

20 July 2010

QUARTERLY PRODUCTION REPORT 30 JUNE 2010

OVERVIEW

Production

- Production of Iluka's mineral sands products increased in the June 2010 quarter relative to the March 2010 quarter, with the initial contribution from Iluka's two new operations (Jacinth-Ambrosia and Murray Basin Stage 2) and the ramping back up of Virginia production, associated with demand recovery for all of Iluka's mineral sands products.
- Zircon production in the June quarter of 104.7 thousand tonnes represented a 79.0 per cent increase on the March 2010 quarter.
- High-grade titanium production increased in the June quarter, with rutile production of 56.9 thousand tonnes, a 25.6 per cent increase relative to the March 2010 quarter, while synthetic rutile production of 88.3 thousand tonnes represented a 3.2 per cent increase.
- Zircon production for the six months to 30 June of 163.2 thousand tonnes was 1.0 per cent lower than in the first six months of 2009 (164.9 thousand tonnes), while rutile production of 102.2 thousand tonnes represented a 60.9 per cent increase on the first six months of 2009 (63.5 thousand tonnes). Lower synthetic rutile production of 173.9 thousand tonnes for the first six months of 2010, relative to 2009 (238.8 thousand tonnes), reflects the decision by Iluka to idle two synthetic rutile kilns during 2009. Improved throughput in the first half of 2010 at the South West (Western Australia) synthetic rutile kiln has, however, enabled higher than forecast production to be achieved.
- The Jacinth-Ambrosia operation has been ramped up to targeted production rates. Iluka has commenced shipping commercial quantities of Jacinth-Ambrosia zircon and customer acceptance of the product has been highly favourable (refer Iluka ASX Release, 13 July 2010).
- Associated with the ramp up of Jacinth-Ambrosia production, the remaining mining operations at Eneabba (Western Australia) have been idled, as planned. While Iluka had planned to idle the Mid West Western Australian kiln ("SR3") shortly after the cessation of mining activities, revised commercial arrangements with customers have supported an extension of synthetic rutile production to the end of 2010.
- The Murray Basin Stage 2 operation has achieved targeted production rates (refer Iluka ASX Release, 13 July 2010), which is reflected in a higher June 2010 quarter zircon production figure of 37.9 thousand tonnes, an increase of 58.6 per cent relative to the March 2010 quarter. Year-to-date rutile production was 67.4 thousand tonnes which represents a 111.3 per cent increase relative to the first six months of 2009. Zircon production for the first six months of 2010 was 61.8 thousand tonnes, a 34.8 per cent increase relative to the first six months of 2009.
- In response to increased demand for high grade zircon the Virginia mineral separation plant was ramped back up to full production in mid February. The return of mining operations to full production has been brought forward to July from October.

Sales Volumes

- Sales volumes in the first half of 2010 have recovered from the historic low levels experienced in the first half of 2009 associated with the adverse impact on demand flowing from the global economic crisis. Demand recovery for zircon in 2010 reflects a rebound in demand in China to pre global economic crisis levels, a recovery in European demand and robust North American demand. Demand for high grade titanium dioxide products (rutile and synthetic rutile) has also recovered.
- Zircon sales volumes increased nearly four-fold in the first half of 2010, relative to the first half of 2009. Zircon sales year-to-date of 205.4 thousand tonnes exceeded production of 163.2 thousand tonnes, and have led to a drawdown of inventory as well as the sale, in the first half, of the final Western Australian production. Murray Basin Stage 2 and Jacinth-Ambrosia production, which occurred towards the end of the June quarter, did not make a material contribution to sales volumes in the first half.
- Rutile sales volumes of 101.6 thousand tonnes for the first six months of 2010 represent a more than three-fold increase from 2009, and are closely matched with production (102.2 thousand tonnes).
- Synthetic rutile sales volumes of 161.3 thousand tonnes are similar to 2009 levels (163.8 thousand tonnes), and while lower than production this reflects, in large part, the timing of shipments along with some additional production.
- Lower ilmenite sales volumes of 187.4 thousand tonnes for the first six months of 2010, relative to 2009 (214.8 thousand tonnes), reflect the closure of Western Australian mining operations in 2009 and a lower proportion of ilmenite produced from the Murray Basin operations suitable for sale.

