



Iluka Resources Limited

Macquarie Australia Conference
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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

While Iluka has prepared this information based on its current knowledge and understanding and in good faith, there are risks and uncertainties involved which could cause results to differ from projections. Iluka shall not be liable for the correctness and/or accuracy of the information, nor any differences between the information provided and actual outcomes, and furthermore reserves the right to change its projections from time to time.

All currency referred to is Australian denominated unless otherwise indicated.

2011 – The New Iluka

- New Iluka = Group EBITDA ~\$1.0bn, NPAT and FCF > \$0.5bn, ROE > 40%
- Balance sheet = net cash
- Total shareholder return focus = 75 cents final dividend (73% franked)
- Excellent production performance within cash cost guidance
 - integrated and flexible production base
- Transformational marketing outcomes
 - step change in zircon and high-grade titanium dioxide prices
 - change passed through next layer in value chain
- Net increase in Ore Reserves and Mineral Resources
- Production enhancement options within portfolio evaluated
- Product and technical development advances
- Higher commitment of funds and resources to global exploration effort

CFO Overlay

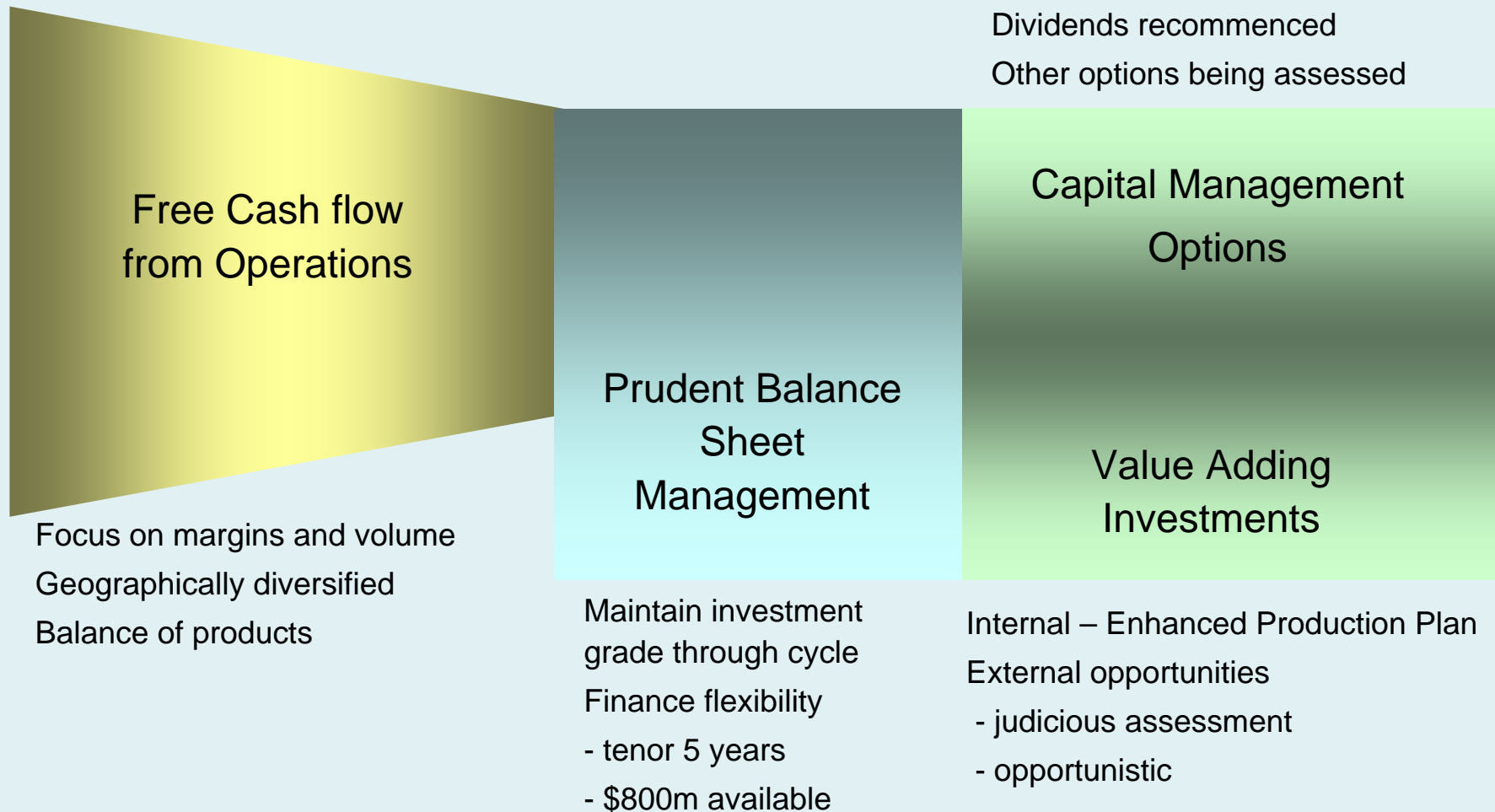
- Decisions based upon sound analytical criteria
 - detailed financial analysis – simplicity of results
 - applies from monthly performance through to industry analysis
 - improve systems and processes and analytical capabilities
- Capital management and allocation
 - capital enhancement – strong balance sheet
 - allocation investment criteria - IRR, payback period, unit costs/margins, ROC, NPV; assessment of assumptions – range of outcomes – balanced approach
 - capital management options
- Risk management
 - integrated into all levels of analysis and planning
 - focused upon awareness and mitigation
 - prudent risk taking

1 Balanced Approach to Shareholder Value



Balanced Approach to Shareholder Value

Balanced Approach: providing flexibility for investing in growth and returning excess capital to shareholders, whilst maintaining a strong balance sheet



