



ILUKA

2004 Half Year Results

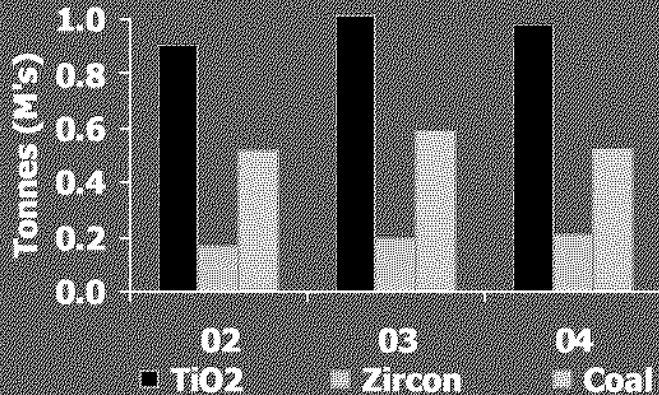
Investor Presentation
August 2004

Highlights Year to Date

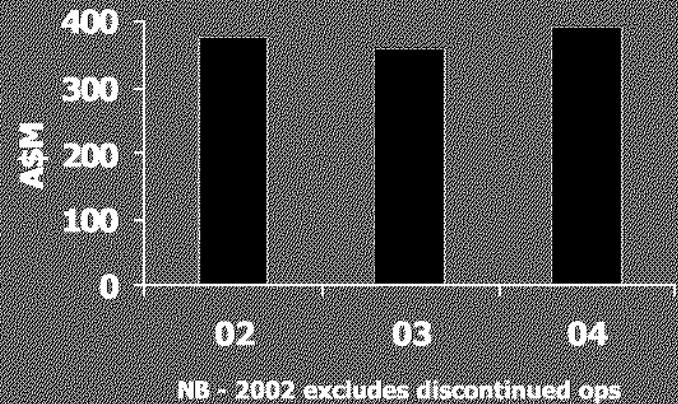
- **Further EH&S performance improvements**
- **Higher US\$ prices and sales (particularly zircon)**
- **MnM cost and efficiency improvements achieved**
- **Pre-tax profit up 55.5% to A\$62m**
- **Dividend maintained at 10 cents, franked to 8.7 cents**
- **Development projects completed – Lulaton and CRL's Enterprise stage-1**
- **Murray Basin – Douglas project committed, progress on KWR and Euston projects**

