



ILUKA RESOURCES LIMITED

Notice to the Australian Stock Exchange

ILUKA RESOURCES LIMITED ANNUAL GENERAL MEETING PROCEEDINGS Sydney, May 14, 2003

CHAIRMAN'S ADDRESS

Overview of 2002

The Company's performance in 2002 compared with 2001, reflects lower mineral sands and coal production, a stronger mineral sands sales performance through record synthetic rutile sales, increased zircon sales and prices and a more favourable realised exchange rate. The exchange rate improvement was due primarily to the expiry in 2002 of a number of revenue hedge positions inherited from the acquisition of RGC in 1998.

In summary, the results for 2002 were:

- sales revenues of \$894 million;
- a consolidated net profit of \$109 million which is inclusive of a contribution of \$9.9 million from previously un-booked tax losses which had to be brought to account and a write-off of A\$6.6 million of assets associated with a project to develop iron oxide technology;
- earnings per share of 48.6 cents;
- a return on equity of 13.2%;
- debt of \$469.5 million, gearing at 33.8%; and
- total dividends of 22 cents per share, franked to two cents and representing a 45% payout.

With respect to the consolidated net profit number, it should be noted that any comparison with the previous year's profit result is favourably affected by the write-down of Koba Tin and Westlime assets in the 2001 accounts. The result on a pre-write down basis was similar to 2002.

Despite 2002 being a busy year for the Company, I am pleased to tell you that Iluka's safety and environmental management performance improved considerably during the year compared with 2001. Iluka's performance in this area remains of prime importance and will continue to receive the necessary focus and attention to enable the Company to consistently achieve industry best-practice results. Mike Folwell will talk more about this later.

ILUKA RESOURCES LIMITED

ABN 34 008 675 018

Level 5, 553 Hay Street, Perth, WA 6000 GPO Box U1988, Perth WA 6845

Telephone : +61 8 9221 7611 Facsimile : +61 8 9221 7744

As advised last year, the leadership of Iluka's senior management team changed during the first part of 2002 with Richard Tastula acting as the Interim Managing Director until Mike Folwell's appointment in May.

Mike Folwell has just completed his first year as Managing Director and has approached his job with enthusiasm, sensitivity and intelligence and has confirmed the Board's confidence in him. He has introduced a number of strategy and productivity reviews and is starting to develop a pleasing momentum. He has also faced up to and resolved issues such as the lack of scale in the Murray Basin and the SREP ownership dispute with Rio Tinto.

On your behalf, I wish to thank both Richard Tastula and Mike Folwell, their respective management teams and Iluka's employees and contractors for their efforts and contributions in 2002.

The composition of the Board also changed during 2002 with the appointment of Mike Folwell and the retirement of Ken Court as highlighted at the last AGM and shareholder briefings. Mr Court had previously been Chairman of Westralian Sands and a Director of both Westralian Sands and Iluka for a period spanning 26 years.

In late-2002, the Company was fortunate in securing the services of Don Morley as a Director of Iluka. Mr Morley is the former Finance Director of WMC and has an extensive background in the Australian and international mineral resource sector. He is currently Chairman of Alumina Limited.

We continue to review the Board's composition and performance and I think that we are well placed in terms of the latest views of best practice on corporate governance matters.

Progress with specific growth opportunities

A major review of the Company's mineral sands strategy was completed during 2002. As a consequence, Iluka's immediate strategic focus remains the exploration and development of three major mineral sands provinces, namely the Western Australian Basin, the Murray Basin in south-eastern Australia and the Atlantic Basin on the east coast of the USA.

It was in this context that Iluka made a \$139 million takeover offer in late June 2002 for Basin Minerals Limited to acquire Basin's extensive mineral sands interests in the Murray Basin, including the Douglas project in south-west Victoria. These deposits complemented our own very well.

The successful acquisition of Basin Minerals together with the Company's own exploration success in the Murray Basin has expanded and brought forward Iluka's development plans for the region. The Murray Basin will be Iluka's major development focus over the next two to three years.

