

13 October 2011

QUARTERLY PRODUCTION REPORT 30 SEPTEMBER 2011

Production

Strong production results in the September quarter reflected high plant throughputs and recoveries together with favourable heavy mineral concentrate (HMC) assemblages.

Production and unit cash cost trends, on a year-to-date basis, are in line with, or slightly better than, the 2011 guidance as provided by the company on 14 July in its ASX announcement, Key Physical and Financial Parameters Iluka 2011.

The higher zircon and rutile production, as well as product prices which support a decision to extend the Douglas mining operation until April 2012, represent positive outcomes in the context of maximising HMC feedstock and finished product to cover a three month production dislocation in the Murray Basin as a mine move occurs from Kulwin to the Woornack, Rownack, Pirro group of deposits in the first quarter of 2012.

Zircon production for the three months to 30 September 2011 was 156.8 thousand tonnes and on a year-to-date basis 433.5 thousand tonnes. Production for the nine months to 30 September 2010 – 289.4 thousand tonnes. Iluka's full year 2011 zircon production guidance is approximately 550 thousand tonnes.

Rutile production for the three months to 30 September was 78.6 thousand tonnes and for the year-to-date was 215.5 thousand tonnes. Production for the nine months to 30 September 2010 – 186.3 thousand tonnes. Iluka's full year 2011 rutile production guidance is approximately 275 thousand tonnes.

Synthetic rutile production for the 3 months to 30 September was 64.0 thousand tonnes. On a year-to-date basis, synthetic rutile production was 217.0 thousand tonnes. Production for the nine months to 30 September 2010 – 260.2 thousand tonnes. Iluka's full year 2011 synthetic rutile production guidance is approximately 260 thousand tonnes.

At the end of August, Iluka commenced a major maintenance programme on synthetic rutile kiln 3 (SR3) in the Mid West of Western Australia. Following completion of this maintenance programme, SR3 will be reactivated to produce synthetic rutile for sale to the market (as compared to its more recent operation largely as a technical test bed), including Iluka's new product, SR85. Iluka has contracts in place for product from SR3, which includes SR85 and other synthetic rutile products over the initial three year campaign life for this kiln. A portion of the feedstock for the new product will be sourced from Murray Basin ilmenite previously considered unsuitable for upgrading. Eneabba ilmenite will comprise the majority of the feedstock for this kiln. (Refer Iluka ASX Release, Eneabba Re-Start & Synthetic Rutile Kiln 3 Extension of Operation, 22 July 2011)

Sales Volumes

Iluka's practice is to report sales volumes on half yearly basis only.

However, in the context of current global economic concerns and associated volatility in business confidence levels, the following comments are made in relation to the main features of sales trends in the quarter:

- rutile and zircon sales volumes in the September quarter were firm, reflecting a catch up in volumes held over at the end of June associated with port issues plus Iluka's ability to increase volumes to meet customer demand following higher than planned production in the first half. Zircon sales in the month of September represented the highest zircon sales for any month to date in 2011; and
- synthetic rutile sales remained firm, although influenced by the research and development work conducted during the quarter, as well as the cessation of SR kiln 3 production in August.

Iluka reaffirms its indicative full year sales volume commentary, as provided in the July ASX announcement, Key Physical and Financial Parameters Iluka 2011.

Market Conditions

Notwithstanding geographic and sectoral variations in global business confidence levels and some deterioration in general economic performance lead indicator data, supply/demand fundamentals for zircon and high grade titanium remained favourable during the September quarter.

Zircon

As indicated in the sales commentary, overall market demand for zircon remained solid through the quarter.

That said, customer sentiment and confidence varies between geographical regions and market segments.

In China, for example, policy changes aimed at tightening credit and dampening property speculation in tier 1 and some tier 2 cities has led to some customer caution regarding future demand commitments. However, total investment in property in China continues to increase driven by large scale urbanisation, urban renewal activities and government policy in relation to the provision of social (affordable) housing. In addition, demand for zircon used in the manufacture of zirconium chemicals and associated applications remains robust.

Overall, European and North American customer demand for zircon has remained solid, reflecting in part the increased orientation of European zircon customers and ceramics manufacturers, towards supplying non European markets, including the Middle East and northern Africa. Demand in the United States has been stable, reflecting resilient US industrial manufacturing activity.