Performance Overview – 2004 Half Year

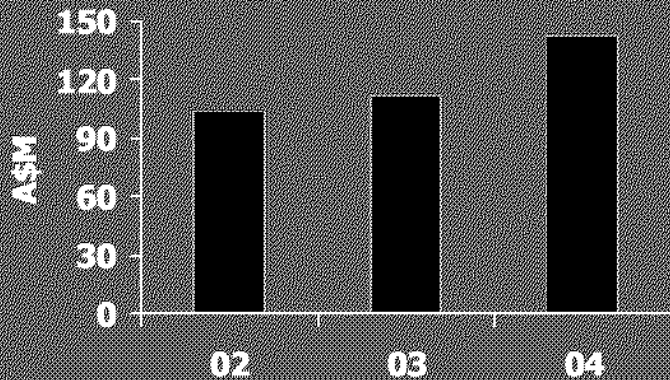
Production



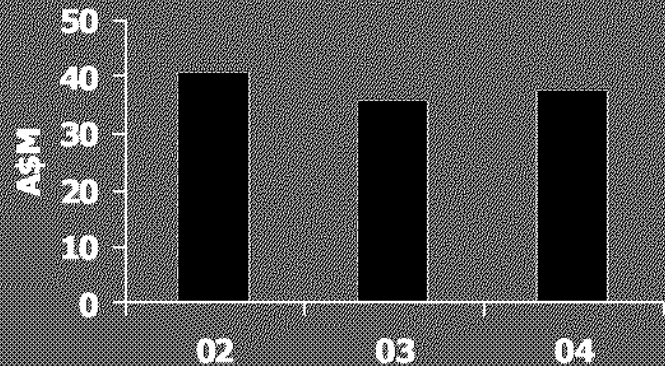
Sales Revenue



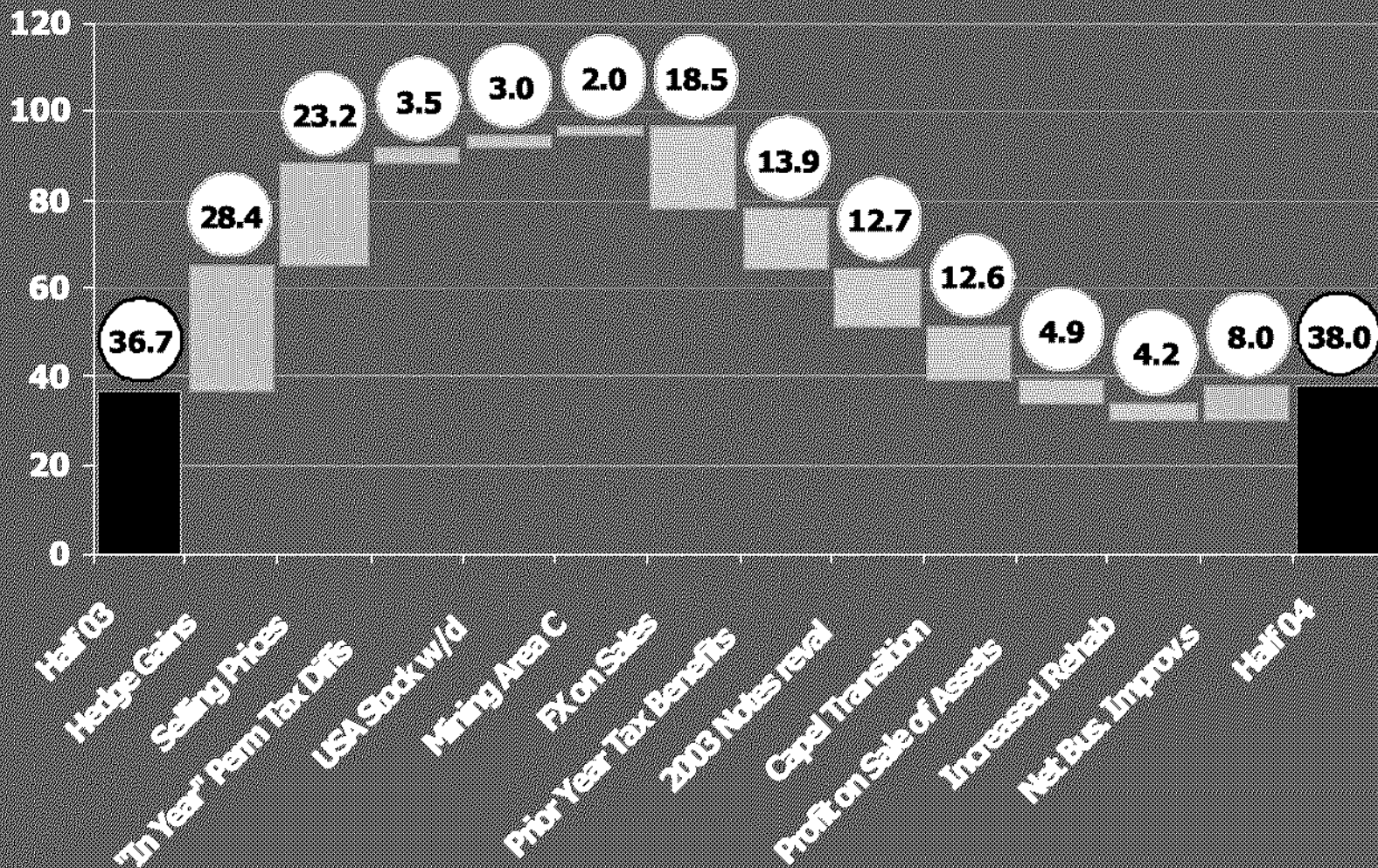
EBITDA



Net Profit



2004 versus 2003 H1 Net Profit after Tax & OEI (A\$M)



First Half Financials

Consolidated	2004	2003
Sales Revenue (A\$m)	393	358
Cashflow		
operating cashflow (A\$m)	151	79
cashflow per share (A\$)	0.65	0.34
Profitability		
EBITDA (A\$m)*	143	111
EBITDA/Sales (%)*	36	31
EBIT (A\$m)*	85.2	51.6
NPAT (A\$m)	38.0	36.7
EPS (cents)	16.3	15.8

*** Excludes exchange losses/gains on foreign currency borrowings**

First Half Financials cont'd

Consolidated	2004	2003
Gearing and interest cover		
gearing (%)	28	30
interest cover (times)	11	9
Dividend		
interim dividend (cents)	10	10
payout ratio (%)	61	63
franking (%)	87	92

First Half P&L Summary

A\$m	2004	2003	Change
Segment Result	92.3	66.1	26.2
Unallocated Rev & Exp*	(7.1)	(14.5)	7.4
Earnings before Borrowing Costs	85.2	51.6	33.6
Net Interest Expense	(12.0)	(12.7)	0.7
Notes Revaluation	(11.0)	1.1	(12.1)
PBT	62.2	40.0	22.2
Tax Expense	(21.3)	(0.6)	(20.7)
OEI	(2.9)	(2.7)	(0.2)
NPAT	38.0	36.7	1.3

