



19 April 2018

ASX: ILU

QUARTERLY REVIEW 31 MARCH 2018

KEY FEATURES OF THE QUARTER

- Strong market conditions continued in both zircon and high grade titanium dioxide markets.
- Zircon/Rutile/Synthetic Rutile (Z/R/SR) revenue increased 10% in the March 2018 quarter, and up 22% relative to the first quarter 2017 reflecting price appreciation over the year.
- Total Z/R/SR production increased by 8% to 182 thousand tonnes compared with December quarter 2017:
 - Jacinth-Ambrosia mine returned to maximum production from January 2018 following December restart after twenty-month care and maintenance period.
 - Rutile production from Sierra Rutile was 34 thousand tonnes, in line with the first quarter 2017 but down 19% relative to fourth quarter 2017 due to the dredge being out of operation for the last two weeks of March, the dry mine entering low grade areas and commissioning of the Lanti in-pit mining unit.
- Progress with the Cataby development remains on time and budget.
- Net debt further reduced to \$108 million, down from \$183 million at 31 December 2017.

SUMMARY OF PHYSICAL AND FINANCIAL DATA

	Mar-17 Qtr	Dec-17 Qtr	Mar-18 Qtr	Mar-18 Qtr vs Dec-17 Qtr	Mar-18 Qtr vs Mar-17 Qtr
	kt	kt	kt	%	%
Production					
Zircon	110.9	59.2	81.6	37.8	(26.4)
Rutile ¹	67.8	56.3	44.4	(21.1)	(34.5)
Synthetic Rutile	53.5	53.1	55.5	4.5	3.7
Total Z/R/SR Production	232.2	168.6	181.5	7.6	(21.8)
Ilmenite	104.7	129.7	99.0	(23.7)	(5.4)
Total Mineral Sands Production	336.9	298.3	280.5	(6.0)	(16.7)
Sales					
Zircon	100.5	72.2	90.2	25.0	(10.2)
Rutile ¹	56.5	56.6	60.5	6.9	7.1
Synthetic Rutile	46.0	65.2	53.8	(17.6)	16.8
Total Z/R/SR sales	203.0	194.0	204.5	5.4	0.7
Z/R/SR sales revenue A\$ million	204.3	227.4	249.2	9.6	22.0
Ilmenite and other revenue A\$ million	14.2	18.0	14.9	(17.1)	5.0
Mineral Sands Revenue A\$ million	218.5	245.4	264.1	7.6	20.9
Average AUD:USD cents	75.8	76.9	78.7	2.3	3.8

¹ Rutile sales and production volumes include the 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%.

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PRODUCTION

Z/R/SR production for the March quarter was 182 thousand tonnes, 8% higher than the December 2017 quarter. Zircon production was higher, largely due to a full quarter of processing at Narngulu mineral separation plant (MSP). Synthetic rutile production was in line with the December quarter. Rutile production was lower in the quarter due to several factors at Sierra Rutile, with details provided separately below.

Australian Operations

Across Iluka's Australian operations, the Tutunup South mine in South-West Western Australia completed mining in early March as planned, with the reserve now depleted. The synthetic rutile kiln, SR2, will continue to operate from stockpiled and external ilmenite until the commencement of the Cataby mine in the first quarter of 2019.

The Jacinth-Ambrosia mine in South Australia returned to a maximum sustainable production rate of heavy mineral concentrate by January 2018, following the restart of mining and concentrating in December 2017. Jacinth-Ambrosia produced 162 thousand tonnes of heavy mineral concentrate during the March quarter. The Narngulu MSP in Western Australia operated for the full March quarter, whereas it was only online for two and a half months in the December quarter due to a planned maintenance outage.

The synthetic rutile kiln operation at Capel continued at full capacity, with preparations underway for the planned major maintenance outage in the first quarter of 2019.

