

**Speaking Notes to Accompany Narngulu Mineral Separation Plant and
Eneabba Mining Site Visit
March 2012**

Presentation by Dan McGrath, Mid West Operations Manager

Today's presentation is an overview of Iluka's Mid West Operations, with key reference to the integrated nature of the overall Australian Operations.

I am responsible for the processing operations at Narngulu along with the mining operation at Eneabba.

My background is mineral processing. I have been with Iluka for over 18 years. I have technical experience in mining, mineral separation and synthetic rutile and have held positions over recent years such as technical manager in Virginia, mine manager at Lulaton in Georgia, an internal business improvement consultant driving asset optimisation and turnaround, and recently I led the Western Australian processing component of the Narngulu upgrade project through the final stages of DFS [definitive feasibility study] into design and construction. The Narngulu upgrade provided the flexibility for the Narngulu mineral separation plant (MSP) to treat heavy mineral feed stock from almost any source once the enhancements to treat Jacinth-Ambrosia concentrate were implemented.

I transitioned into my current role during the commissioning of the Narngulu upgrade in late 2009 as the Australian Operations integration ramped up into full production.

Iluka's Australian Operations are structured within regional areas; the Mid West and South West, Western Australia, several Murray Basin operations more geographically dispersed, the South Australian Jacinth-Ambrosia operations - all with single line accountability to the General Manager Australian Operations, Steve Wickham. Iluka's Virginia operations are managed by a US based General Manager, Matthew Blackwell. Both Matthew and Steve report direct to David Robb, MD.

Additional support functions such as mine planning and development, rehabilitation and closure teams, engineering and project support teams along with, a small commercial team provide consolidation and integration support and also report through to the GM Australian Operations.

It is a feature now of Leadership Team and Board reporting on the Australian Operations that the high level financial reporting is on the basis of the Australian Operations operating as an integrated whole, or effectively a single operating unit. This reflects the evolution of what were effectively separate operations, with minimal interconnections in terms of the flow of material, in previous years.

The Mid West Operations provide the "flex" or the lever upwards or downwards to respond to market demand, along with the versatility to treat various ores in line with sales demand, hence the Mid West is integral to Iluka's integrated operational base.

The Australian Operations have a game plan which is compiled annually and is linked directly to Iluka's game plan. The essence of our game plan in 2012 is to provide operational flexibility in a dynamic market. Flexibility, such as higher volumes of the high grade TiO₂ products and lower zircon production without adverse unit costs or margin impacts, is a key priority. Both in 2010 and 2011 we had a couple of soft quarters in zircon, and needed to ramp up responsively when the typical drought

then flood cycle runs. This will be the case this year also, and we need to preserve our upside in production when the flood gates open up after what the company has described as a possible soft quarter or two in terms of zircon market demand.

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High quality long life reserves are a feature of Iluka's portfolio.

Future sources of mineral products in the Mid West are no exception.

The majority of Eucla reserves are proved.

Eneabba reserves exist currently as "probable". This is a conservative position that Iluka uses in classifying mineral reserves, which differs greatly from many junior players. The reserves are classed as probable as significant quantities of ore lie in previously mined areas within our tenements, and under current mining infrastructure. This requires detailed sequencing and planning with other reserves currently in detailed feasibility stage of assessment for "proved" classification to be applied.

The flexibility of Narngulu is second to none in the mineral sands operating centre, with South West and Hamilton (Victoria), not dissimilar.

The operation runs with a low overhead by virtue of attracting and retaining highly skilled technical and operational personnel.

Narngulu has the largest zircon production capacity of any single facility on the planet.

It has the flexibility to ramp up should market conditions provide the opportunity for higher output, evidenced by:

- 100-130ktpa of SR capacity depending on product suite (add in South West +100-130ktpa from SR1); and
- 1.2mtpa overall MSP capacity

Iluka's product development efforts have been focussed at the Mid West operations, with commercialisation of SR85 using Murray Basin ilmenites, successful preliminary testing of reactive coal and ASSR [acid soluble synthetic rutile] late last year, and some local product development efforts producing success with SREP lite [a high quality SR product for specific end market applications] and we anticipate further success with SREP "ultra" later this year.

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Whilst the flow of material across the continent may seem a little illogical, it is the essence of Iluka's capital efficiency approach.

With high infrastructure development costs in Australia, and the cost of shipping being an order of magnitude lower than road and rail, Iluka utilises the Hamilton and Narngulu MSPs for the higher return on capital outcomes than would be the case building small MSPs near mining operations.

Hamilton (Victoria) provides the base load for group rutile production, Narngulu provides the base capacity for Eucla (South Australia) zircon production.

Hamilton has the capability to treat Jacinth-Ambrosia heavy mineral concentrate [HMC], and utilise the whole plant in balance when its zircon circuits are underutilised on rutile-rich Murray Basin feed stocks.

The Narngulu MSP will demonstrate its flexibility this year by treating: Jacinth-Ambrosia HMC from Eucla Basin; Eneabba HMC; South West non-mags HMC from Tutunup South; magnetic concentrate from Kulwin (Victoria) for sulphateable ilmenite production and ASSR feed stock.

Synthetic rutile facilities in Capel (South West, WA) and Narngulu provide the similar flexibility in SR products.

Premium grade SR is produced in Capel, with local ilmenite sources ideal for that grade of SR, which satisfies those pigment customers with a need for a high grade TiO₂ feed stock.

Narngulu produces our SREP grade product, where both high grade and low radioactivity product is sought.

Both facilities can produce the “standard” grade SR product, again more examples of operational flexibility.

