 million reflects no tax benefit recognised in respect of the following: US operating loss; international exploration expenditure; and SRL transaction costs. These are partially offset by the benefit of research and development tax offsets.

MOVEMENT IN NPAT



Commentary in respect of each bar in the NPAT waterfall above is provided below:

Z/R/SR sales price (-ve $85 million)

Lower average USD prices for zircon compared to the previous corresponding period.

Average annual zircon prices were US$773 per tonne, a reduction of 19.6 per cent from the average achieved in 2015 (2015: US$961/t). Zircon prices reflect the weighted average price for zircon premium, zircon standard, zircon in concentrate and zircon tailings. The prices for each product vary considerably, as does the mix of such products sold period to period. The sales mix in 2016 was approximately 47 per cent premium product, 33 per cent standard/universal grade with the remainder of zircon sold contained in concentrate. 2016 included a higher proportion of standard grade zircon and zircon in concentrate sales than the previous corresponding period.

Rutile prices achieved an average US$716 per tonne, 0.7 per cent lower year-on-year (2015: US$721/t). Weighted average prices reflect market conditions and product mix. Iluka's synthetic rutile sales are, in large part, underpinned by commercial off take arrangements. The terms of these arrangements, including the pricing arrangements are commercial in confidence and as such not disclosed by Iluka.

Z/R/SR sales volumes (+ve $14 million)

The amount reflects the impact of higher Z/R/SR sales volumes, up 7.2 per cent from the previous corresponding period, using the average margin achieved for Z/R/SR product sales in the current period.

Z/R/SR sales mix (-ve $2 million)

Z/R/SR sales mix is comparable to the previous corresponding period.

Z/R/SR foreign exchange (+ve $7 million)

The impact of a higher weighted average spot exchange rate of 74.4 cents applicable to Z/R/SR revenue compared with the rate achieved in the previous corresponding period of 75.2 cents. Foreign exchange impacts on operating costs, mainly those relating to the US and SRL operations, are included in the overall movement in unit cost of goods sold. The variance also includes a foreign exchange translation gain of $4.9 million as opposed to a translation loss of $4.1 million in 2015.

Ilmenite concentrate and other by-products (-ve $15 million)

Decreased volume of ilmenite sales and lower average realised prices as a result of changes in the ilmenite product mix.

Z/R/SR unit cost of goods sold (+ve $15 million)

Lower unit costs of sales for Z/R/SR sold during the period reflects reducing unit cash costs of production combined with a change in sales mix to include lower cost material.

Restructure and idle capacity (-ve $31 million)

The composition of these costs has changed with an increase in US idle costs following the cessation of mining and concentrating in December 2015 and higher idle costs at Jacinth-Ambrosia following the suspension of mining and concentrating activities in April 2016. These changes were offset by a reduction in Western Australia following the recommencement of both mining and synthetic rutile production in March 2015.

Mineral sands other costs (-ve $67 million)

The higher costs were due to the increased rehabilitation provision for the US closed operations and increased resource development costs predominantly associated with trialling an unconventional underground mining approach.

Mining Area C (-ve $14 million)

Underlying iron ore royalties were comparable with the previous corresponding period, with a 3.1 per cent increase in realised AUD iron ore prices offset by 2.2 per cent decline in sales volumes. No MAC annual capacity payments were received in 2016 (2015: $3.0 million). Royalty and capacity payments are payable on dry metric tonnes. The previous corresponding period also included a one-off receipt of US$8.0 million (A$10.4 million) as referenced previously.

Corporate costs (-ve $15 million)

Corporate and other costs include $14.1 million in relation to one-off SRL transactions costs in 2016, which accounts for the majority of the increase. The higher underlying corporate costs were due to increased costs related to redundancy costs and Managing Director transition, partially offset by lower costs associated with the evaluation of the potential acquisition of Kenmare Resources Plc.

Impairments (-ve $201 million)

The current year includes an impairment charge of $201.0 million recorded against the Australian operations reflecting a significant reduction in carrying value for assets predominantly located in the Murray Basin.

Depreciation for idle assets (+ve $7 million)

Lower depreciation charges on idle equipment, with 2015 including $12 million for depreciation of idle equipment in the Murray Basin following the conclusion of mining at WRP and a review of the assets conditions resulting in accelerated depreciation.

Metalysis associate (-ve $3 million)

Iluka's increased investment in Metalysis on 18 February 2016 has resulted in Iluka equity accounting from this date. Iluka has recognised its share of Metalysis losses for the period of $3.3 million.

Interest and bank charges (-ve $4 million)

Interest costs increased due to higher average borrowing levels than in the previous corresponding period following the acquisition of SRL in December 2016.

Rehabilitation unwind and other finance charges (+ve $31 million)

The decrease from the previous corresponding period largely reflects a one-off charge in 2015 of $25.3 million due to a reduction in the risk free discount rate used in the calculation of the net present value of the rehabilitation provisions in respect of closed sites in Australia.

Tax (+ve $87 million)

The variance reflects a decreased tax expense as a result of lower earnings and the benefit of higher research and development tax offsets compared to the previous corresponding period.

BALANCE SHEET, CASH FLOW AND NET DEBT

Balance sheet by operation - $ million

31 December 2016	AUS	US	SRL	MAC	Corp	Group	31 Dec 2015
Receivables	88.1	2.4	50.8	14.1	14.5	**169.9**	108.9
Inventories	603.4	56.2	34.3	-	-	**693.9**	811.8
Payables and accruals	(48.1)	(10.2)	(31.7)	-	(26.0)	**(116.0)**	(93.6)
Employee and other provisions	(11.9)	(13.8)	(3.2)	-	(12.0)	**(40.9)**	(39.2)
Rehabilitation provisions	(388.1)	(103.7)	(36.3)	-	-	**(528.1)**	(487.0)
Investment in Metalysis Limited	-	-	-	-	33.7	**33.7**	22.7
Property, plant & equipment	787.2	45.0	354.7	-	7.3	**1,194.2**	1,069.8
Intangibles	-	-	-	4.7	-	**4.7**	5.1
Capital employed	**1,030.6**	**(24.1)**	**368.6**	**18.8**	**17.5**	**1,411.4**	**1,398.5**
Net tax asset						**(197.9)**	(4.1)
Net debt						**506.3**	(6.0)
Total equity						**1,103.0**	1,408.6
Net funding						**1,411.4**	**1,398.5**

The balance sheet composition has changed from that at 31 December 2015 as a result of the acquisition of SRL in December 2016. The accounting treatment for the acquisition requires fair values to be ascribed to the assets and liabilities of SRL and then consolidated into Iluka's financial position. SRL is identified separately above and highlights the changes in the balance sheet composition from the previous corresponding period.

Receivables are higher than the previous corresponding period, mainly due to the acquisition of SRL and the assumption of their receivables. Iluka has continued to utilise a trade receivables purchase facility entered into in late 2014 which enabled the earlier collection of $88.1 million of receivables at 31 December 2016 (31 December 2015: $75.0 million).

Inventories decreased by $117.9 million to $693.9 million. Lower inventories reflect the drawdown of work in progress product (HMC) to $288.0 million (December 2015: $401.2 million) combined with a reduction in finished product stocks to $341.4 million (2015: $377.0 million). During the year, Iluka produced 395 thousand tonnes of HMC and processed 967 thousand tonnes. The draw down in HMC inventory is consistent with Iluka's production settings and demand-following approach, which are likely to see HMC and finished goods inventories reduce materially within the next two years. Inventories include $219.9 million of predominantly HMC material classified as non-current (2015: $317.9 million) and also $64.5 million of consumable stores (December 2015: $33.6 million).

Rehabilitation provisions have increased from the previous corresponding period despite active rehabilitation throughout the year. The increase in the rehabilitation provision predominantly relates to Iluka's former operating assets in the United States, including Virginia which was idled at the end of 2015 and is now undergoing rehabilitation as a closed site, and Florida, which was closed in 2009, with a total increase of $40.9 million for the US. The increase in rehabilitation provisions in the US follows an extensive review in the last 12 months and relates to the refinement of estimates including the current scope of work, approach to undertaking the required work and a change in methodology for calculating the amount of contingency. In the second half of 2016, the focus of the US activities shifted from being an idled site ready to restart should market conditions improve, to a permanently closed site, the primary purpose of which is to rehabilitate in a cost effective and responsible manner. This clarification resulted in a number of costs previously forecast as operating expenses, being incorporated into the provision estimate. The US rehabilitation provision at December 2016 is now $104.6 million (US$75.5 million).

During the year Iluka further increased its equity stake in Metalysis Limited to 28.1 per cent with a $12.1 million investment in February 2016 and a further $6.9 million in July 2016. Metalysis Limited is a private UK based entity that is developing a new technology for titanium metal powder production. The investment has resulted in Metalysis becoming an associate and Iluka has commenced equity accounting from 18 February 2016. During the year, Iluka's share of the Metalysis earnings was a loss of $3.3 million and Iluka expects Metalysis to report losses during the development phase of the technology.

Higher property, plant and equipment values reflect the acquisition of SRL, which is detailed in note 6. This is offset partially by the impairment charge of $201.0 million for the Australian operations.

The increase in the Group's deferred tax asset from $17.8 million in 2015 to $185.6 million at 31 December 2016 predominantly relates to the recognition of a deferred tax asset for SRL's carried forward tax losses.

Net debt increased $512.3 million compared to the previous corresponding period mainly as a result of the acquisition of SRL, with a purchase price of $375.4 million, transaction costs of $14.1 million plus the assumption of SRL's net debt of $79.7 million. Free cash flow for the year was $47.3 million. Dividend payments were $92.1 million in respect of the 19 cent 2015 final dividend in April 2016 and the 3 cent 2016 interim dividend in October 2016. Currency translation impacts were predominantly $9.6 million on the USD component of net debt. Undrawn facilities at 31 December 2016 were $404.2 million and cash and cash equivalents were $101.3 million.

Movement in net (debt) cash

$ million	Full Year 2015	1st Half 2016	2nd Half 2016	Full Year 2016
Opening net (debt) cash	**(59.0)**	**6.0**	**(124.1)**	**6.0**
Operating cash flow	222.2	(15.5)	152.8	137.3
MAC royalty	64.0	18.3	25.3	43.6
Exploration	(27.7)	(10.7)	(14.0)	(24.7)
Interest (net)	(10.5)	(4.9)	(9.1)	(14.0)
Tax	(18.5)	(10.3)	(3.5)	(13.8)
Capital expenditure	(62.3)	(16.7)	(47.0)	(63.5)
Purchase of investment in Metalysis Limited	(4.1)	(12.1)	(6.7)	(19.0)
Asset sales	0.9	1.3	0.1	1.4
Share purchases for employee share schemes	(9.0)	-	-	-
Free cash flow	**155.0**	**(50.6)**	**97.9**	**47.3**
Dividends	(79.5)	(79.5)	(12.6)	(92.1)
Net cash flow	**75.5**	**(130.1)**	**85.3**	**(44.8)**
SRL acquisition cost	-	-	(375.4)	(375.4)
Net debt assumed on acquisition of SRL	-	-	(79.7)	(79.7)
Exchange revaluation of USD net debt	(8.1)	1.4	(11.0)	(9.6)
Amortisation of deferred borrowing costs	(2.4)	(1.4)	(1.4)	(2.8)
Decrease (increase) in net debt	**65.0**	**(130.1)**	**(382.2)**	**(512.3)**
Closing net cash (debt)	**6.0**	**(124.1)**	**(506.3)**	**(506.3)**

Operating cash flow in the year of $137.3 million is lower than the previous corresponding period, reflecting the lower mineral sands EBITDA.

MAC cash flows were $20.4 million lower than the previous corresponding period reflecting lower MAC royalty income.

Iluka continued monthly tax instalments in Australia during the year. Iluka's tax benefit in the year was $53.7 million, predominantly driven by the Australian impairment charge of $201.0 million, in comparison to net tax payments of $13.8 million. The Group will claim a tax refund in 2017 of $12.4 million in relation to the 2016 tax benefit.

Capital expenditure of $63.5 million in the year related to various major projects, including Cataby (Western Australia), Balranald (New South Wales) as well as land acquisitions and the purchase of earth moving equipment in Sierra Leone. In addition, Iluka increased its equity interest in Metalysis Limited for a cost of $19.0 million in the year taking the equity holding to 28.1 per cent.

The exchange revaluation of net debt in the year predominantly reflects the re-translation of US dollar denominated debt from an exchange rate of 72.8 cents at 31 December 2015 to 72.1 cents at 31 December 2016.

On 7 December 2016 Iluka completed the acquisition of SRL by means of a statutory merger of SRL with Iluka Investments Limited (BVI), a wholly owned Iluka subsidiary. The total transaction cost includes the final consideration for SRL equity of $375.4 million (£215.4 million), $14.1 million of transaction costs and interest costs in relation to a deal contingent forward hedge contract of $2.1 million disclosed within interest costs.

REVIEW OF AUSTRALIAN OPERATIONS

		2016	2015	% change
Production volumes				
Zircon	kt	347.0	351.3	(1.2)
Rutile	kt	108.8	136.5	(20.3)
Synthetic rutile	kt	210.9	164.9	27.9
Total Z/R/SR production	**kt**	**666.7**	**652.7**	**2.1**
Ilmenite	kt	326.2	320.9	1.7
Total production volume	**kt**	**992.9**	**973.6**	**2.0**
HMC produced	kt	371	890	(58.3)
HMC processed	kt	942	949	(0.7)
Unit cash cost of production - Z/R/SR *	$/t	364	466	21.9
Mineral sands revenue	**$m**	**690.2**	**770.5**	**(10.4)**
Cash costs of production	$m	(242.5)	(304.3)	20.3
Inventory movements - cash costs of production	$m	(88.2)	(31.4)	180.9
Restructure and idle capacity charges	$m	(38.8)	(29.3)	(32.4)
Government royalties	$m	(19.7)	(21.0)	6.2
Marketing and selling costs	$m	(18.3)	(16.4)	(11.2)
Asset sales and other income	$m	(1.1)	(1.3)	(15.4)
EBITDA	**$m**	**281.6**	**366.8**	**(23.2)**
Depreciation & amortisation	$m	(74.3)	(129.7)	42.7
Inventory movements - non-cash production costs	$m	(57.3)	(15.3)	(274.5)
Rehabilitation costs for closed sites	$m	(1.7)	25.0	106.8
Impairment expense	$m	(201.0)	-	n/a
EBIT	**$m**	**(52.7)**	**246.8**	**n/a**

* Calculated as cash costs of production, including by-product costs divided by Z/R/SR production.

Total Z/R/SR production increased 2.1 per cent from the previous corresponding period reflecting a full year of production from synthetic rutile kiln 2 in the south west of Western Australia. This kiln re-commenced production in March 2015. Zircon production (including sales of zircon in concentrate recognised as production when sold) was slightly lower, while rutile decreased 20.3 per cent reflecting the Company's continued approach to allocate rutile volumes in the context of the completion of mining activities in the Murray Basin.

Mineral sands revenue decreased 10.4 per cent. This was mainly due to lower zircon prices received year on year and a reduction in ilmenite sales with some volumes prioritised as feedstock for synthetic rutile production.

Cash costs of production were 20.3 per cent lower than the previous corresponding period. The change reflects a combination of factors including lower mining and concentrating costs due to the cessation of mining operations at WRP in the Murray Basin in March 2015; the suspension of mining and concentrating activities at Jacinth-Ambrosia in April 2016; partially offset by a full year of costs at synthetic rutile kiln 2.

Unit cash costs of production per tonne of Z/R/SR declined due to the lower cash production costs associated with the reduction in mining and concentrating activities.

The inventory movement (cash and non-cash) reflects both a drawdown of both HMC and finished goods stocks.

The increase of restructure and idle capacity charges compared to the previous corresponding period reflects charges associated with the suspension of mining and concentrating at Jacinth-Ambrosia.

The reduction in depreciation charges reflects no deprecation at WRP following cessation of mining in the first quarter of 2015 and the suspension of depreciation for mining and concentrating equipment at Jacinth-Ambrosia associated with idling of activities in April 2016. This is partially offset by a full year of depreciation on mine specific equipment and mine reserves associated with the restart of mining operations at Tutunup South and the restart of the synthetic rutile kiln 2 in March 2015.

The variation in rehabilitation for closed sites reflects the review undertaken in 2015 that identified opportunities to improve techniques applied to rehabilitation and resulted in a reduction in the obligation for closed sites of $25.0 million.

Iluka undertook a review of the mineral sands mining and processing assets in the context of current business priorities which resulted in non-cash impairments of $201.0 million. This included surplus and redundant equipment in the Murray Basin of $156.0 million, $20.4 million of capitalised costs associated with feasibility work for Balranald conventional mine development now ceased and $24.6 million related to exploration and evaluation assets previously capitalised and other mine reserves in the Perth and Murray Basins.

REVIEW OF UNITED STATES OPERATIONS

		2016	2015	% change
Production volumes				
Zircon	kt	-	37.3	n/a
Ilmenite	kt	-	145.1	n/a
Total production volume	**kt**	**-**	**182.4**	**n/a**
HMC produced	kt	-	247	n/a
HMC processed	kt	-	257	n/a
Unit cash cost of production - saleable product *	$/t	-	484	n/a
Mineral sands revenue	**$m**	**18.3**	**49.3**	**(62.9)**
Cash cost of production	$m	(8.7)	(88.2)	90.1
Inventory movements - cash	$m	(13.9)	41.0	133.9
Restructure and idle capacity charges	$m	(30.7)	(9.0)	(241.1)
Marketing and selling costs	$m	(0.4)	-	n/a
EBITDA	**$m**	**(35.4)**	**(6.9)**	**413.0**
Rehabilitation costs for closed sites	$m	(40.9)	(27.6)	(48.2)
EBIT	**$m**	**(76.3)**	**(34.5)**	**(121.2)**

* Calculated as cash costs of production, including by-product costs divided by zircon and ilmenite production.

Zircon and ilmenite production ceased in December 2015 following the completion of mining at Brink and Concord deposits in the US.

Lower sales revenue was largely due to decreased sales volumes.

Cash costs of production largely reflect activities associated with finished goods transport as all mining and concentrating activities ceased in December 2015.

The inventory movement (cash and non-cash) reflects the draw down in finished goods through sales and write-downs of certain inventory lines to their net realisable value.

Restructure and idle capacity charges reflect regional management, administration and holding costs, regional asset care and maintenance costs plus feasibility costs associated with planned re-treatment and recovery of zircon in concentrate from tailings stocks pre rehabilitation.

The provision for rehabilitation and closure activities was increased by $40.9 million. The increase related to the Company's former operating assets, including Virginia which was idled at the end of 2015 and is now undergoing rehabilitation as a closed site, and Florida, which was closed in 2009. This followed an extensive review and refinement of estimates including the current scope of work, approach to undertaking the required work and a change in methodology for calculating the amount of contingency. In addition during the second half of 2016, the focus of the US activities shifted from being an idled site ready to restart should market conditions improve, to a permanently closed site, the primary purpose of which is to rehabilitate in a cost effective and responsible manner. This clarification resulted in a number of costs previously forecast as operating expenses, being incorporated into the provision estimate.

REVIEW OF SIERRA RUTILE OPERATIONS

		2016	2015	% change
Production volumes				
Zircon	kt	0.1	-	n/a
Rutile	kt	8.8	-	n/a
Ilmenite	kt	3.2	-	n/a
Total production volume	**kt**	**12.1**	**-**	**n/a**
HMC produced	kt	23.3	-	n/a
HMC processed	kt	24.6	-	n/a
Unit cash cost of production - saleable product *	$/t	777.0	-	n/a
Mineral sands revenue	**$m**	**17.8**	**-**	**n/a**
Cash cost of production	$m	(9.4)	-	n/a
Inventory movements - cash	$m	(5.5)	-	n/a
Government royalties	$m	(0.7)	-	n/a
Marketing and selling costs	$m	(1.0)	-	n/a
Asset sales and other income	$m	(0.1)	-	n/a
EBITDA	**$m**	**1.1**	**-**	**n/a**
Depreciation & amortisation	$m	(2.0)	-	n/a
EBIT	**$m**	**(0.9)**	**-**	**n/a**

* Calculated as cash costs of production, including by-product costs divided by Z/R/SR and ilmenite production.

Iluka acquired SRL on 7 December 2016 and the above results represent SRL's contribution from this date.

NON-IFRS FINANCIAL INFORMATION

This Annual Report uses non-IFRS financial information including mineral sands EBITDA, underlying Group EBITDA and Group EBIT, which are used to measure both Group and operational performance. A reconciliation of non-IFRS financial information to profit (loss) before tax is provided below. Non-IFRS measures have not been subject to audit.

31 December 2016

	AUS	US	SRL	Exploration & Other (i)	Corp	**Mineral sands**	MAC	**Group**
Mineral sands revenue	690.2	18.3	17.8			**726.3**		**726.3**
Mineral sands expenses	(408.6)	(53.7)	(16.7)	(95.4)		**(574.4)**		**(574.4)**
Mining Area C							47.5	**47.5**
Foreign exchange					4.9	**4.9**		**4.9**
Corporate costs					(53.8)	**(53.8)**		**(53.8)**
Underlying Group EBITDA	**281.6**	**(35.4)**	**1.1**	**(95.4)**	**(48.9)**	**103.0**	**47.5**	**150.5**
SRL transaction costs					(14.1)	**(14.1)**		**(14.1)**
Depreciation & amortisation	(74.3)		(2.0)	(3.2)		**(79.5)**	(0.4)	**(79.9)**
Inventory movement- non-cash	(57.3)					**(57.3)**		**(57.3)**
Rehabilitation for closed sites	(1.7)	(40.9)				**(42.6)**		**(42.6)**
Share of Metalysis Ltd's losses					(3.3)	**(3.3)**		**(3.3)**
Impairment	(201.0)					**(201.0)**		**(201.0)**
Group EBIT	**(52.7)**	**(76.3)**	**(0.9)**	**(98.6)**	**(66.3)**	**(294.8)**	**47.1**	**(247.7)**
Net interest costs					(15.4)	**(15.4)**		**(15.4)**
Rehabilitation unwind & other	(10.8)	(0.9)		(0.1)	(2.8)	**(14.6)**		**(14.6)**
Profit (loss) before tax	**(63.5)**	**(77.2)**	**(0.9)**	**(98.7)**	**(84.5)**	**(324.8)**	**47.1**	**(277.7)**
Segment result	***(63.5)***	***(77.2)***	***(0.9)***			***(141.6)***	***47.1***	***(94.5)***

(i) Comprises resource development costs ($79.4m), marketing and selling costs ($16.6m), offset by asset sales and other income $0.6m.

31 December 2015

	AUS	US	Exploration & Other (i)	Corp	**Mineral sands**	MAC	**Group**
Mineral sands revenue	770.5	49.3			**819.8**		**819.8**
Mineral sands expenses	-403.7	(56.1)	(71.4)		**(531.2)**		**(531.2)**
Mining Area C						61.6	**61.6**
Foreign exchange				(4.1)	**(4.1)**		**(4.1)**
Corporate costs				(52.7)	**(52.7)**		**(52.7)**
Underlying Group EBITDA	**366.8**	**(6.8)**	**(71.4)**	**(56.8)**	**231.8**	**61.6**	**293.4**
Depreciation & amortisation	(129.7)		(2.3)		**(132.0)**	(0.4)	**(132.4)**
Inventory movement - non-cash	(15.3)				**(15.3)**		**(15.3)**
Rehabilitation for closed sites	25.0	(27.7)			**(2.7)**		**(2.7)**
Group EBIT	**246.8**	**(34.5)**	**(73.7)**	**(56.8)**	**81.8**	**61.2**	**143.0**
Net interest costs				(11.0)	**(11.0)**		**(11.0)**
Rehabilitation unwind & other	(42.0)	(1.0)		(2.4)	**(45.4)**		**(45.4)**
Profit (loss) before tax	**204.8**	**(35.5)**	**(73.7)**	**(70.2)**	**25.4**	**61.2**	**86.6**
Segment result	***204.8***	***(35.5)***			***169.3***	***61.2***	***230.5***

(i) Comprises resource development costs ($58.4m), marketing and selling costs ($15.7m), offset by asset sales and other income $2.7m.

REMUNERATION REPORT

The directors of Iluka Resources Limited (Iluka or Company) present this Remuneration Report (Report) for the year ended 31 December 2016.

ABOUT THIS REPORT

This Report provides information about the remuneration of Iluka's key management personnel (KMP), being its executives with authority for planning, directing and controlling the activities of the Company (Executive KMP) and its Non-executive Directors. The Report has been prepared in accordance with the Corporations Act 2001 (Cth) and includes the following sections:

SECTION 1 **Overview of 2016 Remuneration**	This section of the Report provides a snapshot of key remuneration developments at Iluka in 2016, as well as an overview of the total realised remuneration received by Executive KMP for the relevant year.
SECTION 2 **Remuneration at Iluka**	This section gives an overview of Iluka's remuneration principles and the process for determining the structure of remuneration for Executive KMP. It also demonstrates how the components of remuneration at Iluka are aligned with shareholder value-creation by being linked to the Company's performance.
SECTION 3 **Executive Remuneration**	This section outlines the remuneration structure and outcomes for Iluka's Executive KMP in 2016, being: • **T O'Leary** – Managing Director and Chief Executive Officer (from 5 September 2016) • **M Blackwell** – Head of Marketing • **S Hay** – Head of Resource Development (from 1 March 2016) • **D Warden** – Chief Financial Officer & Head of Strategy and Planning • **S Wickham** – Chief Operating Officer Mineral Sands • **D Robb** – Managing Director and CEO (ceased 2 September 2016)
SECTION 4 **Managing Director Transition**	As announced on 29 June 2016, Tom O'Leary was appointed as Iluka's Managing Director and CEO during the year. This section outlines the terms of his appointment, along with the contractual entitlements paid to the outgoing Managing Director and CEO, David Robb.
SECTION 5 **Non-executive Director Remuneration**	This section outlines the remuneration structure and fees paid to Iluka's Non-executive Directors in 2016, being: • **G Martin** – Chairman, Independent Non-executive Director • **M Bastos** – Independent Non-executive Director • **X Liu** – Independent Non-executive Director (from 19 February 2016) • **J Ranck** – Independent Non-executive Director • **G Rezos** – Independent Non-executive Director (ceased 14 December 2016) • **J Seabrook** – Independent Non-executive Director • **W Osborn** – Independent Non-executive Director (ceased 18 May 2016)
SECTION 6 **Statutory Remuneration Disclosures**	This section includes statutorily required remuneration disclosures for 2016, including details of equity awards outstanding and Executive KMP and Non-executive Director shareholdings in Iluka.

