ILUKA RESOURCES LIMITED 2010 ANNUAL REPORT ABN 34 008 675 018

ILUKA

ILUKA RESOURCES LIMITED Annual Report 2010

THE CREATION AND DELIVERY OF SHAREHOLDER VALUE

CONTENTS

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Iluka Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2010.

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 except as noted below:

George John Pizzey (Chairman)
Robert Lindsay Every (was Chairman and a Director until his resignation on 20 May 2010)
Donald Marshall Morley
Gavin John Rezos
David Alexander Robb
Jennifer Anne Seabrook
Wayne Geoffrey Osborn (was appointed a Director on 26 March 2010)
Stephen John Turner (was appointed a Director on 26 March 2010)

PRINCIPAL ACTIVITIES

The activities of the consolidated entity consist of 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:

Murray Basin Stage 2 and Jacinth Ambrosia operations were both commissioned and ramped up during the first half of 2010 and reached name plate capacity mid year.

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

REVIEW OF OPERATIONS

Reported earnings

Iluka recorded a profit after tax for the year ended 31 December 2010 of $36.1 million (reflecting a second half profit after tax of $42.7 million), compared with a net loss after tax of $82.4 million for the previous corresponding period reflecting higher sales volumes, higher zircon pricing and contribution from the new, higher margin operations in the second half of the year.

Mineral sands EBITDA was $250.2 million, a 231 per cent increase compared with the previous corresponding period. Mineral sands EBIT increased to $31.6 million (2009: loss $100.6 million), with higher depreciation charges of $218.6 million, compared to $176.2 million in the previous corresponding period, reflecting the transition to the new operations and the start of depreciation on approximately $800 million of assets during 2010.

Mining Area C iron ore royalty earnings ("MAC") increased by 51.2 per cent to $75.9 million as a result of a 7.2 per cent increase in sales volumes and a 56 per cent increase in the average realised AUD iron ore price, offset partially by capacity payments being $3.0 million lower than the previous corresponding period.

Group EBIT was $86.1 million, compared to a loss in 2009 of $144.1 million which included a significant non-cash charge of $67.6 million.

The profit before tax was $39.9 million (2009 loss: $166.8 million). A net tax expense of $3.8 million was recognised in respect of the profit for the period.

Earnings per share for the period were 8.6 cents compared to (20.2) cents in the previous corresponding period. Total shares on issue at 31 December 2010 of 418.7 million were unchanged during the period.

Net debt at 31 December 2010 was $312.6 million, with a gearing ratio (net debt/net debt + equity) of 21.8 per cent. This compares with net debt at 31 December 2009 of $382.1 million and a gearing ratio of 25.9 per cent.

During the second half of 2010, net debt reduced by $126.4 million as capital expenditure reduced to $21.2 million and operating cash flows increased to $119.7 million from $43.9 million in the first half of 2010. The stronger operating cash flows reflect both the transition to higher margin operations and the benefit of higher zircon prices. Undrawn facilities at 31 December 2010 were approximately $250 million and cash at bank was $30.1 million.

Dividend

Directors have determined a final dividend of eight cents per share, unfranked. The dividend is unfranked as Iluka does not have franking credits currently available for distribution. The dividend is payable on 6 April 2011 for shareholders on the register as at 9 March 2011. Directors have decided to suspend the Dividend Reinvestment Plan until further notice.

Income statement analysis

$ million	2010	2009	% change
Mineral sands revenue	**874.4**	**576.0**	**51.8**
Cash costs of production	(543.8)	(453.6)	(19.9)
Inventory movement	(2.9)	33.4	n/a
Restructure and idle capacity cash charges	(13.2)	(50.1)	73.6
Rehabilitation and holding costs for closed sites	(10.4)	-	n/a
Government royalties	(17.1)	(13.7)	(24.8)
Marketing and selling	(24.1)	(10.2)	(136.3)
Asset sales and other income	7.4	14.2	(47.9)
Product, technical development & major projects	(5.6)	(4.2)	(33.3)
Exploration	(14.5)	(16.2)	10.5
Mineral sands EBITDA	**250.2**	**75.6**	**230.9**
Depreciation and amortisation	(218.6)	(176.2)	(24.1)
Mineral sands EBIT	**31.6**	**(100.6)**	**n/a**
Mining Area C	75.9	50.2	51.2
Currency hedging and foreign exchange	8.9	(0.1)	n/a
Corporate and other	(30.3)	(26.0)	(16.5)
Significant non-cash items	-	(67.6)	n/a
Group EBIT	**86.1**	**(144.1)**	**n/a**
Net interest costs	(30.9)	(18.4)	(67.9)
Interest capitalised (Jacinth-Ambrosia and Murray Basin)	-	12.5	n/a
Rehabilitation unwind and other finance costs	(15.3)	(16.8)	8.9
Profit (loss) before tax	**39.9**	**(166.8)**	**n/a**
Tax (expense) benefit	(3.8)	61.5	n/a
Profit (loss) from continuing operations	**36.1**	**(105.3)**	**n/a**
Profit from discontinued operations (CRL)	-	22.9	n/a
Profit (loss) for the period	**36.1**	**(82.4)**	**n/a**
Average AUD/USD (cents)	**92.0**	**79.3**	**(16.0)**

Mineral sands production and sales

	2010	2009	% change
Production volumes (kt)			
Zircon	412.9	263.1	56.9
Rutile	250.1	141.4	76.9
Synthetic rutile	347.5	405.0	(14.2)
Ilmenite – saleable	469.0	342.1	37.1
Ilmenite – upgraded to synthetic rutile	215.9	496.7	(56.5)
Total saleable production	**1,479.5**	**1,151.6**	**28.5**
Cash costs of production	$543.8m	$453.6m	(19.9)
Unit cash cost – total saleable product	$367/t	$394/t	6.9
Unit cash cost – zircon/rutile/synthetic rutile	$538/t	$560/t	3.9
Sales volumes (kt)			
Zircon	478.7	222.6	115.0
Rutile	240.0	138.7	73.0
Synthetic rutile	362.5	396.7	(8.6)
Ilmenite – saleable	373.7	376.4	(0.7)
Total sales	**1,454.9**	**1,134.4**	**28.3**
Revenue	$874.4m	$576.0m	51.8
Unit revenue – total saleable product	$601/t	$508/t	18.3
Unit revenue – zircon/rutile/synthetic rutile	$809/t	$760/t	6.4

Mineral sands operational results

	Revenue		EBITDA		EBIT	
	2010	2009	2010	2009	2010	2009
Eucla/Perth Basin	468.7	385.6	119.9	47.9	33.8	(79.3)
Murray Basin	281.4	124.8	113.9	13.2	0.9	(18.5)
United States	124.3	65.6	40.2	30.7	23.2	13.4
Exploration & other*	-	-	(23.7)	(16.2)	(26.2)	(16.2)
Total	**874.4**	**576.0**	**250.3**	**75.6**	**31.7**	**(100.6)**

* 2010 values includes central marketing and product development costs allocated to operations in prior periods

Mineral sands revenue

Mineral sands revenue increased by $298.4 million (51.8 per cent) compared with the previous corresponding period due to significantly higher zircon and rutile sales volumes.

Zircon demand reflected a strong recovery in demand in China to above pre global economic crisis levels, a recovery in European demand and robust North American demand. Zircon sales volumes increased by 115 per cent to 478.7 thousand tonnes (2009: 222.6 thousand tonnes). Sale of Murray Basin Stage 2 and Jacinth-Ambrosia production commenced during the June quarter, with sales of material from these two new operations constituting the majority of Australian product sales in the second half.

Rutile sales volumes of 240.0 thousand tonnes represented a 73.0 per cent increase from 2009 (138.7 thousand tonnes), following the start of production from Murray Basin Stage 2 in the first half of 2010. Substantially all of the group's rutile production in the second half of 2010 was from Murray Basin.

Synthetic rutile sales volumes of 362.5 thousand tonnes were 8.6 per cent lower than 2009 (396.7 thousand tonnes) which reflects Iluka's decision to idle synthetic rutile capacity during 2009 and reduce production.

Ilmenite sales of 373.7 thousand tonnes were similar to 2009 levels (376.4 thousand tonnes), with Iluka's focus, in terms of Australian ilmenite production, being to provide the maximum practicable proportion of suitable ilmenite produced as a feed source for its synthetic rutile operations.

Higher average prices for zircon and rutile largely offset the effects of an increase in the average AUD:USD exchange rate from 79.3 cents in 2009 to 92.0 cents in 2010. The significant increases in higher value zircon and rutile sales volumes, however, lead to an 18.3 per cent increase in the average revenue per tonne of product sold from $508 to $601 as the proportion of zircon, rutile and synthetic rutile increased from 66 per cent of total sales to 74 per cent.

Cash costs of production

Cash costs of production of $543.8 million were 19.9 per cent higher than the previous corresponding period, with unit cash costs of production per tonne of zircon/rutile/synthetic rutile lower at $538/tonne, compared to $560/tonne in the previous corresponding period. The transition of mining operations from Western Australia to the new operations of Jacinth-Ambrosia and Murray Basin Stage 2 results in a different mix of production and cash cost profiles when compared to previous periods, with costs in the first half of 2010 including those necessary to establish higher concentrate stockpiles associated with the new operations.

In the second half of 2010, unit cash costs of production per tonne of zircon/rutile/synthetic rutile were $502/tonne, compared to $583/tonne in the first half, reflecting the transition to the higher cash margin operations and concentrate levels that were largely unchanged during the half.

Inventory movement

Inventory values are comparable year on year, however, the composition of the balance has changed as a result of an increase in concentrate and intermediate stockpiles of approximately $40 million during the first half of 2010 associated with the start of operations at Jacinth-Ambrosia and Murray Basin Stage 2. Finished goods inventory reduced by approximately $40 million due mainly to the sale of material on hand in Virginia at the end of 2009.

Restructure and idle capacity cash charges

The charges relate mainly to redundancy and other costs associated with the idling during the year, as planned, of the remaining mining operations at Eneabba in Western Australia and the planned idling of the second synthetic rutile kiln at Narngulu in Western Australia.

Rehabilitation and holding costs for closed sites

Reassessments of rehabilitation costs for closed sites are expensed (or credited) to profit and loss. The charge for the year relates to reassessments at several former operations, with the majority being for Florida in the United States.

Government royalties and marketing costs

Government royalties increased with higher sales volumes and prices. Marketing and selling costs similarly reflect higher sales volumes, together with the costs for certain port related activities that were previously reported as production costs.

Depreciation and amortisation

The increase of $42.4 million includes an $81.3 million increase in the Murray Basin following the completion of commissioning of the Kulwin mine in March 2010, offset by a $41.1 million reduction in Eucla/Perth Basin where the asset configuration and level of operations were significantly different to those in the previous corresponding period due to the start of depreciation at Jacinth Ambrosia in February 2010 and the idling of the majority of the Western Australian productive capacity over the course of the current and previous corresponding period.

Mining Area C

Iron ore sales volumes increased 7.2 per cent to 43.3 million dry metric tonnes. The average AUD realised price upon which the royalty is payable increased by 56 per cent from the previous corresponding period, following the move away from sales at contracted benchmark prices by BHP Billiton during the year. The EBIT contribution of $75.9 million includes $5.0 million of annual capacity payments for production increases in the year to 30 June (2009: $8.0 million), reflecting a full year of production following an expansion of the Area C operation by BHP Billiton in early 2009.

Corporate and other

Corporate costs were $4.3 million higher than the previous corresponding period, due mainly to increases in insurance and incentive costs. Costs for the period include $7.2 million for support activities that were centralised after the 2009 restructure and which are no longer included in regional costs, one-off restructure costs of $7.7 million were incurred in 2009.

Interest

The increase in net interest costs reflects higher average net debt than the previous corresponding period, increases in Australian variable interest base rates and higher margins in the first half of the year. Capitalisation of interest in respect of the Jacinth-Ambrosia and Murray Basin Stage 2 projects ceased in the second half of 2009.

Tax expense

An income tax expense of $3.8 million, at an effective tax rate of 9.5 per cent, compares to a benefit in 2009 of $61.5 million reflecting the pre-tax loss for the year. The effective tax rate is influenced by benefits in respect of Investment Allowance and Research & Development concessions in Australia, together with the tax expense on earnings in the United States being at 20 per cent, compared with 30 per cent for Australian earnings.

DIRECTORS' PROFILES

George John Pizzey, BE (Chem), FellDip (Management), FTSE, FAICD, FAIM, Chairman

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 Limited and held a number of senior executive positions with Alcoa Inc (USA). He is a Director of Alumina Limited, Amcor Limited and St Vincent's Medical Research Institute. He was formerly the Chairman of the London Metal Exchange UK and a Director of WMC Resources Limited and Ivanhoe Grammar School.

Directorships of Listed Entities (last 3 years)

Alumina Limited (appointed June 2007)
Amcor Limited (appointed September 2003)

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.

Directorships of Listed Entities (last 3 years)

Consolidated Rutile Limited
(appointed October 2006, resigned May 2009)

Donald Marshall Morley, BSc, MBA, Hon. 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.

Directorships of Listed Entities (last 3 years)

Alumina Limited (appointed 11 December 2002)
Spark Infrastructure Ltd (appointed November 2005)

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 officer positions and executive directorships of companies in the healthcare and technology areas in the UK, US and Singapore and was formerly a non executive Director of Amity Oil NL (Antares). He is Chairman of Alexium International Group Limited, a principal of Viaticus Capital Pty Ltd and a Director of Rowing Australia. Mr Rezos is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years)

Alexium International Group Limited (appointed March 2010)
DFS International Holdings Limited (suspended) (appointed November 2008)

Jennifer Anne Seabrook, BCom, ACA, FAICD

Ms Seabrook was appointed to the Board in May 2009. She is a Special Advisor to Gresham Partners Limited. She is also a non executive Director of the Bank of Western Australia Limited, M G Kailis Holdings Pty Limited, IRESS Market Technology Ltd and Australia Post. Ms Seabrook is a member of the Takeovers Panel and Financial Advisory Group of the Financial Services Institute of Australia (FINSIA) and a member of ASIC's External Advisory Group. She was formerly a Director of West Australian Newspapers Holdings Limited, BWA Managed Investments Limited, St Andrew's Superannuation Services Limited and Western Power. Ms Seabrook is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Directorships of Listed Entities (last 3 years)

IRESS Market Technology Limited (appointed August 2008)
West Australian Newspaper Holdings Limited
(appointed February 2006, resigned December 2008)

Wayne Geoffrey Osborn, DipEng, MBA, FTSE, MIE(Aust), MAICD, Chairman of the Remuneration and Nomination Committee

Mr Osborn is a former Managing Director of Alcoa of Australia Limited. He is a non executive Director of Leighton Holdings Limited and Wesfarmers Limited, Chairman of Thiess Pty Limited, Chairman of the Australian Institute of Marine Science and a Trustee of the Western Australian Museum. He was formerly a Director of the Australian Business Arts Foundation and Vice President of the Chamber of Commerce and Industry, Western Australia.

Directorships of Listed Entities (last 3 years)

Leighton Holdings Limited (appointed 6 November 2008)
Wesfarmers Limited (appointed 24 March 2010)

Stephen John Turner, BCom, ACA

Mr Turner is a founder of the London Stock Exchange listed company, International Ferro Metals Limited. He was the Chief Executive Officer of International Ferro Metals Limited from 2002 to 2009 and continues as a non executive director of that company. He is also a director of South American Ferro Metals Limited and Chairman of Vantage Goldfields Limited. Mr Turner has had responsibility for resource projects in Australia, Africa and the Pacific Islands. He was a founding Director of the Australian subsidiary of PSG Investment Group, a South African investment bank. He is an Australian Chartered Accountant. Mr Turner is a member of the Audit and Risk Committee.

Directorships of Listed Entities (last 3 years)

International Ferro Metals Limited (appointed 26 January 2002)
Vantage Goldfields Limited (appointed 22 October 2009)
South American Ferro Metals Limited (appointed 11 November 2010)

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 number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2010, and the numbers of meetings attended by each Director were:

	Board of Directors' meetings		Audit and Risk Committee meetings		Remuneration and Nomination Committee meetings	
Director	Number attended	Number held	Number attended	Number held	Number attended	Number held
D A Robb	10	10	-	-	-	-
R L Every	5	10	2[1]	6	2	4
G J Pizzey	10	10	4[2]	6	4	4
D M Morley	10	10	6	6	-	-
G J Rezos	9	10	4[3]	6	4	4
J A Seabrook	10	10	6	6	2[4]	4
W G Osborn	8[5]	10	-	-	2[6]	4
S J Turner	8[5]	10	4[7]	6	-	-

1. Dr Every attended the Audit and Risk Committee meeting by invitation but was not a member of the Committee. He resigned from the Iluka Board on 19 May 2010.
2. Mr Pizzey accepted the role of Chairman of the Board, effective 19 May 2010. He resigned as Chairman of the Remuneration and Nomination Committee at the August Committee Meeting but continued to attend as a member of the Committee. Mr Pizzey attended the Audit and Risk Committee meeting by invitation but was not a member of the Committee.
3. Mr Rezos stepped down from the Audit and Risk Committee on 26 March 2010. He was reappointed to the Committee on 20 September 2010.
4. Ms Seabrook joined the Remuneration and Nomination Committee on 25 August 2010.
5. Mr Osborn and Mr Turner joined the Board on 26 March 2010.
6. Mr Osborn joined the Remuneration and Nomination Committee as a member on 25 August 2010 and assumed the Chair of the Committee at the conclusion of that meeting.
7. Mr Turner joined the Audit and Risk Committee on 22 June 2010.

DIRECTORS SHAREHOLDING

Directors' shareholding is set out in note 21.

REMUNERATION REPORT

The Remuneration Report is set out on pages 9 to 21.

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.

The terms of engagement of Iluka's external auditor includes an indemnity in favour of the external auditor. This indemnity is in accordance with PricewaterhouseCoopers' standard Terms of Business and is conditional upon PricewaterhouseCoopers acting as external auditor. Iluka has not otherwise indemnified or agreed to indemnify the external auditors of Iluka at any time during the financial year.

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.

The Board of Directors has considered the position and, in accordance with 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 2010 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 22.

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	
	2010 $000	2009 $000
(a) Assurance services		
Audit and audit related services		
Fees paid to PwC		
PwC Australia	**550**	562
Other PwC firms	**50**	52
Total remuneration for audit services	**600**	614
Other assurance services		
PwC Australia	**107**	65
Total remuneration for other assurance services	**107**	65
(b) Taxation services		
Fees paid to PwC		
PwC Australia	**27**	67
Total remuneration for taxation services	**27**	67
(c) Other services		
Fees paid to PwC		
PwC Australia	**65**	113
Other PwC firms	**-**	34
Total remuneration for other services	**65**	147

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.

