

21 October 2010

QUARTERLY PRODUCTION REPORT 30 SEPTEMBER 2010

OVERVIEW

- Iluka increased production of its main, high value products of zircon and rutile during the quarter, following achievement of nameplate capacity in July at its new operations of Jacinth-Ambrosia and Murray Basin Stage 2. Synthetic rutile production from the two operating kilns was in line with the June quarter.
- The significant production uplift from the same period in 2009 reflects both a recovery in global demand in the current year and Iluka's efforts in 2009 – especially in relation to zircon – to match production to the then reduced global demand.
- Sales performance across Iluka's products remained strong, with the company unable to meet full customer demand for zircon, and with rutile/high grade titanium dioxide and synthetic rutile volumes fully committed for 2010.
- Sales volumes¹ for zircon and synthetic rutile on a year-to-date basis exceeded production levels, while higher rutile and high titanium dioxide production than sales on a year-to-date basis reflects timing of shipments. Iluka expects to hold minimal inventories across its product range at year-end.
- September quarter revenue after currency hedging was \$209.4 million. Year-to-date sales revenue was \$592.6 million after currency hedging (2009: \$300.4 million).
- Iluka achieved a third zircon price increase for 2010, effective from 1 October. Following this increase, Iluka's average received zircon price across the Group in the fourth quarter will be above US\$1,000/tonne FOB and approximately 30 per cent higher than zircon prices at the end of 2009.

PRODUCTION COMMENTARY

- Zircon production in the September quarter increased 20.3 per cent compared with the June quarter to 126 thousand tonnes, despite a lower contribution from the Mid West, Western Australian operations which reflected the processing of residual concentrate following the idling earlier in 2010 of these mining operations. The idling of the Mid West mining operation has enabled higher margin Jacinth-Ambrosia concentrate to be processed instead at the Mid West mineral processing facilities.
- Year-to-date zircon production was 289.4 thousand tonnes (same period in 2009: 218.7 thousand tonnes).
- Rutile production in the September quarter increased 16.4 per cent compared with the June quarter, to 73.1 thousand tonnes, reflecting higher Murray Basin production. Year-to-date rutile production was 186.3 thousand tonnes (same period in 2009: 101.5 thousand tonnes).

¹ Iluka discloses sales volume as part of the June quarter and December quarter production reports.

- Synthetic rutile production of 86.2 million tonnes in the September quarter was similar to the June quarter. Year-to-date synthetic rutile production was 260.2 thousand tonnes (same period in 2009: 320.7 thousand tonnes). The lower production reflects Iluka's decision to idle part of its synthetic rutile capacity in the previous period.

MARKET COMMENTARY

- Zircon demand from customers has remained in excess of the company's ability to supply, a situation which has led to rationing of volumes across customers and which is expected to continue throughout the fourth quarter.
- As indicated previously, Iluka has increased prices for zircon, effective from 1 October 2010.
- High-grade titanium dioxide products continue to be in short supply.
- Iluka is supplying rutile and synthetic rutile volumes in accordance with contractual arrangements, most of which expire at the end of 2010. Iluka is in discussion with major pigment customers (the largest customer segment) regarding allocation of available production volumes for 2011.

GROUP MINERAL SANDS PRODUCTION

30 September 2010

The following provides production from Iluka's three mineral processing plants, with the source of that production attributed to the regional operating mines. 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. Iluka's financial reporting structure is: Perth/Eucla Basin (Jacinth-Ambrosia and Western Australian sourced production, as well as synthetic rutile production), Murray Basin and Virginia.