Sales Revenue

Mineral sands sales revenue (before hedging) for the first six months was \$378.4 million, a 93.8 per cent increase compared with the first six months of 2009 (\$195.2 million). This excludes the contribution from the Mining Area C royalty. June quarter mineral sands sales revenue at \$229.0 million (before hedging) was 53.3 per cent higher than the March 2010 quarter.

Cash Costs of Production

Cash costs of production for the first six months of 2010 were \$265.0 million. This excludes restructuring costs, previously advised as expected to be between \$10 million to \$15 million for the full year, associated with the idling of Western Australian mining operations.

Market Conditions

Year-to-date, Iluka has experienced favourable market conditions, indicated by:

- strong demand across its product suite and an associated drawdown of raw material inventories;
- in the case of zircon, an inability to meet customer requirements fully;
- industry wide price increases for zircon since the beginning of the year, and
- the sale of some small uncontracted volumes of synthetic rutile (in the second half) at prices materially higher than levels achieved under prevailing contracts at the beginning of the year.

Macro market demand for mineral sands products is shaped by global and regional economic growth patterns. It is Iluka's assessment that constrained supply of both zircon and high grade titanium dioxide products will exert a significant influence upon market dynamics.

Iluka plans to provide further information on market conditions at the time of the half year results release on 26 August.

GROUP MINERAL SANDS PRODUCTION

30 June 2010

The following provides production from Iluka's three mineral processing plants, with the source of that production attributed to the regional operating mines. A similar table showing year-to-date and rolling 12 month comparison is on page 9. 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. Refer page 11 for an explanation of terminology used.

Physical Production

	Jun-09 Quarter	Mar-10 Quarter	Jun-10 Quarter	Jun-10 Qtr vs Mar-10 Qtr	Jun-10 Qtr vs Jun-09 Qtr
	kt	Kt	kt	%	%
<u>Zircon</u>					
Jacinth-Ambrosia, Eucla Basin	-	7.3	36.2	395.9	N/A
Perth Basin, Western Australia	42.5	16.1	14.2	(11.8)	(66.6)
Eucla/Perth Basins (SA/WA)	42.5	23.4	50.4	115.4	18.6
Murray Basin (VIC)	13.6	23.9	37.9	58.6	178.7
Virginia (USA)	11.4	11.2	16.4	46.4	43.9
<u>Total Zircon Production</u>	67.5	58.5	104.7	79.0	55.1
<u>Rutile</u>					
Jacinth-Ambrosia, Eucla Basin	-	0.2	5.0	2,400.0	N/A
Perth Basin, Western Australia	16.1	17.7	11.9	(32.8)	(26.1)
Eucla/Perth Basins (SA/WA)	16.1	17.9	16.9	(5.6)	5.0
Murray Basin (VIC)	14.2	27.4	40.0	46.0	181.7
<u>Total Rutile Production</u>	30.3	45.3	56.9	25.6	87.8
<u>Ilmenite – Saleable</u>					
Jacinth-Ambrosia, Eucla Basin	-	3.4	25.2	641.2	N/A
Perth Basin, Western Australia	65.7	36.6	26.3	(28.1)	(60.0)
Eucla/Perth Basins (SA/WA)	65.7	40.0	51.5	28.8	(21.6)
Murray Basin (VIC)	0.5	20.0	1.7	(91.5)	240.0
Virginia (USA)	46.4	49.2	68.6	39.4	47.8
<u>Total Ilmenite – Saleable</u>	112.6	109.2	121.8	11.5	8.2
<u>Ilmenite – Upgradeable</u>					
Jacinth-Ambrosia, Eucla Basin	-	-	4.3	N/A	N/A
Perth Basin, Western Australia	150.8	71.6	42.2	(41.1)	(72.0)
Eucla/Perth Basins (SA/WA)	150.8	71.6	46.5	(35.1)	(69.2)
<u>Total Ilmenite – Upgradeable</u>	150.8	71.6	46.5	(35.1)	(69.2)
<u>Synthetic rutile (WA)</u>	101.3	85.6	88.3	3.2	(12.8)
<u>Total Mineral Sands Production</u>	462.5	370.2	418.2	13.0	(9.6)

