PROGRESS

TOWARDS CREATING AND DELIVERING SHAREHOLDER VALUE

ANNUAL REPORT

ILUKA | 2008

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Explanation of Structure of Annual Report Documents

The 2008 Annual Report provides shareholders with detailed information in relation to the financial statements, Directors' Report (including remuneration report), ore reserves and mineral resources and sustainable development. The Annual Shareholder Review provides a summary of Iluka's 2008 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 54th Annual General Meeting of Shareholders of Iluka Resources Limited will be held at the Argyle Ballroom at the Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia on Thursday 28 May 2009, commencing at 9.30am (WST).

A separate Notice of Meeting and Proxy Form have been sent to registered shareholders. The Notice of Meeting is available on Iluka's website.

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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 2008.

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:

Robert Lindsay Every (Chairman effective 21 May 2008)

Donald Marshall Morley

George John Pizzey

Gavin John Rezos

David Alexander Robb

Ms Jenny Seabrook was appointed as director on 21 May 2008 and continues in office at the date of this report.

Mr Ian Colin Robert Mackenzie, Mr Grahame David Campbell and Ms Valerie Anne Davies were directors until their resignation on 21 May 2008.

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 and zircon, and sales of these products throughout the world.

SIGNIFICANT CHANGES

During the year the following significant changes occurred:

(a) $339.0 million in new equity funds raised through a 4 for 7 right issue.

(b) Executed a $500.0 million debt facility agreement on 12 March 2008.

(c) Committed to two new major projects in 2008: Jacinth Ambrosia and Murray Basin stage 2.

(d) Divested 50% interest in the Narama Coal joint venture on 15 January 2008 with effect from 1 January 2008.

There were no other 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 2008 of $77.5 million, inclusive of $30.0 million attributable to the sale of Iluka's interest in the Narama coal joint venture, compared with $51.1 million for the previous corresponding period.

NPAT is inclusive of significant items of $15.8 million relating to impairment reversals net of asset write offs and the recognition of previously unrecognised tax losses to be utilised in future years offset by the tax expense. The result also includes a net cash and non-cash charge of $13.1 million relating to Western Australian operating costs that were directly expensed whilst production was suspended due to the interruption to gas supplies that occurred during the year, net insurance proceeds of $2.5 million pre-tax have been received to date.

Total Group EBIT, inclusive of Mineral Sands was $81.3 million (2007: $123.7 million), with Mining Area C making an EBIT contribution of $56.4 million (2007: $19.5 million), reflecting higher capacity payments, increased sales volumes and higher iron ore prices.

Mineral Sands EBITDA of $222.3 million was 3.6 per cent lower than the previous corresponding period (2007: $230.6 million). Mineral Sands EBIT before significant items of $61.0 million (2007: $86.1 million) was 29.1 per cent lower than the prior corresponding period due to the lower EBITDA result and higher depreciation charges.

Sales revenue (including currency hedging) increased by 10.1 per cent to $988.5 million (2007: $897.9 million). Total mineral sands sales volumes were relatively stable, however, the sale of higher value zircon from inventory and higher overall US dollar product prices more than offset a $63.6 million currency hedging variance.

The average A$/US$ spot exchange rate for 2008 was 85.35 cents (ranging from 98.05 cents to 60.38 cents) compared with 83.90 cents for the year ended 31 December 2007 (ranging from 92.67 cents to 77.23 cents). The significant fluctuations in exchange rates throughout 2007 and 2008, however, resulted in a positive NPAT benefit of $11.9 million in 2008 compared with the previous corresponding period. This benefit was offset by a negative NPAT impact of $21.7 million for hedge contracts in 2008 compared to a net benefit of $21.1 million in the previous corresponding period associated primarily with the close out of the Iluka hedge book in 2006.

Total cash costs of production of $656.0 million were similar to those in 2007 of $650.3 million, notwithstanding the significant cost pressures in the resources sector throughout most of 2007 and 2008.

Unit cash costs of production increased by 6.5 per cent to $325.70 per tonne due to lower production volumes, after adjusting for $12.6 million of cash costs incurred when there was no production in Western Australia due to the gas supply situation. Cost of goods sold includes an adverse inventory movement of $79.6 million reflecting a drawdown in stocks in 2008. Depreciation and amortisation costs were $161.3 million, up $16.8 million on the previous corresponding period reflecting the shorter life higher strip ratio mines being mined in Western Australia during the period.

The sale of Iluka's interest in the Narama Coal joint venture was completed on 15 January 2008, effective from 1 January 2008. The net profit after tax on the sale of Narama of $30.0 million is reported as a discontinued operation. Narama's contribution to NPAT in the previous corresponding period when it was an operating business was $10.9 million.

Earnings per share ("eps") for 2008 were 22.5 cents (2007: 21.6 cents). The shares on issue at 31 December were 380.7 million compared with 242.2 million at 31 December 2007, the higher level reflecting the 4 for 7 pro-rata entitlement issue in 2008.

Cash Flow

Cash flow from operating activities of $233.0 million was $137.5 million higher than the previous corresponding period. Net cash from operations of $223.0 million was $59.8 million higher than the previous corresponding period with slightly lower EBITDA in 2008 being offset by a reduction in working capital due to the drawdown in inventory. Net cash flows from interest, tax, exploration, Mining Area C and coal compensation were $65.8 million higher than the previous corresponding period due to higher Mining Area C royalty receipts and the recovery of tax instalments that were required to be made in 2007.

Capital expenditure payments of $198.4 million were $80.2 million higher than in 2007. Overall capital expenditure payments for the new projects of Murray Basin Stage 2, Jacinth-Ambrosia and Brink were $123.0 million. Net proceeds from the pro-rata entitlement offer, undertaken in the first half, were $339.9 million.

Dividend

Given current Group capital requirements to develop Jacinth-Ambrosia and Murray Basin Stage 2, available franking credits and uncertainty associated with global economic conditions, Directors have decided not to pay a 2008 final dividend.

Gearing & Interest Cover

Gearing (net debt/net debt + equity) was 17.4 per cent at 31 December 2008, compared with 44.3 per cent at 31 December 2007 and 14.9 per cent at 30 June 2008. Net debt at 31 December 2008 of $215.7 million was $382.4 million lower than at 31 December 2007. Net interest expense for 2008 of $19.0 million was net of $4.0 million of interest capitalised in respect of debt drawn to fund new projects. Iluka's interest coverage ratio (EBITDA/net interest expense) for the year was 12.7 times (2007: 6.4 times)

Section II - Income Statement Analysis

The composition of the company's 2008 year results is summarised in Table 1 below, followed by a narrative of each line item.

Table 1: Group Profit and Loss Summary - $million

	2008	2007	Variance%
Sales Revenue	988.5	897.9	10.0
Add/(less): Currency hedging	29.6	(34.0)	N/A
Sales Revenue (pre hedging)	1,018.1	863.9	17.8
Other Income	3.9	10.6	(63.2)
Cash Costs of Production	(656.0)	(650.3)	1.0
Inventory Movement	(79.6)	58.3	N/A
Marketing, Exploration, Project and Technical Costs	(64.1)	(51.9)	(23.5)
Mineral Sands EBITDA	222.3	230.6	(3.6)
Depreciation and Amortisation	(161.3)	(144.5)	(11.6)
Mineral Sands EBIT (before significant items)	61.0	86.1	(29.1)
Currency hedging	(29.6)	34.0	N/A
Mining Area C	56.4	19.5	189.2
Other Earnings	13.7	3.6	280.6
Corporate and other	(25.7)	(19.5)	(31.8)
Significant items	5.5	-	N/A
Total EBIT	81.3	123.7	(34.3)
Net Interest Costs	(23.0)	(41.8)	45.0
Interest Capitalisation	4.0	-	N/A
Other Financing Costs	(16.7)	(16.9)	1.1
Profit Before Tax	45.6	65.0	(29.8)
Tax Expense	(0.9)	(15.5)	94.1
Tax Benefit - significant items	10.3	-	N/A
Profit from discontinued operation (Narama Coal)	30.0	10.9	175.2
Minority Interests	(7.5)	(9.3)	19.3
Net Profit After Tax	77.5	51.1	51.7

Sales Revenue

Sales revenue excluding currency hedging gains increased by $154.2 million (17.8 per cent) compared with the previous corresponding period. Higher volumes of zircon and high value titanium dioxide products were sold with an overall average price increase of 3.2 per cent resulting from higher prices for titanium dioxide products offsetting small reductions, on a full year basis, in prices for zircon after price increases were achieved in the second half. The benefit of higher product pricing was offset partially by the appreciation of the Australian dollar from an average of 83.90 US cents in 2007 to 85.35 US cents in 2008.

Other Income

The other income of $3.9 million (2007: $10.6 million) includes insurance claim proceeds received to date of $2.5 million in respect of the Western Australian gas outage that occurred in the year. In 2007, other income comprised mainly profit on land disposals in Western Australia.

Production and Cash Cost of Production

Total mineral sands production decreased over the same period by 8.7 per cent, with higher Murray Basin production being offset by lower production in Western Australia due to planned maintenance, the gas outage and lower grade and assemblage characteristics that were expected of the ore bodies being mined, leading to a 6.5 per cent increase in the unit cash cost of production for the group.

Cash costs of production were higher in the Murray Basin, due to a full year of production in 2008. Costs were lower in Western Australia, despite additional cost imposts associated with the gas supply disruption and cost pressures in the resources sector throughout much of the year. Cash costs include $12.6 million in Western Australia incurred when operations were temporarily shut down due to the gas outage in June which were expensed and have been excluded from the unit cash cost calculation so as to more appropriately reflect underlying cost performance.

Inventory Movement

The large decrease in inventory mainly reflects the drawdown in stocks in Western Australia and Murray Basin. In Western Australia, inventory reduced by $45.5 million following planned maintenance of the synthetic rutile kilns in the first quarter, production restrictions associated with the disruption to gas supply for the operations in June/July and the drawdown of zircon stockpiles to meet strong demand in the second half of the year. In the Murray Basin, the reduction was $35.5 million due to the sale of zircon stockpiles built up in 2007 and the depletion of the HMC stockpile remaining from mining activity at Douglas in 2006 that preceded the commissioning of the Hamilton mineral separation plant.

Marketing, Exploration, Project and Technical Costs

These expenses of $64.1 million (2007: $51.9 million) comprise sales and marketing expenses, including Government royalties of $26.3 million (2007: $18.0 million), exploration expenses, technical support costs and related expenses. The total includes $17.0 million (2007: $10.2 million) associated with greenfields exploration, which increased in 2008 to assess non-mineral sands opportunities and previously unexplored areas of Iluka's significant tenement holdings in the Eucla and Murray Basins, and project expenses not associated with existing operations.

Depreciation and Amortisation

The increase in mineral sands depreciation and amortisation charges to $161.3 million (2007: $144.5 million) is attributable to higher charges in Western Australia due to mining operations over the last year being on shorter life deposits, including Cloverdale and Waroona in the South West of Western Australia. These mining operations commenced in the third quarter of 2007, with mining at Cloverdale ceasing in 2008 and mining at Waroona scheduled to cease in the fourth quarter of 2009.

Currency Hedging

The $29.6 million loss from currency hedging, which is included in sales revenue, compares to a gain of $34.0 million in 2007, of which $26.2 million was associated with the accounting profit from the close out of the previous Iluka currency hedging arrangements in 2006. The currency hedging loss in 2008 results from the lower spot exchange rates prevailing for contracts delivered compared to the rates at which the hedges were taken out.

Mining Area C

The EBIT contribution in 2008 of $56.4 million (2007: $19.5 million) reflects higher one-off capacity payments and an increase in the royalties resulting from higher US dollar denominated iron ore prices and increased sales tonnages. Capacity payments of $1.0 million are payable to Iluka for each incremental million tonnes of MAC production in the year ending 30 June and any payments due to Iluka are recognised at 30 June each year. Production at MAC increased following the completion of BHP Billiton's Rapid Growth Project 3 and resulted in capacity payments of $6.0 million for the period, compared with $2.0 million for the previous corresponding period. Associated with an expansion in the production capacity at MAC, sales of iron ore, on which Iluka is entitled to a 1.25% FOB royalty, increased by 13.6 million dry metric tonnes ("MDMT") to 36.8 MDMT.

Other Earnings

The majority of Other Earnings are foreign exchange gains of $13.6 million that arose on the revaluation of debtors due mainly to a reduction in the level of US dollar denominated debt used as an offset to US dollar receivables following the equity raising. Gains of $10.6 million arose in Iluka and US dollar debt increased to offset the level of debtors. Gains of $3.0 million arose in CRL which has no US dollar debt to offset its receivables. There were no significant components of Other Earnings in 2008. Other Earnings in 2007 comprised mainly the final New South Wales coal compensation receipts of $2.0 million.

Corporate and Other

Corporate and other costs increased by $7.3 million to $25.7 million compared with the previous corresponding period ($18.4 million) due mainly to an increase in expenditure for commercial and business development activities within the group, as well as higher charges associated with Iluka's predominantly equity based incentive and key employee retention arrangements. The previous corresponding period also included debtor revaluation losses of $1.1 million.

Significant Items

At each balance date, the carrying value of non-current assets is reviewed to ensure no assets are stated in excess of their recoverable amount. Where carrying values are assessed to be less than corresponding recoverable amounts, an 'impairment charge' may be required to be taken.

As part of this process, assets which have had previous impairment charges are also reassessed and, where the recoverable value of the assets has increased as a result of changes to the assumptions and factors, the impairment charge is reversed to a maximum of the original charge less the depreciation and amortisation that would otherwise have been incurred if no impairment had been recognised.

Impairment testing for the group's non-current assets involves consideration of a range of significant assumptions including those relating to quantities of mineral reserves and ore resources, operational parameters, future short and long-term product prices, future spot exchange rates for the Australian dollar compared to the US dollar and future cash costs of production, sustaining capital expenditure and rehabilitation. The impact of foreign currency hedges on future cash flows is excluded from the impairment assessment as the underlying derivative contracts are carried at their fair value on the balance sheet. A summary of the changes in Iluka's non-current assets associated with the year-end review of carrying values is provided in the following table.

Summary of Changes in Year End carrying values of Non Current Assets

$ million	South West	Mid West	Murray Basin	Total
Before Adjustments	231.9	252.8	596.1	1,080.8
Reversal of 2006 impairment charge	45.6	-	-	45.6
Reversal of 2005 impairment on processing assets	-	9.5	-	9.5
Write-off of fair value of ore bodies unlikely to be mined	-	(21.7)	(16.0)	(37.7)
Write-off of study costs and other	-	(8.9)	(3.0)	(11.9)
After Adjustments	277.5	231.7	577.1	1,086.3

South West

Impairment testing at 31 December 2006 generated a pre-tax write-down against the non-current assets of the South West operations (which at the time were $285.4 million) of $60.0 million. The charge arose following a review of a range of business and economic assumptions and exclusion from mine development plans of significant ore deposits which had been included in previous plans.

At 31 December 2008 a combination of increased product prices, lower exchange rates and further changes to mine plans resulted in the present value of the future cash flows of the operation being significantly higher than the carrying value of the non-current assets. An impairment reversal of $45.6 million (before tax) has been recognised, representing the full value of the previous impairment less depreciation and amortisation that would otherwise have been charged.

After the impairment reversal the non-current assets of the South West operations at 31 December 2008 are $277.5 million.

Mid West

Impairment testing at 31 December 2005 generated a pre-tax write down against the non-current assets of the Mid West operations (which at the time were $401.1 million) of $96.1 million. The charge arose following a review of a range of business and economic assumptions and the exclusion of any cash inflows in relation to the commercial treatment of iron oxide tailings.

At 31 December 2008 the Mid West assets were reviewed in the context of a revised group operating strategy associated with the development of the Jacinth-Ambrosia deposit in South Australia and the processing of concentrate material from the deposit through the Narngulu Mineral Separation Plant, together with the decision to idle one of the two synthetic rutile kilns for an indefinite period from mid 2009.

The Narngulu processing facilities will now be used for an extended life and accordingly the impairment charge recorded on that asset has been reversed, net of the depreciation that would otherwise have been charged, resulting in an impairment reversal of $9.5 million (before tax) for the year.

The revised mine plan for Eneabba arising from the decision to prioritise Jacinth-Ambrosia material through the Narngulu Mineral Separation Plant, resulted in two ore bodies with fair value balances from previous acquisitions in 1998 being considered unlikely to be mined. A charge of $30.6 million (before tax) has been recorded in respect of these ore bodies and study costs for other developments that are no longer considered to be of value.

The non-current assets of the Mid West operations at 31 December 2008 (after the carrying value adjustments) were $231.7 million.

Murray Basin

The revised mine plan for the region resulted in ore bodies with fair value associated with the acquisition of Basin Minerals Limited in 2002 being considered unlikely to be mined, resulting in an impairment charge of $16.0 million (before tax). In addition, study costs for developments that will not proceed of $3.0 million (before tax) have also been written off.

The non-current assets of the Murray Basin operations at 31 December 2008 after the carrying value adjustments were $577.1 million.

Net Interest Costs

Interest costs (net of interest income) decreased to $23.0 million (2007: $41.8 million) due to the reduction in net debt following the receipt of proceeds from the pro-rata entitlement offer in March and April. Net debt at 31 December 2008 of $215.7 million was $382.4 million lower than the 2007 year-end balance of $598.1 million.

Interest Capitalisation

Interest capitalisation of $4.0 million was associated with capital expenditure for the development of the Murray Basin Stage 2 and Jacinth-Ambrosia projects. Interest is capitalised until the assets are ready for use and then depreciated over the life of the asset.

Other Financing Costs

These are primarily the unwind of the discount associated with the restoration and closure cost provisions.

Tax Expense

An income tax expense of $0.9 million, compares to a 2007 tax expense of $15.5 million. The low effective tax rate is influenced by the tax expense on earnings in the United States being at 20 per cent, the recognition of United States tax losses that were not previously recognised due to the expected level of taxable income in the United States and other permanent adjustments which are similar in quantum to the previous corresponding period. The income tax expense relating to the profit on sale of Narama Coal forms part of the profit from discontinued operations.

Tax Benefit on Significant Items

A deferred tax expense of $1.6 million has been recognised in respect of the net impairment credit of $5.5 million arising from the matters set out above.

In addition, certain US deferred tax benefits for tax losses associated with the closure of the Florida/Georgia operation were not recognised previously due to uncertainty as to their eventual use. Following the decision to develop the Brink deposit in the year and given the forecasts of future taxable income in the US, all of the unrecognised tax losses remaining at 31 December 2008 have been recognised as a deferred tax asset of $11.9 million with an associated benefit included in tax expense.

Recognition of these losses as an asset at 31 December 2008 was in addition to the recognition of $2.8 million of such losses against taxable income for the year.

Discontinued Operation - Narama Coal

The after tax contribution of $30.0 million (2007: $10.9 million) reflects the profit on sale of Iluka's interest in the joint venture effective 1 January 2008 was inclusive of the recognition of $9.6 million of previously unrecognised capital losses.

Minority Interests

Lower profits attributable to minority interests of $7.5 million (2007: $9.3 million) related to a lower NPAT for Consolidated Rutile Ltd (Iluka 51.04 per cent interest).

DIRECTORS' PROFILES

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

Dr Every was appointed to the Board in March 2004. He is the Chairman of Wesfarmers Limited and a Director of 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 Remuneration and Nomination Committee.

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

Mr Robb 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.

Donald Marshall Morley, BSc, MBA, FAusIMM
Chairman of the Audit and Risk Committee

Mr Morley 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 a member of the Audit and Risk Committee.

George John Pizzey, BE (Chem), FellDip (Management), FTSE, FAICD, FAIM
Chairman of the Remuneration and Nomination Committee

Mr Pizzey 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 former Chairman of ION Limited (in administration), Range River Gold and the London Metal Exchange UK and a Director of WMC Resources Ltd. Mr Pizzey is a member of the Remuneration and Nomination Committee.

Gavin John Rezos, BA, LLB, B.JURIS, MAICD

Mr Rezos 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 Office 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 Audit and Risk Committee and the Remuneration and Nomination Committee.

Jenny A. Seabrook, BCom, ACA, FAICD

Ms Seabrook is a Special Advisor to Gresham Partners' Limited and Deputy Chairperson of Electricity Networks Corporation (trading as Western Power) where she is the Chairperson of the Finance and Risk Committee. She is also a non-executive director of the Bank of Western Australia Limited, M G Kailis Holdings Pty Limited and IRESS Market Technology Ltd. Ms Seabrook is a member of the Takeovers Panel, Corporate Finance Advisory Group of the Financial Services Institute of Australia ("FINSIA") and ASIC's External Advisory Panel. She was formerly an executive director of Gresham Partners Limited and Gresham Advisory Partners Limited and a non executive director of West Australian Newspapers Holdings Limited, BWA Managed Investments Limited and St Andrew's Superannuation Services Ltd. Ms Seabrook is a member of the Audit and Risk Committee.

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 2008, 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	6	6	2	2	2	2
D A Robb	12	12	-	-	-	-
G D Campbell	6	6	2	2	-	-
V A Davies	6	6	-	-	2	2
R L Every	12	12	2	2	3	3
D M Morley	12	12	7	7	-	-
G J Pizzey	12	12	-	-	3	4
G J Rezos	11	12	5	5	4	4
J A Seabrook	7	7	5	5	-	-

DIRECTORS' SHAREHOLDING

Directors' shareholding is set out in note 31.

REMUNERATION REPORT

The remuneration report is set out on pages 9 to 20.

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 2008 year were within 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 21.

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	
	2008 **$**	2007 $
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**771,969**	851,363
Related practices of PricewaterhouseCoopers Australian firm	**72,569**	60,400
Total remuneration for audit services	**844,538**	911,763
Other assurance services		
Due diligence services in connection with the equity raising	**445,000**	-
Total remuneration for other assurance services	**445,000**	-
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	**86,800**	21,000
Related practices of PricewaterhouseCoopers Australian firm	**12,000**	33,360
Total remuneration for taxation services	**98,800**	54,360
(c) Other services		
PricewaterhouseCoopers Australian firm:		
Other services	**56,980**	-
Total remuneration for other services	**56,980**	-

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.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.The Energy Efficiency Opportunities Act 2006 requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. As required under this Act, the Group registered with the Department of Resources, Energy and Tourism as a participant entity before the deadline of 31 March 2007 and submitted its first assessment plan and reporting schedule before 31 December 2007. The Group completed its initial assessments during the financial year ended 30 June 2008 and will publicly report on these assessments by 31 December 2008.

