

closerTIPS

A NEWSLETTER FOR TIWEST EMPLOYEES JUNE 09

Partners' Perspective

By Robert Kirton and Tony Martin

Whilst Tiwest's first half performance has been a significant improvement on the same period in 2008, much work remains to be done. YTD production volumes are behind budget at the SR and pigment plants, so we'll have to work hard to make up this ground.

Of major concern are our costs. In spite of the economic downturn and an easing of some input costs the benefit is not yet evident in our full year forecasts, as a result costs remain high relative to our revenue. However, demand for our pigment and mineral products appears to be improving after a very slow start in the first quarter, with some improvement in demand from the Asia Pacific region.

Unfortunately, the Australian dollar has begun strengthening again and this trend is likely to continue. Therefore, if we are to achieve our goals this year all employees must carefully consider any expenditure, reduce costs wherever possible and fully support any business improvement initiatives.

Finally, you will have noted the recent increase in site visits. This is part of the Chapter 11 process the Tronox US companies are required to undertake. The court has yet to decide how the process may be resolved and we will provide updates once known. Meanwhile to reiterate, Tronox Western Australia is not part of the Chapter 11 and continues to actively manage its interests in Tiwest.

Read on for further updates on recent activities at Tiwest.



Expansion works underway at Kwinana

Kwinana plant expansion on track

The concrete is being poured and detailed design work completed as the expansion of the Kwinana Pigment plant takes a strong step forward.

The A\$100 million upgrade will increase the plant's annual capacity from 110,000 tonnes per year to around 150,000 tonnes, transforming synthetic rutile into pure white titanium dioxide (TiO₂) pigment.

Overall, the expansion project will employ up to an additional 170 people during construction.

Expansion Manager Tom Smales reports that the expansion project is progressing according to plan, with major construction tenders now closed and a decision on these to be announced shortly.

Currently onsite, construction activity has commenced with concrete works taking place on five major work fronts. Plus, equipment design

and selection is mostly complete, with the bulk of procurement orders to be placed by the end of this month.

A significant ramp up of construction activity will begin in July, when the structural, mechanical, piping and electrical installation contractors commence their work. And finally, the long awaited product dryers are coming together, with separate shipments of equipment arriving from Denmark, New Zealand and Sydney.

So, it's all go! Stay tuned for more updates in coming months.



TIWEST
We add value

Carbon expansion gets the go ahead

Recently, Tiwest's owners gave final approval for the next phase of our activated carbon expansion.

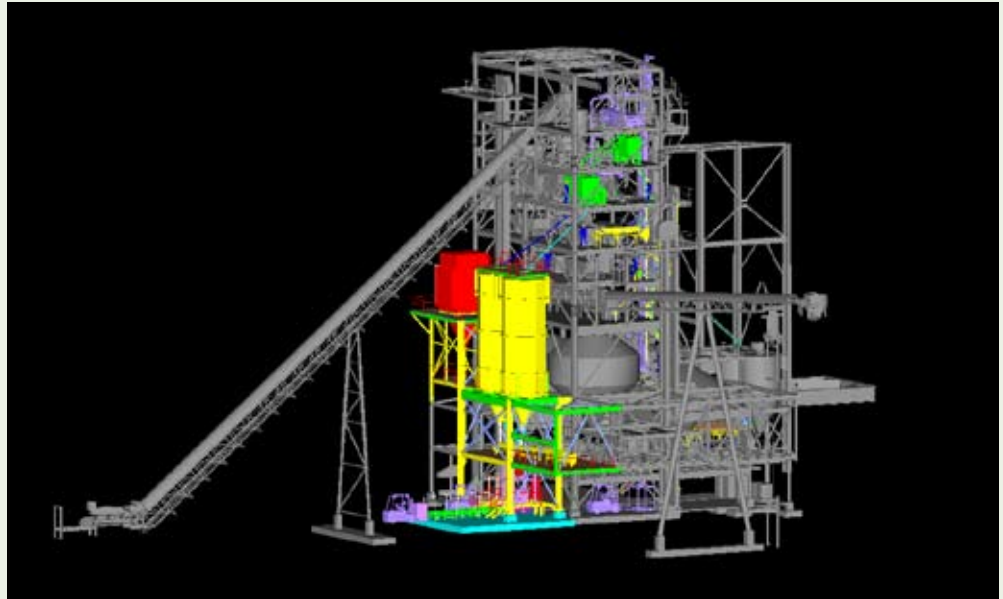
Once established the new circuit will be capable of producing over 23,000 tonnes of activated carbon per year, which is nearly three times our current capacity. This will establish Tiwest as a significant player in the global market, and Australia as a net exporter of activated carbon for the first time.

