Iluka Resources Limited

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ILUKA

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.

Non-IFRS Financial Information

This presentation uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, Group EBITDA and Group EBIT which are used to measure both group and operational performance. A reconciliation of non-IFRS financial information to profit before tax is included in the supplementary slides. Non-IFRS measures have not been subject to audit or review.

2011 – Key Features

- New Iluka = Group EBITDA ~$1.0bn, NPAT and FCF > $0.5bn, ROE > 40%
- Balance sheet = net cash
- Total shareholder return focus = 55 cents final dividend (fully 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

Main Features of Full Year Results

Mineral Sands Sales Volumes	↓	Z/R/SR sales down 4.0%; zircon sales up 7.5%, rutile sales up 10.8% SR sales down 28.9%
Mineral Sands Revenue	↑	75.7% - higher prices, higher Z/R volumes partially offset by higher AUD (103.2 vs 92 cents)
Unit Cash Production Costs	→	Flat at $538/tonne (Z/R/SR)
Revenue per Tonne	↑	83% to $1,480 (Z/R/SR) – reflecting pricing outcomes
Mining Area C EBIT	↑	$88.1 million vs $75.9 million
Mineral Sands EBITDA	↑	270.1% to $925.9 million
Mineral Sands EBITDA Margin	↑	60.3% vs 28.6%
Group EBITDA	↑	221.0% to $979.3 million
Reported Earnings	↑	$541.8 million NPAT vs $36.1million
Return on Capital	↑	54.9% vs 5.0%
Return on Equity	↑	42.5% vs 3.2%
Capital Expenditure	↑	$142.5 million cash (2010 $117.2 million)
Free Cash Flow	↑	$589.6 million vs $60.7 million
Cash Flow per Share (cents)	↑	140.6 cents vs 14.5 cents
Net Cash/Net Debt	↓	Net cash of $156.7 million vs net debt of $312.6 million
Dividend	↑	75 cents per share (73.3% franked – final dividend of 55 cents,100% franked)

Iluka Dividend Payment

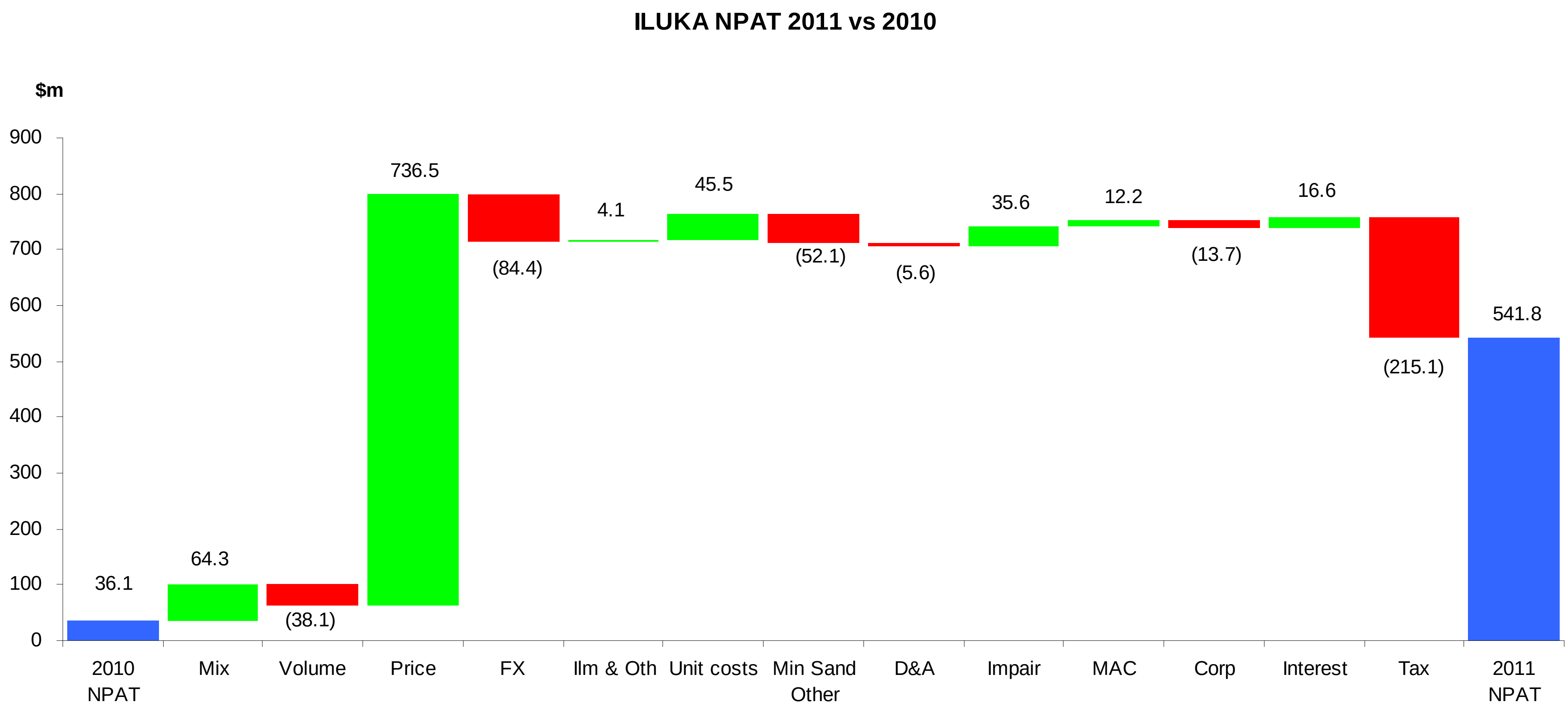
- 55 cents franked final dividend

- Represents:
  - $230 million payment for final dividend
  - $314 million for full year

