25 August 2011

ILUKA HALF YEAR RESULTS
SIX MONTHS TO 30 JUNE 2011

Summary of Financial Results

$ million	1st Half 2011	1st Half 2010	% change
Mineral Sands Revenue	570.2	378.6	50.6
Mineral Sands EBITDA	286.7	95.3	200.8
Mineral Sands EBITDA/revenue %	50.3	25.2	100.0
Group EBITDA	319.2	115.4	176.6
Reported Earnings (NPAT)	145.9	(6.6)	n/a
Free Cash Flow[1]	167.7	(47.3)	n/a
Net Debt	(171.0)	(439.0)	(171.0)
Gearing (net debt/debt + equity) %	12.2	25.9	15.8
Earnings per share - cents	35.0	(1.6)	n/a
Free cash flow per share - cents	40.0	(11.3)	n/a
Dividend - cents per share	20	nil	n/a
Return on equity % - annualised	25.3	(0.6)	n/a
Average AUD/USD	103.3	89.4	(15.5)

[1] Cash flow before payment of dividends

- Iluka recorded a profit after tax for the half year ended 30 June 2011 of $145.9 million, compared with a net loss after tax of $6.6 million for the previous corresponding period. The result reflects higher sales volumes, higher product prices and a full period contribution from the company's new operations.

- Iluka's mineral sands revenue increased by $191.6 million (50.6 per cent) compared with the previous corresponding period due to significantly higher prices for zircon, rutile and synthetic rutile products, together with an increase in the proportion of zircon in the sales mix. Mineral sands revenue includes sales of ilmenite and other material (such as zircon-rich tailings concentrate) of $45.2 million compared with $31.1 million in the previous corresponding period.

- Mineral sands EBITDA was $286.7 million, a 201 per cent increase compared with the previous corresponding period. Mineral sands EBIT increased to $192.1 million (2010: loss $6.2 million).

- Mining Area C iron ore royalty earnings ("MAC") increased by 24.8 per cent to $44.3 million as a result of a 6.9 per cent increase in sales volumes and a 32 per cent increase in the average realised AUD iron ore price, offset partially by capacity payments being $4.0 million lower than the previous corresponding period.

- Group EBITDA was $319.2 million, compared to $115.4 million in the previous corresponding period.

- Free cash flow in the first half of 2011 of $167.7 million, compared with negative $47.3 million in the previous corresponding period, reflects the significant increase in realised prices for all major products, partially offset by a $58 million increase in working capital. The increase in working capital was due mainly to higher inventory levels, as a result of a decision to maintain concentrate levels in the Murray Basin in advance of a planned mine move in 2012, so as to maintain supply continuity; as well as weather and port closure related delays which affected the recognition of some sales in the quarter, including deferral of two scheduled bulk shipments beyond 30 June. All impacted volume has been shipped to customers in July, but at second quarter pricing, as agreed with customers.

- Net debt at 30 June 2011 was $171.0 million, with a gearing ratio (net debt/net debt + equity) of 12.2 per cent. This compares with net debt at 31 December 2010 of $312.6 million and a gearing ratio of 28.8 per cent.

- Net debt reduced by $141.6 million during the period as operating cash flows increased. The stronger operating cash flows reflect both a full period contribution from new operations and the benefit of higher mineral sands prices. Undrawn facilities at 30 June 2011 were approximately $395 million and cash at bank was $29.0 million.

- Iluka's net debt as at 31 July 2011 was $82 million.

Dividend

Directors have determined an interim unfranked dividend of 20 cents per share will be payable on 5 October, with a record date of 9 September. There were no franking credits available for distribution to shareholders as at 30 June 2011.

Other Features of the Results

- Iluka's total cash costs of production for the half were $311.8 million (1st half 2010 $262.5 million). This equates to a unit cash cost per tonne of the higher value products of zircon, rutile and synthetic rutile (Z/R/SR) of $550 per tonne ("/t"), compared with $583/t in the previous corresponding period.

- Unit revenue per tonne of Z/R/SR was $1,165/t compared to $782/t in the previous corresponding period. Higher USD product prices more than offset the adverse effects of an increase in the average AUD:USD exchange rate to 103.3 cents from 89.4 cents in the previous corresponding period.