Dennis Plester, Manager of Minerals Marketing advised that customers have welcomed the news, many surprised by the size of the production increase. The level of interest is strong and new inquiries have started coming in as word spreads through the industry.

Bringing on the new production will not be without its challenges. Aside from the typical issues that arise when installing new equipment, the increased tonnage will require substantial effort and resources to package, analyse, transport and market. This will result in a significant increase in on-site activity and a larger activated carbon revenue stream for the business.

Kosher and Halal Certification

As Tiwest becomes more involved in the activated carbon business, we also need to attain certification for our products for various markets and end uses.



Activated Carbon Expansion Plant model

Initially, our carbon was tested against the US Food Chemicals Codex, which confirmed its suitability for use in food. We now also have Kosher and Halal certification.

The Kosher accreditation is certified by Kosher Australia, who checks in with us regularly to confirm that our production and packaging systems meet Kosher guidelines. More recently, the Halal Certification Authority of Australia also confirmed our product as being Halal.

With these two forms of certification now in place, our carbon can be marketed across a wider range of food related applications around the globe, knowing that it can be accepted by two significant market groups, the Jewish and Islamic communities.



Achieving Tiwest's Employee Collective Agreement

Changes in industrial relations laws can be confusing and hard to keep up with. Government policies can require the implementation of changes at a workplace level and often it's challenging to work out what applies to you.

Murray Smith, General Manager Organisation, Planning and Services and his team keep on top of the legal requirements plus seek to have open, two-way communication with Tiwest employees regarding their work agreements.

Over the years Tiwest has used a number of instruments to set out employee conditions such as:

- WA Workplace Agreements (WAWA's)
- Common Law Contracts (CLC's)
- Australian Workplace Agreements (AWA's)
- Individual Transitional Employment Agreements (ITEA's)

The Tiwest Enterprise Award underpins all of these agreements and is a Federal document that is maintained and updated for Tiwest employees.

More recently, in 2008, we set out to establish the Tiwest Employee Collective Agreement (ECA). This modern ECA has a five-year term and covers the majority of our operators and maintainers. Tiwest established the ECA to reduce the amount of uncertainty, which exists due to ever changing industrial relations laws.

To develop the terms of the agreement Tiwest sought extensive engagement and communication across all sites with employees. This took the form of information and feedback sessions, Q & A Papers and focus groups. Extensive legal checks were also conducted.

In 2009 a ballot of eligible employees was held to vote on the proposed ECA. The outcome was announced on the 7 January 2009, with a 79.8% vote in favour of the ECA. It was great to have such a strong positive response to our first collective agreement.

The new Tiwest ECA addresses the key concerns raised by employees and delivers significant benefits to those covered by it. In these very uncertain times the Tiwest ECA gives our employees and the business a level of stability and an easy point of reference for the employment relationship.

A copy of the ECA is available on the Tiwest intranet site.

RTD Group pursues innovation

Late last year when the Aussie dollar was approaching the same value as the US dollar, the competitiveness of Tiwest, in terms of return on funds invested, was looking decidedly weak. Something needed to be done.

The owners decided to build on the innovation strengths already evident within the business and form a group from existing expertise called the Resource and Technology Development (RTD) Group. The RTD Group's objective is to improve the rate of traction on larger projects.

David von Horn, General Manager RTD heads up the restructured group, which was established in January this year:

RTD Group

- David von Horn - GM
- Karalee Love - Principal Business Analyst
- Mark DeVos - Principal Process Engineer
- Peter Loudon - Principal Process Engineer
- Michael Harder - Project Manager
- Peter Hedley - Project Manager
- Paul Stevenson - Resource Development Manager

Paul Stevenson heads up a sub-group focused specifically on resource development:

Resource Development Team

- Ambro Vonk - Process Engineer
- Neil Turner - Development Geologist
- Steve Batty - Development Geologist
- Cindy Walker - Environmental Specialist
- Charmaine Duri - Administration Assistance

The projects the RTD Group are working on are referred to as 'Stepchange Projects'. These are projects that have the potential to significantly improve the bottom line of Tiwest, as they seek out continual improvements and innovations to increase production and reduce costs.

Paul's team is currently assessing a substantial expansion of the South Mine, exploration of the tenements immediately to the west of Cooljarloo and compiling the Public Environmental Review for Dongara.

