



Iluka Resources Limited

Bank of America Merrill Lynch Global Metals & Mining Conference

May 2011

David Robb – Managing Director & CEO



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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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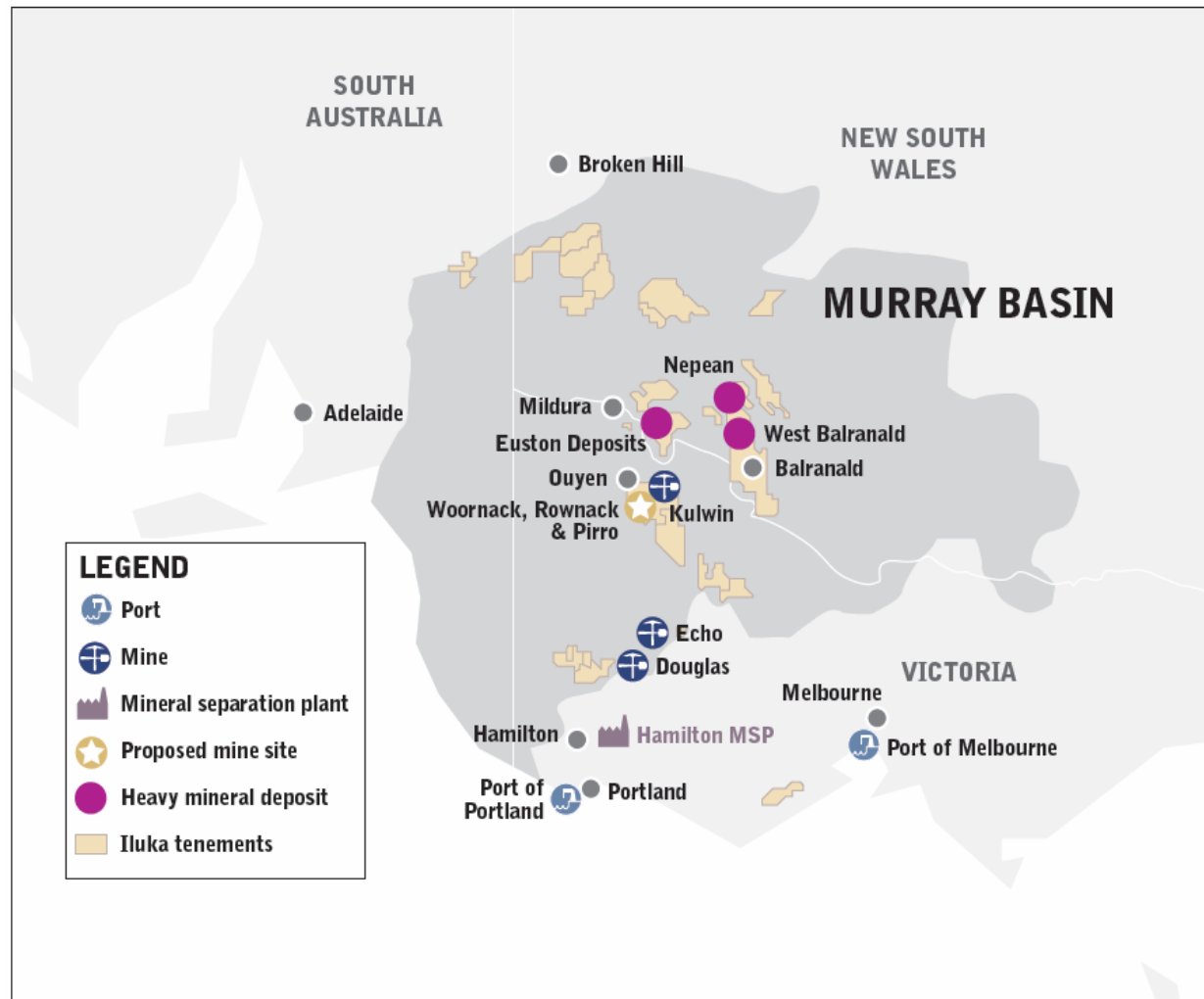
Iluka Resources

