ILUKA

Iluka Review 2011

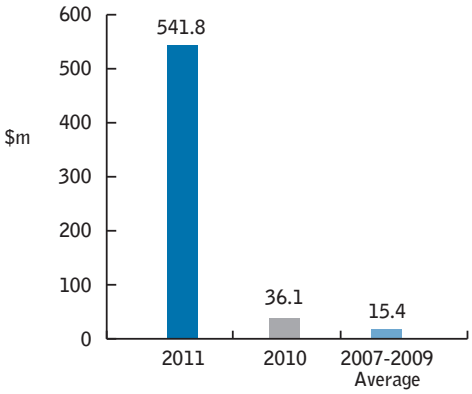
CREATE AND DELIVER VALUE FOR SHAREHOLDERS

2011 Progress

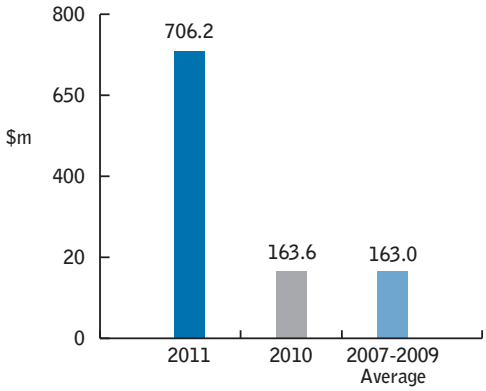
- Health and safety performance
  - total recordable injury frequency rate of 15.1; a 10.6% decrease from 2010
  - severity rate of 52.2; a 8.5% increase from 2010
  - lost time injury frequency rate of 2.8; a 6% decrease from 2010
- Energy efficiency
  - energy assessment of 99% of operations; 30 energy savings projects underway
  - 8% year-on-year energy usage reduction
- Improved shareholder returns
  - 2nd consecutive year of strong relative share price performance
  - total annual dividend payments of 75 cents per share, 73.3% franked
  - full year dividend of 55 cents fully franked
- Strengthened financial characteristics
  - return on equity of 42.5% (2010: 3.2%)
  - return on capital of 54.9% (2010: 5.0%)
  - net profit after tax of $541.8 million (2010: $36.1 million)
  - high margin structure (EBITDA margin of 64%)
- Balance sheet flexibility
  - free cash flow generation of $589.6 million
  - net cash at year-end of $156.7 million (2010 net debt of $312.6 million)
- Increase in ore reserves and mineral resources
  - 13% growth in ore reserves after 2011 depletions
  - 6% growth in mineral resources after depletions and adjustments
  - reserve production cover of 9 years; resources 4 times reserves
- Production options
  - 11 additional internal production options identified and under evaluation
  - potential additions to production life and/or increased production of high value products
  - ability to reactivate idled synthetic rutile capacity
- Market outcomes
  - zircon price increase 70% year-on-year
  - increase in high grade titanium dioxide prices (90-100%)
  - expansion of customer base
- Excellent operational performance
  - Eneabba mining operations (Western Australia) recommenced
  - Tutunup South mine (Western Australia) commenced
  - zircon/rutile/synthetic rutile volumes – 15.6% increase relative to 2010
  - unit costs of $538/tonne of zircon/rutile/synthetic rutile (2010: $538/tonne Z/R/SR)
- Sales performance
  - zircon/rutile/synthetic rutile volumes – down 4% but higher value mix relative to 2010
  - revenue per tonne of Z/R/SR of $1,480/tonne compared with $809/tonne in 2010
- Product and technical development
  - development of new synthetic rutile product (SR85)
  - high grade sulphate pigment feedstock product (Acid Soluble Synthetic Rutile) being trialled with customers
  - trialling of other internal ilmenites (including Murray Basin) for use in synthetic rutile production
- Exploration commitment
  - increased exploration expenditure commitment to focus areas
  - establishment of two new international exploration areas (including Brazil tenement position established and drilling commenced)

2011 Financial Highlights

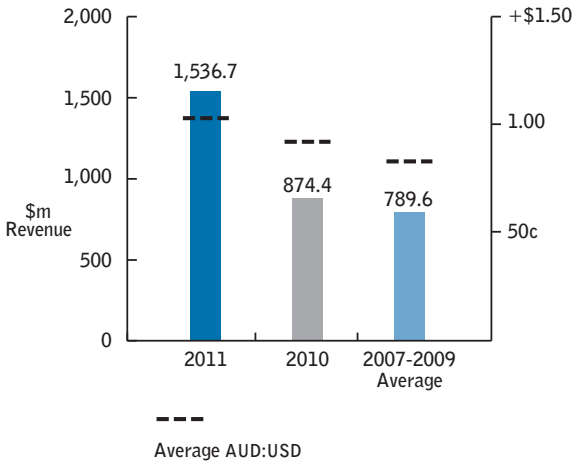
NET PROFIT AFTER TAX



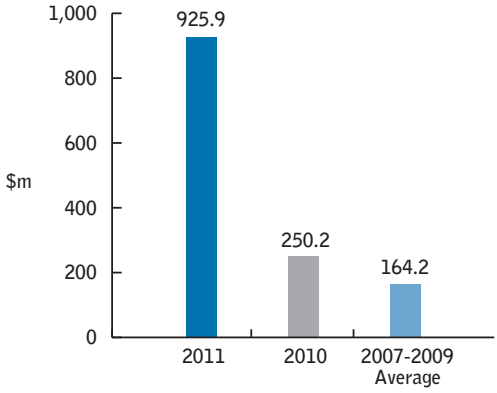
OPERATING CASH FLOW



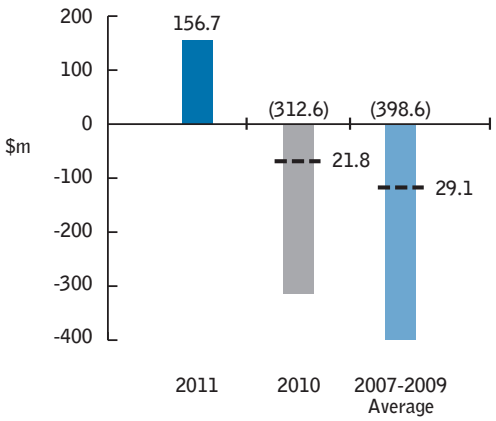
MINERAL SANDS SALES REVENUE



MINERAL SANDS EBITDA

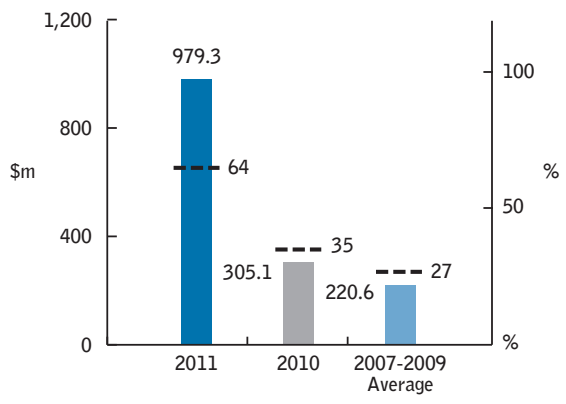


NET CASH (NET DEBT)



GEARING %
NET DEBT/NET DEBT + EQUITY

GROUP EBITDA (including Mining Area C)



EBITDA MARGIN %

TITANIUM DIOXIDE ZIRCON

Iluka
Mineral
Sands

The raw materials for everyday life.

Properties of zircon

- opacity (whiteness)
- hardness and abrasion resistant
- water, chemical and corrosion resistant
- temperature stable (high melting point, high thermal conductivity, low thermal expansion)
- inert

Properties of derivatives of zircon

zirconium metal

- corrosion (rust) resistant
- low thermal neutron absorption

zirconia and zirconium chemicals

- multifaceted and unique characteristics lending themselves to an array of technical and exotic end uses
- heat resistant
- adhesive
- catalytic
- waterproofing
- insulating
- non-magnetic

End uses of zircon

Everyday, household, consumer items

- ceramic glazes on bathroom and kitchen tiles; wash basins; sanitary ware; and tableware
- ceramic knives and blades
- cubic zirconia
- antiperspirants
- textiles

Industrial applications

- printing ink
- adhesives
- leather tanning
- paint driers
- steel and glass production
- high precision casting e.g. jet turbine engines
- autocatalysts
- heat exchangers

Zircon high-tech applications

- nuclear fuel rods/nuclear reactor cores
- solid oxide fuel cells
- advanced ceramics e.g. bearings and electro ceramics such as piezo-electrics
- optical fibres
- oxygen sensors in cars and furnaces
- enhanced paint and pigment coatings
- metal coatings e.g. car bodies
- gel seals for deephole drilling in oil and gas industry
- environmental catalysts e.g. waste clean-up

ZIRCON

Properties of titanium dioxide

- opaque, white and bright
- UV resistant
- non-toxic

titanium metal

- strong and light (highest strength-to-weight ratio of any metal)
- corrosion (rust) resistant

titanium nanoparticles

- natural photocatalyst when exposed to sunlight

End uses of titanium dioxide products

Everyday, household, consumer items:

- pigment in paint, plastics and paper, cosmetics, pharmaceuticals, sunscreen, toothpaste, foods/confectionery
- metal in sporting equipment (golf clubs, road bikes) and medical implants

Industrial applications:

- pigment coatings on structural/architectural components
- plastics e.g. packaging
- welding electrode fluxing agent
- metal in commercial and defence aircraft; ship propellers and rigging
- desalination plants

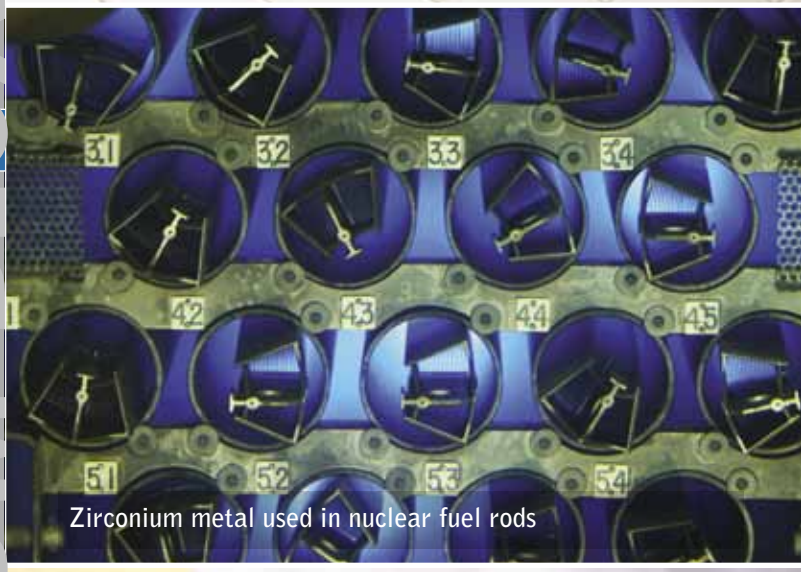
Titanium dioxide nanoparticles/ developing applications

- dye-sensitised solar cells
- exterior coatings which are self cleaning; anti-reflective; reduce atmospheric pollution, greenhouse gases and ozone
- surface coatings that are antibacterial and deodorising
- water and air purification

TITANIUM DIOXIDE

Zirconium and titanium products have physical and chemical properties essential for a wide range of end uses and applications in industrial, manufacturing and everyday life.

Zircon used in the manufacture of ceramics based products



Zirconium metal used in nuclear fuel rods

Titanium dioxide used in the production of pigment in paint

Titanium metal in sporting equipment

Iluka's objective – to create and deliver value for shareholders

Contents

The Iluka Review 2011 provides shareholders and others with an overview of Iluka's 2011 financial year.
More detailed information in relation to financial statements, the Directors' Report (including the remuneration report), and Corporate Governance Statement can be obtained by reference to the 2011 Full Annual Report available on Iluka's website www.iluka.com.

Australian currency is shown in this document unless otherwise specified

kt refers to thousand ('000) metric tonnes

Iluka is involved in mineral sands exploration, project development, operations and marketing.

Iluka is the major global producer of zircon and the major supplier to the largest and fastest growing market – China. Zircon has numerous end uses but is principally used in the manufacture of ceramics, with demand linked to urbanisation and increasing personal consumption levels, particularly in developing economies.

Iluka also has a position as a leading producer of higher grade titanium raw materials – rutile and synthetic rutile. Both products are used mainly in pigment based applications, but also in titanium metal manufacture and in other speciality applications.

Iluka operates in Australia with mining and processing operations in South Australia, Victoria and Western Australia. Iluka conducts mining and processing operations in Virginia. The company has four ilmenite upgrading or synthetic rutile kilns, two of which are in operation. The company is assessing its ability to enhance its production profile, or extend the economic life of deposits, by the development of new deposits within its portfolio and by reactivating synthetic rutile capacity.

Iluka seeks to provide solutions to its customers through investment in new high quality sources of production, a commitment to product and technical development activities, as well as show price leadership in the market place to provide direction to customers.

Iluka's commitment to sustainability is reflected in a determination to achieve high levels of environmental, health and safety performance; undertake open community and stakeholder engagement; and create a diverse workforce.

Chairman's Review

John Pizzey

Iluka's 2011 financial results represent the best set of financial results this company has delivered.

Shareholders who have followed the progress of Iluka over the last five years will recognise that the improved results reflect a number of factors, not least the decisions and effort which have transformed the asset base of the company and its marketing approach.

David Robb was appointed by the Board as Managing Director in October 2006. It was at that time that the Board had a focus on restructuring the business. David was the right person for the task and it is clear that he has delivered outstanding outcomes for shareholders. The task was not easy. In 2008, before the full onset of the global financial crisis, Iluka was undertaking a major change process with two major projects in development. The company's situation, it is fair to say, was difficult. Not least, the market for good quality people in the resources sector was "red hot." It was the Board's decision, at that time, that retention arrangements for key executives and senior management were appropriate to retain a stable base of key people, including those who shared the perspective of medium term potential of the company, under David's leadership.

The global financial crisis in 2009 adversely affected the revenues and cash flows of the company. Yet, it was the year of peak capital expenditure for the new projects. The company's sails were trimmed further and assets were sold and an institutional placement implemented. All were necessary to keep the new projects on track, yet not risk the survival of the company, given the then high debt levels and straightened cash generation circumstances.

The transformation has been delivered. Not surprisingly, management and staff have been appropriately rewarded for their efforts. The Board is pleased that the rewards, in terms of a competitive share price performance and higher dividends, are now flowing through to shareholders.

While Iluka, as a resource company, operates in a sector which by its nature is cyclical, a major part of the company's efforts have been directed to providing a degree of both sustainability and robustness in operational and financial performance.

Directors believe that this sustainability is aided by Iluka's industry position in its two main product suites (number one in zircon and with a major position in the high grade titanium dioxide products of rutile and synthetic rutile); by the improved cash flow and balance sheet position of the company; the margin structures of the business; and by a range of internal and generally lower to moderate risk growth options, most of which can access existing infrastructure. Overlaying these internal characteristics, in the company's assessment is a generally favourable set of medium term industry dynamics, notwithstanding inevitable periods of shorter term demand uncertainty and risk.

Clearly, there are risks and challenges – not least the uncertainty being imposed upon immediate business conditions, including the business environment of Iluka's customers and end consumer of the products produced, by global economic conditions.

Iluka's 2011 financial results represent the best set of financial results this company has delivered.

As David mentions, Iluka will seek to adapt its business and manage supply, balance sheet and other considerations in the context of what are currently heightened levels of global economic uncertainty. The demand for Iluka's products is not immune from a global economic downturn.

I am pleased in that I cannot envisage the company being in a better position to be able to ameliorate potential short to medium term uncertainties – given Iluka has no net debt and has high quality operations with production flexibility.

The company's objective is to create and deliver value for shareholders.

2011 was the second consecutive year of strong share price appreciation. Directors are pleased that the other major element of shareholder value delivery – dividends - are now a more important consideration for an investor in Iluka. Directors were pleased to pay a final dividend of 55 cents per share, fully franked. In combination with the interim dividend of 20 cents per share (unfranked), this represents the highest dividend payment in a year in the company's history.

