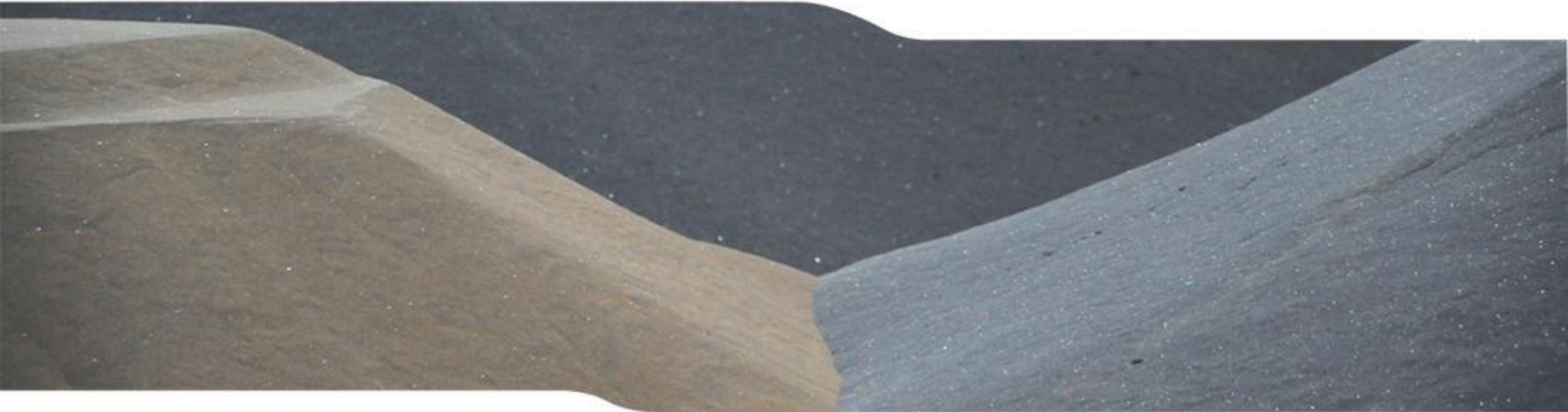




**ILUKA**

# 2012 Full Year Results



David Robb, Managing Director  
Alan Tate, Chief Financial Officer  
21 February 2013

# Disclaimer – Forward Looking Statements



## Forward Looking Statements

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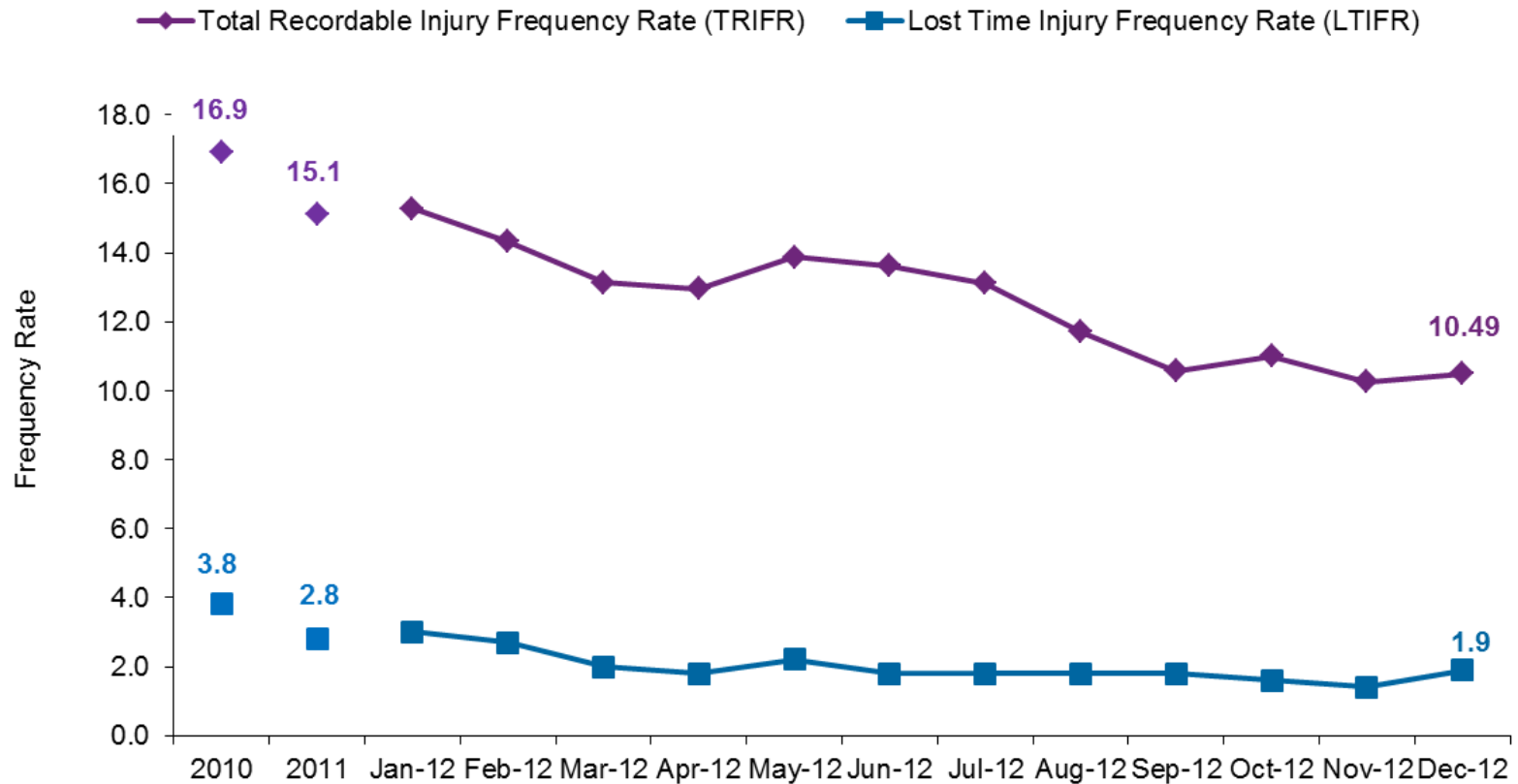
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## Non-IFRS Financial Information

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.

# Sustainability – Safety Performance



- Further significant improvement in safety performance in 2012, with year-on-year
  - TRIFR rate declining by 30%
  - LTIFR rate declining by 32%

# 2012 Key Features

- Healthy ROC and ROE despite materially lower sales and revenue
- 35% lift in revenue/tonne of Z/R/SR in 2012 vs 2011 (\$1,991/tonne vs \$1,480/tonne)
- Production response actions (2012 and 2013) with goals:
  - conserve cash
  - draw down finished goods inventory
  - maintain rapid response capability for demand recovery
  - maintain balance sheet strength, moderate gearing, given industry cyclicality
- Reductions achieved in costs, capital expenditure vs guidance
- Finished goods inventory (>\$450 million) available to be sold
- Intermediate inventory (>\$250 million) available to be processed
- Growth options preserved

# Main Features of Full Year Results

## Versus 2011

Mineral Sands Sales Volumes	↓	Z/R/SR sales down 52.9%; zircon down 58.4%, rutile down 60.3% SR sales down 34.2%
Mineral Sands Revenue	↓	30.4% - lower volumes partially offset by higher prices
Unit Cash Production Costs	↓	\$719/tonne (Z/R/SR) compared to \$538/tonne and 2012 guidance of ~\$750/tonne
Revenue per Tonne	↑	41.6% to \$1,991 (Z/R/SR) – reflecting pricing outcomes
Mining Area C EBIT	↓	\$72.3 million vs \$88.1 million
Mineral Sands EBITDA	↓	21.6% to \$726.0 million
Mineral Sands EBITDA Margin	↑	67.9% vs 60.3%
Group EBITDA	↓	23.5% to \$748.8 million
Reported Earnings	↓	\$363.2 million NPAT vs \$541.8 million NPAT
Return on Capital	↓	27.3% vs 54.9%
Return on Equity	↓	23.2% vs 42.5%
Capital Expenditure	↓	\$167.3 million cash vs \$142.5 million. 2012 guidance of \$185 million.
Free Cash Flow	↓	\$81.2 million vs \$589.6 million
Free Cash Flow per Share (cents)	↓	19.4 cents vs 140.6 cents
Net (Debt)/Net Cash	↓	Net debt of \$95.9 million vs \$156.7 million net cash
Earnings per Share	↓	87.1 cents vs 130.1 cents
Dividends declared in year	↓	35 cents fully franked vs 75 cents (73% franked)

# Iluka Dividend Payment



- 10 cents final dividend fully franked payable 4 April 2013
- 35 cents full year 2012 dividends fully franked
- Annual dividend yield of 3.4% (2011: 4.5%)

## Distribution Metrics

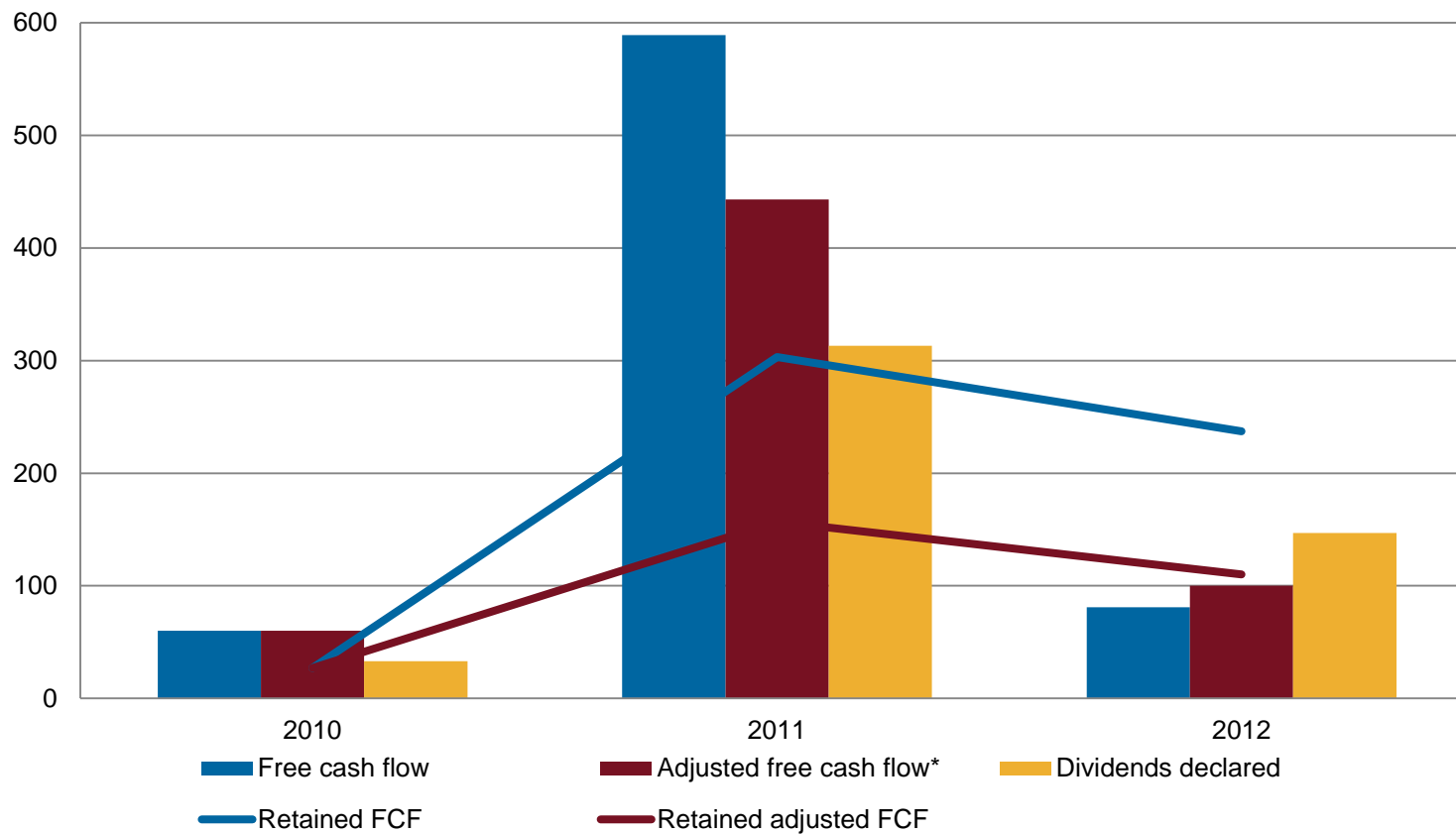
	FCF	Adjusted FCF <sup>(1)</sup>	NPAT
Full year pay out ratio (%)	181	147	40
Cumulative dividend payout ratio (2010 – 2012) (%)	68	82	52
Cumulative retained free cash flow (2010 – 2012) (\$m)	237	110	n/a

(1) Free cash flow adjusted to align cash tax payments with corresponding earnings period.