* Excludes interest income of A\$0.3m

2004 Half Year Earnings Breakdown

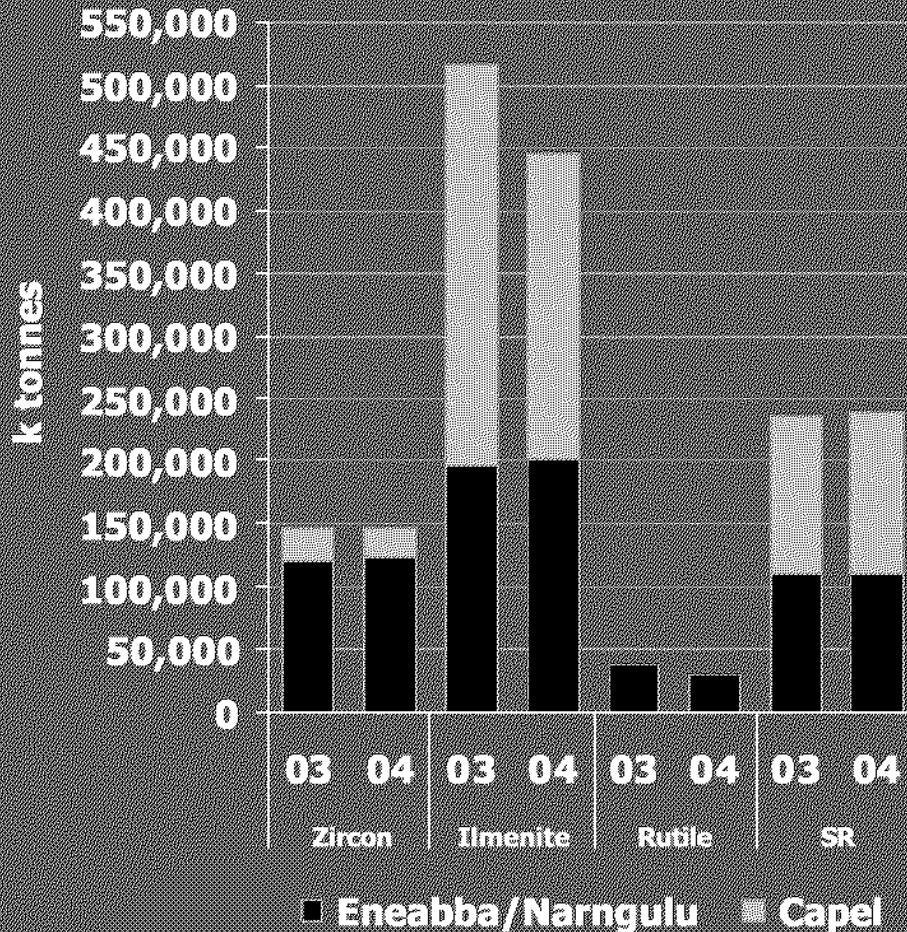
A\$m	Sales Revenue	EBIT	Total Assets	D&A	PP&E
Mineral Sands					
• WA pre-hedge	235.4	36.2	1,007.5	44.1	43.4
• WA hedging	44.2	44.2			
• MB	0.0	0.0	187.6	0.0	23.3
• USA	58.1	1.5	274.7	7.0	16.1
• CRL pre-hedge	32.3	(0.6)	184.6	4.9	17.7
• CRL hedging	5.7	5.7			
Total Mineral Sands	375.7	87.0	1,654.4	56.0	100.5
Coal	16.9	5.3	28.8	1.5	0.1
Mining Area C	0.0	2.8	9.7	0.2	0.0
Unrecovered Corporate*		(9.9)			
Total	392.6	85.2	1,692.9	57.7	100.6

* Excludes interest income of A\$0.3m

Hedge position as at 1/7/2004

	2004 (H2)	2005	2006	2007
Iluka Hedged US\$	43.1	100.0	51.0	60.0
Average cash rate	0.7030	0.5917	0.5557	0.5690
CRL Hedged US\$	21.0	35.5	22.0	
Average cash rate	0.5975	0.6095	0.6695	
Total Hedged Group	64.1	135.5	73.0	60.0
Group Average cash rate	0.6646	0.5963	0.5857	0.5690

WA Operations Review



- **Production underpinned by**
 - **Eneabba mining and Narngulu processing**
 - **SR performance at both sites**
- **Capel mining and separation impacted by**
 - **low-grade, high cost remnant mining at Yoganup Extended**
 - **reduced concentrator and dry plant throughput**

WA Second Half Production Outlook

Capel Operations

- **Substantial ramp-up in production planned in H2 based on**
 - **move to higher grades at Yoganup West**
 - **higher HMC availability and separation plant utilisation**

