Iluka Resources Limited ABN 34 008 675 018
ASX Preliminary final report - 31 December 2010

Lodged with the ASX under listing rule 4.3A

Results for announcement to market

All currencies shown in this report are Australian dollars unless otherwise indicated. This preliminary final report is based on Financial Statements which are in the process of being audited

Revenue from ordinary activities	Up 60% to $964.6m	
Profit from ordinary activities after tax attributable to members	Up to $36.1m	
Net profit for the period attributable to members	Up to $36.1m	
Final dividend of 8 cents per ordinary share (unfranked), no interim dividend		
Key ratios	**2010**	**2009**
Basic and diluted earnings per share (cents)	8.6	(20.2)
EBITDA/Net interest payable (times)	11.7	5.8
Operating cash flow per share (cents)	38.5	20.1
Return on Equity (%)	3.2	(7.5)
Gearing (net debt/net debt+equity) (%)	21.8	25.9
Net tangible assets per share ($)	2.54	2.46

Overview of results

Iluka recorded a profit after tax for the year ended 31 December 2010 of $36.1 million (reflecting a second half profit after tax of $42.7 million), compared with a net loss after tax of $82.4 million for the previous corresponding period reflecting higher sales volumes, higher zircon pricing and contribution from the new, higher margin operations in the second half of the year.

Mineral sands EBITDA was $250.2 million, a 231 per cent increase compared with the previous corresponding period. Mineral sands EBIT increased to $31.6 million (2009: loss $100.6 million), with higher depreciation charges of $218.6 million, compared to $176.2 million in the previous corresponding period, reflecting the transition to the new operations and the start of depreciation on approximately $800 million of assets during 2010.

Mining Area C iron ore royalty earnings ("MAC") increased by 51.2 per cent to $75.9 million as a result of a 7.2 per cent increase in sales volumes and a 56 per cent increase in the average realised AUD iron ore price, offset partially by capacity payments being $3.0 million lower than the previous corresponding period.

Group EBIT was $86.1 million, compared to a loss in 2009 of $144.1 million which included a significant non-cash charge of $67.6 million.

The profit before tax was $39.9 million (2009 loss: $166.8 million). A net tax expense of $3.8 million was recognised in respect of the profit for the period.

Earnings per share for the period were 8.6 cents compared to (20.2) cents in the previous corresponding period. Total shares on issue at 31 December 2010 of 418.7 million were unchanged during the period.

Net debt at 31 December 2010 was $312.6 million, with a gearing ratio (net debt/net debt + equity) of 21.8 per cent. This compares with net debt at 31 December 2009 of $382.1 million and a gearing ratio of 25.9 per cent.

During the second half of 2010, net debt reduced by $126.4 million as capital expenditure reduced to $21.2 million and operating cash flows increased to $119.7 million from $43.9 million in the first half of 2010. The stronger operating cash flows reflect both the transition to higher margin operations and the benefit of higher zircon prices. Undrawn facilities at 31 December 2010 were approximately $250 million and cash at bank was $30.1 million.

Dividend

Directors have determined a final dividend of eight cents per share, unfranked. The dividend is unfranked as Iluka does not have franking credits currently available for distribution. The dividend is payable on 6 April 2011 for shareholders on the register as at 9 March 2011. Directors have decided to suspend the Dividend Reinvestment Plan until further notice.

Income statement analysis

$ million	2010	2009	% change
Mineral sands revenue	**874.4**	**576.0**	**51.8**
Cash costs of production	(543.8)	(453.6)	(19.9)
Inventory movement	(2.9)	33.4	n/a
Restructure and idle capacity cash charges	(13.2)	(50.1)	73.6
Rehabilitation and holding costs for closed sites	(10.4)	-	n/a
Government royalties	(17.1)	(13.7)	(24.8)
Marketing and selling	(24.1)	(10.2)	(136.3)
Asset sales and other income	7.4	14.2	(47.9)
Product, technical development & major projects	(5.6)	(4.2)	(33.3)
Exploration	(14.5)	(16.2)	10.5
Mineral sands EBITDA	**250.2**	**75.6**	**230.9**
Depreciation and amortisation	(218.6)	(176.2)	(24.1)
Mineral sands EBIT	**31.6**	**(100.6)**	**n/a**
Mining Area C	75.9	50.2	51.2
Currency hedging and foreign exchange	8.9	(0.1)	n/a
Corporate and other	(30.3)	(26.0)	(16.5)
Significant non-cash items	-	(67.6)	n/a
Group EBIT	**86.1**	**(144.1)**	**n/a**
Net interest costs	(30.9)	(18.4)	(67.9)
Interest capitalised (Jacinth-Ambrosia and Murray Basin)	-	12.5	n/a
Rehabilitation unwind and other finance costs	(15.3)	(16.8)	8.9
Profit (loss) before tax	**39.9**	**(166.8)**	**n/a**
Tax expense	(3.8)	61.5	n/a
Profit (loss) from continuing operations	**36.1**	**(105.3)**	**n/a**
Profit from discontinued operations (CRL)	-	22.9	n/a
Profit (loss) for the period	**36.1**	**(82.4)**	**n/a**
Average AUD/USD (cents)	**92.0**	**79.3**	**(16.5)**

Mineral sands production and sales

	2010	2009	% change
Production volumes (kt)			
Zircon	412.9	263.1	56.9
Rutile	250.1	141.4	76.9
Synthetic rutile	347.5	405.0	(14.2)
Ilmenite – saleable	469.0	342.1	37.1
Ilmenite – upgraded to synthetic rutile	215.9	496.7	(56.5)
Total saleable production	**1,479.5**	**1,151.6**	**28.5**
Cash costs of production	$543.8m	$453.6m	(19.9)
Unit cash cost – total saleable product	$367/t	$394/t	6.9
Unit cash cost – zircon/rutile/synthetic rutile	$538/t	$560/t	3.9
Sales volumes (kt)			
Zircon	478.7	222.6	115.0
Rutile	240.0	138.7	73.0
Synthetic rutile	362.5	396.7	(8.6)
Ilmenite – saleable	373.7	376.4	(0.7)
Total sales	**1,454.9**	**1,134.4**	**28.3**
Revenue	$874.4m	$576.0m	51.8
Unit revenue – total saleable product	$601/t	$508/t	18.3
Unit revenue – zircon/rutile/synthetic rutile	$809	$760	6.4

Mineral sands operational results

	Revenue		EBITDA		EBIT	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Eucla/Perth Basin	468.7	385.6	119.9	47.9	33.8	(79.3)
Murray Basin	281.5	124.8	113.9	13.2	0.9	(18.5)
United States	124.3	65.6	40.2	30.7	23.2	13.4
Exploration & other*	-	-	(23.7)	(16.2)	(26.2)	(16.2)
Total	**874.4**	**576.0**	**250.2**	**75.6**	**31.6**	**(100.6)**

* 2010 values includes central marketing and product development costs allocated to operations in prior periods

Mineral sands revenue

Mineral sands revenue increased by $298.4 million (51.8 per cent) compared with the previous corresponding period due to significantly higher zircon and rutile sales volumes.