Overview and Investment Proposition

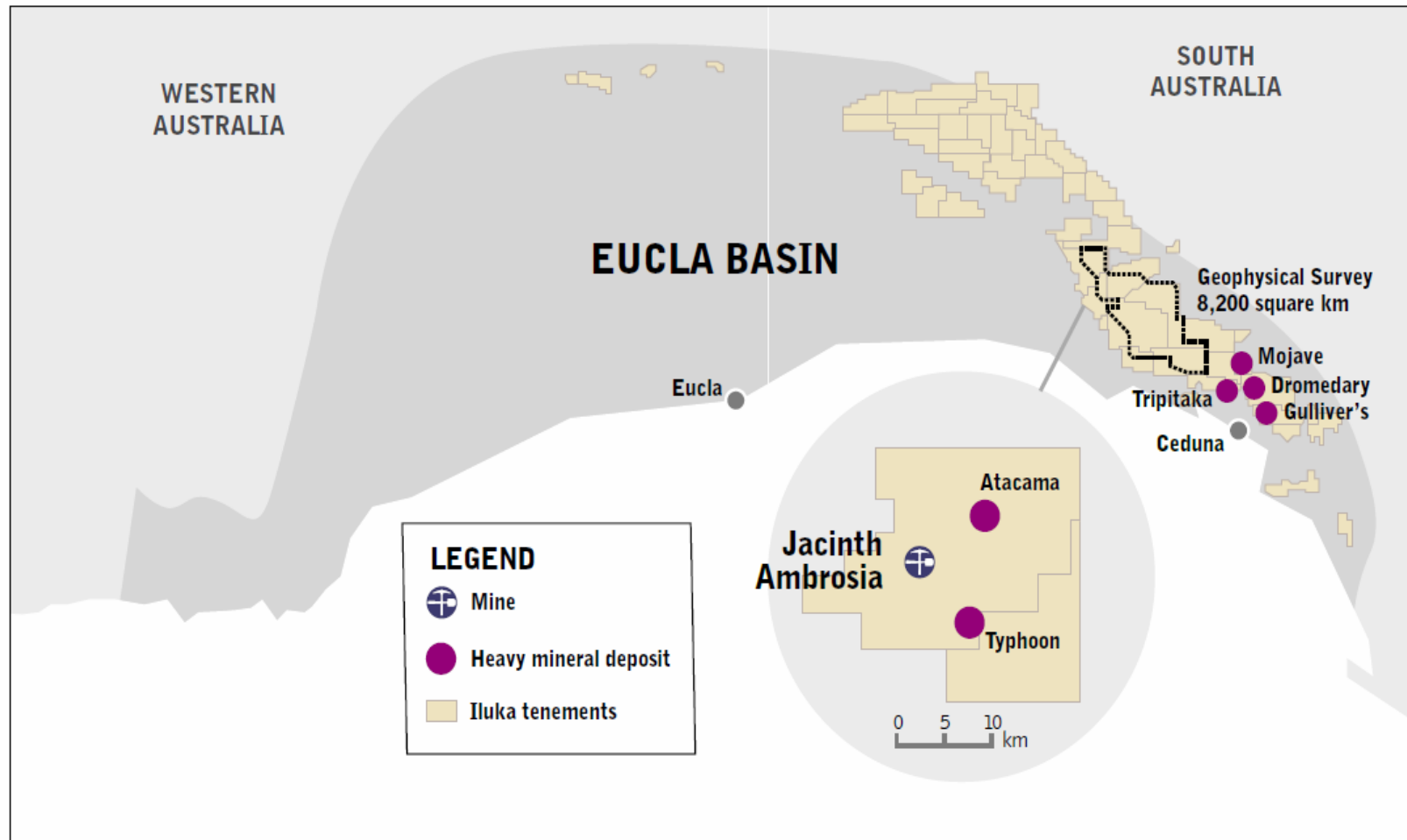


Market capitalisation	~A\$5 billion (418.7 million shares on issue)
Industry Sector	Materials (minerals sands exploration, project development, operations and marketing; iron ore royalty deriving from BHP Billiton's Mining Area C, Western Australia)
Objective	To create and deliver shareholder value
Recent Deliverables	Capital efficient transformation of the asset base <ul style="list-style-type: none">- delivery of two new globally significant, high margin production sources- Murray Basin (full production mid 2010) and Jacinth-Ambrosia (full production mid 2010) Marketing and pricing outcomes in zircon and high grade titanium dioxide markets
Investment Proposition	Higher production / sales of higher value products (rutile and zircon) Higher EBITDA / revenue margin and return on capital Increased contribution from low risk Mining Area C royalty stream Significantly lower capital expenditure Cash flow generation and distribution/reinvestment flexibility

Murray Basin, Victoria/New South Wales



Eucla Basin, South Australia



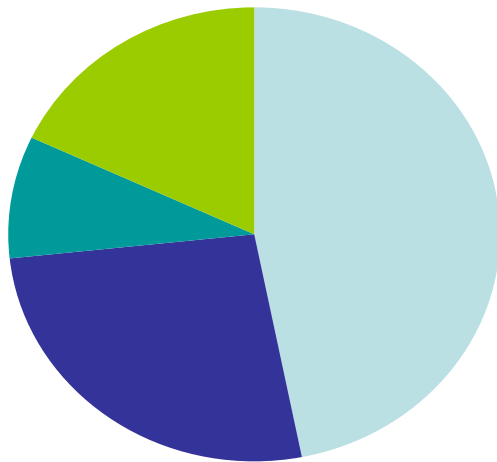
Jacinth-Ambrosia, South Australia



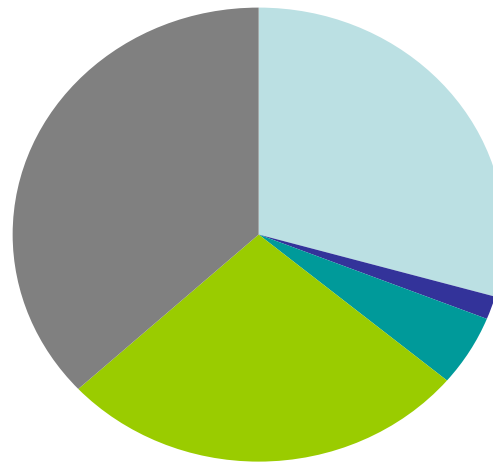
Production by Geography

Total Zircon/Rutile/SR Production Volumes

2008



2011 - 2013f



- WA – Synthetic Rutile
- WA – Zircon & Rutile
- US
- Murray Basin
- Jacinth-Ambrosia

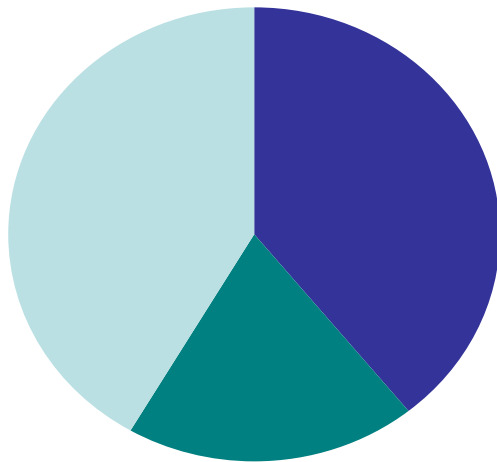
Production estimates for 2011 – 2013 only. Actual production will be dependent on many factors, including global demand and Iluka’s return on capital objectives.

Note: excludes ilmenite production

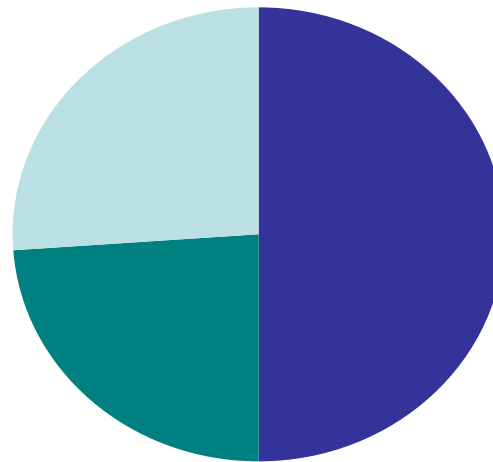
Production by Product

Zircon/Rutile/SR Production Volumes

2008



2011 - 2013f



- Zircon
- Rutile
- Synthetic Rutile

Production estimates for 2011 – 2013 only. Actual production will be dependent on many factors, including global demand and Iluka's return on capital objectives.

