

19 January 2011

QUARTERLY PRODUCTION REPORT 31 DECEMBER 2010

OVERVIEW

Production

Production volumes in the December quarter, and second half of 2010, reflect the increased contribution from Iluka's two new operations of Jacinth-Ambrosia and Murray Basin (now incorporating the first of the northern deposits – Kulwin). The Western Australian operations, largely idled mid year, made only a minor contribution in the half.

The increase in year-on-year production volumes reflects a recovery in global demand for Iluka's products, following appreciably lower demand in 2009, associated with global economic conditions, as well as Iluka's decision in the prior period to match production to demand.

Total zircon production for the 12 months to 31 December was 412.9 thousand tonnes (2009: 263.1 thousand tonnes), ahead of Iluka's full year guidance of approximately 400 thousand tonnes.

Rutile production for the 12 months was 250.1 thousand tonnes (2009: 141.4 thousand tonnes), in line with guidance of 250 thousand tonnes.

Synthetic rutile production was 347.5 thousand tonnes (2009: 405.0 thousand tonnes), above initial guidance of 300 thousand tonnes as a result of higher throughput from Iluka's synthetic ritual kilns in the South West and Mid West of Western Australia, as well as the decision to operate the Mid West kiln for an additional six months. Lower synthetic rutile production year-on-year reflects Iluka's decision to idle part of its synthetic rutile capacity as contracts matured.

Production Update – 2011

Significant rainfall in Victoria in the initial weeks of 2011 has disrupted Iluka's Murray Basin mining and concentrating operations. Overburden removal and ore mining have been disrupted for varying periods at both the Kulwin operation and at Douglas. While processing of heavy mineral concentrate ("HMC") at the Hamilton mineral separation plant has not been adversely affected due to the existence of a stockpile of HMC at the plant, trucking movements of HMC from mining operations at Kulwin and the satellite mine of Echo, to the mineral separation plant, have been reduced due to hazardous road conditions. The wet weather conditions, as at the date of the release of this report, are not expected to adversely affect budgeted production and despatch of finished product in the first quarter of 2011.

Sales Volumes

Zircon sales volumes for the 12 months to 31 December 2010 were 478.7 thousand tonnes (2009: 222.6 thousand tonnes), with sales higher than production reflecting a draw down in lower margin Western Australian sourced inventory, predominantly in the first half of the year. Iluka finished the year in the position of being unable to satisfy fully strong customer demand for zircon products.

Full year rutile sales were 240.0 thousand tonnes (2009: 138.7 thousand tonnes).

Synthetic rutile sales for the 12 months were 362.5 thousand tonnes (2009: 396.7 thousand tonnes).

Sales Revenue

Mineral sands sales revenue (after hedging) for the December quarter was \$295.0 million and \$897.8 million for the full 12 months. Full year revenue increased by 63.4 per cent from the 2009 amount of \$549.7 million, reflecting higher sales volumes and higher average received zircon prices, offset in part by the higher Australian dollar/United States dollar (“AUD/USD”) exchange rate (2010 average of 92.0 cents compared to 2009 average of 79.3 cents). Iluka’s currency hedging arrangements matured at the end of 2010 with no currency hedging arrangements in place entering 2011.

Cash Production Costs

Cash production costs¹ for the second half of 2010 were \$281.7 million, with full year cash production costs of \$544.2 million. Full year cash production costs were lower than the amount guided by the company earlier in the year of \$560 million, with cost impacts of higher production being offset by improved operational efficiencies. In addition to direct cash production costs, Iluka expects full year restructure and idle capacity charges of approximately \$13 million, with the company having reported \$9.3 million as part of the half year results. Offsetting the lower than advised cash production costs are expected to be costs associated with updated rehabilitation provisions for closed sites.

Market Conditions

Iluka continued to experience favourable market conditions through to the year end, indicated by:

- strong demand for all its products and an associated drawdown of raw material inventories;
- in the case of zircon, customer requirements clearly exceeding Iluka’s current production;
- requests for additional high grade titanium dioxide supply which, with the exception of some small volumes of uncontracted synthetic rutile, Iluka has not been able to meet from current plant production;
- a sufficient increase in uncontracted synthetic rutile prices associated with the operation of Iluka’s synthetic rutile kiln 3 in Western Australia, to warrant operation of this kiln continuing to the end of 2010;
- regular and industry wide price increases for zircon since the beginning of 2010, which meant that Iluka’s average received zircon price exited 2010 above US\$1,000/tonne FOB, approximately 30 per cent higher than the zircon price at the beginning of the year;
- a further, substantial, zircon price rise was advised by Iluka to its customers during the fourth quarter and has become effective from 1 January 2011; and
- the determination of contractual and pricing arrangements for a part of Iluka’s high grade titanium dioxide supply for 2011, following the expiration of most residual price “cap and collar” contractual arrangements. Prices have been set for six months only for all of Iluka’s high grade titanium dioxide (rather than the historical 12 month arrangement) and a “step change” in pricing relative to 2010 levels has been achieved.

