Iluka Resources Limited ABN 34 008 675 018
ASX Preliminary final report - 31 December 2011

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	Up 69.2% to $1,631.4m
Profit from ordinary activities after tax attributable to members	Up 1,400.8% to $541.8m
Net profit for the period attributable to members	Up 1,400.8% to $541.8m

Dividends
2011: Final dividend of 55 cents per ordinary share (100% franked). Interim dividend of 20 cents per ordinary share (unfranked).
2010: Final dividend of 8 cents per ordinary share (unfranked).

Key ratios	**2011**	**2010**
Basic earnings per share (cents)	130.1	8.6
Free cash flow per share[1] (cents)	140.6	14.5
Return on Equity[2] (%)	42.5	3.2
Net tangible assets per share ($)	3.65	2.54

Overview of results

Iluka recorded a profit after tax for the year ended 31 December 2011 of $541.8 million, compared with $36.1 million for the previous corresponding period.

Mineral sands EBITDA was $925.9 million, a 270.1 per cent increase compared with the previous corresponding period. Mineral sands EBIT increased to $737.3 million (2010: $31.6 million).

Mining Area C iron ore royalty earnings ("MAC") increased by 16.1 per cent to $88.1 million as a result of a 3.2 per cent increase in sales volumes and an 18.9 per cent increase in the average realised AUD iron ore price, offset partially by capacity payments being $4.0 million lower than in the previous corresponding period.

Group EBIT was $790.3 million, compared to $86.1 million in the previous corresponding period.

Profit before tax was $760.7 million (2010: $39.9 million). A net tax expense of $218.9 million was recognised in respect of the profit for the period, an effective tax rate of 28.8 per cent.

Basic earnings per share for the period were 130.1 cents compared to 8.6 cents in the previous corresponding period. The number of shares on issue at 31 December 2011 of 418.7 million was unchanged during the period.

Free cash flow of $589.6 million, compared to $60.7 million in the previous corresponding period reflects a combination of higher operating cash flows and lower capital expenditure. Operating cash flows increased to $706.2 million from $163.6 million in the previous corresponding period.

Net cash at 31 December 2011 was $156.7 million, compared to net debt of $171.0 million at 30 June 2011 with a corresponding gearing ratio (net debt/net debt + equity) of 12.2 per cent and net debt at 31 December 2010 of $312.6 million and a gearing ratio of 21.8 per cent. Undrawn facilities at 31 December 2011 were approximately $406.0 million and cash at bank was $320.7 million. Net cash at 31 January 2012 was $259.3 million.

Dividend

Directors have determined a fully franked final dividend of 55 cents per share, payable on 5 April 2012 with a record date of 9 March 2012.

[1] Free cash flow is determined as cash flow before dividends paid in the year
[2] Calculated as Net Profit After Tax ("NPAT") for the year as a percentage of the average monthly shareholders equity over the year

Income statement analysis

$ million	2011	2010	% change
Mineral sands revenue	**1,536.7**	**874.4**	**75.7**
Cash costs of production	(628.9)	(543.8)	(15.6)
Inventory movement	147.7	(2.9)	n/a
Restructure and idle capacity cash charges	(8.5)	(13.2)	35.6
Rehabilitation and holding costs for closed sites	(36.2)	(10.4)	(248.1)
Government royalties	(25.2)	(17.1)	(47.4)
Marketing and selling	(34.5)	(24.1)	(43.2)
Asset sales and other income	7.5	7.4	1.4
Product, technical development & major projects	(13.7)	(5.6)	(144.6)
Exploration expenditure	(19.0)	(14.5)	(31.0)
Mineral sands EBITDA	**925.9**	**250.2**	**270.1**
Depreciation and amortisation	(224.2)	(218.6)	2.6
Impairment reversal	35.6	-	n/a
Mineral sands EBIT	**737.3**	**31.6**	**2,233.2**
Mining Area C	88.1	75.9	16.1
Currency hedging and foreign exchange	0.4	8.9	(95.5)
Corporate and other costs	(35.5)	(30.3)	(17.2)
Group EBIT	**790.3**	**86.1**	**817.9**
Net interest costs and bank charges	(8.0)	(30.9)	74.1
Rehabilitation unwind and other finance costs	(21.6)	(15.3)	(41.2)
Profit (loss) before tax	**760.7**	**39.9**	**1,806.5**
Tax expense	(218.9)	(3.8)	n/a
Profit (loss) for the period (NPAT)	**541.8**	**36.1**	**1,400.8**
Average AUD/USD (cents)	**103.2**	**92.0**	**12.2**

Mineral sands operational results

$ million	Revenue		EBITDA		EBIT	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Eucla/Perth Basin	829.2	468.7	499.7	119.8	440.1	33.7
Murray Basin	571.6	281.4	408.2	113.9	292.0	0.9
Australia	1,400.8	750.1	907.9	233.7	732.1	34.6
United States	135.9	124.3	51.9	40.2	41.5	23.2
Exploration & other	-	-	(33.9)	(23.7)	(36.3)	(26.2)
Total	**1,536.7**	**874.4**	**925.9**	**250.2**	**737.3**	**31.6**