Regular distributions to shareholders will be a priority for the utilisation of free cash flow. The company will maintain a prudent balance sheet in light of global economic conditions.

Improvement in Iluka's operational and financial performance has to go hand in hand with further improvements in health and safety performance. Recent performance and new initiatives are outlined in this Review and management remains focussed on improving all aspects of the company's performance in these areas. Directors are also pleased that other key components of business performance and a company's reputation – sustainability and people policy – are receiving greater focus. In this regard, an increased emphasis on diversity in Iluka's workforce, with defined plans and a commitment to pursue measures to increase female participation; to recognise the requirements of older and younger workers; to facilitate the employment of people with physical or intellectual disabilities, as well as measures to increase indigenous training and employment opportunities, all represent, in my view, a welcome maturation and broadening of Iluka's contribution to the communities in which it operates.

Directors and management would like to thank shareholders for their continuing support.

John Pizzey

Chairman

Managing Director's Review

David Robb

I am pleased that in 2011 progress towards the company's objective: to create and deliver value for shareholders, was demonstrated, not just by share price appreciation and dividends, but by a transformation of many aspects of Iluka's business.

Operations

Operational performance in 2011 was excellent. Iluka's two Australian operations at Jacinth-Ambrosia (South Australia) and Murray Basin (Victoria), as well as the Virginia operation, performed well, with production outcomes exceeding initial expectations due to better recoveries and throughputs. Likewise, the reconfigured Western Australian operations, with a focus on processing of concentrate from a variety of sources and upgrading ilmenite, performed well. Unit cash cost performance was commendable across the group and finished below initial guidance for the year, despite cost pressures in Australia, higher production and the extension of the economic life of some deposits.

A greater degree of integration and flexibility across Iluka's operations now exists. Likewise improved co-ordination between operations and marketing decision-making, with more assessment of market demands and trends, provides Iluka with an operational base better attuned to customers and to evolving market conditions.

The Australian operational team has responded admirably to the challenge in 2011 of meeting strong market demand while building flexibility to adjust future production in line with fluctuations in that demand.

Our US operations have similar capabilities as well as a goal to materially increase the contribution of the US business to Iluka's group results over an extended period of time.

Sustainability

Iluka's focus on health and safety performance increased during 2011. This included a major organisation-wide safety leadership programme launched across operational and other sites. Iluka's main performance measures were stable or improved, although aggressive internal targets set in line with a five year plan for material safety performance, were not met.

Iluka made a substantial commitment to energy efficiency programmes and achieved an 8 per cent reduction in energy usage in 2011 relative to the previous year. In the context of the Federal Government's Carbon Tax legislation, Iluka maintains its energy intensive trade exposed status. This classification is important given that Iluka's main competitors in the area of ilmenite upgrading are located in countries not subject to a carbon tax.

Marketing

Iluka's marketing approach delivered exceptional outcomes in 2011, and has positioned the company well for the future. Substantial price increases for both zircon and high grade titanium dioxide products were achieved as evolving contractual arrangements allowed prices to more closely reflect supply/demand balances in different market sectors. Iluka's approach has also reflected a desire to communicate changes in a manner which provides the opportunity for its customers to preserve or enhance their profitability. Further growth in customer numbers occurred, reflecting a greater presence in new markets but also success in broadening Iluka's reach in various markets.

Iluka shareholders can look to a company that has...
an emerging and increasingly consistent track record of delivery...

Exploration

Exploration success remains the key to Iluka's longer term growth and to addressing the supply challenges the mineral sands industry faces. Changes have been made to increase the role of exploration professionals in decisions about commercialisation and broader opportunity evaluation in Iluka's extensive exploration holdings (including, where there is a fit with skills and geological horizons, other minerals); to accelerate search efforts in existing, high potential basins; and to expand the search to new areas globally. The level of investment in exploration is planned to increase by around 50 per cent from recent levels to at least $35 million per annum.

Product and Technical Development

It has been my view that Iluka should possess the best technical expertise within the mineral sands industry. This is what I have referred internally to as Iluka being a "master of mineral sands". The company has much of this capability already, but in 2011 the advances made in the Product and Technical Development area were noteworthy. Work done on new product development and on trialling a broader range of ilmenites through Iluka's synthetic rutile kilns, led to the development of a new synthetic rutile product (SR85) which is in production and meeting a market need. Progress is well advanced on another product – acid soluble synthetic rutile (ASSR) – which, if successful, would allow Iluka to sell a high grade feedstock to the sulphate pigment market – a major breakthrough in serving a large market, particularly in emerging economies, in which Iluka has not had a major position.

Medium term volume growth

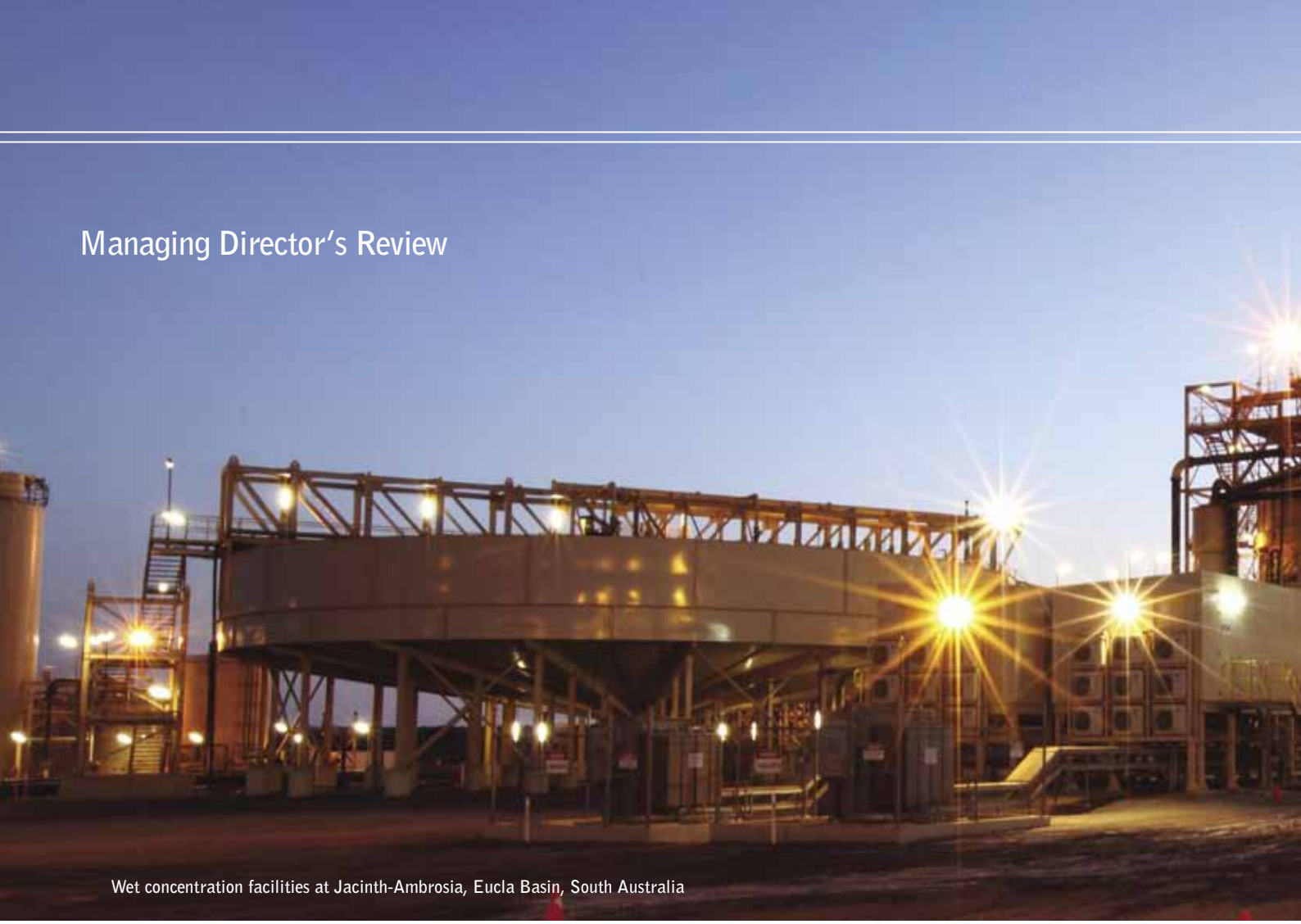
Iluka has been successful in growing revenues through price increases. The other challenge is to have production growth options which, ideally, are low-to-moderate risk, capital-efficient and cover a range of demand scenarios and time horizons. Work during 2011 on the company's Enhanced Production Project has identified eleven internal growth opportunities which provide Iluka with the potential to increase production and/or extend the duration of zircon and rutile production at recent levels. This work was completed in a short time frame by a dedicated multi-disciplinary team. Work continues on these options, underpinned by Iluka's confidence in the medium term supply/demand fundamentals for the zircon and high grade titanium dioxide markets. Funding and resourcing to progress the evaluation of internal growth options has been committed.

People

Good companies attract high quality people, provide training and growth opportunities for existing employees and are committed to diversity and sustainability principles. Iluka is increasing its investment in and resourcing of activities in these areas. Our commitment to diversity is displaying encouraging early results and there is pleasing progress on indigenous training and employment.

I would like to acknowledge the valuable contribution made by Peter Benjamin, former General Manager, Exploration over a period of ten years with the company. Peter indicated his intention during 2011 to take up new career opportunities and led the work of the Enhanced Production Project before his departure from the company in 2012.

Managing Director's Review



Wet concentration facilities at Jacinth-Ambrosia, Eucla Basin, South Australia

Iluka shareholders can look to a company that has moved away from what has been mainly a promise of improved financial performance, to an emerging and increasingly consistent track record of delivery against reasonable expectations.

I see three priorities for Iluka in the medium term. Those priorities reflect the drivers of shareholder value: profitability, sustainability and growth.

First, from a profitability perspective, Iluka must protect what has been achieved to date by navigating through what is already proving to be a new set of challenging economic conditions. Iluka is well positioned from an operational, balance sheet and margin position to respond to variable market conditions by flexing production, sales and inventory. Furthermore, Iluka is now more evenly balanced from a revenue perspective across zircon and high grade titanium dioxide products than it has been for some years and is generating strong returns on capital employed in all areas of the business. Iluka will maintain a prudent balance sheet in light of volatile global economic conditions. This may entail a "cash buffer" until global economic conditions become more stable. It would not be the intent to hold significant cash on the balance sheet for an extended period under normal conditions, instead returning to shareholders the maximum practicable level of dividends and giving full consideration to other forms of capital management. Where cash is not

required for re-investment in the existing business and for specific growth opportunities, Iluka will seek to pay out a minimum of 40 per cent of free cash flow.

Next, Iluka has to improve the sustainability of all that it does. If Iluka is to achieve sustainable success it needs to attract and retain the best people. We can only do that if we build on current efforts to respect and encourage diversity in our workforce. Iluka has sound planning control and risk management systems but these can always be improved. The company generally achieves high levels of environmental, health and safety performance but there are areas where we can and indeed must do better, including further reductions in all injury frequency rates. Iluka has a number of operational sites, which are now closed, but which were in operation for decades and these can present particular challenges in addressing legacy environmental issues, some of which only are appreciated with the knowledge we have today and which were not appreciated during the operating life of the asset. Iluka will continue to target best practice levels of performance in all that it does.

Finally, we seek to deliver the next phase of growth for shareholders. Growth also benefits employees and customers. The strengthened balance sheet and cash flow of the company enhance Iluka's opportunities. A primary focus will continue to be on opportunities within the Iluka portfolio and in this regard the enhanced production project and the detailed evaluation of multiple mineral sands production options, most of which can utilise existing company infrastructure, is the priority. Another opportunity within the current portfolio relates to Iluka's Mining Area C iron ore royalty. Shareholder value may be created by acquiring other royalty exposures and, over time, building a pro-active, growing royalty business. Beyond the existing portfolio, opportunities that leverage Iluka's existing technical and marketing capabilities are believed to exist. Iluka will consider such opportunities in a disciplined and rigorous manner but also with the recognition that innovation and prudent risk taking is a necessary component of growth.

I would like to thank shareholders for their support, convey my appreciation to our customers and our suppliers and contractors given the importance of these ongoing relationships and commend our employees, for their outstanding efforts during 2011.

David Robb

Managing Director

Mineral Sands Production and Sales Volumes

2011 Production

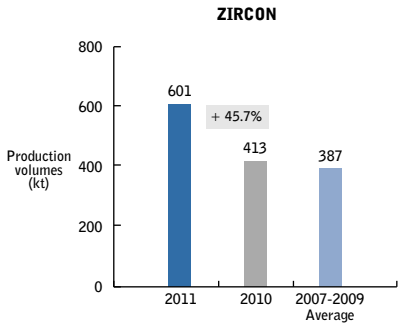
Iluka had an excellent year from a production perspective, with all operations performing well and with full year production figures significantly exceeding initial estimates.

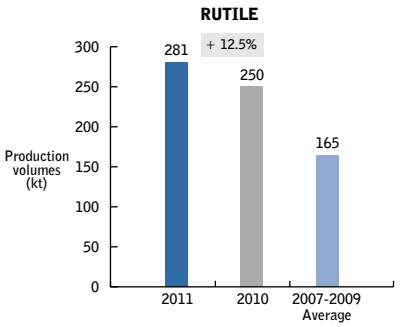
Zircon production was 601 thousand tonnes, compared with 413 thousand tonnes in 2010.

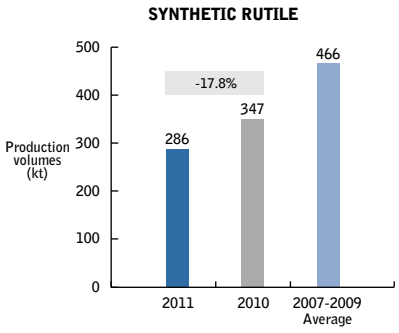
Rutile production was 281 thousand tonnes, compared with 250 thousand tonnes in 2010.

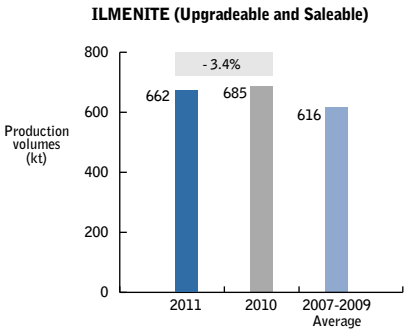
Synthetic rutile production was 286 thousand tonnes (2010: 348 thousand tonnes). While Iluka successfully extended production from its synthetic rutile kiln 3, a major part of this kiln's operation was devoted to new product test work. In addition, a major maintenance outage for this kiln was conducted from the end of August until the end of October.

Mineral Sands Production









Iluka had an excellent year...
with all operations performing well and with full year production figures significantly exceeding initial estimates.

Mineral Sands Sales

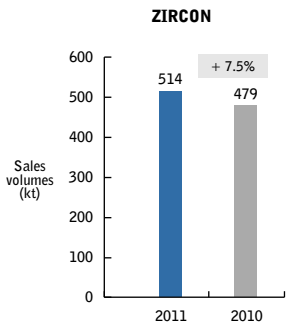
2011 Sales

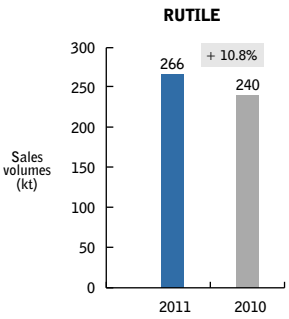
Year-on-year sales increases of 7.5 per cent and 10.8 per cent for zircon and rutile respectively exceed Iluka's "high demand" global demand scenario for zircon and high grade titanium dioxide.

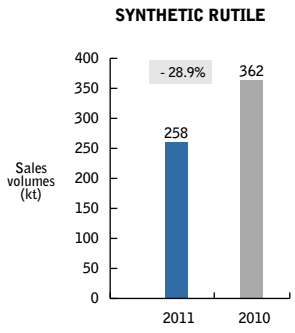
Zircon sales volumes for 2011 were 514 thousand tonnes (2010: 479 thousand tonnes).