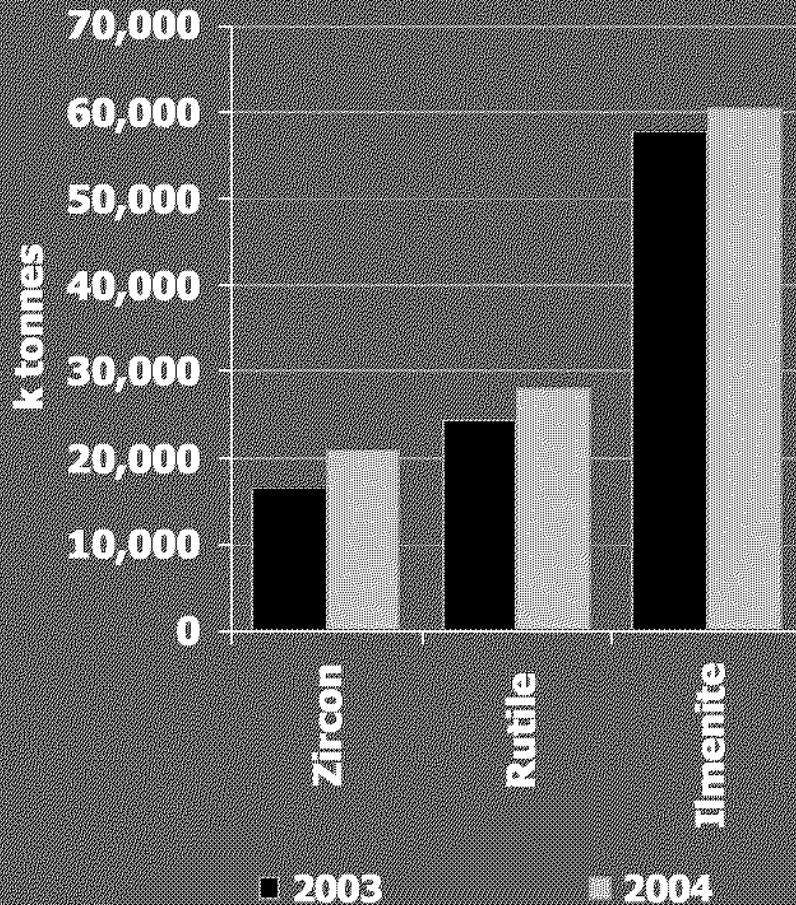
Eneabba/Narngulu

- **H2 production levels similar to H1 based on**
 - **H1 HM grades continuing**
 - **maintaining recoveries and throughput levels at Narngulu**

SR production

- **Capel - H1 SR operational improvements expected to continue**
- **Narngulu - 10 week Q3 MMO shutdown for SR4 underway**
- **Full year target 490 kt (280 kt Capel and 210 kt Narngulu)**

CRL Operations Review



- **R&Z production up 18% despite a 6 week shutdown of the Ibis dredge for an upgrade**
- **Result underpinned by**
 - **Yarraman throughput improvements**
 - **supplementary dry mining at Ibis and Yarraman deposits**
- **Ibis/Enterprise upgrade completed in late June**

CRL Second Half Production Outlook



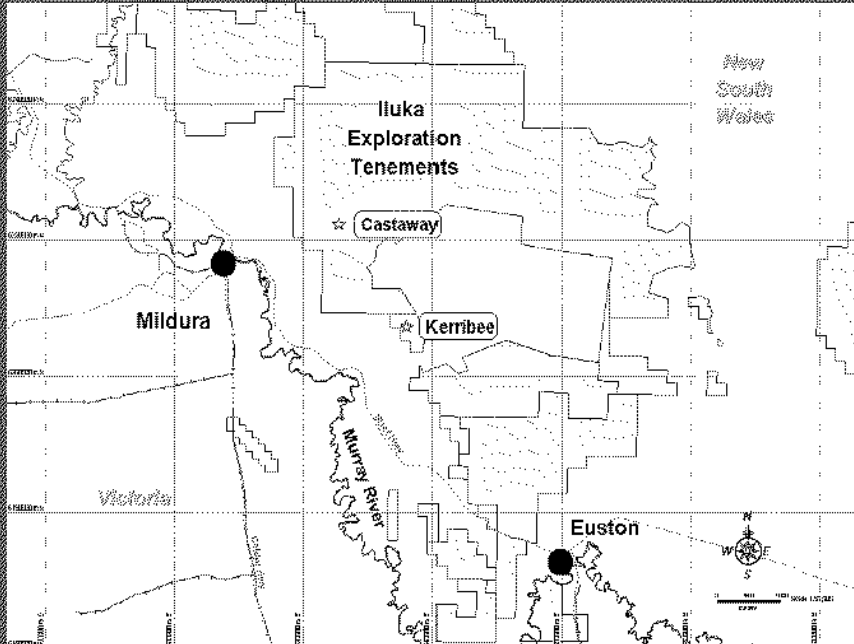
- **Transition to Enterprise**
 - dredging of low-grade zone underway
 - new thickener being commissioned
 - project on track to be delivered under budget
 - completion mid-2005
- **H2 outlook**
 - maintain H1 R&Z production levels with Yarraman and dry mining offsetting the initial low grades at Enterprise
 - expect to meet full year target of a 20% increase in R&Z production compared with 2003

Douglas Project Progress - end July



- **June A\$270m FID for the Douglas project including**
 - **Douglas mine and wet concentrator**
 - **Hamilton MSP and project infrastructure**
 - **July A\$200m turn-key EPC contract awarded to Roche**
-
- **first concrete pour completed**
 - **WCP and MSP bulk earthworks and MSP access road completed**
 - **pipeline 66% complete, pumping station 90% complete**
 - **engineering 59% complete**
 - **overall project 19% complete vrs target of 20.6%**

