Iluka Resources Limited

ABN 34 008 675 018

Interim report
for the half-year 30 June 2014

Iluka Resources Limited ABN 34 008 675 018
ASX Half-year information - 30 June 2014

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
31 December 2013 Annual Report

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Iluka Resources Limited
Appendix 4D
30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

All currencies shown in this report are Australian dollars unless otherwise indicated.

Revenue from ordinary activities	Down 11.0% to $381.8m	
Profit from ordinary activities after tax attributable to members	Down 65.9% to $11.7m	
Net profit for the period attributable to members	Down 65.9% to $11.7m	
Dividends		
2014 interim: 6 cents per ordinary share (100% franked), to be paid in October 2014		
2013 final: 4 cents per ordinary share (100% franked), paid in April 2014		
2013 interim: 5 cents per ordinary share (100% franked), paid in October 2013		
Key ratios	**1st Half 2014**	**1st Half 2013**
Basic and diluted earnings per share (cents)	2.8	8.2
Free cash flow per share[1] (cents)	15.3	(10.6)
Return on Equity[2] (% annualised)	1.5	4.5
Net tangible assets per share ($)	3.61	3.74

[1] Free cash flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.
[2] Calculated as Net Profit after Tax (NPAT) on an annualised basis as a percentage of the average monthly shareholders equity.

OVERVIEW OF FIRST HALF RESULTS

Iluka recorded a profit after tax for the half year ended 30 June 2014 of $11.7 million, compared with $34.3 million for the previous corresponding period.

Sales volumes half year on half year were lower, with combined zircon, rutile and synthetic rutile (Z/R/SR) sales volumes down 3.5 per cent to 277.1 thousand tonnes compared to 287.2 thousand tonnes in 2013. Mineral Sands revenue for the first half of 2014 was $343.2 million compared with $381.7 million in the previous corresponding period. The lower first half revenue mainly reflects lower received prices period-on-period as demonstrated by the first half revenue per tonne of Z/R/SR of $1,015 per tonne compared with $1,178 per tonne in the first half of 2013, reflecting lower high grade titanium dioxide prices received period on period.

Cash costs of production were in line with the previous corresponding period at $200.7 million for the first half of 2014 (2013: $201.9 million). Cash costs of production include $19.8 million of costs in relation to ilmenite concentrate and by-product costs, a 66.4 per cent increase compared to $11.9 million in the first half of 2013 due to increased volumes of ilmenite concentrate transported and higher sales and activity around iron concentrate. On a unit basis, cash costs of production were $796 per tonne of Z/R/SR, a 6.1 per cent decrease compared with the previous corresponding period, reflecting 5.9 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 $718 per tonne of Z/R/SR, compared with $798 per tonne in the previous corresponding period. 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 previous corresponding period, including reductions in workforce and idling some assets. Mineral sands EBITDA for the first half of 2014 was $107.9 million, a 21.0 per cent decrease compared with the previous corresponding period. Mineral sands EBIT decreased by 63.5 per cent to $13.8 million (2013: $37.8 million).

Mining Area C iron ore royalty earnings (MAC) decreased by 16.3 per cent to $38.0 million (2013: $45.4 million), including capacity payments of $1.0 million (2013: $4.0 million).

Group EBIT was $31.5 million, a decrease of 48.5 per cent compared to $61.2 million in the previous corresponding period.

Profit before tax was $17.2 million (2013: $47.2 million). A net tax expense of $5.5 million (2013: $12.9 million) was recognised in respect of the profit for the period, at an effective tax rate of 32.0 per cent (2013: 27.3 per cent).

Earnings per share for the period were 2.8 cents compared to 8.2 cents in the previous corresponding period. The number of shares on issue at 30 June 2014 of 418.7 million was unchanged during the period.

Free cash flow of $63.9 million is $108.4 million higher than the previous corresponding period (2013: -$44.5 million) reflecting a $107.1 million reduction in tax payments. In 2013, tax payments of $118.4 million were paid in respect of 2012 earnings.

During the period, 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. The cost of the investment to date is $18.6 million and Iluka has a right to increase its shareholding to between 20 to 24.9 per cent in the event of an Initial Public Offering.

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.

Net debt at 30 June 2014 was $155.2 million, with a gearing ratio (net debt/net debt + equity) of 9.2 per cent. This compares with net debt at 31 December 2013 of $206.6 million and a gearing ratio of 11.8 per cent. Iluka has extended the maturity of $625.0 million of the $800.0 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 facilities by $50.0 million to $850.0 million through the addition of a new bilateral facility to April 2019. As a result, Iluka has facilities of $175.0 million maturing in April 2017 and $675.0 million maturing in April 2019. This funding profile is considered sufficient and will be monitored in light of future growth activities the company may undertake.

Undrawn facilities at 30 June 2014 were $676.0 million and cash at bank was $34.0 million. Net debt at 31 July 2014 was $139.1 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 communication between the litigation funder and the company and no legal proceedings have been commenced. As advised to ASX on 24 March 2014, Iluka is of the view that it has at all times fulfilled its disclosure obligations.

DIVIDEND

Directors have determined a fully franked interim dividend of 6 cents per share, payable on 3 October 2014 with a record date of 5 September 2014.

