

21 May 2008

DEVELOPMENT APPROVAL FOR JACINTH-AMBROSIA MINERAL SANDS PROJECT, SOUTH AUSTRALIA

Iluka Resources Limited ("Iluka") yesterday approved development of the Jacinth-Ambrosia mineral sands project, located in the Eucla Basin of South Australia, approximately 200 kilometres North West of Ceduna.

The Board of Iluka has approved project capital expenditure of up to \$420 million, which includes funding previously approved and announced in March 2008 for early initial engineering and procurement of certain long lead items.

When developed, Jacinth-Ambrosia will represent a globally significant, long life source of zircon. It is expected to produce an estimated 6 million tonnes of Heavy Mineral Concentrate ("HMC"), incorporating approximately 2.9 million tonnes of zircon, plus associated rutile and ilmenite production streams.

Subject to the necessary regulatory approvals, Iluka plans to commence mining and production activities and ship HMC from South Australia by the first quarter in 2010. The HMC is planned to be processed at Iluka's Narngulu minerals separation facilities at Geraldton, Western Australia, with first product expected to be available for sale in the second half of 2010.

David Robb, Iluka's Managing Director stated: "The commitment to the Jacinth-Ambrosia project, in combination with the Murray Basin Stage 2 development, represents the major part of rebuilding Iluka's production platform to capitalise on increasingly favourable industry dynamics. I believe we are on the threshold of a new era for our industry, driven by the forces of growth and urbanisation in emerging economies – most particularly China. Demand for the products Iluka produces is strengthening at a time when we are preparing to bring on high quality, long life new zircon and rutile production sources. When added to our advantageous geographical position, a tremendous opportunity lies ahead."

"Jacinth-Ambrosia and Murray Basin Stage 2 are expected to consolidate Iluka's market leadership position in zircon and rutile and to be the major contributors, along with Iluka's continuing interest in the Mining Area C iron ore royalty stream, to improved earnings and cash flow."

"While both are large projects, we believe delivery risk is manageable, subject to timely regulatory and other external approvals, given we are using conventional mineral sands mining and processing approaches and we are leveraging existing assets – reusing a concentrator from our US operations and expanding existing Iluka separation plants at Hamilton and Narngulu," Mr Robb said.

The Jacinth-Ambrosia deposits are expected to produce an estimated 2.9 million tonnes of recoverable zircon over their estimated life from first production in 2010 until expected depletion at the end of 2020. Annual production of approximately 300,000 tonnes of zircon from the Jacinth deposit is expected to be sustained from the first full year of operation in 2011 until 2015 based on current mine plans.

Iluka is confident that further discoveries within its as yet lightly explored tenement holding of over 52,000 square kilometres, have the potential to supplement current zircon production plans and extend mineral sands production from the Eucla Basin well beyond 2020.

Murray Basin Stage 2 is planned to commission and commence initial production in the first quarter of 2009, subject to timely regulatory approvals. Planned production from Stage 2 is expected to increase total Murray Basin production to an average level of 330,000 tonnes per annum of rutile and zircon over the period 2009 to 2012 inclusive, compared with the 2007 production level of approximately 185,000 tonnes. On the basis of current mine plans, the Murray Basin is expected to have an economic life to at least 2023.

"Apart from effective project execution, the major focus will be on bringing new production into the market in a manner which optimises margin capture across Iluka's total production base and therefore maximises financial outcomes for the benefit of Iluka shareholders. I believe there are a number of new approaches and initiatives we can bring to bear to further penetrate growth markets and secure new customers while growing with, and enhancing our offer to, our existing customers. For example, Iluka is the largest single supplier of zircon into China, but we are actually under weight in China relative to our market shares in more mature markets. While our sales growth plans are important, they are backed by a clear assessment of the pricing and volume tradeoffs which we need to make to achieve the return outcomes we seek", Mr. Robb said.

"When commissioned, Jacinth-Ambrosia will have been developed, in a remote region of South Australia, and a major expansion of the Narngulu separation facility will have been completed in Western Australia, in a period of less than six years from first discovery of the resource. In looking forward to this achievement, Iluka acknowledges the strong level of support provided by the Governments of South Australia and Western Australia and their agencies, by the Ceduna Shire Council and, crucially, by the people of the Far West Coast Aboriginal community," Mr Robb said.