DIVIDENDS

Since the end of the financial year the Directors have determined the payment of a final ordinary dividend of eight cents per share, unfranked. The dividend is unfranked as Iluka does not have franking credits currently available for distribution. The dividend is payable on 6 April 2011 for shareholders on the register as at 9 March 2011.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors are not aware of any 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, likely developments in and expected results of the operations of the consolidated entity have been disclosed in significant events after balance date, disclosure of further material relating to those matters could result in unreasonable prejudice to the interests of the company and the consolidated entity. That material has therefore been omitted from the Directors' Report.

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 thousand dollars.

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

G J Pizzey
Chairman

Perth
24 March 2011

LEADERSHIP TEAM

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

The Remuneration Report on page 9 contains details of remuneration arrangements.

Peter Benjamin, BSc (Hons), Grad Dip (Exploration), (Bus Admin), GAICD, MAusIMM, AFAIM
General Manager, Exploration

Mr Benjamin joined Iluka in 2001 as Group Manager Exploration and was appointed General Manager Exploration in June 2006. During 2008 and 2009, his role included the management of Technical Services. Mr Benjamin has operations, project and exploration experience, having held 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, USA

Mr Blackwell joined Iluka in 2004 as President, US Operations. From 2007, he was responsible for Land Management before returning to lead the USA region in May 2009. 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, production and business development.

Chris Cobb, Dip CSM, FIQ
General Manager, Sales and Marketing

Mr Cobb has over 30 years of resource and manufacturing experience in Africa, Europe, Asia and Australia. Previous roles include 5 years as Managing Director of Consolidated Rutile Ltd, an ASX listed Queensland mineral sands company, 12 years in copper/cobalt mining in Zambia, and 4 years as Chief Executive Officer of the largest construction materials company in Malaysia.

Simon Green, BA (Hons), ACA, MAICD
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, Product and Technical Development

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. In September 2009, Dr Hugo was appointed General Manager Product and Technical Development. He has also held positions with Richards Bay Minerals and Cable Sands.

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 of BHP Billiton, Foster's, Southcorp and Ampolex. Dr Porter has also held government relations roles at Westpac and BP Australia.

Alan Tate, BCom, FCA, 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.

Hans Umlauff, B MEng (Hons), FIEAust
General Manager, Project Management

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

Doug Warden, BCom, CA, MBA, AICD
General Manager, Business Development

Mr Warden originally joined Iluka in 2003. After leaving Iluka in 2007, Mr Warden gained experience in the uranium and base metals industries as Chief Financial Officer of both Summit Resources Ltd and Jabiru Metals Ltd. Prior to joining Iluka, he worked in corporate finance and insolvency areas with Ernst & Young and KPMG.

Steve Wickham, Assoc Dip in Mechanical Engineering
General Manager, Australian Operations

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, GAICD
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.

Organisational changes in 2010 include:

- Mr Steve Wickham's role changed to include all of Iluka's Australian mineral sands operations. To reflect this, Mr Wickham's role was renamed to General Manager Australian Operations, previously General Manager Eastern and Western Operations;
- Mr Hans Umlauff's role was retitled to General Manager Project Management from General Manager South Australian Development and Project Management. He has assumed responsibility for major growth opportunities including the delivery of the Woornack, Rownack, and Pirro project in the Murray Basin, Victoria;
- after taking extended leave in 2009, Mr Philip Nillsen, former General Manager Business Development will not be returning to the company; and
- after taking maternity leave in 2009, Ms Christine Truscott, General Manager Land Management will not be returning to the company.

REMUNERATION REPORT

REMUNERATION PRINCIPLES

Iluka's remuneration practices are designed to support the company's objective - to create and deliver value for shareholders. Accordingly, Iluka's remuneration approach is designed to attract, retain and motivate experienced executives and to ensure a focus by executives on shareholder value creation and delivery. Remuneration policy and procedures are therefore designed to achieve remuneration outcomes which are:

Market Competitive

- fixed remuneration which reflects the skills, experience and performance and which is comparable and competitive within the resources sector; and
- an appropriate balance between fixed and variable (at risk) components of executive remuneration.

Performance Based

- executives focused on both short and long term business performance; and
- reward for achievement aligned to company and individual performance.

Shareholder Aligned

- objectives set that support business profitability, sustainability and growth and thus improved shareholder returns; and
- executive share ownership, including trailing exposure to company performance.

Transparent

- clear disclosure which takes account of market practice; and
- compliance with relevant legislative requirements.

COMPONENTS OF EXECUTIVE REMUNERATION

Total Fixed Remuneration ("TFR")	Competitively positioned to support attraction and retention strategies.
Short Term Incentive Plan ("STIP")	Strong link to financial performance and delivery of results requiring profitability and sustainability performance exceeding 90 per cent of target before any award is payable for these measures. The STIP is designed to incentivise executives whilst promoting equity ownership through an award partly in cash and partly in deferred equity.
Long Term Incentive Plan ("LTIP")	Provides alignment with shareholder interests through Return on Equity ("ROE") and Total Shareholder Return ("TSR") measured over a three year period.

EXECUTIVE REMUNERATION MIX

Executive Remuneration is made up of fixed ("TFR") and at risk ("STIP" and "LTIP") components. A significant portion of total remuneration is at risk.

Target performance was exceeded in 2010, details of which are provided on pages 10 and 11.

ACTUAL EXECUTIVE REWARD IN 2010

Details of the remuneration received by the Managing Director and Key Executives prepared in accordance with statutory requirements and accounting standards are detailed on page 21 of the Remuneration Report.

The table below sets out the actual earnings realised by the Managing Director and Key Executives for 2010. Actual earnings include cash salary and fees, superannuation, non cash benefits received during the year and the full value of incentive payments received relating to the 2010 performance year. The table does not include share based payments which reflect the accounting value for share rights granted in the current and prior years which may or may not be realised as they are dependent on the achievement of performance hurdles.

Name	Base $	Super $	Other[1] $	2010 STIP[2] $	2008 LTIP[3] $	Retention Plan[7] $	2010 Total Actual Earnings $
D Robb[4]	1,451,941	48,059	38,206	1,672,772	653,542	10,660,000	14,524,520
P Beilby[5,6]	165,752	5,905	-	-	-	192,301	363,958
P Benjamin	410,092	36,908	6,487	355,034	184,735	-	993,256
C Cobb	407,833	36,180	-	366,335	-	-	810,348
V Hugo	382,519	26,139	6,487	329,133	171,228	-	915,506
A Tate	462,423	28,514	-	410,873	206,955	-	1,108,765
H Umlauff	529,358	47,642	4,767	472,563	246,168	-	1,300,498
S Wickham	472,556	17,781	4,768	412,875	114,733	-	1,022,713
C Wilson	422,376	26,385	6,487	370,414	191,706	-	1,017,368

1 Includes non-monetary benefits (for example spouse travel, car park)

2 Represents total value of 2010 STIP which is awarded half in cash and half in deferred equity awarded in March 2011.

3 Represents the value of the 2008-10 LTIP award for which the performance period concluded 31 December 2010 calculated at a share price of $10.66 being the volume weighted average price of shares traded over the five days following the release of the 2010 full year results.

4 Represents the value of the Managing Director's 2008-10 performance and retention plan award calculated at a share price of $10.66 being the volume weighted average price of shares traded over the five days following the release of the 2010 full year results.

5 Ceased employment 1 March 2010.

6 Represents the value of the retention plan award (awarded 1 March 2010) calculated at a share price of $3.67 being the volume weighted average price of shares traded over the five days following the release of the 2009 full year results.

7 The Retention period for other key executives will conclude on 31 March 2011 and outcomes will be disclosed in the 2011 Remuneration Report.

ACTUAL EXECUTIVE REWARD IN 2009

The table below shows actual earnings realised by the Managing Director and Key Executives in 2009 for comparison purposes.

Name	Base $	Super $	Other[2] $	2009 STIP[3] $	2007 LTIP[4] $	2009 Total Actual Earnings $
D Robb	1,431,078	68,922	51,489	521,685	-	2,073,174
P Beilby	382,263	34,404	-	46,532	-	463,199
P Benjamin	408,716	36,784	5,495	46,472	-	497,467
C Cobb[1]	83,194	7,488	-	-	-	90,682
V Hugo	374,950	28,823	5,495	80,982	-	490,250
A Tate	450,306	40,528	-	131,157	-	621,991
H Umlauff	531,968	47,477	4,632	182,447	-	766,524
S Wickham	413,485	14,103	1,280	145,521	-	574,389
C Wilson	414,857	30,407	5,495	119,210	-	569,969

1 Appointed 12 October 2009, formerly Managing Director of Consolidated Rutile Limited.

2 Includes non-monetary benefits (ie. spouse travel, car park, etc).

3 Represents total value of 2009 STIP which is awarded half in cash and half in deferred equity.

4 Represents the outcome of the 2007-09 LTIP for which the performance period concluded 31 December 2009.

2010 OVERVIEW

Key Initiatives

As reported in the 2009 Remuneration Report, the company imposed a fixed remuneration freeze for Directors and Executives and established a recruitment freeze for the 2009 calendar year.

The company has continued its focus on managing employee fixed costs to support financial performance initiatives in 2010 including:

- the Managing Director's fixed remuneration was not increased in 2010 (last increase effective 1 January 2008);
- Director's fees were not increased in 2010 (last increase effective 1 July 2008);
- the recruitment freeze established in 2009 (with the exception of critical roles) continued in 2010 with further exceptions permitted in order to meet business requirement as profitability improved and in response to pressures from a tightening labour market;
- employees participating in the 2009 short term incentive plan did not receive an increase to their fixed remuneration in 2010; and
- the employee share plan was suspended for 2009 and 2010 but will be re-instated in 2011 now that the company's financial performance has improved.

Performance Based Reward

Profitability targets for the 2010 STIP were reviewed to ensure alignment with corporate objectives for the year. Accordingly, for the 2010 performance year, an EBITDA rather than EBIT target was introduced to provide an increased focus on cashflow during a period of elevated company debt levels after the high capital expenditure in 2008 and 2009.

Total Recordable Injury Frequency Rate and Level 2 and above environmental incidents were introduced as new sustainability targets for the 2010 STIP replacing All Injury Frequency Rate and Notifications to Government. The revised targets provided a stronger alignment to Iluka's internal health and safety priorities and facilitated improved benchmarking.

Iluka's performance for the 2010 financial year was achieved with earnings improvements across the group. Overall financial performance met or exceeded stretch targets resulting in the 2010 STIP delivering above target awards to the Managing Director and Executives. The outcome of the 2010 STIP was further supported by the achievement of individual long term growth objectives including, for example, the delivery of two major projects (Jacinth-Ambrosia and Murray Basin Stage 2) successful production ramp ups and establishment of improved product pricing dynamics.

Iluka reviews its incentive plans regularly to ensure that performance metrics are appropriately linked to short and long term business requirements and shareholder value generation.

Shareholder Alignment

2008 Long Term Incentive Plan

The TSR target for the 2008 Long Term Incentive Plan was exceeded with the company achieving a TSR of 86.6 per cent and ranked at the 100th percentile of the Materials Index and MidCap 50 comparator groups. Accordingly, share rights granted in respect to this tranche will vest in full. This is the first time since the 2004 Long Term Incentive Plan that there has been any payment of LTIP and demonstrates the alignment of company performance with LTIP awards.

No awards were made in respect to the ROE measure due to performance not achieving the minimum target.

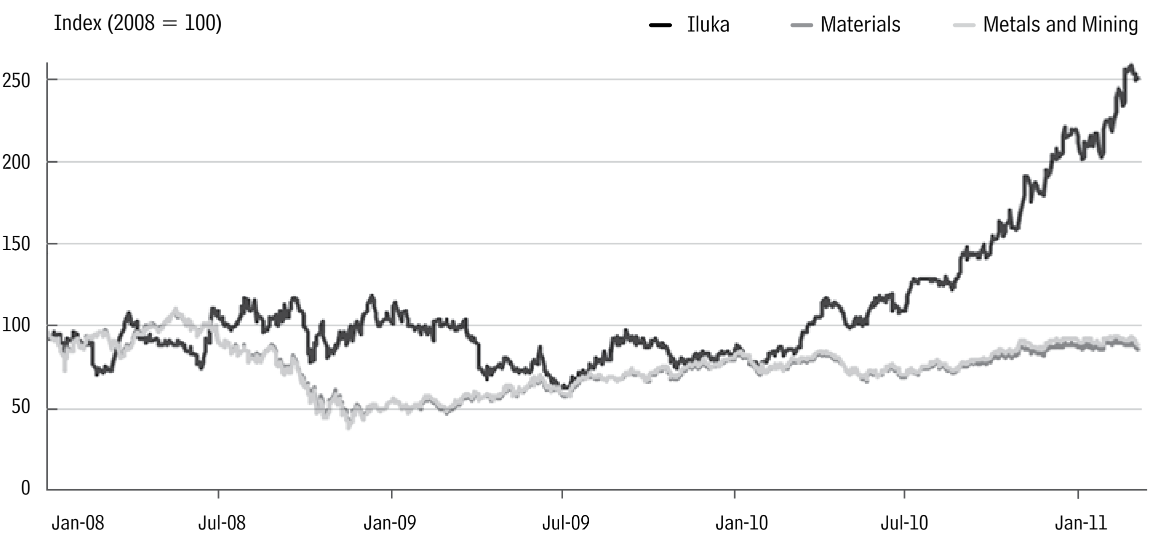
Shares awarded under this plan are detailed on page 18.

Managing Director's Retention Plan

The performance measure associated with the Managing Director's Retention Plan, which was approved by shareholders at the 2008 Annual General Meeting, required TSR of a minimum of 45 per cent over the three year performance period from 1 January 2008. In terms of share price (i.e. absent any other contributor to TSR such as dividends) full vesting of the Plan shares over the three year period required Iluka's share price to reach a minimum of $5.32 (calculated on the volume weighted average price (VWAP) of shares traded over the five days following the release of the 2010 financial results). The VWAP was calculated for the five trading days from 25 February to 3 March 2011 inclusive resulting in the volume weighted average share price of $10.66 exceeding the target of $5.32 by 100 per cent and resulting share price growth of 190 per cent for the performance period. Market capitalisation of the company increased from $0.9 billion to $4.5 billion over the corresponding period.

Accordingly, Mr Robb was awarded 1,000,000 ordinary shares under this plan on 4 March 2011.

The graph below shows Iluka's share price performance compared with the Materials and the Metals and Mining Indices over the corresponding three year period.



REMUNERATION REPORT

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 Mr Pizzey until August 2010. From August 2010, the Committee was chaired by Mr Osborn.

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;
- succession planning for key roles; and
- diversity strategy, policies and practices of the company.

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. During the 2010 year, external advisers mandated by the Committee provided input on several matters relating to remuneration. These advisers were:

- Ernst & Young, which provided advice in relation to executive remuneration, general remuneration trends and Iluka's management and employee share plans; and
- McKenzie Moncrieff, which provided legal advice in respect to share plans and executive contracts.

In November and December 2010 the Remuneration and Nomination Committee conducted an evaluation of its performance.

Remuneration Practices

The remuneration of an executive or manager is 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.

In accordance with the interests of transparent practices, Iluka discloses its current return on equity target range measure which forms part of the long term incentive scheme.

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.

Relationship between Reward and Performance

As discussed in detail in the "Variable Remuneration" section of this report, the key performance measures underlying the incentive plans in 2010 were:

- STIP: Profitability (ROC, EBITDA and NPAT), Sustainability (total recordable injury frequency rate, severity rate and level two and above environmental incidents) and Growth (individual stretch objectives); and
- LTIP: ROE and relative TSR.

Performance against each of the above measures determines the quantum of STIP awards paid to executives and the portion of LTIP awards that vest to executives.

For the 2010 performance year, the STIP delivered above target awards to the Managing Director and Executives reflecting the achievement of profitability and growth objectives at stretch levels of performance.

At the end of 2010, the 2008 LTIP grant completed its performance period (1 January 2008 to 31 December 2010). Performance was measured against both the ROE and relative TSR hurdles. Performance and resulting vesting was as follows:

Component	Performance target	Actual performance	Implication for vesting
ROE tranche (50%)	50% vesting for threshold of 10% with full vesting at target of 14%.	0.7%	Nil vesting and awards lapse
Relative TSR tranche (50%)	50th percentile for 50% vesting and 75th percentile for full vesting.	100th percentile	Full vesting of the TSR tranche

Iluka's Five Year Performance

For statutory reporting purposes the company is also required to show the five year total shareholder return and five years of earnings. In summary:

- During the period 1 January 2006 to 31 December 2010 the company completed a 4 for 7 renounceable share rights entitlement at $2.55 per share in March 2008. A portfolio of shares bought at the prevailing market price of $7.84 at the start of the performance period (closing price on 30 December 2005), assuming full take up of the rights issue at $2.55 per share, generated a shareholder return of 54.5 per cent return taking into account the shareholder's participation in the 2008 share rights entitlement. With aggregate dividend payments of $0.44 per share, the total shareholder return was 59.2 per cent over the five year period.
- Earnings over the same five year period are set out in the table below:

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10
Net profit after tax ($ million)	21.0	51.1	49.0	(82.4)	36.1
Earnings per share (cents)	9.1	21.6	14.2	(20.2)	8.6
Closing share price ($)	5.94	4.11	4.64	3.58	9.14
Dividends paid (cents)	22	22	N/A	N/A	N/A

Remuneration Structure

This Remuneration Report discloses remuneration details for the Managing Director, non-executive Directors and Key Management Personnel of the company and the Iluka group in 2010.

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

Iluka's total fixed remuneration structure is assessed against the median level of the market as defined by a comparator group of Australian companies within the resources market. Individual TFR is determined within an appropriate range centred at the market median by referencing job evaluation data and individual experience and performance 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 (as detailed on page 19) 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 2011, it is anticipated that 81 employees (representing 9 per cent of employees and including all executives) will participate in the LTIP, and 138 employees (representing 15 per cent of employees and 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

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

The STIP is linked to group and regional financial and operational performance and has a focus on Return On Capital ("ROC") as a key metric. A combination of financial and non-financial targets, including safety and individual growth specific 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 weighting of the growth measure is typically set at 30 per cent, however the Board 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 relevant year. Specific and measurable deliverables and the timeframe for achievement are defined for each objective. The deliverables and the timeframes are set at a stretch level of performance. Objectives are set in conjunction with the Managing Director for all key executives, followed by review and approval by the Remuneration and Nomination Committee. 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 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.

