



ILUKA

Annual Report
2014

MINERAL SANDS – PART OF EVERYDAY LIFE

Iluka Resources Limited

CREATE AND DELIVER VALUE FOR SHAREHOLDERS

Mineral Sands – part of everyday life

A number of the applications of mineral sands products are shown in this section. From everyday applications in the home and workplace, to medical, lifestyle and industrial applications, the unique properties of titanium dioxide and zircon are utilised in a vast and increasing array of products and applications.



Roof/building/construction



Solar panels, electrical insulators, bricks/cement, fibre optics, exterior and interior paint, tiles/anti-pollution coatings

Home/office



Mobile phones, plastic, printer inks, paper, packaging

Bathroom/lifestyle



Ceramics, sanitary and toilet basins, glass, faucets for taps, cosmetics, pharmaceutical products, toothpaste, anti perspirants, sunscreens

Kitchen/utilities



Light bulbs, dishes, glasses, clock parts, food colouring, ceramic knives, pans

Cover Image:

Mineral sands products are used in an array of everyday use applications. The floor and wall tiles shown in the cover image contain zircon. Zircon contributes the whiteness and the abrasion and heat resistance that tiles provide. Ceramics are also the floor covering of choice in many developing economies. The paint coatings on the wall, the plastic of the stool and toilet seat use titanium dioxide in the form of pigment. Even the toothpaste contains inert and safe colouring derived from titanium dioxide. Demand for mineral sands products is linked to urbanisation, to increases in personal wealth and consumption of a range consumer goods.



Automotive

Sporting goods/recreation

Healthcare/medicine

Aircraft/industry



Brake linings/pads, car parking sensors, automotive paint, catalytic converters, automotive electrics, rubber products



Golf clubs, tennis racquets, bicycle frames (titanium)



Dental implants, hip and bone replacements, heart pacemakers, kidney dialysis



Titanium metal, desalination plants, zirconia-nuclear medicine, zirconium metal, corrosion resistant coatings

Create and Deliver Value for Shareholders

Iluka is a leading mineral sands company involved in exploration, project development, operations and marketing. Iluka is the largest global producer of zircon and has a major position in the high grade titanium dioxide products of rutile and synthetic rutile, as well as being a major producer of ilmenite.

Financial Focus

- Return on capital as an internal proxy for return on equity
- Focus on shareholder returns through the cycle
- Willingness and track record of returning excess cash flow to shareholders
- Maintenance of a strong balance sheet
- Capital-efficient project development and growth

Mineral Sands Focus

- Flex asset operation in line with market demand
- Continue market development
- Preserve/advance mineral sands growth opportunities
- Continue to evaluate/pursue corporate growth opportunities
- Act counter-cyclically where appropriate

Sustainable Operational Focus

- Commitment to proactivity – seeking to achieve the highest standards in health, safety and environmental performance

Customer Benefit

- Focus on improving customer service
- Offer full range of titanium dioxide feedstock and zircon products for all applications
- Global distribution network and logistics capabilities
- Dependable partner with strong balance sheet
- Consistent product quality and track record of delivering on promises

Favourable Medium to Long Term Industry Characteristics

Demand

- Urbanisation – increases in floor space and associated demand for mineral sands products
- Rising wealth and living standards creating demand for products in which mineral sands are used
- Increasing array of applications – chemical and technical qualities finding increased applications

Supply

- Medium to longer term supply challenge
- Valuable heavy mineral grade/assemblage decline
- Maturing ore bodies – fresh capital required to sustain production



Contents

Business Review

From the Chairman	4
From the Managing Director	6
Key Elements of Iluka's Approach - 2014	8
Mineral Sands Market Conditions	10
Financial Summary	12
Production and Sales Volumes	14
Ore Reserves and Mineral Resources	16
Operational and Production Overview	18
Marketing and Sales	21
Mineral Sands Projects and Other Growth Options	24
Exploration, Innovation and Technology	28
Sustainability	31

Statutory Information 57

Directors' Report	58
Remuneration Report	61
Financial Report	111
Directors' Declaration	150
Independent Auditor's Report	151

Physical and Financial Information 153

Five Year Physical and Financial Summary	154
Operating Mine – Physical Data	156
Ore Reserves and Mineral Resources Statement	157
Directors and Executive Team	162
Shareholder and Investor Information	164
Corporate Information	166

The Iluka Annual Report 2014 provides shareholders with an overview of Iluka's 2014 financial year. The Business Review contains an overview of the main factors affecting the business, while the Statutory Information section has been structured in accordance with the Corporations Act 2001.

Australian currency is shown in this document unless otherwise specified.

kt refers to thousand ('000) metric tonnes.

Dear Shareholders

The 2014 financial year continued to be a challenging one for the mineral sands industry. This was reflected in the financial performance of your Company.



Variable demand for Iluka's products and fragile customer confidence in a number of markets, meant only modest volume increases offset by lower year-on-year price outcomes. These factors adversely affected revenues, reported earnings and return on shareholders' equity.

The reported loss of \$62.5 million, included a year-end non-cash accounting impairment of \$86.5 million as a consequence of a decision which may entail the completion of mining and processing operations in the United States during 2015. Despite the headline result, there are positives and clear strengths in terms of your Company's current financial position and in terms of its prospects for the future.

Iluka maintains a strong and flexible balance sheet, with a low level of drawn debt and adequate facilities to execute its strategy, including pursuing internal, organic growth options. Healthy free cash flow of \$196.3 million was generated; and a significant reduction in unit cash costs of production was also delivered.

However, as a consequence of market and trading conditions, Iluka's share price fared poorly with a negative total shareholder return for the year.

Directors declared a total dividend for the year of 19 cents, fully franked. This represents 40 per cent of free cash flow and is consistent with the Company's stated dividend framework of returning to shareholders a minimum of 40 per cent of free cash flow not required for investing or balance sheet purposes.

Commendable performance continued to be achieved in terms of health, safety and environmental performance. Iluka can claim to continue to be amongst best in class in these important areas.

Your Directors are pleased to acknowledge that the Managing Director, his direct reports and the wider organisation advanced a number of growth-orientated activities, despite the challenging business conditions. The Managing Director's commentary refers to some of these and specific reference is also made in the Remuneration Report, as substantive progress on medium to longer term growth objectives are a fundamental feature of annual objective setting and eligibility or otherwise for incentive arrangements.

The Board has endorsed the approach of management to evaluate opportunities for investment outside of the existing portfolio, during low cycle market conditions. This occurs in a diligent, disciplined and cautious manner and may or may not result in opportunities being progressed and/or advanced.

The disclosures made in relation to Kenmare Resources Plc during the year reflect one such opportunity.

The Board has a commitment to ongoing improvement in its governance practices and its own skills, capabilities and level of diversity. This has included an externally conducted Board evaluation, with a range of identified improvements to the Board's governance practices to be implemented during 2015.

A Board skills matrix has been developed, and disclosed, to enable shareholders and stakeholders to adjudge whether director skills, capabilities and experience are relevant and appropriate to overseeing the successful execution of the Company's strategy and attenuate risks.

Both I and my fellow directors commit significant time outside of formal Board meetings to understand the industry and Iluka's business in greater detail. This activity in 2014 included engagement with a range of Iluka's employees as well as with customers, shareholders and other stakeholders.

Your Board was strengthened during the year with the appointment of Marcelo Bastos as an independent non-executive director. Marcelo brings a depth of mining operational and project development experience from a range of international jurisdictions that provides additional insight and perspective to Board deliberations.

In relation to Corporate Governance, the Board considers that throughout 2014 it has complied with the ASX Corporate Governance Principles, but determined it appropriate to commission an external review of Iluka's key corporate governance documents, of which updated versions have been published on the Iluka website together with the annual Corporate Governance Statement.

A review of Iluka's remuneration arrangements was also commenced during the year. This work will be further progressed during 2015 with the objective of further aligning management rewards and shareholder returns.

The prospects for resources companies are linked, in large measure, to global economic conditions. It is important for a resource company to maintain the ability and agility to benefit from demand recovery through positive earnings, margin expansion and associated free cash flow generation. Your Company remains in a sound position in this regard.

I would like to acknowledge the dedication, professionalism and support of my fellow directors this past year, as well as the efforts of management and Iluka's employees and thank shareholders for their continuing interest and support.

Greg Martin
Chairman

Dear Shareholders

2014 was a year in which the financial health of the Company was preserved, foundations were laid for recovery in the existing business and new options were secured for future growth.



In 2014 the focus was to manage the business efficiently to protect cash flow in line with prevailing business conditions, while preserving and advancing growth options to create and deliver shareholder value in the future. In doing so we acted at all times in a manner consistent with our goals of proactivity in sustainability practice; fostering diversity in our organisation; and providing opportunities for the advancement of our employees.

While reported profit was not satisfactory, other financial characteristics, referred to by the Chairman, highlight the financial strength of the Company.

Management and the wider workforce focussed upon, and made progress in, various areas central to medium to longer term growth and competitiveness.

In 2014 areas of focus and material progress was made in a number of areas, including:

- advancement of Iluka's major internal mineral sands projects;
- expansion of exploration activities, internationally, and with early stage non mineral sands evaluation on Iluka tenements;
- market development activities including increased global sales and market representation; product development and industry analysis;
- innovation and technology activities, including technical evaluation of a new high grade sulphate feedstock and new mineral sands mining techniques to assist with the development of non traditional mineral sands deposits;
- excellent environmental, health and safety performance – continuing industry leader, safety performance, post mining land rehabilitation;
- measurable objectives for gender and indigenous diversity were implemented and pleasing progress was achieved;
- progression of technical work in relation to Metalysis and Tapira in Brazil; as well as
- evaluation of merger and acquisition opportunities where financial merit and strategic rationale exist.

Commitment to best practice environment, health and safety performance continued.

Lost time injury and total recordable injury frequency rates in 2014 were 71 and 76 per cent, respectively, lower than 2011 levels, continuing a strong improvement trend since the launch of a company wide programme referred to as Safe Production Leadership.

Progress is also evident in Iluka's environmental performance, with improved incident reporting practices and a reduction in total open area achieved. Highlights included, for example, the commencement of rehabilitation activities near the Jacinth-Ambrosia mine, the first time this has occurred in a regional reserve in South Australia. The South Australian Premier's Award for Environmental Excellence was an external recognition of the commitment and expertise of Iluka personnel in this area.

In relation to internal mineral sands production options, the major projects, Balranald and Cataby, are at an advanced evaluative stage and current technical and financial analyses support a view that financial returns are likely to be above risk weighted hurdle rates and so support continued investment in feasibility studies and approval processes to position the projects for execution.

Market development activities continued. Three new points of global representation were established in 2014, eight new products were developed and launched, all products were delivered to specifications (with zero non-conformances) and plans were laid for the opening of a China Technical Centre in 2015 to advance the Company's focus on chloride and sulphate pigment feedstock opportunities and to support zircon sales in China. Iluka's commitment to innovation and technology work is substantial and multi-faceted, with encouraging work in relation to the development of the Company's new high grade sulphate pigment feedstock and the advancement of co-operative work with Metalysis for titanium powder production. Early stage work in relation to the Tapira mineralisation in Brazil commenced with Vale S.A.

Iluka announced in December 2014 its plans to close its Virginia operations in 2015. This is a regrettable decision, especially for our employees. It reflects the inability, in the required timeframe, to secure appropriate commercial terms to underpin the development of one or both of the US projects (Hickory and Aurelian Springs).

The business is well positioned in the context of progressive demand recovery for production and sales volume growth, with an expansion in margins and improvement in profit and cash flow generation. We have the potential to deploy capital to value-accretive activities; whether within the Iluka portfolio; in the multiple production options we possess; in opportunities such as Metalysis and Tapira; or in broader industry activities.

All options are assessed in a disciplined manner based on profitability, sustainability and growth objectives. Both financial merit and strategic rationale must be evident to ensure appropriate returns on invested capital and the capacity to return to shareholders free cash flow generated consistent with the Company's dividend framework.

As referred to at the time of the full year results, and reflected in the guidance parameters issued to the Australian Securities Exchange, potential 2015 characteristics include:

- an increase in zircon, rutile and synthetic rutile production relative to 2014 and 2013 levels;
- an expectation that combined zircon, rutile and synthetic rutile sales may exceed production;
- lower potential unit cash costs of production;
- inventory draw down;
- free cash flow generation, likely second half weighted; and
- a continued strong balance sheet with investment capacity.

I join the Chairman in thanking our customers, employees, shareholders and other key stakeholders for their support.

David Robb
Managing Director

Key Elements of Iluka's Approach - 2014



■ Health and safety

- Continued organisational and cultural focus on maintaining a safe work environment
- Total recordable injury frequency rate of 3.6, compared with 4.6 in 2013
- Lost time injury frequency rate of 0.9 compared with 0.3 in 2013, considerably lower than the 2010–2012 average of 2.9



■ Sustainability

- No major environmental incidents, with 84% of incidents level one (lowest severity)
- Awarded South Australian Premier's Award for Excellence in Environmental Management, associated with rehabilitation in a mixed use regional reserve in the State



■ Ore Reserves and Mineral Resources

- Ore reserves decreased by 1.8 million tonnes to 24.9 million tonnes, mainly reflecting depletions
- Approximately 15 years reserve cover at 2014 depletion rate
- Mineral Resources of 176.4 million tonnes (inclusive of Ore Reserves), approximately 7 times Ore Reserves



■ Financial performance

- Net earnings after tax, a loss \$62.5 million, inclusive of \$86.5 million after tax non cash impairment
- Group EBITDA margin of 32.5%
- Free cash flow of \$196.3 million
- Net debt of \$59.0 million with available undrawn facilities of ~\$708 million
- Gearing (net debt/net debt + equity) of 3.9%



■ Market conditions

- Partial zircon demand recovery, with demand most robust in China and North America
- Conditions for demand recovery in high grade titanium feedstock market evident, particularly chloride pigment



■ Operational flexibility

Continuation of significant operational adjustments in light of market conditions

- Combined 2014 zircon, rutile and synthetic rutile production continued at ~40-50% of 'high cycle' settings
- All synthetic rutile capacity idled during year
- Idled Concord mine in Virginia – Brink mining continued
- Lower utilisation rates at Iluka's three mineral separation plants
- Build of concentrate inventory, especially in Murray Basin



■ Shareholder returns

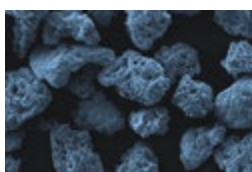
- Total dividend of 19 cents per share fully franked (6 cents interim dividend, 13 cents final dividend)
- Share price performance – 31.1% decline for the year vs 14.5% decline for Materials Index
- 5 year total shareholder return of 107.0% vs Materials Index decline of 22.2%



■ Mineral sands projects

Evaluation of internal mineral sands projects advanced

- West Balranald, New South Wales; Cataby, Western Australia; Hickory and Aurelian Springs, US
- Eucla Basin satellite deposits at pre-feasibility stage
- Puttalam Project, Sri Lanka – regulatory approval work progressed



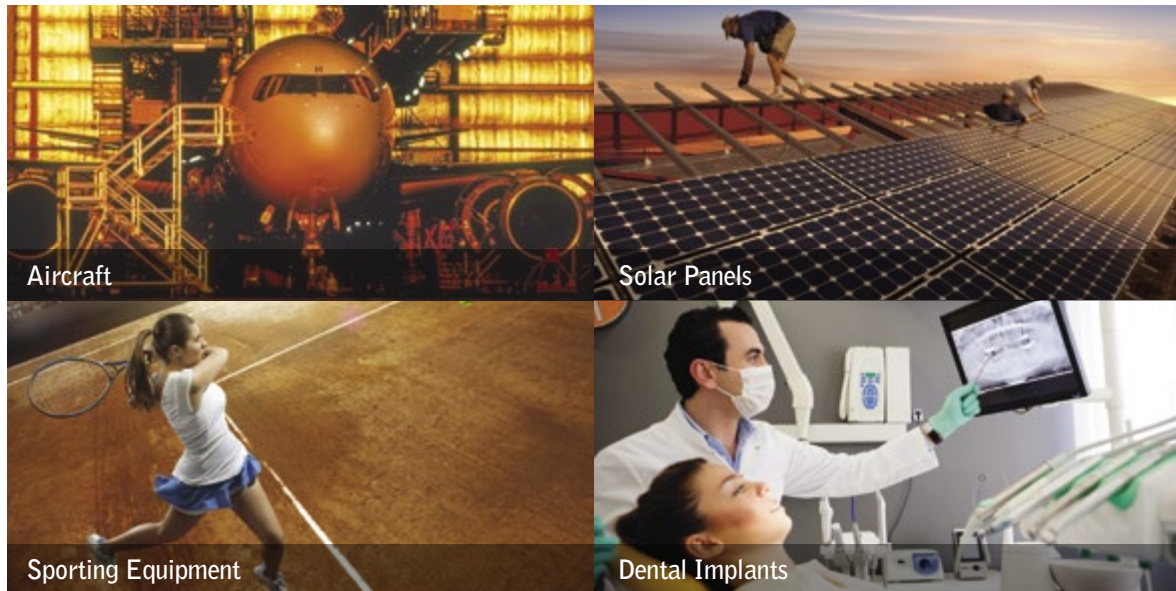
■ Growth options

- 18.3% interest in Metalysis – UK based technology company seeking to commercialise titanium powder production
- Phase 1 evaluation of large Tapira deposit, Brazil, with Vale S.A.

In 2014, the mineral sands market continued to display lower demand, with partial signs of demand recovery evident, particularly for high grade titanium feedstocks.

The following outlines features of the high grade titanium dioxide feedstock and zircon markets.

HIGH GRADE TITANIUM DIOXIDE



Principal areas of demand

- main input for pigment, used for paint / paper / plastic – constitutes around 90% of titanium feedstock demand, with demand typically linked to global GDP growth

- titanium metal – typically around 6% of demand

- welding (flux) – typically around 4% of demand

Factors influencing demand in 2014

- high pigment inventories reduced demand for Iluka high grade feedstocks, as was the case in 2013
- positive industry trends for demand recovery:
 - pigment inventories drawn down to more 'normal' levels
 - chloride pigment producer capacity utilisation rates increased
 - some major producers reported utilisation rates of 85%
 - 2014 final year of "legacy" priced contracts – often preferred to Iluka products
- supply restraint displayed by major producers – gradual drawdown of feedstock inventories
- weaker demand in titanium metal market and welding market demand uneven

Supply position

- major titanium feedstock producers reduced output by an estimated 20 per cent compared to 2012
- Iluka continued production constraint in 2014:
 - built inventory of rutile and rutile rich concentrate given phasing of mining operations
 - idled all synthetic rutile capacity and drew down from inventory
- limited new high grade titanium dioxide products entered the market

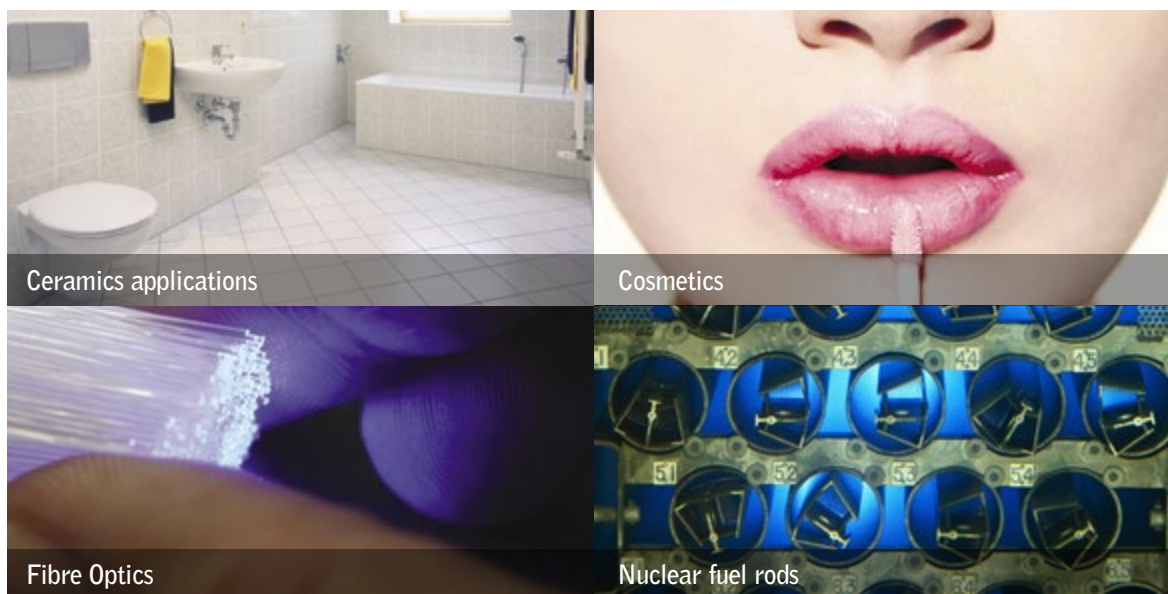
Iluka price trends

- after initial declines in early 2014, Iluka's weighted average received prices were relatively stable
- weighted average annual rutile price of US\$777/tonne FOB (2013: US\$1,069)
- weighted average annual synthetic rutile price of US\$750/tonne FOB (2013: US\$1,150)

Outlook

- 2015 northern hemisphere painting season will influence high grade titanium dioxide feedstock demand recovery trend
- positive indicators include:
 - increased customer interest in securing high grade volumes
 - synthetic rutile kiln reactivation
 - rutile supply may be constrained in 2015
- some new high grade titanium feedstock production will become evident in the short term
 - already committed new projects ramp up
- medium term, declining grades and assemblages may tighten supply of high grade titanium feedstocks
- China trend to chloride pigment provides supply opportunity for Iluka

ZIRCON



Principal areas of demand

- ceramics – represent around 50% of demand, historically grown at or above GDP growth rates

- foundry and refractories – represent around 25% of demand

- zirconium chemicals – represent around 20% of demand

Factors influencing demand in 2014

- stable demand overall – similar to 2013 levels
- varying demand across regions
- China demand relatively robust
- zirconium chemicals market (China) displayed demand recovery in second half
- robust North American market reflecting US industrial production and manufacturing strength
- weak European demand and lack of growth in its exports markets
- other Asian market demand generally subdued
- zircon inventories directly downstream of Iluka appear modest

Supply position

- Iluka continued to produce zircon at reduced levels
- Indonesian supply from artisanal miners remained significantly lower than pre-2013 levels
- no material new supply entered the market

Iluka price trends

- weighted average zircon price relatively stable throughout year
- product mix, including increased sales of standard grade zircon, influenced Iluka price outcome
- weighted annual average received zircon price of US\$1,033/tonne (2013:US\$1,150)

Outlook

- demand recovery to “trend” expected to be influenced by global and regional economic settings
- minimal inventories through the chain – progressive work down of producer inventories expected
- some new zircon supply is expected in 2015
- positive demand fundamentals - urbanisation, consumption lead growth, increasing array of end uses

MINERAL SANDS REVENUE	MINERAL SANDS EBITDA	MINING AREA C EBITDA	GROUP EBITDA																																																												
\$725 million	\$239 million	\$67 million	\$257 million (including Mining Area C)																																																												
▼ 5%	▼ 4%	▼ 24%	▼ 13%																																																												
<p>\$m</p> <table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr> <tr><th>Revenue (\$m)</th><td>874.4</td><td>1,536.7</td><td>1,069.8</td><td>763.1</td><td>724.9</td></tr> </table>	Year	2010	2011	2012	2013	2014	Revenue (\$m)	874.4	1,536.7	1,069.8	763.1	724.9	<p>\$m</p> <table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr> <tr><th>EBITDA (\$m)</th><td>250.2</td><td>925.9</td><td>726.0</td><td>249.0</td><td>238.6</td></tr> <tr><th>EBITDA Margin (%)</th><td>28.6%</td><td>60.3%</td><td>67.9%</td><td>32.6%</td><td>32.9%</td></tr> </table>	Year	2010	2011	2012	2013	2014	EBITDA (\$m)	250.2	925.9	726.0	249.0	238.6	EBITDA Margin (%)	28.6%	60.3%	67.9%	32.6%	32.9%	<p>\$m</p> <table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr> <tr><th>EBITDA (\$m)</th><td>76.3</td><td>88.5</td><td>72.7</td><td>88.3</td><td>66.8</td></tr> </table>	Year	2010	2011	2012	2013	2014	EBITDA (\$m)	76.3	88.5	72.7	88.3	66.8	<p>\$m</p> <table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr> <tr><th>EBITDA (\$m)</th><td>305.1</td><td>979.3</td><td>748.8</td><td>295.2</td><td>257.0</td></tr> <tr><th>EBITDA Margin (%)</th><td>32.1%</td><td>60.3%</td><td>65.5%</td><td>34.7%</td><td>32.5%</td></tr> </table>	Year	2010	2011	2012	2013	2014	EBITDA (\$m)	305.1	979.3	748.8	295.2	257.0	EBITDA Margin (%)	32.1%	60.3%	65.5%	34.7%	32.5%
Year	2010	2011	2012	2013	2014																																																										
Revenue (\$m)	874.4	1,536.7	1,069.8	763.1	724.9																																																										
Year	2010	2011	2012	2013	2014																																																										
EBITDA (\$m)	250.2	925.9	726.0	249.0	238.6																																																										
EBITDA Margin (%)	28.6%	60.3%	67.9%	32.6%	32.9%																																																										
Year	2010	2011	2012	2013	2014																																																										
EBITDA (\$m)	76.3	88.5	72.7	88.3	66.8																																																										
Year	2010	2011	2012	2013	2014																																																										
EBITDA (\$m)	305.1	979.3	748.8	295.2	257.0																																																										
EBITDA Margin (%)	32.1%	60.3%	65.5%	34.7%	32.5%																																																										
<p>Lower mineral sands revenue mainly reflects lower received prices year-on-year as demonstrated by the average revenue per tonne of Z/R/SR \$1,030 per tonne compared with \$1,173 per tonne in 2013. The revenue per tonne is mainly due to the moderation in high grade titanium dioxide prices, and some sales mix factors (higher sales of lower grade HyTi and standard grade zircon).</p>	<p>Lower EBITDA is primarily due to lower revenue. Production cash costs were marginally higher during the year. Overall production costs were \$381.9 million (1.5% higher than 2013), despite a 13.5% increase in Z/R/SR production.</p> <p>Iluka continues to demonstrate a solid EBITDA margin.</p>	<p>Iluka's Mining Area C iron ore royalty contributed \$66.8 million in 2014, compared with \$88.3 million in 2013, with higher sales volumes offset by lower iron ore prices.</p>	<p>Lower Group EBITDA reflects factors referred to previously.</p>																																																												
<p>EBITDA ■</p> <p>EBITDA Margin ■</p>	<p>EBITDA ■</p> <p>EBITDA Margin ■</p>	<p>EBITDA ■</p> <p>EBITDA Margin ■</p>	<p>EBITDA ■</p> <p>EBITDA Margin ■</p>																																																												

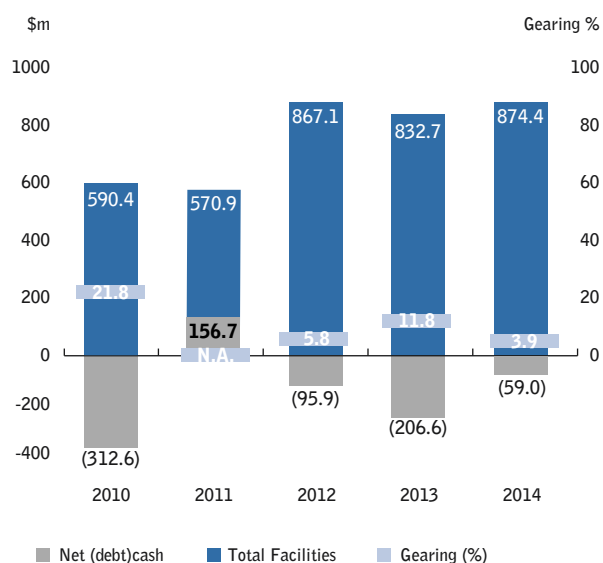
BALANCE SHEET AND CAPITAL MANAGEMENT

As at 31 December 2014 Iluka had total facilities of ~A\$850 million plus US\$20 million of Private Placement Notes.

Iluka had A\$708 million undrawn as at 31 December 2014 and cash at bank of A\$101.3 million. Net debt at 31 December 2014 was A\$59.0 million with a gearing (net debt/net debt + book equity) of 3.9 per cent. During the year Iluka extended the maturity of A\$625 million of the A\$800 million credit facilities under the Multi Option Facility Agreement and increased the facility by A\$50 million.

A\$175 million of facilities mature in April 2017 and A\$675 million in April 2019. The US\$20 million of Private Placement notes are due for repayment in June 2015.

DEBT, GEARING AND FACILITIES PROFILE



PROFIT/(LOSS) AFTER TAX	CASH FLOW	NET DEBT (CASH)	ROC AND ROE																																																																		
\$(63) million	\$255 million	\$59 million	(2)% ROC (4)% ROE																																																																		
▼	▲ 105%	▼ 71%	▼																																																																		
<p>\$m</p> <table border="1"> <tr><th>Year</th><th>Profit/(Loss) After Tax (\$m)</th></tr> <tr><td>2010</td><td>36.1</td></tr> <tr><td>2011</td><td>541.8</td></tr> <tr><td>2012</td><td>363.2</td></tr> <tr><td>2013</td><td>18.5</td></tr> <tr><td>2014</td><td>(62.5)</td></tr> </table>	Year	Profit/(Loss) After Tax (\$m)	2010	36.1	2011	541.8	2012	363.2	2013	18.5	2014	(62.5)	<p>\$m</p> <table border="1"> <tr><th>Year</th><th>Operating Cash Flow (\$m)</th><th>Free Cash Flow (\$m)</th></tr> <tr><td>2010</td><td>163.6</td><td>60.7</td></tr> <tr><td>2011</td><td>706.2</td><td>589.6</td></tr> <tr><td>2012</td><td>368.7</td><td>81.2</td></tr> <tr><td>2013</td><td>124.0</td><td>(27.5)</td></tr> <tr><td>2014</td><td>254.8</td><td>196.3</td></tr> </table>	Year	Operating Cash Flow (\$m)	Free Cash Flow (\$m)	2010	163.6	60.7	2011	706.2	589.6	2012	368.7	81.2	2013	124.0	(27.5)	2014	254.8	196.3	<p>\$m</p> <table border="1"> <tr><th>Year</th><th>Net Debt (\$m)</th><th>Gearing %</th></tr> <tr><td>2010</td><td>(312.6)</td><td>21.8%</td></tr> <tr><td>2011</td><td>156.7</td><td>n/a</td></tr> <tr><td>2012</td><td>(95.9)</td><td>5.8%</td></tr> <tr><td>2013</td><td>(206.6)</td><td>11.8%</td></tr> <tr><td>2014</td><td>(59.0)</td><td>3.9%</td></tr> </table>	Year	Net Debt (\$m)	Gearing %	2010	(312.6)	21.8%	2011	156.7	n/a	2012	(95.9)	5.8%	2013	(206.6)	11.8%	2014	(59.0)	3.9%	<p>%</p> <table border="1"> <tr><th>Year</th><th>Return on Capital (%)</th><th>Return on Equity (%)</th></tr> <tr><td>2010</td><td>5.0</td><td>3.2</td></tr> <tr><td>2011</td><td>54.9</td><td>42.5</td></tr> <tr><td>2012</td><td>31.3</td><td>23.2</td></tr> <tr><td>2013</td><td>2.2</td><td>1.2</td></tr> <tr><td>2014</td><td>(4.1)</td><td>(2.0)</td></tr> </table>	Year	Return on Capital (%)	Return on Equity (%)	2010	5.0	3.2	2011	54.9	42.5	2012	31.3	23.2	2013	2.2	1.2	2014	(4.1)	(2.0)
Year	Profit/(Loss) After Tax (\$m)																																																																				
2010	36.1																																																																				
2011	541.8																																																																				
2012	363.2																																																																				
2013	18.5																																																																				
2014	(62.5)																																																																				
Year	Operating Cash Flow (\$m)	Free Cash Flow (\$m)																																																																			
2010	163.6	60.7																																																																			
2011	706.2	589.6																																																																			
2012	368.7	81.2																																																																			
2013	124.0	(27.5)																																																																			
2014	254.8	196.3																																																																			
Year	Net Debt (\$m)	Gearing %																																																																			
2010	(312.6)	21.8%																																																																			
2011	156.7	n/a																																																																			
2012	(95.9)	5.8%																																																																			
2013	(206.6)	11.8%																																																																			
2014	(59.0)	3.9%																																																																			
Year	Return on Capital (%)	Return on Equity (%)																																																																			
2010	5.0	3.2																																																																			
2011	54.9	42.5																																																																			
2012	31.3	23.2																																																																			
2013	2.2	1.2																																																																			
2014	(4.1)	(2.0)																																																																			
<p>The recorded loss is inclusive of a non-cash impairment charge of \$86.5 million after tax, relating to a decision which may entail the cessation of mining in the United States in 2015.</p>	<p>Full year free cash flow was \$196.3 million, compared to a 2013 outflow of \$27.5 million. 2014 free cash flow benefitted from new receivables monetisation facilities.</p>	<p>Net debt reduced from \$206.6 million to \$59.0 million, associated with free cash flow generation. The gearing ratio at 31 December was 3.9%.</p>	<p>The reported loss impacted return on capital (ROC) and return on equity (ROE).</p>																																																																		
<p>Operating Cash Flow ■</p> <p>Free Cash Flow ■</p>	<p>Net Debt ■</p> <p>Gearing % ■</p>	<p>Return on Equity ■</p> <p>Return on Capital ■</p>																																																																			

Dividend framework and approach

Iluka's dividend framework is to pay a minimum of 40 per cent of free cash flow. The Company also seeks to distribute the maximum franking credits practicable.

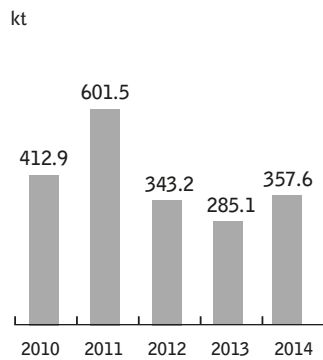
From the end of 2010 and inclusive of the final 2014 dividend, Iluka has paid out a cumulative 68 per cent of free cash flow or \$610 million. As can be observed above, Iluka has reduced its debt materially over this period.

Distribution Metrics	Free Cash Flow	Cash Flow/Net Profit After Tax
Full year pay out ratio (%)	40	n/a
Cumulative dividend pay out ratio (2010 – 2014) (%)	68	68
Cumulative retained free cash flow (2010 – 2014) (\$m)	290	n/a

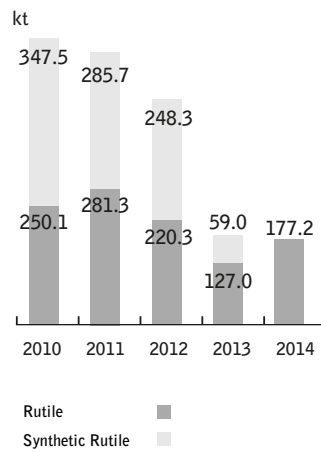
Production volumes

Annual production of zircon, rutile, synthetic rutile (Z/R/SR) was 535 thousand tonnes, compared with 471 thousand tonnes in 2013. Higher production reflects an increase in zircon and rutile production, offset by no production of synthetic rutile during the year, associated with the idling of all kilns. Iluka's production levels remain below usual higher cycle conditions, associated with the Company's approach to flex production and supply to market demand.

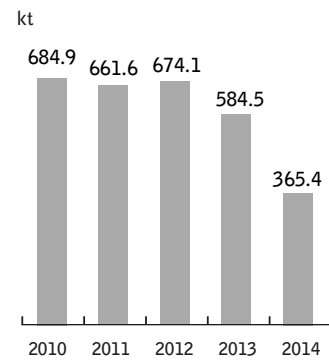
ZIRCON



RUTILE AND SYNTHETIC RUTILE



ILMENITE*



* Includes chloride ilmenite and sulphate ilmenite for external sales and for internal synthetic rutile production

Sales volumes

Sales volumes of Z/R/SR increased 5 per cent year on year to 616 thousand tonnes (2013: 584 thousand tonnes). The sales volume mix reflects areas of lower global demand for zircon year on year, and recovering demand for high grade titanium dioxide feedstocks.

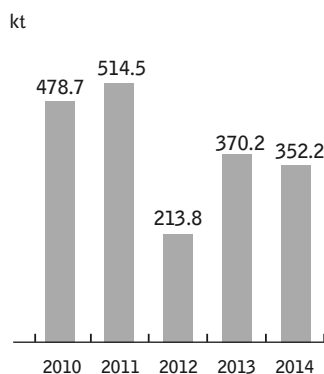
Zircon

Zircon sales were marginally lower than 2013 levels, at 352 thousand tonnes (2013: 370 thousand tonnes) and in line with 2014 production levels (358 thousand tonnes). This mainly reflects weak demand in Europe, the Middle East and India, with China and North American demand at similar levels to 2014.

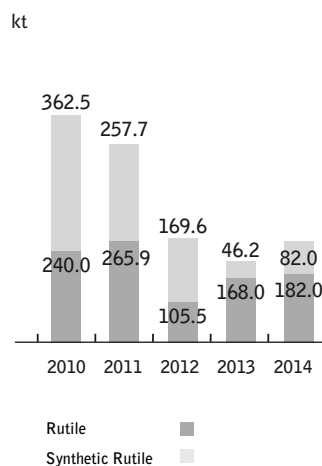
Rutile sales (which include a lower titanium dioxide content HyTi product) were 182 thousand tonnes (2013: 168 thousand tonnes) and synthetic rutile sales were 82 thousand tonnes (2013: 46 thousand tonnes).

Sales of ilmenite in 2014 were 317 thousand tonnes (2013: 338 thousand tonnes).

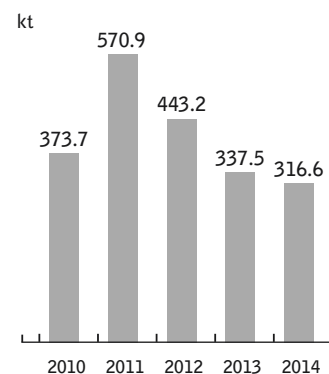
ZIRCON



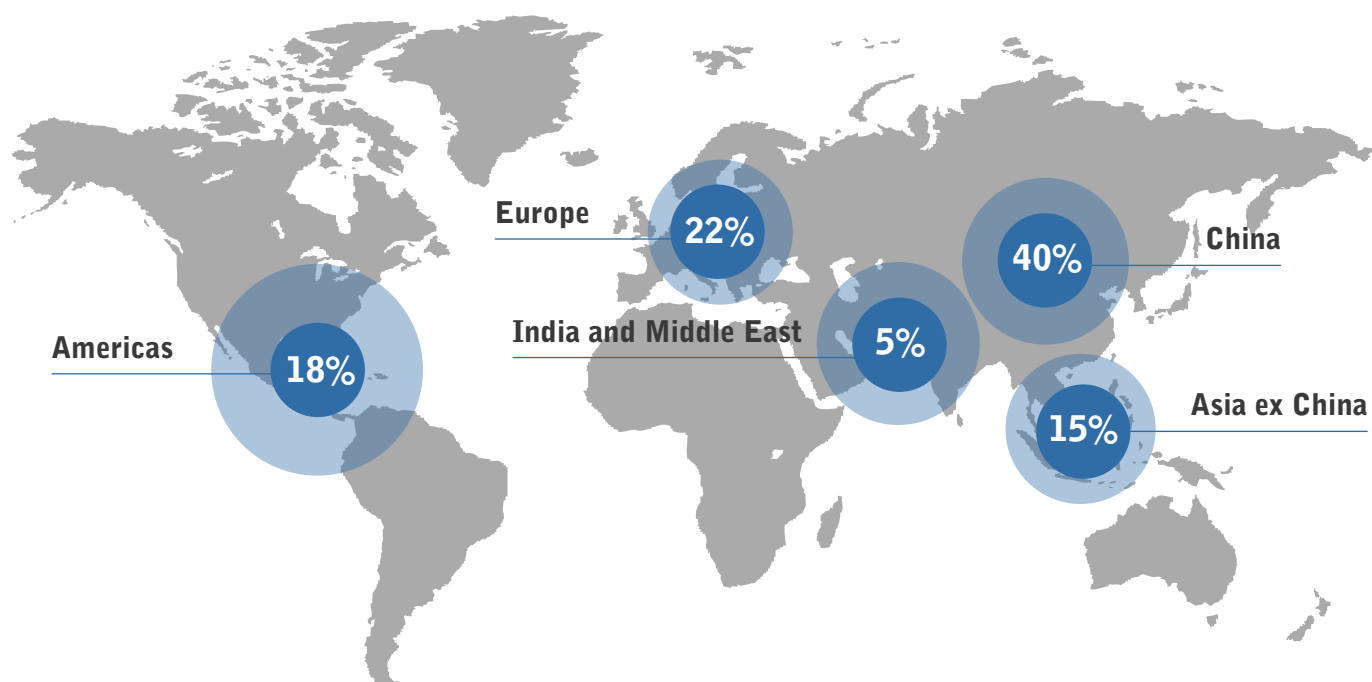
RUTILE AND SYNTHETIC RUTILE



ILMENITE



Total mineral sands revenue by region



Weighted average prices

Iluka weighted average prices US\$/tonne FOB	2010	2011	2012	2013	2014
Zircon	880	1,886	2,080	1,150	1,033
Rutile	550	1,174	2,464	1,069	777
Synthetic rutile	450	878	1,771	1,150	750
Iluka revenue per tonne of Z/R/SR sold (A\$/tonne)	809	1,480	1,191	1,173	1,030

Iluka's prices vary by product specification, and by customer and volume arrangements. Weighted average received prices reflect this mix, which can vary period to period.

The following table provides a summary of Iluka's Ore Reserves and Mineral Resources as at 31 December 2014. Iluka's complete Ore Reserves and Mineral Resources statement, reported in accordance with the JORC Code (2012 Edition), is available on pages 157 to 161.

Summary Ore Reserves

In Situ Heavy Mineral	Tonnes (millions)
Opening Reserves 2014	26.6
Production/Depletions	(1.6)
New Ore Reserves/Adjustments	(0.1)
Closing Ore Reserves	24.9
Ore Reserves Net Change	(1.8)

Summary Mineral Resources

In Situ Heavy Mineral	Tonnes (millions)
Opening Mineral Resources 2014	178.7
Production/Depletions	(1.6)
New Mineral Resources/Adjustments	(0.6)
Closing Mineral Resources	176.4
Mineral Resources Net Change	(2.3)

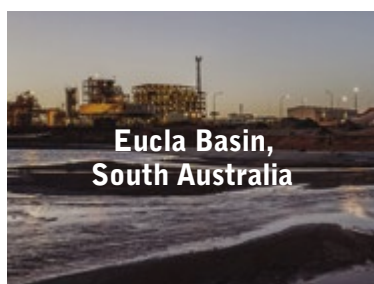
Totals may not add due to rounding

Ore Reserves decreased by 1.8 million tonnes of heavy mineral, following mining depletion and adjustments.

Mineral Resources decreased by 2.3 million tonnes of heavy mineral, net of mining depletion and adjustments (sale, relinquishment, exploration discovery and development and write-downs).

Ore Reserves Cover (Ore Reserves divided by annual depletion) is approximately 15 years at 2014 depletion rates (a lower than usual year of depletions), while the amount of Mineral Resources (which is inclusive of Ore Reserves) is approximately 7 times the Ore Reserve level. The movement in Ore Reserves and Mineral Resources are described on the next page.

