Iluka Resources Limited ABN 34 008 675 018
ASX Preliminary final report - 31 December 2012

Lodged with the ASX under Listing Rule 4.3A

The preliminary report is based on Financial Statements which are in the process of being audited.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

All currencies shown in this report are Australian dollars unless otherwise indicated.

Revenue from ordinary activities	Down 29.5% to $1,150.2m	
Profit from ordinary activities after tax attributable to members	Down 33.0% to $363.2	
Net profit for the period attributable to members	Down 33.0% to $363.2	

Dividends
2012 final: 10 cents per ordinary share (100% franked), to be paid in April 2013
2012 interim: 25 cents per ordinary share (100% franked), paid in October 2012
2011 final: 55 cents per ordinary share (100% franked), paid in April 2012
2011 interim: 20 cents per share (unfranked), paid in October 2011

Key ratios	**2012**	**2011**
Basic earnings per share (cents)	87.1	130.1
Free cash flow per share[1] (cents)	19.4	140.6
Return on Equity[2]	23.2	42.5
Net tangible assets per share ($)	3.74	3.65

[1] Free cash flow is determined as cash flow before costs for the 2012 debt refinance costs and dividends paid in the year.
[2] Calculated as Net Profit after Tax (NPAT) for the year as a percentage of the average monthly shareholders equity over the year.

OVERVIEW OF RESULTS

Iluka recorded a profit after tax for the year ended 31 December 2012 of $363.2 million, compared with $541.8 million for the previous corresponding period.

Sales volumes year on year were significantly lower, with combined zircon, rutile and synthetic rutile (Z/R/SR) sales volumes down 52.9 per cent at 488.9 thousand tonnes compared to 1,038.1 thousand tonnes in 2011. As the company has commented upon on previous occasions, lower sales volumes were influenced by a combination of external factors, including: low demand associated with global economic conditions and fragile business confidence levels; inventory de-stocking and lower levels of zircon usage in tile manufacturing in China.

Revenue per tonne of Z/R/SR sold during 2012 of $1,991 was 41.6 per cent higher than the corresponding 2011 figure of $1,406 per tonne. There was a weakening in prices received, especially in the latter part of the third quarter and into the fourth quarter.

In response to a period of weak sales and low mineral sands product demand, exacerbated by large price disparities existing in the market for the same or similar Ti02 products in 2012/13 as remaining legacy contracts unwind, Iluka reduced production. The actions were aimed at more closely matching supply with demand and resulted in the company operating its largest kiln, SR2, at lower throughput rates from mid year and mining Jacinth-Ambrosia through a lower grade part of the ore body from the second quarter.

Mineral sands EBITDA was $726.0 million, a 21.6 per cent decrease compared with the previous corresponding period. Mineral sands EBIT decreased by 29.0 per cent to $523.3 million (2011: $737.3 million).

Mining Area C (MAC) iron ore royalty earnings reduced by 17.9 per cent to $72.3 million, including capacity payments of $3.0 million (2011: $1.0 million) driven by a weakening in the iron ore prices over 2012 combined with a strengthening of the Australian Dollar.

Group EBIT was $545.7 million, compared to $790.3 million in the previous corresponding period.

Profit before tax was $512.2 million (2011: $760.7 million). A net tax expense of $149.0 million was recognised in respect of the profit for the period, at an effective tax rate of 29.1 per cent.

Basic earnings per share for the period were 87.1 cents compared to 130.1 cents in the previous corresponding period. The number of shares on issue at 31 December 2012 of 418.7 million was unchanged during the period.

Free cash flow of $81.2 million compared to $589.6 million in the previous corresponding period decreased mainly due to the impact of lower mineral sands revenues. The reduction in free cash flow is also a result of higher tax payments of $159.1 million (2011: $12.5 million) due to payment of tax in Australia after utilisation of remaining tax losses in the prior year.

Net debt at 31 December 2012 was $95.9 million with a gearing ratio (net debt/net debt + equity) of 5.8 per cent, compared to net cash of $156.7 million at 31 December 2012. Undrawn facilities at 31 December 2012 were $718.7 million and cash at bank was $54.3 million. Net debt at 31 January 2013 was $90.0 million.

DIVIDEND

Directors have determined a fully franked dividend of 10 cents per share, payable on 4 April 2013 with a record date of 7 March 2013.

INCOME STATEMENT ANALYSIS

$ million	**2012**	**2011**	**% change**
Z/R/SR revenue	973.8	1,461.2	(33.4)
Ilmenite and other revenue	96.0	75.5	27.2
Mineral sands revenue	**1,069.8**	**1,536.7**	**(30.4)**
Cash costs of production	(583.5)	(628.9)	7.2
Inventory movement	346.9	147.7	134.9
Restructure and idle capacity charges	(14.8)	(8.5)	(74.1)
Rehabilitation and holding costs for closed sites	(9.8)	(36.2)	72.9
Government royalties	(19.6)	(25.2)	22.2
Marketing and selling costs	(30.2)	(34.5)	12.5
Asset sales and other income	10.3	7.5	37.3
Product, technical development and major projects	(13.6)	(13.7)	0.7
Exploration expenditure	(29.5)	(19.0)	(55.3)
Mineral sands EBITDA	**726.0**	**925.9**	**(21.6)**
Depreciation and amortisation	(202.7)	(224.2)	9.6
Impairment reversal	-	35.6	(100.0)
Mineral sands EBIT	**523.3**	**737.3**	**(29.0)**
Mining Area C	72.3	88.1	(17.9)
Corporate other costs	(45.7)	(35.5)	(28.7)
Foreign exchange	(4.2)	0.4	n/a
Group EBIT	**545.7**	**790.3**	**(31.0)**
Net interest and bank charges	(6.6)	(8.0)	17.5
Rehabilitation unwind and other finance costs	(26.9)	(21.6)	(24.5)
Profit before tax	**512.2**	**760.7**	**(32.7)**
Tax expense	(149.0)	(218.9)	31.9
Profit for the period (NPAT)	**363.2**	**541.8**	**(33.0)**
Average AUD/USD (cents)	**103.6**	**103.2**	**(0.4)**