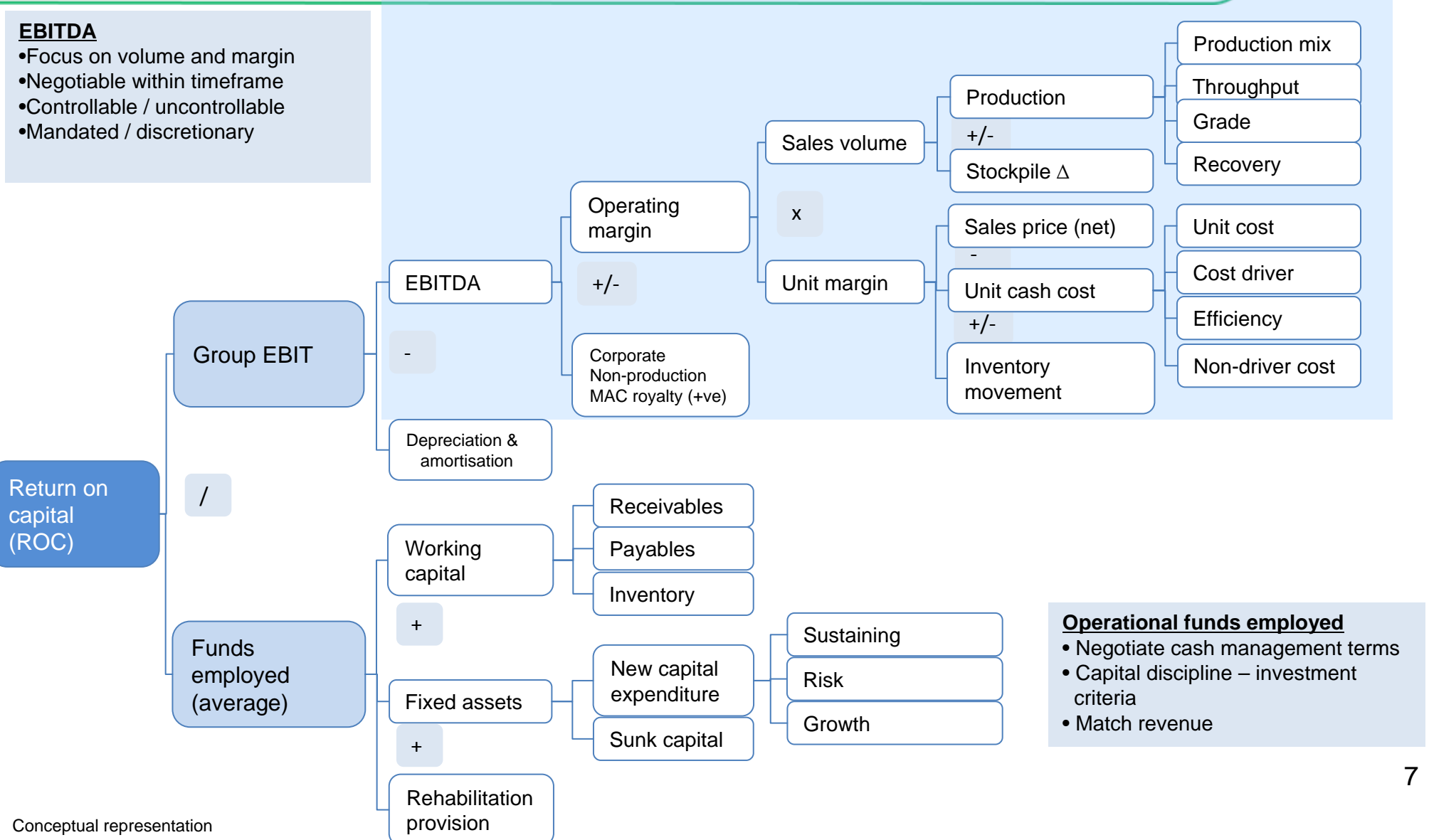


Free Cash Flow from Operations

ROE ~ ROC Internal Metric Aligned

EBITDA

- Focus on volume and margin
- Negotiable within timeframe
- Controllable / uncontrollable
- Mandated / discretionary

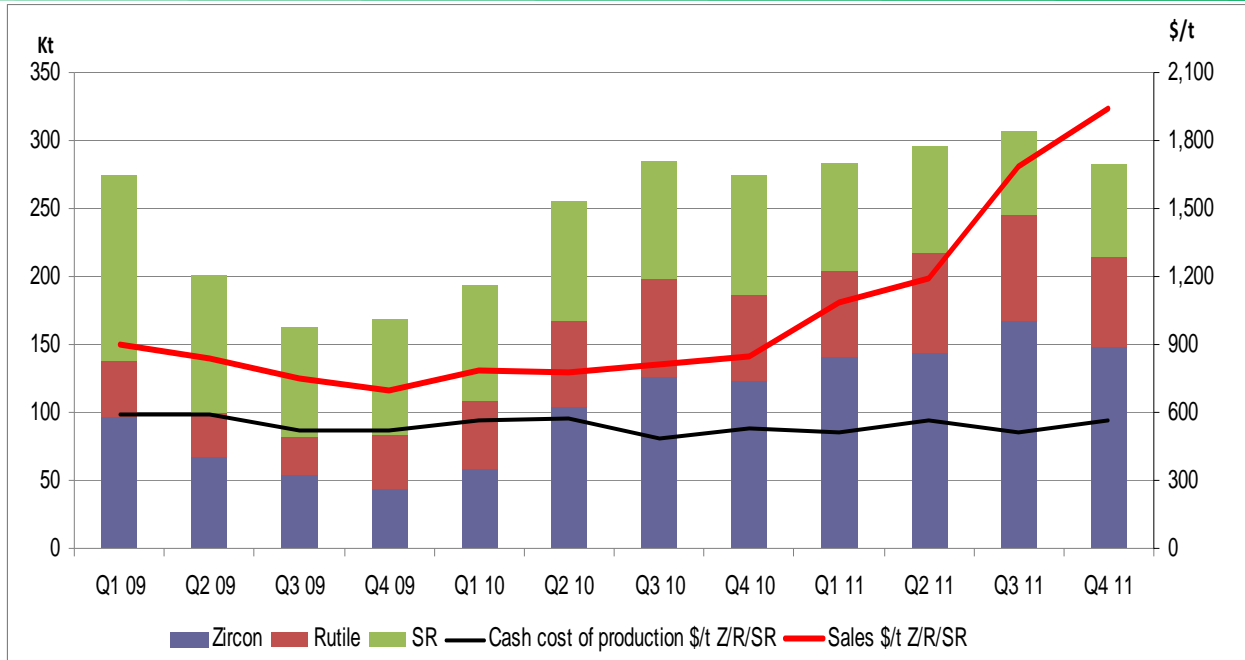


Operational funds employed

- Negotiate cash management terms
- Capital discipline – investment criteria
- Match revenue

Free Cash Flow from Operations

Margin and Volume



- 2011 EBITDA margin 65%
- 2011 unit revenue of \$1,537/t Z/R/SR
- 2012 guidance
 - H1 unit revenue > \$2000/t Z/R/SR
 - unit cash costs \$650/t Z/R/SR

Financial Metric - EBITDA

- maintain focus on production efficiencies – costs and production yield, generate lower unit costs
- support pricing momentum as market conditions allow
- manage volumes through production flexibility to market conditions

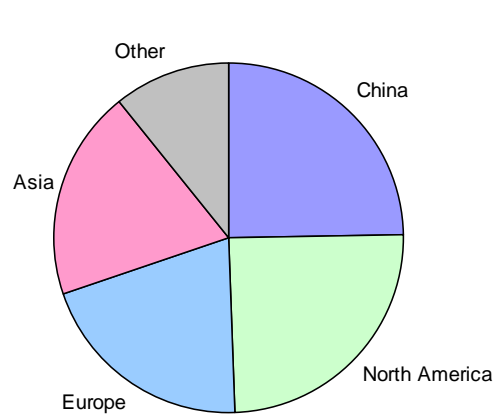
Free Cash Flow From Operations

Balanced Geographic and Product Revenue Mix

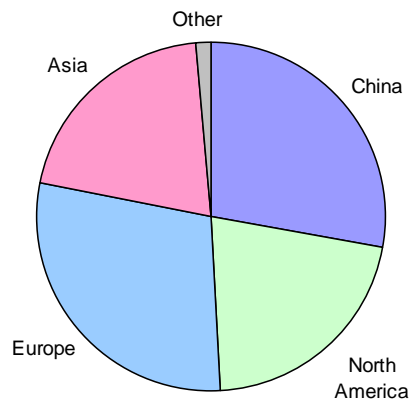


Geography

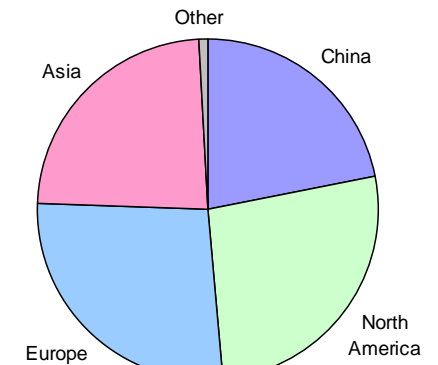
2010



2011

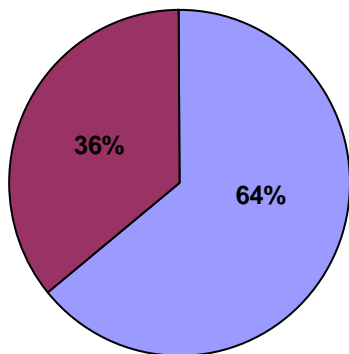


2012 (budget)