Note: excludes ilmenite production

Zircon: Attributes and Applications



Opacity (whiteness)

high refractive index (zircon refracts and reflects white light well)

Resistant

water, chemical and abrasion resistance of glazes due to hardness of zircon



OPACIFIER IN CERAMICS

floor & wall tiles | sanitary ware
table ware

Temperature stable

low thermal expansion coefficient, high thermal conductivity, high melting point

Non-wetability

against molten metals



REFRACTORY & FOUNDRY

steel / glass production
casting of jet turbine engines

Low thermal neutron absorption

increases nuclear reactor efficiency

Inert

corrosion resistant



ZIRCONIUM METAL

nuclear reactor cores / rods
heat exchangers

Unique properties

compound derivatives of zircon suitable for diverse industrial and chemical applications



ZIRCONIA & ZIRCONIUM BASED CHEMICALS

refractories | pigments | abrasives
electronics | catalysts | fibre optics

Titanium Dioxide: Attributes and Applications



Opaque, white and bright

high refractive index (refracts & reflects white light)

UV protection

absorbs UV light energy (transfers to heat) – prevents fading, peeling, cracking

Non toxic / inert

safe for use in foods, cosmetics and pharmaceuticals



PIGMENT

paints & coatings | plastics | paper

High strength-to-weight ratio

strong as steel but 45 per cent lighter, twice the strength of aluminium
important fuel efficiency benefit in aerospace applications

Corrosion resistant

forms an inert protective oxide coating
self repairs when mechanically damaged



TITANIUM METAL

aircraft engines & airframes
military | chemical processing &
desalination plants | medical
sporting equipment

Slag formation

important constituent of welding to shape, hold and protect the weld pool
from atmospheric conditions



WELDING FLUX AGENT

ship building | fabrication

Nanoparticles

significant research into nanotechnology shows promising new applications
for titanium dioxide



NANOMATERIALS

Dye-sensitised solar cells | arsenic
removal in water treatment | noise
absorption

MAC Iron Ore Royalty

Background

- Mining Area C (MAC) covers a part of BHP Billiton's iron ore mining operations in WA's Pilbara region, operated by BHP (85%) under a JV with Itochu and Mistui
- In perpetuity royalty stream

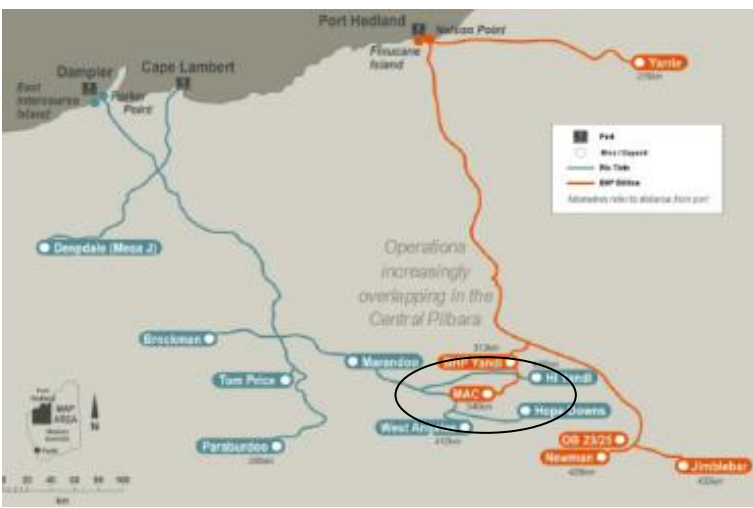
Outlook

- BHP has stated intentions to increase total iron ore output from WA to 220mtpa+ by 2015, with future growth options >300mtpa. MAC is expected to be a significant proportion of this total increase

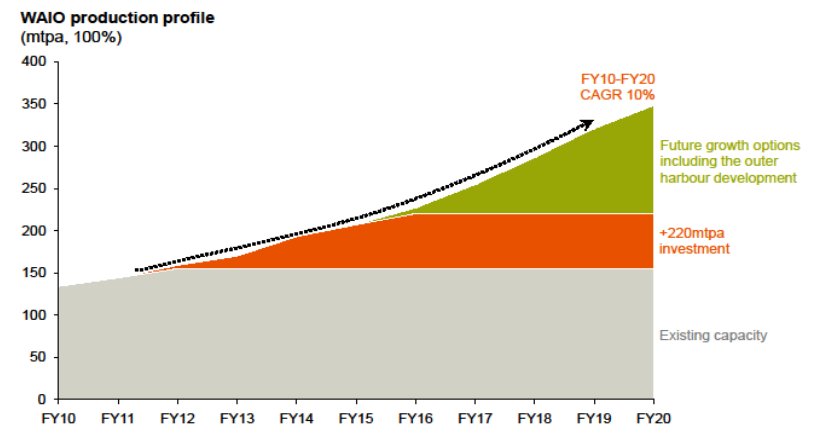
2010 EBIT

- \$75.9 million

BHP Billiton Pilbara Iron Ore Operations



Well positioned to accelerate WAIO production growth



Source: BHP Billiton analysis.
 Note: All studies and estimated capacity remain under review until they are approved for execution.

Iluka Investment Proposition

Confluence of Positive Factors

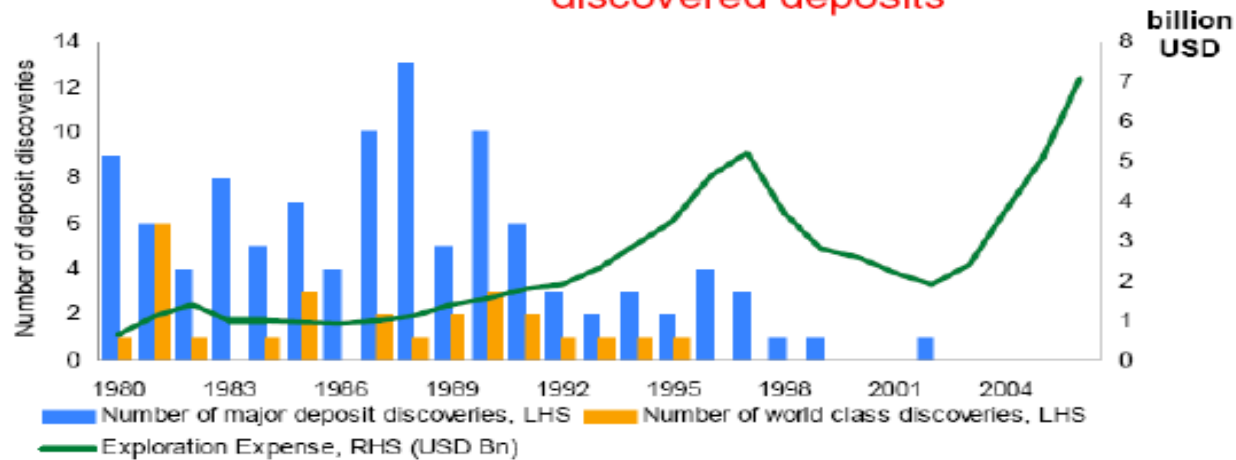


1. New operations commissioned, performing well
2. Leverage to zircon and high grade TiO₂ shortages
3. Positive industry pricing dynamics - sustainable
4. Growing, low risk Mining Area C (BHP Billiton) iron ore royalty stream
5. Significantly improved financial characteristics
6. Product and technical development upside
7. Exploration upside