OVERVIEW OF SALES AND PRODUCTION

	1st Half 2014	1st Half 2013	% change
Sales (kt)			
Zircon	146.3	210.9	(30.6)
Rutile	95.5	56.3	69.6
Synthetic rutile	35.3	20.0	76.5
Total Z/R/SR sales	**277.1**	**287.2**	**(3.5)**
Ilmenite - saleable and upgradeable	221.8	147.0	50.9
Total sales volumes	**498.9**	**434.2**	**14.9**
Z/R/SR revenue ($m)	281.3	338.4	(16.9)
Ilmenite and other revenue[1]($m)	61.9	43.3	42.3
Total mineral sands revenue($m)	343.2	381.7	(10.1)
Revenue per tonne of Z/R/SR sold[2]($/t)	1,015	1,178	(13.8)
Production (kt)			
Zircon	174.0	118.5	46.8
Rutile	78.1	60.6	28.9
Synthetic rutile	-	59.0	n/a
Total Z/R/SR production	**252.1**	**238.1**	**5.9**
Ilmenite - saleable and upgradeable	226.8	333.9	(32.1)
Total Mineral Sands Production	**478.9**	**572.0**	**(16.3)**
HMC produced	676.3	880.4	(23.2)
HMC processed	480.2	534.8	(10.2)
Cash costs of production ($m)	200.7	201.9	0.6
Unit cash cost per tonne of Z/R/SR produced[3]($/t)	796	848	6.1

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

[2] Revenue per tonne of Z/R/SR sold is determined as total Z/R/SR revenue divided by total Z/R/SR sales volumes.

[3] Unit cash cost per tonne of Z/R/SR produced is determined as cash costs of production divided by total Z/R/SR production volumes.

Mineral sands sales volumes

Zircon sales volume for the half year of 146.3 thousand tonnes was a 30.6 per cent decrease from the previous corresponding period sales volume of 210.9 thousand tonnes. In the first half of 2013 broad based zircon price increases were communicated to customers which prompted some increased ordering of zircon in that period. Zircon market conditions year-to-date reflect many of the features of 2013 in terms of variable demand patterns across countries and end segments.

Sales of high grade titanium dioxide products (rutile and synthetic rutile) for the half year were 130.8 thousand tonnes, significantly higher than the first half of 2013 (76.3 thousand tonnes). Rutile and synthetic rutile sales reflect in part the company's continued approach to attempting to optimise margin outcomes under current market conditions, as well as realised value considerations pertaining to the timing of sales through the current cyclical recovery.

Mineral sands production

Total Z/R/SR production for the half was 252.1 thousand tonnes, representing a 5.9 per cent increase from the previous corresponding period (2013: 238.1 thousand tonnes). Higher production mainly reflects higher mineral separation plant utilisation rates, however, these remain lower than normal to enable the progressive drawdown of finished goods inventory, and reduce transport and operating costs.

Mineral sands production (continued)

At the company's two Australian operating mines, Jacinth-Ambrosia in South Australia and Woornack, 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 is planned to entail 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, scheduled at this stage for 2016.

At Jacinth-Ambrosia, HMC is being transported for processing, in line with expected continued zircon market strengthening in 2014 and into 2015. Iluka's mining operation in Western Australia, Tutunup South, remained idled associated with the idling of all synthetic rutile kilns in the State.

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	**1st Half 2014**	**1st Half 2013**	**% change**
Z/R/SR revenue	281.3	338.4	(16.9)
Ilmenite and other revenue	61.9	43.3	43.0
Mineral sands revenue	**343.2**	**381.7**	**(10.1)**
Cash costs of production	(200.7)	(201.9)	0.6
Inventory movement	24.7	38.4	(35.7)
Restructure and idle capacity charges	(19.2)	(43.6)	56.0
Rehabilitation and holding costs for closed sites	(1.7)	(1.1)	(54.5)
Government royalties	(6.9)	(6.6)	(4.5)
Marketing and selling costs	(14.1)	(13.1)	(7.6)
Asset sales and other income	1.4	1.3	7.7
Exploration and resources development	(18.8)	(18.5)	(1.6)
Mineral sands EBITDA	**107.9**	**136.6**	**(21.0)**
Depreciation and amortisation	(94.1)	(98.8)	4.8
Mineral sands EBIT	**13.8**	**37.8**	**(63.5)**
Mining Area C	38.0	45.4	(16.3)
Corporate and other costs	(21.9)	(21.6)	(1.4)
Foreign exchange	1.6	(0.4)	500.0
Group EBIT	**31.5**	**61.2**	**(48.5)**
Net interest and bank charges	(7.7)	(4.9)	(57.1)
Rehabilitation unwind and other finance costs	(6.6)	(9.1)	27.5
Profit before tax	**17.2**	**47.2**	**(63.6)**
Tax expense	(5.5)	(12.9)	57.4
Profit for the period (NPAT)	**11.7**	**34.3**	**(65.9)**
Average AUD/USD spot rate for the period (cents)	**91.4**	**101.5**	**(10.0)**

Mineral sands operational results

	Revenue		**EBITDA**		**EBIT**	
$ million	**1st Half 2014**	**1st Half 2013**	**1st Half 2014**	**1st Half 2013**	**1st Half 2014**	**1st Half 2013**
Australia	293.1	340.3	121.4	146.1	38.2	53.3
United States	50.1	41.4	9.8	15.1	(0.1)	10.3
Exploration and other	-	-	(23.3)	(24.6)	(24.3)	(25.8)
Total	**343.2**	**381.7**	**107.9**	**136.6**	**13.8**	**37.8**

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 half year was $343.2 million representing a decrease of 10.1 per cent compared with previous corresponding period (2013: $381.7 million). Lower revenue reflects a 3.5 per cent reduction in Z/R/SR sales volumes at a lower average realised price of $1,015 per tonne in the first half of 2014 compared to $1,178 per tonne in the previous corresponding period, offset partially by an increase in revenue from the sale of ilmenite and by-products.

