25 May 2011

ILUKA 2011 ANNUAL GENERAL MEETING

Iluka Resources Limited ("Iluka") today held it's 56th Annual General Meeting of Shareholders in Melbourne, Australia.

As part of the formal proceedings of the meeting, Mr Don Morley, Director and Chairman of the Audit Committee, announced his intention to resign at the conclusion of the meeting. Mr Morley joined the Iluka Board in 2002.

The outcome of the resolutions of the AGM will be subject to a separate ASX release.

The following is the transcript of the addresses delivered by John Pizzey (Chairman) and David Robb (Managing Director) at the meeting.

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ILUKA RESOURCES LIMITED
2011 ANNUAL GENERAL MEETING
25 MAY 2011, MELBOURNE, VICTORIA

CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

CHAIRMAN (Mr John Pizzey)

Good morning ladies and gentlemen.

My name is John Pizzey, Chairman of Iluka Resources Limited. On behalf of your Directors, I would like to welcome you to Iluka's 56th Annual General Meeting.

I thank you for your attendance and interest in the company. I welcome our individual and institutional shareholders in attendance, representatives of the Australian Shareholders' Association, corporate governance firms and others with an interest in the company.

The Directors are pleased to have the opportunity to hold this meeting in Melbourne. Although your company has its head office in Perth, Iluka has major operations in the state of Victoria, as it does in South Australia.

Victoria is the major source of the company's rutile production and also contributes a significant zircon production stream.

The company has approximately 215 employees, or nearly a quarter of its total workforce in Victoria. It also has over 400 contractors in the state. Iluka has a representative here in Melbourne but most employees are associated with our operations in the regional areas of Hamilton and at mining operations nearby at Douglas and in the north-west of Victoria, near Ouyen. Iluka is a major employer in these areas.

Before I formally begin the meeting, I would like to introduce my fellow Directors. Details of Directors' experience and qualifications are outlined on pages 4 and 5 of the Annual Report.

On my far left is Wayne Osborn who joined the Board in March 2010. Wayne is the Chairman of the Remuneration and Nomination Committee.

Next is Stephen Turner. Stephen also joined the Board in March 2010. Stephen is a member of the Audit and Risk Committee.

Next to Stephen is Jenny Seabrook who joined the Board in May 2008. Jenny is a member of both the Audit and Risk Committee and the Remuneration and Nomination Committee. Jenny is standing for re-election today and I will speak to that resolution later in the meeting and I will invite her to address the meeting at that time.

Next is Gavin Rezos who joined the Board in June 2006. Gavin is a member of both the Audit and Risk Committee and the Remuneration and Nomination Committee.

Next is Don Morley, who joined the Board in 2002. Don is Chairman of the Audit and Risk Committee. This will be Don's last AGM with Iluka as he has indicated his intention to retire at the conclusion of today's meeting. I will say more about Don's contribution to the Board in a moment.

I would like to introduce David Robb, Iluka’s Managing Director and Chief Executive Officer.

And on my immediate right is the Company Secretary, Cameron Wilson.

We also have members of Iluka’s Management Team present here today. These include our Chief Financial Officer, Alan Tate; the head of Australian Operations, Steve Wickham; our General Manager, Finance, Simon Green; Peter Benjamin, General Manager, Exploration and Geology; Chris Cobb, General Manager, Sales and Marketing; Dr Victor Hugo, General Manager, Product and Technical Development; Doug Warden, General Manager, Business Development and Dr Robert Porter, General Manager, Investor Relations.

Also present is David Smith, a Partner at PricewaterhouseCoopers, the company’s auditors. Mr Smith will be available to answer any questions on the conduct and content of the audit.

Please note that as usual all questions should be directed through the Chair.

Copies of both my address and that of the Managing Director will be available at the conclusion of the meeting. I would also remind shareholders that copies of the Iluka Review 2010 and the Annual Report are available here today. Both documents will provide more detail on the 2010 financial year and the business than we intend to cover in the formal proceedings of the meeting.

Moving now to the formal part of the meeting, I am advised that a quorum of members is present and I declare the meeting open.

The Notice of Meeting has been circulated and I propose that it be taken as read.

The minutes of the 55th Annual General Meeting of the company held last year in Perth have been signed and a copy is available for inspection. The Company Secretary has the minutes.