Ore Reserve/Mineral Resource movements



Eucla Basin Ore Reserves decreased by 0.6 million tonnes of heavy mineral, principally associated with mining depletion from the Jacinth deposit and write-offs. Eucla Basin Mineral Resources decreased by 0.6 million tonnes of heavy mineral, principally associated with mining depletion from the Jacinth deposit and write-offs.



Ore Reserves decreased by 1.1 million tonnes of heavy mineral due to mining depletion at the Wornack, Rownack and Pirro deposits (1.0 million tonnes of heavy mineral) and write-offs.

Mineral Resources decreased by 1.3 million tonnes of heavy mineral with mining depletions and write-offs for finalised mining operations (0.3 million tonnes of heavy mineral).



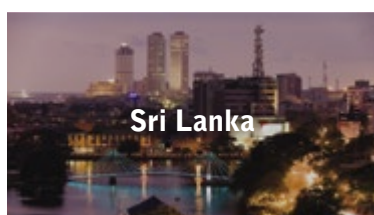
Ore Reserves in the Perth Basin did not change due to the idling of Eneabba (March 2013) and Tutunup South (June 2013).

Perth Basin Mineral Resources decreased by 0.4 million tonnes due to write-offs.



Ore Reserves in the United States decreased by 0.1 million tonnes of heavy mineral. Mining depletion (0.2 million tonnes) and write-downs were offset slightly by 0.1 million tonnes of increased ore reserves at the Brink operation.

Mineral Resources decreased marginally. Mining depletions were almost offset by increased resources at the Brink operation.



There were no changes recorded for Sri Lanka.

Production settings

The following chart covers Iluka's production settings in 2013 and 2014, along with expected production settings in 2015. Iluka's approach is to adjust production in light of market conditions. For this reason, the Company has been operating at lower than usual operating rates. The Company

has the ability to rapidly reactivate production in light of demand recovery and the progressive drawdown of inventory levels. Iluka's production response to lower market demand conditions has been associated with a cash conservation focus.

	2013	2014	2015
Murray Basin Mining Woornack, Rowanack, Pirro Mine (WRP)	100% Utilisation		Mine idled March Concentrate continues to be processed
Hamilton MSP	~50% Utilisation	~80% Utilisation	~70% Utilisation
Jacynth-Ambrosia Mining	100% Utilisation		
Narngulu MSP	~40% Utilisation	~50% Utilisation	~50% Utilisation
Tutunup South Mining	Idled June	Idled	Restart February
SR2 Kiln	Idled June	Idled	Restart April
3 other Kilns	Idled previous years		Idle
US Mining (Virginia)	Near full utilisation	Idling Concorde mine end February; Brink mining to continue	Brink mining continues
Stony Creek MSP	~80% Utilisation	Feed dependent 50% Utilisation	Feed dependent 70% Utilisation

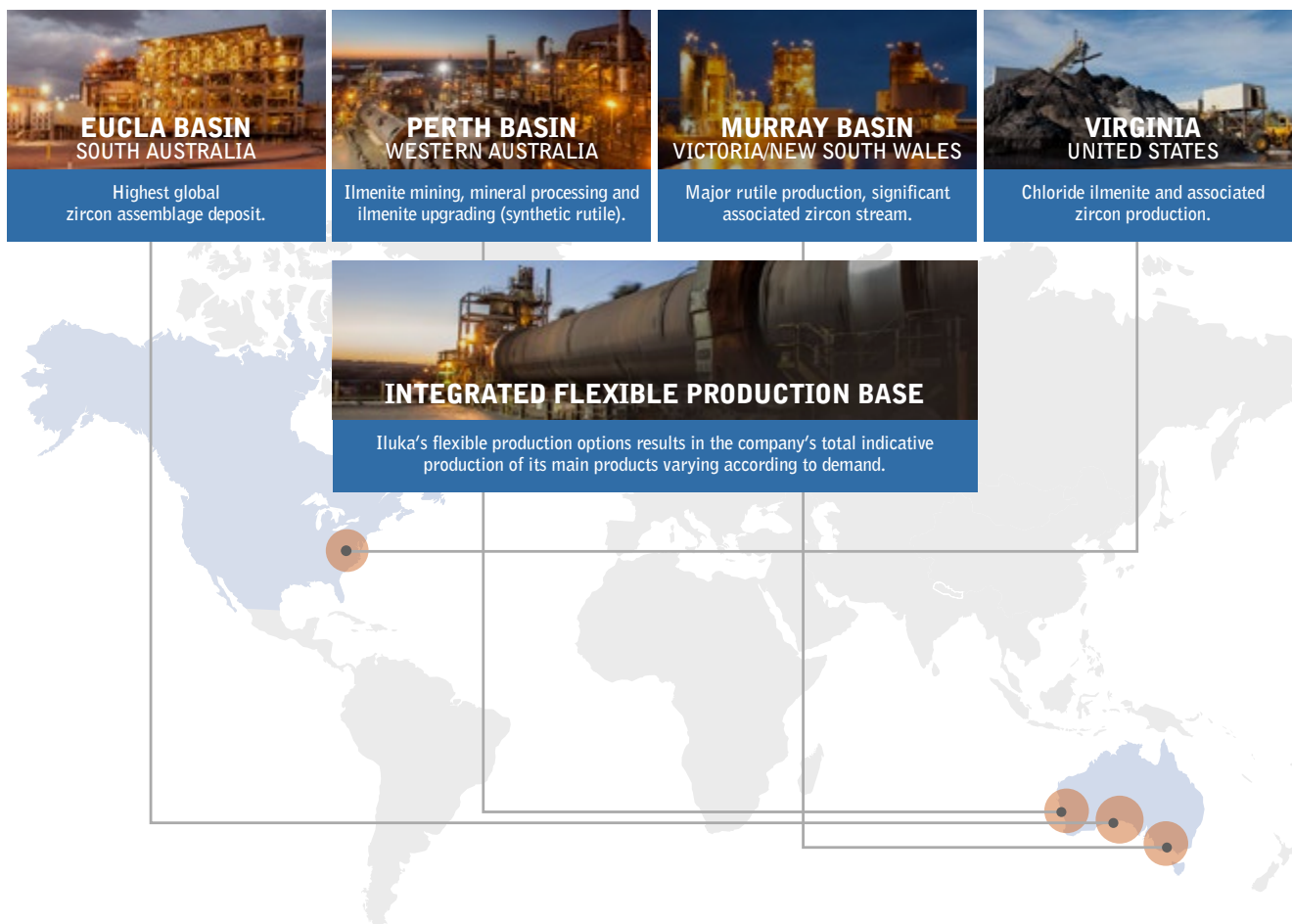
Notes:

2015 operating regimes dependent on market demand conditions. * MSP – mineral separation plant.

Iluka operations – 2013 and 2014 production levels

Production	2013	2014
	kt	kt
Australian operations		
Eucla / Perth Basins		
Zircon	186	240
Rutile	33	30
Synthetic rutile	59	0
Ilmenite	211	103
Murray Basin		
Zircon	60	93
Rutile	94	148
Ilmenite	184	168
Australian operations total		
Zircon	246	333
Rutile	127	177
Synthetic rutile	59	0
Ilmenite	395	271
United States operation		
Zircon	40	25
Ilmenite	190	95

Note: Numbers are rounded to nearest whole number.



Operational commentary

Australia

- Iluka operated its two Australian mineral separation plants at lower than usual utilisation levels, in light of market conditions.
- Murray Basin mineral separation plant utilisation was ~80 per cent, with concentrate from the Jacinth-Ambrosia mining operation in South Australia in the plant blend (at up to 30 per cent) to improve operational efficiencies.
- Mining in the Murray Basin at the Woonack, Rownack, Pirro deposits continued, with this mining to reach the end of its economic life in the first quarter of 2015. Both finished product and concentrate inventory has been built to supply the market prior to the planned commencement of the next mining operation – Balranald, New South Wales.
- The Jacinth-Ambrosia mine operated throughout the year; concentrate inventory levels year on year increased associated with full mining utilisation.
- All synthetic rutile kiln activity was idle in 2014, with the largest kiln (SR2) to recommence production in the second quarter of 2015. Synthetic rutile product during the year was supplied from inventory.
- Mining at the Tutunup South mine in the South West, Western Australia remained idled, but with mining recommenced in February 2015.

Virginia, United States of America

- Concord mine in Virginia (one of two chloride Iluka ilmenite mines in the US) was idled in February, given sufficient ilmenite from inventory and the Brink mine to meet expected market demand.
- The mineral separation plant at Stony Creek, Virginia operated at ~50 per cent utilisation.
- Iluka announced in December 2014 that the idling of the Virginia operations is likely in 2015.



Cash costs of production

Iluka has significantly reduced total cash costs of production associated with its approach to flexing production in light of market demand. Given the fixed cost element of the business, there is some inefficiency introduced in terms of unit cash costs of production. In 2014 total cash costs were only marginally higher than 2013, despite 13.5 per cent higher production of Z/R/SR. With the reactivation of production, total cash costs of production may increase, but unit cash costs are expected to reduce.

		2010	2011	2012	2013	2014
Total Z/R/SR production	kt	1010.5	1168.5	811.8	471.1	534.8
Total cash costs of production	\$m	543.8	628.9	583.5	376.1	381.9
Unit cash costs per tonne of Z/R/SR produced	\$/tonne	538	538	719	798	714
Unit cash costs excluding by-product costs per tonne of Z/R/SR produced	\$/tonne	538	537	709	757	668
Revenue per tonne of Z/R/SR sold	\$/tonne	809	1480	1191	1173	1030

* Iluka incurs cost, and generates revenue, from the production and sale of ilmenite concentrate and the by-products of activated carbon and iron oxide. Unit cash costs are shown above for zircon/rutile/synthetic rutile (Z/R/SR) inclusive of and excluding these costs.

An aerial night photograph of a city skyline, likely Shanghai, featuring several prominent skyscrapers with glowing windows and facades. The buildings are illuminated with various colors, including blue, green, and yellow. In the foreground, a complex highway interchange is visible with light trails from traffic. The overall scene is a vibrant, high-angle view of a modern urban environment at night.

MARKETING AND SALES

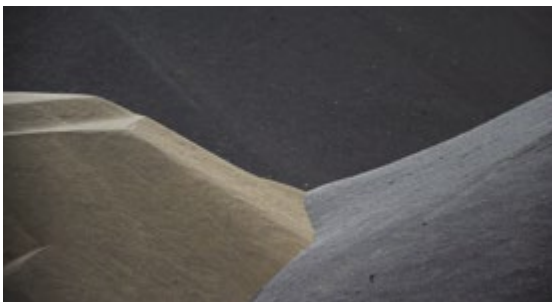
CREATING AND DELIVERING SHAREHOLDER VALUE

Iluka's sales and marketing function continued to evolve to better service customer needs and expand Iluka's global market presence. Key features are indicated on these pages.



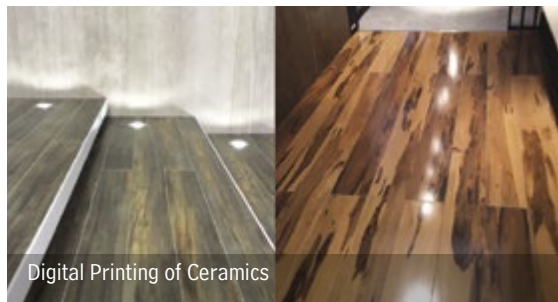
Legend

- Warehouse and small lot distribution facility
- Corporate/marketing/exploration offices



FULL RANGE OF QUALITY PRODUCTS

Iluka provides a full range of titanium dioxide grade feedstocks as well as zircon products for all applications. In total the Company has 53 products with different technical specifications. This includes 18 different specifications of zircon products. During the last 18 months, the Company launched 8 new products, designed to meet specific end market applications.



MARKET ANALYSIS

Iluka conducts detailed industry analysis in both the titanium dioxide and zircon markets. In zircon, this has included the completion of a comprehensive ceramic analysis survey, with an updated survey commenced in late 2014. Summary results of the 2013 zircon in ceramics tile survey are available on Iluka's website. Iluka was a founding member of the Zircon Industry Association and is an active participant and supporter of industry initiatives for the research into the unique properties of mineral sands products and their increased applications.



PEOPLE AND PRODUCT CLOSER TO CUSTOMERS

Iluka has an extensive network of warehouses and distribution facilities, with a new centre in Wilmington, North Carolina established in 2014, and a total of 14 global points of product distribution. The Company has marketing and sales offices in 10 locations with a skilled, multi lingual team, speaking 17 languages. Iluka operates 24/7 account and customer relationship management systems.



DEDICATED PRODUCT SALES TEAMS

In 2014, Iluka established separate, dedicated titanium dioxide and zircon sales teams, comprising industry experts, better able to cater for the specific requirements of these two markets and their various end market applications. Iluka also has a mineral sands trading arm.



Artist's impression of the China Technical Centre

CHINA – MARKET DEVELOPMENT

Building on Iluka's established market presence in China, the Company announced the creation of a China Technical Centre, to be operational in 2015. This centre will be staffed by Chinese and international experts with a capability to service both titanium dioxide and zircon customers. With a full service laboratory it will be equipped to provide analysis of products, opacifier tests and includes a chlorinator for feedstock optimisation.



TRACK RECORD OF DELIVERING ON PROMISES

Iluka seeks to be a dependable partner for its customers and the long term growth of their businesses. This is reflected in a variety of ways, including the shipment of all products in 2014 to defined specifications, as well as the Company's longer term commitment through exploration, innovation, research and project development to the continuation of reliable, high quality supply.

Mineral Sands Projects



Iluka has several internal mineral sands projects which are at advanced stages of evaluation, as well as early stage evaluative work, for example, in relation to the Puttalam sulphate ilmenite deposit in Sri Lanka.

The deposits provide the potential for a combination of replacement production as existing operations mature and, in some cases, growth in the production profile. Iluka's approach is to determine the phasing of projects based on market demand conditions and, in some cases, securing appropriate commercial arrangements to underpin all or part of the revenue stream, as well as the completion of appropriate technical and commercial evaluation.

Other criteria Iluka adopts includes the following:

- investments must generate returns above risk weighted hurdle rate;
- investment decision making covers scenarios, not single point views of the future;
- risk assessment plays a major part in the project process;
- a range of measures are assessed (IRR, NPV, payback, margins, ROC, return profiles etc);
- assumptions are conservative, and include line by line contingencies;
- product prices used for project economics are consistent with Iluka's industry analysis, including inducement economics; and
- project timing or phasing is flexible.

Balranald and Nepean, Murray Basin, New South Wales



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

The desposits are a significant potential source of global supply, especially rutile, with material levels of zircon and ilmenite. If approved for development, Balranald will form a major part of Iluka's rutile production following the completion of mining at the Murray Basin deposits of Woorack, Rownack, Pirro, located in Victoria in 2015.

Concentrate produced on site would be transported to Iluka's Hamilton mineral separation plant for processing into final products. The deposits have the potential for approximately eight years of rutile, zircon and associated ilmenite production.

Activities associated with the definitive feasibility study continued through 2014, including an extensive hydrogeological pilot programme, and mining simulation activities which have refined pre-feasibility assumptions. When concluded they will be followed by the detailed engineering required for project execution. Initial test work to better assess the proportion of the ilmenite from Balranald suitable for various downstream processing technologies has been completed with Balranald to produce both chloride and sulphate ilmenite. Iluka completed environmental impact assessments and is preparing the final technical reports for the submission of an Environmental Impact Statement, planned for early 2015. Current technical and financial analyses support the view that financial returns are likely to be above risk weighted hurdle rates and supports continued investment in studies and approval processes.



Catby, Western Australia



The Catby mineral sands deposit, located north of Perth, Western Australia, is a chloride ilmenite deposit that will also produce zircon and rutile.

The heavy mineral concentrate produced at the site would be processed into final products at Iluka's Narngulu mineral separation plant. The chloride ilmenite product will be suitable for both sale or as a feed source for the production of synthetic rutile. The definitive feasibility study for Catby is substantially complete and planning for pre-execute activities and implementation is well advanced. With a decision to recommence synthetic rutile production, it is expected that Catby may be an important source of chloride ilmenite feedstock.

Sonoran, Atacama and Typhoon, Eucla Basin, South Australia



Sonoran, Atacama and Typhoon are satellite deposits in proximity to the Jacinth-Ambrosia operation in the Eucla Basin, South Australia.

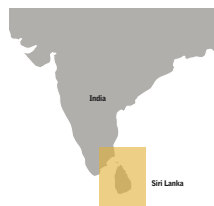
The Sonoran deposit is located approximately 10 kilometres from Jacinth-Ambrosia. The deposits have a more typical mineral sands assemblage, relative to the zircon-rich characteristics of Jacinth and Ambrosia. Chloride ilmenite from these deposits is expected to be suitable as a feed source to Iluka's synthetic rutile kilns or for direct sales. The deposits would also produce zircon. The potential development of one or more of these deposits would represent a brownfield extension, potentially utilising existing wet concentration capacity and transportation logistics at Jacinth-Ambrosia.

A pre-feasibility study has commenced for the potential development of one or more of these deposits.

Hickory, Aurelian Springs, United States

During 2014, the Company progressed work on two potential mineral sand developments in the United States, Hickory (Virginia) and Aurelian Springs (North Carolina). Both deposits are capable of making use of the existing Stony Creek mineral separation plant. Iluka advised in December 2014 that work on these projects has been suspended indefinitely, due to the inability, in the required timeframe, to secure appropriate commercial offtake arrangements to underpin their progression.

Puttalam, Sri Lanka



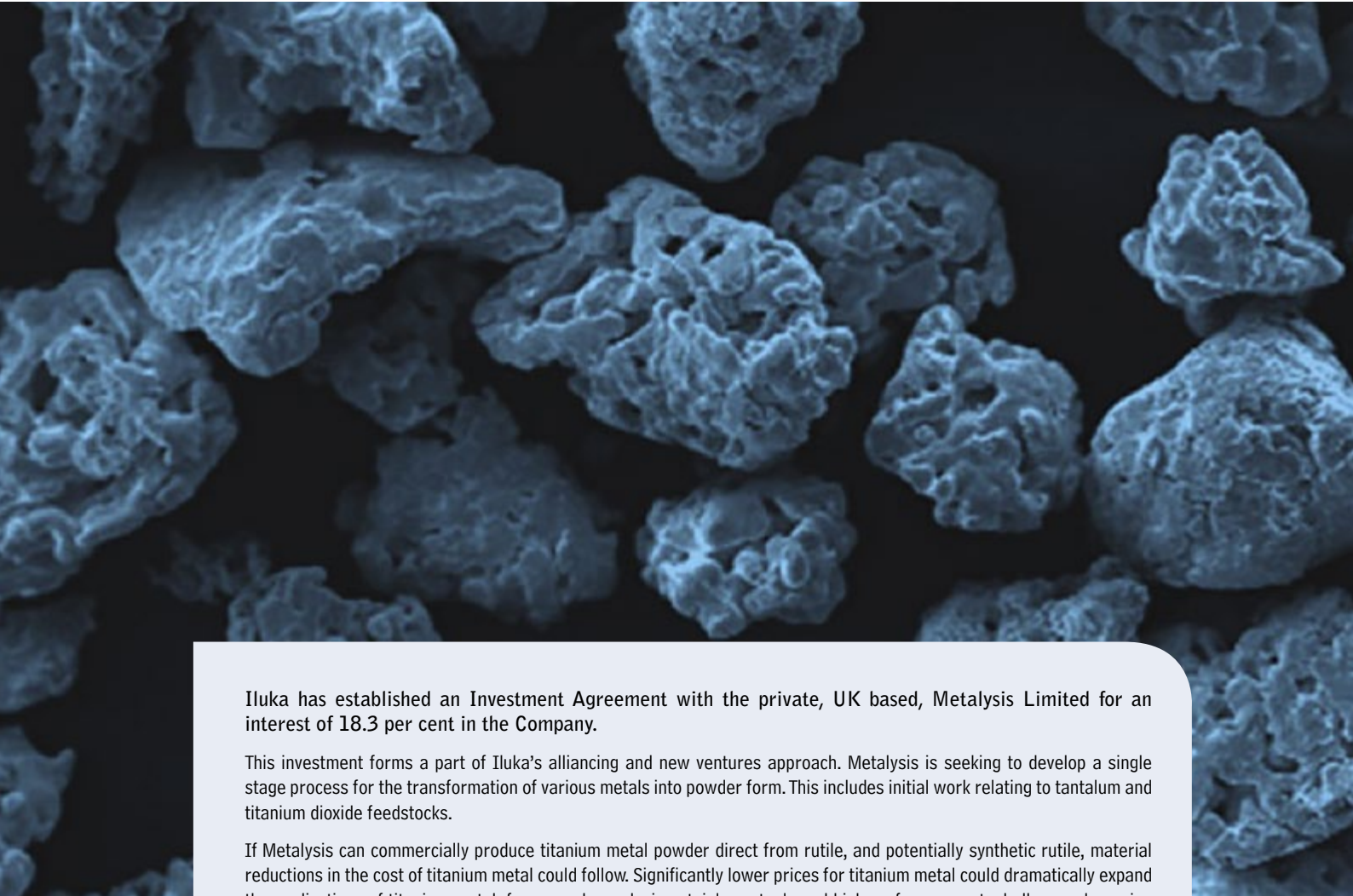
Iluka possesses defined mineral sands resources located in the Puttalam District of the North Western Province of Sri Lanka, near the town of Puttalam.

The Company is evaluating these resources for the potential development of a large conventional sulphate ilmenite mining and processing operation. Options for downstream value adding of minerals in Sri Lanka, including additional investment by Iluka or other parties, are also being assessed as part of this process.

During 2014, Iluka continued discussions with the Sri Lankan Government on an investment agreement covering legal and other terms for the project. Additional exploration activities are ongoing with the aim of adding to the significant resource base. Iluka is expecting to move to scoping study stage in 2015.

Other Growth Options

Metalysis – New Titanium Powder Production Technology



Iluka has established an Investment Agreement with the private, UK based, Metalysis Limited for an interest of 18.3 per cent in the Company.

This investment forms a part of Iluka's alliancing and new ventures approach. Metalysis is seeking to develop a single stage process for the transformation of various metals into powder form. This includes initial work relating to tantalum and titanium dioxide feedstocks.

If Metalysis can commercially produce titanium metal powder direct from rutile, and potentially synthetic rutile, material reductions in the cost of titanium metal could follow. Significantly lower prices for titanium metal could dramatically expand the applications of titanium metal, for example, replacing stainless steels and high performance steel alloys and opening up demand in other markets such as the manufacture of automobiles. The application of titanium powder in 3D printing also presents exciting opportunities. Such developments would be positive for high grade feedstock demand.

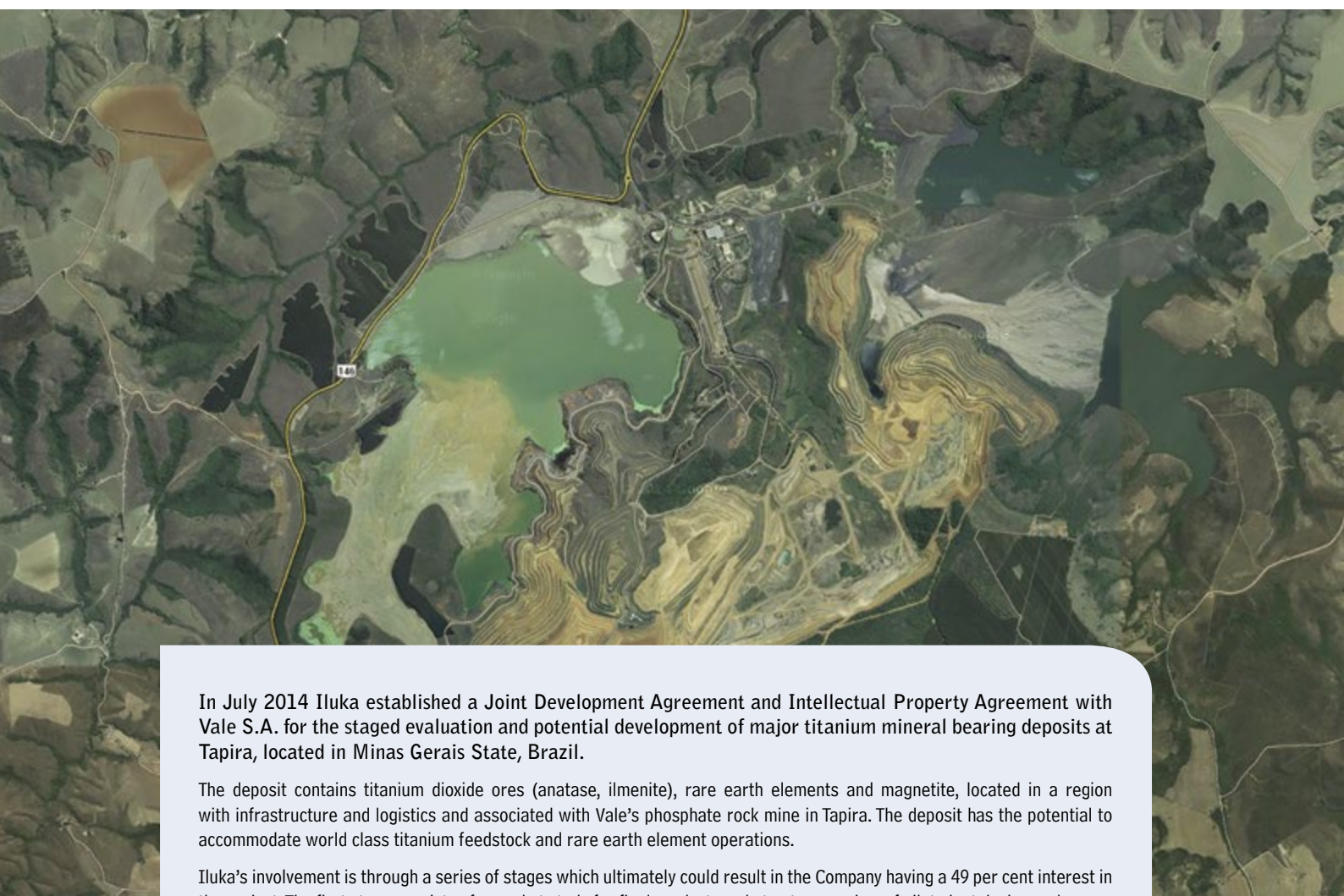
Iluka has one Board seat (a non-executive director of Iluka) and also one observer (an executive).

Iluka is pleased with Metalysis' progress in proceeding towards potential commercialisation and in terms of Iluka's involvement this has included:

- provision of various feedstocks, including synthetic rutile, for testing in a small industrial unit, with valuable information gained which may allow the "customisation" of feedstocks;
- Iluka's involvement in the provision of both technical and project management expertise to assist Metalysis management with their commercialisation activities. This has included reciprocal visits between Metalysis and Iluka's technical teams with a view to sharing knowledge and systems in the development and commercialisation of the Metalysis business.

Iluka has a right to increase its shareholding to between 20 to 24.9 per cent in the event of an Initial Public Offering by Metalysis.

Tapira, Brazil – Large Titanium Mineralisation



In July 2014 Iluka established a Joint Development Agreement and Intellectual Property Agreement with Vale S.A. for the staged evaluation and potential development of major titanium mineral bearing deposits at Tapira, located in Minas Gerais State, Brazil.

The deposit contains titanium dioxide ores (anatase, ilmenite), rare earth elements and magnetite, located in a region with infrastructure and logistics and associated with Vale's phosphate rock mine in Tapira. The deposit has the potential to accommodate world class titanium feedstock and rare earth element operations.

Iluka's involvement is through a series of stages which ultimately could result in the Company having a 49 per cent interest in the project. The first stage consists of a market study for final product market entry, a review of pilot plant design and an ore characterisation study to determine the preferred design before progressing to further stages.

Exploration

During 2014, the Company continued to focus its exploration activities outside of Australia, with work programmes undertaken in the United States, Brazil and with early stage exploration in other countries.

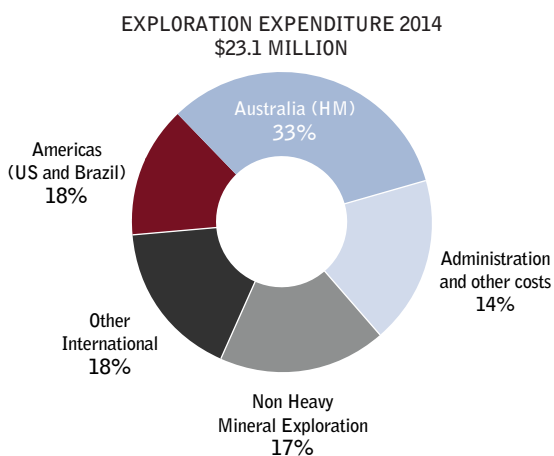


Iluka continues exploration in the Eucla Basin (South Australia) and Murray Basin (Victoria, New South Wales, South Australia), although these are considered mature mineral sands exploration provinces. This was reflected in a reduced level of greenfields drilling activity within these basins. An extensive resource drilling campaign of over 40,000 metres was conducted in the Eucla Basin associated with the Atacama deposit, located near the Jacinth mining and concentrating operation. Australian exploration accounted for 35 per cent of the total exploration and geology expenditure compared to 44 per cent in 2013. International heavy mineral (HM) exploration remained constant at 36 per cent of expenditure.

Iluka recognises the potential for value generation from non-mineral sands deposits on its tenement holdings within Australia and elsewhere. During 2014, Iluka conducted geophysical and geochemical work for nickel, copper and platinum group metals on prospective ground within its licence areas in the Eucla Basin. This work has provided encouraging results for nickel sulphide mineralisation on Iluka's ground and follow up work is being undertaken. Expenditure on non heavy mineral related exploration increased to 17 per cent of total expenditure (from eight per cent in 2013). Iluka also farmed-out a large part of its Eucla Basin tenements to Doray Minerals for gold exploration.

Iluka tenement position at the end of 2014

Region	Approx Sq Km
Eucla Basin (SA)	39,098
Murray Basin (SA, NSW, VIC)	10,057
Perth Basin (WA)	656
Other (SA - Billa Kalina, SVB / WA - Collurabbie, Bremer, Canning)	14,515
Brazil	1,993
Sri Lanka	244
Total	66,563



Australia

Iluka holds the majority of exploration tenements in the Eucla Basin in the same region as the Jacinth-Ambrosia mineral sands operation.

The Company's current mineral resource inventory in the Eucla Basin is 20.9 million tonnes of heavy mineral. In the order of 95 per cent of the total heavy mineral resources discovered in the Eucla Basin are within 15 kilometres of the Jacinth-Ambrosia operation.

2014 exploration activity in the Eucla Basin included:

- a comprehensive review of potential greenfield opportunities within Iluka's tenements, which will lead to more targeted drilling campaigns in 2015;
- over 40,000 metres of in-fill drilling of the Atacama resource as part of the pre-feasibility study for Atacama; and
- the acquisition of additional prospective tenements within the Eucla Basin from Fowler Resources in late 2014.



Iluka's second main area of current exploration commitment is on the Company's Murray Basin tenement holdings across Victoria, eastern South Australia and into the south west portion of New South Wales. The 2014 exploration activities focused on resource definition drilling of the Goshan target near Horsham in Victoria. This drilling was used to collect samples for metallurgical test work on the fine grained heavy mineral found within this target. The basement rocks below the relatively thin cover of sediments were also sampled by this drilling to test for potential porphyry copper mineralisation. Insufficient evidence of this style of mineralisation was found to warrant further drilling work.

Iluka's third area of current exploration commitment is on the Company's Canning Basin tenement holdings across north west Western Australia with a tenement holding area of approximately 2,700 thousand square kilometres in 2014. An additional 7,900 thousand square kilometres were granted to Iluka in late 2014. A large greenfields exploration programme is planned on this new tenement holding in 2015.

In late 2014, Iluka signed a farm-in and joint venture agreement with Astro Resources. Iluka plans to conduct a drilling campaign on the Astro tenements during the first half of 2015.

Sri Lanka

During 2013, Iluka was granted four exploration tenements and acquired all the issued capital of PKD Resources (Pvt) Ltd (PKD), the holder of additional exploration tenements, located near the city of Puttalam in the North Western Province of Sri Lanka. These tenements contain large, mineral sand resources of 688 million tonnes of material at an average Heavy Mineral (HM) grade of 8.2 per cent for 56 million tonnes of HM, using a lower cut-off of 3 per cent HM.

A drilling campaign of 2,000 metres was conducted on the Puttalam resource during 2014. The aim of this work was to confirm previous drill results and collect samples for further metallurgical test work.

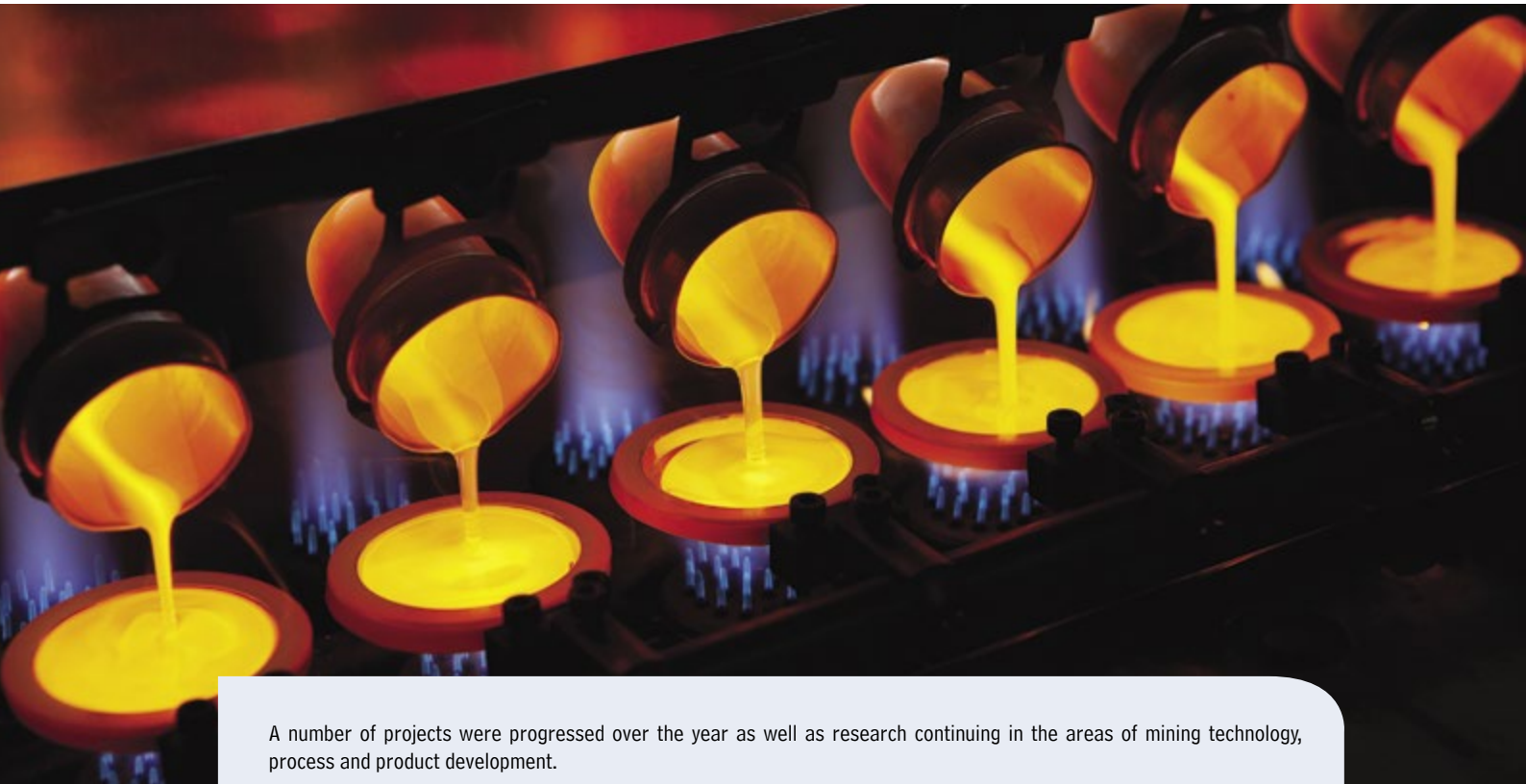
Other international exploration

During 2014, Iluka conducted exploration in the following countries: Brazil, USA, Kazakhstan and Denmark. In Brazil, a number of new exploration tenements were granted in the state of Maranhao. A number of reconnaissance trips and auger drill campaigns were conducted on these tenements as a precursor to a more extensive drilling campaign in 2015. In the USA, 7,200 metres of drilling was conducted on exploration targets in North and South Carolina and Tennessee.

Iluka has been in discussion with the Kazakhstan Government since 2013 concerning the granting of exploration rights to explore for heavy minerals in this country. In November 2014, Iluka signed a memorandum of understanding with the Ministry of Investment and Development regarding on going co-operation between the two parties for the exploration of these minerals. Iluka is expecting to sign agreements with Kazakhstan government agencies in 2015 and to be able to conduct on-ground exploration in Kazakhstan during the year.

Iluka conducted a number of exploration reconnaissance trips to Denmark during 2014. The Company plans to conduct geophysical surveys on target areas in Denmark in early 2015.

Iluka views investment in mineral sands innovation and technology as important to maximising the value created from existing operations, enabling the development of non-traditional mineral sands projects, and introducing new products to enhance customers' production processes and final products and support activity related to Metalysis and the Tapira project in Brazil. The Company has a dedicated team of industry and technical experts.



A number of projects were progressed over the year as well as research continuing in the areas of mining technology, process and product development.

In 2014, Iluka continued the technical evaluation of a high grade sulphate pigment feedstock. Samples of the material were provided to a selection of customers for their initial evaluation with encouraging feedback. As a result of this work, Iluka has developed a significant capability to assess the suitability of minerals to the sulphate pigment process as well as a better understanding of the process for the production of a high grade sulphate pigment feedstock, from multiple ilmenite products.

Other work included research into new mineral sands mining techniques to assist with the development of non-traditional deposits, continued investigation into improved and more cost-effective methods to handle mining by-products, and the continued expansion of capabilities at Iluka's metallurgical testing facility, enabling investigation of a wider range of mineral sands materials and end products including the development and use of new technology.

SUSTAINABILITY

Sustainability at Iluka means integrating economic, environmental and social considerations into business practice, and ensuring safe and responsible conduct underpins everything the Company and its employees do.



Iluka believes in targeting high levels of performance and pursuing leading sustainability practices. The Company's actions reflect values of Commitment, Integrity and Responsibility.

Rehabilitated land at Waroona in the South West of Western Australia.

The long term success of the business relies on attracting, retaining and developing quality people who share the Company's commitment to safe, responsible conduct in all its operations. It also requires sound planning, control and risk management systems and building strong and healthy relationships with stakeholders that are of mutual benefit.

Reporting approach

The 2014 Sustainability section of the Annual Report details the Company's sustainability approach and performance relating to Iluka led exploration activities, projects, operations, rehabilitation sites, facilities and offices globally.

Iluka is seeking to progressively align its reporting with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4, as they relate to its business, its key risks and the stakeholders the Company engages with. The 2014 report addresses the aspects of the business considered the most material and, where practicable, reports against G4 indicators relating to these aspects of Iluka's business.

Materiality

Iluka employs a number of processes for identifying material sustainability aspects, including impact assessments, risk assessments, and ongoing stakeholder engagement. Aspects are considered material if they have the potential to impact the Company's ability to achieve business objectives or are of material concern to stakeholders.

Material aspects

Environment	Health and Safety	Society	Employees
Water	Occupational hygiene and health	Stakeholder engagement	Diversity
Waste	Safety	Grievance management	Talent management
Biodiversity	Radiation	Indigenous people	Employee engagement
Land rehabilitation and closure	Contractor management	Cultural heritage	Volunteering
Energy and carbon	Emergency preparedness	Community partnerships	
		Socio-economic contributions	
		Anti-bribery and corruption	

In 2014 Iluka employed 853 people, with 826 of these working in Australia and the US.



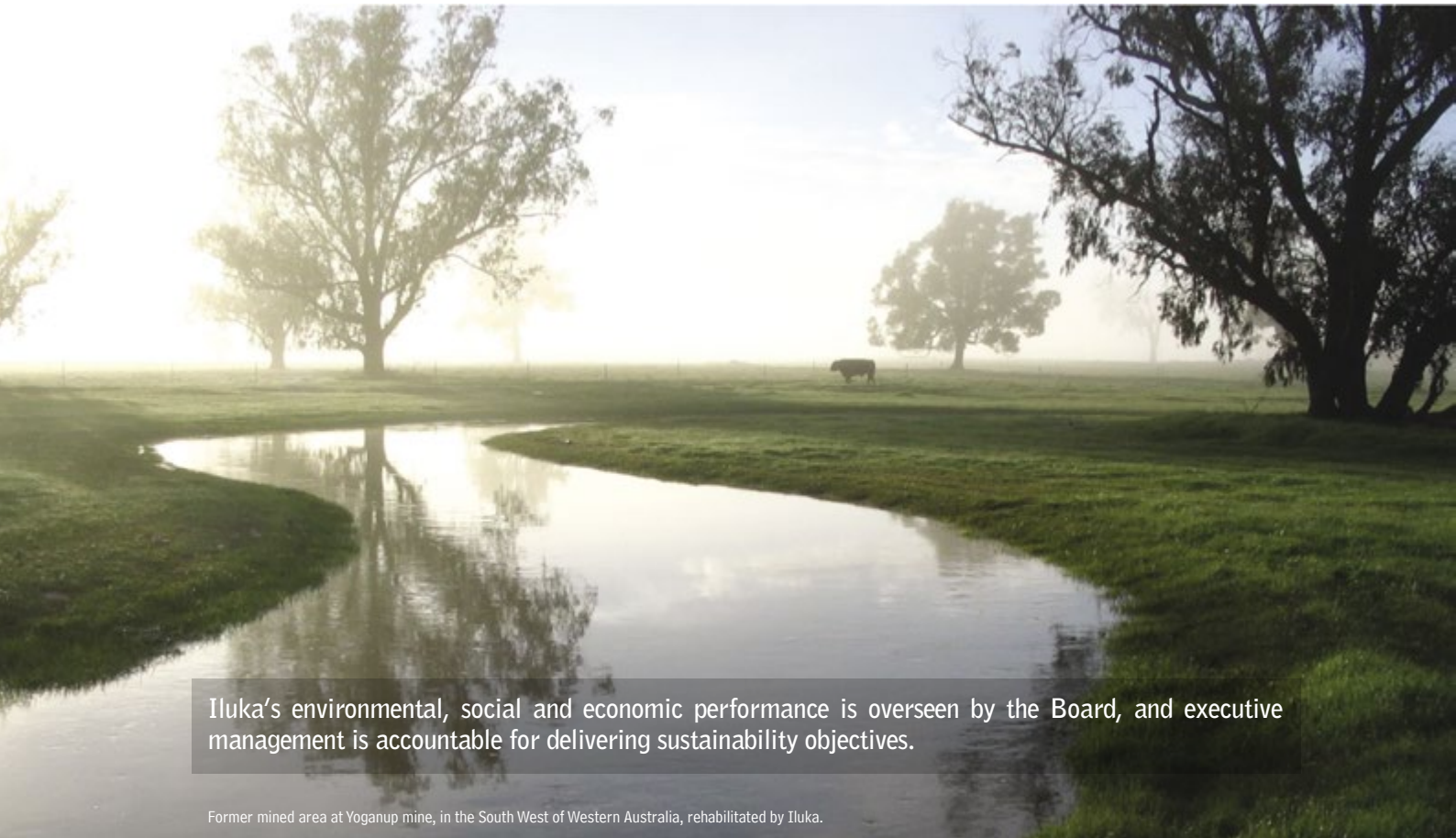
Where Iluka operates

Different sustainability aspects are relevant to Iluka in different locations and at different points in the value chain. As depicted in the accompanying map, all of Iluka's operations and rehabilitation sites are in OECD countries, hence material sustainability aspects are those relevant to these locations.