Murray Basin H1 Exploration Activities



Key Focus Areas

- Development drilling at Douglas
- Exploration drilling at
 - the Kulwin resource near Ouyen, Victoria and
 - north-west of Euston, NSW
- Total of 52,860 metres drilled in H1

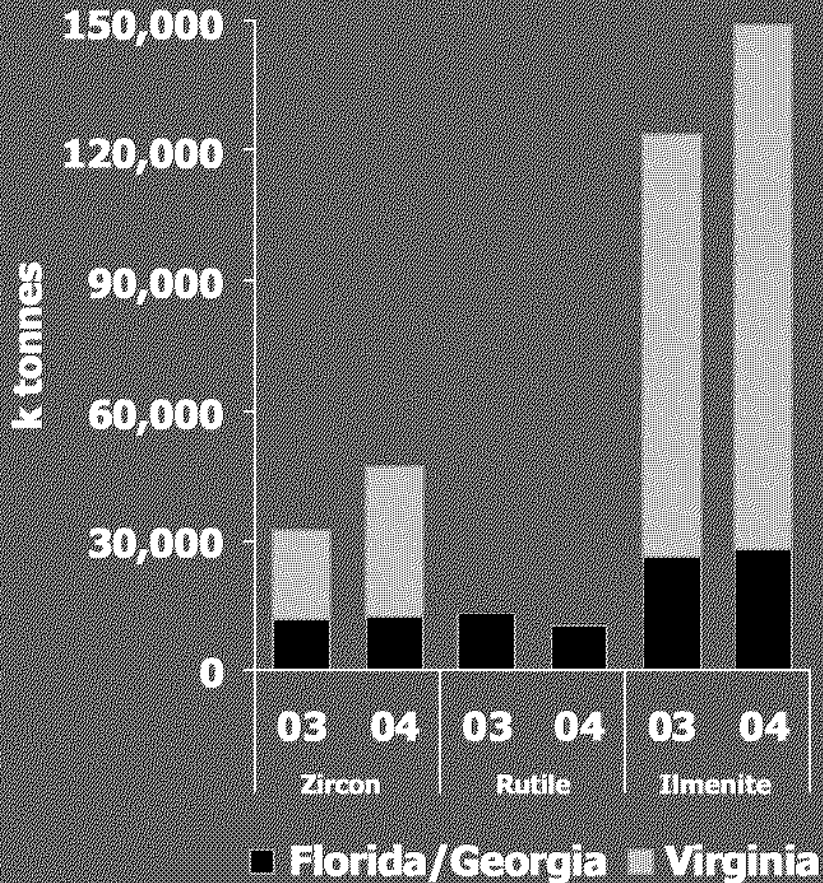
- New discovery made in Euston project area – referred to as Castaway
 - high-grade zircon and rutile enriched strand
 - evaluation underway – expect it to have resource status by year end

Murray Basin Douglas Project Outlook

- **2004 H2 project completion milestones**
 - **fencing - Q3**
 - **mine access road - Q4**
 - **completion of pump station and pipeline - Q4**
 - **award of mining operations tender - Q4**
 - **award of road transport tender - Q4**
 - **startup of mining ops - Q4**
- **Key practical completion (ready for handover) milestones**
 - **wet concentrator plant - early Q2 2005**
 - **Mineral separation plant - early Q4 2005**



USA Operations Review



- **Virginia – underpinned higher USA H1 production**
- **Georgia (Lulaton)**
 - **MC2 achieved commercial production in Q2**
- **Florida**
 - **upgrade and re-commissioning of MC1 completed Q1**
 - **GCS dredge de-commissioned end Q1**

USA Second Half Production Outlook



- **Georgia (Lulaton)**
 - **equipment reliability and water quality issues resolved**
 - **water clarifier built to manage high humate levels**
 - **final stages of MC2 commissioning underway**
 - **production expected progressively ramp up by the end of Q3**

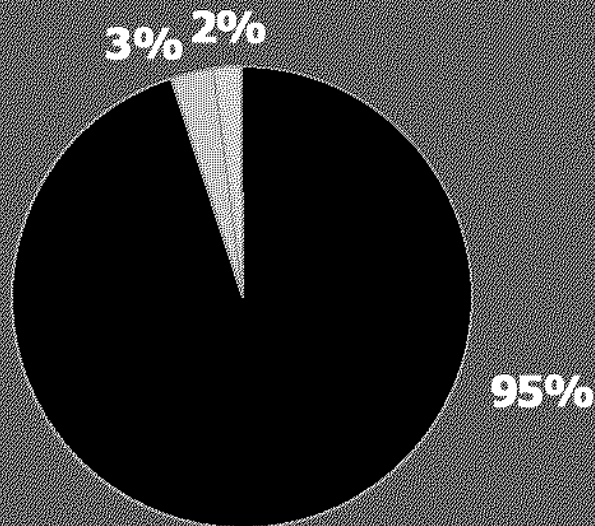
USA Second Half Production Outlook cont'd



- **Georgia**
 - **water clarifier commissioned**
- **Increased overall USA H2 production from**
 - **similar contribution from Virginia compared with H1**
 - **full 6 months from upgraded MC1 in Florida**
 - **full Q4 contribution from MC2**

