Iluka Resources Limited ABN 34 008 675 018
Preliminary Financial Report - 31 December 2007

Lodged with the ASX under listing Rule 4.3A

Contents

Iluka Resources Limited
For the year ended 31 December 2007

Results for Announcement to the Market

				$M
Revenue from continuing operations * *(Appendix 4E item 2.1)*	down	6.4%	to	920.1
Profit from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)*	up	143.3%	to	51.1
Net profit for the period attributable to members *(Appendix 4E item 2.3)*	up	143.3%	to	51.1

Dividends / distributions *(Appendix 4E item 2.4)*	Amount per security (cents)	Franked amount per security (cents)
Final dividend	-	-
Interim dividend (paid October 2007)	10.0	10.0

Key Ratios	**2007**	2006
	December	December
Basic earnings per share (cents)	**21.6**	9.1
Operating cash flow per share (cents)	**40.3**	61.1
Operating cash flow / interest paid (times) **	**3.2**	4.6
Return on Equity (%)	**7.5**	3.2

Key Ratios	**2007**	2006
	December	December
Gearing (%) ***	**44.3**	45.4
Net tangible assets per share ($)	**3.04**	3.00

Record date for determining entitlements to the final dividend
(Appendix 4E item 2.5)

* Excludes revenue from the Narama Coal Joint Venture

** Operating cash flow excluding net interest paid / net interest paid

*** Gearing = net nebt / (net debt + equity)

4E Financial Commentary

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

Section I - Overview

Reported Earnings

Iluka recorded a net profit after tax and minority interests (NPAT) for the year ended 31 December 2007 of $51.1 million, compared with $21.0 million for the prior year (or $116.9 million before Significant Items).

Mineral Sands EBIT, excluding the significant items incurred in 2006, decreased by $50.4 million to $86.1 million. Mineral Sands EBITDA reduced by $26.7 million to $230.6 million, despite an initial contribution of $36.6 million from the Murray Basin. Earnings were impacted adversely by the higher Australian dollar exchange rate, reduced sales volumes of higher value products and an increased proportion of production in Western Australia being from the newer higher cost ore bodies.

The average A$/US$ spot exchange rate for 2007 was 83.90 cents compared with 75.35 cents for 2006. The negative impact on NPAT from Australian sourced sales was $46.1 million for the full year, including $28.6 million in the second half. Lower sales volumes also impacted profits, mitigated in part by price increases during 2007 of approximately 5 per cent.

Iluka's interest in the Narama Coal joint venture has been classified as a discontinued operation, with the sale completed on 15 January 2008. Narama's contribution to NPAT was $10.9 million (2006: $9.4 million).

Earnings per share (eps) for 2007 were 21.6 cents (2006: 9.1 cents).

Cash Flow

Cash flow from operations of $95.5 million was 33 per cent lower than in 2006 due to lower sales revenues and increased production costs following commissioning of the Murray Basin. Capital expenditure at $118.2 million, was $54.5 million lower than in 2006 due mainly to lower expenditure for the Murray Basin project. Overall capital expenditure for the Murray Basin and Eucla projects was $34.3 million compared to $64.0 million in 2006.

Dividend

In the context of current Group earnings, cash flows and the franking credit position, together with the capital required to develop Jacinth-Ambrosia and Murray Basin 2, the Board has decided not to pay a 2007 final dividend. The economics of both projects are attractive and the Board believes that, at this stage, capital expenditure for these projects is the most appropriate use of available funds.

Gearing

Gearing (net debt/net debt + equity) was 44.3 per cent at 31 December 2007, compared with 45.4 per cent at 31 December 2006 and 45.0 per cent at 30 June 2007. Net debt at 31 December 2007 of $598.1 million was $1.6 million higher than at 31 December 2006 and $10.4 million lower than at 30 June 2007.

Section II – Income Statement Analysis

The composition of the company's 2007 results is summarised in Table 1 below, followed by a narrative of each line item.

Table 1: Group Profit and Loss Summary – $million

	2007	2006	Variance
Sales Revenue	**897.9**	**962.1**	**(64.2)**
Less: Hedging	(34.0)	(28.9)	(5.1)
Other Income	10.6	-	10.6
Cash Costs of Production	(654.0)	(670.9)	16.9
Inventory Movement	61.8	49.6	12.2
Marketing, Exploration and Technical Costs	(51.7)	(54.6)	2.9
Mineral Sands EBITDA	**230.6**	**257.3**	**(26.7)**
Depreciation and Amortisation	(144.5)	(120.8)	(23.7)
Mineral Sands EBIT (excluding Significant Items)	86.1	136.5	(50.4)
Hedging	34.0	28.9	5.1
Mining Area C	19.5	18.7	0.8
Other Earnings	3.6	1.2	2.4
Corporate	(19.5)	(25.6)	6.1
Significant Items	-	(87.1)	87.1
Total EBIT	**123.7**	**72.6**	**51.1**
Net Interest Costs	(41.8)	(40.5)	(1.3)
Interest Capitalisation	-	13.5	(13.5)
Other Financing Costs	(16.9)	(13.4)	(3.5)
Profit Before Tax	**65.0**	**32.2**	**32.8**
Tax Expense	(15.5)	(10.1)	(5.4)
Profit from discontinued operation (Narama Coal)	10.9	9.4	1.5
Minority Interests	(9.3)	(10.5)	1.2
Net Profit After Tax	**51.1**	**21.0**	**30.1**

Mineral Sands EBIT

Mineral Sands EBIT of $86.1 million was $50.4 million lower than in 2006, after adjusting for $99.6 million of mineral sands charges reported as significant items in 2006. An analysis of the individual businesses is contained in Section V, Operational Overview, with overall group commentary provided below.

Sales Revenue

Sales revenue includes $87.2 million in respect of Murray Basin, following the first shipment from the Port of Portland in March 2007. The reduced sales revenue related to lower volumes of zircon and synthetic rutile sales and the appreciation of the Australian dollar which more than offset the increased US dollar prices achieved for all products and increased rutile sales from Murray Basin production. Revenue from Florida/Georgia was $12.9 million lower in 2007 following the cessation of mining in 2006, with 2007 operations comprising only a tails retreatment programme.

Other Income

This represents profit from the sale of rehabilitated land in the South West of Western Australia.

Cash Costs of Production

The decrease is due mainly to the reduction in costs in Florida / Georgia following the closure of mining operations in 2006 offset by 2007 being the first full year of production in the Murray Basin following the commissioning of the Hamilton Mineral Separation Plant in January 2007 and the commencement of mining operations in March 2006. Cash costs of production in Florida / Georgia decreased by $38.8 million to $10.6 million. Cash costs of production in the Murray Basin increased by $30.0 million to $64.6 million.

Inventory Movement

The increase is mainly due to higher finished product inventories in the Mid West and Murray Basin. The higher volumes on hand compared to the prior year reflect some shipment delays associated with continuing difficulties experienced by some customers in sourcing acceptable vessels, as well as Iluka's own supply management considerations.

