



Iluka Resources Limited

HSBC Conference

26th September 2011

Disclaimer – Forward Looking Statements

This presentation contains information that is based on projected and/or estimated expectations, assumptions and outcomes.

These forward-looking statements are subject to a range of risk factors associated, but not exclusive, with potential changes in:

- exchange rate assumptions
- product pricing assumptions
- mine plans and/or resources
- equipment life or capability
- current or new technical challenges
- market conditions
- management decisions

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All currency referred to is Australian denominated unless otherwise indicated.

Iluka Resources

Overview



Market capitalisation ~A\$6.5 billion (418.7 million shares on issue)

Industry Sector Materials (minerals sands exploration, project development, operations and marketing; iron ore royalty deriving from BHP Billiton's Mining Area C, Western Australia)

Objective To create and deliver shareholder value

Recent Deliverables Capital efficient transformation of the asset base

- delivery of two new globally significant, high margin production sources
- Murray Basin (full production mid 2010) and Jacinth-Ambrosia (full production mid 2010)

Supply discipline through global economic crisis - especially as market leader in zircon
Marketing and pricing outcomes in zircon and high grade titanium dioxide markets

Investment Proposition: Improved Financial Characteristics (2011 - 2013 vs 2006 - 2008)

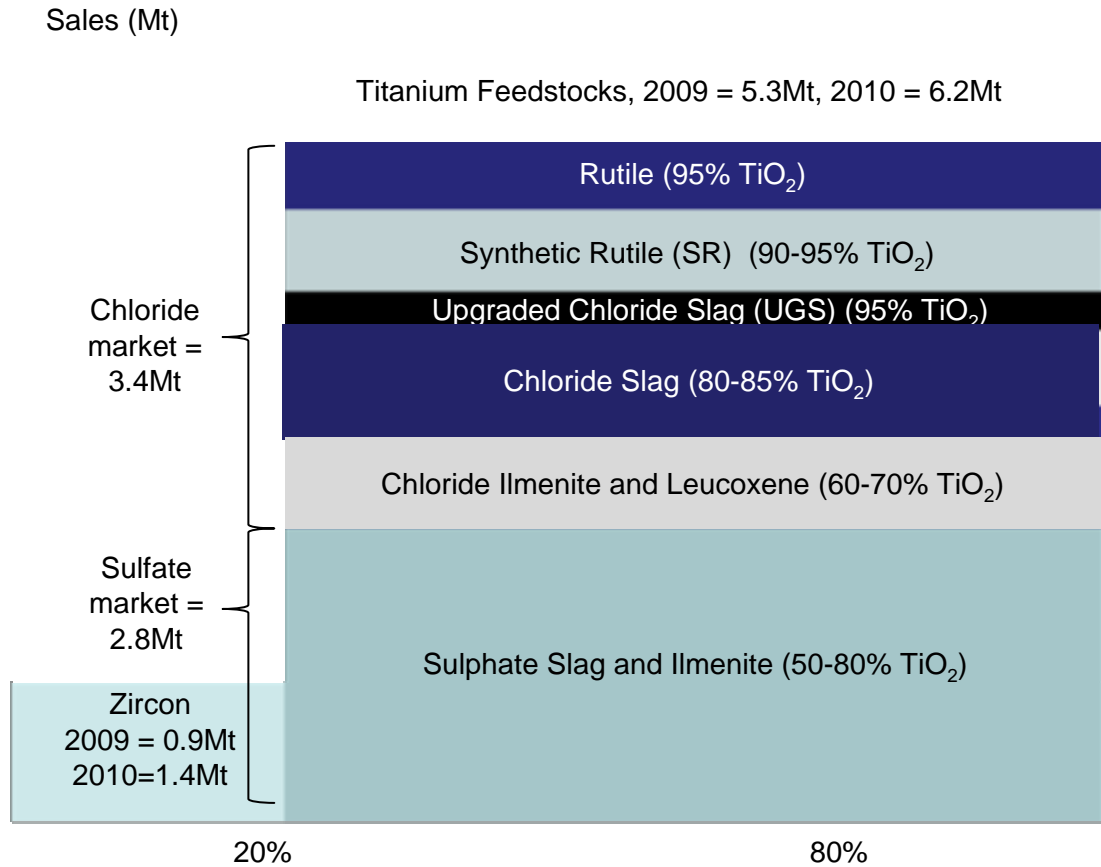
Significantly lower capital expenditure → cash flow generation and balance sheet flexibility
Higher production / sales of higher value products (rutile and zircon)
Higher EBITDA / revenue margin and return on capital
Increased contribution from low risk Mining Area C royalty stream

Key Characteristics of the Mineral Sands Market

Overview of Principal Product Streams



Global Mineral Sands Market



Typical industry zircon to titanium dioxide units in mineral sands deposits - 20:80