At Chandala the Tiwest owners have approved a substantial expansion of activated carbon production (see article in this newsletter) and changes are being made to the way rutile products are presented to market. At Kwinana, Mark DeVos manages the R&D portfolio with projects specifically looking at ways to get more through the oxidation lines, how to better handle recovered chlorinator blow-over, manage acid neutralisation needs along with pigment milling and reductant alternatives.



Dredge 1 at Cooljarloo to be upgraded

To assist improvements in productivity the team has recently reviewed internal systems and processes and held a number of Opportunity Framing workshops. A software program called Perspectives is being adapted to capture ideas and manage project portfolios and a project management system using Ellipse is being assessed at present.

Overall, the goal of forming the Resource and Technology Development Group along with the application of new software and systems is to enhance Tiwest's ability to find and quickly implement new innovations, which will support the continued growth of the business.

Tracking Performance

Production tonnes against budget

Ore mined and HMC production were 12.6% and 1.5% above budget respectively with marginally lower ore grades offset by improved recoveries. DM plant production was 3.9% below budget with lower ilmenite recoveries partly offset by an increased production of higher value product. SR plant production was 4.4% below budget partly offset by better Activated Carbon tonnes. Pigment production was 7.7% below budget, affected by production issues early in the year.

Unit cost per tonne against budget

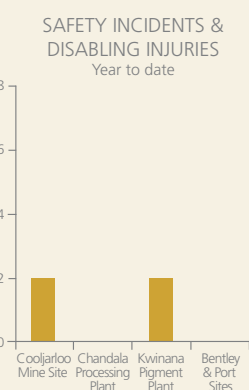
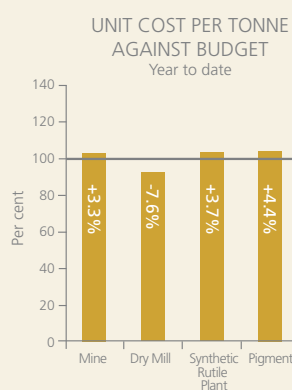
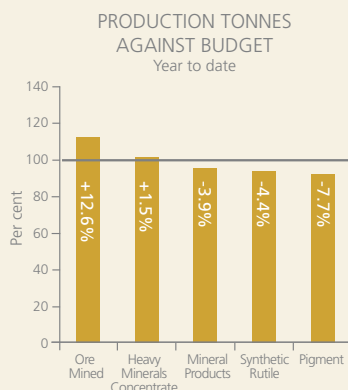
Costs were mostly above budget. At the mine, due to increased maintenance costs and the delayed move to Falcon. SR had lower production and higher royalty/coal prices, and pigment had higher maintenance costs, lower production levels, offset by favourable chemical and gas pricing. Mineral product costs were below budget due to favourable consumables pricing.

Safety incidents & disabling injuries

YTD there have been four disabling injuries, two at Cooljarloo and two at Kwinana. Bentley, Port and Chandala remain DI free for 2009.



Assessment of Steam Boilers at Kwinana Pigment Plant





Under the Microscope

In this edition of Closer Ti's Rick Benjamin goes under the microscope.

Name: Rick Benjamin

Position: General Manager Northern Operations

Family: Married with three children - 9, 11 and 14 years old

Interests: Golf, woodwork, kite-surfing and jet skiing

Favourite sports team: my kids – always exciting games!

Before Tiwest: Worked in a variety of Operating and Consultant Engineering roles in industries including alumina, gold, iron reduction, titanium metal and chemical.

My greatest achievement to date with Tiwest:

Being part of building a motivated team that is capable of dealing with the many issues and challenges to sustain a successful business.

Currently, my greatest challenge at work is:

Continue to build a workplace that is always improving and delivers it promises in a safe and responsible manner.

My focus on the next quarter will be: More of the above – bit by bit!

Best piece of advice: Try and keep it simple – do the basics right and the rest will follow.

Focus On: Tiwest Henderson



What: The new Henderson office extension

Where: In the Pigment storage Shed "A" Henderson

Purpose: We recently created more office space by adding an extension of 12 m x 3m to the existing office.

Both Pigment and Mineral Sales staff can now operate from the same office. This will enable better working conditions for the logistics team to manage the operations and to support each other with the day-to-day operations.

All forklift operators will start the day from this office commencing with a team safety meeting, reviewing step back 2x2 and completing pre-start checks.

Logistics will now be able to direct operators from a central office to where they are of most need, within the Pigment and Mineral sands container packing operations. This will assist us to achieve export-shipping schedules particularly as volumes increase rapidly with the pigment and activated carbon expansions coming on-line.

