27 February 2018 ASX: ILU

Full Year Results to 31 December 2017

Key features

- Mineral sands revenue up 40% on prior year to $1,018 million
- Underlying EBITDA increased 140% to $361 million
- Strong free cash flow of $322 million and net debt reduced by 64% to $183 million (17% gearing)
- Continued strength in mineral sands markets, demonstrated by both volume and price growth
- Sales volumes of high value products zircon, rutile and synthetic rutile up 27% to 889 thousand tonnes
- Zircon Premium and Standard weighted average price increased 40% from the start of year to US$1,128 per tonne in the fourth quarter
- Rutile prices up 13% from the start of the year to US$825 per tonne in the second half
- Impairment charge of $185 million, including $151 impairment of the Hamilton mineral separation plant, announced on 21 June 2017, and $30 million impairment of Iluka's investment in UK-based titanium technology company Metalysis Limited, announced 27 October 2017
- Increase in rehabilitation provision for closed sites up $127 million, predominantly driven by the potential for additional obligations relating to past rehabilitation in the US, announced on 12 December 2017
- Reported net loss after tax of $172 million
- Final dividend of 25 cents per share fully franked, total 2017 dividends represent 40% of free cash flow for the year

Iluka Resources Limited (Iluka) (ASX: ILU) has recorded its financial results for the year ended 31 December 2017, with strengthened mineral sands markets throughout 2017 underpinning strong free cash flow of $322 million, up from $47 million in the prior year.

Overall mineral sands revenue was up 40% for the year to $1,018 million, with sales volumes of high value products zircon, rutile and synthetic rutile (Z/R/SR) up 27% to 889 thousand tonnes. Iluka successfully implemented three price increases for zircon throughout the year, increasing the weighted average realised price by 40% to US$1,128 per tonne for Zircon Standard and Premium in the fourth quarter 2017. The Zircon Reference Price is set at US$1,230 per tonne to the end of March 2018. From 1 April 2018, Iluka is implementing a Zircon Reference Price increase to US$1,410 per tonne for a period of six months.

High grade titanium dioxide sales also experienced a stronger price environment, reflecting conditions in the main end-use market of pigment. Rutile prices achieved in the second half of US$825 per tonne were 13% higher than at the start of the year. A further price increase of ~8% (US$70 per tonne) has been implemented for contracted rutile sales in the first half of 2018.

Underlying EBITDA, excluding impairment and rehabilitation adjustments, significantly increased to $361 million (2016: $151 million). This translated to strong operating cash flow, enabling Iluka to reduce its net debt by 64% to $183 million and support a final dividend of 25 cents per share, fully franked.

Iluka's reported net loss after tax of $172 million reflects adjustments, previously announced over the course of 2017:

- $106 million post tax ($151 million pre-tax) impairment of the Hamilton mineral separation plant (MSP), which was placed on care and maintenance in October 2017. The Narngulu MSP is considered sufficient for processing all expected Australian heavy mineral concentrate production;
- $30 million post tax ($30 million pre-tax) impairment relating to Iluka's investment in Metalysis Ltd, an unlisted UK-based titanium metal technology company; and

- $125 million post-tax ($127 million pre-tax) increase to rehabilitation provisions, mainly in the US, announced 12 December 2017.

Iluka also today announces Board approval for a Dividend Reinvestment Plan (DRP) effective from the 2017 final dividend. Under the plan, eligible shareholders can reinvest either all or part of their dividend payments into additional fully paid Iluka shares. Additional shares will be offered at a discount of 1.5%. Further details on the DRP are available at www.iluka.com.

Announcing the results, Iluka's Managing Director, Tom O'Leary, said "We are very pleased to report higher revenues in the full year on the back of higher prices and volumes. The increases in our operating and free cash flow were a highlight of the year and have enabled a significant reduction in net debt and a return to moderate gearing levels following the Sierra Rutile acquisition. The result also enabled Iluka to deliver an interim dividend to shareholders of 6 cents per share at the half-year; and now a final dividend of 25 cents per share, both fully franked."

"Our reported loss is disappointing; but the underlying financial performance is encouraging, with group EBITDA doubling from last year, reflecting the improvement in mineral sands markets. We expect supply to remain tight in 2018."