SECTION 1 OVERVIEW OF 2016 REMUNERATION

Iluka's approach to remuneration is intended to ensure that remuneration received by Executive KMP is closely linked to Iluka's performance and the returns generated for our shareholders. In 2016, the incentive outcomes for Executive KMP were consistent with the overarching business conditions and shareholder returns described in this Annual Report.

1.1 Key developments in 2016

During 2016, the following developments occurred in relation to the Company's remuneration arrangements:

Managing Director Transition	• Mr O'Leary commenced his role as CEO of Iluka in September 2016 and was appointed Managing Director in October 2016. Mr O'Leary will focus on delivering sustainable growth for the long-term performance of the Company and generating returns for shareholders through sound financial discipline. • A remuneration package was designed for Mr O'Leary to join Iluka which places a greater emphasis on 'at risk' remuneration than Iluka previously had for its Managing Director and CEO. This is intended to ensure alignment of Mr O'Leary's interests with shareholders and to emphasise long–term shareholder value-creation. • As part of his initial remuneration, Mr O'Leary was compensated for incentives forgone at his previous employer as a result of his agreeing to join Iluka. These entitlements were provided as deferred equity and are subject to performance hurdles.

Review of incentive arrangements	• A review of incentive arrangements for all Executive KMP was conducted in 2016 to ensure KMP remuneration remains consistent with market expectations and the sustainable generation of shareholder wealth.
	• As a consequence of this review, the long term incentive plan (LTIP) performance period was extended from three years to four years to increase alignment with the Company's longer-term strategic outcomes.
	• Moving to a four year performance period would have resulted in no LTIP being eligible for vesting in 2018. To ensure Executive KMP continue to be incentivised in 2018, LTIP awards granted in 2016 were structured to have two tranches (each equivalent to one year's LTIP award):
	  • **Tranche 1** having a three year performance period ending in 2018; and
	  • **Tranche 2** having a four year performance period ending in 2019.

Total Fixed Remuneration (TFR)	• A restructure of executive roles resulted in Simon Hay being appointed Head of Resource Development, and his TFR was adjusted accordingly to reflect the promotion and change in accountabilities. • No other changes to TFR were made during 2016. (Executive KMP have been excluded from the annual salary review process since 2013.)
Short Term Incentive Plan (STIP)	• The 2016 outcome equated to an average payment of 37 per cent of maximum opportunity for Executive KMP (excluding the Managing Director and CEO, whose incentive outcomes are discussed in Section 4 of this Report). • No payment was made for the profitability component of the STIP. (No payment has been made in relation to the profitability component of STIP since 2011.) • Individual performance measures for the STIP covered the evaluation and progression of acquisitions and/or alliances with financial merit and strategic rationale, effective integration of acquisitions, assessment of feasibility, attraction and timing of expansion projects, continued flexing of production in light of market demand and continued market development activities.
Long Term Incentive Plan	• The 2014 LTIP (performance period 1 January 2014 to 31 December 2016) did not vest.

Non–Executive Directors Remuneration	• No changes were made to Non-executive Directors' Board and Committee fees in 2016. • Base Non-executive Director fees have not been increased since 2011.

1.2 Total Realised Earnings for Executive KMP (non-IFRS)

This section uses non-IFRS information to explain the "actual pay" received by Executive KMP for 2016. This is a voluntary disclosure intended to demonstrate the link between the remuneration received by Executive KMP and the performance of Iluka over this same period. The information provided in the table below is shown on the following basis:

- "**TFR**" includes base salary earned in 2016, as well as superannuation for Australian employees.
- "**Other**" payments include non-monetary benefits received in 2016, including car parking, spousal travel, any relevant US expenses (such as social security payments) and termination entitlements (such as payment in lieu of notice and accrued annual and long service leave).
- "**STIP**" reflects the total STIP amount receivable by Executive KMP in respect of performance in 2016 (paid in March 2017 following the release of annual results). As outlined below, STIP is awarded half in cash and half in deferred equity (in the form of restricted shares). Restricted shares remain subject to continued service conditions, with half released in 12 months and half released in 24 months.
- "**LTIP**" reflects LTIP awards from prior years which reached the end of their performance period and vested in 2016. It does not include 2016 LTIP awards which will vest in future years if performance conditions are met.

Name	TFR $	Other $	STIP $		LTIP[1,2] $	Total Earnings $
			Cash	Restricted Shares	Shares	
Managing Director						
T O'Leary	456,061	4,335	-	-	-	460,396
Executive KMP						
M Blackwell[3]	718,128	60,844	112,984	112,984	-	1,004,940
S Hay[4]	437,500	11,085	90,016	90,016	-	628,616
D Warden	660,000	11,356	109,890	109,890	-	891,136
S Wickham	732,720	4,980	125,343	125,343	-	988,386
Former Managing Director						
D Robb	1,354,231	1,851,727	1,800,000	-	673,165	5,679,123
Total	**4,357,868**	**1,944,262**	**2,238,233**	**438,232**	**673,165**	**9,651,760**

[1] The value of the 2014-16 LTIP award for D Robb was calculated at the closing share price of $6.24 at the date of vesting (2 September 2016).
[2] Includes the pro-rata 2016-18 LTIP award for D Robb settled in cash in 2016 (see Section 4 of this Report for more details).
[3] M Blackwell is based in the US and receives a USD denominated salary. M Blackwell's earnings have been converted from USD to AUD for 2016 using the 2016 YTD average foreign exchange rate of 0.7444.
[4] S Hay was appointed to his current role and became a KMP on 1 March 2016. Remuneration disclosures reflect the period he was a KMP.

SECTION 2 REMUNERATION AT ILUKA

2.1 Remuneration governance and principles

The following diagram outlines the governance framework in place at Iluka for setting remuneration for the Company's KMP and other employees. It also includes the key remuneration principles which underlie Iluka's remuneration governance framework and practices.

REMUNERATION GOVERNANCE FRAMEWORK

BOARD
The Board delegates responsibility in relation to remuneration to the People and Performance Committee (PPC). The PPC operates in accordance with a Charter as approved by the Board.

Delegation and oversight

Reporting and recommendations

PEOPLE AND PERFORMANCE COMMITTEE
The PPC is responsible for assisting and providing recommendations to the Board in support of the Company's objective of creating and delivering value for shareholders and in fulfilling its corporate governance responsibilities relating to:

- overall remuneration strategy of the Company;
- remuneration of non-executive directors;
- performance and remuneration of the Managing Director and executives;
- STIP and LTIP offers and outcomes, including all equity offers to employees;
- succession planning for key roles; and
- diversity strategy, policies and practices of the Company.

EXTERNAL ADVICE
The Committee has appropriate resources and authority to discharge its duties and responsibilities, including the authority to engage external professionals on terms it determines to be appropriate.

In 2016, the Committee engaged independent remuneration consultants to provide insights on remuneration trends, regulatory updates and market data in relation to the remuneration of the Managing Director, other Executive KMP and Non-executive Directors. No remuneration recommendations were obtained as defined under the Corporations Act 2001 (Cth).

REMUNERATION PRINCIPLES

The following principles are aligned with Iluka's People Policy and form the basis of Iluka's remuneration framework:

- remuneration which is comparable and competitive within the relevant market;
- an appropriate balance between fixed and variable (at risk) components of remuneration;
- performance based with targets that reflect both prevailing business expectations and minimum requirements over time;
- alignment to shareholder returns through performance objectives which support business profitability, sustainability and growth and result in improved shareholder returns;
- trailing exposure to Company performance for executives through deferred share plans and minimum shareholding requirements; and
- fair and transparent remuneration based on performance, compliance with legislative frameworks and clear and concise disclosure.

2.2 Components of Executive KMP remuneration

Executive remuneration is comprised of both fixed and "at risk" components. The table below describes each of the components making up each Executive KMP's total remuneration package:

FIXED REMUNERATION	AT RISK REMUNERATION	
Cash	Cash	Equity
Total Fixed Remuneration TFR consists of base salary, superannuation and any salary sacrifice items. Individual TFR is determined within an appropriate range around the market median and is based on individual experience and performance. It is regularly reviewed by the PPC and Board.	**Short term incentive plan** STIP awards require above-threshold performance against group profitability and sustainability targets and satisfactory performance against individual growth objectives. 50 per cent of Executive KMP's STIP awards are paid in cash. The remaining 50 per cent is deferred into equity in the form of restricted shares to enhance alignment with shareholder interests.	**Long term incentive plan** LTIP awards are delivered entirely in share rights to encourage long term value creation and further align executives' interests with shareholders interests. Awards are only made if return on equity (ROE) and relative total shareholder return (RTSR) performance hurdles are met over a three or four-year period in order to promote long-term wealth generation for shareholders.

The following diagram sets out the mix of fixed and "at risk" remuneration for Executive KMP in the 2016 Financial Year:

* Includes grants awarded to T O'Leary upon commencement with Iluka under the Long Term Deferred Rights Plan. As set out in Section 4, these awards were provided as compensation for incentives forgone with his previous employer.

** This includes the 3-year and 4-year tranches of the 2016 LTIP awards, which were granted as part of Iluka's transition to a 4-year performance period from 2016 onwards.

Mr O'Leary's remuneration mix for his initial year is heavily weighted towards "at risk" remuneration in the form of performance based equity grants. This mix will transition next year (and in following years) to more closely align with the mix for other members of the Executive KMP. Mr O'Leary did not receive an STIP award for 2016 and therefore he received no "at risk" cash component in 2016. Details of remuneration paid to Mr Robb on his cessation as Managing Director and CEO are contained in Section 4 of this Report.

2.3 Equity related remuneration policies

Iluka has a number of Company policies in place, designed to support and reinforce the remuneration principles and structure outlined in Section 2.1 of this Report. These policies include the following:

Securities Trading Policy

Under the Securities Trading Policy, directors and employees (including Executive KMP) are prohibited from trading in financial products issued or created over the Company's securities created by third parties, and from trading in associated products and entering into transactions which operate to limit the economic risk of their security holdings in the Company.

This prohibition extends to directors and executives taking out margin loans on their holdings of Iluka securities.

The Securities Trading Policy is available on the Company's website at www.iluka.com.

Minimum Shareholding Policy

Iluka encourages all employees to own shares in the Company as it increases the incentive for employees to drive continued shareholder wealth.

In line with this goal, Executive KMP are required to achieve the following minimum levels of shareholdings within a reasonable time period:

- the Managing Director and CEO is required to achieve a shareholding equivalent to 100 per cent of TFR; and
- other Executive KMP are required to achieve a shareholding equivalent to 75 per cent of TFR.

Non-executive Directors are also required to acquire a shareholding of approximately 50 per cent of the value of annual gross base fees within three years of appointment.

A summary of KMP's current shareholdings is available in Section 6 of this Report.

Clawback

The terms of Iluka's STIP and LTIP awards contain provisions permitting the Company to clawback incentives that have vested and that have been paid or awarded to participants in certain circumstances.

For example, share rights and restricted shares may be lapsed or forfeited (as appropriate) if a participant acts fraudulently or dishonestly or if there is a material misstatement or omission in the accounts of a Group company.

This allows the Board to ensure that remuneration outcomes continue to align with outcomes for shareholders and that inappropriate benefits are not awarded.

2.4 Link between performance and reward

The following section sets out details of Iluka's financial performance and shows how the Company's performance and shareholder returns are reflected in incentive outcomes received by Executive KMP.

Shareholder returns

The table below illustrates shareholder returns over the one, three and five year periods to 31 December 2016.

	5 years to 31 Dec 2016	3 years to 31 Dec 2016	1 year to 31 Dec 2016
Initial Investment of 1 share ($)	15.50	8.63	6.13
Closing Share Price ($)	7.27	7.27	7.27
Share Price Change (per cent)	(53)	(16)	19
Aggregate Dividends[1] ($)	1.46	0.51	0.22
Dividend (ROI) (per cent)	9	6	4
Total Return (per cent)	(44)	(10)	22

[1] Dividends over the five-year period to 31 December 2016 comprised of 2011 final dividend (55 cps franked), 2012 interim dividend (25 cps franked), 2012 final dividend (10 cps franked), 2013 interim dividend (5 cps franked), 2013 final dividend (4 cps franked), 2014 interim dividend (6 cps franked), 2014 final dividend (13 cps franked), 2015 interim dividend (6 cps franked), 2015 final dividend (19 cps franked) and 2016 interim dividend (3 cps franked).

Company performance

The table below provides key performance metrics for 2016 and the prior four financial years.

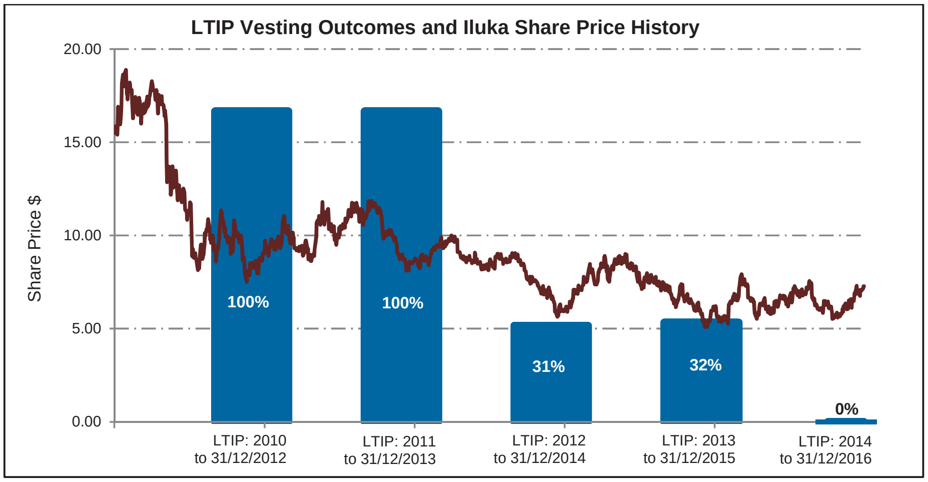
	2012	2013	2014	2015	2016
Net profit/(loss) after tax ($ million)	363.2	18.5	(62.5)	53.5	(224.0)
Underlying EBITDA margin (per cent)	63.2	38.3	35.3	35.8	20.7
Free Cash Flow ($ million)	81.2	(27.5)	196.3	155.0	47.3
Earnings per share (cents)	87.1	4.4	(15.0)	12.8	(53.3)
Closing share price ($)[1]	9.02	8.63	5.95	6.13	7.27
Dividends paid (cents)	80	15	10	19	22
Franking credit level (per cent)	100	100	100	100	100
Average AUD:USD spot exchange rate (cents)	103.6	96.8	90.3	75.2	74.4
Revenue per tonne Z/R/SR sold ($/t)	1,991	1,173	1,030	1,136	999

[1] Starting share price on 1 January 2012 was $15.50.

Over the five years to 31 December 2016 84 per cent of the Company's Free Cash Flow (FCF) in total has been paid to shareholders in dividends. Total incentives awarded under the STIP and LTIP over the corresponding period is 11.9 per cent of FCF.

LTIP vesting outcomes and link to performance

The graph below shows Iluka's share price performance relative to the vesting outcome executives have experienced over the five-year period. The incentive outcomes are consistent with Company performance and shareholder outcomes over the period.



SECTION 3 EXECUTIVE REMUNERATION

The remuneration of Executive KMP is linked to both annual business and individual performance outcomes and to the Company's ability to create and deliver sustainable levels of shareholder value. The terms of the incentive awards for Executive KMP are summarised below. Further details in relation to the Managing Director's remuneration is detailed separately in Section 4 of this Report.

3.1 Short Term Incentive Plan

The STIP aims to provide an incentive to participants whilst driving shareholder value creation and promoting equity ownership by providing awards partly in cash and partly in deferred equity. The structure of Iluka's STIP is as follows:

STIP opportunity	The award opportunity is based on a percentage range of each participant's TFR and is determined by an individual's role within the business and capacity to impact the results of the Company. Executive KMP targets are 60 per cent of TFR, with stretch set at 90 per cent of TFR. The Managing Director and CEO, Mr O'Leary, did not receive an STIP award for 2016 but will be eligible to participate in the STIP in future years.
Performance targets	The PPC approves STIP performance targets annually having regard to Iluka's Corporate Plan, business conditions and market and shareholder expectations. Performance targets include three elements that align with Iluka's strategy, being Profitability, Sustainability and Growth. **Profitability** measures typically consist of return on capital and net profit after tax metrics with the third element varying between an earnings measure and a cash flow measure depending on the current stage of the cycle and what is considered most appropriate at the given time. **Sustainability** targets relate to safety and environmental objectives and are set based on a combination of industry best practice and continual improvement versus the prior year performance. **Growth objectives** are individual objectives that advance the Company's longer term prospects and are set at a stretch level. Individual Growth objectives are linked to major business opportunities and risks from the Corporate Plan and business priorities for the year ahead.
Vesting outcomes	For the Profitability and Sustainability STIP performance measures, a threshold, target and stretch goal is set at the start of the performance year. STIP outcomes are calculated according to the following schedule: **Performance Level** — **STI Outcome (% Target)** Threshold — 0% Target — 100% Stretch — 150% (maximum) A sliding scale operates between threshold and target, and between target and stretch. For individual Growth objectives, full vesting only occurs if there is a stretch level of performance.
Performance assessment	STIP outcomes are determined after the end of the relevant performance year. Outcomes are subject to rigorous one up assessment and, for the former Managing Director and Executive KMP, assessment by the Board. There is no re-testing of the STIP performance targets.
Payment timing	Payments are made in March following end of each performance year.

STIP deferral	Fifty per cent of the STIP award for Executive KMP is deferred into restricted shares. The Board can also make offers with an increased deferred proportion (thereby reducing the cash component). Restricted shares are granted for nil consideration. Half of the restricted shares vest one year after the grant date, while the remaining half vest two years after the grant date. Executive KMP must remain employed by the Company on the relevant vesting date for the shares to be released. The number of restricted shares awarded to each participant is based on "face value" and determined by dividing the dollar value of the deferred component by the Volume Weighted Average Price (VWAP) of Iluka shares traded on the ASX over the five trading days following release of the Company's full year results.
Voting rights and dividends	Participants receive dividends and are entitled to exercise voting rights attaching to the restricted shares.
Cessation of employment	If a participant resigns or is dismissed for cause all of their restricted shares will be forfeited, unless the Board determines otherwise. If a participant ceases employment due to circumstances such as redundancy or retirement the restricted shares will be released on the original vesting date subject to the original conditions, unless the Board determines otherwise. If a participant ceases employment due to death or total and permanent disablement, all of their restricted shares will be released, unless the Board determines otherwise.
Change of control	In the event of a takeover or other transaction that in the Board's opinion should be treated as a change of control event, the Board has a discretion to determine that vesting of some or all of the restricted shares be accelerated.
Board discretion	Where the Board exercises its discretion under the STIP, for example in relation to cessation of employment or a change of control, the Board will consider all relevant factors at the time, which the Board expects will include the participant's performance against the performance targets and the proportion of the performance period that has elapsed.

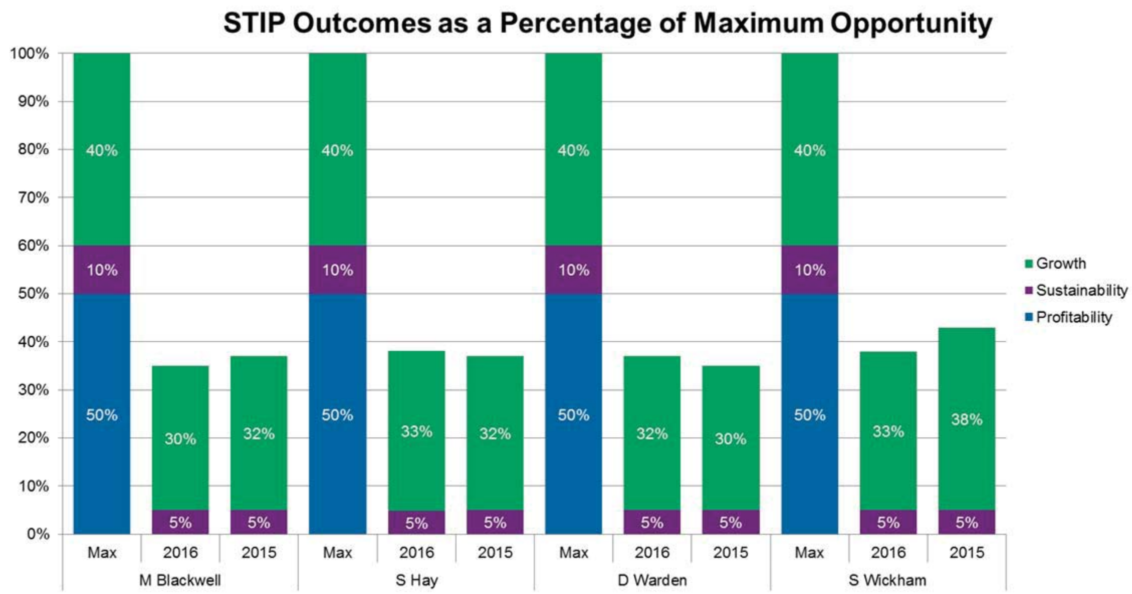
3.2 2016 STIP Outcomes

Set out below is commentary on the performance outcome for each component of the 2016 STIP:

Strategic Driver	STIP Measures	Rationale for inclusion	Performance outcome and commentary
Profitability (50% weighting)	Return on Capital (ROC)	Reflects how efficiently Iluka utilises capital to generate earnings and is the 'internal surrogate' for ROE.	**Below threshold performance** The result for the year of negative 18.3 per cent (2015: 6.8 per cent) was adversely impacted by $201.0 million of pre-tax impairment charges predominantly in respect of idle assets in the Murray Basin, Australia and a $42.6 million increase in rehabilitation provision for closed sites predominately associated with the US operations. Capital employed has remained relatively stable across the year. The decrease arising from the impairments and rehabilitation adjustments noted above has been largely offset by the acquisition of Sierra Rutile Ltd in December 2016.
	Free Cash Flow (FCF)	Reflects the cash generation of Iluka, with higher FCF allowing more dividends to be paid and/or greater investment in sustaining and growing the business while maintaining a conservatively geared balance sheet.	**Below threshold performance** Iluka's free cash flow was $47.3 million with a reduction of $107.7 million from the previous corresponding period largely due to the decline in zircon prices and increased expenditure in trialling an unconventional underground mining approach.

	Net Profit After Tax (NPAT)	Reflects the profit made by Iluka and the resulting impact on returns generated for shareholders.	**Below threshold performance** Iluka recorded a loss after tax for the year of $224.0 million, compared with a profit of $53.5 million for the previous corresponding period. The 2016 loss was significantly impacted by several non-recurring adjustments including a non-cash impairment charge of $140.7 million after tax and an increase in rehabilitation provision for closed sites of $42.1 million after tax. The poor result was further compounded by a 20 per cent reduction in the weighted average price received for zircon compared to the previous corresponding period.
Growth (40% weighting)	Individual objectives	Objectives reflect individual roles and are linked to major business opportunities and the management of key risks as identified in Iluka's five-year Corporate Plan, as well as the priorities for the relevant year.	**At target performance** Targeted progress was achieved in relation to the following areas: • completion of the Sierra Rutile Limited merger and commencement of an effective integration process; • continued flexing of production in light of market demand; • continued detailed feasibility studies on the Cataby project, completion of a definitive feasibility study for the Balranald deposit and pre-feasibility study on the Puttalam Quarry deposit in Sri Lanka; • continued market development activities including development and launch of new products; • proactive advancement of the Company's sustainability and social responsibility performance and reputation. Areas in which less than targeted progress was achieved included: • discovery of major new minerals sands ore bodies.
Sustainability (10% weighting)	Total Recordable Injury Frequency Rate (TRIFR)	Providing a safe workplace for all employees is an integral part of Iluka's corporate objective and values.	**Below threshold performance** In 2016 TRIFR of 4.4 (rolling 12-month average to 31 December 2016) was achieved, a 34 per cent reduction on the 2015 outcome. Despite the improvement in performance the result fell below the threshold performance level.
	Level 3 & above environmental incidents	Iluka has a strong commitment to ensuring that its activities do not have an adverse impact on the environment.	**Above stretch performance** Above stretch performance level maintained with an improvement on 2015 levels (11 incidents in 2016 compared with 14 incidents in 2015.

The following chart provides a comparison between the maximum STIP opportunity for Executive KMP and the actual amounts which were awarded in 2016 and 2015. The current Managing Director and CEO was not a participant in the 2016 STIP and the outgoing Managing Director's incentive outcome is detailed in Section 4 of this Report.



3.3 Long Term Incentive Plan

Iluka's LTIP is designed to focus executives' attention on sustainable long-term growth and align the interests of executives with those of shareholders. Key details of the LTIP are set out in the table below:

LTIP opportunity	The award opportunity is determined by an individual's role within the business and capacity to impact the results of the Company. In 2016, the maximum LTIP opportunity for the Managing Director and CEO was 120 per cent of TFR, and for other Executive KMP was 60 per cent of TFR.
Instrument	The LTIP is awarded in share rights that entitle participants to acquire fully-paid ordinary shares in the Company on vesting and, where relevant, exercise of those rights. Rights are granted for nil consideration and no price is payable on exercise of those rights. Share rights do not attract dividends and do not carry voting rights prior to vesting and, where relevant, exercise.
Performance hurdles	**Return on equity (ROE) - 50% of LTIP award** Half of the award is tested against a ROE hurdle which is measured over a four year performance period with vesting occurring on a straight line basis for performance between Threshold and Target. Targets reflect expectations of the Company's position within the mineral sands industry, the industry business cycle, Corporate Plan and budget business performance expectations. ROE is averaged over the four years, so a failure to achieve targeted levels of performance in any one year increases the level of ROE required in the remaining years to achieve vesting. The table below discloses the threshold and target ROE performance hurdles.

LTIP grant	Threshold	Target
2016 – 2019	10%	14%
2016 – 2018	10%	14%
2015 – 2017	10%	14%
2014 – 2016	10%	14%

Relative total shareholder return (TSR) - 50% of LTIP award

The remaining half of the award is assessed based on a relative TSR hurdle, which is also measured over four years. The TSR component vests based on Iluka's TSR relative to a comparator group of companies. The S&P/ASX 200 Materials Index is used as the comparator group, since it reflects the companies that operate within the same industry as Iluka and with which Iluka competes for investment and talent.