- 2012 franking credits generated of \$150 million
  - \$143 million distributed with 55 cent final 2011 and 25 cent interim 2012 dividends
- Dividend payment consistent with Iluka's stated framework:
  - pay a minimum 40% of FCF not required for investing or balance sheet activity
  - distribute available franking credits

# Dividend History 2010 - 2012

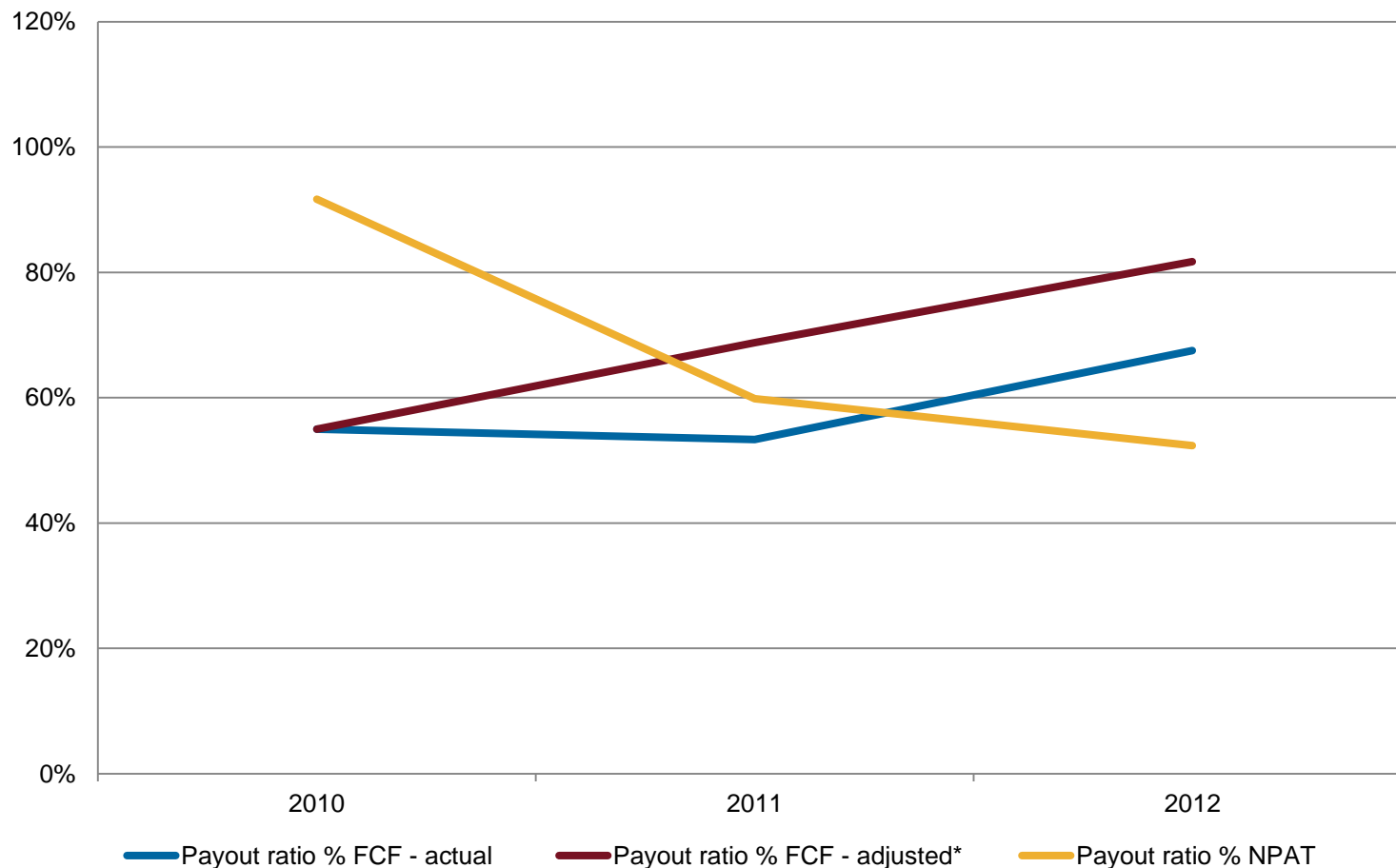
### Free Cash Flow and Dividends Declared



\* Free cash flow adjusted to align cash tax payments with corresponding earnings period.

# Dividend History 2010 - 2012

### Cumulative Dividend Payout Ratio of NPAT & FCF



\* Free cash flow adjusted to align cash tax payments with corresponding earnings period.



# Summary Group Results



\$m	2012	2011	2010	2011 vs 2012 % change
<b>Mineral sands revenue</b>	<b>1,069.8</b>	<b>1,536.7</b>	<b>874.4</b>	<b>(30.4)</b>
Mining Area C royalty	72.7	88.5	76.3	(17.9)
<b>Group EBITDA</b>	<b>748.8</b>	<b>979.3</b>	<b>305.1</b>	<b>(23.5)</b>
Depreciation and amortisation	(203.1)	(224.6)	(219.0)	9.6
<b>Group EBIT</b>	<b>545.7</b>	<b>790.3</b>	<b>86.1</b>	<b>(31.0)</b>
Net interest and financing	(33.5)	(29.6)	(46.2)	(13.2)
<b>Profit before tax</b>	<b>512.2</b>	<b>760.7</b>	<b>39.9</b>	<b>(32.7)</b>
Tax expense	(149.0)	(218.9)	(3.8)	31.9
<b>Profit after tax</b>	<b>363.2</b>	<b>541.8</b>	<b>36.1</b>	<b>(33.0)</b>
EPS (cents per share)	87.1	130.1	8.6	(32.7)
Free cash flow	81.2	589.6	60.7	(86.2)
<b>Free cash flow (cents per share)</b>	<b>19.4</b>	<b>140.6</b>	<b>14.5</b>	<b>(86.2)</b>
Dividend (cents per share)	35.0	75.0	8.0	(53.3)
<b>(Net debt)/net cash</b>	<b>(95.9)</b>	<b>156.7</b>	<b>(312.6)</b>	<b>(161.2)</b>
Gearing (net debt /net debt + equity) %	5.8	n/a	21.8	n/a
Return on capital %	27.3	54.9	5.0	(50.3)
<b>Return on equity %</b>	<b>23.2</b>	<b>42.5</b>	<b>3.2</b>	<b>(45.4)</b>
Average A\$/US\$ exchange rate	103.6	103.2	92.0	(0.4)

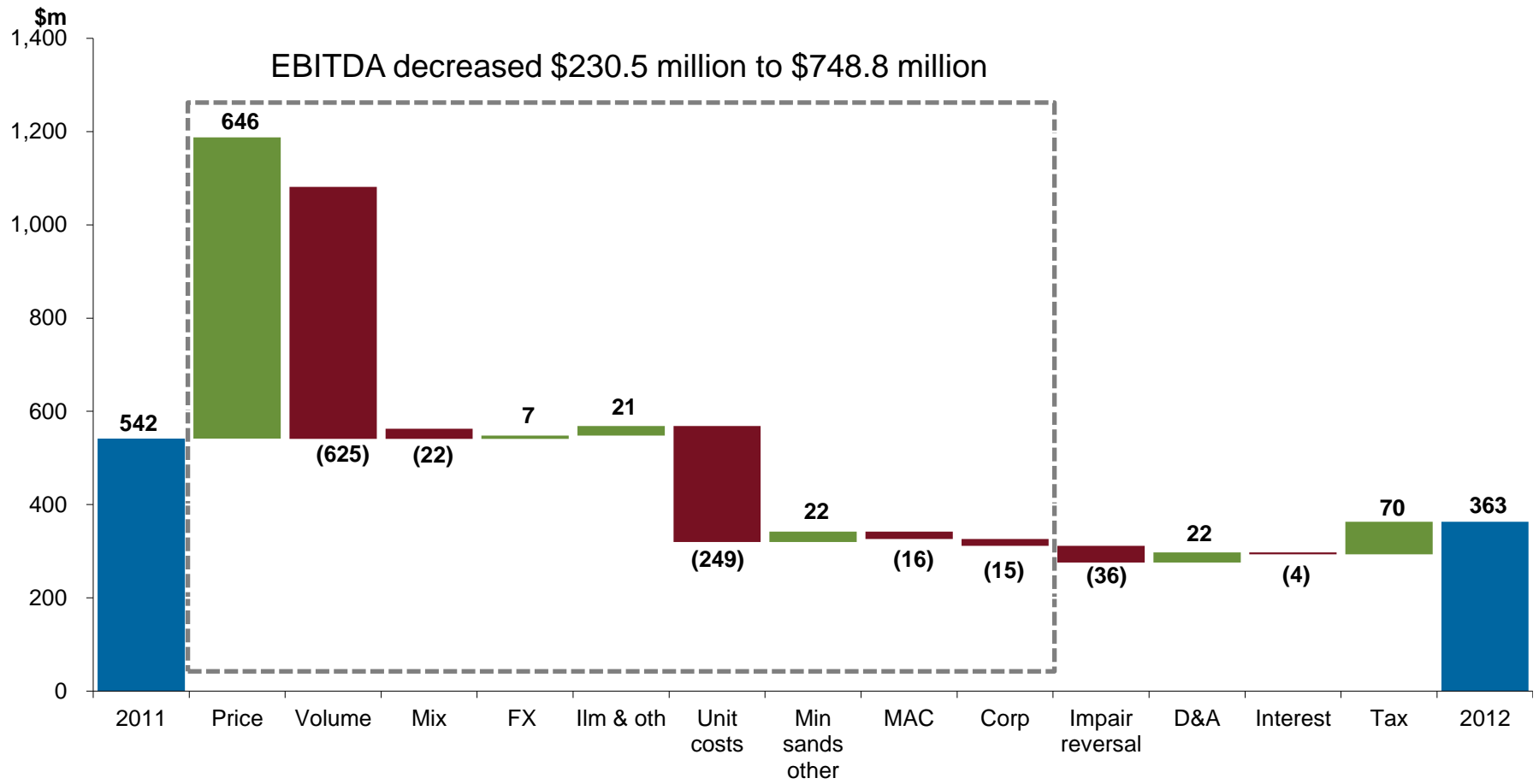
# Mining Area C Royalty



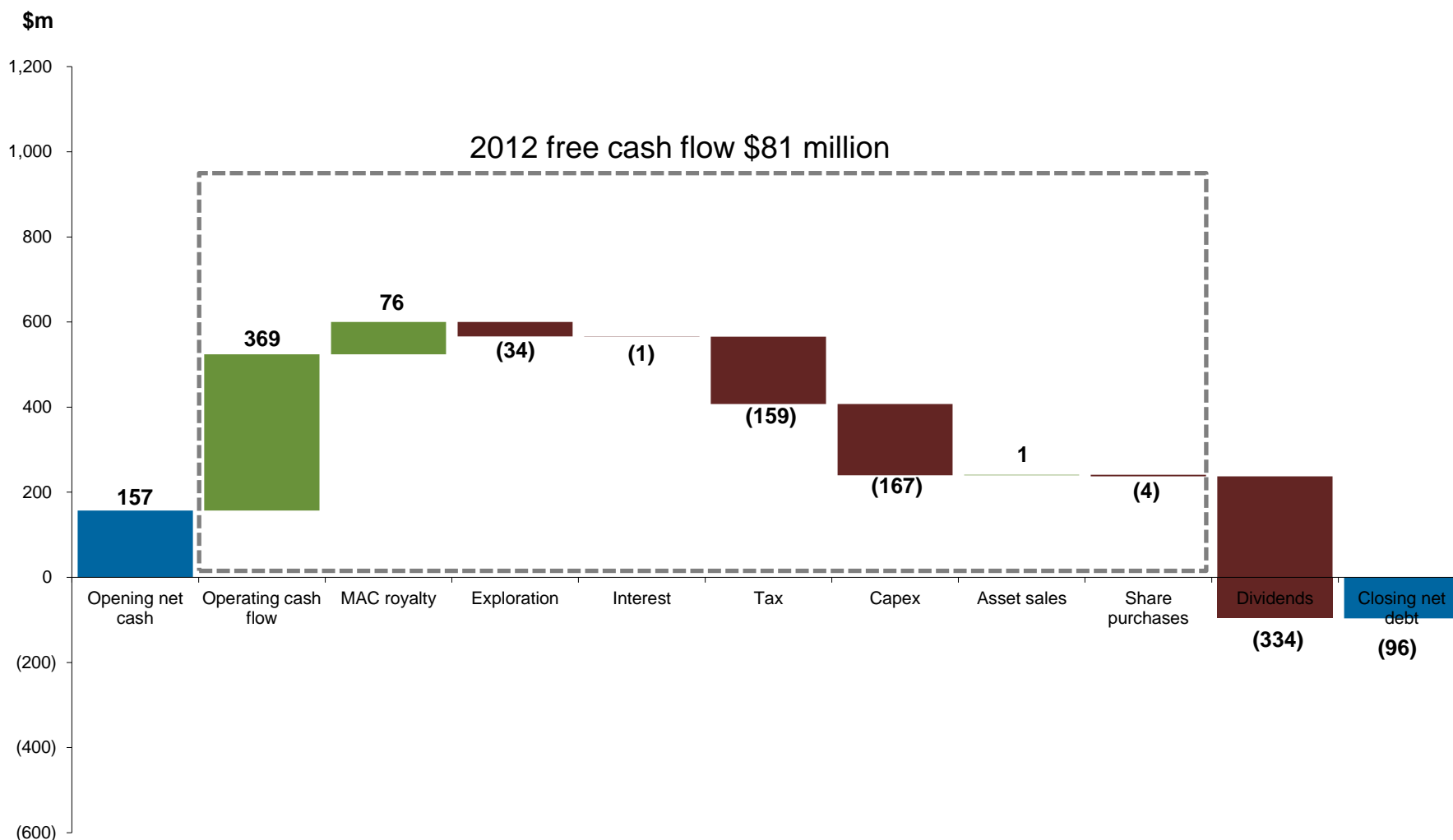
\$m		2012	2011	% change
Annual production to 30 June	mdmt	44.1	43.1	2.3
Sales volumes to 31 December	mdmt	47.4	44.6	6.4
Royalty income	\$m	69.7	87.5	(20.3)
Capacity payments	\$m	3.0	1.0	200.0
Iluka EBIT	\$m	<u>72.3</u>	<u>88.1</u>	<u>(17.9)</u>

- Iron ore sales volumes up 6.4%
- Average AUD realised price of \$118/t decreased by 24.4% from pcp (2011: \$156/t)
- \$3.0 million of annual capacity payments to 31 December (2011: \$1.0 million)

# Net Profit after Tax



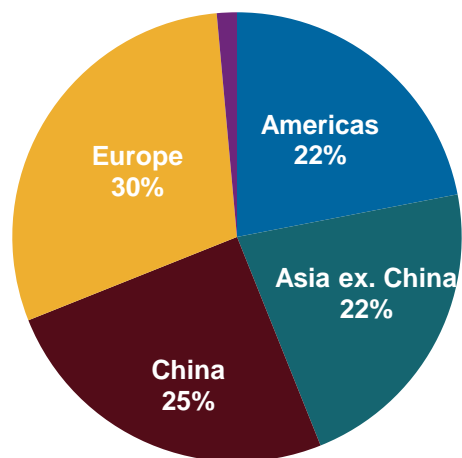
# Net Cash to Net Debt Movement 2012



# Geographic Revenue Sources

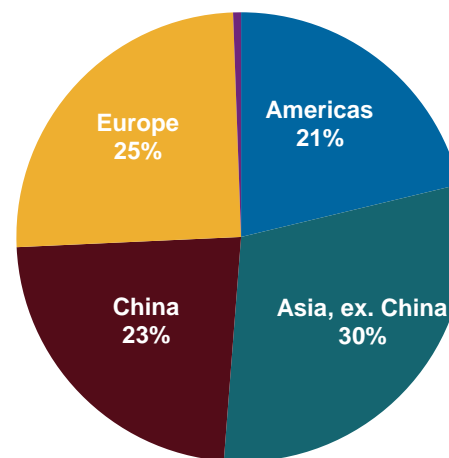
Iluka Revenue by Region

2011  
Other  
1%



Iluka Revenue by Region

2012  
Other  
1%



- Global distribution largely unchanged – balanced exposures
- European domestic and export markets weak

