

28 May 2009

ILUKA ANNUAL GENERAL MEETING

Iluka Resources Limited ("Iluka") held its 2009 Annual General Meeting in Perth today.

Attached are the transcripts of the Chairman's and Managing Director's addresses. Key extracts from David Robb's comments include the following:

"Less than two months have elapsed since the last advice the company provided in April associated with the March quarter production report. This short period of time together with an extremely volatile global economic situation means it is still not possible to reach any definitive conclusions about the demand recovery profile for the remainder of 2009 and, beyond. As we consolidate further perspectives on demand recovery, for example at the time of the June Quarter Report or the half year results, we will update the market.

In relation to the titanium dioxide market, as mentioned previously, the majority of Iluka's TiO₂ sales are to the pigment industry. Pigment demand has historically been linked to GDP and has, not surprisingly, declined markedly since the final quarter of 2008.

This is reflected in a slow start to 2009 sales which we commented upon in our 7 April disclosure, particularly to the main markets of North America and Europe. Nonetheless, after the slow start, on a year-to-date basis to the end of April TiO₂ sales were in line with budget. However, the mix has been skewed to lower value ilmenite products. In April, total rutile and synthetic rutile sales volumes exceeded our early April reforecast.

In relation to zircon, year-to-date sales to the end of April have been weak. The situation is similar to that of titanium dioxide, although perhaps more pronounced in terms of a customer inventory overhang which needs to be worked through before orders of raw materials can pick up. Our own internal estimates, particularly for zircon, are premised on a recovery in demand becoming most apparent – in terms of sales volumes – in the second half of 2009 with, as a result, revenues in the first half expected to be very low.

China, although very hard to read, is displaying what we believe are some signs of the beginning of a recovery in the zircon market, with production rates for our major customers' plants moving back closer to normal levels and Iluka's internal assessments suggesting that abnormally high customer inventories have been run down. This is important as China is the largest single consumer of zircon globally and is a market where Iluka has a strong position.

The Chinese Government's economic stimulus measures, focussed on growing domestic demand plus encouraging trends in terms of infrastructure and construction investment, can be expected to be positive for demand for our products over time.

Overall, mineral sands sales revenues for the month of April were in line with our revised expectations, which is good news, but global economic volatility remains high and sales

performance is likely to be volatile also for some time. This is a period in which most businesses, Iluka included, are taking things one month at a time.

Despite a global economic crisis that has pushed back the recovery in earnings we expected could be achieved in 2009, I am confident that the investment proposition for Iluka and the value we are determined to create and deliver for shareholders has not changed.

If I ask shareholders to wind the clock forward a year or so – where might Iluka be?

- While there are as many views as there are forecasters, it is not unreasonable to expect that developed economies will have stabilised and be on a sustainable recovery path.
- Likewise it is not unreasonable to expect that the demand drivers in developing economies – centred around urbanisation; increased per capita consumption; investment in infrastructure and housing – will have recovered strongly and with them the demand for our products.
- Murray Basin Stage 2 and Jacinth-Ambrosia projects will be completed and producing large volumes of high value rutile and zircon products.
- Our Western Australian operations will be orientated to value adding processing and also have a potential swing production capability if market demand were to encourage higher output for zircon or synthetic rutile.
- Our major capital expenditures will be behind us and our free cash flows should have improved markedly.
- We will have continued to invest in exploration and, based on our track record to date, perhaps have added significant new development opportunities to our portfolio.
- Our Mining Area C royalty stream will remain a valuable part of the portfolio – with an expectation that BHP Billiton's expansion plans will continue to enhance the revenue royalty and capacity payments available to Iluka.
- I expect that our presence in major growth markets – such as China – will have been enhanced by greater on the ground presence, better in-market intelligence and a more widespread and flexible distribution capability."

Two resolutions were put to shareholders: the re-election of Mr John Pizzey as Director and the Adoption of the Remuneration Report. Details of the vote on these resolutions will be released separately.

Investment market and media inquiries:

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**ILUKA RESOURCES LIMITED
2009 ANNUAL GENERAL MEETING
28 MAY 2009, PERTH, WESTERN AUSTRALIA**

CHAIRMAN'S ADDRESS (Dr Bob Every)

2008 was a highly challenging year with extreme volatility in financial and real physical markets associated with the transition from the global credit crisis to the overwhelming impact on the real economies of the world in the latter part of the year.

Iluka's progress in 2008 needs to be viewed in this context. Likewise the challenges Iluka – and most other companies face in 2009 - needs to be viewed against the backdrop of the most uncertain and challenging set of economic conditions that I have ever encountered.