Physical Production

	Sep-09 Quarter	June-10 Quarter	Sep-10 Quarter	Sep-10 Qtr vs June-10 Qtr	Sep-10 Qtr vs Sep-09 Qtr
	kt	kt	kt	%	%
Zircon					
Jacinth-Ambrosia, Eucla Basin	-	36.2	53.0	46.4	N/A
Perth Basin, Western Australia	28.4	14.2	9.5	(33.1)	(66.5)
Eucla/Perth Basins (SA/WA)	28.4	50.4	62.5	24.0	120.1
Murray Basin (Vic)	14.5	37.9	48.4	27.7	233.8
Virginia (USA)	10.9	16.4	15.1	(7.9)	38.5
Total Zircon Production	53.8	104.7	126.0	20.3	134.2
Rutile/High Grade Titanium Products¹					
Jacinth-Ambrosia, Eucla Basin	-	5.0	1.8	(64.0)	N/A
Perth Basin, Western Australia	12.0	11.9	8.8	(26.1)	(26.7)
Eucla/Perth Basins (SA/WA)	12.0	16.9	10.6	(37.3)	(11.7)
Murray Basin (Vic)	16.2	45.9	62.5	36.2	285.8
Total Rutile Production	28.2	62.8	73.1	16.4	159.2
Ilmenite - Saleable					
Jacinth-Ambrosia, Eucla Basin	-	25.2	24.6	(2.4)	N/A
Perth Basin, Western Australia	20.7	26.3	0.0	N/A	N/A
Eucla/Perth Basins (SA/WA)	20.7	51.5	24.6	(52.2)	18.8
Murray Basin (Vic)	2.5	1.7	9.0	429.4	260.0
Virginia (USA)	48.6	68.6	62.6	(8.7)	28.8
Total Ilmenite -Saleable	71.8	121.8	96.2	(21.0)	34.0
Ilmenite - Upgradeable					
Jacinth-Ambrosia, Eucla Basin	-	4.3	21.6	402.3	N/A
Perth Basin, Western Australia	96.3	42.2	47.0	11.4	(51.2)
Eucla/Perth Basins (SA/WA)	96.3	46.5	68.6	47.5	(28.8)
Total Ilmenite – Upgradeable	96.3	46.5	68.6	47.5	(28.8)
Synthetic rutile (WA)	81.9	88.3	86.2	(2.4)	5.3
Total Mineral Sands Production	332.0	424.1	450.1	6.1	35.6

¹ Refer explanatory comment on page 12

Mineral Sands Sales Revenue

	Sep-09 Quarter	Jun-10 Quarter	Sep-10 Quarter	YTD Sep 10	Sep-10 Qtr vs Jun-10 Qtr %	Sep-10 Qtr vs Sep-09 Qtr %
Total Sales Revenue \$m (pre-hedging)	(153.5)	(229.0)	(212.4)	(590.8)	(7.2)	38.4
Total Sales Revenue \$m (post hedging)	(151.1)	(227.8)	(209.4)	(592.6)	(8.1)	38.6
Average A\$/US\$ spot rate (cents)	83.2	88.3	90.2	89.7	2.2	8.5

Overview Comments

Zircon

Zircon production for the September quarter of 126 thousand tonnes was 20.3 per cent higher than the June quarter. This increase reflects higher production from the Jacinth-Ambrosia operation in South Australia and from the Murray Basin in Victoria.

Both Jacinth-Ambrosia and the Murray Basin Stage 2 (Kulwin deposit) mining and concentrating operations achieved name plate capacity in July, after commissioning and ramp up. As indicated in Appendix 3, Jacinth-Ambrosia year-to-date has produced over 500 thousand tonnes of heavy mineral concentrate ("HMC"), with approximately 270 thousand tonnes of this processed into final product. An HMC stockpile build, mainly at the mine site in South Australia, will be transported progressively to the Narngulu processing facilities in Western Australia. While some part of this HMC will be processed into finished product, Iluka intends - as previously advised - to maintain a holding of this semi-finished product as a precaution against any potential disruption to the transport logistics chain for HMC associated with the Jacinth-Ambrosia operation. Zircon production in the quarter included a smaller component of residual Western Australian concentrate being processed into finished product. This is expected to cease at or near year-end as Eneabba mining sourced concentrate is exhausted.

Rutile and other high-grade titanium dioxide

Rutile and other high-grade titanium production of 73.1 thousand tonnes is a 16.4 per cent increase compared with the June quarter, reflecting higher Murray Basin production.

Synthetic Rutile

Synthetic rutile production was stable quarter-on-quarter and reflects steady production from two of Iluka's four kilns – SR2 in the South West of Western Australia and SR3 in the Mid West of Western Australia. SR2 continues to achieve higher production throughputs compared with the same period a year ago, associated with successful debottlenecking activities and improved operating practices. Iluka has delayed idling of the SR3 kiln to the

end of 2010, following determination of suitable pricing arrangements with customers. As previously advised, Iluka expects to operate a one kiln business in 2011 (approximately 200 thousand tonnes capacity) with a decision on re-activating idled capacity unlikely to be taken until towards the end of 2011 or early 2012.