Metal minerals reserves

Discovery rate of major mineral deposits

low expectations of yet to be discovered deposits

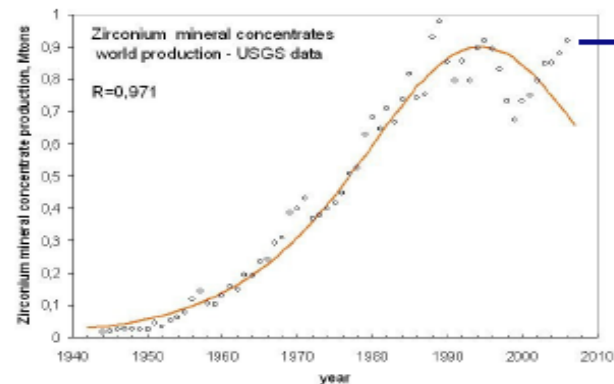


Sources: BHP Billiton, MEG, UBS WMR. , Raw Materials Group

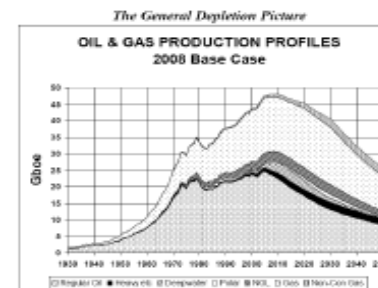
Mineral Scarcity: Parallels with “Peak Oil”

Energy scarcity means materials scarcity

Materials scarcity: parallels with “peak oil”



source: Bardi en Pagani, 2007

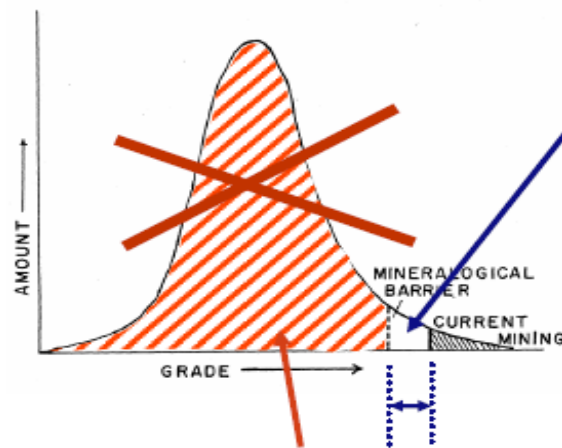


- The time-production profile of large individual mines and of the summation hereof resembles a bell-shaped curve comparable with oil
- The right part of the bell-shaped curve is more difficult to realize because the “low-hanging fruit” has already been harvested
- It takes increasingly more energy to “harvest” the remaining energy and the remaining minerals

Mineralogical and Energy Intensity Barriers

Energy scarcity means materials scarcity

Mineralogical barrier for elements $\geq 0.1\%$
(mass) earth's crust



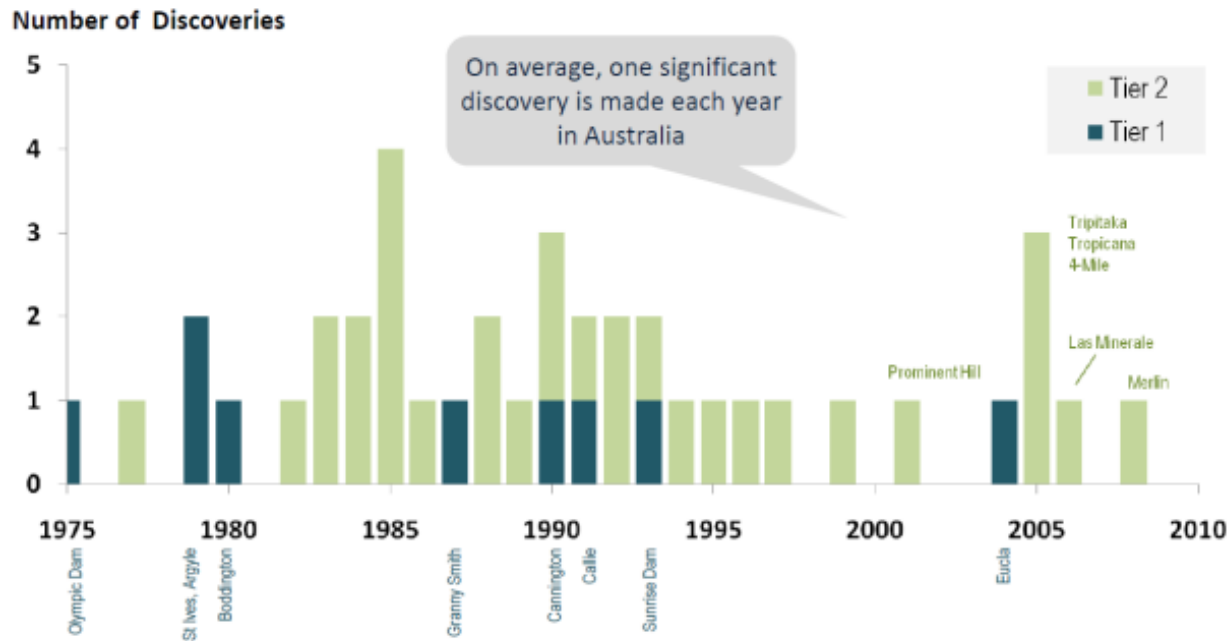
Remaining relevant resources of
**aluminum, iron, silicon,
magnesium, titanium,**

Extremely energy-intensive to extract

Source: "Exploring the resource base" by Brian J. Skinner, Yale University, 2001

Tier 1 & 2 Discoveries: Australia

Tier 1&2 Discoveries : Australia



Tier 1 = "Company Making" Mines. They are large, long life and low cost
 Tier 2 = "Significant" Deposits. Has some, but not all, of the characteristics of a Tier 1

Source: MinEx Consulting May 2010

Zircon

Market Conditions



- Main market demand exceeding industry supply
- Emerging economies particularly strong
- Iluka allocating volumes
- Global ceramics and zirconium chemicals capacity not fully utilised
- Industry inventories through the supply chain at historically low levels
- Spot sales at above quarterly prices