# Mineral Sands Market Conditions - 2012



- Macro economic, country-specific and inventory destocking factors influenced demand
- Coincident cyclical weakness in both zircon and high grade titanium dioxide markets
- Demand conditions worse than in 2009 – height of GFC
- Weak high grade titanium dioxide demand in second half
  - pigment plant capacity utilisation at historically low levels
- Multi-tiered pricing arrangement for titanium dioxide products
  - Iluka sales impacted by continued availability of legacy contract tonnes
- Structural/cyclical reduction in zircon use in ceramics in China (~20% of global demand)
- Iluka zircon sales impacted by sharp price declines led by others

# Mineral Sands Market Conditions - 2012



- Prices fell significantly in latter part of year

<b>US\$/t FOB</b>	<b>2011 Weighted Average</b>	<b>1H 2012</b>	<b>2H 2012</b>	<b>Dec-12 Quarter</b>	<b>2012 Weighted Average</b>
Zircon	1,886	2,490	1,856	1,449	2,080
Rutile	1,174	2,505	2,305	2,094	2,464
Synthetic rutile	878	1,950	1,465	1,463	1,771

# Zircon – 2013 Outlook

- Iluka average zircon pricing starting ~ 15 % below Dec-12 quarter levels
- Signs of improved demand in China and US, significantly reduced production announced
  - pre-conditions exist for period of price stability
- More favourable demand conditions expected to emerge progressively in 2013
  - January zircon sales stronger than 2012
  - level of enquiry in all markets, other than Europe, strong in February
  - price stabilisation important to customer confidence and ordering patterns
- Current price levels expected to encourage re-introduction of zircon in some applications
- Current price levels expected to make investment for future production more challenging

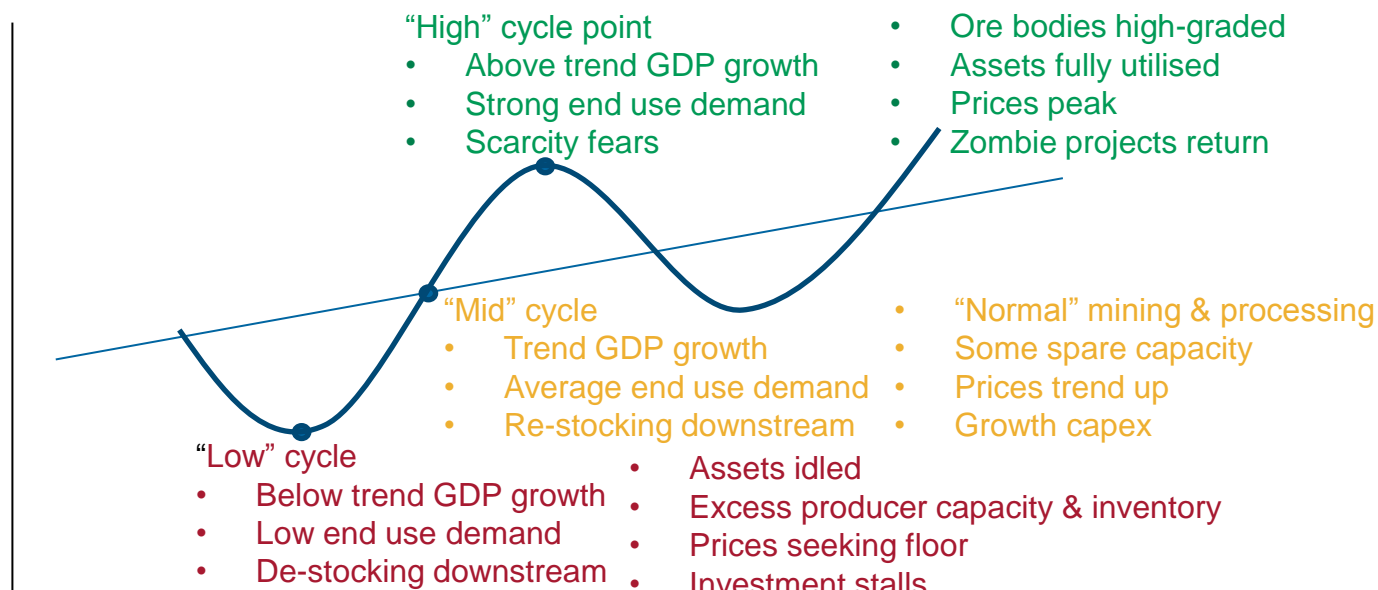


# High Grade TiO<sub>2</sub> – 2013 Outlook



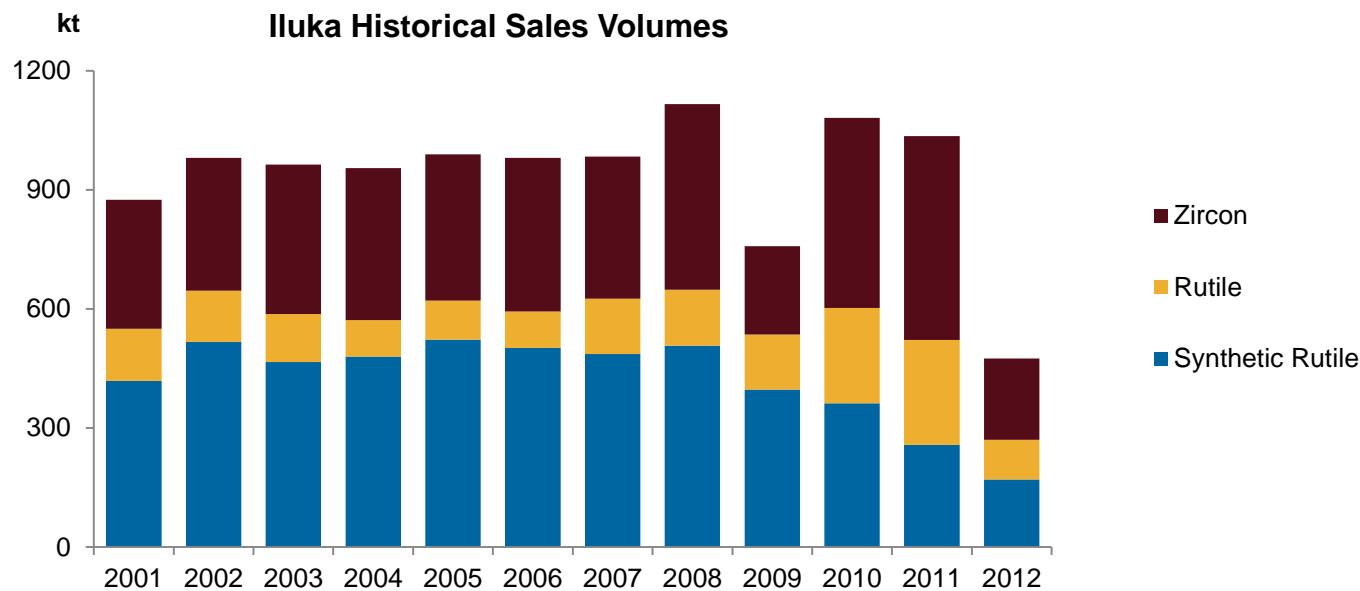
- Iluka average rutile pricing starting ~30% below Dec-12 quarter levels
- Pigment plant utilisation continues at historically low rates – 65% to 75%
- Indications pigment inventory draw down is now advanced
- Pigment industry commentary suggests return to more normal outputs from 2H13
- US and European painting season a key influence
- Iluka high grade sales likely to remain sluggish in 1H relative to potential 2H recovery
- Feedstock pricing in 2013 influenced by end of legacy contracts
- Recent industry production curtailments an expected positive for market dynamics
- Iluka production cut backs also announced

# Mineral Sands Cycle Characteristics



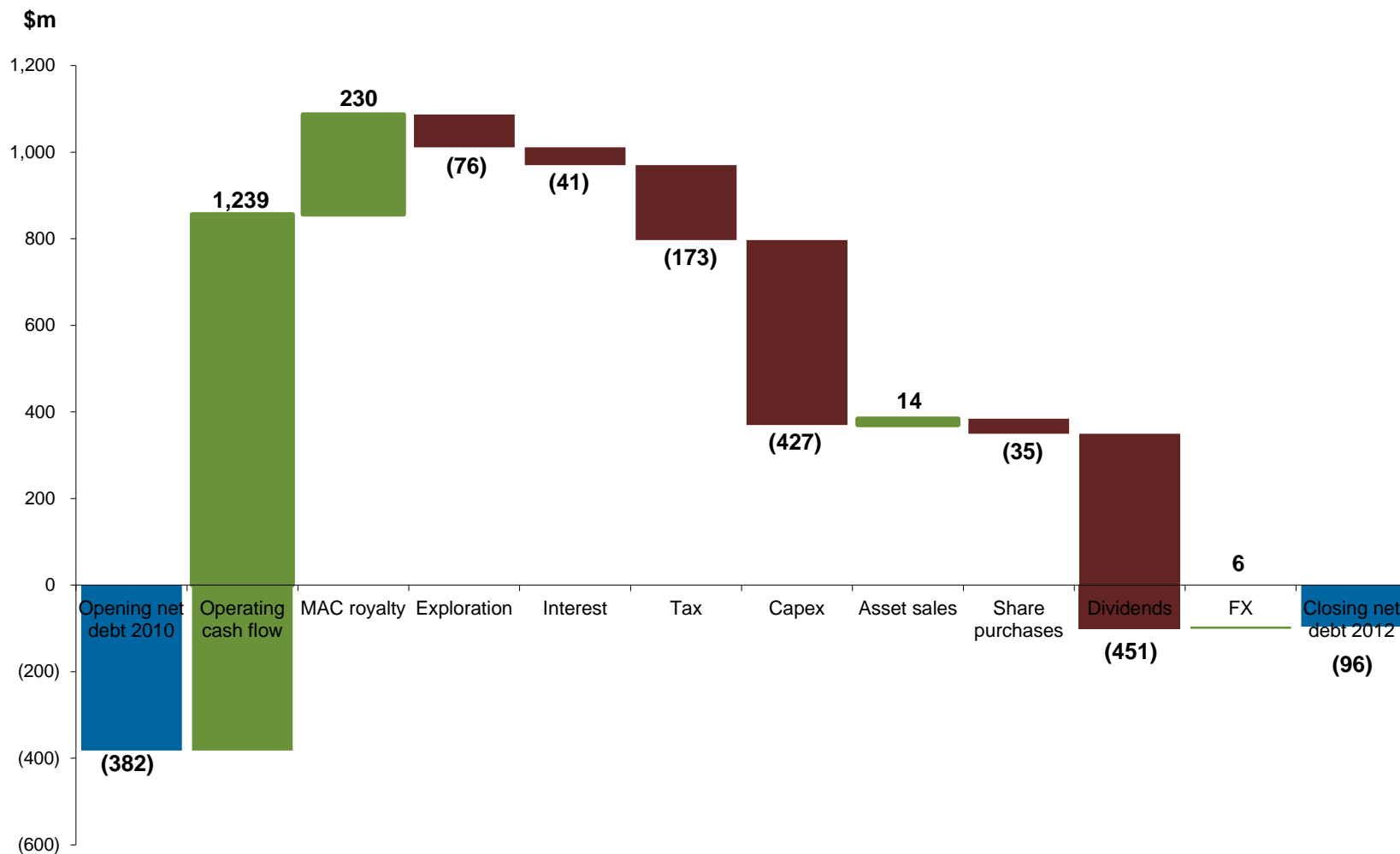
- Recent volatility highlights business cycle impacts on volumes
- Iluka 2012 Z/R/SR sales of 489 kt, ~half level of "high" cycle levels (>1mt), 1/3<sup>rd</sup> <2009
- 2012 - coincident low demand for both zircon and high grade titanium dioxide feedstocks
- Inventory "bull whip" effect
- Medium term fundamentals remain positive – medium term new supply challenged?

# Mineral Sands Cycle Characteristics



- “Low” cycle characteristics in 2009 and 2012 correspond with below-trend global growth and bull-whip de-stocking
- 2008, 2010-2011 reflect “high” cycle with strong end use demand and bull-whip re-stocking
- Pre-2007 sales show little variation, reflecting smoothing effect of long term contracts
- Demand recovery expected – “second half 2013” commonly cited
- Iluka flexibility and shareholder focus demonstrated

# Capital Management 2010 - 2012



# Production Response/Cost Reduction Approach



- Planning based on multiple scenarios
  - range from protracted slump to early bull-whip recovery
- Intent to optimise cash flow, maintain conservative gearing during 2013
- Assumed negative free cash flow in first half, positive cash flow in second half
- Focus of activities
  - reduce largest cost element = cash production costs
  - maintain lowest practicable unit cost
  - target finished product inventory draw down
  - reduce overheads and capital expenditure
  - maintain flexibility to respond to market recovery
  - protect growth initiatives

# Production Cuts and Cost Reductions

- Eneabba mine (Western Australia) to be idled from April 2013
- SR kiln 3 to remain idled until demand recovers, key staff retained
- SR kiln 2 to be idled from May until market demand warrants re-start, key staff retained
  - high grade SR product demand met via rutile swaps
- Tutunup South mine (Western Australia) to be idled from May
- Narngulu mineral separation plant operating on reduced utilisation basis

# Production Cuts and Cost Reductions

- Hamilton mineral separation plant operating at 50% utilisation
- Wornack, Rownack and Pirro mine output lower
- Jacinth-Ambrosia (J-A) return to standard full face mining
  - following approvals for increased HMC storage on site
  - reduces unit cash costs of HMC produced
  - idling planned for and an option dependent on zircon demand recovery profile
- ~30% reduction in Australian operations workforce (~200 positions)
- Virginia operations idled for 30 days over Christmas; reduced roster
- Reduction in corporate and overhead costs in train