The proxies received for today's meeting are held by the Company Secretary. We have received proxies representing 292.6 million shares or 70 per cent of the company’s issued shares.

The first item on the agenda of the meeting is to receive and consider the financial statements. No resolution or vote is required on the financial statements.

To deal with this item this morning, I will make some introductory comments and then ask David Robb, our Managing Director, to address shareholders.

After my comments and those of the Managing Director, I will open the meeting for general questions before dealing with the other agenda items.

2010 was an important year for Iluka. It was a year in which a transformation of the company was completed and a year which set a base for a period of significantly improved shareholder value creation and delivery.

I would like to commence by congratulating our Managing Director, David Robb, his Management Team, Iluka employees and our key contractors and suppliers. People involved with Iluka have created the turn around in the company's performance.

Lead by David the company has been positioned to capitalise on improving demand and limited industry supply response capability. However, and no matter how welcome these conditions are, Iluka would not be in the position it is today without this team.

The company has restructured its asset base.

This has involved the successful development and commissioning of two new sources of production – the world class Jacinth-Ambrosia operation in the Eucla Basin of south Australia, and the first of the northern Murray Basin deposits – Kulwin in Victoria.

The company has invested over $600 million of shareholder funds in these projects and the associated upgrading of processing capacity in Western Australia. The projects, in aggregate, have been delivered on schedule and within budget, and with both projects ramping up and achieving name plate capacity in mid 2010.

We now have our operational base well set at a time when market conditions appear to be in our favour. Mr Robb will discuss the market in greater detail in his presentation.

In South Australia, we also completed the construction and commissioning and ramp up of a major resource development which is the first in a mixed use regional reserve in South Australia. We have achieved this without a significant environmental incident or a lost time injury.

These standards are – and continue to be important parts of how we assess our own performance. We know they are important criteria for most of our stakeholders.

Management have overseen the challenges of idling major elements of the company's Western Australian operations.

In doing so, Iluka was required to reduce its workforce by about 50 per cent. In Western Australia, including many long-serving employees, were made redundant as we idled operations over the last few years. This difficult but necessary task was achieved in a manner which I believe demonstrated Iluka's commitment to treating affected employees fairly and with dignity. And I hope we maintain a good reputation in the communities of which we have been an important part for many years.

The transformation in Iluka's marketing disciplines and approach over recent years has been impressive. It is being reflected in advances we are making in market penetration in fast growing markets, such as China, where we now have a direct market presence; an increasing country knowledge and strengthening relationships with a large number of customers. In fact our direct customers have grown from less than 50 in 2006 to over 150 now.

In broad summary, in recent years Iluka has become a more professional, more analytically based and more disciplined company. This has been achieved while adhering to a set of values we are happy to be measured against.

While business always involves managing risks and uncertainties, Iluka's ability to anticipate and assess risk is now more evident than it has ever been during my time on the Board.

Clearly, signs are generally positive, but we have not delivered the financial results which shareholders rightly expect. Our 2010 full year results still represented an inadequate profit performance, as we remained reliant for the first half on the more mature operational base as a recovery in demand unfolded. The second half performance showed the start of the transformed Iluka. The share price appreciation does not just reflect last year's financial performance. We expect significantly improved financial results over 2011 and 2012, and beyond.

The company's cash flow generation is much stronger. This has enabled debt to be reduced. Our net debt has reduced from $312 million at the 31 December 2010 to $247 million at the end of April.

The Board's confidence in the future was underlined by the determining of an 8 cent dividend per share; the first since May 2007.

The company expects to regain and maintain balance sheet flexibility to reward shareholders through returns; to invest more in organic opportunities within the business; and, if appropriate, to consider value enhancing opportunities outside the existing portfolio.

As you would expect in any business, not every aspect of business performance is to the Board or management's satisfaction.

In 2010, Iluka did not meet its key health and safety improvement targets with a higher frequency of injuries, as measured by the total recordable injury frequency rate, which increased by 23.3 per cent compared with 2009.

Fortunately, most injuries were minor, as reflected by a reduction in the injury severity rate, which declined by 19.2 per cent. However, any injury is a cause for concern; it may have been a close shave which could have incapacitated an employee, or worse. As such, no injury is a cause for complacency.