Sierra Leone Operations

Sierra Rutile's rutile production was 34 thousand tonnes, 19% lower than the December quarter 2017, although comparable with the previous March 2017 production.

The March 2018 quarter rutile production was affected by lower than expected runtime at both the Lanti dredge and dry mines combined with mining of lower grade ore sections (as planned). The lower runtime is associated with the Lanti in-pit mining system, which began commissioning in late December 2017. The project team is working to resolve issues related to pumps and componentry wear to ensure a consistent production output. In addition, the Lanti dredge experienced an unplanned maintenance outage due to the failure of a bearing in mid-March. The dredge resumed operation on 17 April.

Notwithstanding this, assessment of production on a quarter-by-quarter basis at Sierra Rutile is not a true reflection of annual expected performance due to the impacts of mining lower grade ore sections, which are expected as per the mine plan.

Iluka does not expect a material impact on full year production and maintains rutile production guidance of 160 thousand tonnes for Sierra Rutile in 2018.

	Mar-17 Quarter	Jun-17 Quarter	Sept-17 Quarter	Dec-17 Quarter	Mar-18 Quarter
	kt	kt	kt	kt	kt
Mining and Concentrating					
Spiral Plant Feed ¹	1,422	1,532	1,666	1,365	942
Heavy Mineral Concentrate (HMC) Produced	91	85	97	80	55
Valuable Heavy Mineral (VHM) in HMC Produced	55	61	80	60	40
Final Product²					
Zircon ³	2.1	0.8	0.1	-	5.1
Rutile	35.7	43.3	47.2	41.4	33.5
Ilmenite	11.6	15.0	16.6	14.4	12.3

1. Ore mined less oversize and slimes (clay)

2. Finished product includes reprocessed material from heavy mineral concentrate (HMC) initially processed in prior periods.

3. Zircon production will now be processed under external arrangements.

Mineral Sands Production

	Mar-17 Qtr	Dec-17 Qtr	Mar-18 Qtr	Mar-18 Qtr vs Dec-17 Qtr	Mar-18 Qtr vs Mar-17 Qtr
	kt	kt	kt	%	%
Zircon¹					
Eucla/Perth Basin (SA/WA)	91.2	47.9	76.5	59.6	(16.2)
Murray Basin (VIC)	11.9	2.6	-	(100.0)	(100.0)
Australia	103.1	50.5	76.5	51.4	(25.8)
Sierra Leone	2.1	-	5.1	n/a	141.6
Virginia (USA)	5.7	8.7	-	(100)	(100)
Total Zircon Production	110.9	59.2	81.6	37.8	(26.4)
Rutile					
Eucla/Perth Basin (SA/WA)	15.5	11.0	10.9	(1.4)	(30.0)
Murray Basin (VIC)	16.6	3.9	-	(100.0)	(100.0)
Australia	32.1	14.9	10.9	(27.2)	(66.2)
Sierra Leone	35.7	41.4	33.5	(19.0)	(6.1)
Total Rutile Production	67.8	56.3	44.4	(21.1)	(34.5)
Synthetic Rutile (WA)	53.5	53.1	55.5	4.5	3.7
TOTAL Z/R/SR PRODUCTION	232.2	168.6	181.5	7.6	(21.8)
Ilmenite					
Eucla/Perth Basin (SA/WA)	83.4	73.0	86.7	18.8	4.0
Murray Basin (VIC)	9.7	42.3	-	(100.0)	(100.0)
Australia	93.1	115.3	86.7	(24.8)	(6.9)
Sierra Leone	11.6	14.4	12.3	(13.4)	7.5
Total Ilmenite	104.7	129.7	99.0	(23.7)	(5.4)
TOTAL MINERAL SANDS PRODUCTION	336.9	298.3	280.5	(6.0)	(16.7)

¹ Iluka's zircon production figures include small volumes of zircon attributable to external processing arrangements.