# High Level Production & Financial Implications

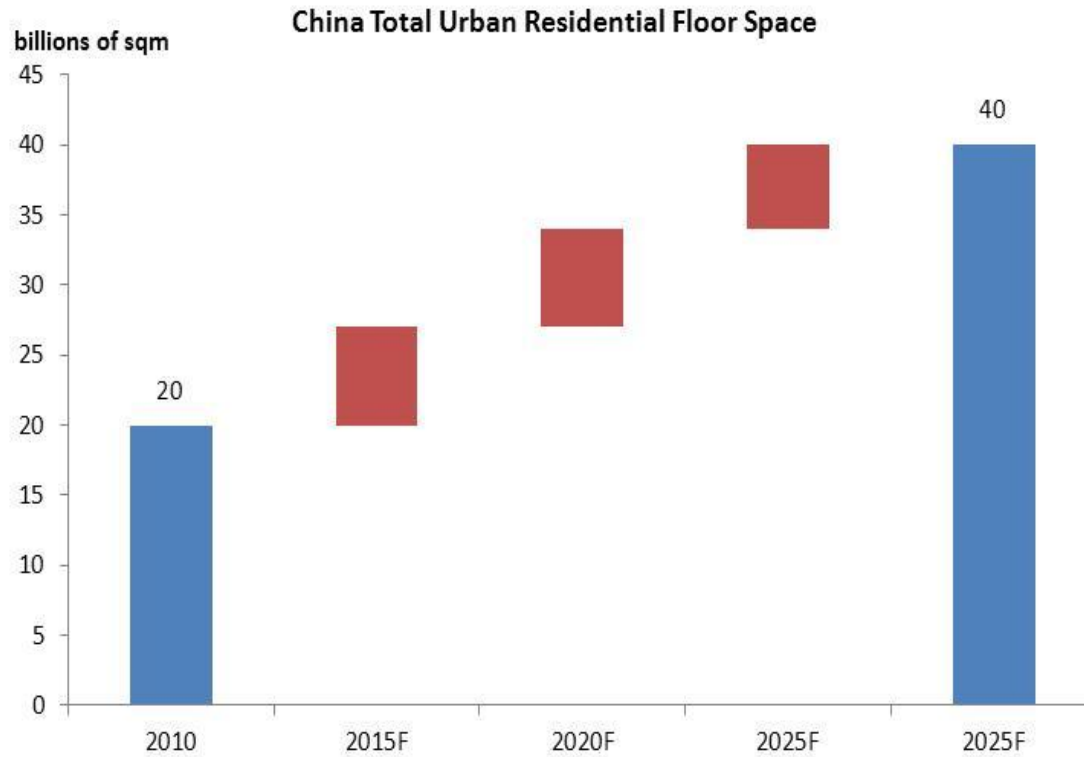


	2012 Actual	2013 Estimate
Zircon production kt	343	~220
Rutile production kt	220	~200
Synthetic rutile production kt	248	
Cash cost of production \$m	583	~375
Other cash costs \$m	133	~135
Restructure, idle capacity, rehab & holding costs \$m	25	~90 <sup>1</sup>
Total cash costs \$m	741	~600
Capital expenditure \$m	167	~100

<sup>1</sup> ~\$50 million of this estimate relates to restructure and redundancy costs associated with Iluka's production curtailment measures announced on 21 February 2013. Refer to Iluka's ASX release, Key Physical and Financial Parameters, 21 February 2013.



# Ceramic Demand Linked to Urbanisation

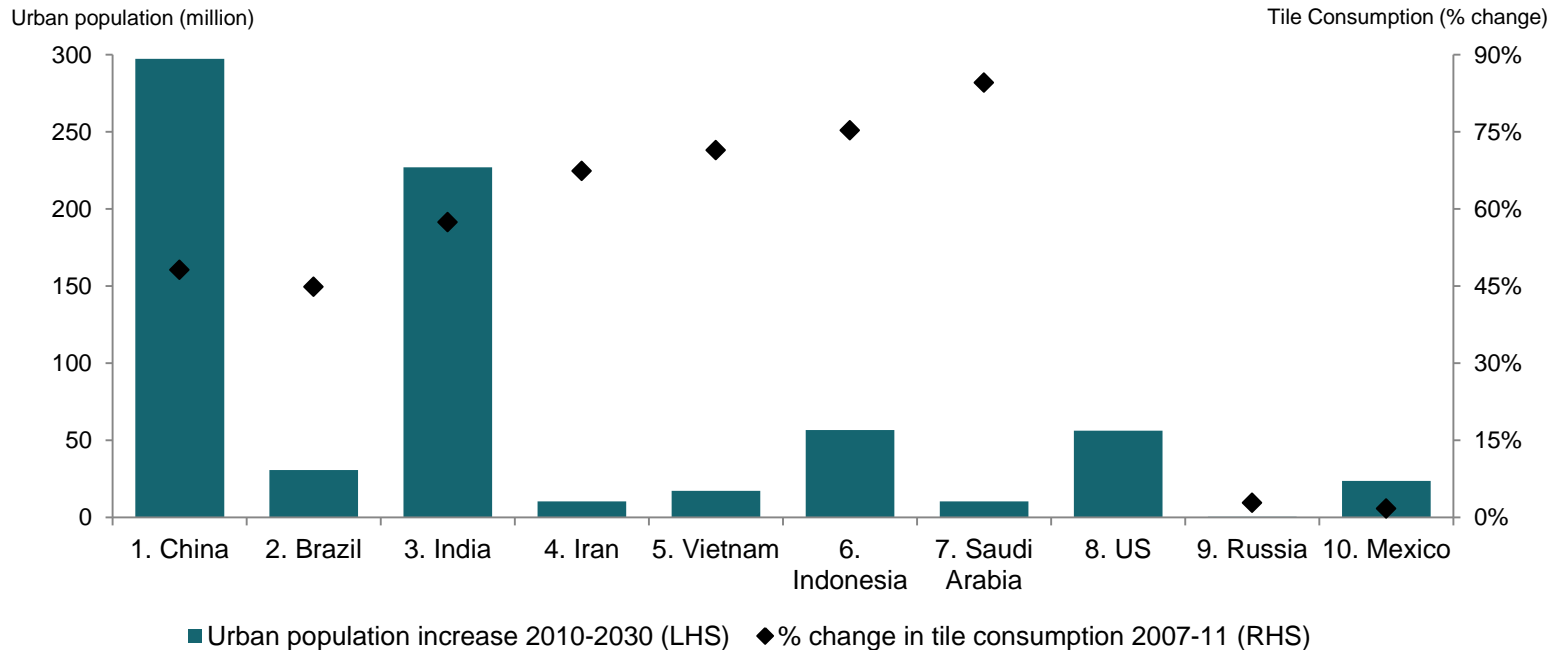


Source: Global Insight (2011), BHP (2011), RBS (2012)

- By 2025, total China urban residential floor space may be double that of 2010 level
- Social housing expected to account for 32% of total floor space completed between 2011 to 2015

# Ceramic Demand Linked to Urbanisation

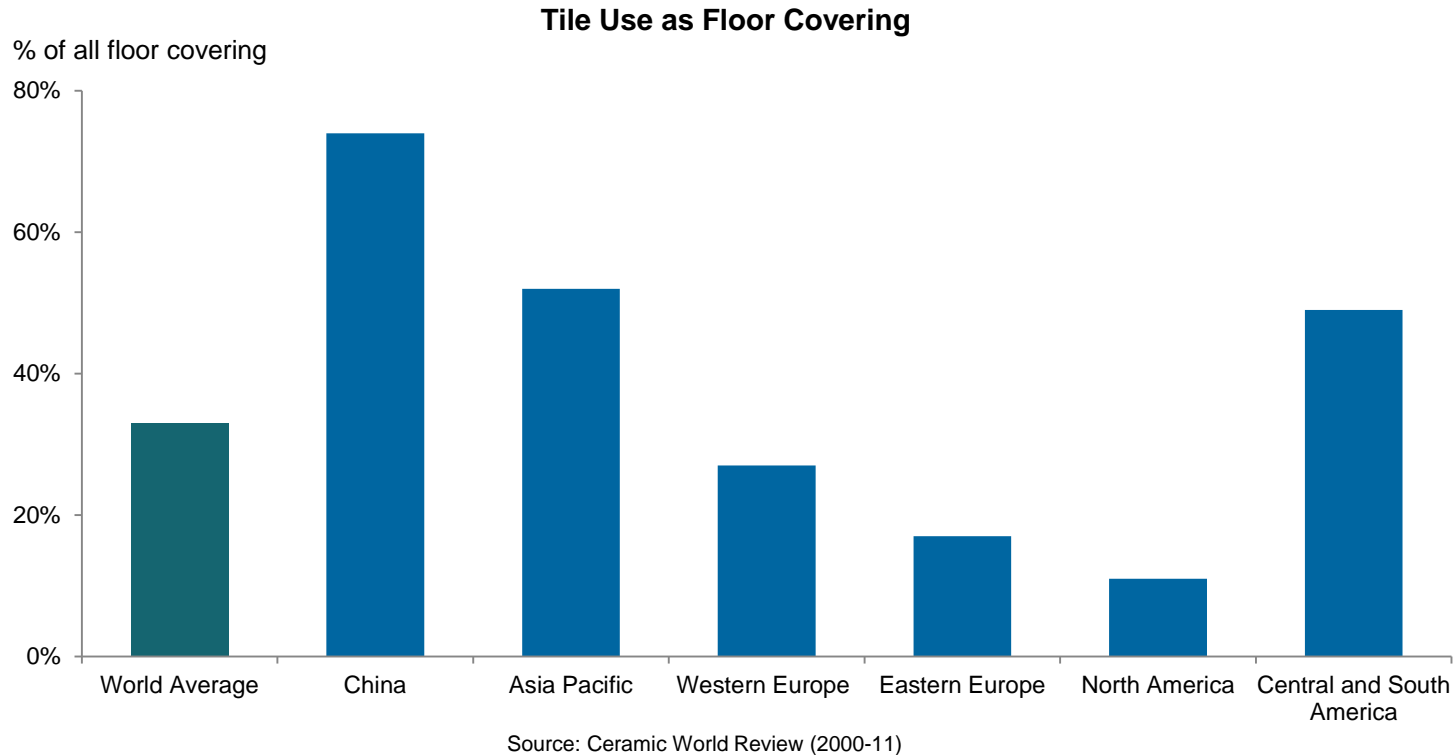
Top Ten Tile Consumers in 2011 and Urbanisation



Source: Ceramic World Review (2011), UN (2012)

- Increased use of floor coverings as living standards increase
- Top tile consumers, China and India especially, forecast to experience large urban population increases

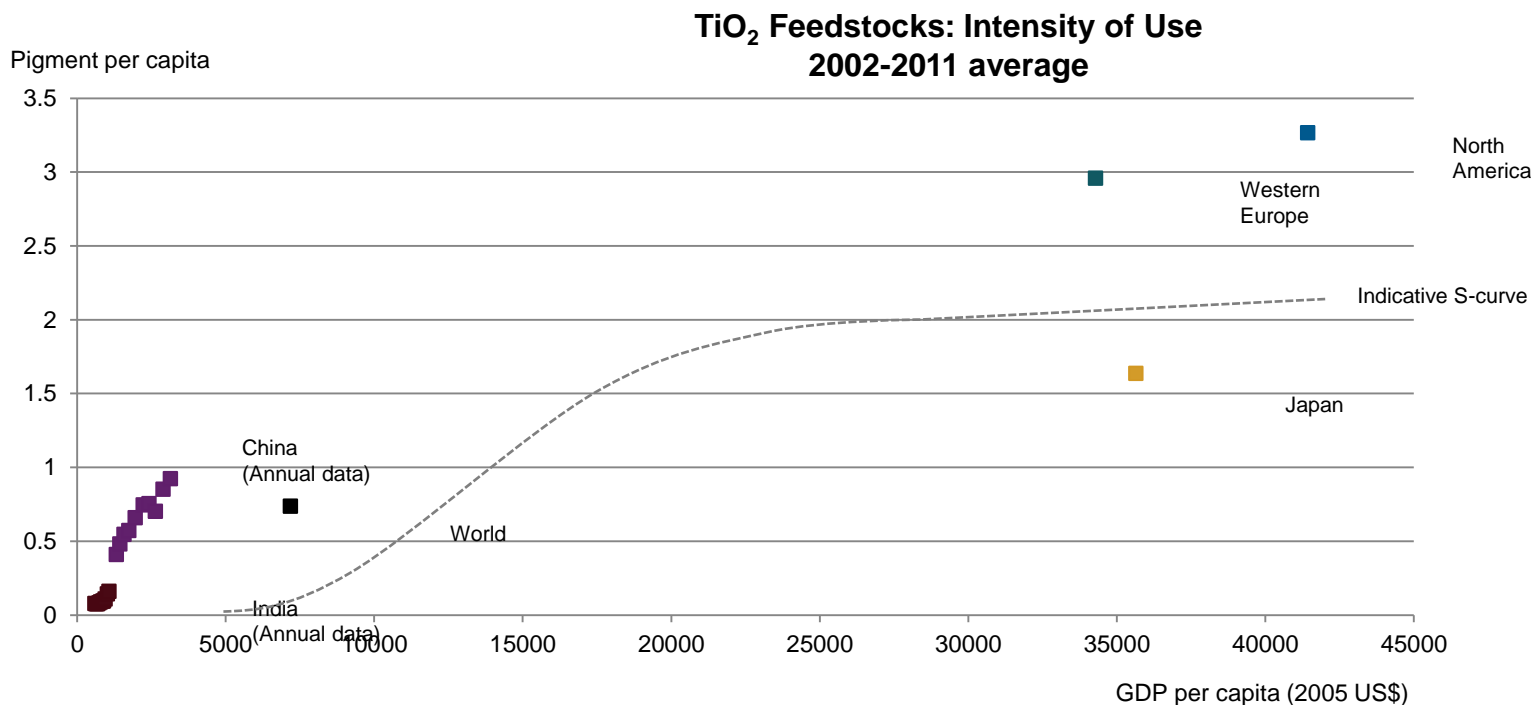
# Tile Use - Dominated by Developing Economies



- Regional tile demand based on preference, culture and climate
- Strong tile share in flooring in China and other developing regions

# Pigment Demand Intensity

## Linked to GDP Growth



- Developing countries' intensity of pigment use (pigment per person) grows with rising living standards (as measured by GDP/capita)
- Developed countries show an intensity of pigment use of around 1.5 to 3.5kg per person
  - China currently less than 1kg per person

# Consumption vs Investment Based Growth

**Investment and Consumption shares of GDP**

	China	Japan	US	Korea	India
<b>Investment / GDP ratio (%)</b>					
2011	48	20	16	30	36
Historical peak	48	36	23	38	36
Year of peak	2011	1973	1943	1991	2007
<b>Consumption / GDP ratio (%)</b>					
2011	35	60	72	53	57
Historical trough	35	52	50	49	57
Year of trough	2010	1970	1944	1988	2011