A relative TSR hurdle is used as opposed to an absolute TSR hurdle, in recognition of the fact that Iluka and many of its peers operate in cyclical markets. This creates incentives for executives to continue to grow the business and look to the future at all points in the cycle.

Vesting outcomes

Vesting occurs on a straight-line basis for performance between threshold and target (ROE measure) and the 50th percentile and 75th percentile (TSR measure) based on the below vesting schedule:

Measure	Performance level to be achieved	Percentage of total grant that will vest	Maximum percentage of total grant
ROE	Below threshold	0%	50%
	Threshold	25%	
	Target or above	50%	
TSR	Below 50th percentile	0%	50%
	50th percentile	25%	
	75th percentile or above	50%	
Total Grant (Maximum award)			**100%**

If the performance hurdles have not been met at the end of the four-year performance period, the share rights will automatically lapse.

Performance assessment

Performance against the ROE and relative TSR hurdles is assessed following the end of the performance period and release of Iluka's full year audited results. There is no re-testing of performance hurdles.

Cessation of employment

If an executive resigns or is dismissed for cause all of their unvested rights will lapse, unless the Board determines otherwise. If an employee ceases employment due to any other circumstances (including death, total and permanent disability, redundancy or retirement), the Board has discretion how to treat any unvested rights and may determine that some or all of the rights lapse, vest or stay on foot.

Change of control

In the event of a takeover or other transaction that in the Board’s opinion should be treated as a change of control event, the Board has a discretion to determine that vesting of some or all of the share rights be accelerated.

Board discretion

Where the Board exercises its discretion under the LTIP, for example in relation to cessation of employment or a change of control, the Board will consider all relevant factors at the time, which the Board expects will include Iluka’s performance against the performance hurdles and the proportion of the performance period that has elapsed.

Transition to four year performance period

As discussed above, following a review of Iluka’s incentive plans in 2016, the Company decided to move from a three year performance period to a four year performance period to increase alignment with the Company's longer-term strategic outcomes.

To ensure that there is an LTIP award capable of vesting each year, the 2016 LTIP awards for Executive KMP (other than the incoming Managing Director and CEO) were structured to have two equal tranches, each worth 60% of the Executive KMP’s TFR with performance periods of three and four years, respectively. Both tranches are subject to the same performance hurdles and were made on the terms set out above (except for the differing performance periods). The Managing Director and CEO, Mr O'Leary, received an LTIP award with only one tranche measured over a performance period of four years and three months. Details of Mr O'Leary's incentive awards are contained in Section 4 of this Report.

3.4 2014 LTIP outcomes

At the end of 2016, the 2014 LTIP award completed its performance period (1 January 2014 to 31 December 2016).

Performance was measured against both the ROE and relative TSR hurdles as follows. There was no vesting of the 2014 LTIP award and no shares were awarded to participants:

Component	Performance target	Actual performance	Implication for vesting
ROE (50%)	50% vesting for Threshold of 10% with full vesting at target of 14%	-5.8 per cent	Nil vesting of the ROE component
Relative TSR (50%) (S&P/ASX 200 Materials Index)	50% vesting for 50th percentile and full vesting for 75th percentile	17.6th percentile	Nil vesting of the TSR component

3.5 Executive employment agreements

Executive KMP are employed on terms set out in individual employment agreements. The employment agreements continue on a rolling basis and do not contain a fixed term. Key terms of the agreements are as follows:

Executive	Position	Termination Notice Period by Iluka or Employee	Termination Payments[1]
T O'Leary	Managing Director and Chief Executive Officer	6 months	6 months
D Warden	Chief Financial Officer and Head of Strategy and Planning	3 months	3 months
M Blackwell	Head of Marketing, Mineral Sands	3 months	6 months
S Wickham	Chief Operating Officer, Mineral Sands	3 months	6 months
S Hay	Head of Resource Development	3 months	3 months

[1] Termination payments (other than for gross misconduct) are calculated based on TFR at date of termination and are provided in addition to the notice period or payment in lieu of notice.

Iluka may terminate Executive KMP's employment agreements without notice and without providing payment in lieu of notice where there is gross misconduct or other grounds for summary dismissal.

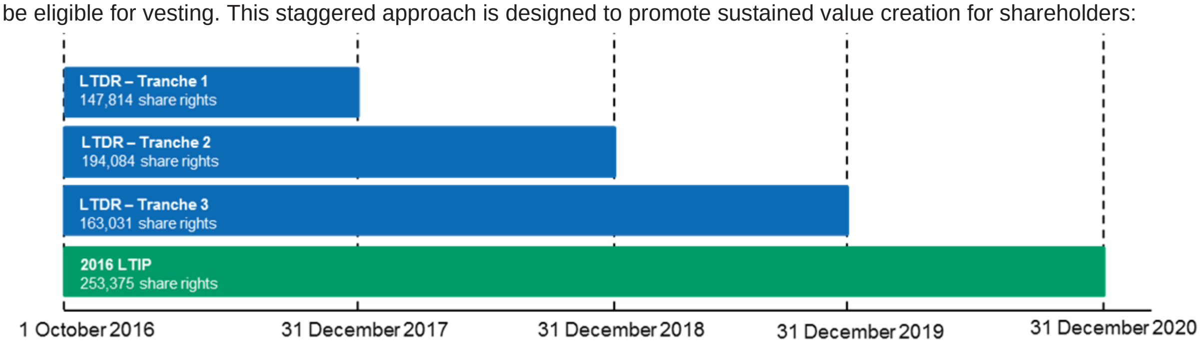
SECTION 4 MANAGING DIRECTOR TRANSITION

4.1 New Managing Director and CEO – T O'Leary

The material terms of Mr O'Leary's employment agreement are set out in Section 3.5 of this Report and were announced to the market on 29 June 2016. Mr O'Leary commenced with the following remuneration entitlements:

- $1,400,000 TFR per annum, subject to annual review by the Board each year;
- 2016 LTIP award valued at 120 per cent of TFR made on the terms described in Section 3.3 of this Report, however performance for the 2016 LTIP will be measured over four years and three months starting 1 October 2016. Mr O'Leary's remuneration has been structured to provide a greater emphasis on 'at risk' remuneration, particularly with respect to his LTIP award value. This reflects the Board's intention to ensure that Iluka's Managing Director and CEO's incentives are closely aligned with long-term shareholder value creation.
- Compensation for foregone incentives in the form of a Long Term Deferred Rights (LTDR) grant. The LTDR share rights granted have a total face value of $3,252,000 and vesting is subject to satisfaction of performance hurdles. Half the LTDR will be tested against a ROE hurdle and the other half will be tested against relative TSR. The award is in consideration of Mr O'Leary joining Iluka and thereby forfeiting benefits that he may have become entitled to at his previous employer. The terms of the LTDR awards are intended to be no more favourable than the incentives which Mr O'Leary forfeited at his previous employer.

The diagram below illustrates the performance periods over which the LTIP and LTDR awards will be measured and will be eligible for vesting. This staggered approach is designed to promote sustained value creation for shareholders:



Mr O'Leary was not eligible for a 2016 STIP award, but will be eligible to participate in the STIP in future years.

4.2 Former Managing Director and CEO – D Robb

The following arrangements were made in accordance with approval obtained from shareholders at the 2011 AGM and Mr Robb's employment agreement.

Notice Period	At the Board's request, Mr Robb worked out 3.5 months of his notice period to assist with transition arrangements to the new Managing Director and CEO. A cash payment of $1,419,178 was made in lieu of the balance of his notice entitlement of 12 months.
2016 STIP	Mr Robb was entitled to receive his short term incentive at target in relation to the 2016 financial year. This award was $1,800,000.
2016 LTIP **2015 LTIP** **2014 LTIP**	Share rights awarded to Mr Robb under the 2016 LTIP (three year tranche), 2015 LTIP and 2014 LTIP were vested on a pro rata basis, except for the four-year tranche of Mr Robb's 2016 LTIP which lapsed.
Protection of Interests	Mr Robb is restrained from engaging in certain activities for a period of one year following cessation of his employment. Mr Robb's employment agreement contains provisions relating to the protection of confidential information and intellectual property. No additional payment was required in relation to this restraint.

SECTION 5 NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration of the Non-executive Directors is determined by the Board on recommendation from the People and Performance Committee within the maximum aggregate amount approved by shareholders at Iluka's Annual General Meeting. The current cap on Non-executive Directors' fees (including superannuation) as approved by shareholders in May 2015 is $1.8 million. The total amount paid to Non-executive Directors in 2016 (including superannuation) was $1,310,908. Non-executive Directors do not receive any performance-based remuneration.

Recognising the additional workload and duties associated with Gavin Rezos' appointment to the Board of Metalysis Ltd, the Board has approved fees of GBP45,000 per annum to be paid to Mr Rezos in addition to his Iluka Resources Board member and Committee fees. There has been no other adjustment to Non-executive Director fees since March 2011.

Details of Non-executive Director fees in 2016 are as follows:

Non-executive Director base fees	
Board Chairman (inclusive of Committee fees)	$312,000
Board Member	$125,000
Board Member Committee fees	
Audit and Risk Committee Chair	$35,000
Audit and Risk Committee Member	$17,500
People and Performance Committee Chair	$25,000
People and Performance Committee Member	$12,500
Other related entity Board fees	
Metalysis Board member	GBP45,000

The minimum required employer superannuation contribution up to the statutory maximum is paid into each Non-executive Director's nominated eligible fund and is in addition to the above fees.

SECTION 6 STATUTORY REMUNERATION DISCLOSURES

Details of the remuneration of the KMP, prepared in accordance with the requirements of the Corporations Act 2001 (Cth) and the relevant Australian Accounting Standards, are set out in the following tables.

6.1 Non-executive Director Statutory Remuneration Disclosures

Name	Year	Board, Committee Fees $	Non-Monetary Benefits $	Superannuation $	Statutory Total $
G Martin	2016	312,000	-	19,462	331,462
	2015	312,000	-	19,229	331,229
M Bastos	2016	142,500	-	13,538	156,038
	2015	142,500	-	13,538	156,038
X Liu[1]	2016	143,541	8,053	13,636	165,230
	2015	-	-	-	-
W Osborn[2]	2016	57,386	-	5,452	62,838
	2015	150,000	-	14,250	164,250
J Ranck	2016	161,029	8,463	15,298	184,790
	2015	141,875	-	13,478	155,353
G Rezos[3]	2016	209,193	-	12,469	221,662
	2015	243,603	-	14,448	258,051
J Seabrook	2016	172,500	-	16,388	188,888
	2015	172,500	-	16,388	188,888
Total	**2016**	**1,198,149**	**16,516**	**96,243**	**1,310,908**
	2015	**1,162,478**	**-**	**91,331**	**1,253,809**

[1] X Liu was appointed on 19 February 2016.
[2] W Osborn retired on 18 May 2016.
[3] G Rezos retired on 14 December 2016. Fees include fees paid in relation to Metalysis Ltd and have been converted from GBP to AUD for 2016 using the 2016 YTD average foreign exchange rate of 0.5511 and for 2015 using the 2015 YTD average foreign exchange rate of 0.4917.

6.2 Executive KMP Statutory Remuneration Disclosures

Name	Year	TFR[1] $	STIP Cash[2] $	Non-Monetary Benefits[3] $	Termination benefits[4] $	Other[5] $	Share Based Payments[2, 6] $	Statutory Total $
Executive Directors								
T O'Leary[7]	2016	456,061	-	4,335	-	-	338,178	798,574
	2015	-	-	-	-	-	-	-
D Robb[8]	2016	1,354,231	1,800,000	46,746	2,081,693	-	864,961	6,147,631
	2015	1,993,953	499,500	20,677	-	-	936,627	3,450,757
Other Executive KMP								
M Blackwell[9]	2016	717,356	112,984	-	-	60,779	323,065	1,214,184
	2015	710,012	118,217	-	-	70,855	238,432	1,137,516
S Hay[10]	2016	437,500	90,016	11,085	-	-	155,024	693,625
	2015	-	-	-		-	-	-
D Warden	2016	660,000	109,890	11,356	-	-	373,462	1,154,708
	2015	634,949	103,950	-	-	-	263,708	1,002,607
S Wickham	2016	732,720	125,343	4,980	-	-	341,733	1,204,776
	2015	728,442	141,836	5,978	-	-	248,483	1,124,739
Total	**2016**	**4,357,868**	**2,238,233**	**78,502**	**2,081,693**	**60,779**	**2,396,423**	**11,213,498**
	2015	**4,067,356**	**863,503**	**26,655**	**-**	**70,855**	**1,687,250**	**6,715,619**

[1] Includes base salary and superannuation for Australian employees.
[2] STIP Cash and Share Based Payments for 2016 will be made in March 2017.
[3] Includes non-monetary benefits which consist of car parking and spouse travel.
[4] Includes cessation entitlements relating to payment in lieu of notice, accrued leave entitlements and the settlement of the 2016 LTIP award for D Robb.
[5] Includes US social security expenses for M Blackwell.
[6] Amounts relate to the fair value of awards from prior years made under various incentive plans attributable to the year measured in accordance with AASB 2 Share Based Payments.
[7] T O'Leary became a KMP on 5 September 2016. Remuneration disclosures reflect the period he was a KMP.
[8] D Robb ceased to be a KMP on 2 September 2016. Remuneration disclosures reflect the period he was a KMP.
[9] M Blackwell's earnings have been converted from USD to AUD for 2016 using the 2016 YTD average foreign exchange rate of 0.7444 and for 2015 using the 2015 YTD average foreign exchange rate of 0.7521.
[10] S Hay became a member of KMP on 1 March 2016. Remuneration disclosures reflect the period he was a KMP.

6.3 Share–based Compensation

STIP Restricted Shares

Name	2014 STIP[1]	2015 STIP[1]	2016 STIP[1,2]	Awarded %[3]		
				2014	2015	2016
M Blackwell	6,220	18,664	15,541	31	37	35
S Hay	2,545	6,697	12,382	33	37	39
D Warden	5,499	15,678	15,116	31	35	37
S Wickham	7,319	21,392	17,241	34	43	38

[1] STIP restricted share fair value is determined as the volume weighted average price of ordinary shares over the five trading days following the release of the Company's annual results. STIP restricted shares are awarded in March of the following year (e.g. 2016 STIP awards will be made in March 2017).
[2] Represents the estimated number of restricted shares to be awarded under the 2016 STIP calculated using the closing share price of $7.27 at 1 January 2017.
[3] The percentage achieved of the STIP maximum incentive opportunity awarded for the financial year.

Share Rights

	Number of share rights					Value of share rights	
Name	**Balance at 1 January 2016**	**Granted during 2016[1]**	**Vested / exercised into shares in 2016**	**Lapsed during 2016[2]**	**Balance at 31 December 2016**	**Value of rights granted in 2016 $**	**Value of rights vested / exercised into shares in 2016 $**
Executive directors							
T O'Leary	-	758,304	-	-	758,304	3,520,991	-
D Robb[3]	200,667	180,982	(144,846)	(236,813)	-	-	921,207
Other Executive KMP							
M Blackwell	84,376	134,716	(4,638)	(9,656)	204,798	687,725	33,162
S Hay	34,461	95,016	(1,656)	(3,447)	124,374	485,057	11,840
D Warden	131,563	119,450	(5,764)	(12,001)	233,248	609,792	41,213
S Wickham	99,193	132,660	(6,518)	(13,570)	211,765	677,229	46,604

[1] Share rights granted in respect of the 2016 LTIP and 2016 LTDR which forms part of share based payments for 2016 to 2019 inclusive.
[2] Share rights which lapsed during 2016 relate to the 2013 LTIP award and the 2015 and 2016 LTIP awards for the former Managing Director.
[3] D Robb ceased to be a member of KMP on 2 September 2016. The closing balance reflects this date.

Fair Value

The fair value of each restricted share or share right and the vesting year for each incentive plan is set out below.

The maximum value of restricted shares and/or share rights yet to vest is not able to be determined as it is dependent on satisfaction of service and performance conditions and Iluka's future share price. The minimum value of unvested restricted shares and/or share rights is nil.

Incentive Plan	Grant Date	Fair Value per Share or Right at Grant Date[2] $	Vesting Year	Expiry year[4]
2014 LTIP	January 2015	7.12	2017	–
2014 STIP[1]	March 2015	7.66	2016 & 2017	–
2015 LTIP	March 2015	5.88	2018	–
2015 STIP[1]	March 2016	6.63	2017 & 2018	–
2016 LTIP Tranche 1	May 2016	5.14	2019	2026
2016 LTIP Tranche 2	May 2016	5.07	2020	2026
2016 STIP[1,3]	March 2017	7.27	2018 & 2019	–
2016 LTDR	October 2016	4.68	2017, 2018 & 2019	2026
2016 LTIP (MD grant)	October 2016	4.57	2021	2026

[1] Awards under these plans are restricted shares; all other plans grant share rights.
[2] The fair value is calculated in accordance with the measurement criteria of Accounting Standard AASB 2 Share Based Payments.
[3] Represents the estimated fair value of the 2016 STIP award for which the performance period concluded on 31 December 2016 calculated using the closing share price of $7.27 at 1 January 2017. The actual value will be calculated as the volume weighted average price of ordinary shares over the five trading days following the release of the Company's 2016 annual results.
[4] Rights granted from 2016 onwards are not automatically exercised and must be exercised by the executive KMP before the expiry date. Rights that are not exercised by the expiry date are automatically exercised by this date. No amounts are payable on exercise of the rights.

6.4 KMP shareholdings

Shareholdings of Executive KMP and their related parties

	Number of shares				
Name	**Balance held at 1 January 2016**	**Vesting of share rights pursuant to LTDR and LTIP**	**Awarded as Restricted Shares pursuant to STIP**	**Other changes**	**Balance held at 31 December 2016**
Executive directors					
T O'Leary[1]	-	-	-	-	-
D Robb[2]	912,202	144,846	75,334	(53,209)	1,079,173
Other Executive KMP					
M Blackwell	52,718	4,638	18,664	(6,000)	70,020
S Hay[3]	-	1,656	6,697	42,253	50,606
D Warden	35,768	5,764	15,678	(7,377)	49,833
S Wickham	107,980	6,518	21,392	(22,110)	113,780

[1] T O'Leary was appointed to his current role and became a member of KMP on 5 September 2016.
[2] D Robb ceased to be a member of KMP on 2 September 2016. The closing balance reflects this date.
[3] S Hay was appointed to his current role and became a member of KMP on 1 March 2016. Other changes include shares held prior to KMP appointment.

Shareholdings of Non-executive Directors and their related parties

	Number of shares[1]		
Name	**Balance held at 1 January 2016**	**Net movement**	**Balance held at 31 December 2016[2]**
G Martin	20,000	-	20,000
M Bastos	6,000	5,000	11,000
X Liu[3]	-	-	-
W Osborn[4]	19,000	-	19,000
J Ranck	7,100	2,900	10,000
G Rezos[5]	75,000	-	75,000
J Seabrook	19,314	-	19,314

[1] Shares may be held directly or through a nominee or agent (e.g. family trust).
[2] No shares were forfeited during the year.
[3] X Liu was appointed a Non-executive Director on 19 February 2016.
[4] W Osborn retired on 18 May 2016. The closing balance reflects this date.
[5] G Rezos retired on 14 December 2016. The closing balance reflects this date.

6.5 Transactions with Key Management Personnel

During the financial year there were no product or services purchases by KMP from the Group (2015: nil) and there are no amounts payable at 31 December 2016 (2015: nil).

There have been no loans to KMP during the financial year (2015: nil).

DIRECTORS

The following individuals were directors of Iluka Resources Limited during the whole of the financial year and up to the date of the report, unless otherwise stated:

G Martin
M Bastos
X Liu (appointed 19 February 2016)
T O'Leary (appointed 13 October 2016)
W Osborn (retired 18 May 2016)
J Ranck
G Rezos (retired 14 December 2016)
D Robb (retired 2 September 2016)
J Seabrook

DIRECTORS' PROFILES

Name:	**Greg Martin**
Qualifications:	BEc, LLB, FAIM, MAICD
Age:	57
Role:	Chairman and Non-executive Director
Appointed:	January 2013
Independent:	Yes

Current positions:
• Chairman of the Board
• Nominations Committee - Chairman
• Audit and Risk Committee - Member
• People and Performance Committee - Member

Relevant skills and experience:
Mr Martin has over 35 years' experience in the energy, utility and infrastructure sectors, having spent 25 years with The Australian Gas Light Company Ltd (AGL), including five years as CEO and Managing Director. After leaving AGL, Greg was CEO of the infrastructure division of Challenger Financial Services Group and, subsequently, Managing Director of Murchison Metals Limited.

Other relevant directorships and offices (current and recent):
• Santos Limited - Non-executive Director (current)
• Prostar Investments (Australia) Pty Ltd - Chairman (current)
• Sydney Desalination Plant Pty Limited - Chairman (current)
• Western Power Corporation - Deputy Board Chair (current)
• Spark Infrastructure Group - Non-executive Director (effective 1 January 2017)

Name:	**Tom O'Leary**
Qualifications:	LLB, BJuris
Age:	53
Role:	Managing Director and Chief Executive Officer
Appointed:	October 2016
Independent:	No

Relevant skills and experience:
Mr O'Leary was previously Managing Director of Wesfarmers Chemicals, Energy and Fertilisers division having been appointed to the role in 2010. Tom joined Wesfarmers in 2000 in a Business Development role and was then appointed to Managing Director, Wesfarmers Energy, in 2009. Prior to joining Wesfarmers, Tom worked in London for 10 years in finance law, investment banking and private equity. Tom holds a law degree from The University of Western Australia and has completed the Advanced Management Program at Harvard Business School.

Other relevant directorships and offices (current and recent):
• Clontarf Foundation - Director (current)
• Edith Cowan University Council - Member (current)

Name:	**James (Hutch) Ranck**
Qualifications:	BSE (Econ), FAICD
Age:	68
Role:	Non-executive Director
Appointed:	January 2013
Independent:	Yes

Current positions:
• People and Performance Committee - Chairman
• Audit and Risk Committee - Member
• Nominations Committee - Member

Relevant skills and experience:
Mr Ranck has held senior management positions with DuPont, both in Australia and international in finance, chemicals, pharmaceuticals and agriculture for over 30 years. Hutch also served as a Director of DuPont's Hong Kong based subsidiary, Titanium Technologies, for seven years. Hutch retired as Managing Director of DuPont Australia and New Zealand and Group Managing Director of DuPont ASEAN in May 2010.

Other relevant directorships and offices (current and recent):
• Elders Limited - Chairman (current)
• CSIRO - Non-executive Member of the Board (current)

Name:	**Jenny Seabrook**
Qualifications:	BCom, FCA, FAICD
Age:	60
Role:	Non-executive Director
Appointed:	May 2008
Independent:	Yes

Current positions:
• Audit and Risk Committee - Chairman
• Nominations Committee - Member
• People and Performance Committee - Member

Relevant skills and experience:
In Ms Seabrook's executive career, she worked at senior levels in chartered accounting, capital markets and investment banking businesses. Jenny is currently a Special Advisor to Gresham Partners Limited. She was formerly a member of the Takeovers Panel (2000 - 2012) and her previous non-executive directorships include: Export Finance and Insurance Corporation; Amcor Limited; Bank of Western Australia Ltd; West Australian Newspapers Holdings Limited; Australian Postal Corporation; AlintaGas; and Western Power Corporation.

Other relevant directorships and offices (current and recent):
• MMG Limited - Non-executive Director (current)
• IRESS Limited - Non-executive Director (current)
• Western Australian Treasury Corporation - Non-executive Director (current)
• Australian Rail Track Corporation - Non-executive Director (current)

Name:	**Marcelo Bastos**
Qualifications:	Mechanical Engineering (UFMG), MBA (FDC-MG), MAICD
Age:	54
Role:	Non-executive Director
Appointed:	February 2014
Independent:	Yes

Current positions:
• Audit and Risk Committee - Member
• Nominations Committee - Member

Relevant skills and experience:
Mr Bastos is the Chief Operating Officer of the global resources company, MMG Limited, with responsibility for operations in three continents. Marcelo has extensive experience in major projects development and operation, and company management in the metals and mining industry (iron ore, gold, copper, nickel and coal sectors). Marcelo has served as the Chief Executive Officer of BHP Billiton Mitsubishi Alliance (BMA), as President of Nickel West of BHP Billiton Limited, President and Chief Operating Officer of Cerro Matoso and Nickel Americas of BHP Billiton, and also had a 19-year career with Vale (CVRD) in senior management and operational positions, the last of those as Director of Non Ferrous operations. Marcelo is a former Non-executive Director of Golding Contractors Pty Ltd. He is also a former Member of the Chamber of Minerals and Energy of Western Australia and served as Vice President of the Queensland Resources Council.

Other relevant directorships and offices (current and recent):
• MMG Limited - Chief Operating Officer (current)

Name:	**Xiaoling Liu**
Qualifications:	PhD, BEng, GAICD, FAusIMM
Age:	60
Role:	Non-executive Director
Appointed:	February 2016
Independent:	Yes

Current positions:
• Audit and Risk Committee - Member
• Nominations Committee - Member

Relevant skills and experience:
Dr Liu is a former President and Chief Executive Officer of Rio Tinto Minerals. Over Xiaoling's 26 years with the Rio Tinto Group she held various positions in smelting operation management through to President and CEO of Rio Tinto Minerals. Prior to joining Rio Tinto, she worked as a Research Fellow of City University (London). Xiaoling's previous Non-executive Director roles included: Board member of the California Chamber of Commerce; Vice President of the Board of Australian Aluminium Council; and member of the University Council of the University of Tasmania.

Other relevant directorships and offices (current and recent):
• Newcrest Mining Limited - Non-executive Director (current)
• Melbourne Business School - Non-executive Director (current)

Retirements during 2016

During 2016, David Robb retired as Managing Director, and Wayne Osborn and Gavin Rezos retired as independent, Non-executive Directors of the Company.

David Robb, BSc, GradDip (Personnel Administration), FAIM, FAICD

Mr Robb was appointed to the Board in October 2006 after his appointment as Managing Director and CEO of the Company.

David retired as Managing Director on 2 September 2016.

Wayne Osborn, DipEng, MBA, FTSE, FAICD

Mr Osborn was appointed to the Board in March 2010. He served as Chairman of the People and Performance Committee and was a member of the Company's Nominations Committee.

Wayne retired as an independent, Non-executive Director on 18 May 2016.

Gavin Rezos, BA, LLB, BJuris, MAICD

Mr Rezos was appointed to the Board in June 2006. He served on the Company's Nominations Committee and People and Performance Committee.