2010 STIP

The measures and weighting of objectives for the 2010 performance year were:

• Profitability (ROC, EBITDA and NPAT)	60 per cent
• Sustainability (total recordable injury frequency rate, severity rate and level 2 and above environmental incidents)	10 per cent
• Growth (individual objectives)	30 per cent

STIP payments to the Managing Director and key executives were significantly higher in 2010 than in 2009, due primarily to increased profitability, a strong relative share price performance and the achievement of growth objectives including successful delivery of two major projects.

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. 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 an employee having to remain with the company and continue to perform satisfactorily for the shares to vest and, therefore, there is 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

The LTIP provides a grant of equity in the form of share rights for Iluka shares 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 in 2010 comprised 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. 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.

2010 ROE targets were 10 per cent for Threshold and 14 per cent for Target. These targets may be compared with a 10 year history for Iluka (to 2009) in which the average ROE was 5.7, or with a 10 year average for the ASX 200 (less property trusts) of 8.85.

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 in 2010 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.

	LTIP Vesting Schedule		
Measure	Performance Hurdle to be achieved	Percentage of total grant that will vest	Maximum percentage of total grant
TSR	50th percentile	25	50
	75th percentile	50	
ROE	Threshold	25	50
	Target	50	
Total Grant			100

Vesting occurs on a straight-line basis for performance between threshold and target for both measures.

All offers and details of the maximum allocation for the Managing Director and key executives are shown on page 21. It should be noted that the maximum allocations listed are subject to the respective performance criteria. If at the end of the performance period the performance criteria have not been met there will be no entitlement to shares.

Previous Performance Incentive Programs: 2005 PIP

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

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 with each tranche of shares being subject to a four year holding lock. Tranche one of the 2005 PIP vested in January 2007 with tranche two vesting January 2008 and tranche three vesting January 2009. The final tranche of the 2005 PIP vested in January 2010.

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 an objective setting and 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, who do not participate in the STIP) 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.

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.

The employee share plan was not offered to employees in 2009 or 2010 but will be re-instated in 2011.

Iluka Retention Plan

During 2007 and 2008, the resources sector experienced very high levels of competition for management and technical 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 offered 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. 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 18.

In August 2009, the Board closed the Retention Plan.

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 2010, including superannuation, was $956,565.

In 2009 and 2010, the Board decided not to increase their fees. A review of Iluka's non-executive Director fees was conducted by Ernst & Young in 2011. The review took into account the nature of the Director's work, their responsibilities and survey data on comparative companies. Details of Director fees in 2010 and increased fees from 1 March 2011 are as follows:

	From 1 March 2011 $ p.a	From 1 July 2008 to 28 February 2011 $ p.a
Non-executive Director Fees		
Board Chairman (inclusive of Committee fees)	312,000	275,000
Board Member	125,000	100,000
Board Member Committee Fees		
Audit and Risk Committee Chair	35,000	35,000
Remuneration and Nomination Committee Chair	25,000	25,000
Audit and Risk Committee Member	17,500	17,500
Remuneration and Nomination Committee Member	12,500	12,500

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, the current total non-executive Director remuneration assuming no changes to the Board, is $1,074,500 per annum, excluding superannuation, or $1,158,324 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 18 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 2010.
2010 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, EBITDA, NPAT) — 50 per cent Sustainability (total recordable injury frequency rate, severity rate, level 2 and above 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 2010 related to the company's ongoing response to the global economic crisis, major project development and certain industry related and other initiatives.
2010 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
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 ending 31 December 2007 (that is, Tranche 1 performance period is 27 February 2008 to 25 February 2009). The performance hurdle for tranche 1 of Mr Robb's retention plan was achieved with 333,333 share rights granted accordingly.
- 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 (that is, Tranche 2 performance period is 25 February 2009 to 3 March 2010). The performance hurdle for tranche 2 of Mr Robb's retention plan was not achieved and therefore, share rights relating to tranche 2 of the plan were not awarded.
- 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 (that is, Tranche 3 performance period is 3 March 2010 to 3 March 2011). The performance hurdle for tranche 3 of Mr Robb's retention plan was achieved. In accordance with the terms and conditions of Mr Robb's retention offer (see Vesting Conditions), a total of 666,667 share rights relating to tranches 2 and 3 of the plan have been awarded.
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. • 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 Benjamin	General Manager Exploration	3 months	3 months	12 months
C Cobb	General Manager Sales and Marketing	3 months	3 months	9 months
V Hugo	General Manager Product and Technical Development	3 months	3 months	12 months
A Tate	Chief Financial Officer	3 months	3 months	9 months
H Umlauff	General Manager Project Management	3 months	3 months	12 months
S Wickham	General Manager Australian Operations	3 months	3 months	9 months
C Wilson	General Manager Corporate Services and 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 and are inclusive of the notice period.

SHARE RIGHTS AND SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Number Of Shares					Number Of Share Rights				
Name	Balance held at 1/1/10	Vesting of share rights	Awarded as Restricted Shares	Other changes	Balance held at 31/12/10*	Balance held at 1/1/10	Granted during 2010*	Vested as shares during 2010	Lapsed during 2010	Balance held at 31/12/10
Non-Executive Directors										
R Every**	28,679	-	-	(28,679)	-	-	-	-	-	-
D Morley	40,876	-	-	-	40,876	-	-	-	-	-
W Osborn	-	-	-	-	-	-	-	-	-	-
G Pizzey	16,351	-	-	-	16,351	-	-	-	-	-
G Rezos	63,602	-	-	-	63,602	-	-	-	-	-
J Seabrook	19,314	-	-	-	19,314	-	-	-	-	-
S Turner	-	-	-	50,000	50,000	-	-	-	-	-
Executive Director										
D Robb	591,171	-	70,689	1,355	663,215	1,224,657	121,951	-	(61,308)	1,285,300
Executives										
P Beilby**	126,574	54,614	-	(181,188)	-	141,970	-	(54,614)	(87,365)	-
P Benjamin	102,212	968	6,297	1,355	110,832	175,171	36,504	(968)	(17,329)	193,378
C Cobb	-	-	-	-	-	-	34,146	-	-	34,146
V Hugo	121,204	2946	10,973	(18,645)	116,478	117,894	33,252	(2,946)	(16,062)	132,138
A Tate	41,988	-	17,772	-	59,760	174,433	40,163	-	(19,414)	195,182
H Umlauff	108,057	-	24,722	(19,873)	112,906	146,437	46,911	-	(23,092)	170,256
S Wickham	39,840	-	19,718	1,355	60,913	92,254	40,650	-	(10,763)	122,141
C Wilson	81,048	2,691	16,153	-	99,892	178,202	36,504	(2,691)	(17,983)	194,032

* Balances for the Executive Director and the Executives include restricted shares which will vest in future periods subject to legislative requirements.

** Shares and Share Rights are reversed to show a zero balance at 31 December on cessation of employment.

No shares were forfeited during the year.

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

(i) Non-executive Directors

R L Every (Chairman)
D M Morley
W G Osborn
G J Pizzey (Chairman)
G J Rezos
J A Seabrook
S J Turner

(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 2009, except W G Osborn and S J Turner who were appointed as Directors on 26 March 2010. R L Every was a Director in the prior year and retired on 20 May 2010.

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 2010 and are referred to as Executives:

P Beilby[1]	General Manager Murray Basin
P Benjamin	General Manager Exploration
C Cobb	General Manager Sales and Marketing
V Hugo	General Manager Product and Technical Development
A Tate	Chief Financial Officer
H Umlauff	General Manager Project Management
S Wickham	General Manager Australian Operations
C Wilson	General Manager Corporate Services and Company Secretary

1 Ceased employment 1 March 2010.

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.

2010	Short Term Employee Benefits						
Name	Cash, Salary & Fees[1] $	STIP Cash[2**] $	Non-Monetary Benefits $	Other $	Superannuation $	Share Based Payments[2,3**] $	Total $
Non-executive Directors							
R Every[5]	106,944	n/a	7,794	n/a	5,421	n/a	120,159
D Morley	136,237	n/a	6,076	n/a	12,150	n/a	154,463
W Osborn[6]	90,456	n/a	-	n/a	8,141	n/a	98,597
G Pizzey	217,262	n/a	-	n/a	13,123	n/a	230,385
G Rezos	124,763	n/a	-	n/a	11,229	n/a	135,992
J Seabrook	121,951	n/a	-	n/a	10,976	n/a	132,927
S Turner[7]	89,828	n/a	-	n/a	8,085	n/a	97,913
Executive Director							
D Robb	1,451,941	836,386	38,206	-	48,059	1,359,631	3,734,223
Executives							
P Beilby[4]	165,752	-	-	315,000	5,905	261,039	747,696
P Benjamin*	410,092	177,517	6,487	-	36,908	361,570	992,574
C Cobb	407,833	183,167	-	-	36,180	41,580	668,760
V Hugo	382,519	164,566	6,487	-	26,139	256,549	836,260
A Tate*	462,423	205,436	-	-	28,514	369,704	1,066,077
H Umlauff*	529,358	236,282	4,767	-	47,642	366,074	1,184,123
S Wickham*	472,556	206,438	4,768	-	17,781	242,164	943,707
C Wilson*	422,376	185,207	6,487	-	26,385	364,455	1,004,910

1. STIP Cash includes cash that is sacrificed for the purchase of shares during the year.
2. STIP Cash and share-based awards for 2009 were made in March 2010.
3. Includes negative amounts for the reversal of prior year charges for the ROE component of the 2008 LTIP which did not vest.
4. Ceased employment 1 March 2010. "Other" relates to redundancy payment and statutory leave entitlements on cessation of employment.
5. Retired on 20 May 2010.
6. Appointed 26 March 2010. No payments were made to W Osborn as consideration for his appointment.
7 Appointed 26 March 2010. No payments were made to S Turner as consideration for his appointment.

* 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.

2009	Short Term Employee Benefits						
Name	Cash, Salary & Fees[1] $	STIP Cash[4] ** $	Non-Monetary Benefits** $	Other $	Superannuation $	Share Based Payments[2,3,4]** $	Total $
Non-executive Directors							
R Every	275,000	n/a	n/a	n/a	14,103	n/a	289,103
D Morley	135,000	n/a	n/a	n/a	12,150	n/a	147,150
G Pizzey	125,000	n/a	n/a	n/a	11,250	n/a	136,250
G Rezos	130,000	n/a	n/a	n/a	11,700	n/a	141,700
J Seabrook	117,500	n/a	n/a	n/a	10,575	n/a	128,075
Executive Director							
D Robb	1,431,078	260,843	51,489	-	68,922	1,383,517	3,195,849
Executives							
P Beilby*	382,263	23,266	-	-	34,404	398,088	838,021
P Benjamin*	408,716	23,236	5,495	-	36,784	454,572	928,803
C Cobb[5]	83,194	-	-	-	7,488	-	90,682
V Hugo	374,950	40,491	5,495	-	28,823	325,980	775,739
A Tate*	450,306	65,579	-	-	40,528	564,725	1,121,137
H Umlauff*	531,968	91,224	4,632	-	47,477	473,032	1,148,333
S Wickham	413,485	72,761	1,280	-	14,103	255,266	756,895
C Wilson*	414,857	59,605	5,495	-	30,407	474,605	984,969

1. STIP cash salary includes salary that is sacrificed for the purchase of shares during the year.
2. Includes negative amounts for the reversal of prior year charges for the ROE component of the 2007 LTIP which did not vest.
3. The higher level of share based payments in 2009 compared with 2008 reflects the deferred equity component of the 2008 STIP which is charged as remuneration in 2009 and 2010 together with the full year charge for the Iluka Retention Plan share rights granted in March 2008 which vest in March 2011.
4. STIP Cash and share-based awards for 2009 were made in March 2010.
5. Appointed 12 October 2009. C Cobb was formerly Managing Director of Consolidated Rutile Limited. No payments were made to C Cobb as consideration for him joining Iluka.

* 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

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

				Awarded %[2]		
Name	2008 STIP[1]	2009 STIP[1]	2010 STIP[1]	2008	2009	2010
D Robb	92,687	70,689	78,460	91	29	93
P Benjamin	18,091	6,297	16,653	84	12	88
C Cobb	-	-	17,183	-	-	97
V Hugo	17,671	10,973	15,438	88	22	89
A Tate	20,994	17,772	19,272	87	30	92
H Umlauff	25,405	24,722	22,165	88	35	91
S Wickham	11,708	19,718	19,366	87	37	92
C Wilson	21,468	16,153	17,374	96	30	92

1 STIP restricted share fair value determined independently 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 vesting period. STIP restricted shares are awarded in March of the following year (for example, 2010 STIP awards are made in March 2011).

2 The percentage achieved of the STIP maximum available incentive opportunity awarded for the financial year.

Maximum value of restricted shares and 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/rights that vest in that year. The amount to be reported as share based payments in future years will be determined in accordance with AASB 2 *Share Based Payments* over the vesting period.

	Maximum Number			Maximum Value ($)		
	Vesting Year			Vesting Year		
Name	2011	2012	2013	2011	2012	2013
D Robb	1,250,647	137,386	121,951	1,914,031	540,468	376,829
P Benjamin	164,898	33,693	36,504	642,903	135,251	112,797
C Cobb	-	-	34,146	-	-	105,511
V Hugo	110,282	33,310	33,252	421,008	132,550	102,749
A Tate	170,708	42,491	40,163	660,501	168,159	124,104
H Umlauff	144,951	51,613	46,911	547,328	203,492	144,955
S Wickham	84,093	39,587	40,650	320,517	155,892	125,609
C Wilson	174,511	38,621	36,504	680,066	152,844	112,797

Fair Value

The fair value of each restricted share or share right and the vesting year for each incentive plan is set out below.

Incentive Plan	Fair Value per Share $	Vesting Year
2005 PIP (Tranche 4)	6.57	2010
2007 STIP (Tranche 2)*	4.09	2010
2008 LTIP	2.93	2011
2008 STIP*	4.66	2010 & 2011
2009 LTIP	4.06	2012
2009 STIP*	3.57	2011 & 2012
Retention Plan	4.09	2011
Retention Plan MD 1	0.90	2011
Retention Plan MD 2	1.19	2011
Retention Plan MD 3	0.90	2011
2010 LTIP	3.09	2013
2010 STIP*	10.66	2012 & 2013

* Awards under these plans are restricted shares, all other plans grant share rights.

The fair value is calculated in accordance with the measurement criteria of Accounting Standard AASB 2 Share-Based Payment.

The fair value of restricted shares is determined to be the volume 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 grant date and the vesting date for each respective plan.

The fair value of share rights 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 fair value of share rights at grant date of the Long Term Incentive Plan ("LTI P") is independently determined 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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2010, 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 period.

David J Smith
Partner
PricewaterhouseCoopers

Perth
24 March 2011

Liability limited by a scheme approved under Professional Standards Legislation.

CORPORATE GOVERNANCE

APPROACH TO CORPORATE GOVERNANCE

Iluka and its Board of Directors believe that the highest standards of corporate governance are essential in order to create and deliver sustainable value for shareholders. The main elements of Iluka's corporate governance practices are detailed in this statement. The Board of Directors are committed to acting 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 Council's ("Council") Corporate Principles and Recommendations (Second Edition) ("Corporate Principles").

The Corporate Governance section of the Iluka website www.iluka.com 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 Policy
- Whistleblower Policy

DIVERSITY

Iluka acknowledges the Council's amendments to the Corporate Principles in respect to diversity that were released on 30 June 2010 ("Diversity Principles"). In regard to Iluka, the Diversity Principles take effect from and including the 2011 financial year. As a result, Iluka will report for the first time on compliance with Diversity Principles in the 2011 Annual Report.

In 2011, Iluka will continue to seek to attract and retain the best people while building and maintaining a diverse, sustainable and high achieving workforce that reflects its communities. The company will develop and implement programs to further foster workforce diversity in regards to gender and age and in terms of participation by indigenous people and people with disabilities.

ROLE AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board operates in accordance with the broad principles set out in the Board Charter. The primary roles of the Board are:

- appointing and removing the Managing Director;
- monitoring the performance of the Managing Director and the senior 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 senior management. The roles, duties and responsibilities of the Board and delegation to senior management are defined in the Board Charter which is available on Iluka's website (www.iluka.com).

BOARD COMPOSITION

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'. 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 the Board. 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.

Iluka's Constitution requires Directors to retire from office no later than the third Annual General Meeting following their election or re-election. The Directors have adopted an internal guideline that the preferred length of service is a maximum of 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 is an independent Director.

The Board Charter sets out the criteria for determining whether a non-executive director is independent. Applying this criteria, the Board considers that all non-executive Directors are independent.

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

MANAGING DIRECTOR

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

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

CONFLICTS OF INTEREST

Each Director has an ongoing responsibility to:

- disclose to the Board details of transactions or interests, actual or potential that may create a conflict of interest; 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, meet key executives and tour operational sites. Thereafter, 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 Chairman chairs these meetings. 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.

Directors' attendance at Board and Committee meetings is detailed on page 5 of this report.

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 ASX.

COMMITTEES OF THE BOARD

The Board has established two committees: the Remuneration and Nomination Committee and the Audit and Risk Committee. Each committee functions under a specific charter and is comprised wholly of independent, non-executive Directors. The structure and membership of these committees are reviewed periodically. The 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.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is responsible for providing assistance and recommendations to the Board in relation to:

- development, review and implementation of the remuneration strategy of the company;
- 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.

The Remuneration and Nomination Committee's consists of the following independent, non-executive Directors: Mr Wayne Osborne (Chairman), Ms Jennifer Seabrook, Mr Gavin Rezos and Mr John Pizzey. Details of Directors attendance at Remuneration and Nomination Committee meetings are set out on page 5.

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 21 of this Report.

For further information on the scope and responsibilities of the Remuneration and Nomination Committee, please refer to Iluka's website (www.iluka.com).

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee's role is to assist the Board to fulfil its responsibilities in relation to the company's accounts, external reporting and risk. This is achieved by ensuring that appropriate processes are in place in relation to:

- 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 Committee regularly reviews the appropriateness of its composition in light of the skills and experiences of its members and the responsibilities of the Committee. 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 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.