Ilmenite

Saleable ilmenite volumes were lower in the quarter, at 96.2 thousand tonnes, reflecting the lower contribution from Western Australia following the idling of the remaining mining operations at Eneabba. Ilmenite is the lowest value product in Iluka's product suite and the company's predominant focus in terms of ilmenite production (with the exception of Virginia) is the production of ilmenite suitable for upgrading in its synthetic rutile kilns. Accordingly, upgradeable ilmenite increased to 68.6 thousand tonnes, mainly reflecting new Jacinth-Ambrosia ilmenite production. Murray Basin ilmenite is not currently characterised as suitable for upgrading, nor makes a material contribution to ilmenite sales. Iluka is planning to commence a trial that will involve the blending of Murray Basin and Jacinth-Ambrosia ilmenites to determine whether this feed source may be suitable for ongoing use in its synthetic rutile process.

EXPLORATION

Eucla Basin, South Australia/Western Australia

Iluka's exploration activities in the Eucla Basin continued its two-phase focus, addressing brownfield (near mine) and greenfield exploration opportunities on parts of Iluka's 50 thousand square kilometres of tenement holdings in the Basin. These activities were accelerated in the period by the addition of a second drill rig and helicopter for field support.

An airborne radiometric and magnetic survey completed in the June quarter was used to target potential Heavy Mineral ("HM") areas near the Jacinth-Ambrosia mine (refer Figure 1 below). The subsequent exploration drilling programme has targeted an area up to 15 kilometres east and north of Jacinth-Ambrosia on EL3742 along 8 traverses for 64 line kilometres, totalling 13,963 metres. Assay results are awaited. Encouraging visual estimates of heavy mineral (>1m @3%HM) were intersected along all 8 tranverses at depths varying from 6 to 60 metres. The exploration area has been named Atacama.

Greenfield exploration was completed along first pass regional stratigraphic lines, north and north west of Jacinth-Ambrosia. A total of 23 regional traverses were completed for 530 line kilometres, 75 per cent more than in the June quarter. Encouraging zones of HM mineralisation (>1m @ 3%HM) were intersected along several traverses and will be the subject of follow up exploration in the December quarter and in 2011.

A third (1600 metre) drilling programme is planned for the December quarter to test prospective areas remaining along the Western Australian portion of the Eucla Basin.

During the quarter, drilling totalled 689 holes for 30,374 metres.

Murray Basin – Victoria/New South Wales/South Australia

Resource delineation programmes were completed on the northern extension of the Kulwin mine (the first mine development as part of the Murray Basin Stage 2 development)

and at both the Koolaman, which is associated with the Euston group of deposits in New South Wales and Earl deposits, associated with the West Balranald group of deposits (refer Figure 2 below).

Exploration at the Nepean deposit (20 holes for 1375m) on EL 7450 increased the overall inferred mineral resource HM tonnes by 5%, and resource infill drilling commenced to increase confidence to Indicated (according to JORC) for the entire deposit.

Greenfield exploration continued on EL 4364, 7470 and 7471, located in New South Wales. This group of tenements will be associated with testing new areas in the northwest margin of the Murray Basin.

During the quarter, Murray Basin drilling increased significantly and totalled 340 holes for 19,078 metres.

Perth Basin – Western Australia

Exploration continued on eight tenements in the Perth Basin purchased last year. Resource delineation drilling has been completed on the Tutunup deposit, a planned new mine in the South West expected to follow mining at the Tutunup South deposit. During the quarter, 69 holes completed for 852 metres.

As part of an ongoing review of existing exploration tenements, Iluka has accepted binding offers from third parties for a number of tenements and mineral resources in the South and Mid West of the Perth Basin.