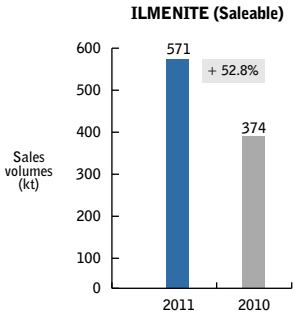
Rutile sales volumes were 266 thousand tonnes (2010: 240 thousand tonnes).

Synthetic rutile sales volumes were 258 thousand tonnes (2010: 362 thousand tonnes), a 28.9 per cent decrease and reflecting lower annual production associated with the decision to utilise synthetic rutile kiln 3 for product development purposes, associated with the testing of ilmenites in new product development trials.









Ore Reserves and Mineral Resources

The following table provides a summary of Iluka's Ore Reserves and Mineral Resources position as at 31 December 2011. Iluka's complete Ore Reserves and Mineral Resources statement, reported in accordance with the JORC Code 2004, is available on pages 43 to 45 of this document and on Iluka's website www.iluka.com.

Summary Ore Reserves and Mineral Resources

Ore Reserves

In Situ Heavy Mineral	Tonnes (millions)
Opening Reserves 2011	27.00
Production/Depletions	(3.40)
New Ore Reserves/Adjustments	6.84
Closing Ore Reserves	30.44
Ore Reserves Net Change	3.44

Mineral Resources

In Situ Heavy Mineral	Tonnes (millions)
Opening Resources 2011	114.06
Production/Depletions	(3.40)
New Mineral Resources/Adjustments	10.14
Closing Mineral Resources	120.80
Mineral Resources Net Change	6.74

Ore Reserves of 6.84 million tonnes of heavy mineral were added during the year. This represents a 25 per cent increase in Ore Reserves year-on-year. After depletions and adjustments during 2011, Iluka's total net Ore Reserves increased by 13 per cent year-on-year.

Mineral Resources of 10.14 million tonnes of heavy mineral were added in 2011, representing a 9 per cent increase in Mineral Resources year-on-year and, after depletions and adjustments, a 6 per cent net increase in Mineral Resources relative to the opening position in 2011.

Ore Reserves Cover (Ore Reserves divided by annual depletion) is 9 years at 2011 depletion rates, while the amount of Mineral Resources is approximately four times the Ore Reserve level.

The material changes in Ore Reserves and Mineral Resources are reflected on the following page:

Eucla Basin, South Australia

- a minor net decrease (0.02 million tonnes) in Ore Reserves to 6.38 million tonnes, which resulted from the addition of 0.75 million tonnes of Ore Reserves for the Jacinth-Ambrosia deposits, offset by the high production outcome during the year; and
- a 32 per cent or 4.46 million tonne net increase in Mineral Resources in the Eucla Basin to 18.33 million tonnes, deriving from extensions to the Atacama and Typhoon deposits (5.23 million tonnes), offset partially by mining depletion at Jacinth (0.77 million tonnes).

Iluka is undertaking scoping studies for the Atacama and Typhoon resources, which are located in close proximity to the Jacinth-Ambrosia operation, while further evaluation of development options for the small but zircon-rich Tripitaka deposit, is also proceeding.

Perth Basin, Western Australia

- a net increase in Perth Basin Ore Reserves of 5.25 million tonnes to 17.97 million tonnes was recorded, associated mainly with Eneabba deposits and the Cataby deposit. This represents a 41 per cent net increase in Perth Basin Ore Reserves. Minor production of 0.14 million tonnes was recorded as a result of the re-start, ahead of schedule, of the Eneabba mining operations; and
- a 4 per cent net increase in Perth Basin Mineral Resources of 2.44 million tonnes to 60.85 million tonnes, reflecting an addition of 2.59 million tonnes associated with the Cataby and select Eneabba deposits.

Iluka recommenced mining and processing operations at Eneabba at the end of 2011, while Cataby is subject to a pre-feasibility study which may lead to the development of this large, high quality chloride ilmenite (and associated zircon) ore body in 2014.

United States (Virginia/North Carolina)

- a minor net decrease (0.12 million tonnes) in Virginia reserves to 1.26 million tonnes, reflecting depletions during the year which were largely offset by reoptimisation of Ore Reserves by 0.41 million tonnes; and
- a net increase in Mineral Resources for Virginia of 2.03 million tonnes to 3.58 million tonnes, associated with a new Mineral Resource for the Aurelian Springs area. This represents a 131 per cent increase in the Virginia Resource base year-on-year.

Aurelian Springs is a sequence of chloride ilmenite deposits which have moved from scoping to pre-feasibility stage, and which represent a potential material life extension to the Virginia operations.

Murray Basin

- Ore Reserves decreased by 1.67 million tonnes to 4.83 million tonnes, associated with mining depletion of 1.96 million tonnes, partially offset by positive adjustments of 0.29 million tonnes through ore reserve optimisations linked mainly to higher mineral prices; and
- Mineral Resources in the Murray Basin decreased by 2.19 million tonnes to 38.04 million tonnes, due mainly to mining depletions (1.96 million tonnes) at the Douglas and Kulwin mining operations and a write down of Mineral Resources of 0.23 million tonnes, associated with completion of mining operations at the Echo satellite deposit.

Iluka is undertaking a pre-feasibility study for the large rutile-rich Balranald and Nepean deposits in South Western New South Wales.

Douglas mine in the southern Murray Basin, Victoria.
In 2012, mining at the deposit will be completed and rehabilitation of the site will commence.

Operational Overview

Mining

In 2011, Iluka conducted mining at eight separate deposits in Australia and in the United States: Jacinth-Ambrosia in the Eucla Basin; Douglas, Kulwin and Echo in the Murray Basin; Tutunup South and Eneabba, Perth Basin; and Concord and Brink in Virginia, USA.

Wet concentration

Wet concentrator plants located at the mine sites produce a high grade heavy mineral concentrate (HMC), containing titanium dioxide (rutile and ilmenite) and zircon, as well as other heavy minerals. As part of this process, ore is washed through a series of spiral separators that use gravity to separate the heavy mineral sands from the lighter quartz and clay.

Transport

Iluka uses road and rail facilities to transport concentrate from its mining operations to its mineral separation plants (MSP) for final product processing. Finished product is either shipped from Australian ports or, in the case of the Virginia operation, sent by rail to customers.

Processing

Mineral separation plants utilise electrostatic and electromagnetic separation techniques to produce final products of zircon, rutile and ilmenite.

Iluka has three mineral separation plants: Hamilton in the Murray Basin, Victoria; Narngulu in Western Australia; and Stony Creek, Virginia, USA.

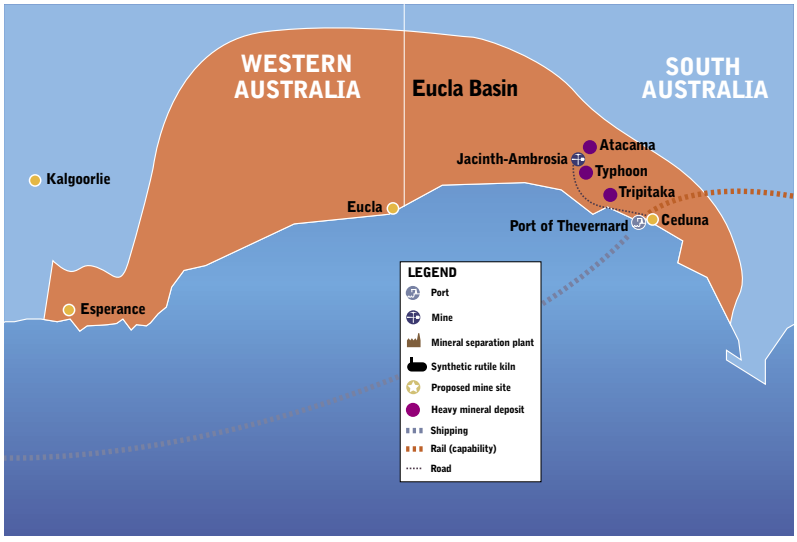
Final product despatch

Finished products are exported either directly to customers or to Iluka's warehouse distribution facilities which are located in key markets globally.

Iluka has mining and processing operations in Australia and in Virginia, USA.

Jacinth-Ambrosia, Eucla Basin, South Australia

Mining and concentrating operations at Jacinth-Ambrosia achieved the highest annual zircon production to date, reflecting mining of higher grade and favourable throughputs and recoveries at the Narngulu mineral processing plant in Western Australia. Iluka has included the external processing of zircon concentrate emanating from Jacinth-Ambrosia into its production and sales figures, with this material representing approximately 24 thousand tonnes of total annual Jacinth-Ambrosia zircon production of 313 thousand tonnes.



Production	2011	2010	Change
	kt	kt	%
Zircon	313.7	150.9	107.9
Rutile	56.4	10.2	452.9
Ilmenite saleable	171.6	78.8	117.8
Ilmenite upgradeable	2.7	42.0	(93.6)

Trial testing of Jacinth-Ambrosia heavy mineral concentrate took place at the Hamilton mineral separation plant in Victoria. The purpose of this was to determine whether the Victorian plant could take a combination of Murray Basin and Jacinth-Ambrosia concentrate, thereby providing the company with further flexibility in processing and capacity utilisation.

During the latter months of 2011, mining was relocated to a lower to medium grade section of the ore body and was reflected in lower production volumes in November and December. The reduced output reflects Iluka's ability to adapt its production outcomes in the context of market demand.

Changes to the Ore Reserves for Jacinth-Ambrosia, reflecting the influence of forecast higher longer term pricing, resulted in 11.7 per cent increase relative in Ore Reserves relative to the 2010 year end Ore Reserve position. After mining depletions in 2011, the Jacinth-Ambrosia mining operation retains a similar estimated economic life as when mining operations commenced in 2009.

Additional resource discoveries in the Eucla Basin (Atacama, Typhoon and Tripitaka) are expected subject to scoping studies, and part of Iluka's plans to potentially tie-in additional resources to existing infrastructure. The three scoping studies will be supplemented by a project to investigate the expansion of wet concentrator plant capacity servicing the Eucla Basin.

Iluka also maintains a major and active exploration programme on its tenement holdings in the Eucla Basin, comprising approximately 42 thousand square kilometres.

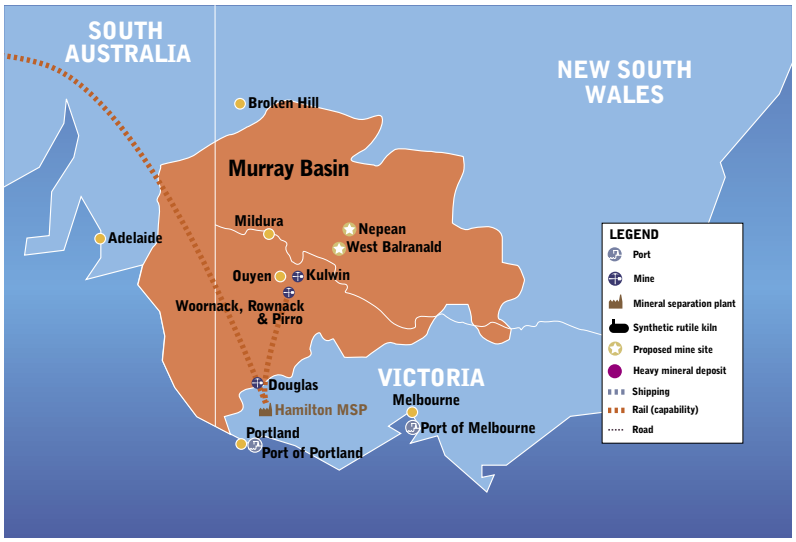
Operational Overview

Banks of spirals at the Hamilton mineral separation plant in the Murray Basin, Victoria.

Using gravity, spirals separate the valuable heavy minerals from lighter fractions in the ore feed.

Murray Basin, Victoria

Murray Basin mining operations were conducted at three deposits during the year: Douglas, Kulwin and the satellite ore body of Echo. Mining at Echo completed, as scheduled, with rehabilitation having commenced on site. Mining at Douglas was scheduled for completion during 2011, but due to higher pricing and pit optimisation, has continued into the first quarter of 2012. Mining and concentrating activities at Kulwin, the first of the northern Murray Basin deposits, achieved excellent production outcomes and an extension to scheduled mine life due to higher pricing. Mining at Kulwin finished in February 2012. Mining and processing equipment will be relocated to Woornack, Rownack and Pirro (WRP), the next set of deposits in the Murray Basin, for expected commissioning in May 2012. The greenfield preparatory works at WRP, including tailings dam construction, power supply, communications systems, civil works and other support infrastructure are ready to receive the relocated plant from Kulwin.



Production	2011	2010	Change
	kt	kt	%
Zircon	218.2	157.6	38.5
Rutile	224.9	198.4	13.4
Ilmenite saleable	–	56.8	N/A
Ilmenite upgradeable	99.5	–	N/A

Iluka's use of rail infrastructure in Victoria to transport heavy mineral concentrate from the northern deposits to the Hamilton separation plant involved a successful trial in late 2011. Rail transportation of concentrate commenced in the first quarter of 2012. The majority of concentrate from the WRP deposits is planned to be transported by rail to Hamilton from Hopetoun.

Ilmenite from Kulwin heavy mineral concentrate was successfully trialled as a synthetic rutile feedstock, and now forms the feedstock for a new synthetic rutile product – SR85. Iluka plans to trial WHIMS (wet high intensity magnetic separation) ilmenite which is removed at the mining operation at WRP, as a further potential ilmenite feed source for synthetic rutile production. Initial trials have commenced and will be continued in the latter part of 2012, as part of the planned reactivation of synthetic rutile kiln 3 in the South West of Western Australia.

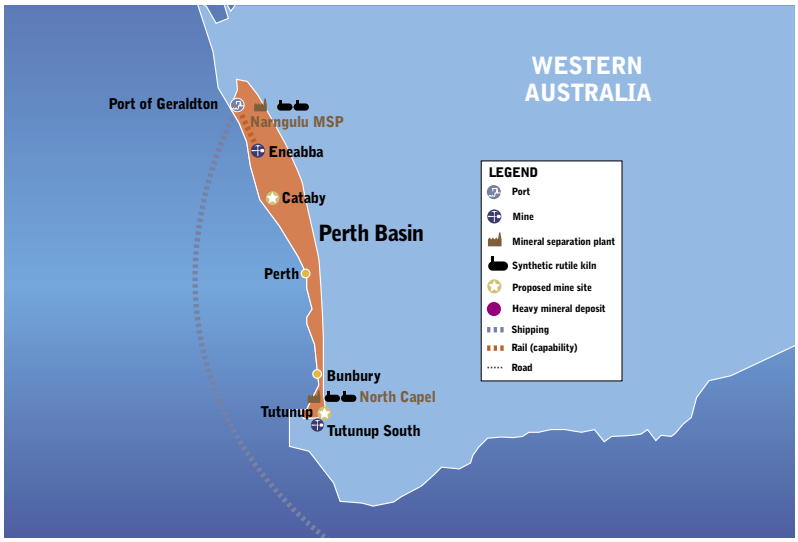
Iluka holds a large in situ amount of this ilmenite at Kulwin (in excess of a million tonnes), while a production stream of up to 400 thousand tonnes per annum may be associated with operations at WRP. If trial work is successful, this material would be transported to Iluka's Capel mineral separation plant for fractionation into various constituent product streams, one of which may form a suitable feed source for the production of another new product of acid soluble synthetic rutile, as well as be suitable for the production of chloride synthetic rutile products and sale as sulphate ilmenite.

Pre-feasibility (PFS) assessment work continued in relation to the potential development of the West Balranald and Nepean deposits within New South Wales. Both are rutile-dominated deposits in the northern Murray Basin, with an indicative first production schedule of 2015. During 2012 the PFS will deal primarily with a hydrogeology test programme, evaluation and selection of a favoured mining method and various government approvals. The PFS is scheduled to be completed in early 2013.

Perth Basin, Western Australia

Mining operations continued at the Tutunup South mine in the South West of Western Australia. This mine serves as an ilmenite feed source to Iluka's synthetic rutile capacity, in particular synthetic rutile (SR) kiln 2 in the South West.

