



2011 Half Year Results Iluka Resources Limited

25 August 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

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.

Half Year Overview



- Improved financial results
 - enhanced EPS and ROE, strong free cash flow
 - strengthened balance sheet and increased dividend
- Effective marketing strategies
 - higher prices through value chain improving margins of Iluka and customers
- Solid operational performance
 - +10% increase in full year production of Z/R/SR relative to February guidance
 - unit cash cost = guidance and <2010
- Positive product and technical development results
 - e.g. Murray Basin ilmenite as partial feed for re-activation of SR3
- Multiple production response options within portfolio under consideration
 - 1st step: Eneabba re-start – fast, low capex, low risk, quick payback

Main Features of Half Year Results

Comparison with 1st Half 2010



Mineral Sands Sales Volumes	↑	Z/R/SR sales up 1.1%; zircon sales up 12.7%. SR down 16.9% - idling decision
Mineral Sands Revenue	↑	50.6% - higher prices, better mix; partially offset by higher AUD (103.3 vs 89.4 cents)
Unit Cash Production Costs	↓	5.7% to \$550/tonne (Z/R/SR) – reflecting new operations
Revenue per tonne	↑	49.0% to \$1,165 (Z/R/SR) – reflecting pricing and product mix
Mining Area C	↑	\$44.3 million vs \$35.5 million
Mineral Sands EBITDA	↑	200.8% to \$286.7 million
Mineral Sands EBITDA Margin	↑	50.3% vs 25.2%
Group EBITDA	↑	176.6% to \$319.2 million
Reported Earnings	↑	\$145.9 million NPAT versus \$6.6 million loss
Return on Capital - annualised	↑	32.4% vs 6.1% (2010 full year)
Return on Equity - annualised	↑	25.3% vs 0.6%
Capital Expenditure (cash)	↓	\$48.7 million (compared with \$94.9 million)
Free Cash Flow	↑	\$167.7 million vs (\$47.3) million
Net Debt	↓	\$171 million vs \$439 million – reduced to \$82 million as at 31 July
Gearing	↓	12.2% vs 28.8%
Dividend	↑	20 cents per share (unfranked)

Iluka Dividend Payment



- 20 cents unfranked dividend
- Represents:
 - \$83.7 million payment
 - payout ratio 57% of profit, 50% of free cash flow
- Increase in dividend reflects:
 - strengthening profit and cash flows
 - preference for distributions to reflect performance
 - ability to reduce debt while investing for future growth

Summary Group Results



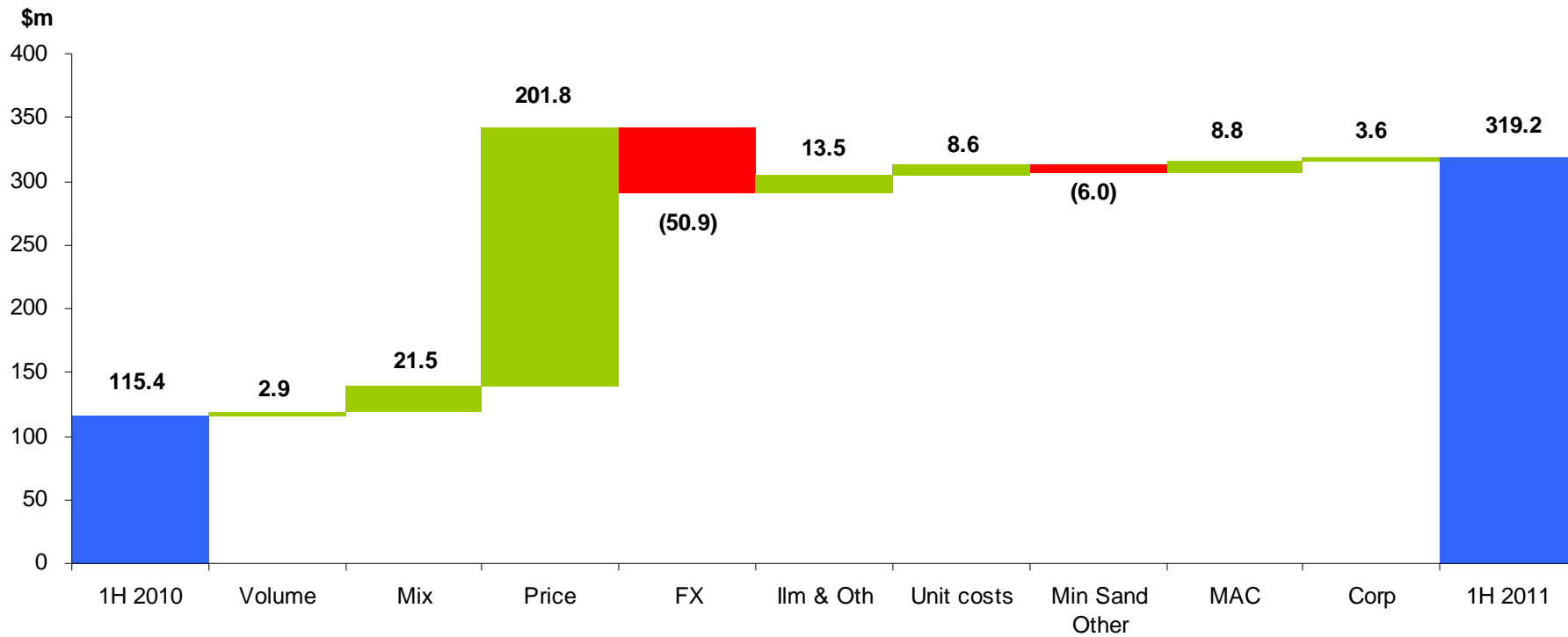
\$m	1H 2011	1H 2010	% change pcp
Mineral Sands Revenue	570.2	378.6	50.6
EBITDA	319.2	115.4	176.6
Depreciation and amortisation	(94.6)	(101.5)	(6.8)
EBIT	224.6	13.9	1,515.8
Net interest and financing costs	(18.3)	(25.6)	28.5
Profit / (Loss) before tax	206.3	(11.7)	N/A
Tax Benefit / (Expense)	(60.4)	5.1	N/A
Net Profit / (Loss) after tax	145.9	(6.6)	N/A
Free Cash Flow	167.7	(47.3)	N/A
Net Debt	(171.0)	(439.0)	(61.0)
Average A\$:US\$ exchange rate	103.3	89.4	(15.6)
Financial Ratios			
EPS cents per share	35.0	(1.6)	N/A
Free cash flow cents per share	40.0	(11.3)	N/A
Return on capital % (annualised - 2010 full year)	32.4	6.1	431.1
Return on equity % (annualised)	25.3	(0.6)	N/A
Gearing / net debt (net debt + equity)%	12.2	28.8	(57.6)