- Zircon production increased by 69.5 per cent to 276.6 thousand tonnes ("kt"); rutile production by 20.8 per cent to 136.8kt and synthetic rutile production declined by 12 per cent to 153kt, the latter due to Iluka's decision to idle synthetic rutile capacity.

- Zircon sales increased by 12.7 per cent to 243.4kt; rutile sales by 6.1 per cent to 107.8kt and synthetic rutile sales declined by 16.9 per cent to 138.3kt.

- Ilmenite sales of 261.1kt were 39.3 per cent higher than the previous corresponding period.

Market Outcomes

- The company has secured three zircon price increases to date in 2011. The weighted average first half zircon price for the company was approximately US$1,450/tonne. Iluka announced on 6 June a 35 to 40 per cent price increase from 1 July for the third quarter, relative to a weighted average price in the second quarter of approximately US$1,600/tonne.

- Iluka has also secured price increases for high grade titanium dioxide products of rutile and synthetic rutile in 2011. The average weighted first half rutile price was US$770/tonne and the weighted average first half synthetic rutile price was US$640/tonne. On 6 June Iluka announced a weighted average price increase for the second half of between 70 and 75 per cent.

- Sales via Iluka's online site continue to expand, with some additional zircon and rutile volume being offered to customers, as production volumes grow. Successful online tenders in 2011 to date, including in the current month, have been above the contracted prices for zircon and rutile on a consistent basis and bids have been received for well in excess of the volume offered for sale.

- Sales volumes in the second half to date are in line with expectations, although there have been some further weather related delays in shipments, reflecting port issues particularly at Geraldton.

Group Profit and Loss Summary

$ million	**1st Half 2011**	**1st Half 2010**	**% change**
Mineral sands revenue	**570.2**	**378.6**	**50.6**
Cash costs of production	(311.8)	(262.5)	(18.8)
Inventory movement	65.6	10.5	524.8
Restructure and idle capacity cash charges	-	(9.3)	n/a
Rehabilitation and holding costs for closed sites	(1.3)	-	n/a
Government royalties	(7.9)	(6.9)	(14.5)
Marketing and selling	(15.0)	(9.0)	(66.7)
Asset sales and other income	1.7	1.6	6.2
Product, technical development & major projects	(6.2)	(2.1)	(195.2)
Exploration	(8.6)	(5.6)	(53.6)
Mineral sands EBITDA	**286.7**	**95.3**	**200.8**
Depreciation and amortisation	(94.6)	(101.5)	6.8
Mineral sands EBIT	**192.1**	**(6.2)**	**n/a**
Mining Area C	44.3	35.5	24.8
Currency hedging and foreign exchange	3.2	(1.4)	n/a
Corporate and other	(15.0)	(14.0)	(7.1)
Group EBIT	**224.6**	**13.9**	**1,515.8**
Net interest costs	(7.5)	(18.0)	58.3
Rehabilitation unwind and other finance costs	(10.8)	(7.6)	(42.1)
Profit (loss) before tax	**206.3**	**(11.7)**	**n/a**
Tax expense	(60.4)	5.1	n/a
Profit (loss) for the period	**145.9**	**(6.6)**	**n/a**
Average AUD/USD (cents)	**103.3**	**89.4**	**(15.5)**

For further information on Iluka's financial results, including detailed commentary on the main profit and loss line items, as well as mineral sands operational results, refer to Iluka's 4D Financial Statements.

Mineral Sands Production and Sales Volumes

	1st Half 2011	1st Half 2010	% change
Production (kt)			
Zircon	276.6	163.2	69.5
Rutile	136.8	113.2	20.8
Synthetic rutile	153.0	173.9	(12.0)
Total Z/R/SR production	**566.4**	**450.3**	**25.8**
Ilmenite – saleable	228.9	231.0	(0.9)
Ilmenite – upgraded to synthetic rutile	87.9	118.1	(25.6)
Total saleable production volume	**795.3**	**681.3**	**16.7**
Cash costs of production ($m)	311.8	262.5	(18.8)
Unit cash cost per tonne of Z/R/SR produced ($/t)	550	583	5.7
Sales (kt)			
Zircon	243.4	216.0	12.7
Rutile	107.8	101.6	6.1
Synthetic rutile	138.3	166.4	(16.9)
Total Z/R/SR sales	**489.5**	**484.0**	**1.1**
Ilmenite – saleable	261.1	187.4	39.3
Total sales volume	**750.6**	**671.4**	**11.8**
Revenue ($m)	570.2	378.6	50.6
Unit revenue per tonne of Z/R/SR sold ($/t)	1,165	782	49.0