Marketing, Exploration and Technical cash costs

These comprise sales and marketing expenses, including Government royalties, exploration expenses and technical support costs. The total includes $10.3 million (2006: $7.2 million) in respect of greenfields exploration and project expenses not associated with existing operations.

Depreciation and Amortisation

The increase is attributable to the commencement of production in the Murray Basin (increase of $10.7 million) and higher charges in Western Australia ($13.9 million) due mainly to mining operations being at shorter life ore bodies such as Cloverdale and Waroona where depreciation of mine establishment costs is higher than that associated with longer life ore bodies at other operations.

Hedging

The $34.0 million gain from currency hedging, which is included in sales revenue, was $5.1 million higher than in 2006 due to a higher volume of hedge contracts. $26.6 million of the gain relates to Iluka currency contracts which were closed in August 2006. The contribution from CRL hedge benefits increased to $7.4 million (2006: $4.3 million) due to the appreciation of the Australian dollar.

Mining Area C

The EBIT contribution in 2007 reflects lower one-off capacity payments ($2.0 million in 2007 compared to $3.0 million in 2006) which were offset by an increase in the ongoing iron ore royalty associated with higher US dollar denominated iron ore prices and increased sales tonnages.

Other Earnings

The main component of Other Earnings in 2007 was the final New South Wales coal compensation receipts of $2.0 million that were received and recognised in the first half. There were no significant components of Other Earnings in 2006.

Corporate

These costs have reduced by 24 per cent compared with 2006 as a result of an increased focus on the appropriate nature and extent of corporate overhead costs in 2007 and a $1.1 million reduction in foreign exchange losses.

Significant Items

The significant items in 2006 related to impairment charges in the South West of Western Australia ($60.0 million), additional iron oxide rehabilitation provisions ($25.0 million), closure costs, asset impairments and profit on land sales in Florida/Georgia ($10.0 million), coal compensation income of $12.5 million and other asset write-offs of $4.6 million.

Net Interest Costs

Interest costs (net of interest income) increased to $41.8 million (2006: $40.5 million). Net debt at 31 December 2007 of $598.1 million was $1.6 million higher than at the previous year end.

Interest Capitalisation

Interest capitalisation associated with the development of the Murray Basin project ceased in December 2006 prior to the commissioning of the Mineral Separation Plant.

Other Financing Costs

These are primarily the unwind of the discount associated with the restoration and closure cost provisions which increased by $3.6 million from 2006.

Income Tax Expense

Income tax expense of $15.5 million at an effective tax rate of 24% (2006: $10.1 million at 31%) increased due to higher earnings. The effective tax rate is lower than the prevailing corporate tax rate of 30% due primarily to the concessional tax treatment of eligible research and development expenditure and the lower tax rates applicable in the United States. The effective tax rate for 2006 was high as not all of the tax benefits of the US related significant items were recognised. The income tax expense relating to the earnings from Narama Coal forms part of the profit from discontinued operations.

Discontinued Operation - Narama Coal

The increased after tax contribution of $10.9 million (2006: $9.4 million) reflects lower depreciation charges following the classification of the operation as discontinued.

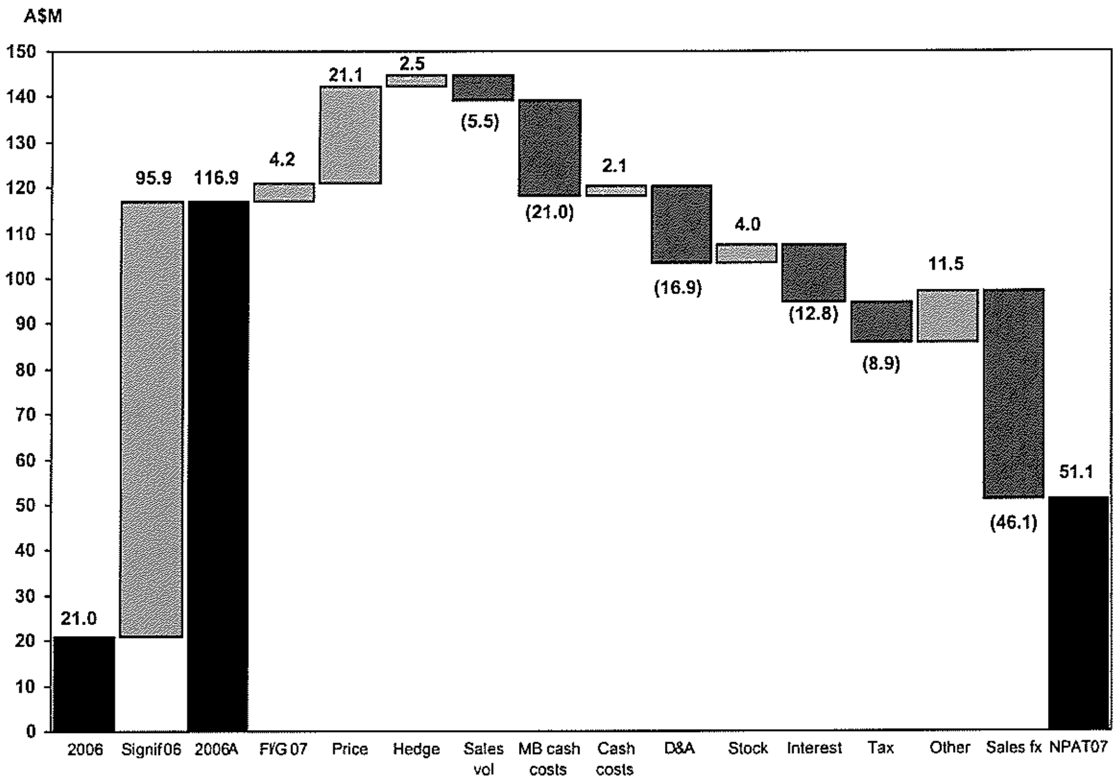
Minority Interests

Lower profits attributable to minority interests of $9.3 million (2006: $10.5 million) relate to a lower NPAT for Consolidated Rutile Ltd (Iluka 51.04%) and Ashton Coal (Iluka 93.3%).

Section III – Year-on-Year Net Profit Variances

The significant year-on-year movements in NPAT are summarised in Chart 1 below in conjunction with Explanatory Notes 1-13.

Chart 1: Net Profit after Tax and Minority Interests – Significant Year-on-Year Variances



Note that the 2007 NPAT for Florida/Georgia is presented as a single bar in the above chart. Florida/Georgia was reported as a significant item in 2006 due to the impact of closure costs and impairment charges on the results for that region. The other variance bars relate to NPAT effects of changes in Western Australia, Murray Basin, CRL and Virginia.

1. 2006 Significant Items (+ve $95.9 million)

Significant items in 2006 included; the trading losses in Florida and Georgia in the final year of mining and additional closure and impairment charges at that operation, profits from land sales in Georgia, an impairment charge for the South West operation, additional provisions in respect of the rehabilitation of iron oxide tailings in Western Australia and the recognition of a significant coal compensation settlement.