Iluka intends to provide more detail on market conditions and outlook as part of the company’s full year results announcement on 25 February.

¹ Cash production costs relate to costs directly involved in the production of mineral sands products. Refer to Iluka’s briefing paper – 2010 Physicals and Financials (www.iluka.com) for information on non production cash costs. Figures provided in this report are subject to finalisation at the time of the company’s full year results.

GROUP MINERAL SANDS PRODUCTION

31 December 2010

The following table details total Iluka production by product group, with the source of that production attributed to the regional operating mines and basins. Processing of final product occurs, in Australia, at one of two mineral separation plants, at Hamilton, Victoria and Narngulu, Western Australia. A similar table showing a 12 month comparison is on page 3. Given the integrated nature of Iluka's Australian operations, heavy mineral concentrate is capable of being processed into final product at one or both of the Australian mineral processing facilities. Appendix 1 provides details of the physical flows from mining operations to mineral processing facilities.

Physical Production – Quarterly Comparison

	Dec-09 Quarter	Sep-10 Quarter	Dec-10 Quarter	Dec-10 Qtr vs Sep-10 Qtr	Dec-10 Qtr vs Dec-09 Qtr
	kt	kt	kt	%	%
Zircon					
Jacinth-Ambrosia, Eucla Basin	-	53.0	54.4	2.6	N/A
Perth Basin, Western Australia	18.8	9.5	6.4	(32.6)	(66.0)
Eucla/Perth Basins (SA/WA)	18.8	62.5	60.8	(2.7)	223.4
Murray Basin (VIC)	15.1	48.4	47.3	(2.3)	213.2
Virginia (USA)	10.4	15.1	15.4	2.0	48.1
Total Zircon Production	44.3	126.0	123.5	(2.0)	178.8
Rutile¹					
Jacinth-Ambrosia, Eucla Basin	-	1.8	3.2	77.8	N/A
Perth Basin, Western Australia	17.3	8.8	3.1	(64.8)	(82.1)
Eucla/Perth Basins (SA/WA)	17.3	10.6	6.3	(40.6)	(63.6)
Murray Basin (VIC)	22.6	62.5	57.5	(8.0)	154.4
Total Rutile Production	39.9	73.1	63.8	(12.7)	59.9
Ilmenite – Saleable					
Jacinth-Ambrosia, Eucla Basin	-	24.6	25.6	4.1	N/A
Perth Basin, Western Australia	52.8	-	19.0	N/A	N/A
Eucla/Perth Basins (SA/WA)	52.8	24.6	44.6	81.3	(15.5)
Murray Basin (VIC)	3.1	9.0	26.2	191.1	745.2
Virginia (USA)	51.5	62.6	71.1	13.6	38.1
Total Ilmenite – Saleable	107.4	96.2	141.9	47.5	32.1
Ilmenite – Upgradeable					
Jacinth-Ambrosia, Eucla Basin	-	21.6	16.0	(25.9)	N/A
Perth Basin, Western Australia	81.0	47.0	13.0	(72.3)	(84.0)
Eucla/Perth Basins (SA/WA)	81.0	68.6	29.0	(57.7)	(64.2)
Total Ilmenite – Upgradeable	81.0	68.6	29.0	(57.7)	(64.2)
Synthetic rutile (WA)	84.3	86.2	87.3	1.3	3.6
Total Mineral Sands Production²	275.9	381.5	416.5	9.2	51.0

¹ Refer explanatory comment on page 12.

² Total mineral sands production excludes upgradeable ilmenite as this is used in the manufacture of synthetic rutile.

Physical Production – 12 Month Comparison

	12 mth to Dec-09	12 mth to Dec-10	12 mth Dec-09 vs 12 mth Dec-10
	kt	kt	%
Zircon			
Jacinth-Ambrosia, Eucla Basin	-	150.9	N/A
Perth Basin, Western Australia	145.7	46.2	(68.3)
Eucla/Perth Basins (SA/WA)	145.7	197.1	35.3
Murray Basin (VIC)	69.9	157.6	125.5
Virginia (USA)	47.5	58.2	22.5
Total Zircon Production	263.1	412.9	56.9
Rutile			
Jacinth-Ambrosia, Eucla Basin	-	10.2	N/A
Perth Basin, Western Australia	66.9	41.5	(38.0)
Eucla/Perth Basins (SA/WA)	66.9	51.7	(22.7)
Murray Basin (VIC)	74.5	198.4	166.3
Total Rutile Production	141.4	250.1	76.9
Ilmenite - Saleable			
Jacinth-Ambrosia, Eucla Basin	-	78.8	N/A
Perth Basin, Western Australia	146.6	81.9	(44.1)
Eucla/Perth Basins (SA/WA)	146.6	160.7	9.6
Murray Basin (VIC)	12.5	56.8	354.4
Virginia (USA)	183.0	251.5	37.4
Total Ilmenite -Saleable	342.1	469.0	37.1
Ilmenite - Upgradeable			
Jacinth-Ambrosia, Eucla Basin	-	42.0	N/A
Perth Basin, Western Australia	496.7	173.9	(65.0)
Eucla/Perth Basins (SA/WA)	496.7	215.9	(56.5)
Total Ilmenite – Upgradeable	496.7	215.9	(56.5)
Synthetic rutile (WA)	405.0	347.5	(14.2)
Total Mineral Sands Production	1,151.6	1,479.5	28.5

