Iluka Resources Limited ABN 34 008 675 018
ASX Preliminary final report - 31 December 2009

Lodged with the ASX under listing rule 4.3A

Iluka Resources Limited
For the year ended 31 December 2009
(Previous corresponding period: Year ended 31 December 2008)

Results for Announcement to the Market
31 December 2009

				$M
Revenue from ordinary activities *(Appendix 4E item 2.1)*	down	36.7 %	to	586.0
Profit / (loss) from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)*	down	- %	to	(108.6)
Net profit / (loss) for the period attributable to members *(Appendix 4E item 2.3)*	down	- %	to	(108.6)

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

Key Ratios	**2009**	2008
	December	December
Basic and diluted earnings per share (cents)	**(26.8)**	22.4
EBITDA/Net interest payable (times)	**3.6**	8.7
Operating cash flow per share (cents)	**19.1**	67.4
Return on Equity (%) (annualised)	**(9.9)**	7.9

Key Ratios	**2009**	2008
Gearing (%) (net debt / (net debt + equity)	**25.9**	17.4
Net tangible assets per share ($)	**2.58**	2.69

Status of Audit

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

4E Financial Commentary

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

Section I - Overview

Reported earnings

Iluka recorded a net loss after tax and minority interests for the year of $108.6 million, compared with a net profit of $77.5 million for the previous corresponding period. The result includes a significant non-cash charge of $67.6 million, before tax, and a contribution of $23.3 million from the sale of Iluka's interest in Consolidated Rutile Limited ("CRL").

Sales volumes declined by 37 per cent from 2008, including a 55 per cent reduction in zircon sales volumes. Sales revenue, including hedge losses, declined by 38.1 per cent to $533.1 million (2008: $861.8 million).

In response to an unprecedented reduction in short term demand for mineral sands products, particularly zircon, associated with the global economic crisis, Iluka took a number of actions to reduce production and ongoing cash costs at its existing operations. The actions were aimed at more closely matching supply with demand and resulted in restructure and idle capacity cash costs of $57.8 million, directly expensed depreciation on idled assets of $32.8 million and a non-cash charge of $67.6 million to write off the fair value ascribed to deposits acquired in 1998 and 2002 which are now unlikely to be mined. In the previous corresponding period $12.6 million of cash costs and depreciation of $6.1 million were directly expensed due to production curtailments as a result of the Western Australia gas supply disruption.

Total cash costs of production of $453.6 million were 19.6 per cent lower than 2008 due to the changes in production made during the year. Unit cash costs of production of saleable product increased by 12.2 per cent to $396/t due to a 27.8 per cent reduction in production volumes associated with the production curtailments and the cessation of lower value ilmenite mining operations in Western Australia as they reached the end of their economic lives.

Total group EBIT, before impairment charges and reversals, was a loss of $114.3 million (2008 profit: $50.6 million), with Mining Area C ("MAC") making an EBIT contribution of $50.2 million (2008 $56.4 million). MAC capacity payments were $2 million higher than the prior year but royalty payments reduced, despite a 10 per cent increase in sales volumes, due to lower iron ore prices received for MAC product.

The loss before tax from continuing operations of $204.6 million compares to a profit of $21.9 million in 2008. A net tax benefit of $72.9 million was recognised for the year.

The sale of Iluka's investment in CRL in the first half of 2009 generated a profit of $23.3 million. No tax expense arises on the profit as the sale generated a capital loss for income tax purposes.

Earnings per share for the year were (26.8) cents compared to 22.4 cents in 2008. Total shares on issue at 31 December 2009 were 418.7 million compared with 380.7 million at 31 December 2008 following an institutional share placement during the period.

Gearing and net debt

Gearing (net debt/net debt + equity) was 25.9 per cent at 31 December 2009, compared with 17.4 per cent at 31 December 2008. Net debt of $382.1 million increased by $166.4 million during the period due to the significant capital expenditure on Murray Basin Stage 2 and Jacinth Ambrosia. The increase was partially offset by the proceeds from the sale of CRL and the share placement amounting to approximately $200 million.

Dividend

In the context of current Group earnings, cash flows and the franking credit position the Board has decided not to pay a 2009 dividend.

Section II – Income statement analysis

$ million	2009	2008	Variance %
Mineral sands revenue	**576.0**	**894.8**	**(35.6)**
Cash costs of production	(453.6)	(564.3)	(19.6)
Inventory and overburden movement	33.4	(77.2)	n/a
Restructure and idle capacity cash charges	(50.1)	(12.6)	(297.6)
Government royalties	(13.7)	(20.0)	31.5
Marketing and selling	(10.2)	(11.2)	8.9
Asset sales and other income	14.2	3.9	264.1
Product and technical development	(4.2)	(10.2)	58.8
Exploration	(16.2)	(16.9)	4.1
Mineral sands EBITDA	**75.6**	**186.3**	**(59.4)**
Depreciation and amortisation	(176.2)	(145.2)	(21.3)
Mineral sands EBIT	**(100.6)**	**41.1**	**n/a**
Currency hedging	(42.9)	(32.4)	(32.4)
Mining Area C	50.2	56.4	(11.0)
Foreign exchange gains/(losses)	5.0	10.6	(52.8)
Corporate and other	(26.0)	(25.1)	(3.5)
Group EBIT before impairment charges and reversals	**(114.3)**	**50.6**	**n/a**
Impairment charges and reversals	(67.6)	5.5	n/a
Net interest costs	(17.1)	(23.2)	26.3
Interest capitalisation (Jacinth Ambrosia and Murray Basin)	12.5	4.0	212.5
Rehabilitation accretion and other finance costs	(18.1)	(15.0)	(20.7)
Loss before tax	**(204.6)**	**21.9**	**n/a**
Tax benefit	72.9	15.8	361.4
Loss from continuing operations	**(131.7)**	**37.7**	**n/a**
Profit from discontinued operations (CRL & Narama)	22.9	47.3	(51.6)
Profit / (loss) for the period	**(108.8)**	**85.0**	**n/a**
CRL Minority Interests	0.2	(7.5)	n/a
Net Profit After Tax	**(108.6)**	**77.5**	**n/a**

An analysis of the performance of individual businesses is contained in Section V, Operations, with overall group commentary and a summary of revenue, EBITDA and EBIT by business provided below.

