2017 Full Year Results

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27 February 2018

Jacinth-Ambrosia, South Australia

Disclaimer – Forward Looking Statements

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This document contains non-IFRS financial measures including cash production costs, non production costs, Mineral Sands EBITDA, Underlying Group EBITDA, EBIT, free cash flow, and net debt amongst others. Iluka management considers these to be key financial performance indicators of the business and they are defined and/or reconciled in Iluka's annual results materials and/or Annual report. Non-IFRS measures have not been subject to audit or review.

All figures are expressed in Australian dollars unless stated otherwise.

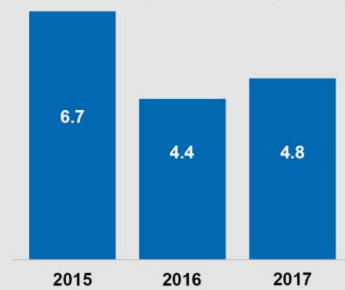
Safety and Sustainability

ILUKA

Ongoing integration of Iluka's **safety and risk mitigation framework** to strengthen Sierra Rutile's sustainability performance

Sierra Rutile Limited

Continued focus on **preventing injuries** and remaining **fatality-free**



Total Recordable Injury Frequency Rate*

Awarded the South Australian **Premier's Community Excellence Award** for Social Inclusion

Annual Sustainability Report will be released in April 2018 on www.iluka.com

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Incorporated into 2017 **DJSI Australia index** for **leading sustainability performance**

Senior female representation

30%	33%
Executive management	Board

* excludes Sierra Rutile, which had a TRIFR of 2.2 for 2017

2017 Key Features

Favourable market conditions	Return to positive conditions • Fourth quarter zircon price up 40% from start of 2017 • Second half rutile price up 13% from start of 2017 • Z/R/SR sales volumes up 27% (up 11% excluding Sierra Rutile volumes)
Underlying results improvement	Mineral sands revenue up 40% to $1,018 million (2016: $726 million) Underlying Group EBITDA up 140% to $361 million (2016: $151 million)
Strong free cash flow	$322 million free cash flow (2016: $47 million)
Reported loss	Reported net loss after tax $172 million (2016: loss $224 million), includes $185 million asset impairment (Hamilton plant and Metalysis Ltd) and $127 million increase in rehabilitation provisions
Net debt reduction	Net debt down $324 million to $183 million; gearing (net debt / net debt + equity) 17% (2016: 32%)
Cataby development and Australian operational changes	Cataby project approved with financial returns underpinned by offtake agreements Successful restart of Jacinth-Ambrosia mine in December 2017 Consolidation of mineral processing facilities, resulting in idling of Hamilton plant
Sierra Rutile progress	Operational improvements delivered results Major projects and expansions on track
Dividend	Final dividend of 25 cents per share, fully franked Total full year 2017 dividend of 31 cents per share (40% of free cash flow)

Zircon Market

2017 zircon sales up 12% to 380kt

Weighted average price up 18% year on year

Favourable demand and supply conditions

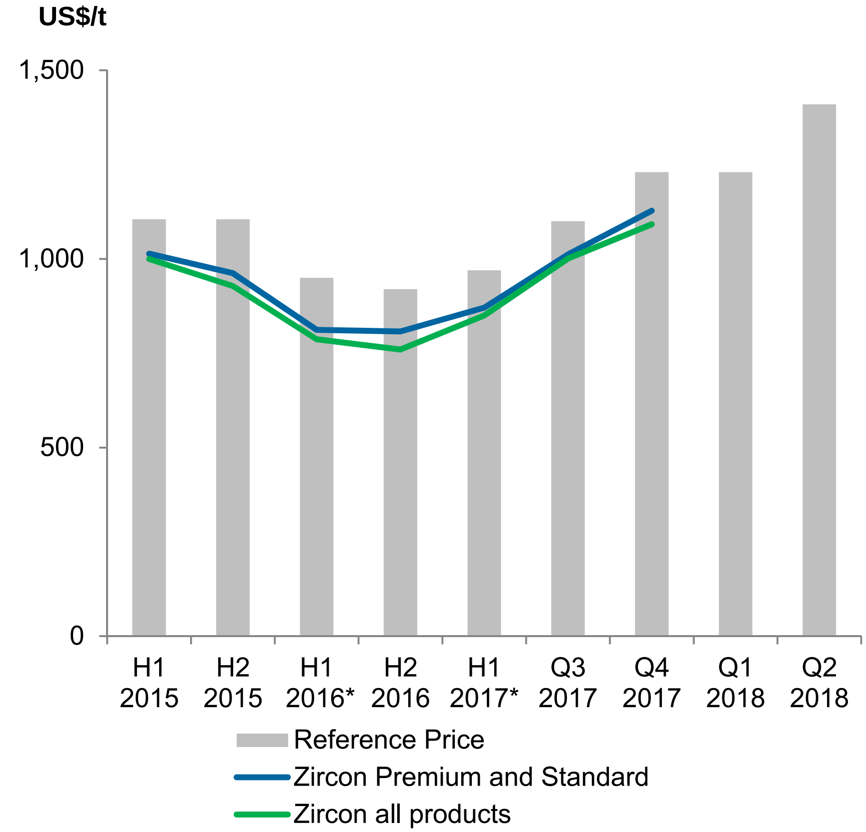
Pricing

- 2017 weighted average premium and standard price up 18%, year on year
  - Fourth quarter price of US$1,128/t, up 40% from start of the year
- Reference Price increased to US$1,230/t from 1 October for period of six months to end March 2018
- Announced Reference Price increase to US$1,410/t from Q2 2018 for period of six months

Supply and demand

- Positive underlying demand growth across most markets as global economy experiences slow but steady recovery
- Supply conditions remain tight, inventories largely depleted and minimal scope for short term supply response
- Substitution and thrifting not evident in the market

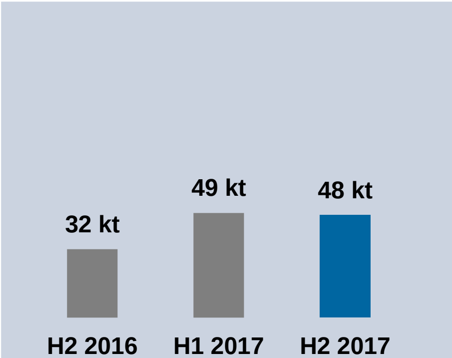
Zircon Prices*



* Notes:
'Premium and Standard' and 'All products' prices are weighted average received price, FOB.
'Reference Price' is based on a 2 tonne bag of Zircon Premium, DAT, ex-China warehouse.
During 1H 2016 reference price decreased from US$1050/t to US$950/t. In February 2017 the reference price was increased US$50/t.

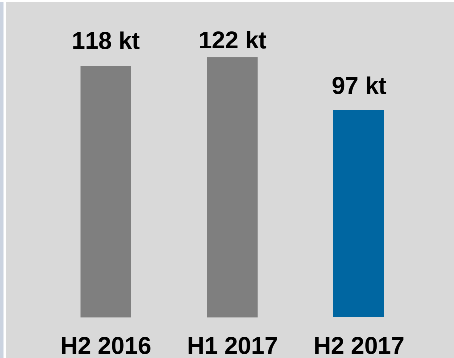
Zircon Market

EMEAI
(Europe, Middle East, Africa, India)



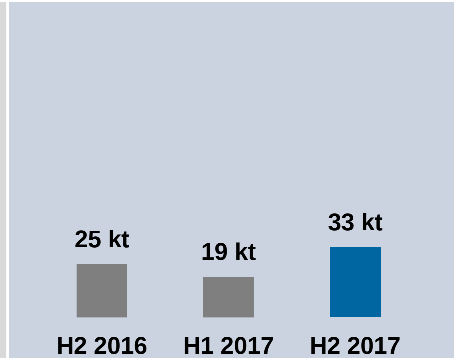
- Europe - improved refractory, foundry and abrasive markets. Buoyant ceramics industry and positive investment outlook
- India - strong domestic demand, tight zircon supply due to limited local production
- Middle East - improved outlook, especially ceramics

China



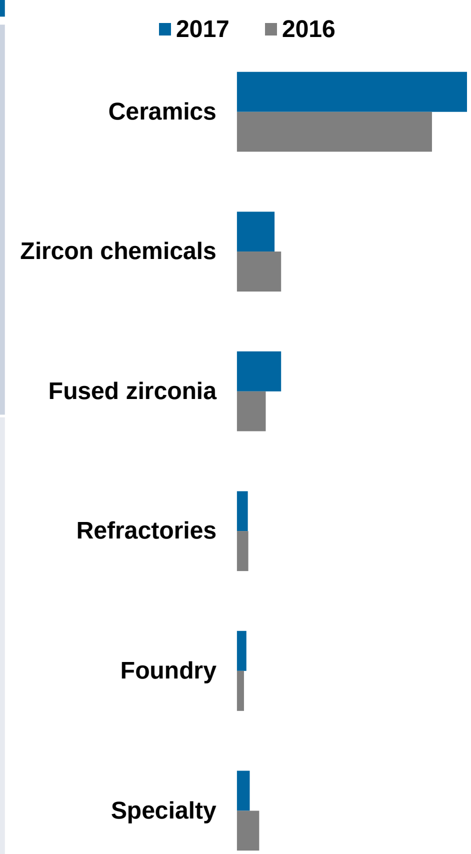
- Additional volume released end-2016 and early-2017; usual sales pattern retuned in H2 2017
- Iluka constrained sales in H2 2017
- Environmental controls and plant closures affecting weaker players and triggering concentration movement