Production commentary:

- The Jacinth-Ambrosia operation contributed 150 thousand tonnes of zircon production in 2010, with the Perth Basin (Eneabba mining operation) contributing 46 thousand tonnes. While Jacinth-Ambrosia produced 628 thousand tonnes of heavy mineral concentrate (“HMC”) for the full year (refer Appendix 1, page 12), about two thirds was processed in the year. As advised previously, Iluka has built a strategic inventory of HMC for the Jacinth-Ambrosia and Western Australian operations to protect against any potential outage in the extended logistics chain. The final HMC from the Mid West of Western Australia was processed in the quarter.
- Jacinth-Ambrosia HMC will constitute the sole feed source to the Narngulu mineral separation plant until HMC is received for processing from the Tutunup South mine in the South West of Western Australia, which is currently under construction and planned to commence in the second half of 2011. This mine is designed primarily as an ilmenite feed source to Iluka’s

synthetic rutile kilns, but the small stream of non magnetic material (zircon and high grade titanium dioxide products) will be processed at Narngulu as capacity allows.

- Iluka's higher annual rutile production reflects the contribution from the Kulwin mining and concentrating operations (the first mine development of Murray Basin Stage 2). Kulwin achieved name plate capacity in mid 2010. In addition to Kulwin, heavy mineral concentrate feed was provided from the southern mining and concentrating operations near Douglas, while the Echo satellite ore body has been a feed source of zircon-rich heavy mineral ore since March 2010.
- Iluka's synthetic rutile production for the year was higher than initial expectations due to record throughput from the South West, Western Australia synthetic rutile kiln 2 and synthetic rutile kiln 3 in the Mid West of Western Australia. Synthetic rutile kiln 3 was planned to be idled in June 2010, at the end of contractual commitments for this kiln and based on a planned major maintenance outage requirement. Based on higher synthetic rutile prices being achieved, synthetic rutile kiln 3 production was extended.
- Careful management and favourable ilmenite quality has extended the life of kiln 3 beyond the typical kiln campaign life, but a partial refractory failure occurred in December 2010 in the kiln. A temporary repair was conducted at the time, averting any material impact on production in the December quarter. A more comprehensive repair is being undertaken during the first quarter of 2011. This is expected to take approximately four weeks. These repairs are designed to provide a further short extension to kiln operation to enable Iluka to undertake research and development activities on internal ilmenite feed blends. On this basis, the major part of Iluka's synthetic rutile production in 2011 is still expected to derive from kiln 2, which has a capacity of approximately 200 thousand tonnes per annum.
- Higher ilmenite production volumes reflect the reinstatement of full mine production in Virginia in July and full mineral separation processing capacity at the end of the first quarter. Lower ilmenite production from the Perth Basin in 2010 compared with 2009 is associated with the progressive idling of the Eneabba mining operations, initially in 2009 and with the full idling occurring mid 2010.

Sales Volumes

	6 mth to Jun-10	6 mth to Dec-10	12 mth to Dec-09	12 mth to Dec-10	12 mth to Dec-09 vs 12 mth to Dec-10
	kt	kt	kt	kt	%
Zircon	216.0	262.7	222.6	478.7	115.0
Rutile/High Grade Titanium Products	101.6	138.4	138.7	240.0	73.0
Synthetic Rutile	166.4	196.1	396.7	362.5	(8.6)
Ilmenite	187.4	186.3	376.4	373.7	(0.7)
Total Sales	671.4	783.5	1,134.4	1,454.9	28.3

Mineral Sands Revenue and Cash Production Costs

	Dec-09 Quarter	Sep-10 Quarter	Dec-10 Quarter	12 mth to Dec-09	12 mth to Dec-10	Dec-09 Qtr vs Dec-10 Qtr	12 mth to Dec-09 vs 12 mth to Dec-10
						%	%
Total Sales Revenue \$m (pre-hedging)	227.3	212.4	283.4	576.0	874.4	24.7	51.8
Total Sales Revenue \$m (post hedging)	232.7	215.2	295.0	549.7	897.8	26.8	63.3
Average A\$/US\$ spot rate (cents)	91.0	90.2	98.8	79.3	92.0	8.6	16.0
Total Cash Production Costs \$m	-	-	-	453.6	544.2	N/A	(20.0)

Note: Cash production costs may be subject to variation based on finalisation of the full year financial results, planned for release on 25 February.