Gavin retired as an independent, Non-executive Director on 14 December 2016.

MEETINGS OF DIRECTORS

In 2016, the Board met on 12 occasions, of which 7 meetings were scheduled. In addition to these meetings, the Board spent two days primarily focused on strategic planning. The Chairman chaired all the meetings. The Non-executive Directors periodically met independent of management to discuss relevant issues. Directors' attendance at Board and committee meetings during 2016 is detailed below:

Director	Board		Audit and Risk Committee		Nominations Commttee		People and Performance Committee	
(1) (2)	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Total meetings	12		5		5		4	
Executive								
T O'Leary(3)	4	4		1				1
D Robb(4)	8	8		4				3
Non-executive								
G Martin	12	12	5	5	5	5	4	4
M Bastos	12	12	5	5	5	5		3
X Liu(5)	10	9	4	4	4	4		2
W Osborn(6)	3	3		2	3	3	2	2
J Ranck(7)	12	12	5	5	5	5	3	4
G Rezos(8)	12	9		2	5	4	4	4
J Seabrook	12	12	5	5	5	5	4	4

Legend:

- Current Chairman
- Prior Chairman
- Current Member
- Prior Member

Notes:

(1) "Held" indicates the number of meetings held during the period of each director's tenure. Where a director is not a member but attended meetings during the period, only the number of meetings attended is shown.

(2) "Attended" indicates the number of meetings attended by each director.

(3) Mr O'Leary was appointed a director on 13 October 2016.

(4) Mr Robb retired as a director on 2 September 2016.

(5) Dr Liu attended one Board meeting as an observer before she was appointed a director on 19 February 2016. Dr Liu also attended one Nominations Committee meeting and one Audit and Risk Committee meeting before becoming a member of each respective committee on 19 February 2016.

(6) Mr Osborn retired as a director on 18 May 2016.

(7) Mr Ranck attended one People and Performance Committee meeting as an observer before joining the committee on 19 February 2016. Mr Rank became the People and Performance Committee Chairman on 18 May 2016.

(8) Mr Rezos retired as a director on 14 December 2016.

DIRECTORS SHAREHOLDING

Directors shareholding is set out in the Remuneration Report, section 6.4.

EXECUTIVE TEAM PROFILES

Matthew Blackwell, B Eng (Mech), Grad Dip (Tech Mgt), MBA, MAICD, MIEAust
Head of Marketing, Mineral Sands

Mr Blackwell joined Iluka in 2004 as President of US Operations. He has had responsibilities for Land Management and as General Manager, USA, before being appointed Head of Marketing, Mineral Sands in February 2014. Prior to joining Iluka, Mr Blackwell was Executive Vice President of TSX listed Asia Pacific Resources and based in Thailand. He also held positions with WMC Resources and Normandy Poseidon. Mr Blackwell has more than 20 years' experience in the resources industry including senior positions in project management, maintenance, production and business development.

Rob Hattingh, MSc (Geochem)
Chief Executive Officer, Sierra Rutile

Mr Hattingh joined Sierra Rutile in November 2016 from Iluka Resources where he held the position of General Manager Innovation, Sustainability and Technology. Mr Hattingh has more than 25 years' experience in the mineral sand industry in a number of roles. He was Principal Environmental Scientist at Richards Bay Minerals in South Africa and worked in senior roles at Exxaro Resources (now Tronox) where he was responsible for technical disciplines for a number of years. In 2008, Mr Hattingh joined Iluka Resources in Perth where he held management roles in the fields of hydrogeology, metallurgy, sustainability and business development.

Simon Hay, BSc (Hons), MAppSc, Grad Dip (Mgmt), MAICD
Head of Resource Development

Mr Hay joined Iluka in 2009 as Manager, South West Operations based in Capel. Mr Hay then moved to the Marketing function and served as Iluka's Country Manager for China and then General Manager Zircon Sales based in Singapore. He was appointed to his current role as Head of Resource Development in March 2016. Prior to joining Iluka, Mr Hay worked at Mt Isa Mines, WMC Resources and BHP Billiton in the fields of metallurgy, projects and operations management in base metals.

Douglas Warden, BCom, CA, MBA, GAICD
Chief Financial Officer and Head of Strategy and Planning

Mr Warden joined Iluka in 2003 and held a number of senior financial and commercial roles before leaving the Company in 2007. Since returning to Iluka in 2009, Mr Warden has held a number of roles including, Head of Resource Development, General Manager Business Development and General Manager Exploration. He was appointed to his current role as Chief Financial Officer and Head of Strategy and Planning in June 2015. Mr Warden has previously been CFO at Summit Resources Limited and Jabiru Metals Limited and began his career in corporate finance and insolvency with Ernst & Young and KPMG.

Steven Wickham, Assoc Dip in Mechanical Engineering
Chief Operating Officer, Mineral Sands

Mr Wickham is a mechanical engineer with extensive experience in senior and executive roles in Australia and South Africa in the manufacturing and mining sectors. Prior to joining Iluka in 2007, he was Chief Executive Officer of Ticor South Africa and Managing Director of Australian Zircon.

Cameron Wilson, LLB, GAICD
Head of Integration

Mr Wilson joined Iluka in late 2004 as Chief Legal Counsel and Head of Corporate Acquisitions. He was appointed to his current role as Head of Integration in December 2016. Prior to joining Iluka, Mr Wilson worked in a range of legal and commercial roles with WMC Resources. He has specialised in mining, corporate and general commercial law for most of his professional career.

Sue Wilson, B Juris, LLB, FGIA, FICSA, FAICD
General Counsel and Company Secretary

Ms Wilson joined Iluka in December 2016. She was previously the Head of Company Secretariat at South32 following the demerger from BHP Billiton. She was also General Counsel and Company Secretary and a member of the executive team at Bankwest and HBOS Australia. Prior to joining Bankwest, Ms Wilson was a partner of law firm Parker & Parker (now part of Herbert Smith Freehills). She is currently the Pro Chancellor and a member of the Council at Curtin University, Chairman of the WA State Council of the Governance Institute of Australia and a former non-executive director of Western Power.

COMPANY SECRETARY

Ms Sue Wilson is the Company Secretary of the Company. Ms Wilson was appointed to the position of Company Secretary in December 2016. Mr Cameron Wilson was the former Company Secretary up to the appointment of Ms Sue Wilson. Refer to the previous section for Ms Wilson's profile.

Mr Nigel Tinley BBus CPA GAICD also acts as Company Secretary for the Company. Mr Tinley was appointed to the position of Joint Company Secretary in 2013 and prior to that he held senior positions in Finance and Sales and Marketing. Before joining Iluka in 2006, Mr Tinley held a range of accounting, financial and commercial roles over his 18 years with BHP Billiton Limited (and former BHP Limited) both in Australia and internationally.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company indemnifies all directors of the Company named in this report and current and former executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or the related body corporate) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving bad faith. The Company also has a policy to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The terms of engagement of Iluka's external auditor includes an indemnity in favour of the external auditor. This indemnity is in accordance with PricewaterhouseCoopers' standard Terms of Business and is conditional upon PricewaterhouseCoopers acting as external auditor. Iluka has not otherwise indemnified or agreed to indemnify the external auditors of Iluka at any time during the financial year.

During the year the Company has paid a premium in respect of directors' and Executive Officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

ENVIRONMENTAL REGULATIONS

The Group's Australian operations are subject to various Commonwealth and State laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation and access to, and use of, ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation of the state in which they operate and such licenses include requirements specific to the subject site.

So far as the directors are aware, there have been no material breaches of the Group's licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

NON-AUDIT SERVICES

The Group may decide to employ the external auditor, PricewaterhouseCoopers on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the external auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- fees paid to external auditors for non-audit services for the 2016 year were within the Group policy; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2011* is set out on page 51.

Fees that were paid or payable during the year for non-audit services provided by the auditor of the parent entity, its network firms and non-related audit firms is set out in note 22 on page 85 of the financial report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report that has or may significantly affect the operations of the entity, the results of those operations or the state of affairs of the entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the directors, likely developments in and expected results of the operations of the Group have been disclosed in the Operating and Financial Review on page 2. Disclosure of further material relating to those matters could result in unreasonable prejudice to the interests of the Group.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the year ended 31 December 2016 may be accessed from the Company's website at http://www.iluka.com/about-iluka/governance.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in "ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191", issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and accompanying Financial Report. Amounts in the Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the directors.

G Martin
Chairman

T O'Leary
Managing Director

23 February 2017

Auditor's Independence Declaration

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Iluka Resources Limited and the entities it controlled during the period.

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
23 February 2017

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Iluka Resources Limited ABN 34 008 675 018
Financial Report - 31 December 2016

Contents

These financial statements are the consolidated financial statements of the Group consisting of Iluka Resources Limited and its subsidiaries (the Group). The financial statements are presented in the Australian currency.

Iluka Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Iluka Resources Limited
Level 23
140 St George's Terrace
Perth WA 6000

A description of the nature of the Group's operations and its principal activities is included in the operating and financial review section of the Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 23 February 2017. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All ASX releases, financial reports and other relevant information are available at www.iluka.com

Iluka Resources Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	Notes	**2016 $m**	2015 $m
Revenue	5	**774.4**	882.2
Other income	20	**5.5**	2.7
Expenses	7	**(1,023.7)**	(741.1)
Share of losses of investments accounted for using the equity method	21	**(3.3)**	-
Interest and finance charges paid/payable		**(18.8)**	(14.2)
Rehabilitation and restoration unwind		**(11.8)**	(43.0)
Total finance costs	17(d)	**(30.6)**	(57.2)
(Loss) profit before income tax		**(277.7)**	86.6
Income tax benefit (expense)	9	**53.7**	(33.1)
(Loss) profit for the year attributable to owners		**(224.0)**	53.5
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation of foreign operations	24	**15.2**	2.0
Hedge of net investment in foreign operation, net of tax	24	**(5.8)**	(1.4)
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans, net of tax	24	**0.3**	0.8
Share of other comprehensive income of associates accounted for using the equity method	24	**(4.7)**	-
Total other comprehensive income for the year, net of tax		**5.0**	1.4
Total comprehensive (loss) income for the year attributable to owners		**(219.0)**	54.9
		Cents	Cents
(Loss) earnings per share attributable to ordinary equity holders			
Basic (loss) earnings per share	8	**(53.6)**	12.8
Diluted (loss) earnings per share	8	**(53.6)**	12.8

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Iluka Resources Limited
Consolidated balance sheet
As at 31 December 2016

	Notes	**2016 $m**	2015 $m
ASSETS			
Current assets			
Cash and cash equivalents	17	**101.3**	55.0
Receivables	12	**169.9**	108.9
Inventories	13	**474.0**	493.9
Current tax receivables		**12.4**	12.2
Total current assets		**757.6**	670.0
Non-current assets			
Investments accounted for using the equity method	21	**33.7**	-
Available-for-sale financial assets		**-**	22.7
Property, plant and equipment	14	**1,194.2**	1,069.8
Deferred tax assets	23	**185.5**	17.8
Intangible asset - MAC Royalty	5(b)	**4.7**	5.1
Inventories	13	**219.9**	317.9
Total non-current assets		**1,638.0**	1,433.3
Total assets		**2,395.6**	2,103.3
LIABILITIES			
Current liabilities			
Payables	15	**125.9**	103.5
Current tax payable		**-**	25.9
Provisions	16	**44.3**	57.4
Total current liabilities		**170.2**	186.8
Non-current liabilities			
Interest-bearing liabilities	17	**607.6**	49.0
Provisions	16	**514.8**	458.9
Total non-current liabilities		**1,122.4**	507.9
Total liabilities		**1,292.6**	694.7
Net assets		**1,103.0**	1,408.6
EQUITY			
Contributed equity	19	**1,117.2**	1,112.7
Reserves	24	**32.2**	23.1
(Accumulated losses) retained profits	24	**(46.4)**	272.8
Total equity		**1,103.0**	1,408.6

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Iluka Resources Limited
Consolidated statement of changes in equity
For the year ended 31 December 2016

		Attributable to owners of Iluka Resources Limited			
		Contributed equity $m	**Other reserves $m**	**Retained earnings $m**	**Total equity $m**
	Notes				
Balance at 1 January 2015		**1,114.4**	**22.8**	**297.4**	**1,434.6**
Profit for the year	24	-	-	53.5	53.5
Other comprehensive income	24	-	-	1.4	1.4
Other comprehensive income		**-**	**-**	**54.9**	**54.9**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax	19(b)	4.3	(4.3)	-	-
Purchase of treasury shares, net of tax	19(b)	(6.3)	-	-	(6.3)
Share-based payments, net of tax	24	0.3	4.6	-	4.9
Dividends paid	24	-	-	(79.5)	(79.5)
		(1.7)	0.3	(79.5)	(80.9)
Balance at 31 December 2015		**1,112.7**	**23.1**	**272.8**	**1,408.6**
(Loss) profit for the year	24	-	-	(224.0)	(224.0)
Other comprehensive income	24	-	8.1	(3.1)	5.0
Total comprehensive income		**-**	**8.1**	**(227.1)**	**(219.0)**
Transactions with owners in their capacity as owners:					
Share-based payments, net of tax	24	-	5.5	-	5.5
Dividends paid	24	-	-	(92.1)	(92.1)
Transfer of shares to employees, net of tax	19(b)	4.5	(4.5)	-	-
		4.5	1.0	(92.1)	(86.6)
Balance at 31 December 2016		**1,117.2**	**32.2**	**(46.4)**	**1,103.0**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Iluka Resources Limited
Consolidated statement of cash flows
For the year ended 31 December 2016

	Notes	2016 $m	2015 $m
Cash flows from operating activities			
Receipts from customers		**715.4**	814.2
Payments to suppliers and employees		**(578.1)**	(592.0)
Operating cash flow		**137.3**	222.2
Interest received		**0.7**	0.8
Interest paid		**(14.7)**	(11.3)
Income taxes paid		**(13.8)**	(18.5)
Exploration expenditure		**(24.7)**	(27.7)
Mining Area C royalty receipts		**43.6**	64.0
Net cash inflow from operating activities	11	**128.4**	229.5
Cash flows from investing activities			
Payments for property, plant and equipment		**(63.5)**	(62.3)
Sale of property, plant and equipment		**1.4**	0.9
Purchase of shares in Metalysis Limited	21	**(19.0)**	(4.1)
SRL acquisition cost	6	**(375.4)**	-
Net cash outflow from investing activities		**(456.5)**	(65.5)
Cash flows from financing activities			
Repayment of borrowings		**(210.1)**	(253.3)
Proceeds from borrowings		**662.5**	131.9
Purchase of treasury shares		**-**	(9.0)
Dividends paid	10	**(92.1)**	(79.5)
Debt refinance costs		**(0.5)**	(2.0)
Net cash inflow (outflow) from financing activities		**359.8**	(211.9)
Net increase (decrease) in cash and cash equivalents		**31.7**	(47.9)
Cash and cash equivalents at 1 January		**55.0**	101.3
SRL cash acquired	6	**13.9**	-
Effects of exchange rate changes on cash and cash equivalents		**0.7**	1.6
Cash and cash equivalents at end of year	17	**101.3**	55.0

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

Notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Iluka Group. Information is considered relevant and material if:

- The amount is significant due to its size or nature;
- The amount is important in understanding the results of the Group;
- It helps to explain the impact of significant changes in the Group's business; or
- It relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- Basis of preparation;
- Performance for the year;
- Operating assets and liabilities;
- Capital structure and finance costs;
- Other notes.

A brief explanation of each section is included under each section.

Basis of preparation

This section of the financial report sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also sets out information related to critical accounting estimates and judgements applied to these financial statements.

1 Reporting entity

Iluka Resources Limited (Company or parent entity) is domiciled in Australia. The financial statements are for the Group consisting of Iluka Resources Limited and its subsidiaries. A list of the Group's subsidiaries is provided in note 29.

2 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Iluka Resources Limited is a for-profit entity and is primarily involved in mineral sands exploration, project development, operations and marketing.

Iluka Resources Limited had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2016, which are detailed in note 33. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The consolidated financial statements of Iluka Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are required to be measured at fair value.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Iluka Resources Limited as at 31 December 2016 and the results of all subsidiaries for the year then ended. Iluka Resources Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Iluka Resources Limited acquired Sierra Rutile Limited ('SRL') on 7 December 2016. The results of SRL are included in the consolidated financial statements for the 24 days from 7 December 2016 to 31 December 2016.

Intercompany transactions and balances, and unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20.0% and 50.0% of the voting rights. Investments in associates are accounted for using the equity method of accounting from the date on which the investee becomes an associate.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 14.

(iii) Employee Share Trust

The Group's Employee Share Schemes are administered through the Iluka Director’s Executives and Employees Share Acquisition Trust (the trust). This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares in the Company held by the trust are disclosed as treasury shares in the consolidated financial statements and deducted from contributed equity, net of tax.

(b) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Where Group companies based in Australia transact in foreign currencies, these transactions are translated into Australian dollars using the exchange rate on that day. Foreign currency monetary assets and liabilities are translated to Australian dollars at the reporting date exchange rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to Australian dollars at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not re-translated.

(iii) Group companies

The financial position of foreign operations is translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations for each month are translated into Australian dollars at average exchange rates. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

(iv) Hedge of net investment in foreign operations

The Group had US dollar denominated borrowings that were used to hedge against translation differences arising from assets held by the Group's SRL operations (see note 4 for more information about these assets). The US dollar denominated borrowings used to hedge the US operations were repaid in June 2015.

To the extent that these borrowings did not exceed the net assets of these operations, foreign currency differences arising on the translation of these borrowings were recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Any remaining differences were recognised in profit or loss. If these operations were to be disposed of (in full or in part), the relevant amount in the foreign currency translation reserve would be transferred to profit or loss as part of the gain or loss on disposal.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(d) Determination of financial instrument fair values

For financial instruments measured and carried at fair value, the Group uses the following valuation methods:

Level 1 : the fair value is calculated using quoted prices in active markets;
Level 2 : the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
Level 3 : the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The valuation technique used for the Group's financial instruments are detailed within the relevant note.

(e) Rounding of amounts

The Company is of a kind referred to in Rounding Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Rounding Instrument to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars and the nearest dollar.

3 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and future periods affected.

(i) Impairment of assets

In accordance with the Group's accounting policy set out in note 14 non-current assets are assessed for impairment when there is an indication that their carrying amount may not be recoverable. The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value-in-use and fair value less costs of disposal estimated on the basis of discounted present value of the future cash flows (a level 3 fair value estimation method). Assets that are not currently in use and not scheduled to be brought back into use (idle assets) are considered on a standalone basis.

The estimates of discounted future cash flows for each CGU are based on significant assumptions including:

- estimates of the quantities of mineral reserves and ore resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and ore resources;
- future production levels and the ability to sell that production;
- future product prices based on the Group's assessment of short and long term prices for each of the key products;
- future exchange rates for the Australian dollar compared to the US dollar using external forecasts by recognised economic forecasters;
- successful development and operation of new mines, consistent with latest forecasts;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure; and
- the asset specific discount rate applicable to the CGU.

Given the nature of the Group's mining activities, future changes in assumptions upon which these estimates are based may give rise to material adjustments in future periods. This could lead to a reversal of part, or all, of impairment charges recorded in the current or prior years, or the recognition of new impairment charges in the future.

(ii) Rehabilitation and mine closure provisions

These provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of the cash flows and the discount rate. Changes to one or more of these assumptions is likely to result in a change to the carrying value of the provision and the related asset (for open sites), or a change to profit or loss (for closed sites) in accordance with the Group's accounting policy stated in note 16. In 2016, the rehabilitation provision increased by $44.8 million as a result of changes to estimates to $528.1 million, of which $42.6 million was charged to profit or loss account in respect of closed sites.

(iii) Net realisable value and classification of product inventory

The Group's assessment of the net realisable value and classification of its inventory holdings requires the use of estimates, including the estimation of the relevant future product price and the likely timing of the sale of the inventory.

Total inventory at 31 December 2016 was $693.9 million (2015: $811.8 million). During the year, inventory write downs of $5.4 million occurred for work in progress or finished goods (2015: nil). If finished goods future selling prices were five per cent lower than expected, an inventory write down of $1.2 million would be required at 31 December 2016.

Inventory of $219.9 million (2015: $317.9 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date. See note 13 for further details.

(iv) SRL acquisition purchase price allocation

Business combinations (acquisitions of subsidiaries) are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The financial assets and liabilities acquired are assessed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's accounting policies and other pertinent conditions as at the acquisition date. Under the acquisition method, the Group has up to 12 months post the acquisition date to finalise the fair value of identifiable assets and liabilities.

Acquisition-related costs are expensed as incurred.

(v) Deferred tax asset recognition

Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses. Deferred tax assets are based on tax laws (and tax rates) that have been enacted or substantively enacted at the balance sheet date.

The Group has recognised a deferred tax asset in relation to unused tax losses for SRL of $187.4 million as part of the purchase price allocation. Deferred tax assets are not discounted and represent the face value of the losses expected to be utilised.

Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the availability of sufficient taxable temporary differences relating to the same tax authority and the same taxable entity, the projected future taxable income of these taxable entities and after taking account of specific risk factors that are expected to affect the recovery of these assets.

Performance for the year

This section focuses on the results and performance of the Group. This covers both profitability and the resultant return to shareholders via earnings per share combined with cash generation and the return of cash to shareholders via dividends.

4 Segment information

(a) Description of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Managing Director, who is considered the chief operating decision maker, for the purpose of making decisions regarding the allocation of resources and the monitoring of performance. Cash, debt and tax balances are managed at a group level together with exploration and other corporate activities and are not allocated to segments.

The segments have changed from those reported at 31 December 2015 as the Sierra Rutile operations acquired during 2016 are now represented as the Sierra Rutile segment. There have been no other changes to the existing segments reported at 31 December 2015.

Australia (AUS) comprises the integrated mineral sands mining and processing operations in Victoria, Western Australia and South Australia. Material is mined from various deposits in Western Australia (Perth Basin), together with the Jacinth-Ambrosia deposit in South Australia (Eucla Basin) and several deposits in Victoria (Murray Basin). The mined material is processed predominantly at Mineral Separation Plants in the South West and Mid West of Western Australia and the Murray Basin to produce saleable products. The processing activities in Western Australia also include the Group's synthetic rutile kilns.

Sierra Rutile (SRL) comprises the integrated mineral sands mining and processing operations in Sierra Leone.

United States (US) comprises mineral sands processing operations in Virginia and rehabilitation obligations in both Virginia and Florida. Mining and processing activities were idled in Virginia in December 2015.

Mining Area C (MAC) comprises a deferred consideration iron ore royalty interest over certain mining tenements in Australia operated by BHP Billiton Iron Ore.

Where finished product capable of sale to a third party is transferred between operating segments, the transfers are made at arm's length prices. Any transfers of intermediate products between operating segments are made at cost. During 2016, no finished product was transferred between operating segments (2015: nil).

(b) Segment information

2016	**AUS** $m	**US** $m	**SRL** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	690.2	18.3	17.8	-	726.3
Total segment result	(63.5)	(77.2)	(0.9)	47.1	(94.5)
Segment assets	1,478.6	103.6	439.7	18.8	2,040.7
Segment liabilities	448.2	127.6	71.2	-	647.0
Depreciation and amortisation expense	74.3	-	2.0	0.4	76.7
Impairment of assets	201.0	-	-	-	201.0
Additions to non-current segment assets	39.4	9.8	2.3	-	51.5

2015	**AUS** $m	**US** $m	**SRL** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	770.5	49.3	-	-	819.8
Total segment result	204.8	(35.5)	-	61.2	230.5
Segment assets	1,837.8	119.0	-	15.3	1,972.1
Segment liabilities	476.2	111.5	-	-	587.7
Depreciation and amortisation expense	129.7	-	-	0.4	130.1
Additions to non-current segment assets	56.3	26.4	-	-	82.7

Segment revenue is derived from sales to external customers domiciled in various geographical regions. Details of segment revenue by location of customers are as follows:

	2016 **$m**	2015 $m
China	**252.4**	291.4
Asia excluding China	**61.5**	102.3
Europe	**232.0**	215.4
Americas	**65.8**	135.9
Other countries	**114.6**	74.8
Sale of goods	**726.3**	**819.8**

Revenue of $175.1 million and $84.1 million was derived from two external customers of the mineral sands segments, which individually account for greater than 10 per cent of the total segment revenue (2015: revenues of $110.0 million, $98.0 million and $87.1 million from three external customers).

Segment result is reconciled to the profit before income tax as follows:

	2016 $m	2015 $m
Segment result	**(94.5)**	230.5
Interest income	**0.6**	0.8
Other income	**0.6**	2.7
Marketing and selling	**(16.7)**	(15.8)
Corporate and other costs	**(53.8)**	(52.7)
Depreciation	**(3.2)**	(2.3)
Resource development	**(79.4)**	(58.4)
Interest and finance charges	**(18.8)**	(14.1)
Net foreign exchange losses	**4.9**	(4.1)
SRL transaction costs	**(14.1)**	-
Metalysis losses	**(3.3)**	-
(Loss) profit before income tax	**(277.7)**	**86.6**

Total segment assets and total segment liabilities are reconciled to the balance sheet as follows:

	2016 $m	2015 $m
Segment assets	**2,040.7**	1,972.1
Corporate assets	**55.7**	46.2
Cash and cash equivalents	**101.3**	55.0
Current tax receivable	**12.4**	12.2
Deferred tax assets	**185.5**	17.8
Total assets as per the balance sheet	**2,395.6**	**2,103.3**

	2016 $m	2015 $m
Segment liabilities	**647.0**	587.7
Corporate liabilities	**38.0**	32.1
Current tax payable	**-**	25.9
Interest-bearing liabilities	**607.6**	49.0
Total liabilities as per the balance sheet	**1,292.6**	**694.7**

5 Revenue

	2016 $m	2015 $m
Sales revenue		
Sale of goods	**726.3**	819.8
Other revenue		
Mining Area C royalty income	**47.5**	61.6
Interest	**0.6**	0.8
	48.1	**62.4**
	774.4	**882.2**

(a) Sale of goods - Mineral sands

The Group sells mineral sands under a range of International Commercial Terms. Product sales are recognised as revenue when the Group has transferred both the significant risks and rewards of ownership and control of the products sold, and the amount of revenue can be measured reliably. The passing of risk to the customer occurs when the product has been dispatched to the customer and is no longer under the physical control of the Group, or when the customer has formally acknowledged its legal ownership of the product including all inherent risks. Where the sold product continues to be stored in facilities the Group controls, it is clearly identified and available to the buyer.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates, sales commissions, duties and other taxes.