East Asia
(excl. China)



- Japan – export demand growth improving confidence
- South East Asia - ceramics sector experienced notable improvement because of China environmental crackdowns

Sales by Sector



Note: In addition to the above, 16kt was sold in the Americas in 2017 (2016: 14kt)

High Grade Feedstock Market

Rutile and SR sales volumes up 42% to 509kt (Sierra Rutile contributed 133kt of rutile sales)

Average 2017 rutile price up 8%

Strong support for feedstock demand

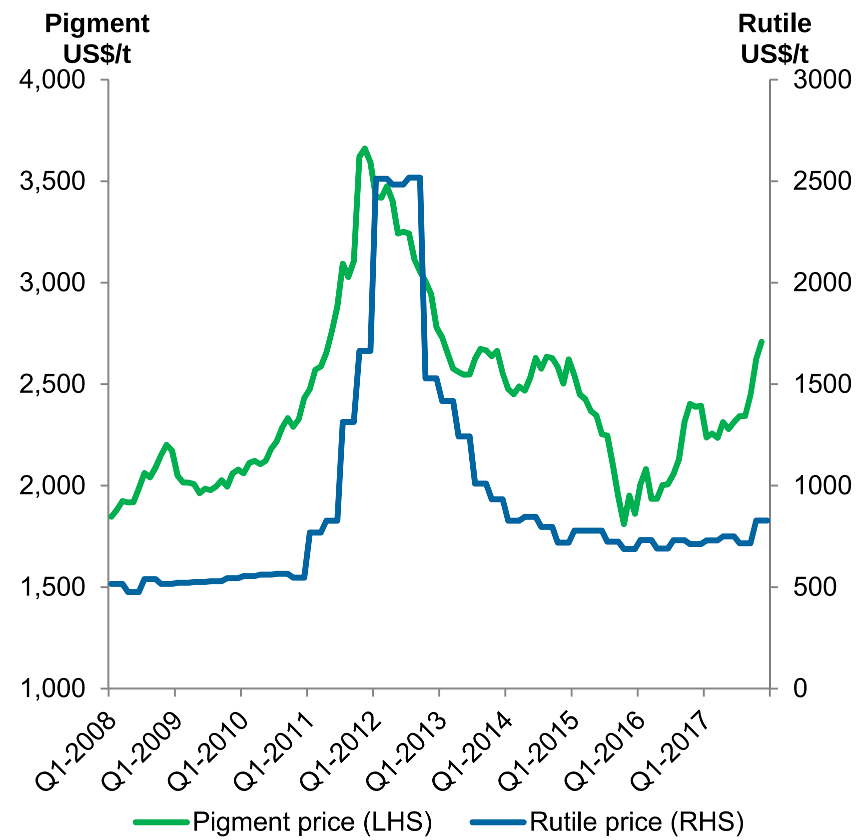
Pricing

- 2017 weighted average rutile[1] prices up 8% (to US$790/t) year on year
  - H2 2017 price of US$825/t up 13% from 2016
  - 40% of Sierra Rutile's 2017 rutile production volumes (~60kt) contracted at fixed prices
- Implemented price rise of ~8% (US$70/t) for H1 2018

Supply and demand

- Strong demand for high grade feedstocks in chloride pigment market (90% of feedstock end use)
- Plant shutdowns in Europe and China resulting in high capacity utilisation of plants in operation
  - high grade feedstocks (rutile and synthetic rutile) used to improve plant yield
- Solid underlying conditions in end use markets (paint, welding)

Rutile and US Pigment Export Prices

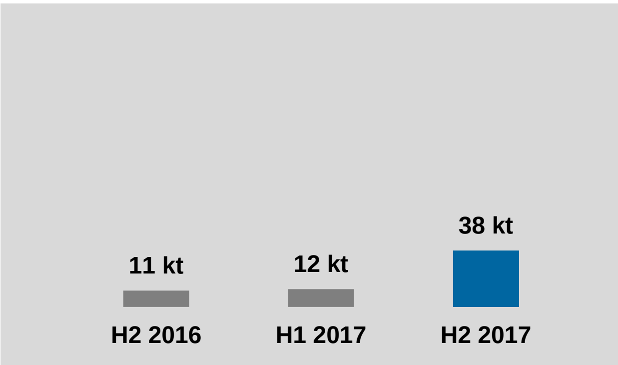


Source: Iluka and TZMI

1. Rutile price excludes HYTI sales

High Grade Feedstock Market

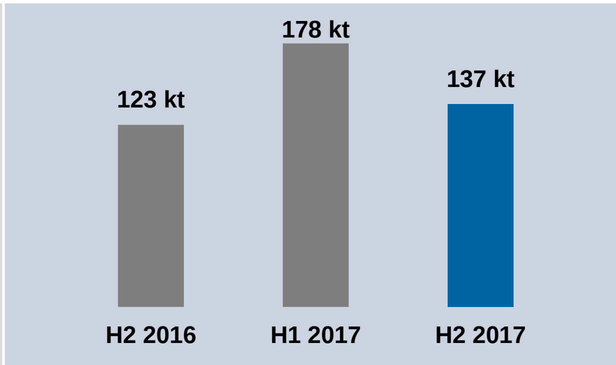
Americas



- North American chloride pigment producers running at full utilisation rates
- Producers moving towards high grade feedstocks to increase yield
- Low unemployment and strong economic growth in US and Canada fueling demand

EMEAI

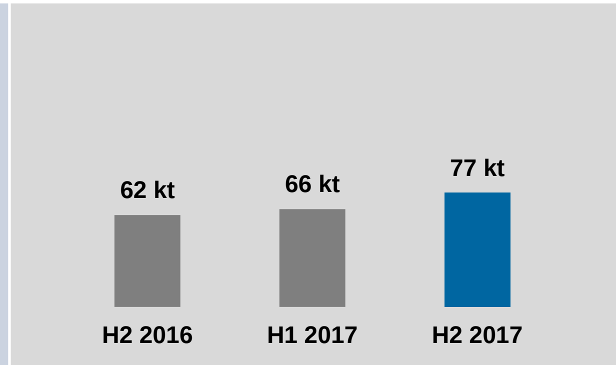
(Europe, Middle East, Africa, India)



- Production disruptions coupled with strong demand has resulted in a tight pigment market
- H1 sales included additional material purchased to meet peak northern hemisphere demand season
- H2 sales reflects seasonal slow-down in demand for pigment
- Economic conditions across EU remain robust
- India - large infrastructure spending increasing welding demand for rutile

Asia

(including China)



- Strict enforcement of environmental controls during 2017 resulted in 250-300ktpa of capacity permanently shutdown, largely offset by commissioning of newly installed facilities
- Operating rates near capacity across China
- A number of new chloride pigment plants under construction and set to come on line from 2019 requiring high grade feedstocks

Chinese Environmental Controls Impacts

Increased environmental controls have resulted in temporary and permanent plant closures across China

- Iluka estimates closure of 250-300kt of sulphate pigment capacity
- Zircon millers and tile manufacturers also affected

Zircon Industry Impacts

- Iluka's Chinese zircon customers have experienced minimal impact
  - only 2 out of 30 Iluka customers have had temporary plant closures (now restarted)
  - function of size, location and sector of Iluka's customers
- Closure of smaller operators and industry consolidation seen as positive for Iluka and our customers
  - improved industry margins, stable sales volumes, move to higher quality (zircon-rich) products

Titanium Industry Impacts

- Iluka does not sell sulphate TiO_2 feedstocks – therefore not directly affected by sulphate pigment closures
- Continued shift to chloride production
  - China has limited domestic sources of chloride, high grade feedstocks

Financial Management

Doug Warden, Chief Financial Officer

Key Financial Metrics

2017 versus 2016

	Units	2017	2016	% Change	
Z/R/SR Production	kt	825.2	675.6	22.1	▲
Z/R/SR Sales	kt	889.1	697.7	27.4	▲
Mineral sands revenue	$m	1,017.5	726.3	40.1	▲
Underlying mineral sands EBITDA[1]	$m	300.9	103.0	192.1	▲
MAC EBITDA	$m	59.6	47.5	25.5	▲
Underlying Group EBITDA[1]	$m	360.5	150.5	139.5	▲
(Loss) profit for the period (NPAT)	$m	(171.6)	(224.0)	23.4	-
Underlying NPAT	$m	95.6	(23.8)	n/a	▲
Operating cash flow	$m	391.7	137.3	185.3	▲
Free cash flow[2]	$m	321.9	47.3	560.9	▲
Dividend	cps	31	3	n/a	▲
		At 31 Dec 2017	**At 31 Dec 2016**		
Net (debt) cash	$m	(182.5)	(506.3)	64.0	▼
Gearing ratio[3]	%	17.1	31.5	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.
3. Net debt / net debt + equity