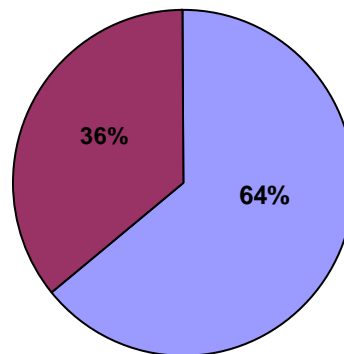


Products

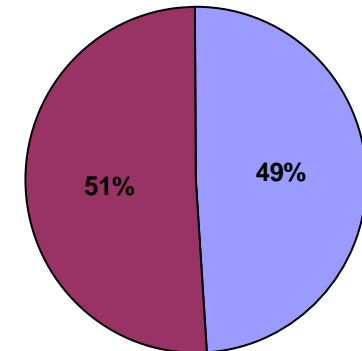
2010



2011



2012 (guidance)



■ Zircon ■ High-grade TiO2 / R / SR

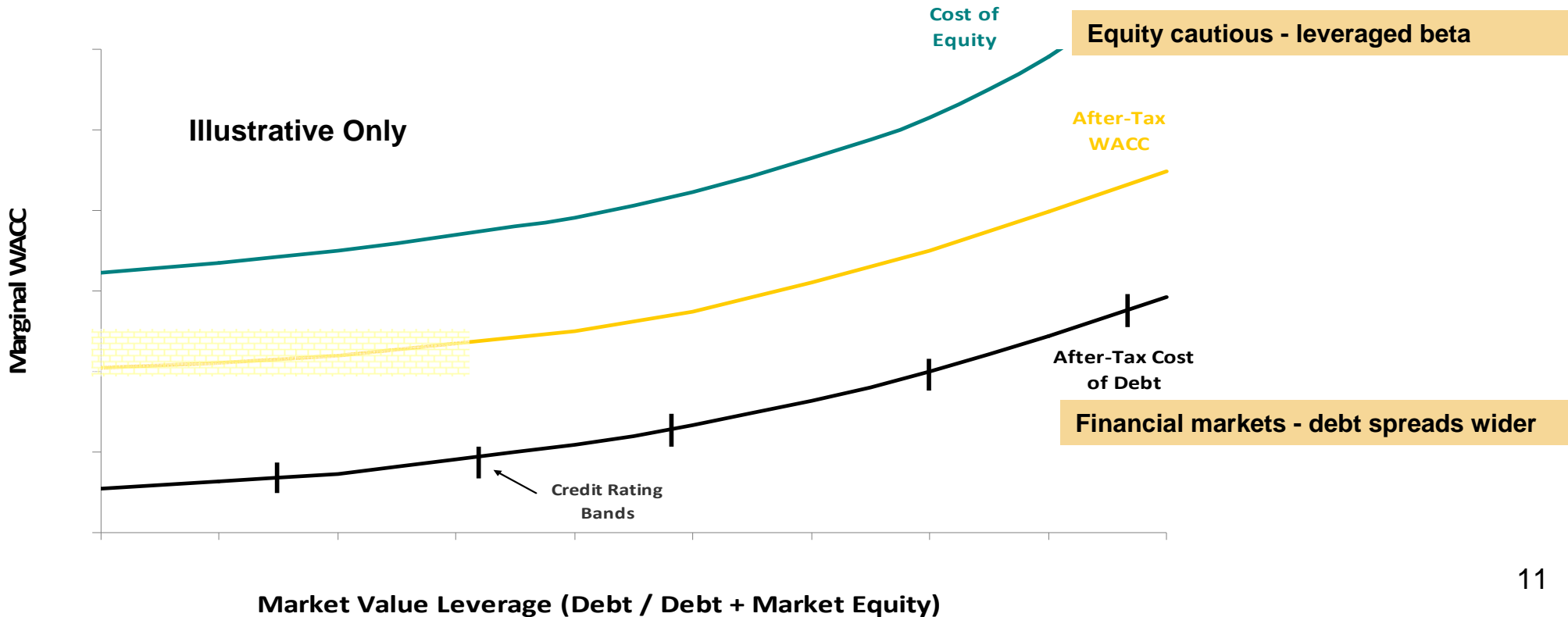
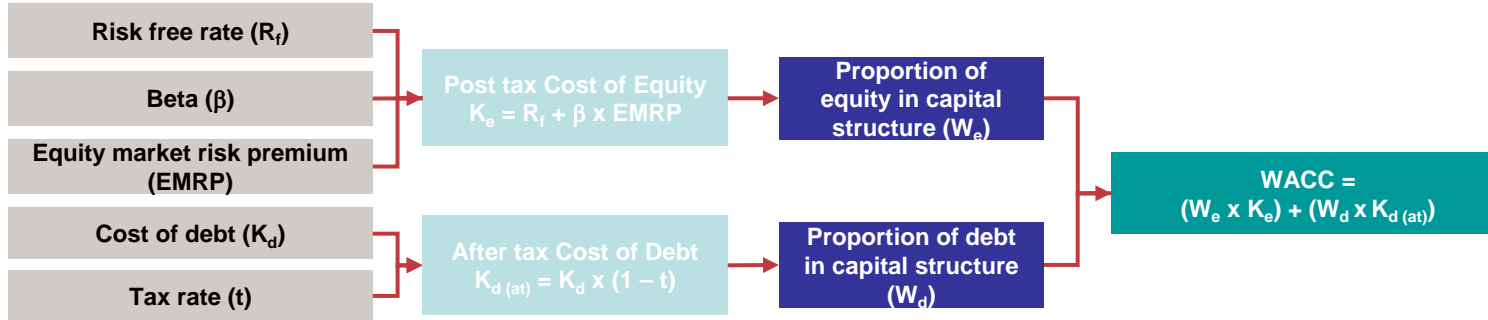
Prudent Balance Sheet Management

- Retain funding flexibility
 - \$800 million in revolving credit facilities
 - bilateral arrangements
 - diversified mix of financiers – both domestic and foreign banks
 - maintain USPP note issuance and relationships
- Appropriate maturity profile
 - 5 year tenor (to March 2017)
 - evergreen option
- Maintain investment grade profile through cycle
 - not a gearing target – a credit target
 - cash buffer may be appropriate in uncertain macro environment
 - also in context of exercising production response optionality