(b) Mining Area C royalty income and amortisation of royalty asset

Royalty income is recognised on an accrual basis. Royalty income is received on a quarterly basis and any under or over accrual applicable to previously recognised royalty income is adjusted for based on the receipt of the royalty income entitlement.

Included in Mining Area C iron ore royalty earnings (MAC) in 2015 was a one-off receipt of US$8.0 million (A$10.4 million) following the modification to the royalty agreement with BHP Billiton and its joint venture partners.

The royalty entitlement asset is an intangible asset and is amortised on a straight-line basis ($0.4 million per year) over its estimated useful life of 25 years, of which 12 years is remaining (2015: 13 years remaining). The carrying value of the asset at 31 December 2016 is $4.7 million (2015: $5.1 million).

(c) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

6 Business combination

On 7 December 2016, Iluka completed the acquisition of Sierra Rutile Limited ('SRL') by means of a statutory merger of SRL with Iluka Investments Limited (BVI), a wholly owned Iluka subsidiary. Iluka Investments (BVI) Limited acquired 100.0 per cent of the issued share capital of SRL for 36 British pence cash per share, totalling £215.3 million (A$375.4 million). Iluka assumed SRL's net debt of US$59.3 million (A$79.7 million), and has since repaid this from its own facilities.

SRL is a large, long life rutile mining and processing operation with material expansion options based in Sierra Leone. It provides the Group with a quality mineral sands operation to continue to service the high grade titanium dioxide feedstock market. Combined with Iluka's existing operations and internal projects, SRL also provides increased portfolio flexibility in relation to Iluka's internal production options and capital expenditure.

The SRL merger extends Iluka's resource base and provides access to a major global source of rutile. Iluka believes that the combination of the experience and capabilities of SRL personnel with Iluka's mineral sands operational and technical experience, gained across multiple ore bodies and processing facilities over many years, will enhance the operational performance of SRL.

At 31 December 2016, the acquisition accounting balances recognised are provisional due to ongoing work finalising valuations and tax related matters which may impact acquisition accounting entries.

The provisional fair value of the identifiable assets acquired and liabilities recognised at the date of acquisition are:

	A$m
Assets	
Cash and cash equivalents	**13.9**
Receivables	**17.1**
Inventories	**41.4**
Property, plant and equipment	**350.2**
Deferred tax assets	**122.0**
Total assets	**544.6**
Liabilities	
Payables	**(32.1)**
Current tax payable	**(4.0)**
Interest-bearing liabilities	**(93.5)**
Provisions	**(39.6)**
Total liabilities	**(169.2)**
Net assets acquired	**375.4**
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration paid	**375.4**
Acquisition-related costs	**14.1**
Less: cash acquired	**(13.9)**
Net cash outflow on acquisition	**375.6**

The acquired business contributed revenues of $17.8 million and net loss of $0.9 million to the Group for the period from 7 December 2016 to 31 December 2016. This is disclosed in note 4.

If the acquisition had occurred on 1 January 2016, consolidated pro-forma revenue for the year ended 31 December 2016 would have been $882.7 million. It is not practicable to determine the profit of the Group had the combination taken place at 1 January 2016, as the fair value of the identifiable assets and liabilities is not known at that date.

Acquisition-related costs of $14.1 million have been recognised in expenses in the income statement and in operating cash flows in the statement of cash flows for the year ended 31 December 2016. In addition a further $2.1 million has been recognised in relation to the time value of money for the deal contingent hedge entered into for the cash paid on acquisition of SRL. The $2.1 million interest charge is shown in interest and finance charges in the income statement and in interest paid for the consolidated statement of cash flows.

7 Expenses

	Notes	2016 $m	2015 $m
Expenses			
Cash costs of production	7(a)	**252.3**	384.9
Depreciation and amortisation		**71.3**	117.1
Inventory movement - cash costs of production		**107.6**	(9.6)
Inventory movement - non-cash production costs		**57.3**	15.3
Cost of goods sold	7(b)	**488.5**	507.7

	Notes	2016 $m	2015 $m
Ilmenite concentrate and by-product costs	7(c)	**8.3**	7.6
Depreciation - idle and corporate assets		**8.6**	15.3
Restructure and idle capacity charges	7(d)	**69.5**	38.3
Rehabilitation costs for closed sites	7(e)	**42.6**	2.7
Impairment of assets		**201.0**	-
Transaction costs		**14.1**	-
Government royalties		**20.4**	21.0
Marketing and selling costs		**36.3**	32.0
Corporate and other costs		**53.8**	52.7
Resource development costs		**79.4**	58.4
Foreign exchange losses (net)		**-**	4.1
Net loss on disposal of property, plant and equipment		**1.2**	1.3
		1,023.7	741.1

(a) Cash costs of production

Cash costs of production include costs for mining and concentrating; transport of heavy mineral concentrate; mineral separation; synthetic rutile production; externally purchased ilmenite and production overheads. This category also includes landowner royalty payments, but excludes Australian State and Sierra Leone Government royalties which are reported separately.

(b) Cost of goods sold

Cost of goods sold is the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation, allocated on the basis of relative sales value. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average value per tonne for the stockpile from which the product is sold.

Inventory movement represents the movement in balance sheet inventory of work in progress and finished goods, including the non-cash depreciation and amortisation components and movement in the net realisable value adjustments.

(c) Ilmenite concentrate and by-product costs

Ilmenite and by-product costs of $8.3 million (2015: $7.6 million) include by-product costs such as for iron concentrate processing, activated carbon and wet high intensity magnetic separation (WHIMS) ilmenite transport costs.

(d) Restructure and idle capacity charges

Idle capacity charges reflect ongoing costs incurred during periods of no or restricted production. Iluka suspended mining and concentrating activities at Jacinth-Ambrosia in April 2016. In 2015, Iluka concluded mining at Woornack, Rownack, Pirro (WRP) deposit in Murray Basin, Victoria and also idled mining and processing activities in Virginia in December 2015 resulting in restructure costs of $3.6 million being recognised during 2015.

Liabilities for employee termination benefits associated with restructuring activities are recognised when the Group is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal and there is no further service required. Where further service is required to be eligible for the benefit, the liability is recognised over the relevant service period.

(e) Rehabilitation costs for closed sites

These costs include adjustments to the rehabilitation provision for closed sites which are expensed in accordance with the policy described in note 16 arising from the annual review. The US operations and Australian operations incurred a $40.9 million increase and $1.7 million increase respectively in rehabilitation estimates for closed sites following an annual assessment of the scope of work, the costs to undertake the work and when the work will be completed.

(f) Other required disclosures

Expenses also include the following:

	2016 $m	2015 $m
Defined contribution superannuation	**8.5**	8.6
Defined benefits superannuation	**2.9**	0.6
Employee benefits (excluding share-based payments)	**130.4**	134.5
Share-based payments	**8.5**	5.7
Exploration expenditure (included in Resource development expenses)	**24.3**	27.0
Operating leases	**11.5**	11.4
Inventory write downs - finished goods and WIP	**5.4**	-
Inventory write downs - consumable stores	**4.4**	6.1

8 Earnings per share

	2016 Cents	2015 Cents
Basic (loss) earnings per share (cents)	**(53.6)**	12.8
Diluted (loss) earnings per share (cents)	**(53.6)**	12.8

Earnings per share (EPS) is the amount of post-tax earnings or loss attributable to each share.

Basic EPS is calculated on the loss for the period attributable to equity owners of ($224.0) million (2015: profit of $53.5 million) divided by the weighted average number of shares on issue during the year, excluding treasury shares, being 418,027,206 shares (2015: 417,769,922 shares).

Diluted EPS takes into account the dilutive effect of all outstanding share rights vesting as ordinary shares. The weighted average share rights outstanding of 2,455,958 (2015: 1,665,469 share rights) would be anti-dilutive in 2016 as they would reduce the loss per share and therefore have not been included in the calculation of diluted EPS. In 2015 the weighted average share rights outstanding was included in the diluted EPS calculation.

9 Income tax

(a) Income tax expense

Income tax expense comprises current and deferred tax and is recognised in profit or loss, as disclosed in (a) below, except to the extent that it relates to items recognised directly in equity or other comprehensive income as disclosed in (c) below.

	Notes	2016 $m	2015 $m
Current tax		**(5.0)**	43.9
Deferred tax	23	**(50.8)**	(8.8)
Under (over) provided in prior years		**2.1**	(2.0)
		(53.7)	33.1

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current tax charge is calculated using the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Deferred taxes are explained in more detail in note 23.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2016 $m	2015 $m
(Loss) profit before income tax expense	**(277.7)**	86.6
Tax at the Australian tax rate of 30% (2015: 30%)	**(83.3)**	26.0
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**(5.5)**	(2.9)
Tax losses not recognised by overseas operations	**26.8**	8.5
Non-assessable income	**-**	(1.1)
Non-deductible expenses	**6.1**	3.3
Other items	**-**	(0.8)
	(55.9)	**33.0**
Difference in overseas tax rates	**0.1**	2.1
Under (over) provision in prior years	**2.1**	(2.0)
Income tax (benefit) expense	**(53.7)**	**33.1**

(c) Tax expense relating to items of other comprehensive income

	2016 $m	2015 $m
Hedge of net investments in foreign operations	**(2.5)**	(0.6)
Actuarial gains (losses) on retirement benefit obligation	**0.2**	0.2
	(2.3)	(0.4)

(d) Tax losses

No tax benefits have been recognised in respect of exploration activities of overseas operations as their recovery is not currently considered probable.

The idling of the US operations at the end of 2015 means that US state tax losses are not considered probable of recovery. Unrecognised US state tax losses for which no deferred tax asset has been recognised are US$161.7 million at 31 December 2016 (31 December 2015: US$173.0 million).

Unused capital losses for which no deferred tax asset has been recognised are approximately $92.7 million (2015: $92.7 million) (tax at the Australian rate of 30%: $27.9 million (2015: $27.9 million)). The benefit of these unused capital losses will only be obtained if sufficient future capital gains are made and the losses remain available under tax legislation.

10 Dividends

	2016 $m	2015 $m
Final dividend		
for 2015 of 19 cents per share, fully franked	**79.5**	-
for 2014 of 13 cents per share, fully franked	**-**	54.4
	79.5	54.4
Interim dividend		
for 2016 of 3 cents per share, fully franked	**12.6**	-
for 2015 of 6 cents per share, fully franked	**-**	25.1
	12.6	25.1
	92.1	79.5

Since balance date the directors have determined no final 2016 dividend is payable (2015 final dividend: 19 cents, fully franked).

The Company has a dividend reinvestment plan (DRP) which was suspended in 2010 until further notice.

(a) Franking credits

The balance of franking credits available for future years is $88.5 million (2015: $103.0 million). This balance is based on a tax rate of 30 per cent (2015: 30 per cent). This amount includes franking credits that will be reduced by the receipt of the tax refund of $6.1 million following the lodgement of the 2017 income tax return for the Australian tax consolidated group (2015: $25.9 million additional franking credits).

11 Reconciliation of (loss) profit after income tax to net cash inflow from operating activities

	2016 $m	2015 $m
(Loss) profit for the year	**(224.0)**	53.5
Depreciation and amortisation	**79.9**	132.4
Exploration capitalised	**0.3**	(1.7)
Net (loss) gain on disposal of property, plant and equipment	**(1.2)**	1.3
Exchange translation differences on USD denominated debt	**9.6**	8.1
Rehabilitation and mine closure provision discount unwind	**11.8**	17.7
Rehabilitation discount rate change	**-**	25.3
Non-cash share-based payments expense	**8.5**	5.7
Amortisation of deferred borrowing costs	**2.8**	2.4
Equity accounted share of losses	**3.3**	-
Impairment of assets	**201.0**	-
Non-cash rehabilitation for closed sites	**42.6**	2.7
Change in operating assets and liabilities		
(Increase) / decrease in receivables	**(30.7)**	(10.2)
Decrease / (increase) in inventories	**158.6**	3.1
(Increase) / decrease in net current tax asset	**(28.1)**	17.0
Increase in net deferred tax	**(43.0)**	(0.8)
Decrease in payables	**(14.7)**	(6.5)
Decrease in provisions	**(48.3)**	(20.5)
Net cash inflow from operating activities	**128.4**	229.5

Operating assets and liabilities

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the Capital structure and finance costs section on page 78.

12 Receivables

	2016 $m	2015 $m
Trade receivables	**107.9**	79.5
Mining Area C royalty receivable	**14.1**	10.2
Other receivables	**18.3**	10.1
Prepayments	**29.6**	9.1
	169.9	108.9

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amount considered recoverable. Trade receivables are generally due for settlement within 60 days of the invoice being issued (2015: 45 days). The Group sells mineral sands to substantially all its customers on credit terms. Sales are generally denominated in US dollars. Revenue is recognised using spot exchange rates on the date of sale, with trade receivables being translated at the spot exchange rate at balance date and translation differences accounted for in line with the Group's accounting policy (refer note 2(b)(ii)).

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is sufficient evidence that the Group will not be able to collect all amounts due.

At 31 December 2016, no trade receivables were impaired (2015: nil). There was $30.0 million overdue (2015: $15.8 million), of which $13.0 million were less than 28 days overdue (2015: $10.9 million). Due to the short term nature of the Group's receivables, their carrying value is considered to approximate fair value.

(a) Trade receivables purchase facilities

Iluka has a trade receivables purchase facility (31 December 2015: two facilities) for the sale of eligible trade receivables. Under the agreement Iluka transfers the majority of the risks and rewards of ownership, including both the credit risk (subject to a maximum first loss) and late payment risk.

Iluka maintains an insurance policy to assist in managing the credit risk of its customers. The credit insurance policy is a separate instrument to the receivables and reduces the exposure to credit risk. The trade receivables balance of $107.9 million excludes $88.1 million (31 December 2015: excludes $75.0 million) of receivables sold under the trade receivables purchase facility. Iluka has assigned a portion of the insurance policy to the supplier of the trade receivables purchase facility but retains credit risk up to a maximum loss of $13.7 million per annum (2015: $3.4 million). An asset for the loss amount has been recognised within other receivables offset by a corresponding continuing involvement liability in other payables (refer note 15).

(b) Credit risk

At 31 December 2016 the trade receivables balance was $107.9 million, with $30.8 million covered by credit risk insurance and a further $8.2 million by letters of credit. As a result, the Group had total uninsured receivables of $68.8 million as at 31 December 2016 (31 December 2015: $nil). The uninsured exposure arises due to sales made in excess of some customers' individual credit insurance limit set within Iluka's trade credit insurance policy. This is due to amendments in the customer's shipping schedule and credit terms. Subsequent to 31 December 2016, the Group has secured an increase of $37.4 million for a customers' individual credit insurance limit, which reduced the uninsured receivables balance noted at 31 December 2016 to $31.2 million. SRL receivables of $20.6 million are not currently covered by Iluka's insurance policies and are included in the uninsured receivables balance noted above. The total uninsured exposure has reduced to $3.1 million at the date of signing this report.

13 Inventories

	2016 $m	2015 $m
Current		
Work in progress	**113.1**	93.3
Finished goods	**296.4**	367.0
Consumable stores	**64.5**	33.6
Total current inventories	**474.0**	493.9
Non-current		
Work in progress	**174.9**	307.9
Finished goods	**45.0**	10.0
Total non-current inventories	**219.9**	317.9

Inventories are valued at the lower of weighted average cost and estimated net realisable value. Work in progress and finished goods inventory of $594.3 million is carried at cost and $35.1 million finished goods inventory is carried at net realisable value (2015: all work in progress and finished goods inventory was carried at cost).

There are separate inventory stockpile values for each product, including HMC and other intermediate products, at each inventory location.

Weighted average cost includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation. As a result of mineral sands being co-products from the same mineral separation process, costs are allocated to inventory on the basis of the relative sales value of the finished goods produced. No cost is attributed to by-products, except direct costs.

Net realisable value is the amount estimated to be obtained from sale in the normal course of business, less any anticipated costs of completion and the estimated costs necessary to make the sale, including royalties.

Consumable stores include ilmenite acquired from third parties, flocculant, coal, diesel and warehouse stores. A regular and ongoing review is undertaken to establish the extent of surplus, obsolete or damaged stores, which are then valued at estimated net realisable value. Consumables stores incurred a charge of $4.4 million during the year to record them at net realisable value (2015: $6.1 million).

Inventories expected to be sold (or consumed in the case of stores) within twelve months after the balance sheet date are classified as current assets, all other inventories are classified as non-current assets.

14 Property, plant and equipment

	Land & Buildings $m	Plant, Machinery & Equipment $m	Mine Reserves & Development $m	Exploration & Evaluation $m	Total $m
At 1 January 2015					
Cost	129.5	1,993.7	925.7	42.0	3,090.9
Accumulated depreciation*	(36.8)	(1,234.5)	(700.3)	(2.1)	(1,973.7)
Opening written down value	92.7	759.2	225.4	39.9	1,117.2
Additions	30.9	18.7	33.8	1.9	85.3
Disposals	(0.8)	-	(1.1)	(0.2)	(2.1)
Depreciation and amortisation	(2.3)	(84.1)	(45.6)	-	(132.0)
Foreign exchange translation	1.3	-	-	0.1	1.4
Transfers/reclassifications	-	-	0.1	(0.1)	-
Closing written down value	121.8	693.8	212.6	41.6	1,069.8
At 31 December 2015					
Cost	162.5	2,001.2	961.0	43.6	3,168.3
Accumulated depreciation*	(40.7)	(1,307.4)	(748.4)	(2.0)	(2,098.5)
Closing written down value	121.8	693.8	212.6	41.6	1,069.8
Year ended 31 December 2016					
Additions	15.8	8.1	28.3	-	52.2
SRL acquisition	25.1	108.6	216.5	-	350.2
Disposals	(1.5)	(0.6)	-	(0.3)	(2.4)
Depreciation and amortisation	(2.5)	(62.1)	(14.8)	-	(79.4)
Foreign exchange translation	0.9	1.4	2.8	(0.3)	4.8
Impairment of assets	(1.3)	(154.1)	(30.7)	(14.9)	(201.0)
Closing written down value	158.3	595.1	414.7	26.1	1,194.2
At 31 December 2016					
Cost	201.6	1,986.9	974.9	43.1	3,206.5
Accumulated depreciation*	(43.3)	(1,391.8)	(560.2)	(17.0)	(2,012.3)
Closing written down value	158.3	595.1	414.7	26.1	1,194.2

* Accumulated depreciation includes cumulative impairment charges

(a) Property, plant and equipment

Property plant and equipment is stated at cost less accumulated depreciation and impairment charges. Cost includes:

- expenditure that is directly attributable to the acquisition of the items;
- direct costs associated with the commissioning of plant and equipment, including pre-commissioning costs in testing the processing plant;
- if the asset is constructed by the Group, the cost of all materials used in construction, direct labour on the project, project management costs and unavoidable borrowing costs incurred during construction of assets with a construction period greater than twelve months and an appropriate proportion of variable and fixed overheads; and
- the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

As set out in note 16, in the case of rehabilitation provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Total additions in the year include $2.2 million (2015: $24.2 million) related to changes in the rehabilitation provision (refer note 16), including $nil in relation to changes in the discount rate (2015: $21.3 million).

(b) Maintenance and repairs

Certain items of plant used in the primary extraction, separation and secondary processing of extracted minerals are subject to a major overhaul on a cyclical basis. Costs incurred during such overhauls are characterised as either in the nature of capital or in the nature of repairs and maintenance. Work performed may involve:

(i) the replacement of a discrete sub-component asset, in which case an asset addition is recognised and the book value of the replaced item is written off; and
(ii) demonstrably extending the useful life or functionality of an existing asset, in which case the relevant cost is added to the capitalised cost of the asset in question.

Costs incurred during a major cyclical overhaul which do not constitute (i) or (ii) above, are written off as repairs and maintenance as incurred. General repairs and maintenance which are not characterised as part of a major cyclical overhaul are expensed as incurred.

(c) Depreciation and amortisation

Depreciation is provided to expense the cost of property, plant and equipment over its estimated useful life on either a straight line or units of production basis. Units of production depreciation is calculated using the quantity of heavy mineral concentrate extracted from the applicable mine or processed through the mine specific plant as a percentage of the total quantity of heavy mineral concentrate planned to be extracted/processed in the current and future periods based on life of mine plans. The basis of depreciation of each asset is reviewed annually and changes to the basis of depreciation are made if the straight line or units of production basis is no longer considered to represent the expected pattern of consumption of economic benefits. The expected useful lives for the main categories of assets are as follows:

- Land	not depreciated
- Mine buildings	the shorter of applicable mine life and 25 years
- Mine specific machinery and equipment	the applicable mine life
- Mine specific plant	units of production
- Mine reserves and development	units of production
- Other non-mine specific plant and equipment	3-25 years

The reserves and life of each mine and the remaining useful life of each class of asset are reassessed at regular intervals and the depreciation rates adjusted accordingly on a prospective basis.

(i) Revision of depreciation methods effective 1 January 2017

The depreciation method for mine specific plant will be revised effective 1 January 2017 from units of production to straight line so as to more appropriately match depreciation charges with the expected pattern of consumption of economic benefit of the asset. The change in method has the biggest impact on idle assets and reflects the expected duration of use and physical deterioration of assets and the impact of future technical or commercial obsolescence.

Assets depreciated on a unit of production basis in 2016 with a carrying value at 31 December 2016 of $136.9 million (parent $25.0 million) are subject to the change in method. The change is expected to result in an increase in depreciation in 2017 for those assets of $12.0 million compared to the units of production charge incurred in 2016.

(d) Assets not being depreciated

Included in plant, machinery and equipment, mine reserves and development and land and buildings are amounts totalling $2.6 million, $2.2 million and $0.6 million respectively (2015: $20.9 million, $1.0 million and $0.7 million respectively) relating to assets under construction which are currently not being depreciated as the assets are not ready for use.

In addition, within property, plant and equipment, excluding exploration assets, are amounts totalling $331.2 million (2015: $303.6 million) which have not been depreciated in the year as mining of the related area of interest has not yet commenced or the asset is currently idle. The Group has impaired idle plant, machinery and equipment of $186.1 million at year-end, reducing the idle assets to $145.1 million at 31 December 2016. These assets will recommence depreciating from 1 January 2017 per the depreciation method change from units of production to straight line noted above.

(e) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Expenditure is carried forward when incurred in areas for which the Group has rights of tenure and where economic mineralisation is indicated, but activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable ore reserves and active and significant operations in relation to the area are continuing. Each such project is regularly reviewed. If the project is abandoned or if it is considered unlikely the project will proceed to development, accumulated costs to that point are written off immediately.

Each area of interest is limited to a size related to a known mineral resource capable of supporting a mining operation. Identifiable exploration assets acquired from another mining company are recognised as assets at their cost of acquisition.

Projects are advanced to development status when it is expected that accumulated and future expenditure on development can be recouped through project development or sale. Capitalised exploration is transferred to Mine Reserves once the related ore body achieved JORC reserve status (reported in accordance with JORC, 2012) and has been included in the life of mine plan.

All of the above expenditure is carried forward up to commencement of operations at which time it is amortised in accordance with the reserves and development depreciation policy noted in (c) above.

(f) Impairment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and value-in-use. For the purposes of assessing impairment, operating assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units).

Assets that are not currently in use and not scheduled to be brought back in to use (idle assets) are considered on a standalone basis. Indicators of impairment may include significant changes in business performance or future operating plans along with changes in technology. Assets that have suffered an impairment charge are reviewed for possible reversal of the impairment at each reporting date.

Iluka determined that an impairment trigger had occurred for the Australian Cash Generating Unit (CGU) as a result of a decline in zircon prices. In addition, the Group identified certain idle assets in Australia which are no longer expected to contribute to the future cash inflows of the Group's operations and have been removed from the CGU and considered on a standalone basis. Iluka did not identify any impairment triggers for either the US or Sierra Rutile operations.

Iluka recorded an impairment charge of $201.0 million for the year ended 31 December 2016. The impairment charge related to the following standalone assets:

(i) Murray Basin property, plant and equipment

Idle and surplus equipment in the Murray Basin of $155.5 million, including the Douglas wet concentrator, mining unit and other equipment, as well as the mining unit and wet concentrator utilised for the Woornack, Rownack, Pirro deposits. In the case of this equipment, some was previously considered able to be utilised for a Balranald conventional mine development, which has been passed over in favour of an unconventional mining approach. The recoverable amount was determined as $nil based on its FVLCD at the time of impairment.

(ii) Balranald conventional mine development costs

In the Murray Basin, Iluka is continuing with trialling and evaluating an unconventional, underground mining approach for Balranald following the cessation of work associated with the conventional mine development. As a consequence, $20 million of capitalised costs associated with feasibility work for the conventional method have been impaired. The recoverable amount was determined as $nil based on its FVLCD at the time of impairment.

(iii) Exploration and evaluation assets and mine reserves

$25 million related to exploration and evaluation assets previously capitalised, as well as mine reserves in the Perth and Murray Basins have been impaired. This category includes a number of areas where no further work is contemplated. The recoverable amount was determined as $nil based on its FVLCD at the time of impairment.

The impairment in the Murray Basin leaves a remaining carrying value for property, plant and equipment of $216 million, of which $144 million relates to the Hamilton mineral separation plant. This plant processes heavy mineral concentrate from Victoria, as well as heavy mineral concentrate from Jacinth-Ambrosia in South Australia. Dependent upon a commercial development decision for the Balranald deposit, the plant will be used to process concentrate from that development.

Basis of fair value measurements

The fair value measurement is categorised as a Level 3 fair value based on the inputs in the valuation technique. In determining the FVLCD a nominal post tax discount rate of 10 per cent was applied to the post tax cash flows expressed in nominal terms. The key assumptions used for commodity prices are comparable to independent industry forecasts, and foreign exchange and inflation rates are aligned with current economic forecast rates.

The fair value measurement for idle assets is determined as the potential scrap value less any costs of dismantling and site removal. All idle assets were determined to have a $nil value.

15 Payables

	2016 $m	2015 $m
Trade payables	**45.1**	33.7
Accrued expenses	**52.9**	46.8
Other payables	**13.9**	3.8
Annual leave payable	**8.5**	9.8
Government royalties payable	**5.5**	9.4
	125.9	103.5

Trade payables are recognised at the value of the invoice received from the supplier. The amounts are unsecured and are usually paid in accordance with vendor specific payment terms. Due to the short term nature of the Group's trade payables, their carrying value is considered to approximate fair value.