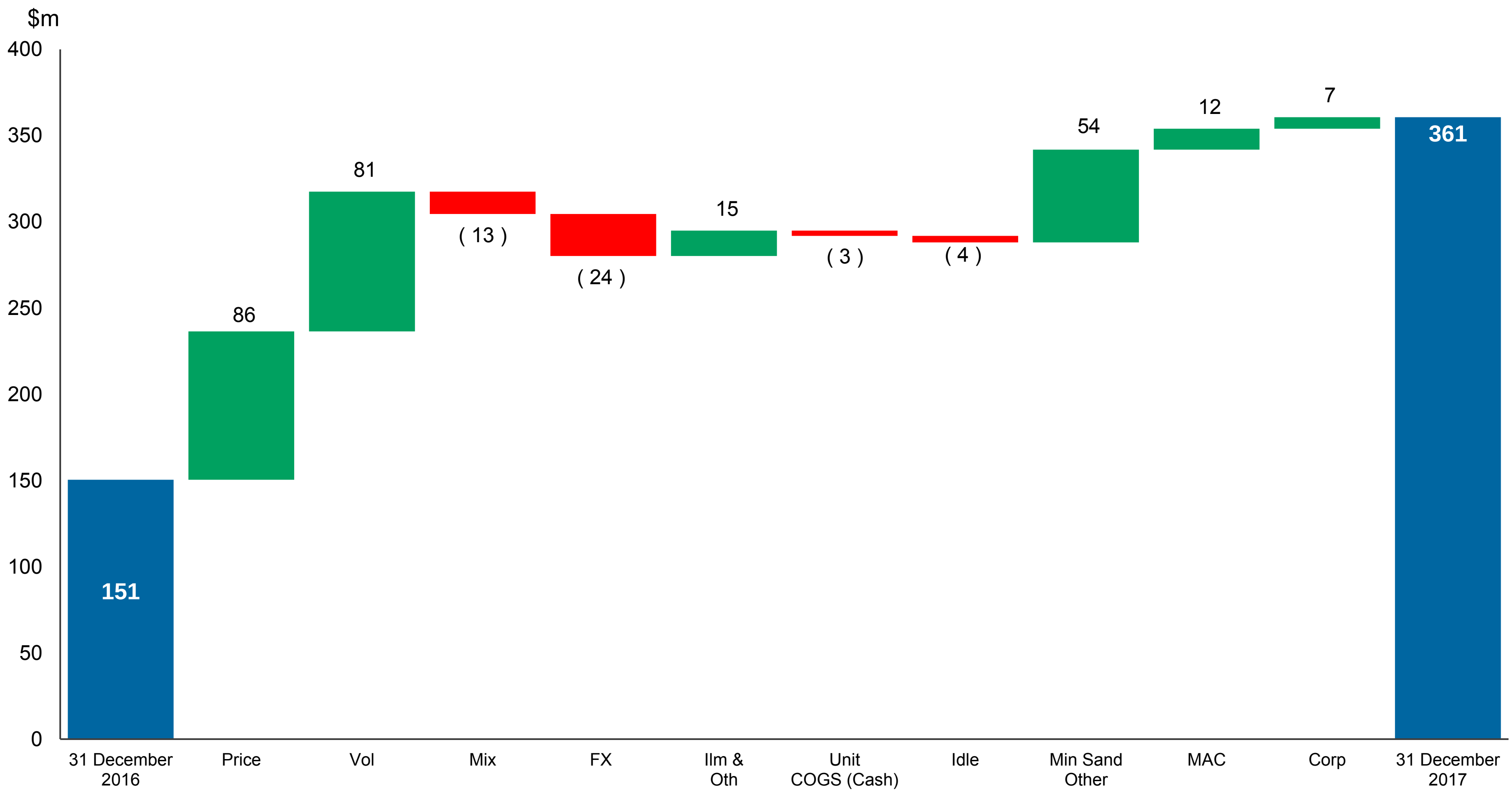
Adjustments

	2017	2016
Reported loss for the period (NPAT)	**(171.6)**	**(224.0)**
Adjustments (post tax):		
Rehabilitation of closed sites	125.0	42.1
Impairments	138.9	140.7
Sierra Rutile Ltd transaction costs	-	14.1
Share of Metalysis Ltd’s losses	3.3	3.3
Underlying profit (loss) (NPAT)	**95.6**	**(23.8)**

- Rehabilitation of closed sites - largely relates to Iluka’s closed US operations and follows detailed rehabilitation planning that identified potential additional obligations relating to past rehabilitation activities
- Impairments - includes $106 million (post tax) with respect to Iluka’s decision to idle the Hamilton mineral separation plant from October 2017 and $30 million (no tax benefit) impairment of Iluka’s investment in UK-based, titanium technology company, Metalysis Ltd

Underlying Group EBITDA

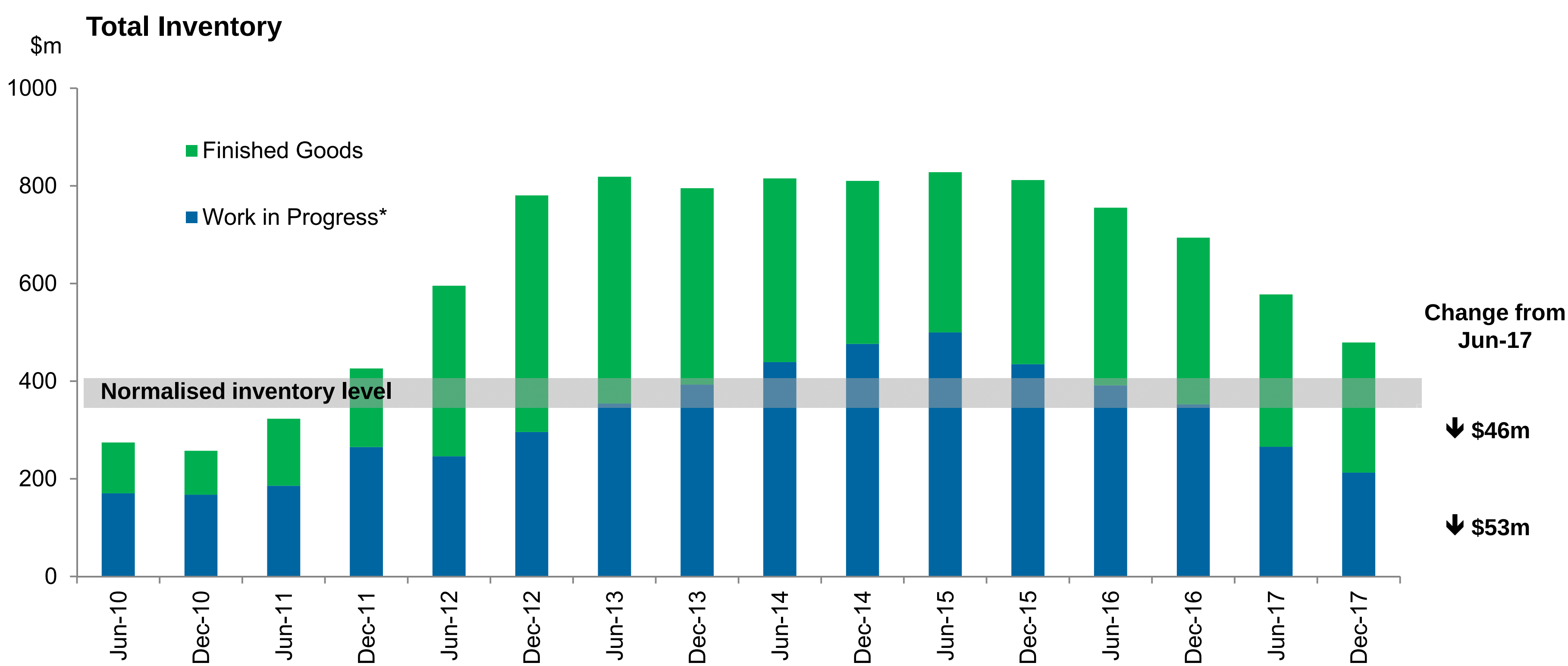
2017 versus 2016



- Improved revenue (both price and volume)
- Strengthening of AUD (FY17: 76.7 cents versus FY16: 74.4 cents)
- Mineral Sands Other and Corporate – reduced non-production costs of $61.5 million following Iluka's sustainable business review at the end of 2016