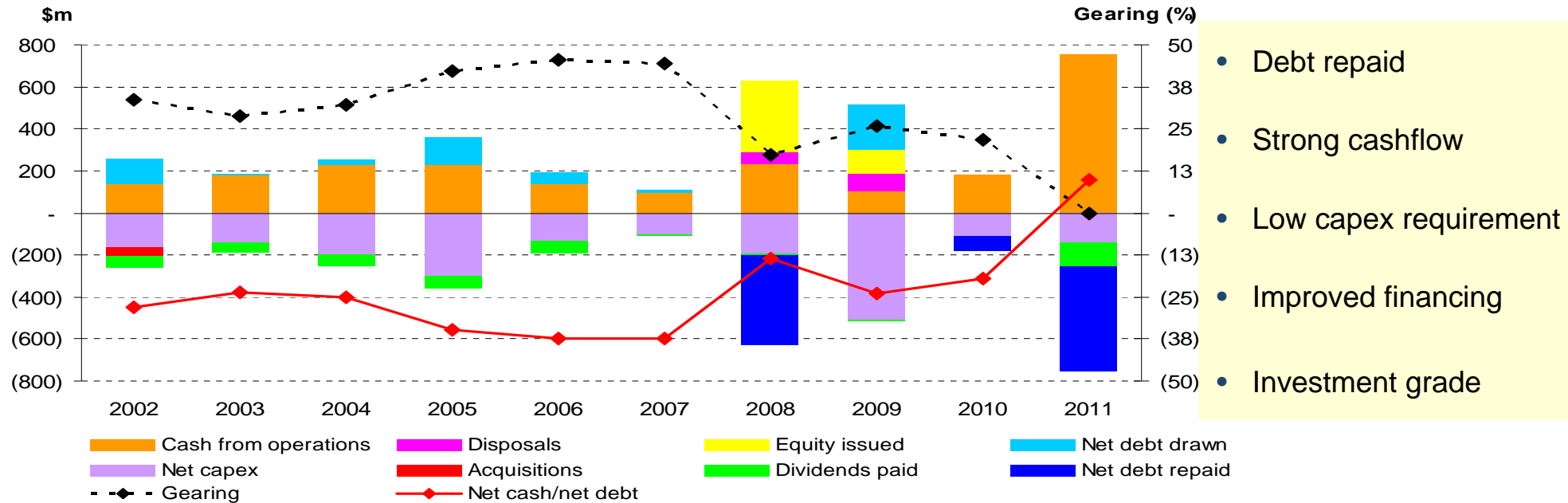
Prudent Balance Sheet

Debt Costs and Volatility in an Uncertain World



Capital Management

Sources and Uses of Funds 2002 - 2011



- Debt repaid
- Strong cashflow
- Low capex requirement
- Improved financing
- Investment grade

Balanced approach

- strong balance sheet achieved

Prudent approach – but flexibility for:

- capital management
- fulfilling current identified organic growth options
- assessment of appropriate external (non mineral sands) opportunities

Capital Management Options

- Dividends recommenced
 - a minimum of 40% free cash flow
 - 2011 averaged 53%
- Franking credits value: NPAT ~ FCF
- Prudent balance sheet management
 - multiple capital management options may be available
- Key is what is efficient for shareholders
 - for instance, off market buy-backs
 - efficient use of excess franking credits
 - attractive capital component using the ACPS methodology
 - EPS accretive
 - provides value to all shareholders (including non Australian)

Value Adding Investment

External



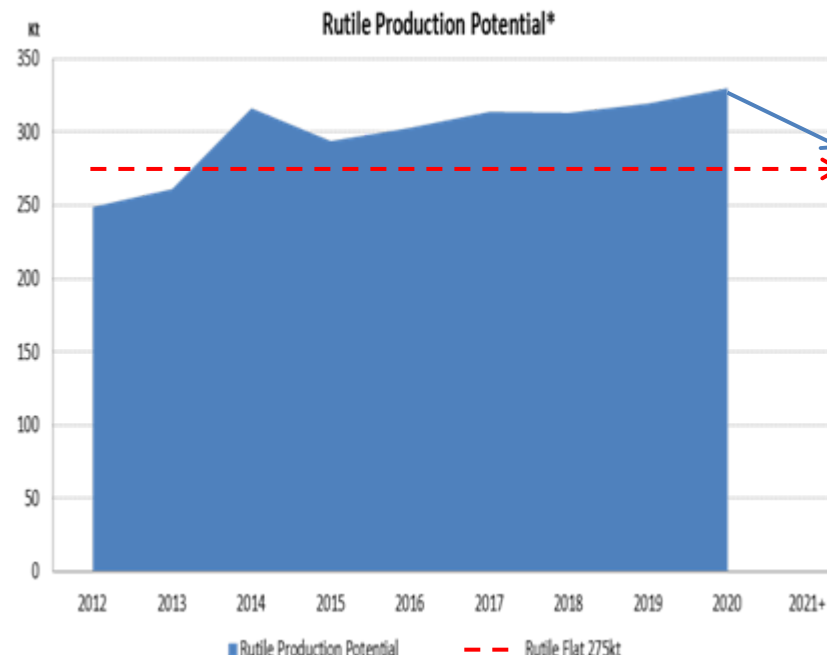
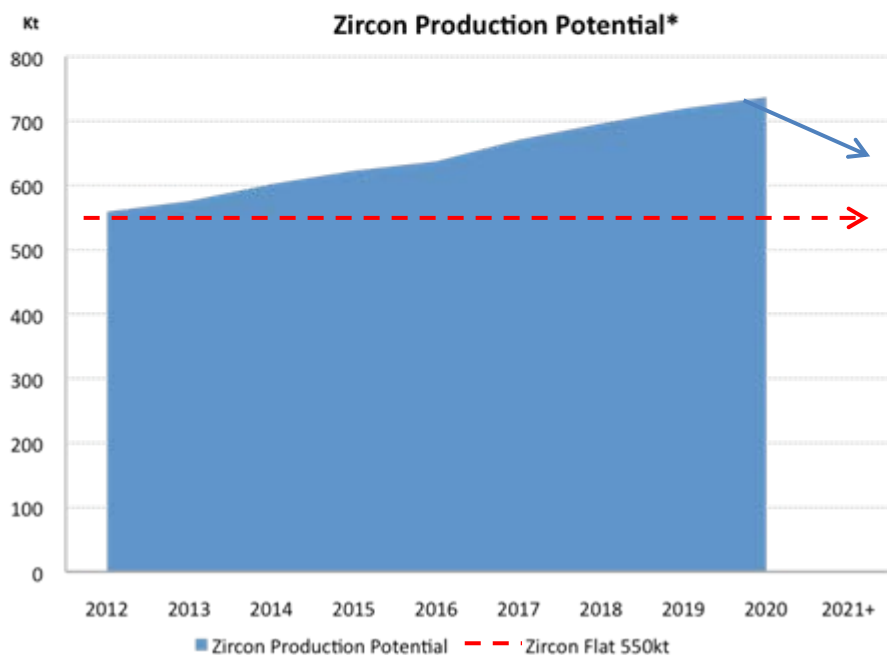
Key Criteria

- Leverage Iluka's technical and marketing capabilities
 - operational analogues to mineral sands
 - application of existing technical skills
 - marketing similarities
 - favourable existing or emerging market position and dynamics
- Judicious assessment
 - meet Iluka's financial hurdles – returns, cash flow, payback, NPV
 - robust under a range of scenario
 - jurisdictional/country risk
- Opportunistic not directive
- Fallback is return funds to shareholders

Value Adding Investments

Internal - Enhanced Production Project

Iluka's production enhancement options are extensive and significant in aggregate
 Twelve subject to detailed evaluation



- Potential to increase production in response to demand growth, or
- Potential to extend current production levels significantly
- No account of enhancements due to utilisation of starting-period inventories, exploration success or technological improvements and breakthroughs, mineral resources or ore reserves acquisition

Subject to caveats and disclaimers detailed on slide 2 and in November 2011 Mineral Sands presentation

* Production potential is predominantly based on a combination of Proved and Probable Ore Reserves and Measured and Indicated Mineral Resources that have been subjected to project studies (Enhanced Production Project) using Iluka's long-term cost and pricing estimates and an assessment of risk, including access, approval and development timing. A very small portion of the production potential is based on Inferred Mineral Resources totalling approximately zero to four percent of the production potential.