Cash costs of production

Cash costs of production were in line with the previous corresponding period at $200.7 million for the first half of 2014 (2013: $201.9 million). Cash costs of production include $19.8 million of costs in relation to ilmenite concentrate and by-products, a 66.1 per cent increase compared to $11.9 million in the first half of 2013 associated with the increase in sales volumes for these products. On a unit basis, cash costs of production were $796 per tonne of Z/R/SR produced, a 6.1 per cent decrease compared with the previous corresponding period, reflecting 5.9 per cent higher production of Z/R/SR. Excluding the costs relating to ilmenite concentrate and by-products, the underlying unit cash cost of production per tonne of Z/R/SR reduced by 10.1 per cent to $718 per tonne.

Inventory movement

Inventory of finished product has decreased by $25.8 million to $376.2 million as sales of Z/R/SR during the period exceeded production by 25.0 thousand tonnes combined with a $3.5 million reduction in ilmenite inventory. WIP inventory increased by $47.4 million as HMC production of 676.3 thousand tonnes exceeded HMC processed of 480.2 thousand tonnes, consistent with the strategy of maintaining mining operations at Jacinth-Ambrosia and WRP and restricting production of finished product.

Restructure and idle capacity costs

During 2013, Iluka took measures to curtail production and reduce production costs in response to weak market conditions, including plant idling and reductions in workforce levels; this resulted in restructure costs of $31.1 million incurred during the first half of 2013. No restructure costs have been incurred during the 2014 first half year. Idle capacity charges reflect costs incurred during periods of no or restricted production. Idle costs of $19.2 million are higher than in the previous corresponding period (2013: $12.5 million) reflecting a full six month period charge in 2014.

Rehabilitation and holding costs for closed sites

Rehabilitation and holding costs incurred in the first half of 2014 relate mainly to ongoing maintenance work at closed sites. There are no charges arising from the reassessment of rehabilitation provisions for closed sites.

Government royalties

Government royalties are comparable with the previous corresponding period.

Marketing and selling costs

Marketing and selling costs are comparable with the previous corresponding period.

Resources development

Resource development costs are comparable with the previous corresponding period.

Depreciation and amortisation

The decrease of $4.7 million compared to the previous corresponding period reflects the idling of plant during the previous corresponding period, including the SR 2 synthetic rutile kiln in the South West of Western Australia and the mining operations at Tutunup South and Eneabba in Western Australia. No depreciation was incurred on the mine specific equipment at these locations during 2014.

Mining Area C

Iron ore sales volumes decreased 2.6 per cent to 25.9 million dry metric tonnes (DMT). The average AUD realised price upon which the royalty is payable decreased by 7.9 per cent from the previous corresponding period. The EBIT contribution of $38.0 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 costs are comparable with the previous corresponding period.

Foreign exchange

Net foreign exchange translation gains were $1.6 million, compared to a net loss of $0.4 million in the previous corresponding period.

Net Interest and bank charges

The increase in interest costs reflects higher average bank borrowings during the period compared to the previous corresponding period. Net debt at 31 December 2012 was $95.9 million increasing to $197.0 million at 30 June 2013. Net debt in 2014 commenced at $206.6 million and has reduced to $155.2 million at 30 June 2014.