MINERAL SANDS MARKET CONDITIONS

Market conditions continue to be strong. The market dynamics remain unchanged, including tight supply in the zircon market and strong demand from pigment producers for high grade titanium feedstocks. Iluka has experienced a solid quarter of sales and has seen steady appreciation in prices.

Total Z/R/SR sales volumes in the quarter were 205 thousand tonnes, in line with the 203 thousand tonnes sold in first quarter 2017. Sales mix was weighted to high grade titanium feedstock (R/SR), which is consistent with expectations.

Weighted average prices for Z/R/SR increased in the quarter from the end of 2017. This reflects the achievement of previously announced price increases for rutile and contractual outcomes for synthetic rutile.

Zircon

First quarter zircon sales were 90 thousand tonnes, with sales for 2018 expected to be evenly weighted over the year.

Iluka continues to view zircon supply as being tight. Indications are producer inventory levels are low or depleted and there is limited scope for increased supply from existing mines in the short term except for Indonesia. The company believes a price-triggered supply response has been initiated as evidenced by the increase in activity in Kalimantan and modest growth in exports in the first quarter, with trade statistics showing a ~33% increase in Indonesian exports to ~3,500 tonnes per month. Activity levels observed in Kalimantan suggest that exports will continue to increase in coming months.

Iluka retains some heavy mineral concentrate inventory which is expected to be processed over the course of the year. The company's Jacinth-Ambrosia mine was restarted at the end of 2017 and Iluka has guided group zircon production of 300 thousand tonnes for 2018.

As previously announced, Iluka's Zircon Reference Price increased by \$180 to US\$1,410 per tonne for the six months to September 2018. Iluka's average realised zircon price is typically below this, reflecting freight, customer discounts and loyalty programs. However, the difference between the Reference Price and realised price has been narrowing in recent quarters.

Iluka believes that stating that the revised Reference Price will apply for a six month period will provide downstream customers sufficient time to adjust their pricing and absorb the increases. The cost of zircon remains a small component of end use ceramic products and Iluka believes there is sufficient headroom for the industry to absorb the increases that it has announced to date and, with appropriate pricing cadence, the lower volatility reduces the risk of substitution and enhances the sustainability of current business conditions.

Titanium Dioxide Feedstocks

High grade titanium dioxide feedstock sales (rutile and synthetic rutile) were 114 thousand tonnes in the first quarter 2018, comparable to first and fourth quarters 2017.

Recent market commentary from pigment producers reflects strong underlying conditions in the pigment market with all recording sales and volumes increases. At the same time, plant closures in China and Europe are driving an increase in industry utilisation rates which is translating to an increase in the use of high grade feedstocks to deliver the required increase in plant yields. Iluka continues to experience strong levels of buying from customers in the pigment industry.

The industry has also experienced further supply disruptions in the high-grade feedstock market in 2018, increasing demand enquiries for Iluka's products.

Average rutile prices were US\$825 per tonne in the second half 2017 and Iluka announced it had implemented a further ~8% price rise in the first half 2018; spot prices remain at a premium to contract prices. The underlying tight market conditions are expected to continue in the short and medium term.

Rutile sales are expected to be evenly weighted over 2018, with the majority of the second half sales currently uncontracted.

Greater than 90% of synthetic rutile sales are contracted for the year.

INCIDENT AT CATABY

A member of the BCE Surveying team, subcontracted by Watpac (the bulk earth works contractor at the Cataby project), has died as a result of a severe reaction to what is believed to have been a bee sting at the Cataby site.

The safety and wellbeing of Iluka's people, including the employees of our contractors and service providers, are paramount. The company is cooperating fully with the investigation by the Western Australian Department of Mines, Industry Regulation and Safety.

CORPORATE

Sierra Leone recently concluded the process of electing a new President, with the National Electoral Commission announcing on 4 April that Julius Maada Bio of the Sierra Leone People's Party (SLPP) had succeeded in winning office. Consensus among international observers is that the election process was conducted credibly and, for the most part, peacefully.

