Iluka Resources Limited ABN 34 008 675 018
ASX Half-year information - 30 June 2012

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
31 December 2011 Annual report

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

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

Revenue from ordinary activities	Up 15.4% to $711.0m
Profit from ordinary activities after tax attributable to members	Up 88.1% to $274.4m
Net profit for the period attributable to members	Up 88.1% to $274.4m

Dividends
2012: Interim dividend of 25 cents per ordinary share (100% franked)
2011: Final dividend of 55 cents per ordinary share (100% franked), paid in April 2012

Key ratios	**1st Half 2012**	**1st Half 2011**
Basic earnings per share (cents)	66.1	35.0
Diluted earnings per share (cents)	65.8	35.0
Free cash flow per share[1](cents)	(10.7)	40.0
Return on Equity[2](% annualised)	36.9	25.3
Net tangible assets per share ($)	3.76	2.91

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

OVERVIEW OF FIRST HALF RESULTS

Iluka recorded a profit after tax for the half year ended 30 June 2012 of $274.4 million, compared with $145.9 million for the previous corresponding period.

Mineral sands EBITDA for the first half of 2012 was $480.2 million, a 67.5 per cent increase compared with the previous corresponding period. Mineral sands EBIT increased to $375.2 million (2011: $192.1 million).

Mining Area C iron ore royalty earnings (MAC) reduced by 6.1 per cent to $41.6 million, including capacity payments of $3.0 million (2011: $1.0 million).

Group EBIT was $400.0 million, compared to $224.6 million in the previous corresponding period.

Profit before tax was $388.6 million (2011: $206.3 million). A net tax expense of $114.2 million was recognised in respect of the profit for the period, at an effective tax rate of 29.4 per cent.

Basic earnings per share for the period were 66.1 cents compared to 35.0 cents in the previous corresponding period. The number of shares on issue at 30 June 2012 of 418.7 million was unchanged during the period.

Free cash outflow of $44.7 million compared to an inflow of $167.7 million in the previous corresponding period reflects a combination of $73.8 million higher capital expenditure due mainly to the transition of Murray Basin mining to the Woornack, Rownack, Pirro (WRP) deposits and higher tax payments of $151.1 million due to payment of tax in Australia after utilisation of tax losses. Operating cash flows were comparable with the previous corresponding period at $207.2 million (2011: $212.6 million).

Net debt at 30 June 2012 was $117.2 million, compared to net cash of $156.7 million at 31 December 2011, with a corresponding gearing ratio (net debt/net debt + equity) of 6.9 per cent. Undrawn facilities at 30 June 2012 were $720.0 million and cash at bank was $31.1 million. Net cash at 31 July 2012 was $2.7 million.

DIVIDEND

Directors have determined a fully franked interim dividend of 25 cents per share, payable on 6 October 2012 with a record date of 10 September 2012.

INCOME STATEMENT ANALYSIS

$ million	1st Half 2012	1st Half 2011	% change
Mineral sands revenue	**662.8**	**570.2**	**16.2**
Cash costs of production	(314.7)	(311.8)	(0.9)
Inventory movement	181.1	65.6	176.1
Rehabilitation and idle capacity costs	(9.9)	(1.3)	(661.5)
Government royalties	(12.0)	(7.9)	(51.9)
Marketing and selling costs	(11.1)	(15.0)	26.0
Asset sales and other income	3.2	1.7	88.2
Product, technical development and major projects	(6.0)	(6.2)	3.2
Exploration expenditure	(13.2)	(8.6)	(53.5)
Mineral sands EBITDA	**480.2**	**286.7**	**67.5**
Depreciation and amortisation	(105.0)	(94.6)	(11.0)
Mineral sands EBIT	**375.2**	**192.1**	**95.3**
Mining Area C	41.6	44.3	(6.1)
Corporate, foreign exchange and other costs	(16.8)	(11.8)	(42.4)
Group EBIT	**400.0**	**224.6**	**78.1**
Net interest and bank charges	2.0	(7.5)	126.7
Rehabilitation unwind and other finance costs	(13.4)	(10.8)	(24.1)
Profit before tax	**388.6**	**206.3**	**88.4**
Tax expense	(114.2)	(60.4)	(89.1)
Profit for the period (NPAT)	**274.4**	**145.9**	**88.1**
Average AUD/USD (cents)	**103.3**	**103.3**	**-**