Mineral sands production and sales volumes

	2011	2010	% change
Production (kt)			
Zircon	601.5	412.9	45.7
Rutile	281.3	250.1	12.5
Synthetic rutile	285.7	347.5	(17.8)
Total Z/R/SR production	**1,168.5**	**1,010.5**	**15.6**
Ilmenite – saleable	459.7	469.0	(2.0)
Total saleable production volume	**1,628.2**	**1,479.5**	**10.1**
Ilmenite – upgraded to synthetic rutile	201.9	215.9	(6.5)
Cash costs of production ($m)	628.9	543.8	(15.6)
Unit cash cost per tonne of Z/R/SR produced ($/t)	538	538	-
Sales (kt)			
Zircon	514.5	478.7	7.5
Rutile	265.9	240.0	10.8
Synthetic rutile	257.7	362.5	(28.9)
Total Z/R/SR sales	**1,038.1**	**1,081.2**	**(4.0)**
Ilmenite – saleable	570.9	373.7	52.8
Total sales volume	**1,609.0**	**1,454.9**	**10.6**
Revenue ($m)	1,536.7	874.4	75.7
Unit revenue per tonne of Z/R/SR sold ($/t)	1,480	809	82.9

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

Mineral sands production

Overall production volumes of zircon, rutile synthetic rutile (“Z/R/SR”) were 158.0 thousand tonnes (15.6 per cent) higher than in the previous corresponding period. In addition to higher Z/R/SR overall tonnes, the increased proportion of zircon (51.5 per cent compared to 40.9 per cent in the previous corresponding period) reflects a full year of processing of zircon rich concentrate from the Jacinth deposit in South Australia.

Mineral sands revenue

Mineral sands revenue increased by $662.3 million (75.7 per cent) compared with the previous corresponding period due mainly to significantly higher prices for all Z/R/SR products, together with an increase in the proportion of zircon in the Z/R/SR sales mix. Australian dollar revenue was influenced adversely by a higher average AUD:USD exchange rate of 103.2 cents compared to 92.0 cents in previous corresponding period.

Cash costs of production

Cash costs of production of $628.9 million were 15.6 per cent higher than the previous corresponding period, however, the increase in cash costs was offset by increased production of Z/R/SR resulting in the unit cash cost of production per tonne of Z/R/SR being unchanged at $538 per tonne.

Inventory movement

Inventory of concentrate and finished product has increased due to a scheduled build of concentrate stockpiles in the Murray Basin prior to the planned transition to the Woornack, Rownack and Pirro ("WRP") deposits in the first half of 2012, reduced processing of concentrate at Narngulu in the fourth quarter associated with Iluka's production response to an anticipated short term softening in zircon demand and an increase of finished goods stocks of $70.8 million which also includes the effect of slowing zircon sales volumes in the fourth quarter, as previously reported.

Restructure and idle capacity cash charges

The charges relate to the impending change in operations in the Murray Basin (Victoria) from production at Douglas and Kulwin to the WRP operation and the reversal of prior period charges which are no longer required following the resumption of mining at Eneabba and continued production of synthetic rutile at Narngulu, both in the Mid-West of Western Australia.

Rehabilitation and holding costs for closed sites

The majority of the charge relates to a $33.9 million increase in the rehabilitation provision for the former operation in Florida following a reassessment of the remaining work required. The balance of the charge relates mainly to maintenance and other costs for closed sites in Western Australia, including the Eneabba mining and the Narngulu synthetic rutile operations prior to their resumption in the fourth quarter. The charge in the previous corresponding period was mainly for increased closure costs in Florida.

Government royalties and marketing costs

Government royalties increased with higher sales volumes and prices. Marketing and selling costs, including fixed port charges, reflect higher sales volumes, increased marketing administration and transport costs for material in overseas warehouses.

Product, technical development and exploration

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

Depreciation and amortisation

The increase of $5.6 million reflects a full period charge for the Jacinth-Ambrosia and Kulwin operations that were both commissioned during the previous corresponding period.

Impairment reversal

The amount relates to the depreciated value of impairment charges recognised in 2005 during development of the Murray Basin operation and also for the Cataby deposit. The reversal reflects significant increases in forecast product prices and an upgrade to the Cataby reserve announced in the fourth quarter.

Mining Area C

Iron ore sales volumes increased 3.2 per cent to 44.6 million dry metric tonnes. The average AUD realised price upon which the royalty is payable increased by 18.9 per cent from the previous corresponding period. The EBIT contribution of $88.1 million includes $1.0 million of annual capacity payments for production increases in the year to 30 June (2010: $5.0 million) as production was stable following the expansion of the Area C operation by BHP Billiton in early 2009 and the subsequent ramp-up in production volumes.

Currency hedging and foreign exchange

Currency hedging and foreign exchange reflects no hedge gains in the year, following the delivery of the final hedge contracts in the previous corresponding period.

Corporate and other

Corporate costs were $5.2 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 to support the development of the group.

