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FOR IMMEDIATE RELEASE

14 September 2016

Merger Update

Further to the announcement of 6 September 2016 relating 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 board of SRL announces that SRL remains in discussions with Iluka regarding how to proceed in respect of the Phase II Proceedings initiated by the German Antitrust Authority and, in particular, the respective rights and obligations of the parties during the Phase II Proceedings.

As previously announced by the parties, the German Antitrust Authority informed Iluka and SRL on 5 September 2016 that it had decided to initiate Phase II Proceedings in respect of the Merger. The Phase II Proceedings are ongoing and the German Antitrust Authority has three months from the date of its notification within which to make a final determination in relation to the Merger.

A further update will be announced in due course.

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Further information

This announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise, nor shall there be any sale, issuance or transfer of securities of SRL in any jurisdiction in contravention of applicable law.

Any vote in respect of the Acquisition should only be made on the basis of the information contained in the Circular, which will contain the full terms and conditions of the Acquisition (including details of how to vote). SRL Shareholders and holders of Depositary Interests are advised to read the formal documentation in relation to the Acquisition carefully.

Please be aware that addresses, electronic addresses and certain other information provided by SRL Shareholders, holders of Depositary Interests, persons with information rights and other relevant persons in connection with the receipt of communications from SRL may be provided to Iluka during the period until implementation of the Merger.

Investec Bank plc ("**Investec**"), which is authorised by Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, is acting for SRL and no-one else in connection with the Acquisition and will not be responsible to anyone other than SRL for providing the protections afforded to clients of Investec nor for providing advice in relation to the Acquisition. Neither Investec nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Investec in connection with this announcement, any statement contained herein or otherwise.

RBC Europe Limited (trading as "**RBC Capital Markets**"), which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the United Kingdom, is acting for SRL and no one else in connection with the Acquisition and will not be responsible to anyone other than SRL for providing the protections afforded to clients of RBC Capital Markets, or for providing advice in connection with the Acquisition.

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Overseas jurisdictions

The release, publication or distribution of this announcement in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes who are not resident in the United Kingdom should inform themselves about and observe any applicable restrictions. SRL Shareholders and holders of Depositary Interests who are in any doubt regarding such matters should consult an appropriate independent adviser in the relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

This announcement has been prepared for the purposes of complying with the AIM Rules and the relevant procedural requirements of the articles of association of SRL and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom and the British Virgin Islands.

Additional information for US investors in SRL

These materials are not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). These

materials do not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States.

Shareholders and holders of Depositary Interests in the United States should note that the Acquisition relates to the shares of a BVI company and is proposed to be made by means of a merger provided for under, and governed by, BVI law. Neither the proxy solicitation nor the tender offer rules under the US Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"), will apply to the Merger. Moreover the Merger will be subject to the disclosure requirements, rules and practices applicable in the BVI to statutory mergers, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. Financial information included in this Circular has been or will be prepared in accordance with International Financial Reporting Standards adopted for use by the European Union and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

SRL is incorporated under the laws of the BVI, Iluka is incorporated under the laws of Australia and Newco is incorporated under the laws of the BVI. The vast majority of the officers and directors of SRL and Iluka are residents of countries other than the United States. It may not be possible to sue SRL, Iluka, Newco or their respective officers or directors in a non-US court for violations of US securities laws. It may be difficult to compel SRL, Iluka or Newco or their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

The Acquisition is expected to be made in accordance with, and in reliance on, certain applicable laws of the United States, including section 14(e) of the US Exchange Act and Regulation 14E thereunder, as exempted thereunder by Rule 14d-1(c). The Acquisition is not expected to be subject to the requirements of Regulation 14D of the US Exchange Act and as such, is not expected to be submitted to, nor reviewed by, the US Securities and Exchange Commission.

To the extent permitted by applicable law, and to the extent permitted by normal UK practice and Rule 14e-5 under the US Exchange Act, Iluka or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, SRL Shares outside of the United States, other than pursuant to the Acquisition, until the date on which the Acquisition becomes Effective, lapses or is otherwise withdrawn. If such purchases or arrangements to purchase are made they will be made outside the United States and will comply with applicable law, including the US Exchange Act.

Forward-looking statements

This announcement may contain certain forward-looking statements, including statements regarding Iluka, Iluka Newco and SRL's plans, objectives and expected performance. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements, including among others, the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the mining industry; fluctuations in exchange controls; changes in government policy and taxations; industrial disputes; and war and terrorism. These forward-looking statements speak only as at the date of this announcement.

Application of the Code

SRL is a company incorporated and registered in the BVI and, as such, is not subject to the jurisdiction of the UK Takeover Panel or the Code.

Shareholders and holders of Depositary Interests are reminded that SRL's articles of association require certain offers to be made on terms that would be required by the Code, save to the extent that the SRL Board otherwise determines. The Panel on Takeovers and Mergers does not, however, have responsibility for ensuring compliance with the Code in respect of the Acquisition and is not able to answer Shareholders' or holders of Depositary Interests' queries in relation to SRL, Iluka, Newco or the Acquisition. However, the SRL Board has, and intends to continue to,

take into account guidance issued by the Panel on Takeovers and Mergers in connection with the exercise of its discretion.

In particular, the SRL Board has confirmed to Iluka and Newco that it does not intend to require announcements to be made by Shareholders pursuant to Rule 8 of the Code (disclosure of dealings and positions). Shareholders are reminded that public disclosures consistent with the provision of Rule 8.3 of the Code should not be e-mailed to the Panel on Takeovers and Mergers.

Publication of this announcement

A copy of this announcement will be available, subject to restrictions relating to persons resident in certain restricted jurisdictions on <http://www.sierra-rutile.com>.

The contents of SRL's website are not incorporated into and do not form part of this announcement.