Mineral sands operational results

	Revenue		EBITDA		EBIT	
$ million	1st Half 2012	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012	1st Half 2011
Australia	615.9	512.6	469.9	270.5	369.9	182.7
United States	46.9	57.6	30.4	34.2	26.8	29.0
Exploration and other	-	-	(20.1)	(18.0)	(21.5)	(19.6)
Total	**662.8**	**570.2**	**480.2**	**286.7**	**375.2**	**192.1**

Mineral sands production and sales volumes

	1st Half 2012	1st Half 2011	% change
Sales (kt)			
Zircon	87.4	252.5	(65.4)
Rutile	85.4	107.8	(20.8)
Synthetic rutile	101.1	138.3	(26.9)
Total Z/R/SR sales	**273.9**	**498.6**	**(45.1)**
Ilmenite - saleable	218.9	261.1	(16.2)
Total sales volumes	**492.8**	**759.7**	**(35.1)**
Z/R/SR revenue ($m)	618.0	538.1	14.8
Ilmenite revenue ($m)	34.0	29.2	16.4
Total mineral sands revenue[1]($m)	662.8	570.2	16.2
Revenue per tonne of Z/R/SR sold[2]($/t)	2,255	1,087	107.5
Production (kt)			
Zircon	209.0	285.7	(26.8)
Rutile	103.6	136.8	(24.3)
Synthetic rutile	131.2	153.0	(14.2)
Total Z/R/SR production	**443.8**	**575.5**	**(22.9)**
Ilmenite - saleable	214.7	228.9	(6.2)
Total saleable production volume	**658.5**	**804.4**	**(18.1)**
Ilmenite - upgraded to synthetic rutile	148.2	87.9	68.6
HMC produced	710.7	1,024.3	(30.6)
HMC processed	789.2	951.7	(17.1)
Cash costs of production ($m)	314.7	311.8	(0.9)
Unit cash cost per tonne of Z/R/SR produced ($/t)	709	542	(30.8)

[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

Zircon sales volumes for the half year were 87.4 thousand tonnes (2011: 252.5 thousand tonnes). The reduction in sales volumes reflects lower global demand and its impact on Iluka's product suite.

Sales of high grade titanium dioxide products of 186.5 thousand tonnes were 59.6 thousand tonnes lower than the previous corresponding period. Rutile sales for the half year were 85.4 thousand tonnes (2011: 107.8 thousand tonnes); and synthetic rutile sales for the half year were 101.1 thousand tonnes (2011: 138.3 thousand tonnes). During the second quarter of 2012, softer demand for pigment and pigment inventory build began to be reported, reflecting lower European demand and weaker global export flows of pigment. Demand in the smaller niche markets (titanium sponge and welding electrodes) remained relatively stable.

Mineral sands revenue

Mineral sands sales revenue for the half year was $662.8 million representing an increase of 16.2 per cent compared with previous corresponding period (2011: $570.2 million), despite a 35.1 per cent decrease in sales volumes. Revenue per tonne sold of the high value products of Z/R/SR increased from $1,087 per tonne in the first half of 2011 to $2,255 per tonne in 2012.

Mineral sands production

Zircon production for the half year was 209.0 thousand tonnes (2011: 285.7 thousand tonnes). The lower production reflects Iluka's initial actions to reduce production in the context of lower global demand.

Rutile production for the half year was 103.6 thousand tonnes (2011: 136.8 thousand tonnes). Lower production compared with the previous corresponding period reflects the impact on mining and processing activities in the Murray Basin of the mine move from the Kulwin deposit to the WRP group of deposits.

Synthetic rutile production for the half year was 131.2 thousand tonnes (2011: 153.0 thousand tonnes). Production was drawn mainly from Iluka's largest synthetic rutile kiln (SR2), located in the South West of Western Australia, which returned from a scheduled major maintenance outage in March.

Cash costs of production

Cash costs of production of $314.7 million were comparable with the previous corresponding period (2011: $311.8 million). As a result of lower Z/R/SR production, however, unit cash costs of production for the first half of 2012 were $709 per tonne of Z/R/SR, compared with $542 per tonne of Z/R/SR in the first half of 2011.

Inventory movement

Inventory of finished product has increased by $188.4 million to $349.3 million due to lower sales volumes, especially zircon. This is partially offset by reduced concentrate stockpiles associated with the planned drawdown of material that was built to maintain output at the Murray Basin operations during the transition to the WRP deposits in the first half of 2012.