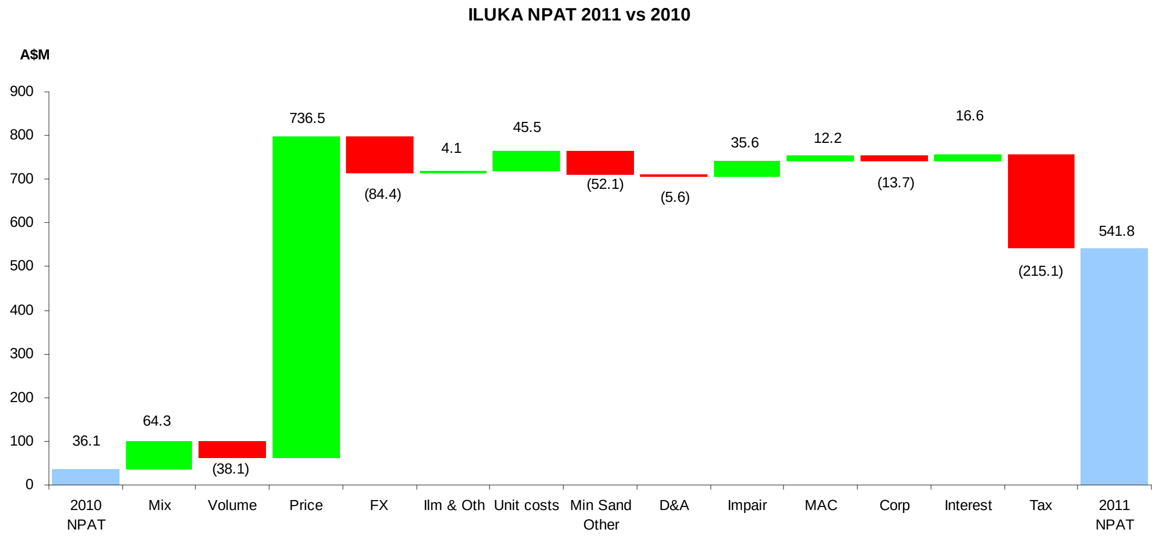
Interest and rehabilitation unwind

The decrease in net interest costs reflects lower drawn debt than the previous corresponding period, lower margins payable on variable rate debt and a significant increase in cash held on deposit. Higher rehabilitation unwind costs reflect changes in the timing of rehabilitation expenditure in future years.

Tax expense

The income tax expense of $218.9 million is at an effective tax rate of 28.8 per cent, as the significance of lower tax rates in the United States and additional tax deductions for research and development claims on the effective rate reduces given the significant increase in pre-tax profits.

Movement in NPAT



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

Z/R/SR sales mix (+ve $64.3 million)

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

Z/R/SR sales volumes (-ve $38.1 million)

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

Z/R/SR sales price (+ve $736.5 million)

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

Z/R/SR foreign exchange (-ve $84.4 million)

The impact of higher 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 $4.1 million)

Increased volume of ilmenite sales, mainly offset by lower byproduct sales.

Z/R/SR unit cost of sales (+ve $45.5 million)

Lower unit cash costs of production for those products sold during the period versus the previous corresponding period. The benefit reflects production efficiencies following the ramp up of Jacinth-Ambrosia and Murray Basin Stage 2 to full operating capacity.

Mineral sands other costs (-ve $52.1 million)

The higher costs are due mainly to an increase in rehabilitation charges for the former Florida operation of $33.9 million, along with higher government royalties and marketing costs associated with higher sales volumes.

Depreciation and amortisation (-ve $5.6 million)

The increased charges compared to the previous corresponding period are due mainly to a full year charge for the Jacinth-Ambrosia and Kulwin operations that were both commissioned during the previous corresponding period.

Impairment (+ve $35.6 million)

Reversal of prior period impairments relating to Murray Basin assets and the Cataby ore body due to improved project economics.

MAC (+ve $12.2 million)

Iron ore royalties increased due to a 3.2 per cent increase in sales volumes to 44.6 million DMT and an 18.9 per cent increase in realised AUD iron ore prices. MAC capacity payments, before tax, of $1.0 million were $4.0 million lower than in the previous corresponding period

Corporate and hedge (-ve $13.7 million)

The higher costs are due mainly to no hedge gains in the year, following the delivery of final hedge contracts in the previous corresponding period, higher remuneration incentive costs reflecting improved business performance and increased investment in human resources to support the development of the group.

Interest (+ve $16.6 million)

Net interest expenses reduced due to lower average net debt levels and lower average interest rates than in the previous corresponding period, offset partially by higher rehabilitation unwind costs.

Tax (-ve $215.1 million)

The variance reflects the tax effect of the improved earnings compared to the previous corresponding period.

Balance sheet, cash flow and net debt

Balance sheet by operation - $ million

31 December 2011	E/PB	MB	US	MAC	Corp	Group	2010
Receivables	116.3	101.9	14.1	18.9	4.9	256.1	164.8
Inventories	222.2	189.5	14.4	-	-	426.1	257.6
Payables and accruals	(49.6)	(58.1)	(9.0)	-	(9.7)	(126.4)	(94.5)
Employee and other provisions	(10.8)	(12.6)	(8.6)	-	(11.1)	(43.1)	(30.7)
Rehabilitation provisions	(293.4)	(79.7)	(53.8)	-	-	(426.9)	(347.4)
Property, plant & equipment	739.8	645.9	36.4	-	8.3	1,430.4	1,425.0
Intangibles	-	-	-	6.7	-	6.7	7.1
Capital employed	**724.5**	**786.9**	**(6.5)**	**25.6**	**(7.6)**	**1,522.9**	**1,381.9**
Net tax liability (asset)						144.9	(55.3)
Net debt (cash)						(156.7)	312.6
Total equity						1,534.7	1,124.6
Net funding						**1,522.9**	**1,381.9**

Key points:

- Higher receivables are associated mainly with the significant increases in product prices during 2012. Receivables from mineral sands sales of $213.2 million represents approximately 31 days sales, compared to 42 days for the previous corresponding period.
- Higher inventories reflect an increase in stores (up $15.3 million to $43.0 million), concentrate stocks (up $82.5 million to $222.2 million) and finished product stocks (up $70.8 million to $160.9 million).
- Higher stores inventory includes supplies of ilmenite from external sources that will be used for synthetic rutile production. The higher concentrate value is associated with the stockpile of material to maintain output at the Murray Basin operations during the transition to the Woornack, Rownack, Pirro ("WRP") deposits in the first half of 2012.
- Higher finished product stocks include the impact of lower zircon sales volumes in the fourth quarter combined with high production volumes in the second half of 2011.
- Higher rehabilitation provisions reflect the reassessment of the remaining work associated with the closure of Florida and Kulwin and expansion at the new operations of WRP and Tutunup South
- Property, plant and equipment values include the impact of the impairment reversals relating to Murray Basin assets and the Cataby ore body and increases associated with mine closure activities.
- Net cash of $156.7 million at 31 December 2011 includes $320.7 million of cash on hand.
- The net tax liability represents mainly tax payable in Australia of $145.7 million, due in the first half of 2012. The level of tax payable relative to the tax expense of $218.9 million reflects the utilisation of brought forward losses in Australia and the United States.