However, market conditions are fluid. Confidence driven volatility is likely to continue through at least the current quarter. A better basis for demand forecasts in various markets and specific end use applications may become apparent towards the end of 2011 and into early 2012, as zircon customers contemplate their purchasing commitments for 2012.

Iluka's approach to production, marketing and financial decisions will continue to take heed of market specific economic conditions while being consistent with the company's objective of creating and delivering value for shareholders over time. In pursuit of this objective the company has a strong balance sheet and a flexible production base to respond to a range of market scenarios, if and when required.

Titanium Products

Demand in the high grade titanium feed stock market remains solid, with sales volumes in line with expectations and with overall industry supply remaining tight.

Iluka's activities to reactivate its synthetic rutile kiln 3 remain on track, with this kiln currently undergoing a major maintenance outage before re-commissioning later in the year.

GROUP MINERAL SANDS PRODUCTION

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, Hamilton in Victoria and Narngulu in Western Australia. All United States material is processed at the Stony Creek mineral separation plant in Virginia. A similar table showing a 12 month comparison is on page 4. 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. Trial work is being undertaken in relation to treating Jacinth-Ambrosia HMC at a high rate at Hamilton in order to maximise production efficiencies. Dependent on the outcome of this work, Jacinth-Ambrosia HMC may become a significant part of the Hamilton MSP feed blend from 2012. Appendix 1 provides details of the physical data for operating mines.

Physical Production

	Sep-10 Quarter	Jun-11 Quarter	Sep-11 Quarter	Sep-11 Qtr vs Jun-11 Qtr	Sep-11 Qtr vs Sep-10 Qtr
	kt	kt	kt	%	%
Zircon					
Jacinth-Ambrosia, Eucla Basin	53.0	70.9	82.7	16.6	56.0
Perth Basin, Western Australia	9.5	3.3	-	(100.0)	(100.0)
Eucla/Perth Basin (SA/WA)	62.5	74.2	82.7	11.5	32.3
Murray Basin (VIC)	48.4	53.3	57.8	8.4	19.4
Virginia (USA)	15.1	13.6	16.3	19.9	7.9
Total Zircon Production	126.0	141.1	156.8	11.1	24.4
Rutile					
Jacinth-Ambrosia, Eucla Basin	1.8	15.1	18.7	23.8	938.9
Perth Basin, Western Australia	8.8	-	-	N/A	N/A
Eucla/Perth Basin (SA/WA)	10.6	15.1	18.7	23.8	76.4
Murray Basin (VIC)	62.5	58.7	59.9	2.0	(4.2)
Total Rutile Production	73.1	73.8	78.6	6.5	7.5
Ilmenite – Saleable					
Jacinth-Ambrosia, Eucla Basin	24.6	46.4	46.3	(0.2)	88.2
Perth Basin, Western Australia	-	-	-	N/A	N/A
Eucla/Perth Basin (SA/WA)	24.6	46.4	46.3	(0.2)	88.2
Murray Basin (VIC)	9.0	-	-	N/A	N/A
Virginia (USA)	62.6	73.0	72.6	(0.5)	16.0
Total Ilmenite – Saleable	96.2	119.4	118.9	(0.4)	23.6
Ilmenite – Upgradeable					
Jacinth-Ambrosia, Eucla Basin	21.6	-	-	N/A	N/A
Perth Basin, Western Australia	47.0	23.3	28.0	20.2	(40.4)
Eucla/Perth Basin (SA/WA)	68.6	23.3	28.0	20.2	(59.2)
Murray Basin (VIC)	-	26.3	25.6	(2.7)	N/A
Total Ilmenite – Upgradeable	68.6	49.6	53.6	8.1	(21.9)
Synthetic rutile (WA)	86.2	74.5	64.0	(14.1)	(25.8)
Total Mineral Sands Production	381.5	408.8	418.3	2.3	9.6