- Sales revenue relates to mineral sands operations and excludes Mining Area C iron ore royalty contribution.
- In addition to direct cash costs of production, Iluka expects full year restructure and idle capacity charges of approximately \$13 million, with the company having reported \$9.3 million of such charges at the half year results.
- Cash cost of production are not inclusive of other, non production cash costs, such as royalty payments, marketing and sales costs, as well as corporate and overheads costs, exploration costs expensed and technical and product development costs. Iluka reports these costs separately in its financial results.

EXPLORATION

The composition of Iluka's exploration expenditure by Basin or activity (excluding functional overhead costs) during the year was as follows:

- Eucla Basin, South Australia/Western Australia – 49%
- Murray Basin, Victoria/New South Wales – 21%
- Perth Basin, Western Australia – 4%
- Project Generation (the identification and securing of new exploration prospects nationally and internationally) – 10%

Iluka's exploration expenditure currently has the following characteristics:

- relative to prior years, where project work associated with ore reserve and mineral resource delineation for the new projects of Jacinth-Ambrosia and Murray Basin Stage 2 consumed a large part of the exploration expenditure, an increased proportion of expenditure has been committed in 2010 to greenfield exploration, with a focus on accelerating the assessment of Iluka's Eucla Basin tenement holdings;
- a continuation of expenditure directed to near field tie-in (brownfield) opportunities to utilise existing infrastructure, including opportunities within the vicinity of Jacinth-Ambrosia;
- an increased level of commitment to project generation work, which entails the identification of new exploration plays both domestically and internationally; and
- a lower level of expenditure in the Perth Basin which Iluka assesses as a mature basin where the company's exploration efforts have been significant over previous years.

Iluka's tenement holdings as at the end of 2010 are shown in the following table.

Iluka's Tenement Position as at 31 December 2010

<u>Land Holding per Basin</u>	<u>Approximate Area (sq km)</u>
Murray Basin (VIC/NSW)	24,100
Eucla Basin (SA/WA)	50,000
Other	6,400
Perth Basin (WA)	1,150
Total	81,650

Excludes joint venture tenements

Eucla Basin, South Australia/Western Australia

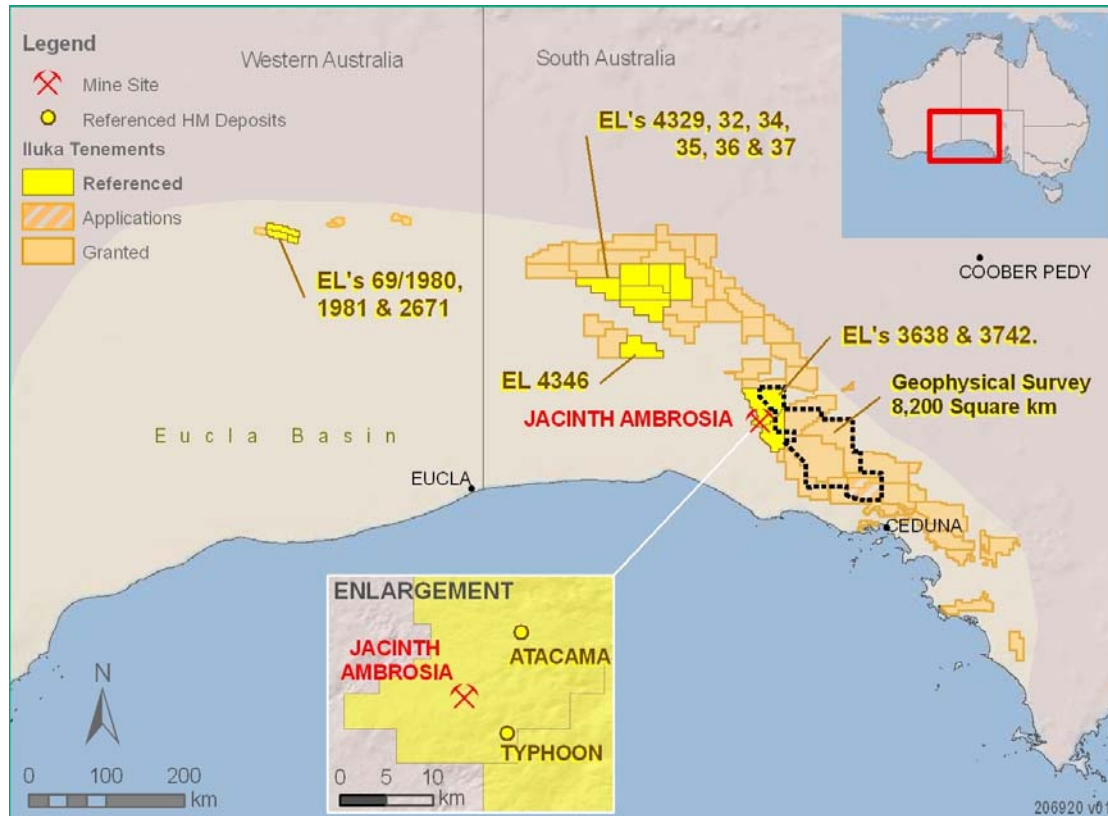
Greenfield exploration activity in the Eucla Basin in the December quarter included the following:

- a discovery of moderate heavy mineral (“HM”) grade, beach strands beneath the Immarna Prospect on Iluka’s EL3742 tenement, approximately 40 kilometres north east of the Jacinth-Ambrosia operation. Drilling over a 4 to 6 kilometres length delineated a series of mineralised “strand style” deposits occurring at average depths of 20 to 30 metres. The strands have been traced over 7 kilometres for an apparent width ranging from 1.5 to 4 kilometres and from 6 to 35 metres thick. Provisional mineralogy suggests an ilmenite-dominated deposit. While the results are encouraging and provide further support for Iluka’s regional exploration model in the Eucla Basin, the size and low grade of the deposit, presence of extensive induration and the distance from existing infrastructure suggest that commercial exploitation would require significantly higher ilmenite pricing than Iluka’s current assessment of long term pricing;
- Iluka has commenced a large radiometric/aeromagnetic survey in the Eucla Basin over an area of 8,200 square kilometres (refer figure 1). The survey commenced in November and is scheduled to run for 3 months. Wet weather delayed progress in the December quarter. Previous surveys, on a lesser scale, have been successful in identifying prospective areas, including the Mojave Prospect (refer ASX Release 17 November 2008);
- greenfield exploration was completed along first pass regional stratigraphic lines, north and north west of Jacinth-Ambrosia on EL 3638, 4332, 4334, 4335 4336, 4337, 4346. A total of 11 regional traverses were completed for 107 line kilometres, for 6,067 metres of drilling. Encouraging zones of HM mineralisation (>1m @ 3%HM) were intersected along several traverses and will be the subject of follow up exploration in 2011; and
- the third exploration drilling programme involving 2,429 metres was completed to test prospective areas along the Western Australian portion of the Eucla Basin on EL 69/2671, 69/1981 and 69/1980 and assemblage results are awaited before further work is planned.

Brownfield exploration activities included the following:

- Completion of an exploration drilling programme to the north east of Jacinth-Ambrosia on EL 3742, which targeted mineral sands deposits that may be able to utilise existing infrastructure, thereby potentially extending the current mine life at the Jacinth-Ambrosia operation. This programme has lead to the discovery of significant heavy mineral strand style mineralisation, referred to as the Atacama Prospect. The Atacama Prospect is located from 9 kilometres to approximately 17 kilometres north east of Jacinth-Ambrosia;
- Eight drill traverses have been completed on Atacama, delineating a series of mineralised “strand style” deposits at depths ranging from 10 metres to 70 metres beneath dunal sands. At a 3 per cent HM cut-off, the strands have been traced over a strike length of 7 kilometres with an apparent width ranging from approximately 400 metres to 3 kilometres and from 1.5 metres to 15 metres thick. The mineralisation narrows at either end of the drill grid but remains open to the north and south; and
- Atacama, similar to the Typhoon Prospect (refer ASX Release 15 July 2010), appears to be ilmenite-dominated. In addition to further resource assessment work, Iluka plans to undertake tests on assemblage and the quality of the ilmenite to determine its suitability as a potential synthetic rutile feed source.

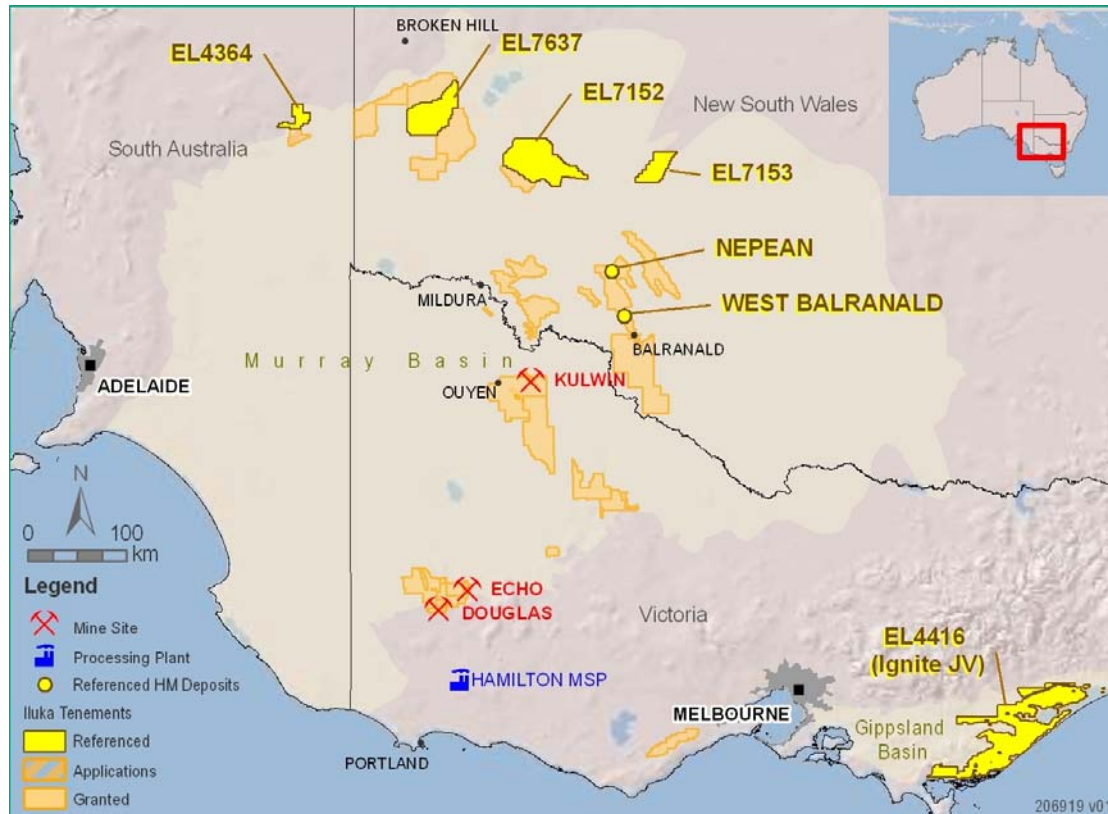
Figure 1 Iluka's Eucla Basin Tenement Holdings



