19 February 2009

2009 COMMENTARY

Iluka Resources Limited ("Iluka") does not intend to provide specific earnings guidance for 2009. Greater than normal uncertainties at this time associated with the effects of global economic conditions on industry demand and therefore on a number of key business performance drivers, in particular volume commitments and phasing of sales through the year, together with currency volatility, makes specific earnings guidance problematical. The following information is, however, provided to assist the investment market with its understanding of perceived trends at this time in key areas for the company in 2009 versus the 2008 financial year.

Despite current uncertainties, Iluka's operational and marketing performance continues to improve, its major projects remain on track supported by a strong balance sheet, and confidence about the positive fundamentals of the mineral sands industry remains high.

Investment market and media inquiries
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Forward Looking Statements

The following contains forward-looking statements that are subject to risk factors associated with exploring for, developing, mining, processing and sale of minerals. Forward-looking statements include those containing such words as anticipate, estimates, should, will, expects, plans or similar expressions. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a range of variables and changes in underlying assumptions which could cause actual results or trends to differ materially. These include, but are not limited to: price and currency fluctuations, actual supply versus demand, production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Specific Risks & Sensitivities

The information contained in this presentation is subject to, but not exclusively to, the following:

- 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
- Environmental or social pressures which impact license to operate

All currency expressed in this release is Australian dollar denominated, unless otherwise stated.

2009 COMMENTARY

Production

Product	2008 Volumes (‘000 tonnes)[1]	2009 Production Commentary
Zircon	440	Production expected to be similar to 2009
Rutile	215	Production expected to increase significantly - around lower end of the previously advised range of a 30% to 40% increase
Synthetic rutile	467	Production expected to be broadly similar to 2008. Iluka has announced its intention to idle one of its four kilns mid 2009.
Ilmenite (saleable)	788	Saleable ilmenite production is expected to decline appreciably, given closure of Wagerup mine and planned fourth quarter closure of the Waroona mine (South West, Western Australia).

Sales Volumes - 2009 Commentary

The mineral sands market is characterised by tight supply conditions for zircon and high grade titanium dioxide products (rutile and synthetic rutile).

In Iluka’s assessment, global production of zircon in 2008 was less than demand. Iluka’s inventories have been drawn down as a result of strong sales throughout 2008 and the impact of the Western Australian gas outage. Consequently, Iluka estimates that it will have over 100 thousand tonnes less zircon - or approximately 8 per cent of 2008 global production - to supply the market in 2009, compared with 2008. Given Iluka is the major supplier of zircon to global markets, supply is expected to remain tight despite the global economic crisis.

Supply of high grade titanium dioxide feedstocks, such as rutile and synthetic rutile, is also tight. In relation to global titanium dioxide production, Iluka’s assessment is that 2008 production was lower than demand, with particular availability concerns regarding high grade titanium feedstocks. In the case of lower grade and lower value material, such as sulphate ilmenite, the current weakness in the Chinese sulphate pigment market has meant that demand for sulphate ilmenite has declined.

Iluka’s portfolio is well positioned, given it is focussed on zircon and high grade titanium dioxide feedstocks, with sulphate ilmenite constituting only a minor part of Iluka’s overall revenue base.

The major uncertainty in relation to 2009, from Iluka’s perspective, relates to short term demand for its products through a combination of customer uncertainty associated with current demand for their products, and a logical desire by those customers who are able to, to draw down on any existing inventories before committing to new product shipments.

Iluka’s sales volumes are typically weighted to the second half of the year and it remains the company’s expectation that first quarter sales volumes will be slow, as a consequence of these factors, but with full year 2009 sales volumes aligned with planned production levels.

Despite global economic uncertainty, Iluka has progressed 2009 pricing and volume contractual arrangements with customers to a point where trends expected to shape pricing and volume outcomes for 2009 have emerged.

While a relatively small proportion of zircon volumes has been contracted, negotiations are at an advanced stage with a number of Iluka’s principal customers. The Chinese New Year in January has also meant that negotiations were largely put on hold in China during January and the early part of February, but these have now resumed.

Iluka expects that its 2009 zircon sales will be more closely aligned to 2009 zircon production, which is expected to be approximately 440 thousand tonnes. This represents a reduction of more than 100 thousand tonnes of available global supply relative to 2008 levels.

[1] Includes CRL production volumes on a 100 per cent basis

In relation to rutile, Iluka has contracted approximately two thirds of its planned 2009 production. The company is targeting rutile production and sales to be up significantly on 2008 levels of 215 thousand tonnes, albeit now estimated to reflect an increase around the lower end of the previously advised range of a 30 to 40 per cent increase.

Iluka has firm contractual arrangements in place for almost all of its planned 2009 synthetic rutile production. Sales levels in 2009 are expected to be at a similar level to 2008 production, which was 467 thousand tonnes.