	Revenue		EBITDA		EBIT	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Western Australia	385.6	587.3	47.9	104.5	(79.3)	1.2
Murray Basin	124.8	199.9	13.2	63.5	(18.5)	35.2
US	65.6	107.6	30.7	35.3	13.4	21.7
Exploration	-	-	(16.2)	(16.9)	(16.2)	(16.9)
Total	**576.0**	**894.8**	**75.6**	**186.4**	**(100.6)**	**41.2**

Mineral sands revenue

Mineral sands revenue reduced due to a 37 per cent reduction in total sales volumes, including a 55 per cent reduction in sales volumes for zircon, the highest value product. Higher prices were achieved for all products. The timing of sales and movements in exchange rates during 2008 and 2009 was such that the effect of currency movements on 2009 mineral sands revenue compared with 2008 was not significant. Iluka sold 60 per cent of its volumes, including 80 per cent of its zircon volumes, in the second half of 2009.

Cash costs of production

Total cash costs of production reduced by 19.6 per cent, or $110.7 million, due to actions taken to reduce production in Western Australia and the United States, together with a range of initiatives to reduce operating and business support costs. Production of finished product was 27.8 per cent lower than in 2008, including a significant reduction in low value saleable ilmenite. As a consequence of the focus on higher value products, the allocation of fixed costs over lower volumes has contributed to an increased unit cash cost of production for the group of 12.2 per cent to $396 per tonne.

Inventory movement

The increase in inventory is due to stockpiled intermediate product that will be processed at Narngulu in future years as capacity allows. This material is classified as non-current inventory in the balance sheet.

Restructure and idle capacity cash charges

In response to the severe reduction in demand, particularly in the first half of 2009, associated with global economic conditions, Iluka implemented a range of initiatives to reduce production volumes and cash operating costs in future periods. The reduced volumes and associated cost reduction actions resulted in mineral sands restructure and idle capacity cash costs of $50.1 million. Approximately half of these costs relate to redundancy charges in the Western Australian operations where approximately 50 per cent of the productive capacity was idled.

Depreciation and amortisation

The increased charges are due to higher charges on Western Australian assets associated with shorter operating lives following the production changes made during 2009. The commissioning of the Brink mine in Virginia in the first half of 2009 resulted in increased charges for the US operation. No Murray Basin Stage 2 or Jacinth Ambrosia assets were depreciated in 2009 as commissioning of both operations was incomplete at year end.

Currency hedging

Losses of $42.9 million were realised mainly in the first half of 2009. Average spot exchange rates in the second half of 2009 were comparable to hedge contract rates. Details of Iluka's currency hedging position at 31 December 2009 are provided in Section IV.

Mining Area C

Iron ore sales volumes increased 10 per cent to 40.3 million dry metric tonnes but lower royalty payments were received due to lower iron ore prices achieved by BHP Billiton for the product upon which the MAC royalty is payable. Capacity payments for the year were $8.0 million (2008: $6.0 million) due to higher annual production to 30 June 2009 following the completion of an expansion of the Area C operation by BHP Billiton.

Corporate and other costs

Corporate costs were $0.9 million lower than the prior year after including restructure and other non-recurring costs of $7.7 million. These costs include $3.7 million of legal and other costs associated with the Roche dispute that were expensed in the first half, prior to settlement of the matter.

Impairment charges

This represents the write off of fair values for deposits in Western Australia ($38.5 million) and Murray Basin ($29.1 million) from acquisitions in 1998 and 2002 that are now considered unlikely to be mined.

Interest

The reduction in net interest costs, before capitalisation associated with funding for the Jacinth Ambrosia and Murray Basin Stage 2 developments, reflects lower interest rates and a greater proportion of US dollar denominated debt.

Tax benefit

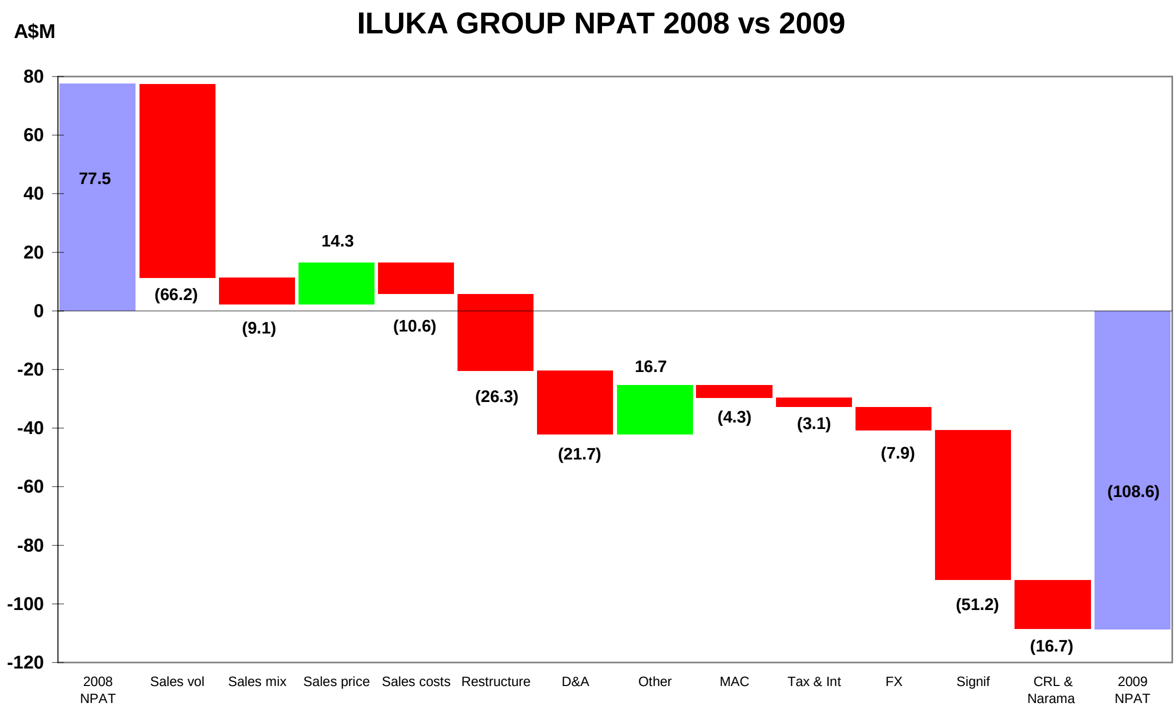
An income tax benefit of $72.9 million, at an effective tax benefit rate of 35.6 per cent, is influenced by the tax expense on earnings in the United States being 20 per cent and benefits associated with the Australian Government's Investment Allowance on eligible capital expenditure increasing the Australian tax loss position. The 2008 tax benefit of $15.8 million included a benefit for the recognition of prior year losses in the United States.