Physical Production – 12 Month Comparison

	12 mth to Sep-10	12 mth to Sep-11	12 mth Sep-11 vs 12 mth Sep-10
	kt	kt	%
Zircon			
Jacinth-Ambrosia, Eucla Basin	96.6	279.1	188.9
Perth Basin, Western Australia	58.6	12.4	(78.8)
Eucla/Perth Basin (SA/WA)	155.2	291.5	87.8
Murray Basin (VIC)	125.4	206.3	64.5
Virginia (USA)	53.1	59.1	11.3
Total Zircon Production	333.7	556.9	66.9
Rutile			
Jacinth-Ambrosia, Eucla Basin	7.0	43.4	520.0
Perth Basin, Western Australia	55.7	3.1	(94.4)
Eucla/Perth Basin (SA/WA)	62.7	46.5	(25.8)
Murray Basin (VIC)	163.5	232.7	42.3
Total Rutile Production	226.2	279.2	23.4
Ilmenite - Saleable			
Jacinth-Ambrosia, Eucla Basin	53.2	154.4	190.2
Perth Basin, Western Australia	115.7	19.0	(83.6)
Eucla/Perth Basin (SA/WA)	168.9	173.4	2.7
Murray Basin (VIC)	33.7	26.2	(22.3)
Virginia (USA)	231.9	290.1	25.1
Total Ilmenite -Saleable	434.5	489.7	12.7
Ilmenite – Upgradeable			
Jacinth-Ambrosia, Eucla Basin	26.0	18.7	(28.1)
Perth Basin, Western Australia	241.8	74.0	(69.4)
Eucla/Perth Basin (SA/WA)	267.8	92.7	(65.4)
Murray Basin (VIC)	-	77.8	N/A
Total Ilmenite – Upgradeable	267.8	170.5	(36.3)
Synthetic rutile (WA)	344.4	304.3	(11.6)
Total Mineral Sands Production	1,338.8	1,630.1	21.8

Sales Revenue

	Sep-10 Quarter	June -11 Quarter	Sep -11 Quarter	Sep-10 YTD	Sep-11 YTD	Sep-11 Qtr vs Sep-10 Qtr	Sep-11 YTD vs Sep-10 YTD
						%	%
Mineral Sands Revenue \$m	212.4	343.9	532.5	591.0	1,102.7	150.7	86.6
Average A\$/US\$ spot rate (cents)	90.2	106.2	105.1	89.7	103.9	16.5	15.8

September Quarter Production Commentary:

Perth Basin, Western Australia

In the South West the Tutunup South mine has ramped up to near full production levels and continues to perform to expectations. This was a valuable feedstock in the September quarter and larger amounts were consumed than planned reducing stock levels to that previously planned.

A major maintenance outage commenced in August for SR kiln 3. This kiln had been used for research and development test work and a refractory relining was due to provide an additional three years campaign life. The kiln will be utilised, once reactivated, for production of Iluka's new SR85 product, as well as other SR products. The feed source for the kiln will comprise Murray Basin ilmenite as well as ilmenite from the re-start of the Eneabba mining operations in Western Australia (refer below).

Eucla Basin, South Australia

Jacinth-Ambrosia production was in line with expectations, with mine schedule optimisation targeting higher HM grades and higher zircon assemblages. Some Jacinth-Ambrosia HMC has been sent to the Hamilton MSP for processing trials.

Murray Basin, Victoria

Iluka's Murray Basin mining operations entail mining and concentrating at Douglas and Kulwin, as well as mining of heavy mineral ore at Echo. Mineral separation activities occur at Hamilton.

Following the successful temporary trial of ilmenite production at Kulwin in May, permanent modifications were made to the Kulwin plant and full-time production of Kulwin ilmenite commenced mid August. Approximately half of this product will be used for synthetic rutile kiln feedstock and the balance is capable of being developed into a high sulphate Ilmenite product.

At Kulwin, grade, recoveries and production output for this quarter have been consistent and have met budget expectations. Mining and Operations planning and early preparations have commenced for the closing of the Kulwin mine, as scheduled, and subsequent relocation of most of the mining equipment to the Wornack, Rownack and Pirro (WRP) group of deposits, approximately 25 kilometres away. Mining and processing activity at Kulwin is scheduled to be completed in January 2012.

Rehabilitation of the Kulwin site continues at the southern end of the mine with further replacement of top soil and re-sowing taking place in the quarter.

At Douglas, mining operations have continued longer than originally expected as higher pricing has allowed pit reoptimisation and the recovery of a lower grade part of the deposit. Mining is planned to continue at Douglas until April 2012 when mine closure activities will commence, and the extension of rehabilitation activities. Douglas will continue to receive by-product material from the Hamilton mineral separation plant, in turn reducing transport distances which would otherwise be involved in transporting this material to mine sites located further north.