Due to the significance of these items to the 2006 result they have been added back so as to provide a more appropriate comparative NPAT.

2. Florida Tailings Retreatment Programme (+ve $4.2 million)

Following cessation of mining in Florida and Georgia in 2006 and the processing of all of the mined material, the processing assets in Florida have been used to reprocess old tailings material to extract remnant zircon. This income stream commenced in late 2006 and is now expected to run until mid 2008.

3. Selling Prices (+ve $21.1 million)

US dollar price increases achieved in 2007 equate to an average of approximately 5% compared to 2006. Increased prices applied to all major products.

4. Currency Hedging (+ve $2.5 million)

Hedging benefits of $34.0 million (pre-tax) were recognised in 2007, comprising the balance of the Iluka hedge contracts that were closed out early for cash proceeds in August 2006 and the delivery of hedge contracts by CRL which has maintained its rolling hedge programme. The CRL benefits of $7.4 million were $3.1 million higher than in 2006 (on comparable volumes) due to the higher Australian dollar compared to the settlement price of the contracts. There are no benefits associated with the Iluka hedge programme announced in December 2007 as the first contracts expire in the first quarter of 2008.

5. Sales Volumes (-ve $5.5 million)

Group mineral sands sales volumes, excluding Florida/Georgia were 19 kt higher in 2007 than in 2006, resulting in an overall negative group sales volume variance of $5.5 million.

The reduced sales volumes relate primarily to zircon in Western Australia ($56.5 million) and ilmenite in Virginia ($4.4 million), offset by rutile and zircon sales from Murray Basin . The lower overall zircon volumes reflect some shipment delays associated with continuing difficulties experienced by some customers in sourcing acceptable vessels, as well as Iluka's own supply management considerations. Virginia ilmenite sales in 2006 included product that was held over from 2005 following the impacts of Hurricane Katrina on customer processing facilities.

6. Cash Costs of Production, Murray Basin (-ve $21.0 million)

Cash production costs increased by $30.0 million (pre-tax) in Murray Basin associated with the first full year of mining and the commissioning of the Hamilton mineral separation plant in January 2007.

7. Cash Costs of Production (+ve $2.1 million)

In Western Australia, cash costs were $8.8 million (pre-tax) lower than in 2006, whilst CRL costs were higher due mainly to labour and energy. Unit cash costs, however, increased in Western Australia as rutile and zircon production volumes were lower than in 2006 due to changes in the grade and assemblage of the orebodies that were mined.

8. Depreciation and Amortisation (-ve $16.9 million)

The increase is due to the commissioning of the Hamilton mineral separation plant, changes in the mining locations in Western Australia, particularly the move to the shorter life deposits at Waroona and Cloverdale in the South West where depreciation of mine establishment costs is higher than that associated with longer life ore bodies at other operations

9. Inventory (+ve $4.0 million)

The year on year increase in inventory is comparable with 2006, resulting in higher levels of finished goods on hand at year end, particularly in Western Australia and Murray Basin due to delays in shipments and Iluka's own supply management considerations.

10. Interest (-ve $12.8 million)

In the first half of 2006, interest expenses of $13.5 million (pre-tax) were capitalised to the Murray Basin development. No interest has been capitalised in 2007 following the commissioning of the Mineral Separation Plant.

Interest on net debt increased by $1.3 million (pre-tax) as average net debt in 2007 was higher than in 2006 when debt was increased to fund the development of the Murray Basin. Net debt levels have not varied significantly since June 2006.

11. Tax benefits (-ve $8.9 million)

The impact of items which adjust tax expense from the prevailing rate of 30 per cent (20 per cent for the US operations) can vary significantly period on period. Iluka obtains the majority of its benefit from the concessional tax treatment of eligible research and development expenditure. In 2006, however, the tax expense was also impacted favourably by the recognition of $3.1 million of previously unbooked tax losses and the release of overprovisions of $4.8 million.

12. Other (+ve $11.5 million)

This item relates primarily to the gain recognised on the disposal of land at Boyanup in the South West of Western Australia in December 2007. Also included are movements in respect of Narama, Mining Area C, New South Wales coal compensation, corporate costs, technical costs, marketing, exploration and other sundry amounts.

13. Foreign Exchange on Australian Revenue (-ve $46.1 million)

Substantially all of the group's sales from its Australian operations are denominated in US dollars. The sales weighted average A$:US$ exchange rate applying to Australian based US$ revenues for 2007 was 83.90 cents compared to 75.35 cents in 2006. The variance at the half year was – ve $17.5 million based on average first half exchange rates of 81.14 cents in 2007 compared with 74.43 cents in 2006. In the second half, the average exchange rates were 86.75 cents in 2007 compared with 76.71 cents in 2006.

Section IV – Balance Sheet, Cash Flow and Debt

Table 2: Balance Sheet by Operation as at 31 December 2007 - $ million

	Western Australia	Murray Basin	Virginia	CRL	Group	2006
Receivables	106.6	18.2	16.8	24.8	**166.4**	218.0
Inventories	203.0	78.2	14.0	23.7	**318.9**	253.7
Deferred overburden	7.2	2.4	1.2	1.1	**11.9**	18.6
Trade payables and accruals	(49.5)	(11.1)	(5.0)	(15.3)	**(80.9)**	(106.4)
Employee benefits and other provisions	(17.6)	(1.6)	(0.4)	(4.8)	**(24.4)**	(28.2)
Rehabilitation & restoration provisions	(241.8)	(9.3)	(9.9)	(26.8)	**(287.8)**	(264.9)
Land & Buildings	48.7	17.8	0.2	6.4	**73.1**	61.2
Plant, Machinery & Equipment	323.6	282.5	47.4	84.7	**738.2**	644.4
Mine Reserves & Development	120.8	160.5	5.4	47.3	**334.0**	307.4
Project development	-	25.7	-	-	**25.7**	171.2
Capitalised Exploration	10.7	9.0	-	-	**19.7**	55.3
Intangibles	6.8	-	-	-	**6.8**	8.1
Operational Funds Employed	**518.5**	**572.3**	**69.7**	**141.1**	**1,301.6**	**1,338.4**
Capitalised Eucla Expenditure					**34.6**	21.6
Mining Area C (Iron Ore)					**13.7**	13.2
Corporate					**7.5**	3.0
Discontinued Operation (Narama Coal)					**24.8**	26.5
Florida/Georgia (includes Rehabilitation Provisions)					**(10.9)**	(33.6)
Mark-to-Market Hedge book					**8.8**	5.2
Tax Balances					**(30.4)**	(61.3)
Net Investment					**1,349.7**	**1,313.0**
Funded by:						
Net Debt					**598.1**	596.5
Shareholders Funds					**751.6**	716.5
Net Funding					**1,349.7**	**1,313.0**

Table 3: Movement in Net Debt – $ million

	Movement in Net Debt			
	1st Half 2007	2nd Half 2007	2007	2006
Opening Net Debt	**(596.5)**	**(608.5)**	**(596.5)**	**(554.2)**
Operating Cash Flow	61.0	34.5	95.5	142.2
Payments for Property, Plant & Equipment	(76.6)	(41.6)	(118.2)	(172.7)
Proceeds from Disposals	0.4	15.8	16.2	41.9
Net Dividends Paid	(7.2)	(3.6)	(10.8)	(61.2)
Exchange Revaluation of Net Debt	10.6	5.5	16.1	7.9
Other	(0.2)	(0.2)	(0.4)	(0.4)
(Increase)/Decrease in Net Debt	**(12.0)**	**10.4**	**(1.6)**	**(42.3)**
Closing Net Debt	**(608.5)**	**(598.1)**	**(598.1)**	**(596.5)**

Operating Cash Flow

Iluka generated a reduced operating cash flow in 2007 of $95.5 million compared with $142.2 million in 2006 due primarily to reduced sales volumes and the adverse impacts of the appreciation of the Australian dollar on receipts from customers which are substantially all denominated in US dollars, whilst the majority of costs are Australian dollar denominated.

