Iluka Resources Limited

Annual Report 2007

ABN 34 008 675 018

ILUKA Annual Report 2007

ILUKA

contents

Explanation of Structure of Annual Report Documents

The 2007 Annual Report provides shareholders with detailed information in relation to the financial statements, Directors' Report (including remuneration report), Mineral Resources and Ore Reserves and sustainable development. The Annual Shareholder Review provides a summary of Iluka's 2007 financial year and is available on Iluka's website, www.iluka.com.

Australian currency is shown in this Report unless otherwise indicated.

Notice of Annual General Meeting

The 53rd Annual General Meeting of Iluka Resources Limited will be held at the Argyle Ballroom at the Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia on Wednesday 21 May 2008.

A separate Notice of Meeting and Proxy Form have been sent to registered shareholders.

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Directors' Report

The Directors present their report on the consolidated entity consisting of Iluka Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2007.

Directors

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

Ian Colin Robert Mackenzie (Chairman)
Robert Lindsay Every (Deputy Chairman effective 11 December 2007)
Grahame David Campbell
Valerie Anne Davies
Donald Marshall Morley
George John Pizzey
Gavin John Rezos
David Alexander Robb

Principal Activities

The activities of the consolidated entity consist of the exploration, mining, concentration and separation of mineral sands, production of ilmenite, rutile, synthetic rutile and other titaniferous concentrates, zircon and coal and sales of these products throughout the world.

Significant Changes

There were no significant changes in the state of affairs of the Group during the financial year.

Review of Operations

Financial Commentary

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 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 – Outlook and Earnings Guidance

Iluka has previously advised the company is undergoing a transitional period until the commencement of Murray Basin Stage 2 in 2009 and the Jacinth-Ambrosia project in the Eucla basin in mid 2010. 2008 full year guidance is based on the usual caveats for forward-looking statements.

The company provides NPAT guidance for 2008 in the range of $10 million to $20 million, including the after tax proceeds from the Narama sale of approximately $30 million. This guidance is based on the following factors:

- Achievement of planned sales in 2008, particularly in the final quarter of the year. In 2007 approximately 12 per cent of annual sales revenue was associated with sales in the last month of the year, and
- An average A$/US$ spot exchange rate of 90.00 cents for 2008 (compared with 83.90 cents in 2007).

NPAT sensitivity to currency movement, assuming current hedging, is expected to be approximately -$3 million NPAT for every one cent movement above 90 cents and +$6 million NPAT for every one cent movement between 90 cents and 82 cents and +$3 million NPAT for every one cent movement below 82 cents.

Please refer to Iluka's Investment Presentation (released to the ASX 21 February 2008) for further details on factors influencing the company's profitability as well as other details.

Directors' Profiles

Ian Colin Robert Mackenzie, BSc, BCom, MBA, FAICD (Chairman)

Mr Mackenzie (65) was appointed to the Board in July 1999. He is Chairman of the Bank of Western Australia Limited (BankWest) and HBOS Australia Pty Limited. Mr Mackenzie was previously Managing Director of Romatex Limited, Managing Director and Chief Executive Officer of Bunnings Limited and Executive Chairman of Wesfi Limited. Mr Mackenzie is a member of both the Remuneration and Nomination Committee and the Audit and Risk Committee. Mr Mackenzie has indicated his intention to retire as a Director at the Company's May 2008 Annual General Meeting.

Other current directorships of listed companies: None. Former directorships of listed companies in the last three years: Bank of Western Australia Limited (December 1994 to present - no longer listed).

Robert Lindsay Every, BSc, PhD, FTSE, FIE Aust, CP Eng, FAICD (Deputy Chairman)

Dr Every (62) was appointed to the Board in March 2004. He is Deputy Chairman and is expected to assume the position of Chairman following the retirement of Mr Mackenzie at the May 2008 Annual General Meeting. Dr Every is a Director of Wesfarmers Limited and Boral Limited. Dr Every was formerly the Managing Director and Chief Executive Officer of OneSteel Limited, a position from which he retired in May 2005. He was also the Chairman of the New Zealand based listed company Steel and Tube Holdings Limited and Managing Director of Tubemakers of Australia Limited and President of BHP Steel Limited. He was formerly a Director of Sims Group Limited. Dr Every is a member of the Audit and Risk Committee.

Other current directorships of listed companies: Wesfarmers Limited (February 2006 to present), Boral Limited (September 2007 to present). Former directorships of listed companies in the last three years: Sims Group Limited (October 2005 to June 2007), OneSteel Limited (July 2000 to May 2005).

David Alexander Robb, BSc, GradDip (Personnel Administration), FAIM, FAICD (Managing Director)

Mr Robb (53) commenced as Managing Director on 18 October 2006. Mr Robb was previously Managing Director, Wesfarmers Energy as well as Executive Director, Wesfarmers Limited. Prior to joining Wesfarmers he held senior positions with British Petroleum in Australia and overseas, including chief executive responsibilities for a national service business in the US; for oil, chemicals, consumer goods, marine and aviation businesses in Malaysia and as Director responsible for oil marketing throughout South East Asia. Mr Robb is Chairman of Consolidated Rutile Limited.

Other current directorships of listed companies: Consolidated Rutile Limited (October 2006 to present). Former directorships of listed companies in the last three years: Wesfarmers Limited (July 2004 to September 2006).

Grahame David Campbell, BE, MEng Sc, HON FIE Aust, FAICD, CP Eng

Mr Campbell (64) was appointed to the Board in December 1998. He has extensive experience in the mining and construction industries and is a past president of both the Association of Consulting Engineers (Australia) and the Australian Pipeline Industry Association. He is a Director of the Macro Engineering Council and Worley Parsons Limited. Mr Campbell is a member of the Audit and Risk Committee.

Other current directorships of listed companies: Worley Parsons Limited (November 2002 to present). Former directorships of listed companies in the last three years: None.

Valerie Anne Davies, FAICD

Ms Davies (56) was appointed to the Board in July 1997. She is Principal of One.2.One Communications Pty Limited and a Director of Tourism Australia and HBF Health Funds Inc. Previous directorships include Gold Corporation, TAB (WA), ScreenWest, Relationships Australia and Integrated Group Limited. Ms Davies has also been a member of the Boards of Management of the Asia Research Centre (Murdoch University) and Fremantle Hospital and Health Service. She is a Councillor of the WA Division of the Australian Institute of Company Directors and a past recipient of the Telstra "WA Business Woman of the Year" award. Ms Davies is Chairperson of the Remuneration and Nomination Committee.

Other current directorships of listed companies: None. Former directorships of listed companies in the last three years: Integrated Group Limited (August 1999 to June 2007).

Donald Marshall Morley, BSc, MBA, FAusIMM

Mr Morley (68) was appointed to the Board in December 2002. He was formerly the Chief Financial Officer and a Director of WMC Limited from which he retired in October 2002. He is Chairman of Alumina Limited and a Director of Spark Infrastructure Limited. Mr Morley is Chairman of the Audit and Risk Committee.

Other current directorships of listed companies: Alumina Limited (December 2002 to present), Spark Infrastructure Limited (December 2005 to present). Former directorships of listed companies in the last three years: None.

George John Pizzey, BE(Chem), Fell Dip (Management), FAIM, FAICD, FTSE

Mr Pizzey (62) was appointed to the Board in November 2005. He has extensive experience in mining and mineral processing. Mr Pizzey was Chairman of Alcoa of Australia and held a number of senior executive positions with Alcoa Inc (USA). He is a Director of Alumina Limited, Amcor Limited, St Vincent's Medical Research Institute and Ivanhoe Grammar School. He was formerly the Chairman of ION Limited (in administration), Range River Gold Limited and the London Metal Exchange UK and a Director of WMC Resources Limited. Mr Pizzey is a member of the Remuneration and Nomination Committee.

Other current directorships of listed companies: Alumina Limited (June 2007 to present), Amcor Limited (November 2003 to present). Former directorships of listed companies in the last three years: Range River Gold Limited (June 2004 to April 2006), ION Limited (Administrator Appointed) (December 1999 to August 2005), WMC Resources Limited (November 2003 to June 2005).

Gavin John Rezos, BA, LLB, BJURIS, MAICD

Mr Rezos (46) was appointed to the Board in June 2006. He has extensive Australian and international investment banking experience and is a former Investment Banking Director of the HSBC Group with regional roles during his HSBC career based in London, Sydney and Dubai. Mr Rezos has held Chief Executive Officer positions and executive directorships of companies in the healthcare and technology areas in the UK, US and Singapore and was formerly a non-executive Director of Amity Oil NL (Antares). He is a Principal of Albion Capital Partners. Mr Rezos is a member of the Remuneration and Nomination Committee.

Other current directorships of listed companies: None. Former directorships of listed companies in the last three years: Antares Energy Limited (formerly Amity Oil NL) (October 2001 to November 2004), pSivida Limited (December 2000 to July 2006).

Company Secretary

The Company Secretary is Mr Cameron Wilson LLB. Mr Wilson was appointed to the position of Company Secretary in 2004. Before joining Iluka Mr Wilson held a range of legal and commercial roles at WMC Resources Limited and prior to that worked as a solicitor with a major legal practice.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2007, and the numbers of meetings attended by each Director were:

	Board of Directors' meetings		Audit and Risk Committee meetings		Remuneration & Nomination Committee meetings	
Director	Number attended	Number held	Number attended	Number held	Number attended	Number held
I C R Mackenzie	10	10	6	6	4	4
D A Robb	10	10	6	6	4	4
G D Campbell	10	10	6	6	-	-
V A Davies	9	10	-	-	4	4
R L Every	10	10	6	6	-	-
D M Morley	10	10	6	6	-	-
G J Pizzey	10	10	-	-	4	4
G J Rezos	10	10	-	-	4	4

Directors' shareholding

Directors' shareholding is set out on page 14 of the Financial Report.

Remuneration Report

A remuneration report is set out on pages 8 to 18.

Indemnification and insurance of officers

The Company indemnifies all Directors of the Company named in this report and current and former executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as Director or executive officer unless the liability relates to conduct involving bad faith. The Company also has a policy to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the year the Company has paid a premium in respect of Directors' and executive officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- fees paid to external auditors for non-audit services for the 2007 year were below the limits prescribed by the Company policy; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2007	2006
	$	$
(a) Assurance services - Refer to Note 34		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**832,494**	755,020
Related practices of PricewaterhouseCoopers Australian firm	**60,400**	63,000
Total remuneration for assurance services	**892,894**	818,020
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	**21,000**	71,220
Related practices of PricewaterhouseCoopers Australian firm	**33,360**	9,333
Total remuneration for taxation services	**54,360**	80,553

Environmental regulations

The Company's Australian operations are subject to various Commonwealth and State laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation and access to, and use of, ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation of the state in which they operate and such licenses include requirements specific to the subject site.

So far as the Directors are aware, there have been no material breaches of the Company's licenses and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

Matters subsequent to the end of the financial year

On 21 February 2008, the Company announced an intention to raise capital in the region of $350 million through a renounceable pro-rata entitlement offer. Detailed work on the final structure and timing of this equity raising continues at the time of signing this report. Also on 21 February 2008, the Company indicated that it was well progressed in securing a single, enlarged corporate debt facility to replace and extend the maturities of certain of its existing facilities. The company has since executed a new $500 million debt facility package comprising a Syndicated Term Loan Facility of $445 million and a Working Capital Facility of $55 million.

Except for the matters referred to above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar.

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

I C R Mackenzie
Chairman

Perth
12 March 2008

Board Oversight of Remuneration – Remuneration and Nomination Committee

The Remuneration and Nomination Committee (Committee) operates in accordance with its charter as approved by the Board. The Committee is comprised solely of independent non-executive Directors and was chaired by Ms Davies in 2007. The Committee met four times in 2007, with all members of the Committee present at every meeting.

The Committee's responsibility is to provide assistance and recommendations to the Board in support of the company's objective of creating and delivering value for shareholders and in fulfilling its corporate governance responsibilities relating to the following:

- overall remuneration strategy of the company, its development, review and implementation;
- remuneration of executives, the Managing Director and non-executive Directors;
- performance of the Managing Director and key executives;
- succession planning for key roles; and
- assessment, composition and succession of the Board.

The Committee has the resources and authority appropriate to discharge its duties and responsibilities, including the authority to engage external professionals on terms it determines appropriate, without seeking the approval of the Board or management. During the 2007 year, the external advisers provided input on several matters relating to remuneration. These advisers were:

- Ernst and Young, who provided advice in relation to the Iluka employee share plan;
- Hay Group, who provided advice on staff and executive remuneration; and
- Egan Associates, who provided remuneration advice in respect to the Managing Director and non-executive Directors.

In 2007, the Remuneration and Nomination Committee conducted a review of its charter and an evaluation of its performance.

The remuneration policies and practices of CRL, a subsidiary of Iluka and a company listed on the Australian Securities Exchange (ASX), are developed by the CRL Board and not by the Board or Remuneration and Nomination Committee of Iluka. Information on these arrangements is available in the CRL Annual Report.

Remuneration Principles

Iluka's performance is dependent on the quality of its employees and the alignment of their activities and performance with Iluka's business objective – to create and deliver shareholder value. Accordingly, Iluka's remuneration policy is designed to attract, retain and motivate experienced executives and to ensure the focus of executives on shareholder value creation and delivery. This policy is based on the following principles:

- alignment of executive and shareholder interests is supported by executive share ownership;
- executives should be focused on both short and long term business performance;
- the company's need to attract and retain key executive talent;
- executive rewards must be competitive within the sector in which Iluka operates;
- an appropriate balance should be maintained between fixed and variable components of executive remuneration; and
- all aspects of executive remuneration should be transparent in terms of disclosure, comply with relevant legislative requirements and take account of market practice.

The remuneration of an executive or manager for performance is therefore linked to both annual business performance outcomes and to the company's ability to generate competitive levels of shareholder value, as defined by Total Shareholder Return (TSR) and Return on Equity (ROE), on a longer term basis.

A share purchased at the prevailing market price of $4.60 on 1 January 2003 has since generated $0.98 in shareholder returns over the subsequent five year period (a 21.3% return). This return has comprised aggregate dividend returns of $0.98 with nil share price growth over the period to 31 December 2007. Over the corresponding five year period, average executive total fixed remuneration (for roles existing throughout that period) increased by 31 per cent.

Remuneration Structure

This Remuneration Report discloses remuneration details for the Managing Director, non-executive Directors and Key Management Personnel of the company and group in 2007.

Remuneration for executives comprises two components:

- total fixed remuneration (TFR) which is made up of base salary and superannuation, together with other salary sacrifice items such as novated leases and car parking. Employees are required to meet any fringe benefits tax obligations applicable to benefits; and
- variable remuneration which is linked directly to performance of both the company and the individual executive and as such is deemed to be "at risk".

The remuneration structure is designed to reflect an appropriate balance between fixed and variable remuneration to ensure that executive reward is aligned with the performance outcomes of the business.

Total Fixed Remuneration (TFR)

In February 2007, Iluka adopted the Hay Job Evaluation methodology for job sizing to strengthen internal relativities and adopt a strong alignment to Hay Group remuneration practices and external markets. Under the new structure, the company positions TFR at median levels of the market as defined by a comparator group of Australian companies within the resources market, as well as referencing job evaluation data and the individual competence levels of executives. Allowance is also made for the highly competitive nature of the market for talent in the resources sector.

Superannuation Benefits

Iluka has appropriate superannuation and pension arrangements in countries where it operates. In Australia the company contributes superannuation at the minimum required rate to each executive's nominated eligible fund. Individuals may elect to make further voluntary contributions from pre-tax salary.

All Australian based executives are entitled to contribute to the Iluka Superannuation Plan. The plan is administered by ING Australia Limited as part of a master trust and over 90 per cent of employees are members. The plan is primarily an accumulation style plan. A small number of employees have retained membership in a defined benefit sub-plan, a legacy from the 1999 merger of Westralian Sands Limited with RGC Limited. The defined benefit sub-plan is closed to new members. All executives (the executives detailed on page 16) participate in the Iluka Superannuation Plan on an accumulation basis.

Variable Remuneration

Performance and Incentives

The current performance and incentive arrangements were introduced for the 2007 performance year. The incentive arrangements comprise a Short Term Incentive Plan (STIP) and a Long Term Incentive Plan (LTIP). The distinct plans balance the short and long term aspects of business performance, reflect market practice and support business needs.

The incentive arrangements ensure a strong alignment between the incentive arrangements of executives and the creation and delivery of shareholder value and support Iluka's aim of attracting, retaining and motivating experienced executives.

The STIP and LTIP operate within the existing rules of the Directors, Executives and Employees Share Acquisition Plan (DEESAP), as approved by the shareholders at the company's Annual General Meeting in May 1999.

At target levels of performance, the STIP represents two-thirds of potential variable remuneration, and the LTIP represents one-third.

Only nominated managers and executives participate in the STIP and LTIP. The level of award opportunity is determined by an individual's role within the business and capacity to impact the results of the company. In 2008, it is anticipated that approximately 89 employees (including all executives) will participate in the LTIP, and approximately 160 employees (including all executives) will participate in the STIP.

Objectives, measures and targets for both the STIP and the LTIP are set on an annual basis and are subject to the approval of the Board.

The target incentive opportunity for key executives under the STIP is 60 per cent of TFR and under the LTIP is 30 per cent of TFR. At stretch levels of performance the incentive opportunity under the STIP increases to 90 per cent.

The Short-Term Incentive Plan (STIP)

The STIP aims to provide incentive to executives whilst also promoting equity ownership, providing awards partly in cash and partly in deferred equity.

The STIP is linked to group and regional financial and operational performance and has a focus on return on capital (ROC) as a key metric. A combination of financial and non-financial targets, including safety and individual targets, are used to measure performance and determine outcome. Each metric reflects the organisational unit within which the individual is located (for example, regional versus corporate roles) and is measured independently.

The measures and weighting of objectives for the 2008 performance year are:

• Profitability (ROC, EBIT and NPAT)	60 per cent
• Sustainability (all injury frequency rate, severity rate and notifications to government)	10 per cent
• Growth (individual objectives)	30 per cent

The weighting of the growth measure is targeted at 30 per cent, however the Board (on the recommendation of the Managing Director) has discretion at any time to vary the growth weighting within a range from 20 per cent to 40 per cent.

The measures and weighting of objectives for the 2007 performance year varied for the key management personnel as shown below:

• Profitability (ROC, EBIT and NPAT)	60 or 70 per cent
• Sustainability (all injury frequency rate, severity rate and notifications to government)	10 per cent
• Growth (individual objectives)	20 or 30 per cent

The STIP requires profitability and sustainability performance exceeding 90 per cent of target before any award is payable for these measures. Growth objectives are set at stretch levels and are linked to the achievement of key business growth and improvement outcomes.

The STIP award is determined after the year-end based on an assessment of the extent to which the individual's objectives have been achieved. Outcomes are subject to rigorous one-up manager assessment and, for the Managing Director and key executives, by the Board.

Half of the STIP award is to be paid in cash and half on a deferred basis in the form of restricted shares. Fifty per cent of the restricted shares are subject to a time-based vesting period of one year after the end of the performance period. The remaining 50 per cent is subject to a time-based vesting period of two years after the end of the performance period.

The process for determining the number of restricted shares to be awarded to each participant is determined by dividing the dollar value of the deferral component by the Volume Weighted Average Price (VWAP) of Iluka shares traded on the ASX over the five trading days following release of the company's full year results.

The deferred amount supports executive focus on both annual and multi-year performance, as well as providing a tangible retention factor.

To encourage executives to increase their shareholdings, voluntary deferral of up to 100 per cent of the STIP award is available.

At the time of the assessment of the 2007 STIP the Board exercised its discretion to re-weight the growth measure to 40 per cent for all Australian participants. The additional value of the re-weighted component was awarded in the form of restricted shares which will vest on 1 January 2009.

The Long-Term Incentive Plan (LTIP)

The LTIP provides a grant of equity in the form of share rights that vest after three years subject to performance over a three year period.

The grant is split into two separate tranches, with one tranche (50 per cent) being assessed based on return on equity (ROE) relative to an internal target and the other (50 per cent) based on Total Shareholder Return (TSR) performance relative to a comparator group consisting of companies which comprise the Materials Index and the ASX Mid Cap 50 Index at the commencement of the performance period (excluding property trusts and duplication). The two performance measures are applied as follows:

Return on Equity (ROE) tranche:

The ROE tranche of the LTIP grant vests based on a prospective three year ROE performance measure. Half of the tranche vests for threshold performance with 100 per cent of the tranche vesting for achievement of target. Vesting occurs on a straight-line basis for performance between threshold and target. Targets are set giving consideration to:

- prior ROE performance history;
- planned strategic and business plan activity throughout the performance period; and
- comparable company performance.

Total Shareholder Return (TSR) tranche:

The TSR tranche of the LTIP grant vests based on TSR relative to a peer group of companies. The comparator group consists of the companies which comprise the Materials Index and the ASX Mid Cap 50 Index at the commencement of the performance period (excluding property trusts and duplication). This comparator group was chosen to provide a combination of companies from Iluka's defined industry sector and companies of a similar market capitalisation to Iluka. The combined group also ensures a sufficiently large peer group for performance measurement, and provides less likelihood of TSR performance being skewed to specific sub industry sectors or specific stocks.

Fifty per cent of the TSR tranche vests if Iluka ranks at the 50th percentile of the comparator group, with 100 per cent vesting at the 75th percentile of the comparator group. Vesting occurs on a straight-line basis for performance between the 50th and 75th percentile of the comparator group.

All offers (including plans vested in the 2007 year) and details of the maximum allocation for the Managing Director and key executives are shown on page 14. It should be noted that the maximum allocations listed are subject to the respective performance criteria. If at the end of the performance period the performance criteria have not been met there will be no entitlement to shares.

Previous Performance Incentive Programs: 2005 and 2006

During 2005 and 2006 Iluka operated the Performance Incentive Program (PIP) which has since been superseded by the STIP and LTIP plans introduced in 2007.

In February 2006, the Board approved a number of refinements to the PIP following its first year of operation.

For participating executives, 50 per cent of any award made was in the form of cash and the balance was required to be deferred in the form of share rights. Only nominated managers and executives participated in the PIP. The level of potential award opportunity was determined by an individual's role within the business and capacity to impact the results of the company. In 2006, 39 employees participated in the cash and equity form of PIP, with a further 75 staff nominated for the cash only form of the plan.

The following table sets out the maximum incentive opportunity for 2005 and 2006:

	Maximum incentive award (% of TFR)	
	Executives	Managing Director
2005 performance year	80%	125%
2006 performance year	90%	125%

The size of incentive award was determined at year-end based on an assessment of the extent to which the individual's objectives had been achieved.

The PIP provided for an 'at risk' element of remuneration requiring the attainment of annually set, pre-determined objectives and targets. Objectives were both financial and non-financial and were developed individually for participating staff. Performance objectives related to financial (NPAT & ROE), environmental, health and safety performance, business improvement projects and specific targets within the executive's functional responsibilities. Individual objectives were required to align directly with the company's strategic plan and annual budgets. The weighting of financial and non-financial measures were as follows:

	(% of award)		
	Financial	Environmental and health and safety	Key individual objectives
2005 performance year	35%	10-15%	50-55%
2006 performance year	50%	10-15%	35-40%

Each measure and objective had robust targets defined at threshold (minimum level of performance required), target (performance as budgeted) and stretch (superior performance – maximum level of award). Objectives, measures and targets set in 2006 were subject to the approval of the Board, and applicable to both the cash and equity components of the plan.

Outcomes of PIP objectives were subject to a rigorous one up assessment and, for the Managing Director and key executives, by the Board.

In 2005 and 2006, threshold achievement required a 90 per cent achievement of the target or budgeted performance of the company and paid 45 per cent of the apportioned award. Target achievement required meeting 100 per cent of this criterion and paid 65 per cent of the apportioned award. Stretch achievement required a 120 per cent performance against this criterion, and paid 100 per cent of the apportioned award. There was no additional payment applicable to the executive above stretch, nor was any award payable below threshold level of financial achievement.

For both the 2005 and 2006 plans, the financial and non-financial objectives and measures were the only criteria required for determining the share entitlements of executives.

For the 2005 PIP, at the end of the performance period in December 2005, performance criteria were assessed for each executive and an incentive award determined based on the level of achievement. Half of the incentive award was paid in cash in March 2006. Executives receive the remaining half of the award as rights to fully paid shares in annual instalments of 25 per cent over four years. Further, a four year holding period applies to each grant of shares. The first tranche of the 2005 PIP vested in January 2007.

For the 2006 PIP, at the end of the performance period in December 2006, performance criteria were assessed for each executive and an incentive award determined based on the level of achievement. Half of the incentive award was paid in cash in March 2007. Executives receive the remaining half as rights to fully paid shares over three years in one third instalments which commenced in January 2007. The four year holding period on vested Share Rights applicable in the 2005 year was replaced by a 50 per cent minimum holding requirement once all shares have vested in the 2006 plan. Once share rights vest, the awarded shares will be purchased on the open market.

Securities Trading

Iluka's policy in relation to employees holding Iluka securities is set out in the Company's Securities Trading Policy, which can be found on the Company's website at www.iluka.com. The policy sets out the circumstances in which employees may trade in company securities, and thereby seeks to ensure employees do not breach the laws concerning insider trading.

Remuneration Review

The company conducts a review of the remuneration of executives and staff on an annual basis. Guidelines for reviews are considered by the Board following recommendation by the Remuneration and Nomination Committee in February of each year. Review guidelines are based upon the outcomes of direct and related market review data and external advice from the company's remuneration advisers. All employees and executives participate in a performance review process which is used in conjunction with market data to determine appropriate remuneration recommendations.

Individual progress against objectives is reviewed throughout the performance year with formal reviews occurring at half year and at the conclusion of the performance year.

Recommendations by the Managing Director for STIP and LTIP award outcomes and remuneration for key executives are submitted to the Remuneration and Nomination Committee in February of each year. In respect of all other eligible participants, a one up manager approval process applies with final Managing Director authority prior to any award or remuneration review being implemented.

Employee Share Plan

The company also operates an employee share plan under the rules of the Iluka Resources Limited Employee Share Plan. The Board may, from time to time, at its discretion, make written offers to participate in the plan.