Movement in net cash (debt) - $ million

	1st Half 2010	2nd Half 2010	1st Half 2011	2nd Half 2011
Opening net cash (debt)	**(382.1)**	**(439.0)**	**(312.6)**	**(171.0)**
Operating cash flow	43.9	119.7	212.7	493.5
MAC royalty	19.8	44.1	42.8	47.5
Exploration	(7.6)	(10.3)	(8.9)	(14.7)
Interest (net)	(12.3)	(17.1)	(10.4)	(0.5)
Tax	(1.5)	-	(5.0)	(7.5)
Capital expenditure	(94.9)	(22.3)	(48.7)	(93.8)
Asset sales	5.3	3.7	1.5	2.4
Share purchases	-	(9.8)	(16.3)	(5.0)
Free cash flow	**(47.3)**	**108.0**	**167.7**	**421.9**
Dividends	-	-	(33.5)	(83.5)
Net cash flow	**(47.3)**	**108.0**	**134.2**	**338.4**
Exchange revaluation of USD net debt	(9.6)	18.4	7.4	(10.7)
(Decrease)/increase in net cash (debt)	**(56.9)**	**126.4**	**141.6**	**327.7**
Closing net cash (debt)	**(439.0)**	**(312.6)**	**(171.0)**	**156.7**

Operating cash flow

Operating cash flow in 2011 reflects the significant increase in realised prices of all major products in the period offset partially by a $226.1 million increase in working capital which in turn was due mainly to higher receivables, reflecting higher sales prices and the timing of sales in the fourth quarter, higher inventory levels due to a build in concentrate production in the Murray Basin in advance of the move to WRP deposits and lower zircon sales volumes in the fourth quarter.

MAC royalty

MAC cash flows in the first half of 2011 were higher than the previous corresponding period due to higher realised prices for iron ore.

Capital expenditure

Capital expenditure of $142.5 million in the year was mainly for the development of the Tutunup South mine in Western Australia, commissioned in June 2011 and for the WRP development in Murray Basin. Payments for the first half of 2010 included $81.5 million associated with the completion of construction and commissioning of the Kulwin and Jacinth-Ambrosia projects.

Share purchases

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

Dividends

A 2010 final dividend of 8 cents per share and a 2011 interim dividend of 20 cents per share, both unfranked, were paid to shareholders on 6 April 2011 and 5 October 2011 respectively.

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

		2011	2010	% change
Production volumes				
Zircon	kt	323.0	197.1	63.9
Rutile	kt	56.4	51.7	9.1
Synthetic rutile	kt	285.7	347.5	(17.8)
Ilmenite – saleable	kt	171.6	160.7	6.8
Total saleable production	**kt**	**836.7**	**757.0**	**10.5**
Ilmenite – upgradeable to synthetic rutile	kt	102.4	215.9	(52.6)
Unit cash cost of production – saleable product	$/t	356	405	12.0
Unit cash cost of production – zircon/rutile/SR	$/t	503	514	2.1
Mineral Sands revenue	**$m**	**829.2**	**468.6**	**76.9**
Cash cost of production	$m	(334.7)	(306.6)	(9.2)
Inventory movements	$m	27.7	(9.5)	n/a
Restructure, idle capacity and closed sites	$m	(0.2)	(15.0)	98.7
Government royalties	$m	(9.6)	(9.8)	2.0
Marketing and technical costs	$m	(16.0)	(10.0)	(60.0)
Asset sales and other income	$m	3.3	2.1	57.1
EBITDA	**$m**	**499.7**	**119.8**	**317.1**
Depreciation & amortisation	$m	(64.0)	(86.1)	25.7
Impairment reversal (Cataby)	$m	4.4	-	n/a
EBIT	**$m**	**440.1**	**33.7**	**1,205.9**

Key points:

- Eucla/Perth Basin Operations include mining at Jacinth-Ambrosia (South Australia), processing at the Narngulu mineral separation plant and synthetic rutile production at Narngulu and Capel (Western Australia).
- Production of saleable product increased from the previous corresponding period due to a full year of mining at Jacinth-Ambrosia, which ramped up to full capacity over the course of the previous corresponding period, offset partially by no saleable product from the Eneabba mine which was idled in mid 2010 and resumed production late in 2011. Lower synthetic rutile production was due to the use of the SR03 kiln for research and development trials for part of the year and also a major maintenance outage on that kiln prior to its restart on a three year production campaign in the fourth quarter.
- Lower unit cash costs of production reflect the transition of mining from Eneabba to Jacinth-Ambrosia which is also evident in the increased higher value zircon volumes.
- Restructure, idle capacity and closed sites costs include holding and maintenance costs for idled sites such as Eneabba. In the previous corresponding period these were mainly redundancy costs associated with the idling of the remaining mining operations at Eneabba during 2010.
- Higher marketing and technical costs include research and development activities associated with synthetic rutile production.
- Lower depreciation and amortisation charges follow the idling of production at Eneabba at the end of the previous corresponding period, offset partially by a full period of depreciation and amortisation for the Jacinth-Ambrosia operation.