The National Greenhouse and Energy Reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act runs from 1 July 2008 until 30 June 2009. The Group has implemented systems and processes for the collection and calculation of the data required to enable it to prepare and submit its initial report to the Greenhouse and Energy Data Officer ('GEDO') by 31 October 2009. The Group registered with the GEDO before the deadline of 31 August 2008

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

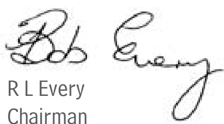
Supreme Court proceedings were commenced by Bemax against various Iluka entities in December 2007. The action concerns the enforceability of an in-principle agreement concerning Iluka's Tutunup tenements and includes a claim for damages against Iluka. On 13 January 2009 a Deed of Discharge and Release was executed by Bemax and Iluka under which terms have been agreed to settle the proceedings, subject to various conditions precedent relating to Foreign Investment Review Board approval and ministerial approvals to the transfer of various tenements and land. The parties have agreed to use their best endeavours to satisfy the conditions precedent by 1 June 2009.

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.



R L Every
Chairman

Perth
31 March 2009

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 until her resignation in May 2008. Mr Pizzey replaced Ms Davies as Committee Chairman following her resignation.

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;
- remuneration of non-executive Directors;
- performance and remuneration of the Managing Director and key executives;
- selection and appointment of, and succession planning for, non-executive Directors;
- selection and appointment of, and succession planning for, the Managing Director; and
- succession planning for key roles.

The Committee will also make decisions on behalf of the Board where such authority has been expressly delegated by 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 2008 year, external advisers provided input on several matters relating to remuneration. These advisers were:

- Ernst and Young, who provided advice in relation to Iluka's management and employee share plans;
- Hay Group, who provided advice on staff and executive remuneration; and
- Egan Associates, who provided advice in respect to the Managing Director and non-executive Directors' remuneration and other related issues.

In November and December 2008, 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.

In accordance with increased transparency, Iluka is disclosing its current return on equity target range as part of the long term incentive scheme.

The remuneration of an executive or manager is, therefore, linked to both annual business and individual 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.

Directors and key executives are prohibited from trading in financial products issued or created over the company's securities by third parties, or trading in associated products and entering into transactions which operate to limit the economic risk of their security holdings in the company. This prohibition extends to Directors and key executives taking out margin loans on their holdings of Iluka securities.

During the period 1 January 2004 to 31 December 2008, inclusive of a shareholder's participation in the 2008 4 for 7 renounceable share rights entitlement at $2.55 per share, a share purchased at the prevailing market price of $4.53 on 1 January 2004 has since generated $1.30 in shareholder returns over the five year period, excluding dividends (a 21.8 per cent return taking into account the shareholder's participation in the 2008 share rights entitlement). With dividend payments of $0.88, the aggregate total shareholder return was 36.5 per cent over the five year period.

Over the corresponding five year period, average executive total fixed remuneration (based on three roles existing throughout that period) increased by 58 per cent. In comparison, executive total fixed remuneration for top 5 executives over the corresponding five year period increased by 36 per cent.

For the 2008 year, the share price has increased from $4.60 at 1 January 2008 (before the share rights entitlement) to $4.64 at 31 December 2008 (following the share rights entitlement in April 2008). For a shareholder who participated in the 4 for 7 renounceable share rights entitlement at $2.55 per share, the increase in the value of a shareholder's investment is 20.4 per cent over the 12 month period.

2008 REMUNERATION CONTEXT

Iluka's remuneration principles must be applied in the context of prevailing industry, sector, geographic and project circumstances. In 2008, competition for management talent in the resources sector and for major projects was intense for most of the year, with resultant risks of losing key staff at a critical time for the company. The company responded to these risks in a considered way with salary adjustments, where required, and via the introduction of a retention plan for key staff. These actions contributed to the achievement of company objectives for the year, led by a motivated and stable senior management team.

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 2008.

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 of the business.

TOTAL FIXED REMUNERATION (TFR)

Iluka 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 individual competence levels of executives. Allowance is also made for the 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 of which 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 or a fund of choice 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). These distinct plans balance the short and long term aspects of business performance, reflect market practice and support business needs.

The incentive plans 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 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 2009, it is anticipated that approximately 94 employees (including all executives) will participate in the LTIP, and approximately 164 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 a maximum of 90 per cent of TFR.

THE SHORT-TERM INCENTIVE PLAN (STIP)

The STIP aims to incentivise 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 outcomes. 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 and 2009 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 typically set at 30 per cent, however the Board (on the recommendation of the Managing Director) has discretion at any time to vary the growth weighting for any individual within a range from 20 per cent to 40 per cent in line with the process of objective setting and performance assessment.

The process for the development and assessment of individual objectives is a rigorous one. Objectives are linked to major business opportunities and risks as typically identified in Iluka's Corporate Plan and to the priorities for the year in question. Specific, measurable, deliverables and the timeframe for achievement are defined for each objective. The deliverables and the timeframes are set at a level of performance that is assessed to be achievable at a stretch. Objectives are set and performance assessed by the Managing Director for all key executives, followed by review and approval by the Remuneration and Nomination Committee. Departmental outcomes are also benchmarked across the organisation to ensure consistent performance standards. The process is designed to ensure a close alignment between the STIP and the company's objective of creating and delivering value for shareholders.

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.

Consistent with this approach, STIP payments to the Managing Director and key executives were significantly higher in 2008 than in 2007, reflecting achievements during the year – including a successful recapitalisation of the company, targeted progress on two major projects, improved financial performance and a strong relative share price performance.

Half of the STIP award is paid in cash and half must be taken on a deferred basis in the form of ordinary restricted shares in Iluka Resources Limited. Fifty per cent of the restricted shares do not vest until one year after the end of the performance period, while the remaining fifty per cent does not vest until two years after the end of the performance period. This mandatory deferral results in a significant portion of the annual incentive becoming "medium term" in nature. An employee must remain with the company and continue to perform satisfactorily for the shares to vest. The employee has a significant trailing exposure to the value of the company's shares.

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 representing a tangible retention factor.

THE LONG-TERM INCENTIVE PLAN (LTIP)

The LTIP provides a grant of equity in the form of share rights for ordinary shares in Iluka Resources Limited 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 tranche:

The ROE tranche of the LTIP grant vests based on a prospective three year average 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:

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

Current ROE targets are 10 per cent for Threshold and 14 per cent for Target. These targets may be compared with a 10 year history for Iluka (to 2008) in which the average ROE was 6.3, or with a 10 year average for the ASX 200 (less property trusts) of 13.9.

Targets are reviewed annually and set for a forward three year period. It can be expected that, as sustainable performance improves, targets will be increased - within the bounds of feasible achievement - creating a "staircase" effect over time. Similarly, because performance is measured over the three years as an average, a failure to achieve targeted levels of performance in any one year increases the hurdle in the remaining years.

ROE performance assessment is also subject to maintenance of an acceptable level of gearing.

Total Shareholder Return 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 and details of the maximum allocation for the Managing Director and key executives are shown on page 19. 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.

No vesting of the LTIP has occurred in 2008.

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.

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 received the remaining half of the award as rights to fully paid ordinary shares in Iluka Resources Limited in annual instalments of 25 per cent over four years. Further, a four year holding period applies to each grant of shares. Tranche one of the 2005 PIP vested in January 2007 with tranche two vesting January 2008. Tranche three of the 2005 PIP vested in January 2009 with the final tranche vesting in January 2010.

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 received the remaining half as rights to fully paid ordinary shares in Iluka Resources Limited over three years in one third instalments which commenced in January 2007. The four year holding period on vested share rights applicable for the 2005 PIP was replaced by a 50 per cent minimum holding requirement once all shares have vested in the 2006 plan. Tranche one of the 2006 PIP vested in January 2007 with tranche two vesting January 2008. The final tranche of the 2006 PIP vested in January 2009.

Vesting conditions for both the 2005 PIP and 2006 PIP are time based and require the participant to be employed at the vesting date. Total share rights awarded under the both plans which had not vested at the time of the Accelerated Renounceable Entitlement Offer were adjusted to address the dilution resulting from the market issue of new shares.

Upon cessation of employment, any entitlement to unvested share rights or shares that are subject to mandatory sale restrictions are forfeited.

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.

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. 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 approval prior to any award or remuneration review being implemented.

EMPLOYEE SHARE PLAN

The Board believes that strong employee alignment with shareholder outcomes is a vital element of high performing companies which create and deliver value for shareholders. Put simply, the company wants all employees to identify with shareholder returns. Accordingly, 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 and 2008, offers were made to eligible employees (permanent employees with a minimum of twelve months service) in Australia and the United States to receive ordinary shares in Iluka Resources Limited 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 is applied during the restriction period). As US employees do not have access to a tax exemption plan, they were offered 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.

In 2007, 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 offer at a cost of $609,000.

In 2008, of the 708 Australian employees eligible to participate, 614 (87 per cent) accepted the offer. In the US, all 103 eligible employees (100 per cent) employees participated in the offer. Overall, a total of 717 of 811 (88 per cent) eligible employees participated in the offer at a cost of $716,680.

Consistent with usual industry practice, shares acquired under the Employee Share 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.

ILUKA RETENTION PLAN

During 2007 and 2008, the resources sector experienced very high levels of competition for talent, with resulting skill shortages and upward pressures on remuneration. These pressures were particularly prevalent at the executive level and for highly skilled professionals critical to business operation.

The Board recognises that continuity of management and retention of key talent is critical to achieving the successful delivery of major projects and other strategies in order to enhance shareholder returns. In that context, the Board regularly reviews the market competitiveness of executive remuneration and its ability to retain key executives to achieve long term business objectives.

Consequently, in March 2008, the Board approved the introduction of a Retention Plan limited to certain individuals identified as critical to business outcomes over the medium term.

The Retention Plan offers participants a grant of share rights to ordinary shares in Iluka Resources Limited which vest in full at the conclusion of a three year retention period, subject to continued satisfactory individual performance and approval by the Board, at its discretion. The grant of share rights rather than a cash payment provides a strong alignment of the interests of participants with those of shareholders.

Where a participant voluntarily ceases employment during the retention period, all share rights awarded under the Retention Plan are forfeited.

Retention Plan share rights awarded to executives and Key Management Personnel are included as rights granted in the table on page 15.

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 2008, including superannuation, was $916,447.

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 2008:

- Non-executive Director Fees
  Board Chairman
  (inclusive of Committee fees) $275,000 per annum
  Board Member $100,000 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 up to the statutory maximum is paid into each Director's nominated eligible fund and is in addition to the above fees. Based on the above fee structure and the Board's decision to reduce the number of non-executive Directors, the current total non-executive Director remuneration is $782,500 per annum, excluding superannuation, or $841,920 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 21 of the Report. 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 a rolling basis with no specified fixed terms. The Managing Director and relevant executives are on total fixed remuneration (TFR) arrangements, inclusive of superannuation.

DAVID ROBB - MANAGING DIRECTOR

Total Fixed Remuneration	$1,500,000 for the year ended 31 December 2008. $1,500,000 from 1 January 2009.
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 Individual objectives and related deliverables are set each year by the Board at what is assessed to be a stretch level of performance. These objectives typically vary from year to year and in 2008 related to the recapitalisation of the company, major project development and certain industry related and other initiatives.
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 previously, 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), due to vest on 1 July 2008. The number of share rights were increased by 8,911 to address the dilutionary impact of the accelerated renounceable entitlement offer and 80,762 shares vested to Mr Robb on 1 July 2008.
Retention Arrangements	At the 2008 AGM, shareholders approved the following retention arrangements for Mr Robb.
Retention Offer	1,000,000 Share Rights offered in three equal tranches over a 3 year retention period.
Performance Period	
- Tranche 1 333,333 Share Rights	the 12 month period commencing from the date which is 5 Business days after the announcement of the full year results for the year (19 February 2009) ending 31 December 2007
- Tranche 2 333,333 Share Rights	the 12 month period commencing from the date which is 5 Business days after the announcement of the full year results for the year ending 31 December 2008
- Tranche 3 333,334 Share Rights	the 12 month period commencing from the date which is 5 Business days after the announcement of the full year results for the year ending 31 December 2009
Vesting Conditions	A tranche of Retention Incentive Share Rights will vest on the Vesting Date if the TSR of the company calculated over the Performance Period for that tranche is 15% (Annual Hurdle); or 30% TSR for the First and Second or Second and Third performance periods; or 45% TSR measured over the First, Second and Third performance periods.
Vesting Date	Subject to the performance criteria of each tranche being satisfied, each tranche will vest the day after the last day of the Tranche 3 performance period.
Forfeiture	All entitlements under the retention plan are forfeited if Mr Robb resigns prior to the end of the three year retention period.
Termination Arrangements	At the 2007 AGM, shareholders approved the following termination payments which may become payable to Mr Robb under the terms of the Executive Employment Agreement entered into between Mr Robb and the company on 18 October 2006.
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
P Beilby	General Manager Murray Basin	3 months	3 months	9 months
P Benjamin	General Manager Exploration & Technical Services	3 months	3 months	12 months
C Cobb	Managing Director CRL	3 months	3 months	12 months
V Hugo	General Manager Sales & Marketing	3 months	3 months	12 months
A Tate	Chief Financial Officer	3 months	3 months	9 months
H Umlauff	General Manager SA Development & Project Management	3 months	3 months	12 months
S Wickham	General Manager Western Region	3 months	3 months	9 months
C Wilson	General Manager Corporate Services & Company Secretary	3 months	3 months	12 months

Termination payments (other than for gross misconduct) are calculated on current total fixed remuneration at date of termination.

SHARE RIGHTS AND SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Number Of Shares					Number Of Share Rights				
Name	Balance held at 1/1/08	Received on vesting of share rights during the year	Awarded as Restricted Shares	Other changes during the year**	Balance held at 31/12/08***	Balance held at 1/1/08	Granted during 2008*	Vested as shares during 2008	Lapsed during 2008**	Balance held at 31/12/08
Non-Executive Directors										
G Campbell	85,740	-	-	(85,740)	-	-	-	-	-	-
V Davies	36,102	-	-	(36,102)	-	-	-	-	-	-
R Every	18,250	-	-	10,429	28,679	-	-	-	-	-
I Mackenzie	43,810	-	-	(43,810)	-	-	-	-	-	-
D Morley	26,012	-	-	14,864	40,876	-	-	-	-	-
G Pizzey	10,405	-	-	5,946	16,351	-	-	-	-	-
G Rezos	40,474	-	-	23,128	63,602	-	-	-	-	-
J Seabrook	-	-	-	17,612	17,612	-	-	-	-	-
Executive Director										
D Robb	72,835	80,762	67,003	185,198	405,798	124,821	1,189,619	(80,762)	-	1,233,678
Executives										
M Adams	2,284	2,243	-	(4,527)	-	22,554	167,994	(2,243)	(188,305)	-
P Beilby	27,369	6,102	21,386	31,346	86,203	28,910	133,570	(6,102)	-	156,378
P Benjamin	17,050	4,786	21,182	24,524	67,542	27,769	165,542	(4,786)	-	188,525
V Hugo	22,842	7,816	18,391	28,028	77,077	35,733	106,811	(7,816)	-	134,728
D McMahon	-	-	-	-	-	-	-	-	-	-
A Tate	-	-	-	-	-	-	140,828	-	-	140,828
H Umlauff	2,469	2,424	29,805	19,827	54,525	30,514	137,291	(2,424)	-	165,381
S Wickham	-	-	10,452	5,973	16,425	12,039	72,978	-	-	85,017
C Wilson	4,876	8,263	22,102	8,500	43,741	36,255	168,391	(8,263)	-	196,383

* Granted during 2008 includes the full grant of the Share Rights offered under the 2008 LTIP, Iluka Retention Plan and share right adjustment for previous grants relating to the dilution impact of the Accelerated Renounceable Entitlement Offer.

** Negative amounts reflect the result of leaving the Company during the year.

*** Balance includes restricted shares awarded during the year of which half vested 1 January 2009 and half will vest 1 January 2010.

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.

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.

Key Management Personnel – Directors

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

(i) Non executive Directors

G C Campbell
V A Davies
R L Every (Chairman)
I C Mackenzie (Chairman)
D M Morley
G J Pizzey
G J Rezos
J A Seabrook

(ii) Managing Director and Chief Executive Officer

D Robb

All above persons were Directors of Iluka Resources Limited for all of the financial year, as well as for the financial year ended 31 December 2007, except G C Campbell, V A Davies and I C Mackenzie who retired on 21 May 2008, and J A Seabrook who was appointed as a Director on 1 May 2008.

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 2008:

M Adams[1]	General Manager Western Region
P Beilby	General Manager Murray Basin
P Benjamin	General Manager Exploration & Technical Services
S Green[2]	Acting Chief Financial Officer
V Hugo	General Manager Sales and Marketing
D McMahon[3]	Chief Financial Officer
A Tate	Chief Financial Officer
H Umlauff	General Manager SA Development & Project Management
S Wickham	General Manager Western Region
C Wilson	General Manager Corporate Services & Company Secretary

1 M Adams ceased employment 26 September 2008.
2 S Green Acting Chief Financial officer from 18 January 2008 to 12 May 2008.
3 D McMahon 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 2007, except:

- S Green, classed as an Executive between 18 January 2008 and 12 May 2008.
- A Tate, appointed as Executive 13 May 2008.
- S Wickham, appointed as an Executive 1 September 2008.

The following persons were also Executives during the year ended 31 December 2007:

- D Calhoun, ceased employment as Executive General Manager People & Communities on 30 November 2007.
- D Grant, ceased employment as Chief Financial Officer on 16 February 2007.
- D McMahon, appointed as an Executive 29 January 2007.

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 in 2007.

Amounts in the 'STIP cash' column are dependent on the satisfaction of performance conditions as set out in the section headed "Short Term 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 measured in accordance with *AASB 2 Share Based Payments*. All other elements of remuneration are not directly related to performance.

2008

	Short-term employee benefits						
Name	Cash Salary & fees[1] $	STIP Cash $	Non-Monetary Benefits $	Other $	Superannuation $	Share Based Payments[2] $	Total $
Non-executive Directors							
G Campbell[3]	43,892	n/a	n/a	n/a	3,950	n/a	47,842
V Davies[3]	46,818	n/a	n/a	n/a	4,500	n/a	51,318
R Every	209,588	n/a	n/a	n/a	15,195	n/a	224,782
I Mackenzie[3]	98,267	n/a	n/a	n/a	5,471	n/a	103,738
D Morley	132,500	n/a	n/a	n/a	11,925	n/a	144,425
G Pizzey	117,670	n/a	n/a	n/a	10,590	n/a	128,260
G Rezos	120,739	n/a	n/a	n/a	10,866	n/a	131,605
J Seabrook[4]	77,500	n/a	n/a	n/a	6,975	n/a	84,475
Executive Directors							
D Robb	1,376,147	817,497	31,189		97,207	713,310	3,035,350
Executives							
M Adams[5]	293,578			41,618	26,422	(292,901)	68,717
*P Beilby	336,544	147,798			32,502	252,921	769,765
*P Benjamin	387,920	159,565	5,316		37,316	285,641	875,758
S Green[6]	128,805	32,514			9,119	32,346	202,784
*V Hugo	355,963	155,857	5,316		34,293	226,056	777,485
D McMahon[7]	19,446	-		24,446	1,750	-	45,642
A Tate[8]	290,520	185,171			24,958	118,976	619,625
*H Umlauff	513,456	224,069	4,074		46,211	295,392	1,083,202
S Wickham	397,171	103,265			13,437	133,067	646,940
*C Wilson	397,554	189,346	5,316		38,284	298,025	928,525

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 and restricted shares under grant for the year ended 31 December 2008. 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 performance conditions associated with share rights not being met prior to vesting.
3. G Campbell, V Davies and I Mackenzie retired 21 May 2008.
4. J Seabrook appointed 1 May 2008.
5. Ceased employment 26 September 2008. Other relates to statutory leave entitlements on cessation of employment.
6. Represents pro-rata remuneration paid as an Executive from 18 January 2008 to 12 May 2008.
7. Ceased employment 17 January 2008. Other relates to statutory leave entitlements on cessation of employment.
8. Appointed as an Executive 13 May 2008.

* 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.

2007

Name	Short-term employee benefits: Cash Salary & fees[1] $	STIP Cash $	Non-Monetary Benefits $	Other $	Superannuation $	Termination $	Share Based Payments[2] $	Total $
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 Directors								
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	30,828	10,977	424,000	105,645	1,171,131
D Grant[6]	50,441	-	653	43,095	7,062	-	-	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 performance conditions associated with share rights not being met 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. Other relates to statutory leave entitlements on cessation of employment. Non-monetary benefit relates to relocation and associated FBT pursuant to terms of the contract of employment.
6. Ceased employment 16 February 2007. Other 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 .

SHARE BASED COMPENSATION

The tables below summarise awards of Share Rights made under the various PIP schemes described in page 12 during the year that are still to vest for key executives at 31 December 2008.

	Performance Period and Plan		
Name	2005 Transition Plan[1]	2005 PIP[2]	2006 PIP[3]
D Robb	-	-	-
P Beilby	2,926	4,432	1,716
P Benjamin	1,544	1,936	2,866
V Hugo	3,323	5,892	2,517
H Umlauff	-	-	2,724
C Wilson	3,918	5,382	2,677
Fair Value per Share Right[4]	$5.17	$6.57	$6.17

1 Grant date 1 August 2005. Vests in two equal tranches on 1 January 2008 and 1 January 2009.

2 Grant date 1 January 2006. Vests in four equal tranches on 1 January 2007, 2008, 2009 and 2010.

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

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

2007 and 2008 STIP Restricted Shares awarded to the Managing Director and Key Executives yet to vest

	2007 STIP Vesting Dates[1]		Awarded[4,5]	2008 STIP Vesting Dates[2]		Awarded[4,5]
Name	1/01/2009[6]	1/01/2010	%	1/01/2010	1/01/2011	%
D Robb	33,501	33,502	37%	92,686	92,687	91%
P Beilby	17,446	3,940	39%	16,757	16,757	92%
P Benjamin	14,269	6,913	40%	18,091	18,092	84%
V Hugo	12,311	6,080	34%	17,671	17,671	88%
A Tate	-	-	-	20,994	20,995	87%
H Umlauff	20,037	9,768	38%	25,404	25,405	88%
S Wickham	6,929	3,523	29%	11,708	11,708	87%
C Wilson	14,913	7,189	41%	21,468	21,468	96%
Fair Value per Share[3]	$4.09			$4.64		

1 2007 STIP restricted shares awarded 1 January 2008 for the 2007 performance year.

2 2008 STIP restricted shares awarded 1 January 2009 for the 2008 performance year.