The SLPP previously governed Sierra Leone from 2002-2007 and legislated the *Sierra Rutile Act*, which sets out the fiscal framework for Iluka's operations. Iluka looks forward to working with the new government to maintain a business environment that is conducive to foreign direct investment, which is seen as crucial to the development of the country's economy.

PROJECT UPDATES

Lanti dry and Gangama mine expansions, Sierra Leone

Iluka plans to double the capacity of both the Gangama and Lanti dry operations from 500-600 tonne per hour to 1,000-1,200 tonne per hour.

Capital expenditure for these expansions received Board approval in December 2017 and procurement activities are advancing as scheduled. Fabrication construction is expected to commence by mid-2018 with commissioning scheduled in H1 2019.

Mineral separation plant upgrade, Sierra Leone

Mineral separation plant equipment and general site upgrades are required to meet the additional capacity that will be generated by the planned mine expansions. The upgrade will also assist in improving safety, operational and metallurgical efficiencies.

Assessment of the upgrade options and scope is continuing with the work to take place in two stages. Approval to upgrade the mineral separation plant feed preparation plant has been granted and procurement is underway with a completion scheduled for early 2019. The second stage involves an upgrade to the dry mill and is currently progressing through a pre-feasibility study phase.

Sembehun mine, Sierra Leone

The Sembehun group of deposits are situated 20 to 30 kilometres north-west of the existing Sierra Rutile operations. Iluka plans to develop a new 1,000-1,200 tonne per hour mine at these deposits.

As announced on 27 February 2018 at Iluka's 2017 Full Year Results, expected commissioning of the Sembehun mine has been deferred one year owing to the operational improvements realised at Sierra Rutile and to allow focus on delivery of other expansion projects. Early works including the bridge and road construction to these deposits are now expected to commence in 2019 and planned commissioning is 2021, subject to Board approval.

The definitive feasibility study commenced in March 2018.

Cataby, Western Australia

Cataby is a large, chloride ilmenite-rich deposit 150 kilometres north of Perth. The mine development was approved in December 2017 with ilmenite from the mine to underpin the continued production of synthetic rutile at Capel, South-West Western Australia. The approval follows completion of the definitive feasibility study in 2016 and securing offtake agreements for 85% of synthetic rutile production from Cataby sourced ilmenite for a minimum of four years, negotiated over the course of 2017 to underpin returns from the project.

The estimated capital cost is \$250-275 million and construction is expected to take around 18 months. First production is planned for 2019 with the mine producing approximately 200 thousand tonnes of synthetic rutile (from ilmenite feedstock), 50 thousand tonnes of zircon and 30 thousand tonnes of rutile on average over an 8.5 year mine life. Access to additional ore reserve could extend the mine life for a further four years.

The mine is a conventional mineral sands development utilising dozer push and truck and excavator mining to feed two in-pit mining units. Iluka's Newman concentrator will be relocated to site from Eneabba with other mining equipment also being redeployed from Murray Basin, Victoria. An onsite Wet High Intensity Magnetic Separation (WHIMS) plant will separate the magnetic (ilmenite) and non-magnetic product streams (zircon and rutile). Ilmenite will be transported to Capel for synthetic rutile production and the non-magnetic stream to Iluka's Nangulu mineral separation plant in Geraldton for final processing. Associated infrastructure at the Cataby site includes upgrades to power facilities, camps and public roads.

Following approval of the project in December 2017, work has progressed with camps, high voltage power distribution, bulk earthworks and dewatering bores advancing. The mining contract has been awarded with mobilisation to site scheduled for Q2 2018. The relocation of the wet concentrator plant from Eneabba and associated works has also been awarded and site works at Eneabba commenced.

All works are progressing on schedule and on budget.