Rehabilitation and idle capacity costs

The increase reflects 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.

Government royalties and marketing costs

Government royalties increased with higher sales revenue. Lower marketing and selling costs (which include freight) reflect lower sales volumes.

Product, technical development and exploration

The increased costs reflect an increase in exploration activity in Australia and overseas together with the ongoing commitment to new product development, including research and development activity in respect of new synthetic rutile products and feedstocks.

Depreciation and amortisation

The increase of $10.4 million reflects a full period charge for the Tutunup South operation that was commissioned at the end of the previous corresponding period.

Mining Area C

Iron ore sales volumes increased 8.3 per cent to 23.6 million dry metric tonnes. The average AUD realised price upon which the royalty is payable decreased by 21.3 per cent from the previous corresponding period. The EBIT contribution of $41.6 million includes $3.0 million of annual capacity payments for production increases in the year to 30 June (2011: $1.0 million).

Corporate, foreign exchange and other

Corporate costs were $4.6 million higher than the previous corresponding period, due mainly to increases in remuneration incentive costs reflecting improved business performance and increased investment in human resources and sustainability (environment, health and safety).

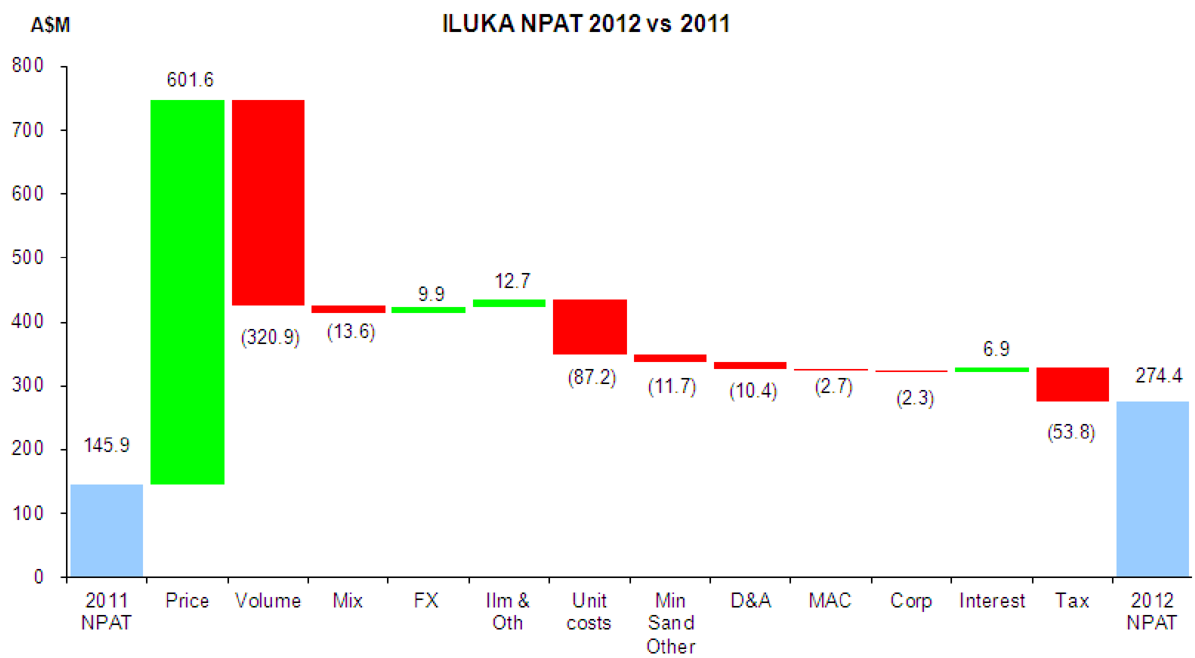
Interest and rehabilitation unwind

The decrease in net interest costs reflects a significant increase in cash held on deposit during the period. Higher rehabilitation unwind costs reflect changes in the timing of rehabilitation expenditure in future years and amounts related to new mines.

Tax expense

The income tax expense of $114.2 million is at an effective tax rate of 29.4 per cent compared to 29.3 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 $601.6 million)

Significantly higher average prices than the previous corresponding period for all products.