3 The fair value is independently determined using the Black-Scholes model that takes into account the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free discount rate for the term of the right.

4 Half the award made in cash (refer page 17), half the award made in restricted shares as detailed in the above table

5 The percentage achieved of the available incentive opportunity for the financial year

6 Includes the discretionary re-weighted growth component awarded as restricted shares.

No awards have been made in respect to the 2007, 2008 LTIP or retention plan. The performance period for the schemes end on 31 December 2009, 31 December 2010 and 31 March 2011 respectively.

MAXIMUM VALUE OF RESTRICTED SHARES AND SHARE RIGHTS

Key executives participate in a number of the incentive plans for which restricted shares or share rights are yet to vest. The fair value of each restricted share or share right is set out below.

Incentive Plan	Fair Value per Share $	Vesting Year
2005 Transition	5.17	2009
2005 PIP	6.57	2009 & 2010
2006 PIP	6.17	2009
*2007 STIP	4.09	2009 & 2010
2007 LTIP	4.32	2010
2008 LTIP	2.93	2011
Retention Plan 1	4.09	2011
Retention Plan MD 1	0.90	2011
Retention Plan MD 2	1.19	2011
Retention Plan MD 3	0.90	2011

* The 2007 STIP is the only plan to have awarded as restricted shares. All other plans listed above have been granted as share rights.

The maximum number of restricted shares and/or share rights that may vest in future years, together with the maximum value of these shares / rights that will be recognised as share based payments in future years is set out below. The maximum value for a year relates to the value of those restricted shares or share rights that vest in future years. The amount to be reported as share based payments in future years will be calculated in accordance with *AASB 2 Share Based Payments* over the vesting period.

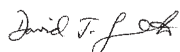
	Maximum Number			Maximum Value $		
	Vesting Year			Vesting Year		
Name	2009	2010	2011	2009	2010	2011
D Robb	33,501	86,472	1,122,616	137,019	365,854	1,355,931
P Beilby	24,304	20,891	111,183	111,628	94,329	420,886
P Benjamin	19,647	25,216	143,659	90,386	109,521	547,361
V Hugo	21,097	26,506	87,125	102,417	119,736	319,076
A Tate	-	-	140,828	0	0	530,946
H Umlauff	22,761	35,434	107,185	98,758	150,828	384,812
S Wickham	6,929	15,562	62,526	38,340	66,418	230,761
C Wilson	24,199	27,215	144,967	115,447	121,970	551,193

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2008, 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
31 March 2009

Liability limited by a scheme approved under Professional Standards Legislation.

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 delivering 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.

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
- Whistleblower Policy

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, 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 recommended to the Board 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 are 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.

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-today 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 operational 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 non-executive Directors periodically meet independent of management to discuss relevant issues.

COMPANY SECRETARY

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

- advising the Board on corporate governance;
- 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 an annual review of its performance in meeting key responsibilities. This review process, which is periodically facilitated by external consultants, 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 September-December 2008.

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 2008.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee consists of the following independent, non-executive Directors: Mr John Pizzey (Chairman), Mr Gavin Rezos and Dr Robert Every. Details of Directors attendance at Remuneration and Nomination Committee meetings and their qualifications and experience are set out on pages 5 and 6.

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 9 to 20 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 Gavin Rezos and Ms Jenny Seabrook. 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 page 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 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 2008 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 programme 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 programme 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 programme 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 programme 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 whistleblower policy for the confidential reporting of issues of unacceptable or undesirable conduct with protection against reprisal afforded to the whistleblower; and
- a comprehensive insurance programme.

AUDIT FUNCTIONS

The company's current external auditing firm is PricewaterhouseCoopers ("PwC"). During 2008, 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 programme 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.

Iluka has also established a whistleblower policy to provide for the confidential reporting of issues of unacceptable or undesirable conduct. The policy provides protection against reprisal to the whistleblower.

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 Company Secretary.

In addition, Directors and Restricted Employees must confirm to the Chairman or the 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 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.

FINANCIAL REPORT

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This financial report covers both the separate financial statements of Iluka Resources Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Iluka Resources Limited and its subsidiaries. The financial report is presented in the Australian currency.

Iluka Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Iluka Resources Limited
Level 23, 140 St George's Terrace
Perth WA 6000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations in the directors' report.

The financial report was authorised for issue by the directors on 31 March 2009. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at www.Iluka.com

INCOME STATEMENTS

for the year ended 31 December 2008

	Notes	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Revenue from continuing operations	5	**1,052.4**	920.1	**227.7**	277.3
Other income	6	**16.8**	13.6	**12.4**	18.5
Expenses, from continuing operations	7	**(987.2)**	(808.3)	**(293.4)**	(251.9)
Interest and finance charges		**(26.1)**	(43.8)	**(25.5)**	(43.0)
Rehabilitation and restoration accretion expense		**(15.8)**	(16.6)	**(6.2)**	(5.6)
Total finance costs	7	**(41.9)**	(60.4)	**(31.7)**	(48.6)
Impairment reversals and charges	7	**5.5**	-	**45.6**	-
Profit (loss) before income tax		**45.6**	65.0	**(39.4)**	(4.7)
Income tax benefit (expense)	8	**9.4**	(15.5)	**21.0**	8.6
Profit (loss) from continuing operations		**55.0**	49.5	**(18.4)**	3.9
Profit from discontinued operations	9	**30.0**	10.9	**-**	-
Profit (loss) for the year		**85.0**	60.4	**(18.4)**	3.9
Profit attributable to minority interest		**(7.5)**	(9.3)	**-**	-
Profit (loss) attributable to members of Iluka Resources Limited		**77.5**	51.1	**(18.4)**	3.9

	Notes	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share	42	**13.8**	17.0
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share	42	**22.4**	21.6

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

BALANCE SHEETS

as at 31 December 2008

	Notes	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
ASSETS					
Current assets					
Cash and cash equivalents	10	**97.6**	19.9	**65.0**	-
Receivables	11	**243.2**	190.5	**63.7**	44.7
Inventories	12	**249.7**	319.9	**72.5**	70.7
Derivative financial instruments	13	**-**	7.8	**-**	2.1
Current tax assets	14	**-**	12.7	**-**	12.4
Other assets	15	**8.5**	11.2	**-**	6.7
Assets of disposal group classified as held for sale	9	**-**	31.6	**-**	-
Total current assets		**599.0**	593.6	**201.2**	136.6
Non-current assets					
Receivables	16	**-**	-	**241.4**	289.2
Other financial assets	17	**-**	1.2	**849.2**	849.2
Property, plant and equipment	18	**1,414.6**	1,247.1	**283.4**	246.2
Derivative financial instruments	13	**-**	1.0	**-**	0.7
Deferred tax assets	19	**31.0**	9.9	**41.9**	-
Intangible assets	20	**13.5**	15.2	**-**	-
Total non-current assets		**1,459.1**	1,274.4	**1,415.9**	1,385.3
Total assets		**2,058.1**	1,868.0	**1,617.1**	1,521.9
LIABILITIES					
Current liabilities					
Payables	21	**164.1**	113.1	**29.4**	33.9
Interest-bearing liabilities	22	**36.8**	230.7	**36.8**	230.7
Current tax liabilities	24	**5.0**	8.3	**1.1**	-
Provisions	23	**61.4**	55.2	**21.8**	16.9
Derivative financial instruments	13	**104.0**	-	**93.0**	-
Liabilities of a disposal group classified as held for sale	9	**-**	6.8	**-**	-
Total current liabilities		**371.3**	414.1	**182.1**	281.5
Non-current liabilities					
Interest-bearing liabilities	25	**276.5**	387.3	**276.6**	387.3
Deferred tax liabilities	26	**-**	44.7	**-**	9.0
Provisions	27	**322.7**	270.3	**125.7**	88.0
Derivative financial instruments	13	**49.6**	-	**46.7**	-
Total non-current liabilities		**648.8**	702.3	**449.0**	484.3
Total liabilities		**1,020.1**	1,116.4	**631.1**	765.8
Net assets		**1,038.0**	751.6	**986.0**	756.1
EQUITY					
Contributed equity	28	**998.1**	662.6	**1,006.5**	662.6
Reserves	29(a)	**(84.3)**	23.8	**(74.6)**	21.0
Retained (losses) profits	29(b)	**66.0**	(2.8)	**54.1**	72.5
Parent entity interest		**979.8**	683.6	**986.0**	756.1
Minority interest		**58.2**	68.0	**-**	-
Total equity		**1,038.0**	751.6	**986.0**	756.1

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 2008

	Notes	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Exchange differences on translation of foreign entities	29	**(4.8)**	3.2	**-**	-
Foreign exchange cash flow hedges, net of tax	29	**(106.9)**	(16.4)	**(99.7)**	(16.7)
Actuarial losses on defined benefit plans, net of tax		**(8.5)**	(0.2)	**-**	-
Net expense recognised directly in equity		**(120.2)**	(13.4)	**(99.7)**	(16.7)
Profit (loss) for the year		**85.0**	60.4	**(18.4)**	3.9
Total recognised income and expense for the year		**(35.2)**	47.0	**(118.1)**	(12.8)
Total recognised income and expense for the year is attributable to:					
Members of Iluka Resources Limited		**(35.6)**	37.4	**(118.1)**	(12.8)
Minority interest		**0.4**	9.6	**-**	-
		(35.2)	47.0	**(118.1)**	(12.8)

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 2008

	Notes	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**1,017.4**	1,004.6	**200.2**	259.9
Payments to suppliers and employees (inclusive of goods and services tax)		**(794.4)**	(841.4)	**(174.4)**	(218.2)
		223.0	163.2	**25.8**	41.7
Interest received		**6.3**	1.3	**5.4**	-
Management fees from controlled entity		**-**	-	**1.0**	1.0
Interest paid		**(32.2)**	(45.2)	**(33.1)**	(44.4)
Income taxes received (paid)		**4.1**	(39.7)	**18.9**	(26.3)
Payments for exploration expenditure		**(20.9)**	(18.5)	**-**	-
Royalty income		**49.3**	19.0	**-**	-
Receipts from other operating activities		**3.4**	15.4	**0.5**	0.5
Net cash inflow (outflow) from operating activities	40	**233.0**	95.5	**18.5**	(27.5)
Cash flows from investing activities					
Payments for property, plant and equipment		**(198.4)**	(118.2)	**(30.8)**	(52.3)
Net proceeds on disposal of interest in Narama JV	9(d)	**53.4**	-	**-**	-
Loans from controlled entities		**-**	-	**65.9**	44.4
Proceeds from sale of property, plant and equipment		**7.6**	16.2	**2.3**	9.0
Net cash (outflow) inflow from investing activities		**(137.4)**	(102.0)	**37.4**	1.1
Cash flows from financing activities					
Proceeds from borrowings		**83.9**	37.4	**83.9**	37.4
Repayment of borrowings		**(414.5)**	(16.4)	**(414.4)**	(10.9)
Dividends paid	30	**-**	(39.4)	**-**	(39.4)
Dividends paid to minority interests in controlled entities		**(10.5)**	(10.8)	**-**	-
Purchase of treasury shares	28(d)	**(14.3)**	-	**-**	-
Proceeds from issue of ordinary shares	28(b)	**353.1**	39.4	**357.1**	39.4
Share issue costs	28(b)	**(13.2)**	(0.1)	**(13.2)**	(0.1)
Debt refinance costs		**(4.3)**	-	**(4.3)**	-
Net cash (outflow) inflow from financing activities		**(19.8)**	10.1	**9.1**	26.4
Net increase in cash and cash equivalents		**75.8**	3.6	**65.0**	-
Cash and cash equivalents at the beginning of the year		**19.9**	17.4	**-**	-
Effects of exchange rate changes on cash and cash equivalents		**1.9**	(1.1)	**-**	-
Cash and cash equivalents at end of year	10	**97.6**	19.9	**65.0**	-
Financing arrangements	22, 25				
Non-cash financing and investing activities	41				

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

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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 financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

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 2008 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.

Investments in subsidiaries are accounted for at cost. 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(f)).

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 had a coal operation (sold effective 1 January 2008) and has 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 39.

(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. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 1. Summary of significant accounting policies (continued)

(d) 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 in accordance with accounting policy 1(k).

(iii) 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 of which 20 years is remaining.

(e) 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 and loans 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 as of 1 January 2004.

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 installments. The funding amounts are recognised as current intercompany receivables or payables.

Note 1. Summary of significant accounting policies (continued)

(f) 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 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(o) 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.

(g) 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.

(h) 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 generally 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.

(i) 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.

(j) 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.

(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:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 1. Summary of significant accounting policies (continued)

- 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 where the hedge is effective, 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.

(k) 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 29.

(i) 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), 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.

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.

(ii) 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.

(l) 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.

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.

(m) Investments and other financial assets

Loans and receivables

Loans and receivables including amounts due from Group entities 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).

Note 1. Summary of significant accounting policies (continued)

(n) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest in accordance with *AASB 6 Exploration for 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 ore 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 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 achieved JORC reserve status (reported in accordance with JORC, 2004) 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).

(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:

Asset	Useful life
• 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) 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(t).

(q) 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 10 years of which 5 years is remaining.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 1. Summary of significant accounting policies (continued)

(r) 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.

(s) 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.

(t) 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. $4.0 million interest at a weighted average interest rate of 7.0 per cent was capitalised in 2008, no interest was capitalised in 2007.

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.

(u) 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.

(v) 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) Termination Benefits

Liabilities for employee termination benefits associated with restructurings are brought to account when a detailed restructuring plan has been developed.

(iv) 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.

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

Note 1. Summary of significant accounting policies (continued)

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 in the period in which they occur.

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.

(v) Share-based payments

Share based compensation benefits are provided to employees via incentive plans, the Directors, Executives and Employees Share Acquisition Plan and the Employee Share Ownership scheme. Information relating to these schemes is set out in Notes 31 and 43 with additional information in the Remuneration Report.

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*. The fair value of restricted shares granted under the incentive plans is determined to be the weighted average price 5 days after results are announced to the market. The 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.

The fair value at grant date of the Performance Incentive Plan (PIP) and Short-term Incentive Plan (STIP) is independently determined using a Black Scholes share right pricing model that takes into account the exercise price, the term of the share right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate of the term of the share right.

The Long term Incentive Plan (LTIP) rights have been valued using a Monte Carlo simulation to model Iluka share prices against the comparator group performance at vesting date. The Monte Carlo method is a procedure for repeatedly sampling random movements in a stock's price to estimate the average or mean share price.

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

(vi) Cash settled incentive arrangements

The consolidated entity recognises a liability and an expense for cash settled components of incentive plans based on the conditions of the STIP.

(w) 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.

(x) 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.

(y) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 1. Summary of significant accounting policies (continued)

(z) 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 carrying value of 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 (2007: 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.

(aa) 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 (FVLCS) and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units (refer note 2)). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(ab) Overburden Costs

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

(ac) 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.

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.

(ad) 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 2008 reporting periods. The consolidated entity's assessment of the impact of relevant new standards and interpretations is set out below.

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.

Note 1. Summary of significant accounting policies (continued)

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 and requires 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 already capitalises borrowing costs relating to qualifying assets.

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

The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income 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. The group will apply the revised standard from 1 January 2009.

AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations

AASB 2008-1 is applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 January 2009, but it is not expected to affect the accounting for the Group's share-based payments.

Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

The revised accounting standards for business combinations and consolidated financial statements are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group enters into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The revised new rules will apply to financial reporting periods commencing on or after 1 January 2009. The Group will apply the revised rules prospectively from 1 January 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, but the investments may need to be tested for impairment as a result of the dividend payment. The impact will therefore depend on the dividend profile of subsidiaries.

Improvements to Australian Accounting Standards: AASB 2008-5 and AASB 2008-6

In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. The Group will apply the revised standards from 1 January 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation

AASB-I 16 was issued in August 2008 and applies to reporting periods commencing on or after 1 October 2008. The interpretation clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 January 2009. There will be no changes to the accounting for the existing hedge of the net investment in US Operations.

AASB 2008-8 Amendment to Australian Accounting Standards - Eligible Hedged Items

AASB 2008-8 was issued in August 2008. It is effective for accounting periods beginning on or after 1 July 2009 and must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 January 2010. It is currently reviewing its hedging transactions to determine whether there will be an impact on the financial report when the standard is first applied.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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

As outlined in note 1 (aa) 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. The group uses fair value less costs to sell. Where there is no binding sale agreement, fair value less costs to sell is based on the best information available to reflect the amount the consolidated entity could receive for the CGU in an arms length transaction. Fair value less costs to sell has been estimated on the basis of discounted present value of the future cashflows.

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 ore resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and ore resources ;
- 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;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure;
- the asset specific discount rate applicable to the Cash Generating Unit;
- future operating costs for the Northern Murray Basin development and existing operations; and
- future capital and operating costs for the Eucla Basin development.

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 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.

In addition, the Australian Federal Government has proposed introducing a Carbon Pollution Reduction Scheme (CPRS) by 2010. The introduction of a CPRS has the potential to significantly impact the assumptions used to determine the future cash flows generated from the continuing use of the group's assets for the purpose impairment testing. The group has not yet incorporated the impact of a CPRS into it's assumptions at 31 December 2008 as insufficient market information exists. Uncertainties exist around the following areas:

- the nature and timing of the proposed legislation
- the level of emissions the group is expected to emit
- abatement opportunities
- the price or range of prices of emission permits
- the number of permits required to be purchased
- the impact on costs charged by suppliers
- the ability to pass on the cost of the permits
- government assistance.

(ii) Exploration and evaluation expenditure

Expenditure with a value of $17.2 million (2007: $34.6 million) which does not form part of the Cash Generating Units assessed for impairment has been carried forward in accordance with Note 1(n) 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 ore 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.

Note 2. Critical accounting estimates and judgements (continued)

(iii) Rehabilitation and mine closure provisions

As set out in Note 1(z), 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 (2007: 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, any 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 offset by available capital losses not previously recognised. The tax effect of these amounts is $3.4 million and $10.2 million respectively, (2007: $3.5 million and $0.5 million).

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

Recovery of deferred tax assets

Net deferred tax assets of $19.5 million (2007: $8.8 million) are carried in respect of the US operations, including $11.9 million (2007: $5.0 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 Group'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 Groups'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.

The Group 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 2008, had the Australian dollar weakened/strengthened by 10 per cent against the US dollar compared to the exchange rate at that date of 69.16 cents with all other variables held constant, the consolidated entity's post tax profit for the year would have been $1.1 million higher/$1.0 million lower (2007: $3.0 million higher/$2.5 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 $99.2 million lower/$86.7 million higher (2007: $61.6 million lower/$51.5 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 2008 and 2007 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 2008.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 3. Financial risk management (continued)

Parent entity sensitivity

At 31 December 2008, had the Australian dollar weakened/strengthened by 10 per cent against the US dollar compared to the exchange rate at that date of 69.16 cents with all other variables held constant, the parent entity's post tax profit for the year would have been $25.1 million lower/$20.5 million higher (2007: $16.0 million lower/$13.1 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 $75.0 million lower/$66.5 million higher (2007: $46.9 million lower/$39.4 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 2008, and the translation of US functional currency entity trade receivables and payables in 2007.

(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 2008 and 2007, 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.

At 31 December 2008, if interest rates had changed by -/+1% from the year-end rate with all other variables held constant, post tax profit for the year would have been $0.6 million higher/lower (2007: $3.9 million higher/lower), mainly as a result of lower/higher interest expense from net debt.

(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.

Maturities of financial liabilities

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.

Note 3. Financial risk management (continued)

	Weighted average rate %	Less than 1 year $M	Between 1 and 2 years $M	Between 2 and 5 years $M	Over 5 years $M	Total contractual cash flows $M	Carrying Amount (assets)/ liabilities $M
Group - At 31 December 2008							
Non-derivatives							
Interest-bearing Variable rate	5.65	10.6	111.8	66.1	29.7	218.2	187.1
Interest-bearing Fixed rate	3.05	40.1	3.0	97.8	-	140.9	130.8
Total non-derivatives		50.7	114.8	163.9	29.7	359.1	317.9
Derivatives							
Interest rate swaps	-	0.5	0.5	0.7	-	1.7	-
Total derivatives		0.5	0.5	0.7	-	1.7	-
Group - At 31 December 2007							
Non-derivatives							
Interest-bearing Variable rate	5.87	46.6	9.8	166.8	30.8	254.0	210.7
Interest-bearing Fixed rate	5.60	222.8	136.3	91.7	-	450.8	408.3
Total non-derivatives		269.4	146.1	258.5	30.8	704.8	619.0
Derivatives							
Interest rate swaps	-	(4.0)	(4.0)	(6.7)	(2.1)	(16.8)	-
Gross settled							
- (inflow)	-	-	-	-	-	-	-
- outflow	-	-	-	-	-	-	-
Total derivatives		(4.0)	(4.0)	(6.7)	(2.1)	(16.8)	-
Parent - At 31 December 2008							
Non-derivatives							
Non interest-bearing	-	-	-	-	-	-	-
Interest-bearing Variable rate	5.65	10.6	111.8	66.1	29.7	218.2	187.1
Interest-bearing Fixed rate	3.05	40.1	3.0	97.8	-	140.9	130.8
Total non-derivatives		50.7	114.8	163.9	29.7	359.1	317.9
Derivatives							
Interest rate swaps	-	0.5	0.5	0.7	-	1.7	-
Total derivatives		0.5	0.5	0.7	-	1.7	-
Parent - At 31 December 2007							
Non-derivatives							
Non interest-bearing	-	-	-	-	-	-	-
Interest-bearing Variable rate	5.87	46.6	9.8	166.8	30.8	254.0	210.7
Interest-bearing Fixed rate	5.60	222.8	136.3	91.7	-	450.8	408.3
Total non-derivatives		269.4	146.1	258.5	30.8	704.8	619.0
Derivatives							
Interest rate swaps	-	(4.0)	(4.0)	(6.7)	(2.1)	(16.8)	-
Gross settled							
- (inflow)	-	-	-	-	-	-	-
- outflow	-	-	-	-	-	-	-
Total derivatives		(4.0)	(4.0)	(6.7)	(2.1)	(16.8)	-

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for the year ended 31 December 2008

Note 3. Financial risk management (continued)

	Less than 1 year $M	Between 1 and 2 years $M
Consolidated Entity - At 31 December 2008		
Forward foreign exchange contracts - cash flow hedges		
- inflow (A$M)	281.2	214.4
- outflow (US$M)	236.3	178.9
Collar Options - cash flow hedges		
- inflow (A$M)	218.0	-
- outflow (US$M)	176.0	-
Consolidated Entity - At 31 December 2007		
Forward foreign exchange contracts - cash flow hedges		
- inflow (A$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$M)	353.0	176.0
Parent Entity - At 31 December 2008		
Forward foreign exchange contracts - cash flow hedges		
- inflow (A$M)	199.8	179.5
- outflow (US$M)	173.0	153.5
Collar Options - cash flow hedges		
- inflow (A$M)	218.0	-
- outflow (US$M)	176.0	-
	766.8	333.0
Parent Entity - At 31 December 2007		
Collar Options - cash flow hedges		
- inflow (A$M)	402.6	200.7
- outflow (US$M)	353.0	176.0
	755.6	376.7

The above derivatives are likely to affect the profit and loss statement in line with the above maturity profile.