The Audit and Risk Committee consists of the following independent, non-executive Directors: Mr Don Morley (Chairman), Mr Gavin Rezos, Mr Stephen Turner and Ms Jenny Seabrook.

For further information on the scope and responsibilities of the Audit and Risk Committee, please refer to Iluka's website (www.iluka.com).

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 issues and initiatives for improving the functioning and performance of the Board. This annual review was last undertaken December 2010.

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 December 2010.

CORPORATE REPORTING

The Managing Director and Chief Financial Officer have made the following certifications to the Board with respect to the 2010 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, 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.

AUDIT FUNCTIONS

PricewaterhouseCoopers ("PwC") is the company's external audit provider. During 2010, 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.

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 that 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 Director's Code of Conduct, 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.

Copies of the Employee Code of Conduct, Director's Code of Conduct and the Whistleblower Policy can be found in the corporate governance section of Iluka's website (www.iluka.com).

SECURITIES TRADING POLICY

The company has a policy on the trading of the company's securities (shares, options, warrants, etc.) by Directors and employees. The Board believes it is in the best interests of shareholders for Directors and employees to own shares in the company, subject to strict controls and guidelines on share trading.

The Securities Trading Policy prohibits Directors and employees 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 trading in securities in the company during the period from the end of half or full financial year and the release of the results for the relevant period.

Prior to trading in the company's securities, Directors must seek approval from the Chairman and Restricted Employees must seek approval from Company Secretary.

A copy of Iluka's Securities Trading Policy can be found in the corporate governance section of Iluka's website (www.iluka.com).

CONTINUOUS DISCLOSURE

The company is committed to providing best practice continuous disclosure and has developed a comprehensive Continuous Disclosure Policy to ensure compliance with the continuous and periodic disclosure obligations under the Corporations Act and the ASX listing rules and to providing accurate information to all shareholders and market participants. The company has established a Disclosure Committee comprising the Company Secretary, Chief Financial Officer and the General Manager, Investor Relations. The Committee reports to the Managing Director. The Committee's responsibilities include determining if disclosure is required, ensuring the Managing Director is advised of and approves all information disclosed to the market and ensuring the Board is kept fully informed of the Disclosure Committee's determinations and all information subsequently disclosed to the market. The Company Secretary is convenor of the Disclosure Committee and has primary responsibility for administration of the Continuous Disclosure Policy. The Company Secretary's responsibilities include ensuring compliance with the company's continuous disclosure obligations and overseeing and co-ordinating information disclosure to the ASX.

The company's Continuous Disclosure Policy is available in the corporate governance section of Iluka's website (www.iluka.com).

SHAREHOLDER COMMUNICATION

The company is committed to providing accurate information to all shareholders and the market and follows a yearly program of regular disclosure to the market on its financial and operational results and discloses events to the ASX during the year as they occur.

At the Annual General Meeting, shareholders elect the Directors and have the opportunity to express their views, ask questions about company business and vote on items of business for resolution by shareholders. The company communicates with shareholders through releases to the ASX, the company's website, information distributed direct to shareholders and the general meetings of the company.

More information on shareholder communication is contained in the company's Continuous Disclosure Policy.

COMPARISON TO ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (2ND EDITION) WITH 2010 AMENDMENTS

Principle	Recommendation	Compliance
1	Lay solid foundations for management and oversight	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Comply
2	Structure the board to add value	
2.1	A majority of the board should be independent directors.	Comply
2.2	The Chairman should be an independent director.	Comply
2.3	The roles of Chairman and Chief Executive Officer should not be exercised by the same individual.	Comply
2.4	The board should establish a nomination committee.	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply
3	Promote ethical and responsible decision-making	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Comply
	– the practices necessary to maintain confidence in the company's integrity;	Comply
	– the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;	Comply
	– the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objective and progress in achieving them.	Intend to comply and will report progress in the 2011 Annual Report
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Intend to comply and will report progress in the 2011 Annual Report
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Intend to comply and will report progress in the 2011 Annual Report
4	Safeguard integrity in financial reporting	
4.1	The board should establish an audit committee.	Comply
4.3	The audit committee should be structured so that it:	Comply
	– consists only of non-executive directors	
	– consists of a majority of independent directors	
	– is chaired by an independent chair, who is not Chairman of the board	
	– has at least three members.	
4.4	The audit committee should have a formal charter.	Comply
5	Make timely and balanced disclosure	
5.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply
6	Respect the rights of shareholders	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply

Principle	Recommendation	Compliance
7	Recognise and manage risk	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply
7.3	The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply
8	Remunerate fairly and responsibly	
8.1	The board should establish a remuneration committee.	Comply
8.2	The remuneration committee should be structured so that it: – consists of a majority of independent directors – is chaired by an independent chair – has at least three members.	Comply
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply

FINANCIAL REPORT

This financial report covers the consolidated financial statements for the consolidated entity consisting of Iluka Resources Limited and its subsidiaries. The financial statements are 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 statements were authorised for issue by the directors on 24 March 2011. The company has the power to amend and reissue the financial statements.

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 $m	2009 $m
Revenue from continuing operations	5	**964.6**	602.6
Other income	6	**8.4**	39.5
Expenses	7	**(885.8)**	(717.2)
Interest and finance charges		**(33.0)**	(8.4)
Rehabilitation and restoration unwind		**(14.3)**	(15.7)
Total finance costs	7	**(47.3)**	(24.1)
Impairment charges	7	**-**	(67.6)
Profit (loss) before income tax from continuing operations		**39.9**	(166.8)
Income tax (expense) benefit	8	**(3.8)**	61.5
Profit (loss) from continuing operations		**36.1**	(105.3)
Profit from discontinued operations	9	**-**	22.9
Profit (loss) for the year		**36.1**	(82.4)

		Cents	Cents
Basic and diluted earnings per share			
Earnings per share from continuing operations attributable to owners	29	**8.6**	(25.9)
Earnings per share attributable to owners	29	**8.6**	(20.2)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 $m	2009 $m
Profit (loss) for the year	**36.1**	(82.4)
Other comprehensive income		
Changes in fair value of foreign exchange cash flow hedges, net of tax	**(3.6)**	83.5
Currency translation of US operation	**(6.9)**	(22.8)
Hedge of net investment in US operation, net of tax	**6.7**	23.6
Actuarial gains on defined benefit plans, net of tax	**0.6**	2.4
Other comprehensive (loss) income for the year	**(3.2)**	86.7
Total comprehensive income for the year	**32.9**	4.3
Total comprehensive income for the year is attributable to:		
Owners of Iluka Resources Limited	**32.9**	(1.1)
Non-controlling interest	**-**	5.4
	32.9	4.3

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Notes	2010 $m	2009 $m	1 January 2009*
ASSETS				
Current assets				
Cash and cash equivalents	10	**30.1**	86.3	97.6
Receivables	11	**164.8**	103.9	243.2
Inventories	12	**201.0**	205.5	249.7
Derivative financial instruments	3	**-**	15.9	-
Other assets		**-**	-	8.5
Total current assets		**395.9**	411.6	599.0
Non-current assets				
Inventories	12	**56.6**	56.6	-
Property, plant and equipment	13	**1,425.0**	1,566.6	1,414.6
Deferred tax assets	14	**55.3**	53.7	31.0
Intangible assets	15	**7.1**	9.9	13.5
Total non-current assets		**1,544.0**	1,686.8	1,459.1
Total assets		**1,939.9**	2,098.4	2,058.1
LIABILITIES				
Current liabilities				
Payables	16	**103.7**	183.7	164.1
Interest bearing liabilities	17	**29.5**	44.7	36.8
Current tax liabilities		**-**	-	5.0
Provisions	18	**54.9**	28.1	61.4
Derivative financial instruments		**-**	-	104.0
Total current liabilities		**188.1**	256.5	371.3
Non-current liabilities				
Interest bearing liabilities	17	**313.3**	423.7	276.5
Provisions	18	**313.9**	322.9	322.7
Derivative financial instruments		**-**	-	49.6
Total non-current liabilities		**627.2**	746.6	648.8
Total liabilities		**815.3**	1,003.1	1,020.1
Net assets		**1,124.6**	1,095.3	1,038.0
EQUITY				
Contributed equity	19	**1,108.3**	1,114.4	998.1
Reserves	20(a)	**20.4**	22.0	(55.8)
Retained (losses) profits	20(b)	**(4.1)**	(41.1)	37.5
		1,124.6	1,095.3	979.8
Non-controlling interests		**-**	-	58.2
Total equity		**1,124.6**	1,095.3	1,038.0

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

* See note 1(a) for details regarding a change in accounting policy.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

		Attributable to owners of Iluka Resources Limited					
	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2009		**998.1**	**(84.3)**	**66.0**	**979.8**	**58.2**	**1,038.0**
Adjustment on adoption of AASB 2008-8	1	-	28.5	(28.5)	-	-	-
Restated total equity at the beginning of the financial year		**998.1**	**(55.8)**	**37.5**	**979.8**	**58.2**	**1,038.0**
Loss for the year		-	-	(82.2)	(82.2)	(0.2)	(82.4)
Changes in fair value of foreign exchange cash flow hedges, net of tax	20	-	77.9	-	77.9	5.6	83.5
Currency translation of US operation	20	-	(22.8)	-	(22.8)	-	(22.8)
Hedge of net investment in US operation, net of tax	20	-	23.6	-	23.6	-	23.6
Actuarial gains on retirement benefit obligations, net of tax	20	-	-	2.4	2.4	-	2.4
Transfer of asset revaluation reserve	20	-	(1.2)	1.2	-	-	-
Total comprehensive income		**-**	**77.5**	**(78.6)**	**(1.1)**	**5.4**	**4.3**
Transactions with owners in their capacity as owners:							
Share placement, net of costs	19	113.5	-	-	113.5	-	113.5
Transfer of shares to employees	19	2.8	(2.8)	-	-	-	-
Share based payments, net of tax	19	-	3.1	-	3.1	-	3.1
Dividends paid to CRL minorities		-	-	-	-	(1.8)	(1.8)
Disposal of subsidiary		-	-	-	-	(61.8)	(61.8)
		116.3	0.3	-	116.6	(63.6)	53.0
Balance at 31 December 2009		**1,114.4**	**22.0**	**(41.1)**	**1,095.3**	**-**	**1,095.3**
Balance at 1 January 2010		**1,114.4**	**19.9**	**(39.0)**	**1,095.3**	**-**	**1,095.3**
Adjustment on adoption of AASB 2008-8	1	-	2.1	(2.1)	-	-	-
Restated total equity at the beginning of the financial year		**1,114.4**	**22.0**	**(41.1)**	**1,095.3**	**-**	**1,095.3**
Profit for the year		**-**	**-**	**36.1**	**36.1**	**-**	**36.1**
Changes in fair value of foreign exchange cash flow hedges, net of tax	20	-	(3.6)	-	(3.6)	-	(3.6)
Currency translation of US operation	20	-	(6.9)	-	(6.9)	-	(6.9)
Hedge of net investment in US operation, net of tax	20	-	6.7	-	6.7	-	6.7
Actuarial gains on retirement benefit obligations, net of tax	20	-	-	0.6	0.6	-	0.6
Transfer of asset revaluation reserve	20	-	(0.3)	0.3	-	-	-
Total comprehensive income		**-**	**(4.1)**	**37.0**	**32.9**	**-**	**32.9**
Transactions with owners in their capacity as owners:							
Transfer of shares to employees	19	1.1	(1.1)	-	-	-	-
Share based payments, net of tax	19	-	3.6	-	3.6	-	3.6
Purchase of treasury shares, net of tax	19	(7.2)	-	-	(7.2)	-	(7.2)
		(6.1)	2.5	-	(3.6)	-	(3.6)
Balance at 31 December 2010		**1,108.3**	**20.4**	**(4.1)**	**1,124.6**	**-**	**1,124.6**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	**2010 $m**	2009 $m
Cash flows from operating activities			
Receipts from customers		**888.3**	744.8
Payments to suppliers and employees		**(727.2)**	(663.0)
		161.1	81.8
Interest received		**1.1**	1.5
Interest paid		**(30.5)**	(14.0)
Tax paid		**(1.5)**	(4.4)
Exploration expenditure		**(17.9)**	(20.0)
MAC royalty receipts		**63.9**	55.2
Other		**2.5**	2.1
Net cash inflow from operating activities	28	**178.7**	102.2
Cash flows from investing activities			
Payments for property, plant and equipment		**(117.2)**	(521.6)
Sale of property, plant and equipment		**9.0**	9.9
Sale of CRL	9	**-**	84.2
Net cash (outflow) from investing activities		**(108.2)**	(427.5)
Cash flows from financing activities			
Proceeds from borrowings		**-**	309.8
Repayment of borrowings		**(116.4)**	(105.6)
Purchase of treasury shares		**(9.8)**	-
Dividends paid to CRL minority interests		**-**	(1.8)
Issue of ordinary shares	19(b)	**-**	114.0
Share issue costs	19(b)	**-**	(0.5)
Net cash (outflow) inflow from financing activities		**(126.2)**	315.9
Net (decrease) increase in cash and cash equivalents		**(55.7)**	(9.4)
Cash and cash equivalents at 1 January		**86.3**	97.6
Exchange rate changes on cash and cash equivalents		**(0.5)**	(1.9)
Cash and cash equivalents at 31 December	10	**30.1**	86.3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

CONTENTS

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements are for 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. The consolidated financial statements of Iluka Resouces Limited also comply with International Financial Reporting Standards ("IFRS") as issued by the international Accounting Standards Board (IASB). These financial statements have been prepared under the historical cost convention except for derivative financial instruments which have been measured at fair value through profit and loss.

Change in Accounting policy

Accounting policy 1(l) Derivatives and hedging activities was amended from 1 January 2010 to comply with AASB 2008 8 "Amendments to Australian Accounting Standards-Eligible Hedged Items" which permits only the intrinsic value of an option to be recognised in equity for hedge accounting purposes.

The impact of the change in accounting policy is summarised in the table below:

	Notes	Previous policy $m	Ineffective losses $m	Ineffective fair value $m	Revised policy $m
Balance Sheet at 1 January 2009					
Reserves (change is to hedging reserve)	20	(84.3)	-	28.5	(55.8)
Retained profits	20	66.0	-	(28.5)	37.5
Income statement - year ended 31 December 2009					
Hedge revenue (losses)	5	(42.9)	16.6	-	(26.3)
Ineffective (gains) losses of changes in fair value of hedges	6	-	(16.6)	37.8	21.2
Tax benefit	8	72.9	-	(11.4)	61.5
Loss for the year ended 31 December 2009		(108.8)	-	26.4	(82.4)
Other comprehensive income - year ended 31 December 2009					
Change in fair value of cash flow hedges net of tax		109.9	-	(26.4)	83.5
Balance Sheet at 1 January 2010					
Reserves (change is to hedging reserve)	20	19.9	-	2.1	22.0
Retained profits	20	(39.0)	-	(2.1)	(41.1)
Income statement - year ended 31 December 2010					
Hedge revenue (losses)	5	13.8	(12.4)	10.8	12.2
Ineffective gains from changes in fair value of hedges	8	-	12.4	(10.8)	1.6

As a result of the above change in accounting policy earnings per share attributable to owners for the prior period increased from (26.8) to (20.2) cents per share.

(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 2010 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity 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 consolidated entity.

Note 1. Summary of significant accounting policies (contd)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the income statements, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director.

(d) Revenue recognition

Mineral sands

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.

Product sales are recognised as 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(l).

Mining Area C royalty income and amortisation of royalty asset

Royalty income is recognised on an accrual basis. 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 is an intangible asset and is amortised on a straight-line basis over its estimated useful life of 25 years of which 18 years is remaining.

(e) Interest and other

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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

Note 1. Summary of significant accounting policies (contd)

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

(g) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred.

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(n) for more information.

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

(h) Cash and cash equivalents

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

(i) Trade receivables

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

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

(j) Inventories

Inventories are valued at the lower of weighted average cost and estimated net realisable value.

Weighted average cost includes 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 sale in the normal course of business, less any anticipated costs to be incurred prior to sale.

A regular and ongoing review is undertaken to establish the extent of surplus obsolete or damaged stores, which are then valued at estimated net realisable value.

(k) Foreign currency translation

(i) Functional and presentation 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 Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses including those from the translation at balance date of foreign currency denominated monetary assets and liabilities are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The results and financial position of the US entities that have a US dollar functional currency are translated into AUD as follows:

- assets and liabilities are translated at the exchange rate at balance date;
- income and expenses for each month are translated at average exchange rates; and
- all resulting exchange differences are recognised in the foreign currency translation reserve.

(l) Derivatives and hedging activities

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

Note 1. Summary of significant accounting policies (contd)

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 derivatives financial instruments used for hedging purposes are disclosed in note 3. Movements in the hedging reserve in shareholders' equity are shown in note 20.

(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. To comply with AASB 2008-8 "Amendments to Australian Accounting Standards - Eligible Hedged Items", which permits only the intrinsic value of an option to be recognised in equity for hedge accounting purposes, the group amended its accounting policy from 1 January 2010. The effect of this change in accounting policy is disclosed in note 1(a).

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast receipt 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 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) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cashflow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or expenses. Gains or losses accumulated in equity are included in the income statement on disposal of the foreign operation.

(iii) Derivatives that do not qualify for hedge accounting

For derivatives that do not qualify for hedge accounting, changes in the fair value are recognised immediately in the income statement.

(m) 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.

(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 on development can be recouped through project development or sale. Capitalised exploration is transferred to Mine Reserves once the related ore body achieves 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.

Note 1. Summary of significant accounting policies (contd)

Expenditure associated with the advance 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.

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. Land is not depreciated. 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.

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 profit or loss during the reporting period in which they are incurred.

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. 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 other non mine specific plant and equipment is determined on a straight-line basis as the consumption of economic benefits is not expected to vary over the operational life of the asset. Depreciation of mine specific plant is determined on a unit of production basis to more appropriately match depreciation charges with expected pattern of consumption of economic benefit of the asset. The basis of depreciation of each asset is reviewed annually and changes to the basis of depreciation are made if the straight line or units of production basis is no longer considered to represent the expected pattern of consumption of economic benefits. The expected useful lives are as follows:

• Mine buildings	the shorter of applicable mine life and 25 years
• Mine specific plant, machinery and equipment	the applicable mine life
• Reserves and development	the applicable mine lives
• 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) 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 expensed as incurred.

(q) 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(v). Borrowing costs are not capitalised whilst assets are being commissioned.

(r) Intangible assets

Significant costs associated with patents and trademarks are deferred and amortised over the periods of expected benefit.