2 Mineral Sands Market – Short & Medium Term Considerations

Mineral Sands Market

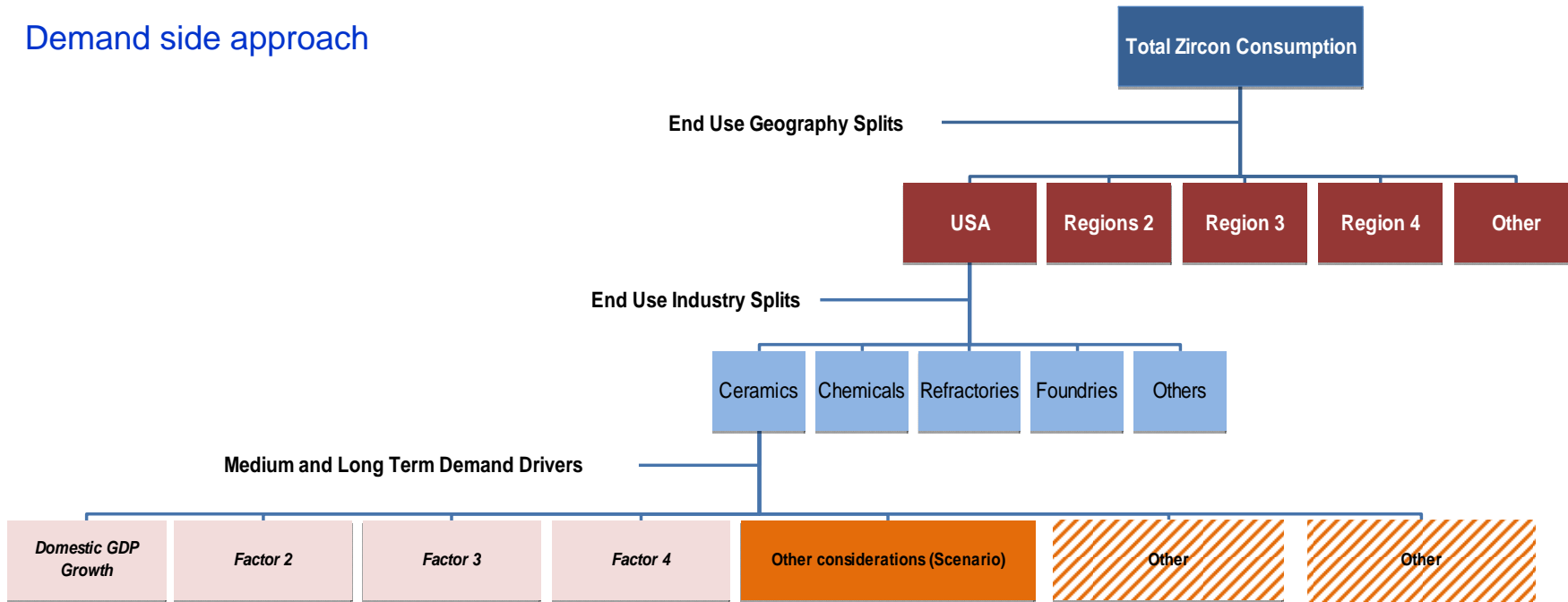
- Favourable medium-term supply/demand characteristics for both zircon and high-grade TiO₂
- Few high-quality, capital-efficient, quick-response industry supply options
 - most projects in early feasibility phase rather than commitment stage
 - typically long lead times
 - technical risk in project execution, commissioning, ramp-up and product acceptability
- Favourable long term dynamics not immune to global macro-economic factors
 - economic growth, consumer spending, business confidence, credit availability
- Iluka will support direct customers by:
 - adjusting production and sales to maintain recent margin improvements
 - maintain high product quality standards
- Iluka will support end-consumer selection of high grade product applications via demand-pull initiatives



Mineral Sands Market Approach

Industry Analysis - Demand

Demand side approach



Scenarios

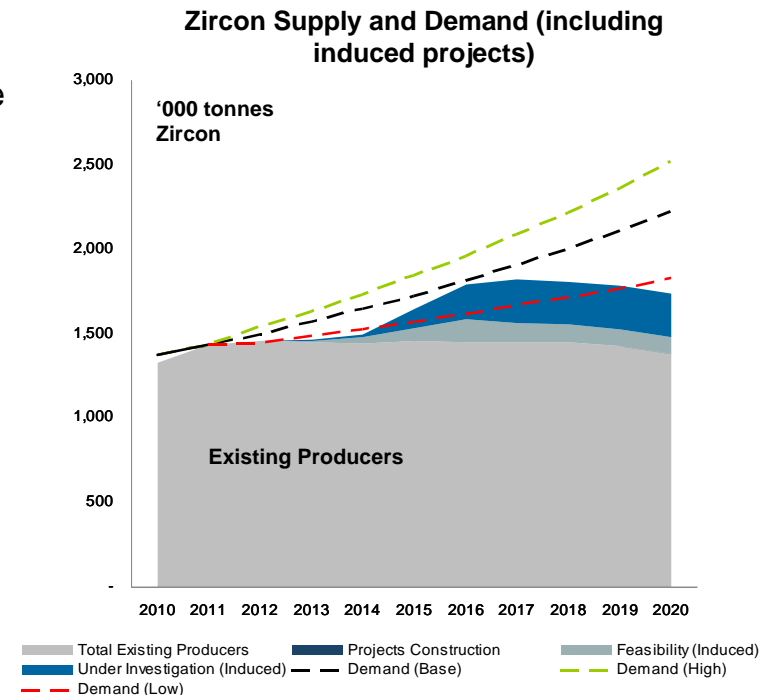
- medium and long term drivers – high, medium, low economic scenarios, not a percentage approach
- other consideration – H, M, L
- substitution & thrifting built into demand scenarios
- matrix approach – 3 by 3 equates to 9 scenarios

Mineral Sands Market Approach

Industry Analysis - Supply

Supply side approach – model each potential supply source

- All known mineral sands deposits assessed:
 - Conventional and unconventional
 - Exploration, feasibility, construction, production, care & maintenance
- Pre-production deposits are modelled, assessed and ranked based on:
 - Resource size and Overburden
 - Grade, assemblage
 - Mining method and required equipment
 - Throughput, yields and risks
 - Specification and quality – relative price and segment demand
 - Processing – size and process configuration requirements
 - Infrastructure (road, rail and port)
 - Regulatory, environment and approvals process
 - Operating and capital costs assessment
 - Time required and commissioning period
 - Sovereign risk
 - Funding status
 - Economic analysis (i.e. DCF model) of the pricing assumptions required to ‘induce’ the project based on a minimum proponent IRR assumption



Zircon – Favourable Long Term Dynamics

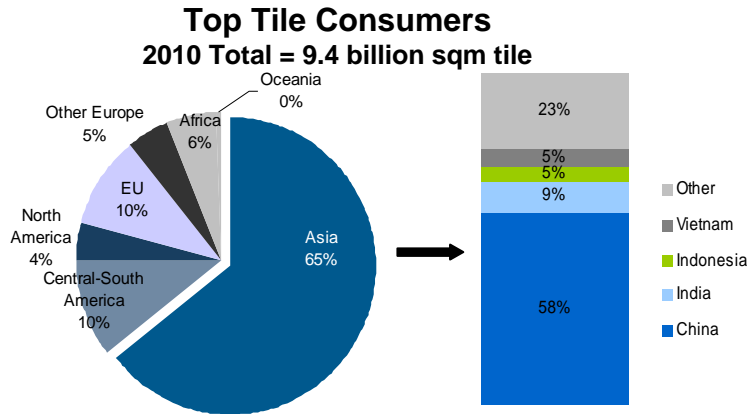
Tile Consumption - Dominated by Developing Economies



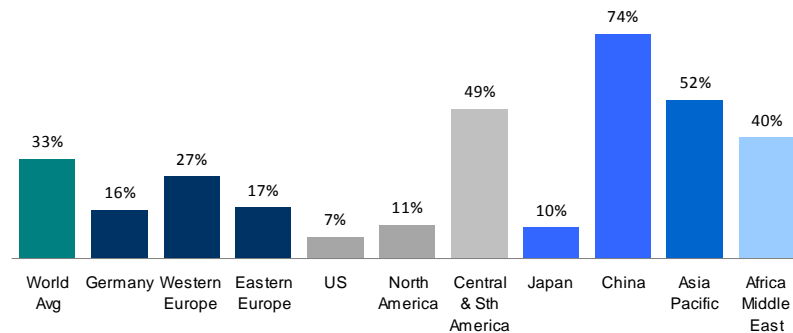
Developing Economies >80% of Tile Market