Murray Basin, Victoria/New South Wales

- Greenfield exploration continued to assess targets in the northern portion of the Murray Basin. Exploration continued on EL 4364 in Victoria and EL 7152 and 7153 in New South Wales. This group of tenements is associated with testing new areas in the north west margin of the Murray Basin and Iluka is seeking to locate stratigraphies suitable for hosting mineral sands. Preliminary exploration reconnaissance occurred over EL 4416 (refer Joint Venture commentary below) to plan for exploration activities in 2011.
- A 7,200 square kilometres aeromagnetic survey is planned to cover portions of the tenements in the northern portion of the Murray Basin. The survey will commence in the first quarter of 2011.
- 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. Progress during the quarter on all three programmes was adversely affected by heavy rainfall. The drilling programme is planned to re-commence in 2011.

Figure 2 Iluka's Murray Basin Tenement Holdings



Perth Basin, Western Australia

- Exploration continued to evaluate tenements in the Perth Basin for potential ilmenite feedstock for Iluka's synthetic rutile production process.
- Bulk samples for the determination of assemblage and mineral quality continued as part of project work for the Tutunup South mine development in the South West of Western Australia.

PROJECT GENERATION

Iluka's Project Generation activities are focussed on identifying prospective exploration opportunities, both within Australia and internationally.

TENEMENT MANAGEMENT AND JOINT VENTURES

Iluka is engaged in a programme of disposing of certain exploration and mining tenement holdings in Western Australia which are assessed as non-core to its future exploration and operations activities. In this regard, Iluka disposed of 24 tenements in the Mid West and South West of Western Australia during 2010. These activities generated a small cash consideration as well as, in some instances, a trailing royalty exposure.

Iluka is continuing to increase its exposure to prospective exploration holdings through joint ventures, farm-ins and similar alliances. Iluka has signed a joint venture with Ignite Energy Resources Pty Ltd for the right to explore for mineral sands over EL 4416 in Victoria. EL 4416 is a tenement covering 3,837 square kilometres in the Gippsland Basin.

For further information on Iluka's exploration activities refer to Mineral Sands Briefing paper, Iluka's Exploration Focus (www.iluka.com)

Investment market and media inquiries
Dr Robert Porter
General Manager, Investor Relations
Phone: + 61 (0) 3 9600 0807
Mobile: +61 (0) 407 391 829
Email: robert.porter@iluka.com

APPENDIX 1 - OPERATING MINES – PHYSICAL DATA

Year to date 31 December 2010

	Jacinth-Ambrosia	Murray Basin ¹	Western Australia	Australia Total	Virginia	Group Total
Mining						
Overburden Moved bcm	1,276.0	10,059.5	1,132.3	12,467.8	-	12,467.8
Ore Mined kt	9,621.6	8,586.4	3,626.2	21,834.2	4,448.2	26,282.4
Ore Grade HM %	7.6	20.9	9.9	13.2	8.6	12.4
VHM Grade %	6.1	5.5	8.2	6.2	7.5	6.4
Concentrating						
HMC Produced kt	628.3	656.5	389.9	1,674.7	381.6	2,056.3
VHM Produced kt	520.2	445.6	329.6	1,295.4	315.1	1,610.5
VHM in HMC Assemblage %	82.8	67.9	84.5	77.4	82.6	78.3
Zircon	51.5	30.4	12.8	34.2	16.2	30.9
Rutile	6.7	34.1	10.0	18.2	-	14.8
Ilmenite Saleable	24.1	10.4	62.0	27.6	66.4	34.8
Processing (HMC to finished product at a mineral separation plant)						
HMC Processed kt	423.2	591.0	442.2	1,456.4	389.0	1,845.4
Finished Product kt						
Zircon ²	150.9	157.6	46.2	354.7	58.2	412.9
Rutile ³	10.2	198.4	41.5	250.1	-	250.1
Ilmenite Saleable	78.8	56.8	81.9	217.5	251.5	469.0
Ilmenite Upgradeable	42.0	-	173.9	215.9	-	215.9
Synthetic Rutile Produced kt			347.5	347.5		347.5

Refer Iluka's 2009 Annual Shareholder Review for 2009 physical data. An explanation of the Iluka's physical flow information can be obtained from Iluka's Briefing Paper - Iluka Physical Flow Information on the company's website www.iluka.com, under Investor Relations, Mineral Sands Briefing Material.