Figure 1. Current Eucla Basin Exploration Areas of Focus

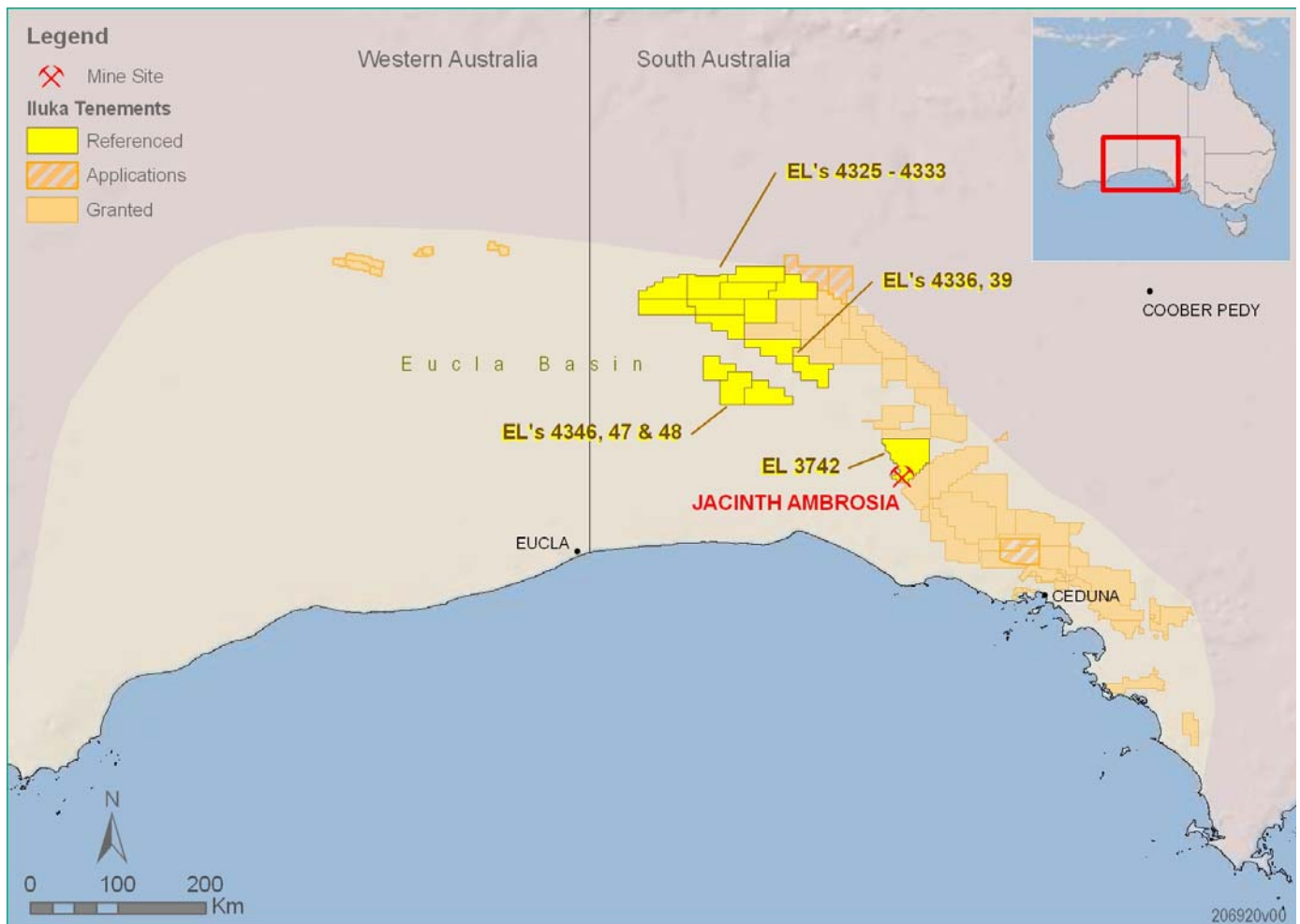
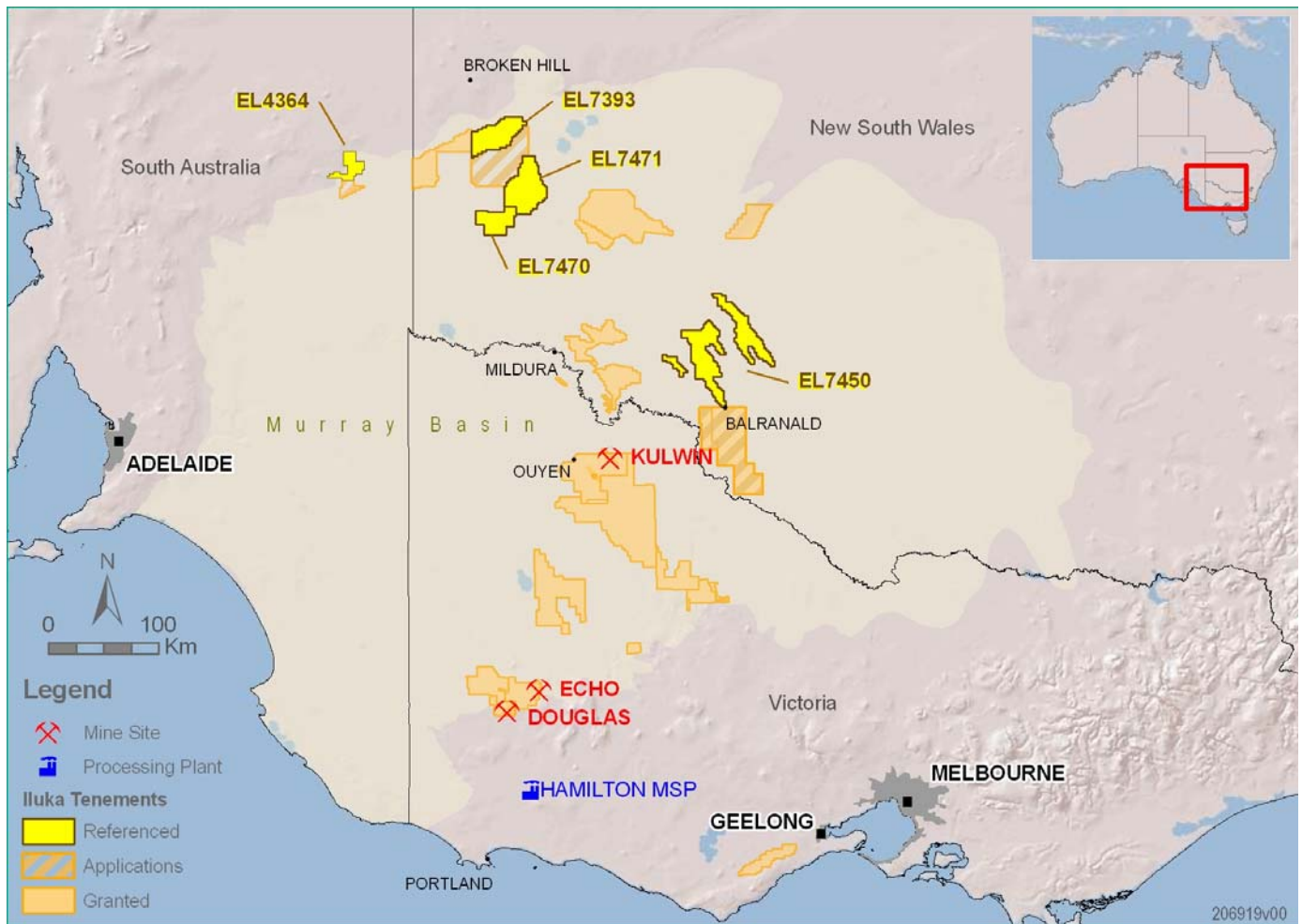