16 Provisions

	Notes	2016 $m	2015 $m
Current			
Rehabilitation and mine closure		**30.1**	42.5
Employee benefits - long service leave		**10.9**	12.1
Workers compensation and other provisions		**3.3**	2.8
		44.3	57.4
Non-current			
Rehabilitation and mine closure		**498.0**	444.5
Employee benefits - long service leave		**3.3**	3.7
Retirement benefit obligations	27	**11.9**	10.7
Other provisions		**1.6**	-
		514.8	458.9

The movements in each class of provision, other than employee related liabilities, is set out below:

	Notes	**Rehabilitation and mine closure $m**	**Other provisions $m**
Movements in provisions			
Balance at 1 January		**487.0**	**2.8**
Change in provisions - charge for closed sites	7	**42.6**	**-**
SRL acquisition		**34.9**	**1.8**
Change in provision - additions to property plant and equipment	14	**2.2**	**-**
Foreign exchange rate movements		**1.5**	**-**
Rehabilitation and mine closure provision discount unwind	17(d)	**11.8**	**-**
Amounts spent during the year		**(51.9)**	**(1.1)**
Change in provision - other		**-**	**1.4**
Balance at 31 December		**528.1**	**4.9**

(a) Rehabilitation and mine closure

The Group has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they sit.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date, discounted to present value using an appropriate pre-tax discount rate.

Where the obligation is related to an item of property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. Costs that relate to obligations arising from waste created by the production process are recognised as production costs in the period in which they arise.

The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of the cash flows and the discount rate. The increase in the provision associated with discounting for closed sites is recognised as a finance cost in note 17(d).

The provisions are reassessed at least annually. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use, such as mines and processing sites that have been closed, any adjustment is reflected directly in profit or loss.

The total rehabilitation and mine closure provision of $528.1 million (2015: $487.0 million) includes $374.5 million (2015: $373.4 million) for assets no longer in use. Changes to the provisions for assets no longer in use are charged/credited directly to profit or loss. A review of cost estimates resulted in a charge of $42.6 million (2015: charge of $2.7 million) which is reported within the expense item *Rehabilitation costs for closed sites* in note 7. There was a change in discount rate in 2015 which resulted in a charge of $25.3 million which is reported within the finance costs item *Rehabilitation discount rate changes* in note 17(d). There was no change to the discount rate in 2016.

(b) Employee benefits

The employee benefits provision relates to long service leave entitlements measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Liabilities for annual leave are included in payables in note 15.

The current provision represents amounts for vested long service leave for which the Group does not have an unconditional right to defer settlement, regardless of when the actual settlement is expected to occur. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Capital structure and finance costs

This section outlines how the Group manages its capital and related financing costs.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an efficient capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the level of return on capital and also the level of net cash/debt and compliance with bank covenants, including the gearing ratio calculated as a net debt / (net debt + equity). The Group manages funds on a Group basis with all funds being drawn by the parent entity.

17 Net cash (debt) and finance costs

	2016 $m	2015 $m
Cash and cash equivalents		
Cash at bank and in hand	**101.3**	55.0
Total cash and cash equivalents	**101.3**	55.0
Non-current interest-bearing liabilities (unsecured)		
Multi Optional Facility Agreement	**611.2**	54.9
Deferred borrowing costs	**(3.6)**	(5.9)
	607.6	49.0
Total interest-bearing liabilities	**607.6**	**49.0**
Net cash (debt)	**(506.3)**	**6.0**

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions with original maturities of three months or less.

Cash and deposits are at floating interest rates between 0.0 per cent and 2.45 per cent (2015: 0.0 per cent and 2.95 per cent) on Australian and foreign currency denominated deposits.

(b) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption amount is recognised in profit or loss over the period of the borrowings on an effective interest basis.

Interest-bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

A description of each of the facilities is provided below.

(i) Multi Optional Facility Agreement

The Multi Optional Facility Agreement (MOFA) comprises a series of five year unsecured bilateral revolving credit facilities with several domestic and foreign institutions, totalling A$1,015.4 million (2015: A$1,010.0 million) of which A$175.0 million expires in 2017 (2015: A$175.0 million), A$102.0 million expires in 2019 (2015: $260.0 million), A$579.0 million expires in 2020 (2015: $575.0 million) and A$159.4 million expires in 2021 (2015: nil). Drawings under the MOFA at 31 December 2016 were A$611.2 million (2015: A$54.9 million). Undrawn MOFA facilities at 31 December 2016 were A$404.2 million (2015: A$955.0 million).

(c) Interest rate exposure

Of the above interest-bearing liabilities, $611.2 million is subject to an effective weighted average floating interest rate of 2.7 per cent (2015: interest-bearing liabilities of $54.9 million at 2.0 per cent). The contractual repricing date of all of the floating rate interest-bearing liabilities at the balance date is within one year.

(d) Finance costs

	2016 $m	2015 $m
Interest charges on interest-bearing liabilities	**14.7**	11.2
Bank fees and similar charges	**1.3**	0.6
Amortisation of deferred borrowing costs	**2.8**	2.4
Rehabilitation and mine closure provision discount unwind	**11.8**	17.7
Rehabilitation discount rate changes	**-**	25.3
Total finance costs	**30.6**	57.2

(i) Amortisation of deferred borrowing costs

Fees paid on establishment of borrowing facilities are recognised as transaction costs and amortised over the period to which the facility relates. Transaction costs of $2.0 million associated with the additional facility and extension of the MOFA were incurred and capitalised in 2015.

(ii) Rehabilitation and mine closure provision discount unwind

Rehabilitation and mine closure unwind represents the cost associated with the passage of time. Rehabilitation provisions are recognised as the discounted value of the present obligation to restore, dismantle and rehabilitate the site; with changes associated with discounting for closed sites being recognised as a finance cost in accordance with the policy described in note 16(a).

18 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is managed by a central treasury department under policies approved by the Board.

(a) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates - will affect the Group's income or value of its holdings of financial instruments.

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising predominantly from currency exposures to the US dollar which is the currency the Group's sales are generally denominated in. The Group has operations in Sierra Leone, which have a USD functional currency, and the balance sheet translation risk is managed by designating some borrowing in US dollars as a hedge against the net US dollar investment in SRL operation (translation differences are taken to the foreign currency translation reserve). Other US dollar borrowings act as a 'natural' hedge against movements in US dollar receivables from Australian sales (translation differences taken to the profit or loss).

The Group's exposure to USD foreign currency risk (by entities which have an Australian dollar functional currency) at the end of the reporting period, expressed in Australian dollars, was as follows:

	2016 $m	2015 $m
Cash and cash equivalents	**25.8**	11.2
Receivables	**99.1**	74.7
Payables	**(27.4)**	(21.6)
Interest-bearing liabilities	**(411.9)**	(54.9)
	(314.4)	9.4

The Group's balance sheet exposure to other foreign currency risk is not significant.

(ii) Group sensitivity

The average US dollar exchange rate during the year was 0.7444 (2015: 0.7521). The US dollar spot rate at 31 December 2016 was 0.7214 (31 December 2015: 0.7279). Based on the Group's net financial assets at 31 December 2016, the following table demonstrates the estimated sensitivity to a -/+ 10 per cent movement in the US dollar spot exchange rate, with all other variables held constant, on the Group's post-tax profit (loss) for the year and equity:

	-10% Strengthen		+10% Weaken	
	Profit (loss) $m	Equity $m	Profit (loss) $m	Equity $m
31 December 2016	**7.5**	**(32.1)**	**(6.2)**	**26.3**
31 December 2015	0.7	0.0	(0.7)	0.0

(iii) Interest rate risk

Interest rate risk arises from the Group's borrowings and cash deposits. During 2016 and 2015, the Group's borrowings at variable rates were denominated in Australian dollars and US dollars. At 31 December 2016, if variable interest rates for the full year were -/+ 1 per cent from the year-end rate with all other variables held constant, pre-tax profit for the year would have moved as per the table below.

	+1% $m	-1% $m
31 December 2016	**2.2**	**(2.2)**
31 December 2015	0.5	(0.5)

The sensitivity is calculated using the average debt position for the year ended 31 December 2016. The interest charges in note 17(d) of $14.7 million (2015: $11.2 million) reflect interest-bearing liabilities in 2016 that range between $49.0 million and $607.6 million (2015: $49.0 million and $223.8 million).

(b) Credit risk

Credit risk arises from cash and cash equivalents held with financial institutions, as well as credit exposure to customers.

The Group has policies in place to ensure that credit sales are only made to customers with an appropriate credit history. The Group also maintains an insurance policy to assist in managing the credit risk of its customers. Further details are set out in note 12.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions and policies limit the amount of credit exposure to any one financial institution.

The Group's policy is to ensure that cash deposits are held with counterparties with a minimum A-/A3 credit rating. Credit exposure limits are approved by the Board based on both credit and sovereign ratings.

(c) Liquidity risk

Liquidity risk is the risk the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management involves maintaining sufficient cash on hand or undrawn credit facilities to meet the operating requirements of the business. This is managed through committed undrawn facilities under the MOFA (refer note 17(b)(i)) of $404.2 million at balance date as well as cash and cash equivalents of $101.3 million and prudent cash flow management.

(d) Maturities of financial liabilities

The tables below analyse the Group's interest-bearing liabilities into maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For the MOFA, the contractual maturity dates are dates which range from 2017 to 2021 and, contractual cash flows are until the next contractual re-pricing date which are all within one year. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All other financial liabilities are due within 12 months (refer note 15).

At 31 December 2016	Weighted average rate %	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Total contractual cash flows $m	Carrying amount liabilities $m
Non-derivatives						
Payables		**125.9**	**-**	**-**	**125.9**	**125.9**
Interest-bearing variable rate	**2.7**	**2.8**	**-**	**611.2**	**614.0**	**611.2**
Total non-derivatives		**128.7**	**-**	**611.2**	**739.9**	**737.1**

At 31 December 2015	Weighted average rate	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Total contractual cash flows $m	Carrying amount liabilities $m
Non-derivatives						
Payables		103.5	-	-	103.5	103.5
Interest-bearing variable rate	2.0	0.2	-	54.9	55.1	54.9
Total non-derivatives		103.7	-	54.9	158.6	158.4

19 Contributed equity

(a) Share capital

	2016 Shares	2015 Shares	2016 $m	2015 $m
Ordinary shares - fully paid	**418,701,360**	418,701,360	**1,120.0**	1,120.0
Treasury shares - net of tax	**(466,050)**	(1,194,708)	**(2.8)**	(7.3)
	418,235,310	417,506,652	**1,117.2**	1,112.7

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. There have been no movements in fully paid ordinary shares since 7 May 2009.

(b) Treasury shares

Treasury shares are shares in Iluka Resources Limited acquired on market and held for the purpose of issuing shares under the directors, Executives and Employees Share Acquisition Plan and the Employee Share Plan.

	Number of shares	**$m**
Opening balance at 1 January 2015	825,110	5.6
Acquisition of shares, net of tax	1,044,355	6.3
Employee share issues, net of tax	(674,757)	(4.6)
Balance at 31 December 2015	**1,194,708**	**7.3**
Acquisition of shares, net of tax	-	-
Employee share issues, net of tax	(728,658)	(4.5)
Balance at 31 December 2016	**466,050**	**2.8**

Other notes

20 Other income

	2016 $m	2015 $m
Commissions and other sundry income	**0.6**	2.7
Foreign exchange gains	**4.9**	-
	5.5	2.7

21 Investments in associates

The Group's increased investment in Metalysis Limited on 18 February 2016 has resulted in Metalysis Limited becoming an associate of Iluka effective from this date. Iluka now equity accounts the investment from 18 February 2016 under the 'cost of each purchase' method. Metalysis Limited is a private UK based entity that is developing a new technology for titanium metal powder production. The Group further increased its investment in Metalysis Limited in July 2016 to a 28.1 per cent shareholding. No dividends were received from Metalysis Limited during the year (2015: nil). A reconciliation of movements in the account is detailed below.

(a) Movements in carrying amounts

	2016 $m	2015 $m
Fair value of available for sale investment at 31 December 2015	**-**	22.7
Restatement of investment in associate at cost on 18 February 2016	**22.7**	-
Increased investment (commenced equity accounting)	**12.1**	-
Share of losses relating to previously held interest recognised in equity	**(4.7)**	-
Further increase in investment	**6.9**	-
Share of losses of investment accounted for using the equity method recognised in the consolidated statement of profit or loss and other comprehensive income	**(3.3)**	-
Carrying amount at the end of the financial year	**33.7**	22.7

(b) Summarised financial information of associates

Metalysis Limited has a year end of 31 March. Iluka uses the Metalysis management accounts to equity account the investment. Based on this information, Iluka has recorded a loss after tax of $3.3 million. Iluka had an investment of 26.0 per cent from 18 February 2016 to 14 July 2016 at which point it increased to 28.1 per cent. No adjustments to the Metalysis accounts were required as Metalysis complies with International Financial Reporting Standards.

The table below represents summarised financial information for Metalysis Limited for the year ended 31 December 2016:

	Financial information for the year ended 31 December 2016:			
	Assets $m	**Liabilities $m**	**Revenues $m**	**Loss $m**
Metalysis Limited	36.3	(4.3)	0.7	(14.4)

22 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016 $000	2015 $000
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements*	**615**	537
Other assurance services	**5**	13
	620	550
Tax and other services		
Tax compliance and advisory services	**6**	12
Other compliance and advisory services	**50**	5
	56	17
Total remuneration	**676**	**567**
(b) Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial statements*	**102**	24
Other compliance and advisory services	**11**	9
	113	33
(c) Non-PricewaterhouseCoopers audit firms		
Audit and review of financial statements*	**268**	-
Summary of total fees disclosed above:		
Audit and review of financial statements*	**985**	561
Other assurance services	**5**	13
Tax compliance and advisory services	**6**	12
Other compliance and advisory services	**61**	14
	1,057	600

* Included in the remuneration of auditors are the annual costs incurred by Sierra Rutile Limited. Iluka has only recognised a portion of these costs within the Group profit or loss account, pro-rated in relation to Iluka's period of ownership. Full annual costs are disclosed to assist users of accounts.

23 Deferred tax balances

	2016 $m	2015 $m
Deferred tax asset:		
Deferred tax asset amounts recognised in profit or loss		
Employee benefits	**6.6**	7.4
Rehabilitation provisions	**127.2**	136.2
Tax losses recognised on acquisition of SRL	**187.4**	-
Tax losses - other	**6.8**	-
R&D offset	**21.9**	-
Foreign currency exchange	**5.1**	4.3
Inventory	**7.0**	-
Other	**6.5**	5.9
Gross deferred tax assets	**368.5**	153.8
Amount offset to deferred tax liabilities pursuant to set-off provision	**(183.0)**	(136.0)
Net deferred tax assets	**185.5**	**17.8**
Deferred tax asset amounts recognised directly in equity		
Nil	**-**	-
Deferred tax liability:		
Deferred tax liability amounts in profit or loss		
Depreciation and amortisation	**(151.9)**	(98.7)
Receivables	**(4.3)**	(3.2)
Inventory	**(26.6)**	(33.8)
Other	**(0.2)**	(0.3)
Gross deferred tax liabilities	**(183.0)**	(136.0)
Amount offset to deferred tax assets pursuant to set-off provision	**183.0**	136.0
Net deferred tax liabilities	**-**	**-**
Deferred tax liability amounts recognised directly in equity		
Treasury shares	**(1.2)**	(3.1)
	(1.2)	(3.1)
Movements in net deferred tax balance:		
Balance at 1 January	**17.8**	13.3
Credited to the income statement	**50.8**	7.2
Charged to the income statement - US	**-**	1.6
Under provision in prior years	**(10.9)**	(7.6)
DTA recognition on SRL acquisition	**125.8**	-
Charged directly to equity	**2.0**	3.3
Balance at 31 December	**185.5**	17.8

Deferred income tax is provided on all temporary differences at the balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities.

Deferred income tax liabilities are recognised for all taxable temporary differences, other than for the exemptions permitted under accounting standards.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these deductible temporary differences, other than for the exemptions permitted under accounting standards. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The net deferred tax asset of $185.5 million includes an amount of $125.8 million representing the value of carried forward losses incurred by SRL. The net deferred tax asset also includes $10.8 million in relation to the US operations, which is in respect of rehabilitation provisions where deductions for future payments can be carried back against US taxable income for 10 years.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax asset recognition is a critical accounting estimate detailed in note 3(v).

24 Reserves and retained earnings

	Notes	**2016 $m**	2015 $m
Asset revaluation reserve			
Balance at 1 January		**13.1**	13.7
Transfer to retained earnings on disposal		**(1.3)**	(0.6)
Balance at 31 December	24(a)	**11.8**	13.1
Share-based payments reserve			
Balance at 1 January		**(2.1)**	(2.4)
Transfer of shares to employees, net of tax		**(4.5)**	(4.3)
Share-based payments, net of tax		**5.5**	4.6
Balance at 31 December	24(b)	**(1.1)**	(2.1)
Foreign currency translation			
Balance at 1 January		**12.1**	11.5
Currency translation of US operation		**1.5**	2.2
Currency translation of SRL		**13.9**	-
Translation differences on other foreign operations		**(0.2)**	(0.2)
Hedge of net investment in SRL		**(8.3)**	-
Hedge of net investment in US operation		**-**	(2.0)
Deferred tax		**2.5**	0.6
Balance at 31 December	24(c)	**21.5**	12.1
Total reserves		**32.2**	23.1

Retained earnings		
Balance at 1 January	**272.8**	297.4
Net profit (loss) for the year	**(224.0)**	53.5
Dividends paid	**(92.1)**	(79.5)
Actuarial gains (losses) on retirement benefit obligation, net of tax	**0.3**	0.8
Associates conversion to equity accounting share of losses	**(4.7)**	-
Transfer from asset revaluation reserve	**1.3**	0.6
Balance at 31 December	**(46.4)**	**272.8**

(a) Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets prior to the adoption of AIFRS. Transfers are made to retained earnings on disposal of previously revalued assets.

(b) Share-based payments reserve

The employee share-based payments reserve is used to recognise the fair value of equity instruments granted but not yet issued to employees under the Group's various equity-based incentive schemes. On settlement of the share-based payment by the issue of equity instruments to employees, the cost of the on-market acquisition, net of tax, is transferred from treasury shares (refer note 19(b)) to the share based payment reserve.

(c) Foreign currency translation reserve

Exchange differences arising on translation of the net investment in foreign operations, including US dollar denominated debt used as a hedge of the net investment, are taken into the foreign currency translation reserve net of applicable income tax, as described in note 2(b)(iv). In 2016, US$297.0 million was designated as a hedge of the net investment in SRL. In 2015, US$20.0 million was designated as a hedge of the net investment in the US operations until repayment in June 2015. The reserve is recognised in profit or loss when the net investment is disposed of.

25 Share-based payments

Share-based compensation benefits are provided to employees via incentive plans, the Director's, Executives and Employees Share Acquisition Plan, the Equity Incentive Plan and the Employee Share Plan. Information relating to these schemes is set out in the Remuneration Report.

The fair value of shares granted is determined based on market prices at grant date, taking into account the terms and conditions upon which those shares were granted. The fair value is recognised as an expense through profit or loss on a straight-line basis between the grant date and the vesting date for each respective plan.

The fair value of share rights is independently determined using a Monte Carlo simulation that takes into account the exercise price, the term of the share right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate of the term of the share right. The fair value of the Long Term Incentive Plan (LTIP - TSR tranche) and Long Term Deferred Rights (LTDR - TSR tranche) also take into account the Company's predicted share prices against the comparator group performance at vesting date.

A credit to the share-based payments expense arises where unvested entitlements lapse on resignation or the non-fulfilment of the vesting conditions that do not relate to market performance. Payroll tax payable on the grant of restricted shares or share rights is recognised as a component of the share-based payments expense when paid.

The share-based payment expense recognised in profit or loss of $8.5 million (2015: $5.7 million) results from several schemes summarised below.

Schemes	Grant date	Vesting date	Fair value $	**Shares / Rights at 31 Dec 16**	**Expense 2016 $m**	Shares / Rights at 31 Dec 15	Expense 2015 $m
STIP (i)							
2016	Mar-17	Mar-18/19	7.27	**-**	**2.2**	-	-
2015	Mar-16	Mar-17/18	6.63	**-**	**1.2**	-	-
2014	Mar-15	Mar-16/17	7.66	**-**	**0.8**	296,670	1.6
2013	Mar-14	Mar-15/16	9.44	**-**	**0.1**	181,509	0.9
2012	Mar-13	Mar-14/15	10.20	**-**	**-**	-	0.1
LTIP - TSR (ii)							
2016 Current MD Grant	Oct-16	Mar-21	3.71	**126,688**	**-**	-	-
2016	May-16	Mar-20	4.27	**321,643**	**0.4**	-	-
2016	May-16	Mar-19	4.27	**321,643**	**0.6**	-	-
2015	Feb-15	Mar-18	5.02	**308,153**	**0.7**	466,308	0.7
2014	Feb-14	Mar-17	5.74	**129,058**	**0.4**	224,567	0.4
2013	Feb-13	Mar-16	7.72	**-**	**0.4**	185,909	0.4
2012	Jan-12	Mar-15	11.07	**-**	**-**	-	0.1
LTIP - ROE (ii)							
2016 Current MD Grant	Oct-16	Mar-21	5.42	**126,687**	**-**	-	-
2016	May-16	Mar-20	5.86	**321,664**	**0.6**	-	-
2016	May-16	Mar-19	6.01	**321,664**	**0.8**	-	-
2015	Feb-15	Mar-18	6.74	**308,153**	**0.9**	446,308	1.3
2014	Feb-14	Mar-17	8.49	**129,058**	**1.1**	224,567	0.6
2013	Feb-13	Mar-16	9.89	**-**	**-**	185,909	(1.2)
Former MD LTID (iii)	Mar-11	Mar-15	11.62	**-**	**-**	-	0.3
Current MD LTDR (iv)	Oct-16	Mar-18/19/20	4.68	**504,929**	**0.3**	-	-
Employee Share Plan (v)			5.90	**-**	**0.5**	-	0.5
Restricted Share Plan (vi)			5.90	**-**	**-**	-	-
					8.5		5.7

(i) Short Term Incentive Plan (STIP)

The fair value of the STIP is determined as the volume weighted average price of ordinary shares over the five trading days following the release of the Company's annual results.

(ii) Long Term Incentive Plan (LTIP)

The fair value at grant date for the 2016 LTIP takes into account the exercise price of $nil, the share price at grant date of $6.00, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of 2.42% and the risk free rate of return of 1.78%. The fair value of the TSR tranche also takes into account the Company's predicted share prices against the comparator group performance at vesting date.

Prior year expenses related to rights that do not vest for the Return on Equity (ROE) tranche are credited to the share-based payments expense.

The fair value at grant date for the Managing Director's LTIP takes into account the exercise price of $nil, the share price at grant date of $6.27, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of 3.47% and the risk free rate of return of 1.57%. The fair value of the TSR tranche also takes into account the Company's predicted share prices against the comparator group performance at vesting date.

(iii) Former Managing Director's Long Term Incentive Deferred (LTID) share rights

The LTID plan performance period ended on 1 March 2014. Of the 750,000 share rights offered, 250,000 vested in March 2015 based on the Company's financial performance over the three year period.

Full details of the LTID share rights granted in March 2011 and approved by shareholders at the 2011 AGM are set out in the Remuneration Report. The fair value of $11.62 per right is the weighted average for all share rights in the LTID.

(iv) Managing Director's Long Term Deferred Rights (LTDR)

The fair value at grant date for the Managing Director's LTDR takes into account the exercise price of $nil, the share price at grant date of $6.27, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of 3.47% and the risk free rate of return of 1.53%. The fair value of the TSR tranche also takes into account the Company's predicted share prices against the comparator group performance at vesting date.

Full details of the LTDR granted in October 2016 are set out in the Remuneration Report. The fair value of $4.68 per right is the weighted average for all share rights in the LTDR.

(v) Employee share plan

A total of 85,007 (2015: 59.143) shares were issued to eligible employees who participated in the plan. Each participant was issued with shares worth $1,000 based on a volume weighted average market price of $5.90 (2015: $8.36) for the five days following the close of the offer period.

(vi) Restricted share plan

A total of 33,800 restricted shares were issued to four eligible employees who participated in the plan. Each participant was issued with shares worth $50,000 based on a volume weighted average market price of $5.90 for the five days following the close of the offer period.

26 Commitments

(a) Exploration and mining lease commitments	**2016 $m**	2015 $m
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable:		
Within one year	**17.9**	22.7
Later than one year but not later than five years	**41.3**	39.0
Later than five years	**49.6**	54.6
	108.8	116.3

These costs are discretionary. If the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

(b) Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**12.6**	17.7
Later than one year but not later than five years	**15.7**	13.0
Later than five years	**0.6**	0.4
	28.9	31.1

The Group leases various storage facilities, offices, mining equipment and motor vehicles under non-cancellable operating leases expiring within 1 to 10 years with varying terms.

(c) Capital commitments

Capital expenditure contracted for and payable within one year of the reporting date, but not recognised as liabilities are $5.7 million (2015: $6.1 million). All of the commitments relate to the purchase of property, plant and equipment.

27 Retirement benefit obligations

(a) Superannuation plan

(i) Australia

All employees of the Group who do not elect an alternate fund under the Superannuation Fund Choice Legislation have access to benefits on leaving service, retirement, disability or death from the Iluka Resources Superannuation Plan, a sub-plan of Plum Superannuation Fund. Employees accumulation superannuation plans receive fixed contributions from Group companies. The Group's legal or constructive obligation is limited to these contributions.

During the year Iluka also provided defined lump sum and pension benefits based on years of service and final average salary for a small number of members (defined benefits plan). Iluka has closed the defined benefits plan to new members. There is currently only one pensioner remaining in this plan.

(ii) USA

All employees of the United States (US) operations are entitled to benefits from the US operations' pension plans on retirement, disability or death. The US operations have one defined benefit plan and one defined contribution plan. The defined benefit plan provides a monthly benefit based on average salary and years of service. The defined contribution plan receives an employee's elected contribution and an employer's match-up to a fixed percentage. The entity's legal or constructive obligation is limited to these contributions.

(iii) SRL

SRL does not operate any retirement benefit plan for its employees. For employees of the Sierra Leone based subsidiary, the Group makes a contribution of 10% of the employees' basic salary to the National Social Security and Insurance Trust ("NASSIT") for payment of pension to staff on retirement. These employees also contribute 5% of their basic salary to NASSIT.