Mineral sands operational results

$ million	Revenue 2012	Revenue 2011	EBITDA 2012	EBITDA 2011	EBIT 2012	EBIT 2011
Australia	958.2	1,400.8	706.3	907.9	513.7	732.1
United States	111.6	135.9	70.0	51.9	63.0	41.5
Exploration and other	-	-	(50.3)	(33.9)	(53.4)	(36.3)
Total	**1,069.8**	**1,536.7**	**726.0**	**925.9**	**523.3**	**737.3**

Mineral sands production and sales volumes

	2012	2011	% change
Sales (kt)			
Zircon	213.8	514.5	(58.4)
Rutile	105.5	265.9	(60.3)
Synthetic rutile	169.6	257.7	(34.2)
Total Z/R/SR sales	**488.9**	**1,038.1**	**(52.9)**
Ilmenite - saleable	443.2	570.9	(22.4)
Total sales volumes	**932.1**	**1,609.0**	**(42.1)**
Z/R/SR revenue ($m)	973.8	1,461.2	(33.4)
Ilmenite and other revenue ($m)	96.0	75.5	27.2
Total mineral sands revenue[1] ($m)	**1,069.8**	**1,536.7**	**(30.4)**
Revenue per tonne of Z/R/SR sold[2] ($/t)	1,991	1,406	41.6
Production (kt)			
Zircon	343.2	601.5	(42.9)
Rutile	220.3	281.3	(21.7)
Synthetic rutile	248.3	285.7	(13.1)
Total Z/R/SR production	**811.8**	**1,168.5**	**(30.5)**
Ilmenite - saleable	385.6	459.7	(16.1)
Total saleable production volume	**1,197.4**	**1,628.2**	**(26.5)**
Ilmenite - upgraded to synthetic rutile	288.5	201.9	42.9
HMC produced	1,529.7	2,121.6	(27.9)
HMC processed	1,468.1	1,937.6	(24.2)
Cash costs of production ($m)	583.5	628.9	7.2
Unit cash cost per tonne of Z/R/SR produced ($/t)	719	538	(33.6)

[1] Mineral sands revenues include revenues derived from other materials not included in production volumes, including activated carbon products and iron oxide.
[2] Revenue from the sale of zircon, rutile and synthetic rutile products

Commentary in respect of the income statement analysis is provided below:

Mineral sands sales volumes

Sales volumes for zircon for the full year were 213.8 thousand tonnes (2011: 514.5 thousand tonnes), a 58.4 per cent decline, with sales of 87.4 thousand tonnes in the first half and 126.4 thousand tonnes in the second half of 2012.

Sales volumes for rutile for the full year were 105.5 thousand tonnes (2011: 265.9 thousand tonnes), a 60.3 per cent decline, with sales of 85.4 thousand tonnes in the first half and 20.1 thousand tonnes in the second half of 2012.

Mineral sands sales volumes

Sales volumes for synthetic rutile for the full year were 169.6 thousand tonnes (2011: 257.7 thousand tonnes), a 34.2 per cent decline, with 2012 sales of 101.1 thousand tonnes in the first half and of 68.5 thousand tonnes in the second half of 2012.

The lower second half sales volumes for rutile and synthetic rutile reflect the preference by pigment producers for lower grade feedstocks, as they sought to work down pigment inventories as well as take advantage of lower priced, lower titanium grade feedstocks priced under "legacy" contracts from other feedstock producers.

Iluka sold 443.2 thousand tonnes of ilmenite in 2012 (2011: 570.9 thousand tonnes), with the level of ilmenite available for sale dependent on production levels of other products and internal requirements for synthetic rutile production.

Mineral sands revenue

Mineral sands sales revenue decreased 30.4 per cent to $1,069.8 million from the previous corresponding period. The significant reduction in revenue has been driven by a reduction in combined Z/R/SR sales volumes of 52.9 per cent (549.2 thousand tonnes) offset partially by an increase in average realised Z/R/SR sales revenue per tonne to $1,991, which was 41.6 per cent higher than the previous corresponding 2011 figure of $1,406 per tonne. There was a weakening of prices received, especially from the latter part of the third quarter to the end of the year, with average revenue per tonne of Z/R/SR in the second half of 2012 of $1,654 being lower than the first half average revenue per tonne of $2,255.

Mineral sands production

Overall production volumes of Z/R/SR were 356.7 thousand tonnes (30.5 per cent) lower than in the previous corresponding period. As noted above, Iluka reduced production during a period of low demand for mineral sands products.

Jacinth-Ambrosia was mined in a lower grade part of the ore body from the second quarter of 2012 and the associated processing of less heavy mineral concentrate through Narngulu mineral separation plant in Western Australia resulted in reduced zircon production.

Reduced synthetic rutile production was a result of the decision to operate the largest of the two kilns, SR2, at lower throughput rates from mid year.

The planned move during the first half of the year from three mining operations in the Murray Basin in 2011 (Douglas, Echo and Kulwin) to one mining operation in 2012 (Kulwin and then Woornack, Rownack, Pirro) resulted in reduced rutile production for the year.

Iluka further reduced production via the temporary suspension of a major part of the operational base during the Christmas and New Year period. This included idling the Virginia mining and processing operations, the Hamilton and Narngulu mineral separation plants, the mining operations at Eneabba in the Mid West of Western Australia and the Tutunup South mine in the South West of Western Australia.