Nonetheless, I believe 2008 can be seen as a year of good progress in the transition of Iluka. This is the transition from the company's current predominant reliance on the maturing Western Australian operations, to a production and financial base underpinned by the two new assets of Murray Basin and Jacinth-Ambrosia in the Eucla Basin.

The financial performance during this transitional phase of the company reflects the legacy of the declining mineralogy attributes of the Western Australian resource base.

I believe shareholders can have confidence that Iluka has a clear strategic direction, capable management and is on the cusp of delivering the two, new high quality and long life assets which are expected to underpin the improved financial performance of your company.

However, we have a very challenging year to navigate in 2009 and possibly into 2010, depending on the extent of the global economic crisis and the timing and pace of global economic recovery.

We have already seen an impact – in terms of weak first half demand – which has adversely affected the earnings profile in 2009 relative to initial expectations.

I will ask your Managing Director, David Robb, to address the meeting shortly. However, I will first make some brief comments on behalf of your fellow directors in relations to 2008.

The focus on health, safety and environmental performance was maintained in 2008. Safety performance, as measured by our prime indicator, the all injury frequency rate, improved although the lost time injury frequency rate increased. Environmental performance improved, as measured by an appreciably lower level of reportable environmental incidents.

If we turn to the transformation of the business, something we have talked to shareholders about at previous AGMs, 2008 was an important year. Good progress was made on a number of fronts.

The recapitalisation of the balance sheet in the first half of 2008 was an important event. This involved the extension of the amount, but as importantly, the extension of the maturity profile of Iluka's bank debt facilities. The company also raised approximately \$350 million through a pro-rata entitlement equity issue.

Both activities enabled the Board to commit to a capital programme of over \$600 million, sanctioning the Murray Basin Stage 2 and the Jacinth-Ambrosia projects. Good progress was made on both of these projects during 2008 and David will provide you with a further update shortly.

Iluka has made some significant advances in the key area of product marketing and sales. In general, a more disciplined approach to supply, pricing and hence margin outcomes is being achieved.

Iluka doubled its market position in the key global market for zircon – China – through a combination of actions: establishing an Iluka in-country presence by setting up a representative office in Shanghai; as well as through developing our logistic and delivery capabilities to target new customers in this burgeoning market as well as other developing economies.

In terms of financial performance, shareholders will have had the opportunity to review the details of the 2008 financial accounts. If not, copies of the Annual Report are available here today.

I will make only a few comments. The reported profit of \$77.5 million is inclusive of \$30 million profit from the sale of Iluka's interest in the Narama Coal asset, and also includes \$15.8 million relating to impairment reversals and tax benefits. Clearly, the earnings of the group – as we look at return on capital or return on shareholders' equity – is not yet at a level that we would regard as satisfactory.

What I would point out though is that relative to the initial guidance set by the company and advised to the market in February 2008, management has worked diligently to deliver a markedly better earnings outcome than first expected.

And this has occurred despite some significant adverse factors, not least the additional costs and the loss of production and sales volumes associated with the Western Australian gas outage in June and part of July.

The Board assessed that management had substantially achieved defined targets set on an annual basis relative to financial criteria; sustainability criteria and individual objectives. In this context, the Board approved higher payments in 2008 compared to 2007 to executives under the company's short term incentive arrangements. These are detailed in the Remuneration Report and I will make some additional comments before speaking to the shareholder vote on the Remuneration Report.

The Board reviewed the situation in relation to dividend payments, as it does at each reporting period. Given current capital requirements to develop Jacinth-Ambrosia and Murray Basin Stage 2, available franking credits and uncertainty associated with global economic conditions, Directors decided not to pay a final 2008 dividend.

Regulatory approval processes have continued to be a major challenge for Iluka in some jurisdictions. Iluka competes in a global marketplace and we are therefore concerned about both the potential cost burdens and often excessively long periods required to achieve approvals for projects.

In relation to the Federal Government's emissions trading scheme, we are pleased that the introduction has been delayed until 2010. Mineral sands is a sector which could potentially be adversely affected by this scheme and it is clearly our concern that as Australia's major mineral sands producer our competitive position may be impacted by such a scheme given there is no similar requirement on our major global competitors.

It has been both time consuming and difficult to determine the potential impact of the proposed scheme on Iluka's activities. The full details of the financial impacts of the Government's proposed scheme are still being assessed. The risk is that current policy direction may have significant and unforeseen negative consequences on many value adding export businesses, including Iluka.

I am pleased that the Government has listened to the objections regarding the recent budget announcement associated with the taxing up-front of share-based employee schemes and is prepared to modify their plans. We eagerly await the detail of this review.