Source: TZMI and Iluka

Industry Structure and Participants

Relative Industry and Geography Supply Consolidation

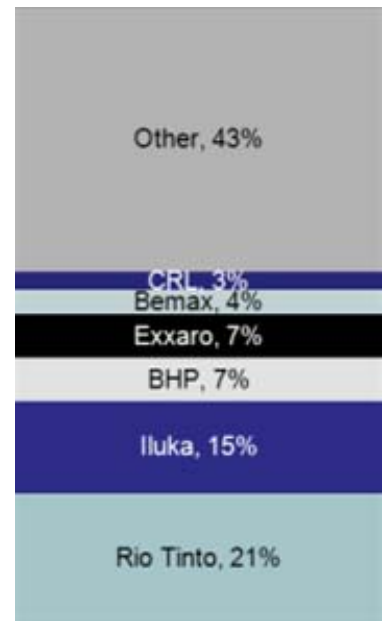
Major Producers

Zircon



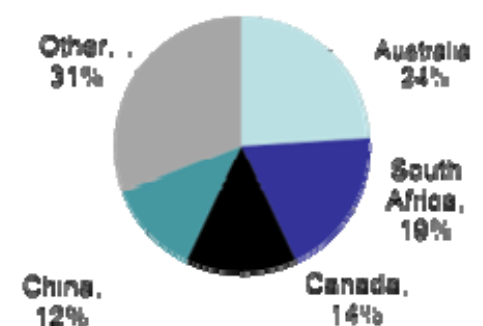
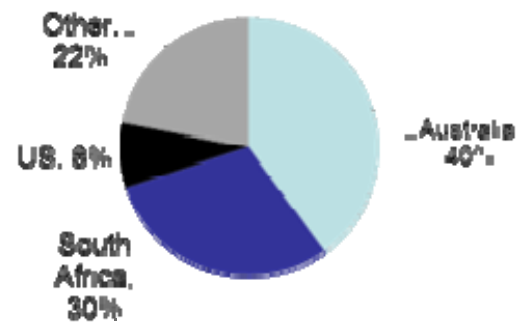
Including:
 Indonesia, 6%
 China, 5%
 Vietnam, 3%
 India, 2%

Titanium



Including:
 China, 12%
 Norway, 7%
 Ukraine, 7%
 India, 4%
 Vietnam, 4%

Major Producing Countries



Source: TZMI and Iluka

Iluka Customer Structure

Consolidated Titanium, More Fragmented Zircon

Iluka Customer Industries

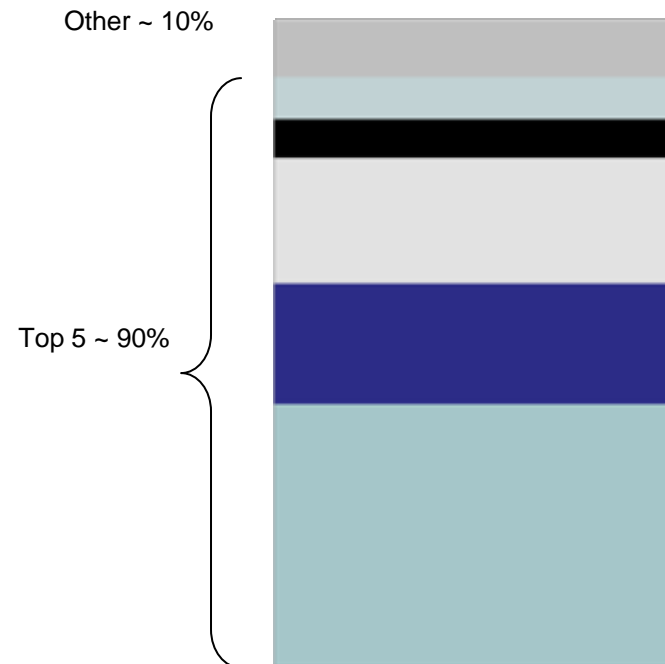
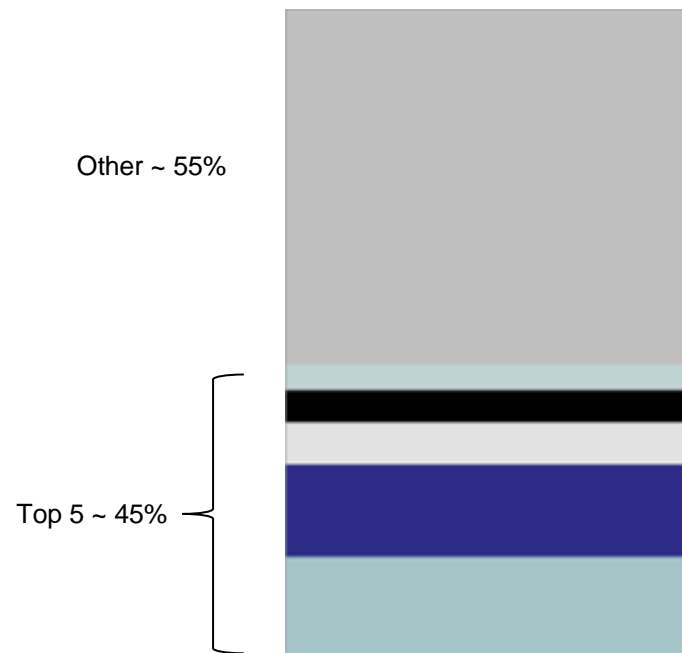
Zircon

- Zircon flour millers (ceramics), 60%
- Casting material manufacturers (refractories and foundry), 18%
- Fused zirconia, 10%
- ZOC chemical manufacturers, 7%
- Other, 5%

Titanium

- Pigment producers, 90%
- Titanium sponge producers, 5%
- Welding rod manufacturers, 3%
- Other, 2%

Iluka Customer Segmentation



Note: Data based on 2008 sales

Zircon: Attributes and Applications



Opacity (whiteness)

high refractive index (zircon refracts and reflects white light well)

Resistant

water, chemical and abrasion resistance of glazes due to hardness of zircon



OPACIFIER IN CERAMICS

floor & wall tiles | sanitary ware
table ware

Temperature stable

low thermal expansion coefficient, high thermal conductivity,
high melting point

Non-wetability

against molten metals



REFRACTORY & FOUNDRY

steel / glass production
casting of jet turbine engines

Low thermal neutron absorption

increases nuclear reactor efficiency

Inert

corrosion resistant



ZIRCONIUM METAL

nuclear reactor cores / rods
heat exchangers

Unique properties

compound derivatives of zircon suitable for diverse industrial
and chemical applications