Murray Basin Operations (Victoria)

		2011	2010	% change
Production volumes				
Zircon	kt	218.2	157.6	38.5
Rutile	kt	224.9	198.4	13.4
Ilmenite – saleable	kt	-	56.8	n/a
Total saleable production	**kt**	**443.1**	**412.8**	**7.3**
Ilmenite – upgradeable to synthetic rutile	kt	99.5	-	n/a
Unit cash cost of production – saleable product	$/t	541	445	(21.4)
Unit cash cost of production – zircon/rutile	$/t	541	517	(4.8)
Mineral Sands revenue	**$m**	**571.6**	**281.5**	**103.1**
Cash cost of production	$m	(239.8)	(183.9)	(30.4)
Inventory movements	$m	112.7	32.3	248.9
Restructure and idle capacity	$m	(9.7)	(1.0)	(870.0)
Government royalties	$m	(15.6)	(7.3)	(113.7)
Marketing and technical costs	$m	(11.3)	(7.5)	(50.7)
Asset sales and other income	$m	0.3	(0.2)	n/a
EBITDA	**$m**	**408.2**	**113.9**	**258.5**
Depreciation & amortisation	$m	(147.4)	(113.0)	(30.4)
Impairment reversal	$m	31.2	-	n/a
EBIT	**$m**	**292.0**	**0.9**	**n/a**

Key points:

- Production increased from the previous corresponding period due to a full year of operation at Douglas and Kulwin, following the commissioning of the Kulwin mine in the previous corresponding period.
- Ilmenite production from the Murray Basin in 2011 is classified as upgradeable following the successful research and development activities which have enabled this material to be a synthetic rutile feedstock. Production in 2010 was sold on a spot basis and prior to that the material was considered to be of no value and was returned to the mine.
- Cash costs of production increased, as expected, with a full period of operations at Kulwin. The unit cash costs of zircon/rutile production, however, increased by only 4.8 per cent from the previous corresponding period reflecting the higher strong production performance of the Kulwin mine. Cash costs of production, also include costs associated with the planned build of concentrate inventory (an increase of $55.5 million over the year) in advance of the transition to WRP so as to enable the Hamilton MSP to continue to operate at capacity.
- The inventory movement reflects the increased concentrate stocks referred to above and higher zircon stocks reflecting the initial impacts of a softening in demand in the fourth quarter.
- The increase in depreciation and amortisation reflects a full period of operation at the Kulwin and Echo operations, both of which commenced in the previous corresponding period.

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.

		2011	**2010**	**% change**
Production volumes				
Zircon	kt	541.2	354.7	52.6
Rutile	kt	281.3	250.1	12.5
Synthetic rutile	kt	285.7	347.5	(17.8)
Ilmenite – saleable	kt	171.6	217.5	(21.1)
Total saleable production	**kt**	**1,279.8**	**1,169.8**	**9.4**
Ilmenite – upgradeable to synthetic rutile	kt	201.9	215.9	(6.5)
Unit cash cost of production – saleable product	$/t	416	419	0.9
Unit cash cost of production – zircon/rutile/SR	$/t	518	515	(0.6)
Mineral Sands revenue	**$m**	**1,400.8**	**750.1**	**86.7**
Cash cost of production	$m	(574.5)	(490.5)	(17.1)
Inventory movements	$m	140.4	22.8	515.8
Restructure, idle capacity and closed sites	$m	(9.9)	(16.0)	38.1
Government royalties	$m	(25.2)	(17.1)	(47.4)
Marketing and technical costs	$m	(27.3)	(17.5)	(56.0)
Asset sales and other income	$m	3.6	1.9	89.5
EBITDA	**$m**	**907.9**	**233.7**	**288.5**
Depreciation & amortisation	$m	(211.4)	(199.1)	(6.2)
Impairment reversal	$m	35.6	-	n/a
EBIT	**$m**	**732.1**	**34.6**	**2,015.9**

United States Operations (Virginia)

		2011	2010	% change
Production volumes				
Zircon	kt	60.3	58.2	3.6
Ilmenite – saleable	kt	288.1	251.5	14.6
Total saleable production	**kt**	**348.4**	**309.7**	**12.5**
Unit cash cost of production – saleable product	$/t	156	172	9.3
Mineral Sands revenue	**$m**	**135.9**	**124.3**	**9.4**
Cash cost of production	$m	(54.4)	(53.3)	(2.1)
Inventory movements	$m	7.3	(25.7)	n/a
Closed sites	$m	(34.8)	(7.6)	n/a
Marketing and technical costs	$m	(2.1)	(1.2)	(75.0)
Asset sales and other income	$m	-	3.7	n/a
EBITDA	**$m**	**51.9**	**40.2**	**29.2**
Depreciation & amortisation	$m	(10.4)	(17.0)	38.8
EBIT	**$m**	**41.5**	**23.2**	**79.1**

Key points:

- Lower unit cash costs of production reflect the operation running at capacity during the period, whereas in the previous corresponding period the mineral separation plant resumed full operations in the first quarter and mining operations resumed full production in July 2010, following decisions to reduce production during the global economic crisis.
- Higher sales revenue is due mainly to higher zircon prices. Inventory levels since mid 2010 have been minimal with sales generally matching production; the inventory increase in 2011 reflects the lower zircon sales in the fourth quarter.
- Costs for closed sites are mainly associated with higher rehabilitation costs for the former Florida operation ($33.9 million) following the completion of work to assess the extent of remaining tasks to complete the remediation of the site.
- Lower depreciation and amortisation results from an increase in mine lives compared to the previous corresponding period.