EBITDA

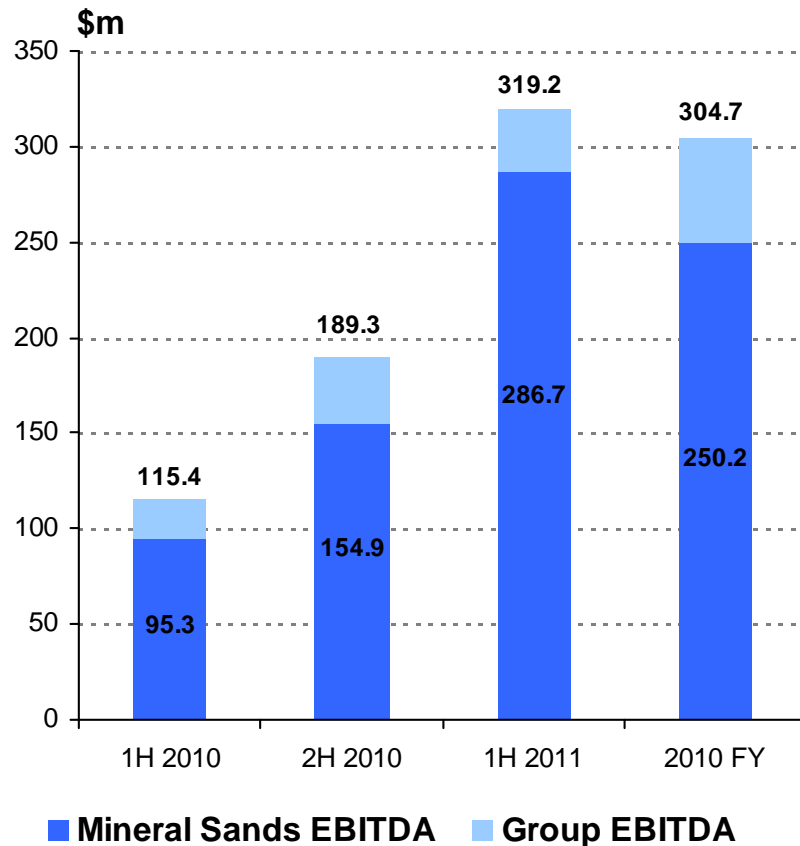
1st Half 2011 versus 1st Half 2010



ILUKA GROUP EBITDA 1H 2011 vs 1H 2010



Mineral Sands EBITDA and Group EBITDA



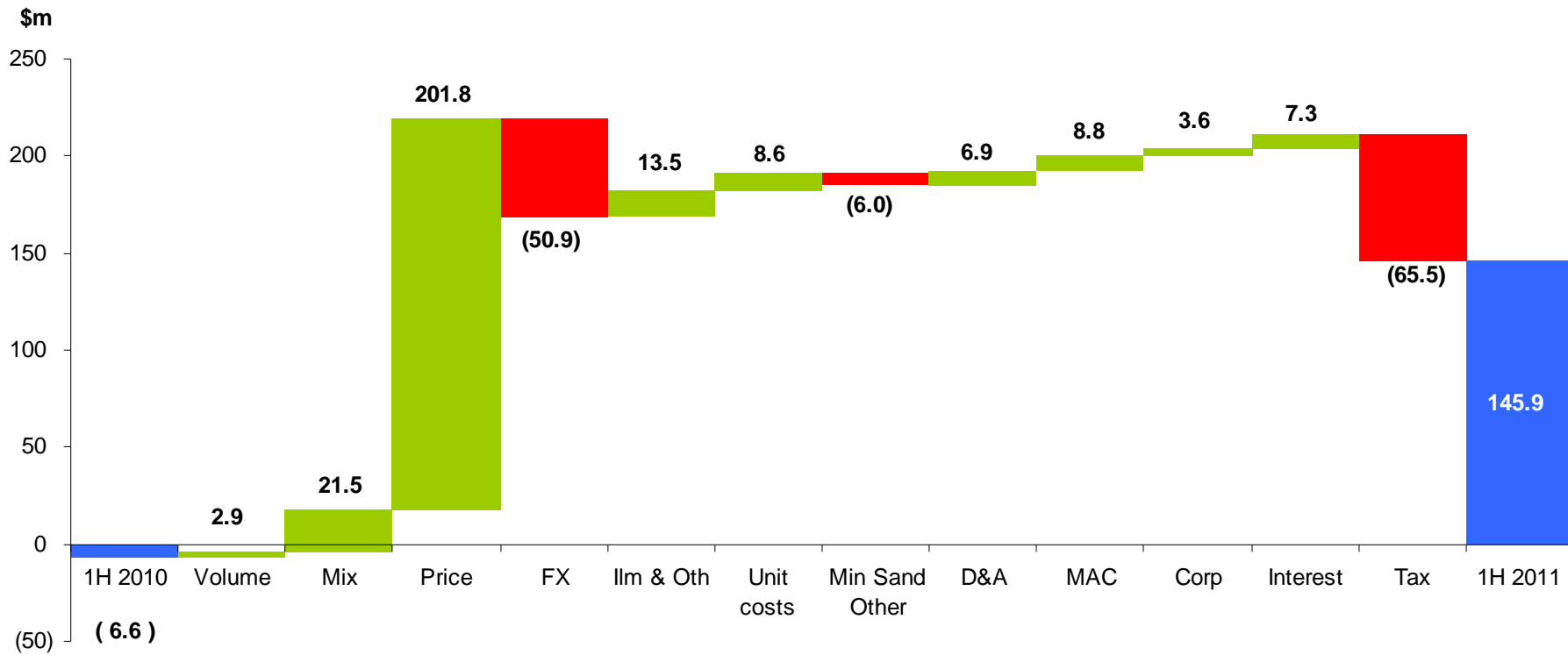
- Positive trend continues
- 1H 2011 Min Sands EBITDA > 2010 FY
 - new operations
 - higher pricing
 - more zircon in sales mix
- 2H 2011 expected to be > 1H 2011
 - higher mineral sands prices