Z/R/SR sales volumes (-ve $320.9 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 $13.6 million)

Z/R/SR sales volumes for the period include a higher proportion of high grade titanium dioxide products and lower proportion of zircon than in the previous corresponding period. Following the significant increase in rutile and synthetic rutile prices in the second half of 2011, the price range between zircon and high grade titanium products has narrowed resulting in minimal sales mix variances.

Z/R/SR foreign exchange (+ve $9.9 million)

The impact of 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 $12.7 million)

Increased volume of other product sales including iron concentrate and higher prices achieved on ilmenite sales.

Z/R/SR unit cost of sales (-ve $87.2 million)

Higher unit cash costs of sales for Z/R/SR sold during the period reflects the increased unit cash cost of production.

Mineral sands other costs (-ve $11.7 million)

The higher costs are due mainly to an increase in exploration expenditure combined with higher rehabilitation and idle capacity costs associated with the scheduled major maintenance outage at the SR2 kiln and the transition of operations to the WRP deposit in Murray Basin.

Depreciation and amortisation (-ve $10.4 million)

The increased charges compared to the previous corresponding period are due mainly to a full period charge for the Tutunup South mine that was commissioned at the end of the previous corresponding period.

MAC (-ve $2.7 million)

Iron ore royalties decreased due to a 21.3 per cent decrease in realised AUD iron ore prices, partially offset by an 8.3 per cent increase in sales volumes to 23.6 million DMT. MAC capacity payments, before tax, of $3.0 million were $2.0 million higher than in the previous corresponding period.

Corporate and foreign exchange (-ve $2.3 million)

The higher costs are due mainly to higher remuneration incentive costs reflecting improved business performance and increased investment in human resources and sustainability.

Interest (+ve $6.9 million)

Net interest income increased due to higher average net cash levels than in the previous corresponding period, offset partially by higher rehabilitation unwind costs.

Tax (-ve $53.8 million)

The variance reflects the increased tax expense as a result of the improved earnings compared to the previous corresponding period.

BALANCE SHEET, CASH FLOW AND NET DEBT

Balance sheet by operation - $ million

30 June 2012	AUS	US	MAC	Corp	Group	31 Dec 2011
Receivables	267.7	13.1	23.8	4.0	308.6	256.1
Inventories	566.8	29.7	-	-	596.5	426.1
Payables and accruals	(89.8)	(7.9)	-	(6.6)	(104.3)	(126.4)
Employee and other provisions	(17.1)	(8.4)	-	(10.9)	(36.4)	(43.1)
Rehabilitation provisions	(374.1)	(49.7)	-	-	(423.8)	(426.9)
Property, plant & equipment	1,400.2	42.3	-	14.7	1,457.2	1,430.4
Intangibles	-	-	6.5	-	6.5	6.7
Capital employed	**1,753.7**	**19.1**	**30.3**	**1.2**	**1,804.3**	**1,522.9**
Net tax liability (asset)					104.3	144.9
Net debt (cash)					117.2	(156.7)
Total equity					1,582.8	1,534.7
Net funding					**1,804.3**	**1,522.9**

Key points:

- Higher receivables are associated mainly with the change in sales profile from 2011.
- Higher inventories reflect mainly an increase in finished product stocks (up $188.4 million to $349.3 million), partially offset by a reduction in concentrate stocks (down $9 million to $213.2 million)associated with the planned drawdown of material that was built to maintain output at the Murray Basin operations during the transition to the WRP deposits in the first half of 2012. Stores inventory, including supplies of ilmenite from external sources, has also reduced since 31 December 2011.
- Higher finished product stocks include the impact of lower sales volumes, especially zircon, reflecting softer demand.
- Higher property, plant and equipment values reflect the completion of construction and successful commissioning of operations at WRP as well as the scheduled major maintenance outage that was completed on Iluka's largest kiln, SR2, in the South-West of Western Australia.
- The net tax liability represents mainly tax payable in Australia.

Movement in net cash (debt)

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

Operating cash flow

Operating payments in the period of $403.0 million are comparable with those for the second half of 2011, however, due to the reduction in sales volumes and an increase in receivables of $52.5 million, operating cash flow is approximately 60 per cent lower than the second half of 2011.

MAC royalty

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

Tax

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

Capital expenditure

Capital expenditure of $122.5 million in the six months 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.

Share purchases

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

Dividends

A 2011 final dividend of 55 cents per share was paid in April 2012. The prior period included the 2011 interim dividend of 20 cents per share and the previous corresponding period included the 2010 final dividend of 8 cents per share.

