Iluka Resources Limited ABN 34 008 675 018
ASX Preliminary final report - 31 December 2014

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 7.1% to $792.3m
Loss from ordinary activities after tax attributable to members		Down 438.0% to loss of $62.5m
Net loss for the period attributable to members		Down 438.0% to loss of $62.5m

Dividends

2014 final:13 cents per ordinary share(100% franked), payable in March 2015
2014 interim: 6 cents per ordinary share (100% franked), paid in October 2014
2013 final: 4 cents per ordinary share (100% franked), paid in April 2014
2013 interim: 5 cents per share (100% franked), paid in October 2013

Key ratios	**2014**	**2013**
Basic earnings per share (cents)	(15.0)	4.4
Free cash flow per share[1] (cents)	46.9	(6.6)
Return on Equity[2]	(4.1)	1.2
Net tangible assets per share ($)	3.38	3.65

[1] Free cash flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.

[2] Calculated as Net (Loss) Profit after Tax (NPAT) for the year as a percentage of average monthly shareholders equity over the year.

OVERVIEW OF RESULTS

Iluka recorded a loss after tax for the year of $62.5 million, compared with a profit of $18.5 million for the previous corresponding period. The 2014 loss included a non-cash impairment charge of $86.5 million after tax in relation to the United States operations, as advised to the ASX on 12 December 2014.

Sales volumes of zircon, rutile and synthetic rutile (Z/R/SR) increased 5.4 per cent to 616.2 thousand tonnes compared to 584.4 thousand tonnes in 2013. Mineral sands sales revenue for the year ended 31 December 2014 was $724.9 million (2013: $763.1 million). The lower revenue mainly reflects lower received prices year-on-year as demonstrated by the average revenue per tonne of Z/R/SR of $1,030 per tonne compared with $1,173 per tonne in 2013. The lower price was mainly as a result of a moderation in high grade titanium dioxide prices, and some sales mix factors (higher sales of lower priced HyTi and standard grade zircon).

Total cash production costs in 2014 were marginally higher than 2013 levels at $381.9 million (2013: $376.1 million) despite 13.5 per cent higher Z/R/SR production. Cash costs of production include $25.0 million of costs in relation to ilmenite concentrate and by-product costs, a 27.6 per cent increase compared to $19.6 million in 2013 due to higher sales of iron concentrate. On a unit basis, cash cost of production were $714 per tonne of Z/R/SR, a 10.5 per cent decrease compared with the prior year reflecting 13.5 per cent higher production of Z/R/SR. Excluding the costs for ilmenite concentrate and by-products, the underlying unit cash cost of production was $668 per tonne of Z/R/SR, compared with $757 per tonne in 2013. The reduction in underlying unit cash costs of production reflects the cost savings realised in 2014 from the operational adjustments that were undertaken in the prior year, including reductions in workforce and idling some assets.

Mineral sands EBITDA for 2014 was $238.6 million, a 4.2 per cent decrease compared with the previous corresponding period. Mineral sands EBIT decreased by $62.4 million to a loss of $34.7 million (2013: profit $27.7 million).

Mining Area C iron ore royalty earnings (MAC) decreased 24.5 per cent to $66.4 million (2013: $87.9 million), reflecting lower iron ore sales price and lower capacity payments of $1.0 million (2013: $4.0 million).

Loss before tax was $48.5 million (2013: profit $24.0 million). A net tax expense of $14.0 million (2013: $5.5 million) was recognised in respect of the loss for the year. The tax expense relates mainly to the group's Australian profits, with minimal benefits recognised for overseas losses.

Earnings per share for the period was (15.0) cents compared to 4.4 cents in the previous corresponding period. The number of fully paid ordinary shares on issue at 31 December 2014 of 418.7 million was unchanged during the year.

Free cash inflow of $196.3 million compares to a free cash outflow of $27.5 million in the previous corresponding period. The increase in free cash flow reflects a reduction in receivables of $92.7 million in the year, compared to an increase of $52.0 million in the previous corresponding period. Lower receivables reflect the utilisation of two trade receivables purchase facilities entered into in late 2014 which enabled the earlier collection of $84.4 million of receivables.

Capital expenditure of $48.3 million in the year related to various major projects, including Cataby (Western Australia), West Balranald (New South Wales), Hickory (Virginia) and Aurelian Springs (North Carolina). In addition, Iluka acquired an 18.3 per cent equity stake in Metalysis Limited, a private UK based entity that is developing a new technology for titanium metal powder production at a cost of $18.6 million.

Net debt at 31 December 2014 was $59.0 million, with a corresponding gearing ratio (net debt/ net debt + equity) of 3.9 per cent. This compares with net debt at 31 December 2013 of $206.6 million and a gearing ratio of 11.8 per cent. Undrawn facilities at 31 December were $707.8 million and cash at bank was $101.3 million.

On 24 March 2014 Iluka became aware that a litigation funder proposed to fund claims that current or former shareholders may have against the company in respect of continuous disclosure obligations in 2012. There has been no legal proceedings commenced, other than a pre action discovery application filed with the Tasmanian Registry of the Federal Court of Australia pursuant to which the applicant is seeking disclosure from Iluka of non-public documents. Iluka intends to oppose the pre action discovery application. As advised to ASX on 24 March 2014, Iluka is of the view that it has at all times fulfilled its disclosure obligations.

DIVIDEND

Directors have determined a fully franked dividend of 13 cents per share, payable on 31 March 2015 with a record date of 10 March 2015.

OVERVIEW OF SALES AND PRODUCTION

	2014	2013	% change
Sales (kt)			
Zircon	352.2	370.2	(4.9)
Rutile	182.0	168.0	8.3
Synthetic rutile	82.0	46.2	77.5
Total Z/R/SR sales	**616.2**	**584.4**	**5.4**
Ilmenite - saleable	316.6	337.5	(6.2)
Total sales volumes	**932.8**	**921.9**	**1.2**
Z/R/SR revenue ($m)	634.8	685.8	(7.4)
Ilmenite and other revenue ($m)	90.1	77.3	16.6
Total mineral sands revenue[1] ($m)	**724.9**	**763.1**	**(5.0)**
Revenue per tonne of Z/R/SR sold[2] ($/t)	1,030	1,173	(12.2)
Production (kt)			
Zircon	357.6	285.1	25.4
Rutile	177.2	127.0	39.5
Synthetic rutile	-	59.0	n/a
Total Z/R/SR production	**534.8**	**471.1**	**13.5**
Ilmenite	365.4	584.5	(37.5)
Total saleable production volume	**900.2**	**1,055.6**	**(14.7)**
HMC produced	1,305.0	1,538.3	(15.2)
HMC processed	968.0	1,044.2	(7.3)
Cash costs of production ($m)	381.9	376.1	1.5
Unit cash cost per tonne of Z/R/SR produced ($/t)	714	798	(10.5)

[1] Mineral sands revenues include revenues derived from other materials not included in production volumes, including activated carbon products and iron concentrate.

[2] Revenue from the sale of zircon, rutile and synthetic rutile products.

Mineral sands sales volumes

Sales volumes for zircon for the full year were marginally lower than the previous corresponding period at 352.2 thousand tonnes (2013: 370.2 thousand tonnes). Zircon sales were second half weighted (146.3 thousand tonnes in the first half and 205.9 thousand tonnes in the second half of 2014).