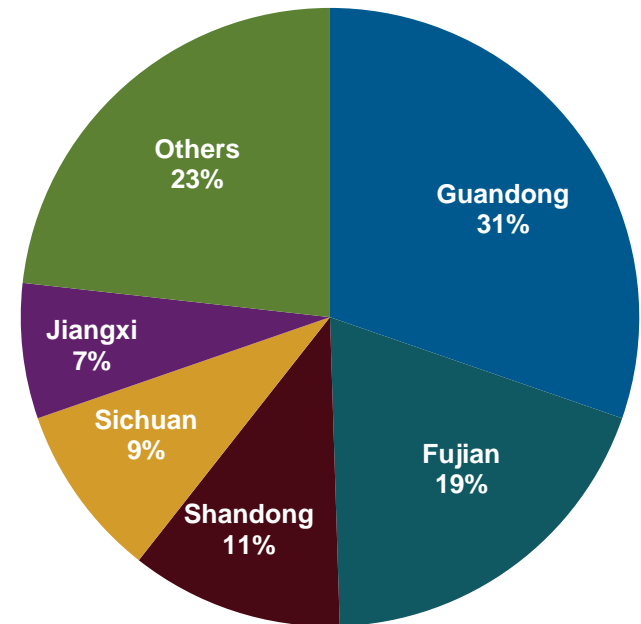
Source: Citi (2012), Bank of Japan (2011), CEIC (2013), World Bank (2013)

- Developing economies move from investment to consumption based economy
- China's consumption share of GDP expected to grow

# Chinese Tile Analysis

- Tile production estimates range from 6-8.7bn m<sup>2</sup>
- Porcelain tiles = 68% of total production
- Detailed sector analysis by Iluka over 2 years
- Collection and analysis of zircon loading in 270 tile samples from a range of provinces
- Inputs also from around 700 ceramic sales agencies, salespersons and industry insiders
- Significant variations in zircon in tiles between segments and geographies

Chinese Tile Production by Province 2011

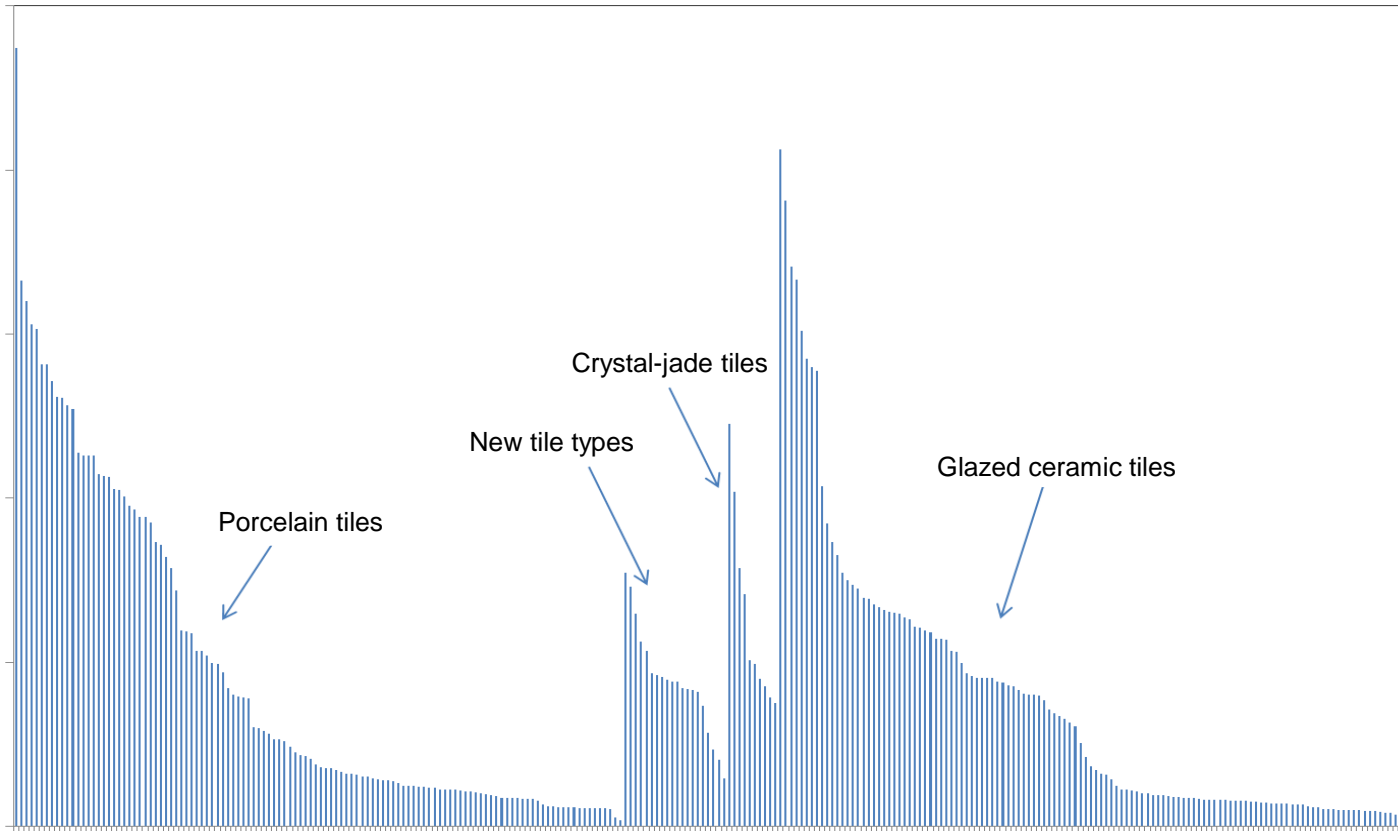


Source: China Building Ceramics & Sanitaryware Association

# Chinese Tile Analysis

Zircon loading  
(grams per sam)

## Zircon Loading of Chinese Tile Samples



Source: Iluka

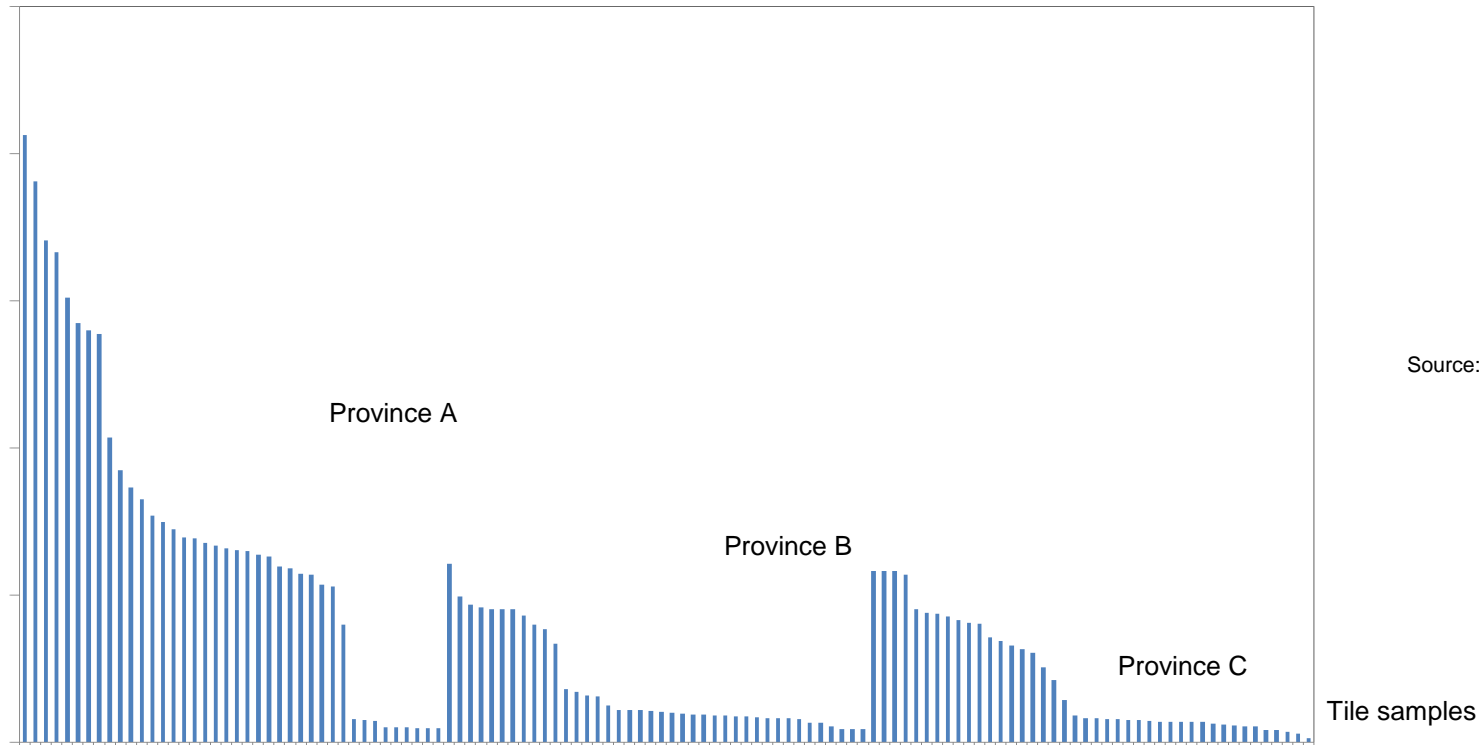
Tile samples

- A large range of zircon content within tile types

# Chinese Tile Analysis

Zircon loading  
(grams per sqm)