Discontinued operations – CRL and Narama

The 2009 balance represents the operating results of CRL to the date of sale and the gain on sale of CRL, net of tax. The 2008 balance comprises the $30 million post tax gain on the sale of Iluka's 50 per cent share of the Narama coal joint venture, recognised in January 2008, and the post tax operating result of CRL for the year.

Section III – Movement in NPAT

An explanation of the movement in NPAT is set out below with each bar representing a post tax value.



Sales volumes (-ve $66.2 million)

The amount reflects the impact on NPAT of a 37 per cent reduction in sales volumes from 2008, using the average margin achieved for all product sales in the previous corresponding period.

Sales mix (-ve $9.1 million)

Sales volumes for 2009 include a higher proportion of synthetic rutile and lower proportion of zircon than in 2008.

Sales price (+ve $14.3 million)

Higher prices were achieved for all products in 2009.

Costs for products sold (-ve $10.6 million)

The unit costs of products sold in the period were comparable with those for the previous corresponding period, reflecting the fact that the majority of product sold was ilmenite and synthetic rutile. The increase in unit cash costs of production in the period results in higher unit costs in inventory which will be realised in earnings as the products are sold.

Restructure and idle capacity cash costs (-ve $26.3 million)

The increase reflects higher charges for the restructure of the business in response to the global economic conditions and the direct expense of costs associated with operating assets at below their planned level of use. In 2008 the costs related to the gas supply disruption in Western Australia.

Depreciation and amortisation (-ve $21.7 million)

The increased charges are due to higher charges on Western Australian assets associated with revised operating lives following the production changes made during 2009. The commissioning of the Brink mine in Virginia in the first half of 2009 resulted in increased charges for the US operation. No Murray Basin Stage 2 or Jacinth Ambrosia assets were depreciated in 2009 as commissioning of both operations was incomplete at year end.

Other costs and income (+ve $16.7 million)

This benefit to NPAT reflects lower government royalties due to lower sales, reduced corporate costs, higher gains on asset sale and other income offset by corporate restructure and non-recurring costs including the $3.7 million of Roche related legal costs expensed in the first half of 2009.

MAC (-ve $4.3 million)

MAC capacity payments before tax were $2 million higher than in the previous corresponding period. Iron ore sales volumes increased by approximately 10 per cent to 40.3 million dry metric tonnes but royalties fell by 16 per cent due to lower iron ore prices, offset in part by exchange rate movements.

Interest and tax (-ve $3.1 million)

Net interest expense reduced due to lower average debt levels and an increase in capitalised interest in respect of Murray Basin Stage 2 and Jacinth Ambrosia from $4.0 million to $12.5 million. Net tax permanent benefits were lower as the 2008 result included the recognition of previously unrecognised tax losses in the US.

Foreign exchange (-ve $7.9 million)

The year on year variation is due mainly to higher pre-tax hedge losses in 2009 of $42.9 million (2008: $32.4 million).

Significant items (-ve $51.2 million)

This represents the write off of fair values for deposits in Western Australia and Murray Basin , which are now considered unlikely to be mined and which result from acquisitions in 1998 and 2002 that are now considered unlikely to be mined.

Discontinued operations (-ve $16.7 million)

This item represents the difference between the contributions from the operations and sale of CRL in 2009 and the operations of CRL and sale of Iluka's interest in the Narama Coal joint venture in 2008.

Section IV – Balance sheet, cash flow and net debt

Balance sheet by operation - $ million

31 December 2009	E/PB	MB	US	Group	31 Dec 2008
Receivables	67.3	13.1	13.2	**93.6**	**214.1**
Inventories and overburden	188.3	39.5	34.3	**262.1**	**235.5**
Payables and accruals	(83.5)	(51.4)	(9.2)	**(144.1)**	**(130.4)**
Employee benefits and other provisions	(12.2)	(2.7)	(6.0)	**(20.9)**	**(30.5)**
Rehabilitation & restoration provisions	(282.0)	(32.2)	(18.4)	**(332.6)**	**(320.0)**
Property, plant & equipment	764.5	732.7	59.8	**1,557.1**	**1,272.7**
Intangibles	2.4	-	-	**2.4**	**5.6**
Operational funds employed	**644.9**	**699.1**	**73.6**	**1,417.7**	**1,247.0**
Mining Area C (iron ore)				**15.8**	**20.8**
Corporate				**(25.7)**	**(8.0)**
Discontinued operation (CRL)				**-**	**121.5**
Capital employed				**1,407.7**	**1,381.3**
Hedge fair value (asset) liability				**(15.9)**	**153.6**
Net tax asset				**(49.6)**	**(26.0)**
Net debt				**382.1**	**215.7**
Total equity (including CRL minority interests in 2008)				**1,091.1**	**1,038.0**
Net funding				**1,407.7**	**1,381.3**

Key points:

- Lower working capital due mainly to lower receivables associated with variations in shipment timings and customer mix.
- Increase in fixed assets due to the development of Murray Basin Stage 2, Brink and Jacinth-Ambrosia projects offset by depreciation of the Western Australian assets and ore body impairment charges. Property, plant and equipment includes approximately $800 million of assets for which depreciation will commence in 2010 following the commissioning of the Kulwin and Jacinth mines and the development of Echo.
- Currency hedging arrangements at 31 December 2009 are summarised below:

Period	Instrument Type	Face Value US$m	Average Rate
January – June 2010	Forward FX Contracts	112.0	0.855
	Purchased Options	85.0	0.900
July – December 2010	Forward FX Contracts	41.5	0.874
	Purchased Options	150.0	0.900

Movement in net debt - $ million

	1st Half 2008	2nd Half 2008	1st Half 2009	2nd Half 2009
Opening net debt	**(598.1)**	**(199.6)**	**(215.7)**	**(309.4)**
Operating cash flow	88.3	134.7	(94.4)	178.2
MAC Royalty	12.7	36.6	28.2	27.0
Other	0.9	2.6	0.4	1.7
Exploration	(8.7)	(12.2)	(10.2)	(9.8)
Interest (net)	(17.0)	(8.9)	(6.0)	(6.5)
Tax	(12.1)	16.2	(6.8)	2.4
Capital expenditure	(68.0)	(130.4)	(234.3)	(287.3)
Asset sales	57.6	2.8	85.8	8.3
Share issues (net of costs)	341.0	(1.1)	113.5	-
Purchase of shares	-	(14.3)	-	-
Dividends to CRL minorities	(7.9)	(2.6)	(1.8)	-
Net cash flow	**386.8**	**23.4**	**(125.6)**	**(86.0)**
CRL net debt eliminated on sale	-	-	9.4	-
Exchange revaluation of USD net debt	11.7	(39.5)	22.5	13.3
(Increase)/decrease in net debt	**398.5**	**(16.1)**	**(93.7)**	**(72.7)**
Closing net debt	**(199.6)**	**(215.7)**	**(309.4)**	**(382.1)**

Operating Cash Flow

Higher operating cash flow in the second half of 2009 reflects lower operating costs associated with reduced production and the reduction of working capital arising from sales being greater than production.

MAC Royalty

MAC cash flows for 2009 of $55.2 million were the result of higher volumes of iron ore sales offset by lower realised AUD prices. Capacity payments received in the second half of 2009 were $8.0 million, compared with $6.0 million in the second half of 2008.

Capital Expenditure

Capital expenditure payments in 2009 were predominantly related to the Murray Basin Stage 2, Jacinth-Ambrosia and Brink developments and include capitalised commissioning costs.

Asset Sales

Net proceeds of $84.2 million were received in the first half of 2009 from the sale of the investment in CRL. $53.4 million was included in the first half of 2008 from the sale of Narama.

Share Issues

38 million shares were issued in April 2009 via an institutional placement at $3.00 per share. In the previous corresponding period the proceeds reflect the 4 for 7 pro-rata entitlement offer at $2.55 per share, before costs.

Section V - Operations

Western Australia

In future reporting, this section will be referred to as Eucla/Perth Basin reflecting the fact that the Jacinth Ambrosia (Eucla Basin) heavy mineral concentrate material will be processed at the Narngulu processing facility.

		2009	2008	% change
Total production volumes				
- Zircon	kt	145.6	188.0	(22.6)
- Rutile	kt	60.9	73.8	(17.5)
- Synthetic rutile	kt	405.0	467.3	(13.3)
- Ilmenite – saleable	kt	146.6	347.1	(57.8)
- Ilmenite – upgraded to synthetic rutile	kt	496.7	641.0	(22.5)
- Hyti	kt	6.0	10.6	(43.4)
Total saleable product	kt	764.1	1,086.8	(29.7)
Unit cash cost of production	$/t	414.7	367.0	12.9
Mineral sands revenue	$m	385.6	587.3	(34.3)
Cash cost of production	$m	(316.9)	(399.3)	20.6
Inventory movements	$m	23.6	(45.2)	n/a
Restructure and idle capacity cash costs	$m	(39.1)	(12.6)	n/a
Government royalties	$m	(10.2)	(14.7)	30.6
Marketing and technical costs	$m	(8.9)	(14.3)	37.7
Asset sales and other income	$m	13.8	3.2	n/a
EBITDA	**$m**	**47.9**	**104.4**	**(54.1)**
Depreciation & amortisation	$m	(127.2)	(103.3)	(23.1)
EBIT	**$m**	**(79.3)**	**1.1**	**n/a**

Key points:

- Lower production of all products as a consequence of the decisions to reduce production to more closely match demand and the end of operations, as planned, at several ilmenite mines.
- Cash costs of production were lower due to the lower production and ongoing efforts to reduce support and overhead costs. Second half costs were $114.8 million, compared with $202.1 million in the first half. Unit cash costs of production of saleable product were $363/tonne in the second half of 2009, compared with $451/tonne in the first half, reflecting the benefits of the cost reduction initiatives and revised operating approach.
- Restructure and idle capacity costs in the year relate mainly to redundancy costs associated with the reconfiguration of the Western Australian operations during 2009, together with costs associated with the temporary idling of productive assets and the running of some assets at below their normal operating capacity. The costs in 2008 related to the adverse impact on production of the WA gas supply disruption.
- Higher depreciation and amortisation charges reflect accelerated depreciation of some assets due to their shorter operating lives as a result of the asset reconfiguration initiatives.

Murray Basin

		2009	2008	% change
Total production volumes				
- Zircon	kt	69.9	112.7	(38.0)
- Rutile	kt	66.2	66.3	(0.2)
- Leucoxene	kt	8.3	5.8	43.1
- Ilmenite	kt	12.5	-	n/a
Total	kt	156.9	184.8	(15.1)
Unit cash cost of production	$/t	795.4	422.3	88.3
Mineral sands revenue	$m	124.8	199.9	(37.6)
Cash cost of production	$m	(87.6)	(89.9)	2.6
Inventory movements	$m	(5.7)	(35.4)	n/a
Restructure and idle capacity cash costs	$m	(10.5)	-	n/a
Government royalties	$m	(3.5)	(5.3)	33.0
Marketing and technical costs	$m	(4.5)	(5.9)	23.7
Asset sales and other income	$m	0.2	0.1	100.0
EBITDA	**$m**	**13.2**	**63.5**	**(79.2)**
Depreciation & amortisation	$m	(31.7)	(28.3)	(12.0)
EBIT	**$m**	**(18.5)**	**35.2**	**n/a**

Key points:

- Zircon production was lower than the prior year as a result of expected lower grades and assemblages in the southern (Douglas) deposits mined in 2009,.
- Production from the initial mine in the Murray Basin Stage 2 development (Kulwin) was delayed due to project execution and commissioning issues. While overall cash costs of production for the southern deposits were lower than the prior year, the reduced grade and assemblage resulted in a significant increase in unit cash costs of production of saleable product.
- The high unit cash cost of production resulted in an EBIT loss for the year as that material was sold. Inventory on hand at year end and expected to be sold in 2010 is also higher cost.
- Lower sales revenue is due mainly to significantly lower sales volumes of zircon.
- Inventory carrying value was reduced marginally from the prior year. The volume of inventory on hand, however, is considerably lower but at a higher unit cost. The decrease in 2008 reflected the draw down of the remaining Douglas heavy mineral concentrate stockpile.
- Restructure and idle capacity costs relate to the planned shutdown of the Hamilton mineral separation plant for capacity upgrades associated with the Murray Basin Stage 2 development and further costs associated with commissioning delays at Kulwin.
- There was no depreciation and amortisation of the Murray Basin Stage 2 development in 2009.

United States

		2009	2008	% change
Total production volumes				
- Zircon	kt	47.5	94.4	(49.7)
- Ilmenite	kt	182.9	239.1	(23.5)
Total	kt	230.4	323.5	(28.7)
Unit cash cost of production	$/t	213.1	232.1	8.2
Mineral sands revenue	$m	65.6	107.6	(39.0)
Cash cost of production	$m	(49.1)	(75.1)	34.6
Inventory movements	$m	15.5	3.4	n/a
Restructure and idle capacity costs	$m	(0.5)	-	n/a
Marketing and technical costs	$m	(1.0)	(1.2)	(16.7)
Asset sales and other income	$m	0.2	0.6	(66.7)
EBITDA	**$m**	**30.7**	**35.3**	**(13.0)**
Depreciation & amortisation	$m	(17.3)	(13.6)	(27.2)
EBIT	**$m**	**13.4**	**21.7**	**(38.2)**

Key points:

- The Brink deposit was commissioned and achieved production ramp up targets during the first quarter.
- Lower production reflects actions taken to more closely match production in Virginia to local demand and the cessation of the Florida zircon retreatment operation, as planned, in the first half of 2009. The production cuts in Virginia were achieved with no increase in the USD unit cash cost of production between the first and second halves of 2009.
- Lower sales revenue relates mainly to weaker zircon demand in the United States. Zircon production and sales volumes from Florida in 2009 were 2.2kt compared to 14.5kt in 2008.

Iluka Resources Limited
Preliminary consolidated income statement
For the year ended 31 December 2009

	Notes	**2009 $M**	2008 $M
Revenue from continuing operations	3	**586.0**	926.1
Other income	4	**18.3**	13.7
Expenses	5	**(717.2)**	(883.1)
Interest and finance charges		**(8.4)**	(26.1)
Rehabilitation and restoration unwind		**(15.7)**	(14.2)
Total finance costs	5	**(24.1)**	(40.3)
Impairment charges and reversals	5	**(67.6)**	5.5
(Loss) profit before income tax from continuing operations		**(204.6)**	21.9
Income tax benefit	6	**72.9**	15.8
(Loss) profit from continuing operations		**(131.7)**	37.7
Profit from discontinued operations	7	**22.9**	47.3
(Loss) profit for the year		**(108.8)**	85.0
Profit attributable to non-controlling interest		**0.2**	(7.5)
(Loss) profit attributable to owners of Iluka Resources Limited		**(108.6)**	77.5
		Cents	Cents
Basic and diluted earnings per share			
Earnings per share from continuing operations attributable to owners		**(32.5)**	13.8
Earnings per share attributable to owners		**(26.8)**	22.4

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

Iluka Resources Limited
Preliminary consolidated statement of comprehensive income
For the year ended 31 December 2009

	2009 $M	2008 $M
(Loss) profit for the year	**(108.8)**	85.0
Other comprehensive income		
Changes in fair value of foreign exchange cash flow hedges, net of tax	**109.9**	(113.5)
Currency translation of US operation	**(22.8)**	13.2
Hedge of net investment in US operation, net of tax	**23.6**	(18.0)
Actuarial gains (losses) on defined benefit plans, net of tax	**2.4**	(8.5)
Other comprehensive income for the year	**113.1**	(126.8)
Total comprehensive income for the year	**4.3**	(41.8)
Total comprehensive income for the year is attributable to:		
Owners of Iluka Resources Limited	**(1.1)**	(42.5)
Non-controlling interest	**5.4**	0.7
	4.3	(41.8)

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

	Notes	2009 $M	2008 $M
ASSETS			
Current assets			
Cash and cash equivalents		**86.3**	97.6
Receivables		**103.9**	243.2
Inventories		**205.5**	249.7
Derivative financial instruments		**15.9**	-
Deferred overburden		**-**	8.5
Total current assets		**411.6**	599.0
Non-current assets			
Inventories		**56.6**	-
Property, plant and equipment		**1,566.6**	1,414.6
Deferred tax assets		**53.7**	31.0
Intangible assets		**9.9**	13.5
Total non-current assets		**1,686.8**	1,459.1
Total assets		**2,098.4**	2,058.1
LIABILITIES			
Current liabilities			
Payables		**183.7**	164.1
Interest-bearing liabilities		**44.7**	36.8
Current tax liabilities		**-**	5.0
Provisions		**28.1**	61.4
Derivative financial instruments		**-**	104.0
Total current liabilities		**256.5**	371.3
Non-current liabilities			
Interest-bearing liabilities		**423.7**	276.5
Provisions		**322.9**	322.7
Derivative financial instruments		**-**	49.6
Total non-current liabilities		**746.6**	648.8
Total liabilities		**1,003.1**	1,020.1
Net assets		**1,095.3**	1,038.0
EQUITY			
Contributed equity	8	**1,114.4**	998.1
Reserves		**19.9**	(84.3)
Retained (losses) profits		**(39.0)**	66.0
Owners interest		**1,095.3**	979.8
Non-controlling interest		**-**	58.2
Total equity		**1,095.3**	1,038.0