Lower zircon sales reflects, predominantly, softer demand in Europe, Middle East and Indian markets. In the case of Europe, continuing fragility in business conditions and export markets meant that European sales softened in the fourth quarter. North America and China were the most robust markets.

Combined sales volumes for the high grade titanium dioxide products of rutile and synthetic rutile for the full year were 264.0 thousand tonnes (2013: 214.2 thousand tonnes), a 23.2 per cent increase reflecting both higher rutile sales (up 8.3 per cent) and higher synthetic rutile volumes (up 77.5 per cent).

Iluka sold 316.6 thousand tonnes of ilmenite in 2014 (2013: 337.5 thousand tonnes), with lower sales volume reflecting weaker demand for sulphate ilmenite associated with reduced utilisation of sulphate pigment plant capacity in China.

Mineral sands production

Overall production volumes of Z/R/SR were 534.8 thousand tonnes, representing a 13.5 per cent increase from the previous corresponding period (2013: 471.1 thousand tonnes). Higher annual production in 2014 reflects an increase in zircon and rutile production, offset by no production of synthetic rutile during the year, associated with the idling of all kilns. Higher production is due to higher mineral separation plant utilisation rates, however, these remain lower than normal to enable the progressive draw down of finished goods inventory, and reduce transport and operating costs.

At the company's two Australian operating mines, Jacinth-Ambrosia in South Australia and Woornack, Rownack and Pirro (WRP) in Victoria, mining operations continued at essentially full utilisation rates. These rates enable optimum unit cash cost outcomes for the production of heavy mineral concentrate (HMC), which in the case of WRP entails a build of HMC levels over 2014, which will be drawn down following the completion of planned mining in the first half of 2015 and before the commencement of mining at the next planned mine development at Balranald in New South Wales.

In Virginia mining continued at Brink, with mining at Concord idled in April as planned. The mineral separation plant continued to be operated at a reduced capacity, in line with the plan to draw down finished goods inventory.

INCOME STATEMENT ANALYSIS

$ million	2014	2013	% change
Z/R/SR revenue	634.8	685.8	(7.4)
Ilmenite and other revenue	90.1	77.3	16.6
Mineral sands revenue	**724.9**	**763.1**	**(5.0)**
Cash costs of production	(381.9)	(376.1)	(1.5)
Inventory movement	14.7	14.0	5.0
Restructure and idle capacity charges	(40.1)	(69.6)	42.4
Rehabilitation and holding costs for closed sites	1.0	2.8	(64.3)
Government royalties	(10.6)	(15.2)	30.3
Marketing and selling costs	(30.1)	(28.2)	(6.7)
Asset sales and other income	6.0	3.1	93.5
Resource development	(45.3)	(44.9)	(0.9)
Mineral sands EBITDA	**238.6**	**249.0**	**(4.2)**
Depreciation and amortisation	(191.3)	(181.3)	(5.5)
Impairment of US assets	(82.0)	-	n/a
Idle asset write downs	-	(40.0)	n/a
Mineral sands EBIT	**(34.7)**	**27.7**	**n/a**
Mining Area C	66.4	87.9	(24.5)
Corporate other costs	(48.4)	(41.2)	(17.5)
Foreign exchange loss	-	(0.9)	n/a
Group EBIT	**(16.7)**	**73.5**	**n/a**
Net interest and bank charges	(13.9)	(13.1)	(6.1)
Rehabilitation unwind, discount rate change and other finance costs	(17.9)	(36.4)	50.8
(Loss) profit before tax	**(48.5)**	**24.0**	**n/a**
Tax expense	(14.0)	(5.5)	(154.5)
(Loss) profit for the period (NPAT)	**(62.5)**	**18.5**	**n/a**
Average AUD/USD (cents)	**90.3**	**96.8**	**(6.7)**

Mineral sands operational results

	Revenue		EBITDA		EBIT	
$ million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Australia	640.6	676.5	290.7	274.6	117.3	67.7
United States	84.3	86.6	1.4	30.1	(96.4)	19.1
Resource development and other	-	-	(53.5)	(55.7)	(55.6)	(59.1)
Total	**724.9**	**763.1**	**238.6**	**249.0**	**(34.7)**	**27.7**

An overview of performance for Australian operations and United States operations is provided later in this report.

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

Mineral sands revenue

Mineral sands sales revenue for the year was $724.9 million representing a decrease of 5.0 per cent compared with the previous corresponding period (2013: $763.1 million) despite Z/R/SR sales volumes increasing 5.4 per cent.

Price dynamics reflect a reduction in high grade titanium dioxide prices, mainly in the first part of 2014, and stable weighted average zircon prices for most of 2014. Product mix impacts, including the sale of a slightly lower titanium dioxide content product, HyTi, and a higher proportion of sales of standard grade zircon have been associated with a minor reduction in the weighted average received price in the latter part of the year for both rutile and zircon products. The average Z/R/SR revenue per tonne declined from $1,173 in 2013 to $1,030 in 2014.

Cash costs of production

Cash costs of production were $381.9 million, a 1.5 per cent increase relative to the previous corresponding period (2013: $376.1 million) despite a 13.5 per cent increase in Z/R/SR production. Production costs include costs associated with the production of ilmenite concentrate and other by-product streams, including iron concentrate. In 2014, the costs associated with these by-products was $25.0 million (2013: $19.6 million).

Unit cash costs of Z/R/SR produced, excluding by-product costs, was $668 per tonne compared with $757 per tonne in 2013. Unit cash costs of Z/R/SR produced, including by-product costs, were $714 per tonne of Z/R/SR (2013: $798 per tonne).

Inventory movement

Inventory of finished product decreased by $68.3 million to $333.7 million due to sales of Z/R/SR exceeding production by 81.4 thousand tonnes during the year, combined with a decrease in ilmenite stock value. Work in progress (WIP) inventory has increased by $85.7 million in light of reduced processing of material through the mineral separation plants at Narngulu (Western Australia) and Hamilton (Victoria) whilst mining operations continued at full utilisation at Jacinth-Ambrosia in South Australia and WRP in Victoria. These mining rates enabled optimum unit cash cost outcomes for production of HMC. Iluka built HMC inventory in the Murray Basin, in advance of the cessation of mining activities at WRP in the first half of 2015. This inventory will be utilised in the period leading up to the next planned mining operation in the Murray Basin, the Balranald deposit.

Restructure and idle capacity cash charges

During 2013, Iluka took measures to curtail production and reduce production costs in response to weak market demand, including plant idling and reductions in workforce levels; this resulted in restructure costs of $33.5 million. No restructure costs have been incurred during 2014. Idle capacity charges reflect costs incurred during periods of no or restricted production. Idle costs of $40.1 million (2013: $36.1 million) are higher than the prior year reflecting a full year charge in 2014 combined with the idling of the Concord mine in the US.

Idle capacity charges reflect costs incurred during periods of no production. In 2014 this included all of the synthetic rutile kilns along with mining operations in Western Australia at Tutunup South and Eneabba combined with the Concord mine in the US following its idling in the first half of 2014.