Mining ceased subsequent to the end of the quarter at the satellite Echo mine site. Echo has been a source of HM feedstock which is blended with Douglas ore before being fed to the wet concentrator plant at Douglas.

Rail infrastructure development is well advanced in the Murray Basin with the construction of a siding at Hopetoun and an unloading facility at the mineral separation plant. The use of rail will enable HMC to be transported from the WRP deposit to Hamilton, materially reducing road transportation usage.

Virginia, United States

Despite more than three days of downtime due to Hurricane Irene, the Virginia operation produced over 16 thousand tonnes of zircon in the quarter, an improvement of almost twenty percent on the previous quarter. The increased production was a result of combination of higher grade material from the mines and improved throughputs and recoveries at the Stony Creek MSP.

Ilmenite production of 73 thousand tonnes for the quarter was in line with the previous quarter and slightly above budget expectations.

Product and Technical Development Activities

During the quarter, Iluka continued plant trials using SR3 kiln to produce a number of different synthetic rutile products using Murray Basin ilmenite as a feed source. The trials confirmed that Iluka can produce a commercial synthetic rutile product suitable for the chloride market from this ilmenite and the company has contracted significant tonnages of this product to a major pigment customer. Trials samples will be sent to a number of other customers for evaluation during the December quarter.

SR plant trials to produce an acid soluble synthetic rutile (ASSR) product were also conducted during the quarter. These trials provided valuable processing conditions, operational data and samples for the commercialisation of this product. Future plant trials on ASSR may be scheduled for 2012, dependent on kiln availability.

Planned New Production

Eneabba Re-Start

As Iluka announced on 26 July 2011, mining operations at Eneabba will recommence for an initial period of three years. 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 thousand tonnes of chloride ilmenite per annum - suitable for use in Iluka's synthetic rutile operations - together with 25 thousand tonnes of zircon and 25 thousand 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.

During the quarter, activities including establishment of a power supply source back to site, as well as connection of utilities and upgrades and refurbishment of two mining units. Pre-mining earth works are well advanced prior to the relocation of the two mining units to the new mining area.

Woorneck, Rownack, Pirro - Murray Basin, Victoria

Woorneck, Rownack and Pirro (WRP) represent the next mineral sands deposits to be mined in the Murray Basin, following completion of mining activity at Kulwin in the first quarter of 2012. During the quarter:

- civil works at the WRP site are well advanced with concrete placement, steel erection and pipe works progressing to plan; and
- during the remainder of this calendar year WRP site infrastructure will be completed in readiness to accept the processing plant being relocated from Kulwin.

Balranald Deposits

Balranald and Nepean are two rutile-dominated deposits in the northern Murray Basin, New South Wales and constitute a potential large source of production.

A pre-feasibility study is progressing to schedule and includes the evaluation of alternate mining methods. Site based hydrogeology drilling, pump testing and site geotechnical and metallurgical test works are continuing to plan. Transport logistics studies and environmental baseline studies have commenced.