**Zircon Loading of Chinese Tile Samples – Glazed Ceramic Tiles**

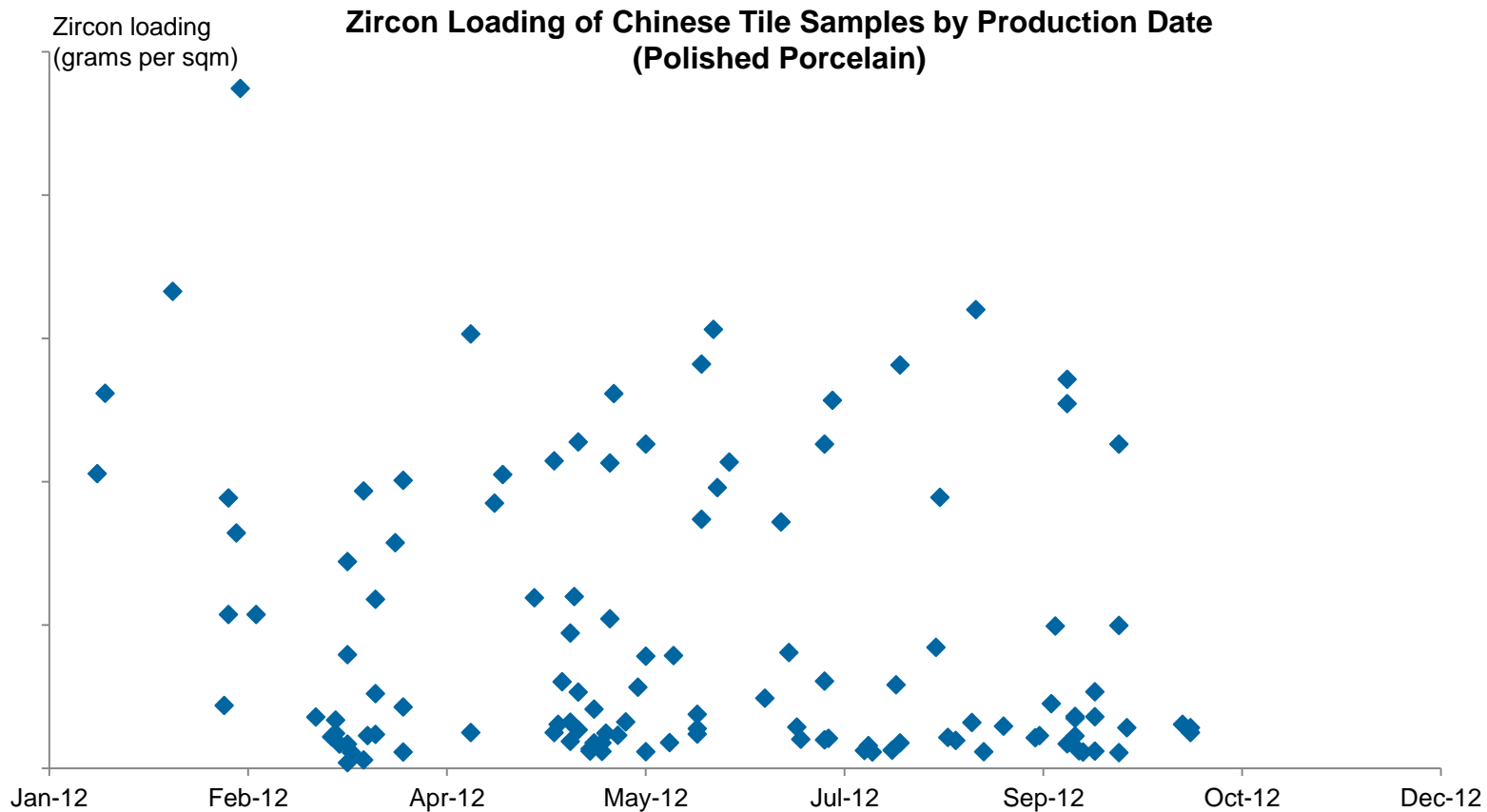


Source: Iluka

- A large range of zircon content in glazed ceramic tiles between provinces

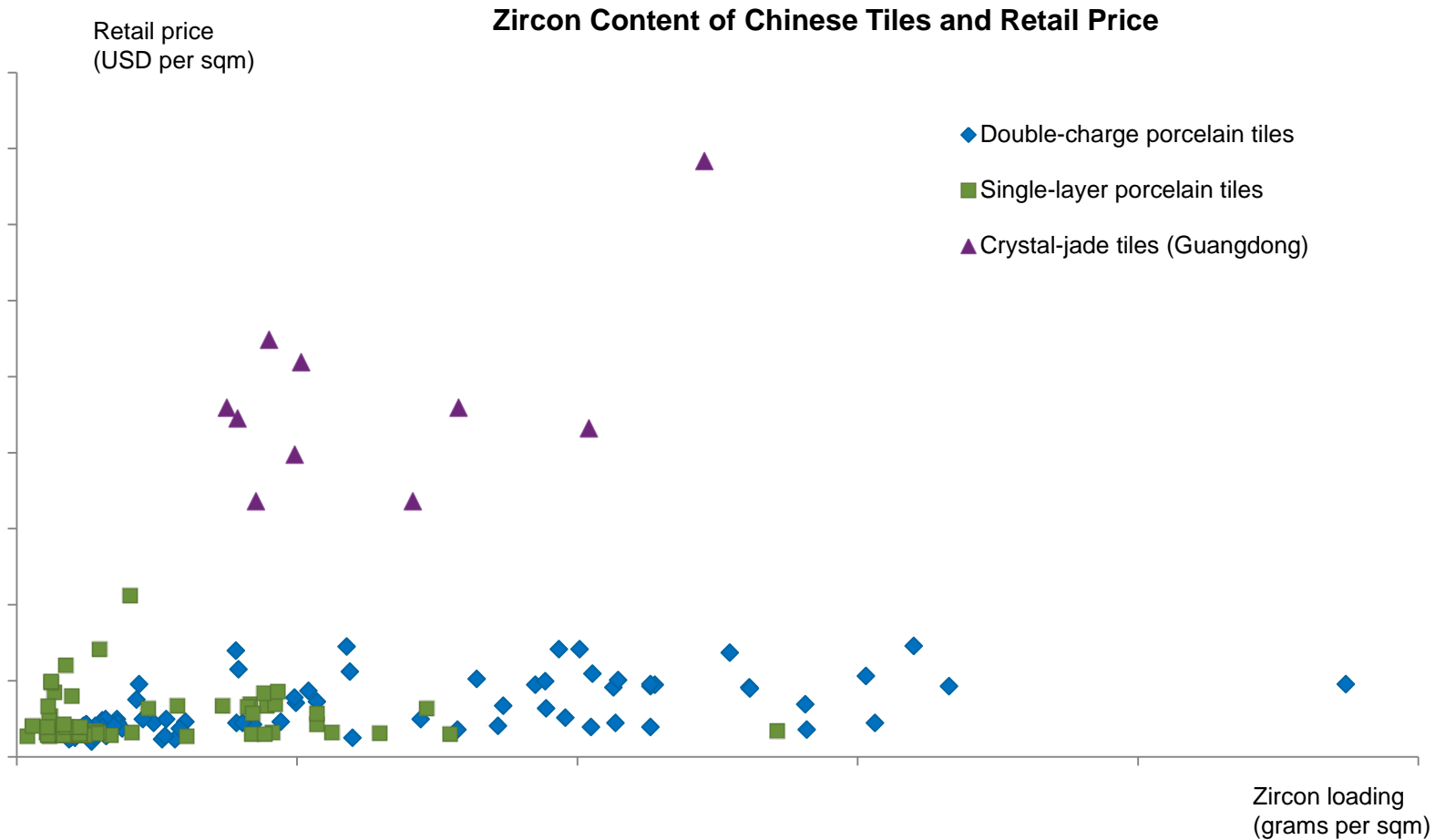


# Chinese Tile Analysis



- No discernible change in zircon loading since 2011

# Chinese Tile Analysis



- It's all about marketing
- Cost pass-through possible

# 2013 Outlook

- Turning point in mineral sands business cycle near
- Assumed negative cash flow in first half, positive cash flow in second half
- Tax payments of \$125 - \$130 million in first half (relating to 2012 earnings)
- Restructure costs of \$50 million
  - ~70%/30% 1H/2H weighted
- Finished goods inventory draw down
  - concentrate build, mainly at Jacinth-Ambrosia
- Demand recovery expected but firm basis for interim dividend payment unclear at this stage
- Balance sheet solid, moderate gearing and capacity to fund growth maintained in 2013

# 2013 Areas of Focus

- Maintain implementation of agreed strategies – “stay on course”
- Execute well in terms of market development, new product development
- Operate assets in line with market demand
- Preserve/advance mineral sands growth opportunities
  - Balranald, Cataby, Hickory, Aurelian Springs,
  - enhanced production project, exploration, product & technical development
- Maintain conservative balance sheet
- Continue to evaluate/pursue new corporate growth opportunities
- Focus on shareholder returns through cycle



# Supplementary Slides

# Reconciliation of Non-IFRS Financial Information to Profit before Tax

Non-IFRS financial measures of Mineral Sands EBITDA, Mineral Sands EBIT, Group EBITDA and Group EBIT are highlighted in the table below, together with profit before tax.

\$m	AUS	US	Exploration & Other <sup>(1)</sup>	Mineral Sands	MAC	Corp	Group
<b>Mineral sands revenue</b>	<b>958.2</b>	<b>111.6</b>		<b>1,069.8</b>			<b>1,069.8</b>
Mineral sands expenses	(251.9)	(41.6)	(50.3)	(343.8)			(343.8)
Mining Area C					72.7		72.7
Corporate, forex, other costs						(49.9)	(49.9)
<b>EBITDA</b>	<b>706.3</b>	<b>70.0</b>	<b>(50.3)</b>	<b>726.0</b>	<b>72.7</b>	<b>(49.9)</b>	<b>748.8</b>
Depreciation and amortisation	(192.6)	(7.0)	(3.1)	(202.7)	(0.4)		(203.1)
<b>EBIT</b>	<b>513.7</b>	<b>63.0</b>	<b>(53.4)</b>	<b>523.3</b>	<b>72.3</b>	<b>(49.9)</b>	<b>545.7</b>
Net interest expense						(3.8)	(3.8)
Rehab unwind/other finance costs	(21.7)	(2.9)		(24.6)		(5.1)	(29.7)
<b>Profit before tax</b>							<b>512.2</b>
<i>Segment result</i>	<i>492.0</i>	<i>60.1</i>			<i>72.3</i>		<i>624.4</i>

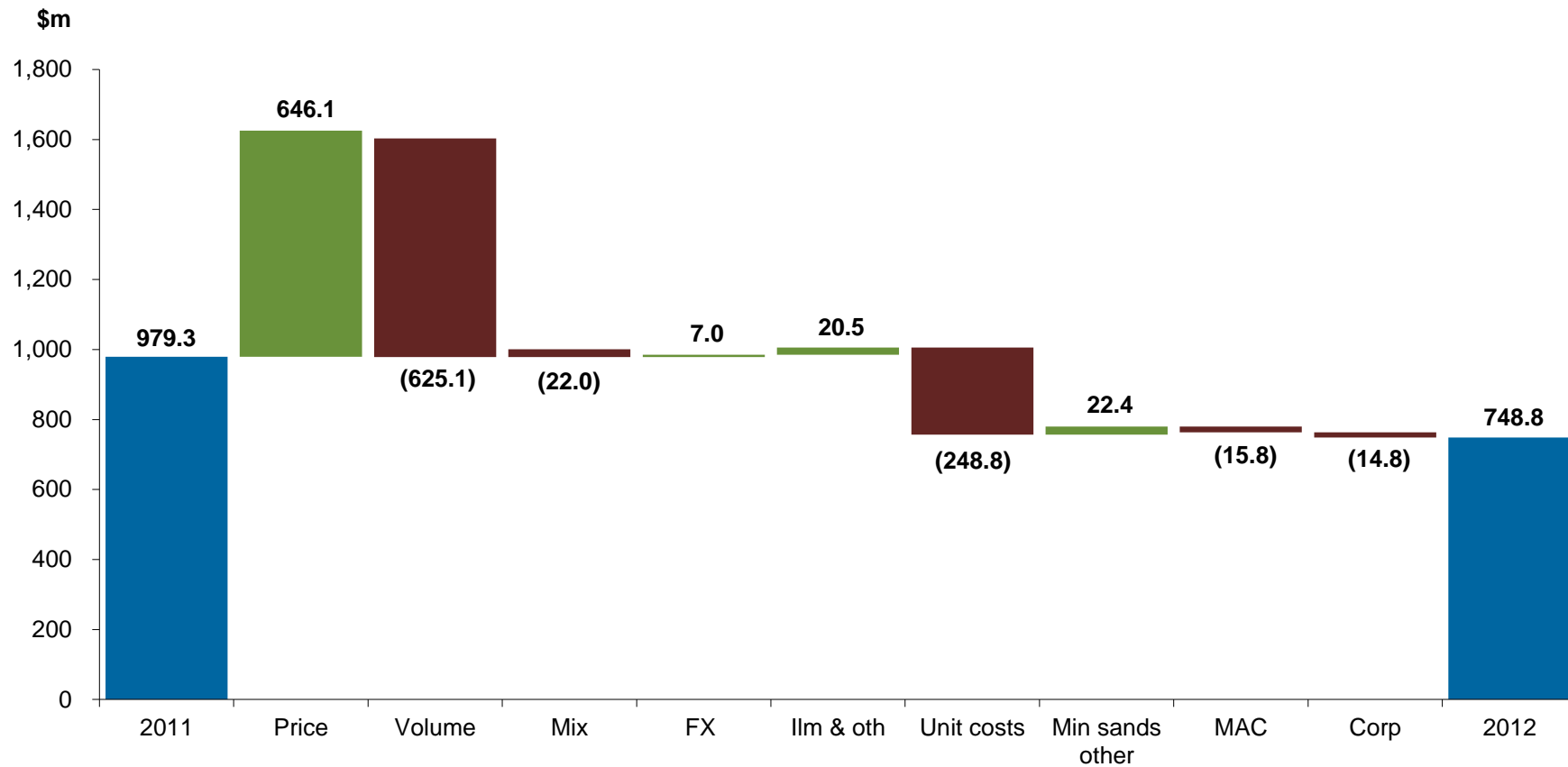
<sup>(1)</sup>Comprises exploration expenses (\$29.5 m), product and technical costs (\$13.6 m), marketing and selling costs (\$12.5 m) and other costs (\$2.0 m), offset by asset sales and other income (\$7.3 m).

# Summary Group Results



\$m	1H 2012	2H 2012	2012	1H 2011	2H 2011	2011
<b>Mineral sands revenue</b>	<b>662.8</b>	<b>407.0</b>	<b>1,069.8</b>	<b>570.2</b>	<b>966.5</b>	<b>1,536.7</b>
Mining Area C royalty	41.6	31.1	72.7	44.3	43.8	88.5
<b>Group EBITDA</b>	<b>505.0</b>	<b>243.8</b>	<b>748.8</b>	<b>319.2</b>	<b>660.1</b>	<b>979.3</b>
Depreciation and amortisation	(105.0)	(98.1)	(203.1)	(94.6)	(130.0)	(224.6)
<b>Group EBIT</b>	<b>400.0</b>	<b>54.7</b>	<b>545.7</b>	<b>224.6</b>	<b>565.7</b>	<b>790.3</b>
Net interest and financing	(11.4)	(22.1)	(33.5)	(18.3)	(11.3)	(29.6)
<b>Profit before tax</b>	<b>388.6</b>	<b>123.6</b>	<b>512.2</b>	<b>206.3</b>	<b>554.4</b>	<b>760.7</b>
Tax expense	(114.2)	(34.8)	(149.0)	(60.4)	(158.5)	(218.9)
<b>Profit after tax</b>	<b>274.4</b>	<b>88.8</b>	<b>363.2</b>	<b>145.9</b>	<b>395.9</b>	<b>541.8</b>
EPS (cents per share)	66.1	21.4	87.1	35.0	95.4	130.1
Free cash flow	(44.7)	125.9	81.2	167.7	421.9	589.6
<b>Free cash flow (cents per share)</b>	<b>(10.7)</b>	<b>30.1</b>	<b>19.4</b>	<b>40.0</b>	<b>100.8</b>	<b>140.6</b>
<b>(Net debt)/net cash</b>	<b>(117.2)</b>	<b>(95.9)</b>	<b>(95.9)</b>	<b>(171.0)</b>	<b>156.7</b>	<b>156.7</b>
Gearing (net debt /net debt + equity) %	6.9	5.8	5.8	12.2	n/a	n/a
Return on capital % (annualised)	47.2	16.0	27.3	32.4	48.6	54.9
<b>Return on equity % (annualised)</b>	<b>36.9</b>	<b>11.3</b>	<b>23.2</b>	<b>25.3</b>	<b>60.9</b>	<b>42.5</b>
Average A\$/US\$ exchange rate	103.3	103.8	103.6	103.3	103.1	103.2

# Group EBITDA





# Production Volumes

kt	2012	2011	% change
Zircon	343.2	601.5	(42.9)
Rutile	220.3	281.3	(21.7)
Synthetic rutile	248.3	285.7	(13.1)
<b>Total Z/R/SR production</b>	<b>811.8</b>	<b>1,168.5</b>	<b>(30.5)</b>
Ilmenite – saleable	385.6	459.7	(16.1)
<b>Total saleable production volume</b>	<b>1,197.4</b>	<b>1,628.2</b>	<b>(26.5)</b>
Ilmenite – upgraded to synthetic rutile	288.5	201.9	42.9
HMC produced	1,529.7	2,121.6	(27.9)
HMC processed	1,468.1	1,937.6	(24.2)

# Sales Volumes



<b>kt</b>	<b>2012</b>	<b>2011</b>	<b>% change</b>
Zircon	213.8	514.5	(58.4)
Rutile	105.5	265.9	(60.3)
Synthetic rutile	169.6	257.7	(34.2)
<b>Total Z/R/SR</b>	<b>488.9</b>	<b>1,038.1</b>	<b>(52.9)</b>
Ilmenite – saleable	443.2	570.9	(22.4)
<b>Total sales volumes</b>	<b>932.1</b>	<b>1,609.0</b>	<b>(42.1)</b>

# Mineral Sands Pricing



	6 mth to Jun-12	Dec-12 Quarter	6 mth to Dec-12	12 mth to Dec-11	12 mth to Dec-12
<b>Weighted average pricing US\$/t</b>					
Zircon	2,490	1,449	1,856	1,886	2,080
Rutile	2,505	2,094	2,305	1,174	2,464
Synthetic rutile	1,950	1,463	1,465	878	1,771
Average Z/R/SR price received US\$/t	2,296	1,478	1,772	1,453	2,056