Zircon

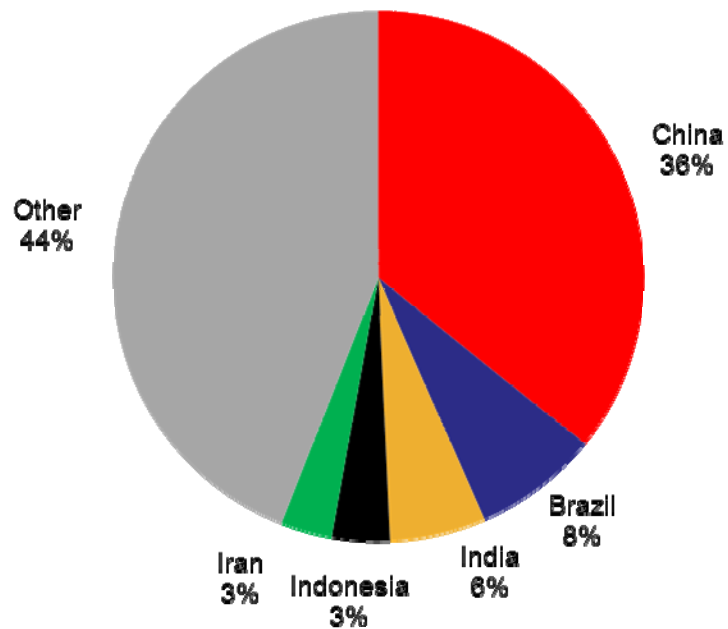
Supply shortages

- Inner Mongolia zirconia chemical plant which could not commission due to lack of zircon
- Similar examples elsewhere in China
- New milling capacity unable to be fully utilised
- Market deficit will moderate but tight conditions expected to persist for some years



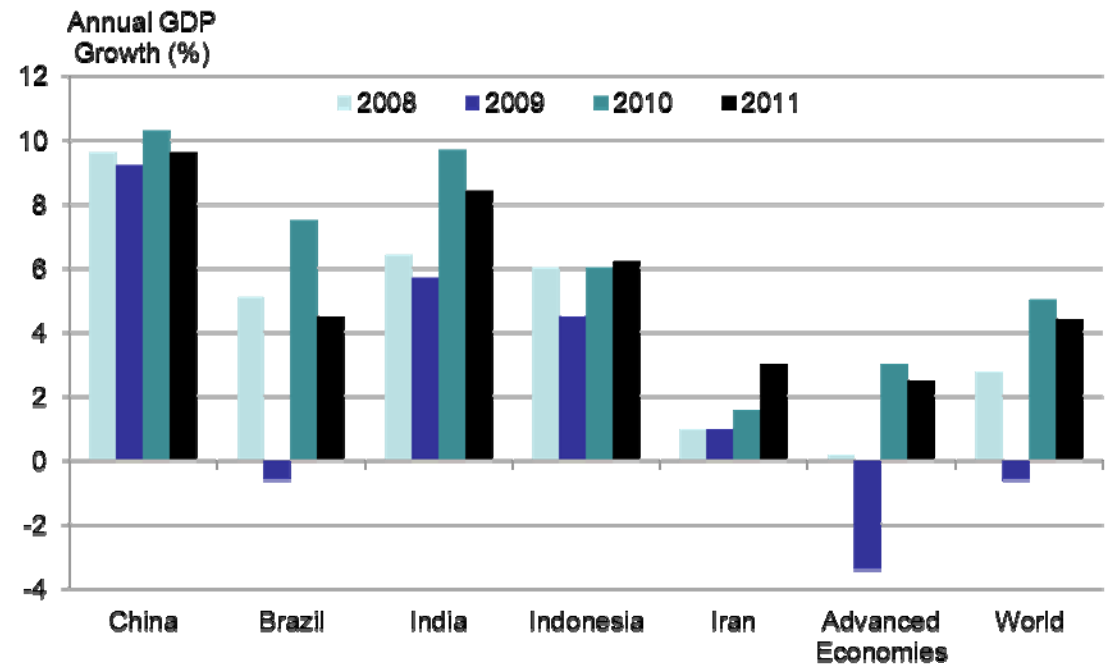
Tile Consumption

Top Tile Consumers
2009 Total = 8.5 billion sqm tiles



Source: Ceramic World Review

Tile Consumers GDP Growth



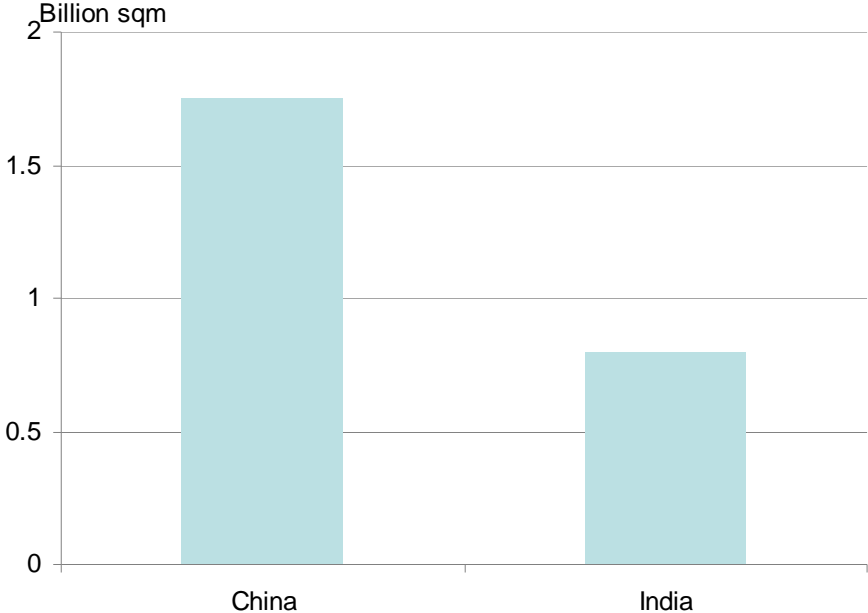
Source: IMF

- China, Brazil, India, Iran and Indonesia consume over half of the world's tiles
- Zircon intensity of use in these economies remains well below developed economies
- These economies were relatively immune from 2009 GEC impacts
- Resilient demand indicated even if further global economic slowdown