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

		Attributable to owners of Iluka Resources Limited					
	Notes	Contributed equity $M	Reserves $M	Retained earnings $M	**Total $M**	Non-con-trolling interest $M	**Total equity $M**
Balance at 1 January 2008		661.6	25.1	(3.1)	683.6	68.0	751.6
Profit for the year		-	-	77.5	77.5	7.5	85.0
Changes in fair value of foreign exchange cash flow hedges, net of tax		-	(106.7)	-	(106.7)	(6.8)	(113.5)
Currency translation of US operation		-	13.2	-	13.2	-	13.2
Hedge of net investment in US operation, net of tax		-	(18.0)	-	(18.0)	-	(18.0)
Acturial losses on retirement benefit obligations, net of tax		-	-	(8.5)	(8.5)	-	(8.5)
Transfer of asset revaluation reserve		-	(0.1)	0.1	-	-	-
Total comprehensive income		**-**	**(111.6)**	**69.1**	**(42.5)**	**0.7**	**(41.8)**
Transactions with owners in their capacity as owners:							
Share issue, net of transaction costs	8	343.9	-	-	343.9	-	343.9
Transfer of shares to employees		3.3	(3.3)	-	-	-	-
Share based payments, net of tax		-	5.5	-	5.5	-	5.5
Purchase of treasury shares		(10.7)	-	-	(10.7)	-	(10.7)
Dividends paid to CRL minorities		-	-	-	-	(10.5)	(10.5)
		336.5	2.2	-	338.7	(10.5)	328.2
Balance at 1 January 2009		998.1	(84.3)	66.0	979.8	58.2	1,038.0
Loss for the year		-	-	(108.6)	(108.6)	(0.2)	(108.8)
Changes in fair value of foreign exchange cash flow hedges, net of tax		-	104.3	-	104.3	5.6	109.9
Currency translation of US operation		-	(22.8)	-	(22.8)	-	(22.8)
Hedge of net investment in US operation, net of tax		-	23.6	-	23.6	-	23.6
Acturial gains on retirement benefit obligations, net of tax		-	-	2.4	2.4	-	2.4
Transfer of asset revaluation reserve		-	(1.2)	1.2	-	-	-
Total comprehensive income		**-**	**103.9**	**(105.0)**	**(1.1)**	**5.4**	**4.3**
Transactions with owners in their capacity as owners:							
Share placement, net of costs	8	113.5	-	-	113.5	-	113.5
Transfer of shares to employees	8	2.8	(2.8)	-	-	-	-
Share based payments, net of tax		-	3.1	-	3.1	-	3.1
Dividends paid to CRL minorities	8	-	-	-	-	(1.8)	(1.8)
Disposal of subsidiary		-	-	-	-	(61.8)	(61.8)
		116.3	0.3	-	116.6	(63.6)	53.0
Balance at 31 December 2009		1,114.4	19.9	(39.0)	1,095.3	-	1,095.3

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

	Notes	**2009 $M**	2008 $M
Cash flows from operating activities			
Receipts from customers		**744.8**	1,017.4
Payments to suppliers and employees		**(687.8)**	(794.4)
		57.0	223.0
Interest received		**1.5**	6.3
Interest paid		**(14.0)**	(32.2)
Income tax (net)		**(4.4)**	4.1
Exploration expenditure		**(20.0)**	(20.9)
Royalty receipts		**55.2**	49.3
Other		**2.1**	3.4
Net cash inflow from operating activities	10	**77.4**	233.0
Cash flows from investing activities			
Payments for property, plant and equipment		**(521.6)**	(198.4)
Sale of property, plant and equipment		**9.9**	7.6
Sale of Narama	7(c)	**-**	53.4
Sale of CRL	7(c)	**84.2**	-
Net cash (outflow) from investing activities		**(427.5)**	(137.4)
Cash flows from financing activities			
Proceeds from borrowings		**309.8**	83.9
Repayment of borrowings		**(80.8)**	(414.5)
Dividends paid to CRL minority interests		**(1.8)**	(10.5)
Issue of ordinary shares	8(c)	**114.0**	353.1
Share issue costs	8(c)	**(0.5)**	(13.2)
Purchase of treasury shares		**-**	(14.3)
Debt refinance costs		**-**	(4.3)
Net cash (outflow) inflow from financing activities		**340.7**	(19.8)
Net (decrease) increase in cash and cash equivalents		**(9.4)**	75.8
Cash and cash equivalents at 1 January		**97.6**	19.9
Exchange rate changes on cash and cash equivalents		**(1.9)**	1.9
Cash and cash equivalents at 31 December		**86.3**	97.6

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

1 Summary of significant accounting policies

These preliminary financial statements relate to Iluka Resources Limited and the entities it controlled at the end of, or during the year ended 31 December 2009. The accounting policies adopted are consistent with those of the previous financial year with the exception of segment reporting which is now in accordance with AASB 8. Adoption of AASB 8 has resulted in a restatement of the comparative information for 2008. Refer note 2 (a) for further information

2 Segment information

(a) Description of segments

Operating segments are now 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.

The group has identified four operating segments as follows:

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 being commissioning at 31 December 2009. The mined material is processed 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 being commissioned at 31 December 2009.

United States ("US") comprises the integrated mineral sands mining and processing operations in Virginia, together with a zircon retreatment operation in Florida which ceased in 2009.

Mining Area C ("MAC") comprises an 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.

The group's investment in Consolidated Rutile Limited ("CRL") was sold effective from 27 May 2009. CRL was a separate operating segment and information about this discontinued segment is provided in note 9.