In 2007, Iluka introduced an employee 'gift' share plan (Gift Plan). Under the terms of the Gift Plan, offers were made to eligible employees (permanent employees with a minimum of twelve months service) in Australia and the United States to receive shares to the value of A$1,000.

To satisfy the legislative requirements of both Australia and the United States, Australian employees received the shares under a tax-exempt plan, with a three year sale restriction period (a holding lock can be applied during the restriction period). As US employees do not have access to a tax exemption plan, they were offered a gift of free shares up to A$1,000 through a grant of restricted shares. The shares will be held under the plan rules with a restriction period of three years. To enable US employees to receive a tax deferral, strict forfeiture conditions apply.

Of the 762 Australian employees eligible to participate, 608 (80 per cent) accepted the offer. In the US, 81 of 159 (51 per cent) employees participated. Overall, a total of 689 of 921 (75 per cent) eligible employees accepted the Gift Plan offer at a cost of $609,000.

Consistent with usual industry practice, shares acquired under the Gift Plan are not subject to performance conditions as the primary objective of the plan is to encourage share ownership by all employees and thereby increase the alignment of employee attitudes and actions with shareholder value creation and delivery.

Non-Executive Directors' Remuneration

The remuneration of the non-executive Directors is determined by the Board on recommendation from the Remuneration and Nomination Committee within a maximum aggregate amount approved by shareholders at an Annual General Meeting. The current maximum amount of non-executive Directors' fees as approved by shareholders is $1.1 million. The total amount paid in 2007, including superannuation, was $955,852.

A review of Iluka's non-executive Director fees was conducted during the year by Egan Associates. The review took into account the nature of Directors' work, their responsibilities and survey data on comparative companies. As a result of this review, the following fees were applied from 1 July 2007:

- Non-executive Director Fees

Board Chairman (inclusive of Committee fees)	$251,870 per annum
Board Member	$95,000 per annum

- Board Member Committee Fees

Audit and Risk Committee Chair	$35,000 per annum
Remuneration and Nomination Committee Chair	$25,000 per annum
Audit and Risk Committee Member	$17,500 per annum
Remuneration and Nomination Committee Member	$12,500 per annum

The minimum required employer superannuation contribution is paid into each Director's nominated eligible fund and is in addition to the above fees. Based on the above fee structure, the current total non-executive Director remuneration is $941,870 per annum, excluding superannuation, or $1,026,639 including superannuation.

Non-executive Directors are able to purchase company shares under the DEESAP utilising the funds that would otherwise be payable to Directors as fees. These shares are acquired on market and all transaction costs are borne by the relevant Director. Details of Directors' share purchases are listed on page 14. No performance conditions are attached to these shares as they are purchased using sacrificed fees.

Executive Employment Agreements

Remuneration and other terms of employment for the Managing Director and key executives are formalised in service agreements. The Managing Director and key executives are employed on rolling agreement basis with no specified fixed terms. The Managing Director and key executives are on total fixed remuneration (TFR) arrangements, inclusive of superannuation.

David Robb - Managing Director

Total Fixed Remuneration	$1,100,000 for the year ended 31 December 2007 $1,500,000 from 1 January 2008
Short Term Incentive	90 per cent of TFR at target with up to 120 per cent of TFR for stretch performance awarded 50 per cent as cash and 50 per cent as deferred equity **Measure** — **Weighting** Profitability (ROC, EBIT, NPAT) — 50 per cent Sustainability (all injury frequency rate, severity rate, notifications to government) — 10 per cent Growth (individual objectives) — 40 per cent
Long Term Incentive	A grant of equity in the form of share rights of up to 30 per cent of TFR measured over of a three year performance period **Measure** — **Weighting** ROE — 50 per cent TSR — 50 per cent
Share Rights	As disclosed in the 2006 Remuneration Report, Mr Robb purchased approximately $500,000 of Iluka shares prior to commencing employment which were matched with an equivalent award of share rights (71,851 shares) due to vest on 1 July 2008. Mr Robb was granted a further 52,970 share rights as part of the 2007 LTIP offer of which, subject to meeting performance criteria, part or all may vest at the conclusion of the three year period.
Retention Arrangements	At the time of finalising this Report, the Board was in the process of developing an incentive and retention plan for the Managing Director. If approved by the Board the plan will be subject to shareholder approval at the upcoming Annual General Meeting on 21 May 2008.
Termination Arrangements With Notice	Employment can be terminated during the contract period by giving 12 months notice or pay in lieu of notice plus a pro-rata short term incentive component. All shares to which Mr Robb is entitled under the DEESAP will vest within three months of termination.
Without Notice	In the case of misconduct and in certain other circumstances, employment can be terminated without notice and with no entitlement to any payment under the executive incentive plan.
Voluntary Termination	Employment may be terminated by giving six months notice. Any pro-rata award under the executive incentive plan will be at the discretion of the Board.
Termination for Other Reasons	• By Iluka on the ground of redundancy or by Mr Robb if, at the instigation of the Board, he suffers a material diminution in his status as Chief Executive Officer and Managing Director, by giving 24 months notice (if given in the first three years of employment) or 12 months notice (thereafter) provided that Iluka may elect, or Mr Robb may require Iluka, to pay Mr Robb an equivalent amount of TFR in lieu of notice; or • By Iluka if Mr Robb suffers illness, accident or other cause which renders him unable to perform his duties, by giving Mr Robb six months TFR. • In the circumstances described above, a termination payment equal to the total incentive target for which there would have been an entitlement under the executive incentive plan for the relevant year calculated on a pro-rata basis for the relevant notice period given by the company.
Protection of Interests	Mr Robb is restrained from engaging in certain activities during his employment, and for a period following termination of his employment, in order to protect Iluka's interests. The Executive Employment Agreement contains provisions relating to the protection of confidential information and intellectual property.

Executive Service Agreements

Major provisions of the agreements relating to key executives included in this Remuneration Report are set out below.

Executive	Position	Termination Notice Period by Iluka	Termination Notice Period by Employee	Termination Payments
M Adams	General Manager Western Region	3 months	3 months	9 months
P Beilby	General Manager Murray Basin	3 months	3 months	9 months
P Benjamin	General Manager Exploration & Geology	3 months	3 months	12 months
D Calhoun	Executive General Manager People & Communities	3 months	3 months	12 months
C Cobb	Managing Director CRL	3 months	3 months	12 months
D Grant	Chief Financial Officer	3 months	3 months	12 months
V Hugo	General Manager Sales & Marketing	3 months	3 months	12 months
D McMahon	Chief Financial Officer	3 months	3 months	12 months
H Umlauff	General Manager SA Development & Project Management	3 months	3 months	12 months
C Wilson	General Manager Corporate Services & Company Secretary	3 months	3 months	12 months

D Calhoun, D Grant and D McMahon have ceased employment with Iluka.

Share Rights and Shareholdings of Key Management Personnel

	Number of Shares				Number of Share Rights				
Name	Balance held at 01/01/07	Received on vesting of share rights during the year	Other changes during the year	Balance held at 31/12/07	Balance held at 01/01/07	Granted during 2007*	Vested as shares during 2007	Lapsed during 2007	Balance held at 31/12/07
Non-Executive Directors									
G Campbell	76,072	-	9,668	85,740	-	-	-	-	-
V Davies	35,272	-	830	36,102	-	-	-	-	-
R Every	17,540	-	710	18,250	-	-	-	-	-
I Mackenzie	42,256	-	1,554	43,810	-	-	-	-	-
D Morley	25,000	-	1,012	26,012	-	-	-	-	-
G Pizzey	10,000	-	405	10,405	-	-	-	-	-
G Rezos	-	-	40,474	40,474	-	-	-	-	-
Executive Director									
D Robb	70,000	-	2,835	72,835	71,851	52,970	-	-	124,821
Executives									
M Adams	-	2,242	42	2,284	-	24,786	(2,242)	-	22,554
P Beilby	11,940	14,364	1,065	27,369	30,732	19,316	(14,364)	(6,774)	28,910
P Benjamin	7,287	9,104	659	17,050	15,436	24,986	(9,104)	(3,549)	27,769
D Calhoun	200	27,903	(28,103)	-	19,425	28,895	(27,903)	(20,417)	-
D Grant	5,400	16,594	(21,994)	-	36,105	12,755	(16,594)	(32,266)	-
V Hugo	7,510	15,322	-	22,832	33,396	24,197	(15,322)	(6,528)	35,743
D McMahon	-	-	-	-	-	21,669	-	(21,669)	-
H Umlauff	-	2,423	46	2,469	-	32,937	(2,423)	-	30,514
C Wilson	100	4,776	-	4,876	16,548	24,483	(4,776)	-	36,255

* Granted during 2007 includes the full grant of the 2006 PIP and Share Rights offered under the 2007 LTI.

The numbers of shares in the company and share rights for ordinary shares in the company are set out above for each director of Iluka Resources Limited and other key management personnel of the group, including their personally related entities. There were no shares granted during the reporting period as compensation.

Incentive opportunity for 2008

	Short-Term Incentive (Cash + Deferred Equity)		Long-Term Incentive (Equity)[1]	
Name	At Target 90% of fixed remuneration	At Stretch 120% of fixed remuneration	$ Value of maximum number of share rights 30% of fixed remuneration	Incentive as % of TR at target[2]
D A Robb	$1,350,000	$1,800,000	$450,000	55%
Name	At Target 60% of fixed remuneration	At Stretch 90% of fixed remuneration	$ Value of maximum number of share rights 30% of fixed remuneration	Incentive as % of TR at target[2]
M Adams	$264,000	$396,000	$132,000	47%
P Beilby	$214,200	$321,300	$107,100	47%
P Benjamin	$254,400	$381,600	$127,200	47%
V Hugo	$235,800	$353,700	$117,900	47%
H Umlauff	$339,000	$508,500	$169,500	47%
C Wilson	$264,000	$396,000	$132,000	47%

1. Shows the $ value of the LTI opportunity to be granted in the form of share rights in 2008.
2. Total Remuneration (TR) represents the annual total available earnings inclusive of fixed remuneration plus short and long term incentives at target. The table above shows the 'at risk' (variable) remuneration as a percentage of total remuneration.

Remuneration report disclosures

Details of Remuneration

Details of the remuneration of the directors and other Key Management Personnel (as defined in AASB 124 *Related Party Disclosures*) of Iluka Resources Limited and the Iluka Resources Limited Group are set out in the following tables. Other key management personnel of the company and the group are the following executives who have authority for planning, directing and controlling the activities of the company and the group.

M Adams	General Manager, Western Region
P Beilby	General Manager, Murray Basin
P Benjamin	General Manager, Exploration & Geology
D Calhoun[1]	Executive General Manager, People & Communities
D Grant[2]	Chief Financial Officer
V Hugo	General Manager, Sales & Marketing
D McMahon[3]	Chief Financial Officer
H Umlauff	General Manager, South Australian Development & Project Management
C Wilson	General Manager, Corporate Services & Company Secretary

1 D Calhoun ceased employment 30 November 2007.
2 D Grant ceased employment 16 February 2007.
3 D McMahon appointed as an Executive 29 January 2007 and ceased employment 17 January 2008.

For the remainder of this Note, Key Management Personnel other than Directors of the consolidated entity are referred to as 'Executives'.

The above persons were also Executives during the year ended 31 December 2006, except:

- M Adams, appointed as an Executive 1 January 2007.
- P Beilby, appointed as an Executive 1 January 2007.
- P Benjamin, appointed as an Executive 24 May 2006.
- V Hugo, appointed as an Executive 21 February 2006.
- H Umlauff, appointed as an Executive 9 May 2006.

The following persons were also Executives during the year ended 31 December 2006:

- S Ward, ceased employment as Executive General Manager Sales & Marketing on 10 February 2006.
- M Bourke, ceased employment as Executive General Manager Technical Services on 3 March 2006.
- W Bisset, ceased employment as Executive General Manager Global Operations on 31 December 2006.

In addition, the Managing Director of Consolidated Rutile Limited, C Cobb, is a group executive whose remuneration must be disclosed under the *Corporations Act 2001* as one of the five highest remunerated executives.

Amounts in the 'PIP cash' column are dependent on the satisfaction of performance conditions as set out in the section headed "Performance Incentive Plan" above. Amounts in the Share Based Payments column relate to the component of the fair value of awards from prior years made under the various incentive plans attributable to the year. All other elements of remuneration are not directly related to performance.

2007

Name	Cash Salary & fees[1] $	STIP Cash $	Non-Monetary Benefits $	Other $	Superannuation $	Termination $	Share Based Payments[2] $	Total $
	Short-term employee benefits							
Non-executive Directors**								
G Campbell	107,750	n/a	n/a	n/a	9,698	n/a	n/a	117,448
V Davies	114,000	n/a	n/a	n/a	10,260	n/a	n/a	124,260
R Every	105,250	n/a	n/a	n/a	10,091	n/a	n/a	115,341
I Mackenzie	225,577	n/a	n/a	n/a	15,532	n/a	n/a	241,109
D Morley	124,000	n/a	n/a	n/a	11,160	n/a	n/a	135,160
G Pizzey	102,750	n/a	n/a	n/a	9,248	n/a	n/a	111,998
G Rezos	101,409	n/a	n/a	n/a	9,127	n/a	n/a	110,536
Executive Director								
D Robb[3]	1,009,174	245,902	-	-	90,826	-	354,485	1,700,387
Executives								
M Adams[4]	345,948	32,010	-	-	31,135	-	42,934	452,027
P Beilby[4]	274,822	28,917	-	-	38,475	-	54,409	396,623
P Benjamin*	323,173	50,738	5,250	-	45,244	-	56,589	480,994
D Calhoun[5]*	376,853	102,025	120,803	-	10,977	454,828	105,645	1,171,131
D Grant[6]	50,441	-	653	-	7,062	43,095	-	101,251
V Hugo	317,404	44,627	5,250	-	43,596	-	71,241	482,118
D McMahon[7]*	382,928	-	-	-	34,464	-	-	417,392
H Umlauff*	488,991	71,694	2,634	-	44,009	-	52,120	659,448
C Wilson	314,035	52,763	5,250	-	43,965	-	72,717	488,730
Other Group Executive								
C Cobb[8]*	344,737	203,181	-	-	48,263	-	-	596,181

1. Cash salary includes salary that is sacrificed for the purchase of shares during the year.
2. Represents the estimated monetary value of shares rights under grant for the year ended 31 December 2007. The indicative valuation was determined in accordance with the measurement criteria of accounting standard AASB 2 *Share-based payment* with the fair value of shares at grant date being recognised as remuneration on a straight-line basis between grant date and vesting date. A negative value in share based payments arises where amounts recognised as remuneration in prior years are reversed due to employee forfeiture of the share rights prior to vesting.
3. As disclosed in 2006, D Robb has elected to defer the cash component of his 2007 STIP award into Iluka shares provided for under the terms of the STIP.
4. Appointed as an Executive 1 January 2007.
5. Ceased employment 30 November 2007. Termination benefit consisted of Severance $424,000 in accordance with terms of the contract of employment regarding termination plus payment of statutory leave entitlements $30,828. Non-monetary benefit relates to relocation and associated FBT pursuant to terms of the contract of employment.
6. Ceased employment 16 February 2007. Termination benefit relates to statutory leave entitlements $43,095.
7. Commenced employment 29 January 2007, ceased employment 17 January 2008.
8. Remuneration and incentives arrangements for C Cobb are determined by the CRL Board of Directors. Further details can be obtained from the CRL annual report.

* Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

** n/a denotes that Non-executive Directors are not eligible for these arrangements.

2006

	Short-term employee benefits							
Name	Cash Salary & fees[11] $	PIP Cash[12] $	Non-Monetary Benefits $	Other $	Superannuation $	Termination $	Share Based Payments[13] $	Total $
Non-executive Directors								
W Barr[1]	33,850	n/a	n/a	n/a	3,046	n/a	n/a	36,896
G Campbell	96,585	n/a	n/a	n/a	8,693	n/a	n/a	105,278
V Davies	70,200	n/a	n/a	n/a	41,797	n/a	n/a	111,997
R Every	94,000	n/a	n/a	n/a	8,460	n/a	n/a	102,460
I Mackenzie	193,114	n/a	n/a	n/a	17,380	n/a	n/a	210,494
D Morley	45,292	n/a	n/a	n/a	74,880	n/a	n/a	120,172
G Pizzey	94,000	n/a	n/a	n/a	8,460	n/a	n/a	102,460
G Rezos[2]	52,068	n/a	n/a	n/a	4,686	n/a	n/a	56,754
R Tastula[1]	33,850	n/a	n/a	n/a	3,046	n/a	n/a	36,896
Executive Director								
D Robb[3]	206,422	200,000	-	-	18,578	-	50,871	475,871
K Folwell[4]	668,901	76,734	658,939	-	14,205	1,009,398	(273,046)	2,155,131
Executives								
P Benjamin[5]	174,884	54,594	3,117	-	11,597	-	26,240	270,432
W Bissett[6]*	577,943	95,018	7,810	-	14,205	558,467	57,182	1,310,625
M Bourke[7]	53,294	-	4,045	-	6,712	287,810	(97,844)	254,017
D Calhoun*	385,864	60,446	-	-	14,205	-	48,925	509,440
D Grant*	378,308	90,945	5,094	-	51,327	-	(4,842)	520,832
V Hugo[8]	256,951	47,889	4,395	-	37,504	-	64,938	411,677
H Umlauff[9]	273,389	51,844	-	-	23,770	-	-	349,003
S Ward[10]*	49,430	-	562	-	6,920	556,806	(134,749)	478,969
C Wilson	272,089	50,913	5,094	-	36,681	-	44,783	409,560
Other Group Executive								
C Cobb[14]*	315,741	163,292	-	-	40,568	-	-	519,601

1. W Barr and R Tastula retired 11 May 2006.
2. G Rezos appointed 20 June 2006.
3. D Robb appointed 18 October 2006. Cash incentive of $200,000 and grant of 71,851 share rights (share based payment value of $50,871 to December 2006) made pursuant to terms of contract of employment in lieu of participation in 2006 Performance Incentive Plan.
4. K Folwell ceased employment 31 August 2006. Termination benefits consisted of Severance $913,500 in accordance with terms of the contract of employment regarding termination plus payment of statutory leave entitlements $95,898. Non-monetary benefit relates to relocation allowance and associated FBT pursuant to terms of the contract of employment regarding termination.
5. P Benjamin appointed to Executive 24 May 2006.
6. W Bissett ceased employment 31 December 2006. Termination benefits consisted of Severance $515,000 in accordance with terms of the contract of employment regarding termination plus payment of statutory leave entitlements $43,468.
7. M Bourke ceased employment 3 March 2006.
8. V Hugo appointed to Executive 21 February 2006.
9. H Umlauff appointed to Executive 9 May 2006.
10. S Ward ceased employment 10 February 2006. Termination benefits consisted of Severance $485,000 in accordance with terms of the contract of employment regarding termination plus payment of statutory leave entitlements $71,806.
11. Cash salary includes salary that is sacrificed for the purchase of shares during the year.
12. Represents incentives payable in relation to the cash component of the 2006 Performance Incentive Plan paid in March 2007.
13. Represents the estimated monetary value of shares rights under grant for the year ended 31 December 2006. The indicative valuation was determined in accordance with the measurement criteria of accounting standard AASB 2 *Share-based payment* with the fair value of shares at grant date being recognised as remuneration on a straight-line basis between grant date and vesting date. A negative value in share based payments arises where amounts recognised as remuneration in prior years are reversed due to employee forfeiture of the share rights prior to vesting.
14. Remuneration and incentive arrangements for C Cobb are determined by the CRL Board of Directors. Further details can be obtained from the CRL annual report.

* Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

** n/a denotes that Non-executive Directors are not eligible for these arrangements .

Share Based Compensation

The tables below summarise awards of Shares and Share Rights made under the various incentive schemes described in the Variable Remuneration section during the year, and those awards from prior years that are still to vest.

Actual awards made under previous LTI and PIP plans in 2007

	Performance Period and Plan	
	2004 LTI	2006 PIP
	01/01/04 - 31/12/06[1]	01/01/06 - 31/12/06[2]
Name	Number of shares	Number of share rights
Directors of Iluka Resources Limited		
D Robb	-	-
Executives of Iluka Resources Limited		
M Adams	-	6,728
P Beilby	10,866	4,581
P Benjamin	5,693	7,651
D Calhoun	-	8,478
D Grant[3]	9,641	4,251
V Hugo	10,472	6,717
D McMahon[4]	-	-
H Umlauff	-	7,271
C Wilson	-	7,148
Fair Value per Share or Share Right[5]	$2.47	$4.00

1 Grant date 1 March 2007. Vesting date 1 March 2007, with a 10 year holding lock until 1 April 2017.

2 Grant date 1 January 2007. Vests in three equal tranches on 1 January 2007, 2008 and 2009.

3 D Grant ceased employment 16 February 2007. Mr Grant qualified to receive tranche 1 of the 2006 PIP.

4 D McMahon appointed 29 January 2007 and ceased employment 17 January 2008.

5 The valuations were determined in accordance with AASB 2 *Share Based Payments* by the Directors. The valuations were performed using an option pricing model.

STIP Share Rights awarded to the Managing Director and Executives for 2007 Performance

	Vesting Date	
Name	01/01/09	01/01/10
Directors of Iluka Resources Limited		
D Robb	33,501	33,502
Executives of Iluka Resources Limited		
M Adams	18,666	4,361
P Beilby	17,446	3,940
P Benjamin	14,269	6,913
D Calhoun	-	-
D Grant	-	-
V Hugo	12,311	6,080
D McMahon	-	-
H Umlauff	20,037	9,768
C Wilson	14,913	7,189

Auditors' Independence Declaration

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

David J Smith
Partner
PricewaterhouseCoopers

Perth
12 March 2008

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Report

CONTENTS

Income Statements

for the year ended 31 December 2007

		Consolidated		Parent entity	
	Notes	**2007 $M**	2006 $M	**2007 $M**	2006 $M
Revenue from continuing operations	5	**920.1**	983.4	**277.3**	346.0
Other income	6	**13.6**	43.0	**10.5**	-
Expenses, excluding borrowing costs, closure costs and impairment charges	7	**(808.3)**	(847.7)	**(251.9)**	(268.1)
Exchange gains on foreign currency borrowings	7	**-**	-	**8.0**	10.5
Interest and finance charges		**(43.8)**	(29.0)	**(43.0)**	(28.3)
Rehabilitation and restoration accretion expense		**(16.6)**	(13.0)	**(5.6)**	(2.8)
Total borrowing costs	7	**(60.4)**	(42.0)	**(48.6)**	(31.1)
Closure costs and impairment charges	7	**-**	(104.5)	**-**	(60.0)
Profit (loss) before income tax		**65.0**	32.2	**(4.7)**	(2.7)
Income tax (expense) benefit	8	**(15.5)**	(10.1)	**8.6**	10.3
Profit from continuing operations		**49.5**	22.1	**3.9**	7.6
Profit from discontinued operations	9	**10.9**	9.4	**-**	-
Profit for the year		**60.4**	31.5	**3.9**	7.6
Profit attributable to minority interest		**(9.3)**	(10.5)	**-**	-
Profit attributable to members of Iluka Resources Limited		**51.1**	21.0	**3.9**	7.6

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	44	**17.0**	5.0
Diluted earnings per share	44	**17.0**	5.0
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	44	**21.6**	9.1
Diluted earnings per share	44	**21.6**	9.1

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

Balance sheets

as at 31 December 2007

	Notes	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
ASSETS					
Current assets					
Cash and cash equivalents	10	**19.9**	17.4	**-**	-
Receivables	11	**190.5**	232.2	**44.7**	56.1
Inventories	12	**319.9**	249.4	**70.7**	77.7
Derivative financial instruments	13	**7.8**	3.5	**2.1**	-
Current tax assets	14	**12.7**	-	**12.4**	-
Other	15	**11.2**	17.9	**6.7**	0.5
Assets of disposal group classified as held for sale	9	**31.6**	33.2	**-**	-
Total current assets		**593.6**	553.6	**136.6**	134.3
Non-current assets					
Receivables	16	**-**	3.8	**289.2**	315.2
Inventories	21	**-**	5.5	**-**	2.7
Other financial assets	17	**1.2**	1.2	**849.2**	849.2
Property, plant and equipment	18	**1,246.4**	1,266.3	**246.2**	227.9
Derivative financial instruments	13	**1.0**	1.7	**0.7**	-
Deferred tax assets	19	**9.9**	14.9	**-**	-
Intangible assets	20	**15.2**	16.8	**-**	-
Other	22	**0.7**	0.7	**-**	-
Total non-current assets		**1,274.4**	1,310.9	**1,385.3**	1,395.0
Total assets		**1,868.0**	1,864.5	**1,521.9**	1,529.3
LIABILITIES					
Current liabilities					
Payables	23	**113.1**	133.4	**33.9**	41.9
Interest-bearing liabilities	24	**230.7**	194.0	**230.7**	188.5
Current tax liabilities	26	**8.3**	19.4	**-**	8.6
Provisions	25	**55.2**	57.9	**16.9**	18.9
Liabilities of a disposal group classified as held for sale	9	**6.8**	6.7	**-**	-
Total current liabilities		**414.1**	411.4	**281.5**	257.9
Non-current liabilities					
Interest-bearing liabilities	27	**387.3**	419.9	**387.3**	419.9
Deferred tax liabilities	28	**44.7**	56.8	**9.0**	6.1
Provisions	29	**270.3**	259.9	**88.0**	75.0
Total non-current liabilities		**702.3**	736.6	**484.3**	501.0
Total liabilities		**1,116.4**	1,148.0	**765.8**	758.9
Net assets		**751.6**	716.5	**756.1**	770.4
EQUITY					
Contributed equity	30	**662.6**	611.0	**662.6**	611.0
Reserves	31(a)	**23.8**	39.7	**21.0**	39.8
Retained (losses) profits	31(b)	**(2.8)**	(3.5)	**72.5**	119.6
Parent entity interest		**683.6**	647.2	**756.1**	770.4
Minority interest		**68.0**	69.3	**-**	-
Total equity		**751.6**	716.5	**756.1**	770.4

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

Statements of Recognised Income and Expense

for the year ended 31 December 2007

		Consolidated		Parent entity	
	Notes	**2007 $M**	2006 $M	**2007 $M**	2006 $M
Exchange differences on translation of foreign entities	31	**3.2**	(0.6)	**-**	-
Cash flow hedges, net of tax	31	**(16.4)**	(10.9)	**(16.7)**	(11.4)
Actuarial losses on defined benefit plans	31	**(0.2)**	(0.1)	**-**	-
Net expense recognised directly in equity		**(13.4)**	(11.6)	**(16.7)**	(11.4)
Profit for the year		**60.4**	31.5	**3.9**	7.6
Total recognised income and expense for the year		**47.0**	19.9	**(12.8)**	(3.8)
Total recognised income and expense for the year is attributable to:					
Members of Iluka Resources Limited		**37.4**	9.0	**(12.8)**	(3.8)
Minority interest		**9.6**	10.9	**-**	-
		47.0	19.9	**(12.8)**	(3.8)

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

Cash Flow Statements

for the year ended 31 December 2007

	Notes	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**957.4**	1,010.1	**244.3**	312.4
Payments to suppliers and employees (inclusive of goods and services tax)		**(841.4)**	(855.2)	**(218.2)**	(249.2)
		116.0	154.9	**26.1**	63.2
Interest received		**1.3**	1.3	**-**	-
Management fees from controlled entity		**-**	-	**1.0**	0.9
Borrowing costs		**(45.2)**	(41.2)	**(44.4)**	(40.4)
Income taxes paid		**(39.7)**	(23.8)	**(26.3)**	(9.9)
Goods and services tax received		**47.2**	49.7	**15.6**	17.0
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	**0.5**	0.6
Net cash inflow (outflow) from operating activities	42	**95.5**	142.2	**(27.5)**	31.4
Cash flows from investing activities					
Payments for property, plant and equipment		**(118.2)**	(172.7)	**(52.3)**	(43.5)
Loans from controlled entities		**-**	-	**44.4**	13.3
Proceeds from sale of property, plant and equipment		**16.2**	41.9	**9.0**	0.2
Net cash (outflow) inflow from investing activities		**(102.0)**	(130.8)	**1.1**	(30.0)
Cash flows from financing activities					
Proceeds from borrowings		**37.4**	123.9	**37.4**	123.9
Repayment of borrowings		**(16.4)**	(74.6)	**(10.9)**	(74.1)
Dividends paid	32	**(39.4)**	(51.2)	**(39.4)**	(51.2)
Dividends paid to minority interests in controlled entities		**(10.8)**	(10.0)	**-**	-
Proceeds from issue of ordinary shares		**39.4**	-	**39.4**	-
Share issue costs		**(0.1)**	-	**(0.1)**	-
Net cash inflow (outflow) from financing activities		**10.1**	(11.9)	**26.4**	(1.4)
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	10	**19.9**	17.4	**-**	-
Financing arrangements	24,27				
Non-cash financing and investing activities	43				

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

Contents of the Notes to the Financial Statements

Notes to the Financial Statements

for the year ended 31 December 2007

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Financial Report includes separate financial statements for Iluka Resources Limited as an individual entity and the consolidated entity consisting of Iluka Resources Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the consolidated financial statements and notes of Iluka Resources Limited comply with International Financial Reporting Standards ("IFRS").