Rehabilitation and holding costs for closed sites

Rehabilitation and holding costs include costs incurred relating to ongoing maintenance work completed on closed sites and changes in cost estimates for rehabilitation work associated with closed sites. A net $1.0 million credit arose in 2014 primarily as a result of rehabilitation reviews on closed sites (2013: $2.8 million credit).

Government royalties

Government royalties decreased with lower sales revenue and a change in sales mix.

Marketing and selling costs

Higher marketing and selling costs are mainly due to an expanded global marketing presence and changes in selling arrangements in some locations, including increased direct sales arrangements.

Resource development

Costs are in line with the previous corresponding period at $45.3 million (2013: $44.9 million).

Depreciation and amortisation

The increase of $10.0 million compared to the previous corresponding period reflects increased utilisation of the Australian mineral separation plants (MSPs) combined with a reassessment of mine lives at the Brink and Concord operations in the US during the first half of the year based on updated mine plan information.

US impairment

An impairment charge of $82.0 million before tax was recognised in relation to the US operations property, plant and equipment fixed assets in Virginia. Iluka's US operations produce chloride ilmenite as well as premium zircon, both sold predominantly into the domestic market. A decision has been taken to maximise cash flow from the Virginia ore bodies and minimise commitment of further development capital to this part of the business at this time, which is expected to lead to the completion of mining and processing activities in the US at the end of 2015.

Idle asset write downs

The write-down in 2013 for the carrying value of idle assets of $40.0 million related to equipment in Western Australia that is likely to remain idle as a result of changes in mine plans and successful technical developments.

Mining Area C

Iron ore sales volumes increased 1.7 per cent to 53.4 million dry metric tonnes (DMT). The average AUD realised price upon which the royalty is payable decreased by 23.2 per cent from the previous corresponding period. The EBIT contribution of $66.4 million includes $1.0 million of annual capacity payments for production increases in the year to 30 June (2013: $4.0 million).

Corporate and other

Corporate and other costs are $7.2 million higher than the previous corresponding period, reflecting mainly increased costs associated with the evaluation of inorganic growth opportunities. The previous corresponding period also included a non-recurring credit in respect of equity remuneration schemes which had not achieved the performance hurdles.

Foreign exchange

Foreign exchange translation losses were $0.9 million in the prior year compared to a gain of $3.7 million in 2014 which is shown in other income.

Rehabilitation unwind

2013 included an $18.0 million charge as a result of a reduction in the risk free discount rate used in the calculation of the net present value of the rehabilitation provisions in respect of closed sites in Australia and the US.

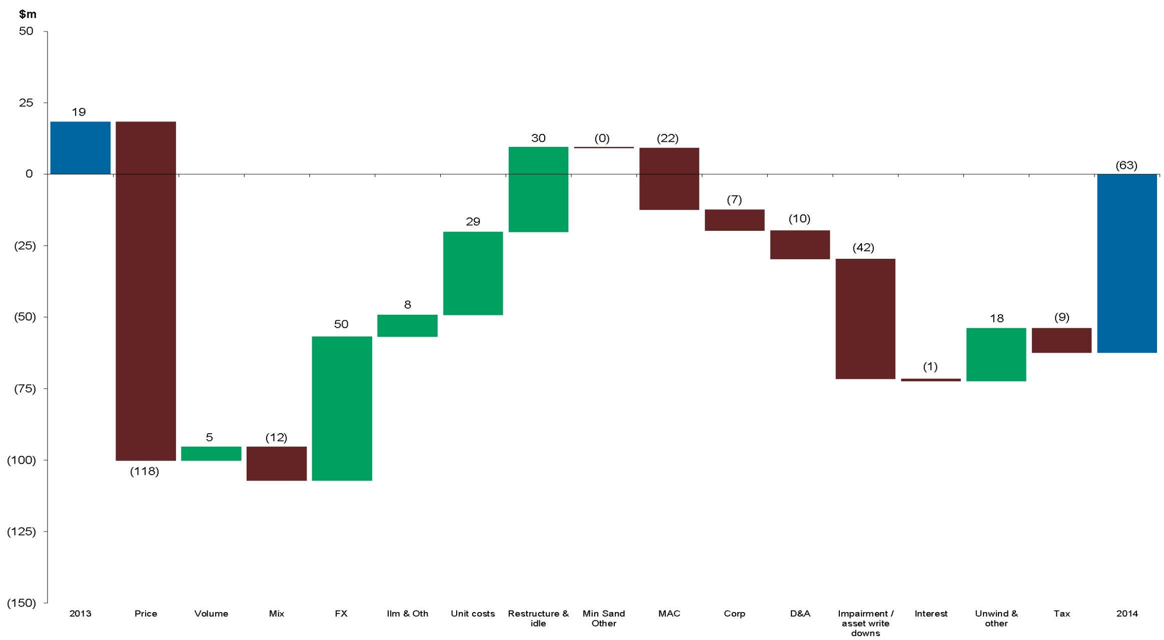
Net interest and bank charges

The interest charge of $13.9 million is in line with the previous corresponding period. Net debt started the year at $206.6 million and has reduced to $59.0 million at 31 December 2014 due to strong cash flows in December.

Tax expense

The income tax expense of $14.0 million on a loss before tax of $48.5 million reflects no tax benefit recognised in respect of the US impairment charge of $82.0 million. In addition, deferred tax assets of $4.5 million in relation to US state taxes were expensed in the year.

MOVEMENT IN NPAT



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

Z/R/SR sales price (-ve $118 million)

Lower average prices than the previous corresponding period for all products. Rutile prices achieved an average US$777 per tonne, 27 per cent lower year-on-year and synthetic rutile was 35 per cent lower year-on-year with an average annual price of US$750 per tonne. Average annual zircon prices were US$1,039 per tonne, a reduction of 10 per cent.

Z/R/SR sales volumes (+ve $5 million)

The amount reflects the impact of higher Z/R/SR sales volumes (up 5.4 per cent from the previous corresponding period) using the average margin achieved for Z/R/SR product sales in the current period.

Z/R/SR sales mix (-ve $12 million)

Z/R/SR sales volumes for the period include a lower proportion of higher priced zircon and a higher proportion of lower priced high grade titanium dioxide products than in the previous corresponding period.

Z/R/SR foreign exchange (+ve $50 million)

The impact of a lower weighted average spot exchange rate of 89.3 cents applicable to Z/R/SR revenue compared with the rate in the previous corresponding period of 95.0 cents. Foreign exchange impacts on operating costs, mainly those relating to the US operations, are included in the overall movement in unit costs. The variance also includes a foreign exchange translation gain of $3.7 million as opposed to a translation loss of $0.9 million in 2013.

Ilmenite and other products (+ve $8 million)

Increased sales revenue of $12.9 million associated with ilmenite and by-products due to increased iron concentrate sales volumes partially offset by increased by-product costs, up $5.4 million from the prior year of $19.6 million.

Z/R/SR unit cost of sales (+ve $29 million)

Lower unit cash costs of sales for Z/R/SR sold during the period reflects reducing unit cash costs of production combined with a change in sales mix to include lower cost material.

Restructure and idle capacity (+ve $30 million)

The reduction in costs predominantly reflects no restructure costs incurred during the year (2013: $33.5 million). The marginal increase in idle capacity charges reflects operations being idle for the whole year along with idling Concord mine in the US in the first half of 2014.