Iluka also operates warehouse facilities, marketing offices, and exploration sites in several OECD and non-OECD countries; however these are typically staffed with less than 10 people and have a limited sustainability profile.

As the Company advances projects and examines growth opportunities in new locations - through exploration, acquisitions, and joint ventures - risk assessments are undertaken to identify location-specific issues and risks. Iluka's sustainability framework and capabilities will be evaluated in accordance with this to ensure the Company can maintain its commitment to safe and responsible conduct in all operating environments.

Iluka's Approach to Managing Sustainability



Iluka's environmental, social and economic performance is overseen by the Board, and executive management is accountable for delivering sustainability objectives.

Former mined area at Yoganup mine, in the South West of Western Australia, rehabilitated by Iluka.

Both a cultural and a systematic approach are adopted to ensure material sustainability issues are identified, addressed and monitored and that legal obligations are met.

The Iluka Game Plan provides cultural and behavioural alignment and all employees, through their annual performance and development review, are aware of the contribution they are expected to make in the areas of financial performance, sustainability and organisational growth.

A series of policies have been developed to provide clear direction to internal and external stakeholders. These include the Code of Conduct, People Policy, Stakeholder Relations Policy, Environment, Health & Safety Policy, Risk Management Policy and the Anti-bribery, Corruption Policy. These are available on the Iluka website.

Iluka employs and retains sustainability professionals responsible for identification and management of Iluka's sustainability risks, with performance reported to the Board on a monthly basis. Management systems define how the Company will meet sustainability objectives and provide the framework within which its employees and contractors are expected to work. This includes the Environment, Health, Safety Management System (EHSMS) and its suite of standards governing Environment, Health, Safety and Stakeholder Relations.

As well, Iluka's people management practices are governed by the People Management System which incorporates the People Policy, standards, procedures, guidelines and plans. Supported by leadership commitment, it establishes the Company's approach to recruiting, developing and retaining a high performing workforce to achieve Iluka's objectives.

The EHSMS, Stakeholder and People management frameworks provide auditable criteria against which compliance, risk and best practice can be measured. Documented in easy to read language, these frameworks are implemented, maintained and communicated to employees and other relevant stakeholders.

Governance

Iluka is committed to conducting business in accordance with the highest standards of corporate governance to create and deliver value for shareholders.

The Board - comprised of six independent, non-executive directors and one executive director, who is the Managing Director - has established a corporate governance framework which complies with the ASX Corporate Governance Council Principles and Recommendations. This encompasses policies, procedures and charters that support this commitment. The Board has two established committees, the Remuneration and Nomination Committee and the Audit and Risk Committee. Both committees comprise independent, non-executive directors, although the Managing Director participates in his capacity as Chief Executive Officer. The committees function under specific charters approved by the Board.

The Audit and Risk Committee oversees the integrity of financial reporting, the adequacy of risk management processes, internal and external audit functions, treasury and taxation practices, and compliance with regulatory requirements and internal codes of conduct.

The Remuneration and Nomination Committee assist the Board in overseeing the overall remuneration strategy of Iluka and its application to the Managing Director, as well as the selection, remuneration and succession of non-executive directors, and the appointment, performance evaluation and succession of the Managing Director and his direct reports. The Committee also oversees the diversity strategy, policy and practices of Iluka. Further details about the remuneration structure and the remuneration paid to the Directors and Key Management Personnel during the reporting period can be found on pages 61-92 of the Annual report.

As an Australian listed entity, Iluka complies with the Corporations Act 2001 and the Australian Securities Exchange (ASX) Listing Rules, and reports against the ASX Corporate Governance Council's Principles and Recommendations. For Iluka's full Corporate Governance Statement, please refer to the Company's website.

Code of Conduct

Iluka is committed to high standards of conduct and has adopted a Code of Conduct, underpinned by Iluka's values of Commitment, Integrity and Responsibility, that identifies the standard of behaviour and business practice expected of all Iluka employees and contractors. In addition, the Board has adopted a Directors' Code of Conduct which establishes standards for the professional conduct for directors.

The Code of Conduct is supported by Iluka's Whistleblower Procedure, which documents Iluka's process for all employees, directors, and contractors to raise concerns regarding any misconduct that they believe constitutes a breach of the Code of Conduct, Iluka's policies or the law. This procedure sets

out a mechanism by which employees can confidently, and anonymously, raise concerns without fear of discriminatory treatment, recrimination or reprisal, and with an assurance of Iluka's commitment to investigate and address matters raised.

Copies of the Code of Conduct, Directors' Code of Conduct and the Whistleblower Procedure can be found in the Governance section of the Iluka website.

Bribery and corruption

Iluka has zero tolerance for bribery or corruption in its business.

The Company expects that its directors, officers, employees, agents, contractors and any other party representing Iluka, wherever they are in the world, will act fairly, honestly, with integrity and in compliance with the law.

This commitment is detailed in the Company's Code of Conduct, as well as specific aspects, such as bribery and corruption, in the Anti-bribery and Corruption Policy. The Policy, which was updated in 2014, is made available to all employees, and is publicly available on Iluka's website. During 2014, the Policy was communicated to key personnel via one-to-one training. In 2015 a supporting Standard will be developed and this, along with the Policy, will be communicated out to all Iluka employees, contractors and suppliers by methods appropriate to each group, depending on their assessed risk exposure. Compliance with the Policy is monitored, and any breaches or incidents, which may be considered susceptible of being assessed as a form of inducement or favour, are reported to management and the Boards' Audit and Risk Committee.

In 2014 two breaches were reported pertaining to conduct of a contractor's employee. These breaches resulted in termination of employment by the contractor, and were supported by a review of the Anti-bribery and Corruption Policy and training by the contractor, which determined they were in line with Iluka's standards. Additional reinforcement of Iluka's policy was also provided to subsequent employees of that contractor.

In 2014 Iluka engaged a third party to review its Anti-bribery and Corruption Compliance Programme. Recommendations made to enhance the programme were implemented, in part in 2014, with the remainder to be addressed in 2015. An audit against the proposed recommendations is to be carried out in 2015.

Iluka also maintains a Gift Register which management are required to complete and retain for entertainment or gifts.

Sustainability governance

Iluka's Board maintains oversight of sustainability issues. Monthly Sustainability Reports and quarterly Land Access Reports are provided to the Board and Sustainability is a standing agenda item for all meetings. In addition, a detailed annual EHSMS Risk and Performance Analysis report is prepared annually.

The Iluka Corporate Risk Register contains key EHS risks and is presented to the Iluka Audit and Risk Committee. They also receive reports of any breaches of the Code of Conduct and Anti-bribery and Corruption Policy. The Remuneration and Nomination Committee maintains standing agenda items to address diversity and conduct.

Short term incentive payments for the Managing Director and eligible management are tied, in part, to a number of sustainability related measures. Short term incentives are measured against sustainability targets, including: total recordable injury frequency rate (TRIFR) and number of Level 3 and above environmental incidents.

Iluka maintains an Executive Risk and EHS Committee chaired by the General Manager Innovation, Technology and Sustainability. Four meetings were held in 2014. Site based EHS committees ensure interaction between management and workers. During the year 59 minuted meetings were held.

A targeted audit programme, developed and implemented in 2013, continued in 2014. Audit findings are converted into action plans with progress monitored on an on-going basis. Audit guidance material was updated during 2014 for Group Standards, ensuring consistency of application across the organisation. Audits are managed by qualified auditors from the Sustainability group and supported by a team of subject matter experts. Key focus areas planned for 2015 include Workplace Health and Hygiene, Stakeholder Relations, and Emergency and Crisis Preparedness.

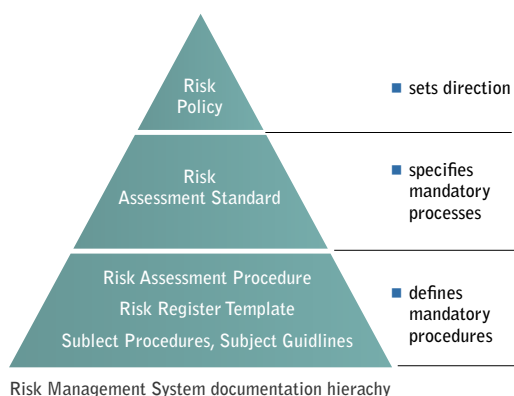
Group safety performance is reviewed monthly by the Iluka Executive.



Progressive stages and elements of rehabilitation in a mixed use regional reserve, South Australia, associated with mining at Jacinth-Ambrosia.

Risk

Identifying and Managing Risk



Iluka maintains a whole of business approach to the management of risks, to allow both opportunities and threats to be identified and managed effectively.

Iluka’s risk management framework, aligned with the International Standard for risk management ISO 31000, sets out structured and systematic processes for the identification and management of risk in areas such as environment, injury, illness, reputation, stakeholder relations, compliance, financial and company objectives.

The Board, through the Board Charter, delegates responsibility for identifying and managing risks to management, who in turn are required to report to the Board on 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. Key risks and how they are managed are reviewed by the Executive regularly and reported to the Audit and Risk Committee on a twice yearly basis.

Sustainability risks are identified, recorded and stored in operation and location-specific risk registers. Additional risks, and the escalation/de-escalation of risk ratings, are identified during audits and as part of ongoing operational activities.

New country entry

Iluka has developed a new country entry process that outlines the steps taken to ensure risks are identified and mitigated whilst exploring opportunities in new jurisdictions. It currently includes the New Country Entry Procedure and a New Country Entry Risk Assessment, which is being implemented for all new staff in these locations through dedicated training sessions, along with all other applicable Iluka Policies and Standards. Further policies and programmes, addressing issues such as human rights, will be developed as required.

Iluka is currently at an “early stage” in several new jurisdictions including:

- Sri Lanka - scoping study in process
- Kazakhstan - exploration; entity to be established in 2015
- Denmark – early stage evaluation of exploration opportunities through tenement acquisition and initial geological work.

A Travel Risk Group Procedure was released in 2014 under the Risk Management System with close links and references to the EHSMS. The procedure sets mandatory minimum requirements for travel including risk assessments and implementing controls.

Emergency preparedness

Iluka maintains an Emergency and Crisis Management System (ECMS) to ensure a consistent and professional response to managing any emergency or crisis situation. The system is hosted on a secure web-based internet platform that ensures the relevant people are notified, mobilised and kept informed. Actions are then coordinated and communications tracked through a single point.

Iluka applies a risk approach to identifying and mitigating potential emergency and crisis situations at each of its operating sites. ‘Prevent and prepare’ are critical components of the ECMS. Crisis preparedness, through regular training and awareness sessions, is conducted at a corporate and site level. Each site team and the corporate team conduct training throughout the year.



Health and Safety

Iluka is committed to providing a safe and healthy workplace for all employees and contractors. Iluka's health and safety approach focuses on leadership, capability, positive messaging, and creating a culture which promotes continual improvement. This is supported by Group standards and programmes, implemented by site safety representatives, and facilitated by training, risk management, incident reporting and investigation, emergency and crisis preparedness, and process safety.

Regular communication about health and safety at all levels of the business is an integral part of the strategy. Health and safety performance is reviewed by the Iluka Executive and reported to the Board on a monthly basis, with a more detailed analysis presented to the Board annually. Safety meetings are held at a departmental level by safety representatives and employees, and between management and contractors, to identify improvement areas and ensure that concerns are identified and addressed. Safety visits are regularly performed at random to ensure operational activities are meeting standard requirements and to communicate any required improvements.

Health and safety focus areas in 2014 included:

- Extended Safe Production Leadership skills packages into US Operations and functional support groups;
- integrating US operations with group-wide processes including isolation and tagging, permit to work, and risk assessment;
- improving training compliance across the organisation, measured as employee attendance against mandatory position risk profiles;
- base-lining of occupational exposure hygiene risks across Australian based operational sites;
- implementation of a health records data management system, including automated triggers for health surveillance based on exposure risk profiles;
- review and update of all product safety data sheets;
- increasing health awareness via publishing monthly health performance metrics and the appointment of a Manager Occupational Health and Hygiene; and
- weekly management review of all incidents, regardless of severity, to validate the classification and categorisation ensuring serious potential incidents are identified and investigated.



Safety

The key areas of focus for safety at Iluka are the management of personal and process safety risks across operations. The Company aspires to achieve a culture where incidents are rare events, aiming for an overall minimisation in the severity and frequency of safety incidents, with an overarching focus on reducing injuries.

Iluka measures a series of proactive or leading measures, such as the number of safety visits, planned workplace inspections, and the identification of near hits and hazards, as detailed in the below table.

Iluka's primary safety measures, in accordance with industry practice, include the lost time injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR). Health and safety measures include both employees and contractors.

In 2014 the TRIFR decreased from 4.6 in 2013 to 3.6. The LTIFR increased from 0.3 in 2013 to 0.9, however, longer term comparisons demonstrate a significant improvement in LTIFR, down from 3.8 in 2010.

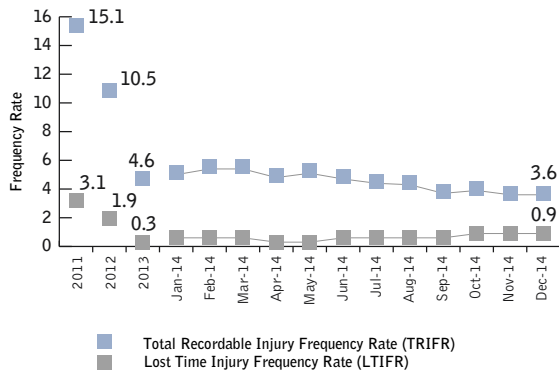
Health and Safety Performance 2010 - 2014

Metric	2010	2011	2012	2013	2014
Pro-active or leading metrics					
Safety visits (number)	6,206	12,991	21,698	24,572	24,564
Safety visits per employee per month	0.57	1.09	1.65	2.26	2.37
Planned workplace inspections	437	1,438	3,871	3,434	3,508
Planned workplace inspections per employee per month	0.04	0.12	0.30	0.32	0.34
Hazard cards	1,414	2,157	2,941	3,773	6,564
Training compliance	–	–	–	–	60%
Reactive or trailing metrics					
Lost time injuries (LTI)	14	14	9	1	3
Lost time injury frequency rate (LTIFR)	3.8	3.1	1.9	0.3	0.9
Medical treatment injuries (MTI)	32	29	24	10	6
Medical treatment injury frequency rate (MTIFR)	8.6	6.3	4.9	3.1	1.8
First aid (FA) and minor injuries upgraded to restricted work case (RWC) injuries	17	26	18	4	3
Total recordable injuries	63	69	51	15	12
Total recordable injury frequency rate (TRIFR)	16.9	15.1	10.5	4.6	3.6
Percentage of recordable injuries assigned to employees (as opposed to contractors)	48%	30%	33%	33%	33%
Severity – number of days lost	179	239	227	109	74
Severity rate	48.1	52.2	46.7	33.7	21.9
All Injury Frequency Rate (AIFR)	31.5	32.8	29.2	14.9	9.5
Duration rate (days)	12.8	17.1	25.2	1.0	25.0
Serious Potential Incidents	8	12	11	2	11

TRIFR, LTIFR and Severity Rate expressed per million hours worked (includes both permanent and contractor hours).

TRIFR = (sum of lost time injuries + medical treatment injuries + first aid and minors assessed as restricted work cases) x 1 million divided by the actual hours worked.

Injury frequency rates



Safe Production Leadership

Iluka established the Safe Production Leadership (SPL) programme in 2011 with the aim of improving the Company’s safety culture and performance. Since its inception, 73 per cent of employees have completed Iluka’s leadership skills training.

The performance improvements on the metrics of LTIFR and TRIFR since the implementation of SPL highlight the success of the programme.

The key SPL focus during 2014 was implementing the leadership skills packages to US operations’ workers and to Australian based functional support groups.

In 2014, an extension to SPL – Fatality Free Operation – was developed to enhance the identification of major risks where employees and contractors who interact with equipment on a day-to-day basis.

Occupational health and hygiene

Iluka is committed to providing a healthy work environment for all employees and contractors. The Company’s occupational health and hygiene management framework ensures risks and hazards are detected, controlled and minimised.

Iluka undertook an occupational exposure monitoring programme in 2014 to establish a baseline exposure profile of Australian personnel for specific contaminants identified in occupational exposure risk assessments. Monitoring has been completed at nine sites in 2014 and will continue in 2015.

Other on-going health surveillance activities include employment triggered medical examinations such as: pre-employment, pre-transfer, pre-secondment and exit, and task-related. During 2014, reporting of selected health metrics commenced in the monthly sustainability report.

A new data management system was implemented in 2014 to replace site based paper records and better facilitate the proactive and comprehensive management of occupational health. The system supports the Iluka occupational health management plan and the EHSMS.

Iluka maintains health promotion and “wellness” programmes throughout the year. In 2014, these included a series of mental health workshops, which encompassed a focus on managing work and non-work related stress.

Radiation

Deposits of mineral sands, as with some other minerals such as clay, soils, rocks and many ores, contain levels of naturally-occurring radioactive material (NORM). For this reason, Iluka adopts stringent and internationally accepted radiation management standards to minimise potential risk to human health or the environment from such concentrations occurring.

In Australia for example, prior to the commencement of an Australian mineral sands operation to which radiation regulations apply, Iluka must obtain approval for a Radiation Management Plan appropriate for the proposed activities at that stage. These are reviewed by Commonwealth and/or State regulators against defined requirements before the grant of an approval to operate, and once approved, these become licence conditions. Compliance with a Radiation Management Plan ensures that actual exposure to radiation for all employees and contractors meets the prescribed statutory limits.

The International Commission on Radiological Protection sets two limits for radiation exposure above that received from natural background or medical exposure, to distinguish between members of the public and workers. These limits are 1 milliSievert (mSv) per year (for general public), and 20 mSv (for radiation workers). Radiation awareness training packages are provided to all relevant staff and contractors in relation to radiation management, in conjunction with broader organisational training programmes (for example, “Fit for Work”). The objective is to ensure no Iluka employee or contractor exceeds statutory allowable limits.

The exposures of surrounding communities are also monitored, and the contribution from any of Iluka’s operations remained very low in comparison with both public dose limits and the natural background radiation.

Contractor management

Contractors are an integral part of Iluka's business. A programme to improve the Company's management of contractors was initiated in 2012, the objectives of which are to:

- standardise business processes regarding contractor pre-qualification;
- validate sustainability systems, commitments and performance of approved contractors; and
- conduct audits on identified contractors conducting high risk work to ensure their on-going suitability to perform work.

In 2014, there was a key focus on enhancing the contractor pre-qualification process, as part of Iluka's Contractor Management System. During 2014, a total of 48 US suppliers and 29 Australian suppliers were subject to EHS pre-qualification assessments. All suppliers were assessed to determine their ability to meet Iluka EHS requirements, including their potential for environmental impact. No suppliers were identified to have significant actual or potential negative environmental impact in 2014. During 2015 efforts will be directed towards validation of contractor performance and auditing processes to ensure on-going compliance with the Iluka EHSMS.



CASE STUDY



Sustainability improvement projects

During 2014, Iluka's South West operation team in Western Australia introduced a target of completing at least 100 sustainability improvement projects (SIPs) throughout the year. SIPs support Iluka's proactivity initiative, going beyond compliance and fostering a culture that empowers workers to make a positive impact on health, safety, environment and the community.

A committee judges the monthly SIPs based on defined criteria:

- sustainability – can the project be sustained longer term;
- reproducibility – can the idea or project be used in other areas of Iluka;
- immediate hazard removal – has a hazard been eliminated or controlled as per the hierarchy of risk control; and
- innovation – has the project owner demonstrated a unique approach to solving a problem.

A successful project was the injury risk reduction initiative achieved by a mechanical technician who noticed that workers replacing trunion bearings in a kiln were at risk of potential injury.

In order to be fitted accurately, the bearings (weighing 1,200 kilograms) must be placed on an induction heater in a horizontal position. They must then be rapidly fitted to the shaft in a vertical position.

A site operator designed a bearing lifter/rotator to allow easy, safe handling from heater to the trunion shaft. The lifter can be safely attached to the bearings and has been balanced to allow the bearing to remain in the required position.

Environment

Iluka's approach to environmental management is based on understanding and minimising the potential impacts of its operations on the environment. It also includes developing plans for the effective use of resources and for the closure and rehabilitation of disturbed areas.

The Company's EHSMS ensures that potential environmental impacts are identified and it governs how impacts are managed from exploration through to closure. Each site has individual requirements that are considered and site specific procedures and work instructions are developed in compliance with the management system.

Iluka recognises that compliance with legislative requirements is the minimum standard that it should achieve while performing at, or beyond, legal requirements, as means of achieving operational efficiency, competitive advantage and industry leadership.

2014 overview

In 2014, key areas of environmental performance and risk management included:

- biodiversity;
- water management;
- waste management;
- energy and carbon; and
- land rehabilitation and closure.

Iluka was awarded the South Australian Premier's Award for Environmental Excellence in 2014 for its environmental management and rehabilitation programmes. These included research partnerships to promote industry best practice at the Jacinth-Ambrosia mining and concentrating operation in South Australia. This is the first mining operation in South Australia in a mixed use regional reserve.

Environmental Incidents

Iluka uses an event management system to record environmental incidents, which are then classified according to the severity of the potential impact to the environment. Level 1 incidents have no or minimal impact, and Level 5 incidents have the greatest potential cumulative impact over time.

In 2014, the number of incidents classified Level 3 and above was 34, a decrease from 57 from 2013. Investigations determined poor risk assessment, equipment design factors and inadequate procedures as the main contributing factors for Level 3 and above incidents.

The overall number of incidents being reported has increased steadily, which the Company considers a positive indication of a culture that is now more prepared to report a range of incidents, even if minor in their own right. This is largely attributable to the recent approach by US operations, in Virginia, to report all incidents in the system. Previously the system was only used for the reporting of level 3 incidents and above.

Environmental incidents over the period 2011 to 2014

Metric	2011	2012	2013	2014
Level 1 environmental incidents	481	796	769	1002
Level 2 environmental incidents	180	187	145	154
Level 3 environmental incidents	82	43	45	30
Level 4 environmental incidents	3	16	12	4
Level 5 environmental incidents	0	0	0	0
Total environmental incidents	746	1042	971	1190

Water

Iluka maintains a focus on the efficient use of water, and seeks to develop innovative solutions, including the use of hyper saline water and recycled water, where appropriate.

The approach to water supply and sourcing depends on the nature and location of the operations. Water yielded by dewatering activities, due to ore being located below groundwater level, is used as a source of process water at Iluka's Wornack, Rownack, Pirro mining and concentrating operation in the Murray Basin, Victoria. At Jacinth-Ambrosia hyper saline water in a paleo channel is sourced from a bore field 45 kilometres from the operation. This water is used in processing activities at site.

Iluka recycles water wherever possible and manages discharges responsibly. Fresh water discharge may occur when seasonal imbalances in water supply and demand exist. In such instances, the discharges are licenced and the strict conditions imposed by such licences are followed. Groundwater resources are further protected by means of monitoring programmes and regular

interpretation of monitoring data is performed during aquifer reviews. Water in excess of processing requirements is returned to the groundwater via a number of infiltration basins.

During 2014, Iluka increased usage of stormwater in the process circuit with 25,000 kilolitres re-used at the Hamilton mineral separation plant in Victoria. Storm water from a previous mine pit was also used in a sprinkler system to manage dust generation at Douglas. In the United States, process water has been recycled using a polymer to assist with the accelerating the release of water from tails materials back into circulation. The release of water from tailings reduces the need for water withdrawal from surface and groundwater.

The tables below show water use and discharge by region, water withdrawn by source, and water discharge by quality and destination, 2011 - 2014.

Water use by region (megalitres)

Area / Location	2011	2012	2013	2014
Murray Basin (Victoria)	3,925	2,742	1,977	2,352
Eucla Basin (South Australia)	6,867	7,763	3,384	1,882
Perth Basin (Western Australia)	5,040	11,623	4,175	2,373
United States	1,589	2,034	1,287	615
Total	17,421	24,162	10,823	7,222

Water discharged by region (megalitres)

Area / Location	2011	2012	2013	2014
Murray Basin (Victoria)	123	114	52	68
Eucla Basin (South Australia)	0	0	0	0
Perth Basin (Western Australia)	1,603	1,457	1,601	3,653
United States	509	264	768	518
Total	2,235	1,835	2,421	4,239

The above table displays water discharged via metred flow to either surface drainage or groundwater infiltration basins. Groundwater extracted for dewatering purposes and discharged via on-site infiltration basin or reinjection wells has been excluded.

Total water withdrawn by source for 2014 (megalitres)

Source	Total water withdrawn
Surface water	258
Ground water	6,036
Rainwater	483
Waste water from another organisation	84
Municipal water supplies or other water utilities	598

The above table displays water withdrawn, defined under the GRI requirements as all water drawn into the boundaries of the organisation from all sources for any use.

Waste

Iluka is committed to responsible management of waste products generated from its activities. Sites develop and implement Waste Management Plans relevant to their location addressing management of general waste, hazardous materials, sewage and hydrocarbons.

Domestic wastes are separated on site and recycled where possible, and in ecologically sensitive areas domestic waste is removed and transported to permitted landfill sites.

Process tailings are disposed of in mine voids in the same sequence as when materials were excavated. During mining, gravity separation is used to remove gangue minerals such as quartz, which is backfilled into the mine void or dedicated tailings storage facilities. Fine materials are dispersed in sand tails, buried in mine voids after drying out in temporary solar drying dams, or co-disposed with sand in tailings storage facilities. Saline oversized material is generally disposed in the mine void beneath the water table. Waste materials from mineral separation plants are, in most cases, returned to mine voids, and include gypsum, material from dust collection systems and residual fines removed from heavy mineral concentrate.

Naturally occurring radioactive material is present in most heavy mineral sands deposits. The minerals that give rise to low levels of radiation are usually concentrated in process waste streams which are returned to mine voids. Specific programmes ensure that localised concentrations of radioactivity in disposal areas are kept within legally defined requirements. Additional information can be found in the Health and Safety section of this report and on Iluka's website.

Iluka recycles waste material where possible. Over size ore is often recycled for on-site road construction or other activities. In 2014 at Iluka's Douglas rehabilitation site in the Murray Basin, idle poly pipe was reused in a sprinkler system for dust management. A recycling programme was also implemented in 2014 at the United States, Virginia operation, focussing on recycling cardboard, metal, aluminium and plastic. The Company also recycled light bulbs and batteries in this operation, reducing hazardous waste streams.

There were a total of 24 significant (Level 3 and above) spills recorded across Iluka's sites. The total volume of the significant spills is not available as it was not possible to quantify the spill volume in many of the cases.

Biodiversity

Biodiversity is an integral consideration for planning, operational and rehabilitation activities at Iluka.

Areas disturbed through mining, are progressively restored to a land use that is agreed with government agencies and landholders at the cessation of mining activities. In most cases, areas of native vegetation are restored to an equivalent ecosystem, with monitoring of the flora and fauna using accepted practices by both internal and external professionals.

The protection and enhancement of biodiversity is formalised in a range of management documents to ensure the protection and enhancement of biodiversity at Iluka's sites. During mine planning these include: pre-mine flora and fauna surveys; vegetation mapping; assessment of groundwater extraction impacts on groundwater dependent ecosystems; and mitigation plans to address any residual impacts on biodiversity.

In the operational phase of mining, management plans are developed to address specific biodiversity aspects such as: fauna; native vegetation; pest/weed species; plant disease; and soil management.

Mine closure plans determine landscape restoration targets, and rehabilitation management plans identify issues, such as soil profile reconstruction and definition of local provenance for seed collection, to maintain genetic function and distinctiveness of re-established populations. Monitoring methods, validated and approved by regulatory authorities are undertaken by external professionals, to measure the performance of the rehabilitated landscape and to ensure continuous improvement.

Development of "leading practice" in protecting and enhancing biodiversity is addressed through scientific research and its implementation. Where insufficient knowledge is available to inform this practice, Iluka supports fundamental scientific enquiry through partnerships with research institutions. Such enquiry can have practical importance to Iluka's rehabilitation and environmental management activities, for example, to inform the optimal choice of plant species in rehabilitation after mining to achieve functional and resilient ecosystems that allow biodiversity to increase naturally.

Key initiatives addressing biodiversity in 2014 included:

- ongoing research activities at Eneabba as part of the Chair in Vegetation Science and Biogeography at the University of Western Australia;
- an ongoing research partnership with the University of Adelaide through a joint Iluka and Australian Research Council funded project at Jacinth-Ambrosia; and
- support for the Western Australian Botanic Gardens and Park Authority for biodiversity research and application at Iluka's Eneabba operations, Western Australia.

Land rehabilitation and closure

Land management and rehabilitation are a major focus for Iluka and constitute a significant, ongoing part of the Company's activities. Iluka's closure practices are guided by standards and procedures within its EHSMS. Rehabilitation efforts are aligned with leading practice and undertaken in a socially and environmentally responsible manner.

The Company's overarching rehabilitation strategy is to ensure, over a five year period, that rehabilitation rates exceed the rate of new land disturbance.

During 2014, Iluka rehabilitated 520 hectares of land in Australia and the United States. Overall land disturbance for the year of 331 hectares occurred, with an overall reduction of 189 hectares of open land being achieved.

As at the end of 2014, 13 sites (62 per cent) had completed closure plans, with the remaining 8 sites (38 per cent) having partially completed closure plans.

Core components of Iluka's closure planning process are the development of: post operational land use or uses; closure objectives; identification of risks in achieving these objectives; and completion criteria to measure progress towards achieving objectives. Additionally, detailed plans are developed to define the closure scope of works and financial provisions required to support these works.

Closure risk assessments are updated annually and precede the annual review of closure provisioning. The Company undertakes research projects, where necessary, to support rehabilitation planning and activities. Examples include studies into numerous ecosystems and methods, such as, rehabilitation of Kwongan heath ecosystems (Eneabba), rehabilitation of Western Myall ecosystems (Jacinth-Ambrosia) and investigation of methods to consolidate geo-technically unstable tailings.

Land use by region – land disturbed (hectares)

Area / Location	2011	2012	2013	2014
Murray Basin (Victoria)	1,193	363	191	167
Eucla Basin (South Australia)	67	62	2	29
Perth Basin (Western Australia)	173	162	0	0
United States	66	124	102	50
Exploration	351	386	277	85
Total	1,850	1,097	572	331

Land use by region – land rehabilitated (hectares)

Area / Location	2011	2012	2013	2014
Murray Basin (Victoria)	62	225	345	145
Eucla Basin (South Australia)	5	0	11	12
Perth Basin (Western Australia)	79	310	343	303
United States	77	83	128	60
Exploration	26	1	130	0
Total	249	619	957	520

Land use by region – total area of land open (hectares)

Area / Location	2011	2012	2013	2014
Murray Basin (Victoria)	3,088	3,146	2,992	3,014
Eucla Basin (South Australia)	1,032	1,094	1,085	1,102
Perth Basin (Western Australia)	4,026	3,878	3,535	3,232
United States	513	554	528	518
Exploration	1,453	1,838	1,985	2,070
Total	10,112	10,510	10,125	9,936

500 250 0



500 Fe

Energy and carbon

Energy use and carbon emissions are recognised for their economic, social, environmental and regulatory impacts. Iluka aims to conserve energy, measure outputs, monitor impacts and meet current and future regulatory requirements.

Iluka's energy and carbon management approach is set out in an Energy and Carbon Standard. The objective of the Standard is to maintain and report complete, accurate and transparent energy use and carbon dioxide equivalent emissions data, and identify, assess and prioritise emissions minimisation opportunities, including improved efficiency in energy use.

Energy consumption in the Company has reduced, mainly as a result of the idling of its entire synthetic rutile operational capacity. Direct and Scope 2 emissions were also lower in 2014 due to the idling of the kilns.

Iluka aims to use all resources responsibly, which also minimises the Scope 3 emissions associated with its resource use. This includes water and coal; two major resource uses by the Company. Water and coal both require energy to produce and have carbon dioxide emissions associated with their production.

During 2014, a new energy and carbon reporting system was implemented that will improve Iluka's ability to measure and report energy consumption and carbon emissions.

Also in 2014, Iluka conducted an Energy Efficiency Opportunities (EEO) assessment of the South West, Western Australia, synthetic rutile operation. Although the legislation underpinning EEO was to be repealed in 2014, the assessment was completed with 12 energy efficiency opportunities evaluated. These will be re-evaluated with the decision to restart one of the synthetic rutile kilns in Western Australia. Work continues on evaluating a wind based resource at Jacinth-Ambrosia, in South Australia.

Site energy resources used (%) 2010 - 2014

	2010	2011	2012	2013	2014
Coal	54.8	53.4	45.7	28.7	0.0
Electricity	11.3	10.2	14.8	19.5	24.7
Natural Gas	9.8	11.9	19.3	16.4	24.2
LPG	4.6	4.9	0.0	0.1	0.1
Diesel	19.1	19.2	20.0	35.0	50.3
Petrol	0.1	0.1	0.2	0.3	0.5
Fuel, Oil & Greases	0.3	0.3	0.1	0.0	0.2
Total	100	100	100	100	100

Energy use by region (terajoules)

Type	2009	2010	2011	2012	2013	2014
Murray Basin	740	1,451	1,352	903	677	955
Eucla Basin	251	522	547	670	563	535
Perth Basin	7,941	7,059	6,591	6,393	1,987	553
United States	1,368	977	997	485	470	284
Exploration	314	62	8	8	4	2
Corporate	1	1	1	2	1	1
Iluka	10,615	10,072	9,496	8,461	3,702	2,330

Carbon dioxide emissions (kt CO₂-e)

Type	2009	2010	2011	2012	2013	2014
Murray Basin	112	182	161	105	81	105
Eucla Basin	19	40	38	38	32	31
Perth Basin	830	704	588	549	147	54
United States	48	69	72	73	73	54
Exploration	2	1	1	<1	<1	<1
Corporate	n/a	n/a	1	<1	<1	<1
Iluka	1,011	996	861	765	333	244

CASE STUDY

ILUKA'S ENVIRONMENTAL RESEARCH PARTNERSHIPS

Iluka collaborates with a range of research institutions to address knowledge gaps and promote industry best practice, particularly in protecting and enhancing biodiversity and improving land rehabilitation practices.

Iluka seeks to share research outcomes, including across the scientific community and mining sector, to assist in rehabilitation activities within the mining industry.

Examples of Iluka's research partnerships include:



The University of Western Australia

In 2013, Iluka entered a five year partnership with the University of Western Australia to study and rehabilitate Kwongan heathland at Iluka's Eneabba mine in Western Australia. Iluka sponsors a Chair in Vegetation Science and Biogeography. In conjunction with Iluka, the Chair conducts research at Eneabba, an area which lies within one of Australia's fifteen biodiversity "hotspots".

During 2014, four research students completed studies on rehabilitating Kwongan vegetation and two doctoral students commenced research projects. In addition to the university conducted research, applied research at Eneabba was initiated, which including trialling various rehabilitation methods and monitoring of Kwongan recovery after fire incidents.



Botanic Gardens and Parks Authority, Western Australia

Iluka has partnered with the Botanic Gardens and Parks Authority in Western Australia to provide support on two biodiversity research projects.

One project involves research into the propagation of threatened flora. The other is investigating conservation genetics. As part of the conservation genetics study, Iluka will host a transplant site at its Eneabba operations for *Banksia menziesii*. The transplant site aims to determine phenotypically any site advantage and climatic adaptation of this species. The Company has also allocated funds towards the logistical set up of the trial.

During 2014, local areas at Eneabba were combed for *Banksia menziesii* seed collection, with the trial to be established in 2015. This is expected to provide a better understanding of the interplay of species' ecology and genetics, which in turn, may facilitate improved rehabilitation practices using scientifically justified methods.

The University of Adelaide

Iluka's Jacinth-Ambrosia mining operation in South Australia is in a sensitive, arid environment, located where three different habitat types converge - the chenopod habitat of the Nullarbor; the Myall woodlands of Eyre Peninsula and mallee dune systems. Very little scientific information exists about the requirements of many arid land flora species for germination and their ability to cope with environmental stresses, such as drought, salinity and fire.

To overcome the challenges associated with environmental management and rehabilitation in such a fragile environment, Iluka has taken an active and collaborative research based approach to rehabilitation research.

The focus of research during 2014 was in partnership with the University of Adelaide, and a project jointly funded by Iluka and the Australian Research Council. The project is entitled – Root distribution and salinity and soil water dynamics in a chenopod shrub land: implications for restoration technology. It is investigating the dynamics of water and roots in soils in arid lands to inform revegetation practices to reconstruct soils and establish vegetation after mineral extraction. As part of the research at Jacinth-Ambrosia, a trial was established which involved planting native vegetation to the site in soil containing mined-by-products. After initial watering and establishment the vegetation continues to grow without assistance.

Virginia Polytechnic Institute and State University in Blacksburg, United States

Local landowners and farmers of prime farmland in Virginia, United States, were concerned about the effects of soil disturbance from mineral sands mining on crop yields after mining ceased and rehabilitation occurred. The most significant reclamation challenges associated with soils after mining include heavy compaction and lack of organic matter, which together may restrict root growth and water holding.

Iluka established a partnership with researchers from Virginia Polytechnic Institute and the State University in Blacksburg, Virginia, to measure reclamation outcomes by comparing post mining crop yields with crop yields in adjacent undisturbed farmlands, and average crop yields in the surrounding region.

The experimental work began in 2004 with the establishment of a five hectare post mining plot, divided into four soil reclamation alternatives. These alternatives included soil ripping treatments, biosolids as soil enhancements and re-application of topsoil. The land was managed intensively with cropping typical of the area and compared to a nearby undisturbed plot of prime farmland using identical cropping management techniques. The research has monitored results between 2004 and 2014, with the publication of the results of the study, most recently in 2014. Crop yields in the experimental plots have generally exceeded the local county average by at least 25 per cent although the plots had the benefit of irrigation and the county average includes irrigated and non-irrigated land. The plot yields were typically reduced by 25 to 40 per cent when compared to the undisturbed plot of prime farmland of very high productivity. The research programme has demonstrated over the period, a return to pre mining cropping productivity levels of at least 90 per cent may be possible.

People

Iluka seeks to build and maintain a diverse, sustainable and high performing workforce of talented people which reflects the communities where the Company operates.



The Company encourages employee achievement through the principles of Accountability, Commerciality and Engagement, and strives to maintain a work culture that reflects its values of Commitment, Integrity and Responsibility. This includes a high standard of health and safety behaviour and the development of individuals, leaders and teams to achieve extraordinary performance.

Iluka's People Plan, aligned to the Iluka People Policy, establishes the Company's approach to recruiting, developing and retaining a high performing workforce to achieve Iluka's objectives. Iluka also maintains fair work policies, including an Equal Employment Opportunity Policy and an Anti-Harassment and Bullying Policy.

The Iluka Game Plan provides cultural and behavioural alignment and all employees, through their annual performance and development review, are aware of the contribution they are expected to make in the areas of financial performance, sustainability and to organisational growth.

Iluka's organisational structure is designed to facilitate the achievement of the key deliverables of the Company's corporate planning process and its prime objective: to create and deliver value for shareholders.

2014 workforce profile

> 850 direct employees globally, predominantly in Australia
Regrettably, Iluka reduced its workforce by approximately 45 positions in 2014 associated with further reconfigurations in the production base, due to low cycle business conditions.
892 contractors (year average)
24% female /76% male
5% indigenous ¹
<1% recognised disability ¹
7% of employees have flexible work arrangements
2014 Employee Engagement Survey Results - 69% employee engagement of 85% response rate
5.01% employee initiated turnover

¹ Iluka respects employee privacy, data is identified employees only.

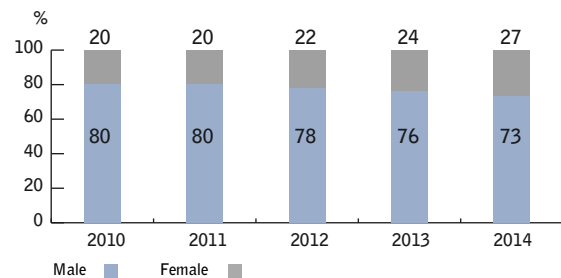
Diversity

Iluka's People Policy underpins the Company's approach to diversity. The Company respects and encourages workplace diversity and strives to create a flexible and inclusive workplace environment which assists employees to balance their responsibilities. A Diversity Committee, Chaired by the Managing Director, continued in 2014 to promote awareness of diversity and integrate workplace diversity principles into company activities, including recruitment, training and employment policies.

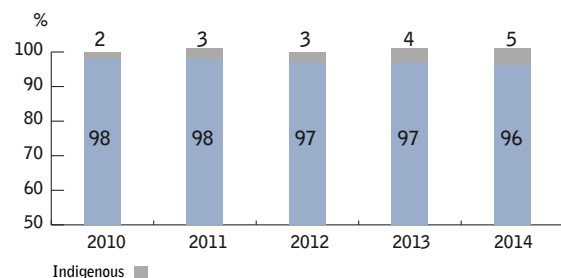
During 2014, Iluka's Remuneration and Nomination Committee approved measurable objectives for Iluka's workforce diversity of 30 per cent female and 8 per cent indigenous employee participation to be achieved by 2018. These targets were established initially for Australia, where the Company achieved 27 per cent female participation in 2014.

The number of indigenous employees increased by one per cent during 2014 from 4 to 5 per cent with the majority of indigenous employees based at the Jacinth-Ambrosia operation in South Australia. During the year two indigenous trainees in the Mid West, Western Australia, were promoted to shift operator and apprentice positions. The traineeship positions were filled by students from the Indigenous youth programmes of Clontarf and SHINE. A mentor programme was established during the year to support both the students and supervisors.

Gender Diversity (Australia) 2010-2014



Indigenous Diversity (Australia) 2010-2014



Diversity achievements

Area of Focus	Objectives	Progress
Promote awareness of diversity	Employees and stakeholders have access to meaningful diversity information	<ul style="list-style-type: none"> Iluka's People Policy and Diversity Standard is highly accessible to employees online and at Iluka locations. In 2014 the Policy was translated into Mandarin for local Chinese employees. Four Diversity Committee meetings were held during 2014. The Head of Resource Development and Iluka's Chief Mining Engineer joined the committee. Diversity initiatives and outcomes are reported to the Executive and the Remuneration and Nomination Committee of the Board A number of presentations were made by senior managers at external events.
Integrate workplace diversity principles into company activities	People management practices implemented to reflect diversity and inclusion	<ul style="list-style-type: none"> Unconscious Bias and Values Based Recruitment training completed for human resource professionals to prepare for implementation across Iluka. Behavioural Expectation (Code of Conduct and EEO) training continued during the year. Gender pay equity review completed and anomalies corrected. Diversity matrix to assist managers with diversity and employment design WGEA Report submitted for 2013-2014.
Attract, develop and retain more employees across various age ranges, people with a disability, women and indigenous people	<p>Achieve 30% gender diversity by 2018*</p> <p>Achieve 8% indigenous diversity by 2018*</p> <p>Sustainable employment opportunities for people with disabilities*</p> <p>*Objectives and strategies are currently Australian based</p>	<ul style="list-style-type: none"> Filled one Principal Mining Engineer position with 3 part-time female professionals. 1 senior female was appointed during 2014. 46% of new employees recruited during 2014 were female. Sponsorship partnership with Clontarf Foundation and SHINE in Geraldton, Western Australia, resulted in 2 trainees and 2 apprentices. Total increase of indigenous employment 1% (4% to 5%). Overall <1%.
Create a flexible workplace culture which assists employees to balance their responsibilities	Flexible employment arrangements supported	<ul style="list-style-type: none"> 7% employees on (recorded) part-time arrangements

Workforce Profile from the 2013-2014 Workplace Gender Equality Agency Report

	Female			Male			Total	%	
	Full time	Part time	Casual	Full time	Part time	Casual		Female	Male
CEO	0	0	0	1	0	0	1	0	100
Executives/General Managers	1	0	0	10	0	0	11	9	91
Senior managers	0	0	0	17	0	0	17	0	100
Other managers	6	3	0	36	1	0	46	20	80
Professionals	58	17	2	179	7	1	264	29	71
Technicians and trade	15	2	0	86	2	0	105	16	84
Clerical and administrative	36	10	2	3	2	0	53	91	9
Machinery operators and drivers	14	1	0	158	0	1	174	9	91
Other	3	0	0	7	0	0	10	30	70
Total	133	33	4	497	12	2	681	24	76

Data relates to Australian-based employees, as at 31 March 2014.