	Notes	2011 $m	2010 $m
Revenue	3	**1,631.4**	964.1
Other income	4	**7.9**	9.0
Expenses	5	**(842.8)**	(885.8)
Interest and finance charges		**(15.2)**	(33.0)
Rehabilitation and restoration unwind		**(20.6)**	(14.3)
Total finance costs	5	**(35.8)**	(47.3)
Profit before income tax		**760.7**	39.9
Income tax expense	7	**(218.9)**	(3.8)
Profit for the year attributable to owners		**541.8**	36.1
		Cents	Cents
Earnings per share attributable to ordinary equity holders			
Basic earnings per share		**130.1**	8.6

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

	2011 **$m**	2010 $m
Profit for the year	**541.8**	36.1
Other comprehensive income		
Currency translation of US operation	**(0.2)**	(6.9)
Hedge of net investment in US operation, net of tax	**0.4**	6.7
Actuarial (losses) gains on defined benefit plans, net of tax	**(4.4)**	0.6
Changes in fair value of foreign exchange cash flow hedges, net of tax	**-**	(3.6)
Other comprehensive loss for the year	**(4.2)**	(3.2)
Total comprehensive income for the year attributable to owners	**537.6**	32.9

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

	Notes	**2011 $m**	2010 $m
ASSETS			
Current assets			
Cash and cash equivalents		**320.7**	30.1
Receivables		**256.1**	164.8
Inventories		**376.2**	201.0
Current tax receivable		**0.5**	-
Total current assets		**953.5**	395.9
Non-current assets			
Inventories		**49.9**	56.6
Property, plant and equipment		**1,430.4**	1,425.0
Intangible assets		**6.7**	7.1
Deferred tax assets		**13.3**	55.3
Total non-current assets		**1,500.3**	1,544.0
Total assets		**2,453.8**	1,939.9
LIABILITIES			
Current liabilities			
Payables		**136.7**	103.7
Interest-bearing liabilities		**-**	29.5
Provisions		**82.0**	54.9
Current tax liabilities		**145.7**	-
Total current liabilities		**364.4**	188.1
Non-current liabilities			
Interest-bearing liabilities		**164.0**	313.3
Provisions		**377.7**	313.9
Deferred tax liabilities		**13.0**	-
Total non-current liabilities		**554.7**	627.2
Total liabilities		**919.1**	815.3
Net assets		**1,534.7**	1,124.6
EQUITY			
Contributed equity	6	**1,102.0**	1,108.3
Reserves		**16.4**	20.4
Retained profits (losses)		**416.3**	(4.1)
Total equity		**1,534.7**	1,124.6

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

	Notes	Attributable to owners of Iluka Resources Limited: Contributed equity $m	Attributable to owners of Iluka Resources Limited: Reserves $m	Attributable to owners of Iluka Resources Limited: Retained earnings $m	Total equity $m
Balance at 1 January 2010		1,114.4	19.9	(39.0)	1,095.3
Adjustment on adoption of AASB 2008-8		-	2.1	(2.1)	-
Restated total equity at the beginning of the financial year		**1,114.4**	**22.0**	**(41.1)**	**1,095.3**
Profit for the year		-	-	36.1	36.1
Changes in fair value of foreign exchange hedges, net of tax		-	(3.6)	-	(3.6)
Currency translation of US operation		-	(6.9)	-	(6.9)
Hedge of net investment in US operation, net of tax		-	6.7	-	6.7
Actuarial gains on retirement benefit obligations, net of tax		-	-	0.6	0.6
Transfer of asset revaluation reserve		-	(0.3)	0.3	-
Other comprehensive income		-	4.1	(0.9)	3.2
Total comprehensive income		**-**	**(4.1)**	**37.0**	**32.9**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees		1.1	(1.1)	-	-
Share-based payments, net of tax		-	3.6	-	3.6
Purchase of treasury shares, net of tax		(7.2)	-	-	(7.2)
		(6.1)	2.5	-	(3.6)
Balance at 31 December 2010		**1,108.3**	**20.4**	**(4.1)**	**1,124.6**
Profit for the year		-	-	541.8	541.8
Currency translation of US operation		-	(0.2)	-	(0.2)
Hedge of net investment in US operation, net of tax		-	0.4	-	0.4
Actuarial losses on retirement benefit obligations, net of tax		-	-	(4.4)	(4.4)
Other comprehensive income		-	0.2	(4.4)	(4.2)
Total comprehensive income		**-**	**0.2**	**537.4**	**537.6**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees	6	8.5	(8.5)	-	-
Share-based payments, net of tax		-	4.3	-	4.3
Purchase of treasury shares, net of tax	6	(14.8)	-	-	(14.8)
Dividends paid		-	-	(117.0)	(117.0)
		(6.3)	(4.2)	(117.0)	(127.5)
Balance at 31 December 2011		**1,102.0**	**16.4**	**416.3**	**1,534.7**