During the year, Iluka recommenced mining activities at the Eneabba mining area, following an announcement in July 2011 that it planned to recommence for an initial period of three years. Production may be extended beyond this period, subject to environmental and regulatory approvals, and further technical and financial assessments.



Production	2011	2010	Change
	kt	kt	%
Zircon	9.3	46.2	(79.9)
Rutile	–	41.5	N/A
Ilmenite saleable	–	81.9	N/A
Ilmenite upgradeable	99.7	173.9	(42.7)
Synthetic rutile	285.7	347.5	(17.8)

Synthetic rutile is a modified ilmenite with a composition of 85 to 95 per cent titanium dioxide. The non-titanium components of ilmenite are removed by a reduction process in large rotary kilns to produce synthetic rutile.

The Eneabba recommencement involves mining operations at the Twin Hills and Depot Hill North ore reserves, utilising existing mining units and concentrators, and the mineral processing capacity at the Narngulu mineral separation plant. Production of approximately 140 thousand tonnes per annum of ilmenite suitable as a feed source for the production of premium synthetic rutile, 25 thousand tonnes per annum of zircon and 25 thousand tonnes per annum of rutile are expected.

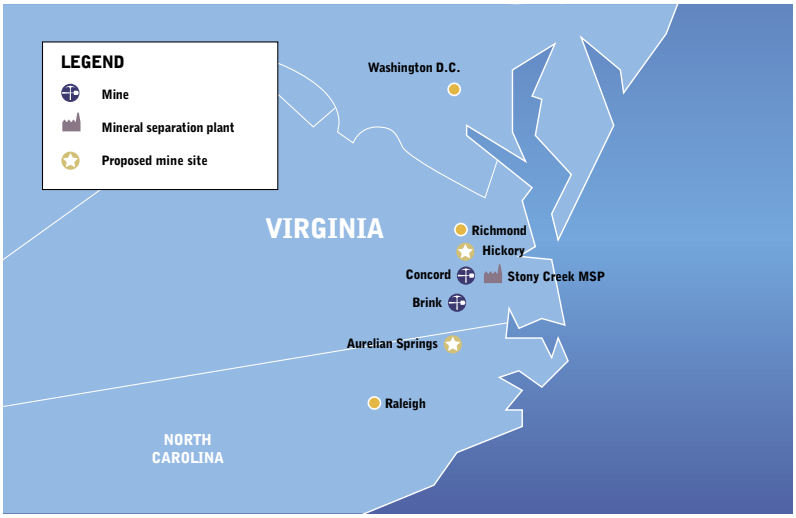
The pre-feasibility study for the proposed Cataby mine development, approximately 150 kilometres north of Perth, progressed during the year with conceptual engineering design and capital cost estimates expected to be completed by mid 2012.

Iluka has scheduled a major maintenance outage for the SR2 kiln to commence in February 2012. The maintenance outage for SR3 kiln in the Mid West was completed during the December quarter of 2011. SR3 is capable of using a combination of Eneabba and Murray Basin ilmenite feed sources. Iluka plans to recommence an additional kiln in late 2012, subject to market and supply considerations. It is likely that this kiln will be utilised initially for ilmenite blending trials, utilising Murray Basin fractionated WHIMS ilmenite.

Operational Overview

Virginia, United States

Mining at Virginia progressed in 2011 in accordance with plans at both sites (Concord and Brink). Final processing of heavy mineral concentrate was also in line with plans, enabling a year-on-year increase in both chloride ilmenite and zircon production.



Production	2011	2010	Change
	kt	kt	%
Zircon	60.3	58.2	3.6
Ilmenite saleable	288.1	251.5	14.6

A combination of new mining leases and re-optimisation of existing leases has resulted in an extension of mine life at the Concord deposit by nine months until the third quarter of 2014 and at the Brink deposit by one and a half years to the fourth quarter of 2017.

In the Stony Creek mineral separation plant, a refurbishment is planned in the first quarter of 2012 which will enable this plant to continue to produce one of the world's outstanding zircons for at least a further 10 to 15 years and a project commissioned to increase zircon recovery by two per cent. During the first half of 2012, work will also commence on up-rating the feed capacity of both mine concentrators by a targeted 20 per cent; this will enable lower grade ore to be processed.

Studies into the development of Aurelian Springs, a large chloride ilmenite deposit in North Carolina, have moved from scoping into pre-feasibility stage. The current plan is to relocate the Concord and Brink concentrators to the Aurelian Springs deposit at completion of mining in their current locations. This project will be similar in scope to the move completed in 2009, when the concentrator now at Brink was relocated from Old Hickory over a period of three months. Subject to satisfactory land access outcomes, a feasibility study into the establishment of a third mine in Virginia (Hickory Project) will also commence.

Enhanced Production Project

Iluka is assessing its ability to enhance its production profile, or extend the economic life of deposits...

In light of Iluka's assessment of favourable medium term supply/demand fundamentals for the mineral sands sector and, in particular, the higher value products of zircon and high grade titanium dioxide, Iluka is assessing its ability to enhance its production profile, or extend the economic life of deposits, by the development of new deposits within its portfolio.

Work undertaken during 2011 was focussed upon evaluating mineral sands development opportunities within the Iluka portfolio and ranking these opportunities so as to select the potentially most suitable projects for development.

The work initially identified over 30 internal development opportunities, with further scoping work reducing this to 11 opportunities, which are subject to further evaluation. The options identified represent Mineral Resources or Ore Reserves additions within the existing Iluka portfolio and, in most cases, it is expected that development pathways may make use of existing infrastructure. All of the opportunities, except three in Virginia, are in Australia.

The increased project development workload has been anticipated and experienced resources have been added to the project group, which will plan and manage the various studies and subsequent implementation of projects. Some of the projects such as Balranald, and Cataby, have project teams in place and are well advanced.

While further work is required to evaluate the options, it is expected that they will enable Iluka to either increase its rutile and zircon production or extend production at recent levels for a significant period. Associated with additional zircon and rutile production, additional chloride ilmenite availability is expected to potentially support a full four kiln synthetic rutile operation.

Based on initial assessments, it can be expected that Iluka's production response options should be: capital-efficient (given the ability to utilise existing infrastructure); provide both short and medium to longer term production opportunities; and involve relatively low-to-moderate execution risk.

The pursuit of any of the internal options will occur in adherence with Iluka's focus on its prime objective and key financial metrics, as well as market conditions. The capital implications of the development of new production options are expected to be accommodated within forecast cash flows.

Heavy mineral concentrate (HMC) production at the Jacinth-Ambrosia mine (South Australia) was increased during 2011 by managing a consistent higher grade blend of ore into the mining unit. In this image, a dozer from the top of the ore body, where there is a lower heavy mineral (HM) grade, feeds the mining unit simultaneously with a dozer pushing from the bottom of the mine pit that has a higher HM grade to produce an optimal blend of ore for the production of HMC.

Product and Technical Development

Iluka has a dedicated Product and Technical Development function. This function, along with the company's marketing and exploration commitments, represents an investment in the future of the mineral sands sector.

Principal areas of focus during 2011 included:

- the continued development of new synthetic rutile products using ilmenites from both the Murray Basin and Eucla Basin and new sources of coal as the reductant for ilmenite reduction. The objective of this work was to enable the conversion of waste (or low value) ilmenites into saleable synthetic rutile (SR) products and by using idle SR capacity to bring on new high grade titanium dioxide (TiO_2) production into the market in a capital efficient manner;
- two major new SR products were targeted – an 85% TiO_2 SR (SR85) for the chloride pigment market and Acid Soluble SR (ASSR) designed for the sulphate pigment market. A number of full scale plant trials were run during the course of the year to prove up the technology and operating parameters to produce the above products;
- metallurgical and hydrological work continued on both the Balranald and Cataby projects, with the team working on process design options, by-product handling and groundwater modelling;
- work was also finalised on capital efficient processing options to recover valuable minerals from existing tailings stockpiles at Narngulu and Hamilton; and
- on the product development side, work continued on developing new products for new or niche markets for both Iluka's titanium dioxide and zircon products. Work also continued on refining Iluka's value-in-use models for both these product types and Iluka personnel provided technical assistance to a number of customers regarding the use of existing and new products in their processes.

Major achievements in 2011 included:

- the successful plant trials, and subsequent customer approval, of SR85 allowed for the commercialisation of this product during 2011. This was one of the factors which allowed Iluka to refurbish SR3 and to continue to run this plant after the second quarter of 2011, with off-take agreements now underpinning SR3 operation for the next three years;
- a number of plant trials were conducted on ASSR which significantly progressed the commercialisation of this product. Iluka worked with a number of customers during the year to expedite the development of ASSR for the specific needs of sulphate pigment plants;
- these trials and other processing tests concluded that both Murray Basin ilmenites and Eucla Basin ilmenites can be used as SR feedstocks to produce a variety of existing and new SR products. The Murray Basin ilmenites, in particular, represent a very cost effective source of SR feed, as much of this ilmenite was previously discarded with mine tailings; and
- a capital efficient option was chosen for the recovery of valuable minerals from tailings stockpiles, with the solution planned for implementation in the first half of 2012 (market conditions allowing).

Sales and Marketing

Iluka continues to expand its global marketing presence with regional offices in Shanghai, China and Jacksonville, USA, as well as the main marketing office in Perth. These offices, combined with six warehouses strategically located close to major markets, have allowed Iluka to continue to expand the number of customers it supplies.

The Iluka Online Sales (IOS) site complemented the sales and marketing network and provided small customers around the globe access to containerised bagged products on a just-in-time basis.

Iluka achieved excellent sales outcomes in 2011 for all its products, and especially for zircon and high grade titanium dioxide products. Overall sales volumes were in line with the company's expectations, as conveyed in sales commentary issued earlier in the year. Iluka was also able to secure material price increases for both suites of products during 2011.

A strong first nine months of zircon sales volumes was partially offset by a weaker fourth quarter. Fourth quarter zircon volumes were influenced by the impact of global economic conditions on customer confidence and on the availability of credit, together with the effect of measures by the Chinese Central Government to control inflation and temper speculative activity in some parts of the Chinese property market. High grade titanium dioxide volumes remained robust throughout 2011, with only a slight moderation in fourth quarter demand.

Zircon

The impact of the above factors became more marked from late October through to year-end. In China, in addition to these factors was: the erosion of business confidence downstream of Iluka's customers (with "downstream customers" including, for example, ceramic tile producers); and a tendency for many Chinese customers to reduce finished product inventory to settle year-end debts. This has induced a particularly cautious approach in terms of ordering new zircon raw material supplies in the fourth quarter, despite prevailing low inventories of zircon sand. In Europe, firm demand in the early part of the fourth quarter weakened as the quarter progressed in line with reduced demand for ceramics products in Europe and those supplied into North Africa and the Middle East.

As a result of these volatile conditions and Iluka's marketing response to those conditions, fourth quarter zircon sales totalled 97 thousand tonnes and - as stated previously - Iluka expects a soft sales period ahead, with a clear view on overall 2012 zircon demand and the phasing of that demand likely to take time to emerge.

Iluka achieved three consecutive price increases for zircon sold during 2011. Iluka ended 2011 with a weighted average zircon price of US$2,400/tonne. The weighted price throughout 2011 was approximately US$1,890/tonne. This compares with a 2010 weighted average zircon price of $1,100/tonne. An approximate US$100/tonne price increase has been achieved in the first quarter of 2012.

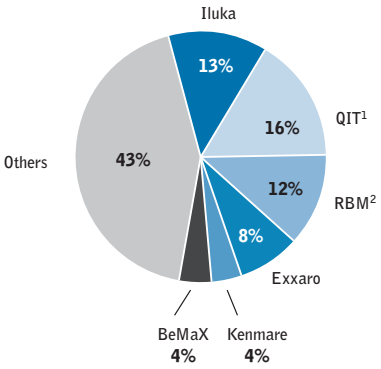
Sales and Marketing

High Grade Titanium Dioxide

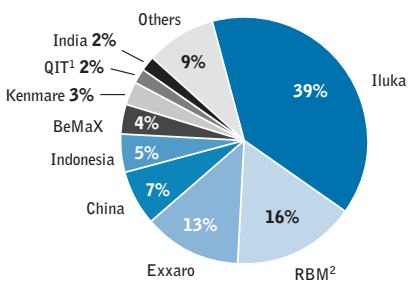
Demand for high grade titanium dioxide products was robust throughout 2011, but moderated slightly in the fourth quarter reflecting, as indicated by pigment producers, seasonal factors, weaker China demand for imported pigment, and also some flow on of weaker global economic conditions in other sectors, such as the welding market. Iluka has contracted the majority of its 2012 high grade titanium dioxide production, with first half prices of approximately US$2,500/tonne for rutile and US$2,200/tonne for synthetic rutile.

2011 represented the first year that a significant proportion of Iluka's rutile and synthetic rutile production was not under long term "cap and collar contracts." Iluka modified its contractual arrangements, with volumes contracted for a maximum of twelve months in most cases, and with six monthly price reset opportunities. Relative to a weighted average 2010 rutile price of US$550/tonne and a synthetic rutile price of US$450/tonne, Iluka achieved weighted average rutile and synthetic rutile prices of US$1,150/tonne and $880/tonne respectively. In December 2011, Iluka announced pricing outcomes for the majority of its volume for the first half of 2012. These increases represented a further 85 to 90 per cent increase, with weighted average first half 2012 prices of US$2,400/tonne and US$2,200/tonne respectively.

TITANIUM DIOXIDE
MAJOR PRODUCERS 2011
6.5Mt (TiO_2 units)



ZIRCON
MAJOR PRODUCERS 2011
1.5Mt



[1] QIT is 80% Rio Tinto owned.

[2] During 2011 Richards Bay Minerals (RBM) was 37% Rio Tinto and 37% BHP owned. The remaining reflects black empowerment (24%) and RBM employee ownership (2%).

Iluka Zircon Sales by Region (% of annual total)

	2006	2007	2008	2009	2010	2011
China	14	23	34	53	41	45
Asia	16	17	15	21	14	17
Americas	25	24	15	13	17	13
Europe	45	36	36	10	26	23
Other	–	–	–	3	2	2

Iluka High Grade Titanium Sales by Region (% of annual total)

	2006	2007	2008	2009	2010	2011
China	–	–	2	3	2	3
Asia	44	39	34	35	27	28
Americas	18	18	24	21	30	32
Europe	26	27	24	19	25	36
Other	12	16	16	22	16	1

Market outlook

Iluka is well positioned from an operational, balance sheet and margin position to continue to respond appropriately to market conditions for its products by flexing production, sales and inventory.

With high grade titanium dioxide and zircon product price and sales volume levels now similar, Iluka is now more evenly balanced from a revenue perspective across products than it has been for some years.

While lower production and sales levels may occur for zircon for a period in 2012, revenue impacts are expected to be mitigated by contracted volumes of high grade titanium dioxide which, in the first half of 2012, will be at a weighted average price of between 110 per cent to 145 per cent above 2011 weighted average pricing. Further mitigation is provided by zircon prices which will end the 2011 year over 30 per cent higher than weighted average price for the year as a whole, and over 270 per cent higher than the weighted average zircon price for 2010.

Given some evidence of a softening in the near term zircon demand outlook, Iluka has the ability to moderate zircon production to better match demand over the next quarter or two, while still retaining the company's ability to respond quickly to demand recovery. This approach highlights Iluka's intention to manage its production, sales and inventory levels in the context of both global macro economic factors (for example, economic growth, consumer spending, business confidence and credit availability) and favourable medium to longer term supply/demand characteristics of zircon and high grade titanium dioxide.

For example, Iluka has flexibility to adjust zircon production sourced from Jacinth-Ambrosia without impacting the production of higher grade titanium dioxide products sourced principally from the Murray Basin operations and from synthetic rutile production in Western Australia.

Iluka maintains a positive perspective of the medium term supply/demand fundamentals for the zircon and high grade titanium dioxide markets.