Year to Date Sales Volumes

	6 mths Jun-09	6 mths Jun-10	Jun-10 Half vs Jun-09 Half
	kt	kt	%
Zircon	41.5	205.4	394.9
Rutile	22.3	101.6	355.6
Synthetic Rutile	163.8	161.3	(1.5)
Ilmenite	214.8	187.4	(12.8)
Total Sales	442.4	655.7	48.2

Revenue and Cash Costs of Production

	Jun-09 Quarter	Mar-10 Quarter	Jun-10 Quarter	YTD Jun -10	Jun-10 Qtr vs Mar-10 Qtr	Jun-10 Qtr vs Jun-09 Qtr
					%	%
Total Sales Revenue \$m (pre-hedging)	123.6	149.4	229.0	378.4	53.3	85.3
Total Sales Revenue \$m (post hedging)	116.2	155.4	227.8	383.2	46.6	96.0
Average A\$/US\$ spot rate (cents)	76.1	90.4	88.3	89.4	(2.3)	16.0
Total Cash Production Costs \$m	-	109.7	155.3	265.0	(41.6)	N/A

Cash cost of production may be subject to variation based on finalisation of the half year financial results, planned for release on 26 August.

EXPLORATION COMMENTARY

Eucla Basin, South Australia/Western Australia

Iluka's exploration activities in the Eucla Basin maintained a focus on both brownfield (near mine) and greenfield exploration. Brownfield work included preparation of a new mineral resource model with additional assays and assemblages on the Typhoon deposit, located approximately 4 kilometres south east from the Jacinth-Ambrosia operation. (An Inferred Mineral Resource was announced for this deposit in Iluka's ASX Release dated 15 July 2010).

An airborne radiometric and magnetic survey was completed across Iluka tenements EL3742, EL3638 and EL3637, to the north and east of Jacinth-Ambrosia and data has been processed which initially indicates the presence on several targets, one of which will be drill tested in the September quarter. This anomaly is located approximately 15 kilometres east of the Jacinth-Ambrosia mine and co-incides with surface accumulations containing up to 7 per cent heavy mineral ("HM").

In relation to greenfield exploration, drilling continued on first pass regional stratigraphic lines, testing tenements north and north-west of Jacinth-Ambrosia on ELs 4331, 33, 34, 35, 37, 38, 40 41, 42, 43, 49, 55, and 57. A total of 17 regional traverses were completed for 303 line kilometres.

These regional drill traverses are designed to test for geologically favourable hosts (sand) and indications of visual estimates of anomalous HM (>1% HM over 3 metres down hole). Several zones of anomalous mineralisation were intersected but await confirmation by assaying. This programme is part of a broader regional exploration programme designed to initially test prospective areas over the course of 2010.

Another drilling programme was completed in May along the Western Australian portion of the Eucla Basin for a total of 92 holes for 2,147 metres. Whilst suitable host sands were intersected, only four holes returned anomalous assays. A review of the geology will determine the next stage of work.