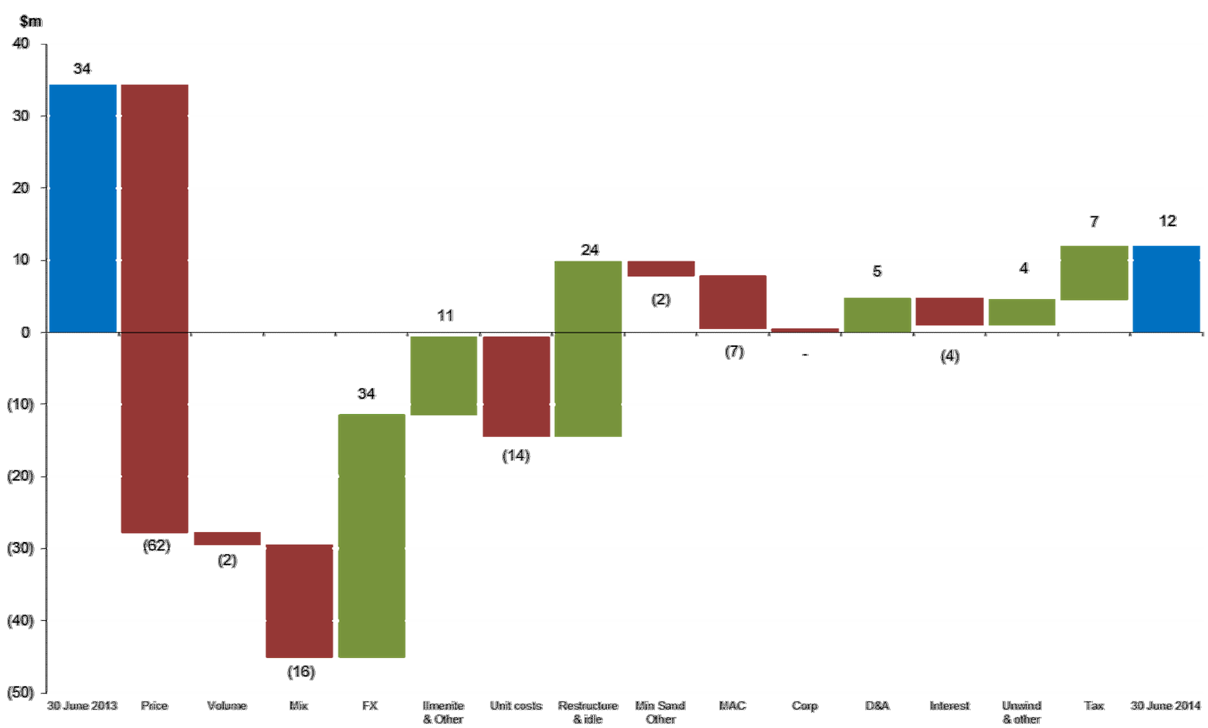
Rehabilitation unwind

Lower rehabilitation unwind costs reflects changes in the discount rates applied to the liabilities effective from 31 December 2013.

Tax expense

The income tax expense of $5.5 million is at an effective tax rate of 32.0 per cent compared to 27.3 per cent in the previous corresponding period. The higher effective rate is due mainly to a reduction in US taxable income, to which lower tax rates are applicable.

MOVEMENT IN NPAT



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

Z/R/SR sales price (-ve $62 million)

Lower average USD sales prices for all products compared to the previous corresponding period.

Z/R/SR sales volumes (-ve $2 million)

The amount reflects the impact of lower Z/R/SR sales volumes (down 3.5 per cent on 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 $16 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 $34 million)

The impact of a lower weighted average spot exchange rate of 92.1 cents applicable to Z/R/SR revenue compared with the rate in the previous corresponding period of 100.7 cents. Foreign exchange impacts on operating costs, mainly those relating to the US operations, are included in the overall movement in unit cost of sales.

Ilmenite and other revenue (+ve $11 million)

Increased volume of ilmenite sales, offset partially by lower realised prices, together with increased sales volumes of iron concentrate and higher production costs.

Z/R/SR unit cost of sales (-ve $14 million)

Higher unit cash cost of sales for Z/R/SR sold during the period reflects the sale of higher cost inventory than in the previous corresponding period. Average unit cost of goods sold was $897 per tonne in 2014 compared with $864 per tonne in the previous corresponding period.

Restructure and idle capacity (+ve $24 million)

No restructure costs were incurred in the first half of 2014 compared to $31.1 million in the previous corresponding period with this reduction partially offset by the increase in idle costs due to operations idled in the previous corresponding period being idle for the full six month period in 2014.

Mineral sands other costs (-ve $2 million)

The higher costs are due mainly to higher marketing and resource development costs.

MAC (-ve $7 million)

Iron ore royalties decreased compared to the previous corresponding period due to a 2.6 per cent decrease in sales volumes to 25.9 million dry metric tonnes combined with a 7.9 per cent decrease in realised AUD iron ore prices. MAC capacity payments of $1.0 million, before tax, were $3.0 million lower than in the previous corresponding period. Royalty and capacity payments are payable on dry metric tonnes.

Corporate costs (no change)

Corporate costs are comparable to the previous corresponding period.

Depreciation and amortisation (+ve $5 million)

The decreased charges compared to the previous corresponding period are due mainly to the idling of plant in the first half of 2013, including the SR 2 kiln and mine specific equipment at Eneabba and Tutunup South. No depreciation has been charged on these assets in 2014.

Interest (-ve $4 million)

Interest costs increased due to higher average borrowing levels than in the previous corresponding period.

Rehabilitation unwind and other (+ve $4 million)

Lower rehabilitation unwind costs arise from a reduction in the discount rate effective 31 December 2013.

Tax (+ve $7 million)

The variance reflects the decreased tax expense as a result of the declining earnings compared to the previous corresponding period, offset partially by the increase in the effective rate to 32.0 per cent.

BALANCE SHEET, CASH FLOW AND NET DEBT

Balance sheet by operation - $ million

30 June 2014	AUS	US	MAC	Corp	Group	31 Dec 2013
Receivables	110.5	16.5	18.4	1.8	147.2	191.5
Inventories	780.4	34.8	-	-	815.2	795.1
Payables and accruals	(58.0)	(11.5)	-	(10.1)	(79.6)	(71.4)
Employee and other provisions	(10.2)	(4.5)	-	(12.5)	(27.2)	(26.7)
Rehabilitation provisions	(408.5)	(48.9)	-	-	(457.4)	(465.9)
Property, plant & equipment	1,165.0	68.9	-	14.6	1,248.5	1,314.5
Investment in Metalysis Ltd	-	-	-	18.6	18.6	-
Intangibles	-	-	5.7	-	5.7	5.9
Capital employed	**1,579.2**	**55.3**	**24.1**	**12.4**	**1,671.0**	**1,743.0**
Net tax asset					(12.4)	(1.7)
Net debt					155.2	206.6
Total equity					1,528.2	1,538.1
Net funding					**1,671.0**	**1,743.0**

Lower receivables are associated mainly with the change in sales profile from 2013.

Higher inventories mainly reflect an increase of $47.4 million in work in progress product to $405.8 million (December 2013: $358.4 million), partially offset by a $25.8 million decrease in finished product stocks to $376.2 million. Higher work in progress values reflect HMC produced of 676.3 thousand tonnes exceeding HMC processed through the MSPs of 480.2 thousand tonnes. Woornack Rownack Pirro (WRP, Victoria) HMC is planned to build over 2014, and will be drawn down following the planned completion of mining in the first half of 2015 before the commencement of mining at the next planned mine development at Balranald in New South Wales, scheduled at this stage for 2016. The draw down in finished goods is due to sales of Z/R/SR exceeding production by 25.0 thousand tonnes. Inventories include $326.0 million of predominantly concentrate material classified as non-current (2013: $271.0 million) and also $33.2 million of consumable stores (2013: $34.7 million).