AUSTRALIAN OPERATIONS

The mineral sands operations in Australia have become increasingly integrated over the past two years and are now managed as a single operation, as depicted in the table below.

		1st Half 2012	1st Half 2011	% change
Production volumes				
Zircon	kt	181.4	258.3	(29.8)
Rutile	kt	103.6	136.8	(24.3)
Synthetic rutile	kt	131.2	153.0	(14.2)
Ilmenite - saleable	kt	119.6	82.5	45.0
Total saleable production volume	**kt**	**535.8**	**630.6**	**(15.0)**
Ilmenite - upgradeable to synthetic rutile	kt	136.0	87.9	54.7
HMC produced	kt	554.6	770.8	(28.0)
Unit cash cost of production - zircon/rutile/SR	$/t	693	520	(33.3)
Mineral sands revenue	**$m**	**615.9**	**512.6**	**20.2**
Cash cost of production	$m	(288.4)	(285.2)	(1.1)
Inventory movements	$m	168.8	62.2	171.4
Rehabilitation and idle capacity costs	$m	(7.4)	(1.3)	(469.2)
Government royalties	$m	(12.0)	(7.9)	(51.9)
Marketing and technical costs	$m	(8.1)	(11.6)	30.2
Asset sales and other income	$m	1.1	1.7	(35.3)
EBITDA	**$m**	**469.9**	**270.5**	**73.7**
Depreciation & amortisation	$m	(100.0)	(87.8)	(13.9)
EBIT	**$m**	**369.9**	**182.7**	**102.5**

- Total saleable production decreased from the previous corresponding period reflecting a number of factors including initial production responses to softer demand in the zircon market, 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 are comparable with the previous corresponding period although the composition of the cost base has changed. Mining and concentrating costs in Eucla/Perth Basin have increased as a result of the commencement of operations at both Tutunup South and Eneabba that had not been commissioned in the first half of 2011. This has been offset by a reduction in Murray Basin's mining and concentrating costs, reflecting the mine move from the Kulwin and Douglas deposit to WRP as well as a reduction in production in the context of lower global demand.
- Higher unit cash costs of production reflect lower Z/R/SR production.
- 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.
- Higher government royalties reflect increased revenues driven by higher sales prices across the product range.
- Lower marketing and technical costs reflect lower sales volumes.
- Higher depreciation and amortisation charges represent a full period of depreciation and amortisation for the Tutunup South operation and the accelerated depreciation on the Capel dry mill separation plant.
- The inventory movement reflects the increased finished goods stocks reflecting the impacts of a softening in demand.

UNITED STATES OPERATIONS

		1st Half 2012	1st Half 2011	% change
Production volumes				
Zircon	kt	27.6	27.4	0.7
Ilmenite - saleable	kt	95.1	146.4	(35.0)
Total saleable production volume	**kt**	**122.7**	**173.8**	**(29.4)**
Ilmenite - upgradeable to synthetic rutile	kt	12.2	-	N/A
HMC produced	kt	156.1	253.5	(38.4)
Unit cash cost of production - saleable product	$/t	214	153	(39.9)
Mineral sands revenue	**$m**	**46.9**	**57.6**	**(18.6)**
Cash cost of production	$m	(26.3)	(26.6)	1.1
Inventory movements	$m	12.3	3.4	261.8
Rehabilitation and idle capacity costs	$m	(2.5)	-	N/A
Marketing and technical costs	$m	-	(0.2)	100.0
EBITDA	**$m**	**30.4**	**34.2**	**(11.1)**
Depreciation & amortisation	$m	(3.6)	(5.2)	30.8
EBIT	**$m**	**26.8**	**29.0**	**(7.6)**

- Zircon production is comparable with the previous corresponding period. Lower saleable ilmenite 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.
- Lower sales revenue is due to lower sales volumes, partially offset by higher zircon prices. The inventory increase reflects lower zircon sales.
- Costs for rehabilitation and idle capacity are mainly associated with costs for the former Florida operation.
- 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.

Directors' report

The Directors present their report on the consolidated entity consisting of Iluka Resources Limited and the entities it controlled at the end of, or during, the half-year 30 June 2012.

Directors

The following individuals were Directors of Iluka Resources Limited during the whole of the half-year and up to the date of this report:

G J Pizzey
G J Rezos
J A Seabrook
S J Turner
W G Osborn
D Robb

Review of operations

Revenue for the half-year ended 30 June 2012 from operations was $711.0 million (2011: $615.9 million).