Investment market and media inquiries

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Jacinth-Ambrosia Mineral Sands Development

This document outlines current development and operating plans and approaches for the Jacinth-Ambrosia mineral sands project. It should be noted that these are subject to continuing review during the project implementation and operating phases of the project and may therefore be subject to change.

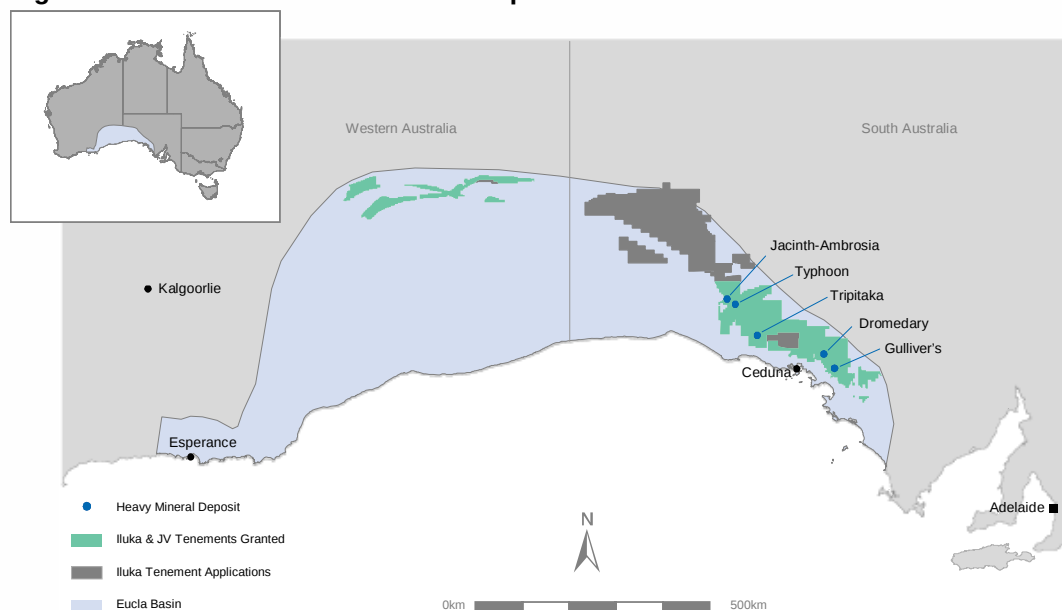
Background

Jacinth and Ambrosia are the first zircon-rich mineral sands deposits which are planned to be developed by Iluka in the Eucla Basin of South Australia. Iluka has a tenement holding of over 52,000 square kilometres across ancient coastlines from South Australia into Western Australia. The characteristics of the discoveries to date, including Tripitaka (a joint venture with Adelaide Resources), are their high zircon assemblages, ranging as high as 68 per cent and averaging 50 per cent for Jacinth-Ambrosia.

The Jacinth-Ambrosia deposit is notable for the following characteristics:

- Large – Measured, Indicated and Inferred Mineral resources totalling 9.5 million tonnes of Heavy Mineral (“HM”), with a known zircon content of around 3.5 times 2007 global zircon consumption.
- High quality – Probable Ore Reserves of 6.4 million tonnes of HM, with an average grade of 6.5%, an average zircon assemblage of 50%, and zircon to titanium dioxide ratio which Iluka believes will be approximately 10 times the industry average.
- Scale – current planned production of 300,000 tonnes per annum zircon production in 2011, following expected commissioning and ramp up during the second half of 2010.
- Long life – expected mine life in excess of 10 years mine life based on current known reserves and forecast production levels.
- High zircon value product stream – zircon prices have averaged 1.2 times rutile prices and six times chloride ilmenite prices over the period 2001 – 2007.

Figure 1 Jacinth-Ambrosia Location Map



Minerals Reserves & Ore Resources

Table 1 provides a summary of the Jacinth-Ambrosia Mineral Resources and Ore Reserves.