Zircon demand reflected a strong recovery in demand in China to above pre global economic crisis levels, a recovery in European demand and robust North American demand. Zircon sales volumes increased by 115 per cent to 487.7 thousand tonnes (2009: 222.6 thousand tonnes). Sale of Murray Basin Stage 2 and Jacinth-Ambrosia production commenced during the June quarter, with sales of material from these two new operations constituting the majority of Australian product sales in the second half.

Rutile sales volumes of 240.0 thousand tonnes represent a 73.0 per cent increase from 2009 (138.7 thousand tonnes), following the start of production from Murray Basin Stage 2 in the first half of 2010. Substantially all of the group's rutile production in the second half of 2010 was from Murray Basin.

Synthetic rutile sales volumes of 362.5 thousand tonnes were 8.6 per cent lower than 2009 (396.7 thousand tonnes) which reflects Iluka's decision to idle synthetic rutile capacity during 2009 and reduce production.

Ilmenite sales of 373.7 thousand tonnes were similar to 2009 levels (376.4 thousand tonnes), with Iluka's focus, in terms of Australian ilmenite production, being to provide the maximum practicable proportion of suitable ilmenite produced as a feed source for its synthetic rutile operations.

Higher average prices for zircon and rutile largely offset the effects of an increase in the average AUD:USD exchange rate from 79.3 cents in 2009 to 92.0 cents in 2010. The significant increases in higher value zircon and rutile sales volumes, however, lead to an 18.3 per cent increase in the average revenue per tonne of product sold from $508 to $601 as the proportion of zircon, rutile and synthetic rutile increased from 66 per cent of total sales to 74 per cent.

Cash costs of production

Cash costs of production of $543.8 million were 19.9 per cent higher than the previous corresponding period, with unit cash costs of production per tonne of zircon/rutile/synthetic rutile lower at $538/tonne, compared to $560/tonne in the previous corresponding period. The transition of mining operations from Western Australia to the new operations of Jacinth-Ambrosia and Murray Basin Stage 2 results in a different mix of production and cash cost profiles when compared to previous periods, with costs in the first half of 2010 including those necessary to establish higher concentrate stockpiles associated with the new operations.

In the second half of 2010, unit cash costs of production per tonne of zircon/rutile/synthetic rutile were $502/tonne, compared to $583/tonne in the first half, reflecting the transition to the higher cash margin operations and concentrate levels that were largely unchanged during the half.

Inventory movement

Inventory values are comparable year on year, however, the composition of the balance has changed as a result of an increase in concentrate and intermediate stockpiles of approximately $40 million during the first half of 2010 associated with the start of operations at Jacinth-Ambrosia and Murray Basin Stage 2. Finished goods inventory reduced by approximately $40 million due mainly to the sale of material on hand in Virginia at the end of 2009.

Restructure and idle capacity cash charges

The charges relate mainly to redundancy and other costs associated with the idling during the year, as planned, of the remaining mining operations at Eneabba in Western Australia and the planned idling of the second synthetic rutile kiln at Narngulu in Western Australia.

Rehabilitation and holding costs for closed sites

Reassessments of rehabilitation costs for closed sites are expensed (or credited) to profit and loss. The charge for the year relates to reassessments at several former operations, with the majority being for Florida.

Government royalties and marketing costs

Government royalties increased with higher sales volumes and prices. Marketing and selling costs similarly reflect higher sales volumes, together with the costs for certain port related activities that were previously reported as production costs.

Depreciation and amortisation

The increase of $42.4 million includes an $81.3 million increase in the Murray Basin following the completion of commissioning of the Kulwin mine in March 2010, offset by a $41.1 million reduction in Eucla/Perth Basin where the asset configuration and level of operations were significantly different to those in the previous corresponding period due to the start of depreciation at Jacinth Ambrosia in February 2010 and the idling of the majority of the Western Australian productive capacity over the course of the current and previous corresponding period.

Mining Area C

Iron ore sales volumes increased 7.2 per cent to 43.3 million dry metric tonnes. The average AUD realised price upon which the royalty is payable increased by 56 per cent from the previous corresponding period, following the move away from sales at contracted benchmark prices by BHP Billiton during the year. The EBIT contribution of $75.9 million includes $5.0 million of annual capacity payments for production increases in the year to 30 June (2009: $8.0 million), reflecting a full year of production following an expansion of the Area C operation by BHP Billiton in early 2009.

Corporate and other

Corporate costs were $4.3 million higher than the previous corresponding period, due mainly to increases in insurance and incentive costs. Costs for the period include $7.2 million for support activities that were centralised after the 2009 restructure and which are no longer included in regional costs, one-off restructure costs of $7.7 million were incurred in 2009.