Profit before income tax expense for the half-year ended 30 June 2012 from operations was $388.6 million (2011: $206.3 million).

Profit for the half-year ended 30 June 2012 was $274.4 million (2011: $145.9 million).

Dividends

Directors have determined a fully franked interim dividend of 25 cents per share, payable on 6 October 2012 with a record date of 10 September 2012.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.

G J Pizzey
Chairman

D A Robb
Director

Perth
23 August 2012

Auditor's Independence Declaration

As lead auditor for the review of Iluka Resources Limited for the half-year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Iluka Resources Limited and the entities it controlled during the period.

NHenry

Nick Henry
PricewaterhouseCoopers

Perth
23 August 2012

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Iluka Resources Limited ABN 34 008 675 018
Interim report - 30 June 2012

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	Notes	**Half-year 2012 $m**	Half-year 2011 $m
Revenue	3	**711.0**	615.9
Other income	4	**7.6**	7.9
Expenses	5	**(312.2)**	(398.0)
Interest and finance charges paid/payable		**(5.8)**	(9.2)
Rehabilitation and restoration unwind		**(12.0)**	(10.3)
Total finance costs	5	**(17.8)**	(19.5)
Profit before income tax		**388.6**	206.3
Income tax expense	6	**(114.2)**	(60.4)
Profit for the half-year attributable to owners		**274.4**	145.9
		Cents	Cents
Earnings per share attributable to ordinary equity holders			
Basic earnings per share		**66.1**	35.0
Diluted earnings per share		**65.8**	35.0

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

	Half-year 2012 $m	Half-year 2011 $m
Profit for the half-year	**274.4**	145.9
Other comprehensive income		
Currency translation of US operation	**0.6**	(1.9)
Hedge of net investment in US operation, net of tax	**(1.0)**	1.9
Actuarial losses on defined benefit plans, net of tax	**-**	(1.1)
	(0.4)	(1.1)
Total comprehensive income for the half-year attributable to owners	**274.0**	144.8

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

Iluka Resources Limited
Consolidated balance sheet
As at 30 June 2012

	Notes	**30 June 2012 $m**	31 December 2011 $m
ASSETS			
Current assets			
Cash and cash equivalents		**31.1**	320.7
Receivables		**308.6**	256.1
Inventories		**546.6**	376.2
Current tax receivable		**2.6**	0.5
Total current assets		**888.9**	953.5
Non-current assets			
Inventories		**49.9**	49.9
Property, plant and equipment		**1,457.2**	1,430.4
Intangible assets		**6.5**	6.7
Deferred tax assets		**11.7**	13.3
Total non-current assets		**1,525.3**	1,500.3
Total assets		**2,414.2**	2,453.8
LIABILITIES			
Current liabilities			
Payables		**115.9**	136.7
Interest-bearing liabilities	7	**56.9**	-
Provisions		**83.1**	82.0
Current tax liabilities		**110.3**	145.7
Total current liabilities		**366.2**	364.4
Non-current liabilities			
Interest-bearing liabilities	7	**91.4**	164.0
Provisions		**365.5**	377.7
Deferred tax liabilities		**8.3**	13.0
Total non-current liabilities		**465.2**	554.7
Total liabilities		**831.4**	919.1
Net assets		**1,582.8**	1,534.7
EQUITY			
Contributed equity		**1,105.6**	1,102.0
Reserves		**15.8**	16.4
Retained profits		**461.4**	416.3
Total equity		**1,582.8**	1,534.7