Jacinth-Ambrosia mine expansion, South Australia

The mine expansion project at Jacinth-Ambrosia involves increasing mining and concentrating capacity by ~30% to partially offset the impact of declining ore grade over the remaining life of mine. The scope of the project includes a second mining unit, wet concentrator plant upgrade and camp capacity increase. The capital estimate is ~\$40 million for the expansion.

The detailed feasibility study is underway and expected to be completed mid-2018, with execution in the second half of the year, subject to Board approval. Production is expected from the second half of 2019.

Iluka also plans to bring forward the commencement of mining at the Ambrosia deposit to 2019 (previously 2022), such that the Jacinth and Ambrosia deposits will be mined concurrently for several years. This is the result of extensive mine optimisation work and will further offset the impact of declining grade. The mine move to Ambrosia will also have capital outflows associated with it, and Iluka will provide guidance on this capital expenditure estimate following completion of the detailed feasibility study in mid-2018.

Iluka's November 2017 investor day provided a production outlook for Jacinth-Ambrosia of an average 225 thousand tonnes over 2018-2020. This outlook included additional production from the ~30% mine capacity expansion. The earlier move to Ambrosia could increase this average production estimate by a further ~20%, as noted at the time of the investor day.

Balranald, Murray Basin, New South Wales

Balranald and Nepean are two rutile-rich mineral sands deposits in the northern Murray Basin, New South Wales.

Work on the unconventional mining development at Balranald has continued with planning for a final field trial later in 2018. The proposed final trial has been designed to demonstrate that the technical work packages advanced from the previous trial are effective in a continuous mining and processing environment.

Puttalam (PQ), Sri Lanka

The potential for the development of the mineral sands deposit known as the Puttalam Quarry (PQ) is currently being 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, approximately 170 kilometres from the capital Colombo.

PQ project work is focussed on legal and investment terms for the development and includes 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 being undertaken on a limited number of work packages relating to pre-mining or baseline conditions of the PQ deposit.

Refer Iluka's website (www.iluka.com) – Section: Company Overview, Projects, for more detail on these projects.

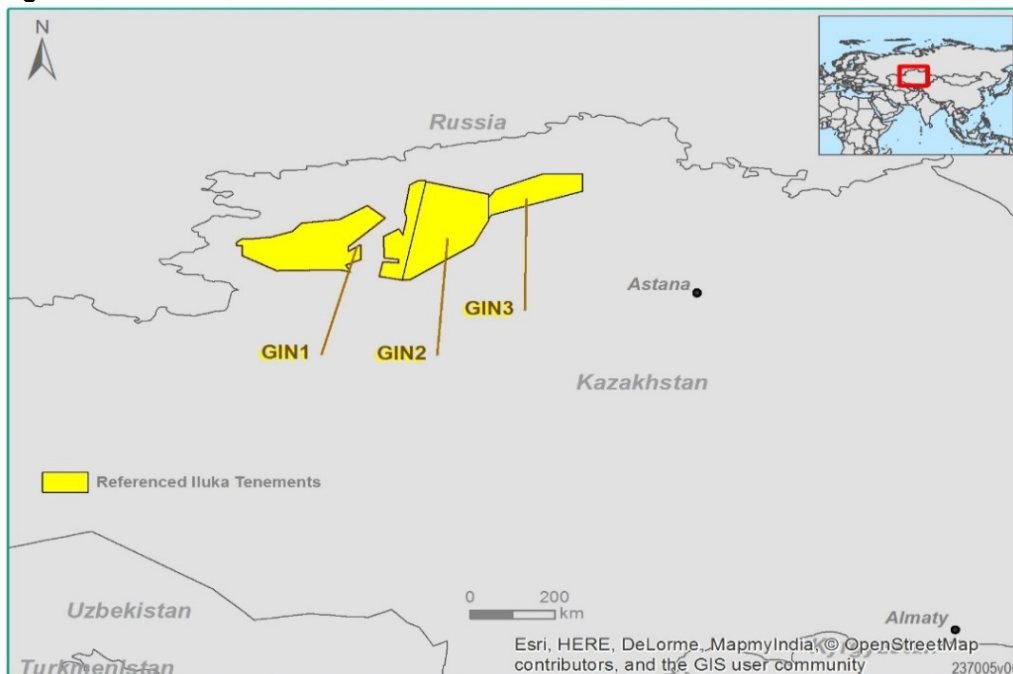
EXPLORATION

Expenditure on exploration and evaluation charged to the profit and loss account for March quarter 2018 was \$1 million.