In relation to Board matters, I acknowledge the long and valuable contribution made by the directors who retired during 2008: former Chairman Ian Mackenzie, Valerie Davies and Grahame Campbell. Your Directors have decided to operate with a smaller Board and have only replaced one of the three directors who retired last year - although this is reviewed from time to time. Jenny Seabrook, who took up her responsibilities as non executive director in April 2008, has made a valuable contribution to the Board during the year and we are pleased to have her skills and talents on the Board.

MANAGING DIRECTOR'S ADDRESS (Mr David Robb)

I would like to concentrate my remarks this year on the evolution of Iluka and how we are striving to achieve the sustainable improvement in financial performance which shareholders expect.

Shareholders will have seen this slide previously – it displays our key areas of focus. These have not changed. Our principal objective remains the creation and delivery of shareholder value.

There is an important distinction between those two phases – creation and delivery. In our business, exploration success, and project conceptualisation and definition, for example, are typically part of “creation”, whereas project execution and marketing success are normally important elements of “delivery.”

As the Chairman has said, progress was made in 2008. We entered 2009 with great momentum, but world economic conditions have deteriorated markedly.

The market conditions we face were highlighted in a speech by Mervyn King, Governor of the Bank of England, who observed in March this year that: “...the extraordinarily sudden, severe and simultaneous downturn of activity and trade in every corner of the world economy... is remarkable.”

While the volume risk for 2009 was emphasised in our 2008 full year results release in February of this year, it is now clear that the industry - and that encompasses our customers, independent industry observers and ourselves - underestimated the extent of the total inventory build throughout the value chain in late 2008. The combination of higher than normal inventory and an unprecedented and synchronised collapse in global demand has dramatically lowered our sales so far this year.

We have learned from this experience and have in train a number of activities to provide better insight into final market demand for our products; to better match our contractual discussions to seasonal influences on demand for them; and to attempt to replicate the

success we had last year in generating new customers, as most dramatically seen in terms of zircon marketing.

However, the magnitude of the uncertainty faced may be without parallel in modern times. That uncertainty is perhaps best summed up for me in a recent Financial Times editorial headed: "Sound and fury in the world economy." If I might borrow some key points from that summation, they would be:

- Uncertainty is the only certain thing in this crisis.
- A dense fog of confusion has descended, obscuring where we are – falling fast, slowly, bumping along the bottom, or finally turning a corner.
- Immediately after the OECD published indicators predicting a (positive) turning point for many countries, EU output decelerated sharply, confounding official and market optimism. New US jobless claims jumped up after seeming to have levelled out. And Chinese exports which had been growing tipped down again.
- Are these downward blips in a gathering recovery or signs of a return to freefall? The answer is: no one knows.

No one knows - is the market reality today.

The collapse in European GDP revealed just two weeks ago highlights the difficulties in trying to predict the path of global economies. We now know that European GDP shrank 2.5 per cent in the March quarter, including a drop in German GDP of 3.8 per cent for the quarter, which is equivalent to an annual rate of negative 15.2 per cent. This is far worse than the drop in US GDP whereas some other, smaller, European economies shrank even more.

Despite the increasing importance of China to Iluka's sales, European and North American markets still drive at least 50 per cent of Iluka's total raw material sales. The unfolding disaster in Europe is impacting Iluka's sales and offsetting signs of a recovery in China.

I will touch upon market conditions in a moment. But it is worth shareholders being aware of the views of the independent industry consulting body, TZMI, on both the titanium dioxide and zircon markets.

TZMI, an independent industry consulting body, estimates (April 2009) that in 2008, pigment demand (which constitutes over 90 per cent of the end use of titanium dioxide feedstocks) declined by 5 per cent to approximately 4.9 million tonnes from the 2007 level. This significant decline was essentially all in the fourth quarter and only became reflected in lower imports of titanium feedstocks into economies such as the US and China, in the first quarter of 2009.

In relation to zircon and again, referring to TZMI, it is their view – as enunciated in April – that zircon demand in 2009 could be the lowest since 2001. Their estimate is that 2009 demand could be just over 1 million tonnes; a 16 per cent decrease from the 2008 level.

But I would emphasise again the market reality today – no one really knows.

In this environment, normal rules don't apply. Economic models which assume "close to equilibrium" circumstances are not much help when large, abrupt changes are underway. For example, lower prices aren't properly clearing markets – no amount of price

discounting can stimulate demand when consumption has collapsed. So we are not trying to “discount our way to sales success.”

Instead, we seek to reduce supply and associated operating costs, to the extent we can without jeopardising safety or environmental performance, or destroying value, to lower the risk of a major supply “overhang” impacting profitability when demand recovers. It is encouraging that, in addition to Iluka, Exxaro and Rio Tinto have announced production cut backs. Time will tell whether more needs to be done.