Net Profit After Tax

1st Half 2011 versus 1st Half 2010



ILUKA GROUP NPAT 1H 2011 vs 1H 2010



Mining Area C Royalty

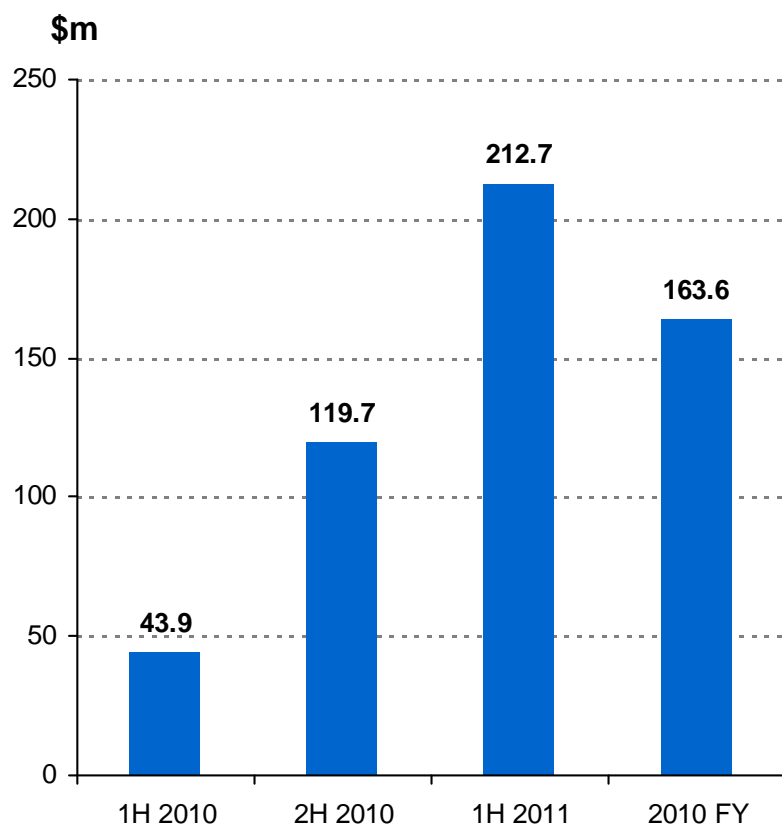
1st Half 2011 vs 1st Half 2010



	1H 2011	1H 2010	% change
Annual Production to 30 Jun MDMT	43.1	42.5	1.4
Sales Volume to 30 Jun MDMT	21.8	20.4	6.9
Royalty Income \$m	43.5	30.7	41.7
Capacity Payments \$m	1.0	5.0	(80.0)
Iluka EBIT \$m	44.3	35.5	24.8