(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 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 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.

Note 4. Segment Information

(a) Primary reporting format - geographical segments

2008	WA $M	MB $M	QLD - CRL $M	VA $M	FL/G $M	SA $M	MAC $M	Other $M	Continuing operations $M	Discontinued operations $M	Consolidated $M
Sales to external customers	**564.4**	**190.5**	**126.1**	**95.4**	**12.1**	**-**	**-**	**-**	**988.5**	**-**	**988.5**
Inter segment sales	**10.0**	**-**	**-**	**-**	**-**	**-**	**-**	**(10.0)**	**-**	**-**	**-**
Other revenue/income	**3.2**	**0.1**	**-**	**-**	**0.6**	**-**	**56.8**	**13.7**	**74.4**	**-**	**74.4**
Total segment revenue/income	**577.6**	**190.6**	**126.1**	**95.4**	**12.7**	**-**	**56.8**	**3.7**	**1,062.9**	**-**	**1,062.9**
Total segment result	**2.0**	**7.6**	**22.6**	**19.2**	**2.4**	**(10.1)**	**56.4**	**(18.8)**	**81.3**	**31.7**	**113.0**
Rehabilitation and restoration accretion expense									**(15.8)**	**-**	**(15.8)**
Interest and finance costs									**(26.1)**	**-**	**(26.1)**
Interest revenue									**6.2**	**-**	**6.2**
Profit before income tax									**45.6**	**31.7**	**77.3**
Income tax expense									**9.4**	**(1.7)**	**7.7**
Net profit for the year									**55.0**	**30.0**	**85.0**
Segment assets	**818.0**	**666.6**	**167.2**	**119.2**	**4.6**	**120.2**	**20.8**	**13.0**	**1,929.6**	**-**	**1,929.6**
Unallocated assets									**128.5**	**-**	**128.5**
Total assets									**2,058.1**	**-**	**2,058.1**
Segment liabilities	**343.0**	**75.1**	**45.6**	**29.8**	**16.9**	**16.8**	**-**	**174.3**	**701.5**	**-**	**701.5**
Unallocated liabilities									**318.6**	**-**	**318.6**
Total liabilities									**1,020.1**	**-**	**1,020.1**
Acquisition of property, plant and equipment and other non-current segment assets	**66.0**	**126.3**	**8.2**	**18.8**	**3.4**	**90.5**	**-**	**5.2**	**318.4**	**-**	**318.4**
Depreciation and amortisation expense	**103.3**	**28.3**	**16.1**	**13.3**	**0.3**	**-**	**0.4**	**-**	**161.7**	**-**	**161.7**
Impairment (reversals) charges (note 18)	**(24.6)**	**19.1**	**-**	**-**	**-**	**-**	**-**	**-**	**(5.5)**	**-**	**(5.5)**

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

SA - Eucla Basin

MAC - Mining Area C Iron Ore (Western Australia)

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

All intersegment sales are made at arms length prices.

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for the year ended 31 December 2008

Note 4. Segment Information (continued)

2007	WA $M	MB $M	QLD - CRL $M	VA $M	FL/G $M	SA $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
Inter segment sales	-	-	-	-	-	-	-	-	-	-	-
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	(2.0)	19.6	(22.0)	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	35.4	13.7	6.0	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	2.2	-	2.2	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	61.2	26.5	7.0	5.5	2.7	26.5	-	6.3	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

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	
	2008 $M	2007 $M	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Continuing operations						
Titanium minerals and zircon	**988.5**	897.9	**1,908.8**	1,800.1	**318.4**	135.7
Iron ore royalty	**-**	-	**20.8**	13.7	**-**	-
	988.5	897.9	**1,929.6**	1,813.8	**318.4**	135.7
Discontinued operations						
Coal	**-**	40.7	**-**	31.6	**-**	0.5
	-	40.7	**-**	31.6	**-**	0.5
Total	**988.5**	938.6	**1,929.6**	1,845.4	**318.4**	136.2

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	
	2008 $M	2007 $M
Continuing operations		
North America	**163.1**	199.1
Europe	**319.9**	306.2
Asia	**422.0**	342.0
Australia	**44.4**	50.6
Other Countries	**39.1**	-
	988.5	897.9
Discontinued operations		
Australia	**-**	40.7
Total sales revenue	**988.5**	938.6

Note 5. Revenue

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
From continuing operations				
Sales revenue				
Sale of goods	**988.5**	897.9	**205.7**	258.1
Other revenue				
Interest	**6.3**	1.7	**20.4**	17.8
Management fee income	**-**	0.1	**1.0**	1.1
Royalty income	**56.8**	19.9	**-**	-
Rental income	**0.8**	0.5	**0.6**	0.3
	63.9	22.2	**22.0**	19.2
Revenue from continuing operations	**1,052.4**	920.1	**227.7**	277.3
From discontinued operation				
Sales Revenue				
Sale of goods (note 9)	**-**	40.7	**-**	-

Note 6. Other income

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Net gain on disposal of property, plant and equipment	**0.6**	11.3	**-**	4.9
Coal compensation receipts	**-**	2.0	**-**	-
Insurance receipt WA gas outage (note 7)	**2.5**	-	**-**	-
Sundry income	**0.1**	0.3	**-**	0.1
Net foreign exchange gains (note 7)	**13.6**	-	**12.4**	13.5
	16.8	13.6	**12.4**	18.5

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 7. Expenses

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$M	$M	**$M**	$M
From continuing operations				
Cost of production	**735.7**	592.0	**159.7**	171.2
Depreciation	**121.4**	104.8	**39.4**	31.8
Amortisation	**40.3**	40.1	**13.7**	12.0
Cost of sales of goods*	**897.4**	736.9	**212.8**	215.0
Corporate other and foreign exchange losses	**25.7**	19.5	**65.7**	18.0
Marketing and selling	**10.7**	10.2	**6.4**	5.6
Government royalties	**26.3**	18.0	**2.6**	3.4
Research, technical support and major projects	**10.2**	9.9	**5.9**	9.9
Exploration and evaluation	**16.9**	13.8	**-**	-
Expenses, from continuing operations	**987.2**	808.3	**293.4**	251.9

* Includes $18.7 million of costs directly expensed due to the gas supply interruptions in Western Australia which restricted production in 2008. The consolidated entity has received an initial $2.5 million payment in respect of a claim from its insurers for costs associated with the gas supply interruptions in Western Australia which is included in other income (Note 6).

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Expenses, from discontinued operation	**-**	24.7	**-**	-
Impairment charges (reversals) on property, plant and equipment (refer note 18)				
South West - reversal of prior impairment	**(45.6)**	-	**(45.6)**	-
Mid West Processing - reversal of prior impairment	**(9.5)**	-	**-**	-
Mid West Mining - asset write-offs	**30.5**	-	**-**	-
Murray Basin - asset write-offs	**19.1**	-	**-**	-
	(5.5)	-	**(45.6)**	-
Finance costs from continuing operations				
Interest and finance charges paid/payable	**29.3**	43.5	**28.7**	42.7
Rehabilitation and restoration accretion expense	**15.8**	16.6	**6.2**	5.6
Amortisation of deferred borrowing costs	**0.8**	0.3	**0.8**	0.3
Interest capitalised	**(4.0)**	-	**(4.0)**	-
Finance costs expensed from continuing operations	**41.9**	60.4	**31.7**	48.6
Borrowing costs from discontinued operation (rehabilitation and restoration accretion expense)	**-**	0.5	**-**	-
Operating lease expense	**8.3**	10.9	**3.3**	2.8
Foreign exchange gains and losses				
Net foreign exchange gains included in other income	**13.6**	-	**12.4**	13.5
Net foreign exchange losses on foreign currency borrowings included in corporate costs	**-**	(1.1)	**(39.6)**	-
	13.6	(1.1)	**(27.2)**	13.5
Defined contribution superannuation expense	**15.5**	15.8	**7.5**	13.3
Charge to writedown inventory to net realisable value	**0.3**	12.3	**0.3**	6.4
Employee benefits expense	**174.2**	171.8	**64.9**	62.0

Note 8. Income tax

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
(a) Income tax (benefit) expense				
Current tax	**13.7**	24.4	**(14.1)**	(17.1)
Deferred tax	**(20.1)**	(4.8)	**(4.2)**	10.4
Under (over) provided in prior years	**(1.3)**	0.5	**(2.7)**	(1.9)
	(7.7)	20.1	**(21.0)**	(8.6)
Income tax (benefit) expense is attributable to:				
Profit from continuing operations*	**(9.4)**	15.5	**(21.0)**	(8.6)
Profit from discontinued operations (note 9)	**1.7**	4.6	**-**	-
Aggregate income tax (benefit) expense	**(7.7)**	20.1	**(21.0)**	(8.6)

* Includes a benefit of $11.9 million from the recognition of previously unrecognised US tax losses for utilisation in future years.

Deferred income tax (revenue) expense included in income tax expense comprises:	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Decrease (increase) in deferred tax assets (Note 19)	**23.8**	1.5	**4.0**	-
(Decrease) increase in deferred tax liabilities (Note 26)	**(43.9)**	(6.3)	**(8.2)**	10.4
	(20.1)	(4.8)	**(4.2)**	10.4

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

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Profit (loss) from continuing operations before income tax expense	**45.6**	65.0	**(39.4)**	(4.7)
Profit from discontinued operation before income tax expense	**31.7**	15.5	**-**	-
	77.3	80.5	**(39.4)**	(4.7)
Tax at the Australian tax rate of 30% (2007: 30%)	**23.2**	24.1	**(11.8)**	(1.4)
Tax effect at 30% of amounts which are not deductible (taxable) in calculating taxable income:				
Unfranked dividends received	**0.1**	-	**-**	-
Share-based payments	**1.2**	-	**0.9**	-
Net foreign exchange gains (losses)	**-**	-	**6.1**	(2.2)
Capital gains offset by previously unrecognised capital losses	**(10.2)**	(0.5)	**(10.2)**	-
Research and development	**(3.4)**	(3.5)	**(3.4)**	(3.5)
Other non-deductible / non-assessable items	**0.2**	0.6	**0.1**	0.4
Benefit of tax losses utilised in the year not previously recognised *	**(4.2)**	-	**-**	-
Benefit of tax losses for utilisation in future years, not previously recognised **	**(17.8)**	-	**-**	-
	(10.9)	20.7	**(18.3)**	(6.7)
Difference in overseas tax rates	**4.5**	(1.1)	**-**	-
Under (over) provision in prior years	**(1.3)**	0.5	**(2.7)**	(1.9)
Total income tax expense	**(7.7)**	20.1	**(21.0)**	(8.6)

* Relates to revenue losses in the United States that were not recognised in respect of impairment charges in 2006 due to uncertainty over their future use which have been utilised against current year taxable income. The benefit of the tax expense is $2.8 million after adjusting for the difference in tax rates to the prevailing US tax rate of 20 per cent.

** Relates to revenue losses in the United States that were not recognised in respect of impairment charges in 2006 due to uncertainty over their future use for which future use is now considered probable. The benefit to the tax expense for the year and the associated deferred tax asset at 31 December 2008 is $11.9 million when measured at the prevailing US tax rate of 20 per cent.

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Note 8. Income tax (continued)	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
(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				
Net deferred tax-debited (credited) directly to equity (Notes 19 and 26)	**(53.4)**	(8.8)	**(46.7)**	(7.2)

(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 $76.9 million (2007: $120.0 million) (tax at the Australian tax rate of 30%: $23.0 million (2007: $36.0 million)). The benefit of these unused capital losses will only be obtained if these entities derive future capital gains sufficient to enable the benefit to be realised and these entities continue to comply with the conditions for deductability imposed by tax legislation and no changes in tax legislation adversely effect these entities in realising the benefit from the deduction for the losses.

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.

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 2008 $M	Consolidated 2007 $M
Revenue (note 5)	-	40.7
Expenses (note 7)	-	(25.2)
Profit before income tax	-	15.5
Income tax expense (note 8)	-	(4.6)
Profit after income tax of discontinued operations	-	10.9
Gain on sale of the Interest in the Joint Venture before income tax	**31.7**	-
Income tax expense (note 8)	**(1.7)**	-
Gain on sale of the Interest in the Joint Venture after income tax	**30.0**	-
Profit from discontinued operations	**30.0**	10.9
Net cash inflow from operating activities	**3.0**	21.4
Net cash inflow (outflow) from investing activities	**53.4**	(0.3)
Net increase in cash generated by the discontinued operation	**56.4**	21.1

(c) Carrying amounts of assets and liabilities	Consolidated 2007 $M
The carrying amounts of assets and liabilities at the date of sale and 31 December 2007 were:	
Property, plant and equipment	26.9
Trade receivables	3.0
Inventories	1.7
Total assets	31.6
Provision for rehabilitation and mine closure	(6.8)
Total liabilities	(6.8)
Net assets	24.8

Note 9. Discontinued operation (continued)

(d) Details of the sale of the division

	Consolidated 2008 $M
Consideration received:	
Cash	53.4
Carrying amount of net assets sold	(21.7)
Gain on sale before income tax	31.7

Note 10. Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Cash at bank and in hand	**18.2**	17.5	**-**	-
Deposits at call	**79.4**	2.4	**65.0**	-
	97.6	19.9	**65.0**	-

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

In millions				
US Dollars	**10.1**	12.3	**-**	-
Australian Dollars	**83.0**	5.2	**65.0**	-
Euros	**-**	0.4	**-**	-

Deposits at call

The deposits are at floating interest rates between 0.0 per cent and 4.70 per cent (2007: 1.7 per cent and 6.8 per cent) on US dollar and Australian dollar denominated deposits, and a weighted average interest rate of 3.65 per cent (2007: 2.47 per cent)

Note 11. Current assets - Receivables

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Trade receivables	**206.3**	160.0	**55.1**	33.7
Other debtors	**14.5**	14.7	**1.3**	3.9
Prepayments	**9.3**	7.7	**5.0**	4.9
Goods and services tax (GST)	**13.1**	8.1	**2.3**	2.2
	243.2	190.5	**63.7**	44.7

(a) 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:

In millions				
US Dollars	**136.9**	136.0	**26.1**	29.0
Australian Dollars	**48.3**	32.5	**24.6**	11.0
Euros	**0.3**	1.8	**-**	0.4

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

None of the current receivables are impaired or past due.

(b) Fair value and credit risk

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

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for the year ended 31 December 2008

Note 12. Current assets - Inventories	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Consumable stores				
- at cost	**35.4**	32.9	**9.0**	8.0
Work in progress				
- at cost	**100.5**	82.9	**45.6**	22.4
- at net realisable value	**-**	19.2	**-**	17.4
	100.5	102.1	**45.6**	39.8
Finished goods				
- at cost	**104.7**	93.9	**8.8**	18.9
- at net realisable value	**9.1**	91.0	**9.1**	4.0
	113.8	184.9	**17.9**	22.9
	249.7	319.9	**72.5**	70.7

Note 13. Derivative financial instruments				
Current assets				
Fair value of foreign exchange derivatives	**-**	7.8	**-**	2.1
Non-current assets				
Fair value of foreign exchange derivatives	**-**	1.0	**-**	0.7
Current liabilities				
Fair value of foreign exchange derivatives	**104.0**	-	**93.0**	-
Non-current liabilities				
Fair value of foreign exchange derivatives	**49.6**	-	**46.7**	-

(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.

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

Consolidated Entity

The group liability for foreign exchange derivatives at 31 December 2008 was $153.6 million (2007: $8.8 million asset). During the year ended 31 December 2008, the consolidated entity transferred a total loss of $29.6 million (2007: $34.0 million gain) to the Income Statement from equity. This loss represented the net losses attributable to delivered contracts. In 2007 $26.6 million of the gain related to derivative contracts that were terminated in 2006.

Note 13. Derivative financial instruments (continued)

Parent Entity

The liability position at 31 December 2008 was $139.7 million (2007: $2.8 million asset). During the year ended 31 December 2008, a total loss of $5.7 million (2007: $26.6 million gain) was transferred to the Income Statement from equity. In 2007 $26.6 million of the gain related to derivative contracts that were terminated in 2006.

On 25 August 2006, the parent entity closed out its hedge book. A profit of $37.7 million was generated upon closure of the hedge book of which the final $26.6 million was recognised during 2007 as revenue in line with the delivery dates of the original contracts. The parent entity reinstated currency hedging activities on 13 December 2007.

(b) 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.

Note 14. Current assets - Current tax assets

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Current tax assets	**-**	12.7	**-**	12.4

Note 15. Current assets - Other

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Deferred overburden removal	**8.5**	11.2	**-**	6.7

Note 16. Non-current assets - Receivables

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Loans to controlled entities	**-**	-	**241.4**	289.2

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due.

(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		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Retirement benefits surplus (Note 33)	**-**	1.2	**-**	-
Shares in controlled entities (Note 37)	**-**	-	**849.2**	849.2
	-	1.2	**849.2**	849.2

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for the year ended 31 December 2008

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 2007						
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	43.6	(37.4)	(166.0)	0.7
Closing written down value	74.1	754.2	353.2	26.7	38.9	1,247.1
At 31 December 2007						
Cost	88.9	1,539.9	774.6	26.7	38.9	2,469.0
Accumulated depreciation*	(14.8)	(785.7)	(421.4)	-	-	(1,221.9)
Net written down value	74.1	754.2	353.2	26.7	38.9	1,247.1
Year ended 31 December 2008						
Opening written down value	**74.1**	**754.2**	**353.2**	**26.7**	**38.9**	**1,247.1**
Additions	**3.2**	**81.5**	**89.7**	**10.0**	**133.2**	**317.6**
Disposals	**(0.5)**	**(8.7)**	**(1.8)**	**-**	**-**	**(11.0)**
Impairment (charges) reversals	**6.6**	**47.0**	**(46.6)**	**(1.5)**	**-**	**5.5**
Depreciation/amortisation expense	**(3.4)**	**(102.3)**	**(52.7)**	**-**	**(1.7)**	**(160.1)**
Foreign currency exchange differences	**-**	**13.4**	**2.1**	**-**	**-**	**15.5**
Transfers/reclassifications	**(1.3)**	**(0.6)**	**14.9**	**(18.0)**	**5.0**	**-**
Closing written down value	**78.7**	**784.5**	**358.8**	**17.2**	**175.4**	**1,414.6**
At 31 December 2008						
Cost	**89.1**	**1,586.8**	**783.3**	**17.2**	**175.4**	**2,651.8**
Accumulated depreciation*	**(10.4)**	**(802.3)**	**(424.5)**	**-**	**-**	**(1,237.2)**
Net written down value	**78.7**	**784.5**	**358.8**	**17.2**	**175.4**	**1,414.6**

* Includes impairment charges (refer Note 7).

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 2007				
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	9.3	47.9	66.2
Disposals	(4.0)	(0.1)	-	(4.1)
Depreciation/amortisation expense	(0.1)	(22.7)	(21.0)	(43.8)
Transfers/reclassifications	-	19.4	(19.4)	-
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
Year ended 31 December 2008				
Opening written down value	**36.4**	**171.5**	**38.3**	**246.2**
Additions	**2.3**	**24.3**	**20.4**	**47.0**
Disposals	**(0.3)**	**(0.2)**	**(1.7)**	**(2.2)**
Write-offs and impairment charges	**6.6**	**37.5**	**1.5**	**45.6**
Depreciation/amortisation expense	**(2.4)**	**(27.0)**	**(23.8)**	**(53.2)**
Transfers/reclassifications	**(0.8)**	**(0.4)**	**1.2**	**-**
Closing written down value	**41.8**	**205.7**	**35.9**	**283.4**
At 31 December 2008				
Cost	**46.6**	**477.7**	**21.3**	**545.6**
Accumulated depreciation*	**(4.8)**	**(272.0)**	**14.6**	**(262.2)**
Net written down value	**41.8**	**205.7**	**35.9**	**283.4**

* Includes impairment charges (refer Note 7).

Mine reserves and development

Included in mine reserves and development are amounts totalling $236.0 million for the consolidated entity and $7.2 million for the parent entity (2007: $229.8 million and $19.0 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 $17.0 million for the consolidated entity and $5.3 million for the parent entity (2007: $25.7 million and $7.8 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 2008 comprises $113.5 million (2007: $11.9 million) relating to Murray Basin Stage 2 and $61.9 million (2007: $27.0 million) relating to the Jacinth-Ambrosia project. These amounts were not depreciated as the projects had not been commissioned.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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

Non-current assets pledged as security

Refer to Note 25 for information on non-current assets pledged as security by the parent entity or its controlled entities.

Impairment reversals (charges)

At each balance date, the carrying value of non-current assets is reviewed to ensure no assets are stated in excess of their recoverable amount. Where carrying values are assessed to be less than corresponding recoverable amounts, an 'impairment charge' may be required to be taken.

As part of this process, factors giving rise to previous impairment charges as at 31 December 2006 and 31 December 2005 were reassessed and as stated in Note 1(aa), where the recoverable value of the assets has increased as a result of changes to the factors, the impairment charge is reversed to a maximum of the original charge less the depreciation and amortisation that would otherwise have been incurred if no impairment had been recognised for each Cash Generating Unit (CGU). The key assumptions are included in Note 2. There were no impairment reversals (charges) in 2007.

2008	Land & Buildings $M	Plant, Machinery & Equipment $M	Mine Reserves & Development $M	Exploration & Evaluation $M	Project Development $M	Total Write-off & Impairment Charges $M
Cash Generating Units						
WA - South West	**6.6**	**37.5**	**1.5**	**-**	**-**	**45.6**
WA - Mid West	**-**	**9.5**	**(29.0)**	**(1.5)**	**-**	**(21.0)**
Murray Basin	**-**	**-**	**(19.1)**	**-**	**-**	**(19.1)**
Total	**6.6**	**47.0**	**(46.6)**	**(1.5)**	**-**	**5.5**

The impairment reversals (charges) in 2008 in respect of the South West, Mid West and Murray Basin relates to the carrying value as a result of impairment testing at year-end. The factors contributing to the impairment reversal (charges) for each CGU are provided below:

WA - South West

The impairment reversal is due to a combination of increased product prices, lower exchange rates and further changes to mine plans resulting in the present value of the future cash flows of the operation being significantly higher than the carrying value of the non-current assets.