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Iluka Resources Limited ("Company" or "parent entity") as at 31 December 2007 and the results of all subsidiaries for the year then ended. Iluka Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) Joint ventures

The consolidated entity has a coal operation and titanium minerals and zircon exploration activities which are conducted through joint ventures with other parties. The coal operation is classified as a discontinued operation. Refer Note 9.

The proportionate interests in the assets, liabilities and expenses of the joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of joint ventures are set out in Note 41.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 1. Summary of significant accounting policies (continued)

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Iluka Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Foreign currency loans

Loans drawn down from entities which are repayable in foreign currencies are translated to Australian dollars at exchange rates applicable at year-end.

(iv) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Product sales

Amounts are recognised as sales revenue when there has been a passing of risk to a customer, and:

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the consolidated entity;
- the quantity, quality and selling price of the product can be determined with reasonable accuracy; and
- the product has been despatched to the customer and is no longer under the physical control of the consolidated entity or the customer has formally acknowledged legal ownership of the product including all inherent risks, albeit that the product may be stored in facilities the consolidated entity controls.

Gains and losses, including premiums paid or received, in respect of forward sales, options and other deferred delivery arrangements which hedge anticipated revenues from future production, are deferred and included in sales revenue when the hedged proceeds are received.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 1. Summary of significant accounting policies (continued)

(ii) Land development and resale

Land is not sold until the development work is completed, and revenue is recognised where there is a signed unconditional contract of sale.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Iluka Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Iluka Resources Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Iluka Resources Limited for any current tax payable assumed and are compensated by Iluka Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Iluka Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

(g) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Note 1. Summary of significant accounting policies (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Costs relating to the acquisition of new areas of interest are capitalised as either exploration and evaluation expenditure, development properties or mine properties depending on the stage of development reached at the date of acquisition. Refer Note 1(y) for more information.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to the restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest-bearing liabilities in current liabilities on the balance sheet.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade and other receivables are due for settlement no more than 90 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(j) Inventories

Finished goods and work in progress inventories are valued at the lower of cost and estimated net realisable value.

Costs represent weighted average cost and include direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

Net realisable value is the amount estimated to be obtained from the sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Stores are valued at weighted average cost.

Obsolete or damaged inventories have been valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

(k) Non-current assets (or disposal groups) held for resale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets

The consolidated entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

The only investment category for the current and preceding year is loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (Notes 11 and 16).

(m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction, the consolidated entity documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at transaction inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 13.

Movements in the hedging reserve in shareholders' equity are shown in Note 31.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement and disclosure purposes.

Note 1. Summary of significant accounting policies (continued)

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

(o) Property, plant and equipment

Land and buildings are shown at historical cost, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Mine specific plant, machinery and equipment refers to plant, machinery and equipment for which the economic useful life cannot extend beyond the life of its host mine.

Depreciation and amortisation of mine buildings, reserves and development and mine specific plant, machinery and equipment is provided for over the life of the relevant mine or asset, whichever is the shorter. Depreciation and amortisation is determined on a straight-line basis. The expected useful lives are as follows:

•	Mine buildings	the shorter of applicable mine life and 25 years
•	Mine specific plant, machinery and equipment	the shorter of applicable mine or asset life and 25 years, depending on the nature of the asset
•	Reserves and development	the applicable mine life
•	Other non-mine specific plant and equipment	3-25 years

The reserves and life of each mine and the remaining useful life of each class of asset are reassessed at regular intervals and the depreciation rates adjusted accordingly.

(p) Intangible assets

(i) Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the periods of their expected benefit which is 25 years.

(ii) Royalty income and amortisation of royalty assets

Royalty income included in the consolidated entity is recognised as revenue using an accrual basis. Under the terms of the royalty agreements, royalty income is received on a quarterly basis and any under or over accrual applicable to previously recognised royalty income is adjusted for based on the receipt of the royalty income entitlement.

The royalty entitlement asset (Mining Area C) included in intangible assets is stated at cost less accumulated amortisation. The cost of the asset is amortised on a straight-line basis so as to write-off the cost over its estimated useful life of 25 years.

Note 1. Summary of significant accounting policies (continued)

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. Qualifying assets are assets that take more than 12 months to prepare for their intended use or sale.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year. No interest was capitalised in 2007, the weighted average interest rate applied in the prior year was 6.0 per cent.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance lease charges.

(t) Provisions

Provisions for legal claims are recognised when:

- the consolidated entity has a present legal obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(u) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities - payables. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

All employees of the consolidated entity are entitled to benefits on retirement, disability or death from the consolidated entity's superannuation plans. The consolidated entity has defined benefit section and an accumulation type benefits section within its plans. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The accumulation type benefits section receives fixed contributions from consolidated entity companies and the consolidated entity's legal or constructive obligation is limited to these contributions.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 1. Summary of significant accounting policies (continued)

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date plus actuarial gains (less actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity over the employees' expected average remaining working lives.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the consolidated entity and are part of the provision of the existing benefit obligation (eg taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

Contributions to the accumulation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Performance Incentive Plan, the Directors, Executives and Employees Share Acquisition Plan and the Employee Share Ownership scheme. Information relating to these schemes is set out in Notes 33 and 45.

The fair value of shares granted under the Performance Incentive Plan is determined to be the closing share price on the grant date. The fair value of the grant is charged as an expense through the income statement on a straight-line basis between the grant date and the vesting date of entitlements.

The fair value of entitlements offered under the Plan has been determined by the Directors, in accordance with the measurement criteria of Accounting Standard AASB 2 *Share-Based Payment*. This fair value is recognised as an expense through the income statement on a straight line basis between the offer date and the vesting date for each respective plan.

Shares provided under the Employee Share Ownership scheme are purchased on-market, with the purchase cost being recognised as an employee benefits expense.

(v) Profit-sharing and bonus plans

The consolidated entity recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The consolidated entity recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 1. Summary of significant accounting policies (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Project exploration, evaluation and development expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest in accordance with AASB 6 *Exploration and Evaluation of Mineral Resources*. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure.

Expenditure is carried forward when incurred in areas for which the consolidated entity has rights of tenure and where economic mineralisation is indicated, but activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. Each such project is regularly reviewed. If the project is abandoned or if it is considered unlikely the project will proceed to development, accumulated costs to that point are written off immediately.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Identifiable exploration assets acquired from another mining company are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 3 *Business Combinations*.

Projects are advanced to development status when it is expected that accumulated and future expenditure can be recouped through project development or sale. Capitalised exploration is transferred to mine reserves once the related ore body has achieved JORC reserve status and has been included in the life of mine plan.

Direct costs associated with the commissioning of plant and equipment are capitalised and included in property, plant and equipment. Pre-commissioning costs in testing the processing plant are also capitalised.

All the above expenditure is carried forward up to commencement of operations at which time it is amortised in accordance with the policy stated in Note 1(o).

(z) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, project management costs, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overheads.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had not been made and are capitalised in accordance with the policy stated in Note 1(s).

(aa) Rehabilitation and mine closure costs

The consolidated entity has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment.

Under AASB 116 *Property, Plant and Equipment*, the cost of an asset must include any estimated costs of dismantling and removing the asset and restoring the site on which it is located. The capitalised rehabilitation and mine closure costs are depreciated (along with the other costs included in the asset) over the asset's useful life. The depreciation expense is included in the cost of sales of goods.

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* requires a provision to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. Those costs that relate to rehabilitation and restoration obligations arising from the production process are recognised in production costs. The estimated costs are discounted using a pre-tax discount rate that reflects the time value of money. The discount rate must not reflect risks for which future cash flow estimates have been adjusted. A discount rate of 6.0 per cent (2006: 6.0 per cent) has been used in calculating the rehabilitation and restoration provisions of the consolidated entity.

As the value of the provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate, the increase in the provision due to the passage of time is recognised as an accretion expense within borrowing costs. This borrowing cost is excluded from the cost of sales of goods.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 1. Summary of significant accounting policies (continued)

(ab) Recoverable amount of non-current assets

AASB 136 *Impairment of Assets* requires that depreciable assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the consolidated entity could receive for the Cash Generating Unit in an arms length transaction. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units).

The estimates of future cash flows for each Cash Generating Unit are based on significant assumptions including:

- estimates of the quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction;
- future production levels and the ability to sell that production;
- future product prices based on the consolidated entity's assessment of short and long term prices for each of the key products;
- future exchange rates for the Australian dollar compared to the US dollar using external forecasts by recognised economic forecasters which project a medium term decline in the Australian dollar against the US dollar;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure; and
- the asset specific discount rate applicable to the Cash Generating Unit, based upon the consolidated entity's weighted average cost of capital.

(ac) Overburden costs

Expenditure associated with the removal of mine overburden is deferred and charged to the income statement over its useful life, which typically does not exceed one year.

(ad) Restructuring costs

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

Liabilities for the cost of restructuring entities or operations acquired are recognised as at the date of acquisition of an entity, or part thereof, if the main features of the restructuring were planned and there was a demonstrable commitment to the restructuring at the acquisition date and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier.

The cost of restructuring provided for, other than related employee termination benefits, is the estimated cash flows, having regard to the risks of the restructuring activities, discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

Liabilities for employee termination benefits associated with restructurings are brought to account on the basis described in the accounting policy note for employee benefits (Note 1(u)). Liabilities for costs of restructurings and related employee termination benefits are disclosed in aggregate where the restructuring occurs as a consequence of an acquisition.

(ae) Maintenance and repairs

Certain items of plant used in the primary extraction, separation and secondary processing of extracted minerals are subject to major overhaul on a cyclical basis. Costs incurred during such overhauls are characterised as either in the nature of capital or in the nature of repairs and maintenance. Work performed may involve:

(i) the replacement of a discrete sub-component asset, in which case an asset addition is recognised and the book value of the replaced item is written off; and

(ii) demonstrably extending the useful life or functionality of an existing asset, in which case the relevant cost is added to the capitalised cost of the asset in question.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 1. Summary of significant accounting policies (continued)

Costs incurred during a major cyclical overhaul which do not constitute (i) or (ii) above, are written off as repairs and maintenance as incurred. Costs qualifying for capitalisation under (i) or (ii) above are subsequently depreciated in accordance with Note 1(o).

General repairs and maintenance which are not characterised as part of a major cyclical overhaul are written off as incurred.

(af) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars and the nearest dollar.

(ag) New accounting standards and UIG interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2007 reporting periods. The consolidated entity's assessment of the impact of relevant new standards and interpretations is set out below.

AASB-I 11 AASB 2 - Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11

AASB-I 11 and AASB 2007-1 are effective for annual reporting periods commencing on or after 1 March 2007. AASB-I 11 addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. The consolidated entity will apply AASB-I 11 from 1 January 2008, but it is not expected to have any impact on the consolidated entity's financial statements.

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity will adopt AASB 8 from 1 January 2009. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the Financial Report. However, it will not affect any of the amounts recognised in the financial statements.

AASB-I 12 Service Concession Arrangements, AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements

AASB-I 12, AASB 2007-2, UIG 4 and the revised UIG 129 are all effective for annual reporting periods commencing on or after 1 January 2008. AASB-I 12 provides guidance on the accounting by operators for public-to-private service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services, such as transport, water and energy facilities. UIG 4 has been amended to exclude public-to-private service concession arrangements from its scope and UIG 129 was revised to require some additional disclosures. The Group will apply AASB-I 12 and the related amended standards and interpretations from 1 July 2008. Application of AASB-I 12 will not have any impact on the Group's financial statements.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group does already capitalise borrowing costs relating to qualifying assets.

Note 1. Summary of significant accounting policies (continued)

AASB-I 13 Customer Loyalty Programmes

AASB-I 13 is applicable to annual reporting periods commencing on or after 1 July 2008. It provides guidance on the accounting for customer loyalty programmes and requires that the fair value of the consideration received/receivable in respect of a sale transaction is allocated between the award credits and the other components of the sale. The Group does not operate any customer loyalty programmes. AASB-I 13 will therefore have no impact on the Group's financial statements. The Group will apply AASB-I 13 from 1 July 2008.

AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

AASB-I 14 will be effective for annual reporting periods commencing 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. None of the Group's defined benefit plans are subject to minimum funding requirements and none of them is in a surplus position. The Group will apply AASB-I 14 from 1 July 2008, but it is not expected to have any impact on the Group's financial statements.

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

Note 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

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

(i) Impairment of assets

The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value-in-use and fair value less costs to sell, in accordance with Note 1(ab). These calculations require the use of estimates, which have been outlined in Note 1(ab).

Given the nature of the consolidated entity's mining activities, future changes in long-term assumptions upon which these estimates are based, may give rise to material adjustments to the current or prior years. This could lead to a reversal of part, or all, of impairment charges recorded in the current or prior years, or the recognition of additional impairment charges in the future.

Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of each CGU, relatively modest changes in one or more assumptions could require a material adjustment (negative or positive) to the carrying value of the related non-current assets within the next reporting period.

The key sources of estimation uncertainty are set out below:

- future capital and operating costs for the Northern Murray Basin development;
- estimates of exchange rates between the Australian and US dollars, which are based on independent forecasts by recognised economic forecasters and which project a medium term decline in the Australian dollar against the US dollar;
- estimates of sales prices for titanium minerals and zircon products; and
- timing of access to reserves and resources.

The inter-relationships of the significant assumptions upon which estimated future cash flows are based, however, are such that it is impracticable to disclose the extent of the possible effects of a change in a key assumption in isolation.

Note 2. Critical accounting estimates and judgements (continued)

(ii) Exploration and evaluation expenditure

Expenditure with a value of $34.6 million (2006: $6.3 million) which does not form part of the Cash Generating Units assessed for impairment has been carried forward in accordance with Note 1(y) on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable reserves are not assessed as being present, this expenditure will be expensed to the Income Statement.

(iii) Rehabilitation and mine closure provisions

As set out in Note 1(aa), these provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate of 6.0 per cent (2006: 6.0 per cent).

A change in any, or a combination, of the three key assumptions used to determine the provisions could have a material impact to the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use or for obligations arising from the production process, the adjustment is reflected directly in the Income Statement.

(iv) Income tax

The consolidated entity is subject to income taxes in Australia and the United States (US). Significant judgement is required in determining the provision for income taxes in each jurisdiction. There are many transactions and calculations for which the ultimate determination is not finalised until statutory tax returns are lodged with the appropriate authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact upon the current and deferred tax provisions in the period in which such determination is made which is usually the subsequent financial year.

The key assumptions made regarding the income tax expense for the current year are the level of research and development expenditure that will qualify for concessional tax deductions and the level of capital gains on asset disposals that can be shielded by available capital losses not previously recognised. The tax effect of these amounts is $3.5 million and $0.5 million respectively.

(b) Critical judgements in applying the entity's accounting policies

Recovery of deferred tax assets

Net deferred tax assets of $8.8 million (2006: $11.6 million) are carried in respect of the US operations, including $5.0 million (2006: $3.7 million) attributable to tax losses. Management has assessed that it is probable that these tax losses will be recoverable against future taxable profits to be generated in the US.

Note 3. Financial risk management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Financial risk management is managed by a central treasury department (Group Treasury) under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The entity manages this by borrowing in US dollars to provide a hedge for the net US dollar denominated investment in overseas operations or through derivative instruments.

Note 3. Financial risk management (continued)

The consolidated entity operates internationally and is exposed to foreign exchange risk arising predominantly from currency exposures to the US dollar. The parent entity and a controlled entity, Consolidated Rutile Limited (CRL), hedge this exposure through the use of derivative instruments in accordance with policies approved by the respective Boards.

Group sensitivity

At 31 December 2007, had the Australian dollar weakened/strengthened by 10 per cent against the US dollar compared to the exchange rate at that date of 87.67 cents with all other variables held constant, the consolidated entity's post tax profit for the year would have been $2.3 million higher/$1.9 million lower (2006: $1.5 million higher/$1.2 million lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade receivables and payables and US dollar denominated borrowings.

Equity would have been $50.0 million lower/$58.1 million higher (2006: $3.9 million higher/$4.6 million higher) had the Australian dollar weakened/strengthened by 10 per cent against the US dollar, arising mainly from currency hedging contracts designated as cash flow hedges. The significant change in equity's sensitivity to movements in the Australian dollar/US dollar exchange rates between 2007 and 2006 is due to the parent entity instigating a currency hedging program in December 2007 resulting in an increased amount of cash flow hedges open at 31 December 2007.

Parent entity sensitivity

At 31 December 2007, had the Australian dollar weakened/strengthened by 10 per cent against the US dollar compared to the exchange rate at that date of 87.67 cents with all other variables held constant, the parent entity's post tax profit for the year would have been $8.4 million lower/$6.8 million higher (2006: $11.5 million lower/$9.4 million higher). This is as a result of foreign exchange gains/losses on the translation of US dollar denominated borrowings. The parent entity's equity would have been $51.5 million lower/$48.4 million higher (2006: $8.4 million lower/$13.4 million higher) had the Australian dollar weakened/strengthened by 10 per cent against the US dollar, mainly as a result of foreign forward exchange contracts designated as cash flow hedges in 2007, and the translation of US functional currency entity trade receivables and payables in 2006.

(ii) Cash flow and fair value interest rate risk

Interest rate risk arises from the consolidated entity's borrowings. When managing interest rate risk the consolidated entity seeks to minimise its overall cost of funds with a preference for variable interest rate exposures. During 2007 and 2006, the consolidated entity's borrowings at variable rates were denominated in Australian dollars and US dollars.

Borrowings at variable rates expose the consolidated entity to cash flow interest rate risk while borrowings at fixed rates expose the consolidated entity to fair value interest rate risk.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities at 31 December 2007 to foreign exchange risk, based on an Australian dollar to US dollar rate of 87.67 cents. The +10.0 per cent sensitivity assumes a rate of 96.43 cents and the -10.0 per cent sensitivity assumes a rate of 78.90 cents.

Note 3. Financial risk management (continued)

Consolidated Entity - 31 December 2007	Carrying Amount $M	Foreign exchange risk -10.0% Profit $M	Equity $M	+10.0% Profit $M	Equity $M
Financial assets					
Cash and cash equivalents	19.9	-	1.4	-	(1.1)
Accounts receivable	190.5	14.9	2.4	(12.2)	(1.9)
Derivatives - cash flow hedges	8.8	-	(45.2)	-	54.1
Financial liabilities					
Trade payables	(113.1)	(0.7)	(1.0)	0.6	0.8
Interest-bearing liabilities	(618.0)	(11.9)	(7.6)	9.7	6.2
Total increase / (decrease)		2.3	(50.0)	(1.9)	58.1
Parent Entity - 31 December 2007					
Financial assets					
Accounts receivable	44.7	3.7	-	(3.0)	-
Derivatives - cash flow hedges	2.8	-	(43.9)	-	42.2
Financial liabilities					
Trade payables	(33.9)	(0.2)	-	0.1	-
Interest-bearing liabilities	(618.0)	(11.9)	(7.6)	9.7	6.2
Total increase / (decrease)		(8.4)	(51.5)	6.8	48.4

(b) Credit risk

The consolidated entity has no significant concentrations of credit risk. The consolidated entity has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The consolidated entity (excluding CRL) maintains an insurance policy to assist in managing the credit risk of its customers. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The consolidated entity has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash or credit facilities to meet the operating requirements of the business. This is managed through committed undrawn facilities and prudent cash flow management.

