

ILUKA'S CUSTOMER BASE

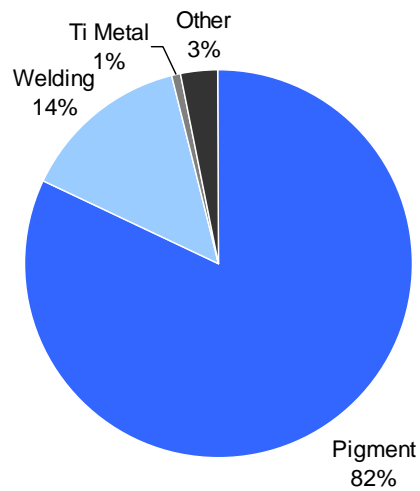
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This briefing paper provides information in relation to the structure of Iluka's high grade titanium ore and zircon end market demand and customer base.

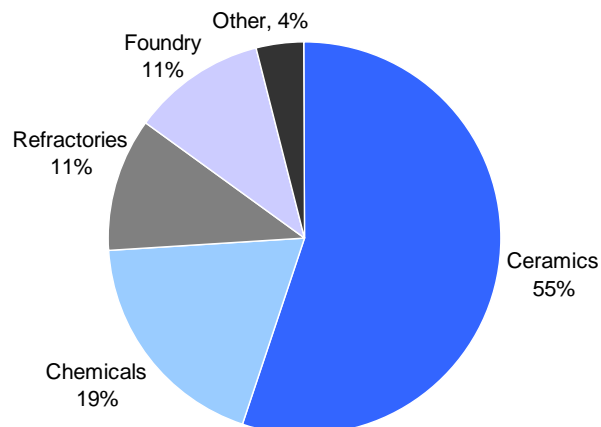
End Markets for Iluka's Products

Iluka's sales of products by revenue to various end market applications are as follows:

Titanium Feedstock Sales by Sectors



Zircon Sales by Sectors



Iluka Customer Structure

Titanium Dioxide

Iluka's sales of higher value titanium dioxide products of rutile, synthetic rutile and chloride ilmenite are predominantly to the main chloride pigment producers located in North America and Europe. As such, the customer base is relatively consolidated, with the top five pigment customers accounting for approximately 85 per cent sales volumes (as at 30 June 2011).

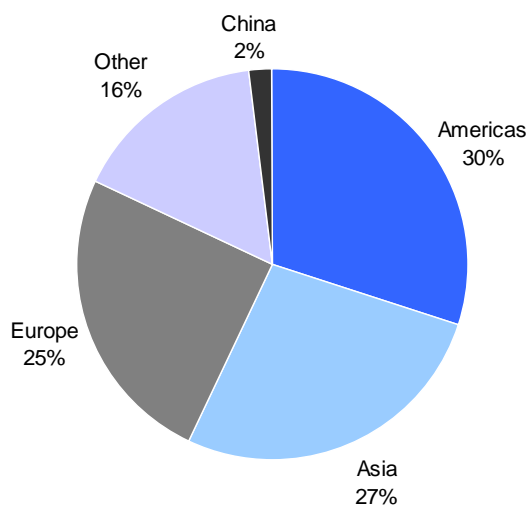
Iluka also sells high grade products to the titanium sponge market. This includes sales of rutile and synthetic rutile to titanium sponge manufacturers in various regions, including Japan, North America and China. The titanium sponge market is a relatively small niche industry, dominated by a handful of key producers.

In addition, rutile is a key ingredient in welding electrode fluxes (synthetic rutile is unsuitable). In contrast to titanium metal, the welding electrode industry is highly fragmented, especially in developing markets. Nevertheless, there are a small number of global welding producers which account for approximately 20 per cent of the total market.

Iluka has approximately 75 titanium dioxide feedstock customers (as at September 2011), with this number expanding as a result of Iluka's increased rutile volume and marketing activities directed to new growth markets. This includes new customer demand for rutile in Eastern Europe, Asia and India for welding and titanium sponge market applications. Iluka also supplies many other smaller welding customers through distributors in China, Korea, Japan and Europe.

Iluka's sales of high grade titanium dioxide products of rutile, synthetic rutile and chloride ilmenite, by geographical market, is shown below. In the case of the North American and European sales, a large part of this represents feedstocks for chloride pigment production, which is in turn exported to developing economies, including China.