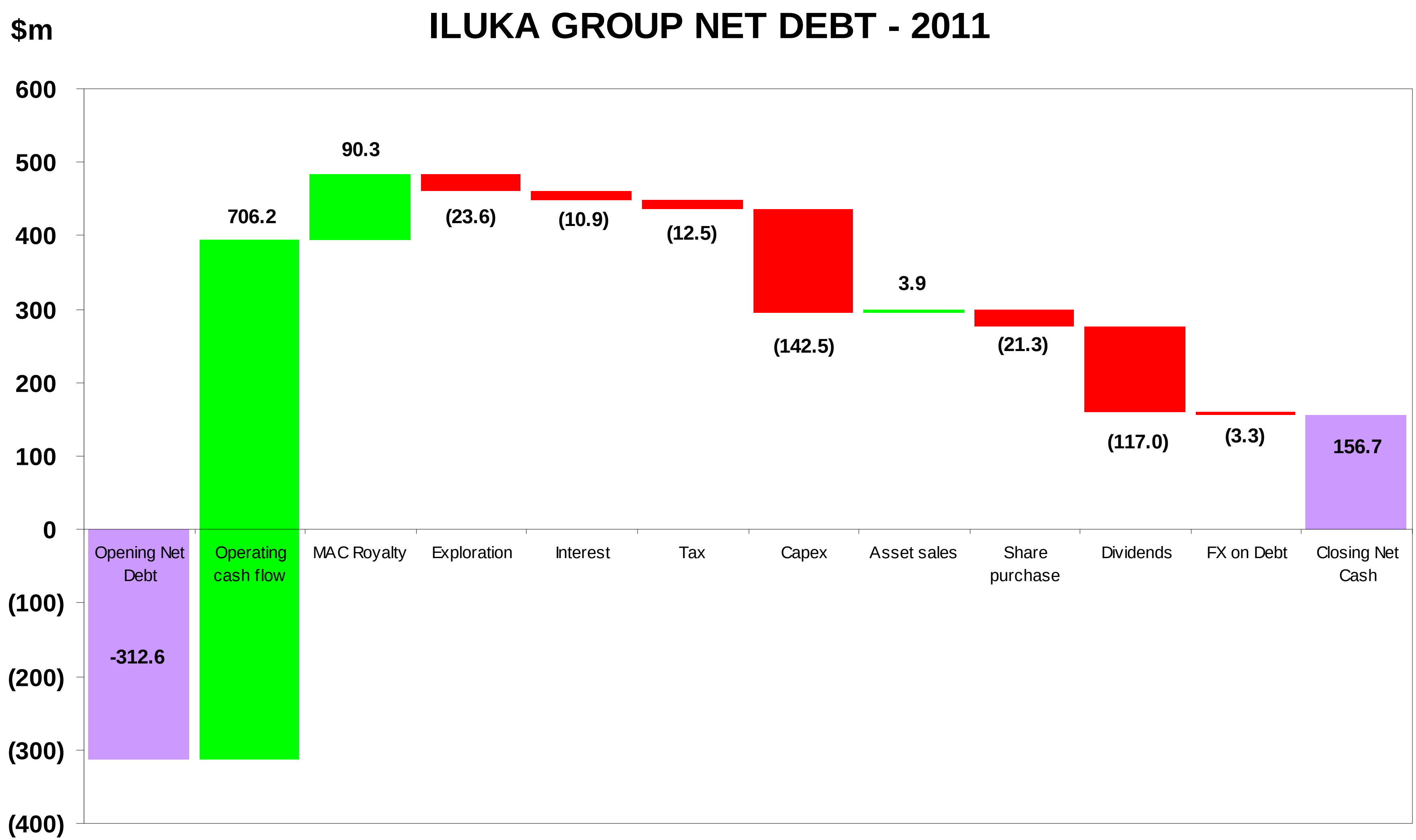
- Full year dividend of 75 cents
  - 73.3% franked
  - full year payout ratio of 53% of free cash flow

- Plan to pay out at least 40% of free cash flow
  - assuming reasonably predictable business outlook
  - after mineral sands investment opportunities
  - where cash not better utilised for specific growth opportunities