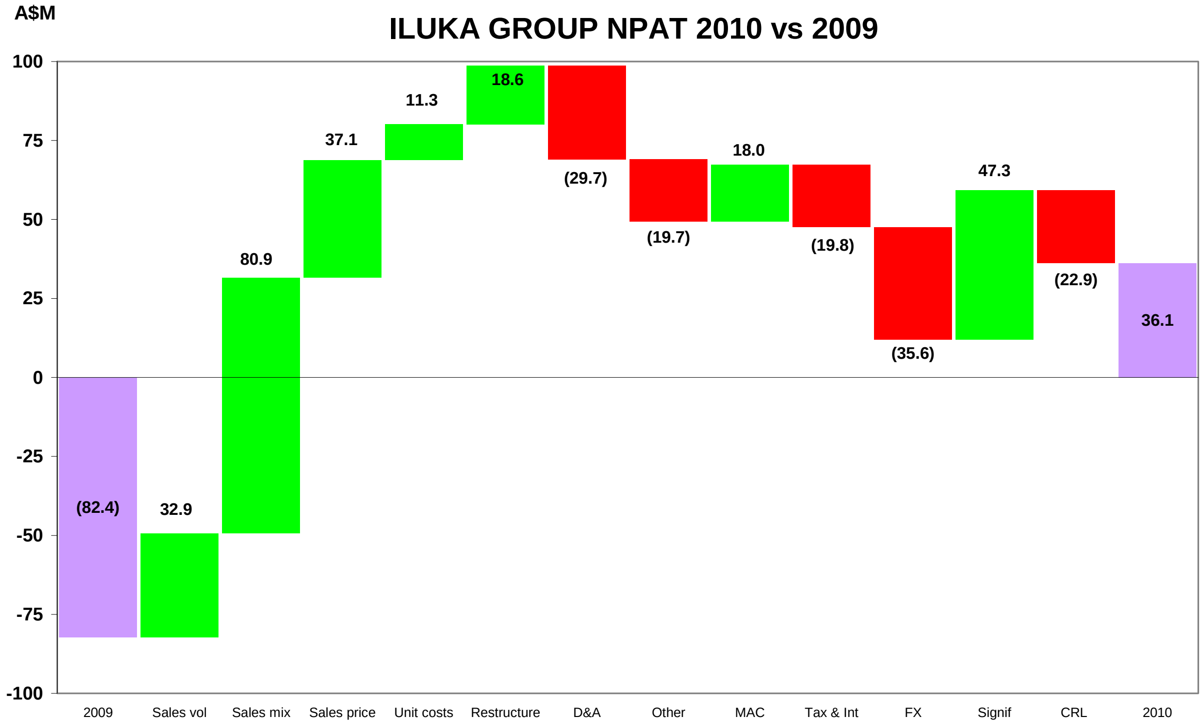
Interest

The increase in net interest costs reflects higher average net debt than the previous corresponding period, increases in Australian variable interest base rates and higher margins in the first half of the year. Capitalisation of interest in respect of the Jacinth- Ambrosia and Murray Basin Stage 2 projects ceased in the second half of 2009.

Tax expense

An income tax expense of $3.8 million, at an effective tax rate of 9.5 per cent, compares to a benefit in 2009 of $61.5 million reflecting the pre-tax loss for the year. The effective tax rate is influenced by benefits in respect of Investment Allowance and Research & Development concessions in Australia, together with the tax expense on earnings in the United States being at 20 per cent, compared with 30 per cent for Australian earnings.

Movement in NPAT



Sales volumes (+ve $32.9 million)

The amount reflects the impact on NPAT of the higher sales volumes using the average margin achieved for all product sales in the previous corresponding period.

Sales mix (+ve $80.9 million)

Sales volumes for the period include a much higher proportion of high value zircon and rutile than the previous corresponding period.

Sales price (+ve $37.1 million)

Significantly higher average zircon prices during 2010, particularly in the second half, together with higher annual contracted prices for titanium products.

Unit costs (+ve $11.3 million)

Lower unit cash costs of production for those products sold during the year.

Restructure and closed sites (+ve $18.6 million)

Restructure costs were incurred in respect of the idling, as planned, of the remaining mining activity in Western Australia in 2010 and Narngulu synthetic rutile production in 2011, together with provision for higher costs associated with the rehabilitation of previously closed sites. These costs were lower than those in the previous corresponding period when the company took significant steps to accelerate the idling of production capacity, in the context of the global economic crisis.

Depreciation and amortisation (-ve $29.7 million)

The increased charges compared to the previous corresponding period are due mainly to the start of depreciation at Murray Basin Stage 2 and Jacinth-Ambrosia early in the year, offset partially by reduced charges for the Western Australian assets arising from the idling of productive capacity.

Other costs (-ve $19.7 million)

The higher costs are due mainly to higher government royalties and marketing costs associated with higher sales volumes and the receipt of a $5.7 million (pre-tax) insurance claim in the previous corresponding period.

MAC (+ve $18.0 million)

Iron ore royalties increased by approximately 67 per cent due to a 7.2 per cent increase in sales volumes to 43.3 million DMT and a 56 per cent increase in realised AUD iron ore prices. MAC capacity payments before tax were $3.0 million lower than in the previous corresponding period

Interest and tax (-ve $19.8 million)

Net interest expenses increased due to higher average net debt levels, higher interest rates and the capitalisation in the previous corresponding period of $12.5 million of interest on bank debt due to the Murray Basin Stage 2 and Jacinth-Ambrosia developments.

Foreign exchange (-ve $35.6 million)

The impact of higher spot exchange rates than in the previous corresponding period on revenue was a $41.9 million reduction in NPAT, offset partially by an increase net foreign currency hedge and translation gains. Foreign exchange impacts on operating costs are included in the overall movement in cash costs.

Significant items (+$47.3 million)

There were no significant items in the period. The amount in the previous corresponding period related to the write off of fair values for deposits in Western Australia and Murray Basin that were considered unlikely to be mined.

Discontinued operations (-ve $22.9 million)

This item represents the contribution from the operations and sale of CRL in the previous corresponding period.

