

KEY PHYSICAL & FINANCIAL PARAMETERS ILUKA 2012 – MAY UPDATE

8 May 2012

This document provides an indicative guide to key physical and financial parameters in the Iluka business for the 2012 financial year.

The information contained within this document is derived from Iluka's budgetary forecasts and other estimates. It is, as with all such information, developed in the context of: uncertain economic conditions globally; potential changes to supply and demand dynamics; and potential modifications to the company's plans and should be treated as a guide only.

Iluka does not undertake to update this information regularly in part or whole, but can be expected to comment on any material variations. Iluka does not provide pricing forecasts.

The following excludes the Mining Area C iron ore royalty which contributed \$88 million in EBIT in 2011.

The information is provided to assist sophisticated investors with the modelling of the company, but should not be relied upon as a predictor of future performance.

[Disclaimer – Forward Looking Statements](#)

This briefing paper contains information which is based on projected and/or estimated expectations, assumptions and outcomes.

These forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the company's control, and which may cause actual results to differ from those expressed in the statements contained in this release. Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements include, but are not limited to 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. Iluka does not undertake to update the projections provided in this document on a regular basis.

All currency is in nominal Australian dollar terms unless stated differently.

Iluka Physical Trends (Areas highlighted reflect changes to previous guidance of 23 February 2012)

	2011	2012 Guidance	Commentary
Production (kt)			
Zircon	601	~430	Lower 2012 production reflects Iluka's decision to flex production in light of lower short term demand. A rapid production increase capability exists as market conditions warrant. 2012 sales are estimated at ~400k tonnes. Zircon sales in 2011 were 514k tonnes.
Rutile	281	~225	Lower 2012 production reflects the announced transition to new deposits in the Murray Basin, which will interrupt mining activities for a period of ~100 days. This is in line with guidance provided previously. Sales are expected to be in line with production in 2012. Rutile sales in 2011 were 265k tonnes.
Synthetic rutile	285	~310	2012 production reflects a 2 kiln operation but with 1 kiln (SR2) undergoing a major maintenance outage (approximately two months) during the first quarter of the year. SR sales in 2012 are expected to be in line with production. SR sales in 2011 were 257k tonnes. While Iluka plans to reactivate a 3 rd SR kiln in 2012, this is not expected to make a material contribution to production in the year.
Ilmenite – saleable	459	~350	Level of ilmenite available influenced by internal requirements for synthetic rutile production.

Iluka Financial Trends (Areas highlighted reflect changes to previous guidance of 23 February 2012)

	2011	2012 Guidance	Commentary
Cash Costs A\$m			
Production costs	629	~670	Reflects cost inflation, recommencement of mining at Eneabba), higher transportation costs for Murray Basin and expenditure associated with 3 rd kiln reactivation (with minimal sales volumes expected in 2012 for this kiln).
Z/R/SR unit costs A\$/tonne	538	~700	Higher May guidance reflects lower zircon production.
Revenue A\$/t Z/R/SR	1480	Not guided	2012 first half weighted average contracted high grade titanium dioxide pricing (rutile US\$2,400/t & SR US\$2,050/t) is 80-90% higher than 2011 year end pricing and 110-140% higher than 2011 weighted average prices. End 2011 zircon price (US\$2,400/t) is ~33% higher than weighted average 2011 zircon price. Iluka advised a ~US\$100/t 1 st quarter 2012 price increase.
Other cash costs	128	~165	Higher in 2012 associated with higher exploration expenditure; increased project development costs (associated with evaluating new production options); higher product & technical development investment, and increased corporate costs associated with increased investment in people.
Restructure, rehab & idle costs	45	Not guided	Refer to Iluka's 4E Financial commentary for the period to 31 December 2011, page 4. The level of 2011 costs in this area is not necessarily indicative of future year levels.
Non cash costs			
Depreciation & amortisation	224	~190	
Other	22	~25	Rehabilitation unwind and other finance costs can be expected to be at a similar level to 2011.
Capital Expenditure	142	~260	Higher May guidance reflects the bringing forward of expenditure related to the Cataby project in Western Australia and additional expenditure for the Balranald project in New South Wales.
Operating Cash Flow	706	↑	

Business Commentary – Explanatory Notes

Mining Area C Iron Ore Royalty

The guidance above relates to Iluka's mineral sands business. It does not include the royalty from Iluka's ownership of BHP Billiton's Mining Area C iron ore royalty. This royalty contributed \$88.1 million EBIT in 2011.

The key elements of this "in perpetuity" royalty include:

- the greater of (1) ongoing quarterly royalty payments of 1.25% of free-on-board sales revenue from the MAC royalty area (less all export duties and export taxes), or (2) A\$0.25 per tonne of all ore produced from the MAC royalty area in that quarter; and
- when applicable, annual capacity payments of A\$1 million per million tonne increase in the annual production level from the MAC royalty area during any 12 month period ending 30 June above the previous highest annual production level, paid within 30 days of the relevant amount of production being produced.

Cash costs of production include the following main components:

- mining and concentrating costs; transport of heavy mineral concentrate; mineral separation; synthetic rutile production and costs for externally purchased ilmenite and production overheads. This category also includes landowner royalty payments, but not Australian State Government royalties. In relation to 2012 guidance, cash costs of production may vary during the course of the year according to mine schedules, for example, interruption to Murray Basin mining associated with the mine move from Kulwin to Woorack, Rownack, Pirro.

Other cash costs include:

- Australian State Government royalties (\$25.2 million in 2011);
- marketing and selling costs (including marketing overhead costs and port costs - \$34.5 million in 2011);
- product and technical and major development costs (\$13.7 million in 2011);
- exploration expenditure expensed (\$19.0 million in 2011); and
- corporate and overhead support costs (\$35.5 million in 2011).

Restructure costs/plant idling costs may be incurred. In 2011 this amount was \$8.5 million in 2011.

Rehabilitation and holding costs for closed sites - \$36.2 million in 2011.

Other non-cash costs include the unwind of the discount on rehabilitation provisions which are recognised as a liability at net present value (the unwind is reported as a finance cost) the amount for this item in 2011 was \$21.6 million.

Other Matters (not part of guidance) – inventory movement represents movement in balance sheet inventory, including D&A component. Although Iluka does not guide on this component, it comprises the movement in work-in-progress and finished goods. To the extent that inventory of finished or semi-finished goods increases (as it did in 2011) this will have a positive P&L impact as *costs for product in inventory are held on the balance sheet until the product is sold*. Refer Iluka's 4E – Commentary on the Results for the Year Ended 31 December 2011, for information on 2011 inventory movements.

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