ILUKA RESOURCES
KEY PHYSICAL & FINANCIAL PARAMETERS 2014

21 February 2014

This document provides an indicative guide to key physical and financial parameters expected for the Iluka business in the 2014 financial year.

The information contained within this document is developed in the context of continuing uncertain market conditions, including the nature and pace of demand recovery in 2014 for the company's main products.

Many factors which may affect the business are outside the company's control.

The information is provided to assist sophisticated investors with the modelling of the cash flows of company, but should not be relied upon as a predictor of future performance.

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

Iluka does not undertake to update this information regularly in part or whole, but can be expected to comment on any material variations. Iluka does not provide pricing forecasts.

The following excludes the Mining Area C iron ore royalty. In 2013, Mining Area C contributed $87.9 million EBIT.

All currency is in nominal Australian dollar terms unless stated differently.

Iluka Physical Trends

Production (kt)	2010-2012 Average p.a.	2013 Actual	2014 Guidance	Commentary 2014 vs 2013
Zircon	452	285	~ 360	Higher planned production in 2014, with increased processing of heavy mineral concentrate.
Rutile and synthetic rutile (SR)	544	186	~190	Unlike 2013 when Iluka produced 59kt of SR, 2014 guidance assumes no SR production. In the Murray Basin, concentrate inventory is likely to be built, for processing after the planned completion of the Woornack, Rownack and Pirro mine in the 1st half of 2015 and before the commencement of production from the Balranald deposit.
Total Z/R/SR	996	471	550	

Sales Volumes (kt)	2010–2012 Average	2013 Actual	2014	Commentary 2014 vs 2013
Sales (kt)				
Zircon	402	370	Not guided	Detailed sales guidance is not provided, as was the case in 2013. However, Iluka expects that total Z/R/SR sales may exceed production and also be above 2013 sales levels
Rutile	204	168		
Synthetic rutile	263	46		
Total Z/R/SR	869	584		
Ilmenite	463	337		

Five Year Historical Iluka Production Volumes – Zircon, Rutile and Synthetic Rutile

Annual Volume	2009	2010	2011	2012	2013
Zircon (kt)	263	413	601	343	285
Rutile (kt)	141	250	281	220	168
Synthetic rutile (kt)	404	347	285	248	46
Total Z/R/SR (kt)	**808**	**1,010**	**1,167**	**811**	**471**
Ilmenite (kt)	833	685	660	674	584

Five Year Historical Iluka Sales Volumes – Zircon, Rutile and Synthetic Rutile

Annual Volume	2009	2010	2011	2012	2013
Zircon (kt)	223	479	514	213	370
Rutile (kt)	139	240	266	105	168
Synthetic rutile (kt)	397	363	258	170	46
Total Z/R/SR (kt)	**759**	**1,082**	**1,038**	**488**	**584**
Ilmenite (kt)	376	373	570	443	337

Iluka Financial Trends

	2010 – 2012 Average p.a.	2013	2014 Guidance	Commentary 2014 vs 2013
Cash Costs A$m				
Production costs	585	376	~430	While cash costs are budgeted to be higher the main contributing factor is Iluka's plan to produce more by-products in 2014. Total cash cost of production for the main products of Z/R/SR, despite ~16% higher production, are similar year-on-year with higher processing and transport costs offset by lower SR costs. (Refer Notes below). Refer also to Explanatory Note 1 in the Appendix.
Other cash costs	120	130	~150	The figure includes ~$30 million of cash non-production costs (mainly royalties and port costs) and ~$120 million of other costs (exploration, marketing, innovation and technology, major projects as well as corporate support costs). Refer Explanatory Note 2 for elements of this item.
Restructure, idle capacity, rehabilitation & holding costs	30	70	~45	The 2014 amount is an estimate based on costs of idled operations. Refer Explanatory Notes 3 & 4.
Total Cash Costs	**735**	**576**	**~625**	
Unit Cash Costs (A$/t) (of Z/R/SR produced)	586	798	Not guided	Refer Notes below
Non Cash Costs				
Depreciation & amortisation	215	181	~185	Refer Explanatory Note 6
Other	21	36	~25	Refer Explanatory Note 7
Capital Expenditure	142	53	~110	2014 expenditure reflects a move back towards more typical levels. Iluka's corporate plan (2014-2018) suggests an average ~$200 million to ~$250 million per annum level of capital expenditure, depending on final scope decisions, project approvals and the phasing of expenditure.

Notes:

In addition to its main mineral sands products, Iluka also generates revenue from, and incurs production costs related to, ilmenite and by-product streams, including iron oxide. In 2013, this other revenue was $77.3 million. As indicated above, Iluka expects by-products revenue to be higher in 2014 and this is a major factor in the higher cash cost of production. In 2013, cash costs for ilmenite and by-products was $22 million; in 2014 this is expected to be ~$65 million.

Iluka's cost of goods sold (cash and non cash costs) for Z/R/SR in 2013 was $896/tonne. The figure for 2012 was $872/tonne of Z/R/SR.

Finished goods inventory (Z/R/SR) is expected to be drawn down in 2014. Heavy mineral concentrate (HMC) processed is expected to increase relative to 2014, but it is expected that there will be a build in HMC inventories overall based on balancing production cost and inventory reduction objectives.