Developing Economies Higher Usage (Intensity) of Tiles



% Usage of Ceramics as Flooring Type vs other Flooring Types by Geography

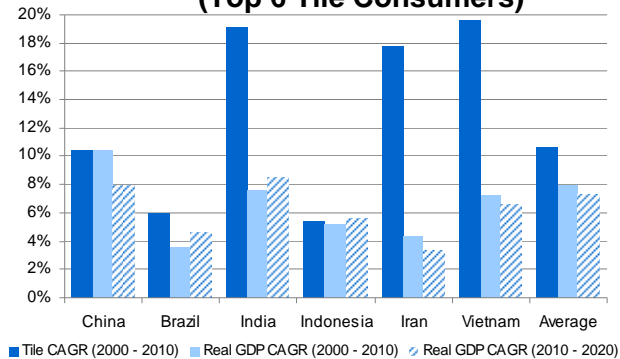


Developing Economies Higher GDP Growth

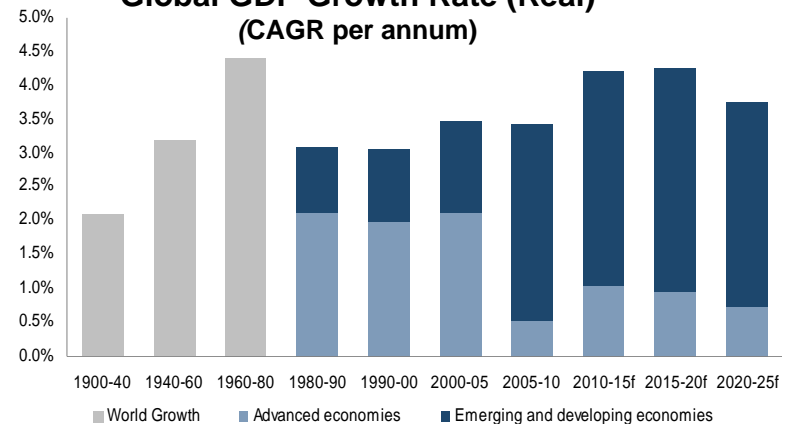


Developing Economies ↑ Proportion of Global GDP Growth

Tile Consumption and GDP Growth Rates (Top 6 Tile Consumers)



Global GDP Growth Rate (Real) (CAGR per annum)