EXPLORATION

Eucla Basin, South Australia

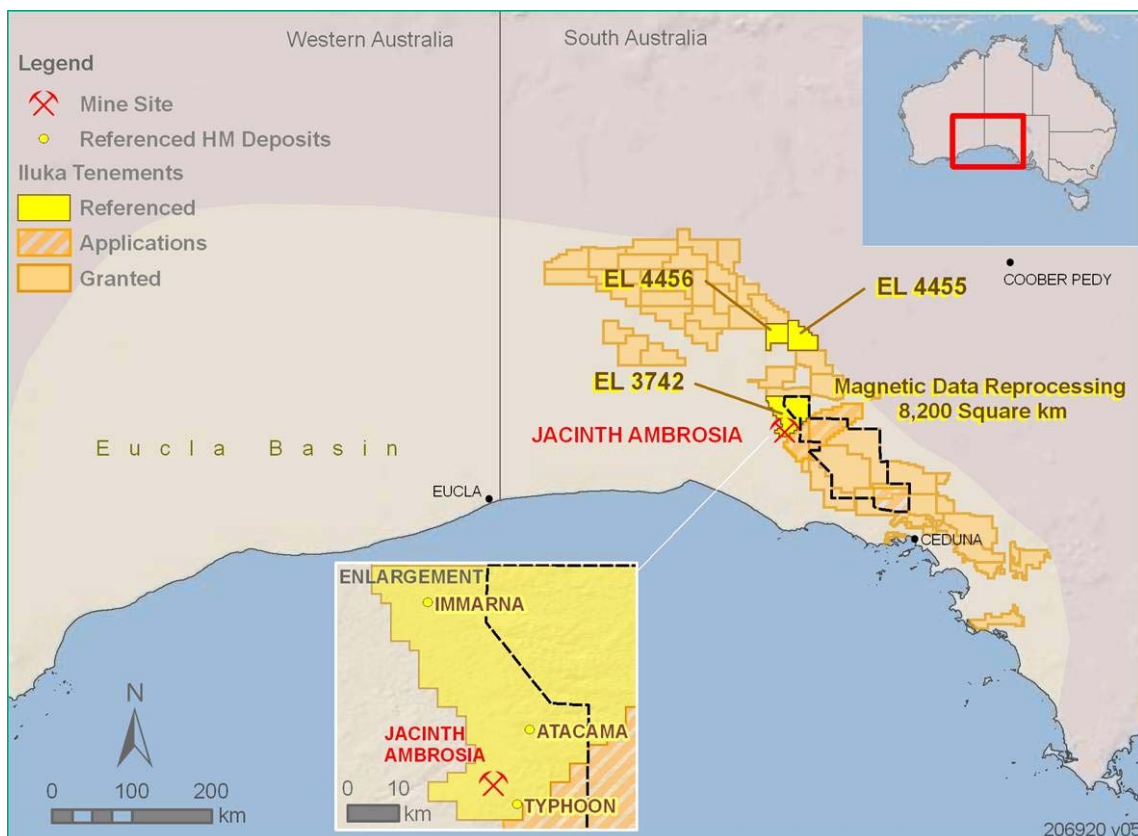
Greenfield exploration activity in the Eucla Basin in the third quarter of 2011 included:

- 11,341 metres of exploration drilling which tested areas up to 200 kilometres of the Jacinth-Ambrosia mine on tenements EL 4455 and 4456. Drilling intersected encouraging (visual) mineral sands mineralisation which was interpreted as strand style and follow up exploration is planned. Drilling will continue in this area during the fourth quarter, focussing on the Barton Range within the Maralinga Tjarutja lands;
- an aero-magnetic survey flown over 8,200 square kilometres was completed in May and the results were used to identify 20 radiometric anomalies, the majority of which have been tested with soil sampling. Assay results are in progress with drilling to commence in early 2012; and
- the aeromagnetic data is also being processed by an external geophysical consultant to assess the tenure for non HM targets within basement rocks of the Gawler Craton.

Brownfield exploration activities included:

- 10,329 metres of extension and infill drilling at the Typhoon deposit (EL 3742). Typhoon is located approximately 4 kilometres to the south east of the Jacinth-Ambrosia. Strand and dunal style (visual) mineral sands mineralisation continues approximately 800 metres to the north west of Typhoon, with assays and interpretation pending; and
- 8,401 metres of drilling north of the Atacama deposit (EL 3742) to test for extension to the current resource. Atacama is located approximately 9 kilometres to the north east of the Jacinth-Ambrosia. Further work will be assessed after the completion of HM assays and geological interpretation.

