



ILUKA

Australian Securities Exchange Notice

26 October 2016

MERGER UPDATE

In relation to the statutory merger between Sierra Rutile Limited ("SRL") and Iluka Investments (BVI) Limited ("Iluka Newco") under section 170 of the BVI Business Companies Act ("Merger"), the boards of SRL and Iluka Resources Limited ("Iluka") are pleased to provide the following update on the progress of the transaction.

German Antitrust Proceedings

As noted in their respective announcements of 15 September 2016, each of Iluka and SRL advised the other that, without prejudice to their rights under the MIA, they intended to continue to discuss for a period of 30 business days as to how to proceed in respect of the Phase II Proceedings and, in particular, the respective rights and obligations of the parties during the Phase II Proceedings.

Since 15 September 2016, both SRL and Iluka have been working together to assist the German Antitrust Authority with its review of the Merger during the Phase II Proceedings. The 30 business day period is due to expire at 5.00 pm (London time) on 26 October 2016, however each of Iluka and SRL have advised the other that they intend to continue discussions as to how to proceed in respect of the Phase II Proceedings for a period that will now end on 4 November 2016. Each of Iluka and SRL have confirmed to the other that they do not presently intend to exercise their respective rights to terminate the MIA in connection with the Phase II Proceedings, but reserve their right to do so at any time during that period.

SRL and Iluka will provide a further update on the outcome of the Phase II Proceedings in due course.

CGT

Further to the announcement of 15 September 2016, SRL has continued to engage with the Government of Sierra Leone ("GoSL") in relation to capital gains tax payable in Sierra Leone by SRL Shareholders in connection with the Merger ("CGT"). SRL and Iluka are pleased to confirm that an agreement has been concluded with the GoSL regarding CGT. Pala Investments, the majority shareholder of SRL, has agreed to pay an amount in respect of capital gains tax, which the GoSL has assessed under the laws of Sierra Leone as payable, conditional upon the Merger becoming unconditional. The GoSL has confirmed that no other amounts will be payable by Iluka, SRL or any other SRL Shareholder in respect of capital gains tax or other taxes payable under the laws of Sierra Leone in connection with the Merger.

Subject to the Merger completing, there is no change to the Merger Consideration of 36 pence in cash for each SRL Share (including each Share represented by a Depositary Interest).

Defined terms used but not defined in this announcement have the meanings set out in the Circular.

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