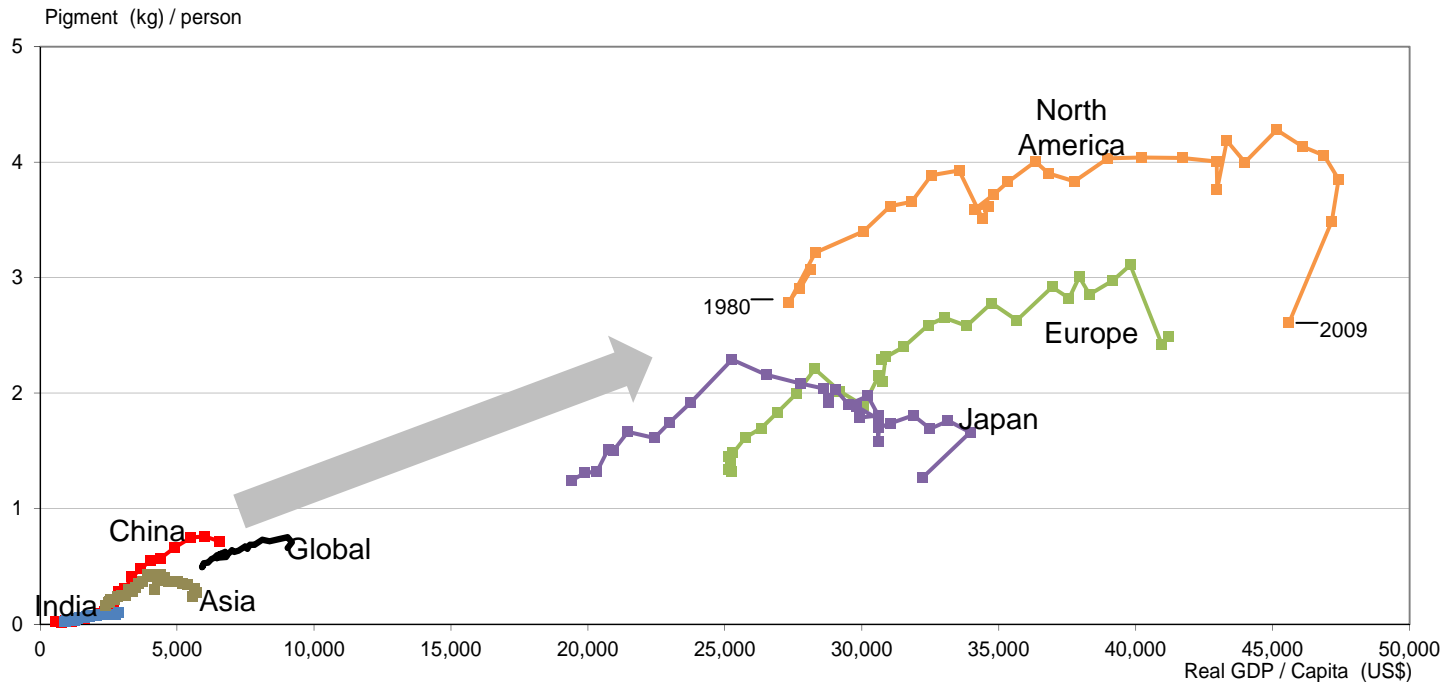


TiO₂ - Favourable Long Term Dynamics

Pigment use growing with GDP growth of Developing countries



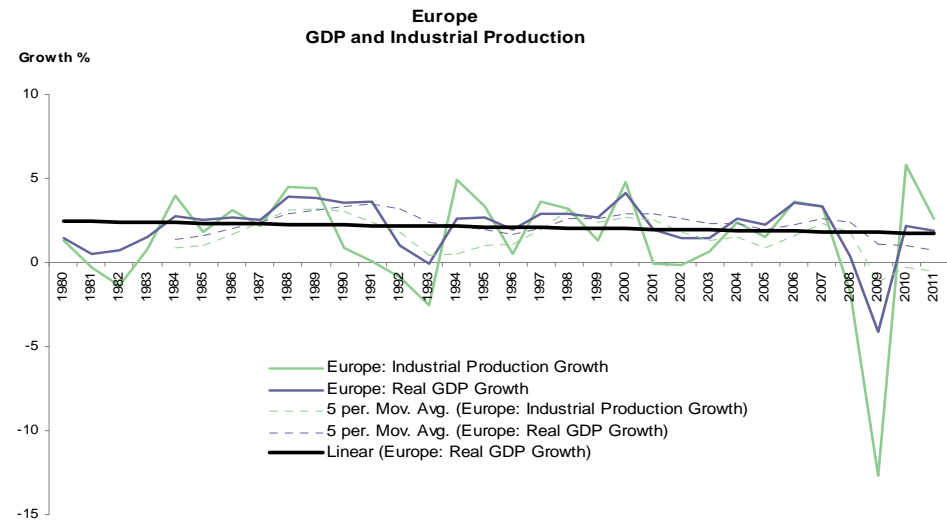
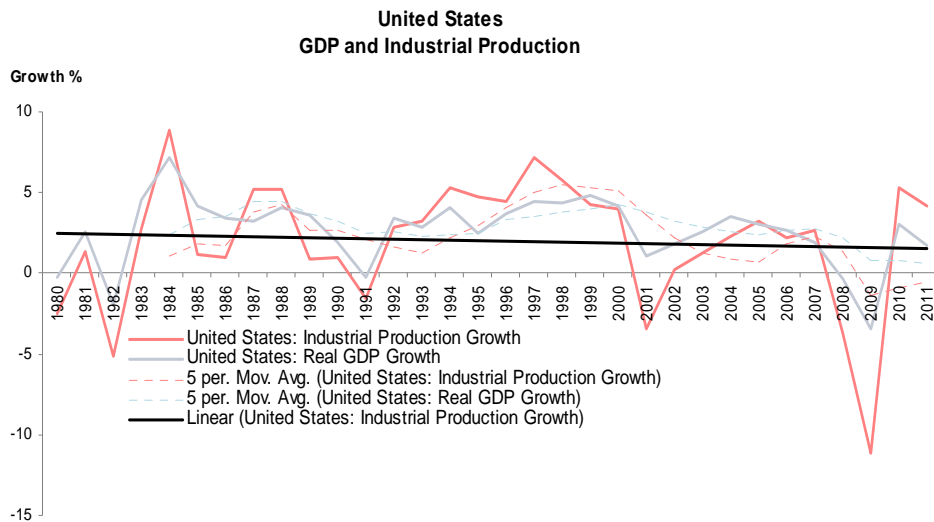
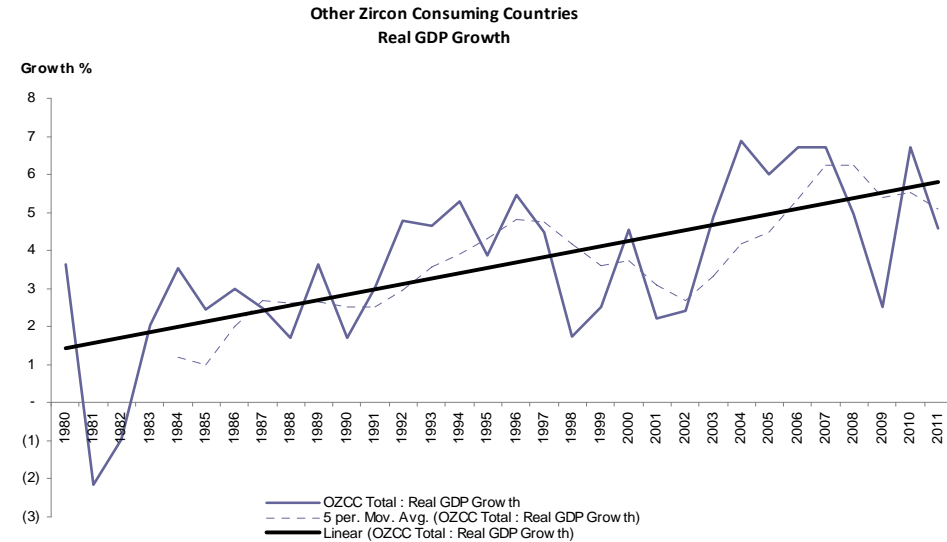
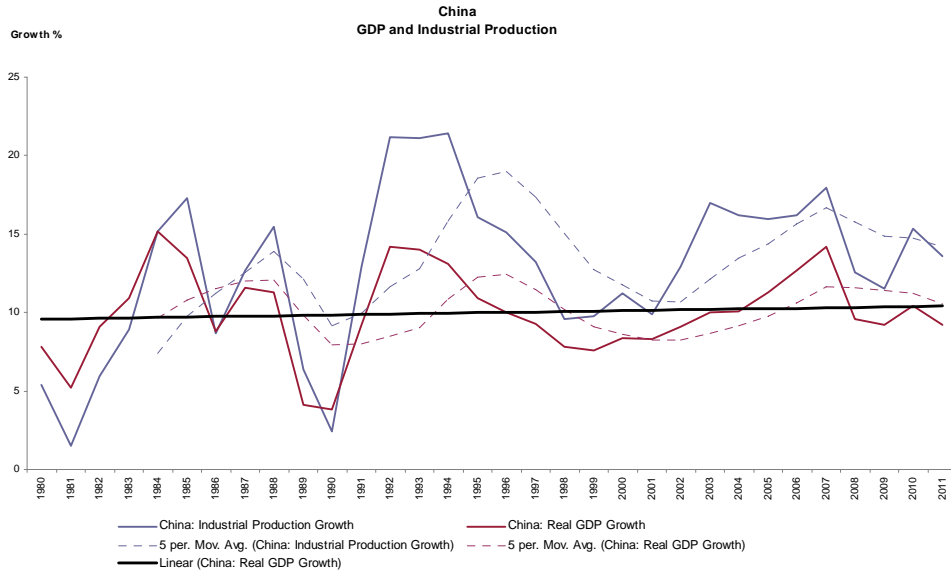
Developing Economies Pigment Use Growing with GDP



- Developing countries intensity of pigment use (pigment per person) expected to grow with living standards (rising GDP / capita).
- Developed countries show an intensity of pigment use ~2 - 4 kg per person. This level of pigment use in China would be a significant increase from current levels.

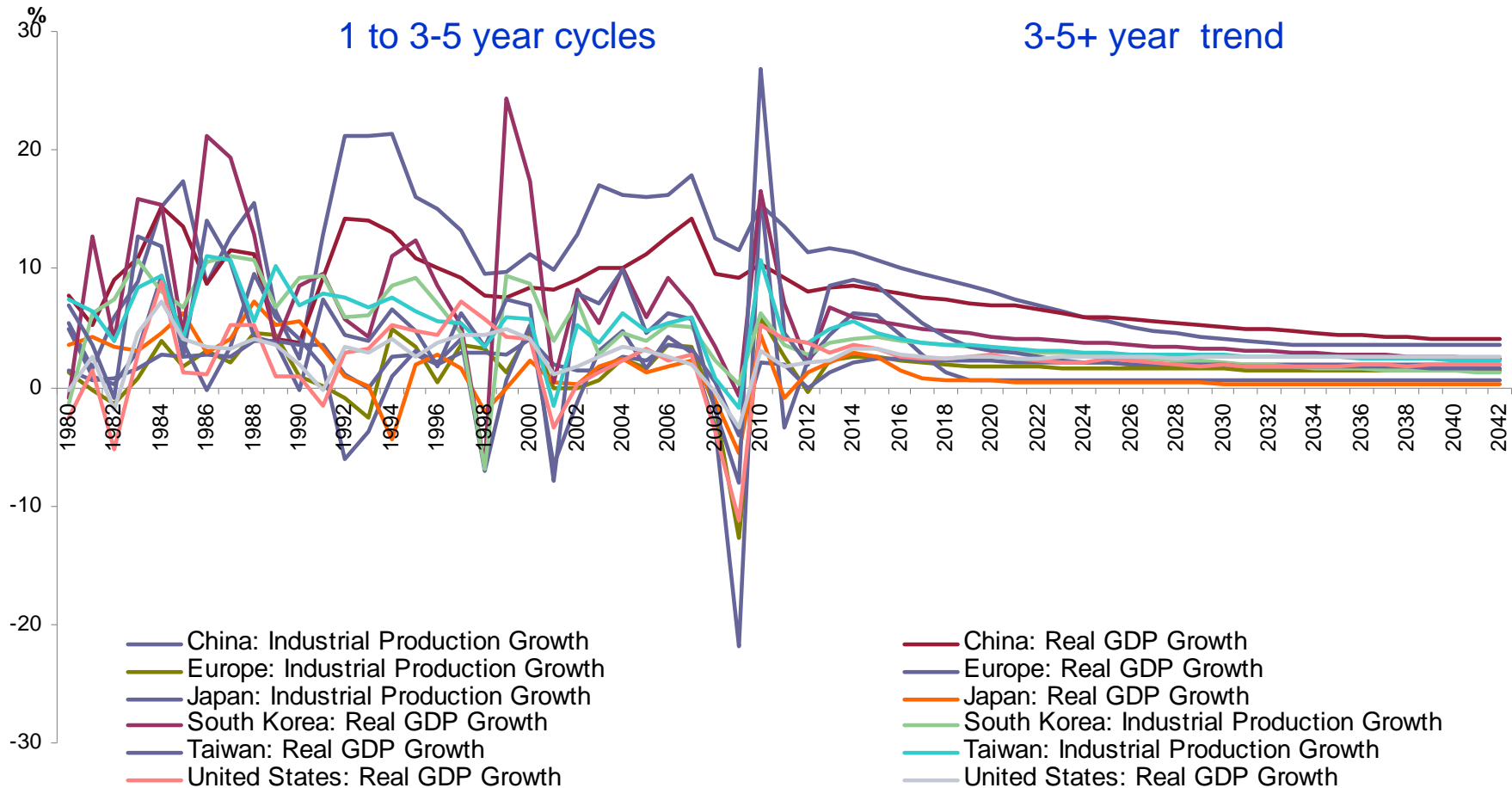
Short Term Volatility versus Long Term Trend