The Annual Report specifically states activities undertaken in 2010 to strengthen the performance. I would like to draw shareholders' attention to the fact that the drive for zero accidents is a relentless and continuous focus of management and is an endeavour supported by the Board.

The equity market's assessment of the company's prospects and of the positive supply/demand dynamics in the mineral sands market overall, has been welcome after several years of relative underperformance.

In relation to Iluka's share price performance, I recognise that for much of Iluka's transformation, shareholders have had to exercise patience.

It is pleasing to cite a couple of statistics to demonstrate that this patience is now being rewarded.

Iluka's share price increased over 250 per cent in 2010. The share price has appreciated by 60 per cent since 1 January 2011 to yesterday. And since 1 January 2008, the Iluka share price has appreciated 360 per cent. As shown on this chart, the Iluka share price performance has been strong relative to the ASX 200 Index and the ASX Materials Index, since the beginning of 2008.

If I could turn to Board matters.

I will address executive and Board remuneration, when I deal with the remuneration report later in today's proceedings.

As indicated in the notice of meeting, Don Morley has elected to retire from the Board at the conclusion of today's meeting. Don joined the Iluka Board in December 2002. In May 2004 was appointed Chairman of the Audit and Risk Committee. Don is currently the longest serving director of Iluka. He has been a major contributor to all decisions during his tenure. Don brought to the Board his significant business and global resource industry experience. The Board will miss his insightful questioning, good judgement and focus on shareholders. While missing him around the Board table we look forward to maintaining a long friendship with both he and his wife, Jane.

It is pleasing that Don's contribution is reflected in a markedly improved outlook for Iluka.

I thank Don for his support and his major contribution to Iluka's success. I am sure other Directors and shareholders present will join me in thanking Don for his contribution to our company.

Thank you. Please, by all means, catch up with Don after the meeting today.

Before I finish my formal comments, I would like to refer to a matter referred to in the Iluka Annual Review – that is the Federal Government's intention to impose a Carbon Tax. Iluka will not enter into the discussion at to whether Australia acting independent of its neighbouring countries and other major economies in introducing a tax with the intent to reduce carbon emissions is either warranted or the appropriate course of action. Both matters, however, legitimately warrant consideration.

I should point out to shareholders that under the Government's previous scheme, Iluka was granted formal recognition as an Emissions Intensive Trade Exposed Industry for its synthetic rutile operations. That status recognised that these operations are of economic value domestically and compete directly in global markets with similar products produced in jurisdictions that have not announced an intention to impose a Carbon Tax on their industries. That status provided reassurance that Iluka's operations would not be disadvantaged on an international basis, potentially to a level that resulted in production reducing in Australia and increasing elsewhere for no net global benefit in terms of carbon dioxide emissions.

Shareholders should be aware that it is very important that a similar recognition of Iluka's competitive position is maintained under any new Carbon Tax regime. If this were not to be forthcoming from the Federal Government, it would potentially damage the competitiveness and viability of this aspect of Iluka's operations, impacting employment and regional economies, as well as shareholder returns.

Clearly, Iluka is not alone amongst sectors of the Australian economy in being concerned at the international competitive effects of a selected tax, ostensibly for global economic benefits, being applied selectively by one country. However, as mineral sands often doesn't command the same profile as others sectors – yet our issues are similar – I felt it warranted to raise this matter in this forum and request shareholder support for the retention of the status previously accorded.

In concluding my remarks, I wish to remind shareholders of the fundamental point that it is hard to look at Iluka and its reported performance in 2010 without putting that performance into the broader context of the transition Iluka has achieved, and the role the entire workforce has played in that transition.

I take significant comfort from the fact that many shareholders are being rewarded by share price appreciation, and dividend resumption, and that those with a deep knowledge of our industry recognise the performance of the company during the latter part of 2010 as being both somewhat unique but also based on very sound planning and execution, during – I might say – some highly challenging periods.

I will close my remarks later by thanking my fellow Directors, the management and shareholders for their support.

I will now, however, invite David Robb to address the meeting.

MANAGING DIRECTOR'S ADDRESS (Mr David Robb)

Thank you Chairman. Good morning ladies and gentlemen.