Balance sheet, cash flow and net debt

Balance sheet by operation - $ million

31 December 2010	E/PB	MB	US	Group	31 Dec 2009
Receivables	76.1	54.3	10.4	**140.9**	**93.6**
Inventories	178.7	71.8	7.0	**257.5**	**262.1**
Payables and accruals	(38.4)	(36.8)	(7.2)	**(81.4)**	**(144.1)**
Employee benefits and other provisions	(15.5)	(2.8)	(4.3)	**(22.5)**	**(20.9)**
Rehabilitation & restoration provisions	(289.3)	(32.3)	(25.9)	**(347.5)**	**(332.6)**
Property, plant & equipment	726.5	645.8	45.7	**1,418.2**	**1,557.1**
Intangibles	-	-	-	**-**	**2.4**
Operational funds employed	**683.3**	**700.0**	**25.9**	**1,364.2**	**1,417.7**
Mining Area C (including receivables)				**27.7**	**15.8**
Corporate				**(10.0)**	**(25.8)**
Capital employed				**1,381.9**	**1,407.6**
Hedge fair value (asset) liability				**-**	**(15.9)**
Net tax asset				**(55.3)**	**(53.7)**
Net debt				**312.6**	**382.1**
Total equity				**1,124.6**	**1,095.1**
Net funding				**1,381.9**	**1,407.6**

Key points:

- Higher receivables due to significant sales volumes in December and higher sales prices. Lower inventories reflect an increase in concentrate stocks, offset by lower finished product stocks. The higher concentrate value is associated with the start of operations at Jacinth -Ambrosia with material being held at the mine, port and in transit to the Narngulu separation plant in Western Australia, together with Kulwin.
- Lower payables reflect the payment of creditors associated with the construction and commissioning of the Jacinth-Ambrosia and Murray Basin Stage 2 projects.
- Lower property, plant & equipment due to the start of operations and depreciation of the Jacinth-Ambrosia and Murray Basin Stage 2 projects.
- No hedge asset as all remaining foreign currency derivatives were delivered in 2010.
- Net tax asset includes approximately $60 million of tax losses available to reduce future tax cash payments.

Movement in net debt - $ million

	1st Half 2009	2nd Half 2009	1st Half 2010	2nd Half 2010
Opening net debt	**(215.7)**	**(309.4)**	**(382.1)**	**(439.0)**
Operating cash flow	(94.0)	180.5	43.9	119.7
MAC royalty	28.2	27.0	19.8	44.1
Exploration	(10.2)	(9.8)	(7.6)	(10.3)
Interest (net)	(6.0)	(6.5)	(12.3)	(17.1)
Tax	(6.8)	2.4	(1.5)	-
Capital expenditure	(234.3)	(287.3)	(94.9)	(22.3)
Asset sales	85.8	8.3	5.3	3.7
Share issues (net of costs)	113.5	-	-	-
Share purchases	-	-	-	(9.8)
Dividends to CRL minorities	(1.8)	-	-	-
Net cash flow	**(125.6)**	**(86.0)**	**(47.3)**	**108.0**
CRL net debt eliminated on sale	9.4	-	-	-
Exchange revaluation of USD net debt	22.5	13.3	(9.6)	18.4
(Increase)/decrease in net debt	**(93.7)**	**(72.7)**	**(56.9)**	**126.4**
Closing net debt	**(309.4)**	**(382.1)**	**(439.0)**	**(312.6)**

Operating Cash Flow

Operating cash flow in the first half of 2010 reflects the increase in working capital arising from the start of operations at Jacinth-Ambrosia in the first quarter as additional concentrate stockpiles were established at the mine, port and in transit to the Narngulu separation plant in Western Australia, together with increased debtors due to the timing of shipments compared to December 2009. The higher operating cash flow in the second half of 2010 reflects higher zircon sales prices and increased sales volumes of zircon and rutile; offset partially by a further increase in working capital from higher year end debtors and a reduction in creditor balances as a result of the idling of the Eneabba mining operations in Western Australia.

MAC Royalty

MAC cash flows in the first half of 2010 were lower than the previous corresponding period due to lower realised price for the iron ore sold in the fourth quarter of 2009 for which the royalty was received in January 2010. MAC cash flows for the second half of 2010 reflect higher realised prices for iron ore, following the transition to quarterly pricing by BHP Billiton, and $5 million of capacity payments received in July 2010 (second half of 2009: $8 million).

Capital Expenditure

Capital expenditure payments for the first half of 2010 included $81.5 million associated with the completion of construction and commissioning of the Murray Basin Stage 2 and Jacinth-Ambrosia projects, including amounts included as payables at 31 December 2009.

Eucla/Perth Basin operations (South Australia/Western Australia)

		2010	2009	% change
Production volumes				
Zircon	kt	197.1	145.7	35.3
Rutile	kt	51.7	66.9	(22.7)
Synthetic rutile	kt	347.5	405.0	(14.2)
Ilmenite – saleable	kt	160.7	146.6	9.6
Ilmenite – upgraded to synthetic rutile	kt	215.9	496.7	(56.5)
Total saleable production	**kt**	**757.0**	**764.2**	**(0.9)**
Unit cash cost of production – saleable product	$/t	405	415	2.4
Unit cash cost of production – zircon/rutile/SR	$/t	514	513	0.2
Mineral Sands revenue	**$m**	**468.7**	**385.6**	**21.6**
Cash cost of production	$m	(306.6)	(316.9)	3.2
Inventory movements	$m	(9.5)	23.6	n/a
Restructure, idle capacity and closed sites	$m	(15.0)	(39.1)	n/a
Government royalties	$m	(9.8)	(10.2)	3.9
Marketing and technical costs	$m	(10.0)	(8.9)	(12.4)
Asset sales and other income	$m	2.1	13.8	(84.8)
EBITDA	**$m**	**119.9**	**47.9**	**150.3**
Depreciation & amortisation	$m	(86.1)	(127.2)	32.3
EBIT	**$m**	**33.8**	**(79.3)**	**n/a**

Key points:

- The operations include mining at Jacinth-Ambrosia (South Australia) and Eneabba (Mid West of Western Australia, idled during the year), processing at the Narngulu mineral separation plant and synthetic rutile production at Narngulu and Capel (Western Australia). In the previous corresponding period there were also mining and processing activities in the South West of Western Australia which either finished operations as planned or were idled.
- Whilst unit cash costs of production for the full year were comparable with the previous corresponding period, the unit costs in the second half of 2010 were $379 per tonne of saleable product and $462 per tonne of zircon, rutile and synthetic rutile reflecting the change in the mix of production associated with the transition of mining from Eneabba to the Jacinth-Ambrosia operation in South Australia.
- Restructure and idle capacity costs in the period relate mainly to redundancy costs associated with the idling of the remaining mining operations at Eneabba during 2010 and the planned idling of synthetic rutile production at Narngulu during 2011.
- Lower depreciation and amortisation charges reflect the reduced level of activity in Western Australia following the decisions to idle assets during 2009 offset partially by the commencement of depreciation and amortisation of the Jacinth-Ambrosia operation from February 2010.
- Lower asset sales and other income are due mainly to the inclusion of $5.7 million of insurance proceeds in the previous corresponding period and a lower volume of land sales.