Figure 1 Iluka's Eucla Basin Tenements and Recent Areas of Exploration Activity



Murray Basin, Victoria/New South Wales

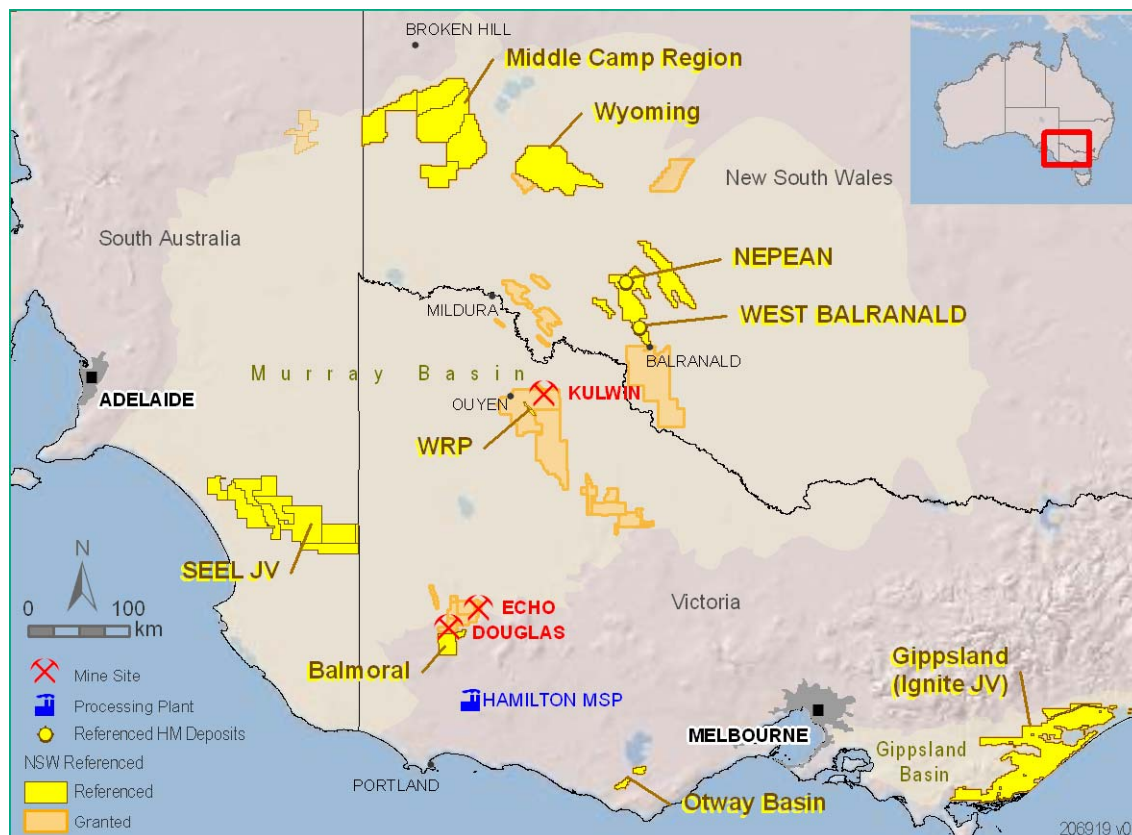
Of the 21,000 metres drilled for the quarter, approximately half was dedicated to brownfield exploration activities, specifically:

- resource delineation drilling was completed at Nepean to upgrade the resource from indicated to measured; and
- mine planning drilling at WRP continued with a view to reoptimising the pit to reflect higher prices, which may entail an extension of the planned economic life of this mining operation.

Greenfield exploration activities during the quarter included:

- preparation for the Gippsland, Balmoral and Otway Basin work programs, with drilling to commence at these prospects in the fourth quarter;
- Iluka signed a joint venture (JV) agreement with South East Energy (SEEL), a subsidiary of ERO Mining Limited (ERO) in July 2011. The SEEL JV relates to eight exploration licences near Padthaway in south eastern South Australia. Iluka is to spend \$300,000 over two years to earn up to an 80 per cent interest in the mineral sands, with ERO retaining the rights to other minerals. Drilling is to commence in the fourth quarter;
- utilising the data from the aeromagnetic survey conducted in the first quarter, drilling commenced over the Middle Camp region south of Broken Hill. With the majority of targets tested, no significant mineralisation has been discovered. Several targets in the south east corner of this region will be followed up in due course; and
- drilling commenced at the Wyoming prospect to test the potential for coarse grained strands landward side of previously intersected mineralisation.

Figure 2 Iluka's Murray Basin Tenement and Recent Areas of Exploration Activity



Project Generation

Iluka is actively exploring for mineral sands outside of Australia, with early stage exploration underway in a number of countries.