The tables below analyse the consolidated entity's and the parent entity's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps which are stated as notional principal amounts. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Consolidated Entity - At 31 December 2007	Less than 1 year $M	Between 1 and 2 years $M	Between 2 and 5 years $M	Over 5 years $M
Trade and other payables	113.1	-	-	-
Interest-bearing liabilities	230.7	121.7	181.2	85.4
Interest rate swaps	-	-	56.9	85.4
Parent Entity - At 31 December 2007				
Trade and other payables	33.9	-	-	-
Interest-bearing liabilities	230.7	121.7	181.2	85.4
Interest rate swaps	-	-	56.9	85.4

Note 3. Financial risk management (continued)

The tables below analyse the consolidated entity's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $M	Between 1 and 2 years $M
Consolidated Entity - At 31 December 2007		
Forward foreign exchange contracts - cash flow hedges		
- inflow (A$M)	55.7	20.5
- outflow (US$M)	43.1	16.9
Collar Options - cash flow hedges		
- inflow (A$M)	402.6	200.7
- outflow (US$M)	353.0	176.0
Consolidated Entity - At 31 December 2006		
Forward foreign exchange contracts - cash flow hedges		
- inflow (A$M)	37.4	15.5
- outflow (US$M)	26.5	10.5
Parent Entity - At 31 December 2007		
Forward foreign exchange contracts - cash flow hedges		
- inflow (A$M)	-	-
- outflow (US$M)	-	-
Collar Options - cash flow hedges		
- inflow (A$M)	402.6	200.7
- outflow (US$M)	353.0	176.0
Parent Entity - At 31 December 2006		
Forward foreign exchange contracts - cash flow hedges		
- inflow (A$M)	-	-
- outflow (US$M)	-	-

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 4. 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)**
Net 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 New South Wales and coal compensation, exploration, project expenses and other corporate costs incurred not attributable to any of the group's operating regions

Note 4. 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)
Net 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

Note 4. Segment information (continued)

(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

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	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 operation		
Australia	**40.7**	41.1
Total sales revenue	**938.6**	1,003.2

Note 5. Revenue

	Consolidated		Parent Entity	
	2007 $M	2006 $M	**2007 $M**	2006 $M
From continuing operations				
Sales revenue				
Sale of goods	**897.9**	962.1	**258.1**	266.5
Other revenue				
Interest	**1.7**	1.6	**17.8**	78.1
Management fee income	**0.1**	-	**1.1**	0.9
Royalty income	**19.9**	19.1	**-**	-
Rental income	**0.5**	0.6	**0.3**	0.5
	22.2	21.3	**19.2**	79.5
	920.1	983.4	**277.3**	346.0
From discontinued operation				
Sales revenue				
Sale of goods	**40.7**	41.1	**-**	-

Note 6. Other income

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Net gain on disposal of property, plant and equipment	**11.3**	29.9	**4.9**	-
Coal compensation receipts	**2.0**	12.5	**-**	-
Sundry income	**0.3**	0.6	**0.1**	-
Net foreign exchange gains	**-**	-	**5.5**	-
	13.6	43.0	**10.5**	-

Notes to the Financial Statements

for the year ended 31 December 2007

Note 7. Expenses

	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
From continuing operations				
Cost of production*	**592.0**	646.3	**171.2**	196.6
Depreciation	**104.8**	85.6	**31.8**	27.5
Amortisation	**40.1**	35.6	**12.0**	7.4
Cost of sales of goods	**736.9**	767.5	**215.0**	231.5
Corporate administration and finance	**19.5**	25.6	**18.0**	19.8
Marketing and selling including government royalties	**28.2**	35.5	**9.0**	10.5
Research and technical support	**9.9**	6.3	**9.9**	6.3
Exploration and evaluation	**13.8**	12.8	**-**	-
Expenses, excluding borrowing costs, closure costs and impairment charges from continuing operations	**808.3**	847.7	**251.9**	268.1

* Included in 2006 cost of production is $25.0 million (consolidated entity) and $9.4 million (parent entity) relating to the rehabilitation of iron oxide in tailings dams

	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
Expenses, excluding borrowing costs, closure costs and impairment charges from discontinued operation	**24.7**	27.2	**-**	-
Profit (loss) 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	**-**	-
Total Florida/Georgia closure costs and impairment charges	**-**	39.9	**-**	-
Western Australian and Murray Basin impairment charges				
South West - provision for diminution in asset values	**-**	60.0	**-**	60.0
Murray Basin - write-off of assets	**-**	4.6	**-**	-
Total Western Australian and Murray Basin impairment charges	**-**	64.6	**-**	60.0
Total closure costs and impairment charges	**-**	104.5	**-**	60.0
Borrowing costs from continuing operations				
Interest and finance charges paid/payable	**43.5**	42.1	**42.7**	41.4
Rehabilitation and restoration accretion expense	**16.6**	13.0	**5.6**	2.8
Amortisation of deferred borrowing costs	**0.3**	0.4	**0.3**	0.4
Interest capitalised	**-**	(13.5)	**-**	(13.5)
Borrowing costs expensed from continuing operations	**60.4**	42.0	**48.6**	31.1
Borrowing costs from discontinued operation (rehabilitation and restoration accretion expense)	**0.5**	0.4	**-**	-
Operating lease expense	**10.9**	15.4	**2.8**	3.6
Foreign exchange gains and losses				
Net foreign exchange gains included in other income	**-**	-	**5.5**	-
Exchange gains on foreign currency borrowings	**-**	-	**8.0**	10.5
Net foreign exchange losses included in corporate costs	**(1.1)**	(2.4)	**-**	(0.4)
	(1.1)	(2.4)	**13.5**	10.1
Defined contribution superannuation expense	**15.8**	14.5	**13.3**	14.5
Net realisable value of inventories recognised as expense	**12.3**	0.5	**6.4**	0.5
Employee benefits expense	**171.8**	166.8	**62.0**	62.7

Note 8. Income tax

(a) Income tax expense (benefit)

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Current tax	**24.4**	35.2	**(17.1)**	19.2
Deferred tax	**(4.8)**	(16.2)	**10.4**	(32.1)
Under (over) provided in prior years	**0.5**	(4.8)	**(1.9)**	2.6
	20.1	14.2	**(8.6)**	(10.3)
Income tax expense (benefit) is attributable to:				
Profit from continuing operations	**15.5**	10.1	**(8.6)**	(10.3)
Profit from discontinued operations	**4.6**	4.1	**-**	-
Aggregate income tax expense (benefit)	**20.1**	14.2	**(8.6)**	(10.3)
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (Note 19)	**1.5**	4.4	**-**	-
(Decrease) increase in deferred tax liabilities (Note 28)	**(6.3)**	(20.6)	**10.4**	(32.1)
	(4.8)	(16.2)	**10.4**	(32.1)

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

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Profit (loss) from continuing operations before income tax expense	**65.0**	32.2	**(4.7)**	(2.7)
Profit from discontinued operation before income tax expense	**15.5**	13.5	**-**	-
	80.5	45.7	**(4.7)**	(2.7)
Tax at the Australian tax rate of 30% (2006: 30%)	**24.1**	13.7	**(1.4)**	(0.8)
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)	**-**	-
Net foreign exchange losses	**-**	-	**(2.2)**	(3.0)
Capital gains shielded by capital losses	**(0.5)**	-	**-**	-
Research and development	**(3.5)**	(6.1)	**(3.5)**	(6.0)
Other non-deductible / non-assessable items	**0.6**	0.3	**0.4**	-
Benefit of tax losses not recognised	**-**	8.5	**-**	(3.1)
	20.7	17.1	**(6.7)**	(12.9)
Difference in overseas tax rates	**(1.1)**	1.9	**-**	-
Under (over) provision in prior years*	**0.5**	(4.8)	**(1.9)**	2.6
Total income tax expense (benefit)	**20.1**	14.2	**(8.6)**	(10.3)

* 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.

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Net deferred tax - debited (credited) directly to equity (Notes 19 and 28)	**(8.8)**	(1.9)	**(7.2)**	(5.5)

Note 8. Income tax (continued)

(d) Tax losses

Unused capital losses for which no deferred tax asset has been recognised relating to the wholly-owned Australian controlled entities of approximately $120.0 million (tax at the Australian tax rate of 30%: $36.0 million). The benefit of these unused capital losses will only be obtained if these entities derive future assessable income of a nature and amount sufficient to enable the benefit to be realised and these entities continue to comply with the conditions for deductibility imposed by tax legislation and no changes in tax legislation adversely effect these entities in realising the benefit from the deduction for the losses.

Unused revenue losses for which no deferred tax asset has been recognised relating to the United States controlled entities of approximately US$58.7 million (tax at the US tax rate of 20%: US$11.7 million). United States controlled entities are not part of the Australian tax consolidation group.

(e) Tax consolidation legislation

Iluka Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004. The accounting policy in relation to this legislation is set out in Note 1.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Iluka Resources Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Iluka Resources Limited for any current tax payable assumed and are compensated by Iluka Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Iluka Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

Note 9. Discontinued operation

(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. The estimated profit/gain on sale to be recognised in 2008 is $30.3 million subject to being able to utilise unused capital losses.

Financial information relating to the discontinued operation is set out below. Further information is set out in Note 4 - Segment Information.

(b) Financial performance and cash flow information

	Consolidated	
	2007	2006
	$M	$M
Revenue (Note 5)	**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 division	**21.1**	21.8

Note 9. Discontinued operation (continued)

(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

Note 10. Current assets - Cash and cash equivalents

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Cash at bank and in hand	**17.5**	15.1	**-**	-
Deposits at call	**2.4**	2.3	**-**	-
	19.9	17.4	**-**	-

Deposits at call

The deposits are bearing floating interest rates between 1.7 per cent and 6.8 per cent (2006: 2.8 per cent and 7.0 per cent) on US dollar and Australian dollar denominated deposits.

Note 11. Current assets - Receivables

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Trade receivables	**160.0**	198.5	**33.7**	45.9
Other debtors	**14.7**	21.2	**3.9**	3.3
Prepayments	**7.7**	7.9	**4.9**	5.2
Goods and services tax (GST)	**8.1**	4.6	**2.2**	1.7
	190.5	232.2	**44.7**	56.1

Notes to the Financial Statements

for the year ended 31 December 2007

Note 11. Current assets - Receivables (continued)

(a) Effective interest rates and credit risk

Information concerning the credit risk of both current and non current receivables is set out in the non current receivables note (Note 16).

(b) Foreign exchange and interest rate risk

The carrying amounts of the consolidated entity's and parent entity's receivables are denominated in the following currencies:

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
In millions				
US Dollars	**136.0**	151.2	**29.0**	36.1
Australian Dollars	**32.5**	34.4	**11.0**	10.2
Euros	**1.8**	2.8	**0.4**	0.3

For an analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk refer to Note 3.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is approximate to their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The consolidated entity does not hold any collateral as security. Refer to Note 3 for more information on the risk management policy of the consolidated entity.

Note 12. Current assets - Inventories

	Consolidated		Parent Entity	
	2007 $M	2006 $M	**2007 $M**	2006 $M
Consumable stores				
- at cost	**32.9**	29.2	**8.0**	9.8
Work in progress				
- at cost	**82.9**	133.9	**22.4**	41.3
- at net realisable value	**19.2**	1.8	**17.4**	1.8
	102.1	135.7	**39.8**	43.1
Finished goods				
- at cost	**93.9**	82.4	**18.9**	23.8
- at net realisable value	**91.0**	2.1	**4.0**	1.0
	184.9	84.5	**22.9**	24.8
	319.9	249.4	**70.7**	77.7

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2007 amounted to $12.3 million (2006: $0.5 million) for the consolidated entity and $6.4 million (2006: $0.5 million) for the parent entity.

Note 13. Derivative financial instruments	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Current assets				
Fair value gain on foreign exchange derivatives	**7.8**	3.5	**2.1**	-
Non-current assets				
Fair value gain on foreign exchange derivatives	**1.0**	1.7	**0.7**	-

(a) Instruments used by the consolidated entity

The consolidated entity is party to derivative financial instruments in the normal course of business in order to manage foreign exchange and interest rate exposures. In accordance with the consolidated entity's financial risk management policies (refer to Note 3), hedging of foreign currency exposures is effected through forward exchange contracts and foreign currency options.

(i) Forward exchange contracts and foreign currency options - cash flow hedges

Sales revenue of the consolidated entity is mainly denominated in US dollars. Given the predominately Australian dollar cost base of the business, these US dollar sales create a foreign exchange exposure in terms of earnings and cash flow. In order to protect against this exposure, the consolidated entity has entered into forward exchange contracts and foreign currency options to forward sell US dollars.

These forward exchange contracts and foreign currency options are hedging highly probable forecast sales over a two year timeframe. The contracts are timed to mature when receipts from customers are expected to be received.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the consolidated entity adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

Consolidated Entity

The group net asset position of foreign exchange derivatives at 31 December 2007 was $8.8 million (2006: $5.2 million). During the year ended 31 December 2007, the consolidated entity transferred a total gain of $34.0 million (2006: $28.9 million) to the Income Statement from equity. This gain predominantly represented the gains attributable to delivered contracts and those relating to contracts terminated early in August 2006 which were due for delivery in the year.

Parent Entity

The net asset position at 31 December 2007 was $2.8 million (2006: $Nil). During the year ended 31 December 2007, a total of $26.6 million (2006: $24.6 million) was transferred to the Income Statement from equity.

On 25 August 2006, the parent entity closed out its hedge book. The parent entity reinstated currency hedging activities on 13 December 2007. A profit of $37.7 million had been generated in the prior period upon closure of the hedge book, and of the balance deferred in reserves, the remaining $26.6 million has been recognised during 2007 as revenue in line with the delivery dates of the original contracts.

(b) Credit risk exposures

The consolidated entity has no significant concentrations of credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The consolidated entity (excluding CRL) has policies that limit the amount of credit exposure to any one financial institution.

For an analysis of the exposure to credit risk refer to Note 27, and for further information regarding the consolidated entity's risk management policy refer to Note 3.

(c) Interest rate and foreign exchange risk

For an analysis of the sensitivity of derivatives to interest rate and foreign exchange risk refer to Note 3.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 14. Current assets - Current tax assets

	Consolidated		Parent Entity	
	2007 **$M**	2006 $M	**2007** **$M**	2006 $M
Current tax assets	**12.7**	-	**12.4**	-

The current tax asset has not been offset against the current tax liability as the respective amounts relate to different group entities where settlement on a net basis is not possible (Refer Note 26)

Note 15. Current assets - Other

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Deferred overburden removal	**11.2**	17.9	**6.7**	0.5

Note 16. Non-current assets - Receivables

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Loans to controlled entities	**-**	-	**289.2**	315.0
Prepayments	**-**	0.2	**-**	0.2
Other debtors	**-**	3.6	**-**	-
	-	3.8	**289.2**	315.2

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The consolidated entity does not hold any collateral as security. Refer to Note 3 for more information on the risk management policy of the consolidated entity.

Note 17. Non-current assets - Other financial assets

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Retirement benefits surplus (Note 35)	**1.2**	1.2	**-**	-
Shares in controlled entities (Note 39)	**-**	-	**849.2**	849.2
	1.2	1.2	**849.2**	849.2

Notes to the Financial Statements

for the year ended 31 December 2007

Note 18. Non-current assets - Property, plant and equipment

Consolidated	Land & Buildings $M	Plant, Machinery & Equipment $M	Mine Reserves & Development $M	Exploration & Evaluation $M	Project Development Expenditure $M	Total $M
At 1 January 2006						
Cost	86.7	1,235.3	657.3	58.9	325.3	2,363.5
Accumulated depreciation	(18.4)	(655.5)	(334.6)	-	(52.0)	(1,060.5)
Net written down value	68.3	579.8	322.7	58.9	273.3	1,303.0
Year ended 31 December 2006						
Opening written down value	68.3	579.8	322.7	58.9	273.3	1,303.0
Additions	6.5	74.0	32.8	7.0	73.0	193.3
Disposals	(6.6)	(0.4)	-	-	-	(7.0)
Write-off of exploration expenditure	-	-	-	(1.7)	-	(1.7)
Write-offs and impairment charges	(8.0)	(73.1)	(11.1)	-	-	(92.2)
Depreciation/amortisation expense	(0.9)	(77.8)	(40.7)	-	(0.1)	(119.5)
Foreign currency exchange differences	(0.2)	(7.7)	(0.4)	-	-	(8.3)
Transfers/reclassifications	6.5	152.0	3.8	(4.5)	(159.1)	(1.3)
Closing written down value	65.6	646.8	307.1	59.7	187.1	1,266.3
At 31 December 2006						
Cost	87.7	1,384.2	680.6	59.7	238.4	2,450.6
Accumulated depreciation*	(22.1)	(737.4)	(373.5)	-	(51.3)	(1,184.3)
Net written down value	65.6	646.8	307.1	59.7	187.1	1,266.3
Year ended 31 December 2007						
Opening written down value	**65.6**	**646.8**	**307.1**	**59.7**	**187.1**	**1,266.3**
Additions	**9.2**	**49.2**	**54.0**	**5.5**	**17.8**	**135.7**
Disposals	**(4.6)**	**(0.2)**	**-**	**-**	**-**	**(4.8)**
Write-off of exploration expenditure	**-**	**-**	**-**	**(1.1)**	**-**	**(1.1)**
Depreciation/amortisation expense	**(1.1)**	**(91.2)**	**(51.0)**	**-**	**-**	**(143.3)**
Foreign currency exchange differences	**(0.1)**	**(5.8)**	**(0.5)**	**-**	**-**	**(6.4)**
Transfers/reclassifications	**5.1**	**155.4**	**42.9**	**(37.4)**	**(166.0)**	**-**
Closing written down value	**74.1**	**754.2**	**352.5**	**26.7**	**38.9**	**1,246.4**
At 31 December 2007						
Cost	**88.9**	**1,539.9**	**773.9**	**26.7**	**38.9**	**2,468.3**
Accumulated depreciation*	**(14.8)**	**(785.7)**	**(421.4)**	**-**	**-**	**(1,221.9)**
Net written down value	**74.1**	**754.2**	**352.5**	**26.7**	**38.9**	**1,246.4**

* Includes impairment charges.

Note 18. Non-current assets - Property, plant and equipment (continued)

Parent Entity	Land & Buildings $M	Plant, Machinery & Equipment $M	Mine Reserves & Development $M	Total $M
At 1 January 2006				
Cost	38.0	430.0	92.4	560.4
Accumulated depreciation	(4.8)	(216.4)	(65.0)	(286.2)
Net written down value	33.2	213.6	27.4	274.2
Year ended 31 December 2006				
Opening written down value	33.2	213.6	27.4	274.2
Additions	6.8	20.8	21.6	49.2
Disposals	(0.3)	(0.3)	-	(0.6)
Depreciation/amortisation expense	(0.2)	(23.0)	(11.7)	(34.9)
Impairment charges	(8.0)	(45.5)	(6.5)	(60.0)
Closing written down value	31.5	165.6	30.8	227.9
At 31 December 2006				
Cost	44.7	449.9	114.3	608.9
Accumulated depreciation	(13.2)	(284.3)	(83.5)	(381.0)
Net written down value	31.5	165.6	30.8	227.9
Year ended 31 December 2007				
Opening written down value	**31.5**	**165.6**	**30.8**	**227.9**
Additions	**9.0**	**7.2**	**47.9**	**64.1**
Disposals	**(4.0)**	**(0.1)**	**-**	**(4.1)**
Depreciation/amortisation expense	**(0.1)**	**(22.7)**	**(21.0)**	**(43.8)**
Transfers/reclassifications	**-**	**21.5**	**(19.4)**	**2.1**
Closing written down value	**36.4**	**171.5**	**38.3**	**246.2**
At 31 December 2007				
Cost	**41.2**	**455.5**	**140.1**	**636.8**
Accumulated depreciation*	**(4.8)**	**(284.0)**	**(101.8)**	**(390.6)**
Net written down value	**36.4**	**171.5**	**38.3**	**246.2**

* Includes impairment charges

Note 18. Non-current assets - Property, plant and equipment (continued)

Mine reserves and development

Included in mine reserves and development are amounts totalling $229.8 million for the consolidated entity and $19.0 million for the parent entity (2006: $164.7 million and $21.8 million respectively) which have not been depreciated as mining of the related area of interest has not yet commenced.

Plant, machinery and equipment

Included in plant, machinery and equipment are amounts totalling $25.7 million for the consolidated entity and $7.8 million for the parent entity (2006: $39.8 million and $17.2 million respectively) which relate to assets under construction. These amounts are not currently being depreciated as the assets are not ready for use.

Project development expenditure

Project development expenditure at 31 December 2007 comprises $11.9 million relating to Murray Basin Stage 2 and $27.0 million relating to the Jacinth-Ambrosia project. These amounts were not depreciated as the projects had not been commissioned.

Non-current assets pledged as security

Refer to Note 27 for information on non-current assets pledged as security by the parent entity or its controlled entities.

Note 19. Non-current assets - Deferred tax assets

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$M	$M	**$M**	$M
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Employee benefits	**10.9**	8.0	**3.6**	3.6
Rehabilitation provisions	**85.7**	73.9	**28.7**	21.8
Other provisions	**4.8**	6.2	**0.8**	0.7
Borrowing expenses	**3.8**	-	**-**	-
Accruals	**1.4**	1.9	**0.6**	1.1
Tax revenue losses*	**5.0**	4.2	**-**	-
Other	**-**	1.3	**-**	-
	111.6	95.5	**33.7**	27.2
Amounts recognised directly in equity				
Cash flow hedges	**(1.8)**	-	**-**	-
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 28)	**(99.9)**	(80.6)	**(33.7)**	(27.2)
Net deferred tax assets	**9.9**	14.9	**-**	-
Movements:				
Opening balance at 1 January	**14.9**	22.6	**-**	-
Credited (charged) to the income statement (Note 8)	**(1.5)**	(4.4)	**-**	-
Over (under) provision in prior years	**(2.2)**	0.3	**-**	-
Credited (charged) directly to equity (Note 31)	**(1.3)**	(3.6)	**-**	-
Closing balance at 31 December	**9.9**	14.9	**-**	-

* The balance is attributable to carried forward US tax losses which are probable of recoupment in ensuing years.

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Note 20. Non-current assets - Intangible assets

Consolidated	Patents, trademarks & licences $M	Royalty entitlement asset $M	Total $M
At 1 January 2006			
Cost	17.2	10.0	27.2
Accumulated amortisation	(7.8)	(0.9)	(8.7)
Net written down value	9.4	9.1	18.5
Year ended 31 December 2006			
Opening written down value	9.4	9.1	18.5
Amortisation charge	(1.3)	(0.4)	(1.7)
Closing written down value	8.1	8.7	16.8
At 31 December 2006			
Cost	17.2	10.0	27.2
Accumulated amortisation	(9.1)	(1.3)	(10.4)
Net written down value	8.1	8.7	16.8
Year ended 31 December 2007			
Opening written down value	**8.1**	**8.7**	**16.8**
Amortisation charge	**(1.2)**	**(0.4)**	**(1.6)**
Closing written down value	**6.9**	**8.3**	**15.2**
At 31 December 2007			
Cost	**17.2**	**10.0**	**27.2**
Accumulated amortisation	**(10.3)**	**(1.7)**	**(12.0)**
Net written down value	**6.9**	**8.3**	**15.2**

	Consolidated		Parent Entity	
	2007 $M	2006 $M	**2007 $M**	2006 $M
Note 21. Non-current assets - Inventories				
Consumable stores				
- at cost	**-**	5.5	**-**	2.7
Note 22. Non-current assets - Other				
Deferred overburden	**0.7**	0.7	**-**	-

Note 23. Current liabilities - Payables

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Trade payables	**40.3**	56.6	**8.4**	11.2
Accrued expenses	**59.6**	64.0	**20.1**	25.4
Annual leave accruals	**13.2**	12.7	**5.4**	5.3
Other payables	**-**	0.1	**-**	-
	113.1	133.4	**33.9**	41.9

(a) Foreign currency risk

The carrying amounts of the consolidated entity's and parent entity's trade and other payables are denominated in the following currencies:

In millions	Consolidated 2007	Consolidated 2006	Parent Entity 2007	Parent Entity 2006
US Dollars	**14.4**	14.6	**1.4**	1.5
Australian Dollars	**96.1**	115.0	**31.9**	40.1

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to Note 3.

Note 24. Current liabilities - Interest-bearing liabilities

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Secured				
Bank loans	**-**	5.5	**-**	-
Total secured interest-bearing liabilities	**-**	5.5	**-**	-
Unsecured				
Bank loans	**51.3**	56.9	**51.3**	56.9
Trade finance facility	**77.1**	63.0	**77.1**	63.0
Receivables acquisition facility	**68.1**	68.6	**68.1**	68.6
Senior notes 1996	**34.2**	-	**34.2**	-
Total unsecured interest-bearing liabilities	**230.7**	188.5	**230.7**	188.5
	230.7	194.0	**230.7**	188.5

Further details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in Note 27.

(a) Risk Exposures

Details of the consolidated entity's exposure to interest rate changes on interest-bearing liabilities are set out in Note 27.

Note 25. Current liabilities - Provisions

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Employee benefits	**13.8**	10.8	**5.7**	4.5
Rehabilitation and mine closure	**38.8**	45.7	**8.7**	13.5
Other provisions	**2.6**	1.4	**2.5**	0.9
	55.2	57.9	**16.9**	18.9

Movements in each class of provision during the current financial year, other than employee benefits, are set out in Note 29.

Note 26. Current liabilities - Current tax liabilities

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Income tax	**8.3**	19.4	**-**	8.6

The current tax liability has not been offset against the current tax asset as the respective amounts relate to different group entities where settlement on a net basis is not possible (Refer Note 14)

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for the year ended 31 December 2007

Note 27. Non-current liabilities - Interest-bearing liabilities

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$M	$M	**$M**	$M
Bank loans	**121.7**	102.0	**121.7**	102.0
Senior notes 1996	**34.2**	75.9	**34.2**	75.9
Senior notes 2003	**142.3**	142.3	**142.3**	142.3
Bilateral loan notes	**90.1**	101.0	**90.1**	101.0
Deferred borrowing costs	**(1.0)**	(1.3)	**(1.0)**	(1.3)
	387.3	419.9	**387.3**	419.9

(a) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Credit standby arrangements				
Total facilities				
Senior Notes - 1996 (i)	**68.4**	75.9	**68.4**	75.9
Senior Notes - 2003 (ii)	**142.3**	142.3	**142.3**	142.3
Syndicated Loan Note Facility (iii)	**148.3**	164.4	**148.3**	164.4
Trade Finance Facility (iv)	**85.0**	85.0	**85.0**	85.0
Bilateral Loan Note Facility (v)	**91.3**	101.2	**91.3**	101.2
Receivables Acquisition Facility (vi)	**68.3**	75.9	**68.3**	75.9
Short Term Loan (vii)	**51.3**	56.9	**51.3**	56.9
CRL Syndicated Revolving Loan Credit Facility (viii)	**15.0**	15.0	**-**	-
CRL Secured Working Capital Facility (ix)	**10.0**	10.0	**-**	-
CRL Secured Bank Overdraft Facility (x)	**0.5**	0.5	**-**	-
	680.4	727.1	**654.9**	701.6
Used at balance date				
Senior Notes - 1996 (i)	**68.4**	75.9	**68.4**	75.9
Senior Notes - 2003 (ii)	**142.3**	142.3	**142.3**	142.3
Syndicated Loan Note Facility (iii)	**121.7**	102.0	**121.7**	102.0
Trade Finance Facility (iv)	**77.1**	63.0	**77.1**	63.0
Bilateral Loan Note Facility (v)	**90.1**	101.0	**90.1**	101.0
Receivables Acquisition Facility (vi)	**68.1**	68.6	**68.1**	68.6
Short Term Loan (vii)	**51.3**	56.9	**51.3**	56.9
CRL Secured Working Capital Facility (ix)	**-**	5.5	**-**	-
	619.0	615.2	**619.0**	609.7
Unused at balance date				
Syndicated Loan Note Facility (iii)	**26.6**	62.4	**26.6**	62.4
Trade Finance Facility (iv)	**7.9**	22.0	**7.9**	22.0
Bilateral Loan Note Facility (v)	**1.2**	0.2	**1.2**	0.2
Receivables Acquisition Facility (vi)	**0.2**	7.3	**0.2**	7.3
CRL Syndicated Revolving Loan Credit Facility (viii)	**15.0**	15.0	**-**	-
CRL Secured Working Capital Facility (ix)	**10.0**	4.5	**-**	-
CRL Secured Bank Overdraft Facility (x)	**0.5**	0.5	**-**	-
	61.4	111.9	**35.9**	91.9

Note 27. Non-current liabilities - Interest-bearing liabilities (continued)

(i) Senior Notes 1996 Series

The remaining tranches mature in: December 2008 US$30.0 million and December 2011 US$30.0 million. As at 31 December 2007, US$60.0 million at an average interest rate of 7.6 per cent was outstanding on the Senior Notes (2006: US$60.0 million at 7.6 per cent).

(ii) Senior Notes 2003 Series

The Senior Notes - 2003 Series mature in three tranches being June 2010 US$40.0 million, June 2013 US$40.0 million and June 2015 US$20.0 million. As at 31 December 2007, US$100.0 million at an interest rate of 5.1 per cent was outstanding on the Senior Notes (2006: US$100.0 million at 5.1 per cent).

The translation exposure on these notes has been eliminated through a series of cross currency swap transactions. On maturity of the notes the principal repayments are fixed at an exchange rate of AUD/USD 0.7025.

The swaps also convert the fixed USD interest payments on the notes to an AUD variable interest rate exposure. As at 31 December 2007, the cross currency swaps bear an average interest rate of 7.9 per cent (2006: 6.9 per cent).

(iii) Syndicated Loan Note Facility*

The Syndicated Loan Note Facility has a limit of US$130.0 million and maturity date of December 2009. As at 31 December 2007, US$12.0 million and A$108.0 million at average interest rates of 5.3 per cent and 7.7 per cent respectively was outstanding under this agreement (2006: A$102.0 million at 7.0 per cent).