Capital Expenditure

Capital expenditure for 2007 was $118.2 million, compared with $172.7 million in 2006. The lower capital expenditure is due to significantly lower capital expenditure of $25.0 million in the Murray Basin compared to $52.3 million in 2006, cancellation of some planned capital expenditure and the deferral of some planned expenditure from 2007 to 2008.

Net Dividends Paid

Net cash used for dividend payments in 2007 totalled $10.8 million compared with $61.2 million in 2006. Dividend payments in 2007 represent amounts paid to the minority shareholders of CRL as Iluka dividends in 2007 were subject to a fully underwritten Dividend Reinvestment Plan ("DRP"). Proceeds from the issue of shares to the underwriter were used to pay cash dividends to shareholders who did not participate in the DRP resulting in no net cash flow in respect of Iluka dividends. Cash payments of Iluka dividends in 2006 were $51.2 million.

Section V - Operational Overview

Western Australian Operations

Table 4: Western Australian Production and Sales Volumes and Financial Summary

		2007	2006	% change
Total Production Volumes				
- Rutile	kt	77.1	89.9	(14.2)
- Synthetic Rutile	kt	526.6	506.6	3.9
- Ilmenite	kt	1,234.3	1,254.8	(1.6)
- Other[1]	kt	23.4	23.5	(0.4)
- Zircon	kt	244.5	309.7	(21.1)
Total Sales Volumes				
- Rutile	kt	84.2	79.9	5.4
- Synthetic Rutile	kt	486.4	502.6	(3.2)
- Ilmenite	kt	478.7	444.0	7.8
- Other[1]	kt	32.8	27.2	20.5
- Zircon	kt	217.4	306.5	(29.1)
Sales Revenue (pre-hedging)	$m	548.6	671.4	(18.3)
Cash Cost of Production	$m	(441.3)	(451.8)	2.3
Stock Movements	$m	44.8	3.5	-
Cash Cost of Goods Sold	$m	(396.5)	(448.3)	11.6
Marketing, Exploration and Technical costs	$m	(28.3)	(35.7)	20.7
Other Income (Asset Sales)	$m	10.6	-	-
EBITDA (pre-hedging)	$m	134.4	187.4	(28.3)
Hedging	$m	26.6	24.6	8.1
EBITDA	$m	161.0	212.0	(24.0)
Depreciation & Amortisation	$m	(91.3)	(77.4)	(17.9)
EBIT (excluding Significant Items)	$m	69.7	134.6	(48.2)
Capital Expenditure	$m	67.2	78.4	(14.3)

[1] Includes Hyti 91 and Hyti 70

Key Points:

- Lower sales revenue was associated with reduced sales volumes of higher value zircon products and higher exchange rates. The lower zircon volumes reflect some shipment delays associated with continuing difficulties experienced by some customers in sourcing acceptable vessels, as well as Iluka's own supply management considerations.
- Higher production of synthetic rutile reflects performance improvements in the kilns and reduced downtime from major maintenance outages relative to the corresponding prior period.
- Lower rutile and zircon production reflects different ore body assemblages compared with the prior year.
- All 2007 hedge benefits relate to contracts closed out in 2006.

Murray Basin Operations

Table 5: Murray Basin Production and Sales Volumes and Financial Summary

		2007	2006	% change
Total Production Volumes				
- Rutile	kt	59.3	-	-
- Leucoxene	kt	2.3	-	-
- Zircon	kt	128.3	-	-
Total Sales Volumes				
- Rutile	kt	55.1	-	-
- Leucoxene	kt	1.3	-	-
- Zircon	kt	62.8	-	-
Sales Revenue	$m	87.2	-	-
Cash Cost of Production	$m	(64.6)	(34.6)	(86.7)
Stock Movements	$m	18.7	34.6	(46.0)
Cash Cost of Goods Sold	$m	(45.9)	-	-
Marketing, Exploration and Technical costs	$m	(4.7)	-	-
EBITDA	$m	36.6	-	-
Depreciation & Amortisation	$m	(25.3)	-	-
EBIT	$m	11.3	-	-
Capital Expenditure	$m	25.0	52.3	(52.2)

Key points:

- The Hamilton Mineral Separation Plant (MSP) was commissioned in January 2007. The initial shipment of finished product from the Port of Portland occurred on 31 March 2007.
- 2006 production comprised Heavy Mineral Concentrate from the Douglas Concentrator which was commissioned in April 2006. This material was stockpiled prior to the commissioning of the Hamilton MSP, depreciation and amortisation of $14.6 million in 2006 was included in the value of inventory at 31 December 2006.
- Sales revenue also includes $2.0 million from the sale of tin concentrate.

CRL
(Note: figures below are on a 100% basis. Iluka has a 51.04% interest in CRL).

Table 6: CRL Production and Sales Volumes and Financial Summary

		2007	2006	% change
Total Production Volumes				
- Rutile	kt	79.5	72.2	10.1
- Ilmenite	kt	174.4	176.8	(1.3)
- Zircon	kt	60.6	53.0	14.3
Total Sales Volumes				
- Rutile	kt	80.6	78.0	3.3
- Ilmenite	kt	205.8	178.2	15.5
- Zircon	kt	53.4	51.3	4.1
Sales Revenue (pre-hedging)	$m	117.3	121.7	(3.6)
Cash Cost of Production	$m	(76.6)	(65.8)	(16.4)
Stock Movements	$m	2.7	(2.4)	-
Cash Cost of Goods Sold	$m	(73.9)	(68.2)	(8.4)
Marketing, Exploration and Technical costs	$m	(5.7)	(6.9)	17.4
EBITDA (pre-hedging)	$m	37.7	46.6	(19.1)
Hedging	$m	7.4	4.3	72.1
EBITDA	$m	45.1	50.9	(11.4)
Depreciation & Amortisation	$m	(14.6)	(14.8)	1.4
EBIT	$m	30.5	36.1	(15.6)
Capital Expenditure	$m	7.0	16.5	(57.6)

Key Points:

- Ore production increased due to improved mine productivity.
- Unit cash costs of production were 6% lower than 2006 levels, with higher production volumes more than offsetting cost pressures.
- Currency hedging revenues increased on similar volume of hedge deliveries due to the strengthening Australian dollar.
- Capital expenditure was higher in 2006, due to the dry mill rutile circuit upgrade project.