ZIRCONIA & ZIRCONIUM BASED CHEMICALS

refractories | pigments | abrasives
electronics | catalysts | fibre optics

Titanium Dioxide: Attributes and Applications

Opaque, white and bright

high refractive index (refracts & reflects white light)

UV protection

absorbs UV light energy (transfers to heat) – prevents fading, peeling, cracking

Non toxic / inert

safe for use in foods, cosmetics and pharmaceuticals



PIGMENT

paints & coatings | plastics | paper

High strength-to-weight ratio

strong as steel but 45 per cent lighter, twice the strength of aluminium; important fuel efficiency benefit in aerospace applications

Corrosion resistant

forms an inert protective oxide coating
self repairs when mechanically damaged



TITANIUM METAL

aircraft engines & airframes
military | chemical processing & desalination plants | medical sporting equipment

Slag formation

important constituent of welding to shape, hold and protect the weld pool from atmospheric conditions



WELDING FLUX AGENT

ship building | fabrication

Nanoparticles

significant research into nanotechnology shows promising new applications for titanium dioxide



NANOMATERIALS

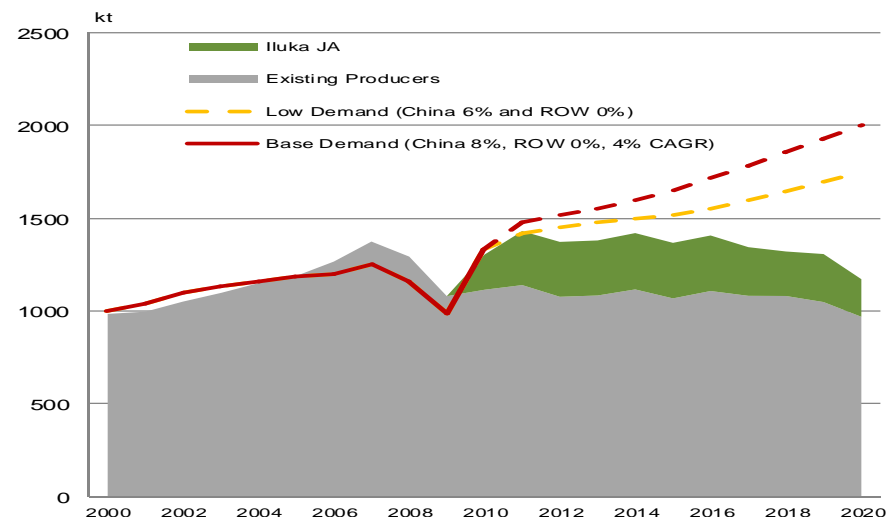
Dye-sensitised solar cells | arsenic removal in water treatment | cancer treatments | noise absorption

