



Australian Securities Exchange Notice

ILUKA

7 December 2016

SRL MERGER UPDATE

Iluka Resources Limited (Iluka) refers to its announcement of 29 November 2016 relating to the statutory merger between Sierra Rutile Limited (SRL) and Iluka Investments (BVI) Limited (Iluka BVI) under section 170 of the BVI Business Companies Act (Merger) and the geotechnical issues identified in relation to certain of SRL's tailings dam facilities (the Gangama dam and the Lanti containment ponds and together, "the dams").

Iluka carried out technical due diligence in relation to the SRL operations, including SRL's tailings dam facilities, before the Merger was agreed on 31 July 2016. During recent visits by Iluka management for the purposes of integration planning, Iluka had concerns in relation to the Gangama dam, used as a water storage and tails facility, where leakage of water was evident, and in relation to the Lanti containment ponds, with respect to the amount of freeboard. It should be noted that the more recent inspections occurred after the wet season in Sierra Leone and after commencement of mining at Gangama.

Members of Iluka's senior operational team, including a geotechnical expert, have subsequently attended the SRL site and carried out further inspections of the dams. In addition, Iluka has been able to secure additional information from SRL about the dams and their construction. Iluka has also retained an independent geotechnical consultant to make on-site assessments and advise Iluka.

The independent geotechnical consultant, Knight Piesold, has confirmed that, subject to the lowering of the water levels in the Lanti containment ponds, the risk of immediate failure of the dams is low. Iluka confirms that the water levels in the Lanti containment ponds have been lowered to an acceptable level.

Iluka has developed plans for dam management, including wall construction techniques, linings, maintenance and operating and monitoring regimes. Knight Piesold has confirmed that those plans are appropriate in the circumstances. Where operational improvements are required to meet Iluka standards, these will be implemented post completion of the transaction.

On this basis, Iluka considers that the Merger can now complete. Accordingly, Iluka and SRL have agreed that all of the conditions precedent to the Merger have now been satisfied and the Merger is now expected to become effective and completion is expected to occur this evening (Perth time). Iluka will make a further announcement, on 8 December 2016, after completion of the Merger.

Investor and media enquiries

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