(s) 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

Note 1. Summary of significant accounting policies (contd)

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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(t) 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.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the net proceeds 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.

(v) 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 which take more than 12 months to prepare for their intended use.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year. No borrowing costs were capitalised in 2010 (2009: $12.5 million at a rate of 3.2 per cent).

Borrowing costs include:

- interest on borrowings, including amounts paid or received on interest rate swaps; amortisation of deferred borrowing costs; and
- finance lease charges.

(w) Provisions for legal claims

Provisions for legal claims are recognised when there is a present legal obligation as a result of past events and it is more likely than not that a settlement will be made, and the amount can be estimated reliably.

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.

(x) 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 includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

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. A pre tax nominal discount rate of 6.0 per cent (2009: 6.0 per cent) has been used in calculating the rehabilitation and restoration provisions of the consolidated entity. This rate does not reflect risks for which future cash flow estimates have been adjusted.

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 a finance cost.

The provisions are reassessed annually and any changes are accounted for as set out in note 2(iii).

(y) 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 as current payables. Non-accumulating sick leave, parental leave and other ex-gratia leave is recognised as an expense when taken.

(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

Note 1. Summary of significant accounting policies (contd)

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 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 end of the reporting period 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 (e.g. 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 Note 30 with additional information in the Remuneration Report.

The fair value of entitlements offered 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 is determined to be the volume 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 grant date and the vesting date for each respective plan.

The fair value of share rights 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 fair value of share rights at grant date of the Long Term Incentive Plan ("LTIP") is independently determined 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. A credit to the share based payments expense arises where unvested entitlements lapse on resignation or the non fulfilment of market vesting conditions.

(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 particular plans.

(z) Leases

The group only has operating leases. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Note 1. Summary of significant accounting policies (contd)

(aa) Contributed equity

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.

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.

(ab) 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.

(ac) 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.

Comparatives have been amended to reflect changes to the accounting policy on Derivatives and hedging activities, refer note (1a)

(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.

(ae) Parent entity financial information

The financial information for the parent entity, Iluka Resources Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements.

(af) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The potential effect of these Standards is yet to be fully determined. However, it is not expected that the new Standards will significantly affect the Group's financial position. The group does not intend to early adopt any new standards.

(i) **AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues AASB 132** (effective for annual reporting periods beginning on or after 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

(ii) **AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)** (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

(iii) **Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards** (effective for annual reporting periods beginning on or after 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

(iv) **AASB 2009-14 Amendments to Australian Interpretation** - Prepayments of a Minimum Funding Requirement (effective 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Note 1. Summary of significant accounting policies (contd)

(v) **AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements** (effective 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

(vi) **AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project** (effective for annual periods beginning on or after 1 July 2010/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project.

(vii) **AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets** (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

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 may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

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

(i) Impairment of assets

The recoverable amount of each Cash Generating Unit ("CGU") is determined as the higher of value-in-use and fair value less costs to sell. 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 and has been estimated on the basis of discounted present value of the future cashflows.

The estimates of future cash flows for each CGU 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; and
- the asset specific discount rate applicable to the CGU.

Given the nature of the consolidated entity's mining activities, future changes in 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.

Note 2. Critical accounting estimates and judgements (contd)

In addition, the Australian Federal Government has proposed introducing a carbon tax no earlier than 2012. This introduction 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 of impairment testing. The group has not yet incorporated the impact of a carbon tax into its assumptions at 31 December 2010 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; and
- government assistance.

(ii) Exploration and evaluation expenditure

Expenditure with a value of $24.7 million (2009: $20.4 million) which does not form part of the CGU 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.

(iii) Rehabilitation and mine closure provisions

As set out in Note 1(x), 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 (2009 6.0 per cent). Of the total provisions $347.4 million (2009: $332.5 million), $192.4 million (2009: $118.4 million) relate to assets no longer in use or for obligations arising from the production process outputs.

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.

A key assumption made regarding the income tax expense for the current year is the level of investment allowance and 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 $2.7 million and $nil million respectively (2009: $7.5 million and $1.1 million).

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

Recovery of deferred tax assets

Net deferred tax assets of $55.3 million (2009: $53.7 million) are carried in respect of the Australian and US operations, including $60.9 million (2009: $51.6 million) attributable to tax losses. Management has assessed that it is probable that the net deferred tax will be recoverable against future taxable profits to be generated in the relevant jurisdiction.

Note 3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group'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 Group.

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency other than Australian dollars.

The Group operates internationally and is exposed to foreign exchange risk arising predominantly from currency exposures to the US dollar. Balance sheet translation risk is managed by borrowing in US dollars to provide a hedge for the net US dollar investment in the US operation and the US dollar receivables from Australian sales.

The table below summarises financial assets and liabilities denominated in foreign currencies that form part of the balance sheet carrying values.

	2010 US$m	2009 US$m
Cash and cash equivalents	**10.4**	17.1
Receivables	**133.7**	77.0
Payables	**(10.4)**	(13.7)
Interest bearing liabilities	**(155.0)**	(165.0)
	(21.3)	(84.6)

Group sensitivity

At 31 December 2010, had the Australian dollar been higher/lower by 10 per cent against the US dollar compared to the exchange rate at that date of US 101.76 cents with all other variables held constant, the consolidated entity's post-tax profit for the year would have been $5.6 million higher/$4.6 million lower (2009: $0.9 million higher/$0.8 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 $4.9 million lower/$4.0 million higher (2009: $34.4 million lower/$34.6 million higher) had the Australian dollar weakened/strengthened by 10 per cent against the US dollar, arising mainly from US dollar debt designated as a natural hedge. The significant reduction in the sensitivity to movements in the Australian dollar/US dollar exchange rates is due to all cash flow hedges being delivered by 31 December 2010, with no new cash flow hedges being taken out. The sensitivity is based on the USD balances at 31 December 2010 rather than amounts which are more reflective of the Group's objective to reduce balance sheet translation risk by borrowing in US dollars to provide a hedge for the net US dollar investment in the US operation and the US dollar receivables from Australian sales.

(ii) Interest rate risk

Interest rate risk arises from the consolidated entity's borrowings. When managing interest rate risk the Group seeks to mitigate its interest rate exposure by utilising a blend of floating and fixed rate debt. During 2010 and 2009, 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 2010, if interest rates for the full year were -/+1 per cent from the year-end rate with all other variables held constant, post-tax profit for the year would have been $2.1 million higher/lower (2009: $2.3 million higher/lower), mainly as a result of lower/higher interest expense from net debt. The sensitivity is based on net debt at 31 December 2010 assuming that the net debt balance stays constant throughout the year.

Note 3. Financial risk management (contd)

(b) Credit risk

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group also maintains an insurance policy to assist in managing the credit risk of its customers and therefore has no significant concentrations of credit risk. Of the total receivables balance of $131.0 million, $121.0 million is covered by an insurance policy and is considered low risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and policies 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 group financial liabilities and net settled derivative financial instruments into 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.

At 31 December 2010	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
Non-derivatives							
Interest bearing variable rate	**4.8**	**11.5**	**11.5**	**241.1**	**-**	**264.1**	**238.9**
Interest bearing fixed rate	**6.2**	**34.9**	**3.1**	**80.2**	**-**	**118.2**	**106.1**
Total non-derivatives		**46.4**	**14.6**	**321.3**	**-**	**382.3**	**345.0**
Derivatives							
Interest rate swaps (net receivable)		**1.2**	**1.2**	**0.5**	**-**	**2.9**	**-**
Total derivatives		**1.2**	**1.2**	**0.5**	**-**	**2.9**	**-**
At 31 December 2009							
Non-derivatives							
Interest bearing variable rate	5.6	13.9	13.9	326.7	-	354.5	314.1
Interest bearing fixed rate	4.4	52.5	40.3	65.1	23.0	180.9	157.6
Total non-derivatives		66.4	54.2	391.8	23.0	535.4	471.7
Derivatives							
Interest rate swaps (net receivable)		0.1	0.1	0.2	-	0.4	-
Total derivatives		0.1	0.1	0.2	-	0.4	-

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 the previous financial year the consolidated entity entered into forward exchange contracts and foreign currency options to forward sell US dollars. At 31 December 2010 the Group has not entered into any forward exchange contracts or currency options.

At 31 December 2009, the consolidated entity was due to receive an inflow of A$179.4 million and A$261.1 million and pay an outflow of US$ 153.5 million and US$ 235.0 million in relation to forward exchange contracts and options respectively, that matured within 1 year.

(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. The fair value of call options is determined using the Garman and Kohlhagen (Black Scholes) Formula at the end of the reporting period.

At 31 December 2010, the Group does not hold derivative financial instruments. At 31 December 2009 the derivative financial instruments measured and recognised at fair value, were valued at $15.9 million (Level 2 per AASB 7:27A).

Note 4. Segment information

(a) Description of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Managing Director, who is considered the chief operating decision maker, for the purpose of making decisions regarding the allocation of resources and the monitoring of performance. These segments are unchanged from those at 31 December 2009.

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

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

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

Mining Area C ("MAC") comprises a deferred consideration iron ore royalty interest over certain mining tenements operated by BHP Billiton Iron Ore.

Where finished product capable of sale to a third party is transferred between operating segments, the transfers are made at arms length prices. Any transfers of intermediate products between operating segments are made at cost.

(b) Segment information

2010	E/PB $m	MB $m	US $m	MAC $m	Total $m
Total segment sales to external customers	**468.7**	**281.4**	**124.3**	**-**	**874.4**
Total segment result	**21.8**	**(0.9)**	**22.7**	**75.9**	**119.5**
Segment assets	**981.4**	**771.8**	**63.3**	**27.7**	**1,844.2**
Segment liabilities	**343.1**	**71.8**	**37.4**	**-**	**452.3**
Acquisition of property, plant and equipment and other non-current segment assets	**45.9**	**23.3**	**10.9**	**-**	**80.1**
Depreciation and amortisation expense	**86.1**	**113.0**	**17.0**	**0.4**	**216.5**
2009					
Total segment sales	397.1	124.8	65.5	-	587.4
Inter segment sales	(11.4)	-	-	-	(11.4)
Total segment sales to external customers	385.7	124.8	65.5	-	576.0
Total segment result	(93.5)	(19.4)	12.8	50.2	(49.9)
Segment assets	1,022.6	785.4	107.3	15.8	1,931.1
Segment liabilities	377.7	86.2	33.7	-	497.6
Acquisition of property, plant and equipment and other non-current segment assets	316.7	211.2	19.5	-	547.4
Depreciation and amortisation expense	124.2	31.9	17.3	0.4	173.8
Impairment (reversals) charges	38.5	29.1	-	-	67.6

Note 4. Segment information (contd)

	2010 $m	2009 $m
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:		
Continuing operations		
Asia	**386.3**	269.9
Europe	**178.2**	134.8
North America	**216.2**	85.7
Australia	**44.2**	36.3
Other Countries	**49.5**	49.3
Segment sales to external customers	**874.4**	576.0
Hedging gains (losses)	**12.2**	(26.3)
Sale of goods	**886.6**	549.7
Revenues of $168.7 million is derived from an external customer from all mineral sands segments which individually account for greater than 10 per cent of segment revenue (2009: revenues of $136.7 million and $96.9 million were derived from two customers from all mineral sands segments).		
Segment result is reconciled to the profit (loss) before income tax from continuing operations as follows:		
Segment result	**119.5**	(49.9)
Hedging gains (losses)	**12.2**	(26.3)
Interest income	**1.1**	1.4
Other income	**1.8**	-
Ineffective gains of changes in fair value of cash flow hedges	**1.6**	21.2
Net foreign exchange (losses) gains	**(4.9)**	5.0
Exploration and corporate restructure and non-recurring costs	**-**	(7.7)
Marketing and selling	**(5.4)**	-
Corporate and other costs	**(30.3)**	(18.3)
Depreciation	**(2.5)**	-
Product and technical development	**(5.7)**	-
Exploration and evaluation	**(14.5)**	(16.2)
Interest and finance charges	**(33.0)**	(8.4)
Impairment charges	**-**	(67.6)
Profit (loss) before income tax from continuing operations	**39.9**	(166.8)
Total segment assets and total segment liabilities are reconciled to the balance sheet as follows:		
Segment assets	**1,844.2**	1,931.1
Derivative financial instruments	**-**	15.9
Corporate assets	**10.3**	11.4
Cash and cash equivalents	**30.1**	86.3
Deferred tax assets	**55.3**	53.7
Total assets as per the balance sheet	**1,939.9**	2,098.4
Segment liabilities	**452.3**	497.6
Corporate liabilities	**20.3**	37.0
Interest bearing liabilities	**342.7**	468.5
Total liabilities as per the balance sheet	**815.3**	1,003.1

Note 5. Revenue from continuing operations

	2010 $m	2009 $m
Sales revenue		
Sale of goods	**886.6**	549.7
Other revenue		
Interest	**1.1**	1.4
Royalty income	**76.3**	50.6
Other	**0.6**	0.9
	78.0	52.9
	964.6	602.6

Note 6. Other income

	2010 $m	2009 $m
Net gain on sale of land	**0.8**	5.6
Net gain on disposal of property, plant and equipment	**3.3**	0.8
Sundry income	**2.7**	1.2
Net ineffective gains from changes in fair value of cash flow hedges	**1.6**	21.2
Insurance receipt in respect of WA gas outage	**-**	5.7
Net foreign exchange gains	**-**	5.0
	8.4	39.5

Note 7. Expenses

	2010 $m	2009 $m
From continuing operations		
Cash cost of production	**543.8**	453.6
Depreciation	**136.9**	109.1
Amortisation	**82.1**	34.7
Inventory movement	**2.9**	(33.4)
Cost of sales of goods	**765.7**	564.0
Restructure, idle capacity and other non-recurring cash costs	**13.2**	57.8
Rehabilitation and holding costs for closed sites	**10.4**	-
Depreciation of non productive assets	**-**	32.8
Government royalties	**17.1**	13.7
Marketing and selling	**24.1**	10.2
Corporate and other	**30.3**	18.3
Technical support, product development and major projects	**5.6**	4.2
Exploration and evaluation	**14.5**	16.2
Foreign exchange losses	**4.9**	-
	885.8	717.2
Impairment charges on property, plant and equipment (refer note 13)		
Mid West Mining - ore body fair value write-offs	**-**	38.5
Murray Basin - ore body fair value write-offs	**-**	29.1
	-	67.6
Finance costs from continuing operations		
Interest and finance charges paid/payable	**32.0**	19.8
Rehabilitation and restoration unwind	**14.3**	15.7
Amortisation of deferred borrowing costs	**1.0**	1.1
Interest capitalised	**-**	(12.5)
	47.3	24.1
Expenses from continuing operations include:		
Defined contribution superannuation	**9.8**	12.9
Defined benefits superannuation	**0.6**	1.9
Employee benefits (excluding share based payments)	**127.0**	176.5
Writedown of year end inventory to net realisable value	**0.4**	10.6
Share based payments (note 30)	**4.1**	6.2
Operating lease	**8.1**	8.6

Note 8. Income tax

	2010 $m	2009 $m
(a) Income tax expense (benefit)		
Current tax	**-**	(4.6)
Deferred tax (note 14)	**7.6**	(54.2)
Over provided in prior years	**(3.8)**	(2.6)
	3.8	(61.4)
Income tax is attributable to:		
Profit from continuing operations	**3.8**	(61.5)
Profit from discontinued operations	**-**	0.1
Aggregate income tax expense (benefit)	**3.8**	(61.4)
(b) Numerical reconciliation of income tax expense (benefit) to prima facie tax payable		
Profit (loss) from continuing operations before income tax expense (benefit)	**39.9**	(166.8)
Profit from discontinued operation before income tax expense	**-**	23.0
	39.9	(143.8)
Tax at the Australian tax rate of 30% (2009: 30%)	**12.0**	(43.1)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development and investment allowance	**(2.7)**	(7.5)
Gain on sale of CRL not assessable for tax	**-**	(6.7)
Other items	**0.2**	(0.9)
	9.5	(58.2)
Difference in overseas tax rates	**(1.9)**	(0.6)
Over provision in prior years	**(3.8)**	(2.6)
Income tax expense (benefit)	**3.8**	(61.4)
(c) Tax expense (income) relating to items of other comprehensive income		
Changes in fair value of foreign exchange cash flow hedges (note 20(a))	1.5	(33.3)
Currency translation of US operation (note 20 (a))	0.7	4.3
Actuarial gains (losses) on retirement benefit obligation	-	(0.7)
	2.2	(29.7)

(d) Tax losses

Unused capital losses for which no deferred tax asset has been recognised relating to the wholly-owned Australian controlled entities are approximately $94.7 million (2009: $95.6 million) (tax at the Australian tax rate of 30 per cent: $28.4 million (2009: $28.7 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 deductibility imposed by tax legislation and no changes in tax legislation adversely effect these entities in realising the benefit from the deduction for the losses.

(e) Franking Credits

	2010 $m	2009 $m
Franking credits available for future years based on a tax rate of 30 per cent (2009: 30 per cent)	**-**	(1.6)

The above amounts include adjustments that will arise from the payment of current income tax or receipt of income tax receivable.

Note 9. Discontinued operations

On 27 May 2009 Iluka disposed of its shares in Consolidated Rutile Limited ("CRL") to Unimin Australia Limited for 45 cents per share and a consideration of $84.2 million resulting in a profit from discontinued operations of $22.9 million. Details of this disposal were disclosed in note 9 of the Group's annual report for the year ended 31 December 2009.

Note 9. Discontinued operations (contd)

	2010 $m	2009 $m
Financial performance and cash flow information		
Revenue - sale of goods	**-**	21.8
Cash expenses	**-**	(16.6)
Depreciation and amortisation	**-**	(4.7)
Finance costs	**-**	(0.8)
Profit before income tax	**-**	(0.3)
Profit on sale	**-**	23.3
Income tax expense	**-**	(0.1)
Profit after income tax	**-**	22.9
Net cash (outflow) inflow from operating activities	**-**	(13.4)
Net cash inflow from investing activities	**-**	81.7
Net cash inflow from financing activities	**-**	7.5
Net increase in cash generated by the discontinued operation	**-**	75.8

Note 10. Cash and cash equivalents

	2010 $m	2009 $m
Cash at bank and in hand	**28.2**	84.4
Deposits at call	**1.9**	1.9
	30.1	86.3

Interest rates

Cash and deposits are at floating interest rates between 0.0 per cent and 4.25 per cent (2009: 0.0 per cent and 3.75 per cent) on US dollar and Australian dollar denominated deposits, and a weighted average interest rate of 2.49 per cent (2009: 2.87 per cent).