(b) Segment information

2009	E/PB $M	MB $M	US $M	MAC $M	Total $M
Total segment sales	397.1	124.8	65.5	-	587.4
Inter segment sales	(11.4)	-	-	-	(11.4)
Total segment sales to external customers	385.7	124.8	65.5	-	576.0
Total segment result	(93.5)	(19.4)	12.8	50.2	(49.9)
Segment assets	1,022.6	785.4	107.3	15.8	1,931.1
Segment liabilities	377.7	86.2	33.7	-	497.6
Acquisition of property, plant and equipment and other non-current segment assets	316.7	211.2	19.5	-	547.4
Depreciation and amortisation expense	124.2	31.9	17.3	0.4	173.8
Impairment (reversals) charges	38.5	29.1	-	-	67.6

2 Segment information (continued)

2008	**E/PB $M**	**MB $M**	**US $M**	**MAC $M**	**Total $M**
Total segment sales	587.3	199.9	107.6	-	894.8
Inter segment sales	-	-	-	-	-
Total segment sales to external customers	587.3	199.9	107.6	-	894.8
Total segment result	(1.1)	24.7	20.3	56.4	100.3
Segment assets	938.2	666.6	123.8	20.8	1,749.4
Segment liabilities	359.8	75.1	46.7	-	481.6
Acquisition of property, plant and equipment and other non-current segment assets	156.5	126.3	22.2	-	305.0
Depreciation and amortisation expense	103.3	28.3	13.6	0.4	145.6
Impairment (reversals) charges	(24.6)	19.1	-	-	(5.5)

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:

	2009 $M	2008 $M
Continuing operations		
Asia	**269.9**	335.9
Europe	**134.8**	327.8
North America	**85.7**	151.9
Australia	**36.3**	38.9
Other Countries	**49.3**	40.3
Segment sales to external customers	**576.0**	894.8

Revenues of $136.7 million and $96.9 million are derived from 2 external customers from all mineral sands segments which individually account for greater than 10 per cent of segment revenue, (2008: revenues of $128.6 million is derived from 1 customer from all mineral sands segments).

Reconciliation of segment sales to external customers to total sale of goods is provided as follows:

Segment sales to external customers	**576.0**	894.8
Less hedging losses	**(42.9)**	(32.4)
Sale of goods	**533.1**	862.4

Segment result is reconciled to the loss (profit) before income tax from continuing operations as follows:

Segment result	**(49.9)**	100.3
Hedging losses	**(42.9)**	(32.4)
Interest income	**1.4**	6.1
Other income	**5.0**	10.6
Exploration and evaluation	**(16.2)**	(16.9)
Corporate and other costs	**(18.3)**	(25.2)
Exploration and corporate restructure and non-recurring costs	**(7.7)**	-
Interest and finance charges	**(8.4)**	(26.1)
Impairment charges	**(67.6)**	5.5
(Loss) profit before income tax from continuing operations	**(204.6)**	21.9

2 Segment information (continued)

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

	2009 $M	2008 $M
Segment assets	**1,931.1**	1,749.4
Derivative financial instruments	**15.9**	-
Corporate assets	**11.4**	12.9
Discontinued operations (CRL)	**-**	167.2
Cash and cash equivalents	**86.3**	97.6
Deferred tax assets	**53.7**	31.0
Total assets as per the balance sheet	**2,098.4**	2,058.1

	2009 $M	2008 $M
Segment liabilities	**497.6**	481.6
Derivative financial instruments	**-**	153.6
Corporate liabilities	**37.0**	21.0
Discontinued operations (CRL)	**-**	45.6
Income tax payable	**-**	5.0
Interest bearing liabilities	**468.5**	313.3
Total liabilities as per the balance sheet	**1,003.1**	1,020.1

3 Revenue from continuing operations

	2009 $M	2008 $M
Sales revenue		
Sale of goods	**533.1**	862.4
Other revenue		
Interest	**1.4**	6.1
Royalty income	**50.6**	56.8
Other	**0.9**	0.8
	52.9	63.7
Revenue from continuing operations	**586.0**	926.1

4 Other income

Net gain on sale of land	**5.6**	-
Net gain on disposal of property, plant and equipment	**0.8**	0.6
Insurance receipt in respect of WA gas outage	**5.7**	2.5
Sundry income	**1.2**	-
Net foreign exchange gains	**5.0**	10.6
	18.3	13.7

5 Expenses

	2009 $M	2008 $M
From continuing operations		
Cash cost of production	**453.6**	564.3
Depreciation	**109.1**	103.5
Amortisation	**34.7**	36.0
Inventory movement	**(33.4)**	77.2
Cost of sales of goods	**564.0**	781.0
Restructure, idle capacity and other non-recurring cash costs	**57.8**	12.6
Depreciation of non productive assets	**32.8**	6.1
Government royalties	**13.7**	20.0
Marketing and selling	**10.2**	11.2
Corporate and other	**18.3**	25.1
Technical support and major projects	**4.2**	10.2
Exploration and evaluation	**16.2**	16.9
Expenses from continuing operations	**717.2**	883.1
Impairment charges (reversals) on property, plant and equipment		
South West - reversal of prior impairment	**-**	(45.6)
Mid West Processing - reversal of prior impairment	**-**	(9.5)
Mid West Mining - ore body fair value write-offs	**38.5**	30.5
Murray Basin - ore body fair value write-offs	**29.1**	19.1
	67.6	(5.5)
Finance costs from continuing operations		
Interest and finance charges paid/payable	**19.8**	29.3
Rehabilitation and restoration accretion expense	**15.7**	14.2
Amortisation of deferred borrowing costs	**1.1**	0.8
Interest capitalised	**(12.5)**	(4.0)
	24.1	40.3

6 Income tax

	2009 $M	2008 $M
(a) Income tax benefit		
Current tax	**(4.6)**	13.7
Deferred tax	**(65.6)**	(20.1)
Over provided in prior years	**(2.6)**	(1.3)
	(72.8)	(7.7)
Income tax is attributable to:		
Profit from continuing operations	**(72.9)**	(15.8)
Profit from discontinued operations	**0.1**	8.1
Aggregate income tax (benefit)	**(72.8)**	(7.7)

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

	2009 $M	2008 $M
Loss (profit) from continuing operations before income tax expense	**(204.6)**	21.9
Profit from discontinued operation before income tax expense	**23.0**	31.7
	(181.6)	53.6
Tax at the Australian tax rate of 30% (2008: 30%)	**(54.5)**	23.2
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Benefits of capital losses utilised	**(1.1)**	(10.2)
Research and development and investment allowance	**(7.5)**	(3.4)
Gain on sale of CRL not assessable for tax (note 7c)	**(6.7)**	-
Other items	**0.8**	1.5
Benefit of US tax losses utilised in the year not previously recognised	**(0.6)**	(22.0)
	(69.6)	(10.9)
Difference in overseas tax rates	**(0.6)**	4.5
Over provision in prior years	**(2.6)**	(1.3)
Income tax (benefit)	**(72.8)**	(7.7)

7 Discontinued operations

(a) Description

On 27th May 2009 Iluka disposed of its shares in Consolidated Rutile Limited ("CRL") to Unimin Australia Limited for 45 cents per share. CRL is reported in this financial report as a discontinued operation, together with the interest in the Narama coal joint venture that was sold on 15 January 2008 with effect from 1 January 2008.