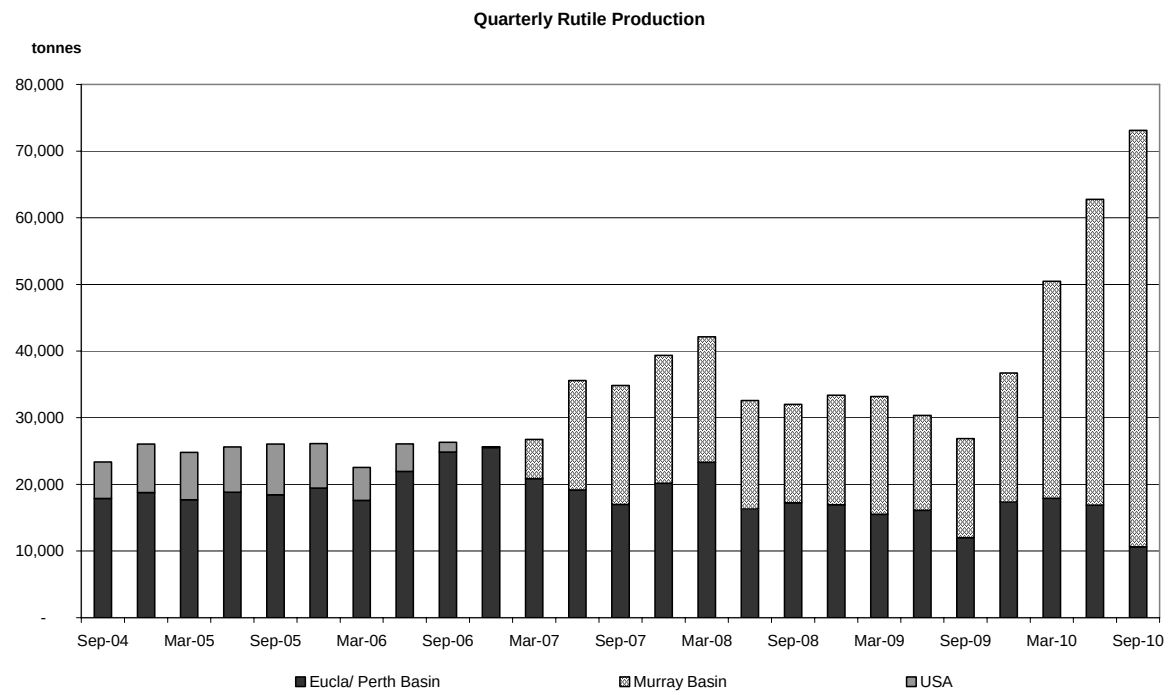
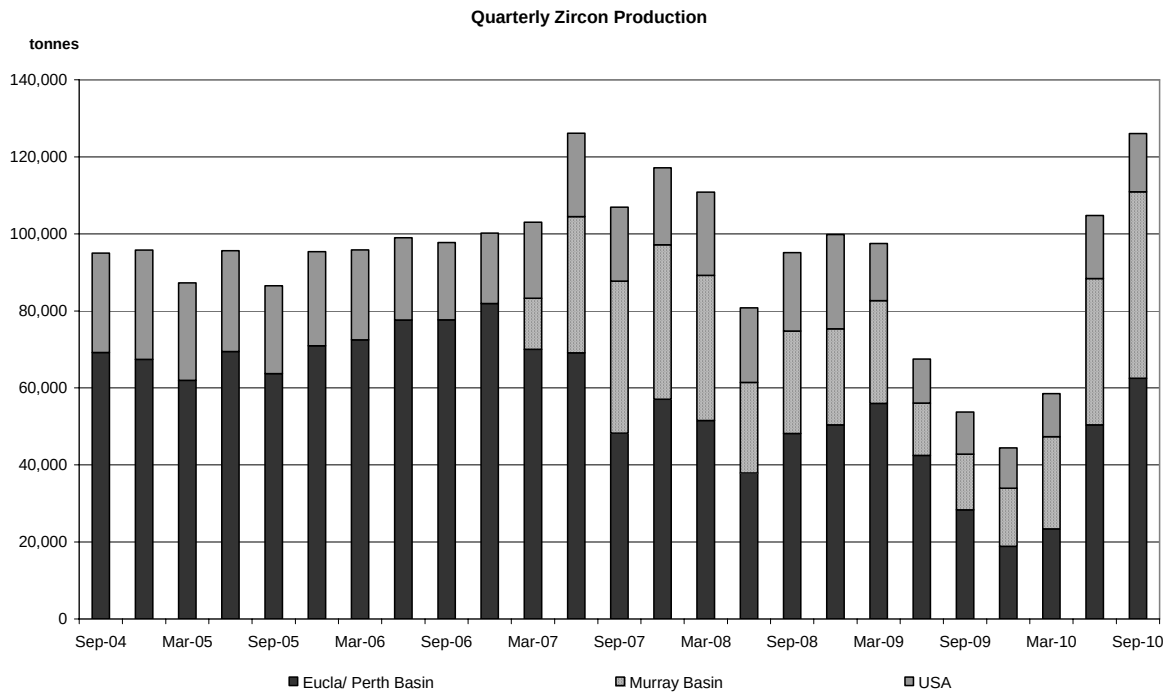