WA - Mid West

The impairment reversal for plant, machinery and equipment is in respect to assets reviewed in the context of a revised group operating strategy associated with the development of the Jacinth-Ambrosia deposit in South Australia and the processing of concentrate material from the deposit through the Narngulu Mineral Separation Plant.

The impairment charge arose from the revised mine plan for Eneabba and from the decision to prioritise Jacinth-Ambrosia material through the Narngulu Mineral Separation Plant resulting in two ore bodies with fair value balances from previous acquisitions in 1998 and associated exploration capitalised post acquisition now being considered unlikely to be mined.

Murray Basin

The impairment charge is due to revised mine plan for the region resulting in ore bodies with fair value associated with the acquisition of Basin Minerals Limited in 2002 now being considered unlikely to be mined and study costs for developments that will not proceed have also been impaired.

Note 19. Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Employee benefits	**10.1**	10.9	**3.2**	3.6
Rehabilitation provisions	**102.2**	85.7	**40.9**	28.7
Other provisions	**2.6**	4.8	**1.9**	0.8
Accruals	**2.8**	1.4	**1.9**	0.6
Tax revenue losses*	**11.9**	5.0	**-**	-
Foreign exchange	**0.3**	3.8	**0.9**	-
Other	**1.0**	-	**0.6**	-
	130.9	111.6	**49.4**	33.7
Amounts recognised directly in equity				
Cash flow hedges	**46.1**	(1.8)	**41.9**	-
Share issue costs	**3.1**	-	**3.1**	-
Super plan reserve	**1.5**	-	**-**	-
	181.6	109.8	**94.4**	33.7
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 26)	**(150.6)**	(99.9)	**(52.5)**	(33.7)
Net deferred tax assets	**31.0**	9.9	**41.9**	-
Movements:				
Opening balance at 1 January	**9.9**	14.9	**-**	-
Credited (charged) to the income statement (Note 8)	**(23.8)**	(1.5)	**(4.0)**	-
Over (under) provision in prior years	**(7.7)**	(2.2)	**-**	-
Credited (charged) directly to equity (Note 29)	**52.6**	(1.3)	**45.9**	-
Closing balance at 30 June	**31.0**	9.9	**41.9**	-

* The balance is attributable to carried forward US tax losses which are probable of recoupment in ensuing years (refer note 8).

Note 20. Non-current assets - Intangible assets

Consolidated	Patents, trademarks & licences $M	Royalty entitlement asset $M	Total $M
At 1 January 2007			
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 net book amount	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
Year ended 31 December 2008			
Opening written down value	**6.9**	**8.3**	**15.2**
Amortisation charge	**(1.3)**	**(0.4)**	**(1.7)**
Closing written down value	**5.6**	**7.9**	**13.5**
At 31 December 2008			
Cost	**17.2**	**10.0**	**27.2**
Accumulated amortisation	**(11.6)**	**(2.1)**	**(13.7)**
Net written down value	**5.6**	**7.9**	**13.5**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 21. Current liabilities - Payables

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$M	$M	**$M**	$M
Trade payables	**40.5**	40.3	**5.4**	8.4
Accrued expenses	**109.3**	59.6	**18.7**	20.1
Employee benefits	**14.3**	13.2	**5.3**	5.4
	164.1	113.1	**29.4**	33.9

(a) Foreign currency risk

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

In millions				
US Dollars	**9.8**	14.4	**2.4**	1.4
Australian Dollars	**150.2**	96.1	**25.6**	31.9

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

Note 22. Current liabilities - Interest-bearing liabilities

Unsecured				
Bank loans	**-**	51.3	**-**	51.3
Trade finance facility	**-**	77.1	**-**	77.1
Working capital facility	**36.8**	68.1	**36.8**	68.1
Senior notes 1996	**-**	34.2	**-**	34.2
Total unsecured interest-bearing liabilities	**36.8**	230.7	**36.8**	230.7

The carrying value of the interest-bearing liabilities is a reasonable approximation to their fair value.

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 25.

(a) Risk Exposures

Details of the consolidated entity's exposure to interest rate changes on interest-bearing liabilities are set out in Note 25.

Note 23. Current liabilities - Provisions

Employee benefits	**16.0**	13.8	**5.5**	5.7
Rehabilitation and mine closure	**40.1**	38.8	**11.1**	8.7
Other provisions	**5.3**	2.6	**5.2**	2.5
	61.4	55.2	**21.8**	16.9

(a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect a significant amount of the provision will be paid in the next 12 months.

Movements in each class of provision during the current period, other than employee benefits, are set out in Note 27.

Note 24. Current liabilities - Current tax liabilities

Income tax payable	**5.0**	8.3	**1.1**	-

Note 25. Non-current liabilities - Interest-bearing liabilities	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Unsecured				
Bank loans	**93.9**	121.7	**94.0**	121.7
Senior notes 1996	**43.4**	34.2	**43.4**	34.2
Senior notes 2003	**143.7**	142.3	**143.7**	142.3
Bilateral loan notes	**-**	90.1	**-**	90.1
Deferred borrowing costs	**(4.5)**	(1.0)	**(4.5)**	(1.0)
	276.5	387.3	**276.6**	387.3

(a) Financing arrangements

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

Credit standby arrangements	**2008 $M**	2007 $M	**2008 $M**	2007 $M
Total facilities				
Senior Notes - 1996 (i)	**43.4**	68.4	**43.4**	68.4
Senior Notes - 2003 (ii)	**143.7**	142.3	**143.7**	142.3
Syndicated Loan Note Facility (iii)	**-**	148.3	**-**	148.3
Trade Finance Facility (iv)	**-**	85.0	**-**	85.0
Bilateral Loan Note Facility (v)	**-**	91.3	**-**	91.3
Working Capital Facility (vi)	**55.0**	68.3	**55.0**	68.3
Short-term Loan (vii)	**-**	51.3	**-**	51.3
CRL Secured Syndicated Revolving Loan Credit Facility (viii)	**-**	15.0	**-**	-
CRL Secured Working Capital Facility (ix)	**-**	10.0	**-**	-
CRL Secured Bank Overdraft Facility (x)	**0.5**	0.5	**-**	-
Syndicated Term Loan Facility (xi)	**445.0**	-	**445.0**	-
CRL Secured Cash Advance Facility (xii)	**15.0**	-	**-**	-
CRL Secured Working Capital Facility (xiii)	**15.0**	-	**-**	-
	717.6	680.4	**687.1**	654.9
Used at balance date				
Senior Notes - 1996 (i)	**43.4**	68.4	**43.4**	68.4
Senior Notes - 2003 (ii)	**143.7**	142.3	**143.7**	142.3
Syndicated Loan Note Facility (iii)	**-**	121.7	**-**	121.7
Trade Finance Facility (iv)	**-**	77.1	**-**	77.1
Bilateral Loan Note Facility (v)	**-**	90.1	**-**	90.1
Working Capital Facility (vi)	**36.8**	68.1	**36.8**	68.1
Short-term Loan (vii)	**-**	51.3	**-**	51.3
Syndicated Term Loan Facility (xi)	**94.0**	-	**94.0**	-
	317.9	619.0	**317.9**	619.0
Unused at balance date				
Syndicated Loan Note Facility (iii)	**-**	26.6	**-**	26.6
Trade Finance Facility (iv)	**-**	7.9	**-**	7.9
Bilateral Loan Note Facility (v)	**-**	1.2	**-**	1.2
Working Capital Facility (vi)	**18.2**	0.2	**18.2**	0.2
CRL Secured Syndicated Revolving Loan Credit Facility (viii)	**-**	15.0	**-**	-
CRL Secured Working Capital Facility (ix)	**-**	10.0	**-**	-
CRL Secured Bank Overdraft Facility (x)	**0.5**	0.5	**-**	-
Syndicated Term Loan Facility (xi)	**351.0**	-	**351.0**	-
CRL Secured Cash Advance Facility (xii)	**15.0**	-	**-**	-
CRL Secured Working Capital Facility (xiii)	**15.0**	-	**-**	-
	399.7	61.4	**369.2**	35.9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 25. Non-current liabilities - Interest-bearing liabilities (continued)

(i) Senior Notes 1996 Series

The remaining tranche of US$30.0 million matures in December 2011. As at 31 December 2008, US$30.0 million at an average interest rate of 7.6% was outstanding on the Senior Notes (2007: US$60.0 million at 7.6%).

(ii) Senior Notes 2003 Series

The notes 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 2008, US$100.0 million at an average interest rate of 5.1% was outstanding (2007: US$100.0 million at 5.1%).

The translation exposure on the US$40.0 million notes maturing in 2013 notes has been eliminated through the use of a cross currency swap transaction. On maturity of these notes the principal repayments are fixed at an exchange rate of AUD/USD 0.7025. The cross currency swap also converts the fixed USD interest payments of 5.25% on the US$40.0 million 2013 tranche to an AUD variable interest rate exposure. As at 31 December 2008, the cross currency swaps bear an average variable interest rate of 4.4% (2007: 7.9%).

The swaps require settlement of interest receivable and payable on a semi-annual basis. The settlement dates coincide with the dates on which interest is payable on the underlying notes.

In 2004 cross currency swaps were in place for all three tranches at an exchange rate of AUD/USD 0.7025 and an average AUD variable interest rate of 6.03%. During 2008, the cross currency swaps on the 2010 and 2015 tranches were closed out at an average rate of AUD/USD 0.6951. The gain on the close out of $0.9 million is included as other income on the income statement.

(iii) Syndicated Loan Note Facility

During the period, the company entered into a new A$445.0 million Syndicated Term Loan Facility replacing the Syndicated Loan Note Facility. The Syndicated Loan Note Facility is a multi currency facility which can be drawn in Australian dollars, US dollars and Euro.

(iv) Trade Finance Facility

During the period, the company entered into a new A$445.0 million Syndicated Term Loan Facility replacing the Trade Finance Facility.

(v) Bilateral Loan Note Facilities

During the period, the company entered into a new A$445.0 million Syndicated Term Loan Facility replacing the Bilateral Loan Note Facility.

(vi) Working Capital Facility (formerly Receivables Acquisition Facility)

During the period, as part of the refinancing of the groups debt facilities, the limit was reduced from US$60.0 million to A$55.0 million. This is a multi currency facility which requires the company to have sufficient credit risk insurance to enable it to be drawn. The facility matured on 12 March 2009 and subsequent to year-end has been extended to 12 March 2010..

(vii) Short-term Loan

During the period, the company entered into a new A$445.0 million Syndicated Term Loan Facility replacing the Short-term Loan.

(viii) CRL Secured Syndicated Revolving Loan Credit Facility

During the period, the company entered into a new A$15.0 million Cash Advance Facility replacing the Syndicated Revolving Loan Credit Facility.

(ix) CRL Secured Working Capital Facility

During the period, the company entered into a new A$15.0 million CRL Working Capital Facility replacing the CRL Secured Working Capital Facility.

(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 (2007: $Nil).

(xi) Syndicated Term Loan Facility

During the year, an A$445.0 million Syndicated Facility Agreement was entered into with maturity dates of March 2012 (A$100.0 million) and March 2013 (A$345.0 million). As at 31 December 2008, A$94.0 million was outstanding under this agreement at an average interest rate of 3.22% (2007: $Nil).

Note 25. Non-current liabilities - Interest-bearing liabilities (continued)

(xii) CRL Secured Cash Advance Facility

During the year, an A$15.0 million Cash Advance Facility was entered into with a maturity date of September 2011. As at 31 December 2008 the facility was undrawn (2007: $Nil).

(xiii) CRL Secured Working Capital Facility

During the year, an A$15.0 million Working Capital Facility was entered into with a maturity date of September 2009. As at 31 December 2008 the facility was undrawn (2007: $Nil).

The carrying value of the interest-bearing liabilities is a reasonable approximation to their fair value.

(b) Assets pledged as security

	Notes	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
The carrying amounts of CRL assets pledged as security are against various CRL secured facilities, these facilities are secured by a fixed and floating charge over all of the CRL assets:					
Cash and cash equivalents	10	**14.5**	4.2	**-**	-
Current receivables	11	**14.1**	24.8	**-**	-
Inventories	12	**22.7**	23.7	**-**	-
Property, plant and equipment	18	**101.7**	107.9	**-**	-
Total assets pledged as security		**153.0**	160.6	**-**	-

(c) Interest rate risk exposure and maturities of interest-bearing liabilities

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.

	Effective floating average interest rate %	Floating interest rate $M	Fixed interest rate: 1 year or less $M	Fixed interest rate: 1 to 5 years $M	Fixed interest rate: More than 5 years $M	Total $M
2008 Group and Parent						
Interest-bearing liabilities* (Notes 22 and 25)	**3.05**	**130.8**	**-**	**158.6**	**28.5**	**321.0**
Interest rate swaps**	**4.44**	**56.9**	**-**	**(56.9)**	**-**	**4.4**
	7.5	**187.7**	**-**	**101.7**	**28.5**	**325.4**
2007 Group and Parent						
Interest-bearing liabilities* (Notes 22 and 25)	6.96	408.3	34.2	91.1	85.4	626.0
Interest rate swaps**	7.67	142.3	-	(56.9)	(85.4)	7.7
	14.6	550.6	34.2	34.2	-	633.7

* Excludes deferred borrowing costs

** Notional principal amounts

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for the year ended 31 December 2008

Note 25. Non-current liabilities - Interest-bearing liabilities (continued)

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
The contractual repricing dates of the floating rate interest-bearing liabilities at the balance dates are as follows:				
Less than 1 year	**36.8**	196.5	**36.8**	196.5
Between 1 and 2 years	**-**	121.7	**-**	121.7
Between 2 and 5 years	**150.9**	147.0	**150.9**	147.0
Over 5 years	**-**	85.4	**-**	85.4
	187.7	550.6	**187.7**	550.6

(d) Foreign currency exposure

The consolidated entity has the following foreign currency risk exposure on interest-bearing liabilities.

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Australian dollar	**-**	301.4	**-**	301.4
US dollar	**180.5**	153.7	**180.5**	153.7

Note 26. Non-current liabilities - Deferred tax liabilities

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Depreciation/amortisation	**128.2**	118.2	**44.9**	33.2
Mining capital expenditure	**7.8**	7.2	**4.5**	2.2
Foreign currency exchange	**-**	3.6	**-**	3.7
Other	**0.7**	1.3	**0.3**	0.2
Receivables	**3.9**	3.3	**-**	0.1
Inventory	**10.0**	10.2	**2.8**	2.5
	150.6	143.8	**52.5**	41.9
Amounts recognised directly in equity				
Cash flow hedges	**-**	0.8	**-**	0.8
	150.6	144.6	**52.5**	42.7
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 19)	**(150.6)**	(99.9)	**(52.5)**	(33.7)
Net deferred tax liabilities	**-**	44.7	**-**	9.0
Movements:				
Opening balance at 1 January	**44.7**	56.8	**9.0**	6.1
Charged/(credited) to the income statement (Note 8)	**(43.9)**	(6.3)	**(8.2)**	10.4
Charged/(credited) to equity (Notes 8 and 29)	**(0.8)**	(10.1)	**(0.8)**	(7.2)
Under provision in prior years	**-**	4.3	**-**	(0.3)
Closing balance at 31 December	**-**	44.7	**-**	9.0

Note 27. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$M	$M	**$M**	$M
Employee benefits	**2.7**	2.7	**0.9**	1.0
Rehabilitation and mine closure	**309.4**	265.6	**124.8**	87.0
Retirement benefit obligations	**10.6**	2.0	**-**	-
	322.7	270.3	**125.7**	88.0

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

	Rehabilitation and mine closure $M	Retirement benefits $M	Other provisions $M
Consolidated - 2008			
Carrying amount at start of year	**304.4**	**2.0**	**2.6**
Additional provisions recognised	**49.6**	**8.6**	**2.9**
Payments	**(24.2)**	**-**	**(0.1)**
Rehabilitation and restoration accretion expense	**14.4**	**-**	**-**
Foreign exchange rate movements	**5.4**	**-**	**-**
Carrying amount at end of year	**349.6**	**10.6**	**5.4**

	Rehabilitation and mine closure $M	Other provisions $M
Parent entity - 2008		
Carrying amount at start of year	**95.7**	**2.5**
Additional provisions recognised	**19.1**	**2.7**
Payments	**(10.6)**	**-**
Transfers/reclassifications	**25.6**	**-**
Rehabilitation and restoration accretion expense	**6.2**	**-**
Unused amounts reversed	**-**	**-**
Carrying amount at end of year	**136.0**	**5.2**

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

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for the year ended 31 December 2008

Note 28. Contributed equity

	Consolidated and Parent entity		Consolidated and Parent entity	
	2008 Number of shares	2007 Number of shares	**2008 Paid up value $M**	2007 Paid up value $M
(a) Share capital				
Ordinary shares				
Issued and paid up capital	**380,700,517**	242,237,328	**1,006.5**	662.6
			-	-
Total contributed equity - parent entity			**1,006.5**	662.6
Treasury shares	**(2,812,532)**	-	**(8.4)**	-
Total consolidated contributed equity			**998.1**	662.6

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$M
1 January 2007	Opening balance	232,914,349		611.0
7 May 2007	Dividend Reinvestment Plan issue to shareholders	1,222,687	$5.68	6.9
7 May 2007	Dividend Reinvestment Plan issue to underwriter	3,637,993	$5.77	21.0
7 May 2007	Transaction costs arising on share issue	-		(0.1)
19 October 2007	Dividend Reinvestment Plan issue to shareholders	1,017,118	$5.27	5.4
19 October 2007	Dividend Reinvestment Plan issue to underwriter	3,445,181	$5.35	18.4
31 December 2007	Balance	242,237,328		662.6
1 January 2008	Opening balance	242,237,328		662.6
22 March 2008	Rights Issue	101,124,750	$2.55	257.9
22 April 2008	Rights Issue	37,338,439	$2.55	95.2
				1,015.7
	Transaction costs on rights issue net of tax			(9.2)
31 December 2008	Balance	**380,700,517**		**1,006.5**

(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) Treasury shares

Treasury shares are shares in Iluka Resources Limited that are held by Iluka Administration Limited for the purpose of issuing shares under the Directors, Executives and Employees Share Acquisition Plan (see Note 43 for further information).

Details	Number of shares	$M
Opening balance 1 January 2008	-	-
Transfer from share-based payments reserve	286,572	1.0
Acquisition of shares net of tax	3,495,483	10.7
Employee share scheme issue	(969,523)	(3.3)
Balance 31 December 2008	**2,812,532**	**8.4**

Note 28. Contributed equity (continued)

(e) Dividend reinvestment plan

The Company has a dividend reinvestment plan (DRP) 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. The DRP's for the final 2006 dividend and interim 2007 dividend were fully underwritten, with shares issued to the underwriter being at a discount of 1.0 percent.

In respect of the final dividend for 2006 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 for 2007 distributed 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. No dividends have since been declared.

(f) 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 level of net debt in compliance with bank covenants, including the gearing ratio. 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 'total equity' as shown in the balance sheet, excluding hedge reserve and foreign currency translation reserve 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 25) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 29.Reserves and retained profits

(a) Reserves

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$M	$M	**$M**	$M
Asset revaluation reserve	**17.5**	17.6	**18.5**	18.6
Hedging reserve - foreign exchange cash flow hedges	**(102.6)**	4.1	**(97.8)**	1.9
Employee share options reserve	**-**	0.2	**-**	0.2
Foreign currency translation reserve	**(3.1)**	1.7	**-**	-
Share-based payments reserve	**3.9**	0.5	**4.7**	0.3
Defined benefit superannuation reserve	**-**	(0.3)	**-**	-
	(84.3)	23.8	**(74.6)**	21.0
Movements:				
Asset revaluation reserve				
Balance 1 January	**17.6**	18.9	**18.6**	19.3
Transfer to retained earnings	**(0.1)**	(1.3)	**(0.1)**	(0.7)
Balance 31 December	**17.5**	17.6	**18.5**	18.6
Hedging reserve - foreign exchange cash flow hedges				
Balance 1 January	**4.1**	20.5	**1.9**	18.6
Revaluation, net of tax	**(134.2)**	4.9	**(99.7)**	1.9
Transfer to net profit, net of tax	**27.5**	(21.3)	**-**	(18.6)
Balance 31 December	**(102.6)**	4.1	**(97.8)**	1.9
Employee options reserves				
Balance 1 January	**0.2**	0.2	**0.2**	0.2
Transfer to share-based payments reserve	**(0.2)**	-	**(0.2)**	-
Balance 31 December	**-**	0.2	**-**	0.2
Foreign currency translation reserve				
Balance 1 January	**1.7**	(1.5)	**-**	-
Currency translation differences arising during the year	**(22.9)**	10.5	**-**	-
Hedge of net investment in foreign entity	**18.1**	(7.3)	**-**	-
Balance 31 December	**(3.1)**	1.7	**-**	-
Share-based payments reserve				
Balance 1 January	**0.5**	1.7	**0.3**	1.7
Recognition of the fair value of equity instruments granted to employees	**3.2**	(1.2)	**4.2**	(1.4)
Transfer from employee options reserve	**0.2**	-	**0.2**	-
Balance 31 December	**3.9**	0.5	**4.7**	0.3
Defined benefit superannuation reserve				
Balance 1 January	**(0.3)**	(0.1)	**-**	-
Decrease for the year	**-**	(0.2)	**-**	-
Transfer to retained earnings	**0.3**	-	**-**	-
Balance 31 December	**-**	(0.3)	**-**	-

Note 29.Reserves and retained profits (continued)	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
(b) Retained profits				
Movements in retained profits were as follows:				
Balance 1 January	**(2.8)**	(3.5)	**72.5**	119.6
Net profit for the year	**77.5**	51.1	**(18.4)**	3.9
Dividends	**-**	(51.7)	**-**	(51.7)
Actuarial gains / (losses) on retirement benefit obligation, net of tax	**(8.5)**	-	**-**	-
Transfer from asset revaluation reserve	**0.1**	1.3	**-**	0.7
Transfer from defined benefits superannuation reserve	**(0.3)**	-	**-**	-
Balance 31 December	**66.0**	(2.8)	**54.1**	72.5

(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) Hedging reserve - foreign exchange 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(k). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) Employee share options reserve

The employee share options reserve is used to recognise the fair value of options issued but not exercised. The balance of this reserve was transferred to share-based payments reserve on 1 January 2008.

(iv) 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(j). The reserve is recognised in profit and loss when the net investment is disposed of.