Product Pricing Information

For commercial reasons Iluka does not provide detailed pricing information nor price forecasts. Price forecast are available from various sources including TZ Minerals International (an industry consultant) and share market analysts. The following table provides the range and average of the main mineral sand product prices of thirteen of the broking firms that cover Iluka. These estimates are provided for information; Iluka does not endorse or confirm the accuracy of these estimates.

Broker Estimates – Mineral Sands Product Pricing Information

	2008			2009		
$US/tonne FOB	Zircon	Rutile	Synthetic Rutile	Zircon	Rutile	Synthetic Rutile
Low	730	470	400	780	478	377
High	768	518	450	930	590	509
Broker Average	**755**	**495**	**426**	**849**	**525**	**452**

Estimates derived from ABN Amro, Austock, Citi, Deutsche, Euroz, Goldman Sachs JBWere, Lodge Partners, Macquarie, Merrill Lynch, RBC, UBS, Wilson HTM. All pricing forecasts derived from research reports issued between December 2008 and January 2009.

In relation to the sales volumes which Iluka has contracted to date (refer Sales Volumes – 2009 Commentary above), the following are the key pricing trends:

- prices agreed to date for zircon sales in the first half display an appreciable increase over average 2008 zircon prices and exceed current average broker forecasts for 2009 of approximately US$850 per tonne FOB;
- prices agreed for rutile to date display an appreciable increase over the average 2008 rutile prices and exceed current broker forecasts for 2009 of approximately US$525 per tonne FOB; and
- prices associated with contractual arrangements for synthetic rutile reflect increases over 2008 prices and exceed the average of broker forecast for 2009 of approximately US$450 per tonne FOB.

Group Currency Hedging Arrangements – as at 31 December 2008

The currency hedging arrangements detailed below are inclusive of CRL currency hedging.

Period	Instrument Type	Face Value US$m	Cap[2]	Average Floor	Average Rate
January – December 2009	Collar options[1]	176.0	0.8500	0.8072	-
	Forward FX Contracts[2]	236.3	-	-	0.8403
January – December 2010	Forward FX Contracts	178.9	-	-	0.8346

Financial Variables

	2008 Actual	2009 Commentary
Total Cash Costs of Production	$651m	Approximately 10% - 15% increase mainly associated with commencement of the second stage of mining and processing operations at Kulwin in the northern Murray Basin. Murray Basin Stage 2 accesses the initial deposits in the northern part of the Basin and will contribute to higher rutile and zircon production. The northern deposits are associated with an additional mining and wet concentrating operation, plus transportation of HMC to the Hamilton mineral separation plant.
Unit Cash Costs of Production[3]	$325.70/tonne	Influenced by production levels. Lower sulphate ilmenite production (Iluka's lowest value product) may increase unit costs, although revenues per tonne should be positively impacted.
Depreciation & Amortisation	$161m	Approximately 10% higher, with higher D & A for Murray Basin (associated with initial production from Kulwin, offset by lower overall Western Australian D & A). Capital expenditure for Murray Basin Stage 2 and Jacinth-Ambrosia will continue to be capitalised and then depreciated following commencement of production. This will be reflected in expected higher D & A post 2009.

[1] The effect of the collar structure is that, for the amount of US$ receipts hedged:

- if the A$/US$ spot exchange rate is above the cap price the Group receives US$ at the cap price;
- if the A$/US$ spot exchange rate is below the cap price but above the floor price the Group receives US$ at the spot rate;
- if the A$/US$ spot exchange rate is below the floor price the Group receives US$ at the floor price.

[2] The effect of the forward exchange contracts is that the Group will receive US$ at the fixed rate specified.

[3] Unit cash costs for the combined production of zircon, synthetic rutile, rutile, leucoxene and ilmenite produced for sale.

Capital Expenditure, Debt, Interest

Area	2008 Actual	2009 Commentary
Capital Expenditure (accrual basis)	$252m	~ $500m with majority (> $400 m) expected to be committed to Murray Basin Stage 2, Jacinth-Ambrosia and Brink (Virginia) projects. 2009 capex includes planned expenditure associated with Tutunup development in the South West of WA (not approved by Iluka's Board and also subject to necessary Government approvals).
Gearing (net debt/net debt + equity) %	17.4	Dependent on currency and pricing outcomes, gearing expected to remain below 30% Interest is capitalised associated with capital expenditure for the Murray Basin Stage 2 and Jacinth-Ambrosia projects, which in 2009 is expected to constitute the major proportion of planned 2009 expenditure. Interest expense, after capitalisation, is expected to be minimal in 2009.
Current Debt Facilities	$313m of total facilities drawn as at 31 December 2008 (net debt of $216m)	Sufficient debt facilities in place: A$500m in bank debt facilities (inclusive of an A$55m working capital facility) The $445m of bank facilities has a maturity profile of 5 years from execution (March 2008), with a requirement for facilities to be reduced to A$345m on the fourth anniversary. The A$55m working capital facility has a term of 364 days, expiring in March 2009 and is expected to be renewed.. US$130m in US private placement notes with a maturity profile between 2010 and 2015.