Talent management

Iluka considers employee development to be important and as such invests in skill development and building employees' capabilities for growth and leadership competency. The individual development of employees, improving team effectiveness and increasing the flexibility of the business to respond to changing conditions, are critical to an engaged and high achieving performance culture and Iluka's objective and values.

Specific programmes include:

- technical and professional development;
- management and leadership development;
- apprenticeships and traineeships; and
- vacation students and graduates.

All employees participate in an annual performance review process. Objectives are set at the beginning of each year aligned to the Iluka Corporate Plan (relevant to the position). Regular conversations are held and feedback provided throughout the year and formal mid year and full year reviews are completed.

Employee performance plans include a development planning component and development and career discussions are the focus of the mid year review. Training and professional development is planned accordingly for each individual.

In addition, internal mechanisms are adopted to identify high performing individuals and to facilitate succession planning across all levels of the Company. Succession planning is in place for leadership positions, including the Managing Director and his direct reports.

Employee engagement

An employee engagement survey was conducted in 2014, achieving a response rate of 85 per cent. Held every two years, the survey measures employee perceptions relating to business alignment to the Game Plan, sustainability, employee achievement (including diversity), leadership and job and employer engagement.

The overall employee engagement level in 2014 of 69 per cent was above industry, with job engagement at 73 per cent and employer engagement at 80 per cent. The results are recognised as industry leading when benchmarked against Australian organisations within mining and quarrying organisations of a similar size. Iluka also performed above the overall average benchmark in all survey categories.

Employee volunteering

Iluka's Volunteer Leave Programme, introduced in 2012, supports and encourages employees to volunteer their time to community groups. Each employee is able to take two paid working days to make a positive contribution to an organisation that has direct meaning to them.

In 2014, the participation in volunteer leave was 25 per cent. A total of 328 FTE days were recorded which equates to a community contribution of \$210,500.²

² Calculated at average cost of \$80 per hour including on-costs.

CASE STUDY

DIVERSITY – VALUES-BASED RECRUITMENT

To improve diversity within the operator workforce, Iluka's Narngulu Operations Manager, Stuart Forrester, developed a values-based recruitment initiative at the Company's Narngulu site, near Geraldton in Western Australia.

After identifying that he spent 80 per cent of his time on 20 per cent of his staff as a result of behavioural issues, Stuart concluded this was a result of a misalignment of core values.

It was determined that investing in skills training for individuals is less time consuming than attempting to alter a person's core values and resulting behaviours, which are often deeply entrenched within a person's core identity. Although behaviours can be modified, this requires significant time.

In order to build a workforce with more appropriate values and behaviours, Stuart liaised with Iluka's Human Resources department to alter the recruitment model and job criteria for position openings.

This approach fundamentally transformed the way the Company approached recruitment at Narngulu, which now aims to attract people with suitable values and behaviours, including more women and indigenous employees.

The approach comprised revising job criteria to attract applicants that did not necessarily have mining experience. The interview process was also modified to include questions that explored applicants' commitment, integrity and responsibility, which are Iluka's core values.

While less skilled workers have been employed under the new approach, Stuart implemented a process which incorporates accelerated training programmes to meet the needs of new recruits who display the appropriate values and behaviours, but who require additional training to perform their duties.

Success of the values-based recruitment approach was reflected in one way by the number of women in production crews at Narngulu increasing from zero to 20 per cent of the workforce.

Instead of one demographic profile, with similar backgrounds reinforcing certain consistent behaviours, Iluka's Narngulu operation now employs male, female and indigenous employees of different ages and from various backgrounds. Although new recruits have mixed experience, behaviour standards are now considered much higher.

As well as success in improving diversity at the site, the values-based recruitment approach has had other benefits, which include:

- within 12 months of implementation record productions levels were achieved;
- a substantial lift in employee engagement was evident, with surveys indicating an increase from 48 per cent in 2012 to 86 per cent in 2014, relative to a mining industry average of 38 per cent; and
- improvement in the safety culture with total recordable injury frequency rate reducing from 42.0 in 2009 to 4.2 in 2014.



CASE STUDY

ILUKA VOLUNTEERS HELP WITH WESTERN AUSTRALIA BEACH CLEAN-UP

Iluka is committed to creating a flexible workplace culture that helps employees balance their work and personal responsibilities, including community support.

Iluka introduced two paid volunteer leave days per annum, in 2012, to facilitate its employees supporting their communities. During 2014, Iluka employees in the south west of Western Australia participated in a beach clean-up as part of their volunteer leave.

Iluka's Environmental Specialist at the south west operation co-ordinated the beach clean-up in conjunction with local government offices (Harvey and Capel Shires) and the environmental organisation, Tangaroa Blue. More than 40 per cent of Iluka's South West workforce (58 volunteers) participated in the event. 800 kilograms of litter was collected from Binningup and Minnip beaches, over a 23 kilometre stretch.



Stakeholder Relations

Iluka recognises that open and meaningful engagement with stakeholders is integral to the development, operation, rehabilitation and relinquishment of its mining and processing facilities.

All engagement activities are sought to be conducted in a transparent, collaborative and consistent manner. Stakeholder rights, values, beliefs and cultural heritage aspects are acknowledged, respected and included in the Company's decision making process in order to develop mutually beneficial relationships.

The Company works in partnership with its stakeholders, including landholders, communities, indigenous groups, non-government organisations and government representatives to add value to the regions in which it operates.

Iluka maintains a Stakeholder Relations Policy that is aligned with the Iluka Game Plan and a Stakeholder Relations Standard, that specifies requirements for all sites, projects and functions. The Policy and Standard outlines the Company's principles for engagement and ensures business activities are conducted in consideration of internal and external stakeholders. They are supported by procedures and guidelines to support sites in their stakeholder engagement activities.

Engagement

All operational sites, major projects and advanced exploration activities develop and implement detailed Stakeholder Engagement Plans, updated at least annually. Comprehensive mapping and analysis is undertaken to identify those people and organisations potentially impacted by the Company's operations or who may have an influence upon it, and to determine the engagement requirements of each stakeholder group.

The plans are also informed by Social Impact Assessments, undertaken to provide the Company with an understanding of:

- appropriate methods and frequency of communication;
- the attitude towards and perception of Iluka in communities;
- issues of interest regarding the Company's operations; and
- community expectations for support and sponsorship activities.

Plans detail engagement activities, including the methods and frequency, key messages, and regulatory requirements, to ensure stakeholders are provided with appropriate avenues to engage with the Company and receive appropriate information.

Grievance management

Iluka maintains grievance mechanisms, allowing external stakeholders to formally raise issues of concerns with the Company. All complaints are recorded, investigated and responded to in line the Iluka's Stakeholder Complaint Reporting and Resolution Procedure, and those of a specific risk classification are reported through to the Executive and Board as part of the monthly sustainability report.

Iluka strives to contribute positively to the communities in which it operates. It recognises that, at times, its activities can impact upon the lives of its neighbours and some community or interest groups. Iluka monitors its operations for potential issues or matters of local concern and has site-based personnel, including operational personnel who are able to respond to stakeholder concerns, and, where required, engage with regulators.

In 2014, the Company received 77 public complaints (76 in 2013). The nature of complaints varied, although the majority of the complaints related to operational matters, such as noise from rail and truck activity.

A local community environmental group at Douglas, Victoria has raised concerns about Iluka's disposal of by-products from the Hamilton mineral separation plant in Victoria. The group has been concerned about adverse environmental consequences associated with this activity. The Company's compliance with all regulatory requirements on this matter has been acknowledged by government agencies. Nonetheless, Iluka has engaged with this group, both through the formal environment review committee process and also through direct responses to matters raised. Iluka has also consulted local Shire Council members and others about its activities. As part of regulatory approval for Iluka's current by-product disposal practice to continue the Company plans to proceed through an environmental and panel review process. Associated with this will be the release of comprehensive information pertaining to by-product disposal practices in the Murray Basin.

There were no disputes in 2014 relating to customary rights of local communities and indigenous peoples.

Indigenous relations and cultural heritage

At sites where cultural heritage is identified, a Cultural Heritage Management Plan is prepared and maintained to meet regulatory requirements and ensure the protection of cultural heritage sites.

Where indigenous people have rights over, or special connections to the land where mining related activities are planned or located, specific engagement is undertaken.

Associated with the commencement and operation of the Jacinth-Ambrosia mine in South Australia, Native Title Agreements with the Far West Coast traditional owners, were negotiated and concluded. As part of this, the Company has implemented an Employment, Education and Training Programme aimed at achieving long term, positive outcomes for the Far West coast community. In 2014, recruitment and mentoring procedures were developed to provide a mechanism for recruiting, training and developing indigenous job seekers and existing employees. A key emphasis has been on preparing indigenous people for mine employment and creating the necessary skills, training and in some cases mentoring programmes for future career development. These procedures have also been adopted by several contractors employed by Iluka. The Jacinth-Ambrosia operation has exceeded its initial target of 20 per cent indigenous employment and now has a workforce where over 21 per cent of its people are drawn from the Far West Coast community.

Employment and economic contribution

A study of the employment and economic contribution of Iluka's activities in Australia, the United States and China was conducted by Ernst & Young in 2014. Analysis included employment, contractor and procurement data pertaining to the previous calendar year, 2013, and direct and indirect contributions were assessed.

Findings indicated in Australia, Iluka contributed 1,082 direct jobs, 3,264 indirect positions and \$994 million in economic value-add to the regions where it operates. In the United States, Iluka directly employed 226 people and indirectly contributed to the employment of more than 400 people. \$13.5 million was contributed to the US economy; with a further \$22.1 million in indirect value-add.



Partnering and community investment

Iluka seeks to be a valued member of all the communities in which it operates. Active participation and support is demonstrated through a range of initiatives, including in-kind and financial support for community programmes and events.

Iluka selects initiatives that meet both community needs and support company goals, such as increasing employee diversity or enhancing biodiversity.

In 2014, Iluka's partnering programme contributed over \$888,000, additional to various forms of in-kind support, including volunteering activities.

Iluka's maintains several major corporate partnerships including:

- OCHRE Contemporary Dance Company, Western Australia;
- Clontarf Foundation;
- Women in Mining Western Australia;
- Conservation Volunteers;
- Virginia Tech Foundation Inc. and Virginia Tech Research Division, USA; and
- University of Western Australia – Professorial Chair in Vegetation Science and Biogeography.

All Iluka sites make a range of contributions in areas including sport, culture, community safety, youth and education and the arts.

In 2014 approximately 100 organisations, events or groups received contributions from Iluka, including:

- The Royal Flying Doctors Service;
- SHINE, Western Australia;
- Ouyen Community Engagement Project, Victoria;
- City of Bunbury Iluka Visions 2014;
- Adopt-A-School Programme, Halifax, USA;
- YMCA , Greenville County, Carolina, USA; and
- Eyre Futures, South Australia.

Iluka does not support applications for support for religious or political activities, and does not provide funds to political parties, either in Australia or overseas.



CASE STUDY

OUYEN COMMUNITY ENGAGEMENT PROJECT, VICTORIA

Iluka entered into a community engagement partnership with Ouyen Incorporated in 2013. Ouyen is the nearest major township to Iluka's mining operations, Woorack, Rownack and Pirro, in Victoria. Iluka maintains an accommodation camp at Ouyen and draws a large proportion of its workforce from the local region. The nature of Iluka's deposits often means that mining occurs for a relatively short period, before relocation to other districts.

Iluka's involvement in the Ouyen Community Engagement Project is one means of making a contribution to the area which will have benefits after mining activities have ceased.

As part of the partnership, Iluka is contributing \$20,000 annually to the Ouyen Community Engagement Project over a three-year period.

The project was established to hold funds from Iluka and contractors, for various projects in the Ouyen community.

During 2014, Iluka and its contractors also raised an additional \$45,000 in total for the project.

SHINE

During 2014, Iluka became a major sponsor of the SHINE programme, which was implemented to increase opportunities for female indigenous youth in Geraldton, Western Australia. Iluka's Mid West processing operations are located nearby at Narngulu.

SHINE aims to empower girls at risk of falling out of the education system by developing confidence and wellbeing through a structured experiential learning process.

Iluka's Narngulu Operations Manager, Stuart Forrester, is chair of the SHINE board.

Iluka has employed a school graduate and SHINE participant in a trainee administration officer position.

US YOUTH SUPPORT PROGRAMMES

Iluka continued its involvement in a range of community programmes in the United States, associated with operations in Virginia and project development work in Virginia and Carolina.

These include:

- support for the Adopt-a-School Programme, which aims to utilise the resources and talents of local business to strengthen the quality of education for students at the Halifax County Public School system;
- partnership with Jackson-Feild Homes, a non-profit organisation in Virginia which provides residential and community based services for adolescent males and females aged 12 to 21, including those who have experienced severe neglect and abuse. Iluka's involvement included a contribution towards the purchase of a vehicle; and
- YMCA, Greenville County Scholarship Programme, providing low-income families access to membership and programme benefits at reduced rates.



STATUTORY INFORMATION



Directors' Report
Remuneration Report
Financial Report
Directors' Declaration
Independent Auditor's Report

Directors' Report

The directors present their report on the Group consisting of Iluka Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2014.

Operating and financial review

Iluka is a leading mineral sands company involved in mineral sands exploration, project development, operations and marketing. Iluka is the largest global producer of zircon and the second largest producer of titanium dioxide products, with a leading 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, refer to page 1 of this Annual Report. The Company also has a royalty associated with a tier one iron ore operation – BHP Billiton's Mining Area C province 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

- Globally integrated operations located in lower risk jurisdictions
- 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
- Approximately 15 years reserve cover, with resources seven times ore reserves (at 2014 depletion levels)

Products and marketing

- Broad product suite
- World's largest zircon producer, second largest titanium dioxide producer
- Global marketing arrangements, including strong direct customer relationships, extensive distribution and logistics facilities and in-country presence in key markets

Growth

- Technically experienced in-house exploration team with a domestic and international programme
- Suite of internal growth options - several under advanced evaluation
- New developments subject to strict financial return criteria and assessed against industry supply-demand dynamics
- Focus on product development and innovation and technology activities
- Mineral sands and non-mineral sands corporate acquisition opportunities assessed, according to defined criteria

Further information regarding Iluka's projects and other growth options can be found on pages 24 to 27 of this Annual Report.

Business strategies and future prospects

Iluka maintains its commitment to a range of activities designed to generate future growth and deliver value for shareholders. This has a number of elements:

- feasibility study work progressing or completed on five potential mineral sands projects in Australia and the United States, to a stage where an execute decision can be taken, depending on financial characteristics and market conditions;
- continued expansion of the Company's international marketing presence, through increased in-country presence, including additional points of representation, establishment of new country offices, increased industry and market analysis, and expansion of warehousing and distribution facilities;
- initiatives, including the planned establishment of a China Technical Centre to pursue opportunities in feedstock supply in both the sulphate and pigment sectors;
- a commitment to international mineral sands exploration, with early stage tenement acquisition and evaluative work in several overseas jurisdictions and the evaluation of non-mineral sands commodities on Iluka tenements;
- an increased investment commitment to innovation and development activities; and
- assessment of external mineral sands and non-mineral sand acquisitions where strategic and financial merit exists, as well as partnering or investment opportunities.

Iluka's business approach has the following key elements:

- flex asset operation in line with market demand;
- continue market development through the cycle;
- preserve/advance mineral sands growth opportunities;
- maintain a strong balance sheet;
- 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.

Further detail surrounding the future prospects for Iluka are detailed in the Mineral Sands Projects and Other Growth Options sections on pages 24 to 30 of this report.

Business risks and mitigations

Iluka maintains a whole of business approach to the management of risks. This approach allows both opportunities and threats to be identified and managed effectively. Iluka has adopted a risk management framework which sets out the processes for the identification and management of risk across the Group. The risk management framework is aligned with the International Standard for risk management (ISO 31000 Risk Management).

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 and decision making;
- 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 applies 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 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 and its ability to achieve its objectives. 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 risks

The resources sector typically exhibits cyclicity. In 2014, as was the case in 2013, 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.

Financial risks

Iluka faces risks relating to the cost of and access to funds, movement in interest rates and foreign exchange rates (refer note 17). Iluka maintains a Treasury Policy which establishes the framework and parameters under which the Treasury function operates. The Policy seeks to ensure all financial risks are fully recognised, managed and recorded in a manner consistent with:

- Iluka's Board;
- generally accepted industry practice and corporate governance standards; and
- shareholder expectations of a mineral sands producer.

Any changes to, or breaches of, the Treasury Policy are reported to the Board.

Project development risks

Iluka as a matter of business focus regularly assess its ability to enhance its production profile, or extend the economic life of deposits, including 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. A structured capital process and project delivery framework is utilised to facilitate successful project development and mitigate 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 identification of appropriate external growth opportunities. The ability of Iluka to create and deliver value for shareholders is to some extent dependent on success in growth strategies.

Evaluating growth opportunities requires a disciplined process of project selection and interrogation to maximise the opportunity to identify value potential and to achieve desired financial outcomes. This entails established disciplines and systems to evaluate value opportunities and assess the potential impact of a range of modifying factors on potential business outcomes.

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 and reversal of current political, judicial or administrative policies.

Iluka has developed a new country entry process that outlines steps taken to ensure risks are identified and mitigated whilst exploring opportunities in new jurisdictions.

Business interruption risks

Circumstances may arise which preclude sites from operating, including natural disaster, 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 policies and training seeks to support 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 is overseen by the Board and is supported by policies and procedures, including stakeholder engagement risk assessments, which influence how the Company will operate.

Remuneration Report

Contents

Section 1	2014 Overview
Section 2	2014 Total Realised Earnings (Non-Statutory Remuneration Disclosure)
Section 3	Link Between Performance and Reward
Section 4	Remuneration Governance
Section 5	Executive Remuneration
Section 6	Managing Director Remuneration
Section 7	Executive Employment Agreements
Section 8	Non-Executive Director Remuneration
Section 9	Key Management Personnel Shareholdings
Section 10	Statutory Remuneration Disclosures

The directors of Iluka Resources Limited present this Remuneration Report (Report) for the consolidated entity for the year ended 31 December 2014. The information provided in this Report has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth) and forms part of the Directors' Report.

This Report sets out remuneration information for the non-executive directors, Managing Director and other senior executives, including the Key Management Personnel (KMP) who have authority for planning, directing and controlling the activities of the Company (as defined in AASB 124 Related Party Disclosures).

Section 1 2014 Overview

Iluka's financial and business performance, and the business and operating conditions, which influence these outcomes are described in detail elsewhere in the Annual Report (refer pages 4 to 55). Iluka's 2014 remuneration and incentive outcomes reflect these business conditions, as well as the returns available to shareholders.

The Board recognises the importance of delivering sustainable growth for the long term performance of the Company. As such, growth objectives, supplementing the delivery of annual financial and sustainability outcomes, are a key element of the objective setting and remuneration incentive arrangements for the Managing Director and his executive team.

At the commencement of each financial year challenging individual targets are set for the Managing Director and his executive team. These objectives focus on the achievement of Iluka's Corporate Plan and implementation of associated strategies.

In 2014 objectives encompassed market development, improving internal production and processing capabilities, exploration, research and development, innovation and disruptive technology and the evaluation and pursuit of merger and acquisition activities.

These included the following:

- advancement of the commercial and technical assessment of several internal mineral sands production options. These included the globally significant rutile deposit, Balranald in New South Wales; the Cataby deposit in Western Australia; the Sonoran, Atacama and Typhoon satellite deposits in the Eucla Basin, South Australia and the Hickory and Aurelian Springs deposits in the United States;
- government and regulatory engagement in relation to establishing a suitable regulatory framework for the potential commercialisation of the Puttalam deposit, Sri Lanka. This work is expected to progress to a scoping study in 2015;
- progress towards commercialisation of the Metalysis technology, a potentially disruptive technology for the manufacture of titanium powder, as well as conversion of other minerals. Iluka maintained Board representation, had an executive as a Board observer and provided technical and project management expertise to Metalysis, particularly in relation to the potential customisation of feedstock blends;
- early stage evaluation and market studies for the potential commercialisation of the large Tapira mineralisation in Brazil, in conjunction with Vale S.A.;
- exploration activities, ranging from country entry, early evaluative studies, tenement acquisition, exploration and resource delineation drilling in multiple jurisdictions in Australia and internationally;
- market development activities, including increased global sales and market representation; logistics capabilities; product development and industry analysis;
- innovation and technology activities, including technical evaluation of a new high-grade sulphate feedstock (referred to previously as Acid Soluble Synthetic Rutile); new mineral sands mining techniques to assist with the development of non-traditional mineral sands deposits; continued investigation of improved and cost-effective methods to handle by-products; and the continued expansion of the Company's metallurgical testing capabilities; as well as
- evaluation and progression, in some cases, of non-organic merger and acquisition opportunities where financial and strategic merit can be demonstrated.

The Board is focused on ensuring that remuneration outcomes are appropriate in the context of the Company performance. In 2014 the Remuneration and Nomination Committee commenced a review of remuneration and incentive structures to ensure that the remuneration framework reflects the challenges and opportunities facing Iluka and maintains alignment with accepted best industry practice. This review is in progress but has highlighted the following:

- detailed market benchmarking revealed that, whilst fixed remuneration and short term incentives were appropriate, executive Key Management Personnel (KMP) were behind the median of the resources comparator group on a total remuneration basis due to the low level of long term incentive opportunity (sitting below the 25th percentile of the resources comparator group);
- it is appropriate to increase long term incentive targets to ensure market competitive remuneration and a longer-term orientation within senior executive remuneration packages; and
- incentive objectives and outcomes should have a stronger focus on growth business opportunities and objectives set for the Managing Director and his direct reports.

In light of these findings, the Board has determined to make some immediate changes to the remuneration framework for 2015, further details of which are provided below. The review of the remuneration framework for future years is in progress and the Board will continue to consider the views of shareholders and other bodies.

The following provides an overview of Iluka's remuneration and incentive outcomes in 2014.

Total Fixed Remuneration (TFR) <i>(Section 5.2)</i>	<p>In 2014, all executives and senior managers were excluded from the annual salary review process.</p> <p>During the year, a restructure of executive roles resulted in a change to the TFR of two KMP to reflect promotion and change in accountabilities. No other changes were made during 2014.</p> <p>As market conditions remain challenging, the Board has determined to freeze all KMP salaries for the 2015 financial year. Accordingly for a second consecutive year, there will be no increase to TFR levels for KMP. Exceptions may be made for those executives promoted with changed duties (or to address a market anomaly).</p>
Short Term Incentive Plan (STIP) <i>(Section 5.3)</i>	<p>The 2014 STIP outcome equated to an average payment of 34 per cent of maximum opportunity for all executive KMP (including the Managing Director).</p> <p>Thresholds for the Profitability component of the STIP award were not met, reflecting the low cycle mineral sands industry conditions and resulting financial outcomes.</p> <p>Stretch performance was achieved in relation to the Sustainability targets and executives achieved above-target outcomes for their individual objectives relating to achievement of strategic growth opportunities for the Company.</p> <p>There is mandatory deferral of 50 per cent of the STIP award for executives into restricted shares. The deferred portion vests over a two-year period, and is subject to clawback during deferral.</p>
Long Term Incentive Plan (LTIP) <i>(Section 5.4)</i>	<p>31 per cent vesting of the 2012 LTIP (performance period 1 January 2012 to 31 December 2014) reflected:</p> <ul style="list-style-type: none"> ■ Return on Equity (ROE) performance of 6.8 per cent against a threshold of 40 per cent; and ■ Total Shareholder Return (TSR) of (52.41%) that ranked at the 56th percentile of the S&P/ASX 200 Materials Index comparator group.
Managing Director's Long Term Incentive Deferral (LTID) Plan <i>(Section 6)</i>	<p>The Managing Director's LTID plan assessed performance over the three-year period from March 2011 to March 2014.</p> <p>Of the 750,000 share rights offered, 250,000 will vest based on the Company's financial performance over the three year performance period. Vesting of the share rights occurs in March 2015, 12 months after the end of the performance period.</p> <p>The Board and the Managing Director have agreed that a replacement for the expired Managing Director's LTID plan is not appropriate at this time.</p>
Total Remuneration <i>(Section 2.1 and Section 10)</i>	<p>In 2014, total remuneration for the Managing Director and other executive KMP increased by 15 per cent on a statutory basis (see Section 10) largely due to an increase in the share based payments accounting value. On a realised or 'take-home' basis (non IFRS) (see Section 2.1) total remuneration reduced 6 per cent compared with 2013 total remuneration levels.</p>
Employee Share Plan	<p>The Company continues to offer the A\$1,000 employee share plan in line with the Company's focus on share ownership for all employees. In 2014, 527 employees (99 per cent of eligible employees) accepted the offer to participate in the plan for which a total of 61,132 shares were awarded.</p>
Non-Executive Directors Remuneration <i>(Section 8)</i>	<p>No changes were made to non-executive director board and committee fee levels in 2014 (fees have not been increased since 2011).</p> <p>In 2014, the Board approved a specific fee in recognition of Gavin Rezos' additional workload and duties, following his appointment to the Board of Metalysis Limited.</p> <p>The Board determined that non-executive director fees will remain frozen for the 2015 financial year.</p>

Incentive Review and changes for 2015

During 2014, the Remuneration and Nomination Committee commenced a comprehensive review of the STIP and LTIP. In the interim, some initial changes have been made effective for the 2015 year, to address immediate issues (see below).

The review of incentives is still in progress, to ensure that the incentive structures are well considered in the context of Iluka's Corporate Plan and the challenges it faces in the external environment.

LTIP target

An independent benchmarking exercise conducted as part of the incentive review highlighted the low level of LTIP as a proportion of target remuneration for the KMP direct reports to the Managing Director. This echoed feedback from key stakeholders that the structure of remuneration packages required a longer-term focus. As a result, the Remuneration and Nomination Committee approved a change to the LTIP target from 30 per cent to 60 per cent of TFR. There will be no change to the level of STIP target. This change will rebalance the total target reward mix with an increase to the weighting of LTIP. The Managing Director's LTIP target will remain at 30 per cent of TFR given the possible timing of Managing Director succession within the three-year LTIP performance period, subject to Board and Managing Director discussions and deliberations, and subject to the corporate strategic agenda.

It is noted that executives will not benefit from the increase in the LTIP grant unless ROE or RTSR targets are achieved and shareholder value created. The increased targets support long-term focus on achievement of the Corporate Plan and strategic growth objectives.

Discretionary LTIP awards

The Board approved a change to remuneration policy, providing flexibility to award additional one-off LTIP grants to senior executives:

- on promotion to key roles; and/or
- with skills and experience critical to the execution of the Corporate Plan, and some of the growth components outlined previously; and/or
- who are a retention risk due to the specialist nature of their skills and experience.

This change to policy will apply in 2015.

STIP performance measure weightings

The percentage weightings of performance measures under the STIP will be aligned for all participants as follows:

- Profitability measures 50 per cent;
- Sustainability measures 10 per cent; and
- Individual Growth measures 40 per cent.

This change increases the focus on 'growth' objectives from 30 per cent to 40 per cent. The Board believes it is important that executive KMP maintain focus on growth objectives which have the potential to deliver material value to shareholders over the medium to longer term; to retain the Company's competitive position; deliver resource to reserve conversion and grow the business via either organic or inorganic means. These strategic areas of focus are set within the context of the achievement of the Corporate Plan outcomes.

Section 2 2014 Total Realised Earnings (Non-Statutory Remuneration Disclosure)

The tables in this section detail 'actual' pay received by the Managing Director and other executive KMP during the 2014 financial year and 2013 financial year. This is a voluntary disclosure and is supplemental information to the statutory remuneration disclosure prepared in accordance with statutory requirements and accounting standards as detailed on pages 89-92 of this Remuneration Report.

2.1 Executive Total Realised Earnings in 2014 (non-IFRS)

The total realised earnings include cash salary and fees, superannuation, non-cash benefits received during the year and the full value of incentive payments earned during the performance period ended 31 December 2014. The table does not include the accounting value of share based payments consisting of share rights granted in the current and prior years. The table also does not include LTIP grants in 2014 because those share-based payments are dependent on the achievement of performance hurdles and consequently may or may not be realised. Remuneration details for the full 2014 year are shown. Details for Chris Cobb have been excluded as he ceased to be a KMP on 1 February 2014.

Name	Base \$	Super \$	Other ¹ \$	2014 STIP ² \$		2012 LTIP ³ \$	2014 Total Earnings \$
				Cash	Restricted Shares	Shares	
D Robb Managing Director	1,981,515	18,335	57,756	503,700	503,700	80,791	3,145,797
M Blackwell^{4,6} Head of Marketing, Mineral Sands	589,998	2,962	32,336	82,495	82,495	20,222	810,508
A Tate Chief Financial Officer and Head of Strategy and Planning	655,157	19,843	38,857	116,944	116,944	30,008	977,753
D Warden Head of Resource Development, Mineral Sands	585,721	18,279	–	84,258	84,258	20,175	792,691
S Wickham⁵ Chief Operating Officer, Mineral Sands	693,888	18,963	27,865	112,149	112,149	30,147	995,161

¹ Includes non-monetary benefits which consist of car parking, spouse travel, accommodation and other international assignment-related benefits. In relation to A Tate, this amount includes a salary underpayment from prior years related to the salary sacrifice of superannuation.

² Represents the value of the 2014 STIP which was awarded partly in cash and partly in deferred equity in March 2015. Restricted shares remain subject to continued service over a two-year vesting period. The number of restricted shares is determined by dividing the dollar value of the deferred component by the 5 day Volume Weighted Average Price (VWAP) following the release of 2014 full year financial results (see Section 5.3 for more details).

³ Represents the value of the 2012-14 LTIP award for which the performance period concluded on 31 December 2014 and was calculated at the closing share price of \$8.28 at the date of vesting (1 March 2015).

⁴ M Blackwell was appointed to his current role and became a KMP on 1 February 2014. Remuneration details for the full 2014 year are shown.

⁵ S Wickham was appointed to his current role on 1 June 2014.

⁶ M Blackwell's earnings have been converted from USD to AUD using the 2014 YTD average foreign exchange rate of 0.9030.

⁷ C Cobb ceased to be a KMP on 1 February 2014 and his details are not included.

2.2 Executive Total Realised Earnings in 2013 (non-IFRS)

Name	Base \$	Super \$	Other ¹ \$	2013 STIP ² \$		2011 LTIP ³ \$	2013 Total Earnings \$
				Cash	Restricted Shares	Shares	
D Robb Managing Director	1,984,725	17,603	60,916	380,700	380,700	462,458	3,287,102
C Cobb Head of Marketing	626,815	37,953	30,471	73,149	127,858	158,560	1,054,806
A Tate Chief Financial Officer and Head of Strategy and Planning	637,346	20,658	–	60,042	60,041	163,837	941,924
D Warden⁴ Head of Resource Development, Mineral Sands	541,055	35,534	–	65,957	65,957	81,477	789,980
S Wickham General Manager Australian Operations	661,225	17,122	5,476	89,644	156,236	163,837	1,093,540

¹ Includes non-monetary benefits.

² Represents the value of the 2013 STIP which was awarded partly in cash and partly in deferred equity in March 2014. Restricted shares remain subject to continued service over a two-year vesting period.

³ Represents the value of the 2011-13 LTIP award for which the performance period concluded 31 December 2013 calculated at the closing share price of \$9.39 at the date of vesting (3 March 2014).

⁴ D Warden was appointed to his current role and became a KMP on 1 July 2013. Remuneration details for the full 2013 year are shown.

⁵ M Blackwell's details are not included as he became a KMP during the 2014 financial year.

Section 3 Link Between Performance and Reward

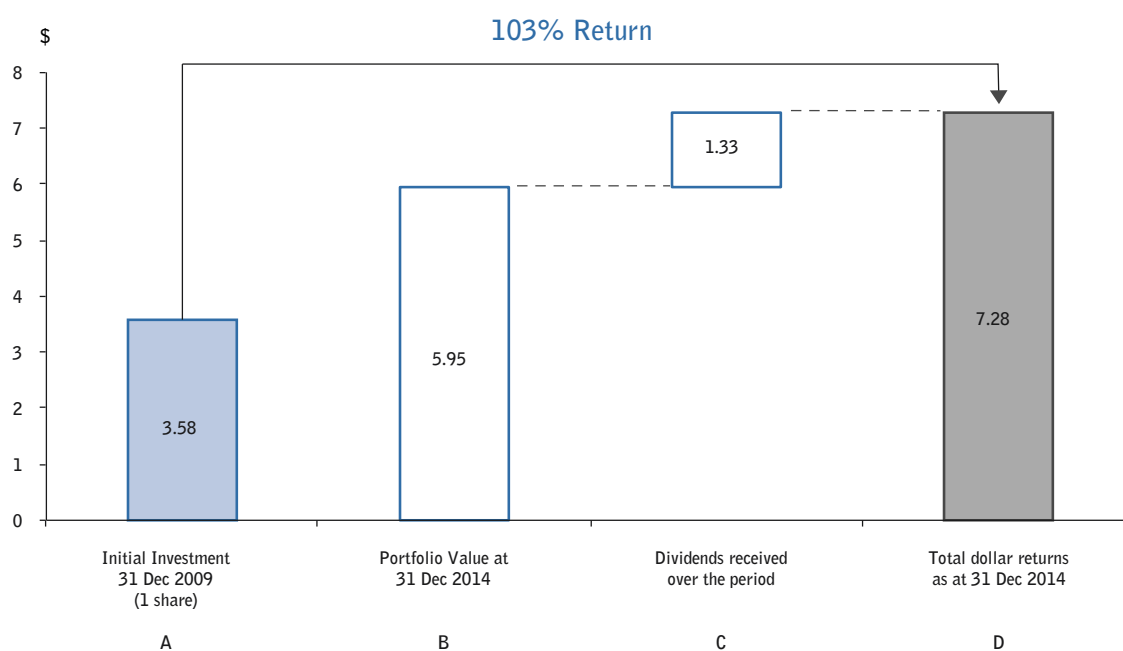
The following section sets out details of Iluka's financial performance and how performance has translated to incentive outcomes for executive KMP.

3.1 Shareholder Alignment

Shareholder Returns

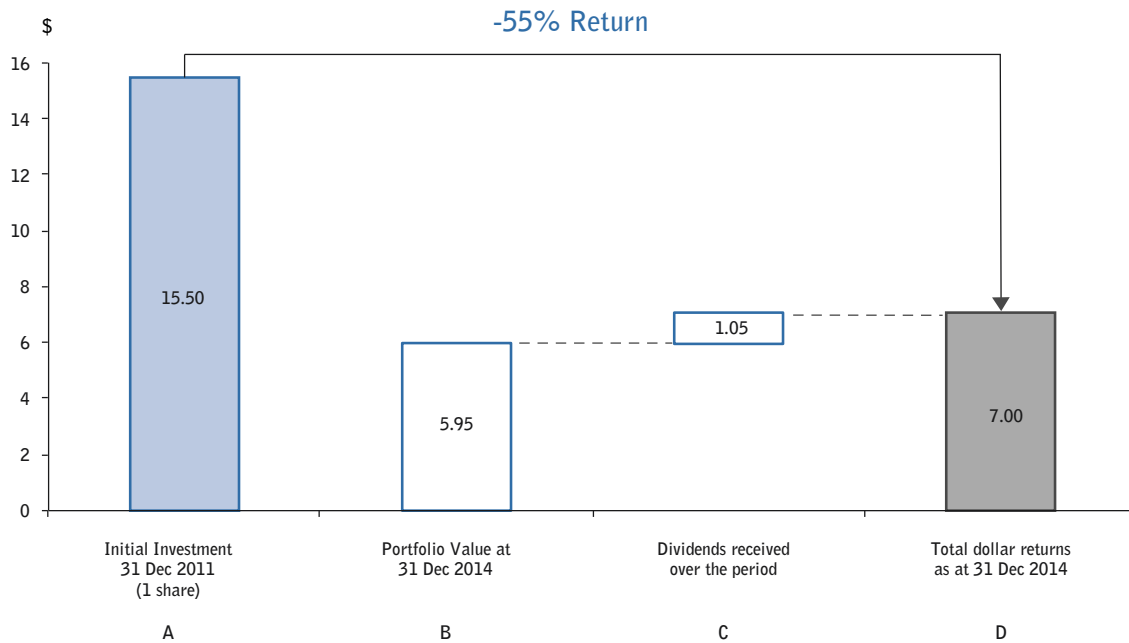
The charts below illustrate shareholder returns over the one, three and five year periods to 31 December 2014.

Five year shareholder returns



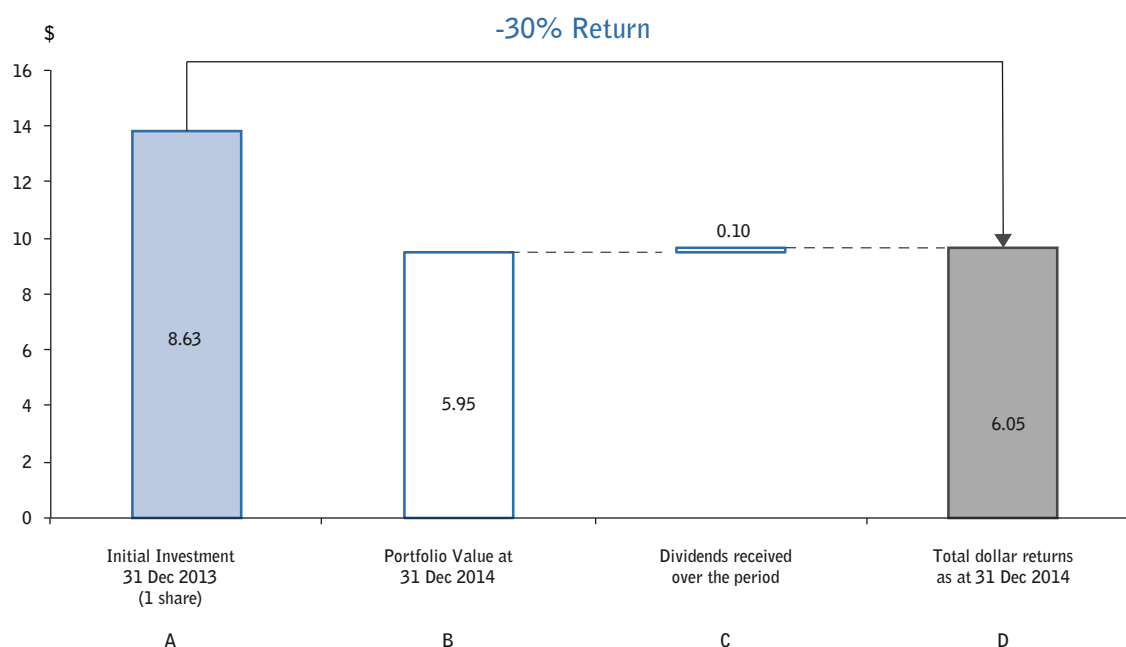
- A. A shareholder invests \$3.58 to acquire one share on the last day of trading in 2009.
- B. As at 31 December 2014, share price was \$5.95.
- C. Aggregate dividends paid over the five year period were \$1.33 per share (before franking credits)¹
- D. Total value of shares plus dividends received as at 31 December 2014 was \$7.28 (B + C), amounting to a return of 103% over the five year period.

Three year shareholder returns



- A A shareholder invests \$15.50 to acquire one share on the last day of trading in 2011.
- B. As at 31 December 2014, share price was \$5.95.
- C. Aggregate dividends paid over the three year period were \$1.05 per share (before franking credits)¹.
- D. Total value of shares plus dividends received as at 31 December 2014 was \$7.00 (B+C), amounting to a return of (55%) over the three year period.

One year shareholder returns



- A. A shareholder invests \$8.63 to acquire one share on the last day of trading in 2013.
 B. As at 31 December 2014, share price was \$5.95.
 C. Aggregate dividends paid over the one year period were \$0.10 per share (before franking credits)¹.
 D. Total value of shares plus dividends received as at 31 December 2014 was \$6.05 (B+C), amounting to a return of (30%) over the one year period.

¹ Dividends over the five-year period to 31 December 2014 comprised of 2010 final dividend (8 cps unfranked), 2011 interim dividend (20 cps unfranked), 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) and 2014 interim dividend (6 cps franked).

Earnings and free cash flow over the same five-year period are set out in the table below:

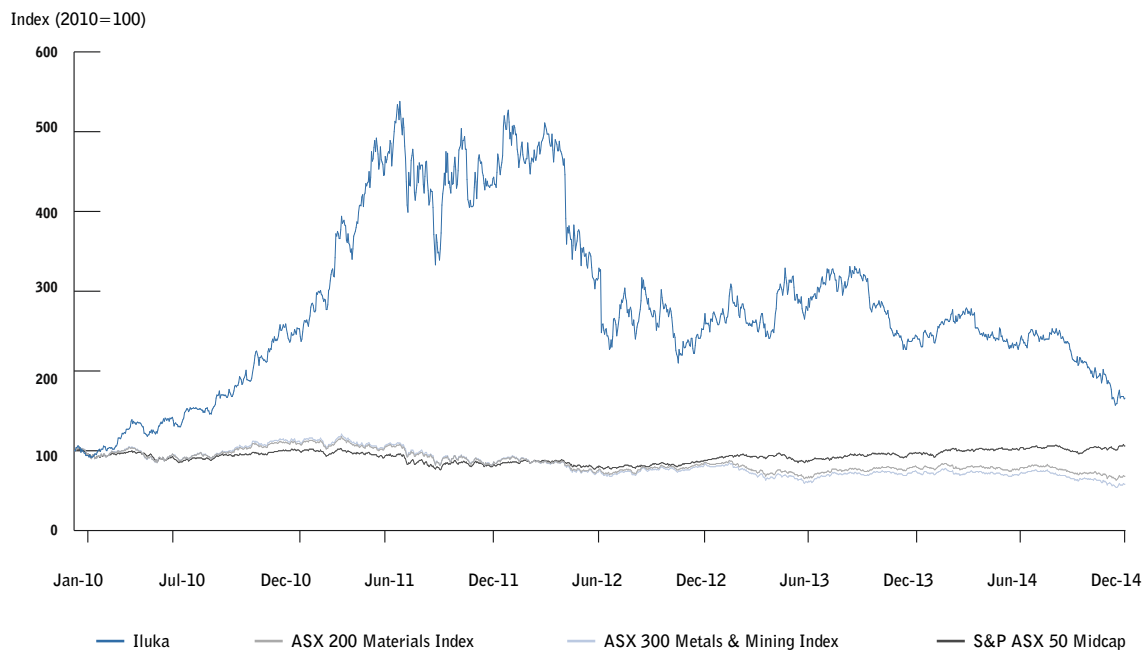
	31 Dec 10	31 Dec 11	31 Dec 12	31 Dec 13	31 Dec 14
Net profit/(loss) after tax (\$ million)	36.1	541.8	363.2	18.5	(62.5)
Free Cash Flow (\$ million)	60.7	589.6	81.2	(27.5)	196.3
Earnings per share (cents)	8.6	130.1	87.1	4.4	(15.0)
Closing share price (\$)	9.14	15.50	9.02	8.63	5.95
Dividends paid (cents)	0	28	80	15	10
Franking credit level (per cent)	0	73.3	100	100	100

Over the five years to 31 December 2014, a period in which capital expenditure and free cash flow have varied markedly year to year, 69 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 6 per cent of FCF.