# Mineral Sands Results: 2012 versus 2011



\$m	1H 2012	2H 2012	2012	2011	% change
Mineral sands revenue	662.8	407.0	1,069.8	1,536.7	(30.4)
Australia EBITDA	469.9	236.4	706.3	907.9	(22.2)
United States EBITDA	30.4	39.6	70.0	51.9	34.9
Exploration and other EBITDA	(20.1)	(30.2)	(50.3)	(33.9)	(40.1)
Total mineral sands EBITDA	480.2	245.8	726.0	925.9	(21.6)
Depreciation and amortisation	(105.0)	(97.7)	(202.7)	(224.2)	9.6
Impairment reversal	-	-	-	35.6	(100.0)
Mineral sands EBIT	375.2	148.1	523.3	737.3	(29.0)

# Unit Cash Costs & Revenue/tonne

2012 versus 2011

		<b>2012</b>	<b>2011</b>	<b>% change</b>
Total Z/R/SR production	kt	811.8	1,168.5	(30.5)
Ilmenite – saleable	kt	385.6	459.7	(16.1)
Total saleable production	kt	1,197.4	1,628.2	(26.5)
Total cash costs of production	\$m	583.5	628.9	7.2
Unit cash costs per tonne of Z/R/SR produced	\$/t	719	538	(33.6)
Unit cash costs per tonne of saleable product produced	\$/t	487	386	(26.2)
Z/R/SR revenue	\$m	973.8	1,461.2	(33.4)
Ilmenite and other revenue	\$m	96.0	75.5	27.2
Revenue per tonne of Z/R/SR sold	\$/t	1,991	1,406	41.6

# Capital and Exploration Expenditure (cash)



<b>\$m</b>	<b>2012</b>	<b>2011</b>	<b>% change</b>
Capital expenditure	167.3	142.5	17.4
Exploration	34.4	23.6	45.8
<b>Total</b>	<b>201.7</b>	<b>166.1</b>	<b>21.4</b>

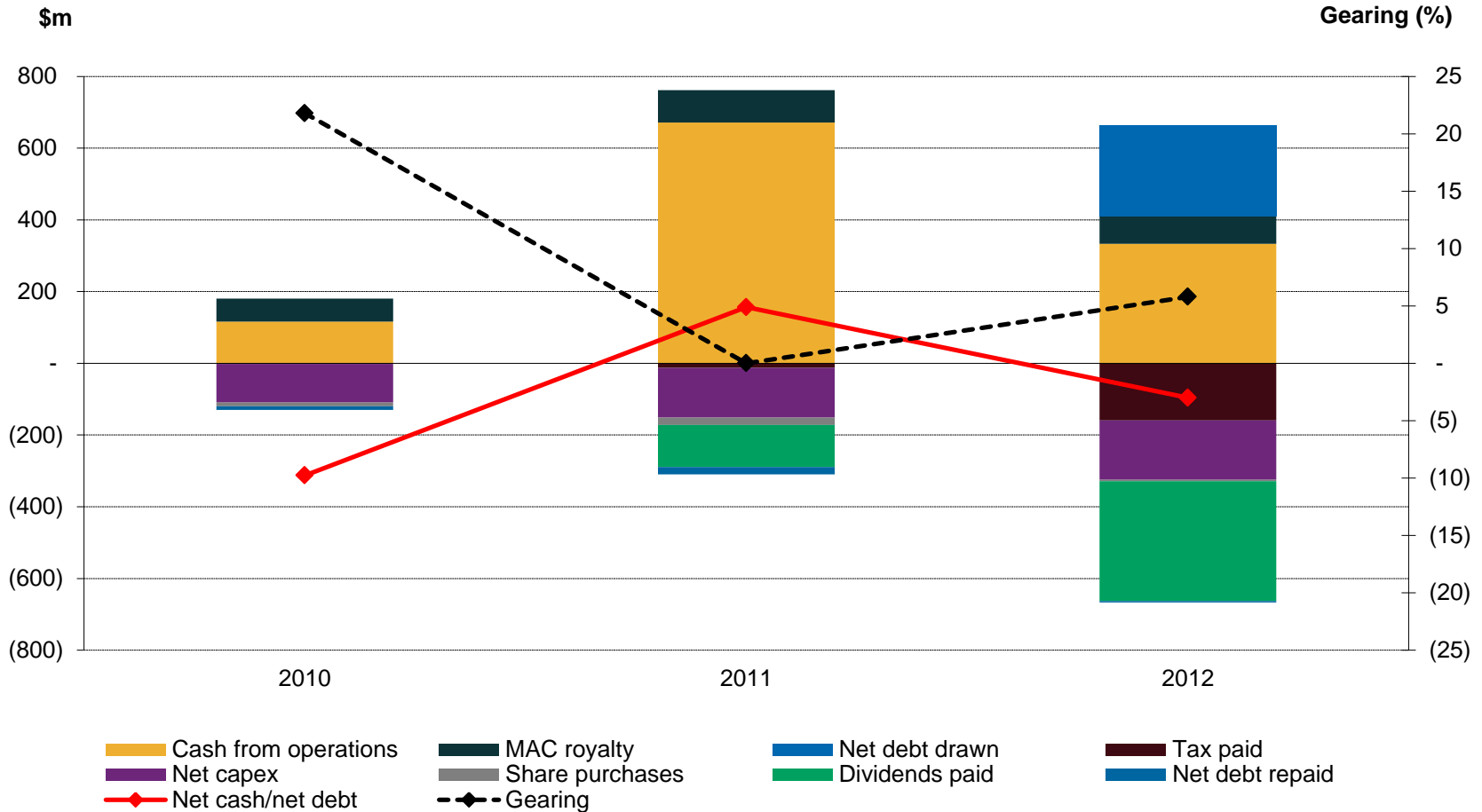
# Cash Flow & Net Debt: 2012 vs 2011



\$m	1H 2012	2H 2012	2012	2011	% change
<b>Opening net (debt) cash</b>	<b>156.7</b>	<b>(117.2)</b>	<b>156.7</b>	<b>(312.6)</b>	<b>n.a</b>
Operating cash flow	207.2	161.5	368.7	706.2	(47.8)
MAC royalty	36.8	39.3	76.1	90.3	(15.7)
Exploration	(14.9)	(19.5)	(34.4)	(23.6)	(45.8)
Interest (net)	4.2	(4.9)	(0.7)	(10.9)	93.6
Tax	(156.1)	(3.0)	(159.1)	(12.5)	(1,172.8)
Capital expenditure	(122.5)	(44.8)	(167.3)	(142.5)	(17.4)
Asset sales	1.2	0.2	1.4	3.9	(64.1)
Share purchases	(0.6)	(2.9)	(3.5)	(21.3)	83.6
<b>Free cash flow</b>	<b>(44.7)</b>	<b>125.9</b>	<b>81.2</b>	<b>589.6</b>	<b>(86.2)</b>
Dividends	(229.3)	(104.4)	(333.7)	(117.0)	(185.2)
<b>Net cash flow</b>	<b>(274.0)</b>	<b>21.5</b>	<b>(252.5)</b>	<b>472.6</b>	<b>(153.4)</b>
Exchange revaluation of USD net debt	0.1	(0.2)	(0.1)	(3.3)	97.0
<b>(Decrease)/increase in net cash (debt)</b>	<b>(273.9)</b>	<b>21.3</b>	<b>(252.6)</b>	<b>469.3</b>	<b>(153.8)</b>
<b>Closing net (debt) cash</b>	<b>(117.2)</b>	<b>(95.9)</b>	<b>(95.9)</b>	<b>156.7</b>	<b>(161.2)</b>



# Sources & Uses of Free Cash Flow 2010 - 2012

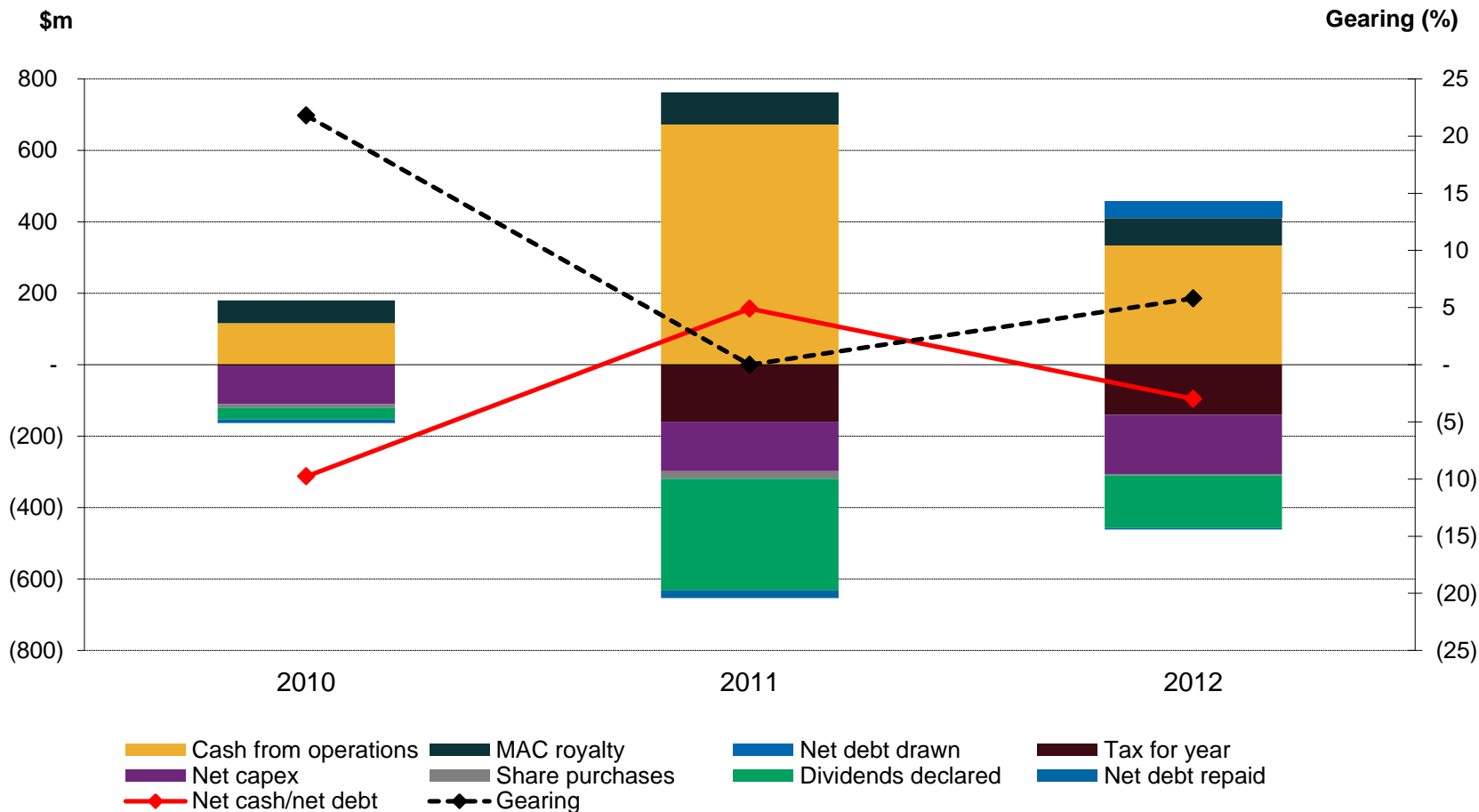


Note: free cash flow comprises cash from operations, MAC royalty, tax paid, net capex and share purchases.



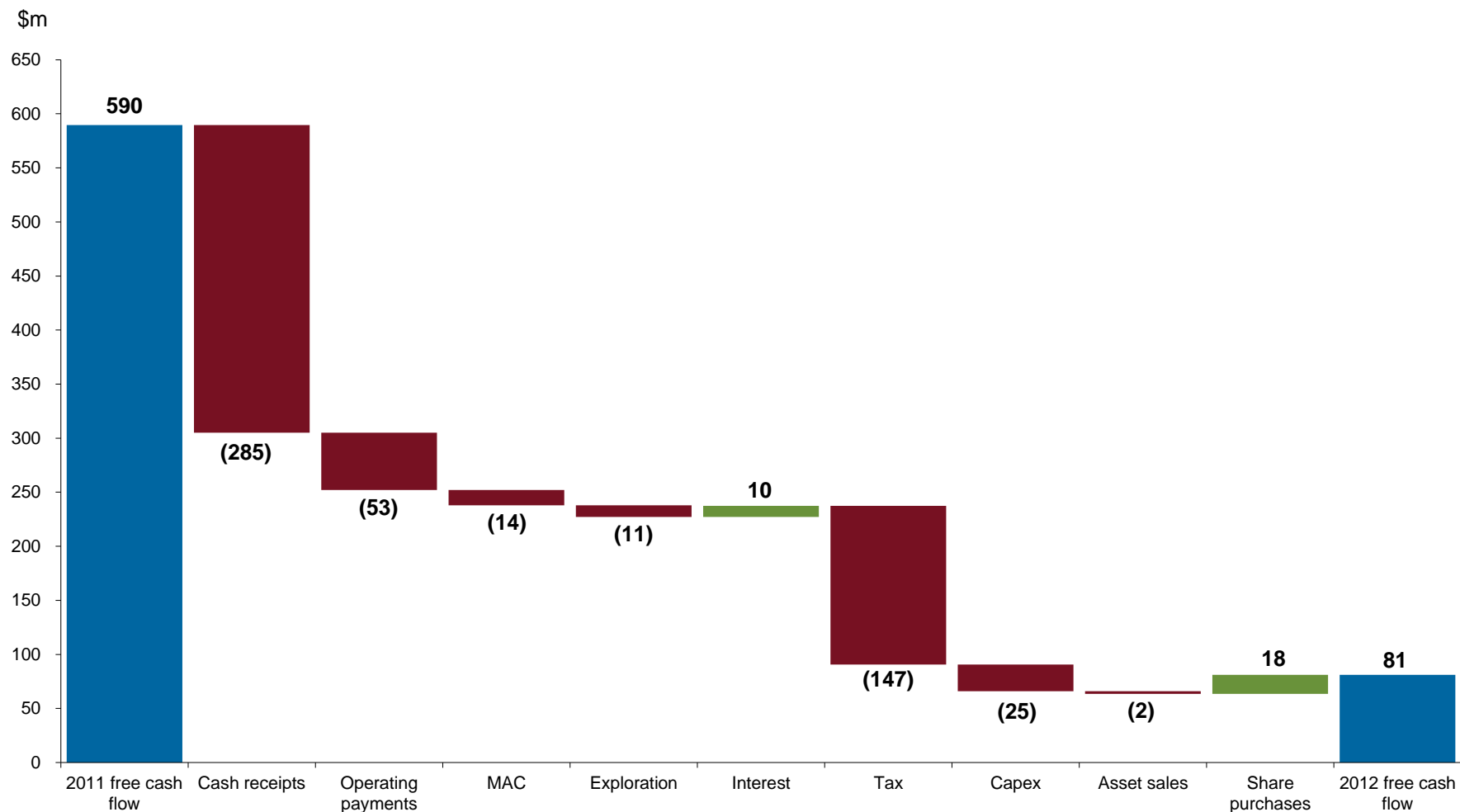
# Sources & Uses of Adjusted Free Cash Flow

## 2010 – 2012



Note: adjusted free cash flow comprises cash from operations, MAC royalty, tax for the year, net capex and share purchases.