Mineral sands other costs ($- million)

In line with the previous corresponding period.

Mining Area C (-ve $22 million)

Lower Mining Area C income reflects both reduced iron ore prices and $3 million lower capacity payments.

Corporate (-ve $7 million)

Corporate and other costs are $7.2 million higher than the previous corresponding period, reflecting mainly increased costs associated with the evaluation of inorganic growth opportunities. The previous corresponding period also included a non-recurring credit in respect of equity remuneration schemes from prior years which had not achieved the performance hurdles.

Depreciation and amortisation (-ve $10 million)

Depreciation and amortisation charges have increased $10.0 million from the prior year reflecting increased utilisation of the Australian Mineral Separation Plants (MSPs) combined with a reassessment of mine lives at the Brink and Concord operations in the US during the first half of the year based on updated mine plan information.

Impairments and idle asset write downs (-ve $42 million)

An impairment charge of $82.0 million was recorded against the US operations in the current year reflecting a complete write-off of all property, plant and equipment fixed assets in Virginia. The prior year included a write-down in the carrying value of idle assets of $40.0 million relating to equipment in Western Australia that is likely to remain idle as a result of changes in mine plans and successful technical developments.

Interest and bank charges (-ve $1 million)

Net interest costs increased due to lower cash holdings, with interest income for cash on deposit reducing by $1.2 million from the previous corresponding period.

Rehabilitation unwind and other finance charges (+ve $18 million)

2013 included an $18.0 million charge as a result of a reduction in the risk free discount rates used in the calculation of the net present value of the rehabilitation provisions in respect of closed sites in Australia and the US.

Tax (-ve $9 million)

A higher tax expense despite lower earnings than the previous corresponding period is mainly the result of not recognising the tax benefit relating to the US impairment charge. In addition, deferred tax assets of $4.5 million in relation to US state taxes were expensed in the year.

BALANCE SHEET, CASH FLOW AND NET DEBT

Balance sheet by operation - $ million

31 December 2014	AUS	US	MAC	Corp	Group	31 Dec 2013
Receivables	67.1	12.8	12.7	6.2	**98.8**	191.5
Inventories	781.7	28.5	-	-	**810.2**	795.1
Payables and accruals	(44.4)	(17.2)	-	(19.1)	**(80.7)**	(71.4)
Employee and other provisions	(10.1)	(11.0)	-	(13.4)	**(34.5)**	(26.7)
Rehabilitation provisions	(401.2)	(55.8)	-	-	**(457.0)**	(465.9)
Investment in Metalysis Limited	-	-	-	18.6	**18.6**	-
Property, plant & equipment	1,094.1	6.7	-	16.4	**1,117.2**	1,314.5
Intangibles	-	-	5.5	-	**5.5**	5.9
Capital employed	**1,487.2**	**(36.0)**	**18.2**	**8.7**	**1,478.1**	**1,743.0**
Net tax asset					**(15.5)**	(1.7)
Net debt					**59.0**	206.6
Total equity					**1,434.6**	1,538.1
Net funding					**1,478.1**	**1,743.0**

Lower receivables reflect the utilisation of two trade receivables purchase facilities entered into in late 2014 which enabled the earlier collection of $84.4 million of receivables.

Higher inventory value mainly reflects an increase of $85.7 million in WIP product to $444.1 million (2013: $358.4 million), partially offset by a $68.3 million decrease in finished product stocks to $333.7 million. Higher WIP values reflect increased HMC due to HMC produced of 1,305 thousand tonnes exceeding the HMC processed of 968 thousand tonnes. The draw down in finished goods is due mainly to sales of Z/R/SR exceeding production by 81.4 thousand tonnes. Inventories include $353.7 million of predominantly concentrate material classified as non-current (2013: $271.0 million) and $32.4 million of consumable stores (2013: $34.7 million).

During the year, Iluka acquired an 18.3 per cent equity stake in Metalysis Limited, a private UK based entity that is developing a new technology for titanium metal powder production. Iluka has a right to increase its shareholding to between 20 to 24.9 per cent in the event of an Initial Public Offering.

Lower property, plant and equipment values reflect the depreciation charge for the period of $191.7 million and US impairment of $82.0 million being higher than capital expenditure of $48.3 million, offset partially by currency re-translation effects on US balances and increases related to adjustments to rehabilitation obligations.

Net debt decreased $147.6 million compared to the previous corresponding period due to free cash inflow for the year of $196.3 million, payments of $41.8 million in respect of the 4 cent 2013 final dividend in April 2014 and the 6 cent 2014 interim dividend in October 2014 and currency translation impacts of $4.7 million on the USD component of net debt. During the year Iluka extended the maturity of $625 million of the $800 million credit facilities under the Multi Option Facility Agreement (MOFA) that ended in April 2017 to April 2019 and also increased the size of the facility by $50 million to $850 million through the addition of a new bilateral facility to April 2019. As a result, Iluka has facilities of $175 million maturing in April 2017 and $675 million maturing in April 2019, together with the US$20 million of Private Placement notes due for repayment in June 2015. This funding profile is considered sufficient and will be monitored in light of future growth activities the company may undertake.

In June 2014 Iluka signed a Joint Development Agreement (JDA) and Intellectual Property Agreement (IPA) with Vale S.A. for the staged evaluation and potential development of the major titanium mineral bearing deposit located at Tapira in Minas Gerais State, Brazil (the Tapira complex). In consideration for funding the first phase, pilot plant and feasibility studies, Iluka has secured options to participate, up to a maximum of 49 per cent equity, in a joint venture with Vale, as well as preferential options on other potential large scale titanium dioxide deposits within Vale's portfolio. The Vale JDA does not have a significant impact on the group Balance Sheet.

Movement in net (debt) cash

$ million	Full Year 2013	1st Half 2014	2nd Half 2014	Full Year 2014
Opening net debt	**(95.9)**	**(206.6)**	**(155.2)**	**(206.6)**
Operating cash flow	124.0	101.9	152.9	254.8
MAC royalty	82.7	40.9	34.3	75.2
Exploration	(23.1)	(8.6)	(13.5)	(22.1)
Interest (net)	(13.7)	(6.8)	(6.0)	(12.8)
Tax	(140.1)	(16.9)	(10.6)	(27.5)
Capital expenditure	(52.5)	(23.6)	(24.7)	(48.3)
Purchase of investment in Metalysis Limited	-	(18.6)	-	(18.6)
Purchase of Sri Lanka deposits	(4.6)	-	-	-
Asset sales	2.0	0.3	-	0.3
Share purchases for employee share schemes	(2.2)	(4.7)	-	(4.7)
Free cash flow	**(27.5)**	**63.9**	**132.4**	**196.3**
Dividends	(62.8)	(16.7)	(25.1)	(41.8)
Net cash flow	**(90.3)**	**47.2**	**107.3**	**154.5**
Exchange revaluation of USD net debt	(18.6)	5.2	(9.9)	(4.7)
Amortisation of deferred borrowing costs	(1.8)	(1.0)	(1.2)	(2.2)
(Increase) decrease in net debt	**(110.7)**	**51.4**	**96.1**	**147.6**
Closing net debt	**(206.6)**	**(155.2)**	**(59.0)**	**(59.0)**

Operating cash flow in the year of $254.8 million is significantly higher than the previous corresponding period, reflecting the timing of cash collections. Trade receivables have reduced $80.2 million from the prior year, due mainly to utilisation of two trade receivables purchase facilities entered into in late 2014.