(v) 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 43.

(vi) 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. The balance of this reserve was transferred to retained earnings on 1 January 2008 and all movements since that date are taken to retained earnings. Refer Note 33.

(vii) Hedge of net investment in foreign entity

US$65.0 million of debt (2007: US$60.0 million) is designated as a hedge of the net investment in the US operations. The fair value and carrying amount of the borrowings designated as a hedge at 31 December 2008 was $94.0 million (2007: $68.4 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 30. Dividends

	Parent entity	
	2008 $M	2007 $M
(a) Ordinary shares		
Final dividend for the year ended 31 December 2007 Nil (2006: 12 cents fully franked) per fully paid share		
Paid in cash	-	21.0
Satisfied by issue of shares	-	6.9
Interim dividend for the year ended 31 December 2008 Nil (2007: 10 cents fully franked) per fully paid share		
Paid in cash	-	18.4
Satisfied by issue of shares	-	5.4
	-	51.7

(b) Franked dividends

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Franking credits available for subsequent financial years based on a tax rate of 30 per cent (2007: 30 per cent)	**8.3**	9.2	**(0.5)**	(3.6)

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 $8.8 million (2007: $8.5 million) for the Consolidated Rutile Limited group. Distribution of franking credits by the parent entity is subject to receipt of fully franked dividends from Consolidated Rutile Limited which is 51.04 per cent owned by the parent entity at 31 December 2008.

Note 31. 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 C Campbell
V A Davies
R L Every (*Chairman*)
I C Mackenzie (*Chairman*)
D M Morley
G J Pizzey
G J Rezos
J A Seabrook

(ii) Managing Director and Chief Executive Officer

D Robb

All above persons were Directors of Iluka Resources Limited for all of the financial year, as well as for the financial year ended 31 December 2007, except G C Campbell, V A Davies and I C Mackenzie who retired on 21 May 2008, and J A Seabrook who was appointed as a Director on 1 May 2008.

Note 31. Key Management Personnel (continued)

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 2008:

M Adams[1]	General Manager Western Region
P Beilby	General Manager Murray Basin
P Benjamin	General Manager Exploration & Technical Services
S Green[2]	Acting Chief Financial Officer
V Hugo	General Manager Sales and Marketing
D McMahon[3]	Chief Financial Officer
A Tate[4]	Chief Financial Officer
H Umlauff	General Manager SA Development & Project Management
S Wickham[5]	General Manager Western Region
C Wilson	General Manager Corporate Services & Company Secretary

1 M Adams ceased employment 26 September 2008.
2 S Green Acting Chief Financial Officer from 18 January 2008 to 12 May 2008.
3 D McMahon ceased employment 17 January 2008.
4 A Tate appointed as Chief Financial Officer 13 May 2008.
5 S Wickham appointed as an Executive 1 September 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 2007, except:

- S Green, classified as an Executive between 18 January 2008 and 12 May 2008.
- A Tate, appointed as Executive 13 May 2008.
- S Wickham, appointed as an Executive 1 September 2008.

The following persons were also Executives during the year ended 31 December 2007, except:

- D Calhoun, ceased employment 30 November 2007.
- D Grant, ceased employment 16 February 2007.
- D McMahon, appointed as an Executive 29 January 2007.

Key Management Personnel Compensation (Consolidated And Parent Entity)

	Short-term Benefits $	Post Employment Benefits $	Share Based Payments $	Termination Benefits $	TOTAL $
2008					
Non-Executive Directors	**846,974**	**69,472**	**-**	**-**	**916,446**
Executive Directors	**2,224,833**	**97,207**	**713,310**	**-**	**3,035,350**
Executives	**4,404,628**	**264,292**	**1,349,523**	**-**	**6,018,443**
TOTAL	**7,476,435**	**430,971**	**2,062,833**	**-**	**9,970,239**
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	372,850	455,655	424,000	4,649,714
TOTAL	5,533,021	538,792	810,140	424,000	7,305,953

The company has taken advantage of the relief provided by the Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the remuneration report. The relevant information can be found on pages 15 to 20 of the remuneration report.

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for the year ended 31 December 2008

Note 31. Key Management Personnel (continued)

Share Rights And Shareholdings Of Key Management Personnel

	Number Of Shares					Number Of Share Rights				
Name	Balance held at 1/1/08	Received on vesting of share rights during the year	Awarded as Restricted Shares	Other changes during the year**	Balance held at 31/12/08***	Balance held at 1/1/08	Granted during 2008*	Vested as shares during 2008	Lapsed during 2008**	Balance held at 31/12/08
Non-Executive Directors										
G Campbell	85,740	-	-	(85,740)	-	-	-	-	-	-
V Davies	36,102	-	-	(36,102)	-	-	-	-	-	-
R Every	18,250	-	-	10,429	28,679	-	-	-	-	-
I Mackenzie	43,810	-	-	(43,810)	-	-	-	-	-	-
D Morley	26,012	-	-	14,864	40,876	-	-	-	-	-
G Pizzey	10,405	-	-	5,946	16,351	-	-	-	-	-
G Rezos	40,474	-	-	23,128	63,602	-	-	-	-	-
J Seabrook	-	-	-	17,612	17,612	-	-	-	-	-
Executive Director										
D Robb	72,835	80,762	67,003	185,198	405,798	124,821	1,189,619	(80,762)	-	1,233,678
Executives										
M Adams	2,284	2,243	-	(4,527)	-	22,554	167,994	(2,243)	(188,305)	-
P Beilby	27,369	6,102	21,386	31,346	86,203	28,910	133,570	(6,102)	-	156,378
P Benjamin	17,050	4,786	21,182	24,524	67,542	27,769	165,542	(4,786)	-	188,525
V Hugo	22,842	7,816	18,391	28,028	77,077	35,733	106,811	(7,816)	-	134,728
D McMahon	-	-	-	-	-	-	-	-	-	-
A Tate	-	-	-	-	-	-	140,828	-	-	140,828
H Umlauff	2,469	2,424	29,805	19,827	54,525	30,514	137,291	(2,424)	-	165,381
S Wickham	-	-	10,452	5,973	16,425	12,039	72,978	-	-	85,017
C Wilson	4,876	8,263	22,102	8,500	43,741	36,255	168,391	(8,263)	-	196,383

* Granted during 2008 includes the full grant of the Share Rights offered under the 2008 LTIP, Iluka Retention Plan and share right adjustment for previous grants relating to the dilution impact of the Accelerated Renounceable Entitlement Offer.

** Negative amounts reflect the result of leaving the Company during the year.

*** Balance includes restricted shares awarded during the year of which half vested 1 January 2009 and half will vest 1 January 2010.

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.

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 2008.

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.

(d) Ms Seabrook is a Special Advisor to Gresham Partners Limited, a company associated with Gresham Advisory Partners Limited. Services provided by Gresham Advisory Partners Limited during the year of $1,659,000 were provided under normal commercial terms and conditions (all services were provided prior to the appointment of Ms Seabrook as a director and were in connection with the sale of the Narama Joint Venture and the equity raising).

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

Note 32. Remuneration of auditors

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
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				
Audit and audit related services				
Fees paid to PricewaterhouseCoopers:				
PwC Australia	**771,969**	851,363	**625,000**	708,000
Other PwC firms	**72,569**	60,400	**-**	-
Total remuneration for audit services	**844,538**	911,763	**625,000**	708,000
Other assurance services - due diligence services in connection with the equity raising				
PwC Australia	**445,000**	-	**445,000**	-
Total remuneration for assurance services	**1,289,538**	911,763	**1,070,000**	708,000
(b) Taxation services				
Fees paid to PricewaterhouseCoopers:				
PwC Australia	**86,800**	21,000	**86,800**	21,000
Other PwC firms	**12,000**	33,360	**-**	-
Total remuneration for taxation services	**98,800**	54,360	**86,800**	21,000
(c) Other services				
Fees paid to PricewaterhouseCoopers:				
PwC Australia	**56,980**	24,884	**56,980**	24,884
Total remuneration for other services	**56,980**	24,884	**56,980**	24,884

Note 33. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 33. Retirement benefit obligations (continued)	Consolidated	
	2008	2007
	$M	$M
(b) Balance sheet amounts		
The amounts recognised in the balance sheet are determined as follows:		
Defined benefit plan obligation	**27.6**	20.4
Defined benefit fund plan assets	**(16.2)**	(17.9)
Deficiency of net market value of assets over the present value of employees' accrued benefit payments	**11.4**	2.5
Unrecognised past service costs	**(0.8)**	(1.4)
Net liability in the balance sheet (refer note 27) *	**10.6**	1.1

* In 2007 the net deficiency of $1.1 million in respect of the Master Trust plan consisted of a surplus of $1.2 million recognised as an asset and a deficiency of $2.3 million recognised as a liability.

(c) Categories of plan assets

The major categories of plan assets are as follows:

	2008 $M	2007 $M
Cash	**0.8**	1.1
Equity instruments	**9.4**	12.3
Debt instruments	**4.5**	2.7
Property	**0.4**	0.8
Other assets	**1.1**	1.0
	16.2	17.9

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.

(d) Reconciliations

Reconciliation of the present value of the defined benefit obligation, which is partly funded:	**2008 $M**	2007 $M
Balance at 1 January	**20.4**	21.5
Current service cost	**0.7**	0.8
Interest cost	**1.2**	1.2
Contributions by plan participants	**0.1**	0.1
Actuarial gains and losses	**2.8**	0.5
Foreign currency exchange rate changes	**3.5**	(1.3)
Benefits paid	**(1.1)**	(2.4)
Balance at 31 December	**27.6**	20.4
Reconciliation of the fair value of plan assets:		
Balance at 1 January	**17.9**	17.4
Expected return on plan assets	**1.3**	1.3
Actuarial gains and losses	**(6.1)**	(0.3)
Foreign currency exchange rate changes	**2.2**	(0.8)
Contributions by group companies	**1.9**	2.6
Contributions by plan participants	**0.1**	0.1
Benefits paid	**(1.1)**	(2.4)
Balance at 31 December	**16.2**	17.9

Note 33. Retirement benefit obligations (continued)	Consolidated	
	2008 **$M**	2007 $M
(e) Amounts recognised in income statement		
Current service cost	**0.7**	0.8
Interest cost	**1.2**	1.2
Expected return on plan assets	**(1.3)**	(1.3)
Net actuarial losses recognised in year	**-**	0.2
Past service cost	**0.8**	1.0
Gains on curtailments and settlements	**-**	(0.1)
Total included in employee benefits expense	**1.4**	1.8
Actual return on plan assets	**(4.8)**	1.0

	Consolidated	
	2008 **%**	2007 %
(f) Principal actuarial assumptions		
The principal actuarial assumptions used (expressed as weighted averages) were as follows:		
Australia*		
Discount rate	**3.5**	6.0
Expected return on plan assets	**5.0**	6.5
Future salary increases	**3.5**	5.0
Expected rate of inflation	**2.0**	2.0
USA**		
Discount rate	**6.0**	6.3
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 5.0 per cent (2007: 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 (2007: 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 (2007: 8.7 per cent to 24.6 per cent) of salaries dependent on the defined benefit category of membership.

Total defined benefit employer contributions expected to be paid by consolidated entity companies for the year ending 31 December 2009 are $1.1 million

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for the year ended 31 December 2008

Note 33. 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 US$1.1 million (2007: US$1.5 million) for the salaried defined benefit plan and US$0.3 million (2007: US$0.4 million) for the hourly defined benefit plan.

Total employer contributions expected to be paid by consolidated entity companies for the year ending 31 December 2009 are US$2.1 million.

(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

The net financial position of the plan has been determined from information supplied by the Master Trust, and a deficit of $4.1 million as at 31 December 2008 (2007: $1.2 million surplus) 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 2008), and in accordance with IAS 19 *Employee Entitlements*, and a deficit of $US 6.5 million as at 31 December 2008 (2007: $US 2.0 million) was reported.

(i) Historic summary

	Consolidated				
	2008 $M	2007 $M	2006 $M	2005 $M	2004 $M
Defined benefit plan obligation	**27.6**	20.4	21.5	21.2	18.4
Defined benefit fund plan assets	**(16.2)**	(17.9)	(17.4)	(15.4)	(14.1)
Deficiency (surplus) of net market value of assets over the present value of employees' accrued benefit payments	**11.4**	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 34. Contingent liabilities

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$M	$M	**$M**	$M
Contingent liabilities				
Details and estimates of maximum amounts of contingent liabilities are as follows:				
Performance commitments and guarantees (a)	**109.5**	88.3	**29.5**	31.6

(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$205.0 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 $160.0 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.

Contingent assets

(a) During 2008, production at Iluka's Western Australian operations were interrupted, as a consequence of the pipe line explosion at Apache Energy's Varanus Island facility on 3 June 2008. Iluka has Business service interruption insurance (although this is capped and includes a deductible period) and is currently progressing a claim under that policy. Iluka has received $2.5 million from its insurers as an initial payment in respect of the claim which is included in Other Income (Note 6).

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for the year ended 31 December 2008

Note 35. Commitments

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$M	$M	**$M**	$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*	**142.9**	20.4	**1.7**	12.4

* Included in capital commitments for the consolidated entity are commitments in relation to the Murray Basin of $56.7 million (2007: $4.6 million), and Jacinth-ambrosia of $64.6 million (2007: $1.1 million).

(b) Exploration and mining lease commitments

Exploration expenditure commitments payable*:

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

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Within one year	**19.9**	17.5	**10.8**	9.6
Later than one year but not later than five years	**43.6**	42.0	**19.7**	20.6
Later than five years	**51.4**	50.2	**11.0**	12.9
	114.9	109.7	**41.5**	43.1

* 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 reporting date but not recognised as liabilities, payable:

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Within one year	**14.1**	8.5	**3.8**	3.3
Later than one year but not later than five years	**33.8**	27.8	**11.0**	9.5
Later than five years	**13.1**	18.1	**1.5**	2.8
	61.0	54.4	**16.3**	15.6

(d) Other commitments

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

	Consolidated 2008 $M	Consolidated 2007 $M	Parent entity 2008 $M	Parent entity 2007 $M
Within one year	**56.9**	40.6	**36.5**	36.5
Later than one year but not later than five years	**107.5**	105.8	**86.3**	102.8
Later than five years	**41.8**	61.8	**40.0**	60.0
	206.2	208.2	**162.8**	199.3

* Included in other commitments are amounts of $163.2 million (2007: $199.9 million) in respect of the consolidated entity and $162.8 million (2007: $199.3 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 36. Related party transactions

(a) Directors and specified executives

Disclosures relating to Directors and Key Management Personnel are set out in Note 31.

(b) Controlled entities and controlling entities

Details of material controlled entities are set out in Note 37. 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	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Interest revenue				
Non-current receivables (loans)	**-**	-	**4,237**	2,996
Aggregate amounts included in the determination of profit (loss) before income tax that resulted from transactions with other related parties:				
Management fee revenue from material controlled entity	**-**	-	**982**	987

(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 37.

Transactions between Iluka Resources Limited and other entities in the wholly-owned group during the years ended 31 December 2008 and 31 December 2007 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	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Agregate amounts included in determination of profit (loss) before income tax that resulted from transactions with entities in the wholly-owned group:				
Interest revenue	**-**	-	**15,025**	17,686
Aggregate amounts receivable from/payable to entities in the wholly-owned group at balance date:				
Non-current receivables (loans)	**-**	-	**237,179**	286,186

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 2008 or 2007. The average lending rate for the year for loans advanced by the parent entity was 5.0 per cent (2007: 6.5 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.

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
(d) Transactions and balances with related parties				
Current tax payable assumed from wholly-owned tax consolidated entities	**-**	-	**27,123**	39,415
Tax losses assumed from wholly-owned tax consolidated entities	**-**	-	**16,009**	15,399
Sales of finished goods to subsidiary	**-**	-	**9,962**	-

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for the year ended 31 December 2008

Note 36. Related party transactions (continued)	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
(d) Transactions and balances with related parties (continued)				
Current receivable (tax funding arrangement)				
Wholly-owned tax consolidated entities	**-**	-	**27,123**	39,415
Current payables (tax funding agreement)				
Wholly-owned tax consolidated entities	**-**	-	**16,009**	15,399

(e) Other related parties

Information relating to joint venture interests is set out in Note 39.

Note 37. Investments in significant controlled entities

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

Name of Entity	Country of incorporation	Equity holding** 2008 %	Equity holding** 2007 %
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 38. 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 2008 and 31 December 2007 of the Extended Closed Group.

Note 38. Deed of cross guaranteed (continued)

	Consolidated	
	2008	2007
	$M	$M
Condensed income statement		
Revenue from ordinary activities	**897.5**	757.6
Interest and finance costs	**(38.6)**	(57.6)
Exchange losses on foreign currency borrowings	**(0.4)**	(4.0)
Other expenses from ordinary activities	**(789.9)**	(646.7)
Income tax benefit (expense)	**(1.8)**	(11.3)
Profit for the year	**66.8**	38.0
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	**73.0**	85.5
Transfer from asset revaluation/asset realisation reserve	**0.1**	1.2
Profit for the year	**66.8**	38.0
Dividends provided for or paid	**-**	(51.7)
Retained profits at the end of the financial year	**139.9**	73.0

Condensed balance sheet

Set out below are consolidated balance sheets as at 31 December 2008 and 31 December 2007 of the Extended Closed Group.

	2008 $M	2007 $M
Current assets		
Cash and cash equivalents	**76.6**	7.7
Receivables	**206.2**	144.2
Inventories	**205.5**	283.0
Derivative financial instruments	**-**	2.1
Current tax receivables	**-**	12.4
Other	**4.9**	13.2
Total current assets	**493.2**	462.6
Non-current assets		
Receivables	**93.8**	72.2
Other financial assets	**144.5**	149.9
Property, plant and equipment	**1,219.4**	1,074.9
Intangible assets	**13.5**	15.1
Other	**-**	0.7
Total non-current assets	**1,471.2**	1,312.8
Total assets	**1,964.4**	1,775.4
Current liabilities		
Payables	**138.4**	85.6
Interest-bearing liabilities	**36.8**	230.7
Current tax liabilities	**1.1**	-
Provisions	**37.7**	31.2
Other	**93.0**	-
Total current liabilities	**307.0**	347.5
Non-current liabilities		
Interest-bearing liabilities	**276.5**	387.4
Deferred tax liabilities	**(5.7)**	39.9
Provisions	**322.7**	242.6
Total non-current liabilities	**593.5**	669.9
Total liabilities	**900.5**	1,017.4
Net assets	**1,063.9**	758.0
Equity		
Contributed equity	**998.1**	662.6
Reserves	**(74.1)**	22.4
Retained profits	**139.9**	73.0
Total equity	**1,063.9**	758.0

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Note 39. 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 40. Reconciliation of profit after income tax to net cash inflow (outflow) from operating activities

	Consolidated		Parent entity	
	2008 $M	2007 $M	**2008 $M**	2007 $M
Profit (loss) after income tax	**85.0**	60.4	**(18.4)**	3.9
Depreciation and amortisation	**161.7**	147.9	**53.1**	43.8
Current year exploration expenditure capitalised	**(4.0)**	(4.4)	**-**	-
Interest capitalised	**(4.0)**	-	**(4.0)**	-
Net gain on disposal of property, plant and equipment	**(32.3)**	(11.3)	**-**	(4.9)
Net exchange differences on borrowings	**11.2**	(9.7)	**29.4**	(17.3)
Rehabilitation, restoration and accretion expense	**15.9**	17.5	**8.5**	5.7
Non-cash employee benefits	**4.6**	1.3	**3.7**	0.9
Amortisation of deferred borrowing costs	**0.8**	0.3	**0.8**	0.3
Other non-cash operating activities between group entities	**-**	-	**(14.5)**	(17.7)
Impairment (reversals) charges	**(5.5)**	-	**(45.6)**	-
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	**(51.1)**	40.4	**(19.0)**	12.6
Decrease (increase) in inventories	**74.2**	(68.6)	**(1.8)**	9.7
Decrease (increase) in current tax assets	**12.7**	(12.6)	**13.3**	(13.3)
Decrease (increase) in other operating assets	**3.4**	6.7	**7.1**	(9.3)
Decrease (increase) in deferred tax assets	**32.4**	3.8	**-**	-
Increase (decrease) in payables	**(3.6)**	(13.3)	**(4.3)**	(3.2)
Increase (decrease) in current tax liabilities	**(3.3)**	(6.6)	**1.1**	(9.9)
Increase (decrease) in other operating liabilities	**-**	(2.5)	**-**	(5.2)
Increase (decrease) in deferred tax liabilities	**(44.7)**	(5.4)	**(8.2)**	11.4
Increase (decrease) in provisions	**(20.4)**	(21.8)	**17.3**	(8.4)
Net cash inflow from operating activities	**233.0**	95.5	**18.5**	(27.5)

Note 41. Non-cash investing and financing activities

Non-cash investing and financing activities 2008 nil (2007: $12.3 million in respect of the dividend reinvestment program, details of which are set out in Note 28(e)).

Note 42. Earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
(a) Basic and Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**13.8**	17.0
Profit from discontinued operation	**8.6**	4.6
Profit attributable to the ordinary equity holders of the company	**22.4**	21.6

	Consolidated	
	2008	2007
	$M	$M
Reconciliations of earnings used in calculating earnings per share		
Profit for the year	**55.0**	49.5
Net profit attributable to minority interests	**(7.5)**	(9.3)
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**47.5**	40.2
Profit from discontinued operation	**30.0**	10.9
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**77.5**	51.1

	Consolidated	
	2008	2007
Weighted average number of shares used as the denominator	**Number**	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**345,621,183**	236,966,229

Note 43. Share-based payments

During the year ended 31 December 2008 the following incentive plans were active. Please refer to the Remuneration Report for further information in respect to each type of Share-Based Payment Plans adopted by the Group.

(a) Short Term Incentive Plan

Information on the Short Term Incentive Plan (STIP) is disclosed in the remuneration report. Set out below are details of the restricted shares granted under the plan:

	Consolidated **2008**	Parent **2008**
Grant Dates	01/02/08	01/02/08
Vesting Period	01/01/09	01/01/09
	01/01/10	01/01/10
Maximum potential number of Restricted Shares granted under the plan	490,143	490,143
Fair Value of Restricted Shares	$4.09	$4.09

There were no restricted shares granted under the plan in 2007.