Note 11. Receivables

	2010 $m	2009 $m
Trade receivables	**130.9**	85.8
Other debtors	**23.1**	9.5
Prepayments	**6.8**	3.9
Goods and services tax ("GST")	**4.0**	4.7
	164.8	103.9

No trade receivables are impaired and $1.9 million are between 0 and 28 days aged. Due to the short term nature of these receivables, their carrying amount approximates fair value.

Note 12. Inventories

	2010 $m	2009 $m
Current		
Consumable stores		
- at cost	**27.8**	30.2
Work in progress		
- at cost	**83.1**	44.1
Finished goods		
- at cost	**86.8**	95.1
- at net realisable value	**3.3**	36.1
	90.1	131.2
Total current inventories	**201.0**	205.5
Non-current		
Work in progress		
- at cost	**56.6**	56.6
	56.6	56.6

Represents material not scheduled to be processed to finished product during 2011.

Note 13. Property, plant and equipment

	Land & Buildings $m	Plant, Machinery & Equipment $m	Mine Reserves & Development $m	Exploration & Evaluation $m	Project Development Expenditure $m	Total $m
At 1 January 2009						
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)
Opening written down value*	78.7	784.5	358.8	17.2	175.4	1,414.6
Additions	9.0	59.9	60.4	4.7	421.8	555.8
Disposals	(11.1)	(78.4)	(52.4)	-	-	(141.9)
Write-offs and impairment charges	-	-	(67.6)	-	-	(67.6)
Depreciation/amortisation	0.7	(129.9)	(47.4)	-	-	(176.6)
Foreign exchange differences	(0.1)	(16.3)	(1.3)	-	-	(17.7)
Transfers/reclassifications	(1.4)	4.2	10.8	(1.5)	(12.1)	-
Closing written down value*	75.8	624.0	261.3	20.4	585.1	1,566.6
At 31 December 2009						
Cost	85.0	1,379.6	754.7	20.4	585.1	2,824.8
Accumulated depreciation*	(9.2)	(755.6)	(493.4)	-	-	(1,258.2)
Year ended 31 December 2010						
Opening written down value	75.8	624.0	261.3	20.4	585.1	1,566.6
Additions	2.1	27.6	37.4	6.9	13.2	87.2
Disposals	(4.8)	(0.3)	-	(1.4)	-	(6.5)
Depreciation/amortisation	(2.7)	(125.0)	(88.5)	-	-	(216.2)
Foreign exchange differences	(0.1)	(5.7)	(0.3)	-	-	(6.1)
Transfers/reclassifications	20.8	452.2	126.5	(1.2)	(598.3)	-
Closing written down value	91.1	972.8	336.4	24.7	-	1,425.0
At 31 December 2010						
Cost	103.1	1,670.1	459.9	24.7	-	2,257.8
Accumulated depreciation*	(12.0)	(697.3)	(123.5)	-	-	(832.8)
Net written down value*	91.1	972.8	336.4	24.7	-	1,425.0

* Includes cumulative impairment charges (refer note 7)

Mine reserves and development

Included in mine reserves and development are amounts totalling $50.1 million (2009: $223.2 million) which have not been depreciated as mining of the related area of interest has not yet commenced. An additional $12.1 million relates to assets under construction which are currently not being depreciated as the assets are not ready for use.

Plant, machinery and equipment

Included in plant, machinery and equipment are amounts totalling $6.5 million for the consolidated entity (2009: $3.9 million) 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 in 2009 was: $585.1 million relating to Murray Basin Stage 2 and Jacinth-Ambrosia projects. These projects were commissioned during the period.

Impairment (charges)

The impairment charge in 2009 of $67.6 million represents the write-off of fair values for deposits from acquisitions in 1998 (Mid West) of $38.5 million and 2002 (Murray Basin) of $29.1 million that are now considered unlikely to be mined.

Note 14. Deferred tax assets

	2010 $m	2009 $m
Deferred tax asset amounts recognised in profit or loss		
Employee benefits	**6.3**	6.8
Rehabilitation provisions	**101.6**	97.9
Tax revenue losses	**62.4**	51.6
Other	**6.6**	4.9
	176.9	161.2
Deferred tax liability amounts in profit or loss off-set in accordance with AASB 112		
Depreciation/amortisation	**(103.7)**	(100.8)
Foreign currency exchange	**(3.6)**	(4.7)
Receivables	**(6.4)**	(2.6)
Inventory	**(7.2)**	-
Other	**(2.4)**	(0.3)
Net amount recognised in profit or loss	**53.6**	52.8
Deferred tax asset amounts recognised directly in equity		
Cash flow hedges	**-**	(1.5)
Share issue costs	**1.7**	2.6
Actuarial gains/losses on retirement benefit obligations	**-**	(0.2)
	1.7	0.9
Net deferred tax assets	**55.3**	53.7
Movements:		
Balance at 1 January	**53.7**	31.0
Credited (charged) to the income statement (note 8)	**(7.6)**	54.2
Over (under) provision in prior years	**2.9**	1.8
Credited (charged) directly to equity (note 20)	**4.8**	(33.3)
Cash payment of franking deficits tax	**1.5**	-
Balance at 31 December	**55.3**	53.7

Deferred tax assets of $77.0 million (2009: $8.4 million) and deferred tax liabilities of $19.6 million (2009: $9.1 million) are expected to be recovered in less than 12 months.

Note 15. Intangible assets

	Patent $m	Royalty entitlement asset $m	Total $m
At 1 January 2009			
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
Amortisation charge 2009	(3.2)	(0.4)	(3.6)
Closing written down value	2.4	7.5	9.9
At 31 December 2009			
Cost	17.2	10.0	27.2
Accumulated amortisation	(14.8)	(2.5)	(17.3)
Net written down value	2.4	7.5	9.9
Amortisation charge 2010	(2.4)	(0.4)	(2.8)
Closing written down value	-	7.1	7.1
At 31 December 2010			
Cost	-	10.0	10.0
Accumulated amortisation	-	(2.9)	(2.9)
Net written down value	-	7.1	7.1

Note 16. Payables	2010 $m	2009 $m
Trade payables	**36.0**	102.6
Accrued expenses	**58.6**	71.3
Employee benefits	**9.1**	9.8
	103.7	183.7

Note 17. Interest bearing liabilities	2010 $m	2009 $m
Current		
Senior Notes 1996	**29.5**	44.7
	29.5	44.7
Non-current		
Syndicated Term Loan Facility	**238.9**	314.1
Senior Notes 1996	**-**	33.6
Senior Notes 2003	**76.6**	79.3
Deferred borrowing costs	**(2.2)**	(3.3)
	313.3	423.7

(a) Financing arrangements

	2010 $m	2009 $m
Total facilities		
Senior Notes - 1996 (i)	**29.5**	33.6
Senior Notes - 2003 (ii)	**76.6**	124.0
Working Capital Facility (iii)	**39.3**	55.0
Syndicated Term Loan Facility (iv)	**445.0**	445.0
	590.4	657.6
Used at balance date		
Senior Notes - 1996 (i)	**29.5**	33.6
Senior Notes - 2003 (ii)	**76.6**	124.0
Working Capital Facility (iii)	**-**	-
Syndicated Term Loan Facility (iv)	**238.9**	314.1
	345.0	471.7
Unused at balance date		
Working Capital Facility (iii)	**39.3**	55.0
Syndicated Term Loan Facility (iv)	**206.1**	130.9
	245.4	185.9

(i) Senior Notes - 1996 Series

The remaining tranche of US$30.0 million matures in December 2011 and carries a fixed interest rate of 7.6 per cent.

(ii) Senior Notes - 2003 Series

The notes have an average fixed interest rate of 5.3 per cent and mature in two tranches; being June 2013 US$40.0 million and June 2015 US$20.0 million.

The translation exposure on the June 2013 US$40 million notes has been eliminated through a cross currency swap at AUD/USD 0.7025. The cross currency swap also converts the fixed USD interest payments of 5.25 per cent to an AUD variable interest rate exposure. As at 31 December 2010, the cross currency swap bears an average variable interest rate of 5.7 per cent (2009: 5.1 per cent). The swap requires settlement of interest receivable and payable on a semi-annual basis on dates which coincide with the interest payable dates on the underlying notes.

(iii) Working Capital Facility

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 2011 and subsequent to year end has been extended to 12 March 2012 with a limit of US$50.0 million. Drawings under the facility are at the discretion of the working capital facility provider based on the acceptance of credit insured receivables.

(iv) Syndicated Term Loan Facility

The Syndicated Term Loan Facility has maturity dates of March 2012 (A$100 million) and March 2013 (A$345 million). As at 31 December 2010, A$238.9 million was outstanding at an average interest rate of 4.8 per cent (2009: $314.0 million at 4.4 per cent).

Note 17. Interest bearing liabilities (contd)

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

			Fixed interest rate			
2010	Effective floating average interest rate %	Floating interest rate $m	1 year or less $m	1 to 5 years $m	More than 5 years $m	Total $m
Interest-bearing liabilities	**4.8**	**238.9**	**29.5**	**76.6**	**-**	**345.0**
Interest rate swaps (notional principal)	**5.7**	**56.9**	**-**	**(56.9)**	**-**	**-**
		295.8	**29.5**	**19.7**	**-**	**345.0**
2009						
Interest-bearing liabilities	4.4	314.1	44.7	90.5	22.4	471.7
Interest rate swaps (notional principal)	5.1	56.9	-	(56.9)	-	-
		371.0	44.7	33.6	22.4	471.7

The contractual repricing date of the floating rate interest bearing liabilities at the balance dates will be reset within 1 year or less.

Note 18. Provisions

	2010 $m	2009 $m
Current		
Employee benefits	**7.4**	7.9
Rehabilitation and mine closure	**40.2**	17.6
Other provisions	**7.3**	2.6
	54.9	28.1
Non Current		
Employee benefits	**3.3**	3.3
Rehabilitation and mine closure	**307.2**	314.9
Retirement benefit obligations (note 23)	**3.4**	4.7
	313.9	322.9

The current provision for employee benefits represents amounts for which the Group does not have an unconditional right to defer settlement. The Group does not expect a significant amount of the provision will be paid in the next 12 months.

(a) Movements in provisions

	Rehabilitation and mine closure $m	Other provisions $m
Movements in rehabilitation and mine closure and other provisions during the financial year are set out below:		
Balance at 1 January	**332.5**	**2.6**
Change in provisions*	**15.8**	**9.1**
Foreign exchange rate movements	**(2.1)**	**-**
Unused amounts reversed	**-**	**0.1**
Rehabilitation and restoration accretion expense	**14.3**	**-**
Amounts used during the year	**(13.1)**	**(4.5)**
Balance at 31 December	**347.4**	**7.3**

* Changes in provision for rehabilitation and mine closure either form part of additions in plant, machinery and equipment or mine reserves and development in note 13. Costs relating to closed sites are expensed directly to profit and loss.

Other provisions includes $5.4 million in relation to restructure costs.

Note 19. Contributed equity

	2010 Number of shares	2009 Number of shares	2010 Paid up value $m	2009 Paid up value $m
(a) Share capital				
Ordinary shares Issued and paid up	**418,700,517**	418,700,517	**1,120.0**	1,120.0
Treasury shares	**(3,220,149)**	(1,904,380)	**(11.7)**	(5.6)
Total consolidated contributed equity			**1,108.3**	1,114.4

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$m
1 January 2009	Opening balance	380,700,517		1,006.5
7 May 2009	Share placement	38,000,000	$3.00	114.0
	Transaction costs on share placement net of tax	-		(0.5)
31 December 2009	Balance	418,700,517		1,120.0
1 January 2010	Opening balance	418,700,517		1,120.0
31 December 2010	Balance	418,700,517		1,120.0

(c) Treasury shares

Treasury shares are shares in Iluka Resources Limited held for the purpose of issuing shares under the Directors, Executives and Employees Share Acquisition Plan (see note 30 for further information).

Details	Number of shares	$m
Balance at 1 January 2009	2,812,532	8.4
Employee share issues	(908,152)	(2.8)
Balance at 31 December 2009	1,904,380	5.6
Acquisition of shares, net of tax	1,721,133	7.2
Employee share issues, net of tax	(405,364)	(1.1)
Balance at 31 December 2010	3,220,149	11.7

(d) Dividends

Directors have determined a final dividend of eight cents per share, unfranked. The dividend is unfranked as Iluka does not have franking credits currently available for distribution. The dividend is payable on 6 April 2011 for shareholders on the register as at 9 March 2011.

(e) Dividend reinvestment plan

The Company has a dividend reinvestment plan (DRP). Under the plan, the directors can invite eligible holders of ordinary shares to elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Directors have decided to suspend the Dividend Reinvestment Plan until further notice.

(f) Capital risk management

The groups' objectives when managing capital are to safeguard its 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 and 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 has the same covenants.

Note 20. Reserves and retained earnings

	2010 $m	2009 $m
(a) Reserves		
Asset revaluation reserve	**16.0**	16.3
Hedging reserve	**-**	3.6
Share-based payments reserve	**6.9**	4.4
Foreign currency translation reserve	**(2.5)**	(2.3)
	20.4	22.0
Movements:		
Asset revaluation reserve		
Balance at 1 January	**16.3**	17.5
Transfer to retained earnings on disposal	**(0.4)**	(1.7)
Deferred tax	**0.1**	0.5
Balance at 31 December	**16.0**	16.3
Hedging reserve		
Balance 1 January	**3.6**	(74.2)
Revaluation	**7.1**	84.8
Transfer to profit or loss	**(12.2)**	26.3
Deferred tax	**1.5**	(33.3)
Balance 31 December	**-**	3.6
Share based payments reserve		
Balance at 1 January	**4.4**	3.9
Transfer of shares to employees	**(1.1)**	(2.8)
Share based payments	**4.1**	6.2
Deferred tax	**(0.5)**	(2.9)
Balance at 31 December	**6.9**	4.4
Foreign currency translation reserve		
Balance at 1 January	**(2.3)**	(3.1)
Translation differences of US operation	**(7.6)**	(27.1)
Hedge of net investment in US operation	**6.7**	23.6
Deferred tax	**0.7**	4.3
Balance 31 December	**(2.5)**	(2.3)
(b) Retained earnings (accumulated losses)		
Movements in retained earnings were as follows:		
Balance 1 January	**(41.1)**	66.0
Net profit (loss) for the year	**36.1**	(82.2)
Adjustment on adoption of AASB 2008-8*	**-**	(28.5)
Acturial gains/(losses) on retirement benefit obligation, net of tax	**0.6**	2.4
Transfer from asset realisation reserve	**0.3**	1.2
Balance 31 December	**(4.1)**	(41.1)

* Refer to note 1(a) for explanations of a change in accounting policy and retrospective adjustments recognised on 1 January 2010.

Note 20. Reserves and retained earnings (contd)

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets prior to the adoption of AIFRS. Transfers are made to retained earnings on disposal of previously revalued assets.

(ii) Hedging reserve

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(l). Amounts are relassified to profit or loss when the associated hedged transaction affects profit or loss.

(iii) 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.

(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(k). US$50.0 million of debt (2009: US$80.0 million) is designated as a hedge of the net investment in the US operations. The reserve is recognised in profit and loss when the net investment is disposed of.

Note 21. Key management personnel

(a) 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) Managing Director and Chief Executive Officer

D A Robb

(ii) Non-executive Directors

R L Every
D M Morley
G J Pizzey
G J Rezos
J A Seabrook
W G Osborn
S J Turner

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 2009, except W G Osborn and S J Turner who were appointed as Directors on 26 March 2010. R L Every was Chairman and Director until his resignation on 20 May 2010.

Note 21. Key management personnel (contd)

(b) 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 2010 and are referred to as Executives:

P Beilby[1]	General Manager Murray Basin
P Benjamin	General Manager Exploration
C Cobb	General Manager Sales and Marketing
V Hugo	General Manager Project and Technical Development
A Tate	Chief Financial Officer
H Umlauff	General Manager Project Management
S Wickham	General Manager Australian Operations
C Wilson	General Manager Corporate Services and Company Secretary

[1] Ceased employment on 1 March 2010

Key Management Personnel Compensation (Consolidated and Parent Entity)

	Short term benefits $	Post employment benefits $	Share based payments $	Termination benefits $	Total $
2010					
Non-executive Directors	**901,311**	**69,125**	**-**	**-**	**970,436**
Executive Director	**2,326,533**	**48,059**	**1,359,631**	**-**	**3,734,223**
Executives	**4,640,518**	**225,454**	**2,263,135**	**315,000**	**7,444,107**
Total	**7,868,362**	**342,638**	**3,622,766**	**315,000**	**12,148,766**
2009					
Non-executive Directors	782,500	59,778	-	-	842,278
Executive Director	1,743,410	68,922	1,383,517	-	3,195,849
Executives	3,458,297	240,013	2,946,268	-	6,644,578
Total	5,984,207	368,713	4,329,785	-	10,682,705

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 9 - 21 of the Remuneration Report.

Share rights and shareholdings of Key Management Personnel

The numbers of shares in the company and share rights for ordinary shares in the company are set out below for each key management personnel, including their personally related entities. No shares were granted as compensation during the reporting period.

	Number of Shares					Number Of Share Rights				
Name	Balance held at 1 January 2010*	Vesting of share rights	Awarded as Restricted Shares	Other changes	Balance held at 31 December 2010*	Balance held at 1 January 2010	Granted during 2010	Vested as shares during 2010	Lapsed during 2010	Balance held at 31 December 2010
Non-Executive Directors										
R Every	28,679	-	-	(28,679)	-	-	-	-	-	-
D Morley	40,876	-	-	-	40,876	-	-	-	-	-
G Pizzey	16,351	-	-	-	16,351	-	-	-	-	-
G Rezos	63,602	-	-	-	63,602	-	-	-	-	-
J Seabrook	19,314	-	-	-	19,314	-	-	-	-	-
W Osborn	-	-	-	-	-	-	-	-	-	-
S Turner	-	-	-	50,000	50,000	-	-	-	-	-
Executive Director										
D Robb	591,171	-	70,689	1,355	591,171	1,224,657	121,951	-	(61,308)	1,285,300
Executives										
P Beilby	126,574	54,614	-	(181,188)	-	141,970	-	(54,614)	(87,356)	-
P Benjamin	102,212	968	6,297	1,355	110,832	175,171	36,504	(968)	(17,329)	193,378
C Cobb	-	-	-	-	-	-	34,146	-	-	34,146
V Hugo	121,204	2,946	10,973	(18,645)	116,478	117,894	33,252	(2,946)	(16,062)	132,138
A Tate	41,988	-	17,772	-	59,760	174,433	40,163	-	(19,414)	195,182
H Umlauff	108,057	-	24,722	(19,873)	112,906	146,437	46,911	-	(23,092)	170,256
S Wickham	39,840	-	19,718	1,355	60,913	92,254	40,650	-	(10,763)	122,141
C Wilson	81,048	2,691	16,153	-	99,892	178,202	36,504	(2,691)	(17,983)	194,032

* Balances for the Executive Director and the Executives include restricted shares which will vest in future periods subject to legislative requirements.