Titanium Minerals Outlook

TiO₂ Uses



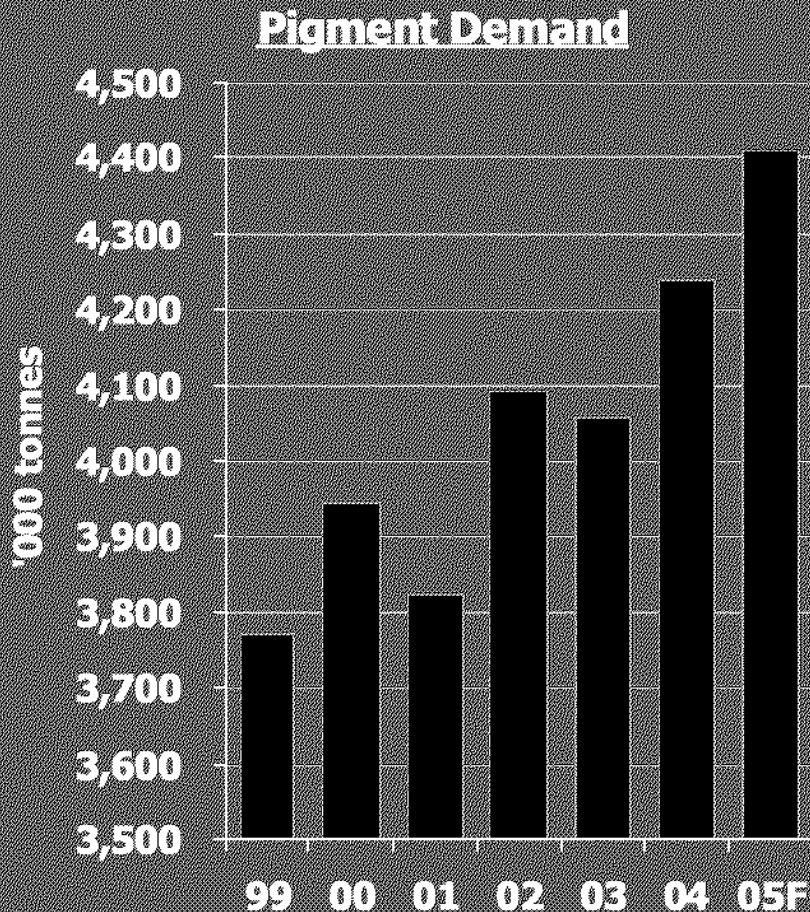
■ Pigment

■ Metal

■ Other (including
Welding Electrodes)

- Demand across all sectors and regions stronger
- Pigment
 - average H1 2004 revenues up 10% due to higher sales
 - inventory down - plants operating at higher levels
 - price increases announced in strong market conditions
- TiO₂ Metal
 - increased demand from aerospace growth (next 2-3 years)
- Welding Market
 - increased demand from Asian shipbuilders (full order books at present)

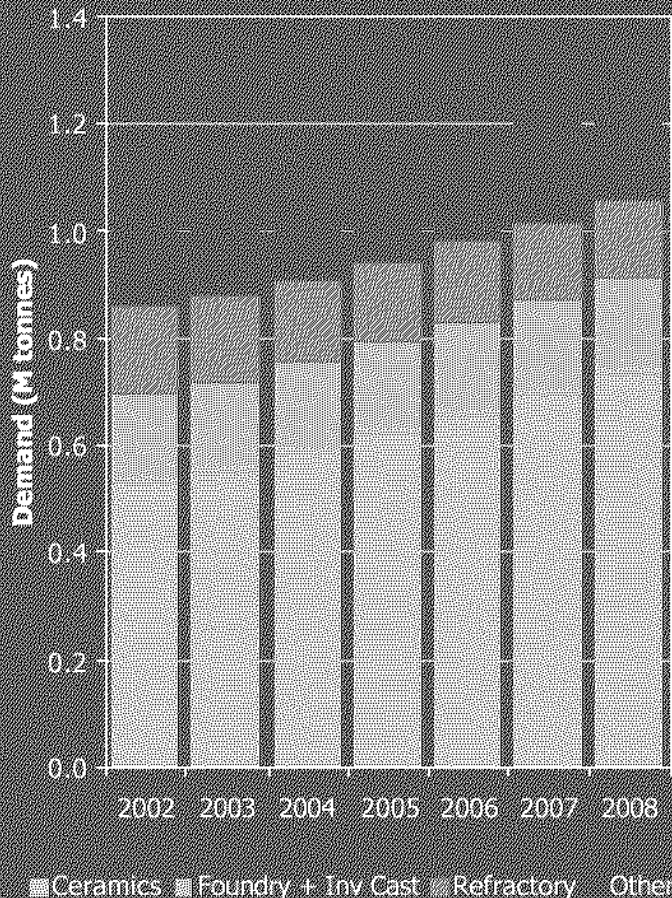
Titanium Minerals Outlook cont'd



- Iluka fully sold in 2004
- Demand for products increasing, expect to be fully sold in 2005
- US\$ price increases achieved in 2004 with pleasing outcomes for high TiO₂ content products
- Expect further price increases in 2005 in view of tightening market
- Ilmenite supply tightening in response to strong demand growth in China
- Progressing off-take agreements for Murray Basin rutile - expect to be fully sold