MAC cash flows were $7.5 million lower than the previous corresponding period reflecting lower MAC royalty income.

Iluka commenced monthly tax instalments in Australia during the year. Iluka's tax expense in the year was $14.0 million in comparison to net tax payments of $27.5 million, reflecting the level of timing differences. Tax payments in the prior year included $118.4 million in respect of earnings in 2012.

Capital expenditure of $48.3 million in the year related to various major projects, including Cataby (Western Australia), West Balranald (New South Wales), Hickory (Virginia) and Aurelian Springs (North Carolina). In addition, Iluka acquired an 18.3 equity interest in Metalysis Limited for a cost of $18.6 million.

Share purchases are on-market purchases associated with the group's equity based incentive plans. The increase in share purchases reflects the Board's objective of holding a balance of shares based on the amount of unvested share rights.

A 2013 final dividend of 4 cents per share was paid in April 2014 and a 2014 interim dividend of 6 cents per share was paid in October 2014. The prior year cash flows included a 10 cents per share 2012 final dividend, paid in April 2013 and a 5 cents per share 2013 interim dividend, paid in October 2013.

The exchange revaluation of USD net debt in the year predominantly reflects the re-translation of US$105 million of debt from an exchange rate of 89.1 cents at 31 December 2013 to 81.9 cents at 31 December 2014.

REVIEW OF AUSTRALIAN OPERATIONS

		2014	2013	% change
Production volumes				
Zircon	kt	332.5	245.5	35.4
Rutile	kt	177.2	127.0	39.5
Synthetic rutile	kt	-	59.0	n/a
Total Z/R/SR production	**kt**	**509.7**	**431.5**	**18.1**
Ilmenite	kt	270.6	394.9	(31.5)
Total production volume	**kt**	**780.3**	**826.4**	**(5.6)**
HMC produced	kt	1,135.0	1,223.5	(7.2)
HMC processed	kt	796.0	736.4	8.1
Unit cash cost of production - zircon/rutile/SR *	$/t	629	708	(11.2)
Mineral sands revenue	**$m**	**640.6**	**676.5**	**(5.3)**
Cash costs of production	$m	(320.8)	(305.4)	(5.0)
Inventory movements	$m	32.9	(0.6)	n/a
Restructure and idle capacity charges	$m	(36.5)	(69.6)	47.6
Rehabilitation and holding costs for closed sites	$m	1.0	3.2	(68.8)
Government royalties	$m	(10.6)	(15.2)	30.3
Marketing and selling costs	$m	(16.2)	(14.8)	(9.5)
Asset sales and other income	$m	0.3	0.5	(40.0)
EBITDA	**$m**	**290.7**	**274.6**	**5.9**
Depreciation & amortisation	$m	(173.4)	(166.9)	(3.9)
Idle asset write downs	$m	-	(40.0)	n/a
EBIT	**$m**	**117.3**	**67.7**	**73.3**

* Calculated as cash costs of production, including by-product costs divided by Z/R/SR production.

Total Z/R/SR production increased from the previous corresponding period reflecting increased MSP utilisation rates. No synthetic rutile was produced during the year following the idling of the kilns in 2013.

Cash costs of production were marginally higher than the previous corresponding period, with higher costs for the increased MSP utilisation, transport of HMC and higher volumes of by-products offset by reduced synthetic rutile upgrade costs as all kilns were idle. Ilmenite concentrate and by-product costs were $25.0 million (2013: $19.6 million). Mining operations at WRP and Jacinth-Ambrosia continued at full capacity.

Lower mineral sands revenue reflects lower average received prices for zircon, rutile and synthetic rutile offset partially by higher revenues from the sale of additional volumes of Z/R/SR and by products.

Unit cash costs of production per tonne of Z/R/SR declined due to the increase in production.

The inventory movement reflects increased WIP offset partially by a draw down in finished goods products as a result of sales of Z/R/SR exceeding production during the year whilst HMC produced exceeded HMC processed.

Restructure and idle capacity charges have declined significantly compared to the prior year and consist entirely of idle capacity charges predominantly related to the idling of the synthetic rutile kilns in the South West and mining operations in Western Australia. The prior year included restructure costs of $33.5 million.

Lower government royalties reflect decreased mineral sands revenues associated with lower sales prices.

Higher marketing and selling costs reflect higher warehouse and distribution costs for product.

Depreciation and amortisation charges were $3.9 million higher than the previous corresponding period, with the increase reflecting increased utilisation of the MSP.

The previous corresponding period included an idle asset write-down of $40.0 million in relation to redundant equipment in Western Australia: three wet concentrator plants, two mining unit plants and capitalised expenditure associated with restarting synthetic rutile kiln 3, which was idled in the first half of 2013.

REVIEW OF UNITED STATES OPERATIONS

		2014	2013	% change
Production volumes				
Zircon	kt	25.1	39.6	(36.6)
Ilmenite	kt	94.8	189.6	(50.0)
Total saleable production volume	**kt**	**119.9**	**229.2**	**(47.7)**
HMC produced	kt	170.0	314.8	(46.0)
HMC processed	kt	172.0	307.8	(44.1)
Unit cash cost of production - saleable product *	$/t	510	308	65.6
Mineral sands revenue	**$m**	**84.3**	**86.6**	**(2.7)**
Cash cost of production	$m	(61.1)	(70.7)	13.6
Inventory movements	$m	(18.2)	14.6	n/a
Restructure and idle capacity charges	$m	(3.6)	-	n/a
Rehabilitation costs for closed sites	$m	-	(0.4)	n/a
EBITDA	**$m**	**1.4**	**30.1**	**(95.3)**
Depreciation & amortisation	$m	(15.8)	(11.0)	(43.6)
Impairment	$m	(82.0)	-	n/a
EBIT	**$m**	**(96.4)**	**19.1**	**n/a**

* Calculated as cash costs of production, including by-product costs divided by zircon and ilmenite production.

Zircon production was 36.6 per cent lower than the previous corresponding period and ilmenite production was 50.0 per cent lower as production was curtailed at the Concord operation to enable a draw down of finished goods inventory.

Unit cash cost of production per tonne of finished product increased from the previous corresponding period due to lower production volumes and foreign exchange currency translation impacts, with USD cash costs of production being US$9.6 million lower than the prior year.

Sales revenue was broadly in line with the previous corresponding period due to increased sales volumes, partially offset by lower average prices, particularly for zircon.

The inventory movement reflects a draw down in both finished goods and WIP.

Costs for rehabilitation and idle capacity relate to the idling of the Concord mining operations during the first half of 2014.

Depreciation has increased from the previous corresponding period following a reassessment of mine lives at the Brink and Concord operations based on updated mine plan information.

An impairment charge of $82.0 million was recorded in 2014 to reduce the carrying value of the property, plant and equipment in Virginia, United States to $nil at 31 December 2014.