Exploration

Eucla Basin, South Australia

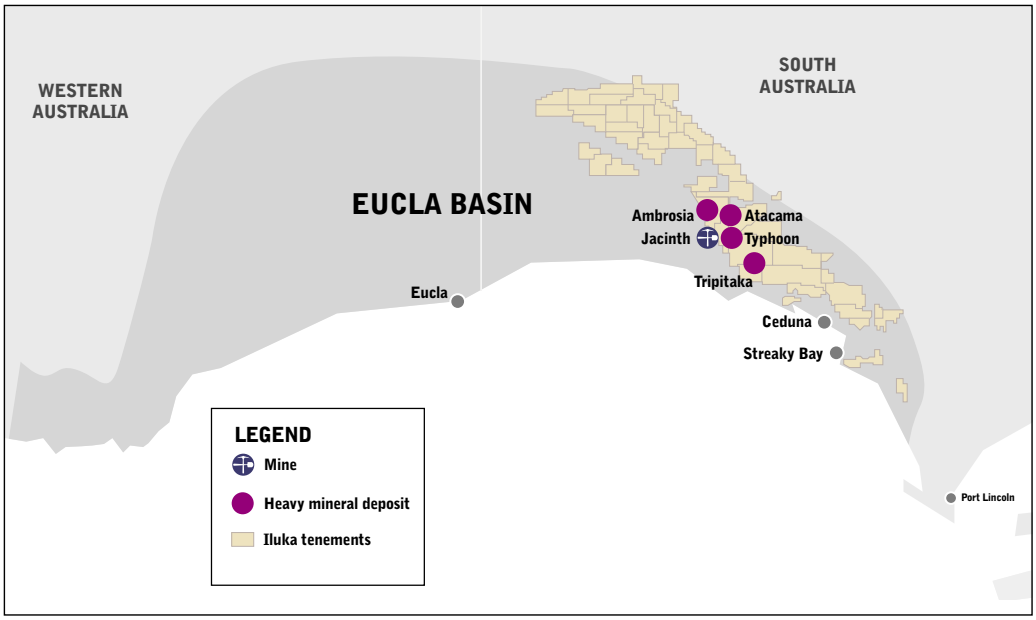
Iluka holds the majority of exploration tenements in the Eucla Basin and owns the zircon-rich Jacinth-Ambrosia mineral sands mine. Iluka's tenements secure an area of approximately 42 thousand square kilometres and account for approximately 47 per cent of Iluka's tenement holdings. Iluka's substantial tenement holding covers the prospective margin of the Eucla Basin in South Australia.

Iluka's current mineral resource inventory in the Eucla Basin is 18.3 million tonnes of heavy mineral including a mining depletion of 1.5 million tonnes of heavy mineral from the Jacinth-Ambrosia operation. The original mineral endowment for the Eucla Basin, taking mining depletion into account, is 19.8 million tonnes of heavy mineral. In the order of 95 per cent of the total heavy mineral resources discovered in the Eucla Basin are within 15 kilometres of the Jacinth–Ambrosia mine site.

2011 exploration activity in the Eucla Basin included:

- the along strike extension of heavy mineral resources at both the Atacama and Typhoon deposits. These extensions combined with additional resources identified as part of the enhanced production project, have resulted in a 32 per cent increase from the 2010 resource position for the Eucla Basin;
- brownfield exploration drilling within 15 kilometres of Jacinth–Ambrosia which intersected an encouraging zone of mineralisation approximately nine kilometres to the south east of Jacinth-Ambrosia. Samples from this new brownfield heavy mineralised area are currently being assayed and analysed for indicative assemblage information;
- over 96 thousand metres of drilling on the Eucla Basin tenements with over half of that drilling on greenfields targets. Greenfields exploration drilling primarily focussed on areas north of the Atacama deposit and on the Maralinga group of tenements north of the trans Australian railway line; and
- completion of a detailed aeromagnetic/radiometric survey over an area of 8,200 square kilometres. This survey has identified a number of anomalies for drill testing in 2012.

In 2012, Iluka will significantly increase the exploration budget in the Eucla Basin to enable follow up drilling on a number of mineralised areas identified in 2011 and to continue to test the greenfields potential of the region.



Murray Basin and Eastern Region

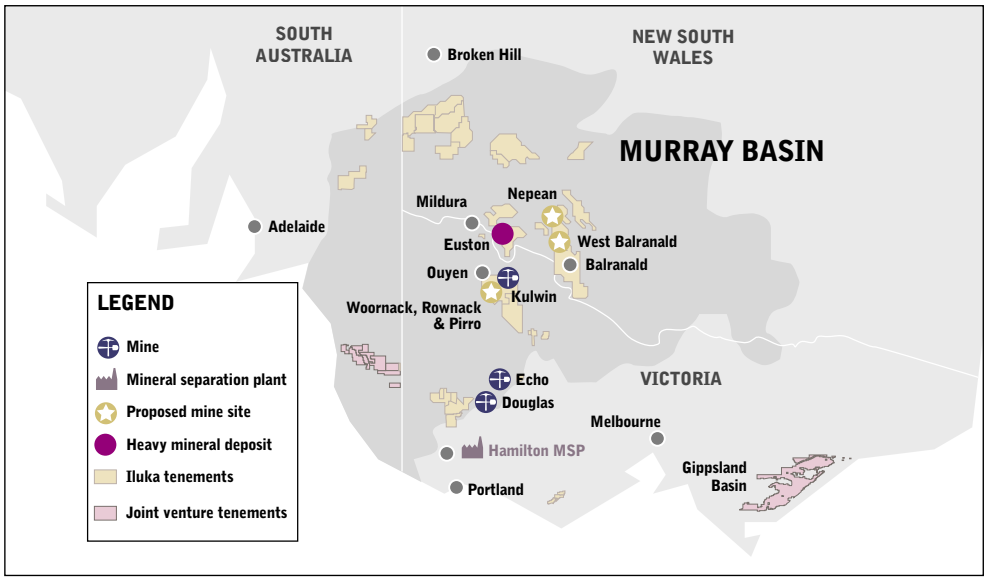
Iluka's second main area of current exploration commitment is on the company's Murray Basin tenement holdings across Victoria, eastern South Australia and into the south west portion of New South Wales; a tenement holding area of approximately 38 thousand square kilometres.

The 2011 exploration activities included:

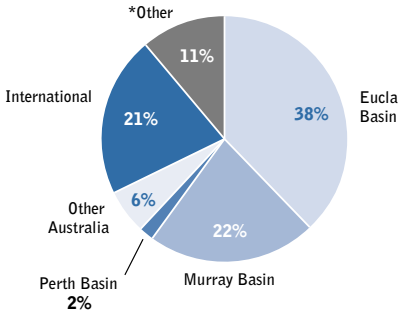
- exploration in southern Victoria and in New South Wales to test new areas in the north west margin of the Murray Basin where Iluka is seeking to locate stratigraphy suitable for hosting mineral sands;
- greenfield exploration was undertaken to assess targets in the south western portion of the Murray Basin in south eastern South Australia, though a Mineral Sands Joint Venture with South East Energy Limited;
- greenfield exploration also commenced in the east of Victoria in the Gippsland Basin, through a Mineral Sands Joint Venture Agreement with Ignite Energy Resources Ltd; and
- mineral resource delineation programmes continued on both the Nepean and West Balranald deposits as part of studies for the potential development of these large rutile-dominated deposits. Additional delineation programmes were completed at the Woornack, Rownack and Pirro sites.

In 2012 Iluka will significantly increase the exploration budget in the Murray Basin to test a number of new greenfield targets in the region.

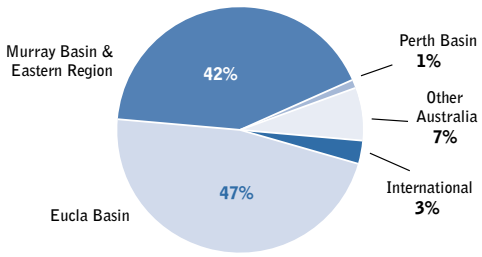
Iluka is actively exploring for mineral sands outside of Australia, which involves land acquisition in several jurisdictions, initial drilling activities in one, and other reconnaissance and evaluative work in several countries.



EXPLORATION EXPENDITURE PROFILE
$23.6 million for 2011



ILUKA TENEMENT POSITION - 31 DECEMBER 2011
Total 90,400km²



*Other includes GIS, Development Geology & Administrations

Sustainability

Sustainable business practices means integrating economic, environmental, health and safety, and social considerations, and achieving and maintaining high levels of performance in these areas. It also means developing and maintaining sound planning, control and risk management systems and building strong and healthy relationships with stakeholders that are of mutual benefit.

Rehabilitation of former Iluka mining area Yoganup North, in the South West, Western Australia

Management Systems

In order to discharge its duty of care and to comply with its legal obligations, Iluka manages environment, health and safety by focusing on the organisational culture as well as implementing a formal environment, health and safety management system. This system is constructed around twelve key Iluka standards and five specific major risk procedures. Each region, including the various operational sites as well as support functions, is directly accountable for the development of site specific risk assessments, procedures and management systems in compliance with company requirements. A corporate sustainability group has been established in order to maintain an oversight function and to ensure good corporate governance practices are maintained.

Health and Safety

In 2011, Iluka improved its safety performance in respect to a number of well accepted performance metrics, notably Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). However, the 2011 results did not meet the company's internal targets for the period. Iluka recorded a LTIFR (per million hours, and including all contractors) of 2.8 for 2011 versus the 2010 performance of 3.8. Iluka's TRIFR (per million hours, and including contractors) for 2011 was 15.1, representing an 11 per cent decrease from 16.9 in 2010. The severity rate was 52.2 for 2011, which is 8 per cent higher than the 2010 result.

In recent years Iluka safety performance has reached a plateau. In response, a company wide safety initiative called Safe Production Leadership was launched in the first quarter of 2011. The first phase of this programme focused on safety education and behaviours in operational, exploration and corporate areas, culminating in the development of safe production plans at each of Iluka's operating sites. The second phase of the programme commenced in the second half of 2011, and focused on enhancing safety leadership skills for all supervisors. During 2012 a similar significant safety programme, tailored specifically for development projects will be implemented.

Iluka's approach focuses on the prevention of accidents, measurement against performance standards and incident management. Risk assessments, inspections and communication initiatives (such as safety visits and safety meetings) are tools used on Iluka sites to prevent accidents. Performance standards are established by means of formal guidelines, and may include reporting of incidents, fit for work requirements, performance monitoring and system compliance audits. In order to minimise the probability of incidents recurring, formal investigations are conducted for both actual incidents and potentially serious incidents. One area of increased focus is in respect to the quality of incident investigations and ensuring that mitigating actions identified during investigations are completed in a timely manner.

Safety Performance for 2011

	2010	2011 Target	2011 Result
LTIFR	3.8	2.7	2.8
TRIFR	16.9	11.9	15.1
Severity rate	48.1	45.9	52.2

Safety meetings at departmental level, including elected health and safety representatives and employees, management and key contractors, identify improvement areas and ensure that concerns are identified and addressed. Company-wide safety and health performance is reviewed monthly by both the Iluka Leadership Team and the Board. Safety and health direction is reviewed by a General Manager's safety meeting that takes place at least in six-monthly intervals.

Membership of external bodies, such as the Western Australian Chamber of Minerals and Energy Occupational Health and Safety Committee and the Industrial Foundation for Accident Prevention, are maintained in order to stay abreast of developments in the field.

Iluka requires all employees and contractors to be inducted before commencing work. These inductions address environment, health and safety aspects, the management system and issues such as site specific risks.

An environment, health and safety management system compliance audit is conducted annually. The external auditors conducting the 2011 audit recommended improvements in areas such as document control, basic risk assessment, and contractor safety management.

Environmental Management

Iluka undertakes mining and processing activities on land that ranges from remote regional reserves to operations in close proximity to populated areas. Each operating environment presents unique environmental challenges and, as a consequence, requires different environmental management approaches.

Iluka has a number of standards that govern environmental management. The individual requirements of each site are considered and site specific procedures and work instructions are developed in compliance with these standards. Operational sites are audited for compliance with Iluka's standards on an annual basis.

In relation to environmental incidents recorded at Iluka sites, Level 2 environmental incidents (the second to least serious category) exceeded the company's target of 54 incidents, with a total of 140 incidents reported. This significant increase relates to modifications in Iluka's incident definitions and classification system to assign incident severity. Five Level 3 incidents and one Level 4 incident were also recorded. In all cases mitigating actions have been implemented.

Energy Efficiency

Iluka recognises the importance of addressing carbon dioxide gas emissions, as well as improving energy efficiency across the business. In Iluka's Australian operations, the company complies with applicable legislation. In the United States, the focus is on energy efficiency, due to different legislative requirements.

Iluka has participated in the Australian Commonwealth Government's energy efficiency opportunities programme since 2006, the purpose of which is to assess energy use and process efficiencies at operational sites, and to identify and implement opportunities to work in a more energy efficient manner.

During the current 5-year energy efficiency opportunities assessment cycle, Iluka assessed all energy use associated with all mining and processing operations, which accounts for more than 99 per cent of Iluka's total energy use. Results of energy efficiency opportunities assessments are reviewed by Iluka's Board, reported to Government and made available for public review (for further information refer to Iluka's 2011 Energy Efficiency Opportunity Public report on its website, www.iluka.com).

During 2011, Iluka identified and implemented a range of energy efficiency initiatives that resulted in improved energy efficiency outcomes. The energy efficiency opportunities that were in effect during 2010 – 2011 resulted in a reduction in energy usage of more than 0.6 petajoules, or approximately 8 per cent of Iluka's total energy consumption. Iluka is focused on consolidating these gains and is committed to ensuring that energy efficiency remains embedded in its operations as an ongoing part of its business processes.

The verification process on Iluka's energy efficiency opportunities reporting conducted by the Department of Resources, Energy and Tourism concluded that:

> Iluka Resources Limited has made considerable efforts to improve the energy efficiency of their operations and in doing so have demonstrated a very high level of compliance with the EEO program's assessment and reporting requirements. Several key requirements were identified by the verification team as being 'leading practice' which is a credit to the corporation and indicative of Iluka's commitment to energy management and the EEO program. The demonstrated commitment of Iluka's Chief Executive Officer David Robb and other senior personnel from within the corporation, allowed for the engagement of highly skilled and knowledgeable personnel as part of the assessment process. The systems and processes developed by these personnel represent a strong basis for further improvements in energy efficiency within Iluka (DRET, Energy Efficiency Opportunities Verification Report, 2011).

Under the Commonwealth Government's Clean Energy Amendment Regulation 2012 (No. 1) and Explanatory Memorandum, Iluka's synthetic rutile activities are accorded Energy Intensive Trade Exposed status, with an assistance rate of 94.5 per cent.

For statistical information on Iluka's energy usage refer to pages 40 to 41.

Iluka Group Environmental Incidents

	2011	2010	2007 – 2009 average
Level 1	651	486	763
Level 2	140	62	37
Level 3	5	0	1
Level 4	1	0	0
Level 5	0	0	0
Total	797	548	801

Water for the Jacinth-Ambrosia (South Australia) processing operations is sourced from a hypersaline paleochannel and bore field located 34 kilometres from the process plant.

Water is transferred to the mine site through glass reinforced piping buried below ground.

Water Management and Use

Water is used in most of Iluka's mining, processing and separation processes. In the mining process, water is used to slurry and transport ore by pipeline after oversized material has been removed. Where the ore contains fine materials (slimes or tailings) this is removed using desliming cyclones, and concentrated by thickeners before being disposed into tailing ponds.

Iluka's concentration plants use water in gravity and magnetic separation processes. Heavy mineral concentrate is pumped in a water medium to stockpiles, where excess water is removed and recycled.

In mineral separation plants, the heavy mineral concentrate is separated into its various mineral components, using either water driven processes (gravity and magnetic separation) or dry processing (electrostatic separation, magnetic separation). In synthetic rutile plants water is used in leaching processes and environmental control.

Iluka uses fresh water or naturally occurring hypersaline water in these processes. The latter is defined as water containing dissolved solids in excess of sea water. During 2011, the Jacinth-Ambrosia (Eucla Basin, South Australia) and Kulwin (Murray Basin, Victoria) mining and concentrating operations utilised hypersaline water, with the other operations in Victoria, Western Australia and the United States reliant on fresh water.

Hypersaline water

At the Kulwin operation in the Murray Basin, process water is sourced from the product of dewatering activities. Dewatering is required due to the ore being located below groundwater level. In contrast, the ore at Jacinth-Ambrosia is above the ground water level and therefore alternative means of sourcing water have been implemented. Due to the regional geological characteristics of the area where the Jacinth-Ambrosia operation is located, the most efficient source of groundwater is water extracted from a bore field remote from the site.