Continued Inventory Draw Down

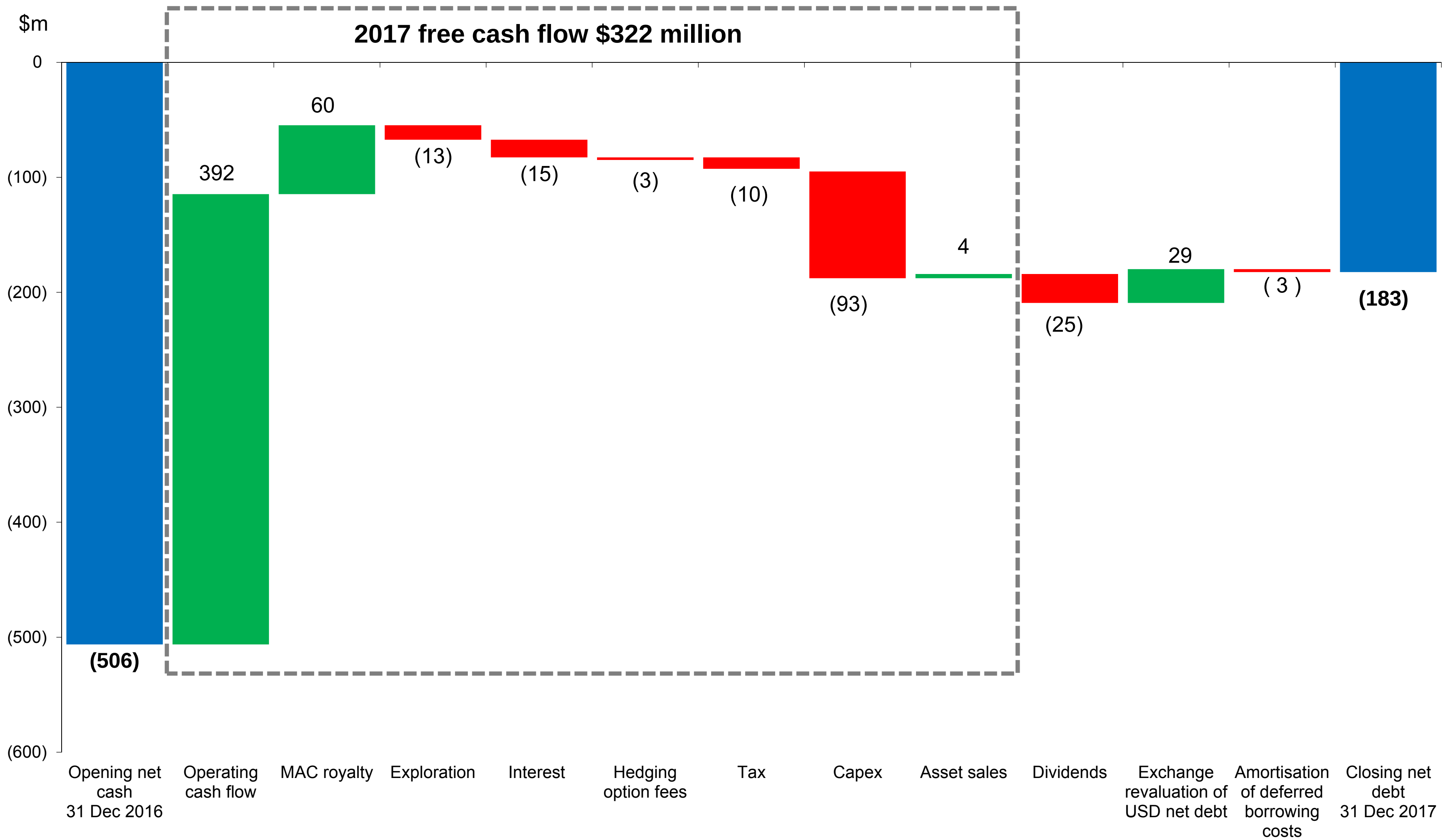
- Continued to process intermediate material and sell down finished goods inventory
  - 2017 heavy mineral concentrate processed of 1,280kt exceeded production of 612kt
- Planned inventory reduction to normal level over 2018



* Includes ilmenite and consumables

Net Debt Reduction

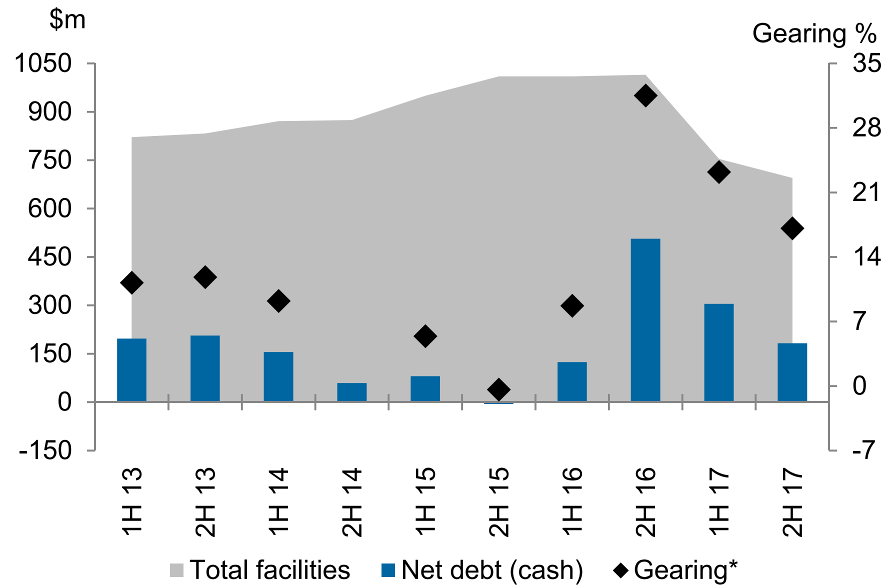
2017 versus 2016



Balance Sheet

- Strong free cash flow
  - 2017: $322 million (2016: $47 million)
- 64% reduction in net debt reduction over 2017
  - from $506 million to $183 million
  - closing 2017 gearing* at 17.1%
- Total debt facilities reduced to $695 million
  - reduced costs of holding unused facilities
- Significant funding headroom

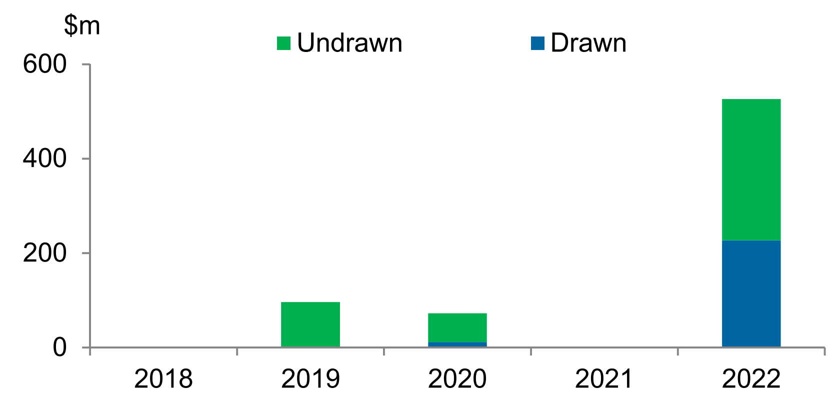
Net Debt, Gearing and Funding Headroom



Balance Sheet Framework

Iluka targets credit metrics broadly consistent with investment grade credit profile, including a net debt to EBITDA ratio of 1.0-1.5 times, whilst balancing impacts of commodity pricing and investment factors through the cycle

Debt Maturity Profile



* Net debt / net debt + equity

2017 Final Dividend

- 25 cents per share final dividend fully franked
- Full year dividend 31 cents per share (25 cps final + 6 cps interim)
  - 40% of full year free cash flow
  - consistent with stated dividend framework
  - reflects strong underlying result
- Cumulative 60% of free cash flow paid in dividends from end 2010
- $39m franking credit balance available after final dividend
- Implementing dividend reinvestment plan
  - 1.5% discount offered to eligible shareholders*

Distribution Metrics	
2017 free cash flow pay out ratio	40%
2010 – 31 December 2017 cumulative payout ratio	60%
Cumulative free cash flow returned to shareholders	$857 million
Cumulative cents per share returned to shareholders	205 cents
Cumulative retained free cash flow	$566 million

Dividend Framework

Pay a minimum 40% of free cash flow not required for investing or balance sheet activity

Distribute maximum practicable available franking credits

* The dividend reinvestment plan will not be underwritten

Hedging

- Extension of hedging arrangements to manage currency risks
- FX collar hedges for US$271 million of USD revenue over 2018-2022
  - period corresponds with long term sales contracts but not full value of expected sales
- Weighted average call options at 80.2 cents and put options at 70.0 cents
- Net cost of $2.3 million, paid upfront in December 2017

		2018	2019	2020	2021	2022
Forwards						
Forward rate	AUD:USD	0.80	-	-	-	-
Forward volume	US$m	95.0	-	-	-	-
Collars						
Bought call options						
- Call strike price	AUD:USD	0.80	0.805	0.80	0.80	0.80
- Call volume	US$m	24.0	117.8	63.1	32.4	33.6
Sold put options						
- Put strike price	AUD:USD	0.70	0.70	0.70	0.70	0.70
- Put volume	US$m	24.0	117.8	63.1	32.4	33.6