The fair value at grant date is independently determined using the Black-Scholes model that takes into account the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free discount rate for the term of the right.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 43. Share-based payments (continued)

(b) Long Term Incentive Plan

Information on the Long Term Incentive Plan (LTIP) is disclosed in the remuneration report. Set out below are details of the share rights granted under the plan:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Grant Date	01/03/08	01/03/07	01/03/08	01/03/07
Vesting Period	01/03/11	01/03/10	01/03/11	01/03/10
Maximum potential number of Share Rights granted under the plan	882,678	380,369	882,678	380,369
Fair Value of Share Rights	$2.93	$4.32	$2.93	$4.32

The fair value at grant date is independently determined using the Monte-Carlo simulation to model share prices at vesting date by repeatedly sampling random movements in a share's price. This repeated random sample in conjunction with certain known and historical data (e.g. rates, dividend yields and volatility) makes it possible to form a complete probability distribution of a share's price at a particular time in the future and hence estimate the average or mean share price at this time.

(c) Iluka Retention Plan

Information on the Iluka Retention Plan is disclosed in the remuneration report. Set out below are details of the share rights granted under the plan:

	Consolidated	Parent
	2008	**2008**
Grant Dates	2008	2008
Vesting Period	2011	2011
Maximum potential number of Share Rights granted under the plan	1,140,000	1,140,000
Fair Value of Share Rights	$4.09	$4.09

There were no share rights granted under the plan in 2007 as this plan was established in the current year.

The fair value at grant date is independently determined using the Black-Scholes model that takes into account the share price at grant date, the exercise price, the expected price volatility of the underlying share, the expected dividend yield and the risk free discount rate for the term of the right.

(d) Managing Director's Retention Arrangements

Information on the Managing Director's Retention Share Rights is disclosed in the remuneration report. Set out below are details of the share rights granted under the plan:

	Consolidated	Parent
	2008	**2008**
Grant Date	01/02/08	01/02/08
Vesting Period	28/02/11	28/02/11
Maximum potential number of Share Rights granted under the plan	1,000,000	1,000,000
Fair Value of Share Rights	$1.00	$1.00

There were no share rights granted under the plan in 2007 as this plan was established in the current year.

The fair value at grant date is independently determined using the Monte-Carlo simulation to model share prices at vesting date by repeatedly sampling random movements in a share's price. This repeated random sample in conjunction with certain known and historical data (e.g. rates, dividend yields and volatility) makes it possible to form a complete probability distribution of a share's price at a particular time in the future and hence estimate the average or mean share price at this time.

(e) Managing Director's Share Rights

Information on the Managing Director's Share Rights is disclosed in the remuneration report. Set out below are details of the share rights awarded under the plan:

	Consolidated	Parent
	2008	**2008**
Grant Date	01/10/06	01/10/06
Vesting Period	01/07/08	01/07/08
Number of Share Rights Awarded	80,762	80,762
Fair Value of Share Rights	$7.08	$7.08

There were no share rights awarded under the plan in 2007.

Note 43. Share-based payments (continued)

(f) Previous Performance Incentive Plans

Information on the Previous Performance Incentive Plans (PIP) is disclosed in the remuneration report. Set out below are details of the share rights awarded under the plan:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Grant Date	01/01/06 01/01/07	01/01/06 01/01/07	01/01/06 01/01/07	01/01/06 01/01/07
Vesting Period	01/01/08	01/01/07	01/01/08	01/01/07
Number of Share Rights Awarded	47,362	63,198	47,362	63,198
Fair Value of Share Rights	$6.67	$7.01	$6.67	$7.01

The fair value at grant date is independently determined using the Black-Scholes model that takes into account the share price at grant date, the exercise price, the expected price volatility of the underlying share, the expected dividend yield and the risk free discount rate for the term of the right.

(g) 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.

Shares rights awarded under the Directors', Executives' and Employees' Share Acquisition Plan to participating employees is set out below:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Grant Date	2005	2003/4	2005	2003/4
Vesting Period	2008	2007	2008	2007
Number of Share Rights Awarded	22,507	109,584	22,507	109,584
Fair Value of Share Rights	$5.43	$5.30	$5.43	$5.30

The fair value at grant date is independently determined using the Black-Scholes model that takes into account the share price at grant date, the exercise price, the expected price volatility of the underlying share, the expected dividend yield and the risk free discount rate for the term of the right.

(h) Employee share plan

Information on the Employee Share Plan is disclosed in the remuneration report. Set out below are details of the shares awarded under the plan:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Number of Shares issued under the Employee Share Plan	195,024	105,000	195,024	105,000
Weighted Average Market Price	$3.67	$5.80	$3.67	$5.80

(i) 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	
	2008 **$M**	2007 $M	**2008** **$M**	2007 $M
Expenses Arising from Share-Based Payment Transactions	4.6	1.3	3.7	0.9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

Note 44. Events occurring after the balance sheet date

Supreme Court proceedings were commenced by Bemax against various Iluka entities in December 2007. The action concerns the enforceability of an in-principle agreement concerning Iluka's Tutunup tenements and includes a claim for damages against Iluka. On 13 January 2009 a Deed of Discharge and Release was executed by Bemax and Iluka under which terms have been agreed to settle the proceedings, subject to various conditions precedent relating to Foreign Investment Review Board approval and ministerial approvals to the transfer of various tenements and land. The parties have agreed to use their best endeavours to satisfy the conditions precedent by 1 June 2009.

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.

In the Directors' opinion:

(a) the financial statements and notes to the financial statements 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 2008 and of their performance for the financial year ended on that date; and

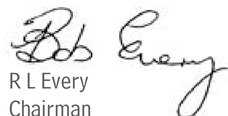
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out in the remuneration 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 38 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 38.

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.



R L Every
Chairman

D A Robb
Managing Director

Perth
31 March 2009

Report On The Financial Report

We have audited the accompanying financial report of Iluka Resources Limited (the company), which comprises the balance sheet as at 31 December 2008, 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.

Directors' responsibility for the financial 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 controls 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.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

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 2008 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.

Liability limited by a scheme approved under Professional Standards Legislation.

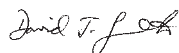
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 20 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Iluka Resources Limited for the period ended 31 December 2008 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers



David J Smith
Partner

Perth
31 March 2009

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 (JORC Code).

The information in the 2008 Annual Report relating to Mineral Resources and Ore Reserves in this Report 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 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 this Report is a full time employee of Iluka Resources Limited or Consolidated Rutile Limited ("CRL"). Each Competent Person consents to the inclusion in this Report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures reported represent estimates at 31 December 2008. 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).

ORE RESERVES

Ore Reserves are estimated using all available geological and relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries and final product qualities. Ore Reserve estimates are determined by the consideration of all of the "modifying factors" in accordance with the JORC Code 2004, and for example, may include but are not limited to, product prices, mining costs, metallurgical recoveries, environmental consideration, access and approvals. These factors may vary significantly between deposits.

ILUKA ORE RESERVE BREAKDOWN BY REGION AND JORC CATEGORY AT 31 DECEMBER 2008

Summary of Ore Reserves[1,2,3] for Iluka

Country	Region	Ore Reserve Category	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	Proved	93.8	6.31	6.7	28	50	5	
	Eucla Basin	Probable	4.5	0.11	2.5	20	53	4	
Total	Eucla Basin		98.3	6.42	6.5	28	50	5	(0.00)
	WA - Mid West	Proved	6.1	0.37	6.1	50	12	5	
	WA - Mid West	Probable	125.6	7.73	6.2	54	13	6	
Total	WA - Mid West		131.7	8.10	6.2	54	13	6	0.39
	WA - South West	Proved	2.1	0.19	9.0	81	6	1	
	WA - South West	Probable	39.1	4.53	11.6	75	10	1	
Total	WA - South West[5]		41.2	4.71	11.4	76	10	1	(2.04)
	Murray Basin	Proved	17.4	3.29	18.9	49	10	13	
	Murray Basin	Probable	25.0	5.43	21.7	51	12	16	
Total	Murray Basin[6]		42.4	8.71	20.6	50	11	15	(0.01)
	CRL North Stradbroke Island	Proved	223.0	1.97	0.9	48	11	14	
	CRL North Stradbroke Island	Probable	150.0	1.22	0.8	46	11	14	
Total	CRL North Stradbroke Island[7]		373.0	3.20	0.9	47	11	14	0.06
USA	Virginia	Proved	20.7	1.79	8.6	72	16	-	
	Virginia	Probable	3.8	0.22	5.7	68	18	-	
Total	Virginia[8]		24.5	2.01	8.2	72	16	-	0.02
Total	Proved		363.0	13.91	3.8	43	29	7	
Total	Probable		348.1	19.24	5.5	58	12	8	
Total	Grand Total		711.1	33.15	4.7	51	19	8	(1.58)

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: G Mathias (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) Mineral assemblage 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 test work 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 December 31, 2008.

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

ILUKA ORE RESERVES MINED AND ADJUSTED BY REGION AT 31 DECEMBER 2008

Summary of Ore Reserve Depletion[1]

Country	Region	Ore Reserves	In Situ HM Tonnes Millions 2007	In Situ HM Tonnes Millions Mined 2008	In Situ HM Tonnes[2] Millions Adjusted 2008	In Situ HM Tonnes Millions 2008	In Situ HM Tonnes[3] Millions Net Change
Australia	Eucla Basin	Active Mines	-	-	-	-	-
	Eucla Basin	Non-Active Sites	6.42	-	(0.00)	6.42	(0.00)
Total	Eucla Basin		6.42	-	(0.00)	6.42	(0.00)
	WA - Mid West	Active Mines	1.74	(1.27)	0.67	1.13	(0.60)
	WA - Mid West	Non-Active Sites	5.97	-	1.00	6.97	1.00
Total	WA - Mid West		7.71	(1.27)	1.67	8.10	0.39
	WA - South West	Active Mines	1.19	(0.63)	(0.37)	0.19	(1.00)
	WA - South West	Non-Active Sites	5.57	-	(1.04)	4.53	(1.04)
Total	WA - South West		6.75	(0.63)	(1.41)	4.71	(2.04)
	Murray Basin	Active Mines	1.98	(0.72)	0.33	1.59	(0.39)
	Murray Basin	Non-Active Sites	6.74	-	0.38	7.12	0.38
Total	Murray Basin		8.72	(0.72)	0.72	8.71	(0.01)
	CRL North Stradbroke Island	Active Mines	3.14	(0.24)	0.30	3.20	0.06
	CRL North Stradbroke Island	Non-Active Sites	-	-	-	-	-
Total	CRL North Stradbroke Island[4]		3.14	(0.24)	0.30	3.20	0.06
USA	Virginia	Active Mines	0.87	(0.40)	0.19	0.65	(0.22)
	Virginia	Non-Active Sites	1.12	-	0.23	1.35	0.23
Total	Virginia		1.99	(0.40)	0.42	2.01	0.02
Total	Active Mines		8.91	(3.27)	1.11	6.76	(2.15)
Total	Non-Active Sites		25.82	-	0.57	26.40	0.57
Total	Ore Reserves		34.73	(3.27)	1.69	33.15	(1.58)

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 December 31, 2008.

MINERAL RESOURCES

Mineral Resources are estimated using all available and relevant geological, drill hole and assay data, including mineralogical sampling and test work on mineral and final product qualities. Resource estimates are determined by consideration of geology, HM cut-off grades, mineralisation thickness versus overburden ratios and consideration of the potential mining and extraction methodology. These factors may vary significantly between deposits.

ILUKA MINERAL RESOURCE BREAKDOWN BY REGION AND JORC CATEGORY AT 31 DECEMBER 2008

Summary of Mineral Resources[1,2,3] for Iluka

						HM Assemblage[4]			
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	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	61.4	1.37	2.2	12	60	5	
	Eucla Basin	Inferred	20.2	0.44	2.2	18	48	4	
Total	Eucla Basin		278.6	10.40	3.7	26	50	5	0.21
	WA - Mid West	Measured	432.0	23.62	5.5	52	11	7	
	WA - Mid West	Indicated	275.4	13.91	5.1	50	10	6	
	WA - Mid West	Inferred	204.6	9.05	4.4	50	9	6	
Total	WA - Mid West		912.0	46.58	5.1	51	10	6	0.86
	WA - South West	Measured	187.7	16.50	8.8	80	9	1	
	WA - South West	Indicated	88.6	6.22	7.0	76	8	1	
	WA - South West	Inferred	60.5	5.77	9.5	76	7	2	
Total	WA - South West[5,6]		336.9	28.49	8.5	78	8	1	(8.86)
	Murray Basin	Measured	51.3	8.66	16.9	50	10	14	
	Murray Basin	Indicated	124.5	13.96	11.2	46	9	12	
	Murray Basin	Inferred	182.1	25.20	13.8	54	10	6	
Total	Murray Basin		357.9	47.82	13.4	51	10	9	(0.26)
	CRL North Stradbroke Island	Measured	577.4	4.97	0.9	47	11	14	
	CRL North Stradbroke Island	Indicated	32.2	0.31	1.0	45	12	14	
	CRL North Stradbroke Island	Inferred	0.6	0.01	0.9	38	13	15	
Total	CRL North Stradbroke Island[7]		610.3	5.29	0.9	47	11	14	(0.20)
USA	Virginia	Measured	34.5	2.49	7.2	70	16	-	
	Virginia	Indicated	0.3	0.01	3.9	54	16	-	
Total	Virginia[8]		34.7	2.50	7.2	70	16	-	(0.58)
Total	Measured		1,479.9	64.83	4.4	56	15	6	
Total	Indicated		582.4	35.79	6.1	51	11	8	
Total	Inferred		468.0	40.46	8.6	56	10	5	
Total	Grand Total		2,530.4	141.08	5.6	55	13	6	(8.82)

Notes:

(1) Competent Persons - Mineral Resources
Eucla Basin: I Warland (MAusIMM)
WA - Mid West and WA South West: I Shackleton (MAusIMM)
Murray Basin: V O'Brien (MAusIMM)
CRL North Stradbroke Island: G Mathias (MAIG)
Virginia: C Stilson (SME)

(2) Mineral Resources are inclusive of Ore Reserves.

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

(4) Mineral assemblage is reported as a percentage of *in situ* HM content.

(5) Includes relinquishment of Metricup and sale of Burekup to Doral.

(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 December 31, 2008.

(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. Iluka continues to place high priority on improving Environment, Health and Safety systems that protect people and the environment, and create business opportunities and access to future resources.

An external audit of Iluka's Environment, Health and Safety systems was conducted at the Mid West and South West, Western Australian operations during 2008, with all other sites conducting self assessments. The average compliance score was 85.59, an improvement on the 2007 compliance score of 80.38.

HEALTH AND SAFETY

Health and safety remained a major focus for Iluka during 2008. Iluka's all injury frequency rate ("AIFR") was 25.4. This represents a 6 per cent reduction from 27.1 in 2007. The AIFR target for 2008 was 25.0. The loss time injury frequency rate ("LTIFR") in 2008 was 2.8, an increase of 65 per cent from 2007. This equated to 15 LTIs in 2008 compared to 9 in 2007. The company seeks to avoid any form of harm to employees, and as a result, efforts to prevent potential injuries to the workforce have been increased. The implementation of a range of integrated programmes with the engagement of Iluka management and operational personnel resulted in the last two months of the year being LTI free.

Both the medically treated injury frequency rate ("MTIFR") and the first aid injury frequency rate ("FAIFR") also reduced in 2008. The MTIFR was down 7 per cent compared to 2007 and the FAIFR was down 13 per cent compared to 2007.

A key influence upon improved safety performance has been improved employee accountability, and ongoing commitment to quality training, reinforcement of risk assessment as a prevention tool, utilisation of an Incident Cause Analysis Methodology and tailoring programmes within the EH&S Management System for specific site solutions.

Integral to ensuring all employees are fit and fully capable of executing their work responsibilities, Iluka maintains a Fitness for Work programme. During 2008, 9,507 drug and alcohol tests were completed with a compliance rate of 98.7 per cent which is similar to 2007. Iluka's contractors run parallel programmes which support and promote the requirements of Iluka's Fitness for Work Policy.

ENVIRONMENT

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

All environmental incidents recorded at sites are classified according to the severity of their impact[1]. During 2008, there was a 35 per cent reduction in Level 1 and Level 2 incidents as a result of better systems, training and increased employee awareness. There were no Level 3, 4 or 5 incidents in 2008.

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

GREENHOUSE GAS EMISSIONS AND ENERGY MANAGEMENT

The company recognises the importance of greenhouse gas emissions as a potential contributor to climate change. In addition to continuing to identify opportunities to reduce energy usage as a part of the Energy Efficiency Opportunity ("EEO"), the company continued to closely monitor and assess the implications of both domestic and international climate change initiatives.

In 2008, the Australian Government's Carbon Pollution Reduction Scheme was released, providing a greater level of clarity associated with the obligations that industries may have with respect to measuring, monitoring and managing their emissions. This has enabled the company to undertake preliminary assessments of the potential impact to costs of the scheme on the business. Iluka intends to pursue Emissions Intensive Trade Effected status which should provide the organisation with some level of Government financial assistance. The company continues to develop appropriate management initiatives in relation to Iluka's greenhouse gas footprint to reduce this impact and ameliorate the potential cost impost of the scheme. Iluka is a part of the National Greenhouse and Energy Reporting Act and reporting on greenhouse gas emissions will begin in October 2009.

Iluka's business improvement processes were extensively used to identify, assess and plan energy improvement opportunities. Through these processes and key EEO methodologies, the principal requirements of the EEO legislation have been met. As part of this, Iluka has implemented cultural and process changes designed to improve energy management, including:

- EEO training across operations to increase awareness of energy efficiency initiatives; and
- engineering guidelines on energy efficiency to minimise energy usage and carbon dioxide equivalent ("CO_2e") emissions at new facilities.

[1] Level 1 - 5 rating system; Level 5 referring to the most serious environmental impact.

The Murray Basin operation in Victoria was Iluka's first business unit to undergo assessment, successfully fulfilling all EEO requirements. A range of opportunities were identified to reduce energy consumption of this business unit by at least 7 per cent (based on 2007 energy usage), associated with a reduction in both natural gas and electricity consumption.

The South West operations in Western Australia also underwent an EEO assessment, with the results currently being collated. The Mid West operations in Western Australia will undergo a similar energy assessment during 2009.

Iluka's South West and Mid West operations consumed 42 per cent and 43 per cent respectively of the company's total (including CRL) energy consumption, predominantly for the production of synthetic rutile where coal represents 57.8 per cent of the total energy consumption.

In total, the amount of energy used at Iluka's operations in 2008, decreased by 13 per cent relative to 2007, mainly due to the planned major maintenance of the two synthetic rutile kilns in the South West and the operational slowdown associated with the disruption to Western Australian gas supplies during the year.

Iluka's CO_2e emissions in 2008, were reduced by 10 per cent to 1,480 kilo tonnes from 1,648 kilo tonnes in 2007, also mainly associated with decreased production associated with the maintenance outage at the South West operations and the gas supply disruption in Western Australia. CO_2e emissions at Murray Basin increased by 17 per cent due to increased mining activities.

Iluka announced, during the year, its intention to idle indefinitely one of its four synthetic rutile kilns from mid 2009.

AIR EMISSIONS

Iluka monitors a range of air emission data including oxides of sulphur, carbon dioxide, oxides of nitrogen, particulates and water.

The level of particulates generated by Iluka increased by 100 per cent from 2007 to 2008. Particulates recorded by the Murray Basin in Victoria and CRL in Queensland, increased by 133 per cent and 141 per cent respectively. This is mainly attributed to changes in emission estimation techniques which now include dust generated by machinery movements in the Murray Basin and a calculation factor correction by CRL and, to a lesser extent, increased mining activities in the Murray Basin.

A 60 per cent reduction in oxide of sulphur emissions from 2007 to 2008 is largely due to improvements in emission estimation techniques and partially due to operational outages, in the South West, during the year.

An Air Quality Management Plan has been prepared for the Narngulu processing facility in the Mid West of Western Australia. The Management Plan includes continuous monitoring of particulate emissions, minimising stack emission discolouration, and regular air dispersion modelling to ensure emissions remain below applicable guidelines for ambient air quality.

WATER MANAGEMENT

Water management continues to be a key area of focus across Iluka's operations. Iluka's overall water usage decreased by 10 per cent in 2008, largely due a 20 per cent reduction in water usage at CRL where mining activities within the water table prevented excess water loss and lowered bore water consumption.

In the Murray Basin, Victoria, the Hamilton mineral separation plant decreased its water usage by 10 per cent in 2008. The mineral separation plant relies predominantly on treated sewerage water from Hamilton. Water usage at the Douglas mine site has increased during 2008 due to increased tailings area. The Douglas mining operation now sources its water requirements from nearby bores, instead of drawing from the Rocklands reservoir.

Water usage at Virginia operations in the USA, was reduced during the year with greater use of captured water.

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, commercial suppressants and clay fines sourced from the mineral concentration process. At the Narngulu processing facility in the Mid West, over 2,000 seedlings in tree shelter belts were planted on the site boundary to reduce dust dispersion. Depositional dust gauges were installed at Eneabba and Narngulu processing facility to improve dust monitoring on the site boundaries.

NOISE EMISSIONS

Iluka actively seeks to minimise the impact of noise on surrounding neighbours from its mining and processing activities. During 2008, an extensive network of real time, directional noise monitors were operational at the Waroona mine site in Western Australia which has allowed management of operations to minimise environmental noise, given the close location of this operation to residences. These initiatives follow complaints from some neighbours received in both 2007 and 2008.

A noise modelling assessment has also been completed at the Narngulu processing facility to forecast any increase in environmental noise associated with the planned upgrade of the mineral separation plant to process heavy mineral concentrate from Jacinth-Ambrosia in South Australia. This modelling has shown that changes in noise levels will, as a result of the upgrade, be negligible.

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 2008, the amount of land disturbed was 8 per cent higher than area rehabilitated. This is due to new mining areas being opened in the Murray Basin, Victoria, South Australia and associated with the Brink development in Virginia, USA. The Florida and Georgia sites in the USA continued to make significant advances in rehabilitation during 2008 with 668 hectares rehabilitated. Georgia has now rehabilitated all open areas and has no land open.

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. In 2008, Iluka established two nature conservation covenants at the Douglas mine site in the Murray Basin, Victoria. These areas are now legally protected as required by the approval conditions. Establishment of processes for protecting biodiversity at new sites in South Australia and the Murray Basin have included establishing monitoring schedules, education of staff and development of management plans and procedures. A new method of rolling exploration drill-lines rather than using conventional chainsaw techniques was trialled successfully in South Australia exploration areas. This has less impact on vegetation and soil and facilitates rehabilitation. Helicopter transport of drill crews to remote areas, rather than establishing camps or access tracks, has also reduced the impact of exploration activities on the environment.