Given that soil salinisation is a specific environmental hazard in Australia, mines at Jacinth-Ambrosia and Kulwin have implemented rigorous environmental management plans aimed at ensuring post mining land use is not compromised by salt, while seeking to abide by strict operational requirements, particularly in relation to the containment of saline water. As part of its activities, Iluka has also commissioned research and investigation into soil salinisation.

For camp, some operational requirements, as well as dust suppression and some rehabilitation activities, fresh water is used. At Jacinth-Ambrosia, a reverse osmosis plant produces potable water. At Kulwin, fresh water is sourced from the local water authority catchment area. Extraction from saline sources is managed such that freshwater aquifers are not compromised.

Fresh water

Iluka's operational sites in Western Australia use fresh groundwater, while the Brink and Concord mines in Virginia use groundwater when surface water is not available. The Douglas mine in the Murray Basin of Victoria uses water from the Rocklands Reservoir, along with water sources from a bore field. Mineral separation plants use a combination of groundwater and water supplied by local service providers. The synthetic rutile kilns in Western Australia use groundwater (Capel) and fresh water (Narngulu).

Iluka recycles water where possible and fresh water discharges normally only occur where there are seasonal imbalances in water supply and demand. In these cases the discharges are licensed and the strict conditions imposed by such licenses are followed. Groundwater resources are further protected by means of monitoring programmes and regular interpretation of monitoring data is performed by means of aquifer reviews.

Water use

Groundwater abstraction at Gingin, Eneabba and Narngulu in Western Australia has an annual reporting requirement. Groundwater abstracted from Gingin and Eneabba in 2011 equated to 7 and 8 per cent of the total licence allocation respectively due to limited operational activities. An increase in water consumption will occur in Eneabba in 2012 with the recommencement of mining in that area.

The Douglas mine in Victoria has an abstraction licence for the Strathlynn Wellfield, and in the reporting period for this licence (May 2010 to May 2011) used 8.6 per cent of the allocation. The conclusion from the aquifer review conducted in 2011 was that the monitoring data showed no evidence of impact on any other groundwater users or the surface water environments.

Groundwater use in the South West operations in Western Australia was assessed during 2011. The groundwater abstraction over the assessment period (2008 to 2010) from the Yarragadee and Leederville aquifer ranged from 23 per cent to 36 per cent of the allocated quantity. The assessment further showed that aquifer water quality has not been impacted by this activity. The Yarragadee aquifer in particular continues to show rapid recovery from seasonal minimum water levels despite abstraction from the bore fields. The aquifer review identified some procedural non-compliances and actions have been put in place to address these findings.

The total volume of water used for Murray Basin mining and processing decreased from 4,522ML in 2010 to 3,925ML in 2011 due to adjustment to previous measurement data for Kulwin. Water used at Jacinth-Ambrosia in South Australia decreased by 29 per cent to 6,867ML in 2011 due to capitalising on water recycling opportunities. In the Perth Basin water use in 2011 was 59 per cent of the use in 2010, mainly due to the suspension of activities at Eneabba.

For statistical information on Iluka's water use performance refer to page 40.

Waste Management

Iluka generates both process and other waste as part of its operational activities. Wherever possible, domestic and industrial wastes are separated at the source and recycled. In ecologically sensitive areas, such as the Jacinth-Ambrosia operation, all domestic and industrial wastes are removed and transported to permitted landfill sites.

During mining, sand-particle sized gangue minerals such as quartz are removed by gravity separation and backfilled into the mining void or dedicated tailings storage facilities. Fine materials are either dispersed in sand tails through co-disposal technology, or buried in mine voids after drying out in temporary solar drying dams. Ore material classified as oversized material, when non-saline, may be used for on-site road construction or other activities. Saline oversized material is generally disposed of in the mine void.

Process waste from mineral separation plants consists of chemically and physically unaltered sand tails that are in most cases returned to mining areas for disposal. Most, if not all, heavy mineral sands deposits contain a measure of natural radioactivity (naturally occurring radioactive material, or NORM). The minerals that contain most of the uranium and thorium that gives rise to these low levels of radiation tend to be concentrated in process waste streams which are returned to mine voids. Iluka has specific programmes to ensure that localised concentrations of radioactivity in disposal areas are kept within legally defined requirements.

Other wastes from mineral separation plants that are returned to the mine void include gypsum, generated as a result of the neutralisation of sulphuric acid used to polish zircon surfaces; material from dust collection systems; and residual fines removed from heavy mineral concentrate. The Hamilton mineral separation plant produces a saline waste that is generated from a reverse osmosis plant. This waste is disposed of via a local service provider to an approved site.

Process waste from synthetic rutile kilns in Capel and Narngulu, Western Australia, consist of non-valuable minerals, as well as fine ilmenite, coal and post-reduction leachate product. The waste is separated before ilmenite raw material is fed to the kilns, and disposed in the mining void under similar conditions to the mineral separation plant sand tails. Liquid wastes are disposed of in dedicated, lined facilities on site.

During mining operations high density polyethylene pipe is used for numerous applications at the Kulwin mine in Victoria. When this pipe reached a point where it was not possible for it to be re-used, this material was transported to landfill. During 2011, Iluka identified a waste minimisation opportunity and a local contractor now recycles the high density polyethylene pipe into a wide variety of products, including fence posts, park benches and signage.

Environmental Incident Reporting and Management

All environmental incidents are reported and classified into one of five levels, depending on the specific environmental potential or actual impact. Incident investigations are completed for those events above a specific trigger level (Level 2) and mitigating, remedial and preventive actions are tracked to completion. The number of Level 2 incidents (the equivalent of a first aid injury in safety terms) is tracked as a key performance metric in Iluka. Although the incident management system is well entrenched in the organisation, the reporting, classification and investigation response time of incidents were identified in 2011 as areas requiring improvement. In 2011 the number of Level 2 and above incidents increased from 62 in 2010 to 140. This increase is ascribed to increased rigour in examining the specific environmental incidents against the incident classification system rather than reflecting poorer environmental performance. In addition to the increase in Level 2 incidents, five Level 3 and one Level 4 incident were reported in 2011. No incidents above Level 2 were reported in 2010.

The Level 4 incident reported during 2011 involved a saline groundwater mound (groundwater increasing in elevation above background levels) in the Jacinth-Ambrosia mining operation in South Australia, which, although fully contained within the mining lease, led to some vegetation stress in areas adjacent to the mine path. Although the groundwater mound was anticipated, the rooting depth of local vegetation was underestimated, resulting in some trees being affected by the saline groundwater. A recovery programme commenced immediately and at present the groundwater mound is contained to levels that are stricter than those anticipated in the original licence conditions.

Three of the Level 3 incidents reported during 2011 occurred in saline environments. The first incident occurred when saline water was discharged onto an area adjacent to the mining unit, and a second incident occurred as a result of a leak from a decant line containing saline water spilling on an unsealed public road. Both incidents were attended to immediately, and no discernible environmental impact resulted from these incidents. The third incident was reported when a number of native trees adjacent to a mine showed signs of salt stress. It was found that during high wind, saline mist from the tails line carried approximately 50 metres to the impacted area. No signs of irreversible damage were found, and future impact was mitigated by means of lowering tails lines below the pit crest.

At a processing site a tear was discovered in a liner in a residue storage facility, resulting in a Level 3 incident. The leak was sealed within a week of it being found, and groundwater analysis is being used to confirm that potential impacts are constrained to the operational footprint only.

During rehabilitation activities in the United States, deposits of mineral separation plant tails were found on property leased by Iluka. Because Iluka had limited ability to restrict access to the leased property, that activity resulted in a Level 3 incident. The material was recovered and deposited on property owned by Iluka.

For statistical information refer to page 39.

Rehabilitation and Land Management

Closure planning is used to rehabilitate and return mined land to its pre-determined land use. Iluka has a formal closure process which details rehabilitation standards and establishes a foundation for estimating the financial costs associated with closure and rehabilitation activities.

Mine closure processes have evolved to the point where individual closure plans are now typically prepared during the pre-feasibility study phase of a mining development or other project. These plans are updated as the operation moves through the project life cycle, until the stage where the plan contains sufficient detail to allow for its execution during the final stage of an operation's life cycle.

Closure plans are typically coordinated by in-house environmental or rehabilitation specialists, including engineers, land management specialists, environmental specialists and hydrogeologists. The plans are determined in consultation with relevant stakeholders and regulatory authorities.

During 2011, a total of $31.3 million was spent in Western Australia on rehabilitation activities. Milestones achieved included the removal of most of the surface infrastructure and revegetation of 7 hectares of riparian corridor (an offset commitment) at Waroona mine in the South West of Western Australia. The intent is to have Waroona closed by the end of 2012, with all remaining open areas returned to topsoil.

At the Narngulu facility near Geraldton in Western Australia the capping of a waste dam commenced, with 4 hectares scheduled to be completed by the first half of 2012. The implementation of new revegetation methods that reduce reliance on mulching, including redevelopment of the nursery operations, resulted in 25 hectares being rehabilitated in Eneabba in Western Australia in 2011, with an additional 26 hectares planned for 2012.

In the Murray Basin, unforeseen rain interrupted rehabilitation activities, with the result that a higher level of activity is planned for the region during 2012, including approximately 300 hectares planned to be rehabilitated at Douglas, Echo and Kulwin in Victoria.

Actual and Planned Rehabilitation 2011 – 2012

Mine	2011 actual rehabilitated area (hectares)	2012 planned rehabilitation area (hectares)
Douglas (Victoria)	56	230
Echo (Victoria)	–	38
Kulwin (Victoria)	6	74
Woornack, Rownack, Pirro (Victoria)	–	36
Eneabba (Western Australia)	–	106
Gingin (Western Australia)	–	101
Waroona (Western Australia)	79	92
Jacinth (South Australia)	5	12
Green Cove Springs (Florida, United States)	71	50
Concord, Old Hickory and Brink (Virginia, United States)	6	12
Total	**223**	**751**

Most of Iluka's operations have closure or rehabilitation plans. All scheduled closure plans and closure costs were reviewed during 2011. Closure plans are in the process of being developed for projects undergoing pre-feasibility studies that commenced during 2011. The intent is to have a formal closure plan for each Iluka operation by December 2012.

For statistical information on Iluka's rehabilitation and land management performance refer to pages 41 to 42.

Sustainability Case Studies

Improving Rehabilitation Outcomes using Biocrusts at Jacinth-Ambrosia, South Australia

Biocrusts are composed of lichens, cyanobacteria, algae, mosses, liverworts, fungi and bacteria, and live on and within the first few millimetres of the soil surface. Biocrusts bind soil particles, sequester carbon and in many cases, fix atmospheric nitrogen. As such they play an important role in ecological processes and are vital components of ecosystems. The soil interspaces between clumps of vegetation at the Jacinth-Ambrosia mine are often covered with biocrusts, and due to this Iluka decided to investigate the feasibility of using biocrusts to control wind erosion and in the rehabilitation of soils. In 2009, Iluka commenced a research programme in collaboration with the University of Queensland into the investigation of the extent and diversity of biocrusts at Jacinth-Ambrosia.

Laboratory experiments were undertaken by mimicking the soil disturbance that occurs in advance of mining and treating the resultant soil with a range of water qualities. Within 22 days, treatments irrigated with fresh water were colonised by new biocrust organisms covering approximately 65 per cent of the experimental area. Secondary tests revealed that the degree of biocrust generation is dependent on the salinity levels of the irrigation water used.

This programme expanded from the laboratory into field trials in 2011 in order to assess the potential to use crushed biocrusts for use in mine rehabilitation. A variable response was found, with some biocrust organisms highly vulnerable to disturbance, while cyanobacteria were found to have the capacity to rapidly recolonise new surfaces. Over time, successive additional recovery phases were observed, which increased the diversity of organisms and strength of the biocrust. This natural process of biocrust development is known as successional recovery and Iluka is seeking to stimulate the beginning of this process as part of Iluka's initial rehabilitation programmes. More information on this programme can be found on the AusIMM website, where it was published in the 2011 Heavy Minerals Conference. This programme will continue in 2012.

Recycling Iron Oxide By-Product at Capel, Western Australia

Iron oxide is generated during the synthetic rutile production process in Iluka's Western Australian operations. During 2011, Iluka worked closely with relevant authorities and logistics experts to find an innovative method to export this fine material without generating dust. The stevedoring company employed developed a bulk loading system which loads the product into sealed boxes at the processing site. This material is then transported to Bunbury Harbour, Western Australia where the boxes are lifted direct from the truck and lowered into the ships hold. When positioned inside the ships hold the lid is automatically lifted and the container rotated 180 degrees to unload the product. Iluka underwent a thorough risk assessment process with the Bunbury Port Authority which included three community presentations to ensure residents were fully informed of the new process. Two 10 thousand tonne trial shipments were completed in 2011 and full scale export activities commenced in January 2012. Apart from revenue generation, this project serves to reduce the volume of material to be rehabilitated once processing activities are complete at the North Capel site.

Capillary Rise at Jacinth-Ambrosia, South Australia

In 2011, Iluka undertook an investigation aimed at establishing whether capillary rise from tailings pore water could occur into the future vegetation growth zone at the Jacinth-Ambrosia tailings storage facility (TSF). As this specific pore water is saline, it presents a high risk of depositing salts into the topsoil layer through capillary action and may therefore hinder vegetation growth. The objective of the investigation was to ascertain and subsequently reduce the amount of salt movement into the topsoil layer to aid in the rehabilitation process.

This investigation was approached in stages, starting with an extensive literature review followed by field work, laboratory test work and numerical modelling. The literary review provided the background and insight to the field investigation requirements for the study. This was followed by a field investigation programme of test pitting, drilling and probing and laboratory test work, conducted in March 2011.

The literature review found that there is general consensus that a capillary break reduces the amount of salt movement into the topsoil layer. However, the literature also indicated that there is still a degree of upwards salt movement dependent on the types of the capillary breaks and the underlying materials. Investigation to determine the best material combination, thicknesses and other design considerations was included in the second stage of investigation at the Jacinth-Ambrosia mine.

The outcome of the second stage of the investigation showed that tailings are of a free-draining nature and therefore encourage the quick draining of pore water, thereby preventing capillary rise. Having established that future potential for salt transfer into the vegetation growth zone is minimal, it was recommended that the site would not require a specific capillary break between the tailings and the cover growth. The investigation also concluded that any potential transport of salts could be managed through adequate design of the thickness of the cover. Iluka will continue to monitor actual site conditions with a focus on the type, placement and thickness of the cover required to best support rehabilitation.

Rehabilitation at Eneabba, Western Australia

Mulch made from native vegetation has been used by Iluka as part of the rehabilitation process at the Eneabba mine site located in the Mid West of Western Australia, an area which has been mined continuously for 40 years. In early 2010 a decision was made by Iluka to reduce the level of dependence on native vegetation to harvest mulch, by developing a more targeted approach to species selection for both direct seed application and green stock (established vegetation) resources.

Floristic community mapping recently undertaken for the Eneabba regional area has made it possible to identify floristic community types that have high degrees of similarity. These were identified by dominant landform, typically including dunes, swales and wetlands. This enabled the use of rehabilitation vegetation types as target communities for the native rehabilitation areas.

Prior to the application of revegetation resources, the soil profile was assessed to assist in determining the final rehabilitation vegetation types. Seed resources were then collected locally in the appropriate season, and a quantity was sent off-site to external nurseries in order to meet green stock provisions. Seed batches were subsequently made for each of the main rehabilitation vegetation types and allocated to specific areas. The system of seed delivery was also improved by implementing a method for distributing smaller quantities of different sized native seed over large areas.

This process was undertaken for the first time in 2011 and it is anticipated that the improvements made to the seed collecting and delivery process will result in larger areas of native rehabilitation being completed in future seasons.

Communities

During the initial stages of any proposed project, one of the first tasks is to identify landholders and/or users who may potentially be affected by activities related to a project. Land use is determined through both formal and informal community consultation activities.