Share price performance

The graph below shows how Iluka's share price has outperformed the ASX 200 Materials, ASX 300 Metals & Mining and ASX 50 Midcap Indices over the corresponding five-year period from 1 January 2010 to 31 December 2014.

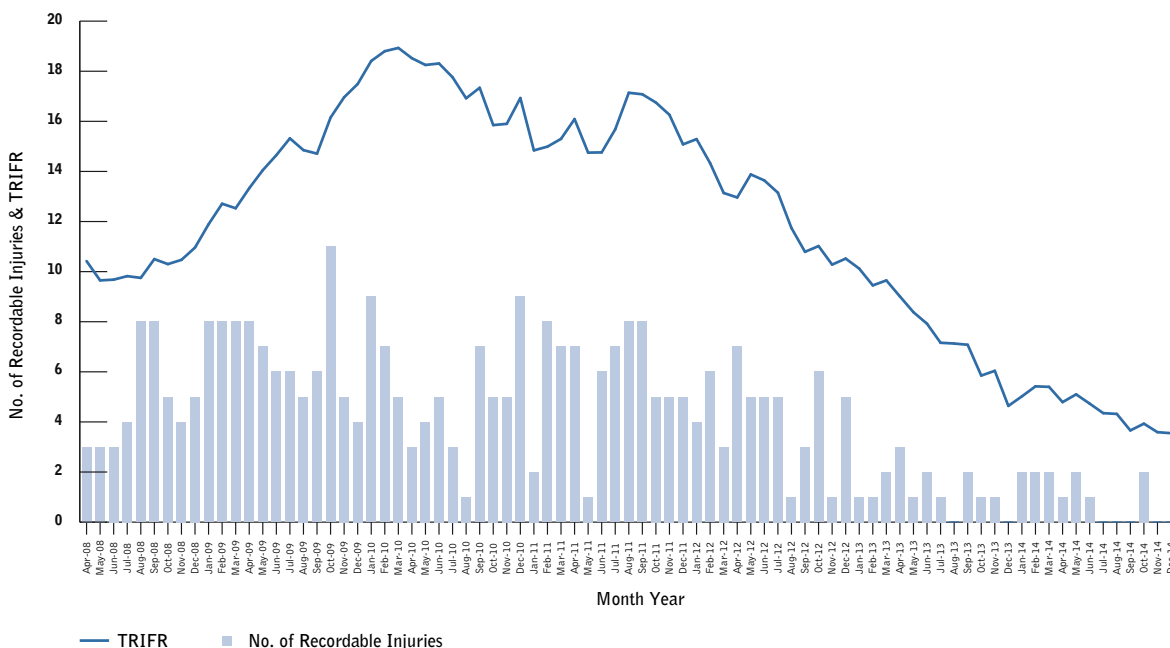
Iluka Share Price v Market Indices



Sustainability performance

The chart below illustrates the Company performance for Total Recordable Injury Frequency Rate for the period from 1 April 2008 to 31 December 2014.

Total Recordable Injury Frequency Rate

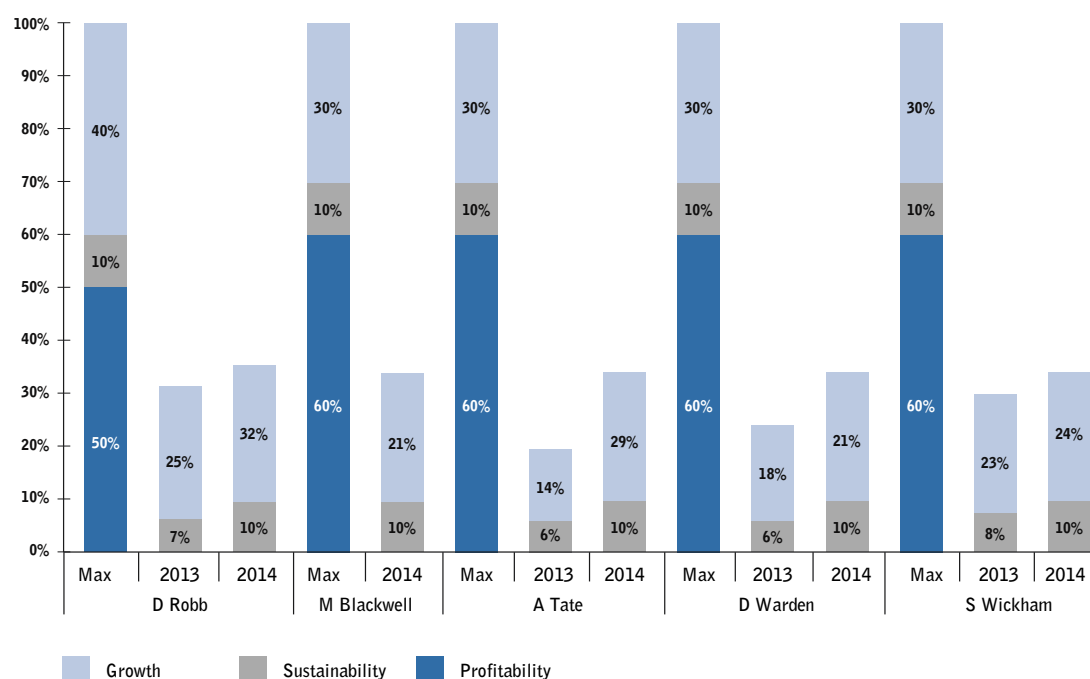


3.2 Performance Based Reward

2014 STIP Performance






The following chart provides a comparison between the maximum STIP opportunity for the Managing Director and other executive KMP and the actual amounts which were awarded in 2014 and 2013. Note that Matthew Blackwell became a KMP during 2014 on appointment to his current role, so 2013 outcomes are not included. Chris Cobb ceased to be a KMP on 1 February 2014 so his outcomes are not included.


STIP Outcomes as a percentage of maximum opportunity



Commentary on the performance outcome for each STIP component is detailed in the next table.

2014 Performance against 2014 STIP Targets

Strategic Driver	STIP Measures	Rationale for inclusion	Performance outcome and commentary
Profitability (50%-60% 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 2 per cent (2013: 2.2 per cent) was adversely impacted by \$82.0 million of pre-tax impairment charges in respect of US assets. Capital employed, which includes non-current inventory and property plant and equipment associated with idled operations which do not contribute to earnings, has remained relatively stable during the year.
	Net Profit After Tax (NPAT)	Reflects the profit made by Iluka and the resulting impact on returns generated for shareholders.	 Below threshold performance The result for the year of a loss of \$62.5 million (2013: \$18.5 million gain), includes the impact of \$86.5 million of post-tax impairment charges in respect of US assets and a 12 per cent reduction in the weighted average price received for Iluka's mineral sands products.
	Earnings Before Interest and Tax (EBIT) ¹	Reflects the quality of Iluka's earnings and operational performance.	 Below threshold performance The result for the year of negative \$16.7 million includes the adverse impact of the \$82.0 million pre-tax impairment charges in respect of US assets.
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.	 Above stretch performance In 2014 TRIFR of 3.55 per cent (rolling 12-month average to 31 December 2014) was achieved, a 23 per cent reduction on the 2013 outcome which exceeded the stretch target set, continuing the positive trend seen in the last few years. The high level of performance was achieved following a 56 per cent reduction in 2013 from 2012 levels.
	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 Exceptional performance also maintained with a 30 per cent improvement on 2013 levels (34 incidents in 2014), despite a significant increase in the number of incidents reported.

Strategic Driver	STIP Measures	Rationale for inclusion	Performance outcome and commentary
<p>Growth (30%-40% weighting)</p>	<p>Individual objectives</p>	<p>Individual objectives that advance the Company's longer term prospects – which 'make a difference' – are referred to as 'Growth objectives' and are set at a stretch level. 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.</p>	<p> Above target</p> <p>As detailed in the Section 1 Overview, during the year, the Managing Director and the Executive achieved targeted progress against, and/or satisfactory completion of, specific objectives and associated deliverables set at an industry and at a company level focusing on the medium to long-term future of the Company:</p> <ul style="list-style-type: none"> • major project feasibility studies and associated approvals; • mining and processing idle asset restarts; • acquisition of mineral sands resources and reserves and other corporate development options; • development of innovative solutions – with the potential to transform the value of Iluka's resource base – to major technical challenges facing the Company and the industry; • alliances, new ventures and royalties including technology-driven positioning in UK and Brazil ventures; • environmental, health and safety leadership, awareness and performance, including rehabilitation and site closure; and • stakeholder relationships. <p>Areas in which progress was less than targeted included:</p> <ul style="list-style-type: none"> • exploration and new commodities outcomes; • income diversification and growth; and • US project-related negotiations and approvals.

¹ EBIT was included as a profitability measure for 2014 replacing FCF.

2012 LTIP Outcome

At the end of 2014, the 2012 LTIP grant completed its performance period (1 January 2012 to 31 December 2014). Performance was measured against both the ROE and relative TSR hurdles. Performance and vesting outcomes were as follows:

Component	Performance target	Actual performance	Implication for vesting
ROE (50%)	50% vesting for Threshold of 40% with full vesting at target of 50%	6.8 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	56th percentile	62 per cent vesting of the TSR component

60,489 shares in total, having been purchased on market, were awarded to participants under the 2012 LTIP.

Iluka's ROE outcome for the last five years is set out in the table below:

	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014
ROE (%)	3.2	42.5	23.2	1.2	(4.1)
Average ROE 2012 – 2014 (%)					6.8

Section 4 Remuneration Governance

4.1 Board Oversight

The Remuneration and Nomination Committee (Committee) operates in accordance with its charter as approved by the Board. The Committee is comprised of the following independent non-executive directors:

W Osborn (Committee Chairman)
 G Martin
 J Seabrook
 G Rezos
 J Ranck

The Committee's responsibility is to provide assistance and 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 the following:

- overall remuneration strategy of the Company;
- remuneration of non-executive directors;
- performance and remuneration of the Managing Director and Executives;
- selection and appointment of, and succession planning for, non-executive directors;
- selection and appointment of, and succession planning for, the Managing Director;
- 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.

The Committee also makes decisions on behalf of the Board where such authority has been expressly delegated.

4.2 Use of Remuneration Consultants

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

From time to time during the 2014 financial year, the Committee engaged independent remuneration consultants to provide advice and insights on remuneration trends, regulatory update and market data in relation to the remuneration of the Managing Director, other KMP and non-executive directors.

3 degrees consulting was approved by the Committee as a remuneration consultant and engaged by the Committee to provide assistance in relation to a comprehensive review of Iluka incentive plans and market benchmarking of executive remuneration. The terms of 3 degrees' engagements were agreed with the Chairman of the Committee and all remuneration recommendations were provided directly to the Chairman of the Committee.

3 degrees consulting's fees that related to remuneration recommendations were \$65,000 (exclusive of GST). The total amount for 3 degrees consulting fees for advice which did not contain remuneration recommendations was \$101,500 (exclusive of GST). The Board is satisfied that all remuneration recommendations were made free from undue influence of management. In addition, 3 degrees provided a declaration to the Committee that the remuneration recommendations it made were free from any undue influence.

4.3 Securities Trading and Hedging Policy

Iluka's policy in relation to employees holding Iluka securities is set out in the Company's Securities Trading Policy, which can be found on the Company's website at www.iluka.com. The policy sets out the circumstances in which employees may trade in company securities.

Directors and executives are prohibited from trading in financial products issued or created over the Company's securities 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.

4.4 Clawback Policy

Under the Company's STIP and LTIP offer terms and conditions and the plan rules, the Board has discretion to determine forfeiture of deferred or unvested equity awards in certain circumstances (e.g. unlawful, fraudulent, dishonest behaviour or serious breach of obligations owed to the Company). All incentive offers and final outcomes are subject to the full discretion of the Board and through the deferral period for STIP restricted shares and performance period for STIP shares, executives have an ongoing exposure to Company performance.

4.5 On-market Share Purchases

During 2014, shares were acquired on-market to satisfy vesting of equity grants and the subsequent allocation of shares to participants under the STIP, LTIP and Employee Share Plan. On-market purchases of shares were made in March 2014 (429,250 shares at a share price of \$9.61) and May 2014 (61,132 shares at a share price \$9.12). The purchases were disclosed to the ASX within five days of the purchase.

4.6 People Policy and Remuneration Principles

The Iluka People Policy seeks to:

- attract and retain the best people while building and maintaining a diverse, sustainable and high achieving workforce;
- recognise that leadership at all levels is required to create alignment of purpose, which together with the right resources, is crucial to the achievement of extraordinary performance; and
- provide a workplace in which our employees gain a sense of achievement based on the principles of accountability, commerciality and engagement.

To achieve these objectives, the following principles form the basis of Iluka's remuneration framework:

Market Competitive	<p>Fixed remuneration reflecting skills, experience and performance and which is comparable and competitive within the resources sector.</p> <p>An appropriate balance between fixed and variable (at risk) components of remuneration.</p> <p>Remuneration practice is reasonable and effective through cyclical market conditions.</p>
Performance Based	<p>Variable component focused on both short and long term business performance.</p> <p>Reward for achievement of corporate and individual objectives.</p> <p>Targets set reflect both prevailing business performance expectations and minimum requirements over time.</p>
Aligned to Shareholder Returns	<p>Performance objectives support business profitability, sustainability and growth and result in improved shareholder returns.</p> <p>Share ownership for all employees with significant trailing exposure to Company performance for executives through deferred share plans and minimum shareholding requirements.</p>
Fair and Transparent	<p>Fair remuneration and reward based on performance.</p> <p>Clear and concise disclosure.</p> <p>Compliant with relevant legislative frameworks.</p>

Section 5 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 competitive levels of shareholder value, as defined by total shareholder return (TSR) and return on equity (ROE), on a longer term basis. Managing Director Remuneration is detailed separately in Section 6.

5.1 Components of Executive Remuneration

Executive remuneration is made up of fixed (TFR) and at risk (STIP and LTIP) components. A significant portion of total remuneration is at risk. The components of executive remuneration are as follows:

Total Fixed Remuneration (TFR)	Set at a level that reflects the scope and responsibility of the role, experience and performance. TFR levels are benchmarked against the median level of the resources sector.
Short Term Incentive Plan (STIP)¹	<p>Strong link to financial performance and delivery of results. Satisfactory individual performance against Growth objectives and above-threshold performance against group Profitability and Sustainability targets is required before any award is payable on the relevant component.</p> <p>Equity exposure is achieved through STIP deferral, with 50 per cent of the total STIP award deferred in restricted shares for executives and senior managers and 25 per cent deferred for all other participants. Half of the restricted shares vest one year after the end of the performance period, while the remaining half vests two years after the end of the performance period.</p>
Long Term Incentive Plan (LTIP)¹	Alignment with shareholder interests with the vesting of the award subject to ROE and TSR over a three-year period.

¹ Restricted shares and share rights are issued to employees under the Directors, Executives and Employees Share Acquisition Plan (DEESAP)

The following table sets out the relative mix of remuneration components as a percentage of total remuneration for executive KMP for the 2014 Financial Year.

	Fixed Remuneration	At Risk Remuneration		
		Maximum STIP Opportunity ¹		LTIP Opportunity ²
		STIP Cash	STIP Equity	
D Robb	40%	24%	24%	12%
M Blackwell	46%	20%	20%	14%
C Cobb	46%	20%	20%	14%
A Tate	46%	20%	20%	14%
D Warden	46%	20%	20%	14%
S Wickham	46%	20%	20%	14%

¹ Subject to achievement of all objectives at stretch

² Subject to achievement of TSR and ROE hurdles set

The LTIP opportunity has been reviewed for the direct reports to the Managing Director for the 2015 financial year (see Section 1 for further detail).

5.2 Total Fixed Remuneration

Total Fixed Remuneration (TFR) consists of base salary, superannuation and any salary sacrifice items. TFR levels are assessed against the median level of the resources sector through independent data provided by Hay Group. Individual TFR is determined within an appropriate range around the market median by referencing job evaluation data, individual experience and performance. Allowance may also be made for the competition for certain skills within the resources sector.

The Company conducts a review of the remuneration of all employees and executives on an annual basis or as required. Review guidelines and budgets, approved by the Remuneration and Nomination Committee, are based upon the outcomes of direct and related market review data and external advice from the Company's remuneration advisers. Annual assessments of performance against individual objectives are used in conjunction with market data to determine appropriate remuneration recommendations.

A one-up approval process applies to all remuneration adjustments with final Managing Director approval prior to any remuneration review being implemented. Remuneration adjustments for direct reports to the Managing Director are subject to Remuneration and Nomination Committee approval.

5.3 Short Term Incentive Plan (STIP)

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:

Eligibility	All executives and other nominated senior employees are eligible to participate in the STIP.
Entitlement	The level of award opportunity (based on a percentage range of each participant's TFR) 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 (Stretch is set at 90 per cent of TFR).
Performance measures and targets	<p>STIP performance measures and targets are set on an annual basis under the categories of Profitability, Sustainability and Growth. The process for setting all targets is a rigorous one, and measures and targets are subject to the approval of the Remuneration and Nomination Committee.</p> <p>STIP performance measures are linked to Iluka's corporate plan and prevailing industry dynamics to ensure that maximum shareholder returns are being provided to investors.</p> <p><i>Profitability</i></p> <p>Profitability measures typically consist of return on capital and net profit after tax metrics with the third element varying from time to time between an earnings measure and a cash flow measure depending on the current stage of the cycle and the required focus for the business at the time.</p> <p>Earnings Before Interest and Tax (EBIT) replaced Free Cash Flow in 2014, placing the focus on earnings and the efficiency with which capital is used to generate those returns (See Section 3.2 for further details of 2014 STIP performance measures and why these were considered appropriate by the Board).</p> <p>Profitability targets are set taking into account the budget agreed by the Board, assessed adequacy of challenge, minimum expected levels of return to shareholders, and business objectives. Targets reflect business expectations at that time and may vary from prior year performance depending on economic and market conditions. What are deemed to be challenging targets are set each year. No adjustment is made to targets and outcomes for uncontrollable items such as foreign exchange movements. The Board, in all years, may exercise discretion (up or down) if circumstances eventuate that are different enough to expectations at the start of the year to warrant such discretion.</p> <p><i>Sustainability</i></p> <p>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.</p> <p><i>Growth</i></p> <p>Individual objectives that advance the Company's longer term prospects – which 'make a difference' – are referred to as 'Growth objectives' 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. Executive Growth objectives are set in conjunction with the Managing Director and are reviewed and approved by the Remuneration and Nomination Committee. Managing Director Growth objectives are reviewed and approved by the Board.</p>

Performance levels	<p>For the Profitability and Sustainability STIP performance measures, a threshold, target and stretch goal is set at the start of the performance year. The STIP outcome for each performance measure is calculated according to the following schedule:</p>								
	<table border="1"> <thead> <tr> <th data-bbox="659 510 997 533">Performance Level</th> <th data-bbox="1005 510 1355 533">STI Outcome (% Target)</th> </tr> </thead> <tbody> <tr> <td data-bbox="659 544 997 566">Threshold ¹</td> <td data-bbox="1005 544 1355 566">0%</td> </tr> <tr> <td data-bbox="659 577 997 600">Target</td> <td data-bbox="1005 577 1355 600">100%</td> </tr> <tr> <td data-bbox="659 611 997 633">Stretch</td> <td data-bbox="1005 611 1355 633">150% (maximum)</td> </tr> </tbody> </table>	Performance Level	STI Outcome (% Target)	Threshold ¹	0%	Target	100%	Stretch	150% (maximum)
Performance Level	STI Outcome (% Target)								
Threshold ¹	0%								
Target	100%								
Stretch	150% (maximum)								
	<p>No payment is made in relation to Profitability and Sustainability objectives until above-threshold levels of performance are achieved.</p>								
	<p>Achievement of the Threshold level of performance exactly results in a zero payout.</p>								
	<p>Thereafter, a sliding scale operates between threshold and target, and between target and stretch.</p>								
	<p>Individual Growth objectives are set at a stretch level of performance.</p>								
Performance assessment	<p>STIP outcomes are determined after the performance year end, but are accrued in the financial results for the performance year.</p>								
	<p>Individual progress against Growth objectives is reviewed throughout the performance year with a formal assessment of the extent to which objectives have been achieved at the conclusion of the performance year. Outcomes are subject to rigorous one up assessment and, for the Managing Director and his direct reports, assessment by the Board.</p>								
	<p>STIP award outcomes, on the recommendation of the Managing Director, are approved by the Remuneration and Nomination Committee in February following the end of the performance year (ending 31 December).</p>								
Payment timing	<p>Payments are made in March following the performance year.</p>								
STI deferral	<p>The Company operates a mandatory deferral for all STIP participants. Fifty per cent of the award (for executives and senior managers) is deferred in the form of ordinary restricted shares (25 per cent is deferred for lower level employees). The Board has discretion to increase the deferred proportion (thereby reducing the cash component).</p>								
	<p>Half of the restricted shares vest one year after the end of the performance period, while the remaining half vest two years after the end of the performance period.</p>								
	<p>The process for determining the number of restricted shares to be awarded to each participant is 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.</p>								
	<p>Executives must remain employed with the Company and continue to perform satisfactorily for the shares to vest. As a consequence, executives may have a significant trailing exposure to their own and company performance subsequent to the award. The deferred amount supports executive focus on both annual and multi-year performance, as well as providing a retention element.</p>								
Termination/forfeiture	<p>Employees who resign or are dismissed for cause will forfeit the right to any unvested deferred STIP awards. Employees who leave due to circumstances such as redundancy, retirement, total or permanent disablement or death, at the Board's discretion, still retain the right to any unvested deferred STIP awards.</p>								
Clawback	<p>All STIP incentive offers and final outcomes are subject to the full discretion of the Board. Under the STIP offer terms and conditions and the plan rules, the Board has discretion to determine forfeiture of deferred equity awards in certain circumstances (e.g. unlawful, fraudulent, dishonest behaviour or serious breach of obligations to the Company).</p>								

¹ Typically set at 90 per cent of budget for Profitability measures

5.4 Long Term Incentive Plan (LTIP)

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:

Eligibility	All executives and nominated senior managers are eligible to participate in the LTIP. Grants are generally restricted to employees who are most able to influence shareholder value.
Instrument	Awards are made in the form of share rights for Iluka shares that vest three years after the performance period subject to performance over this three-year vesting period. Share rights entitle the recipient to acquire fully-paid ordinary shares in the Company. No amount is payable by a recipient for the grant of any share rights.
Grant Value	The level of the grant is determined by an individual's role within the business and capacity to impact the results of the Company. In 2014, the maximum LTIP opportunity for the executive KMP was set at 30 per cent of TFR.
Performance hurdles	The grant is split equally into two components: <ul style="list-style-type: none"> ■ one component (50 per cent) is assessed based on ROE relative to an internal target; and ■ the other component (50 per cent) is assessed based on TSR performance relative to a comparator group of companies.

ROE

The ROE component of the LTIP grant vests based on a prospective three year average ROE performance measure. Vesting occurs on a straight line basis for performance between Threshold and Target. Targets are set giving consideration to:

- the Company's ROE performance history;
- planned strategic and business plan activity throughout the performance period; and
- the performance of comparable companies in the ASX 200 Materials Index.

Targets are reviewed annually and set for a forward three year period. Targets reflect expectations of the Company's position within the mineral sands industry, the industry business cycle, corporate plan and budget business performance expectations.

Where sustainable performance improves, it can be expected that targets will be increased - within the bounds of feasible achievement - creating a 'staircase' effect over time. Similarly, because performance is measured over the three years as an average, a failure to achieve targeted levels of performance in any one year increases the hurdle in the remaining years.

In the interest of transparent reporting, Iluka discloses its ROE target range measure which forms part of the LTIP.

ROE targets for the 2014, 2013 and 2012 LTIP are shown in the table below:

LTIP grant	Threshold	Target
2014 – 2016	10%	14%
2013 – 2015	10%	14%
2012 – 2014	40%	50%

TSR

The TSR component of the LTIP grant may vest based on 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 still allows awards to be made where Iluka is out-performing its peers, even if the market is in a cyclical low, and creates incentives for executives to continue to grow the business and look to the future at all points in the cycle.

Vesting Schedule

The LTIP vesting schedule below details the portion of the grant which will vest after the three year performance period subject to the ROE and TSR hurdles.

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%

Vesting occurs on a straight-line basis for performance between threshold and target (ROE measure) and 50th percentile and 75th percentile (TSR measure).

If at the end of the performance period the performance criteria have not been met, there will be no entitlement to the share rights.

Termination/forfeiture

When employment with Iluka ceases, all unvested share rights are forfeited.

All LTIP offers and details of the maximum allocation for the Managing Director and executive KMP are shown on page 87.

5.5 Minimum Shareholding Requirements

The Company places strong emphasis on promoting employee share ownership, as it increases the incentive for employees to drive continual shareholder wealth. In line with this goal, a minimum shareholding requirement for executives was introduced in 2011 to continue to align the interests of executives and shareholders.

Executive KMP are required to achieve the following minimum levels of shareholdings within a reasonable time period:

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

Current shareholdings of all executive KMP are disclosed in Section 9 of the Remuneration Report.

Section 6 Managing Director Remuneration

The employment terms and conditions for the Managing Director, David Robb, are set out below:

Total Fixed Remuneration (TFR)	<p>\$2,000,000 for the year ended 31 December 2014.</p> <p>TFR is subject to annual review by the Board in December each year. The Managing Director did not receive an increase in 2014 and the Board has determined his TFR will remain unchanged in 2015.</p>								
2014 Short Term Incentive Plan (STIP)	<p>90 per cent of TFR at target with up to 120 per cent of TFR for stretch performance awarded 50 per cent as cash and 50 per cent as deferred equity.</p> <table border="1"> <thead> <tr> <th>Measure</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td>Profitability (ROC, NPAT, EBIT)</td> <td>50 per cent</td> </tr> <tr> <td>Sustainability (TRIFR and environmental incidents)</td> <td>10 per cent</td> </tr> <tr> <td>Growth (individual objectives)</td> <td>40 per cent</td> </tr> </tbody> </table> <p>Growth objectives are set for the Managing Director each year by the Board at the stretch level of performance. These objectives typically vary from year to year in line with the Company's objective of creating and delivering value for shareholders.</p>	Measure	Weighting	Profitability (ROC, NPAT, EBIT)	50 per cent	Sustainability (TRIFR and environmental incidents)	10 per cent	Growth (individual objectives)	40 per cent
Measure	Weighting								
Profitability (ROC, NPAT, EBIT)	50 per cent								
Sustainability (TRIFR and environmental incidents)	10 per cent								
Growth (individual objectives)	40 per cent								
2014 Long Term Incentive Plan (LTIP)	<p>A grant of equity in the form of share rights valued at up to 30 per cent of TFR measured over a three year performance period.</p> <table border="1"> <thead> <tr> <th>Measure</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td>ROE</td> <td>50 per cent</td> </tr> <tr> <td>TSR</td> <td>50 per cent</td> </tr> </tbody> </table>	Measure	Weighting	ROE	50 per cent	TSR	50 per cent		
Measure	Weighting								
ROE	50 per cent								
TSR	50 per cent								
Long Term Incentive Deferred Plan (2011 to 2013) – Plan Details	<p>At the 2011 AGM, shareholders approved the retention arrangements for Mr Robb (referred to as the Long Term Incentive Deferred Plan or LTID Plan).</p> <p>Full details of the LTID Plan are set out in the 2011 Notice of AGM.</p> <p>The retention award consisted of 750,000 share rights offered in three tranches over a three year retention period, with each tranche being subject to performance criteria consisting of an ROE gateway of at least 12 per cent and absolute TSR performance hurdles referable to each performance period. Each tranche is assessed in each of the three years.</p>								
Long Term Incentive Deferred Plan (2011 to 2013) – Plan Outcomes	<p>The table on the next page sets out the vesting outcome of the LTID Plan against performance hurdles over the three performance periods and the subsequent share rights that will vest in 2015. A total of 250,000 shares will vest in February/March 2015 versus a maximum possible vesting of 750,000 shares.</p>								

Performance Hurdles	ROE gateway (12%)	Tranche 1	Tranche 2	Tranche 3
		TSR (12.5%)	TSR (15%)	TSR (17.5%)
Year 1 Performance Period ¹	Achieved	Achieved	Achieved	Achieved
Year 2 Performance Period ²	Achieved	Not Achieved	Not Achieved	Not Achieved
Year 3 Performance Period ³	Not Achieved	Not Achieved	Not Achieved	Not Achieved
Maximum Share Rights		450,000	150,000	150,000
Total Share Rights to Vest		150,000	50,000	50,000

¹2011 Financial Year – performance measured from 4 March 2011 to the date 5 business days after announcement of the 2011 annual financial results.

²2012 Financial Year – performance measured from the end of the Year 1 Performance Period to the date 5 business days after announcement of the 2012 annual financial results.

³2013 Financial Year – performance measured from the end of the Year 2 Performance Period to the date 5 business days after announcement of the 2013 annual financial results.

Termination Arrangements

At the 2011 AGM, shareholders approved the following termination payments which may become payable to Mr Robb under the terms of the Executive Employment Agreement entered into between Mr Robb and the Company on 11 April 2011.

With Notice	Employment can be terminated by the Company during the contract period by giving 12 months' notice or pay in lieu of notice, plus the total incentive for performance at target under the STIP and LTIP, pro-rata up to the end of the 12 month notice period. All shares to which Mr Robb is entitled under the DEESAP will vest within three months of termination.
Without Notice	In the case of misconduct and in certain other circumstances, employment can be terminated without notice and with no entitlement to pro-rata long service leave or any payment under any relevant incentive plan.
Voluntary Termination	Employment may be terminated by giving six months' notice. Any pro-rata award under any relevant incentive plan will be at the discretion of the Board.
Termination for other reasons	<ul style="list-style-type: none"> ■ By Iluka on the ground of redundancy or by Mr Robb if, at the instigation of the Board he suffers a material diminution in his status as Managing Director, by giving 12 months' notice or shall pay an equivalent amount of TFR in lieu of notice. ■ By Iluka if Mr Robb suffers illness, accident or other cause which renders him unable to perform his duties, by giving Mr Robb 12 months' notice or pay an equivalent amount of TFR in lieu of notice. ■ In the circumstances described above, Mr Robb will receive the total incentive for performance at target under the STIP and LTIP, pro-rata up to the end of the 12 month notice period. All shares to which Mr Robb is entitled under the DEESAP will vest within three months of termination.
Protection of Interests	Mr Robb is restrained from engaging in certain activities during his employment, and for a period of one year following termination of his employment, in order to protect Iluka's interests. The Executive Employment Agreement contains provisions relating to the protection of confidential information and intellectual property.

Section 7 Executive Employment Agreements

Remuneration and other terms of employment for the Managing Director and executive KMP are formalised in service agreements. The Managing Director and executive KMP are employed on a rolling basis with no specified fixed terms. The Managing Director and executive KMP are remunerated on a TFR basis, inclusive of superannuation (for the Australian-based KMPs).

7.1 Executive KMP Service Agreements

Major provisions of the agreements relating to executive KMP (excluding the Managing Director) are set out below.

Executive	Position	Termination Notice Period by Iluka	Termination Notice Period by Employee	Termination Payments ¹
M Blackwell	Head of Marketing, Mineral Sands	3 months	3 months	9 months
C Cobb	Head of Alliances, New Ventures and Royalties	3 months	3 months	9 months
A Tate	Chief Financial Officer and Head of Strategy and Planning	3 months	3 months	9 months
D Warden	Head of Resource Development, Mineral Sands	3 months	3 months	9 months
S Wickham	Chief Operating Officer, Mineral Sands	3 months	3 months	9 months

¹Termination payments (other than for gross misconduct) are calculated on current TFR at date of termination and are inclusive of the notice period.

Section 8 Non-executive director Remuneration

The remuneration of the non-executive directors is determined by the Board on recommendation from the Remuneration and Nomination Committee within a maximum aggregate amount approved by shareholders at an Annual General Meeting. The current cap on non-executive directors' fees (including superannuation) as approved by shareholders in May 2011 is \$1.5 million. The total amount paid to non-executive directors in 2014 (including superannuation) was \$1,275,298.

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 2014 are as follows:

Non-executive director fees	
Board Chairman (inclusive of Committee fees)	\$312,000
Board Member	\$125,000
Board Member Committee fees	
Audit and Risk Committee Chair	\$35,000
Remuneration and Nomination Committee Chair	\$25,000
Audit and Risk Committee Member	\$17,500
Remuneration and Nomination 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.

Minimum shareholding guidelines

Minimum shareholding guidelines were introduced for the 2014 financial year requiring all non-executive directors to acquire a shareholding of approximately 50 per cent of the value of annual gross base fees within three years of appointment.

Section 9 Key Management Personnel Shareholdings

9.1 Shareholdings¹

Non-executive director Shareholdings

Name	Number of shares		
	Balance held at 1 January 2014	Net movement	Balance held at 31 December 2014 ⁴
Non-executive directors			
G Martin	20,000	–	20,000
M Bastos ²	–	–	–
W Osborn	6,800	6,000	12,800
J Ranck	4,500	–	4,500
G Rezos	75,000	–	75,000
J Seabrook	19,314	–	19,314
S Turner ³	50,000	–	50,000

¹ Shares may be held directly or through a nominee or agent (e.g. family trust).

² M Bastos was appointed on 20 February 2014.

³ S Turner retired on 28 May 2014. His final holdings reflect the balance held at this date.

⁴ No shares were forfeited during the year.

Executive KMP Shareholdings

Name	Number of shares				
	Balance held at 1 January 2014	Vesting of share rights pursuant to LTIP	Awarded as Restricted Shares pursuant to STIP	Other changes	Balance held at 31 December 2014 ⁴
Executive director					
D Robb	751,767	49,250	40,312	(94,630)	746,699
Executives					
M Blackwell ⁵	49,431	11,820	7,241	–	68,492
C Cobb ⁶	66,933	–	–	–	66,933
A Tate	70,460	17,448	6,358	(27,779)	66,487
D Warden	23,672	8,677	6,984	(13,000)	26,333
S Wickham ⁷	123,385	17,448	16,544	(49,171)	108,206

⁵ M Blackwell was appointed to his current role and became a KMP on 1 February 2014. The opening balance reflects this date.

⁶ C Cobb was appointed to his current role and ceased to be a KMP on 1 February 2014. The closing balance reflects this date.

⁷ S Wickham was appointed to his current role on 1 June 2014.

9.2 Share Rights

Name	Number of share rights					Fair Value of Share Rights Granted in 2014 ² \$
	Balance held at 1 January 2014	Granted during 2014	Vested as shares during 2014	Lapsed during 2014 ¹	Balance held at 31 December 2014	
Executive director						
D Robb	889,549	63,534	(49,250)	(500,000)	403,833	\$452,362
Executives						
M Blackwell	33,992	19,000	(11,820)	–	41,172	\$135,280
C Cobb ³	48,539	–	–	–	48,539	–
A Tate	48,992	21,443	(17,448)	–	52,987	\$152,674
D Warden	34,302	19,188	(8,677)	–	44,813	\$136,619
S Wickham	49,281	21,697	(17,448)	–	53,530	\$154,483

¹ 500,000 of the share rights held by D Robb will not vest under the Long Term Incentive Deferred Plan for which the performance period ends in March 2014.

² Share rights granted in respect of the 2014 LTIP which forms part of share based payments for 2014 to 2016 inclusive.

³ C Cobb ceased to be a KMP on 1 February 2014. The closing balance reflects this date.

Section 10 Statutory Remuneration Disclosures

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

10.1 Non-executive director Statutory Remuneration Disclosures

2014

Name	Board, Committee fees \$	Non-Monetary Benefits \$	Superannuation \$	2014 Statutory Total \$
Non-executive directors				
G Martin	312,000	–	18,279	330,279
M Bastos ¹	122,906	–	11,547	134,453
W Osborn	150,000	–	14,063	164,063
J Ranck	137,500	–	12,891	150,391
G Rezos ²	229,222	–	14,531	243,753
J Seabrook	172,500	–	16,172	188,672
S Turner ³	58,295	–	5,392	63,687
Total	1,182,423	–	92,875	1,275,298

¹ M Bastos was appointed on 20 February 2014.

² G Rezos' fees include fees paid in relation to Metalysis Ltd and have been converted from GBP to AUD using the 2014 YTD average foreign exchange rate of 0.4922.

³ S Turner retired on 28 May 2014.

2013

Name	Board, Committee fees \$	Non-Monetary Benefits \$	Superannuation \$	2013 Statutory Total \$
Non-executive directors				
G Martin	148,278	–	13,386	161,664
W Osborn	150,000	–	13,688	163,688
G Pizzey	301,364	5,480	20,004	326,848
J Ranck	137,500	5,292	12,547	155,339
G Rezos	155,000	–	14,144	169,144
J Seabrook	172,500	–	15,741	188,241
S Turner	142,500	–	13,003	155,503
Total	1,207,142	10,772	102,513	1,320,427

10.2 Executive KMP Statutory Remuneration Disclosures

2014

Name	Base, Committee, Cash, Salary & Fees \$	STIP Cash ^{1,2} \$	Non-Monetary Benefits ⁸ \$	Other ⁹ \$	Superannuation \$	Share Based Payments ^{1,3} \$	2014 Statutory Total \$
Executive director							
D Robb	1,981,515	503,700	57,756	–	18,335	2,525,789	5,087,095
Executives							
M Blackwell ^{4,7}	545,418	75,621	–	–	–	139,751	760,790
C Cobb ⁵	55,435	8,751	–	27,152	1,481	22,450	115,269
A Tate	655,157	116,944	–	38,857	19,843	196,696	1,027,497
D Warden	585,721	84,258	–	–	18,279	166,590	854,848
S Wickham ⁶	693,888	112,149	27,865	–	18,963	286,221	1,139,086
Total	2,535,619	397,723	27,865	66,009	58,566	811,708	3,897,490

¹ STIP Cash and Share Based Payments for 2014 were made in March 2015.

² Amounts in the STIP Cash column are dependent on the satisfaction of performance conditions as set out in Section 5.3.

³ Amounts in the Share Based Payments column relate to the component of the fair value of awards from prior years made under the various incentive plans attributable to the year measured in accordance with AASB 2 Share Based Payments.

⁴ M Blackwell was appointed to his current role and became a KMP on 1 February 2014. Remuneration disclosures reflect the period he was a KMP.

⁵ C Cobb was appointed to his current role and ceased to be a KMP on 1 February 2014. Remuneration disclosures reflect the period he was a KMP.

⁶ S Wickham was appointed to his current role on 1 June 2014.

⁷ M Blackwell's earnings have been converted from USD to AUD using the 2014 YTD average foreign exchange rate of 0.9030.

⁸ Includes non-monetary benefits which consist of car parking and spouse travel and accommodation.

⁹ Other consists of an underpayment of salary in prior years for C Cobb and A Tate.

2013

Name	Base, Committee, Cash, Salary & Fees \$	STIP Cash ^{1,2} \$	Non-Monetary Benefits \$	Other \$	Superannuation \$	Share Based Payments ^{1,3} \$	2013 Statutory Total \$
Executive director							
D Robb	1,984,725	380,700	60,916	–	17,603	1,811,437	4,255,381
Executives⁴							
C Cobb	626,815	73,149	30,471	–	37,953	314,243	1,082,631
A Tate	637,346	60,042	–	–	20,658	217,949	935,995
D Warden ⁵	331,968	32,979	–	–	16,716	66,765	448,428
S Wickham	661,225	89,644	5,476	–	17,122	321,501	1,094,968
Total	2,257,354	255,814	35,947	–	92,449	920,458	3,562,022

¹ STIP Cash and Share Based Payments for 2013 were made in March 2014

² Amounts in the 'STIP Cash' column are dependent on the satisfaction of performance conditions as set out in Section 5.3.

³ Amounts in the 'Share Based Payments' column relate to the component of the fair value of awards from prior years made under the various incentive plans attributable to the year measured in accordance with AASB 2 Share Based Payments.

⁴ M Blackwell became a KMP during the 2014 financial year so his 2013 remuneration is not disclosed.

⁵ D Warden became a KMP on the 1 July 2013. Remuneration disclosures reflect the period he was a KMP.

10.3 Share based Compensation

STIP Restricted Shares awarded to the Managing Director and executive KMP yet to vest

Name	2012 STIP ¹	2013 STIP ¹	2014 STIP ¹	Awarded % ²		
				2012	2013	2014
D Robb	19,214	40,312	65,745	37	32	42
M Blackwell	1,256	7,241	12,441	13	31	31
A Tate	3,671	6,358	15,264	26	20	39
D Warden	1,977	6,984	10,998	21	24	31
S Wickham	6,593	16,544	14,639	27	30	34

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. 2014 STIP awards are made in March 2015).

² The percentage achieved of the STIP maximum incentive opportunity awarded for the financial year.

³ C Cobb ceased to be a KMP on 1 February 2014 so his details are not included.

Maximum value of unvested restricted shares and share rights

The maximum value of restricted shares and/or share rights that will be recognised as share-based payments in future years is set out below. The maximum value of those restricted shares and/or share rights yet to vest has been determined as the amount of the grant date fair value of the shares and/or shares rights that is yet to be expensed. No share and/or share rights will vest if the conditions are not satisfied, hence the minimum value of the unvested shares and/or share rights is nil.

Name	Maximum Value (\$) Vesting Year		
	2015	2016	2017
D Robb	3,743,839	2,637,683	2,381,533
M Blackwell	148,374	476,068	451,236
A Tate	217,917	652,810	600,570
D Warden	154,288	475,903	459,327
S Wickham	296,494	684,594	584,013

¹ C Cobb ceased to be a KMP on 1 February 2014 so his details are not included.

Fair Value

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

Incentive Plan	Grant Date	Fair Value per Share or Right at Grant Date \$	Vesting Year
LTID (Tranche 1)	March 2011	11.81	2015
LTID (Tranche 2)	March 2011	11.49	2015
LTID (Tranche 3)	March 2011	11.16	2015
2012 LTIP	January 2012	12.87	2015
*2012 STIP	March 2013	10.20	2014 & 2015
2013 LTIP	February 2013	8.81	2016
*2013 STIP	March 2014	9.44	2015 & 2016
2014 LTIP	January 2015	7.12	2017
*2014 STIP	March 2015	7.66	2016 & 2017

* Awards under these plans are restricted shares; all other plans grant share rights.

The fair value is calculated in accordance with the measurement criteria of Accounting Standard AASB 2 Share Based Payments.

10.4 Transactions with Key Management Personnel

There were no transactions between the group and KMP 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 arm's 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 KMP; and
- (iii) the transactions are trivial or domestic in nature.

Therefore specific details of other transactions with KMP are not disclosed.

OPERATING AND FINANCIAL REVIEW CONTINUED

2014 OVERVIEW OF RESULTS

Iluka recorded a loss after tax for the year of \$62.5 million, compared with a profit of \$18.5 million for the previous corresponding period. The 2014 loss included a non-cash impairment charge of \$86.5 million after tax in relation to the United States operations, as advised to the ASX on 12 December 2014.