For those of you who have been Iluka shareholders for a while, you will appreciate the process we have undertaken over the last few years to achieve one simple, overarching objective: to create and deliver shareholder value.

A large part of that has been a necessary transformation of the Iluka business and the adoption of a leadership role in certain aspects of the industry. This has encompassed some of the things the Chairman has referred to: delivering new projects; executing better in the marketing arena; engendering a greater degree of accountability, commerciality and discipline, within the company; all while attempting to improve our safety and environmental performance.

I am pleased with the progress made, particularly in the last 12 months, although I am conscious that much hard work has been necessary over a longer period, by many people, to get to a situation where we see a coming together of a number of favourable events. I would also reiterate the Chairman's comments that we are under no allusions that superior financial performance now has to be delivered. I am confident that the "new Iluka" will deliver in 2011, despite the Australian dollar trading at post float highs.

The favourable events I referred to have been largely of our making, have involved complex decisions and, at times, have required us to hold our nerve. They can be summarised in the following:

- First, the difficult transition to new, long life, high quality operations is complete. We have invested large sums of money here in Victoria and in pioneering new investment in a regional reserve in South Australia. At the same time we have idled or closed lower margin activities in Western Australia. Together these changes have shifted our geographic centre and increased the proportion of higher value products in our sales mix;

- Second we have led the way to much improved pricing dynamics for zircon and now high grade titanium dioxide. Significantly higher prices have been achieved for our products and we believe these new levels should be sustained over an extended period of time;
- Third, the contribution from our unique, low risk Mining Area C iron ore royalty is growing; and
- Finally, and flowing from the above factors, we expect significantly improved financial performance from this year forward, including much stronger cash flows and, with this, the opportunity for strong returns to shareholders.

I would like today to address a few areas briefly and leave adequate time for shareholders to raise questions. These areas are:

- First, market conditions as we see them now and, without providing price forecasts – which we don't do – highlighting some future potential trends;
- Second, our options to generate greater top line or revenue growth, not just from pricing but from higher production and sales;
- Third, our organic growth opportunities within the portfolio, to which we are now deploying more intellectual and financial resources; and
- Finally, a comment about our thinking on priorities for deploying the improved cash flow which we expect.

Before doing so I would like to reiterate the Chairman's comments on the Federal Government's proposed Carbon Tax. Iluka shareholders, employees and communities have a right to expect that the company's operations are not disadvantaged on an international basis by such a tax – for no global environmental benefit. They have a right to expect that previous formal recognition of our synthetic rutile operations as an Emissions Intensive Trade Exposed Industry will be preserved in any new arrangement.

More generally though, whether you believe that anthropogenic climate change is certain, probable or unproven, it is prudent to consider the possibility and prepare accordingly. However, as a country we need good political and policy formulation processes to get good policy outcomes. We have not seen those necessary policy formulation processes in relation to the Mineral Resources Rent Tax, the Resource Super Profits Tax and now the Carbon Tax.

As a result, Australians are being asked to accept a major and risky economic change when neither concerted action by major global emitters nor community consensus for change within Australia is in place. By way of analogy, it is as if we are being asked to be one of the few country houses in a global street to prepare for climate change by paying more for our air conditioning, or by turning it off, without a solid case being established as to why and how we should do it and despite that fact that ours is the smallest house in the street and the most reliant on our air conditioning. Let me say again, poor process leads to poor policy.

Mineral sands market conditions

As shareholders will appreciate, Iluka operates within two quite distinct product segments – zircon and high grade titanium ores – each supplied to a different customer base for different end-use applications.

The factors which drive demand in each segment are, therefore, quite different. However, there are two overarching supply/demand perspectives that apply to both: first, the arrival of a new world order led by emerging economies and, second, the limited, increasingly challenged sources of raw materials to feed the growth of those same economies, particularly the phenomenon that is China.

As a result, a common feature across both our product segments is that supply is tight or in deficit while demand is strong.

It is perhaps not surprising that the mineral sands industry should now face a challenge in responding to demand with new sources of supply.

As shareholders would appreciate, for the last ten years or more, this is an industry which has struggled to generate adequate let alone superior returns.

