ILUKA RESOURCES LIMITED

Notice to the Australian Stock Exchange 27 August 2003

ILUKA RESOURCES LIMITED – 2003 HALF YEAR RESULTS

Iluka Resources Limited today announced an after tax profit of A$36.7 million in the first half of 2003, a decrease of 10.7% compared with a profit of A$41.1 million in the corresponding 2002 half year. The Company will also pay an interim dividend of 10 cents per share, franked to 9.2 cents (compared with 10 cents per share, partially franked to 2 cents, paid in 2002) on 19 September 2003 to all shareholders registered at 8 September 2003.

Iluka's Managing Director, Mike Folwell said "the Company's operational performance in the first half of 2003 was significantly better compared with the corresponding period in 2002 with Group production levels for all mineral sands products apart from rutile, being higher in response to improved cost management, operating practices and planning initiatives implemented as part of the business improvement program."

"The benefits from the business improvement process were particularly evident in the improved production and mineral processing performance of the USA and Western Australian operations. Although the USA operations did record a loss in the first half, the underlying profitability of the operations improved towards the end of the half and this improvement trend is expected to continue in the second half of 2003 and beyond" Mr Folwell said.

He added that "despite difficult and uncertain global economic conditions, sales of mineral sands products in the first half of 2003 were also in line with Iluka's plan in terms of both volumes and US$ prices".

"Unfortunately the benefits of improved operational efficiencies, higher production and the sale of non-core assets in the first half of 2003 were unable to offset the impact on profitability from lower sales revenues, a A$3.9 million write-down relating to the revaluation of inventory in the USA and higher Group depreciation/amortisation charges and tax expenses" he said.

Total revenue for the period (inclusive of A$3.7 million in other revenue and A$11.9 million in asset sales, the majority of which relates to the sale of properties on North Stradbroke Island and an Iluka exploration tenement), decreased by A$95.6 million (20.4%) to A$374.1 million. The decrease in revenue reflects sales from Koba Tin which was divested during 2002 and lower mineral sands sales in 2003.

Group sales revenue from continuing operations decreased by A$27.2 million (7%) to A$358.5 million which reflects mineral sands sales revenues decreasing by A$27.6 million (7.5%) to A$342.2 million and partially offset by coal sales increasing by A$0.6 million (3.8%) to A$16.3 million.

On a regional basis, mineral sands sales revenues from the Western Australian operations decreased by A$22.2 million (7.8%) to A$263.1 million which was partially

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offset by US sales revenues increasing by A$8.4 million (20%) to A$50.4 million. CRL's sales revenues (100% level) decreased by A$13.8 million (32.5%) to A$28.7 million during the period.

Depreciation and amortisation charges in the first half of 2003 compared with the corresponding period in 2002 increased by A$5.6 million (10.1%) to A$61.1 million. The increase in depreciation and amortisation was primarily due to higher amortisation of RGC fair value adjustments and a full six months of depreciation applicable to the Old Hickory and zircon finishing plant assets.

Net cash inflow from operating activities improved by A$96.0 million to A$78.8 million. This improvement is attributable to the timing of debtors' collections, an underlying improvement in operational costs and better controls over the payment terms to creditors following the successful implementation of SAP.

Income tax expenses in the period increased by A$6 million (111%) to A$0.6 million. The increase in income tax expense is the result of no tax expense shelter being available in the current period as the Company recognized tax credits associated with tax losses in the prior period. The increase in tax expense has been partially offset by a net over provision of A$5.6 million, largely attributable to an under estimation of a research and development concessional deduction and the reversal of timing differences not previously brought to account of A$10.6 million.

Net debt decreased by A$49.3 million to A$398.9 million at the end of the first half and gearing was 30.3%.

2003 Full Year Outlook

Iluka expects Group mineral sands production to increase in the second half and 2003 full year production levels for all products (apart from rutile) are expected to exceed 2002 full year production levels. Some potential exists for further production increases in the second half as a number of production enhancements identified during the business improvement program are progressively implemented (e.g. Green Cove Spring's mobile concentrator upgrade scheduled for the third quarter of 2003).

Mr Folwell said "the market outlook in terms of contract sales and demand for both titanium minerals and zircon remains sound, despite pigment producers reporting softer markets for their products. Sales volumes for most products and particularly synthetic rutile are still expected to increase in the second half as planned. Zircon pricing remains firm with upward market sentiment".

He added that "while the Company expects to benefit from the improvements in production and sales, a modest contribution from the first two stages of the business improvement program and lower than expected full year tax expenses, these benefits may not fully offset the potential impact on full year earnings from a higher level of exposure to A$ exchange rate movements in the second half 2003 compared with the level of exposure in the first half. As a consequence the Company is anticipating a 2003 full year profit of between A$80 to A$90 million after tax".

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