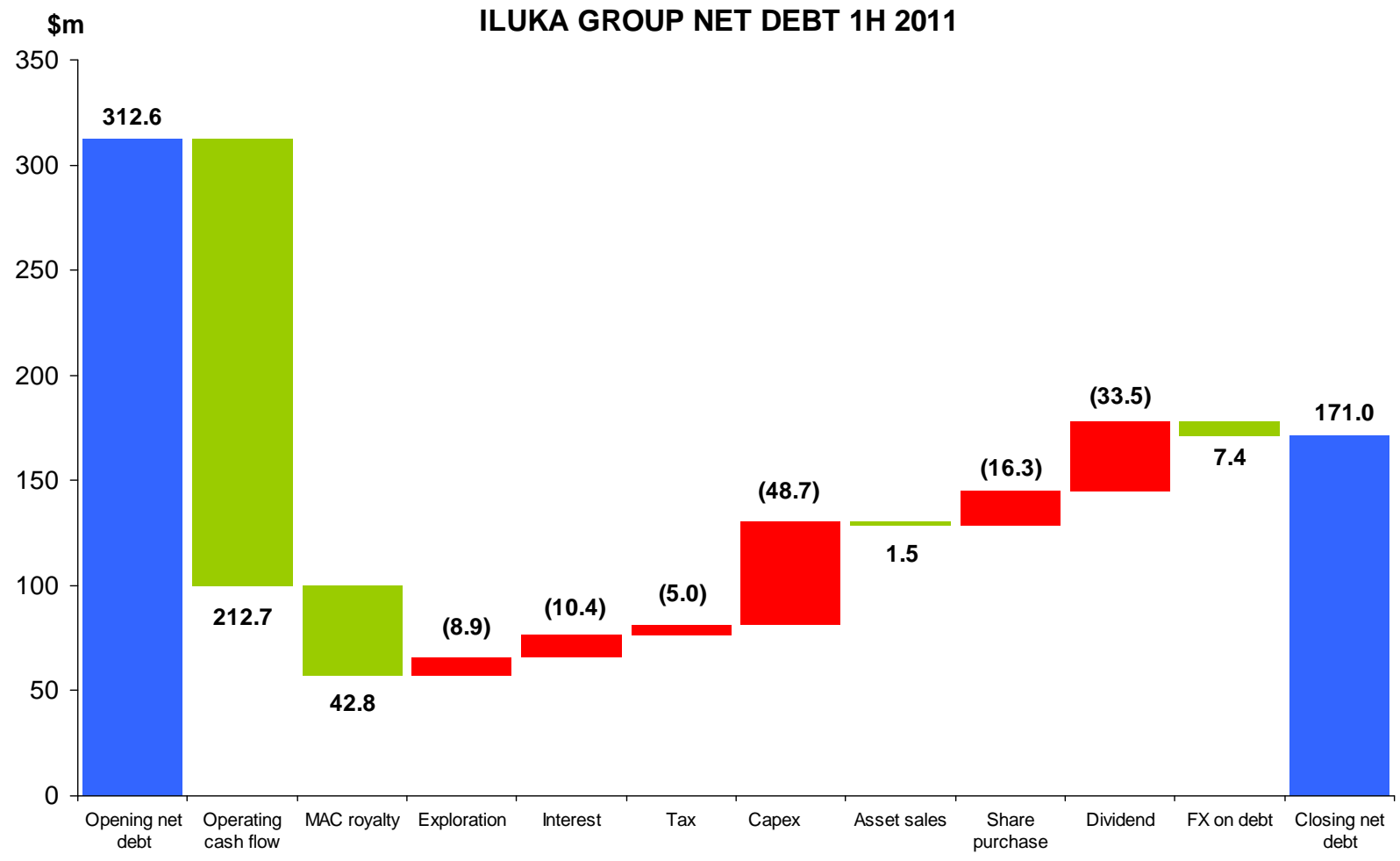
- Iron ore sales volumes up 6.9%
- Average AUD realised price increased by 32% from pcp
- \$1.0 million of annual capacity payments to 30 June (2010: \$5.0 million)