Murray Basin operations (Victoria)

		2010	2009	% change
Production volumes				
Zircon	kt	157.6	69.9	125.5
Rutile	kt	198.4	74.5	166.3
Ilmenite – saleable	kt	56.8	12.5	354.4
Total saleable production	**kt**	**412.8**	**156.9**	**163.1**
Unit cash cost of production – saleable product	$/t	445	558	20.2
Unit cash cost of production – zircon/rutile	$/t	517	607	14.8
Mineral Sands revenue	**$m**	**281.5**	**124.8**	**125.6**
Cash cost of production	$m	(183.9)	(87.6)	(109.9)
Inventory movements	$m	32.3	(5.7)	n/a
Restructure and idle capacity	$m	(1.0)	(10.5)	90.5
Government royalties	$m	(7.3)	(3.5)	108.6
Marketing and technical costs	$m	(7.5)	(3.5)	114.3
Asset sales and other income	$m	(0.2)	0.2	n/a
EBITDA	**$m**	**113.9**	**13.2**	**762.9**
Depreciation & amortisation	$m	(113.0)	(31.7)	(256.5)
EBIT	**$m**	**0.9**	**(18.5)**	**n/a**

Key points:

- Production increased from the previous corresponding period due to the commissioning of the Kulwin mine in the first half of 2010. Production volumes in the second half of 2010 were approximately 50 per cent higher than in the first half of 2010, reflecting the operation of Kulwin throughout the second half.
- Cash costs of production increased, as expected, with the start of operations at Kulwin while unit cash costs of production decreased by 20.2 per cent from the previous corresponding period (14.8 per cent per tonne of zircon and rutile) due mainly to the higher assemblage of the Kulwin ore and increased utilisation of the Hamilton MSP. Unit cash costs of production per tonne of zircon and rutile in the second half of 2010 were $495/t compared to $549/t in the first half of the year
- Inventory increased due to a build up of concentrate stocks at Kulwin and Douglas.
- Restructure and idle capacity costs relate to decisions taken in the first quarter of 2010 to combine the overall management of the Murray Basin and Western Australian assets.
- The significant increase in depreciation and amortisation is due to the start of depreciation of the Murray Basin Stage 2 operations in March 2010 and the Echo mine (a satellite feed source for the Douglas mine) in May. Depreciation and amortisation charges in the second half of 2010 were $65.5 million.

United States operations (Virginia)

		2010	2009	% change
Production volumes				
Zircon	kt	58.2	47.5	22.5
Ilmenite – saleable	kt	251.5	183.0	37.4
Total saleable production	**kt**	**309.7**	**230.5**	**34.4**
Unit cash cost of production – saleable product	$/t	172	213	19.2
Unit cash cost of production – zircon	$/t	916	1,034	11.4
Mineral Sands revenue	**$m**	**124.3**	**65.6**	**89.5**
Cash cost of production	$m	(53.3)	(49.1)	(8.5)
Inventory movements	$m	(25.7)	15.5	n/a
Restructure, idle capacity and closed sites	$m	(7.6)	(0.5)	n/a
Marketing and technical costs	$m	(1.2)	(1.0)	(20.0)
Asset sales and other income	$m	3.7	0.2	n/a
EBITDA	**$m**	**40.2**	**30.7**	**30.9**
Depreciation & amortisation	$m	(17.0)	(17.3)	1.7
EBIT	**$m**	**23.2**	**13.4**	**73.1**

Key points:

- The mineral separation plant in Virginia resumed full operations in the first quarter, having been operating at lower levels since mid 2009 associated with a decision to curtail production during the global economic crisis. Mining operations resumed full production in July 2010, whereas in the previous corresponding period the Brink mine was commissioned.
- Higher sales revenue relates mainly to significantly higher zircon demand and a draw down in finished product inventory during the first half of 2010. Inventory levels since mid 2010 have been minimal with sales matching production.
- The movement in cash production costs and unit costs of production includes exchange rate differences.
- Restructure, idle capacity and closed sites represents mainly a reassessment of the remaining rehabilitation obligations in Florida.

	Notes	**2010 $M**	2009 $M
Revenue from continuing operations	3	**964.6**	602.6
Other income	4	**8.4**	39.5
Expenses	5	**(885.8)**	(717.2)
Interest and finance charges		**(33.0)**	(8.4)
Rehabilitation and restoration unwind		**(14.3)**	(15.7)
Total finance costs	5	**(47.3)**	(24.1)
Impairment charges	5	**-**	(67.6)
Profit (loss) before income tax from continuing operations		**39.9**	(166.8)
Income tax (expense) benefit	6	**(3.8)**	61.5
Profit (loss) from continuing operations		**36.1**	(105.3)
Profit from discontinued operations	7	**-**	22.9
Profit (loss) for the year		**36.1**	(82.4)
		Cents	Cents
Basic and diluted earnings per share			
Earnings per share from continuing operations attributable to owners		**8.6**	(25.9)
Earnings per share attributable to owners		**8.6**	(20.2)

The above preliminary consolidated income statement should be read in conjunction with the accompanying notes.