(iv) Trade Finance Facility*

The Trade Finance Facility has a facility limit of A$85.0 million and during the year its maturity date was extended to February 2008. As at 31 December 2007, US$22.0 million and A$52.0 million was outstanding under this facility at interest rates of 5.1 per cent and 7.6 per cent respectively (2006: US$17.0 million and A$41.5 million at 5.6 per cent and 6.6 per cent respectively). Subsequent to year end the maturity was extended to 30 April 2008 and the facility limit reduced to A$80.0 million.

(v) Bilateral Loan Note Facilities*

Bilateral Loan Note Facilities with two separate financiers for US$40.0 million each mature in March 2010. As at 31 December 2007, A$90.1 million at an average interest rate of 7.5 per cent was outstanding under these agreements (2006: A$101.0 million at 6.8 per cent).

(vi) Receivables Acquisition Facility**

The Receivables Acquisition Agreement has a facility limit of US$60.0 million and has a maturity date of March 2008. As at 31 December 2007, US$59.7 million was outstanding under this agreement at an interest rate of 5.25 per cent (2006: US$54.3 million at 5.6 per cent). Subsequent to year end the maturity was extended to 30 April 2008.

(vii) Short Term Loan*

The Short Term Loan Agreement has a facility limit of US$45.0 million and during the year its maturity date was extended February 2008. As at 31 December 2007, A$51.3 million at an interest rate of 7.5 per cent was outstanding under this (2006: US$45.0 million at 5.6 per cent). Subsequent to year end the maturity was extended to 30 April 2008.

(viii) CRL Syndicated Revolving Loan Credit Facility

The Revolving Loan Credit Facility has a limit of A$15.0 million, and as at 31 December 2007 the facility was undrawn (2006: $Nil).

(ix) CRL Secured Working Capital Facility

During the year, A$10.0 million Working Capital Facility was extended for a further 12 months to July 2008. As at 31 December 2007 the facility was undrawn (2006: A$5.5 million at 6.6 per cent).

(x) CRL Secured Bank Overdraft Facility

The Bank Overdraft Facility has a limit of A$0.5 million, and at balance date this facility has not been used (2006: $Nil).

* Subsequent to year end the company has entered into a new A$445 million Syndicated Term Loan Facility (STLF) which will replace these facilities.

** Subsequent to year end the facility limit has been reduced to A$55 million and together with the A$445 million STLF referred to above forms a new A$500 million debt facility package.

Note 27. Non-current liabilities - Interest-bearing liabilities (continued)

	Notes	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
(b) Assets pledged as security					
The carrying amounts of assets pledged as security are against the CRL Secured Facility:					
Cash and cash equivalents	10	**4.2**	1.7	**-**	-
Current receivables	11	**22.7**	29.1	**-**	-
Inventories	12	**23.7**	18.8	**-**	-
Property, plant and equipment	18	**107.9**	110.8	**-**	-
Total assets pledged as security		**158.5**	160.4	**-**	-

(c) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial liabilities is set out in the table below. Exposures arise predominantly from liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate liabilities to maturity.

		Fixed interest rate				
	Floating interest rate	1 year or less	1 to 5 years	More than 5 years	Non-interest bearing	Total
2007	$M	$M	$M	$M	$M	$M
Payables (Note 23)	**-**	**-**	**-**	**-**	**113.1**	**113.1**
Interest-bearing liabilities* (Notes 24 and 27)	**408.3**	**34.2**	**91.1**	**85.4**	**-**	**619.0**
Interest rate swaps**	**142.3**	**-**	**(56.9)**	**(85.4)**	**-**	**-**
	550.6	**34.2**	**34.2**	**-**	**113.1**	**732.1**
2006						
Payables (Note 23)	-	-	-	-	133.4	133.4
Interest-bearing liabilities* (Notes 24 and 27)	397.0	-	132.8	85.4	-	615.2
Interest rate swaps**	142.3	-	(56.9)	(85.4)	-	-
	539.3	-	75.9	-	133.4	748.6

* Excludes deferred borrowing costs

** Notional principal amounts

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
(d) Risk exposures				
The exposure of the consolidated entity's and parent entity's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:				
Less than 1 year	**196.5**	125.4	**196.5**	119.9
Between 1 and 2 years	**121.7**	68.6	**121.7**	68.6
Between 2 and 5 years	**147.0**	259.9	**147.0**	259.9
Over 5 years	**85.4**	85.4	**85.4**	85.4
	550.6	593.3	**550.6**	533.3
Australian dollar	**301.4**	250.0	**301.4**	244.5
US dollar	**253.7**	276.3	**253.7**	276.3

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 3.

Note 28. Non-current liabilities - Deferred tax liabilities

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Depreciation/amortisation	**118.2**	106.3	**33.2**	26.2
Mining capital expenditure	**7.2**	11.3	**2.2**	0.8
Foreign currency exchange	**3.6**	1.9	**3.7**	3.2
Other	**1.3**	1.0	**0.2**	-
Receivables	**3.3**	5.3	**0.1**	0.1
Inventory	**10.2**	10.0	**2.5**	3.0
	143.8	135.8	**41.9**	33.3
Amounts recognised directly in equity				
Cash flow hedges	**0.8**	1.6	**0.8**	-
	144.6	137.4	**42.7**	33.3
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 19)	**(99.9)**	(80.6)	**(33.7)**	(27.2)
Net deferred tax liabilities	**44.7**	56.8	**9.0**	6.1
Movements:				
Opening balance at 1 January	**56.8**	81.1	**6.1**	35.6
Charged/(credited) to the income statement (Note 8)	**(6.3)**	(20.6)	**10.4**	(32.1)
Charged/(credited) to equity (Notes 8 and 31)	**(10.1)**	(5.5)	**(7.2)**	(5.5)
Under provision in prior years	**4.3**	1.8	**(0.3)**	8.1
Closing balance at 31 December	**44.7**	56.8	**9.0**	6.1

Note 29. Non-current liabilities - Provisions

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
Employee benefits	**4.7**	6.6	**1.0**	2.1
Rehabilitation and mine closure	**265.6**	252.2	**87.0**	72.0
Other provisions	**-**	1.1	**-**	0.9
	270.3	259.9	**88.0**	75.0

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for the year ended 31 December 2007

Note 29. Non-current liabilities - Provisions (continued)

Movements in each class of provision during the current financial year, other than employee entitlements, are set out below:

	Rehabilitation and mine closure $m	Other provisions $m
Consolidated - 2007		
Carrying amount at start of year	**297.9**	**2.5**
Additional provisions recognised	**24.0**	**1.6**
Payments	**(30.4)**	**(0.6)**
Rehabilitation and restoration accretion expense	**16.6**	**-**
Foreign exchange rate movements	**(3.7)**	**-**
Unused amounts reversed	**-**	**(0.9)**
Carrying amount at end of year	**304.4**	**2.6**
Parent Entity - 2007		
Carrying amount at start of year	**85.5**	**1.8**
Additional provisions recognised	**13.9**	**1.6**
Payments	**(9.3)**	**-**
Rehabilitation and restoration accretion expense	**5.6**	**-**
Unused amounts reversed	**-**	**(0.9)**
Carrying amount at end of year	**95.7**	**2.5**

Movement in rehabilitation and mine closure provisions and other provisions represents an aggregate of current and non-current balances.

Note 30. Contributed equity

	Parent entity		Parent entity	
	2007 Number of shares	2006 Number of shares	**2007 Paid up value $M**	2006 Paid up value $M
(a) Share Capital				
Ordinary shares				
Issued and paid up capital	**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 2006	Opening balance	232,914,349		611.0
31 December 2006	Balance	232,914,349		611.0
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**

Notes to the Financial Statements

for the year ended 31 December 2007

Note 30. Contributed equity (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) 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 per cent and 1.0 per cent 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 shares 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.

(e) Capital risk management

The consolidated entity's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity monitors capital on the basis of the gearing ratio and the level of net debt. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'interest-bearing liabilities' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt. The consolidated entity manages net debt on a group basis with all debt being drawn by the parent entity. All debt (excluding the specific CRL facilities described in Note 27) is under the terms of the various bank facilities. Net debt and gearing for the parent entity are therefore not considered appropriate measures and therefore not reported.

The gearing ratios at 31 December 2007 and 31 December 2006 were as follows:

	Consolidated	
	2007 $M	2006 $M
Total borrowings*	**619.0**	615.2
Less: cash and cash equivalents (Note 10)	**(19.9)**	(17.4)
Net debt	**599.1**	597.8
Total equity	**751.6**	716.5
Gearing ratio	**44.3%**	45.4%

* Excludes deferred borrowing costs

Note 31. Reserves and retained profits

	Consolidated 2007 $M	Consolidated 2006 $M	Parent Entity 2007 $M	Parent Entity 2006 $M
(a) Reserves				
Asset revaluation reserve	**17.6**	18.9	**18.6**	19.3
Hedging reserve - cash flow hedges	**4.1**	20.5	**1.9**	18.6
Employee share options reserve	**0.2**	0.2	**0.2**	0.2
Foreign currency translation reserve	**1.7**	(1.5)	**-**	-
Share-based payments reserve	**0.5**	1.7	**0.3**	1.7
Defined benefit superannuation reserve	**(0.3)**	(0.1)	**-**	-
	23.8	39.7	**21.0**	39.8
Movements:				
Asset revaluation reserve				
Balance 1 January	**18.9**	20.3	**19.3**	20.7
Transfer to asset realisation reserve	**-**	(1.4)	**-**	(1.4)
Transfer to retained earnings	**(1.3)**	-	**(0.7)**	-
Balance 31 December	**17.6**	18.9	**18.6**	19.3
Asset realisation reserve				
Balance 1 January	**-**	4.7	**-**	1.2
Transfer from asset revaluation reserve	**-**	1.4	**-**	1.4
Transfer to retained earnings	**-**	(6.1)	**-**	(2.6)
Balance 31 December	**-**	-	**-**	-
Hedging reserve - cash flow hedges				
Balance 1 January	**20.5**	31.4	**18.6**	30.0
Revaluation, net of tax	**3.0**	7.3	**-**	4.6
Hedge assets recognised	**1.9**	-	**1.9**	-
Transfer to net profit, net of tax	**(21.0)**	(17.8)	**(18.6)**	(16.0)
Attributable to minority interest	**(0.3)**	(0.4)	**-**	-
Balance 31 December	**4.1**	20.5	**1.9**	18.6
Employee options reserve				
Balance 1 January	**0.2**	0.2	**0.2**	0.2
Balance 31 December	**0.2**	0.2	**0.2**	0.2
Foreign currency translation reserve				
Balance 1 January	**(1.5)**	(0.9)	**-**	-
Currency translation differences arising during the year	**3.2**	(0.6)	**-**	-
Balance 31 December	**1.7**	(1.5)	**-**	-
Share-based payments reserve				
Balance 1 January	**1.7**	1.5	**1.7**	1.5
Recognition of the fair value of equity instruments granted to employees	**(1.2)**	0.2	**(1.4)**	0.2
Balance 31 December	**0.5**	1.7	**0.3**	1.7
Defined benefit superannuation reserve				
Balance 1 January	**(0.1)**	-	**-**	-
Decrease for the year	**(0.2)**	(0.1)	**-**	-
Balance 31 December	**(0.3)**	(0.1)	**-**	-

Note 31. Reserves and retained profits (continued)

(b) Retained profits

	Consolidated		Parent entity	
	2007 $M	2006 $M	**2007 $M**	2006 $M
Movements in retained profits were as follows:				
Balance 1 January	**(3.5)**	20.6	**119.6**	160.6
Net profit for the year	**51.1**	21.0	**3.9**	7.6
Dividends	**(51.7)**	(51.2)	**(51.7)**	(51.2)
Transfer from asset revaluation/asset realisation reserve	**1.3**	6.1	**0.7**	2.6
Balance 31 December	**(2.8)**	(3.5)	**72.5**	119.6

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in Note 1(o). Transfers are made to retained earnings on disposal of previously revalued assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Asset realisation reserve

This reserve records the amount of asset revaluation reserve relating to disposed assets which is now available for distribution to shareholders. The balance of this reserve was transferred to retained earnings at 31 December 2006 as the reserve is considered available for distribution to shareholders.

(iii) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses (net of tax) on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(m). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iv) Employee share options reserve

The employee share options reserve is used to recognise the fair value of options issued but not exercised.

(v) Foreign currency translation reserve

Exchange differences arising on translation of the net investment in foreign operations, including US dollar denominated debt used as a hedge of the net investment, are taken to the foreign currency translation reserve net of applicable income tax, as described in Note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(vi) Employee share-based payments reserve

The employee share-based payments reserve is used to recognise the fair value of equity instruments granted but not yet issued to employees under the group’s various equity based incentive schemes. Refer Note 45.

(vii) Defined benefit superannuation reserve

The defined benefit superannuation reserve represents the actuarial gains and losses of the net position of the defined benefit superannuation plans not yet recognised through the Income Statement. Refer Note 45.

Note 32. 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 Directors have not declared a final dividend (2006: 12 cents fully franked per fully paid ordinary share). The aggregate amount of the dividend not recognised as a liability at year-end, is	**-**	27.9

(c) Franked dividends

	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
Franking credits available for subsequent financial years based on a tax rate of 30 per cent (2006: 30 per cent)	**9.2**	20.0	**(3.6)**	8.6

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax or receipt of income tax receivable.

The franking credits available to the consolidated entity include $8.5 million (2006: $11.0 million) for the Consolidated Rutile Limited group and $4.2 million (2006: $0.4 million) attributable to Ashton Coal Interests Pty Limited. Distribution of franking credits by the parent entity is subject to receipt of fully franked dividends from Consolidated Rutile Limited which was 51.04 per cent owned by the parent entity at 31 December 2007 (2006: 51.04 per cent) and Ashton Coal Interests Pty Limited of which the parent entity owns 93.3 per cent (2006: 93.3 per cent). There will be no impact on the franking account as no dividend was recommended since year-end (2006: $12.0 million reduction in the franking account).

Note 33. Key management personnel

Key Management Personnel

Key Management Personnel of the consolidated entity comprise Directors of Iluka Resources Limited as well as other specific employees of the consolidated entity who met the following criteria: 'personnel who have authority and responsibility for planning, directing and controlling the activities of the consolidated entity, either directly or indirectly.'

The Key Management Personnel for the parent entity are the same as for the consolidated entity. Therefore, disclosure and balances in this Note relate to both the parent entity and the consolidated entity.

Key Management Personnel – Directors

The following persons were Directors of Iluka Resources Limited during the financial year:

(i) Non-executive Directors

G Campbell
V Davies
R Every (*Deputy Chairman*)
I Mackenzie (*Chairman*)
D Morley
G Pizzey
G Rezos

(ii) Managing Director and Chief Executive Officer

D Robb

All other above persons were Directors of Iluka Resources Limited for all of the financial year, as well as for the financial year ended 31 December 2006, except D A Robb who was appointed as Managing Director on 18 October 2006 and G A Rezos who was appointed as a Director on 20 June 2006. R A Tastula and W H J Barr were Directors until their retirement on 11 May 2006.

Key Management Personnel - Employees other than Directors ('The Executives')

In addition to the Directors of the consolidated entity, the following employees met the definition of Key Management Personnel for the year ended 31 December 2007:

M Adams	General Manager Western Region
P Beilby	General Manager Murray Basin
P J Benjamin	General Manager Exploration & Geology
D Calhoun[1]	Executive General Manager People and Communities
D Grant[2]	Chief Financial Officer
V Hugo	General Manager Sales and Marketing
D McMahon[3]	Chief Financial Officer
H Umlauff	General Manager SA Development & Project Management
C Wilson	General Manager Corporate Services & Company Secretary

1 D Calhoun ceased employment 30 November 2007.
2 D Grant ceased employment 16 February 2007.
3 D McMahon appointed as an Executive 29 January 2007 and ceased employment 17 January 2008.

Note 33. Key management personnel (continued)

For the remainder of this Note, Key Management Personnel other than Directors of the consolidated entity are referred to as 'Executives'.

The above persons were also Executives during the year ended 31 December 2006, except:
- M Adams, appointed as an Executive 1 January 2007.
- P Beilby, appointed as an Executive 1 January 2007.
- P Benjamin, appointed as an Executive 24 May 2006.
- V Hugo, appointed as an Executive 21 February 2006.
- H Umlauff, appointed as Executive 9 May 2006.

The following persons were also Executives during the year ended 31 December 2006:
- S Ward, ceased employment as Executive General Manager Sales & Marketing on 10 February 2006.
- M Bourke, ceased employment as Executive General Manager Technical Services on 3 March 2006.
- W Bisset, ceased employment as Executive General Manager Global Operations on 31 December 2006.

Key Management Personnel Compensation (Consolidated and Parent Entity)

	Short Term Benefits $	Post Employment Benefits $	Share Based Payments $	Termination Benefits $	TOTAL $
2007					
Non-Executive Directors	**880,736**	**75,116**	**-**	**-**	**955,852**
Executive Directors	**1,255,076**	**90,826**	**354,485**	**-**	**1,700,387**
Executives	**3,397,209**	**298,927**	**455,655**	**497,923**	**4,649,714**
TOTAL	**5,533,021**	**464,869**	**810,140**	**497,923**	**7,305,953**
2006					
Non-Executive Directors	712,959	170,448	-	-	883,407
Executive Directors	1,810,996	32,783	(222,175)	1,009,398	2,631,002
Executives	2,903,918	202,921	4,633	1,403,083	4,514,555
TOTAL	5,427,873	406,152	(217,542)	2,412,481	8,028,964

The company has taken advantage of the relief provided by the Corporations Regulation 2M.6.04 and has transferred the detailed remuneration and shareholding disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 8 to 18.

Loans to Key Management Personnel

No loans existed at the commencement of the year and no loans were made during the year ended 31 December 2007.

Other Transactions with Key Management Personnel

There were no transactions which occurred between the consolidated entity and Key Management Personnel that were outside of the nature described below:

(a) Occurrence was within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those it is reasonable to expect the consolidated entity would have adopted if dealing at arms length with an unrelated individual;

(b) Information about these transactions does not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the Key Management Personnel; and

(c) The transactions are trivial or domestic in nature.

Therefore, specific details of other transactions with Key Management Personnel are not disclosed.

Note 34. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related audit firms:

(a) Assurance services

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Audit and audit related services				
Fees paid to PricewaterhouseCoopers:				
PwC Australia	**807,610**	755,020	**635,000**	607,000
Other PwC firms	**60,400**	63,000	**-**	-
Total remuneration for audit services	**868,010**	818,020	**635,000**	607,000
Other assurance services				
PwC Australia	**24,884**	-	**24,884**	-
Total remuneration for assurance services	**892,894**	818,020	**659,884**	607,000

(b) Taxation services

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Fees paid to PricewaterhouseCoopers:				
PwC Australia	**21,000**	71,220	**21,000**	71,220
Other PwC firms	**33,360**	9,333	**-**	-
Total remuneration for taxation services	**54,360**	80,553	**21,000**	71,220

Note 35. Retirement benefit obligations

(a) Superannuation plans

Australia

All employees of the consolidated entity who do not elect an alternate fund under the Superannuation Fund Choice Legislation are entitled to benefits from the Iluka Section of the ING Master Trust ("Master Trust") on retirement, disability or death. The consolidated entity only provides superannuation through the Master Trust. The vast majority of members are entitled to accumulation benefits only in the Master Trust. The Master Trust also provides defined lump sum and pension benefits based on years of service and final average salary for a small number of members. The defined contribution section receives fixed contributions from consolidated entity companies and the consolidated entity's legal or constructive obligation is limited to these contributions. No balances are attributable to the parent entity.

USA

All employees of the US operations are entitled to benefits from the US operations' pension plans on retirement, disability or death. The US operations have two defined benefit plans and one defined contribution plan. One of the defined benefits plans provides a monthly benefit based on a set amount per month per year of service. The other defined benefit plan provides a monthly benefit based on average salary and years of service. The defined contribution plan receives an employee's elected contribution and an employer's match-up to a fixed percentage and the entity's legal or constructive obligation is limited to these contributions.

Note 35. Retirement benefit obligations (continued)

The following sets out details in respect of the defined benefit sections only of the Australian and US plans.

	Consolidated 2007 $M	Consolidated 2006 $M
(b) Balance sheet amounts		
The amounts recognised in the balance sheet are determined as follows:		
Defined benefit plan obligation	**20.4**	21.5
Defined benefit fund plan assets	**(17.9)**	(17.4)
Deficiency of net market value of assets over the present value of employees' accrued benefit payments	**2.5**	4.1
Past service costs	**(1.4)**	(2.7)
Net liability in the balance sheet*	**1.1**	1.4

* A surplus of $1.2 million (2006: $1.2 million) in respect of the Master Trust plan is included in the 2007 net deficiency of $1.1 million (2006: $1.4 million). That is, the amount recognised as a liability in the balance sheet totals $2.3 million (2006: $2.6 million) whilst the surplus amount of $1.2 million (2006: $1.2 million) has been recognised as an asset in the balance sheet (refer Note 17). The surplus has been included in this note for reconciliation purposes only.

The consolidated entity may use any surplus in the defined benefits section of the Australian plans for the purposes of payment of superannuation expenses, a contribution holiday or a reduction in employer contributions. No surplus funds were used during 2006 or 2007.

	Consolidated 2007 $M	Consolidated 2006 $M
(c) Categories of Plan Assets		
The major categories of plan assets are as follows:		
Cash	**1.1**	0.6
Equity instruments	**12.3**	11.8
Debt instruments	**2.7**	2.8
Property	**0.8**	1.1
Other assets	**1.0**	1.1
	17.9	17.4

The assets are invested with professional investment managers. The number of shares (if any) of Iluka Resources Limited held by the managers is decided solely by the investment managers.

Note 35. Retirement benefit obligations (continued)

(d) Reconciliations

Reconciliation of the present value of the defined benefit obligation, which is partly funded:

	Consolidated 2007 $M	Consolidated 2006 $M
Balance at 1 January	**21.5**	21.2
Current service cost	**0.8**	1.0
Interest cost	**1.2**	1.2
Contributions by plan participants	**0.1**	0.1
Actuarial gains and losses	**0.5**	(0.1)
Foreign currency exchange rate changes	**(1.3)**	(1.1)
Benefits paid	**(2.4)**	(0.4)
Curtailments	**-**	(0.4)
Balance at 31 December	**20.4**	21.5

Reconciliation of the fair value of plan assets:

	Consolidated 2007 $M	Consolidated 2006 $M
Balance at 1 January	**17.4**	15.4
Expected return on plan assets	**1.3**	1.1
Actuarial gains and losses	**(0.3)**	1.0
Foreign currency exchange rate changes	**(0.9)**	(0.6)
Contributions by group companies	**2.6**	0.8
Contributions by plan participants	**0.1**	0.1
Benefits paid	**(2.3)**	(0.4)
Balance at 31 December	**17.9**	17.4

(e) Amounts Recognised in Income Statement

	Consolidated 2007 $M	Consolidated 2006 $M
Current service cost	**0.8**	1.0
Interest cost	**1.2**	1.2
Expected return on plan assets	**(1.3)**	(1.1)
Net actuarial losses recognised in year	**0.2**	0.1
Past service cost	**1.0**	1.1
Gains on curtailments and settlements	**(0.1)**	(0.2)
Total included in employee benefits expense	**1.8**	2.1
Actual return on plan assets	**1.0**	2.1

Note 35. Retirement benefit obligations (continued)

(f) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated 2007 %	Consolidated 2006 %
Australia*		
Discount rate	**6.0**	6.0
Expected return on plan assets	**6.5**	6.5
Future salary increases	**5.0**	5.0
Expected rate of inflation	**2.0**	2.0
USA**		
Discount rate	**6.3**	5.8
Expected return on plan assets	**7.5**	7.5
Future salary increases	**3.5**	3.5
Expected rate of inflation	**3.0**	3.0

* The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories. This resulted in the selection of a 7.2 per cent (2006: 7.2 per cent) rate of return gross of tax (and net of expenses) and a 6.5 per cent (2006: 6.5 per cent) rate of return net of tax (and expenses).

** The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories. This resulted in the selection of a 7.5 per cent (2006: 7.5 per cent) rate of return net of tax (and expenses).

(g) Employer contributions

Australia

Employer contributions to the defined benefits section of the plan are based on recommendations by the section's actuary.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and particular actuarial assumptions as to the defined benefits plan's future experience (as detailed below), the actuary recommended in the actuarial review, the payment of employer contributions to the defined benefit plan ranging between 8.7 per cent and 24.6 per cent (2006: 0.0 per cent to 12.4 per cent) of salaries dependent on the defined benefit category of membership.

Total defined benefit section employer contributions expected to be paid by consolidated entity companies for the year ending 31 December 2008 are $0.3 million.

The economic assumptions used by the actuary to make the funding recommendations were a long term investment earning rate of 6.5 per cent pa (net of fees and taxes), a salary increase rate of 5.0 per cent pa, an inflation rate of 2.0 per cent pa and a discount rate of 4.0 per cent pa for the pension liabilities.

Note 35. Retirement benefit obligations (continued)

USA

Employer contributions to the defined benefits section of the plan are based on recommendations by the plan's actuary.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the Projected Unit Credit (PUC) method effective as at 1 January 2003. Under the PUC method, unfunded past service is amortised over 10 years and future benefit accruals are funded during participants' working lifetime with cost varying based on the age of participants. Actuarial gains/losses are amortised over 5 years.

Using the funding method described above and particular actuarial assumptions as to the defined benefits section's future experience (as detailed below), the actuary recommended in the actuarial review, the payment of $1.5 million (2006: $0.9 million) for the salaried defined benefit plan and $0.4 million (2006: $0.2 million) for the hourly defined benefit plan.

Total employer contributions expected to be paid by consolidated entity companies for the year ending 31 December 2008 are $1.9 million.

The economic assumptions used by the actuary to make the funding recommendations were a long term investment earning rate of 7.5 per cent pa (2006: 7.5 per cent) (net of fees and taxes), a salary increase rate of 3.5 per cent (2006: 3.5 per cent) together with an age related promotional scale, an inflation rate of 3.0 per cent (2006: 3.0 per cent) and a discount rate of 6.3 per cent (2006: 5.8 per cent) for the pension liabilities.