Sales volumes of zircon, rutile and synthetic rutile (Z/R/SR) increased 5.4 per cent to 616.2 thousand tonnes compared to 584.4 thousand tonnes in 2013. Mineral sands sales revenue for the year ended 31 December 2014 was \$724.9 million (2013: \$763.1 million). The lower revenue mainly reflects lower received prices year-on-year as demonstrated by the average revenue per tonne of Z/R/SR of \$1,030 per tonne compared with \$1,173 per tonne in 2013. The lower price was mainly as a result of a moderation in high grade titanium dioxide prices, and some sales mix factors (higher sales of lower priced HyTi and standard grade zircon).

Total cash production costs in 2014 were marginally higher than 2013 levels at \$381.9 million (2013: \$376.1 million) despite 13.5 per cent higher Z/R/SR production. Cash costs of production include \$25.0 million of costs in relation to ilmenite concentrate and by-product costs, a 27.6 per cent increase compared to \$19.6 million in 2013 due to higher sales of iron concentrate. On a unit basis, cash cost of production were \$714 per tonne of Z/R/SR, a 10.5 per cent decrease compared with the prior year reflecting 13.5 per cent higher production of Z/R/SR. Excluding the costs for ilmenite concentrate and by-products, the underlying unit cash cost of production was \$668 per tonne of Z/R/SR, compared with \$757 per tonne in 2013. The reduction in underlying unit cash costs of production reflects the cost savings realised in 2014 from the operational adjustments that were undertaken in the prior year, including reductions in workforce and idling some assets.

Mineral sands EBITDA for 2014 was \$238.6 million, a 4.2 per cent decrease compared with the previous corresponding period. Mineral sands EBIT decreased by \$62.4 million to a loss of \$34.7 million (2013: profit \$27.7 million).

Mining Area C iron ore royalty earnings (MAC) decreased 24.5 per cent to \$66.4 million (2013: \$87.9 million), reflecting lower iron ore sales price and lower capacity payments of \$1.0 million (2013: \$4.0 million).

Loss before tax was \$48.5 million (2013: profit \$24.0 million). A net tax expense of \$14.0 million (2013: \$5.5 million) was recognised in respect of the loss for the year. The tax expense relates mainly to the Group's Australian profits, with minimal benefits recognised for overseas losses.

Earnings per share for the period was (15.0) cents compared to 4.4 cents in the previous corresponding period. The number of fully paid ordinary shares on issue at 31 December 2014 of 418.7 million was unchanged during the year.

Free cash inflow of \$196.3 million compares to a free cash outflow of \$27.5 million in the previous corresponding period. The increase in free cash flow reflects a reduction in receivables of \$92.7 million in the year, compared to an increase of \$52.0 million in the previous corresponding period. Lower receivables reflect the utilisation of two trade receivables purchase facilities entered into in late 2014 which enabled the earlier collection of \$84.4 million of receivables.

Capital expenditure of \$48.3 million in the year related to various major projects, including Cataby (Western Australia), West Balranald (New South Wales), Hickory (Virginia) and Aurelian Springs (North Carolina). In addition, Iluka acquired an 18.3 per cent equity stake in Metalysis Limited, a private UK based entity that is developing a new technology for titanium metal powder production at a cost of \$18.6 million.

Net debt at 31 December 2014 was \$59.0 million, with a corresponding gearing ratio (net debt/ net debt + equity) of 3.9 per cent. This compares with net debt at 31 December 2013 of \$206.6 million and a gearing ratio of 11.8 per cent. Undrawn facilities at 31 December were \$707.8 million and cash at bank was \$101.3 million.

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. There has been no legal proceedings commenced, other than a pre action discovery application filed with the Tasmanian Registry of the Federal Court of Australia pursuant to which the applicant is seeking disclosure from Iluka of non-public documents. Iluka intends to oppose the pre action discovery application. As advised to ASX on 24 March 2014, Iluka is of the view that it has at all times fulfilled its disclosure obligations.

Directors have determined a fully franked dividend of 13 cents per share, payable on 31 March 2015 with a record date of 10 March 2015.

OVERVIEW OF SALES AND PRODUCTION

	2014	2013	% change
Sales (kt)			
Zircon	352.2	370.2	(4.9)
Rutile	182.0	168.0	8.3
Synthetic rutile	82.0	46.2	77.5
Total Z/R/SR sales	616.2	584.4	5.4
Ilmenite - saleable	316.6	337.5	(6.2)
Total sales volumes	932.8	921.9	1.2
Z/R/SR revenue (\$m)	634.8	685.8	(7.4)
Ilmenite and other revenue (\$m)	90.1	77.3	16.6
Total mineral sands revenue¹(\$m)	724.9	763.1	(5.0)
Revenue per tonne of Z/R/SR sold ² (\$/t)	1,030	1,173	(12.2)
Production (kt)			
Zircon	357.6	285.1	25.4
Rutile	177.2	127.0	39.5
Synthetic rutile	-	59.0	n/a
Total Z/R/SR production	534.8	471.1	13.5
Ilmenite	365.4	584.5	(37.5)
Total saleable production volume	900.2	1,055.6	(14.7)
HMC produced	1,305.0	1,538.3	(15.2)
HMC processed	968.0	1,044.2	(7.3)
Cash costs of production (\$m)	381.9	376.1	1.5
Unit cash cost per tonne of Z/R/SR produced (\$/t)	714	798	(10.5)

¹ Mineral sands revenues include revenues derived from other materials not included in production volumes, including activated carbon products and iron concentrate.

² Revenue from the sale of zircon, rutile and synthetic rutile products.

Mineral sands sales volumes

Sales volumes for zircon for the full year were marginally lower than the previous corresponding period at 352.2 thousand tonnes (2013: 370.2 thousand tonnes). Zircon sales were second half weighted (146.3 thousand tonnes in the first half and 205.9 thousand tonnes in the second half of 2014).

Lower zircon sales reflects, predominantly, softer demand in Europe, Middle East and Indian markets. In the case of Europe, continuing fragility in business conditions and export markets meant that European sales softened in the fourth quarter. North America and China were the most robust markets.

Combined sales volumes for the high grade titanium dioxide products of rutile and synthetic rutile for the full year were 264.0 thousand tonnes (2013: 214.2 thousand tonnes), a 23.2 per cent increase reflecting both higher rutile sales (up 8.3 per cent) and higher synthetic rutile volumes (up 77.5 per cent).

Iluka sold 316.6 thousand tonnes of ilmenite in 2014 (2013: 337.5 thousand tonnes), with lower sales volume reflecting weaker demand for sulphate ilmenite associated with reduced utilisation of sulphate pigment plant capacity in China.

Mineral sands production

Overall production volumes of Z/R/SR were 534.8 thousand tonnes, representing a 13.5 per cent increase from the previous corresponding period (2013: 471.1 thousand tonnes). Higher annual production in 2014 reflects an increase in zircon and rutile production, offset by no production of synthetic rutile during the year, associated with the idling of all kilns. Higher production is due to higher mineral separation plant utilisation rates, however, these remain lower than normal to enable the progressive draw down of finished goods inventory, and reduce transport and operating costs.

At the Company's two Australian operating mines, Jacinth-Ambrosia in South Australia and Wornack, Rownack and Pirro (WRP) in Victoria, mining operations continued at essentially full utilisation rates. These rates enable optimum unit cash cost outcomes for the production of heavy mineral concentrate (HMC), which in the case of WRP entails a build of HMC levels over 2014, which will be drawn down following the completion of planned mining in the first half of 2015 and before the commencement of mining at the next planned mine development at Balranald in New South Wales.

In Virginia mining continued at Brink, with mining at Concord idled in April as planned. The mineral separation plant continued to be operated at a reduced capacity, in line with the plan to draw down finished goods inventory.

INCOME STATEMENT ANALYSIS

\$ million	2014	2013	% change
Z/R/SR revenue	634.8	685.8	(7.4)
Ilmenite and other revenue	90.1	77.3	16.6
Mineral sands revenue	724.9	763.1	(5.0)
Cash costs of production	(381.9)	(376.1)	(1.5)
Inventory movement	14.7	14.0	5.0
Restructure and idle capacity charges	(40.1)	(69.6)	42.4
Rehabilitation and holding costs for closed sites	1.0	2.8	(64.3)
Government royalties	(10.6)	(15.2)	30.3
Marketing and selling costs	(30.1)	(28.2)	(6.7)
Asset sales and other income	6.0	3.1	93.5
Resource development	(45.3)	(44.9)	(0.9)
Mineral sands EBITDA	238.6	249.0	(4.2)
Depreciation and amortisation	(191.3)	(181.3)	(5.5)
Impairment of US assets	(82.0)	-	n/a
Idle asset write downs	-	(40.0)	n/a
Mineral sands EBIT	(34.7)	27.7	n/a
Mining Area C	66.4	87.9	(24.5)
Corporate other costs	(48.4)	(41.2)	(17.5)
Foreign exchange loss	-	(0.9)	n/a
Group EBIT	(16.7)	73.5	n/a
Net interest and bank charges	(13.9)	(13.1)	(6.1)
Rehabilitation unwind, discount rate change and other finance costs	(17.9)	(36.4)	50.8
(Loss) profit before tax	(48.5)	24.0	n/a
Tax expense	(14.0)	(5.5)	(154.5)
(Loss) profit for the period (NPAT)	(62.5)	18.5	n/a
Average AUD/USD (cents)	90.3	96.8	(6.7)

Mineral sands operational results

\$ million	Revenue		EBITDA		EBIT	
	2014	2013	2014	2013	2014	2013
Australia	640.6	676.5	290.7	274.6	117.3	67.7
United States	84.3	86.6	1.4	30.1	(96.4)	19.1
Resource development and other	-	-	(53.5)	(55.7)	(55.6)	(59.1)
Total	724.9	763.1	238.6	249.0	(34.7)	27.7

An overview of performance for Australian operations and United States 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 \$724.9 million representing a decrease of 5.0 per cent compared with the previous corresponding period (2013: \$763.1 million) despite Z/R/SR sales volumes increasing 5.4 per cent.

Price dynamics reflect a reduction in high grade titanium dioxide prices, mainly in the first part of 2014, and stable weighted average zircon prices for most of 2014. Product mix impacts, including the sale of a slightly lower titanium dioxide content product, HyTi, and a higher proportion of sales of standard grade zircon have been associated with a minor reduction in the weighted average received price in the latter part of the year for both rutile and zircon products. The average Z/R/SR revenue per tonne declined from \$1,173 in 2013 to \$1,030 in 2014.

Cash costs of production

Cash costs of production were \$381.9 million, a 1.5 per cent increase relative to the previous corresponding period (2013: \$376.1 million) despite a 13.5 per cent increase in Z/R/SR production. Production costs include costs associated with the production of ilmenite concentrate and other by-product streams, including iron concentrate. In 2014, the costs associated with these by-products was \$25.0 million (2013: \$19.6 million).

Unit cash costs of Z/R/SR produced, excluding by-product costs, was \$668 per tonne compared with \$757 per tonne in 2013. Unit cash costs of Z/R/SR produced, including by-product costs, were \$714 per tonne of Z/R/SR (2013: \$798 per tonne).

Inventory movement

Inventory of finished product decreased by \$68.3 million to \$333.7 million due to sales of Z/R/SR exceeding production by 81.4 thousand tonnes during the year, combined with a decrease in ilmenite stock value. Work in progress (WIP) inventory has increased by \$85.7 million in light of reduced processing of material through the mineral separation plants at Narngulu (Western Australia) and Hamilton (Victoria) whilst mining operations continued at full utilisation at Jacinth-Ambrosia in South Australia and Woomack, Rownack and Pirro in Victoria. These mining rates enabled optimum unit cash cost outcomes for production of HMC. Iluka built HMC inventory in the Murray Basin, in advance of the cessation of mining activities at Woomack, Rownack and Pirro in the first half of 2015. This inventory will be utilised in the period leading up to the next planned mining operation in the Murray Basin, the Balranald deposit.

Restructure and idle capacity cash charges

During 2013, Iluka took measures to curtail production and reduce production costs in response to weak market demand, including plant idling and reductions in workforce levels; this resulted in restructure costs of \$33.5 million. No restructure costs have been incurred during 2014. Idle capacity charges reflect costs incurred during periods of no or restricted production. Idle costs of \$40.1 million (2013: \$36.1 million) are higher than the prior year reflecting a full year charge in 2014 combined with the idling of the Concord mine in the US.

Idle capacity charges reflect costs incurred during periods of no production. In 2014 this included all of the synthetic rutile kilns along with mining operations in Western Australia at Tutunup South and Eneabba combined with the Concord mine in the US following its idling in the first half of 2014.

Rehabilitation and holding costs for closed sites

Rehabilitation and holding costs include costs incurred relating to ongoing maintenance work completed on closed sites and changes in cost estimates for rehabilitation work associated with closed sites. A net \$1.0 million credit arose in 2014 primarily as a result of rehabilitation reviews on closed sites (2013: \$2.8 million credit).

Government royalties

Government royalties decreased with lower sales revenue and a change in sales mix.

Marketing and selling costs

Higher marketing and selling costs are mainly due to an expanded global marketing presence and changes in selling arrangements in some locations, including increased direct sales arrangements.

Resource development

Costs are in line with the previous corresponding period at \$45.3 million (2013: \$44.9 million).

Depreciation and amortisation

The increase of \$10.0 million compared to the previous corresponding period reflects increased utilisation of the Australian mineral separation plants (MSPs) combined with a reassessment of mine lives at the Brink and Concord operations in the US during the first half of the year based on updated mine plan information.

US impairment

An impairment charge of \$82.0 million before tax was recognised in relation to the US operations property, plant and equipment fixed assets in Virginia. Iluka's US operations produce chloride ilmenite as well as premium zircon, both sold predominantly into the domestic market. A decision has been taken to maximise cash flow from the Virginia ore bodies and minimise commitment of further development capital to this part of the business at this time, which is expected to lead to the completion of mining and processing activities in the US at the end of 2015.

Idle asset write downs

The write-down in 2013 for the carrying value of idle assets of \$40.0 million related to equipment in Western Australia that is likely to remain idle as a result of changes in mine plans and successful technical developments.

Mining Area C

Iron ore sales volumes increased 1.7 per cent to 53.4 million dry metric tonnes (DMT). The average AUD realised price upon which the royalty is payable decreased by 23.2 per cent from the previous corresponding period. The EBIT contribution of \$66.4 million includes \$1.0 million of annual capacity payments for production increases in the year to 30 June (2013: \$4.0 million).

Corporate and other

Corporate and other costs are \$7.2 million higher than the previous corresponding period, reflecting mainly increased costs associated with the evaluation of inorganic growth opportunities. The previous corresponding period also included a non-recurring credit in respect of equity remuneration schemes which had not achieved the performance hurdles.

Foreign exchange

Foreign exchange translation losses were \$0.9 million in the prior year compared to a gain of \$3.7 million in 2014 which is shown in other income.

Rehabilitation unwind

2013 included an \$18.0 million charge as a result of 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 and the US.

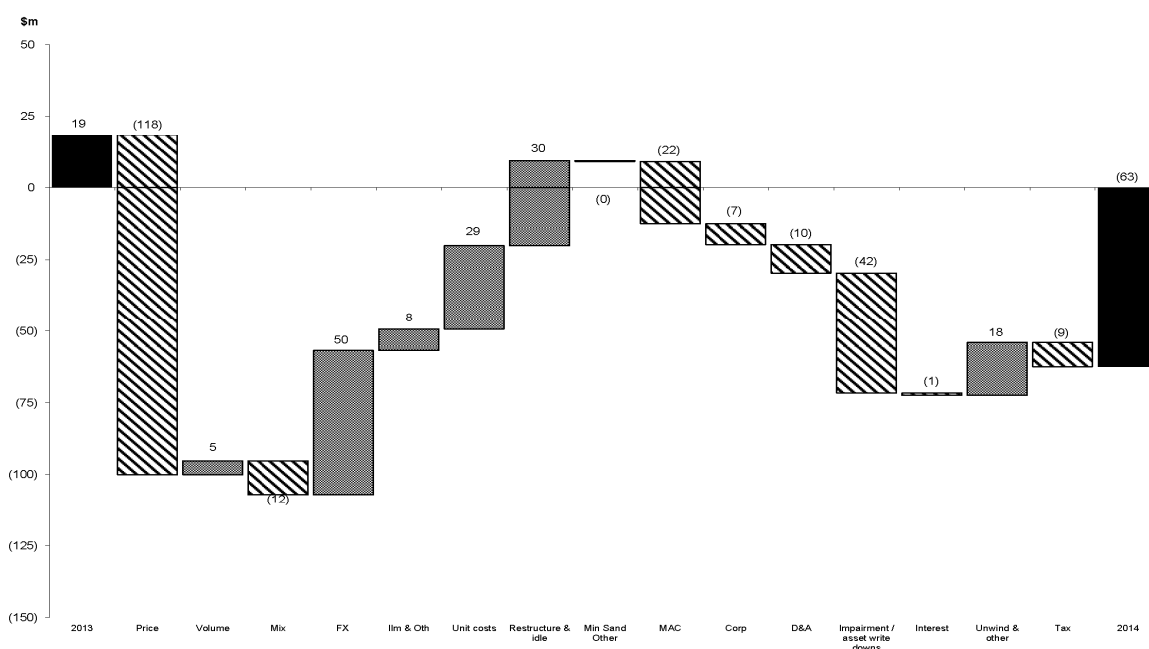
Net interest and bank charges

The interest charge of \$13.9 million is in line with the previous corresponding period. Net debt started the year at \$206.6 million and has reduced to \$59.0 million at 31 December 2014 due to strong cash flows in December.

Tax expense

The income tax expense of \$14.0 million on a loss before tax of \$48.5 million reflects no tax benefit recognised in respect of the US impairment charge of \$82.0 million. In addition, deferred tax assets of \$4.5 million in relation to US state taxes were expensed in the year.

MOVEMENT IN NPAT



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

Z/R/SR sales price (-ve \$118 million)

Lower average prices than the previous corresponding period for all products. Rutile prices achieved an average US\$777 per tonne, 27 per cent lower year-on-year and synthetic rutile was 35 per cent lower year-on-year with an average annual price of US\$750 per tonne. Average annual zircon prices were US\$1,039 per tonne, a reduction of 10 per cent.

Z/R/SR sales volumes (+ve \$5 million)

The amount reflects the impact of higher Z/R/SR sales volumes (up 5.4 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 \$12 million)

Z/R/SR sales volumes for the period include a lower proportion of higher priced zircon and a higher proportion of lower priced high grade titanium dioxide products than in the previous corresponding period.

Z/R/SR foreign exchange (+ve \$50 million)

The impact of a lower weighted average spot exchange rate of 89.3 cents applicable to Z/R/SR revenue compared with the rate in the previous corresponding period of 95.0 cents. Foreign exchange impacts on operating costs, mainly those relating to the US operations, are included in the overall movement in unit costs. The variance also includes a foreign exchange translation gain of \$3.7 million as opposed to a translation loss of \$0.9 million in 2013.

Ilmenite and other products (+ve \$8 million)

Increased sales revenue of \$12.9 million associated with ilmenite and by-products due to increased iron concentrate sales volumes partially offset by increased by-product costs, up \$5.4 million from the prior year of \$19.6 million.

Z/R/SR unit cost of sales (+ve \$29 million)

Lower unit cash 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 \$30 million)

The reduction in costs predominantly reflects no restructure costs incurred during the year (2013: \$33.5 million). The marginal increase in idle capacity charges reflects operations being idle for the whole year along with idling Concord mine in the US in the first half of 2014.

Mineral sands other costs (\$- million)

In line with the previous corresponding period.

Mining Area C (-ve \$22 million)

Lower Mining Area C income reflects both reduced iron ore prices and \$3 million lower capacity payments.

Corporate (-ve \$7 million)

Corporate and other costs are \$7.2 million higher than the previous corresponding period, reflecting mainly increased costs associated with the evaluation of inorganic growth opportunities. The previous corresponding period also included a non-recurring credit in respect of equity remuneration schemes from prior years which had not achieved the performance hurdles.

Depreciation and amortisation (-ve \$10 million)

Depreciation and amortisation charges have increased \$10.0 million from the prior year reflecting increased utilisation of the Australian Mineral Separation Plants (MSPs) combined with a reassessment of mine lives at the Brink and Concord operations in the US during the first half of the year based on updated mine plan information.

Impairments and idle asset write downs (-ve \$42 million)

An impairment charge of \$82.0 million was recorded against the US operations in the current year reflecting a complete write-off of all property, plant and equipment fixed assets in Virginia. The prior year included a write-down in the carrying value of idle assets of \$40.0 million relating to equipment in Western Australia that is likely to remain idle as a result of changes in mine plans and successful technical developments.

Interest and bank charges (-ve \$1 million)

Net interest costs increased due to lower cash holdings, with interest income for cash on deposit reducing by \$1.2 million from the previous corresponding period.

Rehabilitation unwind and other finance charges (+ve \$18 million)

2013 included an \$18.0 million charge as a result of a reduction in the risk free discount rates used in the calculation of the net present value of the rehabilitation provisions in respect of closed sites in Australia and the US.

Tax (-ve \$9 million)

A higher tax expense despite lower earnings than the previous corresponding period is mainly the result of not recognising the tax benefit relating to the US impairment charge. In addition, deferred tax assets of \$4.5 million in relation to US state taxes were expensed in the year.

BALANCE SHEET, CASH FLOW AND NET DEBT

Balance sheet by operation - \$ million

31 December 2014	AUS	US	MAC	Corp	Group	31 Dec 2013
Receivables	67.1	12.8	12.7	6.2	98.8	191.5
Inventories	781.7	28.5	-	-	810.2	795.1
Payables and accruals	(44.4)	(17.2)	-	(19.1)	(80.7)	(71.4)
Employee and other provisions	(10.1)	(11.0)	-	(13.4)	(34.5)	(26.7)
Rehabilitation provisions	(401.2)	(55.8)	-	-	(457.0)	(465.9)
Investment in Metalysis Limited	-	-	-	18.6	18.6	-
Property, plant & equipment	1,094.1	6.7	-	16.4	1,117.2	1,314.5
Intangibles	-	-	5.5	-	5.5	5.9
Capital employed	1,487.2	(36.0)	18.2	8.7	1,478.1	1,743.0
Net tax asset					(15.5)	(1.7)
Net debt					59.0	206.6
Total equity					1,434.6	1,538.1
Net funding					1,478.1	1,743.0

Lower receivables reflect the utilisation of two trade receivables purchase facilities entered into in late 2014 which enabled the earlier collection of \$84.4 million of receivables.

Higher inventory value mainly reflects an increase of \$85.7 million in WIP product to \$444.1 million (2013: \$358.4 million), partially offset by a \$68.3 million decrease in finished product stocks to \$333.7 million. Higher WIP values reflect increased HMC due to HMC produced of 1,305 thousand tonnes exceeding the HMC processed of 968 thousand tonnes. The draw down in finished goods is due mainly to sales of Z/R/SR exceeding production by 81.4 thousand tonnes. Inventories include \$353.7 million of predominantly concentrate material classified as non-current (2013: \$271.0 million) and \$32.4 million of consumable stores (2013: \$34.7 million).

During the year, Iluka acquired an 18.3 per cent equity stake in Metalysis Limited, a private UK based entity that is developing a new technology for titanium metal powder production. Iluka has a right to increase its shareholding to between 20 to 24.9 per cent in the event of an Initial Public Offering.

Lower property, plant and equipment values reflect the depreciation charge for the period of \$191.7 million and US impairment of \$82.0 million being higher than capital expenditure of \$48.3 million, offset partially by currency re-translation effects on US balances and increases related to adjustments to rehabilitation obligations.

Net debt decreased \$147.6 million compared to the previous corresponding period due to free cash inflow for the year of \$196.3 million, payments of \$41.8 million in respect of the 4 cent 2013 final dividend in April 2014 and the 6 cent 2014 interim dividend in October 2014 and currency translation impacts of \$4.7 million on the USD component of net debt. During the year Iluka extended the maturity of \$625 million of the \$800 million credit facilities under the Multi Option Facility Agreement (MOFA) that ended in April 2017 to April 2019 and also increased the size of the facility by \$50 million to \$850 million through the addition of a new bilateral facility to April 2019. As a result, Iluka has facilities of \$175 million maturing in April 2017 and \$675 million maturing in April 2019, together with the US\$20 million of Private Placement notes due for repayment in June 2015. This funding profile is considered sufficient and will be monitored in light of future growth activities the company may undertake.

In June 2014 Iluka signed a Joint Development Agreement (JDA) and Intellectual Property Agreement (IPA) with Vale S.A. for the staged evaluation and potential development of the major titanium mineral bearing deposit located at Tapira in Minas Gerais State, Brazil (the Tapira complex). In consideration for funding the first phase, pilot plant and feasibility studies, Iluka has secured options to participate, up to a maximum of 49 per cent equity, in a joint venture with Vale, as well as preferential options on other potential large scale titanium dioxide deposits within Vale's portfolio. The Vale JDA does not have a significant impact on the Group Balance Sheet.

Movement in net (debt) cash

\$ million	Full Year 2013	1st Half 2014	2nd Half 2014	Full Year 2014
Opening net debt	(95.9)	(206.6)	(155.2)	(206.6)
Operating cash flow	124.0	101.9	152.9	254.8
MAC royalty	82.7	40.9	34.3	75.2
Exploration	(23.1)	(8.6)	(13.5)	(22.1)
Interest (net)	(13.7)	(6.8)	(6.0)	(12.8)
Tax	(140.1)	(16.9)	(10.6)	(27.5)
Capital expenditure	(52.5)	(23.6)	(24.7)	(48.3)
Purchase of investment in Metalysis Limited	-	(18.6)	-	(18.6)
Purchase of Sri Lanka deposits	(4.6)	-	-	-
Asset sales	2.0	0.3	-	0.3
Share purchases for employee share schemes	(2.2)	(4.7)	-	(4.7)
Free cash flow	(27.5)	63.9	132.4	196.3
Dividends	(62.8)	(16.7)	(25.1)	(41.8)
Net cash flow	(90.3)	47.2	107.3	154.5
Exchange revaluation of USD net debt	(18.6)	5.2	(9.9)	(4.7)
Amortisation of deferred borrowing costs	(1.8)	(1.0)	(1.2)	(2.2)
(Increase) decrease in net debt	(110.7)	51.4	96.1	147.6
Closing net debt	(206.6)	(155.2)	(59.0)	(59.0)

Operating cash flow in the year of \$254.8 million is significantly higher than the previous corresponding period, reflecting the timing of cash collections. Trade receivables have reduced \$80.2 million from the prior year, due mainly to utilisation of two trade receivables purchase facilities entered into in late 2014.

MAC cash flows were \$7.5 million lower than the previous corresponding period reflecting lower MAC royalty income.

Iluka commenced monthly tax instalments in Australia during the year. Iluka's tax expense in the year was \$14.0 million in comparison to net tax payments of \$27.5 million, reflecting the level of timing differences. Tax payments in the prior year included \$118.4 million in respect of earnings in 2012.

Capital expenditure of \$48.3 million in the year related to various major projects, including Cataby (Western Australia), West Balranald (New South Wales), Hickory (Virginia) and Aurelian Springs (North Carolina). In addition, Iluka acquired an 18.3 equity interest in Metalysis Limited for a cost of \$18.6 million.

Share purchases are on-market purchases associated with the Group's equity based incentive plans. The increase in share purchases reflects the Board's objective of holding a balance of shares based on the amount of unvested share rights.

A 2013 final dividend of 4 cents per share was paid in April 2014 and a 2014 interim dividend of 6 cents per share was paid in October 2014. The prior year cash flows included a 10 cents per share 2012 final dividend, paid in April 2013 and a 5 cents per share 2013 interim dividend, paid in October 2013.

The exchange revaluation of USD net debt in the year predominantly reflects the re-translation of US\$105 million of debt from an exchange rate of 89.1 cents at 31 December 2013 to 81.9 cents at 31 December 2014.

REVIEW OF AUSTRALIAN OPERATIONS

		2014	2013	% change
Production volumes				
Zircon	kt	332.5	245.5	35.4
Rutile	kt	177.2	127.0	39.5
Synthetic rutile	kt	-	59.0	n/a
Total Z/R/SR production	kt	509.7	431.5	18.1
Ilmenite	kt	270.6	394.9	(31.5)
Total production volume	kt	780.3	826.4	(5.6)
HMC produced	kt	1,135.0	1,223.5	(7.2)
HMC processed	kt	796.0	736.4	8.1
Unit cash cost of production - zircon/rutile/SR *	\$/t	629	708	(11.2)
Mineral sands revenue	\$m	640.6	676.5	(5.3)
Cash costs of production	\$m	(320.8)	(305.4)	(5.0)
Inventory movements	\$m	32.9	(0.6)	n/a
Restructure and idle capacity charges	\$m	(36.5)	(69.6)	47.6
Rehabilitation and holding costs for closed sites	\$m	1.0	3.2	(68.8)
Government royalties	\$m	(10.6)	(15.2)	30.3
Marketing and selling costs	\$m	(16.2)	(14.8)	(9.5)
Asset sales and other income	\$m	0.3	0.5	(40.0)
EBITDA	\$m	290.7	274.6	5.9
Depreciation & amortisation	\$m	(173.4)	(166.9)	(3.9)
Idle asset write downs	\$m	-	(40.0)	n/a
EBIT	\$m	117.3	67.7	73.3

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

Total Z/R/SR production increased from the previous corresponding period reflecting increased MSP utilisation rates. No synthetic rutile was produced during the year following the idling of the kilns in 2013.

Cash costs of production are marginally higher than the previous corresponding period, with higher costs for the increased MSP utilisation, transport of HMC and higher volumes of by-products offset by reduced synthetic rutile upgrade costs as all kilns were idle. Ilmenite concentrate and by-product costs were \$25.0 million (2013: \$19.6 million). Mining operations at Woorneck, Rownack and Pirro and Jacinth-Ambrosia continued at full capacity.

Lower mineral sands revenue reflects lower average received prices for zircon, rutile and synthetic rutile offset partially by higher revenues from the sale of additional volumes of Z/R/SR and by-products.

Unit cash costs of production per tonne of Z/R/SR declined due to the increase in production.

The inventory movement reflects increased WIP offset partially by a draw down in finished goods products as a result of sales of Z/R/SR exceeding production during the year whilst HMC produced exceeded HMC processed.

Restructure and idle capacity charges have declined significantly compared to the prior year and consist entirely of idle capacity charges predominantly related to the idling of the synthetic rutile kilns in the South West and mining operations in Western Australia. The prior year included restructure costs of \$33.5 million.

Lower government royalties reflect decreased mineral sands revenues associated with lower sales prices.

Higher marketing and selling costs reflect higher warehouse and distribution costs for product.

Depreciation and amortisation charges are \$3.9 million higher than the previous corresponding period, with the increase reflecting increased utilisation of the MSP.

The previous corresponding period included an idle asset write-down of \$40.0 million in relation to redundant equipment in Western Australia: three wet concentrator plants, two mining unit plants and capitalised expenditure associated with restarting synthetic rutile kiln 3, which was idled in the first half of 2013.

REVIEW OF UNITED STATES OPERATIONS

		2014	2013	% change
Production volumes				
Zircon	kt	25.1	39.6	(36.6)
Ilmenite	kt	94.8	189.6	(50.0)
Total saleable production volume	kt	119.9	229.2	(47.7)
HMC produced	kt	170.0	314.8	(46.0)
HMC processed	kt	172.0	307.8	(44.1)
Unit cash cost of production - saleable product *	\$/t	510	308	65.6
Mineral sands revenue	\$m	84.3	86.6	(2.7)
Cash cost of production	\$m	(61.1)	(70.7)	13.6
Inventory movements	\$m	(18.2)	14.6	n/a
Restructure and idle capacity charges	\$m	(3.6)	-	n/a
Rehabilitation costs for closed sites	\$m	-	(0.4)	n/a
EBITDA	\$m	1.4	30.1	(95.3)
Depreciation & amortisation	\$m	(15.8)	(11.0)	(43.6)
Impairment	\$m	(82.0)	-	n/a
EBIT	\$m	(96.4)	19.1	n/a

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

Zircon production is 36.6 per cent lower than the previous corresponding period and ilmenite production is 50.0 per cent lower as production was curtailed at the Concord operation to enable a draw down of finished goods inventory.

Unit cash cost of production per tonne of finished product increased from the previous corresponding period due to lower production volumes and foreign exchange currency translation impacts, with USD cash costs of production being US\$9.6 million lower than the prior year.

Sales revenue is broadly in line with the previous corresponding period due to increased sales volumes, partially offset by lower average prices, particularly for zircon.

The inventory movement reflects a draw down in both finished goods and WIP.

Costs for rehabilitation and idle capacity relate to the idling of the Concord mining operations during the first half of 2014.

Depreciation has increased from the previous corresponding period following a reassessment of mine lives at the Brink and Concord operations based on updated mine plan information.

An impairment charge of \$82.0 million was recorded in 2014 to reduce the carrying value of the property, plant and equipment in Virginia, United States to \$nil at 31 December 2014.

NON-IFRS FINANCIAL INFORMATION

This preliminary final report uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, group EBITDA and group EBIT, which are used to measure both group and operational performance. A reconciliation of non-IFRS financial information to profit before tax is provided below. Non-IFRS measures have not been subject to audit or review.

31 December 2014

	AUS	US	Exploration & Other ¹	Mineral sands	MAC	Corp	Group
Mineral sands revenue	640.6	84.3		724.9			724.9
Mineral sands expenses	(349.9)	(82.9)	(53.5)	(486.3)			(486.3)
Mining Area C					66.8		66.8
Foreign exchange						-	-
Corporate costs						(48.4)	(48.4)
EBITDA	290.7	1.4	(53.5)	238.6	66.8	(48.4)	257.0
Depreciation & amortisation	(173.4)	(15.8)	(2.1)	(191.3)	(0.4)		(191.7)
Impairment of US assets		(82.0)		(82.0)			(82.0)
EBIT	117.3	(96.4)	(55.6)	(34.7)	66.4	(48.4)	(16.7)
Net interest costs						(13.9)	(13.9)
Rehabilitation unwind & other	(14.9)	(0.8)		(15.7)		(2.2)	(17.9)
Profit (loss) before tax	102.4	(97.2)	(55.6)	(50.4)	66.4	(64.5)	(48.5)
Segment result	102.4	(97.2)		5.2	66.4		71.6

¹Comprises resource development costs (\$45.3m), marketing and selling costs (\$13.9m), offset by asset sales and other income \$5.7m.

31 December 2013

	AUS	US	Exploration & Other ¹	Mineral sands	MAC	Corp	Group
Mineral sands revenue	676.5	86.6		763.1			763.1
Mineral sands expenses	(401.9)	(56.4)	(55.8)	(514.1)			(514.1)
Mining Area C					88.3		88.3
Foreign exchange						(0.9)	(0.9)
Corporate costs						(41.2)	(41.2)
EBITDA	274.6	30.2	(55.8)	249.0	88.3	(42.1)	295.2
Depreciation & amortisation	(166.9)	(11.0)	(3.4)	(181.3)	(0.4)		(181.7)
Idle asset write downs	(40.0)			(40.0)			(40.0)
EBIT	67.7	19.2	(59.2)	27.7	87.9	(42.1)	73.5
Net interest costs						(13.1)	(13.1)
Rehabilitation unwind & other	(31.7)	(2.9)		(34.6)		(1.8)	(36.4)
Profit (loss) before tax	36.0	16.3	(59.2)	(6.9)	87.9	(57.0)	24.0
Segment result	36.0	16.3		52.3	87.9		140.2

¹Comprises resource development costs (\$44.9m), marketing and selling costs (\$13.5m), offset by asset sales and other income \$2.6m.

DIRECTORS

The following individuals were directors of Iluka Resources Limited during the whole of the financial year and up to the date of this report except as noted below:

G Martin
M Bastos
W Osborn
J Ranck
G Rezos
D Robb
J Seabrook
S Turner

On 20 February 2014, Mr M Bastos was appointed as a director. On 28 May 2014, Mr S Turner retired from the Board.

DIRECTORS' PROFILES

Gregory Martin, BEc, LLB, FAIM, MAICD, Chairman of the Board

Mr Martin was appointed to the Board with effect from 1 January 2013. He has over 30 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, Mr Martin was CEO of the infrastructure division of Challenger Financial Services Group and, subsequently, Managing Director of Murchison Metals Limited. He is currently Chairman of Prostar Investments (Australia) Pty Ltd, and a non-executive director of Santos Ltd and Energy Developments Limited. Mr Martin is Chairman of the Board, a member of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee (appointed 21 February 2014).

Directorships of Listed Entities (last 3 years):

Santos Limited (appointed October 2009)

Energy Developments Limited (appointed May 2006)

Murchison Metals Limited (appointed May 2011, resigned November 2012)

Marcelo Bastos, Mechanical Engineering (UFMG), MBA (FDC-MG), MAICD

Mr Bastos was appointed to the Board with effect from 20 February 2014. Mr Bastos is the Chief Operating Officer of the global resources company, MMG Limited, with responsibility of operations in three continents. He 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). Mr Bastos 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, last of those as director of Non Ferrous operations. He is a former non-executive director of Golding Contractors Pty Ltd. He is also a former member of the Western Australia Chamber of Mines and Energy and served as Vice President of the Queensland Resources Council. Mr Bastos is a member of the Audit and Risk Committee (appointed 21 February 2014).

Wayne Osborn, DipEng, MBA, FTSE, MIE(Aust), FAICD, Chairman of the Remuneration and Nomination Committee

Mr Osborn was appointed to the Board in March 2010. He is a former Managing Director of Alcoa of Australia Limited. He is a non-executive director of Wesfarmers Limited and Alinta Holdings. He was formerly a non-executive director of Leighton Holdings Limited and the Chair of the Australian Institute of Marine Science from 2010 to 2014. Mr Osborn is Chairman of the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years):

Leighton Holdings Limited (appointed November 2008, resigned March 2013)

Wesfarmers Limited (appointed March 2010)

James (Hutch) Ranck, BSE (Econ), FAICD

Mr Ranck was appointed to the Board with effect from 1 January 2013. He has held senior management positions with DuPont, both in Australia and internationally in finance, chemicals, pharmaceuticals and agriculture for over 30 years. He also served as a director of DuPont's Hong Kong based subsidiary, Titanium Technologies, for seven years. Mr Ranck retired as Managing Director of DuPont Australia and New Zealand and Group Managing Director of DuPont ASEAN in May 2010. He is currently Chairman of Elders Limited and a non-executive director of the CSIRO. Mr Ranck is a member of the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years):
Elders Limited (appointed 2008)

Gavin Rezos, BA, LLB, B.Juris, MAICD

Mr Rezos was appointed to the Board in June 2006. He has extensive Australian and international investment banking experience and is a former investment banking director of the HSBC Group with regional roles during his HSBC career based in London, Sydney and Dubai. Mr Rezos has held chief executive positions and executive directorships of companies in the technology, energy and resources areas in the UK, US and Singapore and was formerly a director of Amity Oil NL (Antares). He is Chairman of Alexium International Group Limited, a non-executive investor director of Metalysis Limited (UK) and a Principal of Viaticus Capital Pty Ltd. Mr Rezos is a member of the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years):
Alexium International Group Limited (appointed March 2010)

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

Mr Robb is Managing Director and CEO of Iluka Resources Limited. He is also currently a director of the Centre for Independent Studies and Chair of the Faculty of Engineering, Computing and Mathematics at the University of Western Australia. He worked in the downstream oil industry with BP in Australia, the UK, the USA and Asia, before joining Wesfarmers in Perth in 1995. In 2004 he was appointed an executive director of Wesfarmers Limited, a role relinquished in 2006 on joining Iluka. Other previous roles include Chairman of Consolidated Rutile Limited and Deputy Chair of Methodist Ladies College, Perth.

Jennifer Seabrook, BCom, FCA, FAICD, Chairman of the Audit and Risk Committee

Ms Seabrook was appointed to the Board in May 2008. She is also a non-executive director of IRESS Ltd and is a Special Advisor to Gresham Partners Limited. She was formerly a member of the Takeovers Panel (2000 to 2012), and previous directorships include being a non-executive director of Export Finance and Insurance Corporation, Amcor Limited, Bank of Western Australia Limited, West Australian Newspapers Holdings Limited, Australian Postal Corporation, Alinta Gas and Western Power. In her executive career, Ms Seabrook worked at senior levels in chartered accounting, capital markets and investment banking businesses. Ms Seabrook is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years):
IRESS Limited (appointed August 2008)
Amcor Limited (appointed December 2011, resigned July 2012)

Stephen Turner, BCom, ACA

Mr Turner was appointed to the Board in March 2010 and resigned on 28 May 2014. He is a founder of the London Stock Exchange listed company, International Ferro Metals Limited. He was the Chief Executive Officer of International Ferro Metals Limited from 2002 to 2009 and continues as a director of that company. He is also a director of South American Ferro Metals Limited and Chairman of Vantage Goldfields Limited. Mr Turner has had responsibility for resource projects in Australia, Africa and the Pacific Islands. He was a founding director of the Australian subsidiary of PSG Investment Group, a South African investment bank. He is an Australian Chartered Accountant. Mr Turner was a member of the Audit and Risk Committee.

Directorships of Listed Entities (last 3 years):
International Ferro Metals Limited (appointed January 2002)
South American Ferro Metals Limited (appointed November 2010)
Vantage Goldfields Limited (appointed October 2009)
Timpetra Resources Limited (appointed May 2010, resigned May 2013)

MEETINGS OF DIRECTORS

Director	Board of Directors' meetings		Audit and Risk Committee meetings		Remuneration and Nomination Committee meetings	
	(1) (2) Held	Attended	Held	Attended	Held	Attended
Executive						
D Robb	10	10	-	5	-	4
Non-executive						
G Martin (3)	10	10	6	5	3	4
M Bastos (4)	9	9	5	5	-	1
W Osborn	10	10	-	5	4	4
J Ranck	10	10	-	5	4	4
G Rezos	10	10	-	3	4	4
J Seabrook	10	10	6	6	4	4
S Turner (5)	3	2	2	2	-	-
Legend:	Notes:					
<ul style="list-style-type: none"> Current Chairman Current member Prior member 	<p>(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, rather than held is shown.</p> <p>(2)"Attended" indicates the number of meetings attended by each director.</p> <p>(3)Mr Martin attended one Remuneration and Nomination Committee meeting in the capacity of an observer before joining the committee on 21 February 2014.</p> <p>(4)Mr Bastos was appointed a director on 20 February 2014. He was appointed to the Audit and Risk Committee effective 21 February 2014.</p> <p>(5)Mr Turner retired with effect on 28 May 2014.</p>					

DIRECTORS SHAREHOLDING

Directors shareholding is set out in the Remuneration Report, section 9.

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.

Christopher Cobb, Dip CSM, FIQ, MAICD **Head of Alliances, New Ventures and Royalties**

Mr Cobb joined Iluka in 2009 as General Manager, Sales and Marketing and was appointed to his current role in February 2014. Mr Cobb has 35 years of resource and manufacturing experience in Africa, Europe, Asia and Australia. Previous roles include five years as Managing Director of Consolidated Rutile Ltd, an ASX listed Queensland mineral sands company, 12 years in copper/cobalt mining with Zambia Consolidated Copper Mines in Zambia, and four years as Chief Executive Officer of Pioneer Sunway Bhd, the largest construction materials company in Malaysia.

Alan Tate, BCom, FCA, FAICD **Chief Financial Officer and Head of Strategy and Planning**

Mr Tate joined Iluka in May 2008. He was previously Chief Financial Officer for Jabiru Metals. Prior to joining Jabiru, he held senior planning, finance and accounting roles with BHP Billiton and WMC Resources. He commenced his finance career with Peat Marwick.