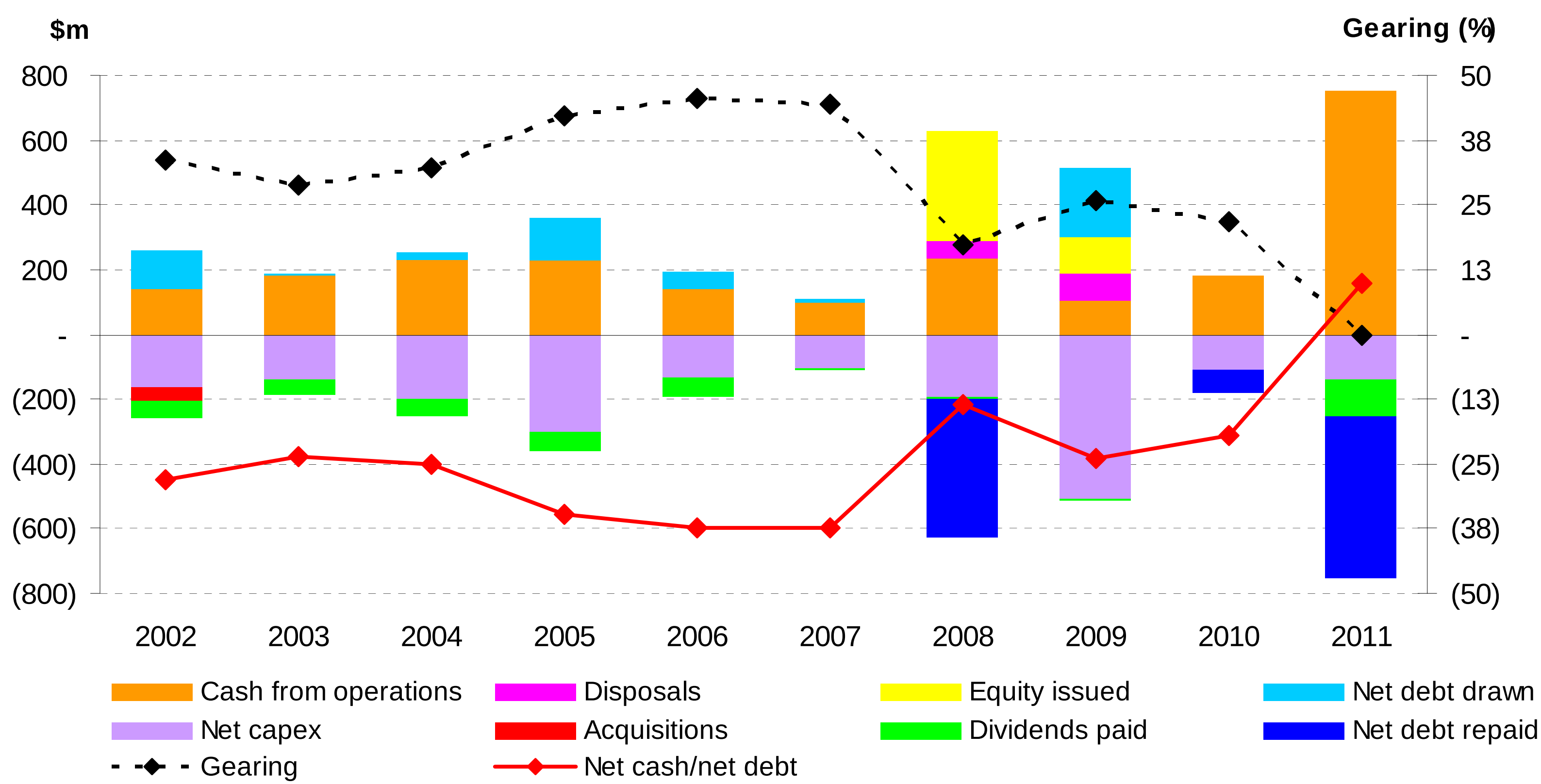
Net Profit After Tax
2011 versus 2010



Net Debt to Net Cash Movement

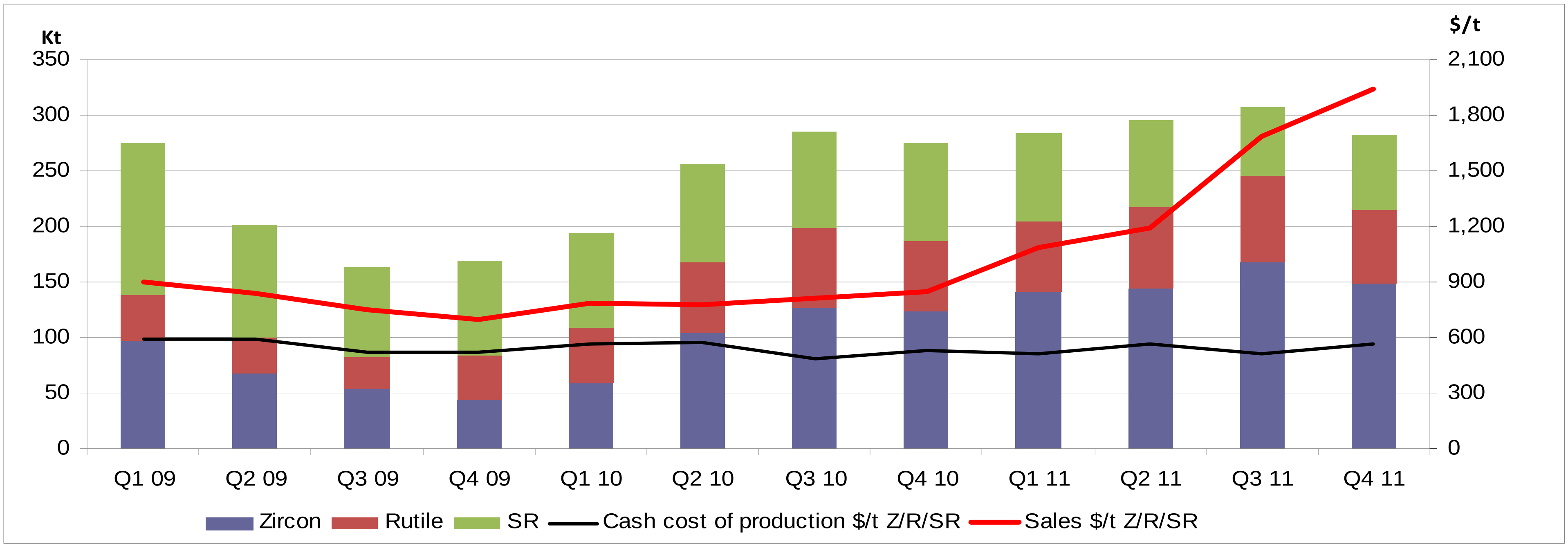


Sources and Uses of Funds 2002 - 2011



Z/R/SR Production

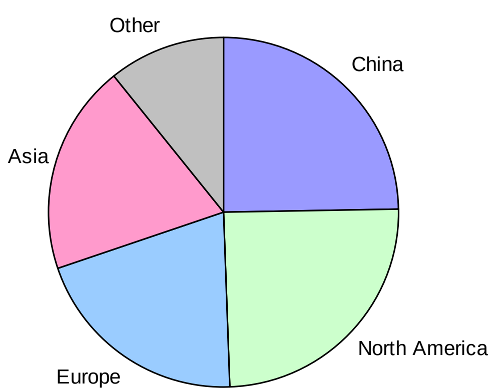
Physicals and Unit Cash Cost/Revenue per Tonne



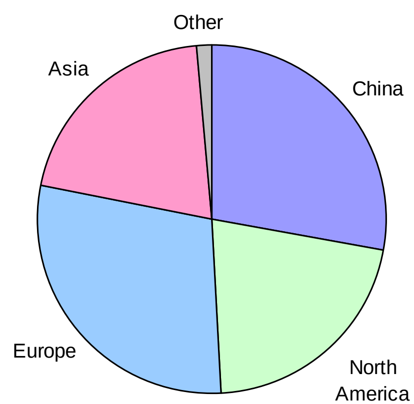
- Total costs (cash and non cash costs) in 2012 expected to be flat vs 2011; cash costs higher in 2012
- Zircon starting price in 2012 ~30% up on 2011 average
- High grade TiO2 starting prices in 2012 more than 2 times 2011 average

Balanced Geographic Revenue Mix

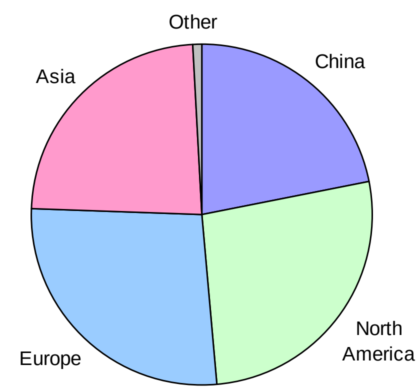
2010



2011



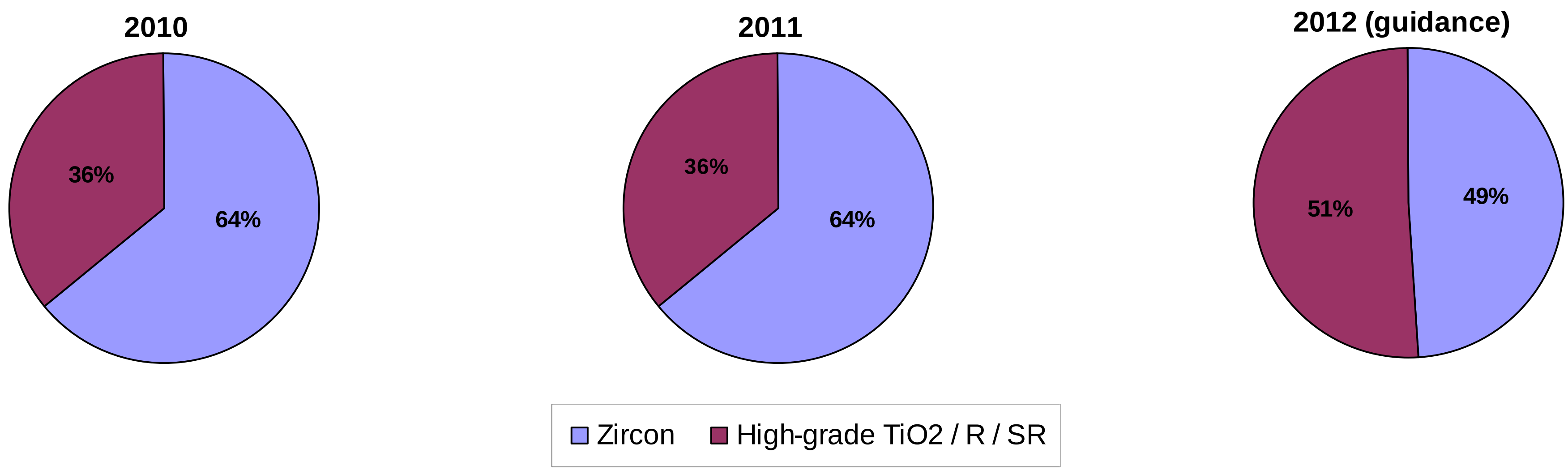
2012 (budget)