Zircon

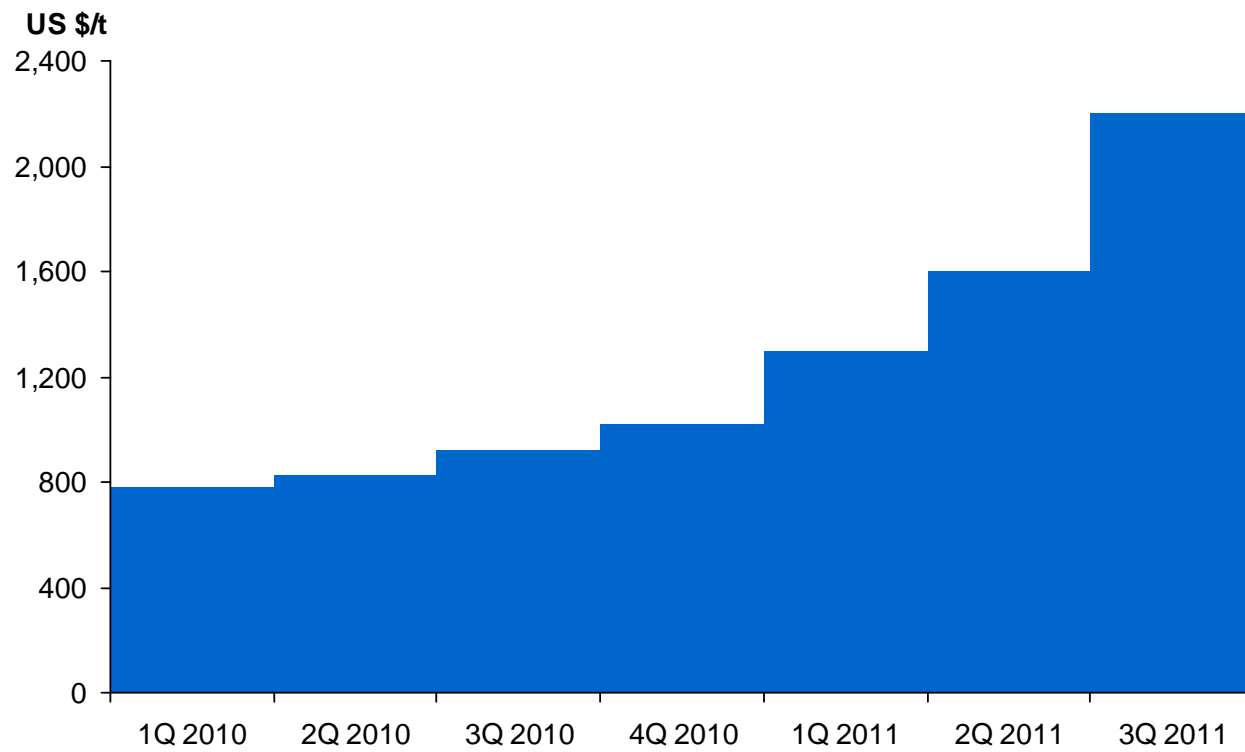
Market Conditions



- Demand greater than supply in 1st half
 - continuing strong demand in China and developing economies
 - some signs of weaker business confidence indicators (in Europe particularly)
 - low inventory levels
 - supply shortfalls (and prices) encouraging some thrifting and use of inferior substitutes (where possible)
- Iluka 3Q pricing (~US\$2,200/t) a material advance on 1st half weighted average ~ US\$1,450/t
 - small volume Iluka zircon sales to date in 2nd half at prices above contract
 - quarterly contract price increases may moderate
- Fundamentals positive for some years
 - updated inducement analysis suggests, on historical demand profile, supply remains an issue for some years
 - analysis assumes committed and potential projects proceed in line with claimed proponents' plans
 - industry experience suggests timely delivery and successful ramp up unlikely
- Iluka evaluating potential organic supply response options