Lower property, plant and equipment values reflect mainly the depreciation charge for the period of $94.1 million being higher than capital expenditure of $23.6 million, partially offset by currency retranslation effects on the US balances.

During the period, 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. The investment cost to date is $18.6 million and Iluka has a right to increase its shareholding to between 20 to 24.9 per cent in the event of an Initial Public Offering.

The increase in the net tax asset reflects a reduction in the Australian tax group's deferred tax liability due to the unwind of timing differences, mainly in relation to depreciable assets.

Net debt decreased $51.4 million compared to the previous corresponding period due to free cashflow for the period of $63.9 million and currency translation impacts of $5.2 million on the USD component of net debt, partially offset by the payment of $16.7 million in respect of the 4 cent final dividend for 2013 in April 2014. Since the start of the period, Iluka has extended the maturity of $625 million of the $800 million credit facilities under the Multi Option Facility Agreement (MOFA) from April 2017 to April 2019 and also increased the size of the facilities by $50 million to $850 million through the addition of a new bilateral facility to April 2019. Undrawn facilities at 30 June 2014 were $676.0 million and cash at bank was $34.0 million.

Movement in net debt

$ million	1st Half 2013	2nd Half 2013	1st Half 2014
Opening net cash (debt)	**(95.9)**	**(197.0)**	**(206.6)**
Operating cash flow	92.4	31.6	101.9
MAC royalty	36.1	46.6	40.9
Exploration	(9.8)	(13.3)	(8.6)
Interest (net)	(6.6)	(7.1)	(6.8)
Tax	(124.0)	(16.1)	(16.9)
Capital expenditure	(31.5)	(21.0)	(23.6)
Purchase of investment in Metalysis Limited	-	-	(18.6)
Purchase of Sri Lanka deposits	-	(4.6)	-
Asset sales	0.7	1.3	0.3
Share purchases	(1.8)	(0.4)	(4.7)
Free cash flow	**(44.5)**	**17.0**	**63.9**
Dividends	(41.9)	(20.9)	(16.7)
Net cash flow	**(86.4)**	**(3.9)**	**47.2**
Exchange revaluation of USD net debt	(13.8)	(4.8)	5.2
Amortisation of deferred borrowing costs	(0.9)	(0.9)	(1.0)
(Decrease)/increase in net cash (debt)	**(101.1)**	**(9.6)**	**51.4**
Closing net debt	**(197.0)**	**(206.6)**	**(155.2)**

Operating cash flow in the period of $101.9 million is marginally higher than the previous corresponding period, reflecting higher collection of prior period trade receivables, offset partially by lower sales revenue in 2014.

MAC cash flows in the first half of 2014 were lower than the previous corresponding period reflecting lower MAC income.

Iluka commenced monthly tax instalments in Australia during the period. Iluka's tax expense in the period was $5.5 million in comparison to net tax payments of $16.9 million, reflecting the level of timing differences. Tax payments in the prior period included $118.4 million in respect of earnings in 2012.

Capital expenditure of $23.6 million in the half year related to various major projects, including Cataby (Western Australia), West Balranald (New South Wales), Hickory (Virginia) and Aurelian Springs (North Carolina).

As noted above, 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. The prior period 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 period predominantly reflects the retranslation of USD$85 million of debt from an exchange rate of 89.1 cents at 31 December 2013 to 94.2 cents at 30 June 2014.

REVIEW OF AUSTRALIAN OPERATIONS

		1st Half 2014	1st Half 2013	% change
Production volumes				
Zircon	kt	158.3	100.2	58.0
Rutile	kt	78.1	60.6	28.9
Synthetic rutile	kt	-	59.0	n/a
Total Z/R/SR production	**kt**	**236.4**	**219.8**	**7.6**
Ilmenite - Saleable and Upgradeable	kt	167.7	241.3	(30.5)
HMC produced	kt	564.0	716.7	(21.3)
HMC processed	kt	369.1	391.9	(5.8)
Unit cash cost of production - Z/R/SR	$/t	712	769	7.4
Mineral sands revenue	$m	**293.1**	**340.3**	**(13.9)**
Cash cost of production	$m	(168.2)	(169.0)	0.5
Inventory movements	$m	31.6	31.6	-
Restructure and idle capacity charges	$m	(18.2)	(43.6)	58.3
Rehabilitation and holding costs for closed sites	$m	(1.7)	(1.1)	(54.5)
Government royalties	$m	(6.9)	(6.6)	(4.5)
Marketing and selling costs	$m	(8.4)	(5.8)	(44.8)
Asset sales and other income	$m	0.1	0.3	(66.7)
EBITDA	**$m**	**121.4**	**146.1**	**(16.9)**
Depreciation & amortisation	$m	(83.2)	(92.8)	10.3
EBIT	**$m**	**38.2**	**53.3**	**(28.3)**

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

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 ilmenite (including WHIMs concentrate) and by products

Cash costs of production are comparable with the previous corresponding period, with higher costs for the increased MSP utilisation, transport of HMC and higher volumes of ilmenite concentrate and by products offset by reduced synthetic rutile upgrade costs as all kilns were idle. Mining operations at WRP and J-A continued at full capacity.