¹ Murray Basin Ore Grade HM excludes grade attributable to low quality, unsaleable ilmenite which is returned to the mine, and is ascribed no value.

² Zircon production volumes predominantly comprise a premium grade product used extensively in the ceramics industry for opacifier, together with a small proportion of standard grade product used in the manufacture of frits and glazes for ceramic tiles and in the production of zirconium chemicals. As displayed in this table, Iluka processed approximately two thirds of HMC production from the Jacinth-Ambrosia operation, which reached name plate HMC production mid year 2010. Part of the HMC is to be utilised as a strategic stockpile for risk mitigation purposes, associated with the extended logistics chain from the South Australia mining and concentrating operations to the Western Australia based processing facilities, while residual Western Australian HMC was also processed through the Narngulu processing facility during the year.

³ Rutile production volumes predominantly comprise a rutile product with a titanium dioxide content of 95 to 96 per cent, together with a small proportion of material with titanium dioxide content between 90 per cent and 92 per cent, often referred to as Hyti, which is sold to non pigment manufacturing markets.

Explanatory Comments on Terminology

Overburden moved (bulk 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.

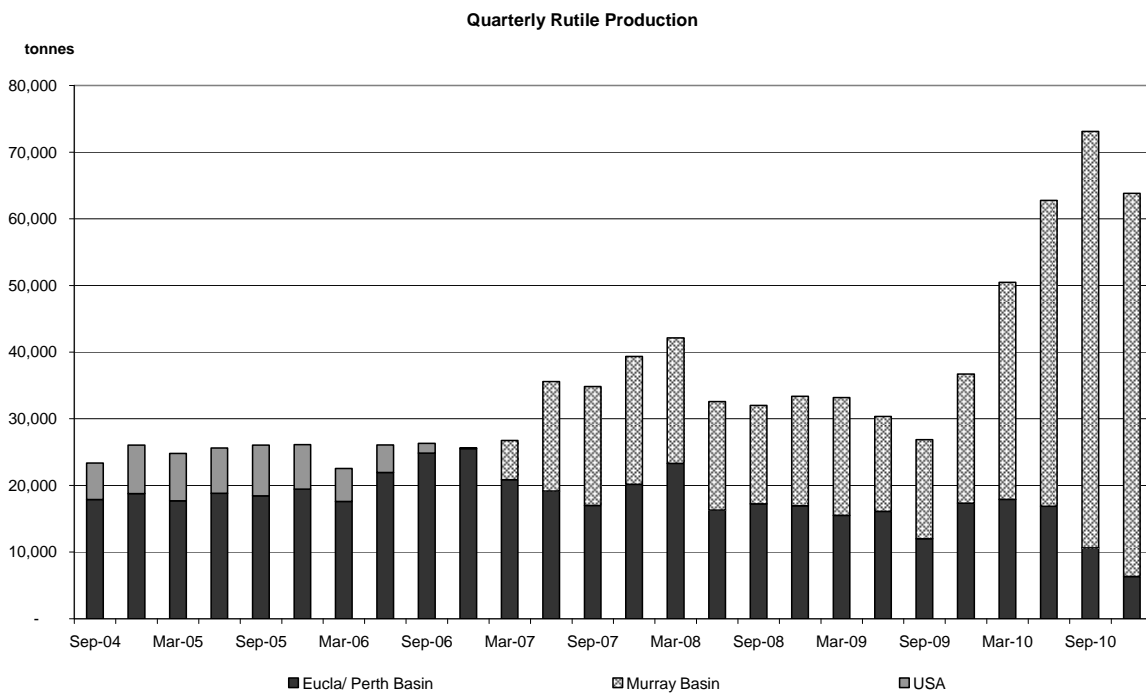
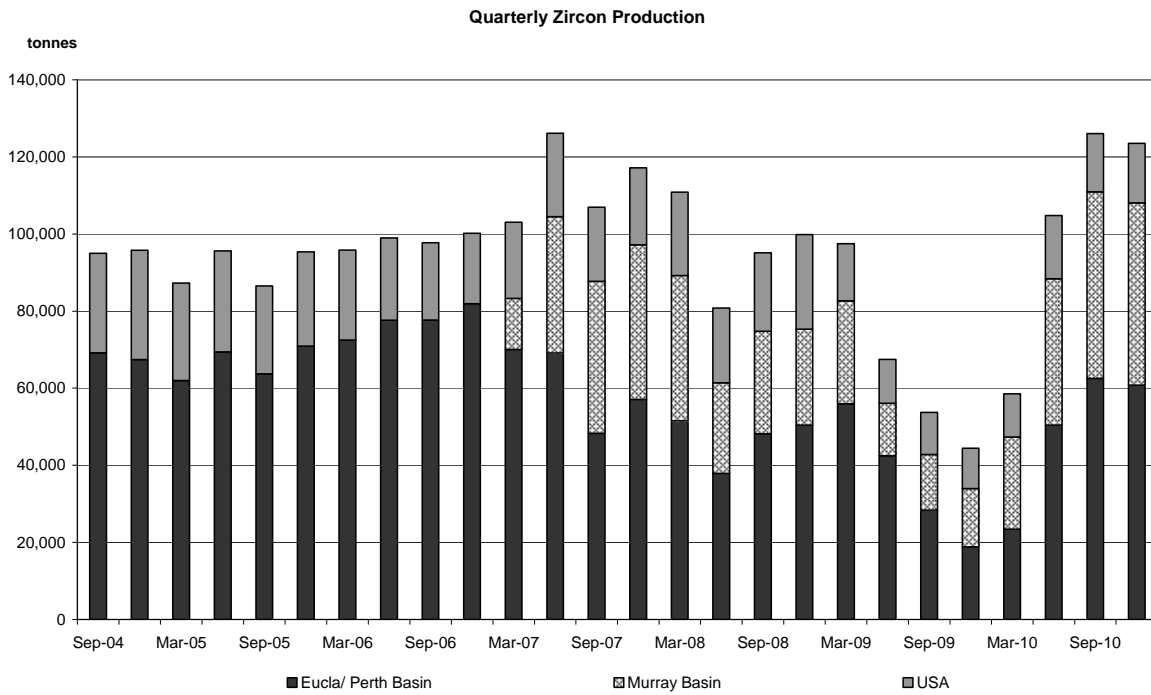
Attributable finished product is provided as an indication of the finished production (zircon, rutile, ilmenite – both saleable and upgradeable) attributable to the VHM in HMC production streams from the various mining operations. Finished product levels are subject to recovery factors which can vary. 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.