7 Discontinued operations (continued)

(b) Financial performance and cash flow information

	2009 $M	2008 $M
CRL		
Revenue - sale of goods	**21.8**	129.3
Cash expenses	**(16.6)**	(87.4)
Depreciation and amortisation	**(4.7)**	(16.1)
Finance costs	**(0.8)**	(2.1)
Profit before income tax	**(0.3)**	23.7
Profit on sale	**23.3**	-
Income tax expense (note 6)	**(0.1)**	(6.4)
Profit after income tax	**22.9**	17.3
Narama		
Profit on sale	**-**	31.7
Income tax expense (note 6)	**-**	(1.7)
Profit after income tax	**-**	30.0
Profit from discontinued operations	**22.9**	47.3
Net cash (outflow) / inflow from operating activities	**(13.4)**	3.0
Net cash inflow from investing activities	**81.7**	53.4
Net cash inflow from financing activities	**7.5**	-
Net increase in cash generated by the discontinued operations	**75.8**	56.4

(c) Details of the sale of discontinued operations

	2009 $M	2008 $M
Consideration received:		
Cash	**84.2**	53.4
Carrying amount of net assets sold	**(122.7)**	(21.7)
Non controlling interest at date of disposal	**61.8**	-
Gain on sale before income tax	**23.3**	31.7

The sale of the shares in CRL results in a capital loss for income tax purposes. No benefit has been recognised for the capital losses which are available for use against future capital gains, subject to the satisfaction of eligibility tests at the time of their use.

(d) Sale of CRL

The carrying amounts of assets and liabilities at the date of sale and 31 December 2008 were:

	27 May 2009 $M	31 Dec 2008 $M
Cash	**-**	14.5
Receivables	**6.8**	14.0

7 Discontinued operations (continued)

Inventories	**40.5**	22.7
Property, plant and equipment	**128.2**	130.5
Deferred tax asset	**-**	2.7
Derivative financial instruments	**2.7**	-
Total assets	**178.2**	184.4
Trade creditors	**(6.7)**	(12.0)
Current tax liabilities	**(1.8)**	(3.6)
Provisions	**(37.6)**	(33.5)
Derivative financial instruments	**-**	(13.9)
Interest bearing liabilities	**(9.4)**	-
Total liabilities	**(55.5)**	(63.0)
Net assets	**122.7**	146.2

(e) Sale of Narama

The carrying amounts of assets and liabilities at the date of sale were:

	15 Jan 2008 $M
Receivables	3.0
Inventories	1.7
Property, plant and equipment	26.9
Total assets	31.6
Provisions	(6.8)
Total liabilities	(6.8)
Net assets	24.8

8 Contributed equity

	2009 Number of shares	2008 Number of shares	**2009 Paid up value $M**	2008 Paid up value $M
(a) Share capital				
Ordinary shares Issued and paid up	**418,700,517**	380,700,517	**1,120.0**	1,006.5
(b) Other equity securities				
Treasury shares	**1,904,380**	2,812,532	**(5.6)**	(8.4)
Total contributed equity			**1,114.4**	998.1

(c) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**Issue price**	**$M**
1 January 2008	Opening balance	242,237,328		662.6
22 March 2008	Rights Issue	101,124,750	$2.55	257.9
22 April 2008	Rights Issue	37,338,439	$2.55	95.2
	Transaction costs on rights issue net of tax			(9.2)
31 December 2008	Balance	380,700,517		1,006.5
7 May 2009	Share placement	38,000,000	$3.00	114.0
	Transaction costs on share placement net of tax			(0.5)
31 December 2009	Balance	418,700,517		1,120.0

(d) Treasury shares

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

Details	**Number of shares**	**$M**
Balance at 1 January 2008	**-**	**-**
Transfer from share based payments reserve	**286,572**	**1.0**
Acquisition of shares net of tax	**3,495,483**	**10.7**
Employee share issues	**(969,523)**	**(3.3)**
Balance at 31 December 2008	**2,812,532**	**8.4**
Employee share issues	**(908,152)**	**(2.8)**
Balance at 31 December 2009	**1,904,380**	**5.6**

9 Contingent liabilities

	2009 $M	2008 $M
Performance commitments and guarantees (a)	**84.6**	109.5

(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.

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

	2009 $M	2008 $M
Profit (loss) for the year	**(108.8)**	85.0
Depreciation and amortisation	**176.6**	161.7
Exploration capitalised	**(3.3)**	(4.0)
Interest capitalised	**(12.5)**	(4.0)
Net gain on disposal of property, plant and equipment	**(6.8)**	(2.3)
Net gain on disposal of CRL/Narama	**(22.9)**	(30.0)
Net exchange differences on borrowings	**(42.4)**	11.2
Rehabilitation and restoration accretion expense	**15.7**	15.9
Non-cash share based payments expense	**5.7**	4.6
Amortisation of deferred borrowing costs	**1.2**	0.8
Impairment charges (reversals)	**67.6**	(5.5)
Change in operating assets and liabilities		
Decrease (increase) in receivables	**121.7**	(51.1)
Decrease (increase) in inventories	**(59.5)**	74.2
Decrease (increase) in current tax assets	**-**	12.7
Decrease (increase) in deferred tax assets	**(68.5)**	(12.3)
Decrease (increase) in other assets	**7.3**	3.4
Increase (decrease) in payables	**43.5**	(3.6)
Increase (decrease) in current tax liabilities	**(5.9)**	(3.3)
Increase (decrease) in provisions	**(31.3)**	(20.4)
Net cash inflow from operating activities	**77.4**	233.0