Regional %	2010	2011	2012 (budget)
China	25	28	22
North America	25	21	27
Europe	20	29	27
Asia	19	21	23
Other	11	1	1

Balanced Product Revenue Mix

Zircon vs High Grade TiO2 Revenues



- Based on received 2010 and 2011 prices, 2012 sales guidance
- Assumes 2012 beginning prices for full year 2012
- Excludes revenue from ilmenite, by-products and Mining Area C

Zircon
Market Conditions

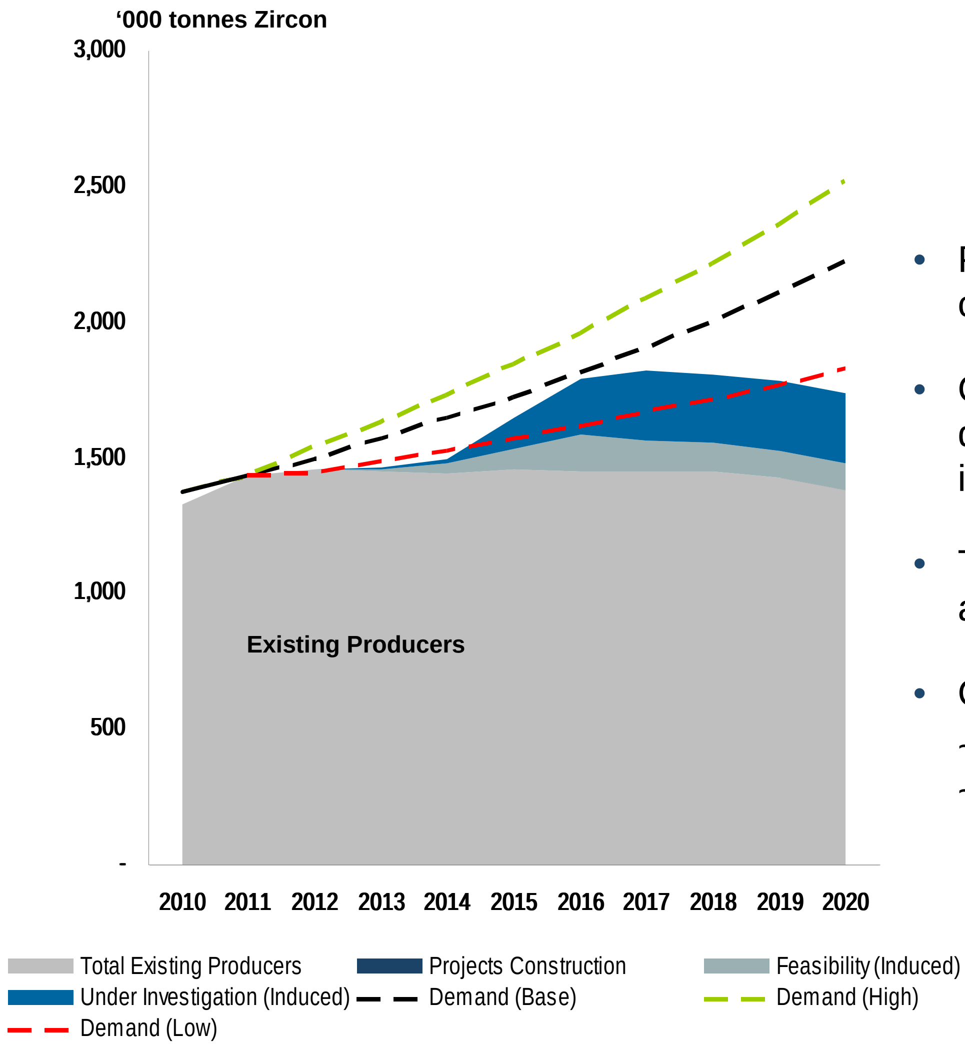
- Strong first nine-months of zircon sales, but lower Q4 demand due to
  - global economic conditions and low confidence levels
  - credit availability issues
  - Chinese government policies (impact in sentiment-driven market)
- Average zircon prices increased year-on-year from US$880/tonne to US$1850/tonne
  - end 2011 prices ~US$2400/tonne
  - 1Q12 prices up ~US$100/tonne
- Customers concerned about risk of profitability retraction
  - direct customers holding low to ‘normal’ inventory levels of zircon sand/opacifier
  - tile producers holding higher levels of inventory versus current demand
  - working capital and inventory challenges for downstream customers particularly
- Soft demand period anticipated in Q1 and potentially into Q2
  - clear view on overall 2012 zircon demand and phasing to take time to emerge
- Iluka confident about demand recovery as sentiment improves
  - planning to flex production in line with demand and to hold inventory as needed

High Grade Titanium Dioxide
Market Conditions

- Demand for high-grade titanium dioxide feedstocks robust in 2011
  - slight seasonal moderation in Q4 and lower China demand for imported pigment
  - some slowing in welding sector at year end
- Iluka contracted majority of 2012 high-grade titanium dioxide production
  - first half prices of ~US$2400/tonne for rutile, ~US$2050/tonne for synthetic rutile
- Publicly disclosed pigment producer profitability improved in 2011
  - evidence of sustained feedstock cost flow through to pigment prices
  - indications of price increases further downstream (e.g. paint manufacturers)
- New synthetic rutile 85 product being sold into chloride market
- Synthetic rutile kiln no. 3 re-activated
- Re-commissioning of synthetic rutile kiln No. 1 planned in Q4 2012

Zircon Supply/Demand

November 2011 Briefing



- Persistent supply shortage likely in base demand case
- Only under low case demand scenario (3% pa demand) would the market be in ~10% oversupply if all assumed projects are induced by 2014
- The foregoing assumes no enhanced production activities by Iluka - refer next section
- Of projects potentially "induced":