Zircon Pricing Staircase

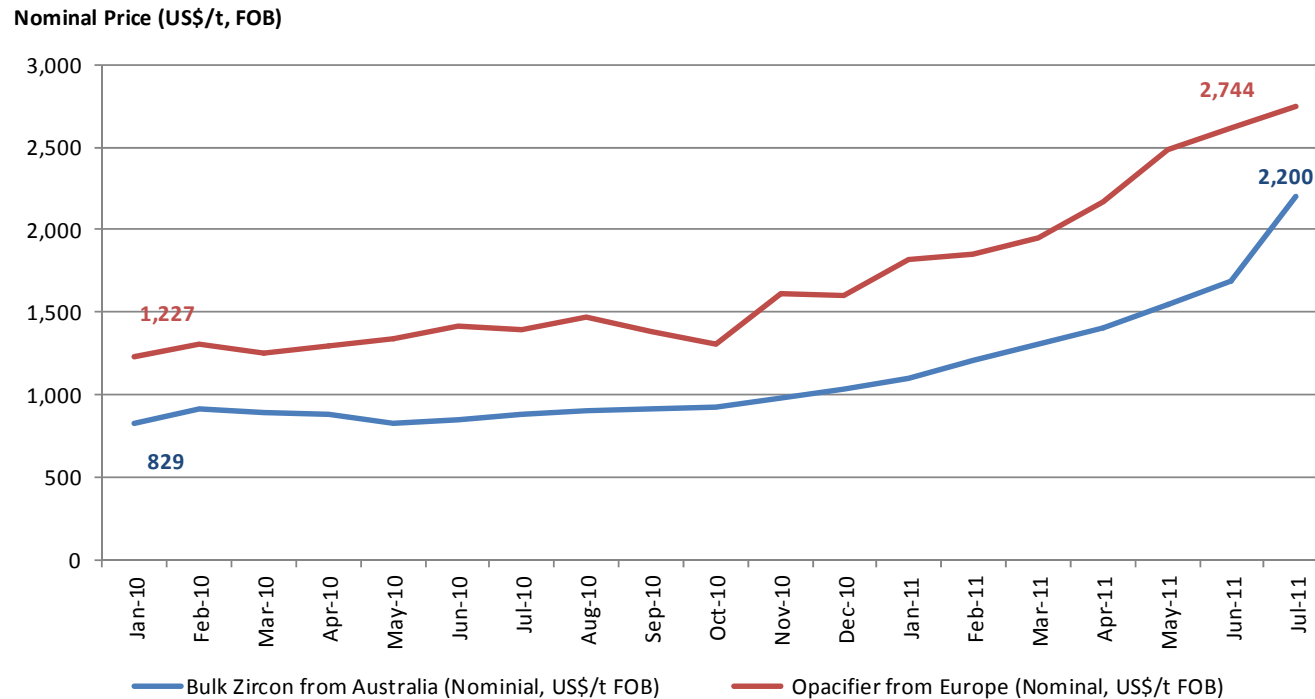


Zircon

Raw Material Pricing and Customer Profitability



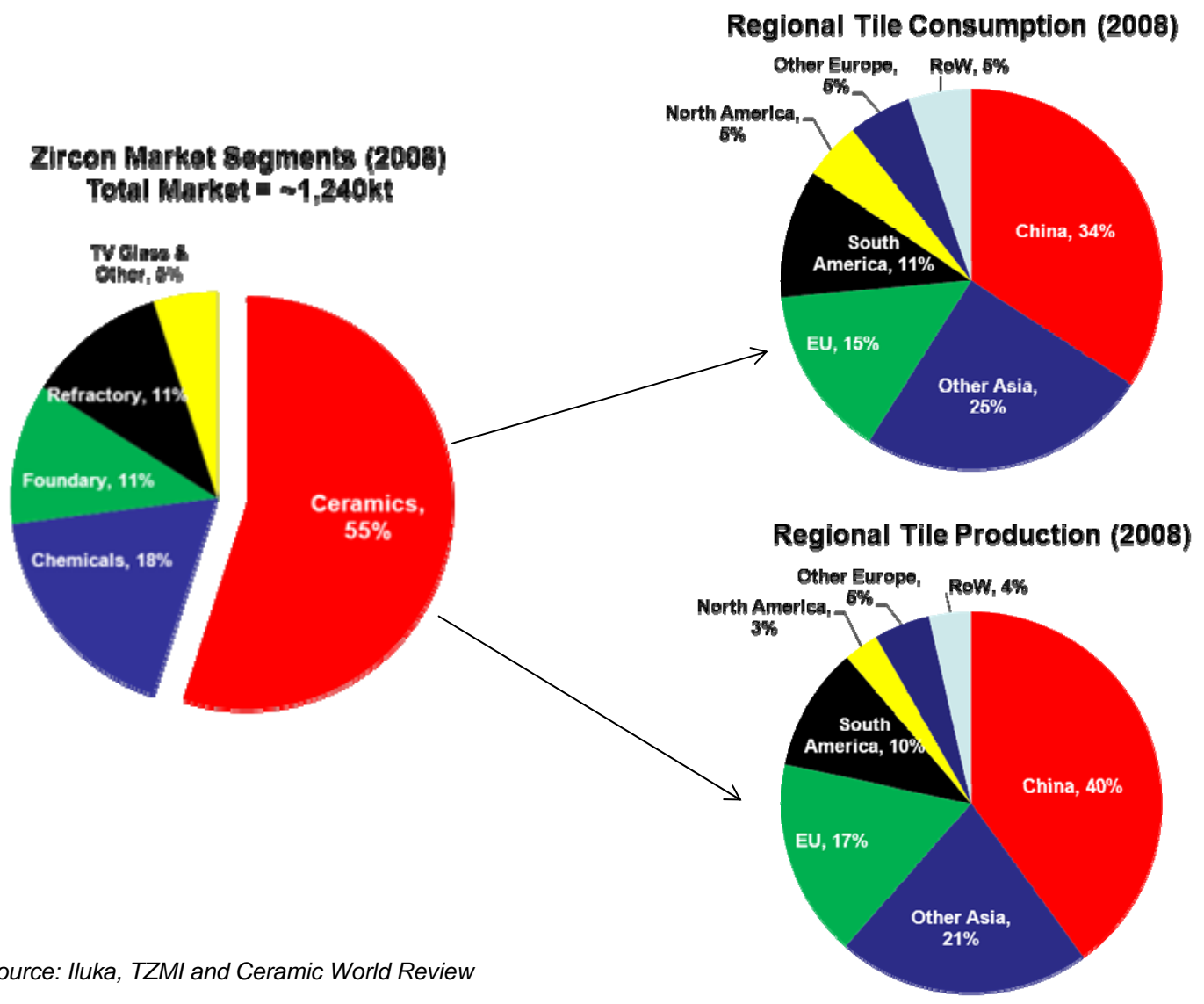
Opacifier vs Zircon Price



- Zircon typically 80% of opacifier costs
- Dollar mark up in 2011 at \$544/t higher than in January 2010 at \$398/t