Kazakhstan

Completion of laboratory results and technical assessment for the 2017 regional air-core drill program occurred in the first quarter. This confirmed the marine sands host with low to moderate heavy mineral grade across GIN1, GIN2 and GIN3. However, the heavy mineral is very fine-grained and contains a lower proportion of valuable heavy minerals than targeted. Assessment of next steps will take place in second quarter.

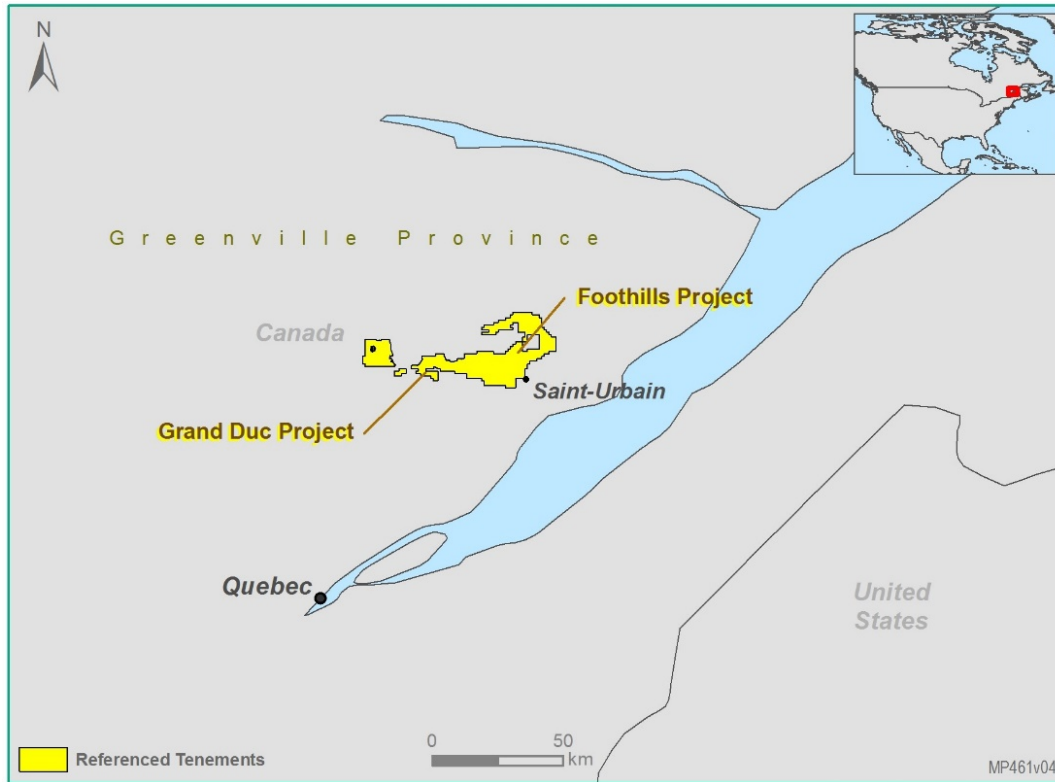
Figure 2 Northern Kazakhstan



Canada

Iluka continued to fund field based exploration for high grade rutile/ilmenite deposits in the Foothills and Grand Duc Project areas of Quebec. Analysis of 2017 drilling results is underway and will be completed in the second quarter. The outcomes of this study will guide the remaining 2018 exploration program.