Over that time, an important factor was that pricing for raw material suppliers was, generally, constrained by what the industry has referred to as “cap and collar” contracts. Iluka was no different – the majority of its titanium production until recently was sold under contractual terms that limited price increases (or falls) to a few per cent each year. Under these circumstances, in an environment of rising costs, large capital required to develop new resources, and the inherent risk of exploration or of adding new capacity, investment falters. The industry then reaches what we have referred to previously as a “crunch point” in terms of availability of high quality titanium ore and zircon supply. Unlike some other raw material sectors, the mineral sands industry does not have a large number of new or even potential projects in “the pipeline.”

Shareholders have seen Iluka fulfil its role as the leading market participant in zircon. After holding our nerve in 2009 (by keeping our projects on track despite financial and other pressure to slow down or suspend activities; and by doing what we could – including cutting back production substantially - to put a floor under zircon prices), as demand has recovered Iluka has increased zircon prices on five separate occasions from 1 April 2010. The weighted average received price over this period to the end of the June quarter of 2011 has doubled, to an average received price in this quarter of close to US$1,600/tonne. Supply remains constrained. Iluka continues to ration customers and the industry remains short of inventory at all levels in the supply chain.

In our business we have direct relationships with the vast majority of our customers.

Our relationship with our customers is important. It is not lip service when we say that we want to create not only a more profitable Iluka but also play our part in ensuring a more profitable and sustainable industry.

As such, our approach has been to attempt to achieve upwards pricing momentum but also to allow our customers some lead time opportunity to reprice their products to reflect higher raw material input costs. In zircon, we have been able to advise customers about one month in advance about any planned Iluka price increase. This has enabled our customers to reset their prices to their customers, if they so choose and have the capability to do so. We seek to achieve similar outcomes in titanium dioxide pricing and this approach has worked well, on the whole. We see evidence of customers, notwithstanding their issues with obtaining adequate supply, maintaining their profitability. And, given that the cost of our raw material – whether it be zircon in ceramic applications or titanium ore in coatings – is generally a small percentage of what the end consumer pays as part of an infrequent buying activity, there is therefore, in our assessment, considerable headroom for these increases to occur and be sustained.

For titanium, the industry’s main product by volume, a set of dynamics exists that is similar in some ways and very different in others. Supply is tight, especially of high grade titanium products. In this environment, a fundamental change in contractual pricing arrangements is now occurring.

By a quirk of history, Iluka appears to be the titanium raw material supplier who has become free of the constraining “cap and collar” contracts I referred to previously before, or more comprehensively ahead of, other major suppliers. So while not being the largest participant overall in titanium feedstocks, we have had the opportunity to move first and have done so.

Iluka entered into supply contracts for rutile and synthetic rutile for 6 months – as opposed to the previous norm of 12 months or more – and Iluka achieved materially higher prices – up 30 to 40 per cent – for the first six months of 2011.

Iluka is pleased to observe a concurrent change in pricing by its largest titanium feedstock customers – pigment producers. Pigment producers during the latter half of 2010 and into 2011 have reset their prices for pigment at levels appreciably higher than the historical norm. When it is remembered that only part of the titanium feedstock supply to a pigment producer is likely to be based on the new pricing arrangements, pigment producers may have achieved margin expansion in advance of raw material price increases. As with the zircon market, we are pleased to see evidence of maintained or improved profitability for our customers as this and secure feedstock supply are pre-requisites for investment in new capacity.

With the pricing momentum being achieved, it is probable that new raw material projects will be induced. However, as we see it, for both high grade titanium and for zircon, there is not a well defined pipeline of projects, let alone committed, funded or commenced new mines, which will materially impact supply over the medium term.

Clearly, Iluka believes it has a role in terms of a supply response to strong demand which I will now touch upon.

Production response options

Iluka plans to play a role in increasing industry raw material production. We believe we can bring a certain amount of additional production into the market quicker, at less capital cost and less risk than many of the mooted new sources of supply.

Our approach in this area is being determined within our annual update of business plans covering a five year horizon. This process will be completed, following Board review, later this year. As such, in my comments today, I do not want to pre-empt detailed analytical work which has commenced but has not yet been completed.

Our approach is to be very measured in any production increase deliberations. I think this is understandable. The company has endured a period of less than adequate shareholder returns and we want to see a clear turnaround in that before taking further major steps.