Cash costs of production

Iluka's total cash costs of production for the full year of $583.5 million were 7.2 per cent lower than 2011 cash production costs of $628.9 million. Unit cash costs of production of $719 per tonne of Z/R/SR increased relative to the 2011 level of $538 per tonne by 33.6 per cent, reflecting materially lower production in 2012.

Inventory movement

Inventory of finished product has increased by $323.7 million to $484.6 million due to the low sales volumes experienced during 2012. The production of Z/R/SR exceeded sales by 322.9 thousand tonnes during the year.

Restructure and idle capacity cash charges

The charges reflect costs incurred during the transition of operations in the Murray Basin to the new WRP deposit, during which time there was no HMC production, together with costs incurred during the scheduled major maintenance outage for the SR2 kiln during the period. The charges also include fixed costs for operations during periods of no production during the period.

Rehabilitation and holding costs for closed sites

The charge relates mainly to increased cost assumptions based on work completed on closed sites.

Government royalties and marketing costs

Government royalties decreased with lower sales revenues. Marketing and selling costs, including fixed port charges, reflect lower sales activity during the year partially offset by an increase in global sales locations.

Product and technical development

Costs are comparable with the previous corresponding period.

Exploration

Expenditure on exploration activities has increased by $10.5 million compared to the previous corresponding period with an increased focus on overseas “greenfields” activities.

Depreciation and amortisation

The reduction from the previous corresponding period reflects the transition to the single mine in the Murray Basin, including a cessation of depreciation during the three month transition, partially offset by a full year charge for the Tutunup South operation that was commissioned at the end of the previous corresponding period.

Impairment reversal

The amount in the previous corresponding period relates to the reversal of the depreciated value of impairment charges recognised in 2005 during development of the Murray Basin operation and also for the Cataby deposit, based on revised economic assumptions and an upgrade of the Cataby reserve.

Mining Area C

Iron ore sales volumes increased 6.4 per cent to 47.4 million dry metric tonnes. The average AUD realised price of $118 per tonne (2011: $156 per tonne) upon which the royalty is payable decreased by 24.4 per cent from the previous corresponding period driven by a weakening in the iron ore prices over 2012 combined with a strengthening of the Australian Dollar. The EBIT contribution of $72.3 million includes $3.0 million of annual capacity payments for production increases in the year to 30 June (2011: $1.0 million).

Corporate and other

Corporate costs were $6.8 million higher than the previous corresponding period reflecting increased investment in sustainability initiatives (environment, health and safety) and business evaluation activities. Other costs of $2.7 million were $3.4 million higher, including charges relating to now closed pension schemes.

Foreign exchange

Foreign exchange translation losses were $4.2 million compared to a gain of $0.4 million in the previous corresponding period.

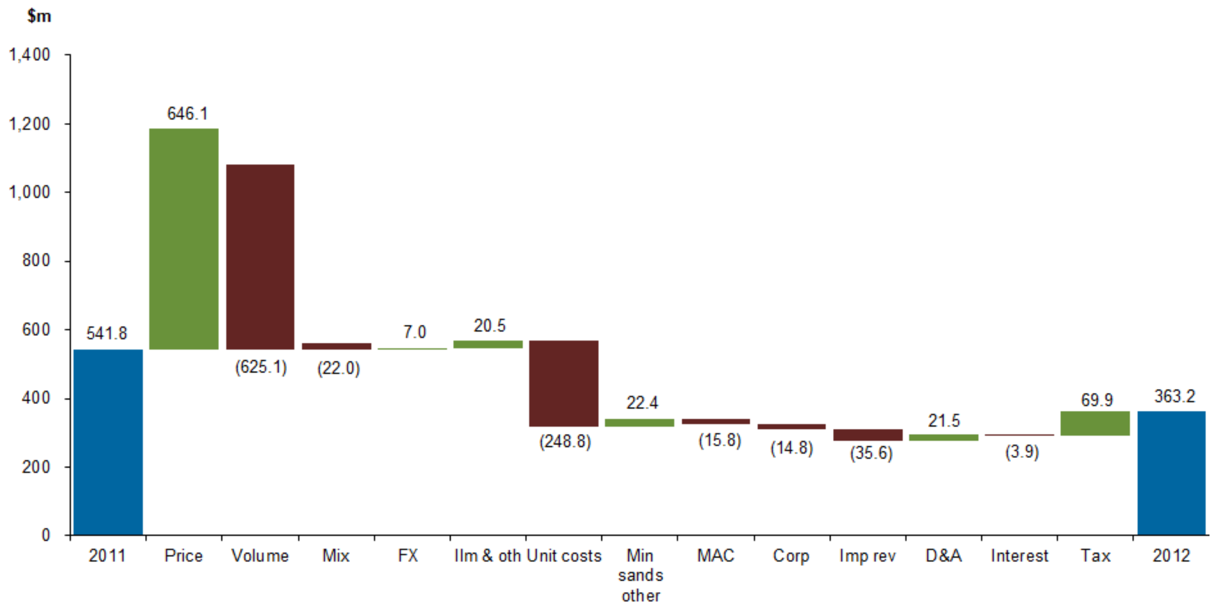
Interest and rehabilitation unwind

Higher rehabilitation unwind costs reflect changes in the timing of rehabilitation expenditure in future years and amounts related to new mines such as WRP. Finance costs are comparable to the previous corresponding period.

Tax expense

The income tax expense of $149.0 million is at an effective tax rate of 29.1 per cent compared to 28.8 per cent in the previous corresponding period.