Iluka High Grade Titanium Ore Sales by Region

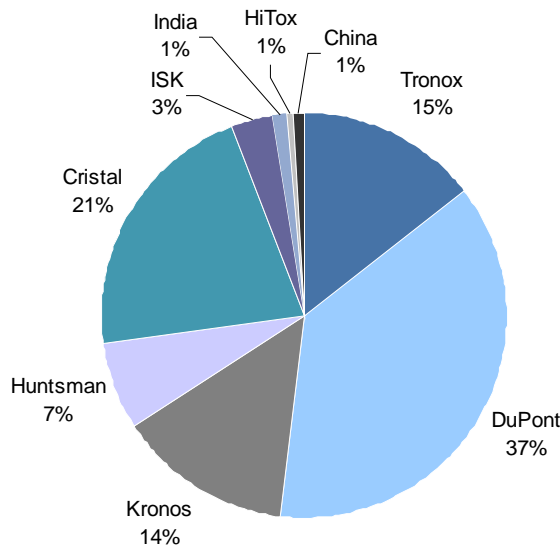


China is currently mainly a sulphate pigment producer and, as such, Iluka does not sell material volumes of titanium ore into this market. The sales volumes in China indicated in this diagram are mainly in the welding and titanium sponge markets.

Major Pigment Producers

The following chart shows the major global pigment producers, with their respective market shares, as at the end of 2010. It should be noted that this chart shows chloride pigment producers only, which is one part of the global pigment market. The other part constitutes sulphate pigment production, of which China is the major global producer. The total chloride pigment market in 2010 was approximately 2.9 million tonnes. Sulphate pigment production was approximately 2.5 million tonnes. Over half of global sulphate pigment production derives from China. China is a major importer of chloride pigment for application in areas such as automotive and manufactured white goods coatings.

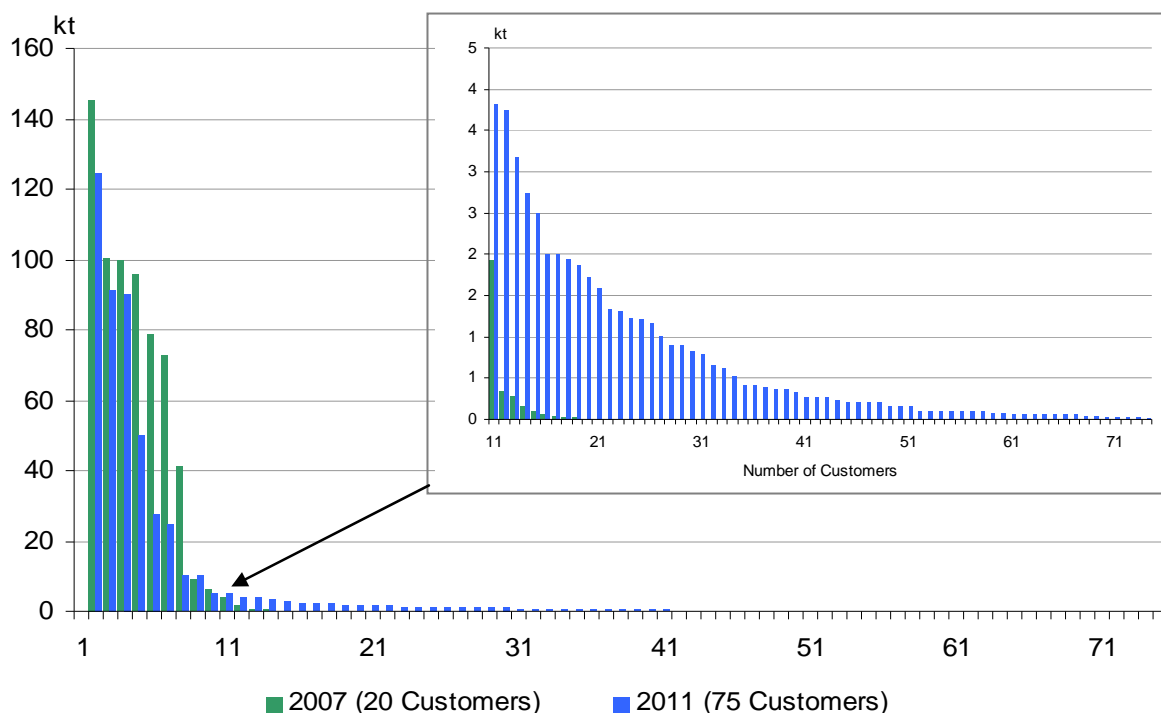
Chloride Pigment Producers - 2010



Source: TZMI and Iluka

Evolution of Iluka's Titanium Dioxide Customer Base 2007 - 2011

The following chart shows the evolution in the structure of Iluka's titanium ore customer base over the last four years.