Cyclical Nature of Economic Cycles



Short Term Volatility versus Long Term Trend

Different Planning Periods



Industry Analysis

Complexities - Scenario Planning

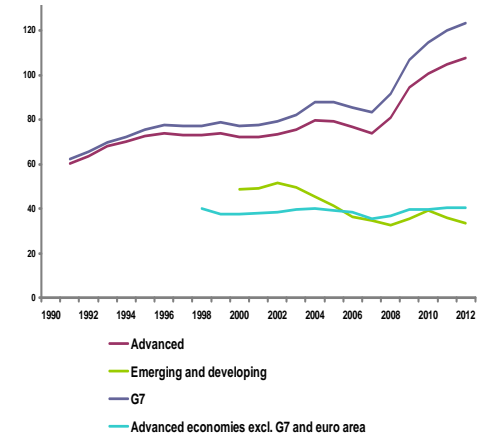


Key is to recognise and accept the complexities

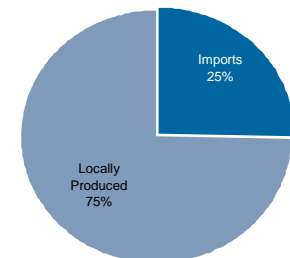
No “one” case – rather plan for a # of scenarios and a range of outcomes

- Global macro environment – regional growth, IP, debt levels
- Regional linkages exports/imports
- China sulphate versus chloride pigment technology
- Technology uptake, thrifting, substitution
- Intensity of use, housing market, tile usage
- Emerging new uses

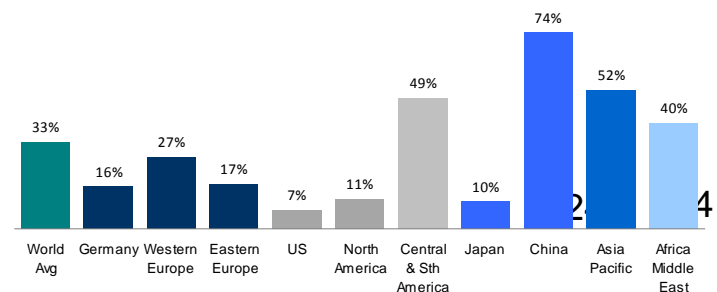
Public Debt % GDP



Chinese Pigment Consumption



% Usage of Ceramics as Flooring Type vs other Flooring Types by Geography



Dual Time Frame

Eyes on the Horizon, Feet Firmly Planted on the Ground



Short Term

- Focus on margin sustainability
- Strong balance sheet
- Flexible production – both zircon and TiO₂
- Capital efficient internal options
- Potential to re-activate idled capacity
- Testing of MB/J-A ilmenites– low cost SR feed

Medium Term

- Potential for further pricing momentum
- EPP - potential ↑ prod to ameliorate market tightness
- Potential for further reserve increases
- Product development expected to increase resources
- Increased efforts into global exploration
- Judicious review of external opportunities

Iluka's Emergence & Outlook

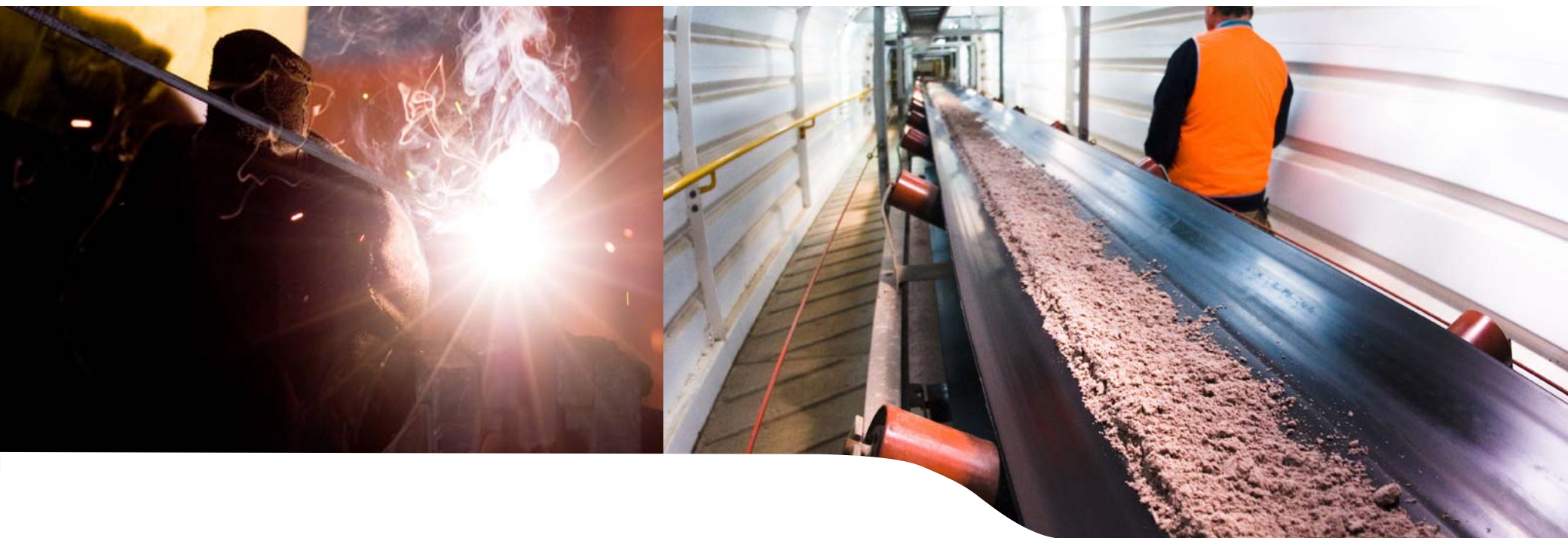


2011 - New Iluka

- Substantial zircon and TiO₂ price increases
- Higher margins and stronger free cash flows
- Global uncertainties, volatile markets, but medium term industry dynamics favourable
- First installment of company objective delivered

2012 - 2014

- Expected recovery in global confidence – but risks remain
- Iluka has strength and flexibility to respond
- Supply an acknowledged problem – Iluka's EPP production potential, exploration
- Flexibility for value adding investment and capital management initiatives



Iluka Resources Limited

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