MOVEMENT IN NPAT



Commentary in respect of each bar in the NPAT waterfall above is provided below:

Z/R/SR sales price (+ve $646.1 million)

Significantly higher average prices for high grade titanium dioxide products compared to the previous corresponding period. The weighted average FOB price received for rutile was US$2,464 per tonne compared to US$1,174 per tonne in the previous corresponding period. The weighted average annual zircon price increased modestly by 10 per cent to US$2,080 per tonne from the previous corresponding period.

Z/R/SR sales volumes (-ve $625.1 million)

The amount reflects the impact of the lower Z/R/SR sales volumes using the average margin achieved for all product sales in the current period.

Z/R/SR sales mix (-ve $22.0 million)

Z/R/SR sales volumes for the period include a higher proportion of lower priced synthetic rutile and a lower proportion of higher priced zircon and rutile than in the previous corresponding period.

Z/R/SR foreign exchange (+ve $7.0 million)

The impact of slightly lower spot exchange rates than in the previous corresponding period on Z/R/SR revenue. Foreign exchange impacts on operating costs are included in the overall movement in unit costs.

Ilmenite and other products (+ve $20.5 million)

Higher average prices achieved for ilmenite sales that outweighed lower sales volumes and higher by-product sales in particular iron oxide extracted from the synthetic rutile waste dams in Western Australia.

Z/R/SR unit cost of sales (-ve $248.8 million)

The amount represents higher unit cash costs of production for those products sold during the period versus the previous corresponding period. This reflects higher unit costs whilst mining in the lower grade area at Jacinth-Ambrosia, combined with increased costs as expected with the transition of mining operations in the Murray Basin and inefficiencies associated with the actions taken in the year to reduce finished goods production.

Mineral sands other costs (+ve $22.4 million)

Lower costs reflect lower government royalties and marketing costs associated with lower sales volumes. In addition, in the previous corresponding period included an increase in rehabilitation charges for the former Florida operation of $33.9 million. These are partially offset by $10.5 million higher exploration costs in the current period and an increase in rehabilitation costs for Eneabba.

MAC (-ve $15.8 million)

Iron ore royalties decreased due to a 24.8 per cent decrease in realised AUD iron ore prices that more than offset a 6.4 per cent increase in sales volumes to 47.4 million DMT. MAC capacity payments, before tax, of $3.0 million were $2.0 million higher than in the previous corresponding period.

Corporate and other (-ve $14.8 million)

The higher costs are due to an exchange loss of $4.2 million in the year compared to a $0.4 million exchange gain in 2011 and increased manning levels to support the growth in the company, particularly with higher costs for Environmental, Health and Safety initiatives.

Impairment (-ve $35.6 million)

In the prior corresponding period there was a reversal of prior period impairments relating to Murray Basin assets and the Cataby ore body due to improved project economics.

Depreciation and amortisation (+ve $21.5 million)

The lower charges compared to the previous corresponding period are due mainly to the changes in the mix of operating mine sites including the transition from Kulwin and Douglas to WRP and a full year of operation at Eneabba and Tutunup South.

Interest (-ve $3.9 million)

Higher interest expenses are mainly due to higher rehabilitation unwind charges than in the previous corresponding period. Despite having lower debt levels the net interest expense is slightly higher than the previous corresponding period due to the amortisation of costs associated with the refinance of debt facilities during the year.

Tax (+ve $69.9 million)

The variance reflects the tax effect of lower earnings compared to the previous corresponding period with the effective rate remaining stable at 29.1 per cent compared to 28.8 per cent in the previous corresponding period.

BALANCE SHEET, CASH FLOW AND NET DEBT

Balance sheet by operation - $ million

31 December 2012	AUS	US	MAC	Corp	Group	31 Dec 2011
Receivables	99.8	16.8	15.5	7.4	**139.5**	256.1
Inventories	744.7	32.7	-	3.1	**780.5**	426.1
Payables and accruals	(52.1)	(9.2)	-	(14.8)	**(76.1)**	(126.4)
Employee and other provisions	(15.8)	(8.7)	-	(13.7)	**(38.2)**	(43.1)
Rehabilitation provisions	(394.9)	(49.6)	-	-	**(444.5)**	(426.9)
Property, plant & equipment	1,373.0	48.6	-	8.7	**1,430.3**	1,430.4
Intangibles	-	-	6.3	-	**6.3**	6.7
Capital employed	**1,754.7**	**30.6**	**21.8**	**(9.3)**	**1,797.8**	**1,522.9**
Net tax liability					**134.8**	144.9
Net debt (cash)					**95.9**	(156.7)
Total equity					**1,567.1**	1,534.7
Net funding					**1,797.8**	**1,522.9**

Receivables

Lower receivables are mainly associated with the reduction in sales volumes. Receivables from mineral sands sales of $111.9 million represents approximately 32 days sales, comparable to those in the previous corresponding period of 31 days.

Inventories

Higher inventories reflect mainly increased finished product stocks, up $323.7 million from the previous corresponding period to $484.6 million. Inventories include $257.9 million of predominantly concentrate material classified as non-current.

Payables and accruals

Lower payables and accruals reflect the completion of the major capital projects that were in existence at the end of the previous corresponding period, including the major maintenance outage on both of Iluka's operational kilns and works undertaken in regards to the mine move in the Murray Basin.

Rehabilitation provisions

Higher rehabilitation provisions reflect mainly the expansion of footprint at new operations such as WRP and the unwind of the discount on the liability, offset partially by payments of $49.4 million.

Property, plant & equipment

Property, plant and equipment reflects the completion of construction and successful commissioning of operations at WRP as well as the expanding rehabilitation footprints at new operations noted above, offset by the current year depreciation charge of $202.7 million.

Net tax liability

The net tax liability represents mainly tax payable in Australia, due for payment in the first half of 2013.

