

26 July 2011

ENEABBA MINING RE-START AND SYNTHETIC RUTILE KILN 3 EXTENSION OF OPERATION

Iluka Resources Limited (Iluka) today advises that it plans to resume mining activities within its Eneabba mining area, located in the Mid West of Western Australia. In association with this decision, Iluka intends to prepare its synthetic rutile kiln 3 for a three year commercial campaign starting in 2012.

David Robb, Iluka's Managing Director stated: "The resumption of mining activities at Eneabba represents an example of Iluka's ability to respond to supply constrained high grade titanium dioxide and zircon markets via production options within its portfolio, a number of which are under evaluation currently. The company is able to do so relatively quickly, efficiently and with less risk than may be associated with a typical new mining and processing project."

Mining and processing operations were idled at Eneabba in mid 2010, associated with declining grades and low margins. Since then, higher margin concentrate from the new Jacinth-Ambrosia mining operations in South Australia has been processed at the Narngulu mineral separation plant.

David Robb said: "The reactivation of mining operations at Eneabba reflects improving industry profitability as strong demand for high grade titanium dioxide and zircon products continues in supply-constrained markets.

The Eneabba re-start and operation of synthetic rutile kiln 3 will create significant value from modest capital expenditure. The Eneabba mining and processing project is able to be delivered in six months from approval utilising existing experienced personnel and operational equipment still on site. Subject to further evaluation, these mining and synthetic rutile operations may extend well beyond the initial three years.

The economics for the Eneabba re-start project are compelling. Despite the fact the mining and concentrating activities will display a higher cash cost per tonne than Iluka's existing mining and concentrating operations in the Murray Basin and at Jacinth-Ambrosia, the investment returns are very attractive."

Mining and Processing

Mining at Eneabba is due to resume at the end of 2011, with processing operations occurring at the Narngulu mineral separation plant from the first quarter of 2012. Approximately 140,000 tonnes of chloride ilmenite per annum - suitable for use in Iluka's synthetic rutile operations - together with 25,000 tonnes of zircon and 25,000 tonnes of rutile per annum, are expected to be produced over a three year period. Production may be extended beyond this period, subject to environmental and regulatory approvals, and further technical and financial assessments.

Project capital expenditure of \$35 million has been approved, some of which was committed earlier to long lead items, to recommence mining operations at Eneabba and upgrade capacity at the Narngulu mineral processing plant to process an additional 300 thousand tonnes of heavy mineral concentrate (HMC) per annum.

Mining activities will use existing equipment extensively, including two mining units idled previously at Eneabba and the Newman and South Secondary wet concentrator plants, also utilised previously at Eneabba. Mining activities are expected to produce approximately one million tonnes of HMC, from two deposits mined sequentially. The re-start of mining activities at Eneabba will require the Narngulu mineral processing plant near Geraldton to be upgraded, with Plant 2 capacity being increased from 58 tonnes per hour of HMC processing to 70 tonnes per hour. The upgrade will free up further capacity in Plant 1 and allow Narngulu to continue to process HMC from Jacinth-Ambrosia and non-magnetic concentrate from Tutunup South, while also processing Eneabba HMC.

The new mining and synthetic rutile operations in the Mid West are expected to employ 55 full time personnel, and create approximately 50 contractor positions.

Synthetic Rutile in the Mid West, Western Australia

Iluka is currently running its synthetic rutile kiln 3 (SR3) in the Mid West of Western Australia, primarily for feedstock and product research and development. This work includes processing Murray Basin ilmenite to produce synthetic rutile. It was previously considered that Murray Basin ilmenites were generally not suitable for upgrading to synthetic rutile, but recent trials, as well as testing by customers, have determined that these ilmenites can be upgraded to a new specification synthetic rutile. Iluka expects an initial 90 to 100 thousand tonnes of Murray Basin ilmenite to now be utilised for synthetic rutile production which, in combination with the Eneabba ilmenite, as well as other potential sources, represents a sufficient quantity to underpin the re-commencement of commercial production from SR3 from 2012.

SR3 is expected to produce, over a minimum of three years, approximately 120 thousand tonnes per annum of synthetic rutile, depending on product specifications. This is in addition to approximately 200 thousand tonnes annually from SR2 in the South West of Western Australia.

Iluka has been advised that its synthetic rutile activities will be eligible for Emissions-Intensive Trade Exposed (EITE) assistance in the “highly emissions-intensive category.” (Refer Iluka Briefing Note - Initial Assessment of Impact of Federal Government's Proposed Carbon Tax, 12 July 2011)

Capital Expenditure

The \$35 million capital commitment represents half of Iluka's advised higher capital expenditure increase in 2011 from \$100 to \$170 million, relative to Iluka's guidance in February, which the company announced in a Guidance Update on 14 July 2011 (refer Physical and Financial Parameters, Iluka 2011, July Update¹). Part of the higher cash costs of production in 2011 in the July Update also relates to the commencement of some activities at Eneabba and Narngulu.

¹ The Eneabba restart and synthetic rutile production extension does not alter the guidance material provided for 2011.

Approximately half of the \$35 million total capital expenditure will be deployed for a major maintenance outage of synthetic rutile kiln 3, in the fourth quarter of 2011, to refurbish the kiln for a further three year campaign life.

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