During the early phases of an operation (approval, construction and operation) and during periods of high activity, there are formal plans that guide consultation activities, including consultation, relationship development with stakeholders, and responding to stakeholder issues and complaint management. During these stages of a project or operation, the identification of issues is managed by regular communication and dissemination of information to relevant stakeholders. Mine tours, community meetings, school-based education programmes and other means are also used to inform stakeholders.

One of the key objectives of community consultation is to ensure that all potentially affected people and communities have a clear understanding and awareness of the proposed project. The opportunity to express concerns and seek factual information is an integral component of the consultation process. Consultation allows Iluka to evolve operational plans to reduce potential impacts upon surrounding communities.

Community Contribution

Each of Iluka's mining sites has a sponsorship budget to invest in community partnerships within its area of operation. The 2011 budget for community partnerships across all Australian operations was approximately $200,000.

Financial investments are made in areas such as local community events, sustainable infrastructure, environmental management initiatives and education opportunities for students from local schools and other programmes that have the ability to contribute to community sustainability principles beyond the life of mining operations. These partnerships provide Iluka with a profile in the communities in which it operates, facilitates the development of relationships that are mutually beneficial and ultimately may assist in maintaining Iluka's social licence to operate.

Non-financial contributions to communities include the in-kind donation of Iluka staff expertise at schools and community events, access to Iluka's facilities, and the donation of promotional items to schools.

People

Iluka seeks to build and maintain a diverse, sustainable workforce of talented people that reflects the communities in which the company operates. It is recognised that leadership at all levels is required to create alignment of purpose which, together with the right resources, is crucial to the achievement of Iluka's objective - to create and deliver shareholder value.

Iluka seeks to offer a sense of achievement to its employees, based on the principles of accountability, commerciality and engagement, and maintains a work culture reflecting its values of commitment, integrity and responsibility. This includes a high standard of health and safety behaviour and the development of individuals, leaders and teams to achieve extraordinary performance.

Workforce profile

During 2011, Iluka directly employed approximately 1,050 people, and approximately 1,500 contract personnel through third parties.

In response to Iluka's growth needs, an ageing population and ongoing skills shortages the company continues to focus on workforce planning, targeted recruitment campaigns, skills and leadership development and engagement programmes.

Diversity

In line with its People Policy, Iluka seeks to attract and retain the best people while building and maintaining a diverse, sustainable and high achieving workforce. Iluka also strives to provide a safe workplace that is free from harassment and discrimination, and respects diversity in a workforce that reflects the communities in which it operates. To achieve this objective Iluka promotes awareness of diversity, integrates workplace diversity principles into company activities and supports skills development. The company also strives to attract, develop and retain employees across various age ranges as well as people with disabilities, women and indigenous people, and create a flexible workplace culture which assists employees to balance their responsibilities.

In 2011, Iluka established a diversity committee, chaired by the Managing Director, and consisting of ten employees who represent a cross section of the business. Since its formation, the committee has developed a diversity plan and a number of actions have been taken. Over 2011 a graduate and vacation programme was established to attract and develop new graduates in professional roles within Iluka. Initially, the programme focused on placing graduates in metallurgy and geology groups. By December 2011 five graduates were enrolled in this programme.

Iluka submits information annually to the Commonwealth Government Equal Employment Opportunity for Women in the Workplace Agency Report. In 2011 Iluka also completed a gender equity pay audit. The outcome of the audit highlighted minor salary anomalies that were explained by experience and job differences. This report will be completed annually in line with the salary review process. Iluka's current workforce is approximately twenty one per cent female.

Iluka provides eight weeks of paid maternity leave which can be taken as ordinary full pay or 16 weeks half pay. A voluntary Stay In Touch programme provides regular communication and development opportunities for employees on maternity leave.

Iluka is committed to workplace participation of local indigenous people. In the Eucla Basin, South Australia, an employment target of 20 per cent was agreed with the local native title claimants. In 2011, Iluka achieved 15 per cent employment of the target group. In addition, Iluka worked with a not-for-profit organisation to establish an indigenous trainee programme in Australia. To date, one trainee has successfully completed the first year of a two year programme.

In 2011, the Managing Director announced the introduction of a Volunteer Leave programme. From 1 January 2012, Iluka employees are able to take two days a year paid leave to work with a community group or charity of their choice. Iluka will be encouraging employees, either individually or in teams, to volunteer their time to community groups or charities.

	Women		Men		%		Average Salary $ (Total Fixed Remuneration)	
	Full time	Part time	Full time	Part time	Women	Men	Women	Men
Board	–	1	1	5	14	86	125,000	125,000
Senior Executives	–	–	10	–	0	100	–	503,800
Senior Managers	3	–	37	–	7.5	92.5	210,166	223,772

Chairman and Managing Director salaries are excluded

Sustainability Data

Table 1 2011 Safety Performance

	Fatality	LTI	MTI	FAI	TRI	Minor
Murray Basin (VIC)	0 (0)	2 (2)	8 (12)	24 (15)	27 (24)	201 (147)
Eucla Basin (SA)	0 (0)	0 (0)	1 (4)	14 (12)	3 (5)	22 (22)
Perth Basin (WA)	0 (0)	3 (6)	13 (11)	54 (32)	20 (20)	104 (91)
US	0 (0)	1 (1)	0 (2)	4 (3)	3 (4)	45 (52)
Exploration	0 (0)	1 (1)	3 (1)	1 (2)	4 (2)	13 (9)
Corporate and Projects	0 (0)	6 (4)	4 (2)	9 (7)	12 (8)	29 (21)
Total	**0 (0)**	**13 (14*)**	**29 (32)**	**109 (71)**	**69 (63)**	**414 (342)**

Expressed as the number of incidents

(2010 data in brackets)

Includes employees and contractors

LTI = Lost Time Injury

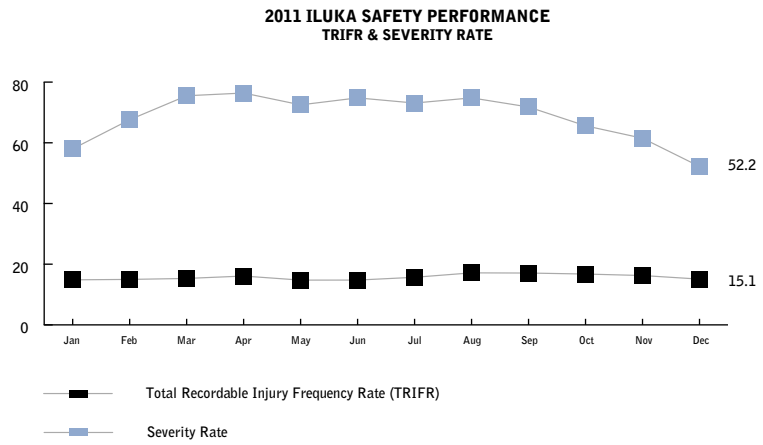
MTI = Medical Treatment Injury

FAI = First Aid Injury

TRI = Total Recordable Injury

* In the 2010 Annual Report 10 LTI were reported. Audits conducted during 2011 showed that 14 LTI were registered.

Figure 1 2011 Total Recordable Injury Frequency Rate and Severity Rate

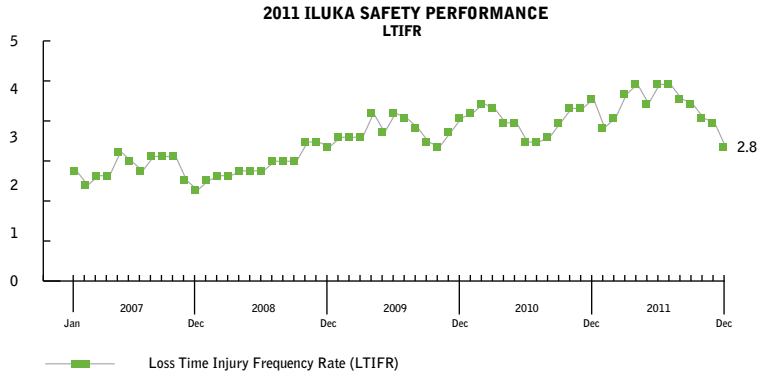


All rates expressed per million hours

Includes permanent employees and contractors

Tabulated data may not add due to rounding

Figure 2 Lost Time Injury Frequency Rate January 2007 to December 2011



All rates expressed per million hours

Includes permanent employees and contractors

Table 2 2011 Environmental Incidents by Region

	Level 1	Level 2	Level 3	Level 4	Level 5
Murray Basin (VIC)	188 (101)	47 (10)	3 (0)	0 (0)	0 (0)
Eucla Basin (SA)	73 (62)	9 (4)	0 (0)	1 (0)	0 (0)
Perth Basin (WA)	195 (239)	53 (42)	1 (0)	0 (0)	0 (0)
US	46 (43)	3 (3)	1 (0)	0 (0)	0 (0)
Exploration	20 (11)	1 (0)	0 (0)	0 (0)	0 (0)
Corporate	99 (0)	24 (0)	0 (0)	0 (0)	0 (0)
Projects	30 (30)	3 (3)	0 (0)	0 (0)	0 (0)
Total	**651 (486)**	**140 (62)**	**5 (0)**	**1(0)**	**0 (0)**

Includes employee and contractor activities

(2010 data in brackets)

Tabulated data may not add due to rounding

Sustainability Data

Table 3 Water Use (megalitres - ML) by Region

	2006 – 2008 average	2009	2010	2011
Murray Basin (VIC)	2,113	3,012	4,522	3,925
Eucla Basin (SA)	13	1,119	9,636	6,867
Perth Basin (WA)	21,622	18,726	8,610	5,040
Virginia (US)	2,657	1,422	1,467	1,589
Total	**26,406**	**24,280**	**24,236**	**17,421**

Table 4 Water Discharged* (megalitres - ML) by Region

	2006 – 2008 average	2009	2010	2011
Murray Basin (VIC)	19	26	128	123
Eucla Basin (SA)	2	0	0	0
Perth Basin (WA)	5,295	3,745	1,559	1,603
Virginia (US)	982	1,515	290	509
Total	**6,298**	**5,287**	**1,978**	**2,235**

* "Discharged" is defined as water discharged via metered flow to either surface drainage or groundwater infiltration basins

Table 5 Energy Use (terajoules - TJ) by Region

	2006 – 2008 average	2009	2010	2011
Murray Basin (VIC)	512	740	1,451	1,352
Eucla Basin (SA)	9	251	522	547
Perth Basin (WA)	12,036	7,941	7,059	6,591
Virginia (US)	706	1,368	977	997
Exploration	4	314	62	8
Corporate	< 1	< 1	< 1	< 1
Total	**13,267**	**10,614**	**10,071**	**9,495**

Tabulated data may not add due to rounding

Table 6 Energy Resources Used % by Type

	2006 – 2008 average	2009	2010	2011
Coal	58	50	55	53
Electricity	16	14	11	10
Natural gas	10	10	10	12
Liquid petroleum gas	< 1	2	5	5
Diesel	16	21	19	19
Petrol	< 1	3	< 1	< 1
Fuel, oil and greases	< 1	< 1	< 1	< 1

Table 7 Carbon Dioxide Emissions (kt CO_2e) by Region

	2006 – 2008 average	2009	2010	2011
Murray Basin (VIC)	86	112	182	161
Eucla Basin (SA)	< 1	19	40	38
Perth Basin (WA)	1,245	830	704	588
Virginia (US)	104	48	69	72
Exploration	< 1	< 1	< 1	< 1
Corporate	N/A	N/A	N/A	< 1
Total	**1,436**	**1,009**	**995**	**860**

Table 8 Land Use by Region in Hectares: Land Disturbed

	2009	2010	2011
Murray Basin (VIC)	624	666	1,193
Eucla Basin (SA)	720	61	67
Perth Basin (WA)	320	59	173
Virginia (US)	58	93	66
Exploration	512	654	351
Total	**2,233**	**1,533**	**1,850**

Tabulated data may not add due to rounding

Sustainability Data

Table 9 Land Use by Region in Hectares: Land Rehabilitated*

	2009	2010	2011
Murray Basin (VIC)	58	25	62
Eucla Basin (SA)	0	80	5
Perth Basin (WA)	273	15	79
Virginia (US)	170	97	77
Exploration	35	62	26
Total	**535**	**279**	**249**

*Includes backfilling, topsoil, vegetation established

Table 10 Land Use by Region in Hectares: Total Area Open by Year-end

	2009	2010	2011
Murray Basin (VIC)	1,236	1,877	3,008
Eucla Basin (SA)	988	969	1,032
Perth Basin (WA)	3,888	3,932	4,026
Virginia (US)	528	524	513
Exploration	536	1,128	1,453
Total	**7,177**	**8,431**	**10,032**

Tabulated data may not add due to rounding

Ore Reserves and Mineral Resources Statement

Iluka Ore Reserves Breakdown by Country, Region and JORC category at 31 December 2011

Summary of Ore Reserves[1,2,3] for Iluka					HM Assemblage[4]				
Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Proved	139.7	6.31	4.5	28	50	4	
		Probable	3.4	0.07	2.1	20	51	5	
	Total Eucla Basin		**143.1**	**6.38**	**4.5**	**28**	**50**	**5**	**(0.02)**
	Murray Basin	Proved	10.6	2.84	26.8	52	10	17	
		Probable	12.7	1.99	15.7	47	13	18	
	Total Murray Basin		**23.3**	**4.83**	**20.8**	**50**	**12**	**17**	**(1.67)**
	Perth Basin	Proved	11.6	1.07	9.2	63	14	2	
		Probable	316.2	16.90	5.3	59	10	5	
	Total Perth Basin		**327.8**	**17.97**	**5.5**	**59**	**10**	**5**	**5.25**
USA	Virginia	Proved	25.5	1.19	4.7	70	15	–	
		Probable	2.1	0.07	3.3	68	18	–	
	Total Virginia[5]		**27.6**	**1.26**	**4.6**	**70**	**15**	–	**(0.12)**
	Total Proved		**187.4**	**11.41**	**6.1**	**42**	**33**	**7**	
	Total Probable		**334.4**	**19.03**	**5.7**	**58**	**10**	**6**	
	Grand Total		**521.7**	**30.44**	**5.8**	**52**	**19**	**7**	**3.44**

Notes:

(1) Competent Persons - Ore Reserves
Eucla Basin, Perth Basin and Murray Basin: C Lee (MAusIMM)
Virginia: C Stilson (SME)

(2) Ore Reserves are a sub-set of Mineral Resources.

(3) Rounding may generate differences in last decimal place.

(4) Mineral assemblage is reported as a percentage of in situ HM content.

(5) Rutile is included in ilmenite for the Virginia region.

Ore Reserves and Mineral Resources are estimated using all available geological and relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries and final product qualities. Reserve estimates are determined by the consideration of all of the "modifying factors" in accordance with the JORC Code 2004, and for example, may include but are not limited to, product prices, mining costs, metallurgical recoveries, environmental consideration, access and approvals. These factors may vary significantly between deposits. Resource estimates are determined by consideration of geology, HM cut-off grades, mineralisation thickness vs. overburden ratios and consideration of the potential mining and extraction methodology. These factors may vary significantly between deposits.

The statement of Mineral Resources and Ore Reserves presented in this report has been produced in accordance with the Australasian Code for Reporting Mineral Resources and Ore Reserves, December 2004 (the JORC Code).