	2010 $M	2009 $M
Profit (loss) for the year	**36.1**	(82.4)
Other comprehensive income		
Changes in fair value of foreign exchange cash flow hedges, net of tax	**(3.6)**	83.5
Currency translation of US operation	**(6.9)**	(22.8)
Hedge of net investment in US operation, net of tax	**6.7**	23.6
Actuarial gains on defined benefit plans, net of tax	**0.6**	2.4
Other comprehensive income for the year	**(3.2)**	86.7
Total comprehensive income for the year	**32.9**	4.3
Total comprehensive income for the year is attributable to:		
Owners of Iluka Resources Limited	**32.9**	(1.1)
Non-controlling interest	**-**	5.4
	32.9	4.3

The above preliminary consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**2010 $M**	2009 $M
ASSETS			
Current assets			
Cash and cash equivalents		**30.1**	86.3
Receivables		**164.8**	103.9
Inventories		**200.9**	205.5
Derivative financial instruments		**-**	15.9
Total current assets		**395.8**	411.6
Non-current assets			
Inventories		**56.6**	56.6
Property, plant and equipment		**1,425.1**	1,566.6
Deferred tax assets		**55.3**	53.7
Intangible assets		**7.1**	9.9
Total non-current assets		**1,544.1**	1,686.8
Total assets		**1,939.9**	2,098.4
LIABILITIES			
Current liabilities			
Payables		**103.8**	183.7
Interest-bearing liabilities		**29.5**	44.7
Provisions		**54.9**	28.1
Total current liabilities		**188.2**	256.5
Non-current liabilities			
Interest-bearing liabilities		**313.2**	423.7
Provisions		**313.9**	322.9
Total non-current liabilities		**627.1**	746.6
Total liabilities		**815.3**	1,003.1
Net assets		**1,124.6**	1,095.3
EQUITY			
Contributed equity	8	**1,108.3**	1,114.4
Reserves		**20.4**	22.0
Retained (losses)		**(4.1)**	(41.1)
Total equity		**1,124.6**	1,095.3

The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes.

	Notes	Attributable to owners of Iluka Resources Limited					
		Contributed equity $M	Reserves $M	Retained earnings $M	**Total $M**	Non-controlling interests $M	**Total equity $M**
Balance at 1 January 2009	1	998.1	(55.8)	37.5	**979.8**	58.2	**1,038.0**
Loss for the year		-	-	(82.2)	(82.2)	(0.2)	(82.4)
Changes in fair value of foreign exchange cash flow hedges, net of tax		-	77.9	-	77.9	5.6	83.5
Currency translation of US operation		-	(22.8)	-	(22.8)	-	(22.8)
Hedge of net investment in US operation, net of tax		-	23.6	-	23.6	-	23.6
Actuarial gains on retirement benefit obligations, net of tax		-	-	2.4	2.4	-	2.4
Transfer of asset revaluation reserve		-	(1.2)	1.2	-	-	-
Total comprehensive income		**-**	**77.5**	**(78.6)**	**(1.1)**	**5.4**	**4.3**
Transactions with owners in their capacity as owners:							
Share placement, net of costs		113.5	-	-	113.5	-	113.5
Transfer of shares to employees		2.8	(2.8)	-	-	-	-
Share based payments, net of tax		-	3.1	-	3.1	-	3.1
Dividends paid to CRL minorities		-	-	-	-	(1.8)	(1.8)
Disposal of subsidiary		-	-	-	-	(61.8)	(61.8)
		116.3	0.3	-	116.6	(63.6)	53.0
Balance at 1 January 2010		1,114.4	22.0	(41.1)	1,095.3	-	1,095.3
Profit for the year		-	-	36.1	36.1	-	36.1
Changes in fair value of foreign exchange cash flow hedges, net of tax		-	(3.6)	-	(3.6)	-	(3.6)
Currency translation of US operation		-	(6.9)	-	(6.9)	-	(6.9)
Hedge of net investment in US operation, net of tax		-	6.7	-	6.7	-	6.7
Actuarial gains on retirement benefit obligations, net of tax		-	-	0.6	0.6	-	0.6
Transfer of asset revaluation reserve		-	(0.3)	0.3	-	-	-
Total comprehensive income		**-**	**(4.1)**	**37.0**	**32.9**	**-**	**32.9**
Transactions with owners in their capacity as owners:							
Transfer of shares to employees		1.1	(1.1)	-	-	-	-
Share based payments, net of tax		-	3.6	-	3.6	-	3.6
Purchase of treasury shares, net of tax	8	(7.2)	-	-	(7.2)	-	(7.2)
		(6.1)	2.5	-	(3.6)	-	(3.6)
Balance at 31 December 2010		**1,108.3**	**20.4**	**(4.1)**	**1,124.6**	**-**	**1,124.6**

The above preliminary consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	**2010 $M**	2009 $M
Cash flows from operating activities			
Receipts from customers		**888.3**	744.8
Payments to suppliers and employees		**(727.2)**	(663.0)
		161.1	81.8
Interest received		**1.1**	1.5
Interest paid		**(30.5)**	(14.0)
Tax paid		**(1.5)**	(4.4)
Exploration expenditure		**(17.9)**	(20.0)
MAC royalty receipts		**63.9**	55.2
Other		**2.5**	2.1
Net cash inflow from operating activities	10	**178.7**	102.2
Cash flows from investing activities			
Payments for property, plant and equipment		**(117.2)**	(521.6)
Sale of property, plant and equipment		**9.0**	9.9
Sale of CRL	7	**-**	84.2
Net cash (outflow) from investing activities		**(108.2)**	(427.5)
Cash flows from financing activities			
Proceeds from borrowings		**-**	309.8
Repayment of borrowings		**(116.4)**	(105.6)
Purchase of treasury shares		**(9.8)**	-
Dividends paid to CRL minority interests		**-**	(1.8)
Issue of ordinary shares		**-**	114.0
Share issue costs		**-**	(0.5)
Net cash (outflow) inflow from financing activities		**(126.2)**	315.9
Net (decrease) increase in cash and cash equivalents		**(55.7)**	(9.4)
Cash and cash equivalents at 1 January		**86.3**	97.6
Exchange rate changes on cash and cash equivalents		**(0.5)**	(1.9)
Cash and cash equivalents at 31 December		**30.1**	86.3

The above preliminary consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year other than in respect of hedge accounting. Iluka's accounting policy was amended from 1 January 2010 to comply with AASB 2008-8 "Amendments to Australian Accounting Standards - Eligible Hedged Items" which permits only the intrinsic value of an option to be recognised in equity for hedge accounting purposes. Further information relating to the change in accounting policy is disclosed in the 30 June 2010 half year report.