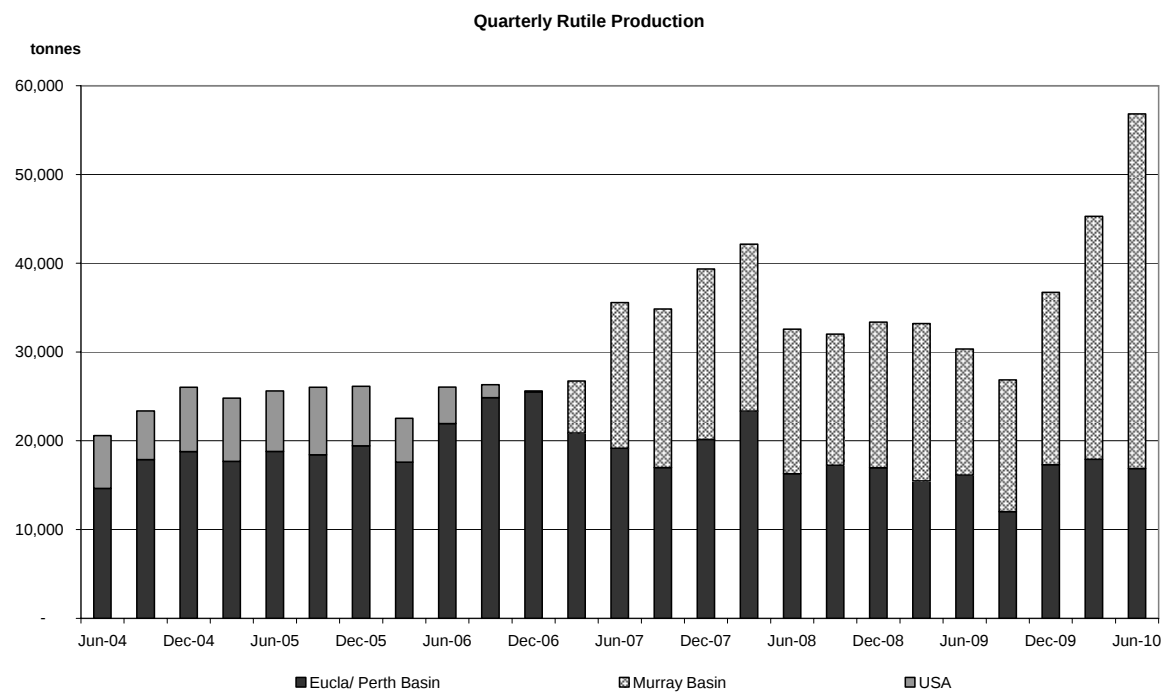
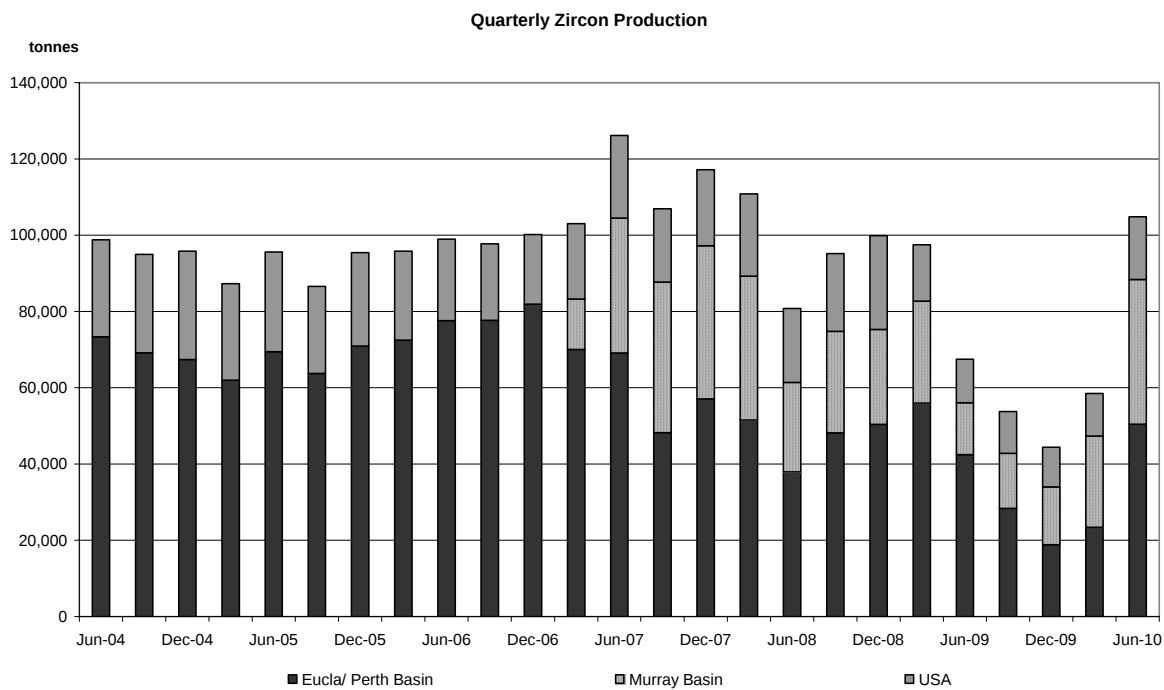
During the quarter, Eucla Basin drilling totalled 450 holes for 17,942 metres. Refer Iluka Mineral Sands Briefing Paper – Iluka's Exploration Focus (www.iluka.com) for further information on Eucla Basin exploration activities.