Production Costs

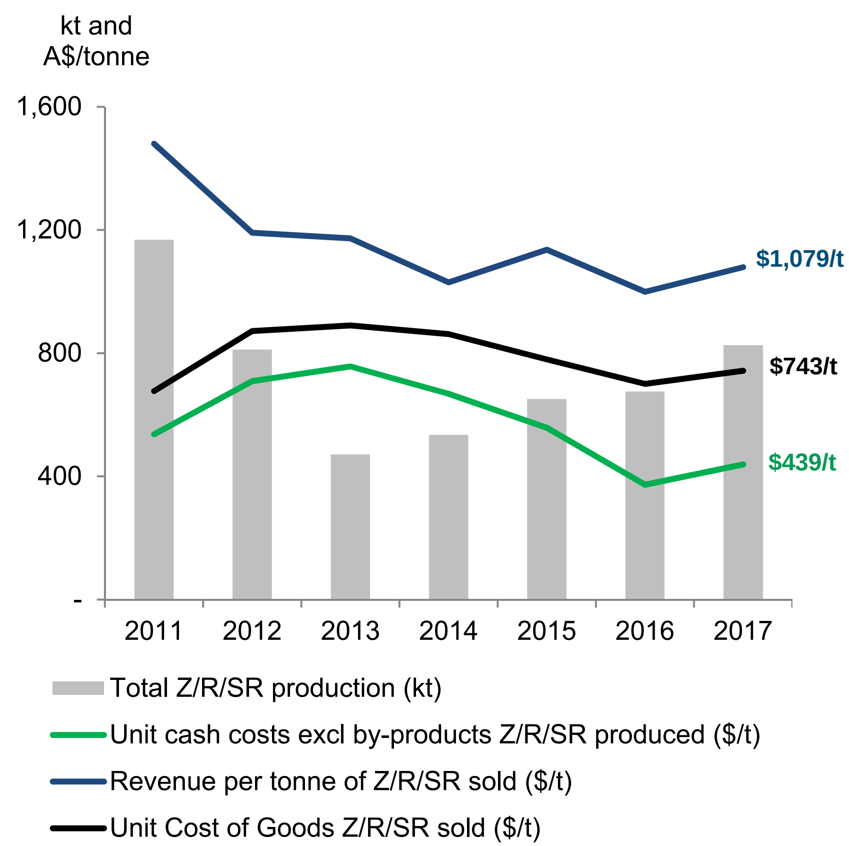
- Group unit costs higher in 2017 due to inclusion of Sierra Rutile operations
  - operational improvements and expansions expected to reduce Sierra Rutile unit costs
  - Australian operations cost structure changing in 2018-19 with restart of Jacinth-Ambrosia operations and development of Cataby
- Significant inventory draw down over 2017
  - cost of goods sold better reflection of production costs

Unit cost of goods sold by operation (A$/t Z/R/SR sold)

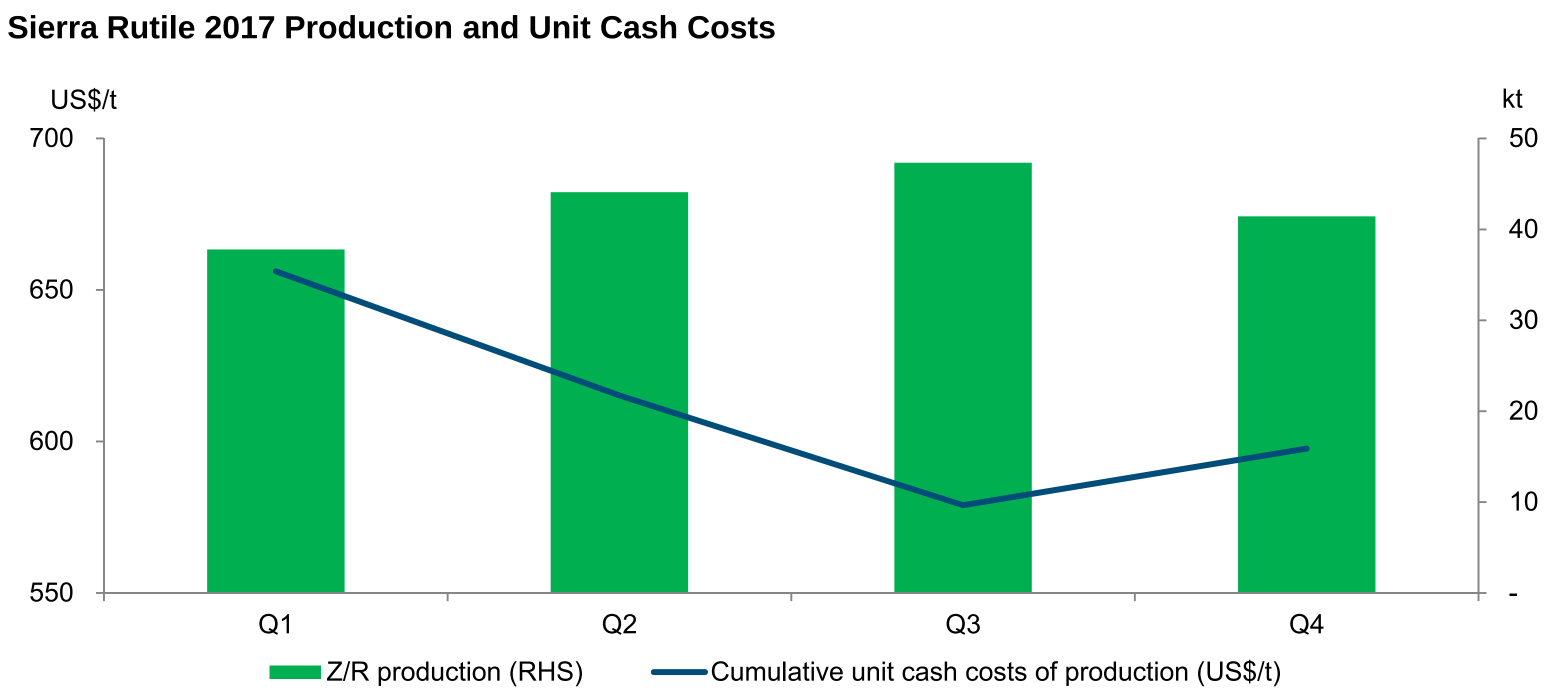
	2017	2016	% change
Australian operations	588	700	(16)
Sierra Rutile*	1,059	-	-
Iluka Group	743	700	6

* Sierra Rutile Limited acquired December 2016

Production, Unit Costs and Unit Revenue



Sierra Rutile Cash Cost Performance



- Operational improvements delivered higher rutile production and lower unit costs
- Quarterly variation expected as mines move through different ore grades
- Implementing further improvements and expansions expected to reduce costs further
  - in-pit mining at Lanti Dry mine commissioning in early 2018
  - Lanti dry and Gangama mine expansions
  - Sembehun mine development

Mining Area C Royalty

ILUKA

Iluka holds a royalty over iron ore produced from specific tenements of BHP's Mining Area C (MAC) mine in Western Australia

Royalty EBITDA increased by 25% to $60 million on higher price and volumes

		2017	2016	% change
Sales volumes	mdmt	56.2	52.2	8%
Implied price	A$/t	86.1	73.9	16%
Net Royalty income	$m	59.6	47.5	25%
Annual capacity payments	$m	-	-	-
Iluka EBITDA	$m	59.6	47.5	25%

(mdmt = million dry metric tonnes)

BHP South Flank Development

South Flank is BHP's stated preferred replacement for Yandi production (depleted in 5-10 years)

South Flank contained within Mining Area C royalty area

Potential for up to ~150mtpa from MAC hub (current MAC production ~55mtpa)

BHP targeting first ore ~2021, final investment decision expected 2018

Operations and Projects

2017 Operations Summary

Australian Operations

- Tutunup South mine continued to produce ilmenite for SR kiln
  - mining planned to complete in Q1 2018
- SR kiln operated at full capacity
- Narngulu (Western Australia) mineral separation plant processed stockpiled Jacinth-Ambrosia heavy mineral concentrate
- Hamilton (Murray Basin) mineral separation plant completed draw down of heavy mineral concentrate inventory at site and idled from October 2017
- Jacinth-Ambrosia mine restarted in December 2017

Sierra Rutile

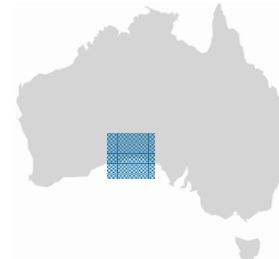
- Increased recoveries and concentrate grades from operational improvements implemented since acquisition
- Dry mines (Lanti and Gangama) operating at capacity
- Dredge life extended to end 2018

Product	Operation	2017 kt	2016 kt	% change
Zircon	Australia	294	347	(15%)
	US*	16	-	n/a
	Sierra Rutile	3	0	n/a
	Zircon Total	**312**	**347**	**(10%)**
Rutile	Australia	135	109	24%
	Sierra Rutile	168	9	n/a
	Rutile Total	**302**	**118**	**157%**
Synthetic Rutile	Australia	211	211	-
Total	**Z/R/SR**	**825**	**676**	**22%**

* US operations closed. 2017 production relates to contained zircon in concentrate which is recorded upon sale.