"Operationally, we have seen strong production performance from our Sierra Rutile operations over the year. This has been accompanied by the successful restart of the company's major zircon mine, Jacinth-Ambrosia, and the finalisation of off-take agreements supporting the approval of the Cataby development. Delivery at Sierra Rutile, Jacinth-Ambrosia and Cataby is Iluka's core focus for 2018."

Summary

$ million	FY 2017	FY 2016	Change
Mineral sands revenue	1,017.5	726.3	+40%
Underlying mineral sands EBITDA	300.9	103.0	+192%
MAC EBITDA	59.6	47.5	+26%
Underlying Group EBITDA[1]	360.5	150.5	+140%
(Loss) profit for the period (NPAT)	(171.6)	(224.0)	+23%
Operating Cash Flow	391.7	137.3	+185%
Free Cash Flow[2]	321.9	47.3	+581%
Dividend final (cps)	25	-	n/a
Dividend total - interim + final (cps)	31	3	n/a

$ million	At 31 Dec 2017	At 31 Dec 2016	Change
Net debt	182.5	506.3	-64%
Net gearing ratio	17%	32%	-14 ppts

[1] Underlying Group EBITDA excludes adjustments including impairments and changes to rehabilitation provisions for closed sites. Underlying EBITDA also excludes Iluka's share of Metalysis Ltd's losses.
[2] Free Cash Flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.

Note: This is the first full reporting period for which Sierra Rutile has been included in the results following the acquisition on 7 December 2016.

Guidance and outlook

Mineral sands markets are expected to remain positive in 2018. The dynamics that resulted in zircon and rutile price growth over 2017, including moderate demand growth and tight supply conditions, are anticipated to continue.

Delivery is Iluka's focus for 2018. This includes:

- building on improvements achieved at Sierra Rutile;
- progressing Sierra Rutile expansion projects;
- mining at Jacinth-Ambrosia to continue at capacity and advancing plans for mine optimisation; and
- delivering the project works at Cataby on time and on budget.

Iluka is expecting 2018 Z/R/SR production of 705 thousand tonnes, down from 825 thousand tonnes in 2017. The reduction reflects the completion of processing heavy mineral concentrate from the Murray Basin.

Cash costs of production are expected to increase from $362 million to $405 million. This is largely due to mining and concentrating costs being incurred at the restarted Jacinth-Ambrosia mine, following almost two years of producing final products from intermediate heavy mineral concentrate inventory, which has now been significantly drawn down.

Significant capital expenditure is expected in 2018, with guidance of $410 million, mainly reflecting the Cataby development and Gangama and Lanti Dry expansion projects at Sierra Rutile.

The operational improvements at Sierra Rutile have delivered rutile production above that assumed at the time of acquisition, reducing the reliance on expansions for higher production and lower unit costs. In view of this, and in line with the company's disciplined approach to capital allocation, Iluka has taken the decision to defer the Sembehun development for one year. Early works are now expected to commence in 2019 after a detailed feasibility study (DFS) is undertaken. The DFS will enable the company to develop reasonable estimates of project costs before final approval. Commissioning is targeted for 2021.

This decision also allows Iluka to target a smoother production profile and focus on delivery of the expansion projects at Gangama and Lanti Dry in 2018.

For the full financial and physical parameters outlook, refer to slides 33-35 of the full year results presentation, available at www.iluka.com.

-ENDS-

2017 full year results teleconference

An investment conference call will take place at 09.00am (AEDT) on 27 February 2018. Dial in numbers are listed below. Please quote passcode ID: **4096208.**

For locations within **Australia** dial toll-free **1800 123 296,** or toll +61 (0)2 8038 5221.
If you are calling from another country, please use one of the following toll-free dial-in numbers:

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Other Iluka Disclosures:

The full year results briefing pack follows this announcement and will be referred to during the conference call.

The Iluka 2017 Appendix 4E has been released to the Australian Securities Exchange on 27 February 2018 and should be referred to for detailed financial commentary of the results.

All information about the half year results is also included on Iluka's website – refer **www.iluka.com**