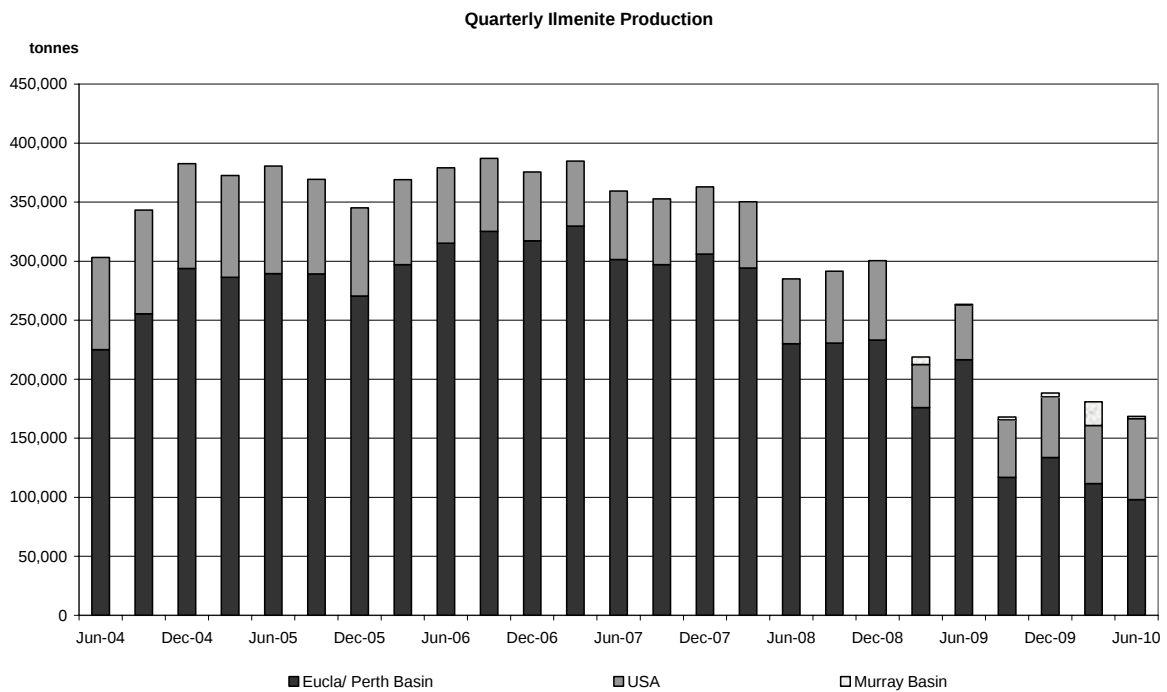
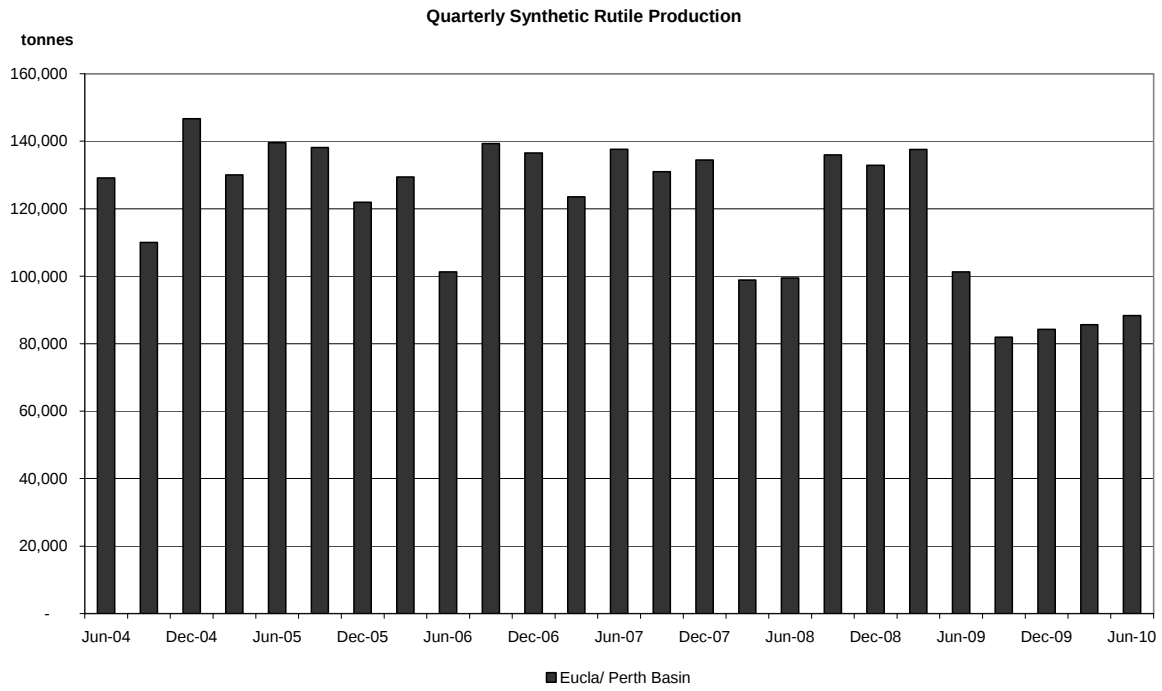
Murray Basin – Victoria/New South Wales