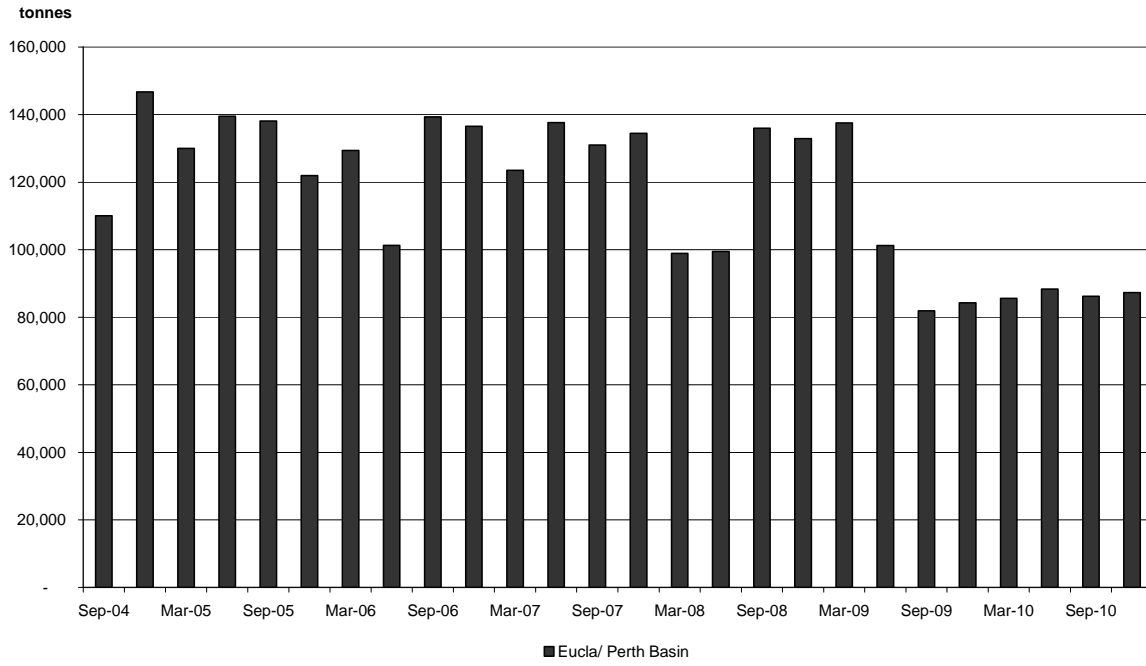
Ilmenite upgradeable is that which is used in the manufacture of synthetic rutile. Typically 1 tonne of upgradeable ilmenite will produce between 0.58 to 0.62 tonnes of SR. Iluka also purchases external ilmenite for its synthetic rutile production process.

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

APPENDIX 2 – PRODUCTION SUMMARIES



Quarterly Synthetic Rutile Production



Quarterly Ilmenite Production