Figure 3 Grand Duc & Foothills Projects, Quebec, Canada



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APPENDIX 1 - OPERATING MINES – PHYSICAL DATA
3 Months to 31 March 2018

	Jacinth- Ambrosia	Western Australia	Australia Total	Sierra Leone ¹	Virginia	Group Total
Mining						
Overburden Moved kbcm	879	-	879	-	-	879
Ore Mined kt	2,877	229	3,106	1,919	-	5,025
Ore Grade HM %	7.7	12.9	8.0		-	n/a
VHM Grade %	6.1	10.7	6.5		-	n/a
Concentrating						
HMC Produced kt	162	20	182	55	-	237
VHM Produced kt	143	18	161	40	-	201
VHM in HMC Assemblage %	88.9	87.2	88.7	72.0	-	84.8
Zircon	59.8	13.4	54.6	4.4	-	42.8
Rutile	6.5	8.7	6.8	47.6	-	16.3
Ilmenite	22.5	65.2	27.3	20.0	-	25.6
HMC Processed kt	135	85	220	60	-	280
Finished Product ¹ kt						
Zircon	71.7	4.8	76.5	5.1	-	81.6
Rutile	10.9	-	10.9	33.5	-	44.4
Ilmenite (saleable/upgradeable)	35.8	50.9	86.7	12.3	-	99.0
Synthetic Rutile Produced kt		55.5	55.5			55.5

1. HM and VHM grade are unavailable for Sierra Rutile at this time.

Explanatory Comments on Terminology

Overburden moved (bank cubic metres) refers to material moved to enable mining of an ore body.

Ore mined (thousands of tonnes) refers to material moved containing heavy mineral ore.

Ore Grade HM % refers to percentage of heavy mineral (HM) found in a deposit.

VHM Grade % refers to percentage of valuable heavy mineral (VHM) - titanium dioxide (rutile and ilmenite), and zircon found in a deposit.

Concentrating refers to the production of heavy mineral concentrate (HMC) through a wet concentrating process at the mine site, which is then transported for final processing into finished product at the company's Australian mineral processing plant, or the Sierra Leone mineral processing plant.

HMC produced refers to HMC, which includes the valuable heavy mineral concentrate (zircon, rutile, ilmenite) as well as other non-valuable heavy minerals (gangue).

VHM produced refers to an estimate of valuable heavy mineral in heavy mineral concentrate expected to be processed.

VHM produced and the VHM assemblage - provided to enable an indication of the valuable heavy mineral component in HMC.

HMC processed provides an indication of material emanating from each mining operation to be processed.

Finished product is provided as an indication of the finished production (zircon, rutile, ilmenite) attributable to the VHM in HMC production streams from the various mining operations. Finished product levels are subject to recovery factors which can vary. The difference between the VHM produced and finished product reflects the recovery level by operation, as well as processing of finished material/concentrate in inventory. Ultimate finished product production (rutile, ilmenite, and zircon) is subject to recovery loss at the processing stage – this may be in the order of 10 per cent.

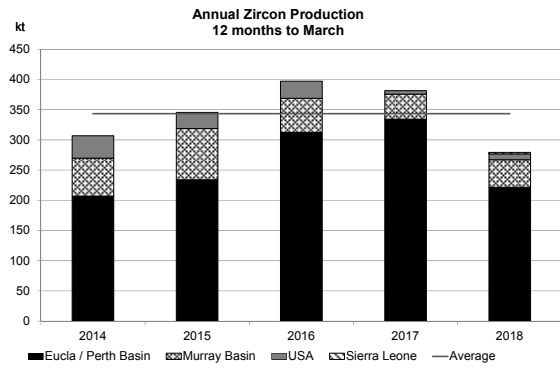
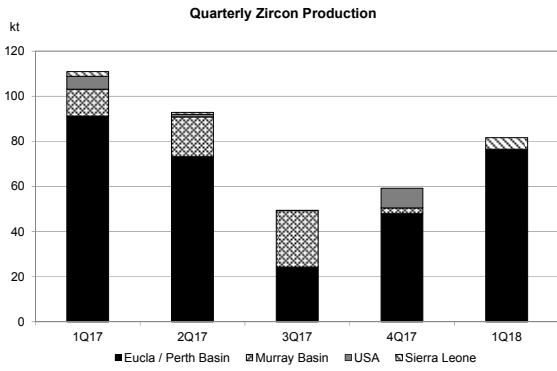
Ilmenite is produced for sale or as a feedstock for synthetic rutile production.