The impact of the change in accounting policy is summarised in the table below:

	Previous policy $M	Ineffective losses $M	Ineffective fair value $M	Revised policy $M
Balance Sheet at 1 January 2009				
Reserves (change is to hedging reserve)	(84.3)	-	28.5	(55.8)
Retained profits	66.0	-	(28.5)	37.5
Income statement - year ended 31 December 2009				
Hedge revenue (losses)	(42.9)	16.6	-	(26.3)
Ineffective (gains) losses of changes in fair value of hedges	-	(16.6)	37.8	21.2
Tax benefit	72.9	-	(11.4)	61.5
Loss for the year ended 31 December 2009	(108.8)	-	26.4	(82.4)
Other comprehensive income - year ended 31 December 2009				
Change in fair value of cash flow hedges net of tax	109.9	-	(26.4)	83.5
Balance Sheet at 1 January 2010				
Reserves (change is to hedging reserve)	19.9	-	2.1	22.0
Retained profits	(39.0)	-	(2.1)	(41.1)
Income statement - year ended 31 December 2010				
Hedge revenue (losses)	13.8	(12.4)	10.8	12.2
Ineffective gains from changes in fair value of hedges	-	12.4	(10.8)	1.6

2 Segment information

(a) Description of segments

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the Managing Director, who is considered the chief operating decision maker, for the purpose of making decisions regarding the allocation of resources and the monitoring of performance. The segments are unchanged from those at 31 December 2009.

Eucla/Perth Basin ("E/PB") comprises the integrated mineral sands mining and processing operations in Western Australia and South Australia. Material is mined from various deposits in the South West and Mid West of Western Australia (Perth Basin), together with the Jacinth-Ambrosia deposit in South Australia (Eucla Basin) which was commissioned in the period. The mined material is processed at facilities in the South West and Mid West of Western Australia to produce saleable products.

Murray Basin ("MB") comprises the integrated mineral sands mining and processing operations in Victoria, including the Murray Basin Stage 2 development which was commissioned in the period.

United States ("US") comprises the integrated mineral sands mining and processing operations in Virginia, together with a zircon retreatment operation in Florida which ceased in 2009.

Mining Area C ("MAC") comprises a deferred consideration iron ore royalty interest over certain mining tenements operated by BHP Billiton Iron Ore.

2 Segment information (continued)

Where finished product capable of sale to a third party is transferred between operating segments, the transfers are made at arms length prices. Any transfers of intermediate products between operating segments are made at cost.

(b) Segment information

2010	**E/PB** $M	**MB** $M	**US** $M	**MAC** $M	**Total** $M
Total segment sales to external customers	468.7	281.4	124.3	-	874.4
Total segment result	21.8	(0.9)	22.7	75.9	119.5
Segment assets	981.4	771.8	63.3	27.7	1,844.2
Segment liabilities	343.1	71.8	37.4	-	452.3
Acquisition of property, plant and equipment and other non-current segment assets	45.9	23.3	10.9	-	80.1
Depreciation and amortisation expense	86.1	113.0	17.0	0.4	216.5

2009	**E/PB** $M	**MB** $M	**US** $M	**MAC** $M	**Total** $M
Total segment sales	397.1	124.8	65.5	-	587.4
Inter segment sales	(11.4)	-	-	-	(11.4)
Total segment sales to external customers	385.7	124.8	65.5	-	576.0
Total segment result	(93.5)	(19.4)	12.8	50.2	(49.9)
Segment assets	1,022.6	785.4	107.3	15.8	1,931.1
Segment liabilities	377.7	86.2	33.7	-	497.6
Acquisition of property, plant and equipment and other non-current segment assets	316.7	211.2	19.5	-	547.4
Depreciation and amortisation expense	124.2	31.9	17.3	0.4	173.8
Impairment (reversals) charges	38.5	29.1	-	-	67.6

2 Segment information (continued)

Segment revenue is derived from sales to external customers domiciled in various geographical regions. Details of segment revenue by location of customers are as follows:

	2010 $M	2009 $M
Continuing operations		
Asia	**386.3**	269.9
Europe	**178.2**	134.8
North America	**216.2**	85.7
Australia	**44.2**	36.3
Other Countries	**49.5**	49.3
Segment sales to external customers	**874.4**	576.0
Hedging gains (losses)	**12.2**	(26.3)
Sale of goods	**886.6**	549.7

Revenues of $168.7 million is derived from an external customer from all mineral sands segments which individually account for greater than 10 per cent of segment revenue (2009: revenues of $136.7 million and $96.9 million were derived from two customers from all mineral sands segments).

Segment result is reconciled to the profit (loss) before income tax from continuing operations as follows:

Segment result	**119.5**	(49.9)
Hedging gains (losses)	**12.2**	(26.3)
Interest income	**1.1**	1.4
Other income	**1.8**	-
Ineffective gains from changes in fair value of cash flow hedges	**1.6**	21.2
Net foreign exchange (losses) gains	**(4.9)**	5.0
Exploration and corporate restructure and non-recurring costs	**-**	(7.7)
Marketing and selling	**(5.4)**	-
Corporate and other costs	**(30.3)**	(18.3)
Depreciation	**(2.5)**	-
Product & technical development	**(5.7)**	-
Exploration and evaluation	**(14.5)**	(16.2)
Interest and finance charges	**(33.0)**	(8.4)
Impairment charges	**-**	(67.6)
Profit before income tax from continuing operations	**39.9**	(166.8)

2 Segment information (continued)

Total segment assets and total segment liabilities are reconciled to the balance sheet as follows:

	2010 $M	2009 $M
Segment assets	**1,844.2**	1,931.1
Derivative financial instruments	**-**	15.9
Corporate assets	**10.3**	11.4
Cash and cash equivalents	**30.1**	86.3
Deferred tax assets	**55.3**	53.7
Total assets as per the balance sheet	**1,939.9**	2,098.4

	2010 $M	2009 $M
Segment liabilities	**452.3**	497.6
Corporate liabilities	**20.3**	37.0
Interest bearing liabilities	**342.7**	468.5
Total liabilities as per the balance sheet	**815.3**	1,003.1

3 Revenue from continuing operations

	2010 $M	2009 $M
Sales revenue		
Sale of goods	**886.6**	549.7
Other revenue		
Interest	**1.1**	1.4
Royalty income	**76.3**	50.6
Other	**0.6**	0.9
	78.0	52.9
	964.6	602.6