Investment market and media inquiries

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APPENDIX 1 - OPERATING MINES – PHYSICAL DATA

Year to date 30 September 2011

	Jacinth-Ambrosia	Murray Basin ¹	Perth Basin	Australia Total	Virginia	Group Total
Mining						
Overburden Moved bcm	2,119.6	12,556.5	160.4	14,836.5	-	14,836.5
Ore Mined kt	6,504.4	5,940.2	646.2	13,090.8	3,669.2	16,760.0
Ore Grade HM %	11.4	22.1	13.0	16.5	9.2	14.8
VHM Grade %	10.1	8.0	11.6	9.1	8.0	9.0
Concentrating						
HMC Produced kt	673.2	569.7	69.4	1,312.3	334.4	1,646.7
VHM Produced kt	584.4	402.5	44.0	1,030.9	276.2	1,307.1
VHM in HMC Assemblage %	86.8	70.6	63.5	78.6	82.6	79.4
Zircon	58.4	33.7	10.0	47.1	15.0	39.0
Rutile	7.2	35.0	2.1	19.9	-	15.1
Ilmenite Saleable	20.8	-	49.3	11.3	67.5	24.3
Processing (HMC to finished product at a mineral separation plant)						
HMC Processed kt	550.7	512.8	91.0	1,154.5	328.2	1,482.7
Finished Product kt						
Zircon	224.7	159.1	6.0	389.8	43.7	433.5
Rutile	40.2	175.3	-	215.5	-	215.5
Ilmenite Saleable	128.8	-	-	128.8	219.1	347.9
Ilmenite Upgradeable	2.7	77.8	60.9	141.4	-	141.4
Synthetic Rutile Produced kt	68.4	-	148.6	217.0	-	217.0

Note: a small amount of Jacinth-Ambrosia heavy mineral concentrate was processed in the Murray Basin during the quarter; Western Australia includes initial volumes from the Tutunup South mine in the South West. Perth Basin physical information relates to commencement of mining at the Tutunup South deposit.

An explanation of the Iluka's physical flow information for mineral sands, from overburden removal and mining to processing, 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 VHM excludes ilmenite

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 ilmenite.

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%.

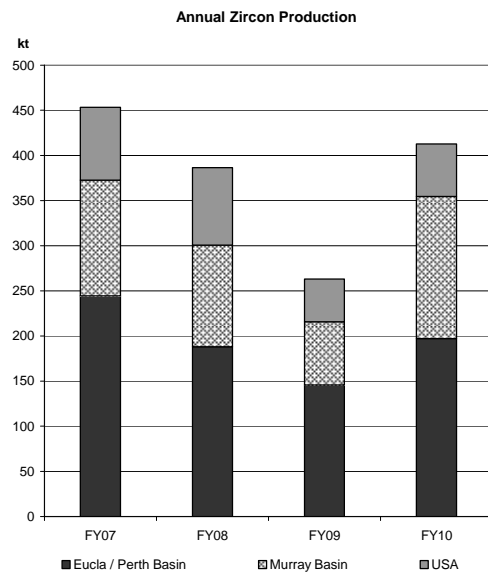
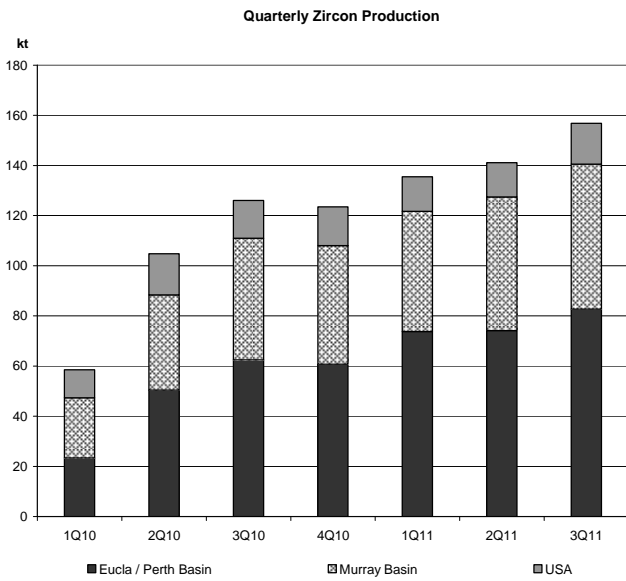
Ilmenite saleable is ilmenite produced for sale rather than as a synthetic rutile feedstock.

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.