(h) Net financial position of plan

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets.

Australia

This has been determined from information supplied by the Master Trust, and a surplus of $1.2 million as at 31 December 2007 (2006: $1.2 million) was reported.

USA

The net financial position of the USA plans has been determined as at the date of the most recent financial report of the superannuation fund (31 December 2007), and in accordance with IAS 19 *Employee Entitlements*. The deficiency of $1.6 million as reported in the plans' financial report differs from the net liability of $2.3 million (2006: $2.6 million) recognised in the balance sheet as at 31 December 2007 due to different measurement rules in the relevant accounting standards AAS 25 and IAS 19.

(i) Historic summary

	Consolidated			
	2007 $M	2006 $M	2005 $M	2004 $M
Defined benefit plan obligation	**20.4**	21.5	21.2	18.4
Defined benefit fund plan assets	**(17.9)**	(17.4)	(15.4)	(14.1)
Deficiency of net market value of assets over the present value of employees' accrued benefit payments	**2.5**	4.1	5.8	4.3
Experience adjustments arising on plan liabilities	**-**	-	(0.3)	-
Experience adjustments arising on plan assets	**-**	-	0.3	0.4

Note 36. Contingent liabilities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$M	$M	**$M**	$M
Contingent liabilities				
Details and estimates of maximum amounts of contingent liabilities are as follows:				
Performance, Commitments and guarantees (a)	**88.3**	75.2	**31.6**	31.3

(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 $197.0 million. Downer Mining was over 12 months late in completing construction activities. Iluka has paid Downer Mining approximately A$205 million in payments under the EPC contract to date. During the course of construction, Downer Mining lodged contractual claims in excess of $160.0 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 detailed 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 detailed assessment and external specialist legal advice, the claims continue to be rejected and, accordingly, no liability has been recognised.

Notes to the Financial Statements

for the year ended 31 December 2007

Note 37. Commitments

	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
(a) Capital commitments				
Capital expenditure for the acquisition of plant and equipment and mine development contracted for and payable not later than one year*	**20.4**	9.0	**12.4**	4.1

* Included in capital commitments for the consolidated entity are commitments in relation to the Murray Basin of $4.6 million (2006: $0.7 million).

(b) Exploration commitments

Exploration expenditure commitments payable*:

	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
Within one year	**17.5**	14.5	**9.6**	7.0
Later than one year but not later than five years	**42.0**	34.5	**20.6**	12.6
Later than five years	**50.2**	51.8	**12.9**	10.8
	109.7	100.8	**43.1**	30.4

* These costs are discretionary. If the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

(c) Lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:

	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
Within one year	**8.5**	8.0	**3.3**	2.6
Later than one year but not later than five years	**27.8**	22.0	**9.5**	4.8
Later than five years	**18.1**	19.1	**2.8**	0.7
	54.4	49.1	**15.6**	8.1

(d) Other commitments

Commitments for payments in relation to non-cancellable contracts are payable as follows*:

	Consolidated 2007 $M	Consolidated 2006 $M	Parent entity 2007 $M	Parent entity 2006 $M
Within one year	**40.6**	38.8	**36.5**	34.4
Later than one year but not later than five years	**105.8**	115.0	**102.8**	113.0
Later than five years	**61.8**	81.7	**60.0**	80.0
	208.2	235.5	**199.3**	227.4

* Included in other commitments are amounts of $199.9 million (2006: $232.2 million) in respect of the consolidated entity and $199.3 million (2006: $227.4 million) in respect of the parent entity which relate to long term contracts for coal, gas, electricity and water used in the production process.

Note 38. Related party transactions

(a) Directors and specified executives

Disclosures relating to Directors and Key Management Personnel are set out in Note 33.

(b) Controlled entities and controlling entities

Details of material controlled entities are set out in Note 39. The ultimate Australian controlling entity and the ultimate parent entity in the wholly-owned group is Iluka Resources Limited.

Management fees applicable to the provision of services to Consolidated Rutile Limited, a materially controlled entity, covers treasury, taxation, exploration, internal audit, marketing and other corporate and operational services. The fee charged for these services is based on commercial rates.

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Aggregate amounts receivable from / payable to material controlled entities at balance date:				
Non-current receivables (loans)	**-**	-	**2,996**	1,697
Aggregate amounts included in the determination of profit (loss) before income tax that resulted from transaction with other related parties:				
Management fee revenue from material controlled entity	**-**	-	**987**	940

(c) Wholly-owned group

The wholly-owned group consists of Iluka Resources Limited and its wholly-owned controlled entities. Ownership interests in these material wholly-owned entities are set out in Note 39.

Transactions between Iluka Resources Limited and other entities in the wholly-owned group during the years ended 31 December 2007 and 31 December 2006 consisted of:

(i) loans advanced by Iluka Resources Limited;
(ii) loans repaid to Iluka Resources Limited;
(iii) the payment of interest on the above loans; and
(iv) management services provided by Iluka Resources Limited.

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Aggregate amounts included in the determination of profit (loss) before income tax that resulted from transactions with entities in the wholly-owned group:				
Interest revenue	**-**	-	**17,686**	77,965
Aggregate amounts receivable from / payable to entities in the wholly-owned group at balance date:				
Non-current receivables (loans)	**-**	-	**286,186**	313,222

Note 38. Related party transactions (continued)

Loans are made between Iluka Resources Limited and certain entities in the wholly-owned group. Where interest is levied it is payable/receivable on the amount outstanding at commercial rates. There were no borrowings by the parent entity in 2007 or 2006. The average lending rate for the year for loans advanced by the parent entity was 6.5 per cent (2006: 5.9 per cent). There are no fixed terms for the repayment of principal on loans.

Iluka Resources Limited has taken out insurance policies on behalf of certain controlled entities as part of a group wide insurance risk management programme. The Company has a policy of insuring against risks which might materially affect the consolidated entity's cash flow. Risks covered include property damage, business interruption, public and product liability, fidelity, and Directors and officers' liability.

(d) Transactions with related parties

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current tax payable assumed from wholly-owned tax consolidated entities	**-**	-	**39,415**	28,987
Tax losses assumed from wholly-owned tax consolidated entities	**-**	-	**15,399**	10,101

(e) Outstanding balances arising from sale/purchase of goods and services

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current receivable (tax funding arrangement)				
Wholly-owned tax consolidated entities	**-**	-	**39,415**	28,987
Current payables (tax funding agreement)				
Wholly-owned tax consolidated entities	**-**	-	**15,399**	10,101

(f) Other related parties

Information relating to joint venture interests is set out in Note 41.

Note 39. Investments in significant controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

		Equity holding*	
Name of Entity	Country of incorporation	**2007 %**	2006 %
Iluka Corporation Limited	Australia	**100.0**	100.0
Basin Minerals Limited	Australia	**100.0**	100.0
Iluka Midwest Limited	Australia	**100.0**	100.0
The Nardell Colliery Pty Limited	Australia	**100.0**	100.0
Consolidated Rutile Limited	Australia	**51.0**	51.0
Iluka Administration Limited	Australia	**100.0**	100.0
Iluka Resources Inc.	USA	**100.0**	100.0
Iluka Exploration Pty Limited	Australia	**100.0**	100.0
Ashton Coal Interests Pty Limited	Australia	**93.3**	93.3
Iluka (Eucla Basin) Pty Limited	Australia	**100.0**	100.0

*The proportion of ownership interest is equal to the proportion of voting power held.

Note 40. Deed of cross guarantee

In 1998, Iluka Resources Limited, Westlime (WA) Limited, Ilmenite Pty Limited, Southwest Properties Pty Limited, Western Mineral Sands Pty Limited and Yoganup Pty Limited were parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly-owned entities have been relieved from the requirements to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended by Class Order 98/2017) issued by the Australian Securities and Investments Commission ("ASIC").

On 26 November 1999, ASIC approved a Deed of Cross Guarantee to add the following wholly-owned entities: Iluka Corporation Limited; Associated Minerals Consolidated Limited; Iluka Administration Limited; Iluka (NSW) Limited; Iluka Consolidated Pty Limited; Iluka Exploration Pty Limited; Gold Fields Asia Limited; Iluka International Limited; NGG Holdings Limited; Caroda Pty Limited; Iluka Midwest Limited; Western Titanium Limited; The Mount Lyell Mining and Railway Company Limited; Colinas Pty Limited; Renison Limited; Iluka Finance Limited; The Nardell Colliery Pty Limited; Glendell Coal Limited and Lion Properties Pty Limited.

On 30 January 2003, ASIC approved a further Deed of Assumption to add Basin Minerals Limited, Basin Minerals Holdings Pty Limited, Basin Properties Pty Limited and Swansands Pty Limited to the Deed of Cross Guarantee. Relief from the requirement to prepare a Financial Report and Directors' Report under the Class Order is effective for the financial year ending December 2002 and subsequent financial years.

During 2004, ASIC approved a Deed of Assumption for the removal of Iluka (NSW) Limited, Caroda Pty Limited and Colinas Pty Limited from the Deed of Cross Guarantee. During 2005, these companies were deregistered.

During 2005, ASIC approved a further Deed of Assumption to add Iluka (Eucla Basin) Pty Limited to the Deed of Cross Guarantee.

All the above companies represent a Closed Group for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Iluka Resources Limited, they also represent the Extended Closed Group.

Set out below are condensed consolidated income statements for the years ended 31 December 2007 and 31 December 2006 of the Extended Closed Group.

	2007 $M	2006 $M
Condensed Income Statement		
Revenue from ordinary activities	**757.6**	794.0
Interest and finance costs	**(57.6)**	(39.2)
Exchange losses on foreign currency borrowings	**(4.0)**	(1.0)
Other expenses from ordinary activities	**(646.7)**	(644.1)
Impairment charges	**-**	(64.6)
Income tax (expense) benefit	**(11.3)**	6.1
Profit for the year	**38.0**	51.2
Summary of Movements In Consolidated Retained Profits		
Retained profits at the beginning of the financial year	**85.5**	79.4
Transfer from asset revaluation/asset realisation reserve	**1.2**	6.1
Profit for the year	**38.0**	51.2
Dividends provided for or paid	**(51.7)**	(51.2)
Retained profits at the end of the financial year	**73.0**	85.5

Notes to the Financial Statements

for the year ended 31 December 2007

Note 40. Deed of cross guarantee (continued)

Set out below are consolidated balance sheets as at 31 December 2007 and 31 December 2006 of the Extended Closed Group.

Condensed Balance Sheet

	2007 $M	2006 $M
Current assets		
Cash and cash equivalents	**7.7**	5.0
Receivables	**144.2**	167.3
Inventories	**283.0**	209.5
Derivative financial instruments	**2.1**	-
Current tax receivables	**12.4**	-
Other	**13.2**	16.3
Total current assets	**462.6**	398.1
Non-current assets		
Receivables	**72.2**	110.4
Inventories	**-**	5.5
Other financial assets	**149.9**	149.9
Property, plant and equipment	**1,074.9**	1,078.5
Intangible assets	**15.1**	16.8
Other	**0.7**	-
Total non-current assets	**1,312.8**	1,361.1
Total assets	**1,775.4**	1,759.2
Current liabilities		
Payables	**85.6**	110.7
Interest-bearing liabilities	**230.7**	188.5
Current tax liabilities	**-**	8.6
Provisions	**31.2**	30.1
Total current liabilities	**347.5**	337.9
Non-current liabilities		
Interest-bearing liabilities	**387.4**	419.9
Deferred tax liabilities	**39.9**	43.1
Provisions	**242.6**	220.2
Other	**-**	0.1
Total non-current liabilities	**669.9**	683.3
Total liabilities	**1,017.4**	1,021.2
Net assets	**758.0**	738.0
Equity		
Contributed equity	**662.6**	611.0
Reserves	**22.4**	41.5
Retained profits	**73.0**	85.5
Total equity	**758.0**	738.0

Notes to the Financial Statements

for the year ended 31 December 2007

Note 41. Interests in joint ventures

(a) Narama joint venture

The consolidated entity's interest in the Narama Joint Venture is classified as a discontinued operation, refer Note 9.

(b) Other joint ventures

The consolidated entity also has a number of interests in joint ventures to explore for titanium minerals and zircon resources. The consolidated entity's share of expenditure in respect of these exploration activities is capitalised where appropriate in accordance with the accounting policy stated in Note 1(b)(ii), and no revenue is generated. The consolidated entity's share of the assets and liabilities in respect of these joint ventures is not material.

Note 42. Reconciliation of profit after income tax to net cash inflow (outflow) from operating activities

	Consolidated		Parent entity	
	2007 $M	2006 $M	**2007 $M**	2006 $M
Profit after income tax	**60.4**	31.5	**3.9**	7.6
Depreciation and amortisation	**147.9**	127.3	**43.8**	34.9
Previously capitalised exploration expenditure written-off	**1.1**	1.3	**-**	-
Current year exploration expenditure capitalised	**(5.5)**	(7.0)	**-**	-
Interest capitalised	**-**	(13.5)	**-**	(13.5)
Net (gain) loss on disposal of property, plant and equipment	**(11.3)**	(30.1)	**(4.9)**	0.4
Net exchange differences on borrowings	**(9.7)**	2.4	**(17.3)**	(8.2)
Rehabilitation, restoration and accretion expense and other borrowing cost unwind	**17.5**	13.4	**5.7**	2.8
Non-cash employee benefits	**1.3**	(0.5)	**0.9**	0.1
Asset impairments and write-offs	**-**	92.2	**-**	60.0
Amortisation of deferred borrowing costs	**0.3**	0.4	**0.3**	0.4
Other non-cash operating activities between group entities	**-**	-	**(17.7)**	(79.7)
Hedge gains recognised in respect of hedge book realised in August 2006	**(26.6)**	-	**(26.6)**	-
Change in operating assets and liabilities				
Decrease (increase) in receivables	**40.4**	(52.3)	**12.6**	18.6
Decrease (increase) in inventories	**(68.6)**	(51.8)	**9.7**	(15.3)
Decrease (increase) in deferred tax assets	**3.8**	6.0	**-**	-
Decrease (increase) in other operating assets	**6.7**	29.3	**(9.3)**	32.2
Decrease (increase) in income tax receivable	**(12.6)**	-	**(13.3)**	-
Increase (decrease) in payables	**(13.3)**	(12.9)	**(3.2)**	1.4
Increase (decrease) in other operating liabilities	**(2.5)**	2.8	**(5.2)**	5.3
Increase (decrease) in provision for income taxes payables	**(6.6)**	4.1	**(9.9)**	5.3
Increase (decrease) in provision for deferred tax liabilities	**(5.4)**	(20.1)	**11.4**	(26.1)
Increase (decrease) in other provisions	**(21.8)**	19.7	**(8.4)**	5.2
Net cash inflow (outflow) from operating activities	**95.5**	142.2	**(27.5)**	31.4

Note 43. Non-cash investing and financing activities

Non-cash investing and financing activities consisted of shares to the value of $12.3 million paid to shareholders in respect of the dividend reinvestment program, details of which are set out in Note 30(d).

Note 44. Earnings per share

	Consolidated 2007 Cents	Consolidated 2006 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**17.0**	5.0
Profit from discontinued operation	**4.6**	4.1
Profit attributable to the ordinary equity holders of the company	**21.6**	9.1
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**17.0**	5.0
Profit from discontinued operation	**4.6**	4.1
Profit attributable to the ordinary equity holders of the company	**21.6**	9.1

Reconciliations of earnings used in calculating earnings per share

	Consolidated 2007 $M	Consolidated 2006 $M
Profit for the year	**49.5**	22.1
Net profit 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

Weighted average number of shares used as the denominator

	Consolidated 2007 Number	Consolidated 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

Note 45. Share-based payments

During the year ended 31 December 2007 the following incentive plans were active:

(a) Short Term and Long Term Incentive Plans

The 2007 plan consists of two parts being, the Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP). Both plans are at risk components of remuneration which operate within the existing rules of the Directors, Executives and Employees Share Acquisition Plan (Plan), as approved by the shareholders at the Company's Annual General Meeting in May 1999.

At target levels of performance, the STIP represents two-thirds of potential variable remuneration, and the LTIP represents one-third. Objectives, measures and targets for both the STIP and the LTIP are set on an annual basis and are subject to the approval of the Board.

Only nominated managers and executives participate in the short and long term incentive plans. The level of award opportunity is determined by an individual's role within the business and capacity to impact the results of the Company.

The target incentive opportunity for key management personnel under the STIP is 60 per cent of total fixed remuneration (TFR) and under the LTIP is 30 per cent of TFR. At stretch levels of performance the incentive opportunity under the STIP increases to 90 per cent.

(i) Short Term Incentive Plan (STIP)

The STIP requires profitability and sustainability performance exceeding 90 per cent of target before any award is payable for these measures. Growth objectives are set at stretch levels and are linked to the achievement of key business growth and improvement outcomes.

Half of the STIP award is to be paid in cash and half on a deferred basis in the form of restricted shares. Fifty per cent of the restricted shares are subject to a time-based vesting period of one year after the end of the performance period. The remaining 50 per cent is subject to a time-based vesting period of two years after the end of the performance period.

The share rights granted in 1 January 2008 under the STIP to participating employees is 494,082.

(ii) Long Term Incentive Plan (LTIP)

The LTIP provides a grant of equity in the form of share rights that vest after three years subject to performance over the three year period.

The grant is split into two separate tranches, with one tranche (50 per cent) being assessed based on return on equity (ROE) relative to an internal target and the other (50 per cent) based on Total Shareholder Return (TSR) performance relative to a comparator group of companies.

Targets are set giving consideration to:

- prior ROE performance history;
- planned strategic and business plan activity throughout the performance period; and
- comparable company performance.

The maximum share rights granted in 1 January 2007 under the LTIP to participating employees is 430,984.

(b) Performance Incentive Plans

The Performance Incentive Plan (PIP) was introduced in March 2005 and applied to the 2005 and 2006 years.

The maximum level of participation in 2006 for members of the executive team was 80% of total fixed remuneration. Upon achievement of pre-determined objectives, 40% maximum may be awarded as cash; the remaining 40% was required to be deferred in the form of share rights.

For the year ended 31 December 2006, Iluka's financial performance (NPAT and ROE) represented 50% of the apportionment, health and safety performance (LTIFR, AIFR, Level 2 Environmental Incidents) was apportioned at 10% and key objectives from the employee's operational or functional responsibilities accounted for the balance. Any share rights granted pursuant to the 2006 PIP had a grant date of 1 January 2007.

Note 45. Share-based payments (continued)

The fair value of shares granted under the PIP was determined at grant date. The fair value of the grant was released as an expense through the Income Statement on a straight-line basis between the grant date and the vesting date of entitlements.

Maximum potential share rights granted under the PIP to participating employees on 1 January:

	Consolidated		Parent entity	
	2007 Number	2006 Number	**2007 Number**	2006 Number
	115,509	126,208	**115,509**	126,208

(c) Directors', Executives' and Employees' Share Acquisition Plan

Prior to the introduction of the PIP in 2005, the Company operated Long-term Incentive Plans pursuant to the terms of the Directors', Executives' and Employees' Share Acquisition Plan (Plan). The Plan was approved by shareholders at the Annual General Meeting of the Company in May 1999. From year to year the Board invited the Managing Director and other employees determined by the Board to hold an executive position, to participate in the Plan as a means of providing those employees with an incentive to enhance the performance of the Company. The terms of the annual offer included an allocated maximum number of shares (maximum allocation) that will be acquired or retained under the Plan on behalf of the employee if certain performance criteria, as determined by the Board, are satisfied.

The performance criteria for each offer are based on total shareholder return against a pre-determined comparator group of companies over a three year performance period. At the end of the performance period the performance of the Company against the comparator group is assessed and a determination is made as to how much of the maximum allocation the employee will be entitled to have acquired on his or her behalf by the Trustee. Once the maximum allocation is determined, the Trustee purchases the shares and holds them on trust for the employee for a maximum period of ten years. At the end of the ten years, or earlier if approved by the Board, the shares are transferred from the Trustee to the employee.

Since the Plan was approved by shareholders, there have been individual offers in respect to 2001, 2002, 2003 and 2004. The performance period for the 2003 plan concluded and was assessed on 30 June 2006. The performance period of the 2004 plan concluded and was assessed on 31 December 2006. Shares awarded in 2007 pursuant to the 2004 plan as well as shares awarded in 2006 pursuant to the 2003 plan are shown in the table below.

The fair value of entitlements offered under the Plan has been determined via an option pricing model. This fair value is released as an expense through the Income Statement on a straight-line basis between the offer date and the assessment date for each respective plan.

Shares were awarded under the Directors', Executives' and Employees' Share Acquisition Plan to participating employees on 1 March 2007 (25 August 2006).

	Consolidated		Parent entity	
	2007 Number	2006 Number	**2007 Number**	2006 Number
	109,584	93,602	**109,584**	93,602

(d) Share rights provided to the managing director

The Managing Director was granted 71,851 share rights in October 2006, to match the shares he purchased prior to commencing employment on the basis that Iluka would match this with an equivalent award of share rights.

These share rights vest on 30 June 2008. The fair value of these share rights has been determined at grant date - refer Note 36. The fair value of the grant is released as an expense through the Income Statement between the grant date and the vesting date of the entitlements.

(e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2007 $M	2006 $M	**2007 $M**	2006 $M
	1.3	0.1	**0.9**	0.1

Note 46. Events occuring after the balance sheet date

(a) Disposal of interest in the Narama Coal joint venture

On the 15 January 2008 Iluka disposed of its interest in the Narama Coal joint venture with effect from 1 January 2008 – refer to Note 9.

(b) Refinancing of existing debt facilities

On 21 February 2008, the Company indicated that it was well progressed in securing a single, enlarged corporate debt facility to replace and extend the maturities of certain of its existing facilities. The company has since executed a new $500 million debt facility package comprising a Syndicated Term Loan Facility of $445 million and a Working Capital Facility of $55 million (refer Note 27(a)).

(c) Intended Equity Raising

On 21 February 2008, the Company announced an intention to raise capital in the region of $350 million through a renounceable pro-rata entitlement offer. Detailed work on the final structure and timing of this equity raising continues at the time of approval of this financial report.

Directors' Declaration

31 December 2007

In the Directors' opinion:

(a) the financial statements and notes set out on pages 21 to 83 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the financial year ended on that date; and

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

(c) the audited remuneration disclosures set out on pages 8 to 18 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 40 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 40.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

I C R Mackenzie
Chairman

D A Robb
Managing Director

Perth
12 March 2008

Independent Audit Report

to the members of Iluka Resources Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Iluka Resources Limited (the company), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Iluka Resources Limited and the Iluka Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report under the heading "remuneration report" in pages 8 to 18 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Iluka Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 *Remuneration disclosures* contained in the directors' report.

In our opinion, the remuneration disclosures that are contained in pages 8 to 18 of the directors' report comply with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

David J. Smith

David J Smith
Partner

Perth
12 March 2008

Corporate Governance

Approach to Corporate Governance

Iluka and its Board of Directors are committed to achieving the highest standards of corporate governance and acknowledge that this is essential in creating and building sustainable value for shareholders. The main elements of Iluka's corporate governance practices are detailed in this statement. Overarching these detailed elements is the overall commitment of the Board of Directors to act honestly, ethically, diligently and in accordance with the law in serving the interests of Iluka's shareholders, employees, customers and the communities in which Iluka operates.

ASX Corporate Governance Recommendations

Iluka considers that it meets each of the requirements of the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations as revised and released in August 2007.

The governance section of the Iluka website contains the company's key governance policy documents. These include the:

- Board Charter
- Directors' Code of Conduct
- Audit and Risk Committee Charter
- Remuneration and Nomination Committee Charter
- Employee Code of Conduct
- Securities Trading Policy
- Continuous Disclosure and Market Communications Policy
- Business Conduct Reporting and Control Policy (Whistleblower Policy)

During 2007 the Board reviewed and updated a number of these key documents. Iluka will continue to update the corporate governance section of its website as it makes further improvements to its corporate governance practices.

Role and Responsibilities of the Board of Directors

The Board operates in accordance with the broad principles set out in its Charter. The overall role of the Board involves four key areas of responsibility:

- appointing and removing the Managing Director, determining his or her remuneration, terms and conditions of employment and assessment of the performance of the Managing Director and through him or her, the executive management group;
- determining the strategic direction and financial objectives of the company and ensuring appropriate resources are available to management;
- monitoring the implementation and achievement of strategic and financial objectives; and
- reporting to shareholders and the investment community on the performance of the company.

The implementation of corporate strategy and day-to-day management of Iluka's affairs are delegated to management; however, the Board retains specific responsibility for:

- reviewing and approving systems of risk management, internal control and compliance, codes of conduct, continuous disclosure and legal compliance;
- reviewing and approving major capital expenditure, capital management, acquisitions and divestitures;
- reviewing and approving business plans and budgets, including the setting of company performance objectives;
- monitoring the company's operational and financial position and performance;
- approving the company's financial and accounting policies and financial statements;
- monitoring compliance with control and accountability systems, regulatory requirements and ethical standards;
- approving the financial and other reporting mechanisms for adequate, accurate and timely information being provided to the Board;
- approving processes, procedures and systems to ensure that financial results are appropriately and accurately reported on a timely basis;

- reviewing executive succession planning and development;
- approving the acquisition, establishment, disposal or cessation of any significant business of the company;
- approving the issue of any securities in the company;
- approving any public statements which reflect significant issues of company policy or strategy;
- approving any changes to the discretions delegated from the Board; and
- deciding on any matters which exceed the authority limits delegated to the Managing Director.

Board Composition

Directors are considered and nominated by the Remuneration and Nomination Committee based on the skills and experience they are able to bring to Board deliberations on current and emerging issues. In addition, the Board seeks to ensure that the size of the Board and the blend of skills within its membership is conducive to effective discussion and efficient decision-making. In recent years, the services of external search consultants have been used to assist with recruiting new Directors. Details of the members of the Board, their date of appointment, qualifications and experience are set out in the Directors' Report under the heading 'Directors'.

Iluka's Constitution requires Directors to retire from office no later than the third Annual General Meeting following their election. The Directors have adopted an internal guideline that the preferred length of service is ten years, unless otherwise requested by the Board to continue.