Operating Cash Flow

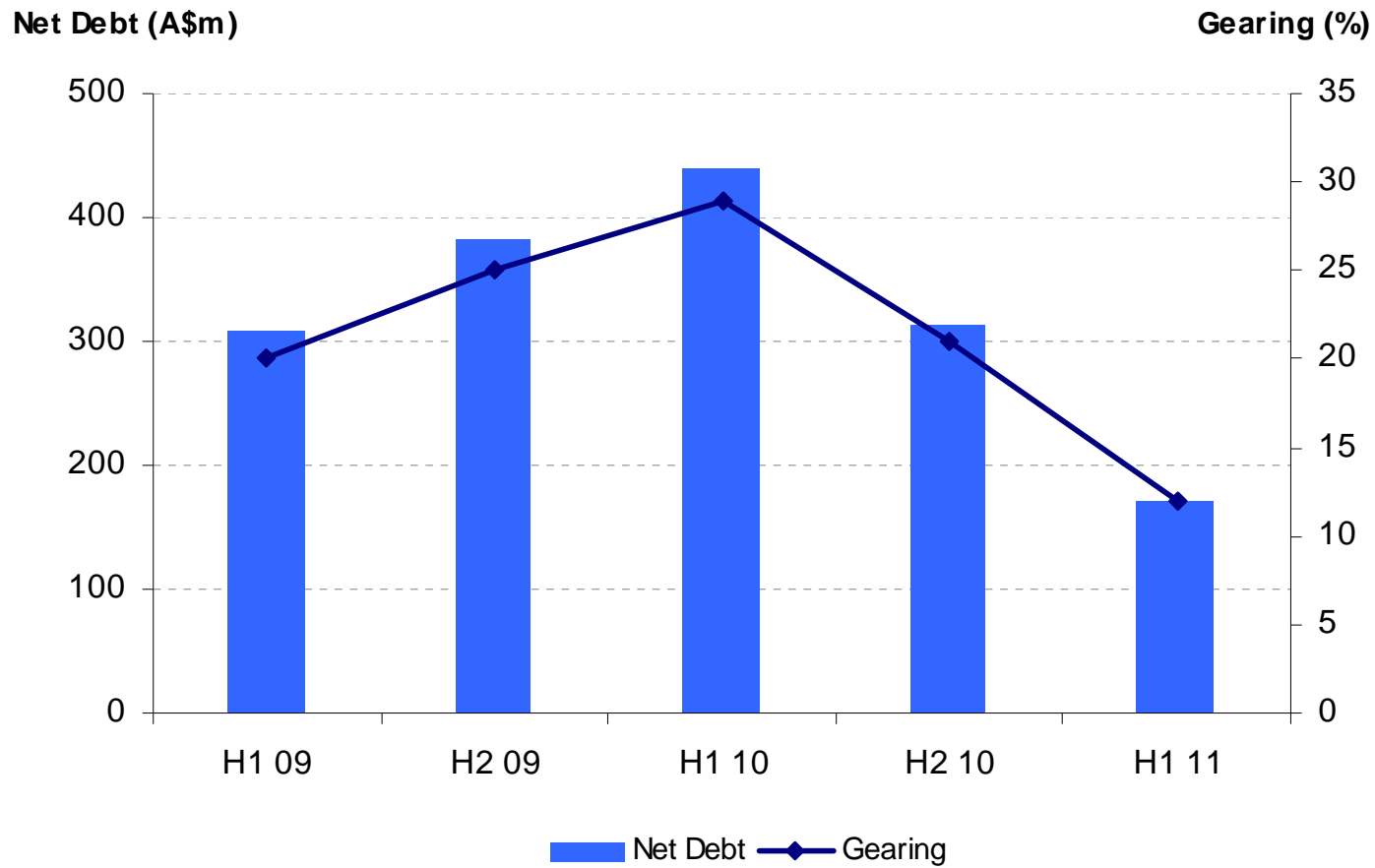


- Positive trend continues
 - increase in realised prices
 - more zircon in sales mix
- \$56m increase in working capital vs Dec 10
 - inventory build
(for Murray Basin mine move 1st half 2012)
 - shipments rolling into 2nd half
(due to port issues)