Movement in net (debt) cash

$ million	1st Half 2011	2nd Half 2011	1st Half 2012	2nd Half 2012
Opening net cash (debt)	**(312.6)**	**(171.0)**	**156.7**	**(117.2)**
Operating cash flow	212.7	493.5	207.2	161.5
MAC royalty	42.8	47.5	36.8	39.3
Exploration	(8.9)	(14.7)	(14.9)	(19.5)
Interest (net)	(10.4)	(0.5)	4.2	(4.9)
Tax	(5.0)	(7.5)	(156.1)	(3.0)
Capital expenditure	(48.7)	(93.8)	(122.5)	(44.8)
Asset sales	1.5	2.4	1.2	0.2
Share purchases	(16.3)	(5.0)	(0.6)	(2.9)
Free cash flow	**167.7**	**421.9**	**(44.7)**	**125.9**
Dividends	(33.5)	(83.5)	(229.3)	(104.4)
Net cash flow	**134.2**	**338.4**	**(274.0)**	**21.5**
Exchange revaluation of USD net debt	7.4	(10.7)	0.1	(0.2)
(Decrease)/increase in net cash (debt)	**141.6**	**327.7**	**(273.9)**	**21.3**
Closing net cash (debt)	**(171.0)**	**156.7**	**(117.2)**	**(95.9)**

Operating cash flow

Lower operating cash flow in the second half of 2012 reflects lower sales revenue. Lower second half sales volumes for rutile and synthetic rutile reflect the preference by pigment producers for lower grade feedstocks, as they sought to work down pigment inventories as well as take advantage of lower priced, lower titanium grade feedstocks priced under legacy contracts. Total operating cash flow includes $49.4 million for rehabilitation payments (2011: $26.7 million).

MAC royalty

MAC cash flows in 2012 were lower than the previous corresponding period due to lower realised prices for iron ore.

Tax

The increase in tax outflows in the first half of 2012 reflects the payment of tax in Australia in respect of 2011, after utilisation of tax losses.

Capital expenditure

Capital expenditure of $167.3 million in 2012 was mainly for the development of the WRP mine in Murray Basin, commissioned in May 2012 and for the major maintenance outage on the SR 2 kiln, also in the first half of 2012.

Share purchases

On-market purchases associated with the group's equity based incentive plans.

Dividends

Dividend payments in 2012 of $333.7 million represent the 55 cent fully franked final dividend for 2011 and the 25 cent fully franked interim dividend for 2012. Dividend payments in 2011 of $117.0 million represent the 8 cent unfranked final dividend for 2010 and the 20 cent unfranked interim dividend for 2011.

OVERIVEW OF OPERATIONS

Australian operations

		2012	2011	% change
Production volumes				
Zircon	kt	293.8	541.2	(45.7)
Rutile	kt	220.3	281.3	(21.7)
Synthetic rutile	kt	248.3	285.7	(13.1)
Total Z/R/SR production	**kt**	**762.4**	**1,108.2**	**(31.2)**
Ilmenite - saleable	kt	183.1	171.6	6.7
Total saleable production volume	**kt**	**945.5**	**1,279.8**	**(26.1)**
Ilmenite - upgradeable to synthetic rutile	kt	276.3	201.9	36.8
HMC produced	kt	1,206.6	1,683.8	(28.3)
Unit cash cost of production - zircon/rutile/SR	$/t	687.0	518.0	(32.5)
Mineral sands revenue	**$m**	**958.2**	**1,400.8**	**(31.6)**
Cash cost of production	$m	(523.6)	(574.5)	8.9
Inventory movements	$m	328.3	140.4	(133.8)
Restructure and idle capacity charges	$m	(12.8)	(8.5)	(50.6)
Rehabilitation and holding costs for closed sites	$m	(9.1)	(1.4)	(550.0)
Government royalties	$m	(19.6)	(25.2)	22.2
Marketing and selling costs	$m	(18.1)	(27.3)	33.7
Asset sales and other income	$m	3.0	3.6	(16.7)
EBITDA	**$m**	**706.3**	**907.9**	**(22.2)**
Depreciation & amortisation	$m	(192.6)	(211.4)	8.9
Impairment reversal	$m	-	35.6	(100.0)
EBIT	**$m**	**513.7**	**732.1**	**(29.8)**

Saleable production

Total saleable production decreased from the previous corresponding period reflecting a number of factors including initial production responses to softer demand, decreased rutile production during the transition of operations to the WRP deposit in Murray Basin and a scheduled major maintenance outage on the largest synthetic rutile kiln in early 2012.

Cash costs of production

Cash costs of production are lower than the previous corresponding period primarily due to initiatives to reduce production due to the lower global demand conditions.

Unit cash costs

Higher unit cash costs of production reflect lower Z/R/SR production resulting from initiatives to reduce production due to global demand conditions.

Rehabilitation and idle capacity costs

Rehabilitation and idle capacity costs include holding and maintenance costs during periods of no production at both the SR2 kiln during the scheduled major maintenance outage and during the transition of operations to WRP in Murray Basin.

Government royalties

Lower government royalties reflect lower revenues driven by lower sales volumes partially offset by higher sales prices across the product range.

Marketing and selling costs

Lower marketing and technical costs reflect lower sales volumes.

Depreciation and amortisation

Lower depreciation and amortisation charges are due mainly to the changes in the mix of the operating mine sites including the transition from Kulwin and Douglas to WRP.

Inventory movements

The inventory movement reflects mainly the increased finished goods stocks reflecting the impacts of a softening in demand.