If realised, the net effect of the above is expected to be an overall inventory drawdown (i.e. an expense) relating to inventory movement in 2014 (2013 and 2012 were years of positive inventory movement reflecting an inventory build rather than draw down).

Iluka Weighted Average Prices

The following table provides weighted average received prices for Iluka's main products over varying periods in 2013, compared with weighted average 2012 received prices**.** Price outcomes are influenced by product specifications and quality, lot size sold, contractual and customer arrangements. As such, actual pricing for individual sales can vary markedly. Synthetic rutile pricing in 2013 was influenced by particular contractual arrangements distorting the typical synthetic rutile to natural rutile price relativity (with synthetic rutile generally being a slightly lower grade than natural rutile and therefore typically realising a slightly lower price). Iluka does not give price guidance, but believes that 'volumes lead prices'. Until sales volume and therefore price dynamics in any given year become clear, 'current prices', e.g. market prices realised late in a prior year, rather than prior year averages, could be argued to be the best guide to prices that might be realised in a following year.

Iluka Price US$/tonne FOB	6 mth to Jun-13	Sep-13 Quarter	Dec-13 Quarter	6 mth to Dec-13	12 mth to Dec-12	12 mth to Dec-13
Zircon	1,173	1,234	1,083	1,143	2,080	1,160
Rutile	1,307	1,033	910	949	2,464	1,069
Synthetic rutile	1,200	1,074	1,121	1,110	1,771	1,150

Explanatory Notes

Note 1 - Cash costs of production include the following main components:

- mining and concentrating costs; transport of heavy mineral concentrate; mineral separation; synthetic rutile production and costs for externally purchased ilmenite and production overheads. This category also includes landowner royalty payments, but not Australian State Government royalties. Cash costs of production also include by-products such as iron oxide, char etc.

Note 2 - Other cash costs include:

- Australian State Government royalties - $15.2 million in 2013;
- marketing and selling costs - including marketing overhead costs and port costs - $28.2 million in 2013;
- exploration expenditure expensed and resources development expenditure - $44.9 million in 2013; and
- corporate and support costs - $41.2 million in 2013.

Note 3 - Restructure costs/plant idling costs

- 2013 costs of $69.6 million included $33.5 million associated with restructuring, with the balance relating to ongoing costs for operations and assets that have been idled. Those assets that were idle in 2013 are expected to remain idle throughout 2014.

Note 4 - Rehabilitation and holding costs for closed sites

- $2.8 million credit in 2013 as adjustments to the rehabilitation provisions for closed sites exceeded the ongoing holding costs for those sites.

Note 5 – Interest and Tax

- net interest expenses of $13.1 million in 2013.
- the majority of Iluka's taxable income is Australian based with a prevailing corporate tax rate of 30 per cent; a small proportion is from the US with an average corporate tax of 23 per cent including state income taxes.
- Iluka is in a fully tax paying position and as such generates franking credits from the payment of tax in Australia.

Note 6 – Depreciation and Amortisation

- depreciation and amortisation of mine buildings and mine specific machinery and equipment is charged over the life of the relevant mine or asset, whichever is the shorter. Mine specific machinery and equipment refers to machinery and equipment for which the economic useful life cannot extend beyond the life of its host mine.
- 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 are typically as follows:
    - mine buildings – the shorter of applicable mine life and 25 years
    - mine specific machinery and equipment – the applicable mine life
    - mine specific plans – units of production
    - reserves and development – units of production
    - other non-mine specific plant and equipment – 3 to 25 years.

Note 7 - Other non-cash costs

- include the unwind of the discount on rehabilitation provisions which are recognised as a liability at net present value which is reported as a finance cost. In 2013 this was $36.4 million which includes an $18.1 million charge resulting from revisions to the discount rates used in the calculations (refer ASX Notice, Year End Accounting (Non-Cash) Adjustments Impact Profit, 11 February 2014).

Other Matters (not part of guidance)

Mining Area C Iron Ore Royalty

The Key Physical and Financial Parameters information relates to Iluka's mineral sands business. It does not include the royalty from Iluka's ownership of BHP Billiton's Mining Area C iron ore royalty. This royalty contributed $87.9 million EBIT in 2013.

The key elements of this "in perpetuity" royalty include:

- the greater of (1) ongoing quarterly royalty payments of 1.25 per cent of free-on-board sales revenue from the MAC royalty area (less all export duties and export taxes), or (2) A$0.25 per tonne of all ore produced from the MAC royalty area in that quarter; and
- when applicable, annual capacity payments of A$1 million per million tonne increase in the annual production level from the MAC royalty area during any 12 month period ending 30 June above the previous highest annual production level, paid within 30 days of the relevant amount of production being produced.

Inventory Movement

Inventory movement represents movement in balance sheet inventory, including the D&A component. Although Iluka does not guide on this component, it comprises the movement in work-in-progress and in finished goods.

Iluka lodged an explanatory paper on inventory movements and costs of goods on its website in February 2013, explaining inventory movement accounting methodology.

http://www.iluka.com/docs/mineral-sands-briefing-papers/2013-inventory-movements-february-2013.pdf?sfvrsn=4

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