Detailed technical and engineering studies to underpin a significant capital investment for stage-one, commenced during the year. The completion of this work, including final capital cost estimates and optimisation plans, is targeted for mid-2003 to enable a final investment commitment to be made around the end of the third quarter of 2003.

Based on this schedule, the Company expects the project to enter the start-up and commissioning phase in the second half of 2004 and to be fully operational in early 2005.

Substantial progress was made during 2002 with plans to expand Iluka's position in the Atlantic Basin. For the first time since the acquisition of RGC, Iluka's USA operations are in a position to contribute production growth following the completion of a \$42 million expansion of the Old Hickory operation in Virginia. As a result, the average annual production capacity of Old Hickory will increase by 50%.

Iluka's USA plans also include a commitment to a \$66 million expansion of mining and processing operations into northern Florida and southern Georgia. This project involves the de-commissioning of the dredge concentrator at the Green Cove Springs mine in mid-2004, the recently completed relocation of the existing mobile concentrator to an adjacent lease area as well as the construction of a new 1,000 tonne per hour concentrator/mining unit and associated infrastructure. The equipment will be used to develop the Georgia deposits, commencing with the Lulaton deposit which is now forecast to commence operations at the beginning of 2004. Once completed, these production enhancements will result in a 20% increase in average annual production.

Good progress was also made in positioning the Company to secure future zircon sales opportunities with the completion of zircon finishing plants at the Old Hickory and mid-west operations.

Before I ask the Managing Director to address you on the Company's operations, I would like to comment on the performance of Iluka's share price.

The share price showed a modest increase from \$4.43 per share on 2 January 2002 to \$4.60 per share on 31 December 2002. Unfortunately in early 2003 this gain has been eroded by the uncertainty associated with the Middle East conflict together with concerns over global economic growth rates and subsequent decline in investor confidence. As a result Iluka's share price has tended to follow the general Australian market downward trend over the first four months of this year.

There has been a recovery in recent weeks and in relative terms Iluka's share price has performed better than a number of its peers as evidenced by Iluka

outperforming the ASX 200 index throughout 2002 and early 2003 and outperforming the ASX materials index in the last half of 2002 and parts of 2003.

With respect to dividends, Iluka on current projections expects to return to paying Australian tax and franked dividends in its own right, during the second half of 2004.

However, Consolidated Rutile Limited's recent announcement confirming the release of franking credits via the payment of a 23 cents per share dividend to its shareholders in May, this year, is good news for Iluka's shareholders. It means that Iluka has the capacity to frank a dividend of 8.5 cents per share in 2003 and subject to CRL releasing further franking credits during the year as planned, we should be able to increase the level of franking to 17 cents per share.

I would now like to introduce Iluka's Managing Director, Mike Folwell.

MANAGING DIRECTOR'S ADDRESS

Good morning ladies and gentlemen. It is a great pleasure to have the opportunity to speak to you this morning.

The Chairman has described the Company's 2002 financial results and the progress made with key growth initiatives. I would now like to highlight some of achievements which underpinned Iluka's performance and then describe our current strategy to continue the Company's growth in the longer-term.

Production Performance

In terms of challenges faced by the Company during 2002, the most significant was in the area of mineral sands production.

The first-half production performance was well below expectation mainly as a result of synthetic rutile plant maintenance shutdowns, delays in commissioning new equipment and lower product demand in the USA post the events of 11 September.

Fortunately a significant improvement in production performances at both Western Australian sites was achieved in the second half of the year which, together with an improved production performance from the USA operations in the last quarter, enabled the Company to recover the production shortfall and achieve its production targets. Overall, Group production of titanium minerals in 2002 decreased by 4.7% compared with 2001 and zircon production increased by 4.2% over the same period.

On a regional basis the Western Australian operations continued to be the most significant contributor in 2002, accounting for more than half of Group ilmenite, rutile and zircon production and 100% of synthetic rutile production.

During 2002 production from the USA operations was impacted by the temporary suspension of production at Green Cove Springs, the cut-in and commissioning of the new facilities at the Old Hickory Project in Virginia as well as un-seasonal weather conditions at both sites.

Production from CRL's operations was mainly impacted by the under performance of the Yarraman dredge as a result of mining areas of high clay and fines content.