Virginia - USA

Table 7: Virginia Production and Sales Volumes and Financial Summary

		2007	2006	% change
Total Production Volumes				
- Ilmenite	kt	225.5	245.1	(8.0)
- Zircon	kt	63.5	67.6	(6.1)
Total Sales Volumes				
- Ilmenite	kt	253.6	284.8	(11.0)
- Zircon	kt	65.5	65.1	0.6
Sales Revenue	$m	94.9	111.2	(14.7)
Cash Cost of Production	$m	(60.8)	(69.3)	12.3
Stock Movements	$m	(4.3)	2.6	-
Cash Cost of Goods Sold	$m	(65.1)	(66.7)	2.4
Marketing, Exploration and Technical costs	$m	(3.0)	(4.0)	25.0
EBITDA	$m	26.8	40.5	(33.8)
Depreciation & Amortisation	$m	(13.1)	(13.2)	0.8
EBIT	$m	13.7	27.3	(49.8)
Capital Expenditure	$m	6.1	3.7	64.9

Key Points:

- Lower production of ilmenite and zircon in 2007 due to lower grade and recoveries.
- Lower ilmenite sales volumes in 2007 as sales in 2006 included deliveries deferred from 2005 due to the impact of Hurricane Katrina.
- Lower production costs were due to the higher Australian dollar in 2007 compared with 2006 as these costs are incurred in US dollars.
- Higher capital expenditure in 2007 due to work on the Brink project.

Florida/Georgia – USA

Table 8: Florida/Georgia Production and Sales Volumes and Financial Summary

		2007	**2006**	**% change**
Total Production Volumes				
- Rutile	kt	-	10.6	-
- Ilmenite	kt	-	10.7	-
- Leucoxene	kt	-	17.4	-
- Zircon	kt	17.0	15.4	10.4
Total Sales Volumes				
- Rutile	kt	-	12.3	-
- Ilmenite	kt	-	14.8	-
- Leucoxene	kt	-	17.5	-
- Zircon	kt	17.2	15.3	12.4
Sales Revenue	$m	16.0	28.9	(44.6)
Cash Cost of Production	$m	(10.6)	(49.4)	78.5
Stock Movements	$m	-	(3.2)	-
Cash Cost of Goods Sold	$m	(10.6)	(52.6)	79.8
Marketing, Exploration and Technical costs	$m	-	(0.8)	-
EBITDA	$m	5.4	(24.5)	-
Depreciation & Amortisation	$m	(0.2)	(0.9)	-
EBIT (ex non-trading Significant Items)	$m	5.2	(25.4)	-
Capital Expenditure	$m	-	-	-

Key Points:

- Production and sales in 2007 are from the reprocessing of zircon tailings which commenced late in 2006.
- Rehabilitation and mine closure activities continue in Florida and Georgia. Work was completed at the Georgia site in early 2008 and is expected to be substantially complete in Florida by mid-2008.
- Florida/Georgia trading losses in 2006 were classified as a Significant Item, they are presented above for comparison purposes.

Iluka Resources Limited
Preliminary consolidated income statement
For the year ended 31 December 2007

	Notes	Consolidated 2007 $M	2006 $M
Revenue from continuing operations	3	**920.1**	983.4
Other income	4	**13.6**	43.0
Expenses, excluding borrowing costs, closure costs and impairment charges	5	**(808.3)**	(847.7)
Interest and finance charges		**(43.8)**	(29.0)
Rehabilitation and restoration accretion expense		**(16.6)**	(13.0)
Total borrowing costs	5	**(60.4)**	(42.0)
Closure costs and impairment charges	5	**-**	(104.5)
Profit before income tax from continuing operations		**65.0**	32.2
Income tax expense	6	**(15.5)**	(10.1)
Profit from continuing operations		**49.5**	22.1
Profit from discontinued operations	7	**10.9**	9.4
Profit for the year		**60.4**	31.5
Profit attributable to minority interest		**(9.3)**	(10.5)
Profit attributable to members of Iluka Resources Limited		**51.1**	21.0
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	12	**17.0**	5.0
Diluted earnings per share	12	**17.0**	5.0
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	12	**21.6**	9.1
Diluted earnings per share	12	**21.6**	9.1

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

Iluka Resources Limited
Preliminary consolidated balance sheet
As at 31 December 2007

	Notes	Consolidated 2007 $M	2006 $M
ASSETS			
Current assets			
Cash and cash equivalents		**19.9**	17.4
Receivables		**190.5**	232.2
Inventories		**319.9**	249.4
Derivative financial instruments		**7.8**	3.5
Current tax assets		**12.7**	-
Other		**11.2**	17.9
Assets of disposal group classified as held for sale	7	**31.6**	33.2
Total current assets		**593.6**	553.6
Non-current assets			
Receivables		**-**	3.8
Inventories		**-**	5.5
Other financial assets		**1.2**	1.2
Property, plant and equipment		**1,246.4**	1,266.3
Derivative financial instruments		**1.0**	1.7
Deferred tax assets		**9.9**	14.9
Intangible assets		**15.2**	16.8
Other		**0.7**	0.7
Total non-current assets		**1,274.4**	1,310.9
Total assets		**1,868.0**	1,864.5
LIABILITIES			
Current liabilities			
Payables		**113.1**	133.4
Interest-bearing liabilities		**230.7**	194.0
Current tax liabilities		**8.3**	19.4
Provisions		**55.2**	57.9
Liabilities of disposal group classified as held for sale	7	**6.8**	6.7
Total current liabilities		**414.1**	411.4
Non-current liabilities			
Interest-bearing liabilities		**387.3**	419.9
Deferred tax liabilities		**44.7**	56.8
Provisions		**270.3**	259.9
Total non-current liabilities		**702.3**	736.6
Total liabilities		**1,116.4**	1,148.0
Net assets		**751.6**	716.5
EQUITY			
Contributed equity	8	**662.6**	611.0
Reserves		**23.8**	39.7
Retained losses		**(2.8)**	(3.5)
Parent entity interest		**683.6**	647.2
Minority interest		**68.0**	69.3
Total equity		**751.6**	716.5

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

	Consolidated	
	2007	2006
	$M	$M
Exchange differences on translation of foreign entities	**3.2**	(0.6)
Cash flow hedges, net of tax	**(16.4)**	(10.9)
Actuarial losses on defined benefit plans	**(0.2)**	(0.1)
Net expense recognised directly in equity	**(13.4)**	(11.6)
Profit for the year	**60.4**	31.5
Total recognised income and expense for the year	**47.0**	19.9
Total recognised income and expense for the year is attributable to:		
Members of Iluka Resources Limited	**37.4**	9.0
Minority interest	**9.6**	10.9
	47.0	19.9

The above preliminary statement of recognised income and expense should be read in conjunction with the accompanying notes.