Douglas Warden, BCom, CA, MBA, GAICD
Head of Resource Development, Mineral Sands

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, General Manager Business Development and General Manager Exploration. He was appointed to his current role as Head of Resource Development in early 2013. 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
Chief Legal Counsel and Head of Corporate Acquisitions

Mr Wilson joined Iluka in 2004. He has specialised in mining, corporate and general commercial law for most of his professional career. Prior to joining Iluka, Mr Wilson worked in a range of legal and commercial roles with WMC Resources.

COMPANY SECRETARY

Mr Cameron Wilson is the Company Secretary of the Company. Mr Wilson was appointed to the position of Company Secretary in 2004. Refer to the previous section for his 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 2014 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 110.

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 21 on page 137 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 58. 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 2014 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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or in certain cases, to the nearest thousand dollars.

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



G Martin
Chairman
Perth
10 March 2015



Auditor's Independence Declaration

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2014, 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.

A handwritten signature in blue ink that reads 'Henry' with a stylized flourish at the end.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
10 March 2015

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

Liability limited by a scheme approved under Professional Standards Legislation.

Iluka Resources Limited ABN 34 008 675 018

Financial Report - 31 December 2014

Contents	Page
Financial statements	
Consolidated statement of profit or loss and other comprehensive income	112
Consolidated balance sheet	113
Consolidated statement of changes in equity	114
Consolidated statement of cash flows	115
Notes to the consolidated financial statements	116
Directors' declaration	150
Independent auditor's report to the members	151

These financial statements are the consolidated financial statements of the Group consisting of Iluka Resources Limited and its subsidiaries. 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 review of operations and activities in the Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 10 March 2015. 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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2014

	Notes	2014 \$m	2013 \$m
Revenue	5	792.3	853.2
Other income	19	6.1	3.1
Expenses	6	(814.4)	(781.0)
Interest and finance charges		(16.7)	(16.7)
Rehabilitation and mine closure provision discount unwind		(15.8)	(34.6)
Total finance costs	16(d)	(32.5)	(51.3)
(Loss) profit before income tax		(48.5)	24.0
Income tax expense	8	(14.0)	(5.5)
(Loss) profit for the year attributable to owners		(62.5)	18.5
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation of foreign operations	23	7.3	11.6
Hedge of net investment in US operation, net of tax	23	(2.0)	(3.2)
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial (losses) gains on defined benefit plans, net of tax	23	(5.3)	5.0
Total other comprehensive income for the year, net of tax		-	13.4
Total comprehensive (loss) income for the year attributable to owners		(62.5)	31.9
		Cents	Cents
Earnings per share attributable to ordinary equity holders			
Basic earnings per share	7	(15.0)	4.4
Diluted earnings per share	7	(15.0)	4.4

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

Consolidated balance sheet

As at 31 December 2014

		2014 \$m	2013 \$m
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	16	101.3	46.4
Receivables	11	98.8	191.5
Inventories	12	456.5	524.1
Current tax receivable		8.5	2.1
Total current assets		<u>665.1</u>	<u>764.1</u>
Non-current assets			
Inventories	12	353.7	271.0
Property, plant and equipment	13	1,117.2	1,314.5
Intangible asset - MAC Royalty		5.5	5.9
Deferred tax assets	22	13.3	13.2
Available-for-sale financial assets	20	18.6	-
Total non-current assets		<u>1,508.3</u>	<u>1,604.6</u>
Total assets		<u>2,173.4</u>	<u>2,368.7</u>
LIABILITIES			
Current liabilities			
Payables	14	89.7	80.2
Interest-bearing liabilities	16	24.4	11.1
Provisions	15	63.8	49.7
Current tax payable		6.3	3.9
Total current liabilities		<u>184.2</u>	<u>144.9</u>
Non-current liabilities			
Interest-bearing liabilities	16	135.9	241.9
Provisions	15	418.7	434.2
Deferred tax liabilities	22	-	9.6
Total non-current liabilities		<u>554.6</u>	<u>685.7</u>
Total liabilities		<u>738.8</u>	<u>830.6</u>
Net assets		<u>1,434.6</u>	<u>1,538.1</u>
EQUITY			
Contributed equity	18	1,114.4	1,112.1
Reserves	23	22.8	19.0
Retained profits	23	297.4	407.0
Total equity		<u>1,434.6</u>	<u>1,538.1</u>

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

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Notes	Attributable to owners of Iluka Resources Limited			Total equity \$m
		Contributed equity \$m	Other reserves \$m	Retained earnings \$m	
Balance at 1 January 2013		1,104.8	18.1	444.2	1,567.1
Profit for the year	23	-	-	18.5	18.5
Other comprehensive income	23	-	6.2	7.2	13.4
Total comprehensive income		-	6.2	25.7	31.9
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax	18(b)	8.8	(8.8)	-	-
Purchase of treasury shares, net of tax	18(b)	(1.5)	-	-	(1.5)
Share-based payments, net of tax	23	-	3.5	-	3.5
Dividends paid	23	-	-	(62.9)	(62.9)
		<u>7.3</u>	<u>(5.3)</u>	<u>(62.9)</u>	<u>(60.9)</u>
Balance at 31 December 2013		1,112.1	19.0	407.0	1,538.1
Loss for the year	23	-	-	(62.5)	(62.5)
Other comprehensive income	23	-	5.3	(5.3)	-
Total comprehensive income		-	5.3	(67.8)	(62.5)
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax	18(b)	5.3	(5.3)	-	-
Purchase of treasury shares, net of tax	18(b)	(3.3)	-	-	(3.3)
Share-based payments, net of tax	23	0.3	3.8	-	4.1
Dividends paid	23	-	-	(41.8)	(41.8)
		<u>2.3</u>	<u>(1.5)</u>	<u>(41.8)</u>	<u>(41.0)</u>
Balance at 31 December 2014		1,114.4	22.8	297.4	1,434.6

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

Consolidated statement of cash flows

For the year ended 31 December 2014

	2014 \$m	2013 \$m
	Notes	
Cash flows from operating activities		
Receipts from customers	823.5	727.2
Payments to suppliers and employees	(568.7)	(603.2)
Operating cash flow	<u>254.8</u>	<u>124.0</u>
Interest received	0.6	3.1
Interest paid	(13.4)	(16.8)
Income taxes paid	(27.5)	(140.1)
Exploration expenditure	(22.1)	(23.1)
Mining Area C royalty receipts	75.2	82.7
Net cash inflow from operating activities	10 <u>267.6</u>	<u>29.8</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(48.3)	(52.5)
Sale of property, plant and equipment	0.3	2.0
Acquisition of Sri Lanka deposits	-	(4.6)
Purchase of shares in Metalysis Limited	20 (18.6)	-
Net cash outflow from investing activities	<u>(66.6)</u>	<u>(55.1)</u>
Cash flows from financing activities		
Repayment of borrowings	(139.7)	(56.9)
Proceeds from borrowings	41.0	141.1
Purchase of treasury shares	(4.7)	(2.2)
Dividends paid	9 (41.8)	(62.8)
Debt refinance costs	(2.5)	-
Net cash inflow (outflow) from financing activities	<u>(147.7)</u>	<u>19.2</u>
Net decrease in cash and cash equivalents	53.3	(6.1)
Cash and cash equivalents at 1 January	46.4	54.3
Effects of exchange rate changes on cash and cash equivalents	1.6	(1.8)
Cash and cash equivalents at 31 December	16 <u>101.3</u>	<u>46.4</u>

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

Contents of the notes to the financial statements

	Page
Basis of preparation	117
1. Reporting entity	117
2. Basis of preparation	117
3. Critical accounting estimates and judgements	119
Performance for the year	120
4. Segment information	120
5. Revenue	122
6. Expenses	123
7. Earnings per share	124
8. Income tax	125
9. Dividends	126
10. Reconciliation of (loss) profit after income tax to net cash inflow from operating activities	126
Operating assets and liabilities	127
11. Receivables	127
12. Inventories	127
13. Property, plant and equipment	128
14. Payables	130
15. Provisions	131
Capital structure and finance costs	132
16. Net debt and finance costs	132
17. Financial risk management	134
18. Contributed equity	136
Other notes	136
19. Other income	136
20. Available for sale financial assets	137
21. Remuneration of auditors	137
22. Deferred tax	138
23. Reserves and retained earnings	139
24. Share-based payments	140
25. Commitments	141
26. Retirement benefit obligations	142
27. Key Management Personnel	143
28. Controlled entities and deed of cross guarantee	144
29. Parent entity financial information	147
30. Contingent liabilities	148
31. Related party transactions	148
32. New accounting standards and interpretations	149

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 28.

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 2014, which are detailed in note 32.

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 2014 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.

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) 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 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 has US dollar denominated borrowings that are used to hedge against translation differences arising from assets held by the Group's US operations (see note 4 for more information about these assets).

To the extent that these borrowings do not exceed the net assets of the US operations, foreign currency differences arising on the translation of these borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Any remaining differences are recognised in profit or loss. If the US 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 Class Order 98/100, 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 Class Order 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 13(e) 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 to sell estimated on the basis of discounted present value of the future cash flows (a level 3 fair value estimation method).

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 in Australia and the US, 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 (which for the impaired US CGU was 9% (2013: 9%)).

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 to the current or prior years. 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 such as the impairment of \$82.0 million made in the year (2013: asset write downs of \$40.0 million).

Specifically, the current year impairment charge in relation to the US operations is sensitive to improvements in forecast commodity prices and changes to the commitment of development capital to new projects. As the carrying value of the US Virginia operations has been reduced to nil, there is no downside sensitivity.

(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 or a change to profit or loss in accordance with the Group's accounting policy stated in note 15(a). In 2013, changes to the discount rates in Australia and the US resulted in increases to the rehabilitation provisions of \$38.4 million, of which \$18.0 million was charged to profit or loss in respect of closed sites.

The total rehabilitation and mine closure provision of \$457.0 million (2013: \$465.9 million) includes \$274.0 million (2013: \$299.6 million) for assets no longer in use or for obligations arising from production process outputs. Changes to the provisions for assets or operations no longer in use are charged to profit or loss and are reported within *rehabilitation and holding costs for closed sites* in note 6. The changes to the provisions for closed sites, excluding the aforementioned impact of the change in discount rates in the prior year, was a reduction of \$5.2 million (2013: reduction of \$5.0 million).

(iii) Net realisable value and classification of 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 2014 was \$810.2 million (2013: \$795.1 million). During the year, an inventory write down of \$12.0 million (2013: \$10.2 million) was expensed. If finished goods prices were five per cent lower than expected, an additional inventory write down of \$0.5 million would be required at 31 December 2014.

Inventory of \$353.7 million (2013: \$271.0 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date. See note 12 for further details.

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. Cash, debt and tax balances are managed at a group level and, together with resource development and other corporate activities, are not allocated to segments. The segments are unchanged from those reported at 31 December 2013.

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 the South West and Mid West of 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. Mining and processing activities in the South West of Western Australia, mining activities in the Mid West of Western Australia and the Group's synthetic rutile operations were idled during 2013.

United States (US) comprises the integrated mineral sands mining and processing operations in Virginia and rehabilitation obligations in Florida.

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 arms length prices. Any transfers of intermediate products between operating segments are made at cost. During 2014, no finished product was transferred from the US to Australia (2013: \$10.2 million). The prior year transfer is excluded from the results below.

(b) Segment information

2014	AUS \$m	US \$m	MAC \$m	Total \$m
Total segment sales to external customers	640.6	84.3	-	724.9
Total segment result	102.4	(97.2)	66.4	71.6
Segment assets	1,942.7	48.1	18.2	2,009.0
Segment liabilities	455.6	84.2	-	539.8
Depreciation and amortisation expense	173.4	15.8	0.4	189.6
Impairment of US assets	-	82.0	-	82.0
Additions to non-current segment assets	128.4	19.9	-	148.3
2013	AUS \$m	US \$m	MAC \$m	Total \$m
Total segment sales to external customers	676.5	86.6	-	763.1
Total segment result	36.0	16.3	87.9	140.2
Segment assets	2,124.6	136.1	27.0	2,287.7
Segment liabilities	468.1	73.7	-	541.8
Depreciation and amortisation expense	166.9	11.0	0.4	178.3
Idle asset write downs	40.0	-	-	40.0
Additions to non-current segment assets	73.1	31.7	-	104.8

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:

	2014 \$m	2013 \$m
China	288.4	303.9
Asia excluding China	115.5	151.5
Europe	164.1	159.0
Americas	129.0	137.6
Other countries	27.9	11.1
Sale of goods	724.9	763.1

Revenue of \$81.6 million and \$78.3 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 (2013: revenues of \$101.3 million and \$96.2 million from two external customers).

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

	2014 \$m	2013 \$m
Segment result	71.6	140.2
Interest income	0.6	1.8
Other income	5.7	2.6
Marketing and selling	(13.9)	(13.5)
Corporate and other costs	(48.4)	(41.2)
Depreciation	(2.1)	(3.4)
Resource development	(45.3)	(44.9)
Interest and finance charges	(16.7)	(16.7)
Net foreign exchange losses	-	(0.9)
(Loss) profit before income tax	(48.5)	24.0

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

	2014 \$m	2013 \$m
Segment assets	2,009.0	2,287.7
Corporate assets	41.3	19.3
Cash and cash equivalents	101.3	46.4
Current tax receivable	8.5	2.1
Deferred tax assets	13.3	13.2
Total assets as per the balance sheet	2,173.4	2,368.7

Segment liabilities	539.8	541.8
Corporate liabilities	32.4	22.3
Current tax payable	6.3	3.9
Deferred tax liabilities	-	9.6
Interest-bearing liabilities	160.3	253.0
Total liabilities as per the balance sheet	738.8	830.6

5 Revenue

	2014 \$m	2013 \$m
<i>Sales revenue</i>		
Sale of goods	724.9	763.1
<i>Other revenue</i>		
Mining Area C royalty income	66.8	88.3
Interest	0.6	1.8
	67.4	90.1
	792.3	853.2

(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.

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 14 years is remaining (2013: 15 years remaining). The carrying value of the asset at the 31 December 2014 is \$5.5 million (2013: \$5.9 million).

(c) Interest income

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

6 Expenses

	Notes	2014 \$m	2013 \$m
Expenses			
Cash costs of production	6(a)	381.9	376.1
Depreciation and amortisation		191.7	181.7
Inventory movement		(14.7)	(14.0)
Cost of goods sold	6(b)	558.9	543.8
Restructure and idle capacity charges	6(c)	40.1	69.6
Rehabilitation and holding costs for closed sites	6(d)	(1.0)	(2.8)
Impairment of US assets	6(e)	82.0	-
Idle asset write downs	6(f)	-	40.0
Government royalties		10.6	15.2
Marketing and selling costs		30.1	28.2
Corporate and other costs		48.4	41.2
Resource development		45.3	44.9
Foreign exchange losses		-	0.9
		814.4	781.0

(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 Government royalties which are reported separately. Cash costs of production also include by-product costs such as for iron concentrate processing, activated carbon and wet high intensity magnetic separation (WHIMS) ilmenite transport costs of \$25.0 million (2013: \$19.6 million).

(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. There are separate inventory stockpile values for each product, including HMC and other intermediate products, at each inventory location. 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) Restructure and idle capacity charges

Idle capacity charges reflect ongoing costs incurred during periods of no or restricted production. During 2013, Iluka took measures to curtail production and reduce production costs in response to weak market demand, including plant idling and reductions in workforce levels; this resulted in restructure costs of \$33.5 million. No restructure costs were incurred during 2014.

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.

(d) Rehabilitation and holding 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 15(a) arising from the annual review combined with ongoing holding costs for closed sites such as property rates and taxes.

(e) Impairment of US assets

A pre tax impairment charge of \$82.0 million was recognised in relation to the US operations. The recoverable amount was determined using the fair value less costs to sell approach. Iluka's US operations produce chloride ilmenite as well as premium zircon, both sold predominantly into the domestic market. During 2014, these operations contributed a segment loss of \$15.2 million, before impairment charges (2013: profit of \$16.3 million). A decision has been taken to maximise cash flow from the Virginia ore bodies and minimise commitment of further development capital to this part of the business at this time, which is currently expected to lead to the completion of mining and processing activities in the US at the end of 2015. As a result, the carrying value of property, plant and equipment of the US operations in Virginia has been reduced to \$nil.

(f) Idle asset write downs

At 2013 year end, the Company's assessment was that, in light of continued idling of some assets, as well as changes to mine plans and successful technical developments, the carrying value of a number of idled Western Australian assets had to be written down. The idle asset value adjustments related to old equipment: three wet concentrator plants; two mining unit plants; and capitalised expenditure associated with restarting synthetic rutile kiln 3 (SR kiln 3) which was subsequently idled in the first half of 2013.

(g) Other required disclosures

Expenses also include the following:

	2014	2013
	\$m	\$m
Defined contribution superannuation	8.1	8.7
Defined benefits superannuation	0.9	2.4
Employee benefits (excluding share-based payments)	128.1	151.9
Share-based payments	7.0	5.5
Exploration expenditure (included in Resource development expenses)	19.0	21.5
Operating leases	11.4	11.2
Inventory write downs	12.0	10.2

Operating leases are leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

7 Earnings per share

	2014	2013
	Cents	Cents
Basic earnings per share (cents)	(15.0)	4.4
Diluted earnings per share (cents)	(15.0)	4.4

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

Basic EPS is calculated on the loss for the period attributable to equity owners of (\$62.5) million (2013: profit \$18.5 million) divided by the weighted average number of shares on issue during the year, excluding treasury shares, being 417,884,855 shares (2013: 417,672,163 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 1,284,900 (2013: 1,274,951 share rights) would be anti-dilutive in 2014 as they would reduce the loss per share and therefore have not been included in the calculation of diluted EPS.

8 Income tax

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.

(a) Income tax expense

	Notes	2014 \$m	2013 \$m
Current tax		21.2	22.8
Deferred tax	22	(7.5)	(16.2)
Under (over) provided in prior years		0.3	(1.1)
		<u>14.0</u>	<u>5.5</u>

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 22.

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

(Loss) profit before income tax expense		(48.5)	24.0
Tax at the Australian tax rate of 30% (2013: 30%)		(14.6)	7.2
Tax effect of amounts not deductible (taxable) in calculating taxable income:			
Research and development credit		(2.5)	(1.5)
Tax losses not recognised by overseas operations		19.4	0.6
Derecognition of deferred tax assets/liabilities in relation to US state taxes		4.5	-
Non deductible items		1.6	-
Other items		0.4	1.1
		<u>8.8</u>	<u>7.4</u>
Difference in overseas tax rates		4.9	(0.8)
Under (over) provision in prior years		0.3	(1.1)
Income tax expense		<u>14.0</u>	<u>5.5</u>

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

Hedge of net investments in US operations		(1.6)	(1.4)
Actuarial (losses) on retirement benefit obligation		(0.8)	(1.6)
		<u>(2.4)</u>	<u>(3.0)</u>

(d) Tax losses

No tax benefits have been recognised in respect of the impairment of US assets and exploration activities of overseas operations as their recovery is not considered probable.

In addition, the expected closure of the US operations at the end of 2015 means that US state tax losses are no longer considered probable of recovery and the benefit of these losses was derecognised as part of the US asset impairment. Unrecognised US state tax losses for which no deferred tax asset has been recognised are \$151.8 million at 31 December 2014.

Unused capital losses for which no deferred tax asset has been recognised are approximately \$88.8 million (2013: \$87.7 million) (tax at the Australian rate of 30%: \$26.6 million (2013: \$26.3 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.

9 Dividends

	2014 \$m	2013 \$m
Final dividend		
for 2013 of 4 cents per share, fully franked	16.7	-
for 2012 of 10 cents per share, fully franked	-	41.9
	<u>16.7</u>	<u>41.9</u>
Interim dividend		
for 2014 of 6 cents per share, fully franked	25.1	-
for 2013 of 5 cents per share, fully franked	-	21.0
	<u>25.1</u>	<u>21.0</u>
	<u>41.8</u>	<u>62.9</u>

Since balance date the directors have determined a final dividend for 2014 of 13 cents per share, fully franked (2013: 4 cents, fully franked). The dividend is payable on 31 March 2015 for shareholders on the register as at 10 March 2015. The aggregate amount of the proposed dividend is \$54.4 million, which has not been included in provisions at balance sheet date as it was not declared on or before the end of the financial year.

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 \$109.4 million (2013: \$113.8 million). This balance is based on a tax rate of 30 per cent (2013: 30 per cent). These amounts include franking credits of \$6.2 million (2013: \$3.9 million) that will arise from the payment of current income tax in Australia as provided for in these financial statements and the reduction of \$23.3 million (2013: reduction of \$7.2 million) that will arise on payment of the final dividend.

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

	2014 \$m	2013 \$m
(Loss) profit for the year	(62.5)	18.5
Depreciation and amortisation	191.7	181.7
Exploration capitalised	(4.3)	(2.9)
Net loss (gain) on disposal of property, plant and equipment	0.1	(0.6)
Exchange translation differences on USD denominated debt	4.3	13.6
Rehabilitation and mine closure provision discount unwind	15.8	16.6
Rehabilitation discount rate change	-	18.0
Non-cash share-based payments expense	7.0	5.5
Amortisation of deferred borrowing costs	2.2	1.8
Idle asset write downs	-	40.0
Impairment of US assets	82.0	-
Non-cash rehabilitation credit for closed sites	(5.2)	(5.0)
Change in operating assets and liabilities		
Decrease (increase) in receivables	90.0	(47.2)
Increase in inventories	(13.1)	(13.7)
Increase in net current tax asset	(3.3)	(126.5)
Decrease (increase) in net deferred tax	(10.4)	1.4
Decrease in payables	(10.1)	(65.4)
Decrease in provisions	(16.6)	(6.0)
Net cash inflow from operating activities	<u>267.6</u>	<u>29.8</u>

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 132.

11 Receivables

	2014 \$m	2013 \$m
Trade receivables	69.8	159.3
Mining Area C royalty receivable	12.7	21.1
Other receivables	9.3	4.0
Prepayments	7.0	7.1
	98.8	191.5

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 45 days of the invoice being issued. 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 2014, no trade receivables are impaired (2013: nil). There is \$2.2 million overdue (2013: \$5.1 million), of which \$1.9 million are less than 28 days overdue (2013: \$5.0 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 entered into two trade receivables purchase facilities in December 2014 for the sale of eligible trade receivables. Under the agreements 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 is a hedge of credit risk. The trade receivables balance of \$69.8 million excludes \$84.4 million (2013: \$nil) of receivables sold under the two facilities. 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 first loss of \$3.1 million per annum. An asset for this amount (\$3.1 million) has been recognised within other receivables offset by a corresponding continuing involvement liability in other payables (refer note 14) as at 31 December 2014.

12 Inventories

	2014 \$m	2013 \$m
Current		
Work in progress	98.6	161.4
Finished goods	325.5	328.0
Consumable stores	32.4	34.7
Total current inventories	456.5	524.1
Non-current		
Work in progress	345.5	197.0
Finished goods	8.2	74.0
Total non-current inventories	353.7	271.0

Inventories are valued at the lower of weighted average cost and estimated net realisable value. All inventory is carried at cost except for \$57.5 million (2013: \$106.2) of finished goods and US work in progress which are carried at net realisable value.

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.

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.

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.

13 Property, plant and equipment

	Land & Buildings \$m	Plant, Machinery & Equipment \$m	Mine Reserves & Development \$m	Exploration & Evaluation \$m	Total \$m
At 1 January 2013					
Cost or fair value	121.1	1,914.1	836.6	30.2	2,902.0
Accumulated depreciation *	(26.9)	(978.7)	(464.9)	(1.2)	(1,471.7)
Opening written down value	94.2	935.4	371.7	29.0	1,430.3
Additions	2.9	59.9	29.2	7.9	99.9
Disposals	(0.6)	(1.2)	-	-	(1.8)
Depreciation and amortisation	(3.2)	(84.5)	(92.7)	(0.9)	(181.3)
Foreign exchange translation	0.4	5.3	1.7	-	7.4
Idle asset write downs	(0.3)	(39.3)	(0.4)	-	(40.0)
Transfers/reclassifications	(0.5)	0.5	0.4	(0.4)	-
Closing written down value	92.9	876.1	309.9	35.6	1,314.5
At 31 December 2013					
Cost or fair value	124.6	1,964.8	871.6	37.7	2,998.7
Accumulated depreciation *	(31.7)	(1,088.7)	(561.7)	(2.1)	(1,684.2)
Closing written down value	92.9	876.1	309.9	35.6	1,314.5
Year ended 31 December 2014					
Opening written down value	92.9	876.1	309.9	35.7	1,314.6
Additions	9.4	9.7	46.9	4.8	70.8
Disposals	(0.7)	(0.1)	-	(0.1)	(0.9)
Depreciation and amortisation	(3.3)	(91.3)	(96.7)	-	(191.3)
Foreign exchange translation	0.4	2.5	3.1	-	6.0
Transfers/reclassifications	(3.3)	3.3	0.5	(0.5)	-
Impairment	(2.7)	(41.0)	(38.3)	-	(82.0)
Closing written down value	92.7	759.2	225.4	39.9	1,117.2
At 31 December 2014					
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)
Closing written down value	92.7	759.2	225.4	39.9	1,117.2

* 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 15(a), 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 \$13.5 million (2013: \$15.2 million) related to changes in the rehabilitation provision (refer note 15(a)).

(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.

(d) Assets not being depreciated

Included in plant, machinery and equipment and mine reserves and development are amounts totalling \$26.7 million and \$1.7 million respectively (2013: \$28.2 million and \$1.6 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 are amounts totalling \$322.7 million (2013: \$311.2 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.

(e) Recoverable amount of non-current assets

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 to sell (FVLCS) 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.

An impairment charge of \$82.0 million was recognised in relation to the US operations. As a result, the carrying value of property, plant and equipment of the US operations in Virginia has been reduced to \$nil (refer note 6(e)).

In light of the continued idling of some assets, as well as changes to mine plans and successful technical developments during the prior year, a \$40.0 million write down of a number of idled Western Australian assets occurred in the prior year. The prior year write down relates to old equipment: three wet concentrator plants; two mining unit plants; and capitalised expenditure associated with restarting synthetic rutile kiln 3 (SR kiln 3) which was subsequently idled in the first half of 2013.

(f) 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.

14 Payables

	31 December 2014 \$m	31 December 2013 \$m
Trade payables	28.4	17.4
Accrued expenses	45.0	46.6
Other payables	3.6	-
Annual leave payable	8.9	8.6
Government royalties payable	3.8	7.6
	89.7	80.2

Trade payables are recognised at the value of the invoice received from the supplier. The amounts are unsecured and are usually paid within 30 days of recognition. Due to the short term nature of the Group's trade payables, their carrying value is considered to approximate fair value.

15 Provisions

	Notes	2014 \$m	2013 \$m
Current			
Rehabilitation and mine closure		52.7	40.5
Employee benefits - long service leave		10.4	8.3
Workers compensation and other provisions		0.7	0.9
		<u>63.8</u>	<u>49.7</u>
Non-current			
Rehabilitation and mine closure		404.3	425.4
Employee benefits - long service leave		4.2	4.9
Retirement benefit obligations	26	10.2	3.9
		<u>418.7</u>	<u>434.2</u>

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		465.9	0.9
Change in provisions - credit for closed sites	6	(5.2)	-
Change in provision - additions to property plant and equipment	13	13.5	-
Rehabilitation and mine closure provision discount unwind	16(d)	15.8	-
Foreign exchange rate movements		4.0	-
Amounts spent during the year		(37.0)	-
Change in provision - other		-	(0.2)
Balance at 31 December		<u>457.0</u>	<u>0.7</u>

(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 due to passage of time of \$15.7 million (2013: \$16.6 million) is recognised as a finance cost in note 16(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 \$457.0 million (2013: \$465.9 million) includes \$274.0 million (2013: \$299.6 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 credit of \$5.2 million (2013: \$5.0 million) which is reported within the expense item *Rehabilitation and holding costs for closed sites* in note 6. The change in discount rate resulted in a charge of \$nil (2013: \$18.0 million) which is reported within the finance costs item *Rehabilitation discount rate changes* in note 16(d).

(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 national government 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 14.

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.

16 Net debt and finance costs

	2014 \$m	2013 \$m
<i>Cash and cash equivalents</i>		
Cash at bank and in hand	31.0	23.4
Deposits at call	70.3	23.0
Total cash and cash equivalents	101.3	46.4
<i>Current interest-bearing liabilities (unsecured)</i>		
Senior Notes 2003	24.4	-
Trade advance facility	-	11.1
	24.4	11.1
<i>Non-current interest-bearing liabilities (unsecured)</i>		
Multi Optional Facility Agreement	142.2	225.4
Senior Notes 2003	-	22.4
Deferred borrowing costs	(6.3)	(5.9)
	135.9	241.9
Total interest-bearing liabilities	160.3	253.0
Net debt	59.0	206.6

(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 3.00 per cent (2013: 0.0 per cent and 2.95 per cent) on US dollar and Australian dollar denominated deposits. The weighted average interest rate for the year was 2.95 per cent (2013: 3.33 per cent).

(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) US Private Placement Notes - 2003 Series

Iluka has a US\$20 million tranche remaining from the issue. This tranche is due for repayment in June 2015.

(ii) Multi Optional Facility Agreement

The Multi Optional Facility Agreement (MOFA) comprises a series of unsecured five year bilateral revolving credit facilities with several domestic and foreign institutions, totalling A\$850 million of which A\$175 million expires in April 2017 (2013: A\$800 million) and A\$675 million expires in April 2019 (2013: \$nil). Drawings under the MOFA at 31 December 2014 were A\$75.0 million and US\$55.0 million (2013: A\$130.0 million and US\$85.0 million).

(c) Interest rate exposure

Of the above interest-bearing liabilities, \$142.2 million is subject to an effective weighted average floating interest rate of 3.1 per cent (2013: interest-bearing liabilities of \$236.5 million at 3.6 per cent). The contractual repricing date of all of the floating rate interest-bearing liabilities at the balance date is within one year.

The only fixed interest rate borrowing at balance date is the \$24.4 million (2013: \$22.4 million) payable in respect of the US Private Placement Senior Notes due in 2015.

(d) Finance costs

	2014 \$m	2013 \$m
Interest charges on interest-bearing liabilities	13.4	13.4
Bank fees and similar charges	1.1	1.5
Amortisation of deferred borrowing costs	2.2	1.8
Rehabilitation and mine closure provision discount unwind	15.8	16.6
Rehabilitation discount rate changes	-	18.0
Total finance costs	<u>32.5</u>	<u>51.3</u>

(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 \$2.5 million associated with the additional facility and extension of the MOFA were incurred and capitalised in 2014 (2013: nil).

(ii) Rehabilitation and mine closure 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 with the increase in the provision due to passage of time being recognised as a finance cost in accordance with the policy described in note 15(a).

17 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 Group's financial performance. 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 the US dollar which is the currency in which the Group's sales are generally denominated. As discussed in note 2(b)(ii), the Group has operations in the US 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 the US 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 are taken to 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:

	2014 \$m	2013 \$m
Cash and cash equivalents	4.8	2.7
Receivables	69.5	144.3
Payables	(9.3)	(4.3)
Interest-bearing liabilities	(91.6)	(129.0)
	(26.6)	13.7

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

(ii) Group sensitivity

The average US dollar exchange rate during the year was 0.9030 (2013: 0.9678). The US dollar spot rate at 31 December 2014 was 0.8186 (31 December 2013: 0.8907). If the US dollar spot exchange rate at 31 December strengthened/(weakened) against the Australian dollar by 10 per cent (2013: 10 per cent), with all other variables held constant, the Group's post-tax (loss) profit for the year and equity would have moved as per the table below.

	-10% Strengthen		+10% Weaken	
	Profit (loss) \$m	Equity \$m	Profit (loss) \$m	Equity \$m
31 December 2014	(0.1)	(1.9)	0.1	1.5
31 December 2013	3.2	(1.7)	(2.1)	1.5

The foreign currency sensitivity related to the US Private Placement Notes impacts equity rather than profit as it is a hedge of the net investment in the US operations.

(iii) Interest rate risk

Interest rate risk arises from the Group's borrowings and cash deposits. When managing interest rate risk the Group seeks to mitigate its risk by utilising a blend of floating and fixed rate debt. During 2014 and 2013, the group's borrowings at variable rates were denominated in Australian dollars and US dollars. At 31 December 2014, if variable interest rates for the full year were +/- 1 per cent from the year-end rate with all other variables held constant, post-tax profit for the year would have moved as per the table below.

	+1% \$m	-1% \$m
31 December 2014	1.7	(1.7)
31 December 2013	2.6	(2.6)

The sensitivity is calculated using the net debt position at 31 December 2014. The interest charges in note 16(d) of \$13.4 million (2013: \$13.4 million) reflect interest-bearing liabilities in 2014 that range between \$150.3 million and \$253.1 million (2013: \$76.1 million and \$259.0 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 and therefore has no significant concentrations of credit risk. Of the total trade receivables balance of \$69.8 million, \$59.4 million is covered by an insurance policy and \$11.4 million by letters of credit. The policy also covers receivables sold to financial institutions totalling \$84.4 million, refer note 11(a). The insurance policies have a maximum claim amount of \$69.6 million. All trade receivables are considered low risk. 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 has policies in place 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 16(b)(ii)) of \$707.8 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 date is the facility expiry date of April 2019, 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 14).

At 31 December 2014	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		89.7	-	-	89.7	89.7
Interest-bearing variable rate	3.1	0.6	-	142.2	142.8	142.2
Interest-bearing fixed rate	5.4	25.1	-	-	25.1	24.4
Total non-derivatives		115.4	-	142.2	257.6	256.3

At 31 December 2013	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		80.2	-	-	80.2	80.2
Interest-bearing variable rate	2.2	12.9	-	225.4	238.3	236.5
Interest-bearing fixed rate	5.4	1.0	22.9	-	23.9	22.4
Total non-derivatives		94.1	22.9	225.4	342.4	339.1

18 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	2014 \$m	2013 \$m
Ordinary shares - fully paid	418,701,360	418,701,360	1,120.0	1,120.0
Treasury shares - net of tax	(825,110)	(937,719)	(5.6)	(7.9)
	417,876,250	417,763,641	1,114.4	1,112.1

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.

	Number of shares	\$m
Opening balance at 1 January 2013	1,630,066	15.2
Acquisition of shares, net of tax	217,819	1.5
Employee share issues, net of tax	(910,166)	(8.8)
Balance at 31 December 2013	937,719	7.9
Acquisition of share net of tax	490,382	3.3
Employee share issues, net of tax	(602,991)	(5.6)
Balance at 31 December 2014	825,110	5.6

Other notes

19 Other income

	2014 \$m	2013 \$m
Commissions and other sundry income	2.4	2.5
Foreign exchange gains	3.7	-
Net gain on disposal of property, plant and equipment	-	0.6
	6.1	3.1

20 Available for sale financial assets

	2014 \$m	2013 \$m
Unlisted securities		
Investment in Metalysis Limited	18.6	-
Total available for sale financial assets	<u>18.6</u>	<u>-</u>

During the year, Iluka acquired an 18.3 per cent equity stake in Metalysis Limited, a private UK based entity that is developing a new technology for titanium metal powder production.

Investments are designated as available for sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long term. Available for sale assets are held at fair value, with any change in value taken to other comprehensive income. If decreases in value are significant or prolonged they are recognised as an impairment in the profit or loss. Otherwise, gains and losses on available for sale investments are recognised in the profit or loss on sale.

The fair value of the investment in Metalysis Limited is determined using a level 3 valuation method using as inputs the most recent transactions in shares of this unlisted investment being the purchases by Iluka. There is no other available information that suggests a change in fair value and so the investment is held at its original cost.

This investment exposes Iluka to market risk associated with changes in the investments fair value.

21 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:

	2014 \$000	2013 \$000
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	575	584
Other assurance services	40	9
	<u>615</u>	<u>593</u>
Tax and other services		
Tax compliance and advisory services	4	22
Other compliance and advisory services	87	-
	<u>91</u>	<u>22</u>
Total remuneration	<u>706</u>	<u>615</u>
(b) Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial statements	30	17
Other compliance and advisory services	-	12
	<u>30</u>	<u>29</u>

22 Deferred tax

	2014 \$m	2013 \$m
Deferred tax asset:		
<i>Deferred tax asset amounts recognised in profit or loss</i>		
Employee benefits	6.8	7.7
Rehabilitation provisions	131.5	133.9
Tax revenue losses	-	3.6
Other	5.1	3.6
Gross deferred tax assets	<u>143.4</u>	<u>148.8</u>
<i>Deferred tax asset amounts recognised directly in equity</i>		
Actuarial losses on retirement benefit obligations	-	(0.1)
	<u>-</u>	<u>(0.1)</u>
Amount offset to deferred tax liabilities pursuant to set-off provision	<u>(130.1)</u>	<u>(135.5)</u>
Net deferred tax assets	<u>13.3</u>	<u>13.2</u>
Deferred tax liability:		
<i>Deferred tax liability amounts in profit or loss</i>		
Depreciation and amortisation	(93.8)	(111.8)
Foreign currency exchange	(0.6)	(0.2)
Receivables	(4.0)	(6.3)
Inventory	(31.7)	(26.0)
Other	-	(0.8)
Gross deferred tax liabilities	<u>(130.1)</u>	<u>(145.1)</u>
Amount offset to deferred tax assets pursuant to set-off provision	<u>130.1</u>	<u>135.5</u>
Net deferred tax liabilities	<u>-</u>	<u>(9.6)</u>
Movements in net deferred tax balance:		
Balance at 1 January	3.6	(6.5)
Credited to the income statement	12.0	16.2
Charged to the income statement - US	(4.5)	-
Over (under) provision in prior years	1.4	(8.1)
Charged directly to equity	0.8	2.0
Balance at 31 December	<u>13.3</u>	<u>3.6</u>

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 \$13.3 million includes a net deferred tax asset in relation to the US operations of \$11.2 million, which is in respect of rehabilitation provisions where deductions for future payments can be carried back against 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 of \$44.2 million (2013: \$20.0 million) and deferred tax liabilities of \$23.0 million (2013: \$32.9 million) are expected to be recovered in less than 12 months of the balance sheet date.

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.

23 Reserves and retained earnings

	2014 \$m	2013 \$m
<i>Asset revaluation reserve</i>		
Balance at 1 January	13.7	15.9
Transfer to retained earnings on disposal	-	(2.2)
Balance at 31 December	13.7	13.7
<i>Share-based payments reserve</i>		
Balance at 1 January	(0.9)	4.4
Transfer of shares to employees, net of tax	(5.3)	(8.8)
Share-based payments, net of tax	3.8	3.5
Balance at 31 December	(2.4)	(0.9)
<i>Foreign currency translation</i>		
Balance at 1 January	6.2	(2.2)
Currency translation of US operation	7.0	11.6
Translation differences on other foreign operations	0.3	-
Hedge of net investment in US operation	(2.8)	(4.6)
Deferred tax	0.8	1.4
Balance at 31 December	11.5	6.2
Total reserves	22.8	19.0
<i>Retained earnings</i>		
Balance at 1 January	407.0	444.2
Net (loss) profit for the year	(62.5)	18.5
Dividends paid	(41.8)	(62.9)
Transfer from asset revaluation reserve, net of tax	-	2.2
Actuarial (losses) gains on retirement benefit obligation, net of tax	(5.3)	5.0
Balance at 31 December	297.4	407.0

(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 18(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). US\$20.0 million of debt (2013: US\$20.0 million) was designated as a hedge of the net investment in the US operations for the majority of the year. The reserve is recognised in profit or loss when the net investment is disposed of.

24 Share-based payments

Share-based compensation benefits are provided to employees via incentive plans, the directors', Executives and Employees Share Acquisition Plan and the Employee Share Ownership Scheme. 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) also takes 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 \$7.0 million (2013: \$5.5 million) results from several schemes summarised below.

Schemes	Grant date	Vesting date	Fair value \$	Shares / Rights at 31 Dec 14	Expense 2014 \$m	Shares / Rights at 31 Dec 13	Expense 2013 \$m
STIP (i)							
2013	Mar-14	Mar-15/16	9.44	299,034	1.7	-	-
2012	Mar-13	Mar-14/15	10.20	110,959	0.5	163,552	1.0
2011	Mar-12	Mar-13/14	16.68	-	0.2	121,567	1.5
LTIP - TSR (ii)							
2014	Feb-14	Mar-17	5.74	237,658	0.4	-	-
2013	Feb-13	Mar-16	7.72	196,851	0.4	199,135	0.4
2012	Jan-12	Mar-15	11.07	97,775	0.3	98,898	0.2
2011	Jan-11	Mar-14	7.37	-	-	127,644	0.2
LTIP - ROE (ii)							
2014	Feb-14	Mar-17	8.49	237,658	0.6	-	-
2013	Feb-13	Mar-16	9.89	196,852	0.5	199,136	0.5
2012	Jan-12	Mar-15	14.66	97,775	-	98,899	(0.4)
2011	Jan-11	Mar-14	9.44	-	-	127,645	0.3
MD LTID (iii)							
	Mar-11	Mar-15	11.62	750,000	1.8	750,000	1.0
Employee Share Plan (iv)							
					0.6		0.6
					7.0		5.5

(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 2014 LTIP Plan takes into account the exercise price of \$nil, the share price at grant date of \$9.22, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of 2.75% and the risk free rate of return of 2.97%. 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.

(iii) 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 will vest based on the Company's financial performance over the three year period. However, vesting will not occur until March 2015, 12 months after the end of performance 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) Employee share plan

A total of 61,016 (2013: 56,620) 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 \$8.59 (2013: \$10.47) for the five days prior to the start of the offer period.

25 Commitments

	2014 \$m	2013 \$m
(a) Exploration and mining lease commitments		
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable:		
Within one year	27.9	20.4
Later than one year but not later than five years	53.7	30.5
Later than five years	59.8	52.7
	<u>141.4</u>	<u>103.6</u>

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	18.2	11.9
Later than one year but not later than five years	18.5	21.6
Later than five years	0.4	-
	<u>37.1</u>	<u>33.5</u>

The Group leases various storage facilities, offices, mining equipment and motor vehicles under non-cancellable operating leases expiring within 1 to 11 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 \$20.4 million (2013: \$5.2 million). All of the commitments relate to the purchase of property, plant and equipment.

26 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 are entitled to benefits on leaving service, retirement, disability or death from the Iluka Resources Superannuation Plan, a sub-plan of the OnePath Masterfund. Within the Iluka Plan (the plan) the vast majority of members are entitled to accumulation (that is, defined contribution) benefits only. The plan also provides defined lump sum and pension benefits based on years of service and final average salary for a small number of members. The accumulation contribution section receives fixed contributions from Group companies. The Group's legal or constructive obligation is limited to these contributions.

(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 construction obligation is limited to these contributions.

The following sets out details in respect of the defined benefit sections only of the Australian and US plans. The expense recognised in relation to the defined contribution plans is disclosed in note 6(g).

(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 \$0.1 million (2013: surplus \$0.3 million) and for the US plan a deficit \$10.3 million (2013: deficit \$4.1 million). A net deficit of \$10.2 million (2013: deficit \$3.8 million) is included in non-current provisions in note 15. The table below provides a summary of the net financial position at 31 December for the past five years.

	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
Defined benefit plan obligation	(29.5)	(20.5)	(22.8)	(22.6)	(17.5)
Plan assets	19.3	16.7	14.2	15.0	14.1
Deficit	(10.2)	(3.8)	(8.6)	(7.6)	(3.4)

(c) Defined benefits superannuation expense

In 2014, \$0.9 million (2013: \$2.4 million) was recognised in expenses for the year in respect of the defined benefit plans (refer note 6(g)).

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.

27 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 in the Annual Report on pages 61 to 92.