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

	Notes	**2011 $m**	2010 $m
Cash flows from operating activities			
Receipts from customers		**1,455.2**	940.4
Payments to suppliers and employees		**(749.0)**	(776.8)
		706.2	163.6
Interest received		**5.1**	1.1
Interest paid		**(16.0)**	(30.5)
Income taxes paid		**(12.5)**	(1.5)
Exploration expenditure		**(23.6)**	(17.9)
Mining Area C royalty receipts		**90.3**	63.9
Net cash inflow from operating activities	9	**749.5**	178.7
Cash flows from investing activities			
Payments for property, plant and equipment		**(142.5)**	(117.2)
Sale of property, plant and equipment		**3.9**	9.0
Net cash outflow from investing activities		**(138.6)**	(108.2)
Cash flows from financing activities			
Repayment of borrowings		**(312.7)**	(116.4)
Proceeds from borrowings		**130.7**	-
Purchase of treasury shares		**(21.3)**	(9.8)
Dividends paid		**(117.0)**	-
Net cash outflow from financing activities		**(320.3)**	(126.2)
Net increase (decrease) in cash and cash equivalents		**290.6**	(55.7)
Cash and cash equivalents at 1 January		**30.1**	86.3
Effects of exchange rate changes on cash and cash equivalents		**-**	(0.5)
Cash and cash equivalents at 31 December		**320.7**	30.1

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

1 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

2 Segment information

(a) Description of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Managing Director, who is considered the chief operating decision maker, for the purpose of making decisions regarding the allocation of resources and the monitoring of performance. Cash, debt and tax balances are managed at a group level together with exploration and other corporate activities and are not allocated to segments. The segments are unchanged from those at 31 December 2010, except for the introduction of Australia ("AUS"), being an aggregate of Eucla/Perth Basin ("E/PB") and Murray Basin ("MB").

Eucla/Perth Basin ("E/PB") comprises the integrated mineral sands mining and processing operations in Western Australia and South Australia. Material is mined from various deposits in the South West and Mid West of Western Australia (Perth Basin), together with the Jacinth-Ambrosia deposit in South Australia (Eucla Basin) which was commissioned in 2010. The mined material is processed predominantly at facilities in the South West and Mid West of Western Australia to produce saleable products.

Murray Basin ("MB") comprises the integrated mineral sands mining and processing operations in Victoria, including the Murray Basin Stage 2 development which was commissioned in 2010.

Australia ("AUS") 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 segment.

United States ("US") comprises the integrated mineral sands mining and processing operations in Virginia and the closed former operations in Florida.

Mining Area C ("MAC") comprises a deferred consideration iron ore royalty interest over certain mining tenements 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.

(b) Segment information

There have been no transfers of finished goods between segments in the current or prior years.

2011	**E/PB** $m	**MB** $m	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	829.2	571.6	1,400.8	135.9	-	1,536.7
Total segment result	421.0	291.7	712.7	40.3	88.1	841.1
Segment assets	1,078.3	937.3	2,015.6	64.9	25.6	2,106.1
Segment liabilities	353.7	150.4	504.1	71.4	-	575.5
Depreciation and amortisation expense	64.0	147.4	211.4	10.4	0.4	222.2

2 Segment information (continued)

(b) Segment information (continued)

2010	**E/PB** $m	**MB** $m	**AUS** $m	**US** $m	**MAC** $m	**Total** $m
Total segment sales to external customers	468.7	281.4	750.1	124.3	-	874.4
Total segment result	21.8	(0.9)	20.9	22.7	75.9	119.5
Segment assets	981.4	771.8	1,753.2	63.3	27.7	1,844.2
Segment liabilities	343.1	71.8	414.9	37.4	-	452.3
Depreciation and amortisation expense	86.1	113.0	199.1	17.0	0.4	216.5

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:

	2011 **$m**	2010 $m
Asia	**745.5**	386.3
Europe	**442.6**	178.2
North America	**327.1**	216.2
Australia	**2.0**	44.2
Other Countries	**19.5**	49.5
Segment sales to external customers	**1,536.7**	874.4
Hedging gains	**-**	12.2
Sale of goods	**1,536.7**	886.6

Revenue of $195.7 million is derived from one external customer from all mineral sands segments, which individually account for greater than 10 per cent of segment revenue (2010: revenue of $168.7 million was derived from one external customer from all mineral sands segments).

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

Segment result	**841.1**	119.5
Hedging gains	**-**	12.2
Interest income	**6.2**	1.1
Other income	**3.8**	1.8
Marketing and selling costs	**(6.9)**	(5.4)
Corporate and other costs	**(35.5)**	(30.3)
Depreciation	**(2.3)**	(2.5)
Product and technical development costs	**(11.9)**	(5.7)
Exploration expenditure	**(19.0)**	(14.5)
Interest and finance charges	**(15.2)**	(33.0)
Net foreign exchange gains (losses)	**0.4**	(4.9)
Ineffective gains of changes in fair value of cash flow hedges	**-**	1.6
Profit before income tax	**760.7**	39.9

2 Segment information (continued)

(b) Segment information (continued)

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

	2011 $m	2010 $m
Segment assets	**2,106.1**	1,844.2
Corporate assets	**13.2**	10.3
Cash and cash equivalents	**320.7**	30.1
Deferred tax assets	**13.3**	55.3
Current tax receivable	**0.5**	-
Total assets as per the balance sheet	**2,453.8**	1,939.9

	2011 $m	2010 $m
Segment liabilities	**575.5**	452.3
Corporate liabilities	**20.9**	20.3
Deferred tax liabilities	**13.0**	-
Current tax liabilities	**145.7**	-
Interest-bearing liabilities	**164.0**	342.7
Total liabilities as per the balance sheet	**919.1**	815.3