Table 1 Eucla Basin Mineral Resources and Ore Reserves¹

Region	Deposit	Ore Reserve Category ²	Ore Tonnes (mt)	In Situ HM Tonnes (mt)	HM Grade (%)	Clay Grade (%)	HM Assemblage ³		
							Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)
Eucla Basin	Ambrosia	Probable	30.3	1.5	4.8	15	22	55	5
	Jacinth	Probable	68.1	5.0	7.3	10	30	49	5
Eucla Basin	Total Probable		98.4	6.4	6.5	12	28	50	5
Eucla Basin	Grand Total		98.4	6.4	6.5	12	28	50	5

Notes:

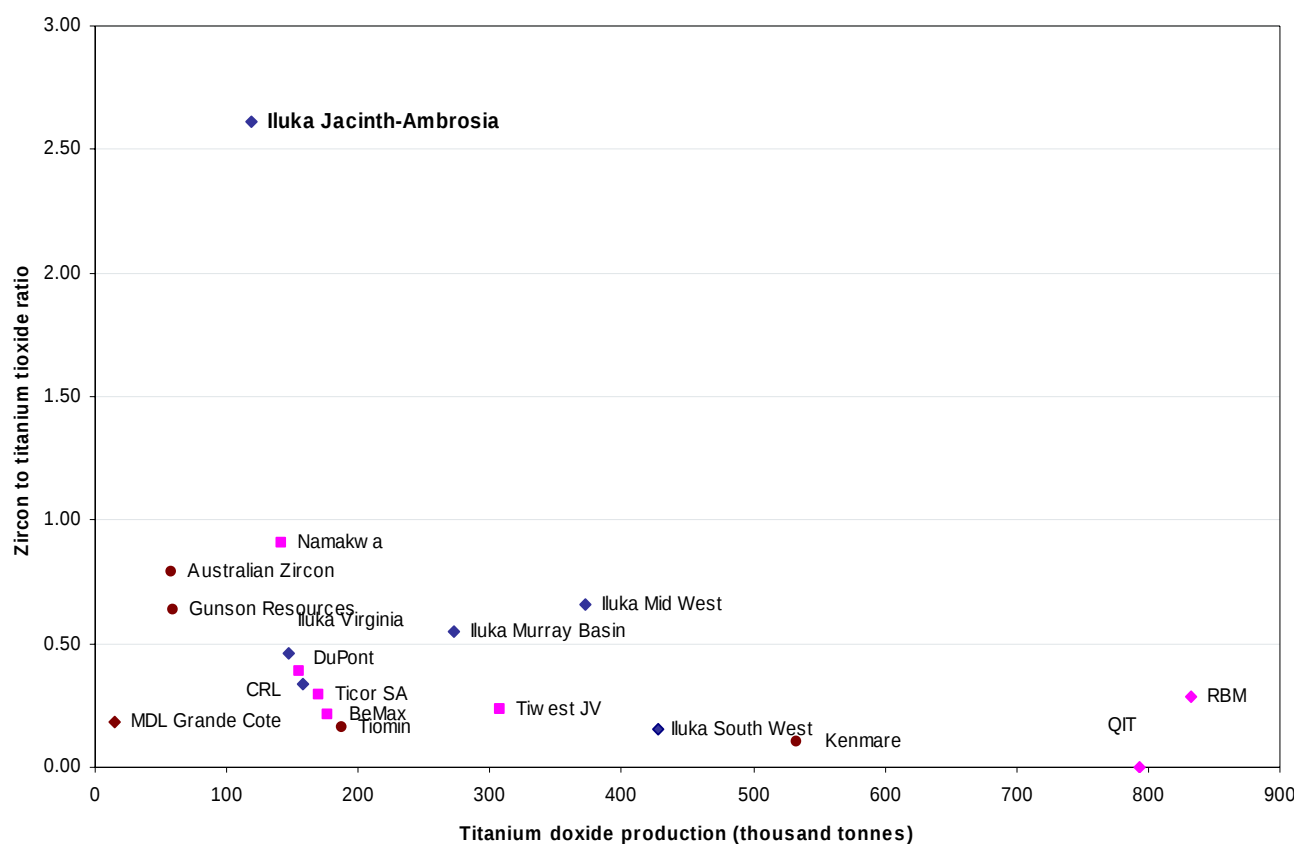
¹ Competent Person Ore Reserves: Andrew Whatham (MAusIMM).

² Ore Reserves are a subset of Mineral Resources.

³ All mineralogy is reported as a percentage of in situ HM content.