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

The inventory movement reflects increased work in progress offset partially by decreased finished goods products as a result of sales of Z/R/SR exceeding production during the period whilst HMC produced exceeded HMC processed.

Restructure and idle capacity charges have declined significantly compared to the previous corresponding period and consist entirely of idle capacity charges predominantly related to the idling of the SR kilns in the South West.

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

Lower depreciation and amortisation charges are a result of idling operations, including the SR 2 kiln in the South West of Western Australia.

REVIEW OF UNITED STATES OPERATIONS

		1st Half 2014	1st Half 2013	% change
Production volumes				
Zircon	kt	15.7	18.3	(14.2)
Ilmenite - Saleable and Upgradeable	kt	59.1	92.6	(36.2)
Total production volumes	**kt**	**74.8**	**110.9**	**(32.6)**
HMC produced	kt	112.3	163.7	(31.4)
HMC processed	kt	111.1	142.9	(22.3)
Unit cash cost of production - Z/I	$/t	434	297	(46.1)
Minerals sands revenue	**$m**	**50.1**	**41.4**	**21.0**
Cash cost of production	$m	(32.5)	(32.9)	1.2
Inventory movements	$m	(6.9)	6.8	(201.5)
Rehabilitation costs for closed sites	$m	(1.0)	-	n/a
Marketing and selling costs	$m	0.1	(0.2)	150.0
EBITDA	**$m**	**9.8**	**15.1**	**(35.1)**
Depreciation & amortisation	$m	(9.9)	(4.8)	(106.3)
EBIT	**$m**	**(0.1)**	**10.3**	**(101.0)**

Zircon production is 14.2 per cent lower than the previous corresponding period and ilmenite production 36.2 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 significantly from the prior period, driven predominately by the lower production volumes and foreign exchange currency translation impacts, with USD cash costs of production being $3.6 million lower than the previous corresponding period.

Higher sales revenue is due to increased sales volumes, partially offset by lower average prices, particularly for zircon.

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.

Fixed assets for the United States operations have a carrying value of $68.9 million at 30 June 2014. As noted in note 1(a) of the Interim Financial Statements, recovery of the carrying value of these assets involves the successful development and operation of new mines consistent with management’s latest forecasts.

Directors' report

The Directors present their report on the consolidated entity consisting of Iluka Resources Limited and the entities it controlled at the end of, or during, the half-year 30 June 2014.

Directors

The following individuals were Directors of Iluka Resources Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

M Bastos, appointed 21 February 2014
G Martin
W Osborn
J Ranck
G Rezos
D Robb
J Seabrook
S Turner, resigned 28 May 2014

Review of operations

Revenue for the half-year ended 30 June 2014 from operations was $381.8 million (2013: $428.9 million).

Profit before income tax expense for the half-year ended 30 June 2014 from operations was $17.2 million (2013: $47.2 million).

Profit for the half-year ended 30 June 2014 was $11.7 million (2013: $34.3 million).

Dividends

Directors have determined a fully franked interim dividend of 6 cents per share, payable on 3 October 2014 with a record date of 5 September 2014.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

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 thousand dollars, or in certain cases, to the nearest dollar.

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

G. Martin

G J W Martin
Chairman

D A Robb
Director

Perth
22 August 2014

Auditor's Independence Declaration

As lead auditor for the review of Iluka Resources Limited for the half-year ended 30 June 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Iluka Resources Limited and the entities it controlled during the period.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
22 August 2014

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Iluka Resources Limited ABN 34 008 675 018
Interim report - 30 June 2014

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Iluka Resources Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2014

	Notes	**Half-year 2014 $m**	Half-year 2013 $m
Revenue	3	**381.8**	428.9
Other income	4	**2.9**	1.3
Expenses	5	**(352.9)**	(367.4)
Interest and finance charges		**(9.0)**	(7.4)
Rehabilitation and mine closure unwind		**(5.6)**	(8.2)
Total finance costs	5	**(14.6)**	(15.6)
Profit before income tax		**17.2**	47.2
Income tax expense	6	**(5.5)**	(12.9)
Profit for the half-year attributable to owners		**11.7**	34.3
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation of US operation		**(4.9)**	6.7
Hedge of net investment in US operation, net of tax		**0.8**	(1.8)
Total other comprehensive (loss)/income for the half-year, net of tax		**(4.1)**	4.9
Total comprehensive income for the half-year attributable to owners		**7.6**	39.2
		Cents	Cents
Earnings per share attributable to ordinary equity holders			
Basic and diluted earnings per share		**2.8**	8.2

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

Iluka Resources Limited
Consolidated balance sheet
As at 30 June 2014

	Notes	**30 June 2014 $m**	31 December 2013 $m
ASSETS			
Current assets			
Cash and cash equivalents		**34.0**	46.4
Receivables		**147.2**	191.5
Inventories		**489.2**	524.1
Current tax receivable		**1.5**	2.1
Total current assets		**671.9**	764.1
Non-current assets			
Inventories		**326.0**	271.0
Property, plant and equipment		**1,248.5**	1,314.5
Intangible asset - MAC Royalty		**5.7**	5.9
Deferred tax assets		**13.2**	13.2
Investment in Metalysis Limited	7	**18.6**	-
Total non-current assets		**1,612.0**	1,604.6
Total assets		**2,283.9**	2,368.7
LIABILITIES			
Current liabilities			
Payables		**87.9**	80.2
Provisions		**52.7**	49.7
Interest bearing liabilities		**21.2**	11.1
Current tax payable		**-**	3.9
Total current liabilities		**161.8**	144.9
Non-current liabilities			
Provisions		**423.6**	434.2
Interest-bearing liabilities		**168.0**	241.9
Deferred tax liabilities		**2.3**	9.6
Total non-current liabilities		**593.9**	685.7
Total liabilities		**755.7**	830.6
Net assets		**1,528.2**	1,538.1
EQUITY			
Contributed equity	8	**1,114.4**	1,112.1
Reserves		**11.8**	19.0
Retained profits		**402.0**	407.0
Total equity		**1,528.2**	1,538.1