Net Debt Movement



Net Debt and Gearing



Zircon

Market Conditions



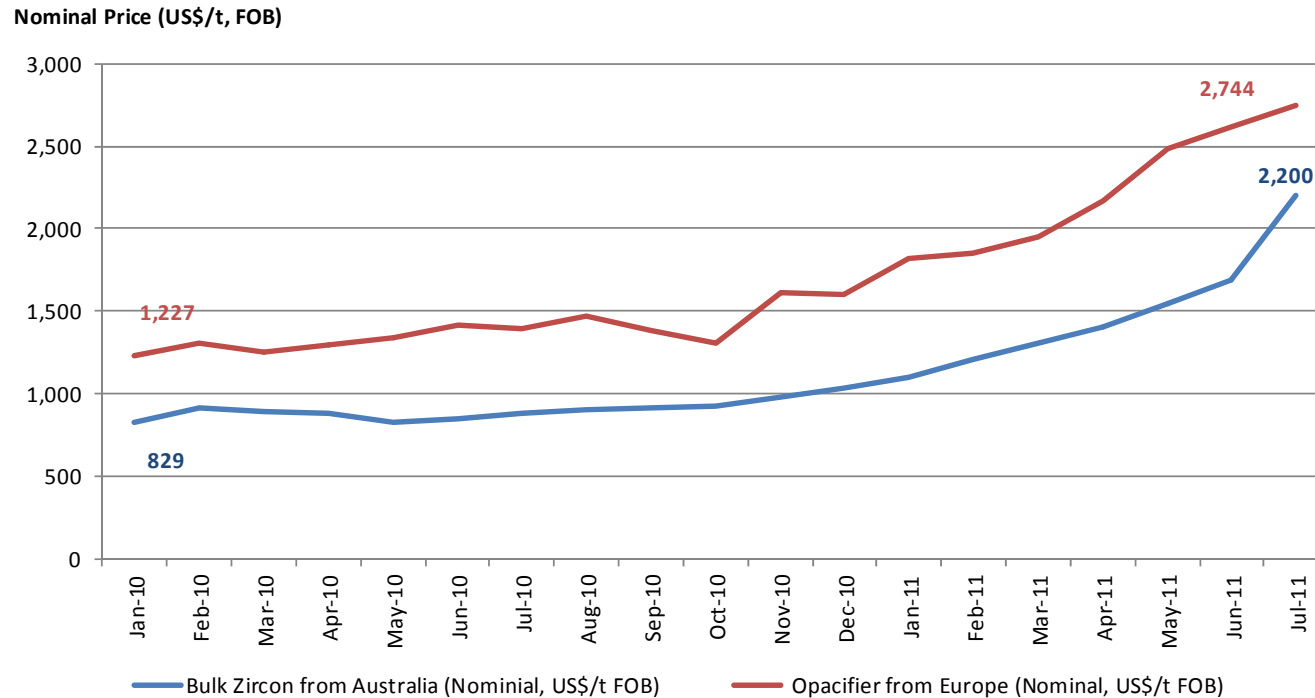
- Demand greater than supply in 1st half
 - continuing strong demand in China and developing economies
 - some signs of weaker business confidence indicators (in Europe particularly)
 - low inventory levels
 - supply shortfalls (and prices) encouraging some thrifting and use of inferior substitutes (where 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

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

High Grade Titanium Dioxide

Market Conditions



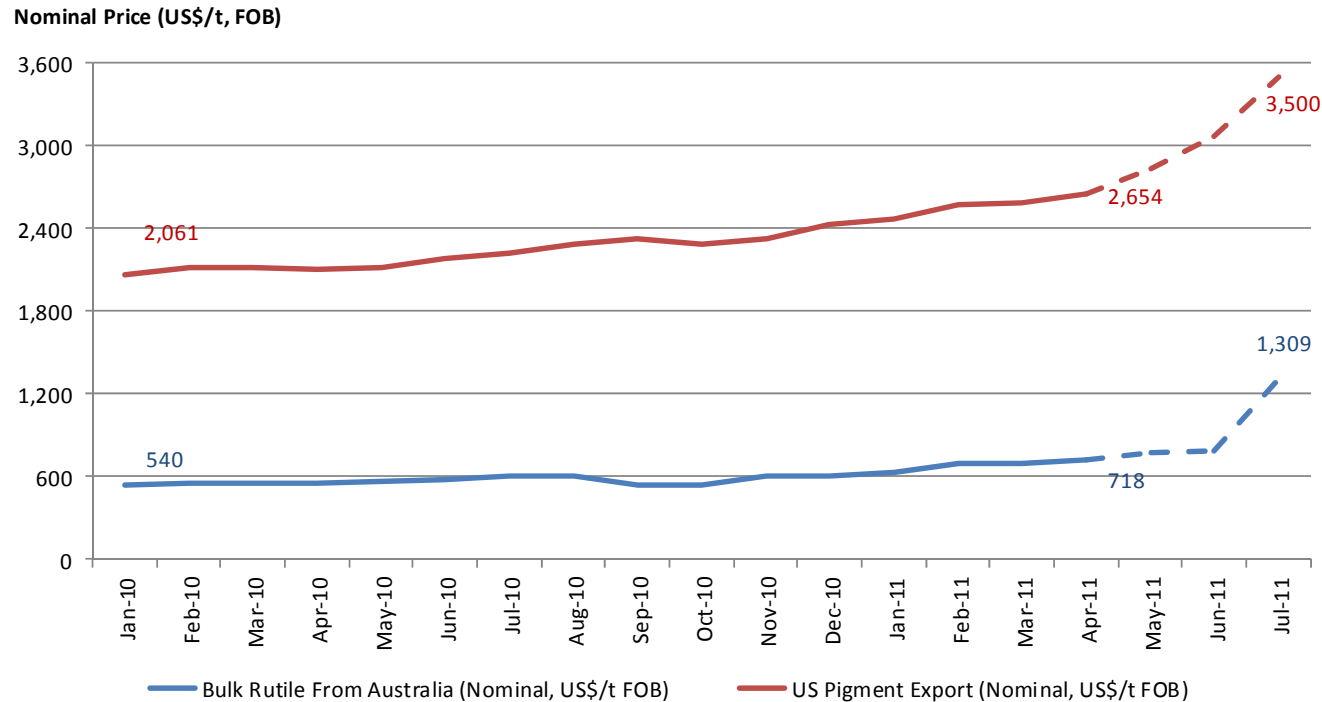
- High grade titanium dioxide supply remains constrained
- High grade raw material dynamics strongly influenced by chloride pigment activity
 - current capacity near fully utilised, healthy margins
 - production capacity creep a feature of the industry
 - DuPont announcements re significant capacity 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