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

	Notes	Attributable to owners of Iluka Resources Limited			
		Contributed equity $m	**Other reserves $m**	**Retained profits (losses) $m**	**Total equity $m**
Balance at 1 January 2011		1,108.3	20.4	(4.1)	1,124.6
Profit for the half-year		-	-	145.9	145.9
Currency translation of US operation		-	(1.9)	-	(1.9)
Hedge of net investment in US operation, net of tax		-	1.9	-	1.9
Actuarial losses on retirement benefit obligations, net of tax		-	-	(1.1)	(1.1)
Total comprehensive income for the half-year		**-**	**-**	**144.8**	**144.8**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax		8.3	(8.3)	-	-
Purchase of treasury shares, net of tax		(11.4)	-	-	(11.4)
Share-based payments, net of tax		-	2.6	-	2.6
Dividends paid	9	-	-	(33.4)	(33.4)
		(3.1)	(5.7)	(33.4)	(42.2)
Balance at 30 June 2011		**1,105.2**	**14.7**	**107.3**	**1,227.2**
Balance at 1 January 2012		1,102.0	16.4	416.3	1,534.7
Profit for the half-year		-	-	274.4	274.4
Currency translation of US operation		-	0.6	-	0.6
Hedge of net investment in US operation, net of tax		-	(1.0)	-	(1.0)
Total comprehensive income for the half-year		**-**	**(0.4)**	**274.4**	**274.0**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax		4.2	(4.2)	-	-
Purchase of treasury shares, net of tax		(0.6)	-	-	(0.6)
Share-based payments, net of tax		-	4.0	-	4.0
Dividends paid	9	-	-	(229.3)	(229.3)
		3.6	(0.2)	(229.3)	(225.9)
Balance at 30 June 2012		**1,105.6**	**15.8**	**461.4**	**1,582.8**

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

	Notes	**Half-year 2012 $m**	Half-year 2011 $m
Cash flows from operating activities			
Receipts from customers		**610.2**	572.3
Payments to suppliers and employees		**(403.0)**	(359.7)
		207.2	212.6
Interest received		**7.6**	1.2
Interest paid		**(3.4)**	(11.6)
Income taxes paid		**(156.1)**	(5.0)
Exploration expenditure		**(14.9)**	(8.9)
Mining Area C royalty receipts		**36.8**	42.8
Net cash inflow from operating activities	10	**77.2**	231.1
Cash flows from investing activities			
Payments for property, plant and equipment		**(122.5)**	(48.7)
Sale of property, plant and equipment		**1.2**	1.5
Net cash outflow from investing activities		**(121.3)**	(47.2)
Cash flows from financing activities			
Repayment of borrowings		**(86.7)**	(175.0)
Proceeds from borrowings		**80.0**	40.3
Purchase of treasury shares		**(0.6)**	(16.4)
Dividends paid		**(229.3)**	(33.4)
Debt refinance costs		**(8.8)**	-
Net cash outflow from financing activities		**(245.4)**	(184.5)
Net decrease in cash and cash equivalents		**(289.5)**	(0.6)
Cash and cash equivalents at 1 January		**320.7**	30.1
Effects of exchange rate changes on cash and cash equivalents		**(0.1)**	(0.5)
Cash and cash equivalents at 30 June		**31.1**	29.0

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

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by Iluka Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in the most recent annual financial report.

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.

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.

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

(b) Segment information

Half-year 2012	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	615.9	46.9	-	662.8
Total segment result	359.0	25.5	41.6	426.1
Segment assets	2,236.0	85.0	30.3	2,351.3

2 Segment information (continued)

(b) Segment information (continued)

Half-year 2011	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	512.6	57.6	-	570.2
Total segment result	173.4	28.1	44.3	245.8
Segment assets at 31 December 2011	2,015.6	64.9	25.6	2,106.1

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

	Half-year 2012 $m	Half-year 2011 $m
Segment result	**426.1**	245.8
Interest income	**6.4**	1.2
Other income	**2.0**	2.5
Marketing and selling	**(3.0)**	(3.3)
Corporate and other costs	**(20.8)**	(18.0)
Depreciation	**(1.5)**	(1.1)
Product and technical development	**(6.0)**	(6.2)
Exploration and evaluation	**(13.2)**	(8.6)
Interest and finance charges	**(5.8)**	(9.2)
Net foreign exchange gains	**4.4**	3.2
Profit before income tax	**388.6**	206.3

3 Revenue

	Half-year 2012 $m	Half-year 2011 $m
Sales revenue		
Sale of goods	**662.8**	570.2
Other revenue		
Mining Area C royalty income	**41.8**	44.5
Interest	**6.4**	1.2
	48.2	45.7
	711.0	615.9

4 Other income

	Half-year 2012 $m	Half-year 2011 $m
Net gain on disposal of property, plant and equipment	**0.8**	1.1
Sundry income	**2.4**	3.7
Foreign exchange gains	**4.4**	3.2
	7.6	7.9