Note 21. Key management personnel (contd)

(c) Transactions with Key Management Personnel

No loans existed at the commencement of the year and no loans were made during the year ended 31 December 2010.

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 $116,279 were provided under normal commercial terms and conditions. Services in the prior year of $745,000 were provided prior to the appointment of Ms Seabrook as a director under normal terms and conditions.

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

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

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

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

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

Note 22. Remuneration of auditors

	2010 $000	2009 $000
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 PwC		
PwC Australia	**550**	562
Other PwC firms	**50**	52
Total remuneration for audit services	**600**	614
Other assurance services		
PwC Australia	**107**	65
Total remuneration for assurance services	**707**	679
(b) Taxation services		
Fees paid to PwC		
PwC Australia	**27**	67
Total remuneration for taxation services	**27**	67
(c) Other services		
Fees paid to PwC		
PwC Australia	**65**	113
Other PwC firms	**-**	34
Total remuneration for other services	**65**	147

Note 23. 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 on leaving service, retirement, disability or death from the Iluka Section of the ING Master Trust ("Master Trust") a sub-plan of the ING Masterfund. Within the Iluka Plan, the vast majority of members are entitled to accumulation (that is, defined contribution) benefits only. The plan also provides defined lump sum and pension benefits based on years of service and final average salary for a small number of members. The accumulation contribution section receives fixed contributions from consolidated entity companies and the consolidated entity's legal or constructive obligation is limited to these contributions.

USA

All employees of the United States ("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.

(b) Balance sheet amounts

	2010 $m	2009 $m
Defined benefit plan obligation - present value	**17.5**	19.7
Defined benefit fund plan assets - fair value	**(14.1)**	(15.0)
Net liability in the balance sheet	**3.4**	4.7
Present value of the defined benefit obligation, which is partly funded:		
Balance at 1 January	**19.7**	27.6
Current service cost	**0.5**	0.7
Interest cost	**1.0**	1.2
Contributions by plan participants	**0.1**	0.1
Actuarial gains and losses	**(0.3)**	(1.3)
Exchange rate changes	**(1.7)**	(4.0)
Benefits paid	**(1.8)**	(4.6)
Balance at 31 December	**17.5**	19.7
Fair value of plan assets:		
Balance at 1 January	**15.0**	16.2
Expected return on plan assets	**0.9**	0.8
Actuarial gains and losses	**0.4**	1.7
Exchange rate changes	**(1.3)**	(2.4)
Contributions by group companies	**0.8**	3.2
Contributions by plan participants	**0.1**	0.1
Benefits paid	**(1.8)**	(4.6)
Balance at 31 December	**14.1**	15.0
The major categories of plan assets are as follows:		
Cash	**0.4**	0.5
Equity instruments	**8.8**	8.7
Debt instruments	**3.7**	4.4
Property	**0.2**	0.6
Other assets	**1.0**	0.8
	14.1	15.0

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

Note 23. Retirement benefit obligations (contd)

(c) Amounts recognised in income statements

	2010 $m	2009 $m
Current service cost	**0.5**	0.8
Interest cost	**1.0**	1.2
Expected return on plan assets	**(0.9)**	(0.9)
Past service cost	**-**	0.8
Total included in employee benefits expense	**0.6**	1.9
Actual return on plan assets	**1.4**	3.0

(d) Principal actuarial assumptions

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

	2010 %	2009 %
Australia		
Discount rate	**4.7**	5.7
Expected return on plan assets	**5.0**	5.0
Future salary increases	**3.5**	3.5
Expected rate of inflation	**1.5**	1.5
USA		
Discount rate	**6.0**	6.0
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 plan 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.

(e) 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, the actuary recommended payment of employer contributions ranging between 12.5 per cent and 12.9 per cent (2009: 12.5 per cent to 12.9 per cent) of salaries, dependent on the defined benefit category of membership.

An actuarial valuation of the Plan as at 30 June 2010 is currently underway. The economic assumptions being used by the actuary to make funding recommendations are, for defined benefit members: a long term investment earning rate of 5.0 per cent (2009: 5.0 per cent) (net of fees and taxes), a salary increase rate of 3.5 per cent (2009: 3.5 per cent), and an indexation rate of 1.5 per cent (2009: 1.5 per cent). As at 31 December 2010 only 5 members remain in the plan.

Note 23. Retirement benefit obligations (contd)

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. 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 plans future experience the actuary recommended in the actuarial review, the payment of US$0.6 million (2009: US$0.7 million) for the salaried defined benefit plan and US$0.1 million (2009: US$0.1 million) for the hourly defined benefit plan.

Total employer contributions expected to be paid by the consolidated entity for the year ending 31 December 2011 are US$0.7 million.

(f) Net financial position of plans

In accordance with AAS 25 Financial Reporting by Superannuation Funds the plans' 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 determined from information supplied by the Master Trust at 31 December 2010 was a surplus of $0.4 million (2009: deficit $0.6 million).

USA

The net financial position of the US plans has been determined as at the date of the most recent financial report of the superannuation fund (31 December 2010) and in accordance with IAS 19 Employee Entitlements, and a deficit of $3.6 million as at 31 December 2010 (2009: deficit $5.2 million) was reported.

(g) Historic summary

	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m
Defined benefit plan obligation	**17.5**	19.7	27.6	20.4	21.5
Defined benefit fund plan assets	**(14.1)**	(15.0)	(16.2)	(17.9)	(17.4)
Deficiency of net market value of assets over the present value of employees' accrued benefit payments	**3.4**	4.7	11.4	2.5	4.1

Note 24. Contingent liabilities

	2010 $m	2009 $m
Performance commitments and guarantees (a)	**103.6**	84.6

(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.

Note 25. Commitments

	2010 $m	2009 $m
(a) Capital commitments		
Amounts contracted for and payable within 1 year	**9.9**	25.3
(b) Exploration and mining lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	**22.9**	24.9
Later than one year but not later than five years	**42.2**	36.7
Later than five years	**59.1**	56.6
	124.2	118.2
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 for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**18.8**	10.5
Later than one year but not later than five years	**27.7**	28.9
Later than five years	**4.7**	8.8
	51.2	48.2
(d) Other commitments		
Commitments for payments in relation to non-cancellable contracts are payable as follows:		
Within one year	**41.3**	77.4
Later than one year but not later than five years	**122.4**	134.9
Later than five years	**20.0**	41.7
	183.7	254.0

The commitments include $170.7 million (2009: $189.3 million) in respect of the consolidated entity for term contracts for coal, gas, electricity and water used in the production process.

Note 26. Related party transactions

(a) Directors and specified executives

Disclosures relating to Directors and Key Management Personnel are set out in Note 21.

(b) Controlled entities and controlling entities

Details of material controlled entities are set out in note 27.The ultimate Australian controlling entity and the ultimate parent entity in the wholly-owned group is Iluka Resources Limited.

Note 27. Controlled entities and deed of cross guarantee

The following companies are all incorporated in Australia and are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others: Iluka Resources Limited, Westlime (WA) Limited, Ilmenite Pty Limited, Southwest Properties Pty Limited, Western Mineral Sands Pty Limited and Yoganup Pty Limited, 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.

By entering into the Deed, the wholly-owned entities represent a closed group and 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"). 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.

In addition to the members of the extended closed group, the Iluka Group also includes the following Australian companies: Aston Coal Interests Pty Ltd (Iluka interest 93.4 per cent), Iluka International (Brazil) Pty Ltd (Iluka interest 100.0 per cent). The group's activities in the United States are undertaken by Iluka Resources Inc which is 100 per cent owned.

Note 27. Controlled entities and deed of cross guarantee (contd)

	2010 $m	2009 $m
Condensed income statement of Extended Closed Group		
Revenue from ordinary activities	**840.4**	538.9
Other expenses from ordinary activities	**(769.6)**	(636.3)
Finance costs	**(46.9)**	(23.3)
Impairment charges	**-**	(67.6)
Income tax benefit	**2.7**	65.0
Profit (loss) for the year	**26.6**	(123.3)
Condensed statement of comprehensive income		
Profit (loss) for the year	**26.6**	(123.3)
Other comprehensive income		
Changes in fair value of foreign exchange cash flow hedges, net of tax	**(3.6)**	72.9
Actuarial gains (losses) on defined benefit plans, net of tax	**0.6**	(2.0)
Total other comprehensive income	**(3.0)**	70.9
Total comprehensive income for the year	**23.6**	(52.4)
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**(11.9)**	111.4
Profit (loss) for the year	**26.6**	(123.3)
Retained earnings at the end of the financial year	**14.7**	(11.9)
Condensed balance sheet of Extended Closed Group		
Current assets		
Cash and cash equivalents	**19.2**	75.7
Receivables	**156.0**	90.7
Inventories	**193.9**	171.2
Derivative financial instruments	**-**	15.9
Total current assets	**369.1**	353.5
Non-current assets		
Receivables	**15.3**	80.7
Inventories	**56.6**	56.6
Other financial assets	**42.4**	42.6
Property, plant and equipment	**1,389.1**	1,517.3
Deferred tax assets	**44.8**	36.4
Intangible assets	**7.1**	9.9
Total non-current assets	**1,555.3**	1,743.5
Total assets	**1,924.4**	2,097.0
Current liabilities		
Payables	**96.1**	174.1
Interest-bearing liabilities	**29.5**	44.7
Provisions	**41.7**	20.1
Total current liabilities	**167.3**	238.9
Non-current liabilities		
Interest-bearing liabilities	**313.3**	423.7
Provisions	**297.9**	307.6
Total non-current liabilities	**611.2**	731.3
Total liabilities	**778.5**	970.2
Net assets	**1,145.9**	1,126.8
Equity		
Contributed equity	**1,108.3**	1,114.4
Reserves	**22.9**	24.3
Retained profits	**14.7**	(11.9)
Total equity	**1,145.9**	1,126.8

Note 28. Reconciliation of profit (loss) after income tax to net cash inflow from operating activities

	2010 $m	2009 $m
Profit (loss) for the year	**36.1**	(82.4)
Depreciation and amortisation	**219.0**	176.6
Unrealised ineffective (gains) losses of changes in fair value of cash flow hedges	**-**	(26.4)
Exploration capitalised	**(4.3)**	(3.3)
Interest capitalised	**-**	(12.5)
Net gain on disposal of property, plant and equipment	**(4.1)**	(6.8)
Net gain on disposal of CRL	**-**	(22.9)
Net exchange differences on borrowings	**(5.7)**	(17.5)
Rehabilitation and restoration accretion expense	**14.3**	15.7
Non-cash share based payments expense	**3.8**	6.2
Amortisation of deferred borrowing costs	**1.0**	1.1
Other	**0.8**	(0.6)
Impairment charges	**-**	67.6
Change in operating assets and liabilities		
Decrease (increase) in receivables	**(62.0)**	129.1
Decrease (increase) in inventories	**2.6**	(59.5)
Decrease (increase) in derivatives	**10.8**	-
Decrease (increase) in deferred tax assets	**4.5**	(68.5)
Increase (decrease) in payables	**(38.7)**	43.5
Increase (decrease) in current tax liabilities	**-**	(5.9)
Increase (decrease) in provisions	**0.6**	(31.3)
Net cash inflow (outflow) from operating activities	**178.7**	102.2

Note 29. Earnings per share

	2010 cents	2009 cents
(a) Basic and diluted earnings per share		
(Loss) profit from continuing operations attributable to owners	**8.6**	(25.9)
Profit from discontinued operation	**-**	5.7
Profit attributable to the owners	**8.6**	(20.2)
(b) Reconciliations of earnings used in calculating earnings per share		
(Loss) profit for the year from continuing operations	**36.1**	(105.5)
Net profit (loss) attributable to non-controlling interests	**-**	0.2
Profit from continuing operations attributable to owners	**36.1**	(105.3)
Profit from discontinued operation	**-**	22.9
Profit attributable to owners used in calculating basic earnings per share	**36.1**	(82.4)
Weighted average number of shares used in calculating basic and diluted earnings per share	**418,700,517**	405,582,708

Note 30. Share-based payments

The Share Based Payment expense in the profit and loss account of $4,100,000 (2009: $6,245,000) results from several schemes summarised below. Further information on each scheme is contained in the Remuneration Report.

Schemes	Grant date	Vesting date	Fair value	Share rights at 31 Dec 10	Expense 2010 $m	Share rights at 31 Dec 09	Expense 2009 $m
2009 STIP (i)	Jan-10	Jan-11 Jan-12	3.58	336,834	**0.9**	-	-
2008 STIP (i)	Jan-09	Jan-10 Jan-11	4.66	840,325	**0.7**	856,314	2.7
2007 STIP (i)	Jan-08	Jan-09 Jan-10	4.09	-	**-**	296,435	0.5
2010 LTIP (ii)	Jan-10	Jan-13	2.59/ 3.58	941,056	**1.1**	-	-
2009 LTIP (ii)	Jan-09	Jan-12	3.49/ 4.64	645,311	**0.7**	734,743	0.9
2008 LTIP (ii)	Jan-08	Jan-11	2.29/ 3.56	683,621	**(0.9)**	767,633	0.8
2007 LTIP (ii)	Jan-07	Jan-10	2.79/ 5.84	-	**-**	318,878	(0.5)
Iluka Retention Plan Share Rights (i) (iv)	Mar-08	Mar-11	4.09	922,230	**1.1**	1,060,000	1.4
MD Retention Share Rights (ii)	Mar-08	Mar-11	1.00	1,000,000	**0.5**	1,000,000	0.3
2006 PIP and prior plans (i) (v)	various	various		-	**-**	41,763	0.1
Total share based payments					**4.1**		**6.2**

(i) 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.

(ii) 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.

(iii) Information on the Managing Director's Share Rights is disclosed in the remuneration report.

(iv) The Iluka Retention Plan share rights were offered on various dates with the majority offered in March 2008 at $4.09 per share. The fair value per share disclosed in the table is the weighted average value for all outstanding rights.

(v) 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. All shares relating to the 2005 PIP expired in 2010.

Note 31. Parent entity financial information

	Parent Entity 2010 $m	2009 $m
Balance sheet		
Current assets	**66.3**	147.6
Non-current assets	**2,267.1**	2,095.5
Total assets	**2,333.4**	2,243.1
Current liabilities	**68.3**	107.3
Non-current liabilities	**1,096.0**	953.3
Total liabilities	**1,164.3**	1,060.6
Net Assets	**1,169.1**	1,182.5
Shareholders' equity		
Contributed equity	**1,120.0**	1,120.0
Reserves	**21.7**	23.2
Retained earnings	**27.4**	39.3
	1,169.1	1,182.5
Profit (loss) for the year	**(12.2)**	10.4
Total comprehensive income	**(15.8)**	83.3

(a) Contingent liabilities of the parent entity

The parent had contingent liabilities for performance commitments and guarantees of $29.0 million as at 31 December 2010 and $31.1 million as at 31 December 2009.

(b) Contractual commitments for the acquisition of property, plant or equipment

As at 31 December 2010, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $6.5 million (31 December 2009: $2.2 million).

DIRECTORS' DECLARATION

31 December 2010

In the Directors' opinion:

(a) the financial statements and notes to the financial statements 29 to 69 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 consolidated entity's financial position as at 31 December 2010 and of its 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 note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 27 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 27.

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.

G J Pizzey
Chairman

D A Robb
Managing Director

Perth
24 March 2011

INDEPENDENT AUDITOR'S REPORT

to the members of Iluka Resources Limited

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 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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.

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 consolidated entity's financial position as at 31 December 2010 and of its 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 and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 9 to 21 of the directors' report for the year ended 31 December 2010. 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 year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

David J. Smith

David J. Smith
Partner

Perth
24 March 2011

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 relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC Code). Each of the Competent Persons for deposits located outside Australia are members of Recognised Overseas Professional Organisations 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 Resource Limited. 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 2010. 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 (that is, Ore Reserves are a sub-set of Mineral Resources and are not additive).