Product and Technical Development



- Key area of focus in relation to:
 - monetisation of low value or waste product streams
 - development of new products to maximise value from existing operations
 - monitoring and evaluation of new technologies
 - improvement in throughputs / recoveries and mine optimisations
- Synthetic rutile R&D work:
 - successful development of new SR product
 - captures value from Murray Basin ilmenite previously considered waste
 - initially ~90ktpa of existing Murray Basin ilmenite as partial feed source for SR3 kiln

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

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



Supplementary Slides

Key Physical & Financial Parameters

2011 Physical Trends (July Update)



	2010	2011 Guidance (February)	2011 Guidance (July)	2011 Commentary
Production kt				
Zircon	413	~500	~550	Higher production influenced by favourable Murray Basin grades and strong operational performance. Iluka zircon sales volumes could be ~5 percent lower than production in 2011.
Rutile ¹	250	~250	~275	Higher production influenced by favourable Murray Basin grades and strong operational performance. Iluka rutile sales volumes could be ~10-15 per cent lower than production in 2011, in part related to a planned interruption to production in the Murray Basin in 2012 associated with a mine move.
Synthetic rutile	347	~220	~260	Higher production associated with extension of the operation of SR kiln 3. Synthetic rutile sales volumes could be ~5 per cent lower than production volumes.
Ilmenite – saleable	469	~430	~460	As previously indicated, Iluka determines external sales vs internal ilmenite consumption for SR process based on a relative economic evaluation.
Total	1,479	1,400	1,545	Overall production of Z/R/SR potentially >110kt higher than initial guidance.

¹ Rutile production volumes predominantly comprise a rutile product with a titanium content of 92 – 96 per cent together with a proportion of material with a titanium dioxide content below 92 per cent

Key Physical & Financial Parameters

2011 Financial Trends (July Update)



	2010	2011 Guidance (February)	Updated 2011 Guidance (July)	2011 Commentary
Cash Costs A\$m				
Production costs	544	~540	~620	Higher total cash costs (as opposed to unit cash costs) reflect a significant increase in 2011 planned production (>110kt of Z/R/SR) relative to initial guidance, including running SR3 kiln longer, as well as some anticipated expenditure related to initiatives to increase production.
Z/R/SR unit costs A\$/tonne	538	~560	~560	Unit cash cost of production for the full year expected to be similar to initial guidance.
Other cash costs	92	~115	~115	Similar to guidance, although higher pricing and sales outcomes may influence level of royalty payments and marketing costs.
Restructure, rehab & idle costs	24	~5	~5	
Non cash costs				
Depreciation & amortisation	219	~195	~195	
Other	15	~15	~15	
Capital Expenditure	117	~100	~170	Additional expenditure associated with Woornack, Rowneck Pirro project (including expenditure to lower mine move and operational risk), Murray Basin; road sealing at Jacinth-Ambrosia operation; Victorian HMC rail transport investment; additional infill drilling. In addition, capital committed to planned initiatives in progress to increase production, reflected in land acquisition, equipment refurbishment etc.
Operating Cash Flow	164	↑	↑	
Net Debt	313	↓	↓	
Gearing (nd/nd+e)%	22	↓	↓	

Mineral Sands Results



\$m	1H 2011	1H 2010	% change pcp
Mineral Sands Revenue	570.2	378.6	50.6
EBITDA			
Eucla / Perth Basin	151.6	46.2	228.1
Murray Basin	118.9	39.0	204.9
US Operations	34.2	20.2	69.3
Exploration and Other	(18.0)	(10.1)	(78.2)
Total Mineral Sands EBITDA	286.7	95.3	200.8
Depreciation and Amortisation	(94.6)	(101.5)	6.8
Mineral Sands EBIT	192.1	(6.2)	N/A

1st Half 2011 Cash Flow and Net Debt

\$m	1H 2011	1H 2010	% change pcp
Opening Net Debt	(312.6)	(382.1)	(18.2)
Operating Cash Flow	212.7	43.9	384.5
MAC Royalty	42.8	19.8	116.2
Exploration	(8.9)	(7.6)	17.1
Net Interest	(10.4)	(12.3)	(15.4)
Tax	(5.0)	(1.5)	233.3
Capital Expenditure	(48.7)	(94.9)	(48.7)
Asset Sales	1.5	5.3	(71.7)
Share Purchases ¹	(16.3)	-	N/A
Free Cash Flow	167.7	(47.3)	N/A
Dividends Paid	(33.5)	-	N/A
Exchange Revaluation of Net US Debt	7.4	(9.6)	N/A
(Increase) / Decrease in Net Debt	141.6	(56.9)	N/A
Closing Net Debt	(171.0)	(439.0)	61.0