The unique assemblage characteristics of the Jacinth-Ambrosia deposits are indicated in the following chart which shows Iluka's assessment of the extremely high relative zircon composition of the Jacinth-Ambrosia resource when compared with other industry examples.

Figure 2 Zircon to Titanium Dioxide Ratio – Global Mineral Sands Deposits – 2007



The Jacinth-Ambrosia deposit comprises two associated mineral sand deposits which in total are in excess of 5 kilometres in length and average about 900 metres in width. The deposits are characterised by free

running, fine grained sand. Moisture content is low. The physical characteristics of the two deposits and two small satellite deposits are conveyed in the following table.

Table 2 Physical Characteristics – Jacinth-Ambrosia Deposit

Pit	Approximate length (kilometre)*	Maximum depth (m)	Indicative width (m)	Average Ore Body Thickness
Jacinth	3.2	45	600 to 900	20 metres
Ambrosia Main Pit	2.2	35	400 to 600	15 metres
Ambrosia Satellite Pit 1	0.3	23	200	
Ambrosia Satellite Pit 2	0.4	23	150	

Production Profile

Based on current plans, the Jacinth-Ambrosia deposit is forecast to have an economic life in excess of 10 years, with an average annual zircon production of approximately 300,000 over the period 2011 to 2015 inclusive, after ramp up in 2010.

Rutile production is estimated to average approximately 30,000 tonnes per annum from 2011 to 2015 inclusive and ilmenite production is expected to average approximately 160,000 tonnes per annum from 2011 to 2015 inclusive.

Mining and Concentrating

As with other Iluka operations, it is expected that mining operations will be contracted to an experienced mining contracting company.

Mine Sequencing

The deposits are characterised as being relatively shallow with largely loose, free running and dry sand. Overburden is composed of fine grained sands and sandy loams averaging between 8 metres and 15 metres thickness for Jacinth and Ambrosia respectively.

The mine sequencing entails the planned development of the Jacinth deposit first, with mining occurring in this deposit for the first estimated seven years to the end of 2017. Initial mining will be from the higher grade centre of this deposit, before progressing south and then north. Mining of Ambrosia is planned to commence from 2017 for four years. After mining at Jacinth, the mining unit plant ("MUP") is planned to be moved to Ambrosia and mine from the south to the north.

Ore Mining

The selected ore mining method will involve the excavation of ore, after removal of overburden, by dozer with ore pushed into a dozer trap.

Ore will be processed using an in pit MUP at a nominal rate of approximately 1,200 tonnes per hour. The in pit MUP will be track mounted to enable relocation along the pit floor as mining advances. The MUP is expected to be relocated every 4 to 6 weeks.

Wet Concentrator Plant ("WCP")

The MC2 wet concentrator plant has been relocated from Iluka's US operations and will be refurbished and upgraded to process the Jacinth-Ambrosia ore. The WCP will process the screened and de-slimed ore at a nominal rate of 1,000 tonnes per hour. The WCP is planned to be located in one position, adjacent to the Jacinth pit, throughout the period of mining at Jacinth-Ambrosia.

Site Infrastructure

Principal site infrastructure will comprise:

- an unsealed airfield;
- an accommodation village for a largely fly-in-fly-out workforce;
- a third party owned and operated power station; and
- a reverse osmosis plant for human water consumption on site.

Water

Operations will use a hyper saline water resource sourced from a paleochannel, located approximately 32 kilometres from the mining and processing operations. The assessed volumetric water resource is significantly in excess of that estimated to be required during mining and processing operations and, being hyper saline, is not useable for other uses. A bore field will be constructed and water piped to the mining and processing location.

Transportation of HMC for Shipment

HMC will be transported approximately 270 kilometres from the mine site to Port Thevenard at Ceduna. This will be achieved via an upgraded unsealed and partially sealed public road between the mine and the main highway to Ceduna.

A storage facility will be established within the precinct of Port Thevenard where HMC will be delivered and stored in preparation for reclaim and ship loading activities.

A system of reclaim hoppers, elevated conveyors and transfer towers will be installed to transport HMC from the stockpile location to the existing ABB owned ship loader which utilises conveyors installed along the length of the wharf.

Vessels with a payload capacity of approximately 25,000 tonnes will be loaded using the existing ship loader. The vessels will operate on a 16 day shipping cycle between Port Thevenard and Geraldton, for processing at the Narngulu mineral separation plant ("MSP"), or potentially for overflow material to Portland for processing at the Hamilton MSP.