The Sierra Leone based subsidiary also provides for end-of-term benefits based on the provisions contained in the collective bargaining agreements negotiated with the trade unions representing the relevant employees. These benefits are paid to employees falling under this category when they leave the Group. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation in relation to this agreement.

The following sets out details in respect of the defined benefit sections only for Australia, US and SRL. The expense recognised in relation to the defined contribution plans is disclosed in note 7(f).

(b) Financial position

The net financial position of the Group's defined benefit plans based on information supplied from the plans' actuarial advisors are, for the Australian plan a surplus $0.4 million (2015: surplus $0.4 million), for the US plan a deficit of $12.2 million (2015: deficit $11.1 million) and for SRL a deficit of $2.9 million (2015: not applicable). A net deficit of $14.7 million (2015: deficit $10.7 million) is included in non-current provisions in note 16. The table below provides a summary of the net financial position at 31 December for the past five years.

	2016 $m	2015 $m	2014 $m	2013 $m	2012 $m
Defined benefit plan obligation	**(35.0)**	(31.1)	(29.5)	(20.5)	(22.8)
Plan assets	**20.3**	20.4	19.3	16.7	14.2
Deficit	**(14.7)**	(10.7)	(10.2)	(3.8)	(8.6)

(c) Defined benefits superannuation expense

In 2016, $2.9 million (2015: $0.6 million) was recognised in expenses for the year in respect of the defined benefit plans (refer note 7(f)).

Iluka ceased mining activities in the US at the end of 2015, resulting in a curtailment event for the defined benefit US pension plan. Employees impacted by the restructure remain members of the plan. This resulted in a curtailment credit of A$1.1m, included within the above net expense for 2015. There was no curtailment credit incurred in 2016.

Also included within the above defined benefits expense for 2015 are settlement losses of $0.1 million in respect of the Australian plan where all the active members converted to accumulation benefits and some pensioners commuted their pension into a cash lump sum. There were no settlement losses for 2016.

Other disclosures in respect of retirement benefit obligations required by AASB 119 are not included in the financial report as the directors do not consider them to be material to an understanding of the financial position and performance of the Group.

28 Key Management Personnel

(a) Key Management Personnel

Key Management Personnel of the Group comprise directors of Iluka Resources Limited as well as other specific employees of the Group who met the following criteria: "personnel who have authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly."

(i) Key Management Personnel compensation

Detailed information about the remuneration received by each key management person is provided in the Remuneration Report on pages 25 to 43.

The below provides a summary:

	2016 $000	2015 $000
Short term benefits	**7,835**	6,464
Post-employment benefits	**211**	156
Other long-term benefits	**-**	-
Termination benefits	**2,082**	-
Share-based payments	**2,396**	1,774
Total	**12,524**	8,394

(b) Transactions with Key Management Personnel

There were no transactions between the Group and Key Management Personnel that were outside of the nature described below:

(i) occurrence was within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those it is reasonable to expect the Group would have adopted if dealing at arms length with an unrelated individual;
(ii) information about these transactions does not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the Key Management personnel; and
(iii) the transactions are trivial or domestic in nature.

29 Controlled entities and deed of cross guarantee

The consolidated financial statements incorporate the following principal subsidiaries:

		Controlled entities	Country of incorporation	Equity holding 2016 %	Equity holding 2015 %
	*	**Iluka Resources Limited (Parent Company)**	**Australia**		
	*	Westlime (WA) Limited	Australia	100.0	100.0
	*	Ilmenite Proprietary Limited	Australia	100.0	100.0
	*	Southwest Properties Pty Ltd	Australia	100.0	100.0
	*	Western Mineral Sands Proprietary Limited	Australia	100.0	100.0
	*	Yoganup Pty Ltd	Australia	100.0	100.0
	*	Iluka Corporation Limited	Australia	100.0	100.0
	*	Associated Minerals Consolidated Ltd	Australia	100.0	100.0
	*	Iluka Royalty Holdings Limited	Australia	100.0	100.0
	*	Iluka Consolidated Pty Limited	Australia	100.0	100.0
	*	Iluka Exploration Pty Limited	Australia	100.0	100.0
	*	Iluka (Eucla Basin) Pty Ltd	Australia	100.0	100.0
	*	Gold Fields Asia Ltd	Australia	100.0	100.0
	*	Iluka International Limited	Australia	100.0	100.0
	*	NGG Holdings Ltd	Australia	100.0	100.0
	*	Iluka Midwest Limited	Australia	100.0	100.0
	*	Western Titanium Limited	Australia	100.0	100.0
	*	The Mount Lyell Mining and Railway Company Limited	Australia	100.0	100.0
	*	Renison Limited	Australia	100.0	100.0
	*	Iluka Finance Limited	Australia	100.0	100.0
	*	The Nardell Colliery Pty Ltd	Australia	100.0	100.0
	*	Glendell Coal Ltd	Australia	100.0	100.0
	*	Lion Properties Pty Limited	Australia	100.0	100.0
	*	Basin Minerals Limited	Australia	100.0	100.0
	*	Basin Minerals Holdings Pty Ltd	Australia	100.0	100.0
	*	Basin Properties Pty Ltd	Australia	100.0	100.0
	*	Swansands Pty Ltd	Australia	100.0	100.0
	*	Iluka International (UAE) Pty Ltd	Australia	100.0	100.0
	*	Iluka International (Lanka) Pty Ltd	Australia	100.0	100.0
	*	Iluka International (China) Pty Ltd	Australia	100.0	100.0
	*	Iluka International (Brazil) Pty Ltd	Australia	100.0	100.0
	*	Iluka Share Plan Holdings Pty Ltd	Australia	100.0	100.0
	*	Iluka International (Netherlands) Pty Ltd	Australia	100.0	100.0
	*	Iluka Royalty (MAC) Pty Limited	Australia	100.0	100.0
(i)	*	Iluka International (ERO) Pty Ltd	Australia	100.0	-
(ii)	*	Iluka International (West Africa) Pty Ltd	Australia	100.0	-
		Ashton Coal Interests Pty Limited	Australia	95.8	95.8
		Iluka International Coöperatief U.A.	The Netherlands	100.0	100.0
		Iluka Investments 1 B.V.	The Netherlands	100.0	100.0
		Iluka Trading (Europe) B.V.	The Netherlands	100.0	100.0
		Iluka Lanka P Q (Private) Limited	Sri Lanka	100.0	100.0
(iii)		Iluka Lanka Resources (Private) Limited	Sri Lanka	100.0	100.0
		Iluka Lanka Exploration (Private) Limited	Sri Lanka	100.0	100.0
		Iluka Trading (Shanghai) Co., Ltd	China	100.0	100.0
		Iluka Brasil Mineracao Ltda	Brazil	100.0	100.0
		Iluka (UK) Ltd	United Kingdom	100.0	100.0
		Iluka Technology (UK) Ltd	United Kingdom	100.0	100.0
		Associated Minerals Consolidated Investments	USA	100.0	100.0
		Iluka (USA) Investments Inc	USA	100.0	100.0
		Iluka Resources Inc	USA	100.0	100.0

	Iluka Resources (NC) LLC	USA	100.0	100.0
	Iluka Resources (TN) LLC	USA	100.0	100.0
(iv)	EGEnergy Resources LLC	USA	-	100.0
(iv)	EGEnergy Resources United States LLC	USA	-	100.0
(iv)	EGEnergy Resources Manufacturing LLC	USA	-	100.0
(iv)	EGEnergy Resources NE Florida LLC	USA	-	100.0
	IR RE Holdings LLC	USA	100.0	100.0
	Iluka Atlantic LLC	USA	100.0	100.0
	Iluka International (SE Asia) Pte. Ltd.	Singapore	100.0	100.0
	Iluka Exploration (Kazakhstan) Limited Liability Partnership	Kazakhstan	100.0	100.0
(v)	ERO (Tanzania) Limited	Tanzania	100.0	-
(vi)	Iluka Exploration (Canada) Limited	Canada	100.0	-
(vii)	Iluka Investments (BVI) Limited	British Virgin Islands	100.0	-
(viii)	SRL Acquisition No. 3 Limited	British Virgin Islands	100.0	-
(viii)	Sierra Rutile (UK) Limited	United Kingdom	100.0	-
(viii)	Sierra Rutile Holdings Limited	British Virgin Islands	100.0	-
(viii)	Sierra Rutile Limited	Sierra Leone	100.0	-
(viii)	Sierra Rutile Marketing Limited	United Kingdom	100.0	-

* The above companies are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others.

By entering into the Deed of Cross Guarantee, the wholly-owned entities represent a closed group and have been relieved from the requirements to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended by Class Order 98/2017) issued by the Australian Securities and Investments Commission. The closed group is also the extended closed group.

(i) Iluka International (ERO) Pty Ltd was incorporated on 13 January 2016.

(ii) Iluka International (West Africa) Pty Ltd was incorporated on 22 July 2016.

(iii) P.K.D. Resources (Private) Limited was renamed Iluka Lanka Resources (Private) Limited on 6 May 2016.

(iv) These entities were deregistered and ultimately merged into IR RE Holdings LLC effective 1 January 2016.

(v) ERO (Tanzania) Limited was incorporated on 18 February 2016.

(vi) Iluka Exploration (Canada) Ltd was incorporated on 26 February 2016.

(vii) Iluka Investments (BVI) Limited was incorporated on 21 July 2016.

(vii) These entities were acquired as part of the SRL acquisition detailed in the business combination note 6.

(a) Condensed financial statements of the extended closed group

Condensed statement of profit or loss and other comprehensive income	**2016 $m**	2015 $m
Revenue from ordinary activities	**738.7**	833.0
Expenses from ordinary activities	**(951.4)**	(723.9)
Finance costs	**(29.4)**	(56.2)
Income tax expense	**59.0**	(37.8)
Profit (loss) for the year	**(183.1)**	15.1
Other comprehensive income		
Actuarial gains on defined benefit plans, net of tax	**0.2**	0.2
Total comprehensive (loss) income for the period	**(182.9)**	15.3

Summary of movements in consolidated retained earnings

Retained earnings at the beginning of the financial year	**278.6**	343.0
Total comprehensive income for the year	**(183.1)**	15.1
Dividends paid	**(92.1)**	(79.5)
Retained earnings at the end of the financial year	**3.4**	278.6

Condensed balance sheet	**2016 $m**	2015 $m
Current assets		
Cash and cash equivalents	**72.6**	39.2
Receivables	**170.1**	94.9
Inventories	**415.1**	423.3
Current tax receivables	**6.2**	-
Total current assets	**664.0**	557.4
Non-current assets		
Inventories	**188.4**	317.9
Other financial assets - investments in non-closed group entities	**532.7**	49.6
Property, plant and equipment	**793.0**	1,034.9
Intangible assets	**4.7**	5.1
Deferred tax assets	**47.8**	3.6
Total non-current assets	**1,566.6**	1,411.1
Total assets	**2,230.6**	1,968.5
Current liabilities		
Payables	**87.6**	68.3
Provisions	**48.5**	53.7
Current tax payable	**-**	25.9
Total current liabilities	**136.1**	147.9
Non-current liabilities		
Interest-bearing liabilities	**607.6**	49.0
Provisions	**354.7**	369.3
Total non-current liabilities	**962.3**	418.3
Total liabilities	**1,098.4**	566.2
Net assets	**1,132.2**	1,402.3
Equity		
Contributed equity	**1,117.2**	1,112.7
Reserves	**11.6**	11.0
Retained profits	**3.4**	278.6
Total equity	**1,132.2**	1,402.3

30 Parent entity financial information

(a) Summary financial information for Iluka Resources Limited

	2016 $m	2015 $m
Balance sheet		
Current assets	**264.0**	199.2
Non-current assets	**1,888.2**	1,304.4
Total assets	**2,152.2**	1,503.6
Current liabilities	**44.0**	73.3
Non-current liabilities	**871.1**	35.6
Total liabilities	**915.1**	108.9
Net assets	**1,237.1**	1,394.7
Shareholders' equity		
Contributed equity	**112.0**	1,120.0
Reserves	**9.8**	9.7
Retained earnings	**107.3**	265.0
	229.1	1,394.7
(Loss) profit for the year	**(67.9)**	114.9
Total comprehensive (loss) profit	**(67.9)**	114.9

(b) Profit for the year

The loss for the year includes $nil dividends received from controlled entities (2015: $150.0 million). There were no expenses for rehabilitation discount rate changes (2015: $9.3 million).

(c) Contingent liabilities of the parent entity

The parent had contingent liabilities for performance commitments and guarantees of $38.0 million as at 31 December 2016 (2015: $15.3 million).

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 31 December 2016, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $0.1 million (2015: $0.5 million).

(e) Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost.

(ii) Tax consolidation legislation
Iluka Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004. On adoption of the tax consolidation legislation, the entities in the tax consolidation group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Iluka Resources Limited.

31 Contingent liabilities

(a) Bank guarantees

The Group has a number of bank guarantees in favour of various government authorities and service providers to meet its obligations under exploration and mining tenements. At 31 December 2016, the total value of performance commitments and guarantees was $122.9 million (2015: $122.9 million).

(b) Native title

There is some risk that native title, as established by the High Court of Australia's decision in the Mabo case, exists over some of the land over which the Group holds tenements or over land required for access purposes. It is impossible at this stage to quantify the impact, if any, which these developments may have on the operations of the Group.

(c) Sri Lanka exploration deposits

In October 2013 the Group acquired all of the share capital in PKD Resources (Pvt) Ltd, a Sri Lankan domiciled company which owns an exploration tenement located near the city of Puttalam in the North Western Province of Sri Lanka. The consideration for the acquisition which remains contingent on future events includes:

- payment of US$2.0 million on the grant of a mining license over EL 170 or on expiry of the stage 2 period (being a period expiring in October 2017 which may be extended in certain circumstances by Iluka for 12 months or more, if agreed by both parties);
- payment of US$8.0 million on the Iluka Board approving a development of mining operations on EL 170 or on expiry of the stage 3 period (being a 12 month period commencing on the expiry of the stage 2 period which may be extended in certain circumstances by Iluka for 12 months or more, if agreed by both parties); and
- the payment of an annual trailing payment calculated at one per cent of the gross sale proceeds received from the annual sale of all mineral products and sand clay produced from the tenement, less the US$2.0 million paid on the grant of the mining license over EL 170, which is being treated as an advance on the trailing payment.

Iluka has a put option to transfer either the shares in PKD Resources (Pvt) Ltd or the tenements back to the vendor. If exercised, Iluka will not be required to make the payments referred to above.

(d) Other claims

In the course of its normal business, the Group occasionally receives claims arising from its operating activities. In the opinion of the directors, all such matters are covered by insurance or, if not covered, are without merit or are of such a kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the Group if settled unfavourably.

32 Related party transactions

The only related party transactions are with directors and Key Management Personnel (refer note 28). Details of material controlled entities are set out in note 29. The ultimate Australian controlling entity and the ultimate parent entity is Iluka Resources Limited.

33 New and amended standards adopted by the group

Iluka Resources Limited has to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2016. The affected policies and standards are:

(i) AASB 2014-3 *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations*
(ii) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
(iii) AASB 2015-1 *Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 - 2014 cycle*
(iv) AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 101*

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The changes to the standard are not expected to have a material impact on the measurement and classification of the Group's financial assets and liabilities.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group's current natural hedge relationship would qualify as a continuing hedge upon the adoption of AASB 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. This is not expected to have an impact on the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) AASB 15 *Revenue from contracts with customers* (effective from 1 January 2018)

AASB 15 introduces a new framework for accounting for revenue and will replace AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 establishes principals for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the exiting notion of risks and rewards.

The Group is currently assessing the effects of applying the new standard on its financial statements and has identified the key area likely to be impacted is freight revenue. AASB 15 requires the individual components of revenue to be recognised separately and freight revenue is likely to be deferred until the product is delivered rather than when the product is shipped. No other areas are expected to be significantly impacted.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its revenue from contracts with customer and associated assets and, particularly in the year of the adoption of the new standard.

(iii) AASB 16 *Leases* (effective from 1 January 2019)

AASB 16 was issued in February 2016. One of the key changes is that lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of $28.9 million (2015: $31.1 million), see note 26(b). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments will be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 52 to 99 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

G Martin
Chairman

T O'Leary
Managing Director

23 February 2017

Independent auditor's report

to the members of Iluka Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Iluka Resources Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated balance sheet as at 31 December 2016
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standard Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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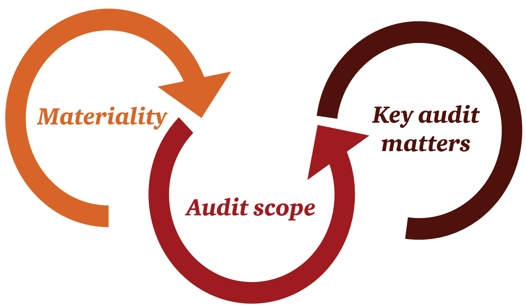
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group is a producer of zircon and high-grade titanium dioxide products of rutile and synthetic rutile, with operations in Australia, the United States and Sierra Leone. The Group also earns royalty income from a tier one iron ore operation – BHP Billiton's Mining Area C province in Western Australia.



Materiality

- For the purpose of our audit we used overall group materiality of $7.75 million, which represents approximately 1% of the Group's total revenue.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose revenue as the materiality benchmark rather than profit before tax due to the recent volatility in profit before tax. Revenues are reflective of the Group's operating activities in continued challenging market conditions, are relatively stable when compared to profit before tax and provide a level of materiality which, in our view, is appropriate for the audit having regard to the expected requirements of users of the Group's financial report.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Component auditors, operating under our instructions, performed specified audit procedures over the Group's United States and Sierra Leone operations' financial information. These procedures, combined with the work performed by us, as the Group engagement team, provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial report as a whole.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. We communicated the key audit matters to the Audit and Risk Committee. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments for non-current assets *Refer to Critical accounting estimates and judgements in note 3(i) and note 14 to the financial report* In undertaking a review of impairment indicators for the Group's property, plant and equipment cash generating units (CGUs) at year end, the Group identified certain idle assets in Australia which are no longer expected to contribute to the future cash inflows of the Group's operations. This assessment resulted in an impairment charge of $201 million. As the Group continues to operate in a challenging economic environment with mineral sands pricing remaining subdued, it also assessed its three CGUs – Australian Operations, US Operations and Sierra Rutile – for impairment indicators. Under Australian Accounting Standards, if impairment indicators are detected for a CGU, the Group is required to perform an impairment assessment. Sustained low mineral sands pricing was determined to be an impairment indicator for the Australian Operations CGU and the Group undertook an impairment test on the property, plant and equipment included in the Australian Operations CGU. When an impairment assessment is performed, there are significant judgements made in relation to assumptions, such as: • long term mineral sands pricing	We assessed whether the composition of the Group's CGUs, which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the Group's operations. We considered the basis upon which idle assets were separated from the CGUs by assessing the feasibility of deploying these assets to mineral sands operations in the future. We evaluated the Group's assessment that the likely net disposal proceeds of these idle assets is $nil, after allowing for the cost of decommissioning and dismantling. We evaluated the Group's assessment of whether there were any indicators of asset impairment at 31 December 2016 for its CGUs. The Group identified that impairment indicators were evident for the Australian Operations CGU as outlined in note 14 to the financial report. The Group's assessment did not identify any impairment indicators for the US or Sierra Rutile CGUs and we did not identify any further impairment indicators for these CGUs which had not been considered by the Group. We focused our testing on the Group's impairment assessment for the Australia Operations CGU. We performed the following procedures: • assessed whether the Australian Operations CGU appropriately included all directly attributable assets and liabilities • considered whether the discounted cash flow model used to estimate the 'fair value less costs of disposal' (the impairment model) was consistent with the basis required by Australian Accounting Standards • tested whether forecast cash flows used in the impairment model were consistent with the most recent Corporate Plan formally approved by directors • considered whether the forecast cash flows used in the impairment model were reasonable and based on supportable assumptions by:

Key audit matter	How our audit addressed the key audit matter
• reserve estimates and production and processing volumes • operating costs, foreign exchange rates and inflation rates, and • discount rates. This was a key audit matter due to the significant carrying value of the Group's non-current assets which are subject to the judgements and assumptions outlined above in determining whether there are any impairment indicators or impairment charges.	o comparing long term mineral sands pricing data used in the impairment model to independent industry forecasts o comparing the forecasted cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting o comparing foreign exchange rate and inflation rate assumptions in the impairment model to current economic forecasts, and o assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital such as peer company betas, risk free rate and gearing ratios, assisted by PwC valuation experts • tested the internal mathematical accuracy of the impairment model's calculations, and • evaluated the adequacy of the disclosures made in note 14 including those regarding key assumptions used in the impairment assessment, in light of the requirements of Australian Accounting Standards.
Closure and rehabilitation provisions *Refer to Critical accounting estimates and judgements in note 3(ii) and note 16 to the financial report* As a result of its mining and processing operations, the Group is obliged to restore and rehabilitate the environment disturbed by these operations. Rehabilitation activities are governed by a combination of legislative requirements and Group policies. At 31 December 2016 the balance sheet included provisions for such obligations of $528.1m. We placed particular focus on closure and rehabilitation provisions of $374.5m for sites which are no longer operating, as changes in provisions for their rehabilitation are recognised immediately in the profit and loss.	We performed tests on key controls over the assessment of the work required to rehabilitate disturbed areas and the estimated future cost of that work which forms the basis for the Group's closure and rehabilitation provision models for Australia, the US and Sierra Leone. We evaluated tested key assumptions utilised in these models by performing the following procedures: • comparing the rehabilitation costs being incurred at the Group's sites which are no longer operating to operating sites with similar expected rehabilitation profiles to check that rehabilitation estimates take into account current experience • assessing the ability of the Group to make reliable estimates of the extent of future rehabilitation expenditure by comparing actual cash outflows in 2016 to those forecast as part of the provision in previous years • examining support for significant changes in future cost estimates from the prior year • assessing the timing of work to be performed by reviewing mine plans and/or other environmental requirements, and

Key audit matter	How our audit addressed the key audit matter
This was a key audit matter given the determination of these provisions required judgement in the assessment of the nature and extent of the work to be performed, the future cost of performing the work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate for future cash outflows associated with rehabilitation activities.	• considering the appropriateness of the discount rates and inflation rates utilised in calculating the provision by comparing them to current market consensus. We also evaluated the accounting treatment applied to changes in the rehabilitation provision, including whether they are expensed or capitalised, due to the Group's significant proportion of sites which are no longer operating. We assessed the rehabilitation provision acquired through the acquisition of Sierra Rutile Limited as set out in the key audit matter below – *Acquisition of Sierra Rutile Limited*.
Net realisable value and classification of product inventory *Refer to Critical accounting estimates and judgements in note 3(iii) and note 13 to the financial report* The Group held product inventory of \$629.4m at 31 December 2016 comprising \$341.4m of finished goods and \$288m of work in progress mineral concentrates. Due to current sales prices and cyclically low demand, the Group has adopted a strategy of processing work in progress inventory to meet current demand. This has led to inventory being sold over a period longer than 12 months from the balance sheet date. Inventory expected to be sold over a period longer than 12 months from the balance sheet date is required to be classified as non-current. In addition, the Group's operating margins in some product lines have significantly reduced, leading to a risk that these products may be held at a value that is greater than their net realisable value. The valuation and classification of product inventory was a key audit matter due to the size of this asset class and the judgement involved in estimating expected selling price and demand in future periods.	We evaluated the Group's selling price and demand forecasts, which underpin its classification of current and non-current inventory, and the process by which they were developed, including considering contracted customer prices and volumes. We also compared them to budgets and forecasts approved by the Directors and found them consistent. To assess the historical accuracy of the Group's forecasting, we compared the selling price and demand forecast utilised in the prior year to this year's actual results. We found that actual performance was materially consistent with forecasted assumptions. We also assessed the Group's estimation of costs to complete work in progress and anticipated selling costs of product inventory based on previous sales experience and the budgets approved by the Directors.

Key audit matter	How our audit addressed the key audit matter
Acquisition of Sierra Rutile Limited *Refer to Acquisition of Sierra Rutile Limited in note 6 to the financial report* On **7** December 2016, a wholly owned subsidiary of the Company merged with Sierra Rutile Limited for purchase consideration of $375m. The acquisition of a business is complex and the accounting standards require the Group to identify all assets and liabilities of the newly acquired subsidiary and estimate the fair value of each item. The fair value of these items may be significantly different to the historical cost which had been previously recorded by the acquired business. The items also may not have met the recognition criteria under accounting standards. The acquisition was a key audit matter given its significance to the Group and that significant judgement is involved in assigning a fair value to the assets and liabilities acquired.	We read key transaction documents and assessed how the Group estimated the fair value of the assets and liabilities identified in the acquisition. In particular, we focussed on significant judgements made by the directors in assessing the fair value of: • plant, equipment and mine properties and development assets by assessing the reasonableness of key model assumptions in the Group's fair value model. To do this: o we compared long term mineral sands pricing data used in the fair value model to independent industry forecasts o we compared the asset specific discount rate for Sierra Rutile Limited used in the fair value model to other market participants' average cost of capital taking into account a country risk premium, assisted by PwC valuations experts o we read the Group's life of mine plan, including resource to reserve conversion, and future areas of interest to be developed, • asset retirement obligations by comparing key assumptions such as expected timing and quantum of cash outflows to rehabilitate the Sierra Rutile operations to the Group's other rehabilitation sites worldwide. We evaluated the Group's rationale for the recognition of deferred tax assets of $122m primarily relating to unused tax losses for the acquired entity. Our work on this matter is set out in the key audit matter, *Recognition and measurement of deferred tax assets.*
Recognition and measurement of deferred tax assets *Refer to Acquisition of Sierra Rutile Limited in note 6 to the financial report* As a result of the acquisition of Sierra Rutile Limited on 7 December 2016, the Group recognised $122m of deferred tax assets, primarily comprising the anticipated benefit of existing tax losses reducing future tax payable. The recognition and measurement of these deferred tax assets was a key audit matter given that there was significant judgement in assessing whether there will be enough future taxable profits to utilise the existing tax losses.	We obtained a reconciliation of the available carry forward tax losses of Sierra Rutile Limited through to 31 December 2016 which was prepared by Sierra Rutile Limited's tax advisors in Sierra Leone. We found these to be materially consistent with the Group's underlying assessment of carry forward tax losses to 31 December 2016 prepared during the due diligence period for the acquisition. We also evaluated advice the Group received with respect to the availability of these losses given the change in control as a result of the acquisition, assisted by PwC tax experts. We also evaluated the Group's rationale for the recognition and measurement of deferred tax assets of $122m. We evaluated the Group's mine plan and financial model to assess the Group's conclusion that sufficient taxable income would likely be earned in the future to utilise the tax losses for which deferred tax assets have been recognised.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, Ore Resources and Mineral Resources Statement, Shareholder Information, Share Registry Details and Corporate Information included in the Company's annual report for the year ended 31 December 2016 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

Report on the audit of the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 25 to 43 of the Directors' Report for the year ended 31 December 2016.