What I can do today is to outline some options under consideration.

For high grade titanium supply, the main avenue we have is the reactivation of idled synthetic rutile kilns. To remind shareholders, Iluka has idled two of its four kilns over the last two years. Iluka currently is running its largest kiln in the South West of Western Australia, SR2, which has an annual capacity of approximately 200 thousand tonnes of synthetic rutile. The other kiln in operation is SR3, located in the Mid West of Western Australia. This kiln has been operating since April mainly as a research and development vehicle for ilmenite blending trials and for the production of new upgraded ilmenite products. Our current plans are to run this kiln until around the end of the third quarter this year.

Apart from economic considerations – for example, the synthetic rutile prices we want to reactivate idled capacity – the other key issue is ilmenite feed to run multiple kilns. The ilmenite blending work we are doing is a key component of this and has involved trialling Murray Basin ilmenite – a major proportion of which is currently considered to have no economic value – with other ilmenite feed sources, including that from Jacinth-Ambrosia and, potentially, ilmenite produced by third parties.

The trials to date are encouraging and suggest Iluka can utilise a larger proportion of internally sourced ilmenite for synthetic rutile production than previously thought feasible.

Other sources of ilmenite include the Tutunup South mine in Western Australia, which is expected to come into production next month and be a major part of the feed source for SR kiln 2, and the potential reactivation of mining at Eneabba in the Mid West to provide not only ilmenite, but zircon and rutile over a period of a few years.

Iluka is also looking at the potential to accelerate the development of the large Cataby deposit in Western Australia, which was previously envisaged to start around 2019.

In relation to additional zircon production, the company is investigating a number of options.

At Jacinth-Ambrosia, a reconfigured mining plan and mining method is being trialled which, together with some minor equipment modifications, has the potential to allow a modest increase in production. This low capital option is preferred before consideration of other approaches which would probably entail more meaningful investment in additional equipment and infrastructure.

Iluka has large tailings stockpiles, mainly in the mid west of Western Australia. A small quantity of this material has been treated overseas with zircon recovered as part of the process. Iluka is investigating expanding this approach to increase zircon production, again with minimal capital outlay.

I have mentioned the potential to restart Eneabba. If we were to do this, there would be the potential to produce an additional 25-30 thousand tonnes a year or so of zircon for a period of 3 to 4 years.

The company is reviewing all of its Ore Reserve and Mineral Resource assessments based on a view that zircon, rutile and synthetic rutile pricing may be higher going forward than historically has been assumed.

In addition, we update our mine development analyses annually to determine which Mineral Resources should be included or excluded from mine planning. In the current environment, we are encouraged to work hard to find ways to bring additional resources – resources such as Atacama, Typhoon and potentially Tripitaka, which are all in the Eucla Basin – into our ten year mine plan.

Similarly, our people in the United States are working on land access and permitting issues in relation to a potential, material life extender to the Virginia operation, through efforts to commercialise what we refer as the Aurelian Springs deposits.

While I am not in a position to provide more detail at this stage, I want to emphasise that Iluka has a number of options within its portfolio under evaluation to increase production over the next few years to levels above those currently being achieved.

Organic growth opportunities

Shareholders will have noticed that in the guidance we provided for 2011 capital expenditure within the group is significantly lower than the previous few years. Compared with an average capital expenditure over the period 2008 to 2010 of about $280 million dollars per annum, we expect to spend around $100 million dollars in 2011.

The lower capital expenditure profile, combined with stronger operating cash flows, means that more can be invested in organic opportunities within Iluka.

This will be in several key areas.

First, we will spend more on exploration activities – particularly greenfield exploration. From a recent average of $20 million annual exploration, the expenditure planned for this year will be closer to $25 million and move towards $30 million per annum. This will allow the company to intensify exploration efforts in its large and prospective tenement holdings in the Eucla Basin of South Australia, shown here in yellow, as well as the Murray Basin in Victoria and New South Wales.

In addition, Iluka has and will continue to identify what we refer to as new exploration “search spaces.”

In this regard, Iluka is making good progress in establishing exploration tenement holdings in new areas globally which we consider to be prospective for large, long life, high quality mineral sands deposits.

Iluka’s internal research and development activities have, it is fair to say, been truncated while the focus has been on the execution of critical new projects.