Final Product Processing

Spare processing capacity exists at Iluka's existing Narngulu MSP at Geraldton in Western Australia. As part of the \$420 million capital expenditure for Jacinth-Ambrosia, Iluka intends to commit approximately \$60 million for the addition of further processing capacity at Narngulu, subject to Western Australian Government approvals, to process HMC from Jacinth-Ambrosia. If required, spare processing capacity also exists at Iluka's Hamilton MSP in Victoria. The use of existing processing capacity and the upgrade to Narngulu avoids the requirement, and project risk, associated with the construction of a new MSP in South Australia.

Key Project Approvals Schedule

The delivery of the project is dependent, in significant measure, on the receipt of timely regulatory and other external approvals. Under the South Australian Mining Act (1971), a Mining Lease must be granted and a Mining and Rehabilitation Program ("MARP") must be approved before the project (including bore field, mine and ancillary infrastructure) can proceed. A range of other licenses and Government approvals are required for Iluka to construct and operate the mine. Iluka has received strong support from the South Australian Government for the project and the company is working to a schedule which is expected to see approval for early site works, the approval for the Ooldea Road upgrade and approvals for mine site and bore field construction, as well as for works at Port Thevenard in the second half of 2008. Iluka requires an amendment to the Eneabba State Act for the processing of other than Eneabba ores at Narngulu and the process for this amendment is in train.

Environmental and Native Title Considerations

The proposed development plans have been subject to public review through a Mining Lease Application process. This has included the preparation of detailed analysis and environment assessments, encompassing: water, fauna and flora, air quality, noise, heritage and socio-economic impacts. A number of environmental approvals have been secured, with the exception of the MARP, which is in train.

Heritage clearances for construction of the Jacinth-Ambrosia mine site and infrastructure are now complete.

The Native Title Mining Agreement was signed on 18 December 2007. This agreement between Iluka and the Far West Coast Native Title Group obligates Iluka to make payments over the mine life and to provide benefits in the form of education, training, employment and business development. Iluka has also undertaken to provide cultural heritage training for all staff and contractors working on the site. This program is being developed in consultation with the Far West Coast Native Title Group with the intention of also maximising indigenous employment and associated business opportunities.

Marketing and Sales Approach

Product Quality

Metallurgical test work indicates that a premium grade zircon can be produced from Jacinth-Ambrosia. The Jacinth-Ambrosia zircon is expected to have opacifier qualities comparable to Eneabba and Murray Basin zircons and be suitable for the ceramics market as well as other markets such as casting, zirconia and foundry applications.

The rutile from Jacinth-Ambrosia is low in sulphur and phosphorous and is well suited to use in welding applications.

The ilmenite is chloride grade and will most likely be sold as a final product.

Market Entry

Detailed plans for zircon sales by region, sector and customer have been developed and will be integrated within overall group production and sales planning. Iluka plans to target high growth markets such as China and expects sales to both existing and new customers. The market development and market entry activities of Iluka will reflect the need to manage both sales volume (including supply from existing operations) and pricing considerations in order to secure optimum returns for shareholders.

Capital Expenditure

Capital expenditure of up to \$420 million has been approved for the development of the Jacinth-Ambrosia project. This amount is inclusive of expenditure already committed for early initial engineering and certain long lead items. The majority of the expenditure is expected to be incurred during 2008 and 2009.

Project Economics

The Jacinth-Ambrosia investment decision is robust under a broad range of assumptions, relating to capital expenditure, operating costs, product prices and exchange rates. For commercial reasons, Iluka does not disclose detailed project economics, but the Jacinth-Ambrosia development is expected, on Iluka's base case assumptions, to display the following general financial attributes:

- a strong earnings contribution and a return on capital of greater than 20 per cent in most years¹;
- a payback period of less than five years;
- relatively low sustaining capital expenditure given the fixed location of the WCP and the contained footprint of planned mining activities; and
- a unit cash margin significantly higher than the average of Iluka's other operations.