Iluka Resources Limited
Preliminary consolidated cash flow statement
For the year ended 31 December 2007

	Notes	Consolidated 2007 $M	2006 $M
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**957.4**	1,010.1
Payments to suppliers and employees (inclusive of goods and services tax)		**(841.4)**	(855.2)
		116.0	154.9
Interest received		**1.3**	1.3
Borrowing costs		**(45.2)**	(41.2)
Income taxes paid		**(39.7)**	(23.8)
Goods and services tax received		**47.2**	49.7
Payments for exploration expenditure		**(18.5)**	(20.1)
Coal compensation receipts		**14.5**	1.5
Royalty income		**19.0**	18.7
Receipts from other operating activities		**0.9**	1.2
Net cash inflow from operating activities	11	**95.5**	142.2
Cash flows from investing activities			
Payments for property, plant and equipment		**(118.2)**	(172.7)
Proceeds from sale of property, plant and equipment		**16.2**	41.9
Net cash (outflow) from investing activities		**(102.0)**	(130.8)
Cash flows from financing activities			
Proceeds from borrowings		**37.4**	123.9
Repayment of borrowings		**(16.4)**	(74.6)
Dividends paid	9	**(39.4)**	(51.2)
Dividends paid to minority interests in controlled entities		**(10.8)**	(10.0)
Proceeds from issue of ordinary shares		**39.4**	-
Share issue costs		**(0.1)**	-
Net cash inflow (outflow) from financing activities		**10.1**	(11.9)
Net increase (decrease) in cash and cash equivalents		**3.6**	(0.5)
Cash and cash equivalents at the beginning of the year		**17.4**	18.2
Effects of exchange rate changes on cash and cash equivalents		**(1.1)**	(0.3)
Cash and cash equivalents at end of year		**19.9**	17.4

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

1 Summary of significant accounting policies

These preliminary consolidated financial statements relate to Iluka Resources Limited and the entities it controlled at the end of, or during the year ended 31 December 2007. The accounting policies adopted are consistent with those of the previous financial year.

2 Segment information

(a) Primary reporting format - geographical segments

2007	WA $M	MB $M	QLD - CRL $M	VA $M	FL/G $M	MAC $M	Other $M	Continuing operations $M	Discontinued operations $M	Consolidated $M
Sales to external customers	575.2	87.2	124.6	94.9	16.0	-	-	897.9	40.7	938.6
Other revenue/income	11.2	-	0.2	0.6	-	19.9	3.9	35.8	-	35.8
Total segment revenue/income	586.4	87.2	124.8	95.5	16.0	19.9	3.9	933.7	40.7	974.4
Total segment result	69.8	8.9	30.5	13.7	5.2	19.6	(24.0)	123.7	16.0	139.7
Rehabilitation and restoration accretion expense								(16.6)	(0.5)	(17.1)
Interest and finance costs								(43.8)	-	(43.8)
Interest revenue								1.7	-	1.7
Profit before income tax								65.0	15.5	80.5
Income tax expense								(15.5)	(4.6)	(20.1)
Profit for the year								49.5	10.9	60.4
Segment assets	861.1	594.4	198.1	83.3	21.8	13.7	41.4	1,813.8	31.6	1,845.4
Unallocated assets								22.6	-	22.6
Total assets								1,836.4	31.6	1,868.0
Segment liabilities	326.6	22.1	46.9	15.8	22.8	-	4.4	438.6	6.8	445.4
Unallocated liabilities								671.0	-	671.0
Total liabilities								1,109.6	6.8	1,116.4
Acquisition of property, plant and equipment and other non-current segment assets	76.2	26.5	7.0	5.5	2.7	-	17.8	135.7	0.5	136.2
Depreciation and amortisation expense	90.7	25.3	14.5	13.0	0.2	0.4	0.8	144.9	3.0	147.9
Other non-cash expenses	36.7	1.2	3.1	0.2	-	-	-	41.2	0.1	41.3

WA - Western Australia Operations

MB - Murray Basin (New South Wales/Victoria - Australia)

QLD - CRL Queensland, Australia

VA - Virginia, United States of America

FL/G - Florida/Georgia, United States of America

MAC - Mining Area C Iron Ore (Western Australia)

Other - Includes coal compensation, exploration, project expenses and other corporate costs incurred not attributable to any of the group's operating regions

2 Segment information (continued)

2006	WA $M	MB $M	QLD - CRL $M	VA $M	FL/G $M	MAC $M	Other $M	Continuing operations $M	Discontinued operations $M	Consolidated $M
Sales to external customers	696.1	-	125.9	111.2	28.9	-	-	962.1	41.1	1,003.2
Other revenue/income	1.1	0.1	0.4	0.5	29.9	19.1	13.2	64.3	-	64.3
Total segment revenue/income	697.2	0.1	126.3	111.7	58.8	19.1	13.2	1,026.4	41.1	1,067.5
Segment result before notable items (and impairment charges)	148.8	-	33.1	27.9	(25.1)	18.7	(43.7)	159.7	13.9	173.6
Closure costs and impairment charges	(60.0)	-	-	-	(39.9)	-	-	(99.9)	-	(99.9)
Coal compensation	-	-	-	-	-	-	12.5	12.5	-	12.5
Profit on sale of Brunswick property	-	-	-	-	29.9	-	-	29.9	-	29.9
Iron oxide provision	(25.0)	-	-	-	-	-	-	(25.0)	-	(25.0)
Write-off of assets	-	(4.6)	-	-	-	-	-	(4.6)	-	(4.6)
Total segment result	63.8	(4.6)	33.1	27.9	(35.1)	18.7	(31.2)	72.6	13.9	86.5
Rehabilitation and restoration accretion expense								(13.0)	(0.4)	(13.4)
Interest and finance costs								(29.0)	-	(29.0)
Interest revenue								1.6	-	1.6
Profit before income tax								32.2	13.5	45.7
Income tax expense								(10.1)	(4.1)	(14.2)
Profit for the year								22.1	9.4	31.5
Segment assets	889.1	554.8	203.4	111.0	19.1	13.2	25.8	1,816.4	33.2	1,849.6
Unallocated assets								14.9	-	14.9
Total assets								1,831.3	33.2	1,864.5
Segment liabilities	315.0	13.0	40.3	15.4	38.7	-	28.8	451.2	6.7	457.9
Unallocated liabilities								690.1	-	690.1
Total liabilities								1,141.3	6.7	1,148.0
Acquisition of property, plant and equipment and other non-current segment assets	91.1	61.7	17.1	4.8	-	-	18.6	193.3	3.8	197.1
Depreciation and amortisation expense	76.9	14.6	14.8	13.2	0.9	0.4	0.4	121.2	6.1	127.3
Other non-cash expenses	33.5	0.8	2.2	1.8	12.8	-	0.4	51.5	-	51.5