Zircon Demand

End Use Demand and Regional Tile Consumption / Production



Source: Iluka, TZMI and Ceramic World Review

High Grade Titanium Dioxide

Market Conditions

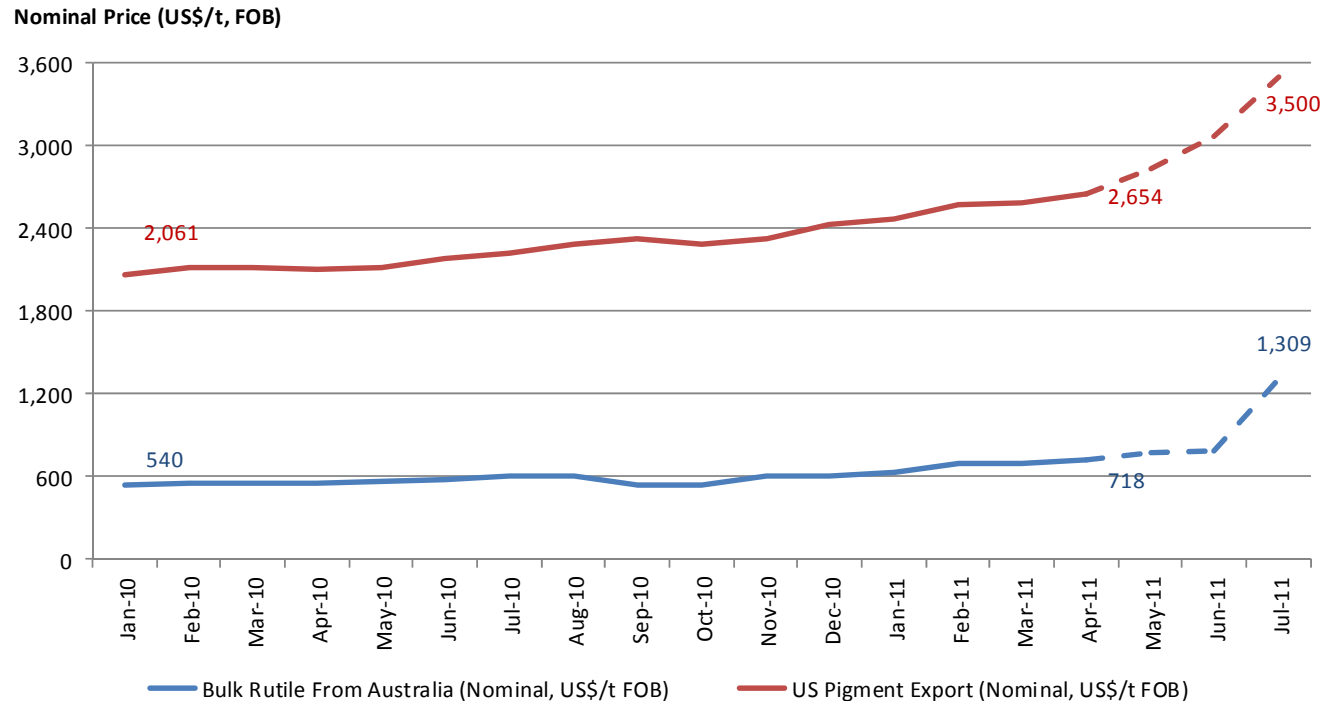


- High grade titanium dioxide supply remains constrained
- High grade raw material dynamics strongly influenced by chloride pigment activity
 - current capacity near fully utilised, healthy margins
 - production capacity creep a feature of the industry
 - DuPont announcements re significant capacity expansion post 2014
- Strong demand growth in niche markets (welding, titanium sponge)
 - reflected in higher spot pricing trends relative to advised 2nd half weighted average contract prices
- Industry change underway
 - improved profitability
 - half yearly pricing resets
 - material pricing increases
- Reactivation of idled SR capacity a potential Iluka response

High Grade Titanium

Raw Material Pricing and Customer Profitability

Pigment vs Rutile Price

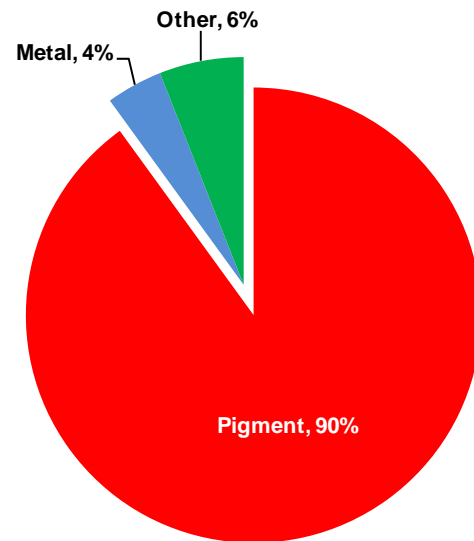


- High grade titanium dioxide feedstock prices ~29% of total pigment costs (2006-2010)
- Rutile one component of feedstock input (also includes SR, UGS & chloride ilmenite)
- Dollar margin for pigment producers expanded despite raw material price increases

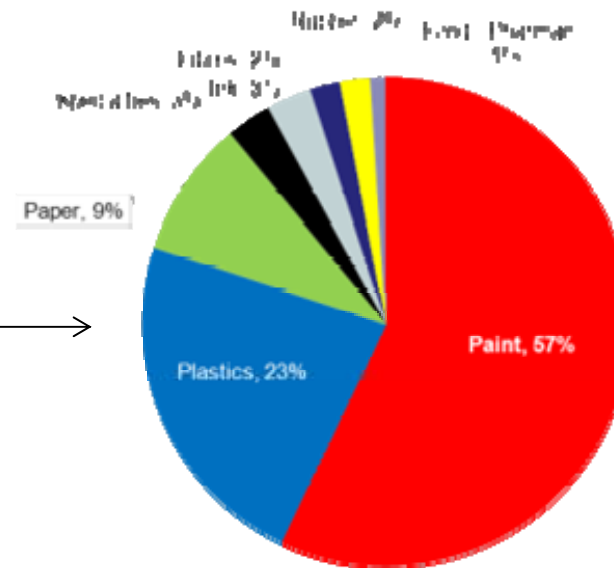
Titanium Dioxide

End Use Demand

Titanium Market Segments
~6,050kt (2008)



Pigment End Use (2009)



Production Response Evaluation



Principles

- Disciplined supply response to favourable market conditions
- Judgements based on suitable shareholder value creation metrics (IRR, ROC, payback)

Approach

- Full time, multi-disciplinary team for up to six months
- Moving beyond initial 'quick wins':
 - Eneabba re-start
 - SR3 kiln campaign 2012-14
 - commercialisation of lower value production streams
- Mineral resource, mine operation and mine development review, including, potentially:
 - reserve/resource upgrades
 - potential extension of mine lives and/or scale
 - reactivation of operations (similar to Eneabba; e.g. Old Hickory, Virginia)
 - acceleration of mine development planning and schedules (e.g. Cataby, Tripitaka)
- Targeting increased production of Z / R / SR, based on:
 - detailed supply / demand considerations
 - speed, risk and relative economics
 - maximum utilisation of existing plant and infrastructure
 - efficient expansions where required

MAC Iron Ore Royalty

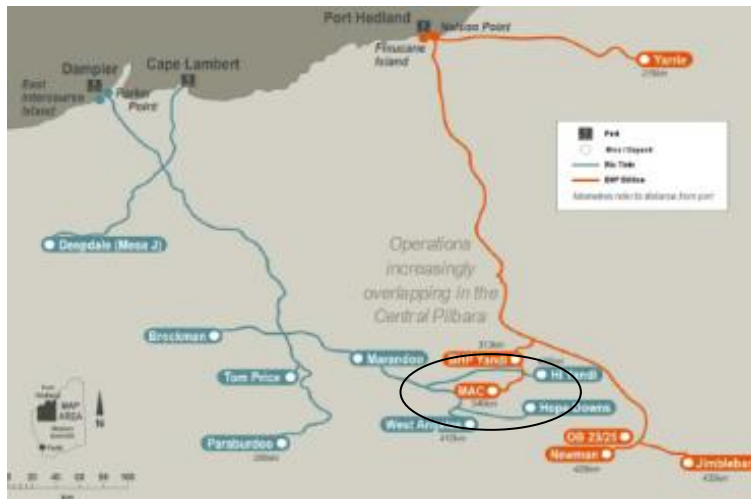
Background

- Mining Area C (MAC) covers a part of BHP Billiton's iron ore mining operations in WA's Pilbara region, operated by BHP (85%) under a JV with Itochu and Mistui
- In perpetuity royalty stream