The below provides a summary:

	2014	2013
	\$000	\$000
Short term benefits	6,753	6,193
Post-employment benefits	170	213
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	3,337	2,732
Total	10,260	9,138

(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.

Therefore, specific details of other transactions with Key Management Personnel are not disclosed.

28 Controlled entities and deed of cross guarantee

The consolidated financial statements incorporate the following principal subsidiaries:

Controlled entities	Country of incorporation	Equity holding	
		2014 %	2013 %
* Iluka Resources Limited (Parent Company)	Australia		
* Westlime (WA) Limited	Australia	100.0	100.0
* Ilmenite Pty Limited	Australia	100.0	100.0
* Southwest Properties Pty Ltd	Australia	100.0	100.0
* Western Mineral Sands Pty 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	-
Ashton Coal Interests Pty Limited	Australia	95.8	95.8
Iluka International Co•peratief 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
P.K.D. 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	-
Iluka Technology (UK) Ltd **	United Kingdom	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
EGEnergy Resources LLC	USA	100.0	100.0
EGEnergy Resources United States LLC	USA	100.0	100.0
EGEnergy Resources Manufacturing LLC	USA	100.0	100.0
EGEnergy Resources Florida NE LLC	USA	100.0	100.0
IR RE Holdings LLC ****	USA	100.0	-
Iluka International (SE Asia) Pte. Ltd. *****	Singapore	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.

** Iluka (UK) Limited and Iluka Technology (UK) Limited were incorporated on 18 February 2014.

*** Iluka Royalty (MAC) Pty Ltd was incorporated on 16 April 2014.

**** IR RE Holdings LLC was incorporated on 29 October 2014.

***** Iluka International (SE Asia) Pte. Ltd. was incorporated on 03 November 2014.

(a) Condensed financial statements of the extended closed group

	2014	2013
	\$m	\$m
Condensed statement of profit or loss and other comprehensive income		
Revenue from ordinary activities	708.5	767.4
Expenses from ordinary activities	(662.4)	(695.3)
Finance costs	(31.5)	(48.5)
Income tax expense	(16.5)	(2.5)
(Loss) profit for the year	(1.9)	21.1
Other comprehensive income		
Actuarial gains on defined benefit plans, net of tax	-	0.5
Total comprehensive (loss) income for the period	(1.9)	21.6
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	386.7	428.0
Total comprehensive income for the year	(1.9)	21.6
Dividends paid	(41.8)	(62.9)
Retained earnings at the end of the financial year	343.0	386.7

Condensed balance sheet	2014	2013
	\$m	\$m
Current assets		
Cash and cash equivalents	79.0	34.0
Receivables	84.0	176.0
Inventories	427.3	480.0
Total current assets	<u>590.3</u>	<u>690.0</u>
Non-current assets		
Receivables	-	3.2
Inventories	353.7	271.0
Other financial assets - investments in non-closed group entities	38.1	58.3
Property, plant and equipment	1,111.1	1,239.5
Intangible assets	5.5	5.9
Deferred tax assets	2.1	-
Total non-current assets	<u>1,510.5</u>	<u>1,577.9</u>
Total assets	<u>2,100.8</u>	<u>2,267.9</u>
Current liabilities		
Payables	41.4	58.6
Interest-bearing liabilities	24.4	11.1
Provisions	60.5	43.7
Current tax payable	6.2	3.9
Total current liabilities	<u>132.5</u>	<u>117.3</u>
Non-current liabilities		
Interest-bearing liabilities	135.9	241.9
Provisions	364.1	387.9
Deferred tax liabilities	-	9.6
Total non-current liabilities	<u>500.0</u>	<u>639.4</u>
Total liabilities	<u>632.5</u>	<u>756.7</u>
Net assets	<u>1,468.3</u>	<u>1,511.2</u>
Equity		
Contributed equity	1,114.4	1,112.1
Reserves	10.9	12.4
Retained profits	343.0	386.7
Total equity	<u>1,468.3</u>	<u>1,511.2</u>

29 Parent entity financial information

(a) Summary financial information for Iluka Resources Limited

	2014 \$m	2013 \$m
Balance sheet		
Current assets	177.4	155.7
Non-current assets	1,808.8	1,942.4
Total assets	<u>1,986.2</u>	<u>2,098.1</u>
Current liabilities	90.3	55.2
Non-current liabilities	538.5	811.1
Total liabilities	<u>628.8</u>	<u>866.3</u>
Net assets	<u>1,357.4</u>	<u>1,231.8</u>
Shareholders' equity		
Contributed equity	1,120.0	1,120.0
Reserves	8.4	9.8
Retained earnings	229.0	102.0
	<u>1,357.4</u>	<u>1,231.8</u>
Profit (loss) for the year	<u>168.9</u>	<u>(105.2)</u>
Total comprehensive profit (loss)	<u>168.9</u>	<u>(105.2)</u>

(b) Profit (loss) for the year

The profit for the year includes dividends received from controlled entities of \$254 million (2013: nil).

(c) Contingent liabilities of the parent entity

The parent had contingent liabilities for performance commitments and guarantees of \$35.0 million as at 31 December 2014 (2013: \$48.7 million).

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

As at 31 December 2014, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$0.6 million (2013: \$0.8 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.

30 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 2014, the total value of performance commitments and guarantees was \$121.2 million (2013: \$135.6 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

During the prior year 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 comprises:

- payment of US\$2.0 million on the grant of a mining license over EL 170;
- payment of US\$8.0 million on the Iluka Board approving a development on EL 170; 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.

(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.

31 Related party transactions

The only related party transactions are with directors and Key Management Personnel (refer note 27). Details of material controlled entities are set out in note 28. The ultimate Australian controlling entity and the ultimate parent entity is Iluka Resources Limited.

32 New accounting standards and interpretations

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 2014. The affected policies and standards are:

- AASB Interpretation 21 *Accounting for levies*
- AASB 132 *Offsetting financial assets and financial liabilities*
- AASB 2014-1 Part B *Defined benefit plans - employee contributions*
- AASB 136 *Amendment of impairment disclosures*
- AASB 124 *Related party disclosures*

(i) Interpretation 21 *Accounting for Levies*

This interpretation clarifies when to recognise a liability to pay a levy. The adoption of this interpretation did not have an impact on the Group.

(ii) AASB 132 *Offsetting financial assets and financial liabilities*

This revised standard includes application guidance to address inconsistencies identified in applying some of the criteria for offsetting financial assets and financial liabilities in the balance sheet. The adoption of the revised standard has not had an impact on the Group.

(iii) AASB 2014-1 Part B *Defined benefit plans - employee contributions*

The changes to this standard are around the clarification of the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. Management have assessed that the impact is immaterial to the Group.

(iv) AASB 136 *Amendment of impairment disclosures*

The changes to this standard are in disclosure only. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal (refer notes 3(a) and 6(e)).

(v) AASB 124 *Related party disclosures*

These amendments remove the individual key management personnel disclosure requirements from the financial statements. While this reduces the disclosures in the notes to the financial statements (note 27), it does not affect any of the amounts recognised in the financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods. The Group's assessment of the impact of those new standards and interpretations considered relevant to the Group is set out below. The Group does not intend to early adopt any of the new standards or interpretations.

(i) AASB 9 *Financial Instruments* (effective from 1 January 2017)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The changes to the standard do not have a material impact on the Group.

(ii) IFRS 15 *Revenue from contracts with customers* (effective from 1 January 2017)

IFRS 15 establishes principles 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 has not yet determined the extent of the impact of this standard, which is yet to be adopted by the AASB.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 111 to 149 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 2014 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 28 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 28.

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



D Robb
Managing Director

Perth
10 March 2015



Independent auditor's report to the members of Iluka Resources Limited

Report on the financial report

We have audited the accompanying financial report of Iluka Resources Limited (the company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Iluka Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Liability limited by a scheme approved under Professional Standards Legislation.



Independent auditor's report to the members of Iluka Resources Limited (cont'd)

Auditor's opinion

In our opinion:

- (a) the financial report of Iluka Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 61 to 92 of the directors' report for the year ended 31 December 2014. 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.

Auditor's opinion

In our opinion, the remuneration report of Iluka Resources Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

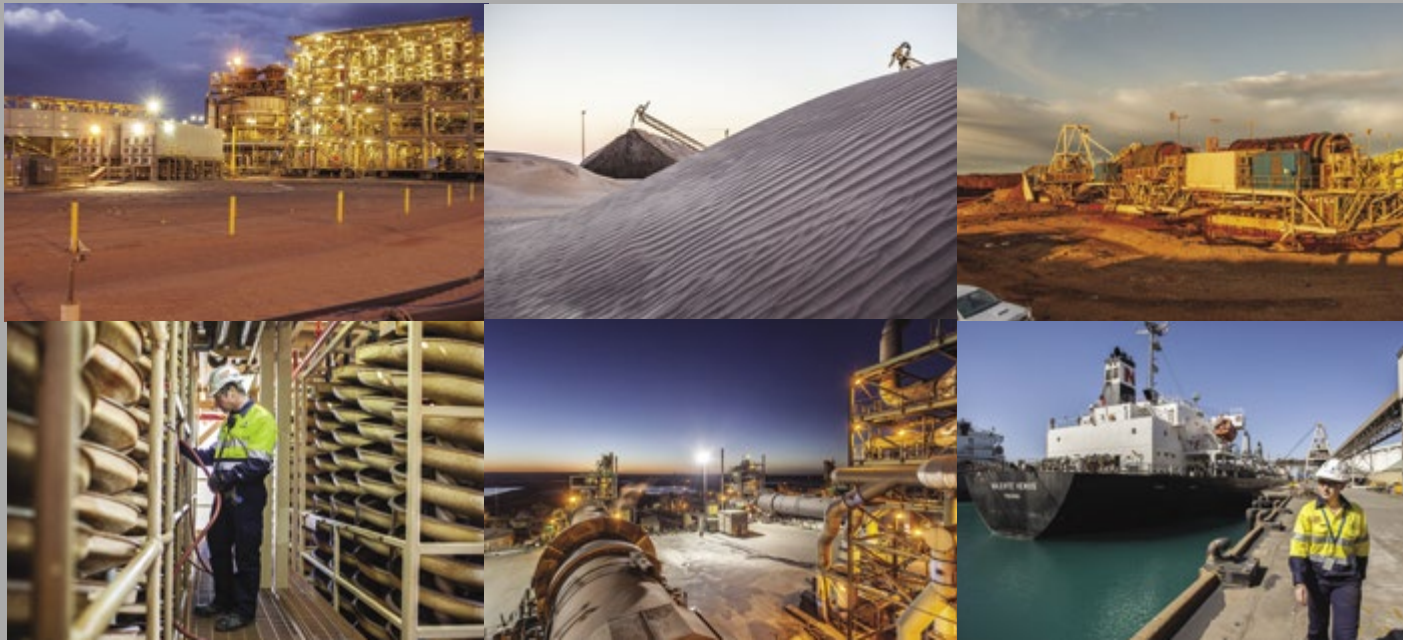
PricewaterhouseCoopers

Nick Henry

Nick Henry
Partner

Perth
10 March 2015

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION



Five Year Physical and Financial Summary
Operating Mines – Physical Data
Ore Reserves and Mineral Resources Statement
Directors and Executive Team
Shareholder and Investor Information
Corporate Information

Five Year Physical and Financial Summary

Summary physical information

	2014	2013	2012	2011	2010
Production volumes (kt)					
- Zircon	357.6	285.1	343.2	601.5	412.9
- Rutile	177.2	127.0	220.3	281.3	250.1
- Synthetic rutile	-	59.0	248.3	285.7	347.5
Total Z/R/SR	534.8	471.1	811.8	1168.5	1010.5
- Ilmenite	365.4	584.5	674.1	661.6	684.9
Sales volumes (kt)					
- Zircon	352.2	370.2	213.8	514.5	478.7
- Rutile	182.0	168.0	105.5	265.9	240.0
- Synthetic rutile	82.0	46.2	169.6	257.7	362.5
Total Z/R/SR	616.2	584.4	488.9	1038.1	1081.2
- Ilmenite saleable	316.6	337.5	443.2	570.9	373.7
Weighted average annual prices (US\$/t)					
- Zircon	1,033	1,150	2,080	1,886	880
- Rutile	777	1,069	2,464	1,174	550
- Synthetic rutile	750	1,150	1,771	878	450
Average AUD:USD spot exchange rate (cents)	90.3	96.8	103.6	103.2	92.0
AUD:USD range (cents)	81.1/94.9	88.5/105.9	96.8/108.1	95.3/110.3	81.2/101.8
Unit Revenue and Cash Cost					
Revenue per tonne Z/R/SR sold (\$/t)	1,030	1,173	1,191	1,480	809
Unit cash costs of production per tonne Z/R/SR produced (\$/t) including by-product costs	714	798	719	538	538
Summary financials (\$m)					
Z/R/SR revenue	634.8	685.8	973.8	1,461.2	790.7
Ilmenite and other revenue	90.1	77.3	96.0	75.5	83.7
Revenue from operations ¹	724.9	763.1	1,069.8	1,536.7	874.4
Cash costs of production	(381.9)	(376.1)	(583.5)	(628.9)	(543.8)
Inventory movement	14.7	14.0	346.9	147.7	(2.9)
Restructure and idle capacity charges	(40.1)	(69.6)	(14.8)	(8.5)	(13.2)
Rehabilitation and holding costs for closed sites	1.0	2.8	(9.8)	(36.2)	(10.4)
Government royalties	(10.6)	(15.2)	(19.6)	(25.2)	(17.1)
Marketing and selling costs	(30.1)	(28.2)	(30.2)	(34.5)	(24.1)
Asset sales and other income	6.0	3.1	10.3	7.5	7.4
Exploration and resources development	(45.3)	(44.9)	(43.1)	(32.7)	(20.1)
- Mineral sands EBITDA	238.6	249.0	726.0	925.9	250.2
- Mining Area C EBITDA	66.8	88.3	72.7	88.5	76.3
- Other EBITDA	(48.4)	(42.1)	(49.9)	(35.1)	(21.4)
- Group EBITDA	257.0	295.2	748.8	979.3	305.1
Significant non-cash items	(82.0)	(40.0)	-	35.6	-
Depreciation and amortisation	(191.7)	(181.7)	(203.1)	(224.6)	(219.0)
Net interest and finance charges	(31.8)	(49.5)	(33.5)	(29.6)	(46.2)
Income tax (expense) benefit	(14.0)	(5.5)	(149.0)	(218.9)	(3.8)
Net profit (loss) after tax for the period (NPAT)	(62.5)	18.5	363.2	541.8	36.1
Operating cash flow	254.8	124.0	368.7	706.2	163.6
Capital expenditure	(48.3)	(52.5)	(167.3)	(142.5)	(117.2)
Free cash (outflow) inflow ²	196.3	(27.5)	81.2	589.6	60.7
Net (debt) cash	(59.0)	(206.6)	(95.9)	156.7	(312.6)

Five Year Physical and Financial Summary

	2014	2013	2012	2011	2010
Capital and dividends					
Ordinary shares on issue (millions)	418.7	418.7	418.7	418.7	418.7
Dividends per share in respect of the year (cents)	19.0	9.0	35.0	75.0	8.0
Franking level %	100.0	100.0	100.0	73.3	0.0
Opening year share price (\$)	8.63	9.02	15.50	9.14	3.58
Closing year share price (\$)	5.95	8.63	9.02	15.50	9.14
Financial ratios					
Group EBITDA/revenue margin %	32.5	34.7	65.5	60.3	32.1
Mineral sands EBITDA/revenue margin %	32.9	32.6	67.9	60.3	28.6
Basic earnings (loss) per share (cents)	(15.0)	4.4	87.1	130.1	8.6
Free cash flow per share (cents)	46.9	(6.6)	19.4	140.6	14.5
Return on shareholders' equity ³ %	(4.1)	1.2	23.2	42.5	3.2
Return on capital ⁴ %	(2.0)	2.2	31.3	54.9	5.0
Gearing (net debt/net debt + equity) %	3.9	11.8	5.8	n/a	21.8
Financial position as at 31 December (\$m)					
Total assets	2,173.4	2,368.7	2,426.6	2,453.8	1,939.9
Total liabilities	(738.8)	(830.6)	(859.5)	(919.1)	(815.3)
Net assets	1,434.6	1,538.1	1,567.1	1,534.7	1,124.6
Shareholders' equity	1,434.6	1,538.1	1,567.1	1,534.7	1,124.6
Net tangible asset backing per share (\$)	3.38	3.65	3.74	3.65	2.54

¹ 2010-2009 excludes hedging gains/(losses).

² Free cash flow is determined as cash flow before any debt refinance costs, proceeds/repayment of borrowings and dividends paid in the year.

³ Calculated as NPAT for the year as a percentage of the average monthly shareholders equity over the year.

⁴ Calculated as EBIT for the year as a percentage of average monthly capital employed for the year.

	2014	2013	2012	2011	2010
Ore Reserves and Mineral Resources					
Mineral Resources In Situ HM tonnes	176.4	178.7	122.7	120.8	114.1
Ore Reserves In Situ HM tonnes	24.9	26.6	29.0	30.4	27.0
HM Grade (%) Ore Reserves	5.4	5.6	5.7	5.8	8.1
Assemblage ¹ (%)					
Zircon	18	19	19	19	21
Rutile	6	6	6	7	7
Ilmenite	52	52	52	52	52

¹ Mineral assemblage is reported as a percentage of the in situ HM content.

Refer pages 157 to 161 for Iluka's Ore Reserves and Mineral Resource Statement.

Operating Mines – Physical Data

12 Months to 31 December 2014

	Jacinth-Ambrosia	Murray Basin	Western Australia	Australia Total	Virginia	Group Total 2014	Group Total 2013
Mining							
Overburden moved bcm	1,407.0	14,899.0	–	16,306.0	–	16,306.0	11,874.3
Ore mined kt	7,989.0	3,630.0	–	11,619.0	3,070.0	14,689.0	19,300.3
Ore grade HM %	7.1	34.3	–	15.6	5.4	13.5	10.7
VHM grade %	6.4	31.2	–	14.1	4.3	12.1	9.3
Concentrating							
HMC produced kt	505.0	630.0	–	1,135.0	170.0	1,305.0	1,538.3
VHM produced kt	451.0	562.0	–	1,013.0	122.0	1,135.0	1,326.7
VHM in HMC assemblage %	89.2	89.3	–	89.3	71.7	87.0	86.2
Zircon	56.4	26.5	–	39.8	16.0	36.7	34.9
Rutile	6.5	39.6	–	24.8	–	21.6	14.2
Ilmenite	26.3	23.2	–	24.6	55.7	28.6	36.1
HMC processed kt	414.0	376.0	6.0	796.0	172.0	968.0	1,044.2
Finished product kt							
Zircon	212.4	93.0	27.1	332.5	25.1	357.6	285.1
Rutile	29.5	147.5	0.2	177.2	–	177.2	127.0
Ilmenite	101.8	168.0	0.8	270.6	94.8	365.4	584.5
Synthetic rutile produced kt	–	–	–	–	–	–	59.0

An explanation of the Iluka's physical flow information can be obtained from Iluka's Briefing Paper - Iluka Physical Flow Information on the Company's website www.iluka.com, under Investor Relations, Mineral Sands Briefing Material, 2010. The nature of the Iluka operations base means that HMC from various mining locations can be processed at various mineral separation plants.

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. In the case of Murray Basin it excludes grade attributable to low quality, unsaleable ilmenite which is returned to the mine.

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 one of the Company's two Australian mineral processing plants, or the Virginia mineral processing plant.

HMC produced refers to heavy mineral concentrate (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.

Attributable finished product is provided as an indication of the finished production (zircon, rutile, ilmenite – both saleable and upgradeable) 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, zircon) is subject to recovery loss at the processing stage – this may be in the order of 10%.

Ilmenite saleable is ilmenite produced for sale rather than as a synthetic rutile feedstock.

Ilmenite upgradeable is that which is used in the manufacture of synthetic rutile. Typically 1 tonne of upgradeable ilmenite will produce between 0.58 to 0.62 tonnes of SR. Iluka also purchases external ilmenite for its synthetic rutile production process.

Refer Iluka's website www.iluka.com – Mineral Sands Technical Information for more detailed information on the mineral sands mining and production process.

Ore Reserves and Mineral Resources Statement

Iluka Ore Reserves Breakdown by Country, Region and JORC category at 31 December 2014									
Summary of Ore Reserves ^(1,2,3) for Iluka									
Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	HM Assemblage ⁽⁴⁾			Change HM Tonnes Millions
						Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	
Australia	Eucla Basin	Proved	110.6	4.57	4.1	27	51	4	
		Probable	3.9	0.09	2.2	20	52	4	
	Total Eucla Basin		114.6	4.66	4.1	27	51	4	(0.55)
	Murray Basin	Proved	0.9	0.23	25.8	54	10	19	
		Probable	11.1	1.70	15.2	46	14	19	
	Total Murray Basin⁽⁵⁾		12.0	1.93	16.0	47	13	19	(1.07)
	Perth Basin	Proved	8.2	0.71	8.8	59	14	2	
		Probable	305.1	16.54	5.4	59	10	5	
	Total Perth Basin⁽⁶⁾		313.3	17.26	5.5	59	10	5	-
USA	Atlantic Seaboard	Proved	7.3	0.36	5.0	68	15	-	
		Probable	12.4	0.66	5.3	56	19	-	
	Total Atlantic Seaboard⁽⁷⁾		19.7	1.02	5.2	60	18	-	(0.14)
	Total Proved		126.9	5.88	4.6	34	43	4	
	Total Probable		332.7	18.99	5.7	58	11	6	
	Grand Total		459.6	24.87	5.4	52	18	6	(1.76)

(1) Competent Persons - Ore Reserves

Eucla Basin (South Australia) Perth Basin (Western Australia) and Murray Basin (Victoria/New South Wales): C Lee (MAusIMM (CP))

Atlantic Seaboard (Virginia, United States of America) : C Stilson (SME)

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

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

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

(5) Ilmenite currently has had no value ascribed in the reserve optimisation process for the Murray Basin. Metallurgical testwork and marketing studies are presently underway; the outcomes of which may see a revision of the Ore Reserves.

(6) Rutile component in Perth Basin South-West operation is sold as a leucoxene product.

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

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. Ore Reserves are determined by the consideration of all of the "Modifying Factors" in accordance with the JORC Code (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.

For the year ending 2014, Ore Reserves decreased by 1.76Mt HM associated with mining depletion and adjustments, down from 26.62Mt HM to 24.87Mt HM.

The main factors contributing to the movement in Iluka's Ore Reserves during 2014 included the following:

- Eucla Basin Ore Reserves decreased by 0.55Mt HM led by mining depletion of Jacinth of 0.47t HM;
- the Perth Basin Ore Reserves did not change due to the idling of Eneabba (March 2013) and Tutunup South (June 2013) operations;
- Murray Basin Ore Reserves decreased by 1.07Mt HM due principally to mining depletion at Woorneck, Rownack and Pirro (0.99Mt HM); and
- there was a net decrease of 0.14Mt HM in Ore Reserves for the Atlantic Seaboard following mining depletion of 0.17Mt HM and addition of 0.03Mt HM.

Ore Reserves and Mineral Resources Statement

Ore Reserves Mined and Adjusted

Iluka Ore Reserves Mined and Adjusted by Country, Region at 31 December 2014

Summary of Ore Reserves Depletion ⁽¹⁾									
Country	Region	Category	In Situ HM Tonnes Millions 2013	In Situ HM Grade 2013	In Situ HM Tonnes Millions Mined 2014	In Situ HM Tonnes ⁽²⁾ Millions Adjusted 2014	In Situ HM Tonnes Millions 2014	In Situ HM Grade 2014	In Situ HM Tonnes ⁽³⁾ Millions Net Change
Australia	Eucla Basin	Active Mines	3.25	5.2	(0.47)	(0.08)	2.71	4.7	(0.55)
		Non-Active Sites	1.95	3.5	–	–	1.95	3.5	–
	Total Eucla Basin		5.20	4.5	(0.47)	(0.08)	4.66	4.1	(0.55)
	Murray Basin	Active Mines	1.30	25.5	(0.99)	(0.08)	0.23	25.8	(1.07)
		Non-Active Sites	1.70	15.2	–	–	1.70	15.2	–
	Total Murray Basin		3.00	19.9	(0.99)	(0.08)	1.93	16.0	(1.07)
	Perth Basin	Active Mines	0.95	6.8	–	(0.95)	–	–	(0.95)
		Non-Active Sites	16.31	5.5	–	0.95	17.26	5.5	0.95
	Total Perth Basin		17.26	5.5	–	–	17.26	5.5	–
	USA	Atlantic Seaboard	Active Mines	0.42	4.4	(0.17)	0.77	1.02	5.0
Non-Active Sites			0.75	4.3	–	(0.75)	–	5.3	(0.75)
Total Atlantic Seaboard		1.17	4.3	(0.17)	(0.03)	1.02	5.2	(0.14)	
Total Active Mines			5.91	6.5	(1.63)	(0.33)	3.96	5.0	(1.96)
Total Non-Active Sites			20.71	5.4	–	0.20	20.91	5.5	0.20
Total Ore Reserves			26.62	5.7	(1.63)	(0.13)	24.87	5.4	(1.76)

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

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

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

Ore Reserves and Mineral Resources Statement

Iluka Mineral Resource Breakdown by Country, Region and Jorc Category at 31 December 2014										
Summary of Mineral Resources ^(1,2,3) for Iluka										
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	HM Assemblage ⁽⁴⁾			Change HM Tonnes Millions	
						Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)		
Australia	Eucla Basin	Measured	188.5	7.02	3.7	35	42	4		
		Indicated	107.2	3.38	3.2	44	36	3		
		Inferred	139.4	10.49	7.5	67	15	2		
		Total Eucla Basin		435.1	20.89	4.8	52	27	3	(0.62)
	Murray Basin	Measured	17.0	4.65	27.3	62	11	12		
		Indicated	112.9	20.20	17.9	55	11	13		
		Inferred	81.9	9.81	12.0	49	10	15		
		Total Murray Basin		211.8	34.66	16.4	54	10	13	(1.26)
	Perth Basin	Measured	531.1	31.02	5.8	59	10	5		
Indicated		311.7	15.71	5.0	53	10	5			
Inferred		264.6	12.34	4.7	57	8	5			
	Total Perth Basin⁽⁵⁾		1,107.3	59.06	5.3	57	10	5	(0.38)	
USA	Atlantic Seaboard	Measured	53.4	1.66	3.1	62	16	–		
		Indicated	56.7	3.43	6.0	66	9	–		
		Inferred	16.7	0.48	2.9	61	11	–		
	Total Atlantic Seaboard⁽⁶⁾		126.8	5.57	4.4	65	12	–	(0.02)	
Sri Lanka		Measured	213.9	22.20	10.4	69	3	3		
		Indicated	69.9	6.06	8.7	67	3	3		
		Inferred	404.3	27.99	6.9	65	4	5		
	Total Sri Lanka		688.2	56.25	8.2	67	4	4	–	
	Total Measured		1,003.8	66.54	6.6	60	11	5		
	Total Indicated		658.4	48.79	7.4	56	11	8		
	Total Inferred		906.9	61.11	6.7	61	8	6		
	Grand Total		2,569.2	176.43	6.9	59	10	6	(2.27)	

(1) Competent Persons - Mineral Resources
Eucla Basin, Perth Basin and Sri Lanka: B Gibson (MAIG)
Murray Basin: R Cobcroft (MAIG)
Atlantic Seaboard: A Karst (SME)

(2) Mineral Resources are inclusive of Ore Reserves.
(3) Rounding may generate differences in last decimal place.
(4) Mineral assemblage is reported as a percentage of in situ HM content.

(5) Rutile component in Perth Basin South-West operations is sold as a leucogene product.
(6) Rutile is included in Ilmenite for the Atlantic Seaboard region.

Mineral Resources

Mineral Resources are estimated using all available and relevant geological, drill hole and assay data, including mineralogical sampling and testwork on mineral and final product qualities. Resource estimates are determined by consideration of geology, 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 JORC Code (2012). These factors may vary significantly between deposits.

For the year ending 2014, Mineral Resources decreased by 2.27Mt HM net of mining depletion and adjustments (sale, relinquishment, exploration discovery and development and write-downs) down from 178.71Mt HM to 176.43Mt HM.

The change in Mineral Resources for 2014 was influenced by the following:

- Eucla Basin Mineral Resources decreased by 0.62Mt HM which included mining depletion of Jacinth of 0.47 Mt HM and write downs of 0.15Mt of HM;
- the Perth Basin Mineral Resources decreased by 0.38Mt HM comprised entirely of write downs to the off-book resource inventory. No mining took place in the Perth Basin during 2014;
- Murray Basin Mineral Resources decreased by 1.26Mt HM as a result of mining depletion (0.99Mt HM) and write-off of Mineral Resources for finalised mining operations (0.27Mt HM);
- there was a slight decrease in Mineral Resources for the Atlantic Seaboard of 0.02Mt HM with mining depletion (0.17Mt HM) almost entirely offset by adjustments of 0.15Mt HM from the addition of new resources from the Hickory deposit; and
- there were no changes recorded for Sri Lanka.

Ore Reserves and Mineral Resources Statement

Iluka Mineral Resources Mined and Adjusted by Country and Region at 31 December 2014

Summary of Mineral Resources Depletion ⁽¹⁾									
Country	Region	Category	In Situ HM Tonnes Millions 2013	In Situ HM Grade 2013	In Situ HM Tonnes Millions Mined 2014	In Situ HM Tonnes ⁽²⁾ Millions Adjusted 2014	In Situ HM Tonnes Millions 2014	In Situ HM Grade 2014	In Situ HM Tonnes ⁽³⁾ Millions Net Change
Australia	Eucla Basin	Active Mines	3.73	4.2	(0.47)	(0.15)	3.11	4.3	(0.62)
		Non-Active Sites	17.78	4.9	–	–	17.78	4.9	–
	Total Eucla Basin		21.51	4.8	(0.47)	(0.15)	20.89	4.8	(0.62)
	Murray Basin	Active Mines	1.56	21.9	(0.99)	(0.27)	0.30	20.8	(1.26)
		Non-Active Sites	34.36	16.3	–	–	34.36	16.3	–
	Total Murray Basin		35.92	16.5	(0.99)	(0.27)	34.66	16.4	(1.26)
	Perth Basin	Active Mines	1.63	5.1	–	(1.63)	–	–	(1.63)
		Non-Active Sites	57.81	5.4	–	1.25	59.06	5.3	1.25
	Total Perth Basin		59.44	5.3	–	(0.37)	59.06	5.3	(0.37)
	USA	Atlantic Seaboard	Active Mines	0.76	3.4	(0.17)	1.90	2.49	2.9
Non-Active Sites			4.83	4.6	–	(1.75)	3.09	7.4	(1.75)
Total Atlantic Seaboard		5.60	4.4	(0.17)	0.15	5.57	4.4	(0.02)	
Sri Lanka	Sri Lanka	Active Mines	–	–	–	–	–	–	–
		Non-Active Sites	56.25	8.2	–	–	56.25	8.2	–
Total Sri Lanka		56.25	8.2	–	–	56.25	8.2	–	
Total Active Mines			7.68	5.1	(1.63)	(0.15)	5.90	3.7	(1.78)
Total Non-Active Sites			171.03	7.0	–	(0.49)	170.54	7.1	(0.49)
Total Mineral Resources			178.71	6.9	(1.63)	(0.64)	176.43	6.9	(2.27)

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

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

(3) 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 2014 and 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 the ASX Listing Rules. 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 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 relating to Mineral Resources and Ore Reserves is based on information compiled by Mr Greg Jones. Mr Jones is the Principal for GNJ Consulting Pty Ltd and has been retained by Iluka Resources Limited to compile the Annual Mineral Resources and Ore Reserves Statement for Iluka. Mr Jones holds shares in Iluka and other than the compilation of the Annual Mineral Resources and Ore Reserves Statement is not privy to any price sensitive information that might impact on the share price prior to public release. Mr Jones is a Member of the AusIMM and has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012. Mr Jones consents to the inclusion in this report of the matters based on his information in the form and context in which it appears including sampling, analytical and test data underlying the results.

The information in this report that relates to specific Mineral Resources and Ore Reserves is based on and accurately reflects reports prepared by the Competent Persons 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 shares 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 2014 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 which he is 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 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 Resource 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, the estimate and supporting documentation in question is reviewed by a suitably qualified independent Competent Person.

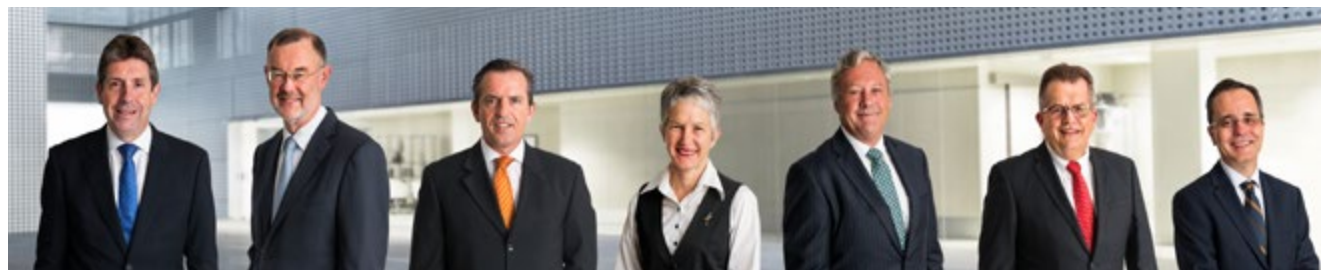
All Mineral Resources and Ore Reserves are internally reviewed by Iluka Competent Persons.

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), 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.

Board of Directors

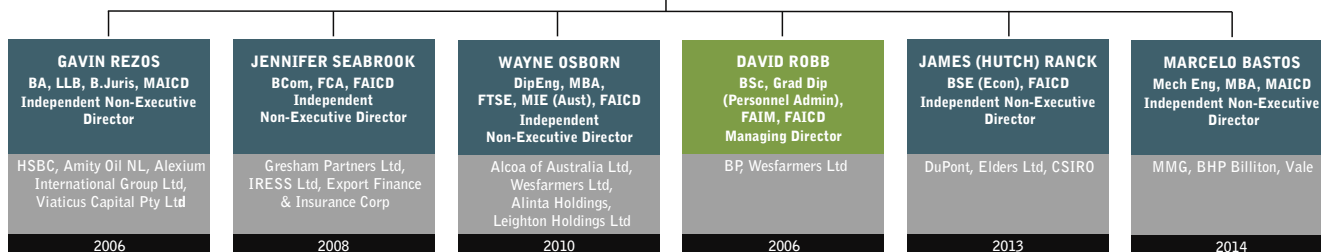


Greg Martin David Robb Gavin Rezos Jennifer Seabrook Wayne Osborn James (Hutch) Ranck Marcelo Bastos

GREG MARTIN
BEC, LLB, FAIM, MAICD
Chairman

Australian Gas Light Company Ltd, Challenger Financial Services Group, Murchison Metals Ltd

2013



Profiles can be found on pages 105 – 106.



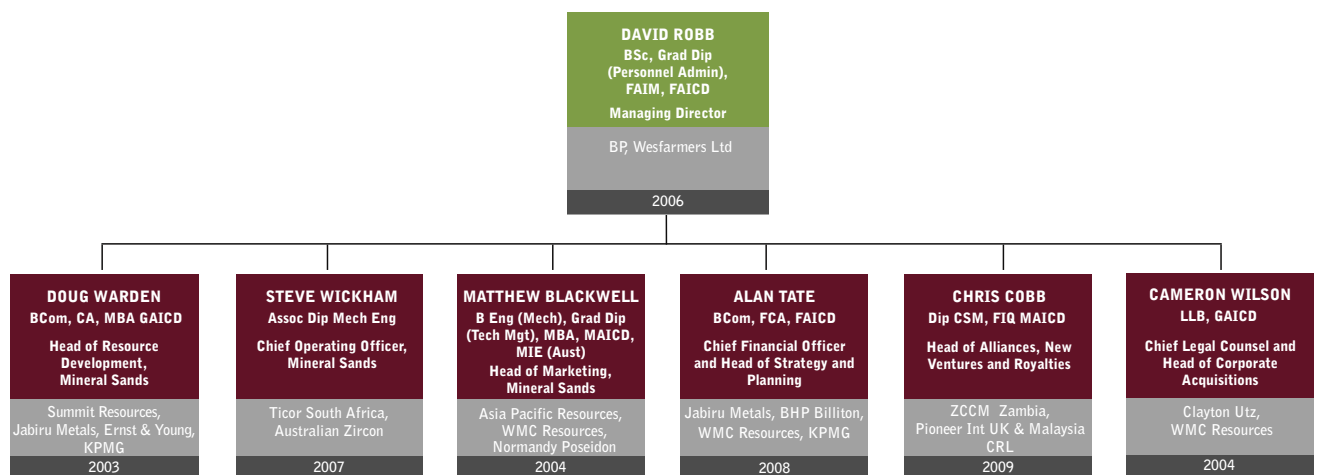
Features of the Board structure and approach in 2014 included the following:

- as part of the Board's annual assessment directors commissioned an external review which evaluated the Board as a whole, the performance of the Chairman, the contributions made by individual directors, and the role and functioning of the Board's committees;
- Marcelo Bastos was appointed to the Board with effect from 20 February 2014 (refer profile on page 105);
- Mr Bastos and other directors, including the Chairman, were involved in Company familiarisation activities which included visits to Iluka operations in the Mid West and South West, Western Australia, the Murray Basin, Eucla Basin and the Virginia operations;
- director involvement with customers included attendance at major customer and industry events;
- the Chairman and Managing Director held meetings and group sessions with a number of major shareholders in Melbourne and Sydney and the Chairman has direct engagement with a number of major overseas shareholders; and
- the Chairman and Chair of the Remuneration and Nomination Committee engaged with proxy advisers, corporate governance firms and with representatives of the Australian Shareholders' Association in the lead up to the 2014 Annual General Meeting.

Executive Team



Doug Warden Steve Wickham Matthew Blackwell David Robb Alan Tate Chris Cobb Cameron Wilson



Profiles can be found on pages 107 – 108.



The Executive team is structured to include six senior executives, reporting to the Managing Director. The responsibilities of the Executive include achieving defined business and financial outcomes, investment decisions, business planning, identification and pursuit of appropriate growth opportunities, sustainability performance, promotion of diversity objectives, succession planning.

Iluka Planning Forum



The Iluka Planning Forum comprises 10 senior managers, as well as Executive members, drawn from various areas and geographical locations of the business.

The areas considered by the Iluka Planning Forum include:

- industry developments and Iluka competitive positioning;
- development of strategies and actions to address business opportunities and industry dynamics; and
- implementation of initiatives relating to sustainability, innovation and health and safety performance.

Shareholder and Investor Information

Iluka Key Physical and Financial Information 2015 Iluka Investor Relations Guide

Please refer to Iluka’s website for this document which provides guidance parameters for 2015.

Key Shareholder Information – Iluka website

To assist those considering an investment in the Company, the Investors and Media section of the Iluka website contains Key Shareholder Information, which includes:

- Investment proposition
- Business framework
- Mineral sands industry fact book
- Virtual mine site tour
- Five year physical and financial information
- Mineral sands cycle characteristics
- Ore Reserves and Mineral Resources
- Mineral sands prices
- Dividend information
- ASX disclosures

The Iluka Investor Relations Guide (App) for Apple iPad and other tablet devices provides online and offline access to company information, including the latest news and events.

The App can be downloaded from the Apple App Store or Google Play Store by searching “Iluka Investor Relations Guide”.

The Iluka Investor Relations Guide is designed for those wishing to gain an understanding of the main elements of the Company, its assets, industry context and bases for shareholder value generation.

Information available on the App includes:

- Iluka’s investment proposition, company and shareholder alignment and capital management framework;
- company outline, resource base and operations;
- mineral sands industry overview;
- Iluka’s sales and marketing approach and customer base;
- historical financials and company presentations;
- latest ASX releases; and
- calendar of events.



Download the Iluka Investor Relations guide



Virtual Mine Site Tour

The virtual mine site tour (on Iluka's website) is designed to provide an overview of the main stages of mineral sands geology, mining, concentrating and processing, as well as ilmenite upgrading to synthetic rutile.



Investor relations inquiries:

Dr Robert Porter
 General Manager, Investor and External Relations
 robert.porter@iluka.com
 Melbourne, Victoria, Australia
 +61 3 9225 5008
 +61 (0) 407 391 829

Shareholder Information

as at 9 March 2015

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.

Shares on issue

The Company had 418,701,360 million shares on issue as at 31 December 2014. A total of 825,110 ordinary shares are restricted pursuant to the Directors', Executives and Employee Share Acquisition Plan.

Shareholdings

There were 25,433 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	13,948
1,001 – 5,000	9,224
5,001 – 10,000	1,403
10,001 – 100,000	799
100,001 – 1,000,000	41
1,000,001 and over	18
Unmarketable parcel (less than \$500):	1,458

Substantial shareholders (as provided in disclosed Substantial Shareholder Notices to the Company)		
Shareholder	Size of shareholding	% of issued capital
SailingStone Capital Partners LLC	42,324,744	10.11
Schroder Investment Management Australia Limited	45,649,855	10.90
BlackRock Investment Management (Australia) Limited	40,111,686	9.58
Northcape Capital Pty Ltd	25,929,369	6.19
M&G Investment Management Limited, London	21,345,206	5.09

Top 20 shareholders (Nominee Company Holdings)		
Shareholder	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	140,885,282	33.65
J P Morgan Nominees Australia Limited	85,498,785	20.42
National Nominees Limited	71,833,592	17.16
Citicorp Nominees Pty Limited	18,615,796	4.45
BNP Paribas Noms Pty Ltd	12,096,002	2.89
Citicorp Nominees Pty Limited	3,222,700	0.77
BNP Paribas Nominees Pty Ltd	2,587,412	0.62
Australian Foundation Investment Company Limited	2,367,000	0.57
UBS Nominees Pty Ltd	2,174,458	0.52
Argo Investments Limited	1,700,000	0.41
Warbont Nominees Pty Ltd	1,541,563	0.37
AMP Life Limited	1,422,914	0.34
Bainpro Nominees Pty Limited	1,258,183	0.30
UBS Nominees Pty Ltd	1,235,000	0.29
HSBC Custody Nominees (Australia) Limited GSCO ECA	1,223,067	0.29
R O Henderson (Beehive) Pty Limited	1,135,000	0.27
Mr David Robb	1,072,202	0.26
UBS Wealth Management Australia Nominees Pty Ltd	1,008,873	0.24
UCA Growth Fund Limited	900,000	0.21
BNP Paribas Noms (NZ) Ltd	837,880	0.20

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 Limited

Level 2, 45 St Georges Terrace

Perth WA 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.

Calendars of key events

2015 calendar	
17 February	Announcement of Full Year Financial Results
10 March	Record Date for Full Year Dividend
31 March	Full Year Dividend Payment
16 April	March Quarter Production Report
18 May 9:30am WST	Closure of acceptances of proxies for AGM
20 May 9:30am WST	Annual General Meeting – Perth
18 July	June Quarter Production Report
18 August	Announcement of Half Year Financial Results
15 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

Postal address

GPO Box U1988
Perth WA 6845 Australia
Telephone: +61 8 9360 4700
Facsimile: +61 8 9360 4777

Company Secretary

Cameron 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 60th Annual General Meeting of Shareholders will be held in the River View Room 5 at the Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia on Wednesday 20 May 2015 commencing at 9:30 am (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 IRFS Financial Information

This document uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, 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 Income Statement is included in Iluka 2013 Full Year Results Presentation Slide Pack located in the Investors and Media section



ILUKA

www.iluka.com