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

Iluka Resources Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2014

	Notes	Attributable to owners of Iluka Resources Limited			
		Contributed equity $m	**Other reserves $m**	**Retained profits $m**	**Total equity $m**
Balance at 1 January 2013		1,104.8	18.1	444.2	1,567.1
Profit for the half-year		-	-	34.3	34.3
Currency translation of US operation		-	6.7	-	6.7
Hedge of net investment in US operation, net of tax		-	(1.8)	-	(1.8)
Transfer of asset revaluation reserve		-	(0.1)	0.1	-
Other comprehensive income		-	4.8	0.1	4.9
Total comprehensive income for the half-year		**-**	**4.8**	**34.4**	**39.2**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax		8.9	(8.9)	-	-
Purchase of treasury shares, net of tax		(1.2)	-	-	(1.2)
Share-based payments, net of tax		-	3.4	-	3.4
Dividends paid	9	-	-	(41.9)	(41.9)
		7.7	(5.5)	(41.9)	(39.7)
Balance at 30 June 2013		**1,112.5**	**17.4**	**436.7**	**1,566.6**
Balance at 1 January 2014		1,112.1	19.0	407.0	1,538.1
Profit for the half-year		-	-	11.7	11.7
Currency translation of US operation		-	(4.9)	-	(4.9)
Hedge of net investment in US operation, net of tax		-	0.8	-	0.8
Other comprehensive income		-	(4.1)	-	(4.1)
Total comprehensive income for the half-year		**-**	**(4.1)**	**11.7**	**7.6**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax		5.7	(5.7)	-	-
Purchase of treasury shares, net of tax		(3.4)	-	-	(3.4)
Share-based payments, net of tax		-	2.6	-	2.6
Dividends paid	9	-	-	(16.7)	(16.7)
		2.3	(3.1)	(16.7)	(17.5)
Balance at 30 June 2014		**1,114.4**	**11.8**	**402.0**	**1,528.2**

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

Iluka Resources Limited
Consolidated statement of cash flows
For the half-year 30 June 2014

	Notes	**30 June 2014 $m**	30 June 2013 $m
Cash flows from operating activities			
Receipts from customers		**383.3**	394.9
Payments to suppliers and employees		**(281.4)**	(302.5)
		101.9	92.4
Interest received		**0.3**	2.8
Interest paid		**(7.1)**	(9.4)
Income taxes paid		**(16.9)**	(124.0)
Exploration expenditure		**(8.6)**	(9.8)
Mining Area C royalty receipts		**40.9**	36.1
Net cash inflow (outflow) from operating activities	10	**110.5**	(11.9)
Cash flows from investing activities			
Payments for property, plant and equipment		**(23.6)**	(31.5)
Sale of property, plant and equipment		**0.3**	0.7
Purchase of shares in Metalysis Limited		**(18.6)**	-
Net cash (outflow) from investing activities		**(41.9)**	(30.8)
Cash flows from financing activities			
Repayment of borrowings		**(58.0)**	(56.9)
Proceeds from borrowings		**-**	120.0
Purchase of treasury shares		**(4.7)**	(1.8)
Dividends paid		**(16.7)**	(41.9)
Debt refinance costs		**(1.0)**	-
Net cash (outflow) inflow from financing activities		**(80.4)**	19.4
Net decrease in cash and cash equivalents		**(11.8)**	(23.3)
Cash and cash equivalents at 1 January		**46.4**	54.3
Effects of exchange rate changes on cash and cash equivalents		**(0.6)**	(1.4)
Cash and cash equivalents at end of half-year		**34.0**	29.6

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

1 Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 30 June 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by Iluka Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in the most recent annual financial report.

(a) 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 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.

The estimates of 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.

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.

(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 charge to profit or loss in accordance with the group's accounting policy.

The total rehabilitation and mine closure provision of $457.4 million (31 December 2013: $465.9 million) includes $289.6 million (31 December 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 5. There were no such charges in the current or prior periods.

(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 30 June 2014 was $815.2 million, inclusive of a provision of $10.7 million (31 December 2013: $10.0 million) to reduce specific products to their net realisable value. $326.0 million (31 December 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.

2 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 the first half of 2014, no finished product was transferred from the US to Australia (2013: $10.2 million). Any such transfer would be excluded from the results below. Revenue from the sale of finished product from the transferred material to third party customers is included in total segment sales to external customers for Australia.