Zircon Outlook

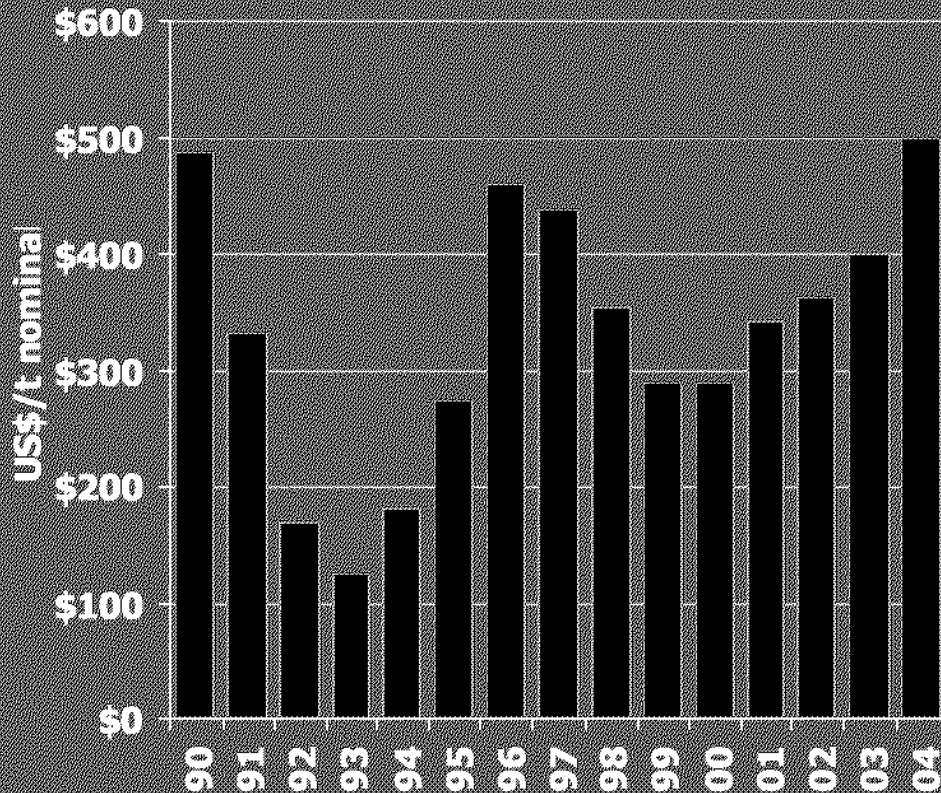
Global Demand



- Demand across all sectors and regions expected to remain strong in H2 2004 and throughout 2005
- Fully sold in 2004
- Expect to be fully sold in 2005
- Chinese market continues to be the major growth area
- Continuing to progress short-term zircon production initiatives to meet market opportunity gap

Zircon Outlook cont'd

Zircon Price



- **No impact on demand from 2004 price increases**
- **Disciplined approach to price increases**
- **Prices increased by at least US\$100 per tonne in 2004 in stages**
- **Similar US\$ price increases expected in 2005**

Progress Against Strategic Objectives

Maximise returns from the existing business through

Objectives	2004 Target	H1 2004
- Cost reductions and efficiency improvements	- A\$35m in full year pre-tax benefits	- A\$12m achieved
- USA profit turnaround	- Full year profitability	- A\$8m EBIT turnaround
- Delivery of development projects	- Lulaton construction Q1	- Achieved
	- Lulaton final commissioning Q3	- On-track
	- CRL Enterprise stage-1 completed by mid-2004	- Achieved

Progress Against Strategic Objectives cont'd

Grow the mineral sands business through

Objectives	2004 Target	H1 2004
<ul style="list-style-type: none">- Development of the Murray Basin	<ul style="list-style-type: none">- Douglas FID by mid-2004- Construction underway Q2- Progress KWR/Euston projects	<ul style="list-style-type: none">- Achieved- Achieved- On Track
<ul style="list-style-type: none">- Finding more zircon to fill market opportunity gap	<ul style="list-style-type: none">- Integrate mobile processing technology by end 2004- Secure new prospective Australian zircon exploration acreage	<ul style="list-style-type: none">- Investment commitment made- Major tenement position in Eucla Basin
<ul style="list-style-type: none">- Pursuing new SR production technology	<ul style="list-style-type: none">- PFS by mid- 2004- Sites evaluated by Q4	<ul style="list-style-type: none">- Achieved apart from site selection- On track