Key features:

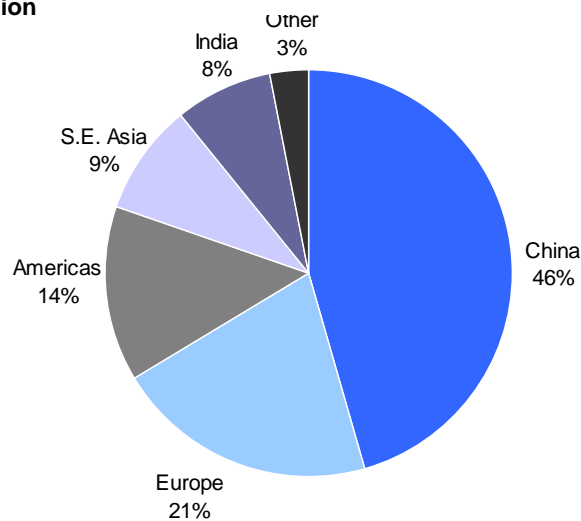
- Iluka's customer base has grown from 20 customers in 2007 to 75 customers, as at September 2011
- Iluka's reliance on a few large customers has declined as the number of smaller to medium sized customers has grown, facilitated by a change in the production profile with a greater weighting to natural rutile and leucogene; improved logistics, including an expanded international warehousing structure and increased containerised sales from Australia; as well as market penetration activities in both existing and emerging markets for titanium dioxide feedstocks.
- Commensurate with the broadening of Iluka's customer base, the average size of product sold per customer has reduced from 35 thousand to 6.5 thousand tonnes per annum (although many smaller welding customers buy 500 tonnes per annum or less). The reduction in sales levels per customer is also influenced by a lower level of high grade production over the period, mainly influenced by Iluka's decision to idle part of its synthetic rutile capacity in advance of the expected improvement in high grade titanium dioxide pricing outcomes.

Zircon

The largest end-use of zircon is opacifier which is used in the manufacture of ceramic products, including tiles, sanitary ware and tableware. A rapidly growing sector for zircon is the production of zirconia, zirconium-based chemicals and zirconium metal. These compounds exhibit properties making them suitable for diverse industrial and chemical applications. The other main end use markets for zircon include refractories and foundry applications.

Iluka's zircon customer base is less consolidated than is the case with titanium dioxide. The top 5 direct customers (as at September 2011) accounted for approximately 30 per cent of total sales. This reflects the higher proportion of zircon sales to China, India, South East Asia and Middle Eastern countries, in which there is a relatively broad and fragmented customer base. In some markets, Iluka makes use of distributors, typically to assist with smaller customer servicing, as well as market penetration activities in new markets. However, the bulk of Iluka's sales are direct.

Iluka Zircon Sales by Region

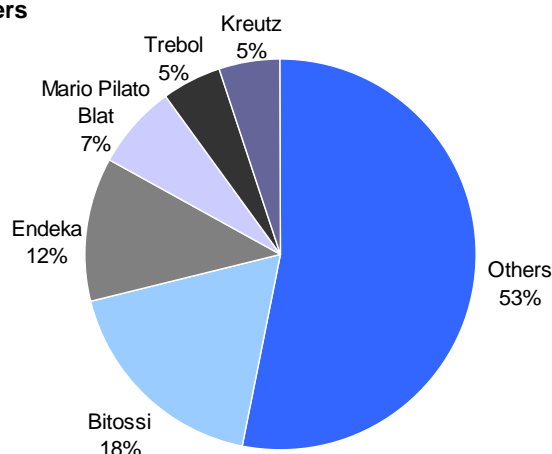


Zircon Opacifier Producers

The following displays the estimated market share of the major European and American zircon millers, based on TZMI's analysis. These companies produce opacifier and other products used in the manufacture of ceramics. Iluka's own customer base is more diversified than the TZMI market shares shown below, with the company's sales to these opacifier producers accounting for less than 25 per cent of its total zircon sales. Of Iluka's European opacifier customers, at least two have global operations, while a number also export materials (opacifier and other ceramic ingredients) to other markets. That is, the actual end consumption of the products deriving from zircon is less than the level of zircon sales into Europe. For example, Spain as a ceramics tile manufacturing centre exports over half of its production by volume to markets outside of Europe. Italy exports approximately 30 per cent of its production to markets outside of Europe (source: Ceramic World Review 95/2011).