NON-IFRS FINANCIAL INFORMATION

This preliminary final report uses non-IFRS financial information including mineral sands EBITDA, mineral sands EBIT, group EBITDA and group EBIT, which are used to measure both group and operational performance. A reconciliation of non-IFRS financial information to profit before tax is provided below. Non-IFRS measures have not been subject to audit or review.

31 December 2014

	AUS	US	Exploration & Other[1]	**Mineral sands**	MAC	Corp	**Group**
Mineral sands revenue	640.6	84.3		**724.9**			**724.9**
Mineral sands expenses	(349.9)	(82.9)	(53.5)	**(486.3)**			**(486.3)**
Mining Area C					66.8		**66.8**
Foreign exchange						-	**-**
Corporate costs						(48.4)	**(48.4)**
EBITDA	**290.7**	**1.4**	**(53.5)**	**238.6**	**66.8**	**(48.4)**	**257.0**
Depreciation & amortisation	(173.4)	(15.8)	(2.1)	**(191.3)**	(0.4)		**(191.7)**
Impairment of US assets		(82.0)		**(82.0)**			**(82.0)**
EBIT	**117.3**	**(96.4)**	**(55.6)**	**(34.7)**	**66.4**	**(48.4)**	**(16.7)**
Net interest costs						(13.9)	**(13.9)**
Rehabilitation unwind	(14.9)	(0.8)		**(15.7)**		(2.2)	**(17.9)**
Profit (loss) before tax	**102.4**	**(97.2)**	**(55.6)**	**(50.4)**	**66.4**	**(64.5)**	**(48.5)**
Segment result	***102.4***	***(97.2)***		***5.2***	***66.4***		***71.6***

[1]Comprises resource development costs ($45.3m), marketing and selling costs ($13.9m), offset by asset sales and other income $5.7m.

31 December 2013

	AUS	US	Exploration & Other[1]	**Mineral sands**	MAC	Corp	**Group**
Mineral sands revenue	676.5	86.6		**763.1**			**763.1**
Mineral sands expenses	(401.9)	(56.4)	(55.8)	**(514.1)**			**(514.1)**
Mining Area C					88.3		**88.3**
Foreign exchange						(0.9)	**(0.9)**
Corporate costs						(41.2)	**(41.2)**
EBITDA	**274.6**	**30.2**	**(55.8)**	**249.0**	**88.3**	**(42.1)**	**295.2**
Depreciation & amortisation	(166.9)	(11.0)	(3.4)	**(181.3)**	(0.4)		**(181.7)**
Idle asset write downs	(40.0)			**(40.0)**			**(40.0)**
EBIT	**67.7**	**19.2**	**(59.2)**	**27.7**	**87.9**	**(42.1)**	**73.5**
Net interest costs						(13.1)	**(13.1)**
Rehabilitation unwind	(31.7)	(2.9)		**(34.6)**		(1.8)	**(36.4)**
Profit (loss) before tax	**36.0**	**16.3**	**(59.2)**	**(6.9)**	**87.9**	**(57.0)**	**24.0**
Segment result	***36.0***	***16.3***		***52.3***	***87.9***		***140.2***

[1]Comprises resource development costs ($44.9m), marketing and selling costs ($13.5m), offset by asset sales and other income $2.6m.

	Notes	**2014 $m**	2013 $m
Revenue	2	**792.3**	853.2
Other income	3	**6.1**	3.1
Expenses	4	**(814.4)**	(781.0)
Interest and finance charges		**(16.7)**	(16.7)
Rehabilitation and mine closure provision discount unwind		**(15.8)**	(34.6)
Total finance costs	4	**(32.5)**	(51.3)
(Loss) profit before income tax		**(48.5)**	24.0
Income tax expense		**(14.0)**	(5.5)
(Loss) profit for the year attributable to owners		**(62.5)**	18.5
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation of foreign operations		**7.3**	11.6
Hedge of net investment in US operation, net of tax		**(2.0)**	(3.2)
Items that will not be reclassified to profit or loss			
Actuarial (losses) gains on defined benefit plans, net of tax		**(5.3)**	5.0
Total other comprehensive income for the year, net of tax		**-**	13.4
Total comprehensive (loss) income for the year attributable to owners		**(62.5)**	31.9
		Cents	Cents
Earnings per share attributable to ordinary equity holders			
Basic earnings per share		**(15.0)**	4.4
Diluted earnings per share		**(15.0)**	4.4

The above preliminary statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	31 December 2014 $m	31 December 2013 $m
ASSETS			
Current assets			
Cash and cash equivalents		**101.3**	46.4
Receivables		**98.8**	191.5
Inventories		**456.5**	524.1
Current tax receivable		**8.5**	2.1
Total current assets		**665.1**	764.1
Non-current assets			
Inventories		**353.7**	271.0
Property, plant and equipment		**1,117.2**	1,314.5
Intangible asset - MAC Royalty		**5.5**	5.9
Deferred tax assets		**13.3**	13.2
Available-for-sale financial assets		**18.6**	-
Total non-current assets		**1,508.3**	1,604.6
Total assets		**2,173.4**	2,368.7
LIABILITIES			
Current liabilities			
Payables		**89.7**	80.2
Interest-bearing liabilities	6	**24.4**	11.1
Provisions		**63.8**	49.7
Current tax payable		**6.3**	3.9
Total current liabilities		**184.2**	144.9
Non-current liabilities			
Interest-bearing liabilities	6	**135.9**	241.9
Provisions		**418.7**	434.2
Deferred tax liabilities		**-**	9.6
Total non-current liabilities		**554.6**	685.7
Total liabilities		**738.8**	830.6
Net assets		**1,434.6**	1,538.1
EQUITY			
Contributed equity	7	**1,114.4**	1,112.1
Reserves		**22.8**	19.0
Retained profits		**297.4**	407.0
Total equity		**1,434.6**	1,538.1

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

		Attributable to owners of Iluka Resources Limited			
	Notes	**Contributed equity $m**	**Other reserves $m**	**Retained earnings $m**	**Total equity $m**
Balance at 1 January 2013		**1,104.8**	**18.1**	**444.2**	**1,567.1**
Profit for the year		-	-	18.5	18.5
Other comprehensive income		-	6.2	7.2	13.4
Total comprehensive income		**-**	**6.2**	**25.7**	**31.9**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax	7	8.8	(8.8)	-	-
Purchase of treasury shares, net of tax	7	(1.5)	-	-	(1.5)
Share-based payments, net of tax		-	3.5	-	3.5
Dividends paid		-	-	(62.9)	(62.9)
		7.3	(5.3)	(62.9)	(60.9)
Balance at 31 December 2013		**1,112.1**	**19.0**	**407.0**	**1,538.1**
Loss for the year		-	-	(62.5)	(62.5)
Other comprehensive income		-	5.3	(5.3)	-
Total comprehensive income		**-**	**5.3**	**(67.8)**	**(62.5)**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax	7	5.3	(5.3)	-	-
Purchase of treasury shares, net of tax	7	(3.3)	-	-	(3.3)
Share-based payments, net of tax		0.3	3.8	-	4.1
Dividends paid		-	-	(41.8)	(41.8)
		2.3	(1.5)	(41.8)	(41.0)
Balance at 31 December 2014		**1,114.4**	**22.8**	**297.4**	**1,434.6**