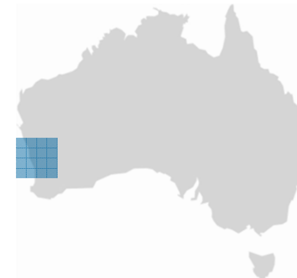
Jacinth-Ambrosia Restart

- Mining and concentrating restarted in December 2017 following 20 month suspension
- Full production reached rapidly
- Heavy mineral concentrate will continue to be processed at Narngulu mineral separation plant
- Restart costs of ~$7 million
- 80 employees and 95 contractors on site
- Group zircon production of 300kt expected in 2018
- Upgrade project to partially offset grade decline subject to ongoing mine optimisation work



Cataby Development

- Board approval December 2017
- Provides ilmenite feedstock for continued production of synthetic rutile
- Offtake agreements secured for 85% of synthetic rutile production for minimum 4 years
  - underpins financial returns of the project
- Construction period of ~18 months
- Progressing on schedule
  - contracts awarded in areas including earthworks and power infrastructure
  - tenders called for mining contract and concentrator relocation
  - site works commenced including site office, dewatering bores and power supply
- First production H1 2019



Key Parameters	Metric
Average annual production:	
Zircon	50ktpa
Rutile	30ktpa
Synthetic rutile	200ktpa
Mine life[1]	8.5 years
Capital cost[2]	\$250m-\$275m
Net present value (NPV)[3]	\$390m
Internal rate of return (IRR)[3]	36%

1. Mine life could be extended by accessing additional ore reserves, subject to land access and approvals. 2. Given recent cost escalation in WA, capital likely to be towards top end of estimate range. 3. Based on TZMI's price forecasts (mid-case scenario, Nov 2017) for rutile, zircon and synthetic rutile, applying long-run FX forecast of 80c and a post-tax discount rate of 10%.

Sierra Rutile Operational Improvements

- 168kt rutile production in 2017
- Higher throughput and runtimes at Lanti dry and Gangama mines
- Higher recoveries from adjusted concentrator and mineral separation plant settings
- Lanti in-pit mining unit commissioning commenced
  - debottlenecks ore feed process and reduce unit costs
- Further progress on mineral separation plant upgrades
- Scoping study underway on port upgrades to handle increased output

Lanti Dry, Sierra Rutile

Sierra Rutile Projects

Lanti dry and Gangama mine expansions

Doubling of capacity at Lanti dry and Gangama mines to 1,000-1,200tph

Lanti dry expansion: construction of second in-pit mining unit and additional concentrator capacity

Gangama expansion: construction of second concentrator based on current Gangama unit, truck and shovel operation to continue

Planned commissioning 2019

Latest developments:

- Board approval in December 2017
- Detailed engineering and construction planning and procurement activities advancing

Mineral Separation Plant and Port Upgrade

Upgrade MSP capacity from ~175ktpa to ~300ktpa rutile and modernise plant

Port infrastructure improvements, including storage and loading facilities and upgrading of fleet.

Latest developments:

- Feasibility study underway for MSP upgrade
- Scoping study underway for upgrade of port facilities
- Purchase of second push boat and refurbishment of product barges

Sierra Rutile Projects

Sembehun dry mine development

New 1,000-1,200tph mine at group of deposits northwest of existing operations

Pre-feasibility engineering study completed

Planning for definitive feasibility study and early works

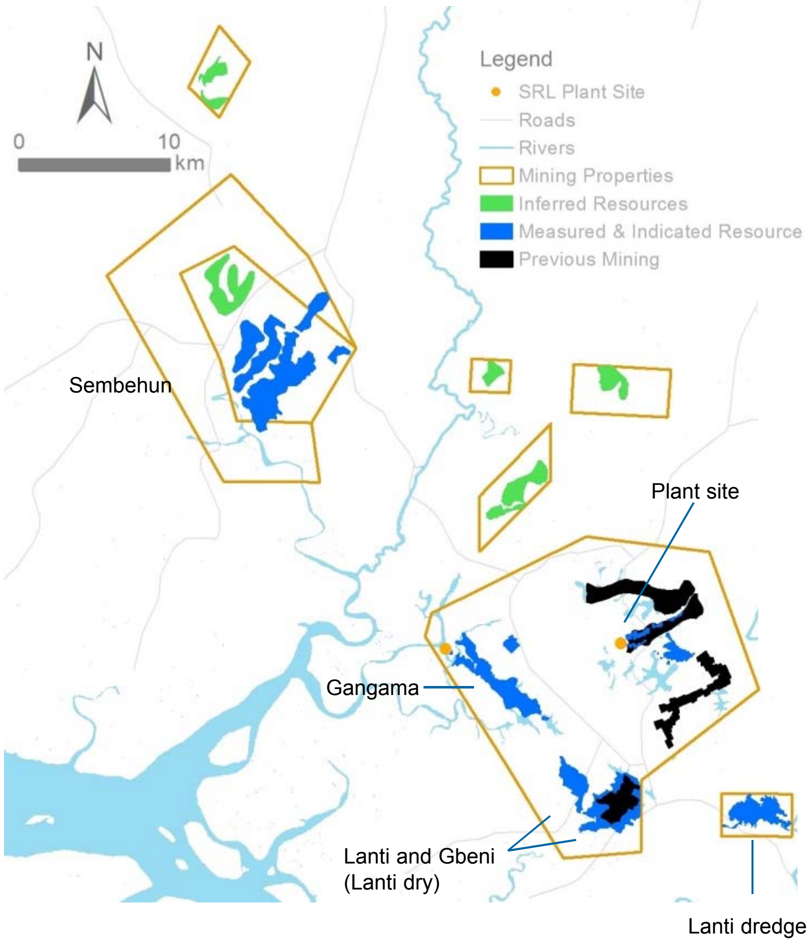
Expected commissioning deferred one year, reflecting:

- realised operational improvements delivering higher rutile production
- focus on delivery of expansion projects
- targeting smoother production profile
- further time to undertake financial and operational evaluation and develop reasonable estimates of project cost based on outcome of detailed feasibility study. Iluka will update capital estimates following this process.

Bridge and road construction now expected to commence in 2019, subject to Board approval

Planned commissioning now 2021 (previously 2020)

Sierra Rutile operations and deposits



Balranald and Puttalam Project

Balranald Project , Murray Basin

Large, deep, high grade rutile-rich deposit

Industry significant source of rutile, ilmenite, zircon

Progressing detailed feasibility study using innovative, unconventional underground mining method

- Iluka designed and tested mining system
- Reduced environmental footprint, scalable

Latest Developments

Completed work on testing improved mining head

Planning for final field trial underway

Puttalam (PQ) Project, Sri Lanka

Large sulphate ilmenite deposit

Currently mined for limestone below mineral sands ore layer

Latest Developments

Progressing formal discussions with Government to establish legal and investment terms and framework for development

Pre-feasibility study underway relating to pre-mining conditions

Summary & Outlook

Iluka's Approach

Create and deliver value for shareholders

Disciplined capital allocation

Iluka applies a capital allocation framework that prioritises funds for investment where strict financial criteria and strategic rationale can be met

Iluka is focused on shareholder returns through the cycle

Preserve and advance growth opportunities

Cataby project development

Sierra Rutile expansion projects progressed in line with industry analysis of key product markets

Balranald staged development approach

Puttalam project early stages of evaluation

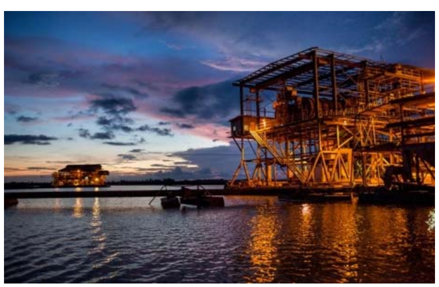
Flex assets in line with market conditions

Operational settings reflect market conditions to deliver value and reduce costs where appropriate, including:

- Jacinth-Ambrosia mine idling in April 2016 and subsequent restart in December 2017
- idling Hamilton mineral separation plant, full utilisation of Narngulu plant

Act counter cyclically where appropriate

Sierra Rutile acquisition completed during subdued market conditions



2018 Outlook

Strong market conditions	Entering 2018 with positive dynamics in zircon and high grade titanium markets Remain committed to sustainable price outcomes
Jacinth-Ambrosia operating	Mining and concentrating activities continuing following restart in December 2017
Cataby development	Focus on project delivery, on time and on budget
Sierra Rutile operations	Continue to implement operational improvements Further integration of standardised work practices and health and safety frameworks
Sierra Rutile expansion	Progress studies and work packages for expansion projects
Balranald project	Results of final field trial to lead next stage of development

Outlook - Group

Key Parameters		2016	2017	2018[1]	Comments
Annual production					
Zircon	kt	347	312	300	2018 Z/R/SR sales are expected to exceed production in 2018 as finished good inventories are drawn down to normal levels. Normal inventory for the Group is considered to be $350-$400 million.
Rutile[2]	kt	118	302	200	
Synthetic Rutile	kt	211	211	205	
Total Z/R/SR	**kt**	**676**	**825**	**705**	
Average annual unit costs					
Unit cash costs of production	A$/t Z/R/SR	373	439	575	Unit cash costs increase following recommencement of mining activities at Jacinth-Ambrosia following almost two years of inventory drawdown (no cost incurred for mining and concentrating portion of Jacinth-Ambrosia final product). Unit costs at or below levels recorded prior to 2016.
Unit cost of goods sold	A$/t Z/R/SR	700	743	710 [3]	
Capital investment					
Capital expenditure	A$m	83	93	410	2018 capex includes the Cataby execute; Balranald field trial; Jacinth-Ambrosia expansion; the Sierra Rutile dry mine expansions and the DFS for the Sembehun mine development.