(b) Secondary reporting format - business segments

	Segment revenue from sales to external customers		Segment assets		Acquisition of property, plant & equipment & other non-current segment assets	
	2007 $M	2006 $M	**2007 $M**	2006 $M	**2007 $M**	2006 $M
Continuing operations						
Titanium minerals and zircon	**897.9**	962.1	**1,800.1**	1,803.2	**135.7**	193.3
Iron ore royalty	**-**	-	**13.7**	13.2	**-**	-
	897.9	962.1	**1,813.8**	1,816.4	**135.7**	193.3
Discontinued operations						
Coal	**40.7**	41.1	**31.6**	33.2	**0.5**	3.8
	40.7	41.1	**31.6**	33.2	**0.5**	3.8
Total	**938.6**	1,003.2	**1,845.4**	1,849.6	**136.2**	197.1

2 Segment information (continued)

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

	Consolidated 2007 $M	Consolidated 2006 $M
Continuing operations		
North America	**199.1**	211.2
Europe	**306.2**	329.5
Asia	**342.0**	338.5
Australia	**50.6**	82.9
	897.9	962.1
Discontinued operations		
Australia	**40.7**	41.1
Total sales revenue	**938.6**	1,003.2

3 Revenue

	Consolidated 2007 $M	2006 $M
From continuing operations		
Sales revenue		
Sale of goods	**897.9**	962.1
Other revenue		
Interest	**1.7**	1.6
Management fee income	**0.1**	-
Royalty income	**19.9**	19.1
Rental income	**0.5**	0.6
	22.2	21.3
	920.1	983.4
From discontinued operations		
Sales Revenue		
Sale of goods	**40.7**	41.1

4 Other income

	Consolidated 2007 $M	2006 $M
Net gain on disposal of property, plant and equipment	**11.3**	29.9
Coal compensation receipts	**2.0**	12.5
Sundry income	**0.3**	0.6
	13.6	43.0

5 Expenses

	Consolidated 2007 $M	2006 $M
From continuing operations		
Cost of production*	**592.0**	646.3
Depreciation	**104.8**	85.6
Amortisation	**40.1**	35.6
Cost of sales of goods	**736.9**	767.5
Corporate administration and finance	**19.5**	25.6
Marketing and selling including government royalties	**28.2**	35.5
Research and technical support	**9.9**	6.3
Exploration and evaluation	**13.8**	12.8
Expenses, excluding borrowing costs, from continuing operations	**808.3**	847.7
* Included in 2006 cost of production is $25.0 million relating to the provisions for rehabilitation of iron oxide in tailings dams		
Expenses, excluding borrowing costs, from discontinued operations	**24.7**	27.2
Profit before income tax includes the following specific expenses:		
Florida/Georgia closure costs and impairment charges		
Provision for diminution in asset values	-	27.6
Rehabilitation and closure provisions	-	12.3
	-	39.9
Western Australian and Murray Basin impairment charges		
South West - provision for diminution in asset values	-	60.0
Murray Basin - write-off of assets	-	4.6
	-	64.6
Total closure costs and impairment charges	-	104.5
Borrowing costs from continuing operations		
Interest and finance charges paid/payable	**43.5**	42.1
Rehabilitation and restoration accretion expense	**16.6**	13.0
Amortisation of deferred borrowing costs	**0.3**	0.4
Interest capitalised	-	(13.5)
Borrowing costs expensed from continuing operations	**60.4**	42.0
Borrowing costs from discontinued operations (rehabilitation and restoration accretion expense)	**0.5**	0.4

6 Income tax

	Consolidated 2007 $M	2006 $M
(a) Income tax expense		
Current tax	**24.4**	35.2
Deferred tax	**(4.8)**	(16.2)
Under (over) provided in prior years	**0.5**	(4.8)
	20.1	14.2
Income tax expense is attributable to:		
Profit from continuing operations	**15.5**	10.1
Profit from discontinued operations	**4.6**	4.1
Aggregate income tax expense	**20.1**	14.2
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	**1.5**	4.4
(Decrease) in deferred tax liabilities	**(6.3)**	(20.6)
	(4.8)	(16.2)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**65.0**	32.2
Profit from discontinued operations before income tax expense	**15.5**	13.5
	80.5	45.7
Tax at the Australian tax rate of 30% (2006: 30%)	**24.1**	13.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Unfranked dividends received	**-**	0.9
Tax base of foreign exchange hedge contracts	**-**	(0.2)
Capital gains shielded by capital losses	**(0.5)**	-
Research and development	**(3.5)**	(6.1)
Other non-deductible / non-assessable items	**0.6**	0.3
Benefit of tax losses not recognised	**-**	8.5
	20.7	17.1
Difference in overseas tax rates	**(1.1)**	1.9
Under (over) provision in prior years*	**0.5**	(4.8)
Total income tax expense	**20.1**	14.2

*Included in the net over provision of income tax in prior years is an amount of $1.7 million (2006: $3.7 million) for the consolidated entity relating to additional research and development deductions identified subsequent to the 31 December 2006 and 31 December 2005 year ends.

7 Discontinued operations

(a) Description

In February 2007, Iluka announced its intention to consider the divestment of its 50 per cent interest in the Narama Coal joint venture. On 7 August 2007, Iluka announced that it had reached agreement to sell its interest in the joint venture. The interest in the joint venture was sold on 15 January 2008 with effect from 1 January 2008 and is reported in this financial report as a discontinued operation.

7 Discontinued operations (continued)

Financial information relating to the discontinued operation is set out below. Further information is set out in note 2 - segment information.

(b) Financial performance and cash flow information

	Consolidated 2007 $M	Consolidated 2006 $M
Revenue (note 3)	**40.7**	41.1
Expenses	**(25.2)**	(27.6)
Profit before income tax	**15.5**	13.5
Income tax expense	**(4.6)**	(4.1)
Profit from discontinued operations	**10.9**	9.4
Net cash inflow from operating activities	**21.4**	22.7
Net cash outflow from investing activities	**(0.3)**	(0.9)
Net increase in cash generated by the discontinued operation	**21.1**	21.8

(c) Carrying amounts of assets and liabilities

	Consolidated 2007 $M	Consolidated 2006 $M
Property, plant and equipment	**26.9**	29.4
Trade receivables	**3.0**	3.6
Inventories	**1.7**	0.2
Total assets	**31.6**	33.2
Trade creditors	**-**	(0.2)
Provision for rehabilitation and mine closure	**(6.8)**	(6.5)
Total liabilities	**(6.8)**	(6.7)
Net assets	**24.8**	26.5

8 Contributed equity

	31 December 2007 Number of shares	31 December 2006 Number of shares	31 December 2007 Paid up value $M	31 December 2006 Paid up value $M
(a) Share capital				
Ordinary shares				
Ordinary securities at beginning of period	**232,914,349**	232,914,349	**611.0**	611.0
Shares issued under Dividend Reinvestment Plan	**9,322,979**	-	**51.7**	-
Share issue costs	**-**	-	**(0.1)**	-
	242,237,328	232,914,349	**662.6**	611.0

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$M
1 January 2007	Opening balance	232,914,349		611.0
7 May 2007	Dividend Reinvestment Plan issue to shareholders	1,222,687	5.68	6.9
7 May 2007	Dividend Reinvestment Plan issue to underwriter	3,637,993	5.77	21.0
7 May 2007	Transaction costs arising on share issue	-		(0.1)
19 October 2007	Dividend Reinvestment Plan issue to shareholders	1,017,118	5.27	5.4
19 October 2007	Dividend Reinvestment Plan issue to underwriter	3,445,181	5.35	18.4
31 December 2007	Balance	242,237,328		662.6

(c) Dividend reinvestment plan

The company has established a fully underwritten dividend reinvestment plan under which eligible holders of ordinary shares can 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. Shares are issued under the plan at a discount to the market price of 2.5 percent and 1.0 percent to shareholders and the underwriter respectively.