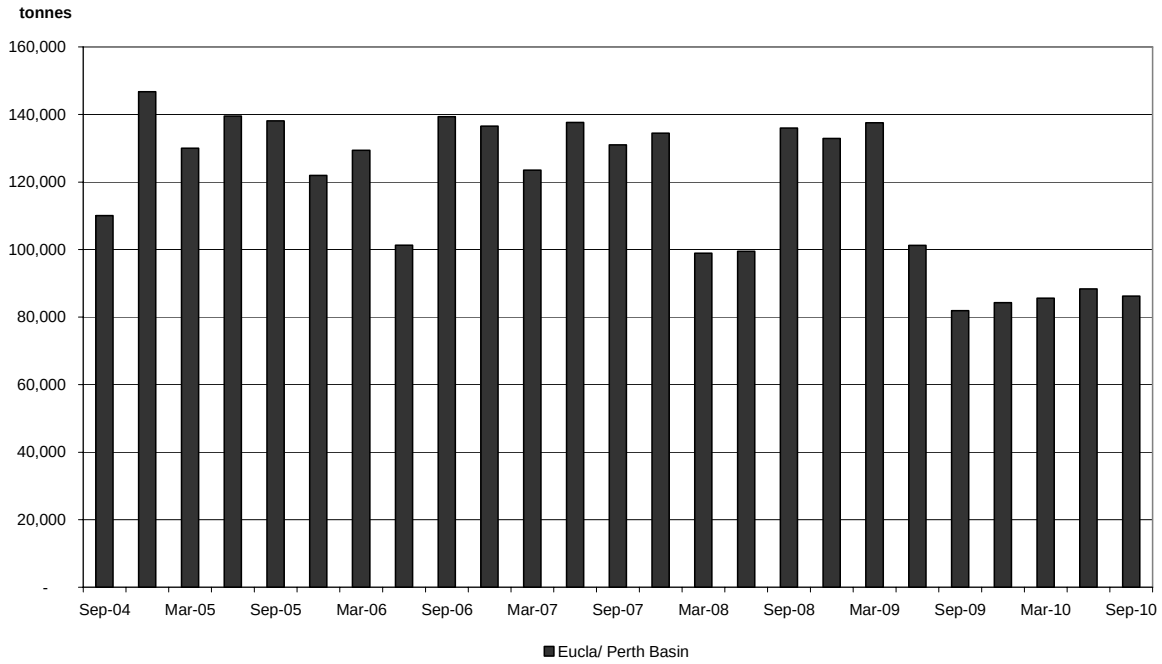
Figure 2. Current Murray Basin Exploration Areas of Focus