3 Revenue

	2011 $m	2010 $m
Sales revenue		
Sale of goods	**1,536.7**	886.6
Other revenue		
Royalty income	**88.5**	76.3
Interest	**6.2**	1.1
	94.7	77.4
	1,631.4	964.1

4 Other income

	2011 **$m**	2010 $m
Net gain on sale of land	**1.9**	0.8
Net gain on disposal of property, plant and equipment	**1.0**	3.3
Sundry income	**4.6**	3.3
Net ineffective gains from changes in fair value of cash flow hedges	**-**	1.6
Foreign exchange gains	**0.4**	-
	7.9	9.0

5 Expenses

	2011 **$m**	2010 $m
Expenses		
Cash costs of production	**628.9**	543.8
Depreciation	**141.5**	136.9
Amortisation	**83.1**	82.1
Inventory movement	**(147.7)**	2.9
Cost of sales of goods	**705.8**	765.7
Restructure and idle capacity charges	**8.5**	13.2
Rehabilitation and holding costs for closed sites	**36.2**	10.4
Impairment reversal (a)	**(35.6)**	-
Government royalties	**25.2**	17.1
Marketing and selling	**34.5**	24.1
Technical support, product development and major projects	**13.7**	5.6
Exploration expenditure	**19.0**	14.5
Corporate and other costs	**35.5**	30.3
Foreign exchange losses	**-**	4.9
	842.8	885.8
Finance Costs		
Interest charges	**12.1**	29.7
Bank fees and similar charges	**2.1**	2.3
Amortisation of deferred borrowing costs	**1.0**	1.0
Rehabilitation and restoration unwind	**20.6**	14.3
	35.8	47.3

(a) Impairment reversal

The impairment reversal relates to the Murray Basin operations and the Cataby deposit. Both were originally impaired in 2005.

6 Contributed equity

(a) Share capital

	2011 Shares	2010 Shares	**2011 $m**	2010 $m
Ordinary shares - fully paid	**418,701,360**	418,701,360	**1,120.0**	1,120.0
Treasury shares	**(2,269,590)**	(3,220,149)	**(18.0)**	(11.7)
	416,431,770	415,481,211	**1,102.0**	1,108.3

(b) Movements in ordinary share capital

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

(c) Treasury shares

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

	Number of shares	**$m**
Balance at 1 January 2010	1,904,380	5.6
Acquisition of shares, net of tax	1,721,133	7.2
Employee share issues, net of tax	(405,364)	(1.1)
Balance at 31 December 2010	3,220,149	11.7
Acquisition of shares, net of tax	1,498,791	14.8
Employee share issue, net of tax	(2,449,350)	(8.5)
Balance at 31 December 2011	**2,269,590**	**18.0**

(d) Dividend reinvestment plan

The Company has a dividend reinvestment plan ("DRP"). Under the plan, the Directors can invite eligible holders of ordinary shares to elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. In 2010, the DRP was suspended until further notice.

7 Income tax

(a) Income tax expense

	2011 $m	2010 $m
Current tax	**158.5**	-
Deferred tax	**64.4**	7.6
Over-provided in prior years	**(4.0)**	(3.8)
	218.9	3.8

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

	2011 $m	2010 $m
Profit before income tax expense	**760.7**	39.9
Tax at the Australian tax rate of 30% (2010: 30%)	**228.2**	12.0
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Australian research and development and investment allowance	**(1.3)**	(2.7)
US tax concessions	**(1.6)**	-
Other items	**0.9**	0.2
	226.2	9.5
Difference in overseas tax rates	**(3.3)**	(1.9)
Over-provision in prior years	**(4.0)**	(3.8)
Income tax expense	**218.9**	3.8

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

Changes in fair value of foreign exchange cash flow hedges	**-**	1.5
Currency translation of US operation	**-**	0.7
Actuarial gains/(losses) on retirement benefit obligation	**(1.2)**	-
	(1.2)	2.2

(d) Franking Credits

Franking credits available for future years based on a tax rate of 30 per cent (2010: 30 per cent)	**145.7**	-

The above amounts include adjustments that will arise from the payment of current income tax in Australia as provided for in these financial statements.

8 Contingent liabilities

Bank guarantees
The consolidated entity has negotiated a number of bank guarantees in favour of various government authorities and service providers to meet its obligations under exploration and mining tenements. At 31 December 2011, the total value of performance commitments and guarantees was $106.0 million (2010: $103.6 million).

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

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

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

	2011 $m	2010 $m
Profit for the year	**541.8**	**36.1**
Depreciation and amortisation	**224.6**	219.0
Exploration capitalised	**(5.2)**	(4.3)
Net gain on disposal of property, plant and equipment	**(2.9)**	(4.1)
Net exchange differences and other	**2.7**	(5.2)
Rehabilitation and restoration unwind	**20.6**	14.3
Non-cash share-based payments expense	**6.0**	4.1
Amortisation of deferred borrowing costs	**1.0**	1.0
Impairment reversal	**(35.6)**	-
Non-cash rehabilitation expense for closed sites	**34.6**	-
Change in operating assets and liabilities		
Increase in receivables	**(92.4)**	(62.0)
(Increase) decrease in inventories	**(168.6)**	2.6
Decrease in derivatives	**-**	10.8
Decrease in net deferred tax	**59.5**	4.5
Increase (decrease) increase in payables	**9.9**	(38.7)
Increase in provisions	**6.7**	0.6
Increase in net current tax liability	**146.8**	-
Net cash inflow from operating activities	**749.5**	178.7