  ~30% assessed as high technical risk

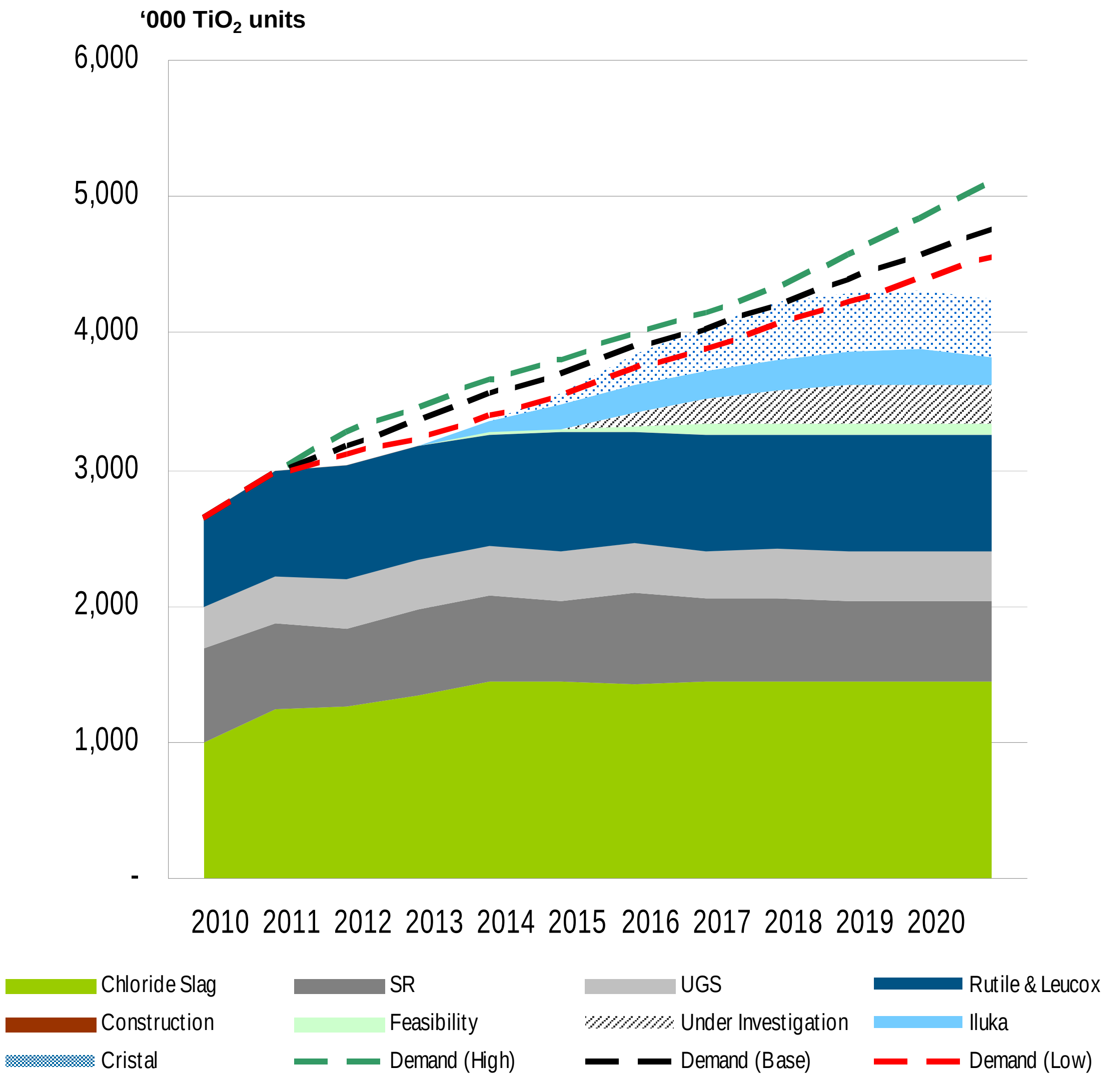
  ~40% in countries rated with significant or high risk

Profile by IHS Global Insight

Source: Iluka analysis

High Grade Titanium Dioxide Supply/Demand

November 2011 Briefing



- High grade feedstocks expected to remain in tight or short supply into the foreseeable future
- New high grade feedstock sources will in most instances require large capital outlays for upgrading facilities (smelters or SR facilities)
- Iluka has spare SR capacity (the supply chart assumes Iluka 4 kiln operation and inclusion of recent Cristal slag announcement)

Scenarios based on the following assumptions

Scenario	Chloride Pigment Production Forecast CAGR	Metals & Other Forecast CAGR
High (5.6% CAGR)	5.0% (Higher usage of Chloride Pigment in China)	8% (2000 – '10 CAGR: 9.5%)
Base (4.8% CAGR)	4.0% (TZMI Forecast)	8%
Low (4.3% CAGR)	3.5% (Based on GDP Growth)	8%

Source: Iluka analysis

Mineral Sands Market Approach

- Favourable medium-term supply/demand characteristics for both zircon and high-grade TiO_2

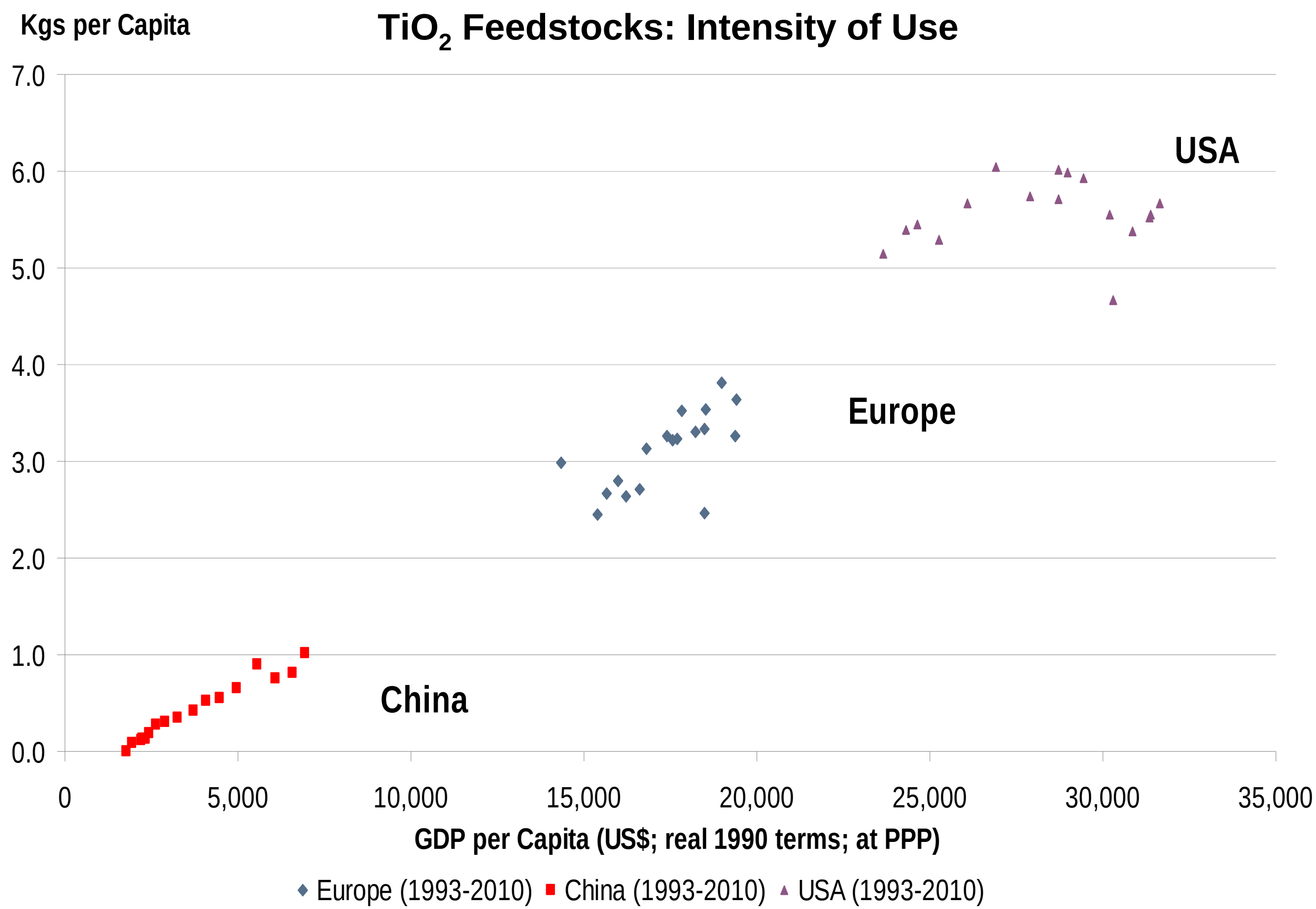
- Few high-quality, capital-efficient, quick-response industry supply options
  - most projects in early feasibility phase rather than commitment stage
  - typically long lead times
  - technical risk in project execution, commissioning, ramp-up and product acceptability