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC Code). Each of the Competent Persons for deposits located outside Australia are members of Recognised Overseas Professional Organisations as listed by the ASX. Each of the Competent Persons have, at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. At the reporting date, each Competent Person listed in this report is a full-time employee of Iluka Resource Limited. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures reported represent estimates at 31 December 2011. All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information is inclusive of Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

Ore Reserves and Mineral Resources Statement

Iluka Ore Reserves Mined and Adjusted by Country and Region at 31 December 2011

Summary of Ore Reserve Depletion[1]			In Situ HM Tonnes Millions 2010	In Situ HM Tonnes Millions Mined 2011	In Situ HM Tonnes[2] Millions Adjusted 2011	In Situ HM Tonnes Millions 2011	In Situ HM Tonnes[3] Millions Net Change
Country	Region	Category					
Australia	Eucla Basin	Active Mines	4.85	(0.77)	0.35	4.43	(0.42)
		Non-Active Sites	1.55	–	0.40	1.95	0.40
	Total Eucla Basin		**6.40**	**(0.77)**	**0.75**	**6.38**	**(0.02)**
	Murray Basin	Active Mines	1.97	(1.96)	0.29	0.30	(1.67)
		Non-Active Sites	4.53	–	–	4.53	–
	Total Murray Basin		**6.50**	**(1.96)**	**0.29**	**4.83**	**(1.67)**
	Perth Basin	Active Mines	1.11	(0.14)	0.69	1.65	0.54
		Non-Active Sites	11.60	–	4.71	16.31	4.71
	Total Perth Basin		**12.71**	**(0.14)**	**5.40**	**17.97**	**5.25**
USA	Virginia	Active Mines	1.38	(0.53)	0.41	1.26	(0.12)
		Non-Active Sites	–	–	–	–	–
	Total Virginia		**1.38**	**(0.53)**	**0.41**	**1.26**	**(0.12)**
	Total Active Mines		**9.31**	**(3.40)**	**1.73**	**7.64**	**(1.67)**
	Total Non-Active Sites		**17.68**	**–**	**5.11**	**22.79**	**5.11**
	Total Ore Reserves		**27.00**	**(3.40)**	**6.84**	**30.44**	**3.44**

Notes:

(1) Rounding may generate differences in last decimal place.

(2) Adjusted figure includes write-downs and modifications in mine design.

(3) Net change includes depletion by mining and adjustments.

Iluka Mineral Resources Breakdown by Country, Region and JORC Category at 31 December 2011

Summary of Mineral Resources[1,2,3] for Iluka					HM Assemblage[4]				
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Measured	195.3	7.32	3.7	28	49	4	
		Indicated	80.8	1.47	1.8	13	60	5	
		Inferred	146.2	9.54	6.5	66	15	2	
	Total Eucla Basin		**422.3**	**18.33**	**4.3**	**47**	**32**	**3**	**4.46**
	Murray Basin	Measured	23.8	4.53	19.1	51	11	15	
		Indicated	124.7	23.31	18.7	56	11	13	
		Inferred	81.1	10.19	12.6	50	10	15	
	Total Murray Basin		**229.5**	**38.04**	**16.6**	**54**	**10**	**14**	**(2.19)**
	Perth Basin	Measured	528.8	29.71	5.6	58	10	5	
		Indicated	355.8	18.95	5.3	57	10	5	
		Inferred	257.4	12.19	4.7	57	9	5	
	Total Perth Basin		**1,142.1**	**60.84**	**5.3**	**57**	**10**	**5**	**2.44**
USA	Virginia	Measured	28.0	1.25	4.5	70	15	–	
		Indicated	20.1	1.59	7.9	70	8	–	
		Inferred	10.7	0.74	6.9	66	6	–	
	Total Virginia[5]		**58.8**	**3.58**	**6.1**	**69**	**10**	**–**	**2.03**
	Total Measured		**775.9**	**42.81**	**5.5**	**53**	**17**	**6**	
	Total Indicated		**581.4**	**45.32**	**7.8**	**55**	**12**	**9**	
	Total Inferred		**495.4**	**32.66**	**6.6**	**57**	**11**	**7**	
	Grand Total		**1,852.6**	**120.80**	**6.5**	**55**	**13**	**7**	**6.74**

Notes:

(1) Competent Persons - Mineral Resources
Eucla Basin: I Warland (MAusIMM)
Perth Basin: R Stockwell (MAIG)
Murray Basin: R Cobcroft (MAusIMM)
Virginia: A Karst (SME)

(2) Mineral Resources are inclusive of Ore Reserves.

(3) Rounding may generate differences in last decimal place.

(4) Mineral assemblage is reported as a percentage of in situ HM content.

(5) Rutile is included in ilmenite for the Virginia region.

Group Summary Financials

Group Profit and Loss Summary ($m)

	2011	2010	% Change
Mineral sands revenue	**1,536.7**	**874.4**	**75.7**
Cash costs of production	(628.9)	(543.8)	(15.6)
Inventory movement	147.7	(2.9)	N/A
Restructure and idle capacity cash charges	(8.5)	(13.2)	35.6
Rehabilitation and holding costs for closed sites	(36.2)	(10.4)	(248.1)
Government royalties	(25.2)	(17.1)	(47.4)
Marketing and selling	(34.5)	(24.1)	(43.2)
Asset sales and other income	7.5	7.4	1.4
Product, technical development and major projects	(13.7)	(5.6)	(144.6)
Exploration expenditure	(19.0)	(14.5)	(31.0)
Mineral sands EBITDA	**925.9**	**250.2**	**270.1**
Depreciation and amortisation	(224.2)	(218.6)	(2.6)
Impairment reversal	35.6	0.0	N/A
Mineral sands EBIT	**737.3**	**31.6**	**2,233.2**
Mining Area C	88.1	75.9	16.1
Currency hedging and foreign exchange	0.4	8.9	(95.5)
Corporate and other costs	(35.5)	(30.3)	(17.2)
Group EBIT	**790.3**	**86.1**	**817.9**
Net interest costs and bank charges	(8.0)	(30.9)	74.1
Rehabilitation unwind and other finance costs	(21.6)	(15.3)	(41.2)
Profit before tax	**760.7**	**39.9**	**1,806.5**
Tax expense	(218.9)	(3.8)	N/A
Profit for the period	**541.8**	**36.1**	**1,400.8**
Average AUD:USD (cents)	**103.2**	**92.0**	**12.2**

Financial Ratios

	2011	2010	% Change
EBITDA/revenue (per cent)	64	35	82.6
Gearing (net debt/debt - equity) (per cent)	N/A	21.8	N/A
Interest cover (EBITDA/net interest expense) times	125.1	11.7	969.1
Return on equity (per cent)	42.5	3.2	N/A
Basic earnings per share (cents)	130.1	8.6	N/A

Five Year Physical and Financial Information

	2011	2010	2009	2008	2007
Production volumes (kt)					
- Zircon	601.5	412.9	263.1	385.1	513.8
- Rutile	281.3	250.1	141.4	140.1	216.1
- Synthetic rutile	285.7	347.5	405.0	467.3	526.6
- Ilmenite saleable	459.7	469.0	342.1	586.2	931.7
- Ilmenite upgradable	201.9	215.9	496.7	641.0	702.5
Average AUD:USD spot exchange rate (cents)	103.2	92.0	79.3	85.4	83.9
AUD:USD range (cents)	110.29/95.31	81.23/101.76	62.91/93.68	60.38/98.05	76.98/93.25
Summary Financials ($m)					
Revenue from continuing operations (excluding hedging)	1,536.7	874.4	576.0	894.8	897.9
Group EBITDA	979.3	305.1	99.6	274.6	287.7
- Mineral sands EBITDA	925.9	250.2	75.6	186.3	230.6
- Mining Area C EBITDA	88.5	76.3	50.2	56.8	19.9
- Other EBITDA	(35.1)	(21.4)	(9.5)	(47.0)	18.1
Depreciation and amortisation	(224.6)	(219.0)	(176.6)	(161.7)	(148.0)
Net interest and finance charges	(29.6)	(46.2)	(22.7)	(35.6)	(59.2)
Income tax (expense) benefit	(218.9)	(3.8)	61.5	7.7	(20.1)
NPAT	541.8	36.1	(82.4)	77.5	51.1
Operating cash flow	706.2	163.6	83.9	226.4	178.6
Capital expenditure	(142.5)	(117.2)	(521.6)	(198.4)	(118.2)
Net cash (debt)	156.7	(312.6)	(382.1)	(215.7)	(598.1)
Capital and Dividends					
Ordinary shares on issue (millions)	418.7	418.7	418.7	380.7	242.2
Dividends per share in respect of the year (cents)	75.0	8.0	N/A	N/A	10.0
Franking level (per cent)	73.3	0.0	N/A	N/A	100.0
Opening year share price ($)	9.14	3.58	4.64	4.11	5.94
Closing year share price ($)	15.50	9.14	3.58	4.64	4.11
Financial Ratios					
Basic earnings per share (cents)	130.1	8.6	(8.7)	17.8	21.6
Free cash flow[1] ($m)	589.6	60.7	(209.8)	420.7	32.9
Free cash flow per share (cents)	140.6	14.5	(50.1)	110.5	13.6
Return on shareholders' equity[2] (per cent)	42.5	3.2	(7.5)	7.9	6.8
Return on capital (per cent)	54.9	5.0	(9.6)	7.9	7.6
Gearing (net debt/net debt + equity) (per cent)	N/A	21.8	25.9	17.4	44.3
Financial Position as at 31 December ($m)					
Total assets	2,453.8	1,939.9	2,098.4	2,058.1	1,868.0
Total liabilities	(919.1)	(815.3)	(1,003.1)	(1,020.1)	(1,116.4)
Net assets	1,534.7	1,124.6	1,095.3	1,038.0	751.6
Shareholders' equity attributable to members of Iluka Resources	1,534.7	1,124.6	1,095.3	979.8	683.6
Net tangible asset backing per share ($)	3.65	2.54	2.46	2.61	3.00

[1] Free cash flow is determined as cash flow before dividends paid in the year

[2] Calculated as Net Profit After Tax (NPAT) for the year as a percentage of the average monthly shareholders equity over the year

Operating Mines - Physical Data
12 Months to 31 December 2011

	Jacinth-Ambrosia	Murray Basin	Western Australia	Australia Total	Virginia	Group Total
Mining						
Overburden Moved bcm	2,655.0	16,630.6	235.4	19,521.0	–	19,521.0
Ore Mined kt	8,903.0	7,858.3	1,616.0	18,377.3	5,027.1	23,404.4
Ore Grade HM %	10.2	21.2	10.2	14.9	8.8	13.6
VHM Grade %	9.2	5.3	8.3	7.5	7.6	7.5
Concentrating						
HMC Produced kt	815.3	714.2	154.3	1,683.8	437.8	2,121.6
VHM Produced kt	712.9	505.9	111.5	1,330.3	359.8	1,690.1
VHM in HMC Assemblage %	87.4	70.8	72.3	79.0	82.2	79.7
Zircon	57.9	34.8	11.3	43.8	15.6	38.0
Rutile	7.3	33.9	2.7	18.2	–	14.4
Ilmenite Saleable	21.8	–	57.1	15.8	66.6	26.3
Processing (HMC to finished product at a mineral separation plant)						
HMC Processed kt	681.1	672.9	146.1	1,500.1	437.5	1,937.6
Finished Product kt						
Zircon	313.7	218.3	9.3	541.3	60.3	601.5
Rutile	56.4	224.9	–	281.3	–	281.3
Ilmenite Saleable	171.6	–	–	171.6	288.1	459.7
Ilmenite Upgradeable	2.7	99.5	99.7	201.9	–	201.9
Synthetic Rutile Produced kt			285.7	285.7		285.7

Explanatory Comments on Terminology

Overburden moved (bank cubic metres) refers to material moved to enable mining of an ore body.

Ore mined (thousands of tonnes) refers to material moved containing heavy mineral ore.

Ore Grade HM % refers to percentage of heavy mineral (HM) found in a deposit. In the case of Murray Basin it excludes grade attributable to low quality, unsaleable ilmenite which is returned to the mine.

VHM Grade % refers to percentage of valuable heavy mineral (VHM) - titanium dioxide (rutile and ilmenite), and zircon found in a deposit.

Concentrating refers to the production of heavy mineral concentrate (HMC) through a wet concentrating process at the mine site, which is then transported for final processing into finished product at one of the company's two Australian mineral processing plants, or the Virginia mineral processing plant.

HMC produced refers to heavy mineral concentrate (HMC), which includes the valuable heavy mineral concentrate (zircon, rutile, ilmenite) as well as other non valuable heavy minerals (gangue).

VHM produced refers to an estimate of valuable heavy mineral in heavy mineral concentrate expected to be processed.

VHM produced and the VHM assemblage - provided to enable an indication of the valuable heavy mineral component in HMC.

HMC processed provides an indication of material emanating from each mining operation to be processed.

Attributable finished product is provided as an indication of the finished production (zircon, rutile, ilmenite – both saleable and upgradeable) attributable to the VHM in HMC production streams from the various mining operations. Finished product levels are subject to recovery factors which can vary. The difference between the VHM produced and finished product reflects the recovery level by operation, as well as processing of finished material/ concentrate in inventory. Ultimate finished product production (rutile, ilmenite, zircon) is subject to recovery loss at the processing stage – this may be in the order of 10%.

Ilmenite saleable is ilmenite produced for sale rather than as a synthetic rutile feedstock.

Ilmenite upgradeable is that which is used in the manufacture of synthetic rutile. Typically 1 tonne of upgradeable ilmenite will produce between 0.58 to 0.62 tonnes of SR. Iluka also purchases external ilmenite for its synthetic rutile production process.

Refer Iluka's website www.iluka.com – Mineral Sands Technical Information for more detailed information on the mineral sands mining and production process.

Iluka and Mineral Sands Information

For more information on Iluka Resources and the mineral sands sector, please refer to the Iluka website (www.iluka.com) and the following publications:

2011 Annual Report

- includes detailed financials, corporate governance statement and remuneration report, as well as Board profiles.

Key Physical and Financial Parameters 2012

- Iluka provides information of expected financial and physical trends in the business

Mineral Sands Marketing Briefing Session (November 2011)

Minerals Sands Technical Information

Briefing Papers

Virtual Mine Site Tours

- Murray Basin, Victoria
- Jacinth-Ambrosia, South Australia

2012 Calendar

24 February	Announcement of Full Year Financial Results
9 March	Record date for Full Year Dividend
5 April	Full Year Dividend payment date
12 April	March Quarter Production Report
21 May 9:30am WST	Closure of acceptances of proxies for AGM
23 May 9:30am WST	Annual General Meeting – Perth
12 July	June Quarter Production Report
23 August	Announcement of Half Year Financial Results
11 October	September Quarter Production Report
31 December	Financial Year End

All dates are indicative and subject to change. Shareholders are advised to check with the company to confirm timings.

Corporate Information

Company Details

Iluka Resources Limited
ABN: 34 008 675 018

Stock Exchange Listing

Iluka's shares are listed on the Australian Securities Exchange Limited. The company is listed as "Iluka" with an ASX code of ILU. The company had 418.7 million shares on issue as at 31 December 2011.

Registered Office:

Level 23, 140 St George's Terrace
Perth WA 6000

Postal Address:

GPO Box U1988
Perth WA 6845 Australia
Telephone: +61 8 9360 4700
Facsimile: +61 8 9360 4777
Website: www.iluka.com

This site contains information on Iluka's products, marketing, operations, ASX releases, financial and quarterly reports. It also contains links to other sites, including the share registry.

Share Registry Inquiries

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the company's share registry:

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: +61 3 9415 4801 or 1300 733 043
Facsimile: +61 8 9323 2033

Postal Address:

GPO Box D182
Perth WA 6840
Website: www.computershare.com

Each inquiry should refer to the shareholder number which is shown on issuer-sponsored holding statements and dividend statements.

Dividends

Iluka recommenced dividend payments with the 2010 full year results. Iluka has suspended its dividend reinvestment plan.

Investor Relations Inquiries

For shareholder, potential investor and media inquiries of the company (non shareholding related), please contact:

Dr Robert Porter
General Manager, Investor Relations
robert.porter@iluka.com

Corporate Information

Disclaimer – Forward Looking Statements

These statements include, without limitation, estimates of future production and production potential; estimates of future capital expenditure and cash costs; estimates of future product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves.

Where Iluka expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and on a reasonable basis. No representation or warranty, express or implied, is made by Iluka that the matters stated in this publication will in fact be achieved or prove to be correct.

Forward-looking statements are only predictions and are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks and factors include, but are not limited to:

- changes in exchange rate assumptions;
- changes in product pricing assumptions;
- major changes in mine plans and/or resources;
- changes in equipment life or capability;
- emergence of previously underestimated technical challenges; and
- environmental or social factors which may affect a licence to operate.

Iluka does not undertake any obligation to release publicly any revisions to any forward-looking state ment to reflect events or circumstances after this publication, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Non-IFRS Financial Information

This document 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. Non-IFRS measures have not been subject to audit or review.

ILUKA

www.iluka.com