Iluka’s supply response to date contains a number of specific actions.

- We detailed in April our intention to reduce production to reflect lower forecast demand. There is no shareholder benefit in producing product we may not sell for quite some time.
- The change in our production base has occurred predominantly in Western Australia. We are idling two of our four synthetic rutile kilns; moving to a one team mining and concentrator operation in the Mid West; and curtailing dry processing at the Capel Dry Plant.
- Effectively, this has been an acceleration of a planned reconfiguration of the Western Australian operations as we move production to Iluka’s new higher margin Jacinth-Ambrosia and Murray Basin operations.
- Western Australia will remain an important part of the Iluka business – but largely as a processing hub with a swing production capability if demand and margins warrant production being increased.
- Since 2008, our deliberate decisions have reduced the production activity in Western Australia by about fifty per cent. As a result, we have had to make some significant reductions in direct employment and in regional support. Regrettably 132 Iluka employees have been made redundant. This was a very difficult process for all concerned and I would like to acknowledge the professionalism and maturity of the people impacted by these decisions.

The changes in our production base have prompted a review of the corporate office which is underway and there is a thorough process in place to reduce discretionary areas of expenditure.

In relation to the new projects in Murray Basin and the Eucla Basin I can report the following progress.

- The commissioning of the Murray Basin Stage 2 project, as Iluka advised the ASX on 12 May, has been delayed five to six weeks until August. This disappointing news, reflecting advice we received in May about an unexpected delay in the fabrication of steel structural frames by one of the contractors to the project.
- While mining activity and final on site assembly of major plant is occurring, the absence of the fabricated structure I referred to, has meant commissioning cannot occur until August. We are temporarily standing down employees and idling assets which cannot be used productively in the intervening period. Capital expenditure for the project is expected to increase by around 5 per cent relative to the original

budget of \$209 million, due mainly to additional costs involved in maintaining critical contractors on site for longer, together with owners' costs.

- The larger Jacinth-Ambrosia project in South Australia continues to track ahead of schedule which was for first production by mid 2010. The project is also trending within its approved capital expenditure of up to \$420 million.
- A major recent milestone for the project was the signing of the Operations Mining and Rehabilitation Plan with the South Australian Government on 20 May.
- We have a mine plan option within the Jacinth-Ambrosia project, which results in a lower production profile in the initial years, without adversely affecting overall project value. This option, which is being thoroughly investigated now as part of our Corporate Planning process may be an appropriate step to better match our zircon production growth to a recovery in global zircon demand.

The Chairman mentioned the recapitalisation of Iluka's balance sheet in 2008. As shareholders will be aware, the company has taken two further steps this year to ensure it has the funding capacity it needs to – to use the Chairman's phrase – navigate through a challenging set of economic conditions.

- In April Unimin Australia announced a take over offer for Consolidated Rutile Limited, in which Iluka has a 51.04 per cent holding.
- On 18 May, Unimin announced that it was increasing its offer to 45 cents per share while on the same day the CRL Board advised of its unanimous decision to recommend acceptance of the revised offer. The CRL Board reaffirmed their recommendation with the release of the Target Statement on 21 May in which the Independent Expert assessed the Offer as "fair and reasonable."
- Iluka, which had in April announced its intention to accept the offer in the absence of a superior proposal, has determined that no such proposal is likely and accepted the offer yesterday, with gross proceeds from the sale of some A\$84 million.
- Iluka also undertook a placement of 38 million shares, or just less than 9 per cent of then issued capital, to certain large and generally longer term institutional shareholders.
- The company decided to capture this additional headroom and made a direct approach – without the use of external intermediaries – to secure A\$114 million dollars in funds in late April. The placement was carried at a moderate discount of 9 per cent.

Finally, I would like to make some comments in relation to current market conditions and sales performance.

Less than two months have elapsed since the last advice the company provided in April associated with the March quarter production report. This short period of time together with an extremely volatile global economic situation means it is still not possible to reach any definitive conclusions about the demand recovery profile for the remainder of 2009

and, beyond. As we consolidate further perspectives on demand recovery, for example at the time of the June Quarter Report or the half year results, we will update the market.

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- I expect that our presence in major growth markets – such as China – will have been enhanced by greater on the ground presence, better in-market intelligence and a more widespread and flexible distribution capability.

The business world has changed remarkably in the last twelve months. It will be different again in another twelve months from now. So too will Iluka be different. But no matter what circumstances we face, no matter what shape we're in, we will continue to strive to create and deliver value for shareholders, whom I thank for their patience and support.