A resource definition programme was completed on the northern extension of the Kulwin mine and a similar programme tested the northern extension of the resource at the Nepean deposit on EL 7450. Following the granting of statutory approvals a major infill resource drilling programme commenced in the Euston project area, starting with the Koolaman deposit. This programme is designed to provide resource parameters for mine planning as part of feasibility studies for the potential development of these northern Murray Basin deposits.

Greenfield exploration continued on ELs 7393, 7396, 7152 and 6809 to test for suitable host stratigraphies and targets in the basin. Assays and geological review will determine future exploration. During the quarter, Murray Basin drilling increased significantly and totalled 267 holes for 14,496 metres.

APPENDIX 1 – PRODUCTION SUMMARIES





APPENDIX 2 – 6 MONTH AND 12 MONTH COMPARATIVE DATA

	YTD Jun-09	YTD Jun-10	12 mth to Jun-09	12 mth to Jun-10	12 mth Jun-10 vs 12 mth Jun-09
	kt	kt	kt	kt	%
<u>Zircon</u>					
Jacinth-Ambrosia, Eucla Basin	-	43.5	0.0	43.5	N/A
Perth Basin, Western Australia	98.4	30.3	197.0	77.5	(60.7)
Eucla/Perth Basins (SA/WA)	98.4	73.8	197.0	121.0	(38.6)
Murray Basin (VIC)	40.3	61.8	91.8	91.4	(0.4)
Virginia (USA)	26.2	27.6	69.7	48.9	(29.8)
Total Zircon Production	164.9	163.2	358.5	261.3	(27.1)
<u>Rutile</u>					
Jacinth-Ambrosia, Eucla Basin	-	5.2	-	5.2	N/A
Perth Basin, Western Australia	31.6	29.6	65.8	58.9	(10.5)
Eucla/Perth Basins (SA/WA)	31.6	34.8	65.8	64.1	(2.6)
Murray Basin (VIC)	31.9	67.4	63.1	101.6	61.0
Total Rutile Production	63.5	102.2	128.9	165.7	28.5
<u>Ilmenite - Saleable</u>					
Jacinth-Ambrosia, Eucla Basin	-	28.6	-	28.6	N/A
Perth Basin, Western Australia	73.1	62.9	226.8	136.4	(39.9)
Eucla/Perth Basins (SA/WA)	73.1	91.5	226.8	165.0	(27.2)
Murray Basin (VIC)	6.9	21.7	6.9	27.3	295.7
Virginia (USA)	82.8	117.8	210.9	217.9	3.3
Total Ilmenite -Saleable	162.8	231.0	444.6	410.2	(7.7)
<u>Ilmenite - Upgradeable</u>					
Jacinth-Ambrosia, Eucla Basin	0.0	4.3	-	4.3	N/A
Perth Basin, Western Australia	319.5	113.8	629.7	291.0	(53.8)
Eucla/Perth Basins (SA/WA)	319.5	118.1	629.7	295.3	(53.1)
Murray Basin (VIC)	-	-	-	-	N/A
Total Ilmenite – Upgradeable	319.5	118.1	629.7	295.3	(53.1)
Synthetic rutile (WA)	238.8	173.9	507.7	340.1	(33.0)
Total Mineral Sands Production	949.5	788.4	2,069.4	1,472.6	(28.8)

APPENDIX 3 - OPERATING MINES – PHYSICAL DATA

6 Months to 30 June 2010

Refer Iluka's 2009 Annual Shareholder Review for 2009 physical data

	Jacinth-Ambrosia	Murray Basin ¹	Western Australia	Australia Total	Virginia	Group Total
Mining						
Overburden Moved bcm	820.7	3,863.1	1,132.3	5,816.1	-	5,816.1
Ore Mined kt	4,590.6	4,088.1	3,626.1	12,304.8	1,812.6	14,117.4
Ore Grade HM %	7.6	18.8	9.9	12.0	8.9	11.6
VHM Grade %	6.2	5.1	8.2	6.4	7.9	6.6
Concentrating						
HMC Produced kt	306.9	290.9	283.2	881.0	162.9	1,043.9
VHM Produced kt	249.2	192.5	239.7	681.4	135.1	816.5
VHM in HMC Assemblage %	81.2	66.2	84.6	77.3	82.9	78.2
Zircon	49.0	29.2	14.7	31.4	16.5	29.1
Rutile	6.5	33.0	10.2	16.4	-	13.9
Ilmenite Saleable	24.7	9.3	59.9	30.9	66.4	36.5
Processing (HMC to finished product at a mineral separation plant)						
HMC Processed kt	115.4	252.6	291.9	659.9	181.2	841.1
Finished Product kt						
Zircon ²	43.5	61.8	30.3	135.6	27.6	163.2
Rutile ³	5.2	67.4	29.6	102.2	-	102.2
Ilmenite Saleable	28.6	21.7	62.9	113.2	117.8	231.0
Ilmenite Upgradeable	4.3	-	113.8	118.1	-	118.1
Synthetic Rutile Produced kt			173.9	173.9		173.9

¹ Murray Basin Ore Grade HM excludes grade attributable to low quality, unsaleable ilmenite which is returned to the mine.

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.

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.

Investment market and media inquiries

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