¹ Share purchases are made in relation to the group's equity remuneration incentive plans

Cash Costs of Final Products Produced



	2011	2010	% change
Z/R/SR Production (kt)	566.4	450.3	25.8
Saleable Ilmenite (kt)	228.9	231.0	(0.9)
Total Saleable Product Produced (kt)	795.3	681.3	16.7
Total Cash Cost (\$m)	311.8	262.5	(18.8)
Cash Cost / tonne of Z/R/SR	550.5	582.9	5.6
Cash Cost / tonne of Saleable Product ¹ (\$/t)	392.1	385.3	(1.8)

¹ includes saleable ilmenite

Capital and Exploration Expenditure (Cash)



\$m	1H 2011	1H 2010	% change
Capital Expenditure	48.7	94.9	48.7
Exploration	8.9	7.6	17.1
Total	57.6	102.5	43.8

Production Volumes



(kt)	1H 2011	1H 2010	% change
Zircon	276.6	163.2	69.5
Rutile	136.8	113.2	20.8
Synthetic Rutile	153.0	173.9	(12.0)
Z/R/SR	566.4	450.3	25.8
Ilmenite - Saleable	228.9	231.0	(0.9)

Eucla / Perth Basin



Financials

		1H 2011	1H 2010	% change
Sales Revenue	\$m	319.1	204.2	56.3
Total Cash Production Costs	\$m	(170.9)	(161.5)	(5.8)
Depreciation and Amortisation	\$m	(28.6)	(43.0)	33.5
Inventory Movements	\$m	13.0	18.0	(27.8)
Cost of Goods Sold	\$m	(186.5)	(186.5)	0.0
Other Costs ¹	\$m	(9.6)	(14.5)	33.8
EBIT	\$m	123.0	3.2	N/A
EBITDA	\$m	151.6	46.2	228.1
EBITDA / Sales	%	47.5	22.6	110.0

¹ Restructuring costs, government royalties, marketing costs and asset sales

Key Operational Parameters

	1H 2011	1H 2010	% change
Production (kt)			
Zircon	148.0	73.8	100.5
Rutile	21.5	34.8	(38.2)
Synthetic Rutile	153.0	173.9	(12.0)
Ilmenite	118.2	209.6	(43.6)
Cash Production Costs \$m	170.9	161.5	(5.8)
Z/R/SR (\$/t)	529.9	571.7	7.3

Murray Basin



Financials

		1H 2011	1H 2010	% change
Sales Revenue	\$m	193.5	100.9	91.8
Total Cash Production Costs	\$m	(114.3)	(77.0)	(48.4)
Depreciation and Amortisation	\$m	(59.2)	(47.5)	(24.6)
Inventory Movements	\$m	49.2	21.6	127.8
Cost of Goods Sold	\$m	(124.3)	(102.9)	(20.8)
Other Costs ¹	\$m	(9.5)	(6.5)	(46.2)
EBIT	\$m	59.7	(8.5)	N/A
EBITDA	\$m	118.9	39.0	204.9
EBITDA / Sales	%	61.4	38.7	59.0

¹ Restructuring costs, government royalties, marketing costs and asset sales

Key Operational Parameters

	1H 2011	1H 2010	% change
Production (kt)			
Zircon	101.2	61.8	63.8
Rutile	115.3	78.4	47.1
Ilmenite	52.2	21.7	140.6
Cash Production Costs \$m	114.3	77.0	(48.4)
Z/R (\$/t)	527.9	549.2	3.9

US Operations



Financials

		1H 2011	1H 2010	% change
Sales Revenue	\$m	57.6	73.5	(21.6)
Total Cash Production Costs	\$m	(26.6)	(24.0)	(10.8)
Depreciation and Amortisation	\$m	(5.2)	(9.4)	44.7
Inventory Movements	\$m	3.4	(29.1)	N/A
Cost of Goods Sold	\$m	(28.4)	(62.5)	54.6
Other Costs ¹	\$m	(0.2)	(0.2)	0.0
EBIT	\$m	29.0	10.8	168.5
EBITDA	\$m	34.2	20.2	69.3
EBITDA / Sales	%	59.4	27.5	116.0

¹ Restructuring costs, government royalties, marketing costs and asset sales

Key Operational Parameters

	1H 2011	1H 2010	% change
Production (kt)			
Zircon	27.4	27.6	(0.7)
Ilmenite	146.4	117.8	24.3
Cash Production Costs \$m	26.6	24.0	10.8
Z (\$/t)	970.8	869.6	(11.6)



Iluka Resources Limited

For further information, contact:

Robert Porter, General Manager, Investor Relations

robert.porter@iluka.com

+61 3 9600 0807

+61 (0) 407 391 829

www.iluka.com