- Favourable 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
  - maintaining high product quality standards
  - awaiting global consumption of lower cost material supplied previously into industry

- Iluka will support downstream customers via demand-pull initiatives

Pigment Demand Intensity - Linked to GDP Growth

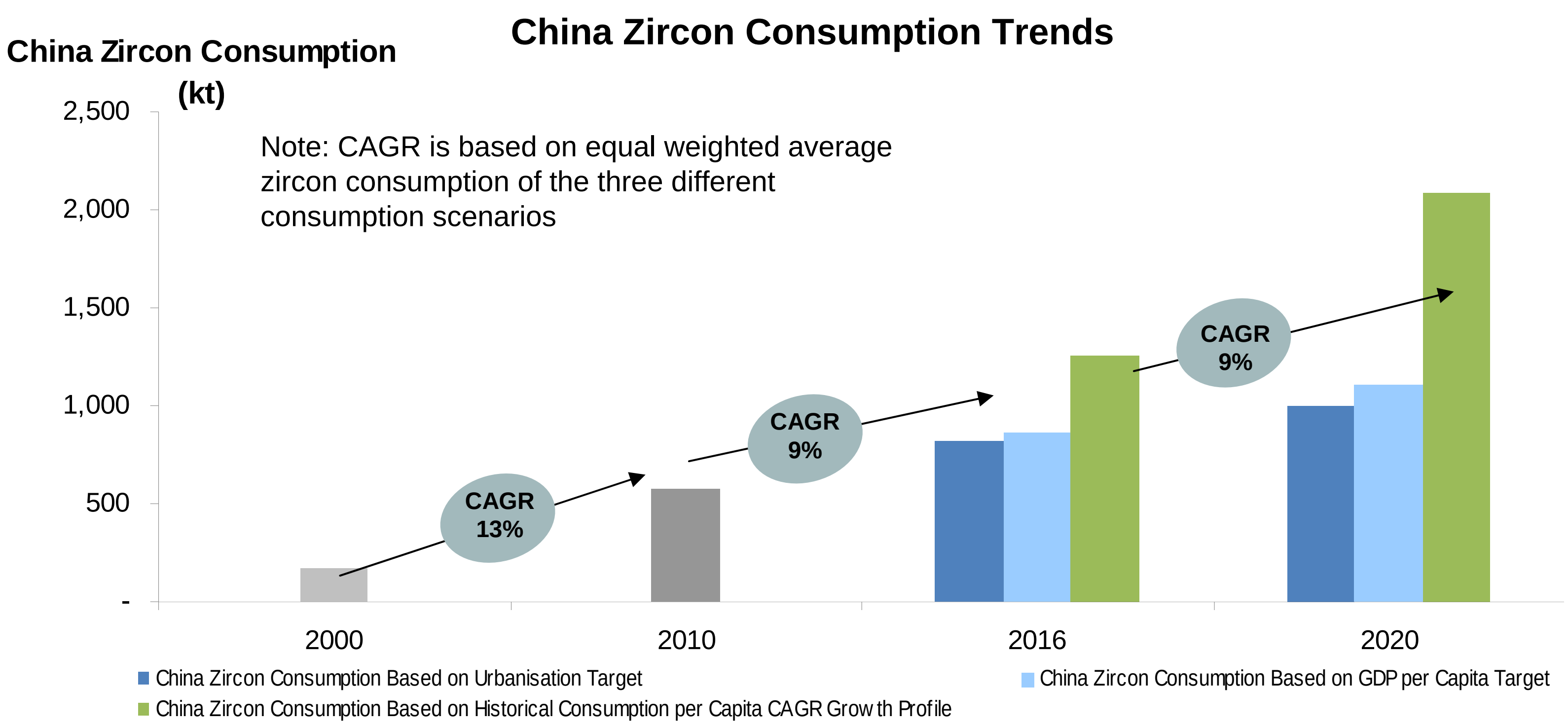


- Developing countries' intensity of pigment use (pigment per person) is expected to grow with rising living standards (GDP/capita)
- Developed countries show an intensity of pigment use ~1.5 – 4kg per person. This level of pigment use in China would be a significant increase from current levels – less than 1kg per person