In terms of revenue contributions in 2002, minerals sands sales from the Western Australian operations increased by \$98.4million to \$611.5 million which was partially offset by USA sales revenues decreasing by \$28.9 million to \$105.5 million and CRL's sales revenues decreasing by \$3.8 million to \$88.1 million.

Operational profitability displayed a similar trend with the Western Australian operations underpinning the Company's net profit of \$109 million, aided by a small contribution from CRL. The USA operations recorded a loss of \$7.5 million as a result of lower production and sales caused by the events outlined earlier.

Coal production and sales from the Company's 50% interest in the Narama Coal joint venture were in line with contractual requirements. Tin production and sales ceased at the end of the first quarter of 2002, following settlement on the sale of Iluka's 75% interest in PT Koba Tin to Malaysia Smelting Corporation Berhad.

With respect to the outlook for 2003, the Company's operational focus will be on achieving safe, on-grade and low cost production.

This will be supported by further refinements to environment, health and safety processes and systems, more effective planning to improve uptime and product quality and the business improvement program which will drive specific initiatives to deliver a "bottom line" improvement.

The implementation of the business process improvement project is also a key factor as it will improve the quality of information and reporting as well as enabling comprehensive external and internal performance benchmarking.

In terms of Group production, Iluka currently expects to produce more synthetic rutile, zircon and ilmenite and slightly less rutile in 2003 compared with production levels in 2002.

The additional production will mainly come from a recently completed incremental synthetic rutile expansion project at the south-west operations, new mining operations in the mid-west as well as the expanded operations at Old Hickory in the USA.

I am pleased to advise that Iluka's 2003 first quarter results show an improvement compared with the same period in 2002. Overall group production and sales of mineral sands and coal increased during the first quarter of this year. Group sales revenue for the quarter was \$160 million, an increase of \$17 million compared with the corresponding period in 2002.

Reserves and Resources

Iluka's key exploration objective is to replace production each year and maintain a long-term Reserves and Resource base for each operating site, which of course underpin the future revenues of the Company.

As a result of exploration success in the Murray and Atlantic Basins together with acquisition of Basin Minerals, Iluka recorded an increase in estimates of both Heavy Mineral Ore Reserves and Resources in 2002, after allowing for production of just over 3 million tonnes.

At the beginning of 2003, the Company's Heavy Mineral Reserves were 39.6 million tonnes, an increase of 4.9 million tonnes and Heavy Mineral Resources were 248 million tonnes, an increase of 29 million tonnes.

Strategy

I would now like to conclude by talking briefly about Iluka's ongoing strategy before handing the meeting back to the Chairman.

The key objectives of our current strategy are as follows:

The first objective is to maximise the value of the existing mineral sands business. In recognition of the potential of Iluka's existing business to operate more efficiently and profitably, a major business improvement program has been implemented on a company-wide basis. The program is targeting an initial \$40 million per annum increase in pre-tax earnings by the end of 2004 from both cost savings and production enhancements.

In order to be able to achieve this target, the Company was split into 21 work units or cost bases and we are systematically examining each area and putting in place measures designed to reduce costs, enhance production or a combination of both.

The first of four planned waves of performance improvement was completed in February this year. It identified potential savings of \$20 million and production enhancements of \$20 million on a full year basis, post-

implementation. The second wave is nearing completion and the preliminary results indicate that further savings of \$15 million and production enhancements of \$20 million are achievable on a full year basis, post implementation.

More recently a decision was made to accelerate the program by combining the third and fourth waves of performance improvements into one slightly longer wave. This will enable us to complete the program some ten weeks earlier than originally planned and to concentrate resources on implementing cost savings and production enhancements.

While the results to date are very encouraging and better than originally anticipated, not all of the savings and production enhancements will be reflected in pre-tax earnings. This is mainly a result of additional capital being required to implement these initiatives as well some of the benefits being offset by factors such as declining grades and increasing transport/processing costs at some of Iluka's operations.

The second objective is to grow the existing mineral sands business through a combination of marketing and resource development initiatives as well as the development of new technology. As such, the Company is continuing to focus its exploration and development efforts in three key geographic areas, the Western Australian Basin, the Murray Basin and the Atlantic Basin.