5 Expenses

	Half-year 2012 $m	Half-year 2011 $m
Expenses		
Cash costs of production	**314.7**	311.8
Depreciation/amortisation	**105.2**	94.8
Inventory movement	**(181.1)**	(65.6)
Cost of sales of goods	**238.8**	341.0
Rehabilitation and idle capacity costs	**9.9**	1.3
Government royalties	**12.0**	7.9
Marketing and selling costs	**11.1**	15.0
Technical support, product development and major projects	**6.0**	6.2
Exploration expenditure	**13.2**	8.6
Corporate and other costs	**21.2**	18.0
	312.2	398.0
Finance Costs		
Interest charges	**3.3**	7.7
Bank fees and similar charges	**1.1**	1.0
Amortisation of deferred borrowing costs	**1.4**	0.5
Rehabilitation and restoration unwind	**12.0**	10.3
	17.8	19.5

6 Income tax

(a) Income tax expense

	Half-year 2012 $m	Half-year 2011 $m
Current tax	**118.6**	4.7
Deferred tax	**(4.4)**	55.7
	114.2	60.4

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

	Half-year 2012 $m	Half-year 2011 $m
Profit before income tax expense	**388.6**	206.3
Tax at the Australian tax rate of 30% (2011: 30%)	**116.6**	61.9
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**(0.5)**	(0.3)
Other items	**0.7**	0.3
	116.8	61.9
Difference in overseas tax rates	**(2.6)**	(1.5)
Income tax expense	**114.2**	60.4

(c) Tax expense relating to items of other comprehensive income

	Half-year 2012 $m	Half-year 2011 $m
Actuarial gains/(losses) on retirement benefit obligation	**-**	(1.2)

7 Interest-bearing liabilities

	30 June 2012 $m	31 December 2011 $m
Current		
Senior Notes 2003 (i)	**56.9**	-
Non-current		
Senior Notes 2003 (i)	**20.0**	76.6
Multi Optional Facility Agreement (ii)	**80.0**	-
Syndicated Term Loan Facility	**-**	88.7
Deferred borrowing costs	**(8.6)**	(1.3)
	91.4	164.0

(i) 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 has been eliminated through a cross currency swap at AUD/USD 0.7025.

(ii) 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 $455 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.

8 Contributed equity

(a) Movements in ordinary share capital

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

(b) Movements in treasury shares

During the period 857,073 treasury shares were transferred to employees and 46,500 shares were purchased. Following the transfer and purchase the total number of treasury shares on hand at 30 June 2012 is 1,459,017.

9 Dividends

(a) Ordinary shares

	Half-year 2012 $m	Half-year 2011 $m
Final dividend		
for 2011 of 55 cents per share, franked	**229.3**	-
for 2010 of 8 cents per share, unfranked	**-**	33.5

(b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since half-year end the Directors have determined an interim dividend of 25 cents per share, fully franked (2011: 20 cents per share, unfranked). The dividend is payable on 6 October 2012 for shareholders on the register as at 10 September 2012. The aggregate amount of the proposed dividend is $104.7 million.

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

	Half-year 2012 $m	Half-year 2011 $m
Profit for the half-year	**274.4**	145.9
Depreciation and amortisation	**105.2**	94.8
Exploration capitalised	**(1.6)**	(1.5)
Net gain on disposal of property, plant and equipment	**(0.8)**	(1.0)
Net exchange differences and other	**(1.1)**	(7.8)
Rehabilitation and restoration unwind	**12.0**	10.3
Non-cash share-based payments expense	**4.5**	2.5
Amortisation of deferred borrowing costs	**1.4**	0.5
Change in operating assets and liabilities		
Increase in receivables	**(54.8)**	(7.6)
Increase in inventories	**(170.2)**	(65.5)
(Increase) decrease in net deferred tax	**(4.8)**	53.9
(Decrease) increase in payables	**(41.2)**	15.6
(Decrease) increase in provisions	**(8.3)**	(9.6)
(Decrease) increase in net current tax liability	**(37.5)**	-
Decrease in other assets	**-**	0.6
Net cash inflow from operating activities	**77.2**	231.1

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 13 to 24 are in accordance with the *Corporations Act 2001*, including:
    (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
    (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This report is made in accordance with a resolution of Directors.

G J Pizzey
Director

D A Robb
Director

Perth
23 August 2012

Independent auditor's review report to the members of Iluka Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Iluka Resources Limited, which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Iluka Resources Limited Group (the consolidated entity). The consolidated entity comprises both Iluka Resources Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Iluka Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Iluka Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
23 August 2012