United States Operations

		2012	2011	% change
Production volumes				
Zircon	kt	49.4	60.3	(18.1)
Ilmenite - saleable	kt	202.5	288.1	(29.7)
Total saleable production volume	**kt**	**251.9**	**348.4**	**(27.7)**
Ilmenite - upgradeable to synthetic rutile	kt	12.2	-	n/a
HMC produced	kt	323.1	437.8	(26.2)
Unit cash cost of production - saleable product	$/t	238.0	156.0	52.4
Mineral sands revenue	**$m**	**111.6**	**135.9**	**(17.9)**
Cash cost of production	$m	(59.9)	(54.4)	10.1
Inventory movements	$m	18.6	7.3	154.8
Rehabilitation costs for closed sites	$m	(0.7)	(34.8)	(98.0)
Marketing and selling costs	$m	0.4	(2.1)	(119.0)
EBITDA	**$m**	**70.0**	**51.9**	**34.9**
Depreciation & amortisation	$m	(7.0)	(10.4)	(32.7)
EBIT	**$m**	**63.0**	**41.5**	**51.8**

Saleable production

Lower saleable production reflects lower grades associated with a revised mine schedule which was adopted in mid-2011 following re-optimisation of ore reserves for a longer life operation.

Mineral sands revenue

Lower sales revenue is due to lower sales volumes, partially offset by higher prices. The inventory increase reflects lower zircon sales.

Rehabilitation costs for closed sites

Costs for rehabilitation in the previous corresponding period are mainly associated with costs for the former Florida operation.

Depreciation and amortisation

Lower depreciation and amortisation results from an increase in mine lives compared to the previous corresponding period following the adoption of the revised mine schedule.

	Notes	**2012 $m**	2011 $m
Revenue	3	**1,150.2**	1,631.4
Other income	4	**10.3**	7.9
Expenses	5	**(607.1)**	(842.8)
Interest and finance charges paid/payable		**(16.6)**	(15.2)
Rehabilitation and restoration unwind		**(24.6)**	(20.6)
Total finance costs	5	**(41.2)**	(35.8)
Profit before income tax		**512.2**	760.7
Income tax expense		**(149.0)**	(218.9)
Profit for the year attributable to owners		**363.2**	541.8
		Cents	Cents
Earnings per share attributable to ordinary equity holders			
Basic earnings per share		**87.1**	130.1

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

	2012 $m	2011 $m
Profit for the year	**363.2**	541.8
Other comprehensive income		
Currency translation of US operation	**(0.4)**	(0.2)
Hedge of net investment in US operation, net of tax	**0.5**	0.4
Actuarial losses on defined benefit plans, net of tax	**(1.7)**	(4.4)
Other comprehensive loss for the year	**(1.6)**	(4.2)
Total comprehensive income for the year attributable to owners	**361.6**	537.6

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

	Notes	**31 December 2012 $m**	31 December 2011 $m
ASSETS			
Current assets			
Cash and cash equivalents		**54.3**	320.7
Receivables		**139.5**	256.1
Inventories		**522.6**	376.2
Current tax receivable		**-**	0.5
Total current assets		**716.4**	953.5
Non-current assets			
Inventories		**257.9**	49.9
Property, plant and equipment		**1,430.3**	1,430.4
Intangible assets		**6.3**	6.7
Deferred tax assets		**15.7**	13.3
Total non-current assets		**1,710.2**	1,500.3
Total assets		**2,426.6**	2,453.8
LIABILITIES			
Current liabilities			
Payables		**87.3**	136.7
Interest-bearing liabilities	6	**56.9**	-
Provisions		**64.1**	82.0
Current tax payable		**128.4**	145.7
Total current liabilities		**336.7**	364.4
Non-current liabilities			
Interest-bearing liabilities	6	**93.3**	164.0
Provisions		**407.3**	377.7
Deferred tax liabilities		**22.2**	13.0
Total non-current liabilities		**522.8**	554.7
Total liabilities		**859.5**	919.1
Net assets		**1,567.1**	1,534.7
EQUITY			
Contributed equity	7	**1,104.8**	1,102.0
Reserves		**18.1**	16.4
Retained profits		**444.2**	416.3
Total equity		**1,567.1**	1,534.7

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

Preliminary consolidated statement of changes in equity
For the year ended 31 December 2012

	Notes	Attributable to owners of Iluka Resources Limited			
		Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 January 2011		**1,108.3**	**20.4**	**(4.1)**	**1,124.6**
Profit for the year		-	-	541.8	541.8
Currency translation of US operation		-	(0.2)	-	(0.2)
Hedge of net investment in US operation, net of tax		-	0.4	-	0.4
Actuarial gains on retirement benefit obligations, net of tax		-	-	(4.4)	(4.4)
Other comprehensive income		-	0.2	(4.4)	(4.2)
Total comprehensive income		**-**	**0.2**	**537.4**	**537.6**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax		8.5	(8.5)	-	-
Purchase of treasury shares, net of tax		(14.8)	-	-	(14.8)
Share-based payments, net of tax		-	4.3	-	4.3
Dividends paid		-	-	(117.0)	(117.0)
		(6.3)	(4.2)	(117.0)	(127.5)
Balance at 31 December 2011		**1,102.0**	**16.4**	**416.3**	**1,534.7**
Profit for the year		-	-	363.2	363.2
Currency translation of US operation		-	(0.4)	-	(0.4)
Hedge of net investment in US operation, net of tax		-	0.5	-	0.5
Actuarial losses on retirement benefit obligations, net of tax		-	-	(1.7)	(1.7)
Transfer of asset revaluation reserve		-	(0.1)	0.1	-
Other comprehensive income		-	-	(1.6)	(1.6)
Total comprehensive income		**-**	**-**	**361.6**	**361.6**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax		5.3	(5.3)	-	-
Purchase of treasury shares, net of tax		(2.5)	-	-	(2.5)
Share-based payments, net of tax		-	7.0	-	7.0
Dividends paid		-	-	(333.7)	(333.7)
		2.8	1.7	(333.7)	(329.2)
Balance at 31 December 2012		**1,104.8**	**18.1**	**444.2**	**1,567.1**