EMPLOYEES AND CONTRACTORS

Iluka recognises that a strong partnership with its employees, based on alignment, engagement and communication, is vital to the achievement of its business objectives. The company is building an organisational culture focused on profitability, sustainability and growth which includes a commitment to the highest standards of occupational health and safety performance. During 2008, a new programme focusing on enhancing employee and business performance, referred to as ACE (accountability, commerciality and execution) was implemented.

To ensure Iluka has appropriate succession plans in place for leadership and key technical positions, a review of the leadership succession plan is undertaken regularly.

An employee engagement survey was conducted during the year. The results demonstrated a further improvement in employee engagement and alignment with the company's key business objectives and health and safety culture.

As part of native title agreements in Western Australia, South Australia and Victoria, Iluka has developed pre-employment and on-the-job training to assist indigenous people gain employment across the company's operations.

Iluka employed approximately 1,400 people at the end of 2008, encompassing all operational and functional positions in Australia (Western Australia, South Australia and Victoria) and the United States (Virginia and Florida).

Contract mining and other activities accounted for an additional 1,000 positions.

WORKING WITH COMMUNITIES

The quality and integrity of Iluka's consultation with stakeholders has been a key underpinning of the establishment, operation and eventual closure of Iluka's mining and processing operations.

In Western Australia, Iluka has supported the Mid West Football Academy since its inception in 2004, which involves working with young indigenous men in the Mid West and Gascoyne regions of Western Australia. The Academy, as part of the Clontarf Foundation, uses football as a vehicle to encourage young men to continue education and training and to develop pathways to employment.

In South Australia, associated with the Jacinth-Ambrosia project, the company instigated an extensive community engagement programme directed to the communities likely to be affected by the commencement of mining and processing operations in the Far West of South Australia. In this regard, a focus of Iluka's engagement activities was with the regional communities of the Far West of South Australia, including the indigenous population in the region, as well as specific interest groups.

Regular and comprehensive community presentations, meetings, newsletters and other forms of communication were undertaken to ensure the communities were kept informed of the Jacinth-Ambrosia project.

Regular and on-going meetings with various South Australian Government departments and agencies were held throughout 2008, as an integral part of the process of determining and responding to government regulatory requirements necessary to secure mining and infrastructure approvals.

Iluka and the Far West Coast Liaison Committee met during the year to formulate programmes and activities to give effect to the direct financial, educational, training and employment arrangements for the local indigenous population, which forms part of the Native Title Agreement concluded in 2007, allowing mining operations at Jacinth-Ambrosia.

SUPPLEMENTARY EHS STATISTICAL DATA 2004 - 2008

Table 1: Iluka Safety Performance
Injuries and Frequency rates 2004 - 2008

	2004	2005	2006	2007	2008
Fatality	0	0	0	0	0
LTI	7	10	18	9	15
LTIFR	1.9	1.9	2.9	1.7	2.8
MTI	34	31	43	44	41
MTIFR	9.0	5.3	7.0	8.3	7.7
First Aid	182	161	153	91	79
FAIFR	48.4	27.6	24.7	17.1	14.9
AIFR	59.3	34.6	34.6	27.1	25.4
Minor	315	444	572	563	551

Table 2: Site Safety Performance - Injuries 2008

	Fatality	LTI	MTI	FAI	Minor
South West	0	1	12	22	152
Mid West	0	6	21	42	129
Murray Basin	0	4	2	4	106
CRL	0	3	2	4	117
USA	0	1	3	3	16
SA	0	0	0	2	7
Geology and Tech Services	0	0	1	2	23
Corporate	0	0	0	0	1
Total	0	15	41	79	551

Table 3: Site Safety Performance - Frequency Rates 2004 - 2008

	2004			2005			2006				2007				2008			
	LTIFR	MTIFR	AIFR	LTIFR	MTIFR	AIFR	LTIFR	MTIFR	FAIFR	AIFR	LTIFR	MTIFR	FAIFR	AIFR	LTIFR	MTIFR	FAIFR	AIFR
South West	0.0	8.5	56.7	2.4	5.6	43.7	2.9	4.4	16.7	24.0	3.3	6.7	17.5	27.5	0.9	11.0	20.1	32.0
Mid West	2.0	14.1	72.3	3.0	9.8	65.3	4.3	13.5	43.3	61.1	2.5	13.5	30.2	46.2	3.9	13.5	27.1	44.5
Murray Basin	4.6	3.1	65.9	4.3	4.3	19.9	0.0	5.2	31.9	37.1	2.3	4.6	11.4	18.3	6.6	3.3	6.6	16.5
CRL	0.0	0.0	19.3	0.0	4.3	50.5	5.4	6.7	13.5	25.6	0.0	7.9	7.9	15.8	4.5	3.0	5.9	13.4
USA	1.1	7.7	34.2	0.9	2.8	21.8	1.1	1.1	4.4	5.5	0.0	5.3	7.9	13.2	1.4	4.3	4.3	10.0
SA	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.0	17.0	0.0	17.0	0.0	0.0	12.8	12.8
Geology and Tech Services	0.0	0.0	19.9	0.0	15.4	46.3	0.0	0.0	11.0	11.0	0.0	0.0	32.9	32.9	0.0	6.0	12.0	18.0
Corporate	0.0	5.8	5.8	0.0	2.2	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	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	27.1	2.8	7.7	14.9	25.4

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
NM = Not Measured

Table 4: Site Drug Tests 2006 - 2008

	2006		2007		2008	
	# Tests	% Detect	# Tests	% Detect	# Tests	% Detect
South West	0	0.0	201	1.5	150	2.0
Mid West	558	3.2	199	0.5	866	1.7
Murray Basin	81	7.4	385	0.3	532	0.4
CRL	265	2.2	188	1.1	313	0.3
USA	32	0.0	92	4.3	120	1.7
SA	0	0.0	NM	NM	54	0.0
Geology and Tech Services	49	4.1	76	2.6	53	0.0
Corporate	0	0.0	67	0.0	69	0.0
Total	985	3.3	1,208	1.1	2,157	1.1

Table 5: Iluka Environment Performance
Environment Incidents 2004 - 2008

	2004	2005	2006	2007	2008
Level 1	927	1,085	846	1,055	679
Level 2	157	58	16	8	7
Level 3	2	3	1	1	0
Level 4	0	0	0	0	0
Level 5	0	0	0	0	0
Total	1,086	1,146	863	1,064	686

Notes:
South West refers to South West, Western Australia
Murray Basin refers to Murray Basin, Victoria
CRL refers to Consolidated Rutile Limited, Queensland
SA refers to South Australia
Corporate refers to Head Office, Perth

Table 6: Site Environment Performance - Incidents 2008

	Level 1	Level 2	Level 3	Level 4	Level 5
South West	83	1	0	0	0
Mid West	369	3	0	0	0
Murray Basin	114	0	0	0	0
CRL	40	0	0	0	0
USA	9	1	0	0	0
SA	31	2	0	0	0
Geology and Tech Services	33	0	0	0	0
Corporate	0	0	0	0	0
Total	679	7	0	0	0

Table 7: Site Energy Use (terajoules) 2004 - 2008

	2004	2005	2006	2007	2008
South West	6,447	6,663	6,441	6,518	5,402
Mid West	5,440	6,019	6,206	6,047	5,496
Murray Basin	NA	112	249	591	695
CRL	519	579	793	884	620
USA	1,039	1,192	881	651	586
SA	NA	NA	4	11	13
Geology and Tech Services	NM	NM	NM	NM	11
Corporate	NM	NM	NM	NM	0
Total	13,445	14,565	14,574	14,702	12,823

Table 8: Site Energy Resources Used (%) 2004 - 2008

	2004	2005	2006	2007	2008
Coal	59.7	59.7	61.1	54.8	57.8
Electricity	16.1	19.2	15.8	14.9	17.8
Natural Gas	10.2	9.8	7.4	10.3	11.2
LPG	0.1	0.1	0.0	0.0	0.1
Diesel	12.6	9.4	15.0	19.6	12.8
Petrol	0.1	0.1	0.0	0.1	0.1
Fuel, Oil & Greases	1.2	1.7	0.7	0.3	0.2
Total	100	100	100	100	100

Table 9: Site Greenhouse Gases (ktCO_2e) 2004 - 2008

	2004	2005	2006	2007	2008
South West	646	665	651	584	532
Mid West	627	691	713	649	607
Murray Basin	NA	17	46	98	115
CRL	158	192	240	209	134
USA	204	476	115	107	90
SA	NA	NA	NA	1	1
Geology and Tech Services	NM	NM	NM	NM	1
Corporate	NM	NM	NM	NM	NM
Total	1,635	2,041	1,765	1,648	1,480

Table 10: Site Particulates (tonnes) 2004 - 2008

	2004	2005	2006	2007	2008
South West	163	138	78	191	243
Mid West	348	274	235	309	345
Murray Basin	0	0	0	187	435*
CRL	292	486	642	897	2,161**
USA	67	66	24	13	13
SA	NA	NA	NA	NA	0
Geology and Tech Services	NA	NA	NA	NA	NA
Corporate	NA	NA	NA	NA	NA
Total	870	964	979	1,597	3,197

* Includes dust generated by machinery movements

** Reflects change in calculation factor of dust off open areas

Table 11: Site Oxides of Sulphur (tonnes) 2004 - 2008

	2004	2005	2006	2007	2008
South West	5,982	7,446	7,405	7,200	2,850
Mid West	454	535	275	151	60
Murray Basin	0	5	0	0	0
CRL	3	5	3	0	3
USA	37	64	36	34	30
SA	NA	NA	NA	NA	0
Geology and Tech Services	NA	NA	NA	NA	NA
Corporate	NA	NA	NA	NA	NA
Total	6,476	8,055	7,719	7,385	2,943

Table 12: Site Oxides of Nitrogen (tonnes) 2007 - 2008

	2007	2008
South West	147	112
Mid West	0	0
Murray Basin	24	10
CRL	443	170
USA	205	166
SA	NA	0
Geology and Tech Services	NA	NA
Corporate	NA	NA
Total	819	458

Table 13: Site Water Use (megalitres) 2004 - 2008

	2004	2005	2006	2007	2008
South West	4,513	5,152	5,781	4,880	3,656
Mid West	14,137	15,359	14,320	17,558	18,790
Murray Basin	2	1,553	1,122	2,392	2,826
CRL	54,000	26,196	23,711	27,272	21,710
USA	3,036	5,232	2,487	2,877	2,607
SA	NA	NA	11	1	27
Geology and Tech Services	NM	NM	NM	NM	1
Corporate	NA	NA	NA	NA	0
Total	75,688	53,492	47,432	54,980	49,617

Table 14: Site Water Discharge (megalitres - ML) 2004 - 2008

	2004	2005	2006	2007	2008
South West	4,252	6,961	3,981	6,509	5,331
Mid West	0	0	0	36	29
Murray Basin	NA	0	6	26	26
CRL	0	0	0	1,422	4,160
USA	1,058	1,101	424	1,575	945
SA	NA	NA	6	0	0
Geology and Tech Services	NM	NM	NM	NM	1
Corporate	NA	NA	NA	NA	0
Total	5,310	8,062	4,417	9,567	10,491

Table 15: Site Water Recycled (megalitres) 2007 - 2008

	2007	2008
South West	0	0
Mid West	0	0
Murray Basin	1	2
CRL	25,865	21,758
USA	1,701	1,341
SA	NM	0
Geology and Tech Services	NM	1
Corporate	NA	0
Total	27,567	23,101

Table 16: Site Land Use - Disturbed, Rehabilitated, Open (hectares) 2004 - 2008

	2004			2005			2006			2007			2008		
	Disturbed	Rehab	Open	Disturbed	Rehab	Open	Disturbed	Rehab	Open	Disturbed	Rehab	Open	Disturbed	Rehab	Open
South West	285	200	2,257	135	133	2,259	172	134	2,297	172	264	2,205	35	114	2,126
Mid West	129	127	1,929	101	268	1,762	164	146	1,780	131	54	1,858	311	120	2,049
Murray Basin	104	NA	104	306	0	410	73	0	483	50	58	475	195	0	670
CRL	167	66	495	127	76	546	140	79	607	101	36	672	85	42	715
USA	504	86	2,539	455	374	2,620	113	655	2,078	83	1,015	1,146	136	668	614
SA	NA	NA	NA	NA	NA	NA	75	2	73	49	59	63	207	2	268
Geology and Tech Services	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	79	20	59
Corporate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	1,189	479	7,325	1,124	851	7,598	737	1,016	7,319	586	1,486	6,419	1,048	966	6,501

Open area calculation:
Open area + (disturbed area - rehabilitated area proceeding year) = open area proceeding year

Table 17: Site Waste Management Practices 2008

	Chemical & Lab Waste	Hydrocarbons	Tyres	Paper & Cardboard	Scrap Metal	Grease & Oil	Batteries
South West	NA	RE/T	C	RE	RE/C	RE/T	RU/RE
Mid West	L/T	L	L	RE	RE/C	RE/T	RU/RE
Murray Basin	L/T	L	RE	RE	RE	C	RE
CRL	L/T	L/T	C	RU/RE	RE/C	RE/C	RE/C
USA	L/T	RE/C	L/RU	L/RE	RE/C	RE/C	RE/C
SA	NA	C	NA	RE	RE	NA	NA
Geology and Tech Services	L	NA	L	L	RE	NA	RE
Corporate	NA	NA	NA	RE	NA	NA	NA

Table Key

L	=	Disposal to Land Fill	C	=	Collected by licensed contractor for a range of uses
RU	=	Re-Use	NA	=	Not Applicable
RE	=	Recycling	NM	=	Not Measured
T	=	Treatment off-site			

Table 18: Site Waste Management (tonnes) 2008

	Chemical & Lab Waste	Hydrocarbons	Tyres	Paper & Cardboard	Scrap Metal	Grease & Oil	Batteries
South West	NA	1	NM	NM	172	94	3
Mid West	4	30	NM	7	213	370	3
Murray Basin	2	3	0	10	19	61	2
CRL	2	56	NM	107	467	3,550	2
USA	1	1	19	24	212	15	1
SA	NA	0	NA	3	3	NA	NA
Geology and Tech Services	0.1	NA	1	1	1	NA	0.1
Corporate	NA	NA	NA	NM	NA	NA	NA

Iluka's senior management team is led by Managing Director, David Robb.

The Remuneration Report contains details of remuneration arrangements for key executives.

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, B AppSc (Hons), Grad Dip (Exploration), (Bus Admin), GAICD, MAusIMM
General Manager, Exploration and Technical Services

Mr Benjamin joined Iluka in 2001 as Group Manager Exploration. He was appointed General Manager Exploration in June 2006 and in 2008, his role was expanded to include Technical Services. Mr Benjamin has extensive operations, project 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, MAICD, MIEAust
General Manager, Special Projects

Mr Blackwell joined Iluka in 2004 as President, US Operations. Prior to joining Iluka he 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. Mr Blackwell will assume the position of General Manager, USA following the retirement of Mr Sale in mid 2009.

Simon Green, BA (Hons), ACA
General Manager, Finance and Commercial

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.

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. He has also held positions with Richards Bay Minerals and Cable Sands. Dr Hugo is a non-executive Director of Consolidated Rutile Limited.

Philip Nillsen, BCom, CA
General Manager, Business Development

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 (retitled Business Development in August 2008).

Robert Porter, BA (Hons), MSc (Econ), 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 Australia.

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. On 10 December 2008, Iluka announced Mr Sale's intention to retire from his position in mid 2009. He will be replaced by Mr Blackwell.

Alan Tate, BCom, CA, AICD
Chief Financial Officer

Mr Tate joined Iluka in May 2008. He was previously Chief Financial Officer for Jabiru Metals. Prior to joining Jabiru, he held senior planning, finance and accounting roles with BHP Billiton and WMC Resources. He commenced his career with Peat Marwick.

Christine Truscott, B Eng (Chem) (Hons)
General Manager, Land Management

Ms Truscott joined Iluka in 1989. She has worked across the organisation in operational, marketing and commercial roles, including management of the synthetic rutile plant in the Mid West and the processing plants in the South West of Western Australia. She was also programme manager for an organisational change project and most recently, managed the business improvement and best practice functions. Ms Truscott was appointed to her current role in September 2008.

Hans Umlauff, B MEng (Hons), FIEAust
General Manager, South Australian Development and 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, Western Region

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

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. Mr Wilson is a non-executive Director of Consolidated Rutile Limited.

Leadership Team members who left the company in 2008: David McMahon, Chief Financial Officer; Mark Adams, General Manager, Western Region.

FIVE YEAR FINANCIAL PERFORMANCE

	2008	2007	2006	2005	2004
Sales Volumes					
Total Mineral Sands (k tonnes)	2,119.2	2,062.4	2,077.4	1,975.8	1,858.8
Coal*	N/A	1,152.5	1,237.5	1,233.5	1,055.0
Summary Financials					
Revenue from Operations	988.5	938.6	1,003.2	921.0	819.6
Earnings before depreciation, net interest and tax, including significant items	274.6	287.7	199.2	46.6	286.3
Depreciation and amortisation	(161.7)	(148.0)	(112.7)	(125.4)	(122.0)
Net interest and finance charges**	(35.6)	(59.2)	(40.8)	(34.0)	(44.0)
Income tax (expense) benefit	7.7	(20.1)	(14.2)	41.3	(14.0)
Minority interests	(7.5)	(9.3)	(10.5)	(14.4)	(11.5)
Net profit after tax and minority interests, including significant items	77.5	51.1	21.0	(85.9)	94.8
Net profit after tax and minority interests, excluding significant items	61.7	51.1	116.9	136.3	94.8
Average A$/US$ spot rate - cents	85.35	83.90	75.35	76.24	73.62
Capital and Dividends					
Ordinary shares on issue (millions)***	380.7	242.2	232.9	232.9	232.9
Dividends in respect of the year	N/A	(51.7)	(51.2)	(51.2)	(51.2)
Dividend per share (cents)	N/A	10.0	22.0	22.0	22.0
Franking level (per cent)	N/A	100.0	100.0	66.4	66.8
Financial Ratios					
Earnings per share, including significant items (cents)	22.5	21.6	9.1	(36.9)	40.7
Earnings per share, excluding significant items (cents)	17.8	21.6	50.2	58.5	40.7
Return on shareholders equity, including significant items (per cent)	7.9	6.8	3.3	(12.5)	12.0
Return on shareholders equity, excluding significant items (per cent)	6.4	6.8	15.7	15.0	12.0
Gearing (net debt/debt + equity) (per cent)	17.4	44.3	45.4	42.3	32.2
Financial Position as at 31 December					
Total assets	2,058.1	1,868.0	1,864.5	1,864.5	1,842.0
Total liabilities	(1,020.1)	(1,116.4)	(1,148.0)	(1,107.4)	(989.4)
Net assets	1,038.0	751.6	716.5	757.1	852.6
Minority interest in controlled entities	58.2	(68.0)	(69.3)	(68.3)	(59.4)
Shareholders' equity attributable to members of Iluka Resources	979.8	683.6	647.2	688.8	793.2
Net tangible asset backing per ordinary share (dollars)	2.69	3.04	3.00	3.17	3.56

* Iluka's interest in the Narama coal joint venture was sold in 2008.

** Inclusive of rehabilitation and restoration accretion expenses.

*** During 2008, Iluka issued an additional 108,462,189 shares associated with the pro-rata entitlement offer.

STATEMENT OF SHAREHOLDINGS

STATEMENT OF SHAREHOLDINGS AS AT 5 MARCH 2009

i.	Number of holders of shares	17,835
ii.	Number of shares on issue	380,701,360
iii.	Voting rights, on a show of hands, are one vote for every registered holder and on a poll, are one vote for each share held by registered holders	
iv.	Distribution of Shareholdings	

Shareholding	Number of holders
1 – 1,000	9,093
1,001 – 5,000	6,562
5,001 – 10,000	1,282
10,001 – 100,000	835
100,001 and over	63
Number of shareholders holding less than a marketable parcel (less than $500):	1,586

v. Substantial Shareholders

Name	Number of shares in which a relevant interest is held	% Holding
M&G Investment Management Limited	66,369,887	17.43%
Perpetual Limited	36,127,503	9.49%
Schroder Investment Management Group	23,953,692	6.29%
Franklin Resources Inc	23,901,686	6.28%
Commonwealth Bank of Australia	19,227,965	5.05%

vi. Top 20 Shareholders (Nominee Company Holdings)

	No. of shares	% Holding
J P Morgan Nominees Australia Limited	81,589,787	21.43
HSBC Custody Nominees (Australia) Limited	73,159,700	19.22
National Nominees Limited	48,299,693	12.69
Citicorp Nominees Pty Limited	30,547,141	8.02
RBC Dexia Investor Services Australia Nominees Pty Limited	19,111,802	5.02
ANZ Nominees Limited	12,915,965	3.39
RBC Dexia Investor Services Australia Nominees Pty Limited	12,725,506	3.34
UBS Nominees Pty Ltd	7,927,265	2.08
Citicorp Nominees Pty Limited	4,547,543	1.19
RBC Dexia Investor Services Australia Nominees Pty Limited	3,894,154	1.02
Cogent Nominees Pty Limited	3,400,311	0.89
AMP Life Limited	3,081,772	0.81
Iluka Administration Limited	2,807,289	0.74
Cogent Nominees Pty Limited	2,805,517	0.74
Queensland Investment Corporation	2,688,741	0.71
Neweconomy Com Au Nominees Pty Limited	1,777,754	0.47
Argo Investments Limited	1,700,927	0.45
Citicorp Nominees Pty Limited	1,700,000	0.45
HSBC Custody Nominees (Australia) Limited	1,292,882	0.34
Mirrabooka Investments Limited	1,170,000	0.31

Company Contact Details

Iluka Resources Limited
ABN: 34 008 675 018

Registered Office:
Level 23, 140 St George's Terrace
PERTH WA 6000

Postal Address:
GPO Box U1988
PERTH WA 6845 Australia

Telephone: +61 8 9360 4700
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 3 9415 4801 or 1300 733 043
Facsimile: +61 3 9473 2500
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 a Shareholder Review and/or 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 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 2008.

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.

2009 Calendar

21 January	December Quarter Production and Development Report
19 February	Announcement of Full Year Financial Results
16 April	March Quarter Production and Development Report
26 May 9.30am WST	Closure of acceptances of proxies for AGM
28 May 9.30am WST	Annual General Meeting - Parmelia Hilton, Perth, Western Australia
16 July	June Quarter Production and Development Report
19 August	Announcement of Half Year Financial Results
15 October	September Quarter Production and Development Report
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 Resources Limited Annual Report 2008 ABN 34 008 675 018

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