1. Indicative only. Production settings are able to be adjusted and are dependent on market demand conditions. This slide should be read in conjunction with the disclaimer on forward looking statements on slide 2.
2. Lower expected rutile production in 2018 reflects the completion of processing Murray Basin heavy mineral concentrate.
3. Slide 98 of the Investor Day presentation erroneously presented 2018-2020 unit cost of goods sold between $830 - $950/t (average $870/t) of Z/R/SR. Unit costs of goods sold over 2018-2020 are expected to be $710 - $830/t of Z/R/SR.

Outlook – Group Continued

Key Cost Parameters	2016	2017	2018 [1, 2]	Comments
Cash costs ($m)				
Cash costs of production (Z/R/SR)	252	362	405	Increased cash costs of production predominantly reflect restart of mining and concentrating at Jacinth-Ambrosia partially offset by consolidation of mineral separation into one MSP in Australia.
Ilmenite concentrate and by-product costs	9	10	10	
Restructure and idle costs	70	73	20	Reduction from 2017 is due largely to restart of Jacinth-Ambrosia mining and concentrating.
Resource development and corporate costs	133	71	75	
Marketing, selling and royalty costs	57	59	Refer comments	Dependent on sales prices / volumes and activity.
Total cash costs	**521**	**575**	**n/a**	
Non cash costs ($m)				
Depreciation and amortisation	80	111	90	Lower due to completion of mining at Tutunup South in Q1 2018 and full impairment of Hamilton MSP in 2017.
Rehabilitation for closed sites	43	127	-	2017 and 2016 reflect increases to the US rehabilitation provision.
Rehabilitation unwind	15	17	17	
Total non-cash costs	**138**	**255**	**107**	

1. Indicative only. This slide should be read in conjunction with the disclaimer on forward looking statements on slide 2.
2. Costs exclude inventory movement; FX gains/losses; net interest and bank fees; and tax.

Outlook - Sierra Rutile

Key Parameters		2017	2018[1]	Comments
Annual production				
Rutile	kt	168	160	Lanti dredge operations are expected to produce throughout 2018, resulting in comparable production levels to 2017. Production of all products will step-up in 2019, following the dry mine expansions at both Lanti Dry and Gangama. A further increase in production is expected in 2021 following completion of the Sembehun development.
Zircon	kt	3	5	
Total Z/R	**kt**	**171**	**165**	
Ilmenite	kt	58	50	
Annual unit costs & capital expenditure				
Cash costs of production	US$m	102	102	
Unit cash costs of production	US$/t Z/R	597	615	
Capital expenditure	US$m	30	80	Relates to expansion projects at Lanti Dry and Gangama, MSP and port upgrades, DFS at Sembehun and sustaining capital.

1. Indicative only. This slide should be read in conjunction with the disclaimer on forward looking statements on slide 2.

Outlook - Notes

Cash costs of production include the following:

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 excludes Australian State Government royalties.

Interest and tax:

The average interest rate payable on Iluka's debt will ultimately depend on the relative weighting of debt drawn from Australian dollar and US dollar denominated facilities as well as future interest rates. The company also pays commitment fees for any undrawn facilities.

The majority of Iluka's taxable income is Australian based with a prevailing corporate tax rate of 30 per cent. Average tax rate paid can vary from this due to factors including minimal tax benefits recognised for any US losses incurred and non-deductible expenses, specifically in relation to overseas exploration.

The main features of the fiscal regime of Sierra Leone are:

- 4% royalty on export sales;
- corporate income tax payable at the higher of 3.5% of turnover and the prevailing corporate income tax rate on taxable profits post utilisation of tax losses; and
- prevailing corporate income tax rate of 30% but Sierra Rutile Act caps any increase to the corporate income tax rate to 37.5%

As at 31 December 2017, Sierra Rutile had unused tax losses of US$484 million available for offset against future profits, of which US$145 million were recognised as a deferred tax asset.

Mining Area C Royalty

The outlook 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. The royalty is based on 1.232% of Australian dollar revenues from Mining Area C and an A$1 million one-off capacity payment for each 1 million tonne increase in production. In 2017, the EBIT contribution from the Mining Area C royalty was $59.6 million.

Cost of Goods Sold and Inventory Methodology

Cost of Goods Sold (COGS)

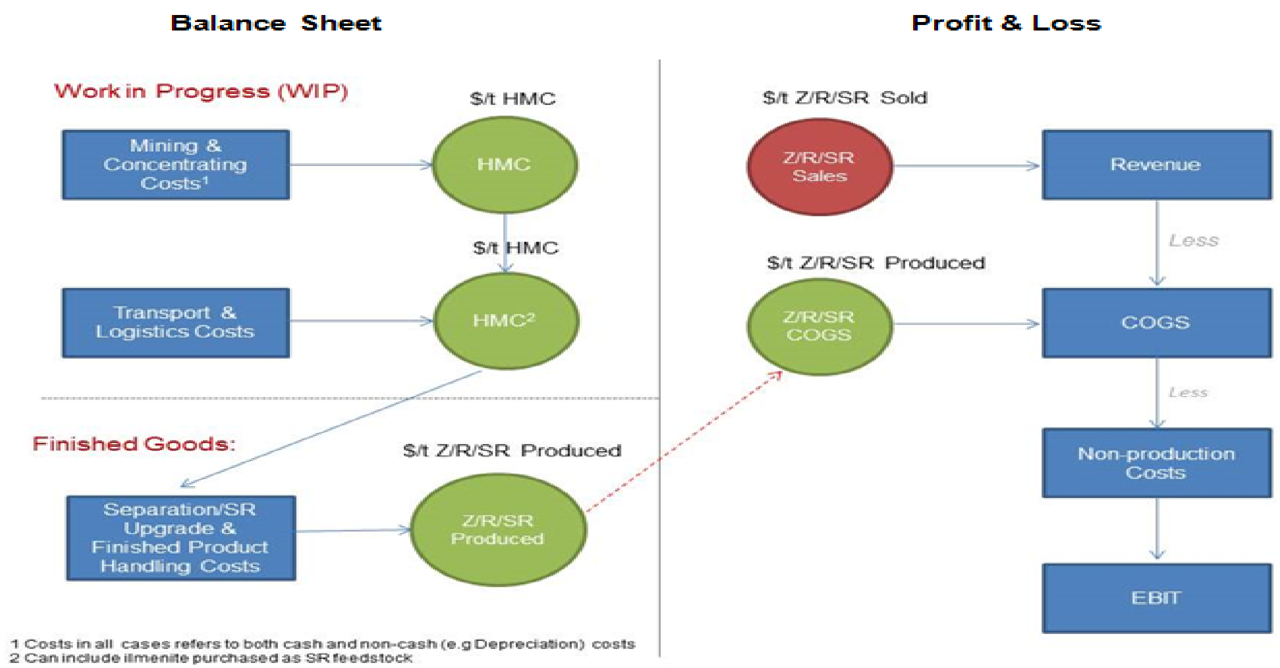
Mineral sands earnings reflect the difference between revenue and COGS, rather than the cash costs of production and depreciation incurred in a period. COGS is the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation, allocated to each product on the basis of relative sales value.

The inventory value recognised as COGS for each tonne of finished product sold is the weighted average value per tonne for the stockpile from which the product is sold.

Iluka provides guidance on cash and non-cash costs of production, as well as finished goods production volumes, which in periods of low and stable inventory levels will be a surrogate for COGS. However, in periods of draw-down from large inventory balances, the unit cost of inventory drawn has a more significant influence on COGS, than current year production costs.

Iluka's COGS was $743 per tonne (cash and non-cash costs) of Z/R/SR in 2017. 2018 COGS is expected to be marginally lower than this, but is dependent on sales mix and can, as such, vary. In periods of large expected movements in inventory, it can be simpler to model COGS on a unit basis, with the unit COGS ($/t) multiplied by the expected Z/R/SR sales volumes (kt).

The diagram below illustrates how costs of production (both cash and non-cash) are built up on the balance sheet in both work in progress and finished goods inventory and then transferred to the profit or loss (cost of goods sold) as finished product is sold. Non-production costs (e.g. corporate, exploration, idle capacity and restructure) are expensed to P&L as incurred.