The major priorities in 2003 will be Douglas project in the Murray Basin and the expansion into northern Florida and southern Georgia as these remain Iluka's most significant mineral sands growth opportunities in the short-term.

Planning and environmental approvals for the Lulaton deposit were received in early 2003, however these are currently subject to an administrative appeal which is common occurrence in the USA. Although we are confident that the appeal will be resolved favourably, it is likely to delay the startup of this project until early 2004.

In the meantime production levels are being maintained by existing operations and equipment. In addition, expenditure of US\$2.6 million to expand the MC1 mobile concentrator has been approved and will be completed during quarter 3 this year and options to increase the dredge output are currently being assessed.

In Western Australia, options to expand synthetic rutile capacity in Western Australia are being considered, including modifications to increase output from existing kilns, a new kiln based on current technology or new technology.

In parallel, the Company is also continuing to review merger and acquisition opportunities for either immediate growth or short term development opportunities as well as pursuing technology developments such as

NewGenSR which has the potential to add value to existing and planned developments as well as increase the options for new developments.

The third objective is to grow beyond the mineral sands industry. The Company has a major investment in mineral sands industry and needs to consider opportunities for growth beyond its existing business in the longer term in order to develop a range of investment options and not be constrained by the overall growth potential of the mineral sands industry.

The initial work on planning for growth beyond the mineral sands business has commenced and by mid-year we expect to have an investment framework in place for identifying and assessing opportunities outside the Company's current core mineral sands business activities.

I would now like to hand over to the Chairman to complete his address.

CHAIRMAN'S ADDRESS (continued)

Outlook for 2003

Looking forward to the balance of 2003 and beyond, the Company is well positioned in terms of its leadership, management capability, financial resources and opportunities, to be able to pursue its strategic growth options and to generate additional shareholder value.

As you have heard from the Managing director, we expect to build on our achievements in 2002 during the coming year with a particular emphasis on improving the efficiency and profitability of its existing business through the business improvement program as well as progressing major expansion projects which will enable Iluka to maintain or expand its market share in the mineral sands sector.

With respect to the market for mineral sands in 2003, the resolution of the conflict in the Middle East was earlier seen as a key factor in determining confidence levels and global economic growth and therefore demand for mineral sands products. More recently the SARS epidemic has emerged as a potential influence on economic growth, particularly in the Asian region. Provided modest global economic growth can be maintained, the outlook for the mineral sands industry in 2003 is challenging but generally positive.

Despite the earlier uncertainty surrounding the Middle-East situation and an oversupply of feedstock in the form of titanium slag from new mineral sands projects in South Africa and sulphate ilmenite from India and Vietnam, overall demand for Iluka's titanium mineral products has remained strong. As a consequence, Iluka's 2003 titanium minerals production is fully sold with price outcomes which were better than or in-line with internal expectations.

Demand for zircon remains strong and supply tight as new projects are not expected to contribute to an oversupply situation in the foreseeable future as the mineral assemblages of most new projects do not contain significant volumes of zircon.

As a result, Iluka fully expects that all of its 2003 zircon production to be sold and at prices which are higher than those achieved in 2002.

In terms of its financial performance in 2003, the Company is targeting modest growth on a pre-tax basis through continuing operations from improved production and margins and a contribution from the initial phase of the business improvement program. However, profitability in the year ahead will be impacted by two factors.

The first is an expected change to the Company's tax position. As previously advised the majority of Iluka's un-booked deferred tax assets were brought to account during 2002 and as a result, the Australian operations will no longer have a significant tax expense shelter and the Company will need to provide for a tax expense in 2003.

Secondly, as the majority of our revenues are denominated in US dollars, a strengthening Australian dollar exchange rate will impact on our Australian dollar profits. However, the impact on profits is limited because approximately 70% of our US dollar revenues are hedged at an average exchange rate of 57 cents.

At this stage, any impact on full year profitability is difficult to quantify. However, our overall operations are currently ahead of plan and management are determined to achieve additional benefits during the current year from the business improvement program.

The meeting is now open to shareholders for questions on the financial statements or affairs of the Company.