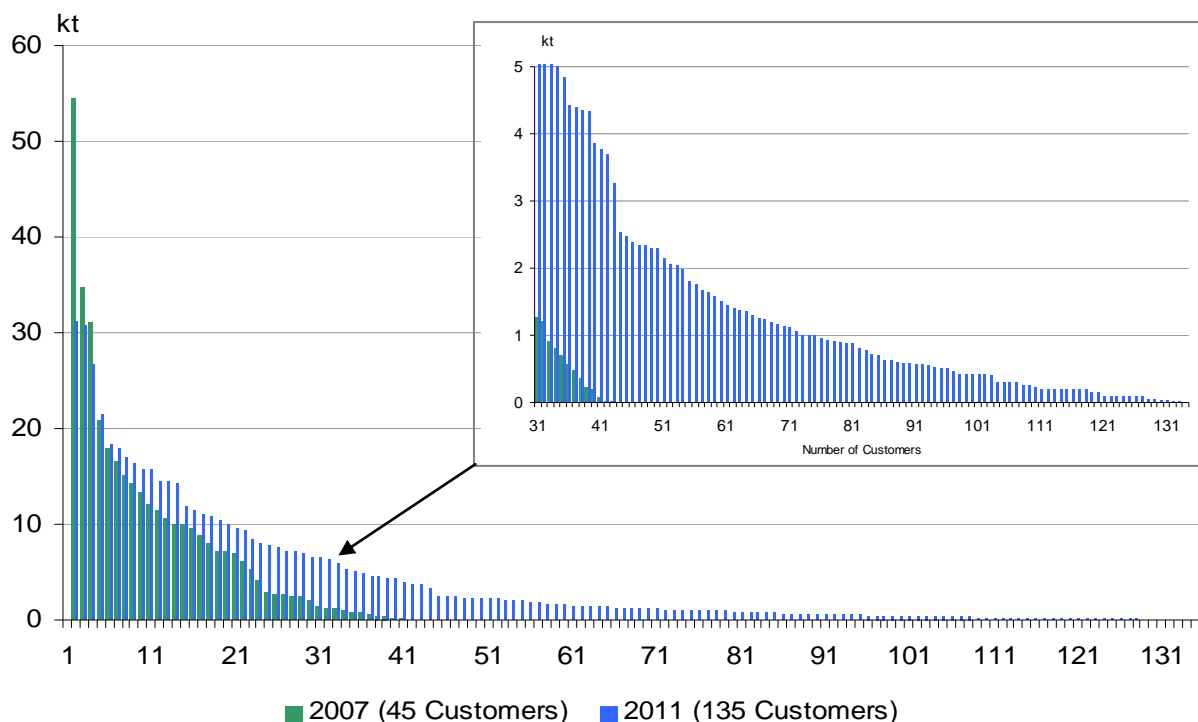
A number of Chinese opacifier producers have grown to be significant individual customers in their own right. These producers are supplemented by a large number of small and medium participants in the developing markets of India and South East Asia. China represents 44 per cent of global ceramics tile manufacturing and 37 per cent of total world consumption, followed by Brazil, India, Iran, Vietnam, Indonesia and Egypt. (Source: Ceramic World Review 95/2011)

Main Zircon Opacifier Producers



Evolution of Iluka's Zircon Customer Base 2007 - 2011

The following charts show the evolution in the structure of Iluka's zircon customer base over the last four years.



Key features:

- Iluka's zircon customer base has grown from 45 customers to 135 customers from 2007 to 2011 (as at September 2011).
- The company's historical reliance on a relatively small number of large customers has declined, associated with the greater focus on developing an expanded customer base, through a greater focus on the penetration the "long tail" of market opportunities, particularly in the China, as well as new market development activities.
- Notwithstanding the increase in the overall number of customers, Iluka's average size of customer has increased from 8 thousand to 11 thousand tonnes per annum, reflecting an increase in production over the period.

For further information on the company and mineral sands industry, please refer to Iluka's website. www.iluka.com

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