Supplementary Information


Eneabba, Western Australia

Production and Sales Volumes, Revenue and Cash Costs

	2017	2016	% change
Production			
Zircon kt	312.3	347.1	(10.0)
Rutile kt	302.1	117.6	156.9
Synthetic rutile kt	210.8	210.9	(0.0)
Total Z/R/SR production kt	**825.2**	**675.6**	**22.1**
Ilmenite – saleable and upgradeable kt	448.1	329.4	36.0
Total production volume kt	**1,273.3**	**1,005.0**	**26.7**
Heavy mineral concentrate produced kt	612	395	54.9
Heavy mineral concentrate processed kt	1,280	967	32.4
Sales			
Zircon kt	380.4	338.8	12.3
Rutile kt	264.3	172.1	53.6
Synthetic rutile kt	244.4	186.8	30.8
Total Z/R/SR kt	**889.1**	**697.7**	**27.4**
Ilmenite kt	202.7	17.7	1,045.2
Total sales volumes kt	**1,091.8**	**715.4**	**52.6**
Revenue and Cash Costs			
Mineral sands revenue[1] $m	1,017.5	726.3	40.1
Total cash cost of production $m	372.4	260.6	43.0
Unit cash production cost per tonne of Z/R/SR produced[2] $/t	439	373	17.7
Unit cost of goods sold per tonne of Z/R/SR sold $/t	743	700	6.1
Revenue per tonne of Z/R/SR sold $/t	1,079	999	8.0

1. Mineral sands revenues include revenues derived from other materials not included in sales volumes, including activated carbon products and iron concentrate.
2. Excludes ilmenite and by-products. Cash production costs of ilmenite and by-products per tonne of Z/R/SR were $14 and $12 in Dec-16 YTD and Dec-17 YTD, respectively.

Weighted Average Received Prices

	2016 Full Year	H1 2017	H2 2017	2017 Full Year
Weighted Average Price US$/tonne FOB				
Zircon Premium and Standard	810	871	1,053	958
Zircon (all products including zircon in concentrate)[1]	773	850	1,037	940
Rutile (excluding HYTI)[2]	731	756	825	790
Synthetic rutile	Refer Note 3	Refer Note 3	Refer Note 3	Refer Note 3

Note 1: Zircon prices reflect the weighted average price for zircon premium and zircon standard, also with a weighted average price for all zircon materials, including zircon-in-concentrate and zircon tailings. The prices for each product vary considerably, as does the mix of such products sold period to period. In 2017 the split of premium, standard and concentrate by zircon sand-equivalent was approximately: 56%;32%;12% (2016 full year: 47%;33%;20%).

Note 2: Excluded from rutile sales prices is a lower value titanium dioxide product, HYTI that typically has a titanium dioxide content of 70 to 90%. This product sells at a lower price than rutile, which typically has a titanium dioxide content of 95%.

Note 3: Iluka's synthetic rutile sales are, in large part, underpinned by commercial offtake arrangements. The terms of these arrangements, including the pricing arrangements are commercial in confidence and as such not disclosed by Iluka. Synthetic rutile, due to its lower titanium dioxide content than rutile, is priced lower than natural rutile.

Summary Group Results

$m	2017	2016	% change
Mineral sands revenue	**1,017.5**	**726.3**	**40.1**
Mineral sands EBITDA	**300.9**	**103.0**	**192.1**
Mining Area C royalty EBITDA	59.6	47.5	25.5
Underlying group EBITDA*	**360.5**	**150.5**	**139.5**
Underlying group EBITDA margin %	*35.4*	*20.7*	*71.0*
Depreciation and amortisation	(111.0)	(79.9)	38.9
Impairment expense	(185.4)	(201.0)	(7.8)
Group EBIT	**(133.4)**	**(247.7)**	**(46.1)**
Profit (loss) before tax	**(165.6)**	**(277.7)**	**(40.4)**
Tax expense	(6.0)	53.7	(111.2)
Profit (loss) after tax	**(171.6)**	**(224.0)**	**(23.4)**
EPS (cents per share)	*(41.0)*	*(53.6)*	*(23.5)*
Free cash inflow (outflow)	321.9	47.3	580.3
Free cash inflow (outflow) (cents per share)	**76.8**	**11.3**	**580.3**
Dividend – fully franked (cents per share)	31.0	3.0	n/a
Net (debt) cash	**(182.5)**	**(506.3)**	**64.0**
Gearing (net debt /net debt + equity) %	17.1	31.5	(45.7)
Return on capital % (annualised)	(11.6)	(18.3)	(36.8)
Return on equity % (annualised)	**(20.1)**	**(17.1)**	**17.5**
Average A$/US$ exchange rate	76.7	74.4	3.1

* Excludes adjustments including impairments, SRL transaction costs, changes to rehabilitation provisions for closed sites and Iluka's share of Metalysis Ltd losses, which are non-cash in nature.

Income Statement

$ million	2017	2016	% change
Z/R/SR revenue	959.1	696.8	37.6
Ilmenite and other revenue	58.4	29.5	98.0
Mineral sands revenue	**1,017.5**	**726.3**	**40.1**
Cash costs of production	(372.4)	(260.6)	42.9
Inventory movement - cash	(141.5)	(107.6)	31.5
Restructure and idle capacity charges	(73.3)	(69.5)	5.5
Government royalties	(25.2)	(20.4)	23.5
Marketing and selling costs	(33.8)	(36.3)	(6.9)
Asset sales and other income	0.7	(0.6)	(216.7)
Resource development	(24.6)	(79.4)	(69.0)
Corporate and other costs	(47.1)	(53.8)	(12.5)
Foreign exchange gain (loss)	0.6	4.9	(87.8)
Underlying mineral sands EBITDA*	**300.9**	**103.0**	**192.1**
Mining Area C EBITDA	59.6	47.5	25.5
Underlying Group EBITDA	**360.5**	**150.5**	**139.5**
SRL transaction costs	-	(14.1)	-
Depreciation and amortisation	(111.0)	(79.9)	38.9
Inventory movement - non-cash	(66.8)	(57.3)	16.6
Rehabilitation for closed sites	(127.4)	(42.6)	199.1
Share of Metalysis Ltd's losses (associate)	(3.3)	(3.3)	-
Impairment expense	(185.4)	(201.0)	(7.8)
Group EBIT	**(133.4)**	**(247.7)**	**(46.1)**
Net interest and bank charges	(15.5)	(15.4)	0.6
Rehabilitation unwind and other finance costs	(16.7)	(14.6)	14.4
Loss before tax	**(165.6)**	**(277.7)**	**(40.4)**
Tax benefit (expense)	(6.0)	53.7	(111.2)
Loss for the period (NPAT)	**(171.6)**	**(224.0)**	**(23.4)**
Average AUD/USD rate for the period (cents)	**76.7**	**74.4**	**3.1**

* Underlying Group EBITDA excludes 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.

Reconciliation of non-IFRS financial information to profit before tax

2017	Aus	US	SRL	Exploration & Other	**Mineral Sands**	MAC	Corp	**Group**
Mineral sands revenue	833.7	40.0	145.9	(2.1)	**1,017.5**	-	-	**1,017.5**
Mineral sands expenses	(474.6)	(44.9)	(115.1)	(34.7)	**(669.3)**	-	(0.8)	**(670.1)**
Mining Area C	-	-	-	-	**-**	59.6	-	**59.6**
FX	-	-	-	-	**-**	-	0.6	**0.6**
Corporate costs	-	-	-	-	**-**	-	(47.1)	**(47.1)**
Underlying EBITDA	**359.1**	**(4.9)**	**30.8**	**(36.8)**	**348.2**	**59.6**	**(47.3)**	**360.5**
Depreciation & amortisation	(67.7)	-	(39.4)	(3.5)	**(110.6)**	(0.4)	-	**(111.0)**
Inventory movement - non-cash	(75.0)	-	8.0	0.2	**(66.8)**	-	-	**(66.8)**
Rehabilitation for closed sites	(7.9)	(119.5)	-	-	**(127.4)**	-	-	**(127.4)**
Share of Metalysis Ltd's losses	-	-	-	-	**-**	-	(3.3)	**(3.3)**
Impairment	(155.0)	-	-	-	**(155.0)**	-	(30.4)	**(185.4)**
EBIT	**53.5**	**(124.4)**	**(0.6)**	**(40.1)**	**(111.6)**	**59.2**	**(81.0)**	**(133.4)**
Net interest costs	-	-	-	-	**-**	-	(15.5)	**(15.5)**
Rehab unwind and other finance costs	(10.3)	(1.9)	(1.9)	-	**(14.1)**	-	(2.6)	**(16.7)**
Profit before tax	**43.2**	**(126.3)**	**(2.5)**	**(40.1)**	**(125.7)**	**59.2**	**(99.1)**	**(165.6)**
Segment result	***43.2***	***(126.3)***	***(2.5)***	***-***	***(85.6)***	***59.2***	***-***	***(26.4)***

ILUKA

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Synthetic rutile kiln, Western Australia