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

	Notes	**2014 $m**	2013 $m
Cash flows from operating activities			
Receipts from customers		**823.5**	727.2
Payments to suppliers and employees		**(568.7)**	(603.2)
		254.8	124.0
Interest received		**0.6**	3.1
Interest paid		**(13.4)**	(16.8)
Income taxes paid		**(27.5)**	(140.1)
Exploration expenditure		**(22.1)**	(23.1)
Mining Area C royalty receipts		**75.2**	82.7
Net cash inflow from operating activities	9	**267.6**	29.8
Cash flows from investing activities			
Payments for property, plant and equipment		**(48.3)**	(52.5)
Sale of property, plant and equipment		**0.3**	2.0
Acquisition of Sri Lanka deposits		**-**	(4.6)
Purchase of shares in Metalysis Limited		**(18.6)**	-
Net cash outflow from investing activities		**(66.6)**	(55.1)
Cash flows from financing activities			
Repayment of borrowings		**(139.7)**	(56.9)
Proceeds from borrowings		**41.0**	141.1
Purchase of treasury shares		**(4.7)**	(2.2)
Dividends paid		**(41.8)**	(62.8)
Debt refinance costs		**(2.5)**	-
Net cash (outflow) inflow from financing activities		**(147.7)**	19.2
Net increase (decrease) in cash and cash equivalents		**53.3**	(6.1)
Cash and cash equivalents at 1 January		**46.4**	54.3
Effects of exchange rate changes on cash and cash equivalents		**1.6**	(1.8)
Cash and cash equivalents at 31 December		**101.3**	46.4

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

1 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 are unchanged from those reported at 31 December 2013.

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 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 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 2014, no finished product was transferred from the US to Australia (2013: $10.2 million). The prior year transfer is excluded from the results below.

(b) Segment information

2014	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	640.6	84.3	-	724.9
Total segment result	102.4	(97.2)	66.4	71.6
Segment assets	1,942.7	48.1	18.2	2,009.0
Segment liabilities	455.6	84.2	-	539.8
Depreciation and amortisation expense	173.4	15.8	0.4	189.6
Impairment of US assets	-	82.0	-	82.0

2013	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	676.5	86.6	-	763.1
Total segment result	36.0	16.3	87.9	140.2
Segment assets	2,124.6	136.1	27.0	2,287.7
Segment liabilities	468.1	73.7	-	541.8
Depreciation and amortisation expense	166.9	11.0	0.4	178.3
Idle asset write downs	40.0	-	-	40.0

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:

	2014 **$m**	2013 $m
China	**288.4**	303.9
Asia excluding China	**115.5**	151.5
Europe	**164.1**	159.0
Americas	**129.0**	137.6
Other countries	**27.9**	11.1
Sale of goods	**724.9**	763.1

Revenue of $81.6 million and $78.3 million was derived from two external customers of the mineral sands segments, which individually account for greater than 10 per cent of the total segment revenue (2013: revenues of $101.3 million and $96.2 million from two external customers).

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

	2014 $m	2013 $m
Segment result	**71.6**	140.2
Interest income	**0.6**	1.8
Other income	**5.7**	2.6
Marketing and selling	**(13.9)**	(13.5)
Corporate and other costs	**(48.4)**	(41.2)
Depreciation	**(2.1)**	(3.4)
Resource development	**(45.3)**	(44.9)
Interest and finance charges	**(16.7)**	(16.7)
Net foreign exchange losses	**-**	(0.9)
(Loss) profit before income tax	**(48.5)**	24.0

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

Segment assets	**2,009.0**	2,287.7
Corporate assets	**41.3**	19.3
Cash and cash equivalents	**101.3**	46.4
Current tax receivable	**8.5**	2.1
Deferred tax assets	**13.3**	13.2
Total assets as per the balance sheet	**2,173.4**	2,368.7

Segment liabilities	**539.8**	541.8
Corporate liabilities	**32.4**	22.3
Current tax payable	**6.3**	3.9
Deferred tax liabilities	**-**	9.6
Interest-bearing liabilities	**160.3**	253.0
Total liabilities as per the balance sheet	**738.8**	830.6

2 Revenue

	2014 $m	2013 $m
Sales revenue		
Sale of goods	**724.9**	763.1
Other revenue		
Mining Area C royalty income	**66.8**	88.3
Interest	**0.6**	1.8
	67.4	90.1
	792.3	853.2

3 Other income

	2014 $m	2013 $m
Net gain on disposal of property, plant and equipment	**-**	0.6
Sundry income	**2.4**	2.5
Foreign exchange gains	**3.7**	-
	6.1	3.1

4 Expenses

	Notes	**2014 $m**	2013 $m
Expenses			
Cash costs of production		**381.9**	376.1
Depreciation and amortisation		**191.7**	181.7
Inventory movement		**(14.7)**	(14.0)
Cost of goods sold		**558.9**	543.8
Impairment of US assets	4(a)	**82.0**	-
Idle asset write downs		**-**	40.0
Restructure and idle capacity charges		**40.1**	69.6
Rehabilitation and holding costs for closed sites		**(1.0)**	(2.8)
Government royalties		**10.6**	15.2
Marketing and selling costs		**30.1**	28.2
Resource development		**45.3**	44.9
Corporate and other costs		**48.4**	41.2
Foreign exchange losses		**-**	0.9
		814.4	781.0
Finance costs			
Interest charges		**13.4**	13.4
Bank fees and similar charges		**1.1**	1.5
Amortisation of deferred borrowing costs		**2.2**	1.8
Rehabilitation and mine closure provision discount unwind		**15.8**	16.6
Rehabilitation discount rate changes		**-**	18.0
		32.5	51.3

(a) Impairment of US assets

A pre tax impairment charge of $82.0 million was recognised in relation to the US operations. Iluka's US operations produce chloride ilmenite as well as premium zircon, both sold predominantly into the domestic market. During 2014, these operations contributed a segment loss of $14.4 million, before impairment charges (2013: profit: $16.3 million). A decision has been taken to maximise cash flow from the Virginia ore bodies and minimise commitment of further development capital to this part of the business at this time, which is currently expected to lead to the completion of mining and processing activities in the US at the end of 2015. As a result, the carrying value of property, plant and equipment of the US operations in Virginia has been reduced to $nil.

5 Income tax

(a) Numerical reconciliation of income tax expense to prima facie tax payable

(Loss) profit before income tax expense	**(48.5)**	24.0
Tax at the Australian tax rate of 30% (2013: 30%)	**(14.6)**	7.2
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**(2.5)**	(1.5)
Tax losses not recognised by overseas operations	**19.4**	0.6
Derecognition of deferred tax assets/liabilities in relation to US state taxes	**4.5**	-
Non deductible items	**1.6**	-
Other items	**0.4**	1.1
	8.8	7.4
Difference in overseas tax rates	**4.9**	(0.8)
Under (over) provision in prior years	**0.3**	(1.1)
Income tax expense	**14.0**	5.5

6 Interest-bearing liabilities

	2014 $m	2013 $m
Current		
Trade advance facility	**-**	11.1
Senior Notes 2003 (i)	**24.4**	-
	24.4	11.1
Non-current		
Multi Optional Facility Agreement (ii)	**142.2**	225.4
Senior Notes 2003 (i)	**-**	22.4
Deferred borrowing costs	**(6.3)**	(5.9)
	135.9	241.9

(i) US Private Placement Notes - 2003 Series

Iluka has a US$20 million tranche due for repayment in June 2015.