Outlook

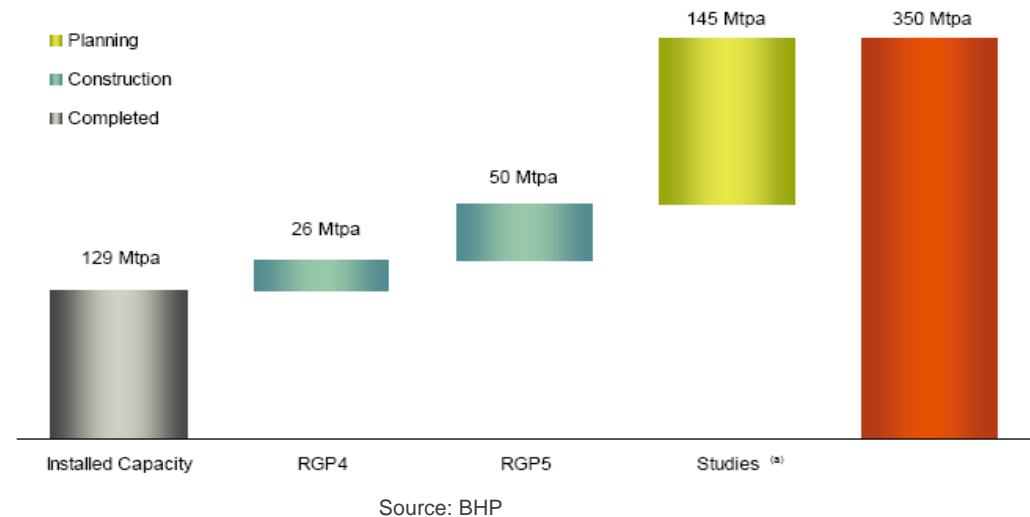
- BHP has stated intentions to increase total iron ore output from WA to 350mtpa past 2015. MAC is expected to be a significant proportion of this total increase

BHP and Rio Tinto Pilbara Iron Ore Operations



Source: BHP

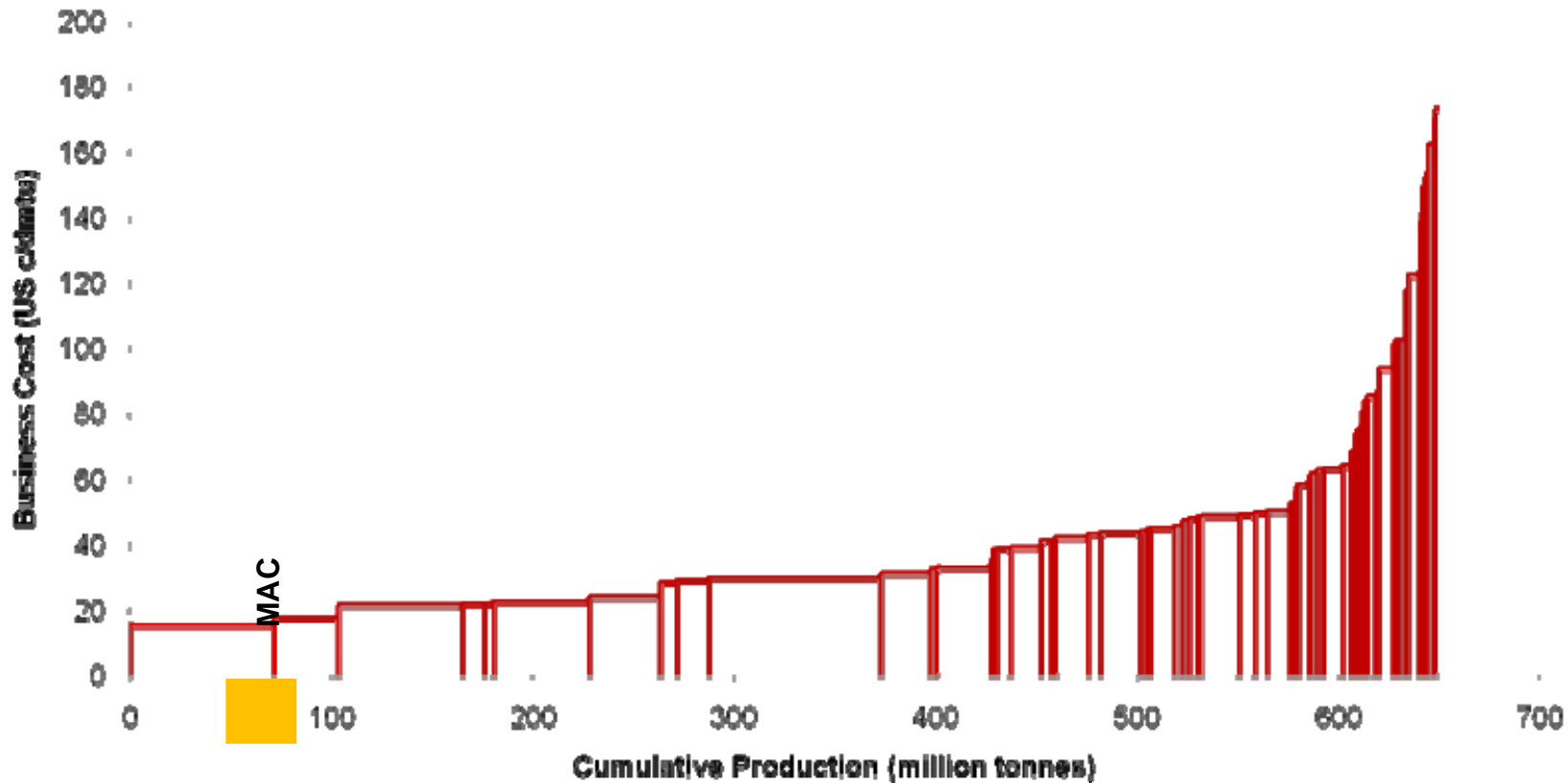
Western Australia Iron Ore Growth Path (mtpa, 100% basis)