Managing Director's Commentary

David Robb, Iluka's Managing Director, provided the following commentary in relation to the half year results:

"The first half has seen continued improvement in business profitability and cash flow, based on highly satisfactory operational performance, including production performance above initial expectations and marketing strategies which have delivered materially higher prices. "Improved plant throughputs and yields underpinned a recent revision[1] to full year production expectations – volumes of main products of zircon, rutile and synthetic rutile are expected to be at least 10 per cent higher than the initial guidance provided in February – while unit cash cost of production has been maintained at the level advised in February.

"As part of the company's response to tight supply conditions in mineral sands markets, Iluka announced on 26 July its decision to resume mining operations at Eneabba in the Mid West of Western Australia. This mining activity, as well as successful trials on upgrading Murray Basin ilmenites, considered previously to have limited value, will underpin a return to full commercial operation by Iluka's SR3 synthetic rutile kiln in the Mid West of Western Australia for an initial three year campaign period. In addition, zircon production and rutile production of 25 thousand tonnes per annum each is expected. This component of Iluka's supply response is able to be delivered in an efficient manner, with a total estimated expenditure of $35 million and with part of the ilmenite feed for the kiln supplied at negligible cost, as it was material previously returned to mine voids.

[1] Refer Iluka ASX Release, Key Physical and Financial Parameters Iluka 2011 (July update)

“Iluka is evaluating numerous further production enhancement options within the company’s portfolio. This work is being conducted in parallel with re-optimisations of Iluka’s reserves and resources based in part on higher forecast product price scenarios than were used in previous assessments, in turn reflecting favourable medium term supply and demand conditions for both zircon and high grade titanium dioxide.

“The company’s expanded product and technical development efforts are showing encouraging signs: a new synthetic rutile product, utilising Murray Basin ilmenite, has achieved customer acceptance, an essential step in it becoming part of Iluka’s future production base; work on developing a high grade feedstock for the sulphate pigment market - a market not addressed by Iluka currently - has commenced; lower quality ilmenite from the Douglas operation in the Murray Basin has been sold into China; materials handling issues have been overcome in relation to iron oxide tailings from operations in Western Australia and initial shipments have occurred; and external processing of lower quality materials, as well as zircon tailings, is an expanding activity.

“Supply deficits continue in zircon markets. In this situation and following substantial mineral sands price increases, some substitution and thrifting of use in some applications is apparent, as the company has remarked on previous occasions. Notwithstanding these factors and challenges to global business confidence, small volume zircon sales by Iluka in the third quarter to date have been achieved at price levels higher than third quarter contracted pricing.

“High grade titanium production volumes have been largely committed contractually in the second half, at price levels the company has advised previously. Natural rutile demand, in particular, remains strong and supply is very tight. As expected, uncontracted pricing trends reflect this situation.

“The company’s approach to production, marketing and financial decisions will continue to take heed of global volatility and market specific economic conditions while being consistent with the company’s objective of creating and delivering value for shareholders.

“The Directors have determined that an interim unfranked dividend of 20 cents per share be paid. The increase in dividend from that associated with the 2010 Full Year results, reflects strengthening profit and cash flows and the company’s ability to increase distributions while reducing debt and investing for future growth.”

For further information related to Iluka’s financial results, refer ASX 2011 4D Financial Commentary and Iluka Half Year Results presentation slides at www.iluka.com

Investment market and media inquiries:
Dr Robert Porter
General Manager, Investor Relations
Direct (Melbourne): +61 (3) 9600 0807
On 25 August please call +61 (8) 9360 4700 or +61 (0) 407 391 829
Email: robert.porter@iluka.com