China and India Urbanisation

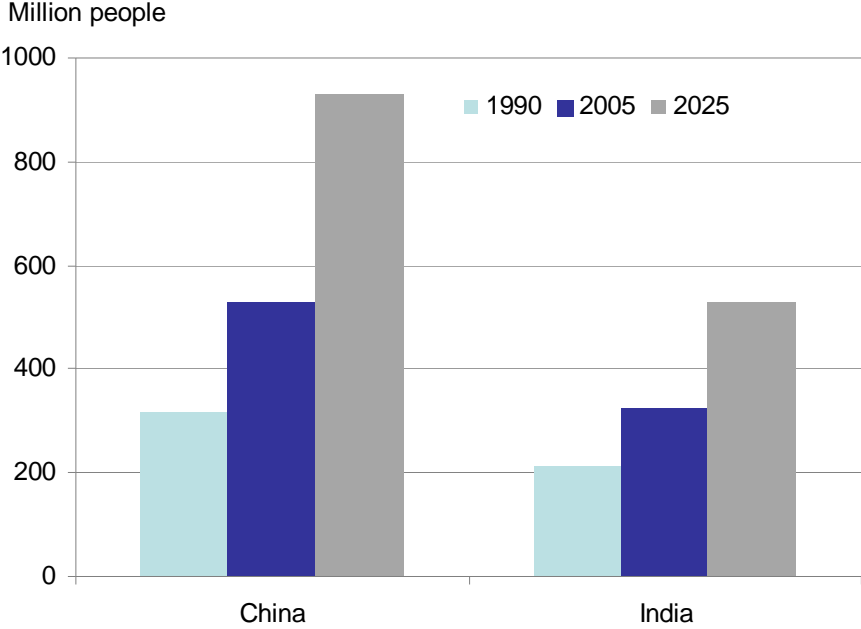
Floor Space Linked to Tile Usage

**Annual Urban Floor Space Construction Required
2010 to 2030**



Source: McKinsey Consultants

Urban Population



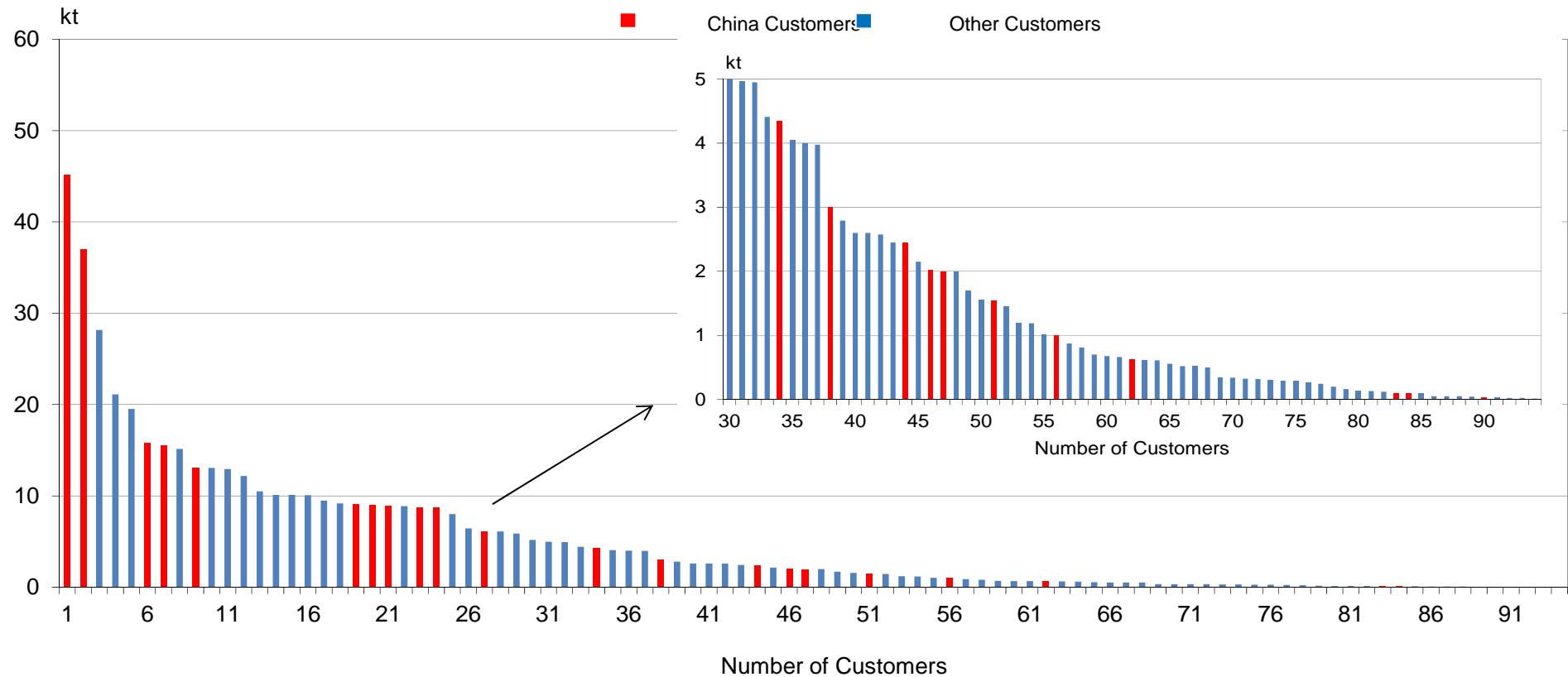
Source: McKinsey Consultants

- China will require around 1.8 billion square meters of new urban floor space each year for next 20 years
- India will require around 800 million square metres, and
- Other developing economies in South America, Asia, Middle East and Eastern Europe will generate significant demand
- A major growth dynamic for zircon and titanium dioxide products