4 Other income

	2010 $M	2009 $M
Net gain on sale of land	**0.8**	5.6
Net gain on disposal of property, plant and equipment	**3.3**	0.8
Sundry income	**2.7**	1.2
Net ineffective gains from changes in fair value of cash flow hedges	**1.6**	21.2
Insurance receipt in respect of WA gas outage	**-**	5.7
Net foreign exchange gains	**-**	5.0
	8.4	39.5

5 Expenses

	2010 $M	2009 $M
From continuing operations		
Cash cost of production	**543.8**	453.6
Depreciation	**136.9**	109.1
Amortisation	**82.1**	34.7
Inventory movement	**2.9**	(33.4)
Cost of sales of goods	**765.7**	564.0
Restructure, idle capacity and other non-recurring cash costs	**13.2**	57.8
Rehabilitation and holding costs for closed sites	**10.4**	-
Depreciation of non productive assets	**-**	32.8
Government royalties	**17.1**	13.7
Marketing and selling	**24.1**	10.2
Corporate and other	**30.3**	18.3
Technical support, product development and major projects	**5.6**	4.2
Exploration and evaluation	**14.5**	16.2
Foreign exchange losses	**4.9**	-
	885.8	717.2

	2010 $M	2009 $M
Impairment charges on property, plant and equipment		
Mid West Mining - ore body fair value write-offs	**-**	38.5
Murray Basin - ore body fair value write-offs	**-**	29.1
	-	67.6

	2010 $M	2009 $M
Finance costs from continuing operations		
Interest and finance charges paid/payable	**32.0**	19.8
Rehabilitation and restoration unwind	**14.3**	15.7
Amortisation of deferred borrowing costs	**1.0**	1.1
Interest capitalised	**-**	(12.5)
	47.3	24.1

6 Income tax

	2010 $M	2009 $M
(a) Income tax expense (benefit)		
Current tax	**-**	(4.6)
Deferred tax	**7.6**	(54.2)
Over provided in prior years	**(3.8)**	(2.6)
	3.8	(61.4)
Income tax is attributable to:		
Profit from continuing operations	**3.8**	(61.5)
Profit from discontinued operations	**-**	0.1
Aggregate income tax expense (benefit)	**3.8**	(61.4)
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
(Loss) profit from continuing operations before income tax expense	**39.9**	(166.8)
Profit from discontinued operation before income tax expense	**-**	23.0
	39.9	(143.8)
Tax at the Australian tax rate of 30% (2009: 30%)	**12.0**	(43.1)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development and investment allowance	**(2.7)**	(7.5)
Gain on sale of CRL not assessable for tax	**-**	(6.7)
Other items	**0.2**	(0.9)
	9.5	(58.2)
Difference in overseas tax rates	**(1.9)**	(0.6)
Over provision in prior years	**(3.8)**	(2.6)
Income tax expense (benefit)	**3.8**	(61.4)

7 Discontinued operations

On 27 May 2009 Iluka disposed of its shares in Consolidated Rutile Limited ("CRL") to Unimin Australia Limited for 45 cents per share and a consideration of $84.2 million resulting in a profit from discontinued operations of $22.9 million. Details of this disposal were disclosed in note 9 of the Group's annual report for the year ended 31 December 2009.

8 Contributed equity

	2010 Number of shares	2009 Number of shares	**2010 Paid up value $M**	2009 Paid up value $M
(a) Share capital				
Ordinary shares Issued and paid up	**418,700,517**	418,700,517	**1,120.0**	1,120.0
Treasury shares	**(3,220,149)**	(1,904,380)	**(11.7)**	(5.6)
Total consolidated contributed equity			**1,108.3**	1,114.4

(b) Treasury shares

Treasury shares are shares in Iluka Resources Limited held for the purpose of issuing shares under the Directors, Executives and Employees Share Acquisition Plan

Details	**Number of shares**	**$M**
Balance at 1 January 2009	2,812,532	8.4
Employee share issues	(908,152)	(2.8)
Balance at 31 December 2009	1,904,380	5.6
Acquisition of shares net of tax	**1,721,133**	**7.2**
Employee share issues	**(405,364)**	**(1.1)**
Balance at 31 December 2010	**3,220,149**	**11.7**

9 Contingent liabilities

	2010 $M	2009 $M
Performance commitments and guarantees (a)	**103.6**	84.6

(a) The consolidated entity has negotiated a number of bank guarantees in favour of various government authorities and service providers to meet its obligations under exploration and mining tenements.

(b) There is some risk that native title, as established by the High Court of Australia's decision in the Mabo case, exists over some of the land over which the consolidated entity holds tenements or over land required for access purposes. It is impossible at this stage to quantify the impact (if any) which these developments may have on the operations of the consolidated entity.

(c) In the course of its normal business, the consolidated entity occasionally receives claims arising from its operating activities. In the opinion of the Directors, all such matters are covered by insurance, or, if not covered, are without merit or are of such a kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the consolidated entity if settled unfavourably.

10 Reconciliation of profit after income tax to net cash inflow from operating activities

	2010 $M	2009 $M
(Loss) profit for the year	**36.1**	(82.4)
Depreciation and amortisation	**219.0**	176.6
Unrealised ineffective (gains) losses of changes in fair value of cash flow hedges	**-**	(26.4)
Exploration capitalised	**(4.3)**	(3.3)
Interest capitalised	**-**	(12.5)
Net gain on disposal of property, plant and equipment	**(4.1)**	(6.8)
Net gain on disposal of CRL	**-**	(22.9)
Net exchange differences on borrowings	**(5.7)**	(17.5)
Rehabilitation and restoration accretion expense	**14.3**	15.7
Non-cash share based payments expense	**3.8**	6.2
Amortisation of deferred borrowing costs	**1.0**	1.1
Other	**0.8**	(0.6)
Impairment charges	**-**	67.6
Change in operating assets and liabilities		
Decrease (increase) in receivables	**(62.0)**	129.1
Decrease (increase) in inventories	**2.6**	(59.5)
Decrease (increase) in derivatives	**10.8**	-
Decrease (increase) in deferred tax assets	**4.5**	(68.5)
Increase (decrease) in payables	**(38.7)**	43.5
Increase (decrease) in current tax liabilities	**-**	(5.9)
Increase (decrease) in provisions	**0.6**	(31.3)
Net cash inflow (outflow) from operating activities	**178.7**	102.2