In our opinion, the remuneration report of Iluka Resources Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities for the remuneration report

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justin Carroll

Justin Carroll
Partner

Perth, 23 February 2017

Ore Reserves and Mineral Resources Statement

Heavy Mineral Ore Reserves

Iluka Ore Reserves Breakdown by Country, Region and JORC category at 31 December 2016

Summary of Ore Reserves for Iluka (i), (ii), (iii)

Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	HM Assemblage (iv) Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Proved	99	3.9	3.9	27	50	4	
		Probable	4	0.1	2.1	20	52	4	
	Total Eucla Basin		**103**	**3.9**	**3.8**	**27**	**50**	**4**	**(0.0)**
	Murray Basin	Proved	-	-	-	-	-	-	
		Probable	-	-	-	-	-	-	
	Total Murray Basin		**-**	**-**	**-**	**-**	**-**	**-**	**(1.7)**
	Perth Basin	Proved	90	5.8	6.5	60	9	4	
		Probable	92	7.0	7.5	60	8	4	
	Total Perth Basin (v)		**182**	**12.8**	**7.0**	**60**	**9**	**4**	**(3.7)**
USA	Atlantic Seaboard	Proved	-	-	-	-	-	-	
		Probable	-	-	-	-	-	-	
	Total Atlantic Seaboard		**-**	**-**	**-**	**-**	**-**	**-**	**(0.9)**
	Total Proved		**189**	**9.7**	**5.1**	**47**	**26**	**4**	
	Total Probable		**96**	**7.0**	**7.3**	**60**	**9**	**4**	
	Grand Total		**286**	**16.7**	**5.9**	**52**	**19**	**4**	**(6.3)**

(i) Competent Persons - Ore Reserves: C Lee (MAusIMM(CP)). The Ore Reserves in this table have been estimated in accordance with the JORC Code (2012 Edition), other than the Ore Reserves for the IPL North and South West deposits, which have not materially changed and have been estimated in accordance with the JORC Code (2004 Edition). Iluka Resources is undertaking further work in order to report these estimates in accordance with the JORC Code (2012 Edition).

(ii) Ore Reserves are a sub-set of Mineral Resources.

(iii) Rounding may generate differences in last decimal place.

(iv) Mineral assemblage is reported as a percentage of in situ heavy mineral (HM) concentrate.

(v) Rutile component in Perth Basin South West operations is sold as a leucoxene product.

Rutile Ore Reserves (Sierra Leone)

Iluka Ore Reserve for Sierra Leone Rutile and JORC category at 31 December 2016

Summary of Ore Reserves for Iluka (i), (ii), (iii)

					In situ Assemblage (iv),(v)			
Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ Rutile Tonnes Millions	Rutile Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Change Rutile Tonnes Millions
Sierra Leone	Sierra Leone	Proved	34	0.5	1.45	-	-	0.5
		Probable	271	3.4	1.24	-	-	3.4
	Total Sierra Leone		**306**	**3.9**	**1.27**	**-**	**-**	**3.9**

(i) Competent Persons - Ore Reserves: C Lee (MAusIMM(CP)).

(ii) Ore Reserves are a sub-set of Mineral Resources

(iii) Rounding may generate differences in last decimal place.

(iv) Mineral assemblage is reported as a percentage of in situ material.

(v) Ilmenite and zircon are only considered to be at an Inferred level of confidence in the Mineral Resource estimation, and while present, currently have a low value ascribed in the reserve optimisation process for Sierra Leone.

Ore Reserves

Ore Reserves are estimated using all available geological and relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries and final product qualities. Reserve estimates are determined by the consideration of all of the “Modifying Factors” in accordance with the JORC Code 2004 and 2012, and for example, may include but are not limited to, product prices, mining costs, metallurgical recoveries, environmental consideration, access and approvals. These factors may vary significantly between deposits.

The Ore Reserves and Mineral Resources for the Sierra Leone rutile deposits are reported separately as there is insufficient information to state the assemblage in terms of a portion of the heavy mineral (HM) content which is traditionally done in reporting heavy minerals. Historical data focussed on the insitu rutile content which is honoured in the reporting of Ore Reserves and Mineral Resources for Sierra Leone. An equivalent comparison of the rutile tonnages contained in Iluka's Ore Reserve inventory for heavy minerals can be calculated using the formula:

[Rutile tonnes = HM tonnes * Rutile %] that is [16.7*(4/100)] = 0.7 Mt of rutile.

For the year ending 2016, HM Ore Reserves decreased by 6.3Mt HM associated with mining depletion and adjustments, down from 23.0Mt HM to 16.7Mt HM.

The main factors contributing to the movement in Iluka’s HM Ore Reserves during 2016 include the following:

- The Eucla Basin Ore Reserves decreased by 0.02Mt HM associated with mining depletion of the Jacinth deposit.
- The Perth Basin Ore Reserves decreased by 3.7Mt HM as a result of mine depletion at Tutunup South (0.2Mt) and write down of Ore Reserves for the Allied Tails, Adamson, Depot Hill East, Depot Hill North, IPL South, Ocean Hill, South Capel Offices, South Tails, Twins Hills and Uplands Deposits (3.5Mt). The write downs reflect a combination of development uncertainty and inadequacy in the current level of supporting feasibility studies.
- The Murray Basin Ore Reserves decreased by 1.7Mt HM with the reclassification of Ore Reserves for the Castaway and Kerribee Deposits. The write downs reflect a combination of development uncertainty and inadequacy in the current level of supporting feasibility studies.
- The Atlantic Seaboard Ore Reserves decreased by 0.9Mt HM with the reclassification of Ore Reserves for the Old Hickory and Brink, being deemed sub-economic at this time.

In December 2016 Iluka acquired the assets of Sierra Rutile Limited which comprise Ore Reserves of 306Mt of Ore containing 3.9Mt of rutile.

Heavy Mineral Ore Reserves Mined and Adjusted

Iluka Ore Reserves Mined and Adjusted by Country and Region at 31 December 2016

Summary of Ore Reserve Depletion (i)

Country	Region	Category	In Situ HM Tonnes Millions 2015	In Situ HM Grade 2015	In Situ HM Tonnes Millions Mined 2016	In Situ HM Tonnes Millions Adjusted 2016 (ii)	In Situ HM Tonnes Millions 2016	In Situ HM Grade 2016	In Situ HM Tonnes Millions Net Change (iii)
Australia	Eucla Basin								
		Active Mines	2.0	4.7	(0.1)	0.1	2.0	4.3	(0.0)
		Non-Active Sites	2.0	3.5	-	-	2.0	3.5	-
	Total Eucla Basin		**4.0**	**4.1**	**(0.1)**	**0.1**	**3.9**	**3.8**	**(0.0)**
	Murray Basin								
		Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	1.7	15.2	-	(1.7)	-	-	(1.7)
	Total Murray Basin		**1.7**	**15.2**	**-**	**(1.7)**	**-**	**-**	**(1.7)**
	Perth Basin								
		Active Mines	0.5	-	(0.2)	-	0.3	12.7	(0.2)
		Non-Active Sites	16.0	5.5	-	(3.5)	12.5	6.9	(3.5)
	Total Perth Basin		**16.5**	**5.5**	**(0.2)**	**(3.5)**	**12.8**	**7.0**	**(3.7)**
USA	Atlantic Seaboard								
		Active Mines	0.9	5.1	-	(0.9)	-	-	(0.9)
		Non-Active Sites	-	-	-	-	-	-	-
	Total Atlantic Seaboard		**0.9**	**5.1**	**-**	**(0.9)**	**-**	**-**	**(0.9)**
	Total Active Mines		**3.4**	**4.9**	**(0.4)**	**(0.7)**	**2.3**	**4.6**	**(1.1)**
	Total Non-Active Sites		**19.7**	**5.8**	**-**	**(5.2)**	**14.4**	**6.1**	**(5.2)**
	Total Ore Reserves		**23.0**	**5.7**	**(0.4)**	**(5.9)**	**16.7**	**5.9**	**(6.3)**

(i) Rounding may generate differences in last decimal place.

(ii) Adjusted figure includes write-downs and modifications in mine design.

(iii) Net change includes depletion by mining and adjustments.

Heavy Mineral Resources

Iluka Ore Resource Breakdown by Country, Region and JORC Category at 31 December 2016

Summary of Mineral Resources for Iluka (i), (ii), (iii)

						HM Assemblage (iv)			
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Measured	227	7.1	3.1	32	44	4	
		Indicated	85	8.1	9.5	65	20	2	
		Inferred	74	3.7	5.1	60	20	2	
	Total Eucla Basin		**386**	**18.9**	**4.9**	**52**	**29**	**3**	**(0.2)**
	Murray Basin	Measured	16	4.4	27.6	62	11	11	
		Indicated	88	18.5	21.0	56	11	14	
		Inferred	85	10.1	11.9	49	10	14	
	Total Murray Basin		**189**	**33.0**	**17.5**	**54**	**11**	**13**	**(0.8)**
	Perth Basin	Measured	497	29.6	6.0	59	10	5	
		Indicated	302	15.9	5.2	54	10	5	
		Inferred	242	11.6	4.8	55	9	5	
	Total Perth Basin (v)		**1,041**	**57.0**	**5.5**	**57**	**10**	**5**	**(1.4)**
USA	Atlantic Seaboard	Measured	59	2.4	4.0	65	12	-	
		Indicated	43	2.42	5.6	65	10	-	
		Inferred	16	0.5	2.9	61	11	-	
	Total Atlantic Seaboard (vi)		**118**	**5.2**	**4.4**	**65**	**11**	**-**	**-**
Sri Lanka	Sri Lanka	Measured	214	22.2	10.4	70	3	4	
		Indicated	39	3.4	8.7	69	4	3	
		Inferred	437	30.7	7.0	66	4	5	
	Total Sri Lanka (vii)		**690**	**56.3**	**8.2**	**67**	**4**	**4**	**-**
	Total Measured		**1,012**	**65.7**	**6.4**	**60**	**12**	**5**	
	Total Indicated		**558**	**48.3**	**8.7**	**58**	**11**	**8**	
	Total Inferred		**854**	**56.5**	**6.6**	**60**	**7**	**6**	
	Grand Total		**2,424**	**170.5**	**7.0**	**59**	**10**	**6**	**(2.4)**

(i) Competent Persons - Mineral Resources: B Gibson (MAIG).

(ii) Mineral Resources are inclusive of Ore Reserves.

(iii) Rounding may generate differences in last decimal place.

(iv) Mineral assemblage is reported as a percentage of in situ heavy mineral content.

(v) Rutile component in Perth Basin South West operations is sold as a leucoxene product.

(vi) Rutile is included in ilmenite for the Atlantic Seaboard region.

(vii) It should be noted that the Sri Lanka resource estimates are based on a 100 per cent ownership basis which applies to the exploration stage. The Sri Lankan Exchange Control Act currently limits the percentage holding of a foreign entity in a Sri Lankan mining company to 40 per cent, although approval for up to 100 per cent may be granted.

Rutile Mineral Resources (Sierra Leone)

Iluka Mineral Resources for Sierra Rutile and JORC Category at 31 December 2016

Summary of Mineral Resources for Iluka (i), (ii), (iii)

					In situ Assemblage (iv),(v)			
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ Rutile Tonnes Millions	Rutile Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Change Rutile Tonnes Millions
Sierra Leone	Sierra Leone	Measured	60	0.8	1.26	0.12	0.16	0.8
		Indicated	538	5.5	1.02	0.14	0.07	5.5
		Inferred	122	1.3	1.06	-	0.01	1.3
	Total Sierra Leone		**719**	**7.5**	**1.04**	**0.11**	**0.07**	**7.5**

(i) Competent Persons - Mineral Resources: B Gibson (MAIG).

(ii) Mineral Resources are inclusive of Ore Reserves.

(iii) Rounding may generate differences in last decimal place.

(iv) Mineral assemblage is reported as a percentage of in situ heavy mineral content.

(v) Ilmenite and zircon are included for tabulation purposes under the Measured and Indicated resource categories. The confidence in the estimates for ilmenite and zircon are only considered to be at an Inferred level of confidence and should not be used in the estimation of Ore Reserves.

Mineral Resources

Mineral Resources are estimated using all available and relevant geological, drill hole and assay data, including mineralogical sampling and test work on mineral and final product qualities. Resource estimates are determined by consideration of geology, heavy mineral (HM) cut-off grades, mineralisation thickness vs. overburden ratios and consideration of the potential mining and extraction methodology and are prepared in accordance with the 2012 JORC Code. These factors may vary significantly between deposits.

For the year ending 2016, Mineral Resources (excluding the Mineral Resources attributable to the Sierra Rutile acquisition) decreased by 2.4Mt HM net of mining depletion and adjustments (sale, relinquishment, exploration discovery and development and write-downs) down from 172.9Mt HM to 170.5Mt HM.

The change in Mineral Resources for 2016 was driven by the following:
• Eucla Basin Mineral Resources decreased by 0.2Mt HM principally as a result of mining depletion at Jacinth.
• The Perth Basin Mineral Resources decreased by 1.4Mt HM principally as a result of mining depletion and write down of resources inaccessible for mining at Tutunup South of 0.4Mt HM and write downs for Depot Hill Central (1.0Mt HM).
• Murray Basin Mineral Resources decreased by 0.8Mt HM as a result of write downs for the Rainmaker and Rainlover deposits (0.4Mt HM) and decreases of the Mineral Resources for Adaptordie (0.1Mt HM), Archer (0.2Mt HM) and Bells (0.1Mt HM) following remodelling and updated resource estimation.

In December 2016 Iluka acquired the assets of Sierra Rutile Limited which include 719Mt of material grading 1.04 % rutile and containing 7.5Mt of rutile.

Heavy Mineral Resources Mined and Adjusted

Iluka Mineral Resources Mined and Adjusted by Country and Region at 31 December 2016

Summary of Mineral Resource Depletion (i)

Country	Region	Category	In Situ HM Tonnes Millions 2015	In Situ HM Grade 2015	In Situ HM Tonnes Millions Mined 2016	In Situ HM Tonnes Millions Adjusted 2016 (ii)	In Situ HM Tonnes Millions 2016	In Situ HM Grade 2016	In Situ HM Tonnes Millions Net Change (iii)
Australia	Eucla Basin								
		Active Mines	2.5	4.0	(0.1)	(0.1)	2.3	3.9	(0.2)
		Non-Active Sites	16.6	5.7	-	-	16.6	5.7	-
	Total Eucla Basin		**19.2**	**5.4**	**(0.1)**	**(0.1)**	**18.9**	**5.4**	**(0.2)**
	Murray Basin								
		Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	33.8	17.0	-	(0.8)	33.0	17.5	(0.8)
	Total Murray Basin		**33.8**	**17.0**	**-**	**(0.8)**	**33.0**	**17.5**	**(0.8)**
	Perth Basin								
		Active Mines	0.9	9.6	(0.2)	(0.2)	0.5	9.7	(0.4)
		Non-Active Sites	57.5	5.5	-	(1.0)	56.6	5.5	(1.0)
	Total Perth Basin		**58.4**	**5.5**	**(0.2)**	**(1.2)**	**57.0**	**5.5**	**(1.4)**
USA	Atlantic Seaboard								
		Active Mines	2.2	2.8	-	(2.2)	-	-	(2.2)
		Non-Active Sites	3.1	7.4	-	2.2	5.2	4.4	2.2
	Total Atlantic Seaboard		**5.2**	**4.4**	**-**	**-**	**5.2**	**4.4**	**-**
Sri Lanka	Sri Lanka								
		Active Mines	**-**	-	-	-	-	-	-
		Non-Active Sites	56.3	8.2	-	-	56.3	8.2	-
	Total Sri Lanka		**56.3**	**8.2**	**-**	**-**	**56.3**	**8.2**	**-**
	Total Active Mines		**5.6**	**3.8**	**(0.4)**	**(2.4)**	**2.8**	**4.3**	**(2.8)**
	Total Non-Active Sites		**167.3**	**7.4**	**-**	**0.4**	**167.7**	**7.2**	**0.4**
	Total Mineral Resources		**172.9**	**7.1**	**(0.4)**	**(2.0)**	**170.5**	**7.1**	**(2.4)**

(i) Rounding may generate differences in last decimal place.

(ii) Adjusted figure includes write-downs and modifications in mine design.

(iii) Net change includes depletion by mining and adjustments.

Annual Statement of Mineral Resources and Ore Reserves

The Annual Statement of Mineral Resources and Ore Reserves as at 31 December 2016 presented in this Report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (the JORC Code 2012) and ASX listing rules and disclosed in the announcement dated 23 February 2017. Information prepared and disclosed under the JORC Code 2004 Edition and which has not materially changed since last reported has not been updated. Iluka is not aware of any new information or data that materially affects the information included in this Annual Statement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr Brett Gibson who is a Member of the Australian Institute of Geoscientists.
The information in this report that relates to Ore Reserves is based on information compiled by Mr Chris Lee who is a member of the Australasian Institute of Mining and Metallurgy (AUSIMM).
Mr Gibson and Mr Lee are full time employees of Iluka Resources.
Mr Gibson and Mr Lee have sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which is being undertaken to qualify a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', the JORC Code 2012 Edition.
Mr Gibson and Mr Lee consent to the inclusion in this report of the matters based on his information in the form and context in which it appears.
The information in this report that relates to specific Mineral Resources and Ore Reserves is based on and accurately reflects reports compiled by Competent Persons as defined in the JORC Code 2012 for each of the company regional business units. Each of these persons is a full-time employee of Iluka Resources Limited or its relevant subsidiaries, holds equity securities in Iluka Resources Limited and is entitled to participate in Iluka's executive equity long term incentive plan, details of which are included in Iluka's 2016 Remuneration report.
All the Competent Persons named are Members of The Australasian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and/or the relevant jurisdiction ROPO (Recognised Overseas Professional Organisation) and have sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the JORC Code 2012. At the reporting date, each Competent Person listed in this Report is a full-time employee of Iluka Resources Limited or one of its subsidiaries. Each Competent Person consents to the inclusion of material in the form and context in which it appears.
All of the Mineral Resource and Ore Reserve figures reported represent estimates as at 31 December 2016. All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information is inclusive of Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

Mineral Resources and Ore Reserves Corporate Governance

Iluka has an established governance process supporting the preparation and publication of Mineral Resources and Ore Reserves which includes a series of structures and processes independent of the operational reporting through business units and product groups.
The Audit and Risk Committee has in its remit the governance of resources and reserves. This includes an annual review of Mineral Resources and Ore Reserves at a group level, as well as review of findings and progress from the Group Resources and Reserves internal audit programme within the regular meeting schedule.
Mineral Resources and Ore Reserves are estimated by Iluka Personnel or suitably qualified independent personnel using industry standard techniques and supported by internal guidelines for the estimation and reporting of Mineral Resources and Ore Reserves.
All Mineral Resource and Ore Reserve estimates and supporting documentation is reviewed by Competent Persons employed by Iluka. If there is a material change in the estimate of a Mineral Resource, the Modifying Factors for the preparation of Ore Reserves, or reporting an inaugural Mineral Resource or Ore Reserve and if it is considered prudent to have an external review then the estimate and supporting documentation in question is reviewed by a suitably qualified independent Competent Person.
All Mineral Resources and Ore Reserves are internally reviewed by Iluka Competent Persons.
The Iluka Mineral Resource and Ore Reserve position is reviewed annually by a suitably qualified independent Competent Person prior to publication and the governance process is also audited by an independent body (PricewaterhouseCoopers).
Iluka has continued the development of internal systems and controls in order to meet JORC (2012) guidelines in all external reporting including the preparation of all reported data by Competent Persons as members of The Australasian Institute of Mining and Metallurgy (The AusIMM), The Australian Institute of Geoscientists (AIG) or recognised overseas professional organisations (ROPOs).
The establishment of an enhanced governance process has also been supported by a number of process improvements and training initiatives over recent years, including a Web based group reporting and sign-off database, annual internal Competent Person reports and Competent Person development and training.

Shareholder Information
as at 31 January 2017

Australian Securities Exchange listing

Iluka's shares are listed on the Australian Securities Exchange (ASX) Limited. The Company is listed as "Iluka" with an ASX code of ILU.

Number of shares on issue

The Company had 418,701,360 shares on issue as at 31 January 2017. A total of 446,050 ordinary shares are restricted pursuant to the directors, executives and Employee Share Acquisition Plan, Equity Incentive Plan and Employee Share Plan.

Shareholdings

There were 24,047 shareholders. Voting rights, on a show of hands, are one vote for every registered holder and on a poll, are one vote for each share held by registered holders.

Distribution of Shareholdings

Size of shareholding	Number of holders
1 - 1,000	12,759
1,001 - 5,000	7,730
5,001 - 10,000	1,276
10,001 - 100,000	729
100,001 - 1,000,000	39
1,000,001 and over	14
Unmarketable parcel (less than $500)	1,500

Substantial Shareholders (as provided in disclosed substantial shareholder notices to the company)

Shareholder	Size of shareholding	% of issued capital
Schroder Investment Management Australia Limited	45,649,855	10.90
Northcape Capital Pty Ltd	32,910,017	7.86
Nikko Asset Management	30,619,502	7.31
SailingStone Capital Partners LLC	30,408,843	7.25
BlackRock Investment Management	30,326,071	7.24

Top 20 Shareholders (nominee company holdings)

Shareholder	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	140,792,949	33.63
J P Morgan Nominees Australia Limited	77,435,300	18.49
Citicorp Nominees Pty Limited	57,788,878	13.80
National Nominees Limited	40,186,929	9.60
BNP Paribas Noms Pty Ltd (DRP)	19,882,754	4.75
BNP Paribas Nominees Pty Ltd (Agency Lending DRP)	8,506,823	2.03
Warbont Nominees Pty Ltd	3,123,323	0.75
Australian Foundation Investment Company Limited	2,367,000	0.57
Argo Investments Limited	1,700,000	0.41
Australian Foundation Investment Company Limited	1,275,000	0.30
UBS Nominees Pty Ltd	1,235,000	0.29
HSBC Custody Nominees (Australia) Limited	1,232,369	0.29
Citicorp Nominees Pty Limited	1,149,856	0.27
R O Henderson (Beehive) Pty Limited	1,145,000	0.27
BNP Paribus Noms (NZ) Ltd	981,195	0.23
Mirrabooka Investments Limited	900,000	0.21
RBC Investor Services Australia Nominees Pty Limited	841,543	0.20
BNP Paribas Nominees Pty Ltd	818,000	0.20
HSBC Custody Nominees (Australia) Limited	590,946	0.14
Mr Adam Matthew Hartley	500,257	0.12

Share Registry Details

Dividends

Iluka's Board of Directors typically make a determination on dividend payments twice a year.

Iluka does not operate a dividend reinvestment plan (DRP).

Share registry inquiries

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the Company's share registry:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth, Western Australia, 6000
Telephone: +61 3 9415 5000 (Head Office) +61 8 9323 2000 (Perth) or 1300 850 505
Facsimile: +61 8 9323 2033 (Perth) or +61 3 9473 2500 (Melbourne)

Annual Reports and email notification of major announcements

Shareholders can elect to receive a printed copy of the Annual Report and/or receive email notifications related to major Company announcements. Please contact Computershare.

Postal address

GPO Box 2975
Melbourne VIC 3000

Website: www.computershare.com

Each inquiry should refer to the shareholder number which is shown on issuer-sponsored holding statements and dividend statements.

Investor Relations Inquiries

Dr Robert Porter
General Manager, Investor Relations and Corporate Affairs
robert.porter@iluka.com

+61 8 9360 4700
+61 (0) 407 391 829

2017 Calendar

23 February	Announcement of Full Year Financial Results
20 April	March Quarter Production Report
26 April 9:30am WST	Closure of acceptances of proxies for AGM
28 April 9:30am WST	Annual General Meeting – Perth
20 July	June Quarter Production Report
17 August	Announcement of Half Year Financial Results
19 October	September Quarter Production Report
31 December	Financial Year End

All dates are indicative and subject to change. Shareholders are advised to check with the Company to confirm timings.

Corporate Information

Company details

Iluka Resources Limited
ABN: 34 008 675 018

Registered office

Level 23, 140 St George's Terrace
Perth WA 6000 Australia

Postal address

GPO Box U1988
Perth WA 6845 Australia
Telephone: +61 8 9360 4700
Facsimile: +61 8 9360 4777

Company Secretary

Sue Wilson, Company Secretary
Nigel Tinley, Joint Company Secretary

Website

www.iluka.com

This site contains information on Iluka's products, marketing, operations, ASX releases, financial and quarterly reports. It also contains links to other sites, including the share registry.

Notice of Annual General Meeting

Iluka's 62nd Annual General Meeting of Shareholders will be held on Level 2 in Meeting Room 8 at the Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia on Friday 28 April 2017 commencing at 9:30am (WST).

Disclaimer - Forward Looking Statements

This Report may contain certain forward looking statements. These statements may include, without limitation, estimates of future production and production potential; estimates of future capital expenditure and cash costs; estimates of future product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves.

Where Iluka expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and on a reasonable basis. No representation or warranty, express or implied, is made by Iluka that the matters stated in this presentation will in fact be achieved or prove to be correct.

Forward-looking statements are only predictions and are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks and factors include, but are not limited to:

- changes in exchange rate assumptions;
- changes in product pricing assumptions;
- major changes in mine plans and/or resources;
- changes in equipment life or capability;
- emergence of previously underestimated technical challenges; and
- environmental or social factors which may affect a licence to operate.

Iluka does not undertake any obligation to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this report, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Non-IFRS Financial Information

This document uses non-IFRS financial information including mineral sands EBITDA, underlying Group EBITDA and Group EBIT which are used to measure both Group and operational performance. Non-IFRS measures are unaudited but derived from audited accounts. A reconciliation of non-IFRS financial information to the audited Profit before tax in the Consolidated statement of profit or loss and other comprehensive income is included on page 24.

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