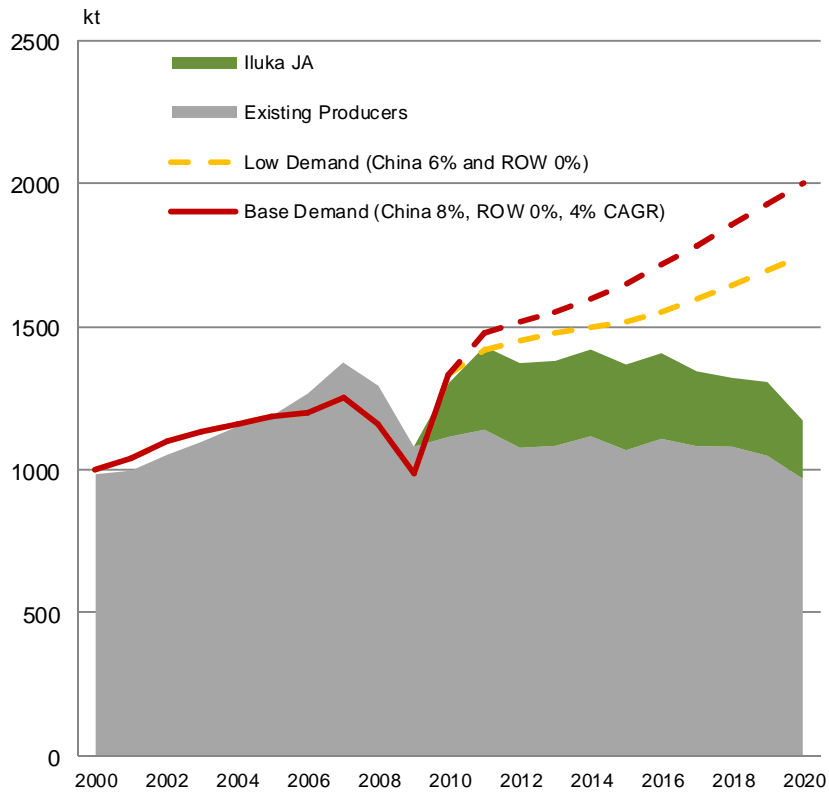
Iluka Zircon Customers - 2010



**Iluka Global Customer Profile
2010**



Zircon Demand Risk?



- Assuming China demand growth of 8% & RoW 0%, results in a 2010-2020 CAGR of 4%
 - Should this demand scenario occur an additional 50-60kt of new supply is required to meet the annual demand increase
 - Since 1990 Chinese zircon demand has grown at 18% pa (off a low base)
- Even in the Low Demand (6% China, RoW 0%) scenario a considerable deficit is forecast

Source: Iluka

Zircon

Substitution Risk?



Overview

- Zircon typically = represents a **low percentage of final products' pricing**
- **Few substitutes** provide equivalent value in use
- **Lack of availability** a potential cause of reduction in some lower value applications of zircon

Ceramics

- **Glazed and Porcellanato tiles** (80% of global production), zircon = 5-10% of final product cost depending on tile type, quality and colour)
- TZMI study - low iron clays and feldspar cannot provide equivalent value in use

Foundries & Refractories

- Some evidence of substitution from chromite sand, cerabeads and kerphalite

Specialty Chemicals

- **Fused zirconia:** zircon increased from 25% to 60% costs ('03-'07) yet **no substitution**
- **Chemical zirconia:** zircon increased from 25% to 50% costs (since late '90s) = **switch to lower quality zircon**

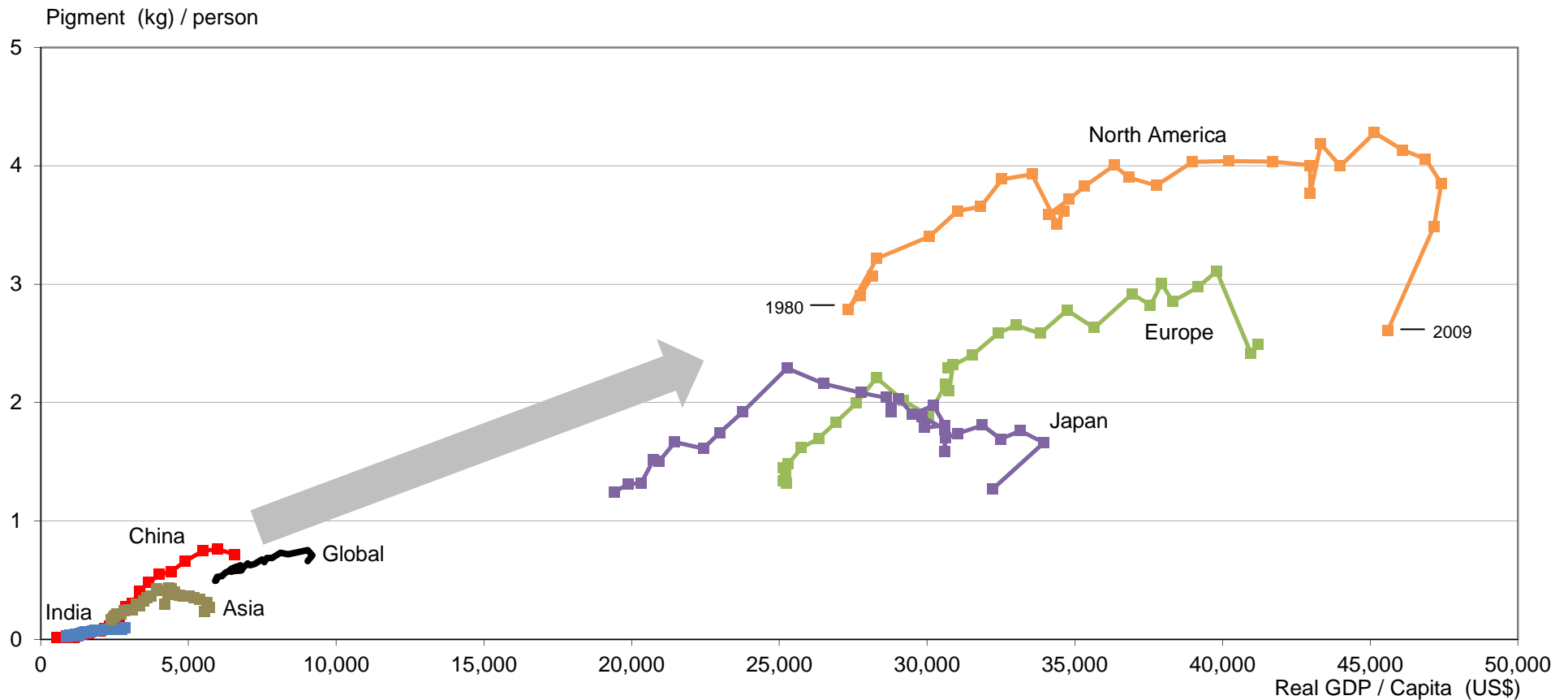
Iluka's Zircon Opportunity



- Provide zircon price direction for customers
- Contribute to improvement in profitability through the value chain
- Further price increases possible and sustainable
- Potential to address supply shortages through increased production
- Plans in progress to evaluate acceleration of Jacinth-Ambrosia production
- Higher long term prices expected to increase reserve base
- Product development expected to increase resources monetisation

Pigment Demand by Region, 1980 to 2009

Developing countries pigment use growing with GDP



- Developing countries intensity of pigment use (pigment per person) expected to grow with living standards (rising GDP / capita).
- Developed countries show an intensity of pigment use ~2 - 4 kg per person. This level of pigment use in China would be a significant increase from current levels.