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

	Notes	**2012 $m**	2011 $m
Cash flows from operating activities			
Receipts from customers		**1,170.6**	1,455.2
Payments to suppliers and employees		**(801.9)**	(749.0)
		368.7	706.2
Interest received		**7.8**	5.1
Interest paid		**(8.5)**	(16.0)
Income taxes paid		**(159.1)**	(12.5)
Exploration expenditure		**(34.4)**	(23.6)
Mining Area C royalty receipts		**76.1**	90.3
Net cash inflow from operating activities	10	**250.6**	749.5
Cash flows from investing activities			
Payments for property, plant and equipment		**(167.3)**	(142.5)
Sale of property, plant and equipment		**1.4**	3.9
Net cash outflow from investing activities		**(165.9)**	(138.6)
Cash flows from financing activities			
Repayment of borrowings		**(86.7)**	(312.7)
Proceeds from borrowings		**81.7**	130.7
Purchase of treasury shares		**(3.5)**	(21.3)
Dividends paid		**(333.7)**	(117.0)
Debt refinance costs		**(8.8)**	-
Net cash outflow from financing activities		**(351.0)**	(320.3)
Net (decrease) increase in cash and cash equivalents		**(266.3)**	290.6
Cash and cash equivalents at 1 January		**320.7**	30.1
Effects of exchange rate changes on cash and cash equivalents		**(0.1)**	-
Cash and cash equivalents at 31 December		**54.3**	320.7

The above preliminary consolidated statement of cash flows 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.

2 Segment information

(a) Description of segments

Operating segments are 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. Cash, debt and tax balances are managed at a group level together with exploration and other corporate activities and are not allocated to segments.

The segments have changed from those reported at 31 December 2011. The mineral sands operations in Australia have become increasingly integrated over the past two years and are now managed as a single operation. Accordingly, operational performance of the Eucla/Perth Basin and Murray Basin operations are reported as a combined Australia (AUS) segment whereas in the 2011 financial statements they were reported separately. Comparative information has been presented in accordance with the 2012 classification.

Australia (AUS) comprises the integrated mineral sands mining and processing operations in Victoria, 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) and several deposits in Victoria (Murray Basin). The mined material is processed predominantly at facilities in the South West and Mid West of Western Australia and the Murray Basin to produce saleable products.

United States (US) comprises the integrated mineral sands mining and processing operations in Virginia and rehabilitation obligations in Florida.

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

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. During 2012, $3.0 million of saleable material was transferred from the US to Australia at arms length prices. This transfer is included within the results below. No such transfers were made during 2011.

(b) Segment information

2012	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales	958.2	111.6	-	1,069.8
Total segment result	492.0	60.1	72.3	624.4
Segment assets	2,217.6	98.1	21.8	2,337.5
Segment liabilities	462.9	67.5	-	530.4
Depreciation and amortisation expense	192.6	7.0	0.4	200.0

2 Segment information

(b) Segment information

2011	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	1,400.8	135.9	-	1,536.7
Total segment result	712.7	40.3	88.1	841.1
Segment assets	2,015.6	64.9	25.6	2,106.1
Segment liabilities	504.1	71.4	-	575.5
Depreciation and amortisation expense	211.4	10.4	0.4	222.2

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:

	2012 **$m**	2011 $m
Asia	**555.2**	745.5
Europe	**247.9**	442.6
North America	**251.5**	327.1
Australia	**0.6**	2.0
Other countries	**14.6**	19.5
Sale of goods	**1,069.8**	1,536.7

Revenue of $181.3 million and $135.9 million was derived from two external customers from mineral sands segments, which individually accounts for greater than 10 per cent of segment revenue (2011: revenues of $195.7 million was derived from one external customer from mineral sands segments).

2 Segment information

(b) Segment information

Segment result is reconciled to the profit before income tax as follows:

	2012 $m	2011 $m
Segment result	**624.4**	841.1
Interest income	**7.7**	6.2
Other income	**7.3**	3.9
Marketing and selling	**(12.5)**	(6.9)
Corporate and other costs	**(45.7)**	(35.5)
Restructure charges	**(2.0)**	-
Depreciation	**(3.1)**	(2.4)
Technical support, product development and major projects	**(13.6)**	(11.9)
Exploration expenditure	**(29.5)**	(19.0)
Interest and finance charges	**(16.6)**	(15.2)
Net foreign exchange gains	**(4.2)**	0.4
Profit before income tax	**512.2**	760.7

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

	2012 $m	2011 $m
Segment assets	**2,337.5**	2,106.1
Corporate assets	**19.1**	13.2
Cash and cash equivalents	**54.3**	320.7
Deferred tax assets	**15.7**	13.3
Current tax receivable	**-**	0.5
Total assets as per the balance sheet	**2,426.6**	2,453.8

	2012 $m	2011 $m
Segment liabilities	**530.4**	575.5
Corporate liabilities	**28.3**	20.9
Deferred tax liabilities	**22.2**	13.0
Current tax payable	**128.4**	145.7
Interest-bearing liabilities	**150.2**	164.0
Total liabilities as per the balance sheet	**859.5**	919.1

3 Revenue

	2012 **$m**	2011 $m
Sales revenue		
Sale of goods	**1,069.8**	1,536.7
Other revenue		
Mining Area C royalty income	**72.7**	88.5
Interest	**7.7**	6.2
	80.4	94.7
	1,150.2	1,631.4

4 Other income

	2012 **$m**	2011 $m
Net gain on disposal of property, plant and equipment	**1.3**	2.9
Sundry income	**9.0**	4.6
Foreign exchange gains	**-**	0.4
	10.3	7.9