Concluding Comments

- **Fully sold for both titanium minerals and zircon in 2004**
 - **planned sales higher in H2 compared with H1**
- **Full year NPAT outlook unchanged from AGM guidance**
 - **2004 NPAT similar to 2003 NPAT**
- **Ability to meet or exceed expected NPAT predicated on**
 - **achieving planned production levels in H2**
 - **meeting year-end shipping schedules**
- **FX will also influence result**
 - **most of the sub-60 cent hedge cover was utilised in H1**
 - **higher portion of US\$ denominated Australian sales exposed to FX movements in H2**

Appendices

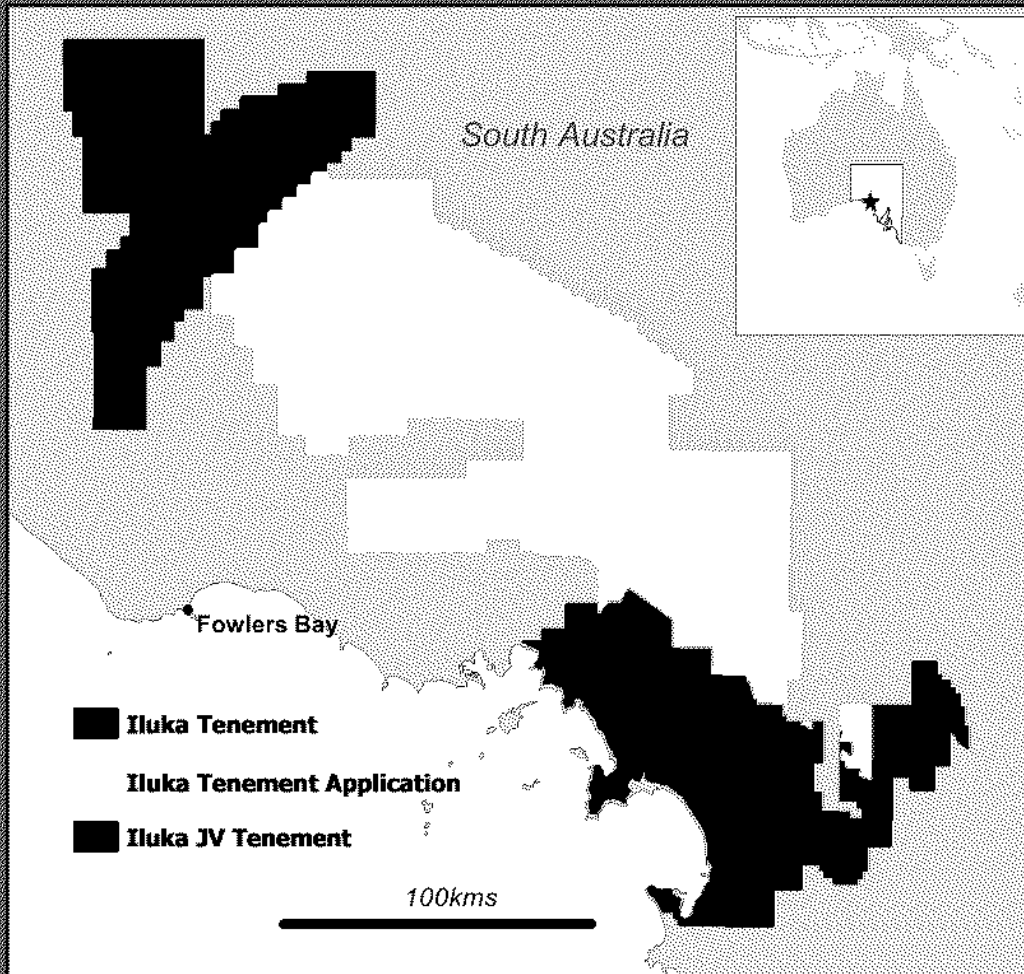
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- WA pre-hedge	251.3	49.7	1,092.1	44.5	22.5
- WA hedging	11.8	11.8			
- MB	0.0	0.0	153.8	0.0	7.4
- USA	50.4	(6.5)	245.6	8.5	25.3
- CRL pre-hedge	27.7	5.8	161.3	5.4	3.8
- CRL hedging	1.0	1.0			
Total Mineral sands	342.2	61.8	1,652.8	58.4	59.0
Coal	16.3	4.3	29.0	1.4	0.6
Mining Area C	0.0	0.0	10.0	0.0	0.0
Unrecovered Corporate		(14.5)			
Total	358.5	51.6	1,691.8	59.8	59.6

Group H1 Production & Sales 2004 v 2003

Product – k tonnes	2004	2003
Rutile production	67.9	75.2
Rutile sales	72.5	76.4
SR production	239.1	235.2
SR sales	201.7	200.3
Ilmenite production	660.2	707.8
Ilmenite sales	337.4	331.4
Zircon production	215.2	196.4
Zircon sales	206.7	179.5
Leucoxene production	5.8	6.3
Leucoxene sales	24.1	17.7
Coal production	521.9	592.7
Coal sales	528.3	515.0

Iluka's Position in the Eucla Basin



- Current exploration activities include
 - Drilling at granted tenements on Eyre Peninsula (pink)
 - Tenement applications in progress (green)
 - Joint venture with Adelaide Resources (blue)
- All tenements identified as prospective for HM deposits