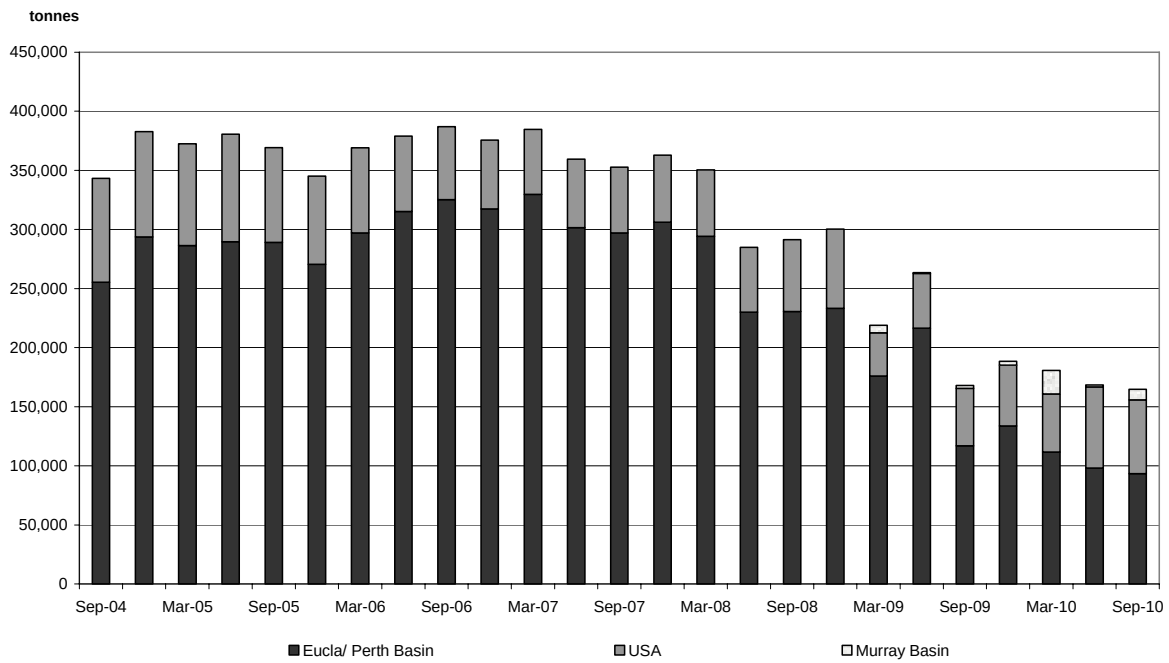
APPENDIX 1 PRODUCTION SUMMARIES



Quarterly Synthetic Rutile Production



Quarterly Ilmenite Production



APPENDIX 2 YEAR TO DATE & 12 MONTH PRODUCTION

	YTD Sep 09	YTD Sep 10	12 mth to Sep- 09	12 mth to Sep- 10	12 mth Sep-10 vs 12 mth Sep-09
	kt	kt	kt	%	%
Zircon					
Jacinth-Ambrosia, Eucla Basin	-	96.6	0.0	96.6	N/A
Perth Basin, Western Australia	126.8	39.8	177.2	58.6	(66.9)
Eucla/Perth Basins (SA/WA)	126.8	136.4	177.2	155.2	(12.4)
Murray Basin (Vic)	54.8	110.3	79.7	125.4	57.3
Virginia (USA)	37.1	42.7	60.2	53.1	(11.8)
Total Zircon Production	218.7	289.4	317.1	333.7	5.2
Rutile					
Jacinth-Ambrosia, Eucla Basin	-	7.0	0.0	7.0	N/A
Perth Basin, Western Australia	49.6	38.4	70.1	55.7	(20.5)
Eucla/Perth Basins (SA/WA)	49.6	45.4	70.1	62.7	(10.6)
Murray Basin (Vic)	51.9	140.9	69.4	163.5	135.6
Total Rutile Production	101.5	186.3	139.5	226.2	62.2
Ilmenite - Saleable					
Jacinth-Ambrosia, Eucla Basin	-	53.2	0.0	53.2	N/A
Perth Basin, Western Australia	93.8	62.9	186.2	115.7	(37.9)
Eucla/Perth Basins (SA/WA)	93.8	116.1	186.2	168.9	(9.3)
Murray Basin (Vic)	9.4	30.7	9.4	33.7	258.5
Virginia (USA)	131.5	180.4	198.7	231.9	16.7
Total Ilmenite -Saleable	234.7	327.2	394.3	434.5	10.2
Ilmenite - Upgradeable					
Jacinth-Ambrosia, Eucla Basin	-	26.0	-	26.0	N/A
Perth Basin, Western Australia	415.8	160.8	556.6	241.8	(56.6)
Eucla/Perth Basins (SA/WA)	415.8	186.8	556.6	267.8	(51.9)
Total Ilmenite – Upgradeable	415.8	186.8	556.6	267.8	(51.9)
Synthetic rutile (WA)	320.7	260.2	453.6	344.4	(24.1)
Total Mineral Sands Production	1,291.4	1,249.9	1,861.1	1,606.6	(13.7)

APPENDIX 3 OPERATING MINES – PHYSICAL DATA

9 Months to 30 September 2010

Refer Iluka's 2009 Annual Shareholder Review for 2009 physical data. Refer also to the physical flow diagram and explanatory comments on Iluka's website [\[Mineral Sands Physical Flow Information\]](#)

	Jacinth-Ambrosia	Murray Basin ¹	Western Australia	Australia Total	Virginia	Group Total
Mining						
Overburden Moved bcm	987.2	6,849.0	1,132.3	8,968.5	-	8,968.5
Ore Mined kt	7,177.3	6,205.6	3,626.2	17,009.1	3,172.2	20,181.3
Ore Grade HM %	8.2	19.8	9.9	12.8	8.5	12.1
VHM Grade %	6.5	5.3	8.2	6.4	7.5	6.6
Concentrating						
HMC Produced kt	501.5	469.6	389.9	1,361.0	270.5	1,631.5
VHM Produced kt	413.8	319.1	329.6	1,062.5	223.5	1,286.0
VHM in HMC Assemblage %	82.5	68.0	84.5	78.1	82.6	78.8
Zircon	49.8	30.6	12.8	32.6	16.6	29.9
Rutile	6.8	33.7	10.0	17.0	-	14.2
Ilmenite Saleable	25.0	10.0	62.0	30.4	66.0	36.3
Processing (HMC to finished product at a mineral separation plant)						
HMC Processed kt	271.2	422.4	385.8	1,079.4	280.3	1,359.7
Finished Product kt						
Zircon ²	96.6	110.3	39.8	246.7	42.7	289.4
Rutile ³	7.0	140.9	38.4	186.3	-	186.3
Ilmenite Saleable	53.2	30.7	62.9	146.8	180.4	327.2
Ilmenite Upgradeable	26.0	-	160.8	186.8	-	186.8
Synthetic Rutile Produced kt			260.2	260.2		260.2

Notes:

- Murray Basin and Jacinth-Ambrosia physicals during 2010 reflect operations in commissioning and ramp up mode (in the case of the Murray Basin, the Kulwin or Stage 2 components) 30 June. As such, production levels, grades and assemblages during part of the period shown in the table may not reflect "steady state" production characteristics.

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. Zircon production may also include small volumes of Iluka zircon processed by third parties.

³ Rutile production volumes predominantly comprise a rutile product with a titanium dioxide content of 95 to 96 per cent, together with a 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. Iluka classifies these products together.

- In some cases, production levels can reflect the processing of semi-finished or HMC held in inventory. Iluka also has the ability to process HMC from various mining operations through various mineral separation plants, for example, the Murray Basin is capable of processing Jacinth-Ambrosia HMC. For this reason, physical flow through of materials may show divergences from time to time.
- Synthetic rutile production may reflect a partial reliance on the purchase of external ilmenite, apart from that sourced from Iluka operations.

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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