# Free Cash Flow Movement



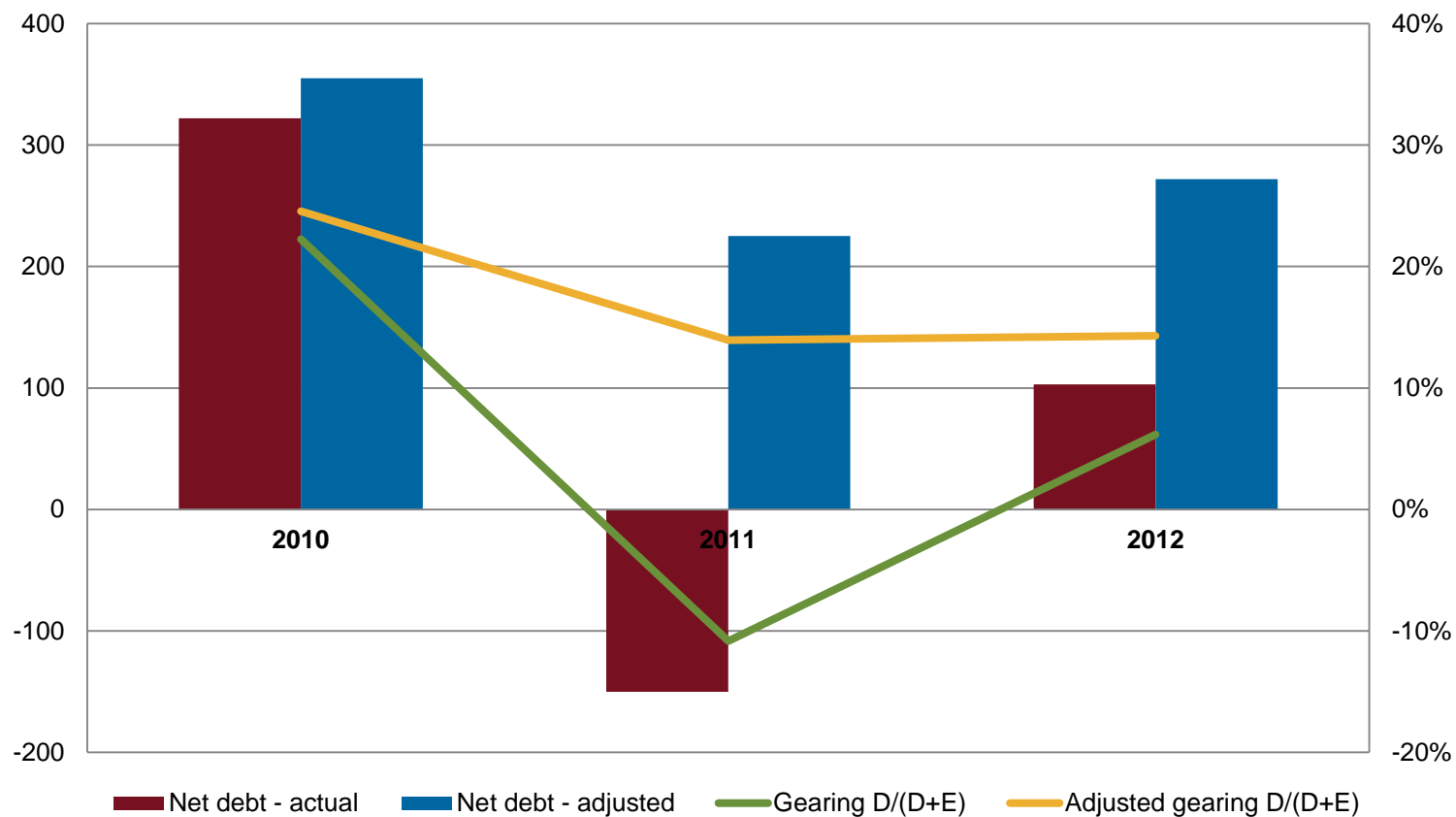
# Factors Influencing Free Cash Flow



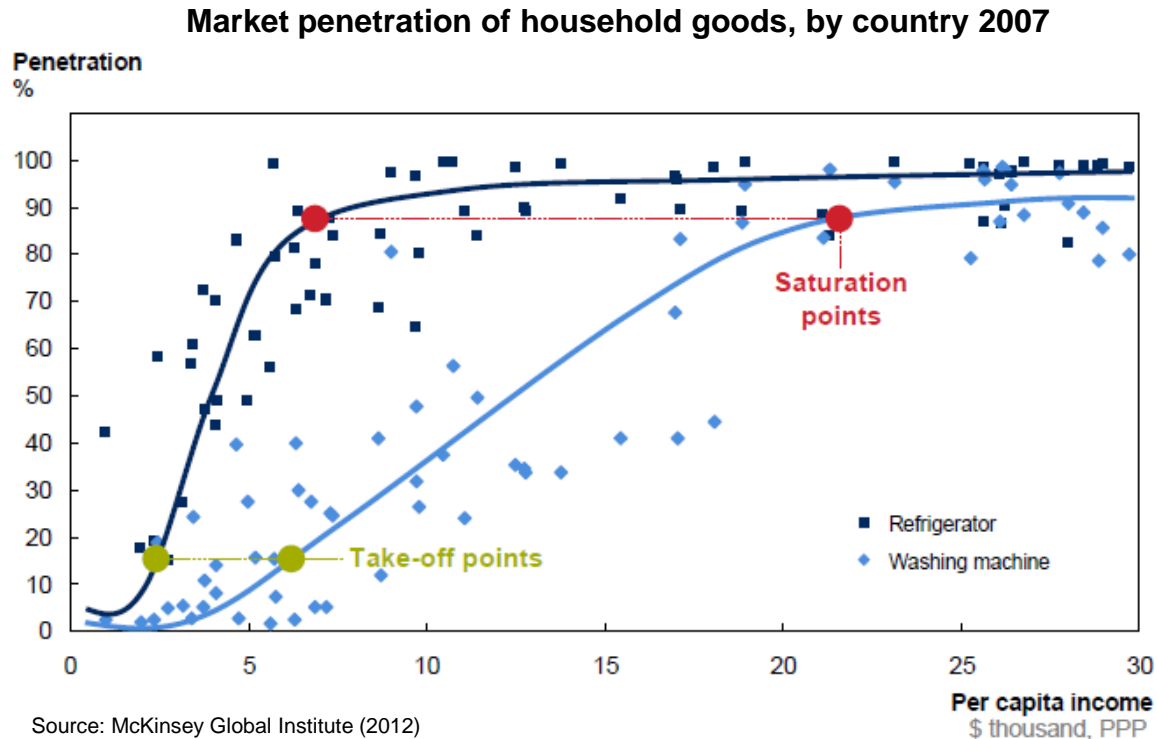
\$m	1H 2012	2H 2012	1H 2011	2H 2011
<b>Operating cash flow</b>	<b>207.2</b>	<b>161.5</b>	<b>212.7</b>	<b>493.5</b>
MAC royalty	36.8	39.3	42.8	47.5
Exploration	(14.9)	(19.5)	(8.9)	(14.7)
Interest (net)	4.2	(4.9)	(10.4)	(0.5)
Tax	(156.1)	(3.0)	(5.0)	(7.5)
Capital expenditure	(122.5)	(44.8)	(48.7)	(93.8)
Asset sales	1.2	0.2	1.5	2.4
Share purchases	(0.6)	(2.9)	(16.3)	(5.0)
<b>Free cash flow</b>	<b>(44.7)</b>	<b>125.9</b>	<b>167.7</b>	<b>421.9</b>

# Dividend History 2010 - 2012

### Net Debt and Gearing



# Demand Increasingly Linked to Consumption



- Discretionary goods purchases accelerate above certain income levels (take-off point)
- Take-off point varies for each good
- Rising incomes = strong growth for titanium and zircon

# Australian Operations



		2012	2011	% change
<b>Production volumes</b>				
Zircon	kt	293.8	541.2	(45.7)
Rutile	kt	220.3	281.3	(21.7)
Synthetic rutile		248.3	285.7	(13.1)
Ilmenite – saleable	kt	183.1	171.6	6.7
<b>Total saleable production</b>	<b>kt</b>	<b>945.5</b>	<b>1,279.8</b>	<b>(26.1)</b>
Ilmenite – upgradeable to synthetic rutile	kt	276.3	201.9	36.8
HMC produced	kt	1,206.6	1,683.8	(28.3)
Unit cash cost of production – zircon/rutile/SR	\$/t	687	518	(32.5)
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>958.2</b>	<b>1,400.8</b>	<b>(31.6)</b>
Cash cost of production	\$m	(523.6)	(574.5)	8.9
Inventory movements	\$m	328.3	140.4	(133.8)
Restructure and idle capacity charges	\$m	(12.8)	(8.5)	(50.6)
Rehabilitation and holding costs for closed sites	\$m	(9.1)	(1.4)	(550.0)
Government royalties	\$m	(19.6)	(25.2)	22.2
Marketing and selling costs	\$m	(18.1)	(27.3)	33.7
Asset sales and other income	\$m	3.0	3.6	(16.7)
<b>EBITDA</b>	<b>\$m</b>	<b>706.3</b>	<b>907.9</b>	<b>(22.2)</b>
Depreciation & amortisation	\$m	(192.6)	(211.4)	8.9
Impairment reversal	\$m	-	35.6	(100.0)
<b>EBIT</b>	<b>\$m</b>	<b>513.7</b>	<b>732.1</b>	<b>(29.8)</b>

# Eucla/Perth Basins



		2012	2011	% change
<b>Production volumes</b>				
Zircon	kt	158.2	323.0	(51.0)
Rutile	kt	50.0	56.4	(11.3)
Synthetic rutile		248.3	285.7	(13.1)
Ilmenite – saleable	kt	86.6	171.6	(49.5)
<b>Total saleable production</b>	<b>kt</b>	<b>543.1</b>	<b>836.7</b>	<b>(35.1)</b>
Ilmenite – upgradeable to synthetic rutile	kt	204.0	102.4	99.2
HMC produced	kt	821.8	969.6	(15.2)
Unit cash cost of production – zircon/rutile/SR	\$/t	823	503	63.6
<b>Mineral sands revenue</b>				
	<b>\$m</b>	<b>577.6</b>	<b>829.2</b>	<b>(30.3)</b>
Cash cost of production	\$m	(375.9)	(334.7)	(12.3)
Inventory movements	\$m	228.0	27.7	(723.1)
Restructure , idle capacity and closed sites	\$m	(18.3)	(0.2)	(9.050.0)
Government royalties	\$m	(10.3)	(9.6)	(7.3)
Marketing and selling costs	\$m	(7.7)	(16.0)	51.9
Asset sales and other income	\$m	2.7	3.3	18.2
<b>EBITDA</b>	<b>\$m</b>	<b>396.1</b>	<b>499.7</b>	<b>(20.7)</b>
Depreciation & amortisation	\$m	(84.2)	(64.0)	(31.6)
Impairment reversal	\$m	-	4.4	(100.0)
<b>EBIT</b>	<b>\$m</b>	<b>311.9</b>	<b>440.1</b>	<b>(29.1)</b>

# Murray Basin



		2012	2011	% change
<b>Production volumes</b>				
Zircon	kt	135.6	218.2	(37.9)
Rutile	kt	170.3	224.9	(24.3)
Ilmenite – saleable	kt	96.5	-	-
<b>Total saleable production</b>	<b>kt</b>	<b>402.4</b>	<b>443.1</b>	<b>(9.2)</b>
Ilmenite – upgradeable to synthetic rutile	kt	72.3	99.5	(27.3)
HMC produced	kt	384.8	714.2	(46.1)
Unit cash cost of production – Z/R/SR	\$/t	483	541	(10.7)
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>380.6</b>	<b>571.6</b>	<b>(33.4)</b>
Cash cost of production	\$m	(147.7)	(239.8)	38.4
Inventory movements	\$m	100.3	112.7	11.0
Restructure and idle capacity	\$m	(3.6)	(9.7)	62.9
Government royalties	\$m	(9.3)	(15.6)	40.4
Marketing and selling costs	\$m	(10.4)	(11.3)	8.0
Asset sales and other income	\$m	0.3	0.3	0.0
<b>EBITDA</b>	<b>\$m</b>	<b>310.2</b>	<b>408.2</b>	<b>(24.0)</b>
Depreciation & amortisation	\$m	(108.4)	(147.4)	26.5
Impairment reversal	\$m	-	31.2	(100.0)
<b>EBIT</b>	<b>\$m</b>	<b>201.8</b>	<b>292.0</b>	<b>(30.9)</b>



# US Operations



		2012	2011	% change
<b>Production volumes</b>				
Zircon	kt	49.4	60.3	(18.1)
Ilmenite – saleable	kt	202.5	288.1	(29.7)
<b>Total saleable production</b>	<b>kt</b>	<b>251.9</b>	<b>348.4</b>	<b>(27.7)</b>
Ilmenite – upgradeable to synthetic rutile	kt	12.2	-	n/a
HMC produced	kt	323.1	437.8	(26.2)
Unit cash cost of production – saleable	\$/t	238	156	52.4
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>111.6</b>	<b>135.9</b>	<b>(17.9)</b>
Cash cost of production	\$m	(59.9)	(54.4)	10.1
Inventory movements	\$m	18.6	7.3	154.8
Rehabilitation and idle capacity costs	\$m	(0.7)	(34.8)	(98.0)
Marketing and selling costs	\$m	0.4	(2.1)	(119.0)
<b>EBITDA</b>	<b>\$m</b>	<b>70.0</b>	<b>51.9</b>	<b>34.9</b>
Depreciation & amortisation	\$m	(7.0)	(10.4)	(32.7)
<b>EBIT</b>	<b>\$m</b>	<b>63.0</b>	<b>41.5</b>	<b>51.8</b>

# Iluka Resources Limited

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