Note: Conversion factor for US\$ based on Purchasing Power Parity (PPP). Real 2008 Australian dollars.
 Source: TZMI and IMF

High Grade Titanium Dioxide

Market Conditions



- Strong demand for high grade titanium dioxide feedstocks
- Most chloride pigment producers operations at full or near full capacity
 - demand for high grade feedstocks as replacement for lower grade feedstocks
 - hence increased demand for rutile and synthetic rutile
- Evidence of insufficient high quality feedstock supply
- Major pigment producers increasing prices/margins
- 2011 1st year of unconstrained contract price negotiations
 - rutile and SR pricing 'step change' set for six month period only
 - volume arrangements for 12 months, subject to 2H price agreement
- Expectations of improved profitability for raw material suppliers and customers

Iluka's High Grade TiO₂ Opportunity



- New pricing environment for high grade titanium products from 2011
- More flexible volume and pricing arrangements
- Potential to re-activate idled capacity as product prices warrant
- Testing of Murray Basin/Jacynth-Ambrosia ilmenites
 - cheap sources of SR feed
- Potential development of large SR ilmenite resources (e.g. Cataby)
- Product development opportunities
 - e.g. sulphateable SR into China market

Internet Sales and Auction Site



Key Terms

- Purchase or auction site as required
- Minimum purchase 26mt, a full container load
- Product bagged in 2mt Bulk Bags
- Payment terms are L/C or T/T
- No requirement to accept any offer

Easily adapted to other products

- Now offering both zircon and rutile
- Ilmenite

www.ios.iluka.com

iluka Online Sales

Welcome to Iluka's Online Sales (IOS) portal. Iluka is the world's No.1 producer of high quality zircon and titanium minerals with major mining operations in Australia and the United States.

IOS is open to all businesses worldwide. Products are offered on a limited basis and all sales are conducted via this web portal. Products offered may include:

- Zircon

To enquire about other products please contact one of the Sales & Marketing Managers listed on the Contact us page.

How To **make an offer** for an online purchase:

1. Review the tonnage and quality on offer.
2. Click 'Place Order', review details and fill in the order.
3. You will then receive an email confirming the details of your offer.

Offers are limited to a **maximum order of 500mt** and Iluka reserves the right to accept or refuse any offer.

Please note that all products are delivered on a CF or CFR basis to Main Sea Ports and payment terms are T/T or LC only.

Eucla Basin Premium, 2mt bags [View Details / Place Bid](#)

500 Metric Tonnes **Available till:** Mon, 15 November 2010

>65.5% ZrO₂, >0.08%Fe₂O₃, <0.15% TiO₂, <0.5% Al₂O₃, AFS 140-150 [More Details](#)

Murray Basin Rutile 92, 2mt bags [View Details / Place Bid](#)

200 Metric Tonnes **Available till:** Mon, 15 November 2010

>92.0% TiO₂, <3.0%Fe₂O₃, <0.03% S, <0.03 P, <800ppm Sn, AFS 90-110 [More Details](#)

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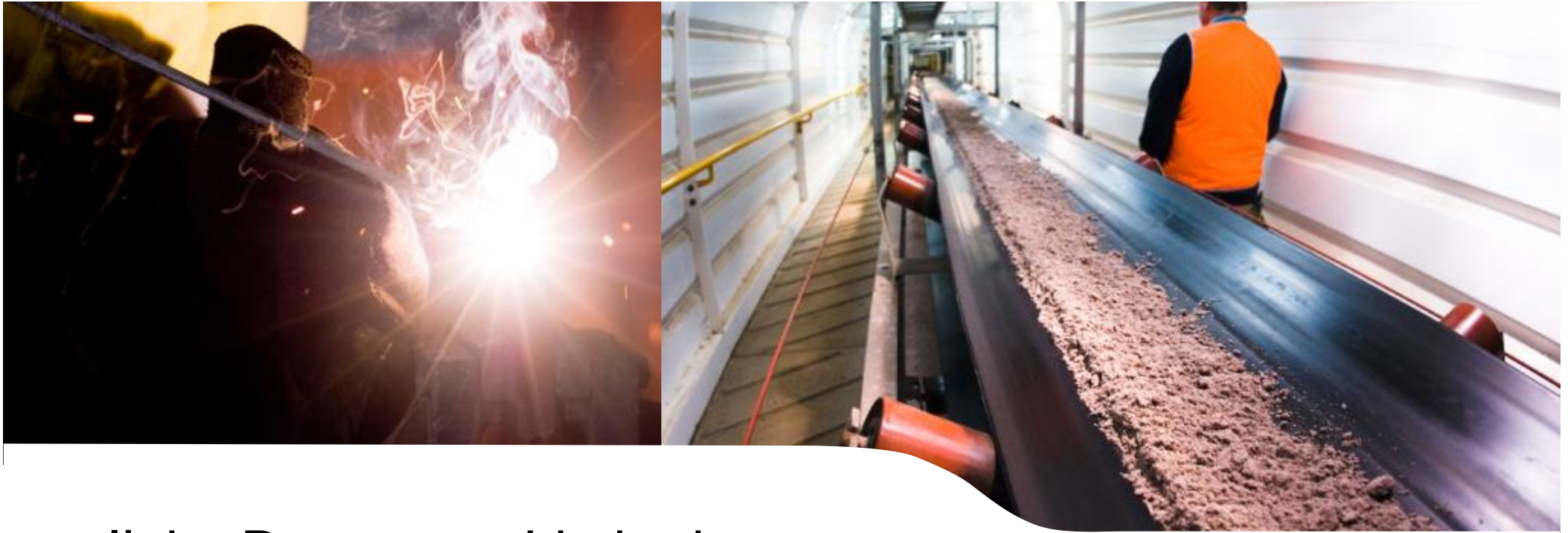
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2011 Areas of Focus



- Operate the business safely and in a sustainable manner
- Maximise high margin production from existing operations
- Determine best means to cost-effectively increase production
- Support pricing momentum as market conditions allow
- Invest in product and technical development
- Increase investment in exploration in existing and new provinces
- Continue market and business development opportunities
- Cash flow utilisation
 - debt expected to reduce rapidly
 - capital management
 - flexibility to pursue growth opportunities



Iluka Resources Limited

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