In December 2007, the Chairman, Mr Ian Mackenzie, announced his intention to retire as Chairman and as a Director, at the company's next Annual General Meeting to be held in May 2008. Associated with this decision, Dr Robert Every was appointed Deputy Chairman of the Board and is expected to assume the position of Chairman following the conclusion of the 2008 AGM.

Director Independence

The Board recognises the importance of independent judgement in the decision-making process. The Board's Charter expressly requires that the majority of the Board be comprised of independent Directors and that the Chairman be an independent Director. To qualify as independent, a Director must be non-executive and:

- must not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- within the last three years have not been employed in an executive capacity by the company or another group member, or been a Director of the company within three years after ceasing to hold any such employment;
- within the last three years have not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the company or other group member, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer;
- have no material contractual relationship with the company or another group member other than as a Director of the company;
- have not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company; and
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company.

Applying the above criteria, the Board considers that all non-executive Directors are independent.

The Board assesses the independence of new Directors upon appointment and reviews the independence of other Directors as appropriate.

Managing Director

The Managing Director, Iluka's most senior employee, recommends policy, strategic direction and business plans for the Board's approval and is responsible for managing the company's day-to-day activities.

The Managing Director is selected and appointed by the Board and is subject to an annual performance review by the non-executive Directors.

Conflicts of Interest

Each Director has an ongoing responsibility to:

- disclose to the Board actual or potential conflicts of interest that may, or might reasonably be thought to, exist between the interests of the Director and the interests of any other parties in carrying out the activities of the company; and
- if requested by the Board, within a reasonable period, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, in accordance with the Corporations Act 2001, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

Director Education

Directors undergo an induction process upon appointment during which they are given a detailed briefing on the company. This includes meetings with key executives, tours of operational sites and presentations. Thereafter, in order to assist Directors to maintain an appropriate level of knowledge of the company and its operations, Directors undertake site visits and are provided with regular updates and briefings on current and emerging issues.

Directors are encouraged to undertake continuing education relevant to the discharge of their duties. All reasonable costs of continuing Director education are met by the company.

Directors' Access to Independent Advice

Each Director may, with prior written approval of the Chairman, obtain independent professional advice to assist the Director in fulfilling their responsibilities. Any reasonable expenses incurred in obtaining that advice will be met by the company.

Board Meetings

The Board convenes on average for nine formal meetings per year including one meeting dedicated primarily to strategic planning. The agenda, frequency and length of meetings are determined by the Chairman in consultation with the Managing Director. The Chairman manages the conduct of meetings and strives to ensure open and constructive discussion between Board members and between the Board and management. Ad hoc Board and committee meetings may be convened to consider particular matters.

The Chairman sets aside time at the start of each scheduled Board meeting for non-executive Directors to meet with the Managing Director without other management present. In addition, the non-executive Directors meet at least four times each year independent of management to discuss the position of the company and the performance of management.

Company Secretary

Mr Cameron Wilson is Iluka's Company Secretary. This position of Company Secretary is responsible for:

- advising the Board on corporate governance principles;
- management of the company secretarial function;
- attending all Board and Board committee meetings and taking minutes; and
- communication with the Australian Securities Exchange (ASX).

Committees of the Board

To assist in the execution of its responsibilities and to allow detailed consideration of complex issues, the Board has established the following sub-committees:

- Remuneration and Nomination Committee; and
- Audit and Risk Committee.

Each committee is comprised wholly of independent, non-executive Directors. The structure and membership of these committees are reviewed periodically. Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. Both of these charters are reviewed by the respective committees on an annual basis. Unless expressly delegated by the Board to one of its committees, all matters determined by committees are submitted to the full Board as recommendations for Board decision. Both the Remuneration and Nomination Committee and the Audit and Risk Committee are discussed separately below.

Board and Committee Performance Evaluation

The Board carries out a process of self-assessment regarding its performance in meeting key responsibilities. This annual review process serves to identify any areas of weakness and mechanisms for improving the functioning and performance of the Board, its relationship with management and to focus on specific performance objectives for the year ahead. This annual review was last undertaken with the assistance of external consultants during September–December 2007.

Each of the Board's committees also conducts an annual self-assessment of their performance in meeting their key responsibilities. These reviews serve to identify strengths, weaknesses and areas for improvement. The assessment for both committees was last undertaken in September–December 2007.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of the following independent, non-executive Directors: Ms Valerie Davies (Chairman), Mr Ian Mackenzie, Mr John Pizzey and Mr Gavin Rezos. Details of Directors' attendance at Remuneration and Nomination Committee meetings and their qualifications and experience are set out on pages 4 and 5.

The Committee's responsibility is to provide assistance and recommendations to the Board in support of the company's objective of creating and delivering value for shareholders and in fulfilling its Corporate Governance responsibilities relating to the following:

- overall remuneration strategy of the company, its development, review and implementation;
- remuneration of executives and non-executive Directors;
- performance of the Managing Director and senior executives;
- succession planning for key roles; and
- assessment, composition and succession of the Board.

Comprehensive details of the processes and principles underlying the work of the Remuneration and Nomination Committee are discussed in the Remuneration Report appearing on pages 8 to 18 of this Report.

Audit and Risk Committee

The Audit and Risk Committee consists of the following independent, non-executive Directors: Mr Don Morley (Chairman), Mr Grahame Campbell, Dr Robert Every and Mr Ian Mackenzie. Mr Morley was a senior financial executive of WMC Limited until his retirement in October 2002 and brings a high level of financial expertise and experience to Iluka's Audit and Risk Committee. Full details of Mr Morley's qualifications and experience and those of the other Committee members appear on pages 4 and 5.

The Committee regularly reviews the appropriateness of its composition in light of the skills and experiences of its members, the responsibilities of the Committee and having regard to any changes in the regulatory environment in which the company operates. At all times the Audit and Risk Committee is required under its charter to ensure that all members are financially literate and have an appropriate understanding of the industries in which the company operates.

The overall purpose of the Audit and Risk Committee is to protect the interests of the company's shareholders and other stakeholders, on behalf of the Board, by overseeing processes in respect of:

- the integrity of financial reporting;
- the adequacy of the control environment;
- the process for the management of risk; and
- the internal and external audit functions.

The broad responsibilities of the Audit and Risk Committee include assisting the Board to fulfil its responsibilities by:

- considering the effectiveness of the accounting and internal control systems and management reporting, which are designed to safeguard company assets;
- serving as an independent and objective party to review financial information prior to release to shareholders;
- reviewing the accounting policies adopted within the group;
- reviewing the performance of the internal and external audit functions;
- evaluating the independence of the external auditor and ensuring that the provision of non-audit services by the external auditor does not adversely impact upon auditor independence;
- reviewing and approving internal audit plans including identified risk areas;
- gaining assurance as to the adequacy of the company's policies and processes for identifying, documenting and addressing risks;
- reviewing other key financial processes including tax, insurance, treasury operations and superannuation arrangements to ensure legal compliance and prudent management practices; and
- reviewing processes and internal controls in place to ensure compliance with laws and regulations.

In fulfilling its responsibilities, the Audit and Risk Committee:

- receives regular reports from management and the internal and external auditors;
- meets regularly with the internal auditors, including meetings independent of management;
- meets regularly with the external auditors, including meetings independent of management;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;

- provides the internal and external auditors with a clear line of direct communication at any time to either the Chairman of the Audit and Risk Committee or the Chairman of the Board; and
- has access to management as required and is able to seek third party expert advice if required.

Corporate Reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board with respect to the 2007 accounts:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and that the company's risk management and internal control is operating efficiently and effectively in all material respects.

Risk Assessment and Management

The Board, with assistance from the Audit and Risk Committee, is responsible for ensuring there are adequate processes and policies in place to identify, assess and mitigate risk. Iluka has implemented a formal Enterprise Risk Management program which establishes structured risk management processes, as well as ensuring that risk management concepts and awareness are embedded into the culture of the organisation. This program includes the involvement of senior executives, as well as the engagement of external risk management consultants as necessary. The key elements of Iluka's risk management program are:

- classification of risk into strategic, financial, operational, compliance, information and project risks;
- the quantification and ranking of risk event consequences as insignificant through to catastrophic;
- the processes to capture and document high-level risks;
- processes to capture and document lower level risks through formalised site-based risk workshops and risk registers;
- a comprehensive management representation program conducted twice annually which involves a detailed hierarchy of sign-offs on a wide range of risk issues;
- the assignment of clear accountabilities for identified risk issues to appropriate senior Iluka employees;
- comprehensive regular reporting to the Board and senior management on key areas of safety, environment, treasury and exchange, legal matters and major projects;
- targeted utilisation of both internal and external auditors to address specific areas of risk exposure and controls;
- a company code of conduct providing the overarching context for behaviours and the way in which Iluka interacts with its stakeholders;
- policies and procedures to address key internal controls;
- the development of a company-wide intranet-based risk management database for communicating and updating progress on risk matters;
- a fraud-control policy for the confidential reporting of issues of unacceptable or undesirable conduct with protection against reprisal afforded to the whistleblower; and
- a comprehensive insurance program.

Audit Functions

The company's current external auditing firm is PricewaterhouseCoopers (PwC). During 2007, the company complied with its internal guidelines which require the fees paid to external auditors for non-audit-related work to remain below 50 per cent of the audit-related fees without pre-approval by the Audit and Risk Committee. This guideline is intended to preserve the independence of the external audit function.

The external auditor will attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Iluka has an internal audit function in part resourced by internal management and in part by KPMG. The internal audit function assists the Board by undertaking an objective evaluation of the company's internal control framework. The Audit and Risk Committee is responsible for approving the program and scope of internal audit reviews to be conducted each financial year. An assessment of the quality and focus of the internal audit function is undertaken periodically as part of the review of Audit and Risk Committee effectiveness.

Ethical Standards and Conduct

The company has an Employee Code of Conduct which identifies the standard of ethical conduct expected of Iluka employees. In addition, the Board has specifically adopted a Code of Conduct for Directors which establishes guidelines for their conduct in carrying out their duties as Directors.

Iluka has also established a fraud-control policy to provide for the confidential reporting of issues of unacceptable or undesirable conduct (Business Conduct Reporting and Control Policy). The policy provides protection against reprisal to the whistleblower and enables confidential disclosures to be made by the whistleblower to the fraud-control officer or, where applicable, if the matter is highly sensitive and the employee believes it more appropriate, direct to the internal audit function.

Securities Trading Policy

If Directors, officers and employees of the company intend to buy or sell the company's securities (shares, options, warrants, etc.), they must do so in accordance with the company's Securities Trading Policy.

Under the Securities Trading Policy, Directors and employees are prohibited from trading in the company's securities if they are in possession of price-sensitive information which is not generally available to the market. In addition to this general prohibition, senior management and those employees involved in preparing the company's statutory financial information ("Restricted Employees") and Directors are prohibited from buying or selling securities in the company during the period from the end of the financial year or half financial year to the time of the release of the annual or half-year results.

Prior to trading in the company's securities, Directors must seek approval from the Chairman and Restricted Employees must seek approval from the General Counsel and Company Secretary. In addition, Directors and Restricted Employees must confirm to the Chairman or the General Counsel and Company Secretary (as the case may be) that they are not in possession of price-sensitive information that is not generally available to the market.

Shareholder Interface and Continuous Disclosure

The shareholders of the company elect Directors at an Annual General Meeting in accordance with the company's constitution. Shareholders have the opportunity to express their views, ask questions about company business and vote on items of business for resolution by shareholders at the meeting.

The General Counsel and Company Secretary is responsible for communication with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX. In accordance with the ASX Listing Rules, the company immediately notifies the ASX of information:

- concerning the company that a reasonable person would expect to have a material effect on the price of the company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the company's securities.

Upon confirmation of receipt from the ASX, the company places all information disclosed on the company's website.

The company respects the rights of its shareholders and to facilitate the effective exercise of those rights, the company is committed to:

- communicating effectively with shareholders through releases to the ASX, the company's website, information distributed direct to shareholders and the general meetings of the company;
- giving shareholders ready access to balanced and understandable information about the company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the company; and
- requesting the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Iluka keeps shareholders and the market informed through the Annual Report, quarterly production and exploration reports and by disclosing material developments to the ASX as they occur. The company also makes available a telephone number and email address for shareholders to make inquiries of the company.

From time to time, briefings and site visits are arranged for share analysts and institutional investors. In conducting such briefings, Iluka takes care to ensure that any price-sensitive information released is made available to all shareholders (institutional and private) and the broader investment market at the same time. Briefing materials are lodged with the ASX and then placed on the company's website.

Leadership Team

Iluka has a leadership team with extensive experience in the mineral sands and broader resources sector. Key technical capabilities in exploration, project development, operations and marketing is complemented by the corporate and head office functions, led by Managing Director David Robb.

Mark Adams, BSc (Mining Eng), MSc (Mineral Exploration), AusIMM
General Manager, Western Region

Mr Adams joined Iluka in 2006. He has had an extensive career in the resources sector, including the gold, nickel and mineral sands business. He spent six years with BHP as Mining Manager and then General Manager of the Cannington project. Mr Adams has also worked with Mount Isa Mines Ltd in senior mine development, technical and operational roles.

Peter Beilby, BSc (Mining Engineering)
General Manager, Murray Basin

Mr Beilby joined Iluka in 2001 and has over 25 years experience in the mining industry, including senior roles with the Wirralie Gold project in Queensland, Resident Manager of Normandy Mining for the Golden Crown mine, Project Manager for the Big Bell development and Resident Manager for the Silver Swan nickel mine.

Peter Benjamin, BSc (Hon), PostGrad Dip in Exploration and Business Admin
General Manager, Exploration and Geology

Mr Benjamin joined Iluka in 2001 as Group Manager Exploration. He was appointed to his current role in June 2006. Peter has extensive geological and exploration experience, holding roles with Australian Resources, Gold Mines of Australia and Mt Lyell Mining.

Matthew Blackwell, B Eng (Mech), Grad Dip (Tech Mgt), MBA
General Manager, Land Management

Mr Blackwell joined Iluka in 2004 as President, US Operations. Prior to joining Iluka, Matthew was Executive Vice President of TSX listed Asia Pacific Resources and based in Thailand. Mr Blackwell has a background in mining and processing with positions in project management, maintenance and production in the Australian mining industry.

Simon Green, BA(Hons), ACA
General Manager, Finance & Commercial (Acting Chief Financial Officer)

Mr Green joined Iluka in 2006 as General Manager Finance after a twenty year career in audit and assurance with PricewaterhouseCoopers in Australia and the UK, specialising in the Energy and Resources sector. Mr Green was appointed acting Chief Financial Officer in January 2008.

Victor Hugo, BSc, MSc, PhD
General Manager, Sales and Marketing

Dr Hugo originally joined Iluka in 1998. After leaving Iluka in 2001 and working with the minerals sands industry research and consulting company TZMI, he re-joined Iluka in 2003 as General Manager Sales and Marketing. Dr Hugo was appointed to his present position in February 2006. He has also held positions with Richards Bay Minerals and Cable Sands.

Philip Nillsen, B Com, CA
General Manager, Business Evaluation and Planning

Mr Nillsen joined Iluka in 1997. He has worked in various corporate, finance, project and operational roles in Australia and the US. He was appointed Group Manager, Commercial in 2003. In 2005, Mr Nillsen was appointed to the role of General Manager, Business Evaluations and Planning.

David McMahon, BCom
Chief Financial Officer (resigned January 2008)

Mr McMahon joined Iluka in January 2007 after 10 years with Wesfarmers Energy Limited. Prior to joining Wesfarmers, David held senior corporate development and finance roles with Parkhill Lithgow & Gibson, Standard Chartered Australia Limited and Normandy Mining Limited. Mr McMahon resigned in January 2008, to relocate to Canada.

Robert Porter, BA (Hons), MSc, PhD
General Manager, Investor Relations and Corporate Affairs

Dr Porter joined Iluka in December 2005. He has worked in the investor relations area for over a decade with roles at BHP Billiton, BHP, Foster's, Southcorp and Ampolex. Dr Porter has also held government relations roles at Westpac and BP.

Allan Sale
General Manager, USA

Mr Sale has over 40 years experience in the mineral sands industry covering a broad spectrum of the industry. He joined Iluka in 1982 after working at Richards Bay Minerals and Consolidated Rutile Limited. He has extensive experience in the development and management of large scale and complex mining and processing operations.

Hans Umlauff, B MEng (Hons), FIEAust
General Manager, South Australian Development & Project Management

Mr Umlauff joined Iluka in June 2006 as Executive General Manager, Capital Projects. He has an extensive career in various Australian and international engineering, operational, project management and capital management roles with BHP Steel, BHP, Normandy Mining and Newmont Australia.

Steve Wickham, Assoc. Dip in Mechanical Engineering
General Manager, Technical Services and Best Practice

Mr Wickham is a mechanical engineer with extensive experience in senior and executive roles in Australia and South Africa in the manufacturing and mining sectors. Prior to joining Iluka in 2007, he was Chief Executive Officer of Ticor South Africa and Managing Director of Australian Zircon.

Cameron Wilson, LLB
General Manager, Corporate Services and Company Secretary

Mr Wilson joined Iluka in late 2004 after seven years in a range of legal and commercial roles with WMC Resources Limited. He has specialised in mining, corporate and general commercial law for most of his professional career.

Ore Reserves And Mineral Resources

The statement of Mineral Resources and Ore Reserves presented in this Report has been produced in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves, December 2004 (the JORC Code).

The information in the 2007 Annual Report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC Code). Each of the Competent Persons for deposits located outside Australia are members of Recognised Overseas Professional Organisations (ROPOs) as listed by the ASX. Each of the Competent Persons have, at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. At the reporting date, each Competent Person listed in the 2007 Annual Report is a full-time employee of Iluka Resources Limited or Consolidated Rutile Limited. Each Competent Person consents to the inclusion in the 2007 Annual Report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resources and Ore Reserve figures reported represent estimates at 31 December 2007. All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resources information is inclusive of Ore Reserves (i.e. Ore Reserves are a sub-set of Mineral Resources and are not additive).

Iluka Ore Reserves Breakdown by Region and JORC Category at 31 December 2007

Summary of Ore Reserves(1)(2) for Iluka

Country	Region	Ore Reserve Category (3)	Ore Tonnes Millions $	In Situ HM Tonnes Millions $	HM Grade (%)	HM Assemblage(4) Ilmenite Grade (%)	HM Assemblage(4) Zircon Grade (%)	HM Assemblage(4) Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Probable	98.4	6.42	6.5	28	50	5	
Total	Eucla Basin		98.4	6.42	6.5	28	50	5	6.42
	WA - Mid-West	Proved	9.0	0.66	7.3	52	14	5	
	WA - Mid-West	Probable	97.0	7.05	7.3	53	14	6	
Total	WA - Mid-West		106.0	7.71	7.3	53	14	6	(3.12)
	WA - South-West	Proved	10.1	1.19	11.7	78	5	1	
	WA - South-West	Probable	59.8	5.57	9.3	76	9	1	
Total	WA - South-West(5)		69.9	6.75	9.7	76	8	1	(0.35)
	Murray Basin	Proved	20.4	3.82	18.8	49	11	13	
	Murray Basin	Probable	25.8	4.90	19.0	50	12	18	
Total	Murray Basin(6)		46.2	8.72	18.9	49	12	16	3.16
	CRL North Stradbroke Island	Proved	234.9	2.13	0.9	48	11	14	
	CRL North Stradbroke Island	Probable	125.7	1.00	0.8	47	11	14	
Total	CRL North Stradbroke Island(7)		360.6	3.14	0.9	47	11	14	(0.16)
USA	Virginia	Proved	20.1	1.82	9.1	72	16	-	
	Virginia	Probable	2.5	0.17	6.7	65	20	-	
Total	Virginia(8)		22.6	1.99	8.8	71	16	-	0.06
Total	Proved		294.5	9.62	3.3	57	11	9	
Total	Probable		409.3	25.11	6.1	51	22	7	
Total	Grand Total		703.8	34.73	4.9	53	19	8	6.01

Notes:

(1) Competent Persons - Ore Reserves
Eucla Basin: A Whatham (MAusIMM)
WA - Mid-West, WA - South-West and Murray Basin: C Lee (MAusIMM)
CRL North Stradbroke Island: I Reudavey (MAIG)
Virginia: C Stilson (SME)

(2) Ore Reserves are a sub-set of Mineral Resources.

(3) Rounding may generate differences in last decimal place.

(4) All mineralogy is reported as a percentage of *in situ* HM content.

(5) Rutile component in WA - South-West operations is sold as a Leucoxene product.

(6) Ilmenite currently has had no value ascribed in the reserve optimisation process for the Murray Basin.
Metallurgical testwork and marketing studies are presently underway; the outcomes of which may see a revision of the Ore Reserves.

(7) Ore Reserve estimates are adjusted to reflect Iluka ownership of 51.04% as at 31 December, 2007.

(8) Rutile is included in Ilmenite for the Virginia region.

Iluka Ore Reserves Mined and Adjusted by Region at 31 December 2007

Summary of Ore Reserves Depletion[1]

Country	Region	Ore Reserves	In Situ HM Tonnes Millions 2006	In Situ HM Tonnes Millions Mined 2007	In Situ HM Tonnes[2] Millions Adjusted 2007	In Situ HM Tonnes Millions 2007	In Situ HM Tonnes[3] Millions Net Change
Australia	Eucla Basin	Active Mines	-	-	-	-	-
	Eucla Basin	Non-Active Sites	-	-	6.42	6.42	6.42
Total	Eucla Basin		-	-	6.42	6.42	6.42
	WA - Mid-West	Active Mines	3.14	(1.19)	(0.22)	1.74	(1.41)
	WA - Mid-West	Non-Active Sites	7.69	-	(1.71)	5.97	(1.71)
Total	WA - Mid-West		10.83	(1.19)	(1.93)	7.71	(3.12)
	WA - South-West	Active Mines	1.84	(0.67)	0.02	1.19	(0.65)
	WA - South-West	Non-Active Sites	5.27	-	0.30	5.57	0.30
Total	WA - South-West		7.10	(0.67)	0.32	6.75	(0.35)
	Murray Basin	Active Mines	2.63	(0.66)	0.00	1.98	(0.65)
	Murray Basin	Non-Active Sites	2.93	-	3.81	6.74	3.81
Total	Murray Basin		5.56	(0.66)	3.81	8.72	3.16
	CRL North Stradbroke Island	Active Mines	3.29	(0.28)	0.13	3.14	(0.16)
	CRL North Stradbroke Island	Non-Active Sites	-	-	-	-	-
Total	CRL North Stradbroke Island[4]		3.29	(0.28)	0.13	3.14	(0.16)
USA	Virginia	Active Mines	1.04	(0.35)	0.18	0.87	(0.17)
	Virginia	Non-Active Sites	0.89	-	0.23	1.12	0.23
Total	Virginia		1.93	(0.35)	0.41	1.99	0.06
Total	Active Mines		11.94	(3.14)	0.11	8.91	(3.03)
Total	Non-Active Sites		16.78	-	9.05	25.82	9.05
Total	Ore Reserves		28.72	(3.14)	9.16	34.73	6.01

Notes:

(1) Rounding may generate differences in last decimal place.

(2) Adjusted figure includes write-downs and modifications in mine design.

(3) Net change includes depletion by mining and adjustments.

(4) Ore Reserve estimates are adjusted to reflect Iluka ownership of 51.04% as at 31 December, 2007.

Iluka Mineral Resource Breakdown by Region and JORC Category at 31 December 2007

Summary of Mineral Resources(1)(2) for Iluka

Country	Region	Mineral Resource Category(3)	Material Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	HM Assemblage(4) Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Measured	197.0	8.59	4.4	29	48	5	
	Eucla Basin	Indicated	21.9	0.46	2.1	19	51	4	
	Eucla Basin(5)	Inferred	48.4	1.14	2.4	13	58	5	
Total	Eucla Basin		267.3	10.19	3.8	27	49	5	0.13
	WA - Mid-West	Measured	447.1	24.39	5.5	52	11	7	
	WA - Mid-West	Indicated	257.9	12.90	5.0	48	11	6	
	WA - Mid-West	Inferred	191.9	8.43	4.4	50	9	6	
Total	WA - Mid-West		897.0	45.72	5.1	50	11	6	(1.49)
	WA - South-West	Measured	217.8	19.72	9.1	79	8	1	
	WA - South-West	Indicated	128.3	9.00	7.0	78	8	1	
	WA - South-West	Inferred	106.6	8.63	8.1	73	7	2	
Total	WA - South-West(6)		452.7	37.35	8.2	77	8	1	(4.36)
	Murray Basin	Measured	61.2	8.86	14.5	48	9	13	
	Murray Basin	Indicated	139.9	16.05	11.5	44	9	12	
	Murray Basin	Inferred	183.2	23.17	12.6	53	10	14	
Total	Murray Basin		384.4	48.08	12.5	49	10	13	4.30
	CRL North Stradbroke Island	Measured	569.4	5.00	0.9	47	11	14	
	CRL North Stradbroke Island	Indicated	43.0	0.45	1.0	45	11	14	
	CRL North Stradbroke Island	Inferred	3.2	0.03	1.0	44	11	13	
Total	CRL North Stradbroke Island(7)		615.7	5.49	0.9	47	11	14	(0.65)
USA	Virginia	Measured	43.0	3.06	7.1	69	16	-	
	Virginia	Indicated	0.4	0.02	4.2	60	16	-	
Total	Virginia(8)		43.4	3.08	7.1	69	16	-	(0.01)
Total	Measured		1,535.5	69.62	4.5	57	15	6	
Total	Indicated		591.5	38.88	6.6	53	10	7	
Total	Inferred		533.3	41.40	7.8	55	11	9	
Total	Grand Total		2,660.3	149.90	5.6	55	12	7	(2.07)

Notes:

(1) Competent Persons - Mineral Resources
Eucla Basin: I Warland (MAusIMM)
WA - Mid-West and WA South-West: I Shackleton (MAusIMM)
Murray Basin: D Sleigh (MAusIMM)
CRL North Stradbroke Island: I Reudavey (MAIG)
Virginia: A Romeo (SME)

(2) Mineral Resources are inclusive of Ore Reserves.