(b) Segment information

Half-year 2014	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	293.1	50.1	-	343.2
Total segment result	32.9	(0.5)	38.0	70.4
Segment assets at 30 June 2014	2,055.9	120.2	24.1	2,200.2
Segment liabilities at 30 June 2014	476.7	64.9	-	541.6

Half-year 2013	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	340.3	41.4	-	381.7
Total segment result	46.0	9.4	45.4	100.8
Segment assets at 31 December 2013	2,124.6	136.1	27.0	2,287.7
Segment liabilities at 31 December 2013	468.1	73.7	-	541.8

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

	Half-year 2014 $m	Half-year 2013 $m
Segment result	**70.4**	100.8
Interest income	**0.4**	1.6
Other income	**1.2**	1.0
Marketing and selling	**(5.7)**	(7.1)
Corporate and other costs	**(21.9)**	(21.6)
Depreciation	**(1.0)**	(1.2)
Resources development	**(18.8)**	(18.5)
Interest and finance charges	**(9.0)**	(7.4)
Net foreign exchange gain/(loss)	**1.6**	(0.4)
Profit before income tax	**17.2**	47.2

3 Revenue

	Half-year 2014 $m	Half-year 2013 $m
Sales revenue		
Sale of goods	**343.2**	381.7
Other revenue		
Mining Area C royalty income	**38.2**	45.6
Interest	**0.4**	1.6
	38.6	47.2
	381.8	428.9

4 Other income

	Half-year 2014 $m	Half-year 2013 $m
Net gain on disposal of property, plant and equipment	**0.1**	0.2
Sundry income	**1.2**	1.1
Foreign exchange gains (net)	**1.6**	-
	2.9	1.3

5 Expenses

	Half-year 2014 $m	Half-year 2013 $m
Expenses		
Cash costs of production	**200.7**	201.9
Depreciation/amortisation	**94.3**	99.0
Inventory movement	**(24.7)**	(38.4)
Cost of goods sold	**270.3**	262.5
Restructure and idle capacity charges	**19.2**	43.6
Rehabilitation and holding costs for closed sites	**1.7**	1.1
Government royalties	**6.9**	6.6
Marketing and selling costs	**14.1**	13.1
Corporate and other costs	**21.9**	21.6
Resources development	**18.8**	18.5
Foreign exchange losses (net)	**-**	0.4
	352.9	367.4
Finance Costs		
Interest and finance charges	**7.1**	6.0
Bank fees and similar charges	**0.9**	0.5
Amortisation of deferred borrowing costs	**1.0**	0.9
Rehabilitation and mine closure unwind	**5.6**	8.2
	14.6	15.6

6 Income tax

(a) Income tax expense

	Half-Year 2014 $m	Half-year 2013 $m
Current tax	**13.7**	13.9
Deferred tax	**(8.3)**	0.1
(Over) / under provided in prior years	**0.1**	(1.1)
	5.5	12.9

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

Profit before income tax expense	**17.2**	47.2
Tax at the Australian tax rate of 30% (2012: 30%)	**5.2**	14.2
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**(0.8)**	(0.8)
Tax losses not recognised by overseas operations	**0.6**	-
Other items	**0.2**	1.2
	5.2	14.6
Difference in overseas tax rates	**0.2**	(0.6)
(Over) / under provision in prior years	**0.1**	(1.1)
Income tax expense	**5.5**	12.9

7 Investment in Metalysis Limited

During the period Iluka purchased an interest of 18.3 percent of a private technology company Metalysis Limited (Metalysis) in the United Kingdom for a consideration of approximately A$22.5 million. All conditions precedent were satisfied on 28 February 2014.

8 Contributed equity

(a) Movements in ordinary share capital

There have been no movements in share capital since 7 May 2009.

(b) Movements in treasury shares

During the period 609,549 treasury shares were transferred to employees (2013: 914,430) and 490,382 shares were purchased (2013: 180,363). Following the transfer and purchase the total number of treasury shares on hand at 30 June 2014 was 818,552 (31 December 2013: 937,719).

9 Dividends

	Half-year 2014 $m	Half-year 2013 $m
Final dividend		
for 2013 of 4 cents per share fully franked (2013: for 2012 of 10 cents per share fully franked)	**16.7**	41.9

(a) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since half-year end the Directors have determined an interim dividend of 6 cents per share, fully franked (2013: 5 cents per share, fully franked). The dividend is payable on 3 October 2014 for shareholders on the register as at 5 September 2014. The aggregate amount of the proposed dividend is $25.1 million.

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

	Half-year 2014 $m	Half-year 2013 $m
Profit for the year	**11.7**	34.3
Depreciation and amortisation	**94.3**	99.0
Exploration capitalised	**(0.4)**	(1.5)
Net gain on disposal of property, plant and equipment	**(0.1)**	(0.2)
Exchange translation differences on USD denominated debt	**(4.5)**	10.0
Rehabilitation and mine closure unwind	**5.6**	8.2
Non-cash share-based payments expense	**3.7**	4.0
Amortisation of deferred borrowing costs	**1.0**	0.9
Change in operating assets and liabilities		
Increase (decrease) in receivables	**43.3**	9.9
Increase in inventories	**(22.3)**	(38.4)
Decrease in net current tax liability	**(7.9)**	(112.9)
Decrease in net deferred tax	**(0.1)**	(0.1)
Increase in payables	**(10.4)**	(8.7)
Increase in provisions	**(3.4)**	(16.4)
Net cash (outflow)/inflow from operating activities	**110.5**	(11.9)

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 15 to 25 are in accordance with the *Corporations Act 2001*, including:
   - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year 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.

This declaration is made in accordance with a resolution of Directors.

G. Martin

G J W Martin
Chairman

D A Robb
Director

Perth
22 August 2014

Independent auditor's review report to the members of Iluka Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Iluka Resources Limited (the Company), which comprises the consolidated balance sheet as at 30 June 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 half-year ended on that date, selected explanatory notes and the directors' declaration for Iluka Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Iluka Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent auditor's review report to the members of Iluka Resources Limited (cont'd)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Iluka Resources Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

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N Henry

Nick Henry
Partner

Perth
22 August 2014