SR3 at Narngulu will be treating Eneabba HMC for SREP production; Murray Basin ilmenite for standard grade production (SR85); ilmenite from Kenmare for a new product developed called SREP lite for boutique Japanese specification; and additional Virginia ilmenite cleaned through the Narngulu MSP for ultra high grade SREP production.

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The Eneabba restart is an example of Iluka’s flexibility and ability to execute projects efficiently.

This capability (and demonstrated by the rapid ramp up of Jacinth-Ambrosia mine and processing facilities) is not held by our competitors.

Most of our competitors could not execute these projects with this expediency, and furthermore, could not manage the technical complexity of ore variability like Iluka can.

Some analysts view mineral sands as dig it up, wash it, throw it at the wall and you have three products. Pick up one product and heat it up, and you have another product.

I can say categorically that many fail in mineral sands, whether they be junior explorers turned miners or technical personnel moving into the field to try something new. I see many come and go, and not many get it right. Iluka is a different beast, we have the right people, and the right approach.

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Future Mine Development

Eneabba features as a significant contribution to Iluka's enhanced production project (EPP). The region is still considered a world class mineral reserve.

IPL North has the highest in-ground value and the longest mine life (between 6 and 9 years depending upon production rate optimisation).

This will be developed ahead of other deposits in the region and represents a base load for Eneabba production, while enabling the conversion of lower grade reserves such as DHN, DHE and future ore reserves.

South Tails and Allied Tails both represent a potential boost in Iluka's group production profile and contain high zircon assemblages that were typical of the southern region of Eneabba, and with ore grades considered "high" on a global scale.

Iluka's EPP has identified these ore bodies with acceleration potential, should market demand grow in line with long term trends.

Downstream processing opportunities are within nameplate capacities of the Narngulu mineral separation plant and provide a feed stock option for SR 4 re-start.

Increases in group zircon production are possible through diversion of additional HMC from Jacinth-Ambrosia to the Hamilton mineral separation plant, should these demand forecasts materialise.

Accelerated development of these reserves is made possible only through the flexibility provided by Iluka's Australian Operations integration.

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Although a complex logistics system, with multiple feed and finished goods handling movements, the flexibility provides for:

Multiple sources of feed to both MSP and SR operations

- MSP feed from J-A mine in South Australia;
- HMC from Eneabba,
- high zircon HMC from Capel and
- Murray Basin ilmenite concentrate from Kulwin

SR3 has the flexibility for multiple ilmenite feed stocks (Eneabba ilmenite, Murray Basin ilmenite, Virginia ilmenite and ilmenite purchased externally are all in the mix this year. These ilmenites can be blended or campaigned.

This flexibility occurs across the group.

SR2 in Capel (and SR1 for that matter which is being considered as the preferred unit for commercialisation of our new ASSR product)

In Narngulu we also have operational advantages such as:

- Back-loading between plant and port generating savings on operating costs; and
- multiple delivery systems for dry and wet feed, or train / truck delivery

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A 2 train operation developed in the late 1980s to accommodate variable Eneabba ore types operates at Narngulu.

This was converted to single Train Operation in 1990s following depletion of Eneabba West mine.

It was restored and upgraded to a 2 Train operation in preparation for Jacinth-Ambrosia HMC treatment in 2010.

The configuration provides almost infinite flexibility in feedstock quality, mineralogy and sizings, and can be restored easily to single train parallel operation if required.

Multiple flowsheet configurations within Plant1, Plant 2 and the rutile circuits to compliment the variable customer specifications exist.

Production constraint is currently at 1.2Mtpa feed, reflected in annual capacities of: 360ktpa zircon; 180ktpa Rutile/HyTi; 650kpa ilmenite.

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Zircon Finishing Plant

Built in late 1990s and upgraded as part of NUP in 2010. The plant tailors zircon quality to specific customer requirements. Basis of design is to produce “premium” grade zircon products, (preferred by millers and fused zirconia customers). It can be bypassed to reduce opex with foundry or refractory products depending on customer preferences. Most of the juniors are not proposing investment in zircon “finishing”, which limits their market penetration.

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SR Kiln 3

A medium scale kiln - throughput at 130ktpa (depending upon product specification). It can receive and upgrade ilmenite from local mines (Eneabba and Capel), Murray Basin ilmenite, Jacinth-Ambrosia ilmenite, Virginia ilmenite or external ilmenites.

As I mentioned already, we are utilising Virginia ilmenite for an ultra high grade SREP product which will have many favourable attributes (grade, good chlorination and low radioactivity).

SR 3 also has

- the flexibility to receive coal from the two current domestic suppliers, and international suppliers;
- current SR3 produces standard grade or SREP grade product, and various derivations dependent upon customer requirements; and
- producing SR85 from Murray Basin ilmenite and SREP grade SR (high TiO₂, low U+Th) for pigment and sponge markets.

We originally planned to produce 30kt of standard grade SR88 in 2012 from Eneabba ilmenite, but in light of the demand for high grade TiO₂, we will be substituting this

will additional SREP grade production by refining our processing in the MSP to produce more SREP ilmenite from Eneabba HMC.

Ilmenite upgrading from Virginia will be commercialised in 2012, the high level expectation is a superior SR product that is highly desirable for Japanese sponge producers.

Ilmenite upgrading represents a value adding available to a select few, and investment in these technologies has a minimum 4 year cycle if technical capability is held within the existing business.

The company is actively working to reactivate other idled capacity should market conditions and economics warrant, with options for SR4 and SR1 well advanced, and depending on duty, can be initiated with between 6 and 12 months from hitting the go button.