5 Expenses

	2012 $m	2011 $m
Expenses		
Cash costs of production	**583.5**	628.9
Depreciation/amortisation	**203.1**	224.6
Inventory movement	**(346.9)**	(147.7)
Cost of goods sold	**439.7**	705.8
Restructure and idle capacity charges	**14.8**	8.5
Rehabilitation and holding costs for closed sites	**9.8**	36.2
Impairment reversal	**-**	(35.6)
Government royalties	**19.6**	25.2
Marketing and selling costs	**30.2**	34.5
Corporate and other costs	**45.7**	35.5
Technical support, product development and major projects	**13.6**	13.7
Exploration expenditure	**29.5**	19.0
Foreign exchange losses	**4.2**	-
	607.1	842.8
Finance Costs		
Interest charges	**11.5**	12.1
Bank fees and similar charges	**2.8**	2.1
Amortisation of deferred borrowing costs	**2.3**	1.0
Rehabilitation and mine closure unwind	**24.6**	20.6
	41.2	35.8

6 Interest-bearing liabilities

	2012 $m	2011 $m
Current		
Senior Notes 2003 (ii)	**56.9**	-
Non-current		
Multi Optional Facility Agreement (i)	**81.8**	-
Senior Notes 2003 (ii)	**19.2**	76.6
Syndicated Term Loan Facility	**-**	88.7
Deferred borrowing costs	**(7.7)**	(1.3)
	93.3	164.0

(a) Financing arrangements

(i) Multi Optional Facility Agreement

In April 2012, the group entered into a Multi Optional Facility Agreement (MOFA) comprising a series of unsecured five year bilateral revolving credit facilities with several domestic and foreign institutions, totalling $800 million. The MOFA replaces the Syndicated Term Loan Facility of $445 million, of which $100 million matured in March 2012 and $345 million was due to mature in March 2013, along with a US$50 million Working Capital Facility which matured in March 2012.

(ii) Senior Notes - 2003 Series

The remaining notes mature in two tranches; being June 2013 US$40.0 million and June 2015 US$20.0 million. The translation exposure on the June 2013 US$40 million notes have been eliminated through a cross currency swap at AUD/USD 0.7025.

7 Contributed equity

(a) Share capital

	2012 Shares	2011 Shares	**2012 $m**	2011 $m
Ordinary shares - fully paid	**418,701,360**	418,701,360	**1,120.0**	1,120.0
Treasury shares	**(1,630,066)**	(2,269,590)	**(15.2)**	(18.0)
	417,071,294	416,431,770	**1,104.8**	1,102.0

(b) Movements in ordinary share capital

There have been no movements in share capital since 7 May 2009.

(c) Treasury shares

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

	Number of shares	**$m**
Opening balance at 1 January 2011	3,220,149	11.7
Acquisition of shares, net of tax	1,498,791	14.8
Employee share issues, net of tax	(2,449,350)	(8.5)
Balance at 31 December 2011	**2,269,590**	**18.0**
Acquisition of shares, net of tax	341,621	2.5
Employee share issues, net of tax	(981,145)	(5.3)
Balance at 31 December 2012	**1,630,066**	**15.2**

8 Dividends

	2012 $m	2011 $m
Final dividend		
for 2011 of 55 cents per share, franked	**229.4**	-
for 2010 of 8 cents per share, unfranked	**-**	33.5
	229.4	33.5
Interim dividend		
for 2012 of 25 cents per share, franked	**104.3**	-
for 2011 of 20 cents per share, unfranked	**-**	83.7
	104.3	83.7
	333.7	117.2

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the Directors have determined a final dividend of 10 cents per share, fully franked (2011: 55 cents, fully franked). The dividend is payable on 4 April 2013 for shareholders on the register as at 7 March 2013. The aggregate amount of the proposed dividend is $41.9 million.

9 Contingent liabilities

Bank guarantees
The group has a number of bank guarantees in favour of various government authorities and service providers to meet its obligations under exploration and mining tenements. At 31 December 2012, the total value of performance commitments and guarantees was $115.0 million (2011: $106.0 million).

Native title
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 group 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 group.

Other claims
In the course of its normal business, the group 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 group if settled unfavourably.

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

	2012 **$m**	2011 $m
Profit for the year	**363.2**	541.8
Depreciation and amortisation	**203.1**	224.6
Exploration capitalised	**(4.9)**	(5.2)
Net gain on disposal of property, plant and equipment	**(1.3)**	(2.9)
Net exchange differences and other	**(2.7)**	2.7
Rehabilitation and restoration unwind	**24.6**	20.6
Non-cash share-based payments expense	**9.7**	7.7
Amortisation of deferred borrowing costs	**2.3**	1.0
Impairment reversal	**-**	(35.6)
Non-cash rehabilitation expense for closed sites	**8.3**	34.6
Change in operating assets and liabilities		
Decrease (increase) in receivables	**116.3**	(92.4)
Increase in inventories	**(354.9)**	(168.6)
(Increase) decrease in net deferred tax	**4.9**	59.5
(Decrease) increase in payables	**(95.9)**	8.2
(Decrease) increase in provisions	**(5.1)**	6.7
(Decrease) increase in net current tax liability	**(17.0)**	146.8
Net cash inflow from operating activities	**250.6**	749.5

11 Events occurring after the reporting period

On 17 January 2013, the company announced its intention to idle the Eneabba mining operation (Mid West, Western Australia) in March 2013. On 21 February 2013, the company announced a continued idling of synthetic rutile kiln 3 at Narngulu, Western Australia and other production changes and cost reduction initiatives to reduce production and fixed costs that will include a total of approximately 200 positions being made redundant. Total costs of implementing the announced production cuts and cost reductions of approximately $50 million, including redundancy costs, are expected to be incurred and expensed during 2013.