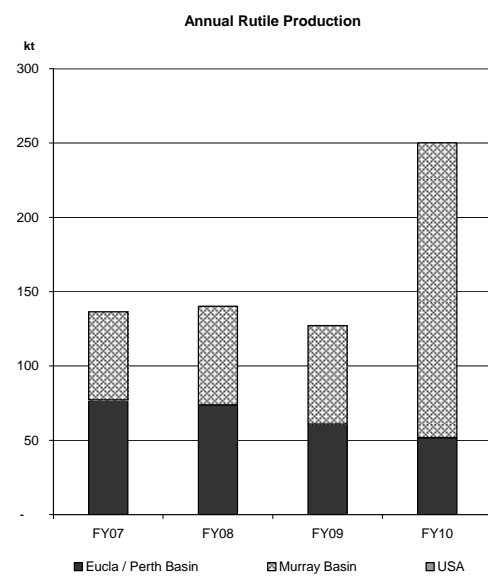
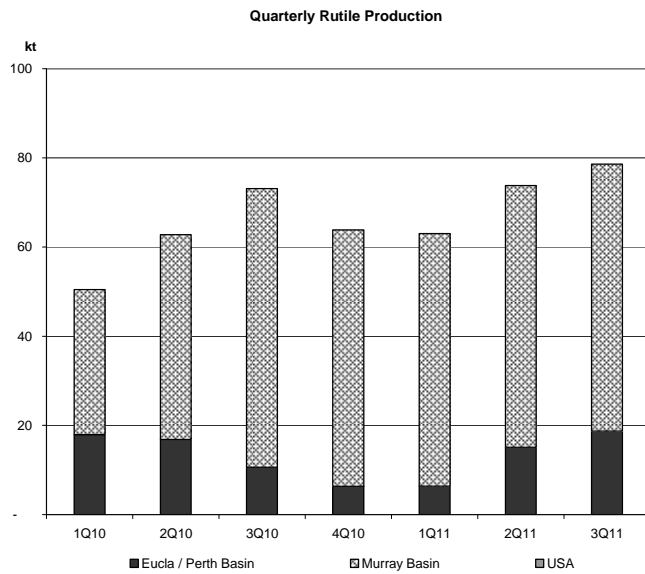
APPENDIX 2 – PRODUCTION SUMMARIES

Zircon



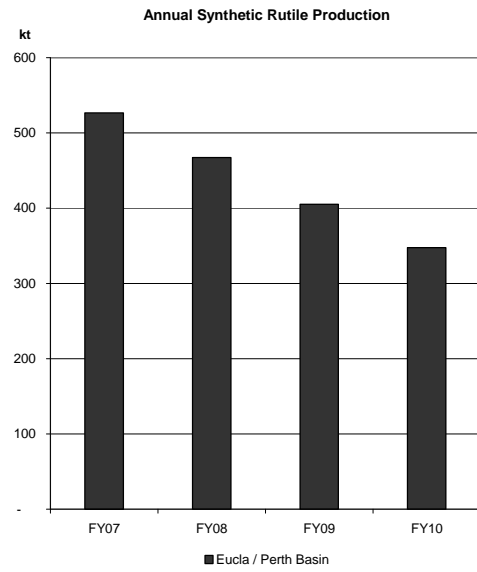
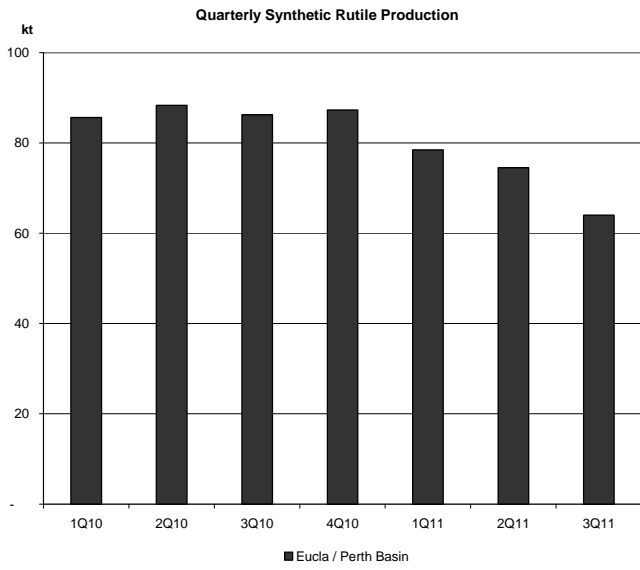
Zircon volumes excludes CRL attributed volumes during 2007-2009, during which Iluka had a 51.04% interest in CRL.

Rutile



Rutile volumes excludes CRL attributed volumes during 2007-2009, during which Iluka had a 51.04% interest in CRL.

Synthetic Rutile



Ilmenite