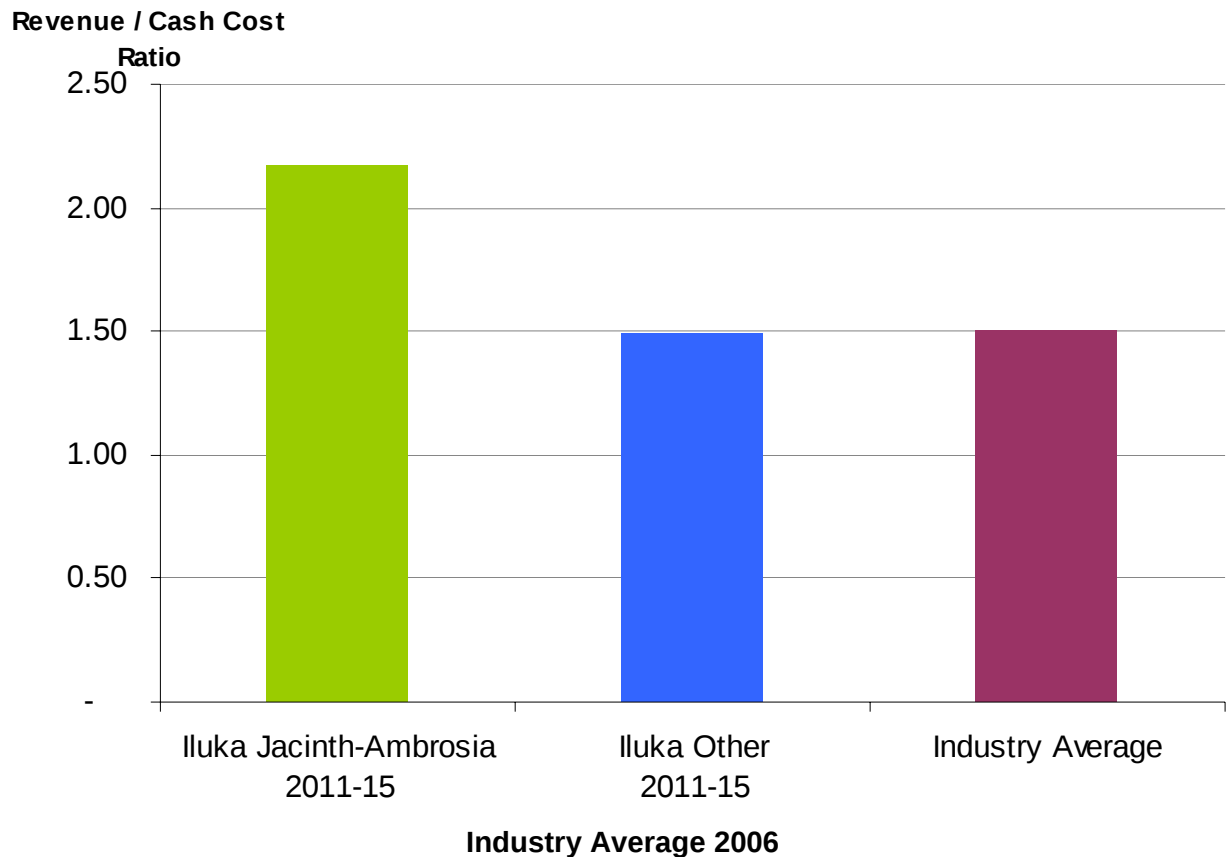
The company's assessment, utilising accepted industry revenue to cash cost ratios, and internal forecasts, indicates that the Jacinth-Ambrosia project is likely to be significantly more profitable than typical mineral sands operations.

The following chart indicates the expected revenue to cash cost ratio of the Jacinth-Ambrosia project. On this basis, Iluka expects the project to be positioned in the first quartile in terms of the revenue to cash ratio of global mineral sands projects, displaying a revenue to cash cost ratio approximately 45 per cent higher than

¹ On the basis of current modelling, the transition of mining operations from Jacinth to Ambrosia in 2017 lowers Jacinth-Ambrosia EBIT and return on capital in that year. Further mine planning and optimisation will seek to address this temporary decline in the financial profile of the operation.

the industry average and a similar percentage higher than Iluka's other combined mineral sands operations forecast in 2011 to 2015.

Figure 3 Jacinth-Ambrosia Revenue/Cash Cost Position Compared With Industry Average



Industry Average data excludes Iluka operations
Iluka Other excludes Jacinth-Ambrosia
Source: TZMI Cost Comparative Study 2007 and Iluka data

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