In respect of the final dividend distributed on 7 May 2007, 1,222,687 shares were issued to shareholders at a price of $5.68 per share. A further 3,637,993 shares were issued to the underwriter at a price of $5.77 per share. Issue costs relating to the issue of share under the dividend reinvestment plan totalled $0.1 million. In respect of the interim dividend on 19 October 2007, 1,017,118 shares were issued to shareholders at a price of $5.27 per share. A further 3,445,181 shares were issued to the underwriter at a price of $5.35 per share.

9 Dividends

	Parent entity 2007 $M	Parent entity 2006 $M
(a) Ordinary shares		
Final dividend for the year ended 31 December 2006 of 12 cents fully franked (2005: 12 cents partly franked to 9.6 cents at 30 per cent) per fully paid share		
Paid in cash	**21.0**	27.9
Satisfied by issue of shares	**6.9**	-
Interim dividend for the year ended 31 December 2007 of 10 cents fully franked (2006: 10 cents fully franked) per fully paid share		
Paid in cash	**18.4**	23.3
Satisfied by issue of shares	**5.4**	-
	51.7	51.2
(b) Dividends not recognised at year end		
The dividend not recognised as a liability at year-end, is	**-**	27.9

10 Contingent liabilities

	Consolidated 2007 $M	Consolidated 2006 $M
Contingent liabilities		
Details and estimates of maximum amounts of contingent liabilities are as follows:		
Performance and financial guarantees (a)	**88.3**	75.2

10 Contingent liabilities (continued)

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

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

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

(d) In 2004, Iluka entered into a largely lump sum Engineering, Procurement and Construction (EPC) contract with Downer Mining (formerly Roche Mining) for the construction of a wet concentrator plant and a mining unit plant at Douglas and a mineral separation plant at Hamilton in Victoria, both in the Murray Basin. The original contract price was $197 million. Downer Mining was over 12 months late in completing construction activities. During the course of construction, Downer Mining lodged contractual claims in excess of $160 million in respect to the wet concentrator plant and mining unit plant at Douglas and the mineral separation plant at Hamilton. In accordance with the procedures under the contract, Downer Mining's claims were properly assessed and all but a small proportion were duly rejected as being without contractual and legal basis. In October 2007, Downer Mining commenced proceedings in the Victorian Supreme Court claiming $68.4 million from Iluka in respect to various alleged breaches by Iluka of the EPC contract. This latest claim supersedes Downer Mining's earlier ambit contractual claims of $160 million (referred to above). Iluka also has significant counterclaims against Downer Mining which will be detailed in its defence and counterclaim. Based on detail assessment and external specialist legal advice, the claims continue to be rejected and, accordingly, no liability has been recognised.

(e) In December 2006, Iluka entered into an in-principle letter agreement with Bemax Resources Limited (Bemax) regarding the sale to Bemax of a series of tenements known as the Tutunup deposit. In the letter agreement, the two parties set out a process for agreeing on a net present value of the assets upon which the sale price would be based. The parties could not come to an agreement on the valuation, and negotiations for the sale ceased. In December 2007 Bemax commenced proceedings against Iluka in the Supreme Court of Western Australia. Bemax claims that the letter agreement created a binding obligation to sell the Tutunup tenements to Bemax for $12 million. Bemax is seeking specific performance of the letter agreement, or, if the court is not able to order Iluka to transfer the tenements to Bemax, damages for lost opportunities. Based on detail assessment and external specialist legal advice, the claims continue to be rejected and, accordingly, no liability has been recognised.

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

	Consolidated 2007 $M	Consolidated 2006 $M
Profit after income tax	**60.4**	31.5
Depreciation and amortisation	**147.9**	127.3
Previously capitalised exploration expenditure written-off	**1.1**	1.3
Current year exploration expenditure capitalised	**(5.5)**	(7.0)
Interest capitalised	**-**	(13.5)
Net gain on disposal of property, plant and equipment	**(11.3)**	(30.1)
Net exchange differences on borrowings	**(9.7)**	2.4
Rehabilitation, restoration and accretion expense	**17.5**	13.4
Non-cash employee benefits	**1.3**	(0.5)
Asset impairments and write-offs	**-**	92.2
Amortisation of deferred borrowing costs	**0.3**	0.4
Hedge gains recognised in respect of hedgebook realised in August 2006	**(26.6)**	-
Change in operating assets and liabilities		
Decrease (increase) in receivables	**40.4**	(52.3)
Decrease (increase) in inventories	**(68.6)**	(51.8)
Decrease (increase) in deferred tax assets	**3.8**	6.0
Decrease (increase) in other operating assets	**6.7**	29.3
Decrease (increase) in income tax receivable	**(12.6)**	-
Increase (decrease) in payables	**(13.3)**	(12.9)
Increase (decrease) in other operating liabilities	**(2.5)**	2.8
Increase (decrease) in provision for income taxes payables	**(6.6)**	4.1
Increase (decrease) in provision for deferred tax liabilities	**(5.4)**	(20.1)
Increase (decrease) in other provisions	**(21.8)**	19.7
Net cash inflow from operating activities	**95.5**	142.2

12 Earnings per share

	Consolidated 2007 Cents	2006 Cents
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the company		
Basic earnings per share	17.0	5.0
Diluted earnings per share	17.0	5.0
Earnings per share for profit attributable to ordinary equity holders of the company		
Basic earnings per share	21.6	9.1
Diluted earnings per share	21.6	9.1

(a) Reconciliations of earnings used in calculating earnings per share

	Consolidated 2007 $M	2006 $M
Profit from continuing operations	49.5	22.1
Profit from continuing operations attributable to minority interests	(9.3)	(10.5)
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	40.2	11.6
Profit from discontinued operation	10.9	9.4
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	51.1	21.0

(b) Weighted average number of shares used as the denominator

	Consolidated 2007 Number	2006 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	236,966,229	232,914,349
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	236,966,229	232,914,349

Additional dividend/distribution information *(Appendix 4E item 6)*
Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2007 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security
16 April 2007	7 May 2007	Final	12.0 cents	$ 27,949,722	12.0 cents
2 October 2007	19 October 2007	Interim	10.0 cents	$ 23,777,371	10.0 cents

Status of Audit

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