Typically, 1 tonne of upgradeable ilmenite will produce between 0.56 to 0.60 tonnes of SR. Iluka also purchases external ilmenite for its synthetic rutile production process.

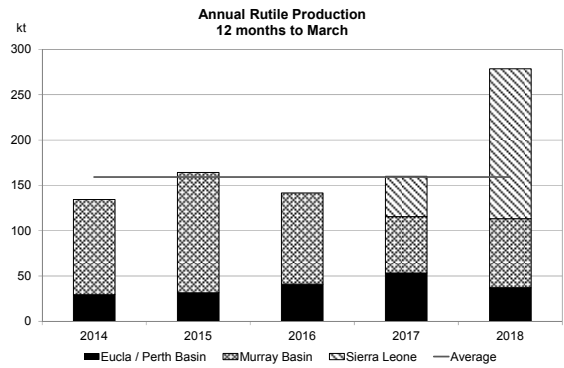
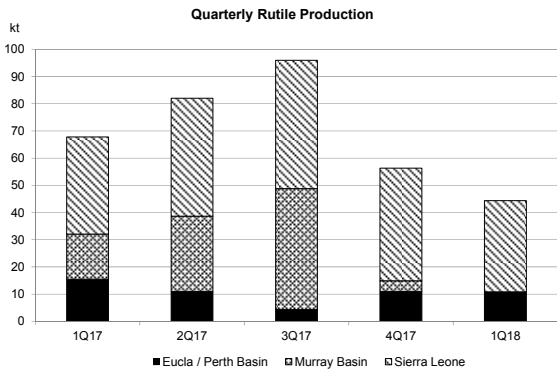
¹ Finished product includes material from heavy mineral concentrate (HMC) initially processed in prior periods.

APPENDIX 2 – PRODUCTION SUMMARIES

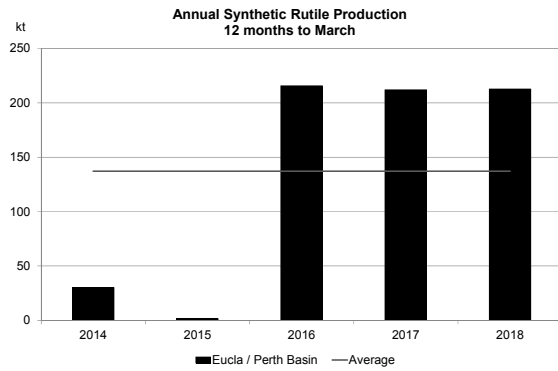
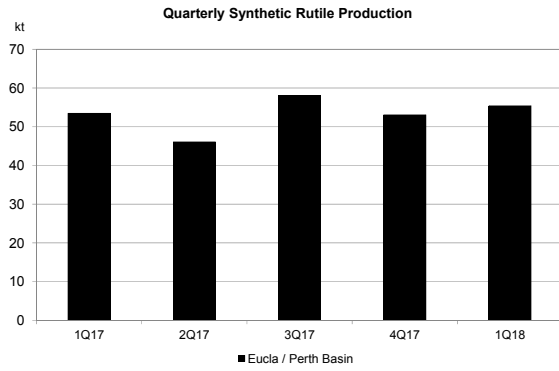
Zircon



Rutile



Synthetic Rutile



Ilmenite