Source: Goldman Sachs Research estimates

Zircon Demand - Linked to GDP Growth and Urbanisation

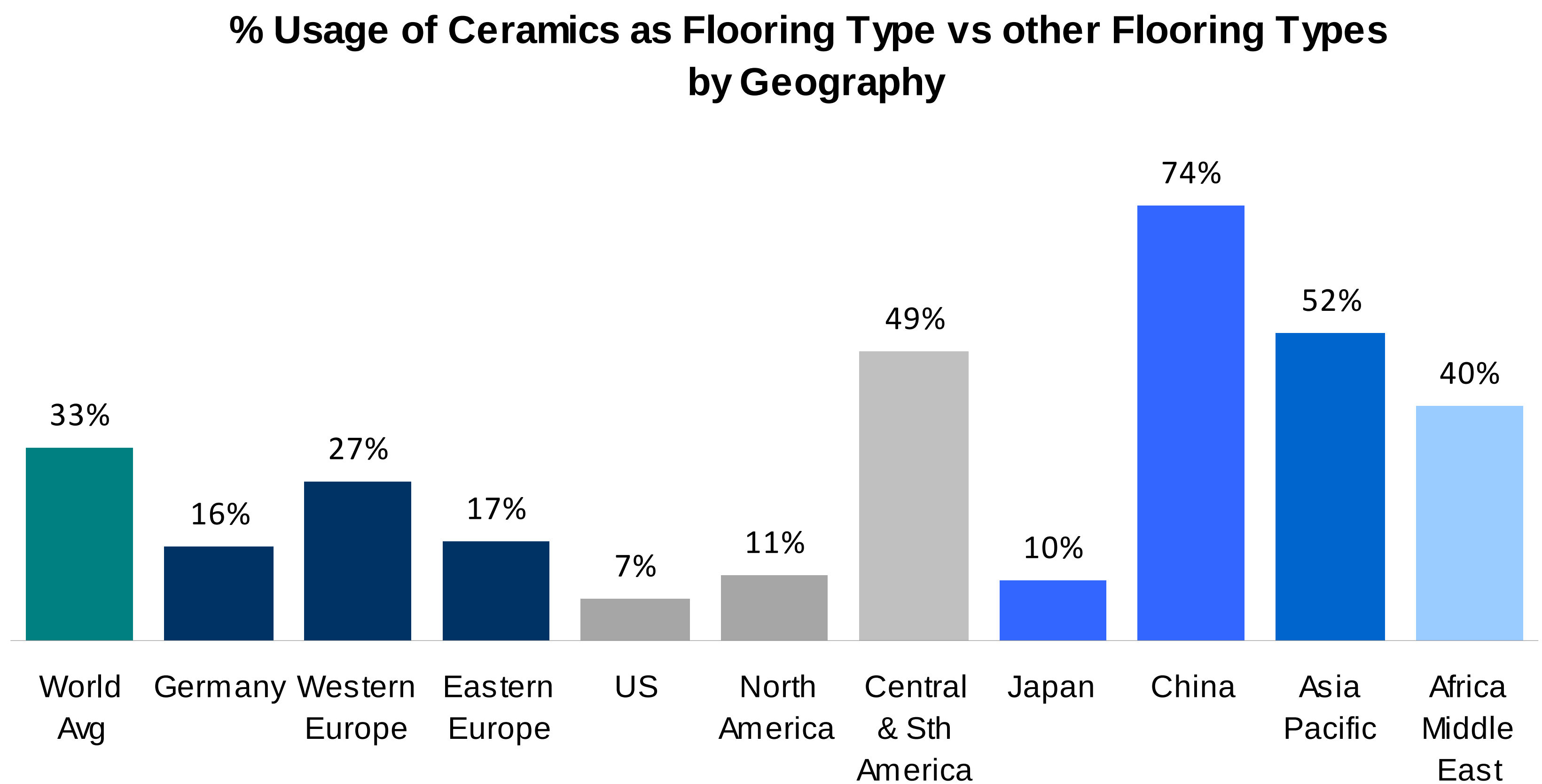
"The goal of the Chinese regulators is for China to become a moderately prosperous country by 2020. Its goal is to achieve a $US10,000 per capita GDP by the year 2020…Urbanization rate will reach 51.5% by 2015" – China's 12th 5 Year Plan



	2000	2010	2016	2020
Urbanisation (%)	36	47	52.5	57
GDP per Capita (US$)	950	4,392	7,165	10,000

Source: World Bank, Global Insight, McKinsey and China 12th Five Year Plan

Ceramic Floor Tile Share of Floor Coverings



Source: Ceramic World Review (2000-2011)

Enhanced Production Project

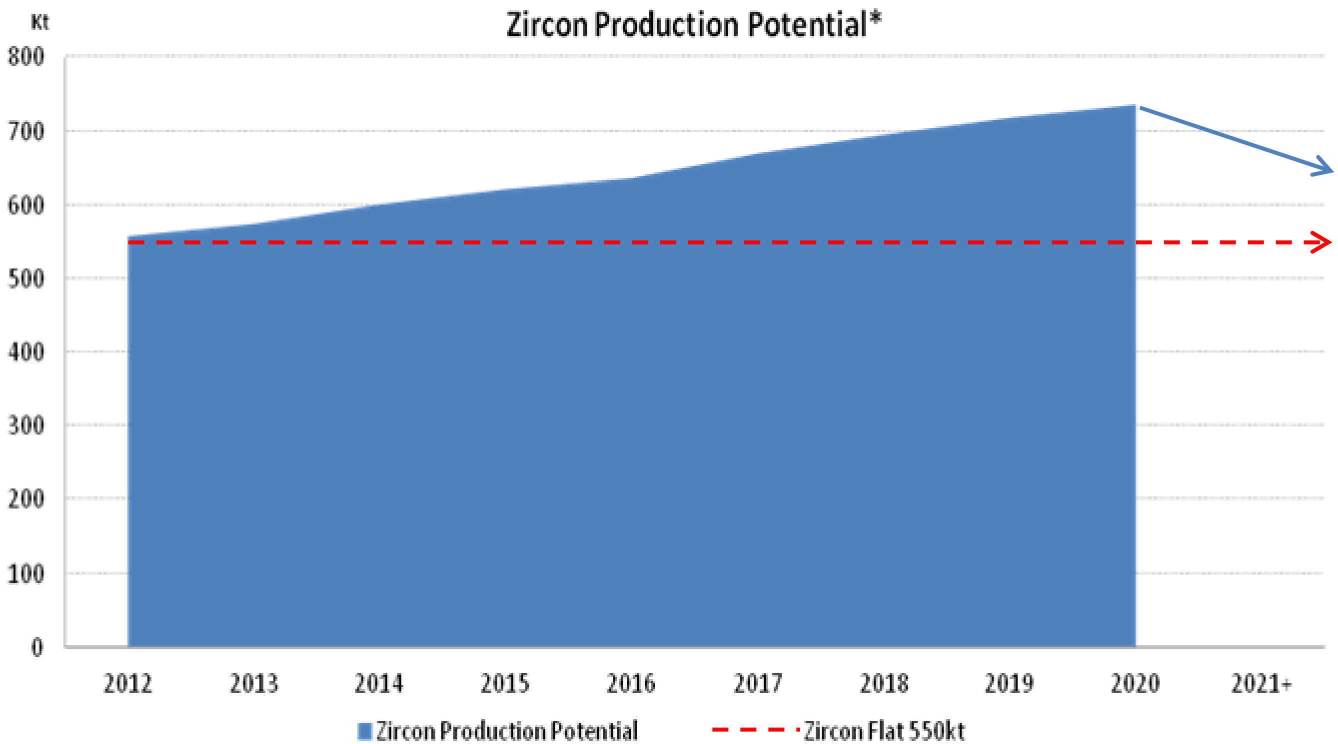
- Iluka's production enhancement options are extensive and, in aggregate, significant
  - 11 subject to detailed evaluation

- Production options subject to funding and internal evaluation
  - project management group resources increased
  - project management will plan and manage implementation of larger projects
  - operations management will implement other opportunities
  - several large projects have project teams in place and are well advanced
    - Balranald, Cataby

- Scoping studies for Eucla Basin deposits
  - Atacama, Typhoon, Tripitaka
  - project to investigate the expansion of WCP capacity for Eucla Basin

- Aurelian Springs project, near Virginia operations, moving to PFS study stage
  - chloride ilmenite project
  - potential economic life of ~10 years