We are now increasing our efforts directed towards: developing new products which meet changing customer needs; providing technical advice to customers to support their use of our products; customising our product offer for particular applications; and commercialising part of our resource base previously considered of low or no value. Of course we also continue to focus our technical abilities on enhancing recoveries and reducing unit operating costs.

Our Product and Technical Development group has been undertaking exciting, value creating work across a number of fronts. The ilmenite blending trials I mentioned are one example. Another is in development of a new product, acid soluble SR, which – as distinct from our current synthetic rutile products which are used in the chloride pigment process – may be able to be utilised in the sulphate pigment process, which comprises some 45 per cent of the pigment market.

Iluka’s production, marketing, technical and commercial teams are also working to create value from iron oxide and monazite tailings - production operations by-products which we have stored in the past and which may be monetisable today.

Finally, I think we have demonstrated how a re-focussed marketing effort can pay dividends. We have changed how we go about selling our products, both structurally and geographically. We have shortened traditional pricing horizons to better reflect market dynamics. We have more frequent price resets available to us, which creates additional value as prices rise. We have a solid in-country presence in the world's largest zircon market – China – and have changed our logistics approach through warehouse distribution and a small lot sales capability, to ones more suited to this and other developing economies, focussing on what we have referred to the "long tail." Continued investment in marketing and market development will occur.

Utilisation of cash flow

Finally, I would like to make some brief comments in relation to uses of cash flow.

As the Chairman indicated, Iluka's net debt at 30 April was $247 million. Most analysts' forecasts have, reasonably we think, predicted Iluka to have no net debt at the end of 2011.

Under these circumstances an increasingly common question – and, I might say, a pleasing question to now receive – is "what will Iluka do with its cash"?

The first point to make is that we will, as you would expect, be prudent and be conscious of the fact that some Iluka shareholders are yet to see a solid return on their investment in the company.

So, as the Board demonstrated by reinstating dividends with the 2010 full year results, our first response to this question is that distributions to shareholders – whether straight dividends or dividends and some other forms of capital management – will be an important part of the mix. Where this company generates surplus cash and there is not deemed to be an opportunity for its effective utilisation in the near to medium term, the approach will be to distribute that cash to shareholders in the most appropriate and effective manner.

Next, Iluka will invest in internal opportunities within its existing business – to develop both physical and human resources and to enhance the intellectual and technical capabilities of the business. We believe that the greatest growth leverage we can achieve at lowest capital expenditure and lowest risk is to capture the opportunities we have in our existing portfolio and to explore to find more.

I get asked more frequently now about M&A opportunities. Perhaps that is the clearest sign of a hot market in which such activities typically destroy rather than create value. Time will tell. However, Iluka is building a strong balance sheet which better enables us to contemplate acquisitions than has been the case previously. Quite apart from cash flow, we now have stronger internal capabilities and more time to think about, to identify, to screen and to assess such opportunities.

I should point out that within the mineral sands universe currently there is little we assess as particularly attractive from the point of view of margin structure and/or materiality, especially when compared to the opportunities we see in Iluka's existing portfolio at this point in time.

My experience tells me we will no doubt in the years ahead look at lots of things and reject the overwhelming majority. We will be opportunistic but we will also have a clear filter on any opportunity which is: "what does Iluka bring to this opportunity apart from cash?" If the answer is "not much" we will be especially cautious.

We intend to be disciplined, but retain a focus on the value that can be created by growing a business over time.

To sum up, I think – absent the types of international economic shock which we saw in 2009 and which obviously cannot be ruled out from happening again – that Iluka has a very positive period ahead of it.

Our near term focus is to:

- Operate safely and in a sustainable manner;
- Get on with disciplined growth by doing “more with what we’ve got”; and then
- Looking to capex-efficient and cost-competitive production increases.

Our medium term focus is to:

- Ensure our marketing and prices properly reflect supply/demand dynamics;
- Exploit the value creating potential in product and technical development;
- Increase our spend in greenfields exploration and in new provinces; and
- Pursue other opportunities as they arise.

I thank shareholders for their continuing support; I acknowledge the commitment, effort and professionalism of my Management Team and Iluka’s entire workforce, I also thank the Board for their advice and support.