(3) Rounding may generate differences in last decimal place.

(4) All mineralogy is reported as a percentage of *in situ* HM content.

(5) Mineral Resource estimates include a 51% interest in the Colona JV (Tripitaka) by Iluka as at 31 December, 2007. This represents 69% Iluka ownership of HM tonnes for the Tripitaka Mineral Resource.

(6) Rutile component in WA - South-West operations is sold as a Leucoxene product.

(7) Mineral Resource estimates are adjusted to reflect Iluka ownership of 51.04% as at 31 December, 2007.

(8) Rutile is included in Ilmenite for the Virginia region.

Sustainable Development

Sustainability is a key component of shareholder value creation and delivery for Iluka, and a central component of the company's licence to operate.

An external audit of Iluka's Environment, Health and Safety systems was conducted at three operational sites in Queensland, Victoria and USA during 2007, with all other sites conducting self assessments. The average compliance score was 80.38 per cent.

Health and Safety

Health and safety remained a major focus for Iluka during 2007, as the company continued to improve performance. Iluka recorded a decrease in the overall number and severity of work place injuries during the year, with only medical treatment injuries increasing. The reporting of minor injuries will continue to be encouraged to ensure near miss incidents are properly assessed and managed.

Iluka's loss time injury frequency rate (LTIFR) in 2007 was 1.7, a reduction of 35 per cent from 2006. This equated to 9 Loss Time Injuries in 2007 compared to 17 in 2006, the majority being soft tissue injuries due to strains. This is significantly below the mining industry open cut metaliferrous LTIFR of 5.1. The effective management of soft tissue injuries led to a reduction in the LTIFR but a corresponding increase in the medical treatment injury frequency rate which was 8.3 at the end of 2007, an increase of 26 per cent compared with 6.6 in 2006. The all injury frequency rate (AIFR) improved with a 17 per cent reduction from 32.5 in 2006 to 27 in 2007. Iluka's AIFR target for 2008 is 25.

The improved safety performance was the result of greater employee awareness and accountability, the continued use of risk assessment tools and the application of the Incident Cause Analysis Method to learn from adverse events. Behavioural based safety programs were reviewed during the year and introduced at all operational sites. The Iluka Action Tracking System was further improved with new internet based forms resulting in easier access for employees.

During 2007, the company continued to pursue a range of health initiatives including:

- monitoring for health related exposures;
- site discussions on lifestyle issues relating to health;
- fatigue management in relation to long distance driving;
- audiometric testing;
- health and skin checks to assist in the early detection of skin cancer; and
- influenza vaccinations.

People

Iluka recognises that a strong relationship with its employees is critical to support the achievement of its business objectives. A full review of the company's attraction and retention programs were completed in 2007 to ensure employee alignment with the business plan.

Approximately 1600 people were employed at Iluka at the end of 2007 including operators, engineers, geologists and various other management and professional positions. In addition to this, contract mining and other activities account for an additional 1000 personnel.

Working with Communities

The quality and transparency of Iluka's consultation with key stakeholders has been a key underpinning for the continuation of Iluka's mining and processing operations, and in establishing its credentials in new areas of operation.

In this regard, the company has a longstanding commitment to community consultation as an integral part of project planning and approvals, ongoing operational activities, as well as mine closure and rehabilitation planning.

Iluka also maintains a targeted community support program to deliver both financial and in-kind benefits to the communities in which it operates. Major contributions during 2007 included: Landcare Australia, education grants for the Far West Coast Native Title Group in South Australia, Orchestra Victoria, and in Western Australia the Capel Town Hall redevelopment, Iluka Busselton Jetty Swim, Catchment Kids Program, Gingin Environment Centre and the Midwest Clontarf Football Academy.

The main issues that Iluka considers on an ongoing basis when working with communities include: impact on amenity, use of resources, such as water and energy, increased traffic, land use, and overall social and economic benefits to a region.

In Western Australia, community engagement at the Waroona mine site presented considerable challenges in 2007. Because of the close proximity of the operations to the township, a number of complaints were made by residents, mainly related to noise and dust. The company responded comprehensively to these concerns and implemented a range of noise mitigation activities. In addition, predictive noise modelling studies were undertaken to better understand the complex interplay between noise generated from its operations and that of ambient noise.

As one example of the company's engagement with communities, in South Australia an agreement was reached with the Far West Coast native title claimant group for mining activities on the Jacinth-Ambrosia and Tripitaka zircon deposits in the Eucla Basin. The agreement will provide direct economic compensation as well as educational, training and employment opportunities for the local indigenous population.

Environment

Iluka is committed to operating in a responsible manner to reduce the impact of its mining and processing operations on the environment, maintain environmental biodiversity, and facilitate successful rehabilitation of areas previously mined.

All environmental incidents recorded on site are classified according to the severity of their impact[1]. During 2007, there was a 44 per cent reduction in Level 2 and Level 3 incidents, and a 23 per cent increase in reported Level 1 incidents as a result of better systems, training and increased employee awareness.

One level 3 environmental incident occurred in 2007. The incident occurred at the Eneabba mine site and involved the accidental clearing of 11.3 hectares of the South Eneabba Nature Reserve, including 5.7 hectares of native vegetation. Iluka worked with the relevant West Australian regulatory authorities and effectively implemented measures to prevent a similar event occurring in the future.

1 Level 1 – 5 rating system; Level 5 referring to the most serious environmental impact. There were no Level 4 or 5 incidents in 2007.

The main environmental issues identified at Iluka's operations continued to include: water usage, greenhouse gas emissions, energy usage, dust control, noise emissions, rehabilitation and biodiversity.

Water Management

Water management continues to be a key priority at Iluka's operations. Iluka's overall water usage increased by 16 per cent in 2007. The increase in water consumption was associated with increased dredging operations at CRL, commencement of mining operations in the Murray Basin and previous under reporting in 2006 in respect of the Mid West mining operations.

Greenhouse Gas Emissions and Energy Management

The company recognises the importance attached to the level of greenhouse gas emissions as a potential contributor to climate change, and the increased governmental and societal focus on various potential schemes to reduce carbon dioxide equivalent (CO_2e) emissions.

In 2007, Iluka established a Greenhouse Strategy Working Group to ensure a better understanding of the evolving legislative environment for greenhouse gas emissions and to formulate, in this context, appropriate management initiatives in relation to Iluka's greenhouse gas footprint. A focus of this work includes the use of coal in the synthetic rutile kiln process, fuels in its operations, in addition to indirect energy production through electricity consumption.

Iluka's CO_2e emissions decreased by 6.6 per cent to 1,648 kilo tonnes in 2007, mainly due to decreased synthetic rutile production levels and improved energy use.

The amount of energy used at Iluka's operations increased by 9 per cent between 2006 and 2007. Iluka's South West and Mid West operations consumed 48 per cent and 38 per cent respectively of the company's total (including CRL) energy consumption, predominantly for the production of synthetic rutile where coal represents 54.7 per cent of the total energy consumption.

Iluka is registered under the Australian Energy Efficiency Opportunity Act and will audit energy consumption throughout 2008.

Air Emissions

Reviews of all air emission data (oxides of sulphur, carbon dioxide, oxides of nitrogen, particulates and water) is regularly conducted by internal personnel and external independent experts. Iluka's sites operate within relevant approved levels and national standards and do not pose a threat to the community or the environment. Oxides of Nitrogen are detailed for the first time in this report.

The overall level of particulates generated by Iluka increased by 66 per cent due to the poor condition of the North Capel dedusting stack and a four month shutdown at Narngulu. CRL contributed 55 per cent of Iluka's total particulates which was due to increased production and wind erosion during unusually dry conditions.

Dust Control

Dust control at mine sites continued to be a focus for the company. Earth moving activities have the potential to generate dust, as do stockpiles of topsoil, overburden and waste. To minimise airborne dust, Iluka continued its practice of stabilising those areas using a combination of water, clay fines sourced from the mineral concentration process and hydro mulching with a mixture of annual grasses to aid the establishment of vegetative cover. Priority is placed on stripping vulnerable areas during wetter and less windy months.

Noise Emissions

Iluka actively seeks to minimise the impact of noise on surrounding neighbours from its mining and processing activities. Noise management programs are developed for all new sites to help reduce noise where applicable and includes activities such as: baseline noise surveys conducted prior to commencing operations, predictive noise modelling to simulate known noise sources including environmental noise, restricting operating hours during high risk periods and the creation of noise bund walls and berms. Noise management plans are a key component of each site's licence to operate.

Planning

For each new project, Iluka develops a detailed environmental management plan to address any significant environmental risks and to minimise land disturbance. These studies are undertaken in accordance with the environmental approvals process as required by the relevant State Government authority.

During 2007, a range of environmental studies were undertaken which included:

- ground and surface water monitoring and vegetation surveys for new projects;
- pre-mining studies at Tutunup in Western Australia, including a vegetation survey, groundwater and surface water monitoring;
- vegetation, fauna and soil studies for the Jacinth and Ambrosia deposits in the Eucla Basin of South Australia; and
- various environmental studies for Murray Basin Stage 2 in Victoria.

Rehabilitation

Iluka undertakes a number of measures to minimise land disturbance during mining and to re-establish disturbed areas as sustainable ecosystems and community assets, upon the completion of mining. In 2007, the amount of land disturbed decreased by 11 per cent compared with 2006 as fewer new mining areas were opened while the amount of rehabilitated land increased by 42 per cent.

Biodiversity

Critical to protecting biodiversity is an understanding of the flora and fauna present within and around any potential disturbance areas. When significant species or ecosystems are identified during pre-mining, environmental assessments, specific research and management plans are implemented.

Supplementary EHS Statistical Data 2002 - 2007

Table 1: Iluka Safety Performance
Injuries and Frequency Rates 2002 - 2007

	2002	2003	2004	2005	2006	2007
Fatality	0	0	0	0	0	0
LTI	28	21	7	11	17	9
LTIFR	6.3	4.7	1.4	1.9	2.6	1.7
MTI	70	32	42	34	43	44
MTIFR	16	6.7	8.5	5.7	6.6	8.3
First Aid	NA	246	210	191	152	91
FAIFR	60.1	72.9	48.4	27.6	24.7	17.1
AIFR	NA	64.5	52.3	39.7	32.5	27
Minor	NA	309	315	435	572	563

2008 AIFR target: 25

Table 2: Site Safety Performance - Injuries 2007

	Fatality	LTI	MTI	FA	MINOR
South West	0	4	8	21	129
Mid West	0	4	23	49	143
Murray Basin	0	1	2	5	77
CRL	0	0	5	5	105
Florida	0	0	0	0	1
Georgia	0	0	0	1	2
Virginia	0	0	4	5	67
Other **	0	0	2	5	39
Total	0	9	44	91	563

Table 3: Site Drug Tests 2006 and 2007

	2006		2007	
	# Tests	% Detect	# Tests	% Detect
South West	0	0.0	201	1.5
Mid West	558	3.2	199	0.5
Murray Basin	81	7.4	385	0.3
CRL	265	2.3	188	1.1
Florida	2	0.0	24	0
Georgia	0	0.0	0	0
Virginia	30	0.0	68	5.9
Other **	49	4.1	143	1.4
Total	985	3.3	1208	1.1

Table 4: Iluka Environment Incidents 2002 - 2007

	2002	2003	2004	2005	2006	2007
Level 1	2,459	2,317	927	1,085	846	1,055
Level 2	137	97	157	58	16	8
Level 3	37	10	2	3	1	1
Level 4	1	0	0	0	0	0
Level 5	0	0	0	0	0	0
TOTAL	2,634	2,424	1,086	1,146	863	1,064

Table 5: Site Safety Performance - Frequency Rates 2002 - 2007

	2002		2003		2004			2005			2006				2007			
	LTIFR	MTIFR	LTIFR	MTIFR	LTIFR	MTIFR	AIFR	LTIFR	MTIFR	AIFR	LTIFR	MTIFR	FAIFR	AIFR	LTIFR	MTIFR	FAIFR	AIFR
South West	6	12.7	7.3	6.4	0	8.5	56.7	2.4	5.6	43.7	2.9	4.4	16.7	24	3.3	6.7	17.5	27.5
Mid West	6	13	3.5	8.5	2	14.1	72.3	3	9.8	65.3	4.3	13.5	43.3	61.1	2.5	13.5	30.2	46.2
Murray Basin	8.7	20.8	10	11.7	4.6	3.1	65.9	4.3	4.3	19.9	0	5.2	31.9	37.1	2.3	4.6	11.4	18.3
CRL	NA	NA	NA	NA	0	0	19.3	0	4.3	50.5	5.4	6.7	13.5	25.6	0	7.9	7.9	15.8
Florida	NA	NA	NA	NA	0	0	76.4	0	4.1	40.8	0	0	5	5	0	0	0	0
Georgia	6.6	13.2	0	3.1	2.4	11.9	28.6	0	4.6	16	0	0	6.7	6.7	0	0	17.1	17.1
Virginia	5.6	30.8	3.9	5.8	0	6.6	23	2.6	0	15.7	1.8	1.8	5.3	8.9	0	7.3	9.1	16.4
Other **	2.2	6.5	0	NA	NA	NA	NA	NA	14.5	46.2	0	0	11	11	0	3	7.5	10.5
Total	6.3	16	4.7	6.7	1.4	8.5	52.3	1.9	5.7	39.7	2.6	6.6	24.7	32.5	1.7	8.3	17.1	27

Table Key

AIFR = All Injury Frequency Rate (include LTI, MTI and FAI)
FAI = First Aid Injury
FAIFR = First Aid Injury Frequency Rate
LTI = Lost Time Injury
LTIFR = Lost Time Injury Frequency Rate
MTI = Medical Treatment Injury
MTIFR = Medical Treatment Injury Frequency Rate
NA = Not Available

** Other: Geology, Exploration, WA Projects, Eucla Basin project, Murray Basin Stage 2 project, Corporate

Table 6: Site Environment Incidents for 2007

Environmental Performance	Level 1	Level 2	Level 3	Level 4	Level 5
South West	142	1	0	0	0
Mid West	567	5	1	0	0
Murray Basin	240	1	0	0	0
CRL	38	1	0	0	0
Florida	1	0	0	0	0
Georgia	0	0	0	0	0
Virginia	55	0	0	0	0
Other **	12	0	0	0	0
Total	1,055	8	1	0	0

Table 7: Site Particulates (tonnes - t) 2002 - 2007

	2002	2003	2004	2005	2006	2007
South West	154	184	163	138	78	191
Mid West	276	249	348	274	235	333
Murray Basin	NA	NA	0	0	0	187
CRL	4	330	292	486	642	897
Florida	93	58	63	63	17	5
Georgia	NA	NA	NA	0	0	0
Virginia	0	0	4	3	7	8
Other **	NA	NA	NA	NA	NA	NA
Total	527	821	870	964	979	1,621

Table 8: Site Oxides of Sulphur (tonnes - t) 2002 - 2007

	2002	2003	2004	2005	2006	2007
South West	4,571	3,407	5,982	7,446	7,405	7,200
Mid West	327	287	454	535	275	151
Murray Basin	NA	NA	0	5	0	0
CRL	4	8	3	5	3	0
Florida	28	34	32	30	9	8
Georgia	NA	NA	NA	19	0	0
Virginia	NM	3	5	15	27	26
Other **	NA	NA	NA	NA	NA	NA
Total	4,930	3,739	6,476	8,055	7,719	7,385

Table Key

NA = Not Available
NM = Not Measured

**Other: Geology, Exploration, WA Projects, Eucla Basin Project, Murray Basin Stage 2 Project, Corporate

Table 9: Site Oxides of Nitrogen (tonnes - t) 2002 - 2007

	2002	2003	2004	2005	2006	2007
South West	NM	NM	NM	NM	NM	147
Mid West	NM	NM	NM	NM	NM	0
Murray Basin	NM	NM	NM	NM	NM	24
CRL	NM	NM	NM	NM	NM	443
Florida	NM	NM	NM	NM	NM	3
Georgia	NM	NM	NM	NM	NM	0
Virginia	NM	NM	NM	NM	NM	202
Other **	NA	NA	NA	NA	NA	NA
Total	0	0	0	0	0	819

Table 10: Site Water Use (mega litres - ML) 2002 - 2007

	2002	2003	2004	2005	2006	2007
South West	5,289	5,274	4,513	5,152	5,781	4,880
Mid West	14,919	17,469	14,137	15,359	14,320	17,558
Murray Basin	NA	NA	2	1,553	1,122	2,392
CRL	25,687	25,329	54,000	26,196	23,711	27,272
Florida	1,502	1,500	1,707	1,524	1,150	779
Georgia	NA	NA	324	433	141	6
Virginia	1,119	347	1,005	3,275	1,196	2,092
Other **	NM	NM	NM	NM	11	1
Total	48,516	49,919	75,688	53,492	47,432	54,980

Table 11: Site Water Discharge (mega litres - ML) 2002 - 2007

	2002	2003	2004	2005	2006	2007
South West	3,375	4,886	4,252	6,961	3,981	6,509
Mid West	0	0	0	0	0	36
Murray Basin	NA	NA	NA	0	6	26
CRL	0	0	0	0	0	1,422
Florida	819	1,432	962	931	152	1,415
Georgia	NA	NA	93	170	10	0
Virginia	0	14	3	0	262	159
Other **	NA	NA	NA	NA	6	0
Total	4,194	6,332	5,310	8,062	4,417	9,567

Table 12: Site Water Recycled (mega litres - ML) 2002 - 2007

	2002	2003	2004	2005	2006	2007
South West	NM	NM	NM	NM	NM	0
Mid West	NM	NM	NM	NM	NM	0
Murray Basin	NM	NM	NM	NM	NM	1
CRL	NM	NM	NM	NM	NM	25,865
Florida	NM	NM	NM	NM	NM	155
Georgia	NM	NM	NM	NM	NM	0
Virginia	NM	NM	NM	NM	NM	1,546
Other **	NM	NM	NM	NM	NM	0
Total	NM	NM	NM	NM	NM	27,567

Table 13: Site Energy Use (Terajoules - TJ) 2002 - 2007

	2002	2003	2004	2005	2006	2007
South West	5,862	5,897	6,447	6,663	6,441	7,725
Mid West	5,416	5,323	5,440	6,019	6,206	6,047
Murray Basin	NA	NA	NA	112	249	591
CRL	571	518	519	579	793	884
Florida	530	424	356	378	140	132
Georgia	NA	NA	213	313	220	4
Virginia	243	335	470	501	521	515
Other **	NM	NM	NM	NM	4	11
Total	12,622	12,497	13,445	14,565	14,574	15,909

Table 14: Site Energy Resources Used (%) 2002 - 2007

	2002	2003	2004	2005	2006	2007
Coal	58.7	60.5	59.7	59.7	61.1	54.8
Electricity	15.6	15.5	16.1	19.2	15.8	14.9
Natural Gas	10.3	10.6	10.2	9.8	7.4	10.3
LPG	1.1	0.1	0.1	0.1	0.0	0.0
Diesel	11.2	11.6	12.6	9.4	15.0	19.6
Petrol	0.1	0.1	0.1	0.1	0.0	0.1
Fuel, Oil & Greases	3.0	1.6	1.2	1.7	0.7	0.3
Total	100	100	100	100	100	100

Table 15: Site Greenhouse Gases (kt CO_2e) 2002 - 2007

	2002	2003	2004	2005	2006	2007
South West	578	596	646	665	651	584
Mid West	615	614	627	691	713	649
Murray Basin	NA	NA	NA	17	46	98
CRL	121	179	158	192	240	209
Florida	59	147	85	217	19	17
Georgia	NA	NA	50	188	26	14
Virginia	24	71	69	71	70	76
Other **	NA	NA	NA	NA	NA	1
Total	1,397	1,607	1,635	2,041	1,765	1,648

Table 16: Site Land Use - Disturbed, Rehabilitated, Open (hectares - Ha) 2002 - 2007

	2002		2003		2004			2005			2006			2007		
	Disturbed	Rehab	Disturbed	Rehab	Disturbed	Rehab	Open	Disturbed	Rehab	Open	Disturbed	Rehab	Open	Disturbed	Rehab	Open
South West	120	183	130	104	285	200	1,785	135	133	1,864	172	134	1,902	269	264	1,907
Mid West	193	73	210	119	129	127	1,440	101	268	1,763	164	146	1,781	131	54	1,858
Murray Basin	NA	NA	NA	NA	104	NA	104	306	0	375	73	0	448	50	58	440
CRL	140	124	98	68	167	66	498	127	76	542	140	79	607	101	36	672
Florida	212	368	193	53	152	17	699	36	149	1,450	0	447	1,003	0	292	711
Georgia	NA	NA	NA	NA	231	14	208	285	158	826	0	137	689	0	646	43
Virginia	74	31	90	41	121	55	419	134	67	371	113	71	413	83	77	419
Other **	NA	NA	NA	NA	NA	NA	NA	NA	NA	1	75	2	74	49	59	64
Total	739	779	721	385	1,189	479	5,153	1,124	851	7,192	737	1,016	6,917	683	1,486	6,114

**Other: Geology, Exploration, WA Projects, Eucla Basin Project, Murray Basin Stage 2 Project, Corporate

Table 17: Site Waste Management Practices 2007

	Chemical & Lab Waste	Hydrocarbon Contam	Tyres	Paper & Cardboard	Scrap Metal	Grease & Oil	Batteries
South West	-	-	C	RU/RE	RU/RE	RU	RU/RE
Mid West	L/T	L	L/RU	L/RE	RE/C	RE/T	RU/RE
Murray Basin	L/T	-	RE	RE	RE	C	RE
CRL	L/T	L/T	-	RU/RE	RE/C	RE/C	RE/C
Florida	L/T	-	RE/C	L/C	RE/C	-	RE/C
Georgia	-	-	L/RU	L/RU	RU/RE	-	-
Virginia	C	C/T	RE/C	L/RE	RE/C	C/T/RE	RE/C
Other **	-	-	L/RE	RE/C	RE/C	-	-

Table Key

L	=	Disposal to Land Fill	T	=	Treatment off-site
RU	=	Re-Use	C	=	Collected by licensed contractor for a range of uses
RE	=	Recycling	-	=	not applicable

Table 18: Site Waste Management (tonnes - t) 2007

	Chemical & Lab Waste	Hydrocarbon Contam	Tyres	Paper & Cardboard	Scrap Metal	Grease & Oil	Batteries
South West	0	0	NA	NA	545	NA	3
Mid West	5	87	NA	5	364	384	NA
Murray Basin	3	3	17	6	18	27	2
CRL	1	55	0	27	537	1	3
Florida	1	0	6	60	600	0	NA
Georgia	0	0	8	24	200	0	0
Virginia	1	3	1	21	9	88	NA
Other **	0	0	2	NA	NA	0	0

**Other: Geology, Exploration, WA Projects, Eucla Basin Project, Murray Basin Stage 2 Project, Corporate

Figure 1: Iluka Environment, Health & Safety Management System Compliance

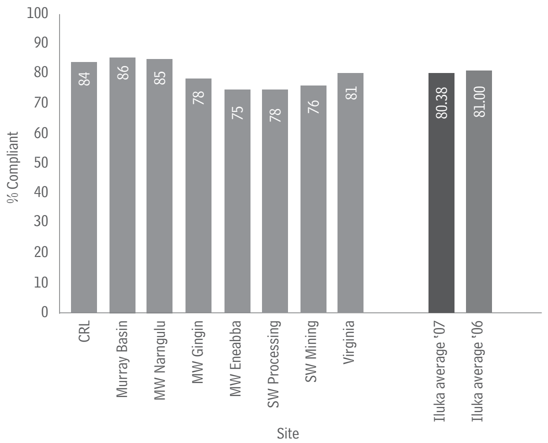
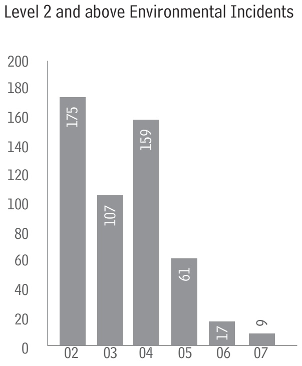


Figure 2: Iluka Level 2 and above Environmental Incidents



Corporate Information

Company Contact Details

Iluka Resources Limited
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PERTH WA 6000

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Facsimile: +61 8 9360 4777
Website: www.iluka.com

This site contains information on Iluka's products, marketing, operations, ASX releases, financial and quarterly reports. It also contains links to other sites, including the share registry.

Share Registry Inquiries

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the company's share registry:

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Postal Address:
GPO Box D182
PERTH WA 6840

Telephone: +61 8 9323 2000 or 1300 557 010
Facsimile: +61 8 9323 2033
Website: www.computershare.com

Each inquiry should refer to the shareholder number which is shown on issuer-sponsored holding statements and dividend statements.

Stock Exchange Listing

Iluka's shares are listed on the Australian Securities Exchange Limited. The company is listed as "Iluka" with an ASX code of ILU.

Change of Address

Shareholders who have changed their address should give written advice of the change, quoting the relevant shareholder number, to the company's share registry.

Uncertificated Shareholders

The share register was converted on 27 April, 1998. Information regarding the company's issuer-sponsored holdings is available from the company's share registry.

Shareholder Review and Full Annual Report Mailing List

All shareholders are entitled to receive an Annual Shareholder Review and an Annual Report. Shareholders wishing to receive one or both of these documents should write to the share registry and quote their shareholder number. For new shareholders an election form is available to receive a copy of the Annual Shareholder Review and Annual Report.

Copies of the reports are available on Iluka's website www.iluka.com.

Payment of Dividends

The Board of Directors announced its intention not to pay a final dividend for 2007.

Tax File Numbers (TFN)

The company is obliged to deduct tax from dividend payments, other than those which are fully franked, to shareholders registered in Australia who have not quoted their TFN to the company. Forms for notifying TFNs are sent to all new shareholders of the company. For shareholders who have not already quoted a TFN, they may do so by contacting the company's share registry.

2008 Calendar

21 February	Announcement of full year results
19 May	Closure of acceptances of proxies for AGM
21 May	Annual General Meeting – Parmelia Hilton, Perth, Western Australia
21 August	Announcement of half year results
31 December	Financial year end

All dates are indicative and subject to change. Shareholders are advised to check with the company to confirm timings.

ILUKA

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