



Australian Securities Exchange Notice

ILUKA

16 February 2016

ILUKA SUSPENDS JACINTH-AMBROSIA MINING AND CONCENTRATING ACTIVITIES

Iluka Resources Limited (Iluka) announces that it will suspend mining and concentrate production activities at its Jacinth-Ambrosia operation in the Eucla Basin, South Australia. Jacinth-Ambrosia is a globally significant source of zircon and, at peak production, has the ability to supply 25 to 30 per cent of global zircon demand.

The suspension of these activities will be from 16 April for a period of 18 to 24 months, depending on market conditions.

The suspension is consistent with Iluka's shareholder focused objective in that it will improve cash flow available for shareholders at a time of subdued market demand while also contributing to an improvement in zircon market dynamics as demand recovers.

The suspension will increase net cash flow due to a reduction in Iluka's production costs, offset partially by a continued commitment to progressive rehabilitation and by restructure and idle costs. In 2016 a net cash cost benefit of approximately \$30 million is expected after \$16 million in idle, restructure and rehabilitation costs. In 2017 the net cash cost benefit is expected to be approximately \$45 million after idle, restructure and rehabilitation costs of \$25 million.

Iluka's Managing Director, David Robb, stated: "The operating method at Jacinth-Ambrosia reflects Iluka's focus on shareholder returns through the cycle. Iluka has in the past altered the mine path to reduce production at the mine and has, conversely, in recent years been operating the mine at capacity to maintain operating efficiency. In balancing its finished product supply to demand, Iluka has been prepared to build and hold stocks of heavy mineral concentrate with a view to drawing that inventory down over time.

The decision now to suspend mining and concentrating activities at Jacinth-Ambrosia will increase the company's free cash flow at a time of low industry returns. Over time, it will also improve return on capital by accelerating inventory drawdown (therefore reducing working capital). In addition, to the extent that perceptions of an inventory 'supply overhang' might impact market dynamics, then Iluka believes its contribution to a reduction in global inventory will impact those dynamics positively.

Iluka will continue to supply key customers from both finished product inventory and via the continued processing of existing concentrate inventory (totaling over 800 thousand tonnes currently at Jacinth-Ambrosia) into finished product at its mineral separation plants in Victoria and Western Australia. The company will maintain the operations at Jacinth-Ambrosia in a manner such that they can be reactivated rapidly in line with global market recovery."

The suspension will, regrettably, result in approximately 33 Iluka employees being made redundant out of Iluka's direct workforce of 79. Approximately 46 personnel will be retained or redeployed. Some employees will be retained on the site to manage continuing activities such as concentrate handling and transport, asset maintenance and environmental rehabilitation work and a small number of employees will be relocated to other Iluka operations. Inevitably, there will be further job losses associated with contractors and support services to the operation."

"Iluka recognises the significant impact the decision to suspend mining and concentrating operations will have on employees and their families and on local communities. The company will work closely with State Government agencies and regional bodies to co-ordinate transition arrangements."

Mr Robb also stated: “Jacinth-Ambrosia has a justifiably high reputation in terms of the benefits it has brought to the local community and its operational and environmental performance. Iluka intends to protect the operation’s reputation during the suspension period.

As Iluka will continue to move concentrate from Jacinth-Ambrosia, Iluka’s South Australian royalty payment obligations will be unaffected.”

Consistent with past practice, Iluka will advise the equity market of expected physical and financial parameters for 2016 at the time of its full year results on 19 February 2016.

Investor and media enquiries

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Iluka Resources

Iluka Resources (ASX: ILU) is involved in mineral sands exploration, project development, operations and marketing. The company has operations in Australia (Western Australia, Victoria and South Australia) and in Virginia, USA (recently idled). Iluka is the major producer of zircon globally and largest producer of the high-grade titanium dioxide products of rutile and synthetic rutile. Iluka conducts international exploration activities for mineral sands, and has a targeted non mineral sands exploration effort in Australia. The company has an iron ore royalty associated with BHP Billiton’s Pilbara iron ore operations (Mining Area C Royalty).

Jacinth-Ambrosia

The Jacinth-Ambrosia mining and concentrating operation entailed capital expenditure of approximately \$390 million. It commenced production in 2009 and was developed and in production in five and a half years from discovery, a record for a remote resource development in Australia. Dry mining and concentration of ore through gravity separation into a heavy mineral concentrate occurs on site and is transported to Port Thevenard in Ceduna and then sent in vessels to Iluka’s mineral separation processing plants in Western Australia and Hamilton, Victoria, for the production of final products of zircon, rutile and ilmenite.

The main product produced is zircon, which is used in the manufacture of ceramics, including floor and wall tiles and sanitary-ware, as well as in casting and foundry applications. Zircon is also used for the manufacture of zirconium chemicals that have a range of derivative applications, including zirconium metal. Jacinth-Ambrosia also produces rutile and chloride ilmenite (the latter suitable for sale or as a feed source for synthetic rutile production).

The site is the first mining development in a mixed use regional reserve, the Yellabinna Regional Reserve, in South Australia, with the operation demonstrating a commitment to the highest environmental standards, including initial land rehabilitation, as well as a commitment to high levels of indigenous employment. The operation has been recognised for these high standards through receipt of the South Australia’s Excellence Award in Supporting Communities 2015, Environmental Excellence 2014 and Social Inclusion 2013.