(ii) Multi Optional Facility Agreement

The Multi Optional Facility Agreement (MOFA) comprises a series of unsecured five year bilateral revolving credit facilities with several domestic and foreign institutions, totalling A$850 million (2013: A$800 million) of which A$175 million expires in April 2017 and A$675 million expires in April 2019. Drawings under the MOFA at 31 December 2014 were A$75.0 million and US$55.0 million (2013: A$130.0 million and US$85.0 million).

7 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	**2014 $m**	2013 $m
Ordinary shares - fully paid	**418,701,360**	418,701,360	**1,120.0**	1,120.0
Treasury shares - net of tax	**(825,110)**	(937,719)	**(5.6)**	(7.9)
	417,876,250	417,763,641	**1,114.4**	1,112.1

(b) Movements in ordinary share capital

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

(c) Treasury shares

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

	Number of shares	**$m**
Opening balance at 1 January 2013	1,630,066	15.2
Acquisition of shares, net of tax	217,819	1.5
Employee share scheme issue	(910,166)	(8.8)
Balance at 31 December 2013	**937,719**	**7.9**
Acquisition of shares, net of tax	490,382	3.3
Employee share scheme issue	(602,991)	(5.6)
Balance at 31 December 2014	**825,110**	**5.6**

8 Dividends

	2014 $m	2013 $m
Final dividend		
for 2013 of 4 cents per share, fully franked	**16.7**	-
for 2012 of 10 cents per share, fully franked	**-**	41.9
	16.7	41.9
Interim dividend		
for 2014 of 6 cents per share, fully franked	**25.1**	-
for 2013 of 5 cents per share, fully franked	**-**	21.0
	25.1	21.0
	41.8	62.9

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 13 cents per share, fully franked (2013: 4 cents, fully franked). The dividend is payable on 31 March 2015 for shareholders on the register as at 10 March 2015. The aggregate amount of the proposed dividend is $54.4 million.

9 Reconciliation of (loss) profit after income tax to net cash inflow from operating activities

	2014 $m	2013 $m
(Loss) profit for the year	**(62.5)**	18.5
Depreciation and amortisation	**191.7**	181.7
Exploration capitalised	**(4.3)**	(2.9)
Net loss (gain) on disposal of property, plant and equipment	**0.1**	(0.6)
Exchange translation differences on USD denominated debt	**4.3**	13.6
Rehabilitation and mine closure provision discount unwind	**15.8**	16.6
Rehabilitation discount rate change	**-**	18.0
Non-cash share-based payments expense	**7.0**	5.5
Amortisation of deferred borrowing costs	**2.2**	1.8
Idle asset write downs	**-**	40.0
Impairment of US assets	**82.0**	-
Non-cash rehabilitation expense for closed sites	**(5.2)**	(5.0)
Change in operating assets and liabilities		
Decrease (increase) in receivables	**90.0**	(47.2)
Increase in inventories	**(13.1)**	(13.7)
Increase in net current tax asset	**(3.3)**	(126.5)
Decrease (increase) in net deferred tax	**(10.4)**	1.4
Decrease in payables	**(10.1)**	(65.4)
Decrease in provisions	**(16.6)**	(6.0)
Net cash inflow from operating activities	**267.6**	29.8

10 Contingent liabilities

(a) 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 2014, the total value of performance commitments and guarantees was $121.2 million (2013: $135.6 million).

(b) 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.

(c) Sri Lanka exploration deposits

During the prior year the group acquired all of the share capital in PKD Resources (Pvt) Ltd, a Sri Lankan domiciled company which owns an exploration tenement located near the city of Puttalam in the North Western Province of Sri Lanka. The consideration for the acquisition which remains contingent on future events comprises:

- payment of US$2.0 million on the grant of a mining license over EL 170;
- payment of US$8.0 million on the Iluka Board approving a development on EL 170; and
- the payment of an annual trailing payment calculated at one per cent of the gross sale proceeds received from the annual sale of all mineral products and sand clay produced from the tenement, less the US$2.0 million paid on the grant of the mining license over EL 170, which is being treated as an advance on the trailing payment.

(d) 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.

11 Summary of significant accounting policies

(a) Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new or revised accounting standards which became effective for the annual reporting period commencing 1 January 2014, the impact of which on the current year was not material and there was no impact on comparative figures.

(b) Critical accounting estimates and judgements

The group makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of assets

The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value-in-use and fair value less costs to sell estimated on the basis of discounted present value of the future cash flows.

The estimates of future discounted cash flows for each CGU are based on significant assumptions including:

- estimates of the quantities of mineral reserves and ore resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and ore resources;
- future production levels and the ability to sell that production;
- future product prices based on the group's assessment of short and long term prices for each of the key products;
- future exchange rates for the Australian dollar compared to the US dollar using external forecasts by recognised economic forecasters;
- successful development and operation of new mines in Australia and the US, consistent with latest forecasts;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure; and
- the asset specific discount rate applicable to the CGU (which for the impaired US CGU was 9% (2013: 9%)).

Given the nature of the group's mining activities, future changes in assumptions upon which these estimates are based may give rise to material adjustments to the current or prior years. This could lead to a reversal of part, or all, of impairment charges recorded in the current or prior years, or the recognition of new impairment charges in the future such as the impairment of $82.0 million made in the year (2013: asset write downs of $40.0 million).

Specifically, the current year impairment charge in relation to the US operations is sensitive to improvements in forecast commodity prices and changes to the commitment of development capital to new projects. As the carrying value of the US Virginia operations has been reduced to nil, there is no downside sensitivity.

(ii) Rehabilitation and mine closure provisions

These provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of the cash flows and the discount rate. Changes to one or more of these assumptions is likely to result in a change to the carrying value of the provision and the related asset or a change to the profit or loss account in accordance with the group's accounting policy. In 2013 changes to the discount rates in Australia and the US resulted in increases to the rehabilitation provisions of $38.4 million, of which $18.0 million was charged to the profit and loss account in respect of closed sites.

The total rehabilitation and mine closure provision of $457.0 million (31 December 2013: $465.9 million) includes $274.0 million (31 December 2013: $302.0 million) for assets no longer in use or for obligations arising from production process outputs. Changes to the provisions for assets or operations no longer in use are charged to profit or loss and are reported within rehabilitation and holding costs for closed sites in note 4. The changes to the provisions for closed sites, excluding the aforementioned impact of the change in discount rates in the prior year, was a reduction of $5.2 million (2013: reduction of $5.0 million).

(iii) Net realisable value and classification of inventory

The group's assessment of the net realisable value and classification of its inventory holdings requires the use of estimates, including the estimation of the relevant future product price and the likely timing of the sale of the inventory.

Total inventory at 31 December 2014 was $810.2 million (2013: $795.1 million). During the year, an inventory write down of $12.0 million (2013: $10.2 million) was expensed. If finished goods prices were five per cent lower than expected, an additional inventory write down of $0.5 million would be required at 31 December 2014.

Inventory of $353.7 million (2013: $271.0 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date.