Zircon Production Scenarios

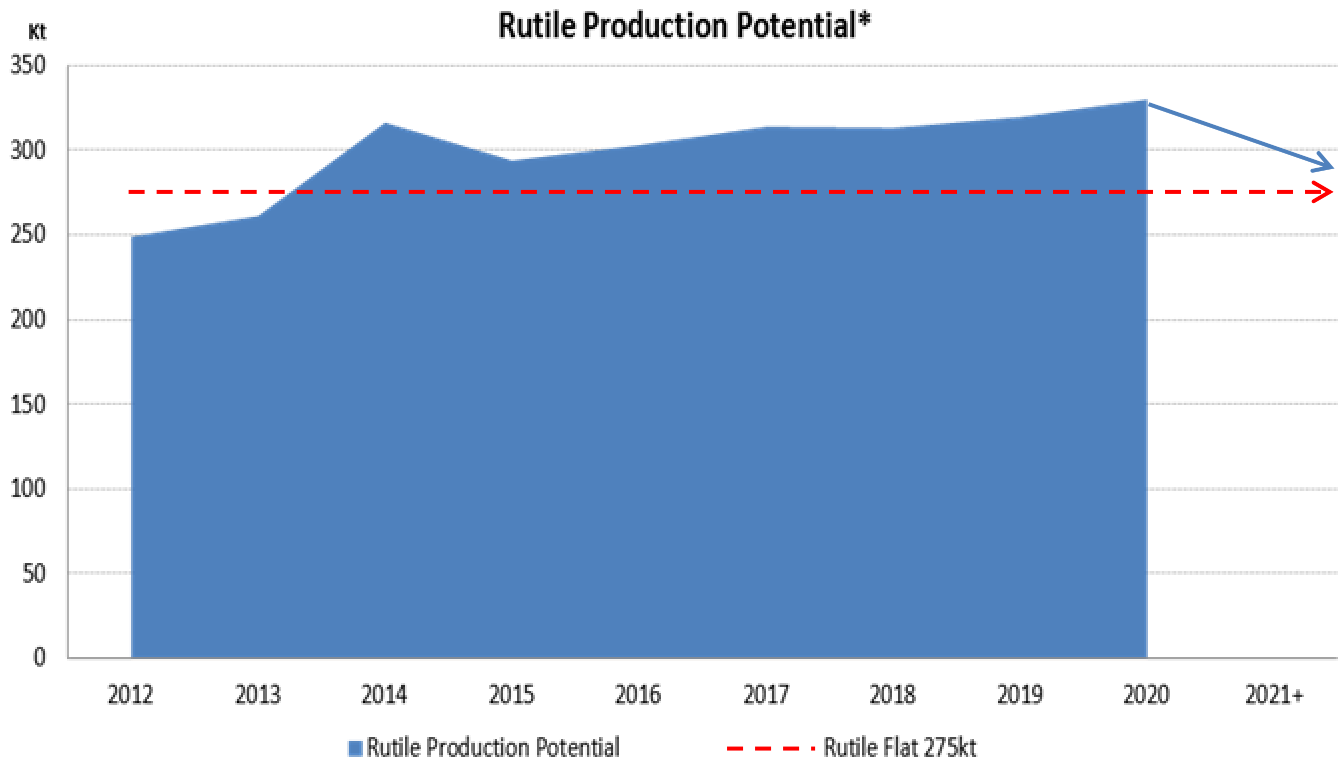


- Potential to increase production in response to demand growth, or
- Potential to extend current production levels significantly
- No account of enhancements due to utilisation of starting-period inventories, exploration success or technological improvements and breakthroughs, mineral resources or ore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

Rutile Production Scenarios



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Volume Growth and Margin Expansion

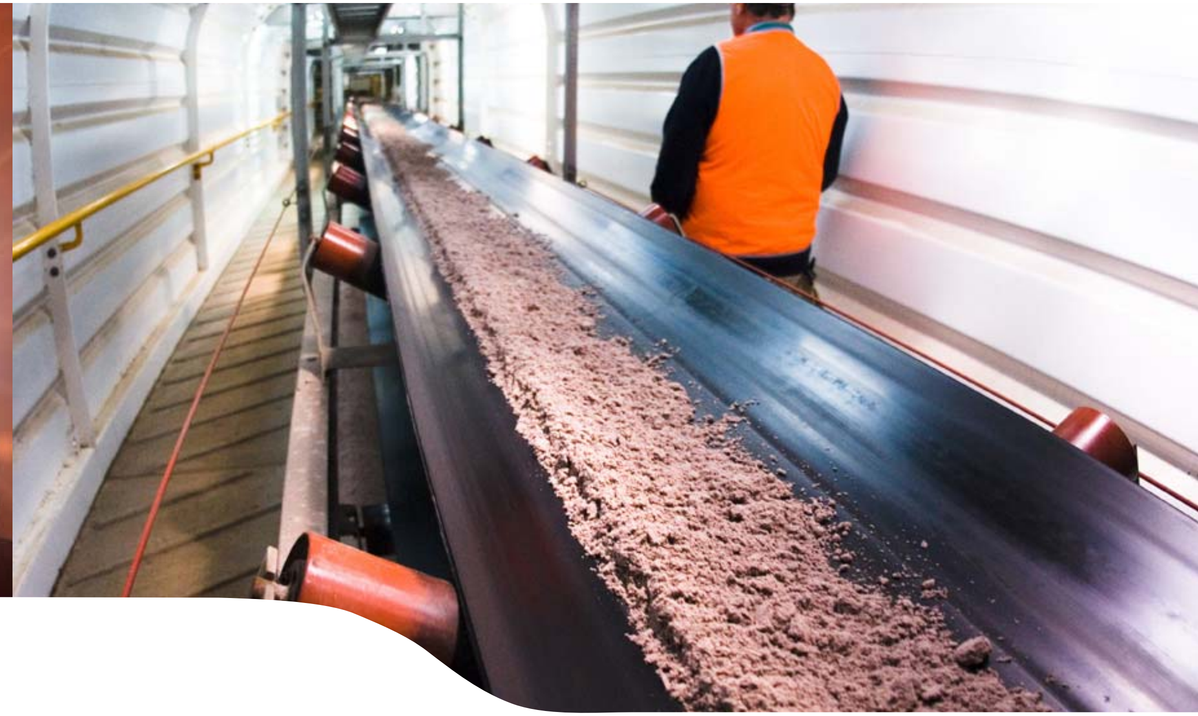
- 2013/14 sales volume increases likely:
  - global demand growth expected to continue (GDP, wealth, urbanisation)
  - 3rd and 4th SR kiln restarts
  - enhanced production projects potential RZ contribution
  - new product development (e.g. ASSR)
  - new market penetration

- Further price increases possible:
  - improving global confidence levels
  - supply deficits

- Unit cash costs of production expected to be stable 2013-2014 after an increase in 2012

Investment Proposition

- Earnings growth
  - 2011 $541million
  - 2012 consensus ~$1billion
- Balanced geographic and main product revenue mix
- 2013/2014
  - sales volume growth
  - deficit markets forecast
  - further earnings growth?
- Increased distributions
  - minimum 40% of free cash flow
  - most attractive dividend yield in resources? (Bell Potter, February 2012)
- Exploration and product and technical development upside
- Prudent investment considered, including outside mineral sands



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