



**ILUKA RESOURCES LIMITED**

## **Notice to the Australian Stock Exchange**

**24 October 2003**

### **ILUKA RESOURCES SIGNS MOU WITH AUSTPAC RESOURCES NL**

Iluka Resources Limited has entered into a Memorandum of Understanding (MoU) with Austpac Resources NL concerning the purchase of synthetic rutile (SR) from Austpac's proposed SR plant located on the east coast of Australia. Under the MoU Iluka will also be entitled to acquire an interest in Austpac, Austpac's SR plant, and secure exclusive licensing rights in respect of Austpac's ERMS SR Technology.

Iluka's commitment to purchase SR under the MoU is subject to the completion of a successful independent bankable feasibility study for the proposed 30,000 tonne per year SR plant, Austpac obtaining finance, as well as Iluka and Austpac reaching agreement on the minimum price commitment for the SR.

If the conditions under the MoU are satisfied, Iluka will enter into a definitive contract to purchase the output from the SR plant subject to satisfactory commercial and long term contractual arrangements in accordance with the terms of the MoU.

Furthermore the Agreement also provides that:

- from the date the MoU conditions are satisfied Iluka will be granted a non-exclusive licence to use the ERMS SR technology to build and construct future ERMS SR plants.
- upon completion of the bankable feasibility study Iluka may acquire a 10.01% interest in Austpac at a 30% premium to market, and upon doing so Iluka's licence over Austpac's ERMS SR Technology will become exclusive from the date the option is exercised, subject to the conditions discussed below.
- after the construction and successful commissioning by Austpac of the SR plant:
  - Iluka will have the right to acquire a controlling interest in the SR plant and to participate in any expansion of that plant; and

**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

- assuming Iluka has not exercised the equity option, Iluka's licence over Austpac's ERMS SR Technology will become exclusive if Iluka commences a bankable feasibility study for an ERMS SR plant of at least 100,000 tpa capacity within twelve months of the successful commissioning of Austpac's 30,000 tpa plant, with the period of exclusivity commencing from the date Iluka actually commences the bankable feasibility study, subject to the conditions discussed below.
- Where Iluka obtains an exclusive licence of the ERMS SR technology, such period of exclusivity is conditional upon Iluka, within twelve months of the successful commissioning of the SR Plant, declaring that it intends to undertake a bankable feasibility study to construct a 100,000 tpa ERMS SR plant and thereafter actually completing a bankable feasibility study, and commencing construction of the new ERMS SR plant within two years of the declaration. For the ERMS SR technology to remain exclusive, Iluka must build a 100,000 tpa ERMS SR plant every five years thereafter.
- Austpac will be entitled to a 10% free carried interest and may acquire a 20% participating interest in any future SR plant built by Iluka using the ERMS SR Technology irrespective of whether Iluka holds an exclusive or non-exclusive licence. The MoU also recognises Ticor Limited's existing rights to use the ERMS SR technology.

As a precursor to the above, Iluka has the right to perform its own due diligence on the independent bankable feasibility study and is under no obligation to pursue the option of taking equity in Austpac. If following the bankable feasibility study the parties are unable to reach agreement as to the calculation of the minimum price terms for the SR purchases, the MOU will come to an end.

Mike Folwell  
Managing Director and CEO  
Iluka Resources Limited