BHP forecasts demand for seaborne iron ore to rise to over 1200mt by 2015 and 1800mt by 2025

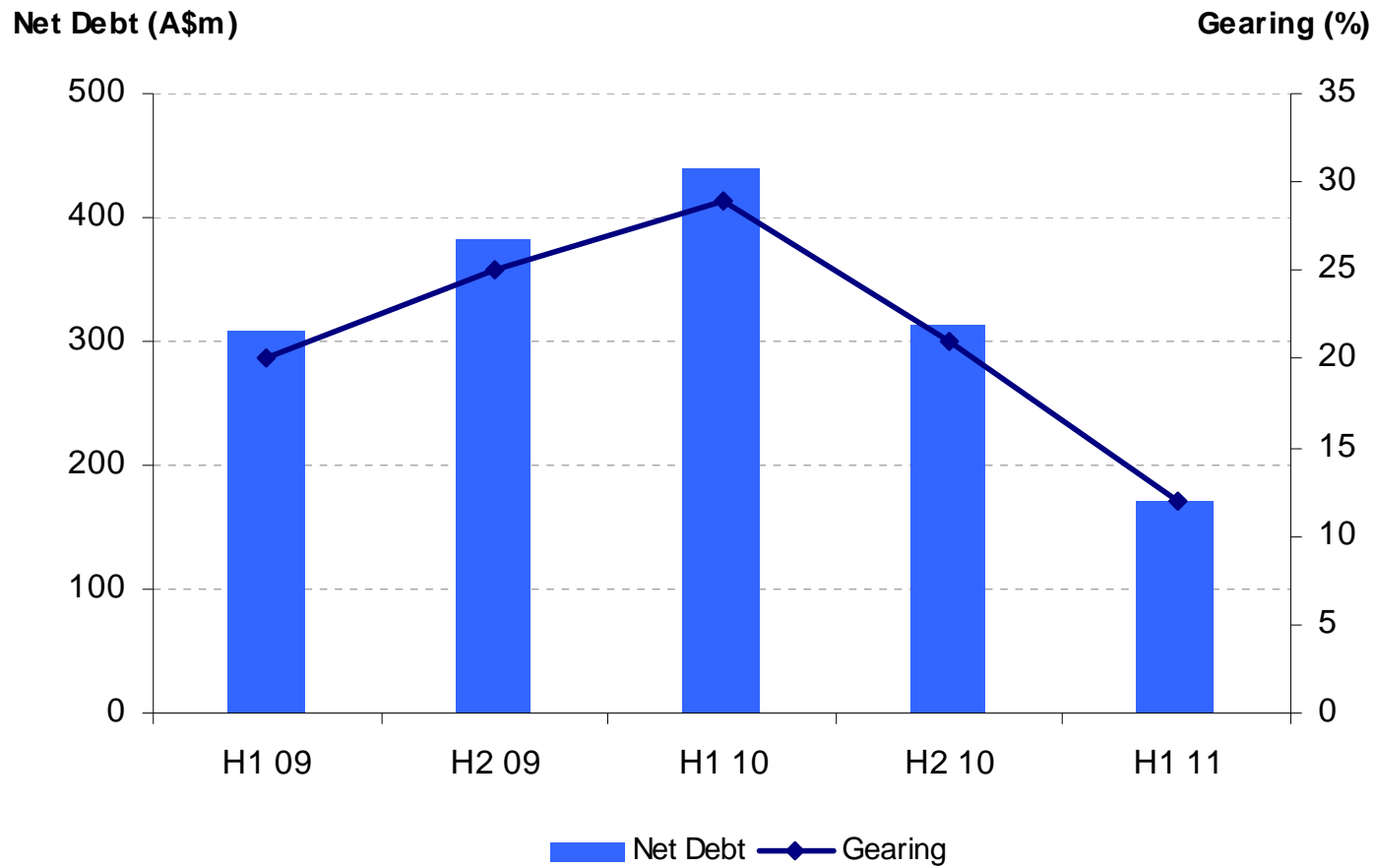
MAC Cost Curve Position

Seaborne Iron Ore Fines Cost Curve 2010 (Business Cost US\$/dmtu)



- CRU regards MAC as one of the world's lowest cost iron ore mine operations located near multiple infrastructure operations and with a large resource base

Net Debt and Gearing



2nd Half 2011 Factors



- The 'new Iluka' is delivering
- Decisions will take heed of global volatility and market specific economic conditions
- Mineral sands market conditions favourable – but subject to global economic issues
- Improved customer profitability despite raw material price increases
- Iluka evaluating production response options
- Stronger second half sales volumes expected for zircon and rutile
- Maintenance outage for SR kiln 3 in fourth quarter
- Higher second half pricing contracted for zircon, rutile and synthetic rutile
- Progress to debt free / net cash situation
- Enhanced investment and capital management opportunities



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