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 Country, Region and JORC Category at 31 December 2010

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

						HM Assemblage[4]			
Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Proved	99.5	6.10	6.1	28	52	4	
		Probable	7.6	0.30	3.9	39	38	5	
Total			107.1	6.40	6.0	29	51	4	0.03
	Murray Basin	Proved	15.9	3.97	25.0	51	11	16	
		Probable	14.0	2.53	18.1	50	13	15	
Total	Murray Basin[5]		29.8	6.50	21.8	51	12	16	(1.55)
	Perth Basin	Proved	12.4	1.18	9.5	62	13	2	
		Probable	163.2	11.53	7.1	63	11	4	
Total	Perth Basin[6]		175.6	12.71	7.2	63	11	4	0.62
USA	Virginia	Proved	18.1	1.25	6.9	72	15	-	
		Probable	3.1	0.14	4.4	65	19	-	
Total	Virginia[7]		21.2	1.38	6.5	72	16	-	(0.20)
Total	Proved		145.9	12.51	8.6	43	31	7	
Total	Probable		187.9	14.49	7.7	60	12	6	
	Grand Total		333.8	27.00	8.1	52	21	7	(1.09)

Notes

(1) Competent Persons - Ore Reserves
Eucla Basin, Perth Basin and Murray Basin: C Lee (MAusIMM)
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) Ilmenite currently has had no value ascribed in the reserve optimisation process for the Murray Basin
Metallurgical testwork and marketing studies are presently underway; the outcomes of which may see a revision of the Ore Reserves

(6) Rutile component in Perth Basin - South West operations is sold as a leucoxene product

(7) Rutile is included in ilmenite for the Virginia region

Iluka Ore Reserves Mined and Adjusted By Country and Region at 31 December 2010

Summary of Ore Reserve Depletion[1]

Country	Region	Category	In Situ HM Tonnes Millions 2009	In Situ HM Tonnes Millions Mined 2010	In Situ HM Tonnes[2] Millions Adjusted 2010	In Situ HM Tonnes Millions 2010	In Situ HM Tonnes[3] Millions Net Change
Australia	Eucla Basin	Active mines	4.91	(0.68)	0.61	4.85	(0.07)
		Non-active sites	1.45	-	0.10	1.55	0.10
Total	Eucla Basin		6.37	(0.68)	0.71	6.40	0.03
	Murray Basin	Active mines	2.70	(1.68)	0.95	1.97	(0.73)
		Non-active sites	5.35	-	(0.82)	4.53	(0.82)
Total	Murray Basin		8.05	(1.68)	0.13	6.50	(1.55)
	Perth Basin	Active mines	0.81	(0.34)	(0.17)	0.31	(0.51)
		Non-active sites	11.28	-	1.13	12.41	1.13
Total	Perth Basin		12.09	(0.34)	0.96	12.71	0.62
USA	Virginia	Active mines	1.58	(0.48)	0.28	1.39	(0.20)
		Non-active sites	-	-	-	-	-
Total	Virginia		1.58	(0.48)	0.28	1.39	(0.20)
Total	Active mines		10.01	(3.18)	1.67	8.51	(1.50)
Total	Non-active sites		18.08	-	0.41	18.49	0.41
Total	Ore Reserves		28.09	(3.18)	2.09	27.00	(1.09)

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

Iluka Mineral Resource Breakdown By Country, Region and JORC Category at 31 December 2010

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	175.3	7.72	4.4	29	49	5	
		Indicated	53.1	1.22	2.3	12	62	5	
		Inferred	65.5	4.93	7.5	65	17	2	
Total	Eucla Basin		293.9	13.87	4.7	40	39	4	3.82
	Murray Basin	Measured	31.8	5.89	18.5	51	11	15	
		Indicated	118.2	21.64	18.3	55	10	13	
		Inferred	90.2	12.71	14.1	51	11	15	
Total	Murray Basin		240.2	40.23	16.8	53	10	14	(2.69)
	Perth Basin	Measured	478.5	28.97	6.1	58	10	5	
		Indicated	285.3	17.55	6.2	57	10	4	
		Inferred	221.1	11.89	5.4	55	8	5	
Total	Perth Basin[5]		984.9	58.40	5.9	57	10	5	2.53
USA	Virginia	Measured	25.4	1.55	6.1	71	16	-	
Total	Virginia[6]		25.4	1.55	6.1	71	16	-	(0.22)
Total	Measured		711.0	44.12	6.2	52	18	6	
Total	Indicated		456.5	40.41	8.9	55	12	9	
Total	Inferred		376.9	29.53	7.8	55	11	8	
	Grand Total		1,544.4	114.06	7.4	54	14	8	3.44

Notes:

(1) Competent Persons - Mineral Resources
Eucla Basin: I Warland (MAusIMM)
Perth Basin - Mid West: B Gibson (MAIG)
Perth Basin - South West: R Stockwell (MAIG)
Murray Basin: V O'Brien (MAusIMM)
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) Rutile component in WA - South West operations is sold as a leucoxene product

(6) Rutile is included in ilmenite for the Virginia region

SUSTAINABILITY

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 places a high organisational priority on internal systems procedures and behaviours that facilitate continued improved performance in a number of areas, but with a focus in the following:

- **health and safety performance** - including eliminating hazards and risk of injury to the company's employees, contractors; and
- **environmental management** - management systems and reporting procedures to minimise the impact of Iluka's operation on the environment. Areas of company focus include: water management; energy efficiency; reduction of carbon dioxide emissions on a unit of production basis; biodiversity conservation and closure planning and rehabilitation;
- **people** - attaining and maintaining a diverse, talented workforce that are engaged, encouraged and equipped to achieve extraordinary performance; and
- **community engagement** - maintaining effective and open communications with stakeholders regarding the company's activities, including potential risks as well as beneficial opportunities through direct employment, training and broader community economic and social benefits.

HEALTH AND SAFETY

Iluka's approach to health and safety recognises the need for best practice across its operations, and delivering an environment where employees and others are not exposed to risks to their health and well-being.

During the year, Iluka established its Health and Safety Strategy covering a five year period from 2010 to 2015. The strategy outlines a series of actions for the company to progressively achieve the following measures of success:

- target a substantial reduction in the Loss Time Injury Frequency Rate ("LTIFR") of 80 per cent;
- sustain a significant reduction in the incidence of work related injuries measured by a reduction in the Total Recordable Injury Frequency Rate[1] ("TRIFR") of 50 per cent; and
- reduce the severity of workplace injury measured by a reduction in the severity rate of 50 per cent.

Iluka views a safe workplace, in large part, as the result of people taking individual responsibility for their personal safety, as well as that of their colleagues. To strengthen individuals' safety capability, the company has continued to focus on enhancing its policies, procedures and awareness raising activities. Disappointingly, Iluka's safety performance in 2010 did not meet the high standards expected, as reflected in the following table, which displays an adverse movement in some key safety measures during 2010.

Iluka Health & Safety Measures of Success

	LTIFR	TRIFR	Severity Rate
2009 Actual	3.0	n/a	58.7
2010 Plan	3.4	13.5	52.8
2010 Actual	3.7	16.4	47.4

In 2010 Iluka was not successful in achieving its total recordable injury frequency rate target of 13.5, with a recorded a rate of 16.4. The lost time injury frequency rate per million hours worked, increased in 2010 by 23.3 per cent compared with 2009.

However, Iluka's injury severity rate declined year-on-year, with a 19.2 per cent reduction in the severity of injuries reported. This indicates that those reported incidents which did occur were predominantly minor in nature, including a high proportion of strain-related injuries.

There were no fatalities at Iluka's operations during the year.

The TRIFR target for 2011 is 11.9, an 11.8 per cent improvement on 2010.

In 2010, a revised Environment, Health and Safety policy was communicated to all employees and contractors, from which will be a range of initiatives, designed to achieve an improvement in health and safety performance. These include operational leadership team safety programmes across the Australian operations, measures to ensure operational consistency standards related to key identified safety risk areas, as well as formal programmes to engender improved site based cultural and behavioural safety plans.

During 2010, an external audit of Iluka's environmental health and safety management system was conducted at the Virginia operation in the United States, while internal audits were completed at the Murray Basin operation in Victoria, at Jacinth-Ambrosia in South Australia and at the Western Australian operations. The average compliance score was 91 per cent, similar to the 2009 compliance score of 90 per cent.

Iluka continued its Fitness for Work Programme, one element of which is random drug and alcohol testing. The compliance rate of 99.3 per cent was similar to 2009. Iluka's contractors run parallel programmes which support and promote the requirements of this policy.

An additional element to the Fitness for Work Programme is Iluka's Employee Assistance Programme which provides all employees, and their immediate families with free access to confidential, professional counselling to resolve personal or work-related problems. The company is wholly supportive of its employees dealing with difficult circumstances and recognises the key impact that mental health and personal wellbeing has on business productivity and profitability.

[1] Total Recordable Injury Frequency Rate and Level 2 and above environmental incidents were introduced as new sustainability targets for Iluka's 2010 short term incentive plan replacing All Injury Frequency Rate and Notifications to Government. The revised targets provided a stronger alignment to Iluka's internal health and safety priorities and facilitated improved benchmarking.

ENVIRONMENT

Iluka has a commitment to operating in a responsible manner and ensuring adherence to all conditions in regulatory licences. Extensive environmental management plans govern the company's operations at each site and these, along with experienced environmental management personnel, as well as regular reporting of Level 2[2] and above environmental incidents through to the company's Board of Directors, seek to ensure a strong focus on environmental performance.

Environmental Management

Iluka undertakes mining and processing activities in Australia and the United States, from regional reserves in South Australia, farming and grazing properties in Victoria and Virginia, to operations in close proximity to populated areas, such as in Western Australia. Each operating environment presents unique environmental challenges and differing management issues.

The Jacinth-Ambrosia mining and concentrating operation in the Eucla Basin of South Australia is the first mining and processing operation to be permitted on a mixed-use regional reserve, the Yellabinna Regional Reserve. Mining is allowed under a multiple use framework, yet with high standards applied and enforced in terms of protecting the environment and minimising the impact on the area's unique biodiversity. Extensive environmental management planning and assessment was required to gain progressive approvals for the project, from exploration through to construction and, subsequently, the operational phase, which is conducted under a Mining and Rehabilitation Plan. These approvals have required detailed studies on all aspects of the biophysical environment, and active engagement with State and Federal Government agencies.

Key environmental issues on the site include the containment of ultra-saline water used in concentrating activities; management plans for native fauna, as well as a requirement to remove all waste materials from the site. In regards to the latter, an extensive recycling programme is in place, supported by key service providers and other external parties. All steel, aluminium cans, cardboard, tyres and timber are segregated and recycled, with oil products recycled through the Kalgoorlie Power station waste oil facility. Site personnel have implemented extensive recycling systems and educational programmes to encourage good practice.

Recorded Environment Incidents

All environmental incidents recorded at sites are classified according to the severity of their impact[2].

In 2010, Iluka recorded no Level 5 or 4 incidents, the most serious categories. This was the eighth consecutive year the company has reported no incidents at these levels. There were also no Level 3 incidents. Iluka recorded 494 Level 1 incidents, down from 587 in 2009, and 59 Level 2 incidents compared with 96 in the previous year.

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

Water Usage

Iluka's total water usage in 2010 was 24.2 mega litres ("ML"). This compares with 36.5ML in 2009 and a 2006-2008 average of 50.6ML per annum. Table 4 displays water usage by operation. The 33.7 per cent reduction in 2010 water usage has been primarily associated with the divestment, in May 2009, of Consolidated Rutile Limited's operations in Queensland where dredge mining is used. Lower water usage in Western Australia was associated with the idling of mining operations at Eneabba. In this area, water usage decreased from 18,726ML in 2009 to 8,610ML.

Water usage in the Eucla Basin, South Australia, reflects the commencement of mining and concentrating activities at the Jacinth-Ambrosia operations. Water usage increased from 1,119ML in 2009 to 9,636ML in 2010. Iluka utilises ultra-saline water, sourced from a paleochannel, located approximately 32 kilometres from the mining operation. This water is unsuitable for agricultural or human consumption. A large proportion is recycled through the operational process and environmental management requirements stipulate that the water must be contained within specific areas, so as not to present the risk of damage to native vegetation. Iluka operates a reverse osmosis process on site, which provides potable water for drinking and other uses, including for fire fighting purposes.

In 2010, Iluka completed the development of the Kulwin deposit near the township of Ouyen, in the Murray Basin, Victoria, and also commenced mining operations at the Echo deposit. Increased water usage reflected the ramp up to full production at Kulwin. Total water use for the region was 4,522ML representing an increase of 50.1 per cent from 2009. Iluka's mining operations in the northern part of the Murray Basin are conducted under the water table. Dewatering of the mining pit is required, with water able to be used for pumping of ore and for preconcentrating and wet concentration activities. At the Hamilton mineral processing plant, the company uses recycled water from the local Shire of Southern Grampians for approximately 99 per cent of its water requirements.

Iluka's Virginia operations in the United States, operated at full capacity from February 2010, after operations were curtailed in 2009 associated with global economic conditions. Water efficiency management was maintained with 1,467ML of water used, compared with 1,422ML in 2009. In Virginia approximately 69 per cent of water used was recycled.

Energy Consumption

Iluka's total energy consumption in 2010 was 10,071 terajoules ("TJ"), an 8.2 per cent reduction from the 2009 level of 10,966TJ. The main sources of energy consumed include coal, diesel, electricity and natural gas.

Operational changes in the Perth Basin, Western Australia – the idling of the Eneabba mining operations and reduction of synthetic rutile kiln operations from four to two - affected energy consumption levels. Energy used in the Perth Basin decreased by 11.1 per cent to 7,059TJ, from 7,941TJ in 2009.

Increased energy usage in the Eucla Basin, South Australia and at the Murray Basin in Victoria, reflects the commencement and increase in production to capacity at the two new mining and processing operations which, in the case of the Murray Basin, has also entailed a higher level of processing throughput at the company's Hamilton minerals separation plant.

Energy usage in the Eucla Basin increased from 251TJ in 2009 to 522TJ in 2010, while in the Murray Basin energy consumption increased from 740TJ to 1,451TJ.

Iluka is committed to achieving energy efficiency improvements and reducing its carbon dioxide gas emissions on a unit of production basis. A specialised management group, involving technical and operational personnel, has been established to develop a long term strategy, as well as implement ongoing improvement measures, to enhance the company's monitoring and recording systems and improve energy performance, in accordance with Energy Efficiency Opportunities ("EEO") and National Greenhouse and Energy Reporting requirements.

Iluka implemented 11 new EEO projects during 2010, with the results equating to a reduction in total energy of 545TJ annually, constituting an approximate 5 per cent reduction in energy usage.

An energy efficiency assessment was conducted at Iluka's Kulwin operation in the Murray Basin. A saving of 88TJ in overall energy usage was identified over the mine life. A detailed energy efficiency assessment will be carried out at Jacinth-Ambrosia in 2011.

Iluka completed its second year of reporting to the National Greenhouse and Energy Program. The public document is available on Iluka's website (www.iluka.com).

Carbon Dioxide Emissions

Iluka's operations recorded carbon dioxide emissions of 995 thousand tonnes ("ktCO_2e") in 2010 representing an 8.1 per cent decrease on its 2009 result of 1,083 ktCO_2e and 33.6 per cent on the 2006-2008 average of 1,630 ktCO_2e. The carbon emissions reduction is consistent with the decline in the company's Western Australian ilmenite upgrading, or synthetic rutile operations, where coal is the primary fuel used in the production process.

During 2010, Iluka's synthetic rutile operations received formal recognition as an Emissions Intensive Trade Exposed industry under the previously proposed Carbon Pollution Reduction Scheme.

Rehabilitation

A closure planning working group was established in the second half of 2009 to design and oversee best practice management for the safe closure and re-establishment of former mining and processing sites across Iluka's Australian operations.

Rehabilitation and closure activities are a major focus of the company's Western Australian operations given the maturity of Iluka's mining operations in this area. Approximately 115 hectares was rehabilitated in the Mid West and South West regions of Western Australia during 2010. Areas of the Eneabba, Gingin, and Waroona mine sites were progressed to the return of topsoil stage, in preparation for final rehabilitation to occur in 2011.

In the Murray Basin, re-establishment of previously mined areas in the Douglas region to grazing and pastoral usage continued with an additional 25 hectares of land rehabilitated in 2010.

In the United States, Iluka closed its Florida/Georgia operations and commenced rehabilitation activities in 2006. Reclamation in Georgia was completed in 2010 and the company fulfilled its environmental obligations with regulators. Reclamation and remediation of the Florida mine and processing sites is continuing with approximately 100 hectares rehabilitated during the year.

PEOPLE

Iluka seeks to build and maintain a diverse, sustainable workforce of talented people, that reflect the communities in which the company operates.

It is recognised that leadership at all levels is required to create alignment of purpose which, together with the right resources, is crucial to the achievement of Iluka's objective - to create and deliver shareholder value.

Iluka seeks to offer a sense of achievement to its employees based on the principles of accountability, commerciality and engagement and maintains a work culture reflecting its values of commitment, integrity and responsibility. Iluka's emphasis includes a high standard of health and safety behaviour and the development of individuals, leaders and teams to achieve extraordinary performance.

Diversity

Iluka respects the diversity of the communities in which it operates and recognises the opportunities that it creates for its business.

Iluka currently supports gender equality, parental leave, flexible hours where practicable and has a strong commitment to indigenous employment at all our operations. Iluka's workforce currently is approximately 20 per cent female, a level above comparable industry benchmarks.

A Diversity Committee has been established to develop internal programmes and undertake initiatives to, initially, improve the gender, age, indigenous and disability diversity across the company's operations. Iluka's diversity aims will be measured and reported on a regular basis.

The company continued in 2010 with the following initiatives:

- compulsory employee equal opportunities training for all new employees and contractors;
- fair and equitable selection and appointment criteria;
- formal performance and salary review processes;
- native title agreements that include opportunities for indigenous employment in operational areas;
- paid parental leave eight weeks paid maternity leave and one week paid paternity leave; and
- flexible work arrangements.

Workforce Changes in 2010

Iluka's Eneabba mining operations in Western Australia were idled in 2010, which resulted in approximately 30 redundancies. This is in addition to a larger workforce reduction that took place in 2009.

As in 2009, it was a focus of the company to mitigate the impact on affected employees and their families through measures such as:

- redeployment of employees to other operations where possible;
- the provision of employment transition and career planning services;
- financial planning assistance; and
- personal and family counselling.

Iluka Workforce Distribution

The following table shows the distribution of Iluka's workforce at the end of 2010:

Location	Employees
Perth Basin, Western Australia	318
Eucla Basin, South Australia	89
Murray Basin, Victoria	214
Corporate, Perth, Western Australia[1]	144
Virginia, US	139
Shanghai, China	7
Total Group	**911**

Contract mining and other activities account for approximately 1,000 contractor positions

1 Includes exploration, business development, sales and marketing, product and technical development, and technical functions, in addition to usual corporate roles

Leadership Development

During 2010, Iluka invested in a leadership development programme titled Achieving Extraordinary Performance, designed to provide its current and future leaders with the tools to deal with change, encourage alignment and accept accountability. Approximately 160 employees attended workshops with participation drawn from operational and corporate personnel at varying levels within the organisation.

Engagement

Iluka recognises that honest and timely communication with its employees is key to business performance and is a high priority for the company's management team.

An employee engagement survey was conducted during 2010 to measure the organisation's performance in terms of levels of employee engagement and to identify areas for improvement. This survey has been conduced biennially since 2002. The 2010 survey revealed that despite significant changes to the business in 2009 and 2010, employee responses conveyed a strong level of alignment with, and positive assessment of, the organisation. The results of the survey are used, along with other input, to improve organisational and cultural alignment and engagement.

COMMUNITY AND STAKEHOLDER ENGAGEMENT

Iluka recognises that engagement and consultation with stakeholders is integral in the establishment, operation, rehabilitation and relinquishment of its mining and processing facilities.

Extensive stakeholder engagement occurred to facilitate the progression of planning and approval activities for the Woornack, Rownack, Pirro (Victoria) and Balranald (New South Wales) projects.

Existing operations have continued to undertake regular liaison with stakeholders through various avenues including:

- Environmental Review Committees in the Murray Basin, Victoria;
- local government authority briefings in Western Australia; and
- the production of community newsletters in regional South Australia.

KEY PERFORMANCE DATA

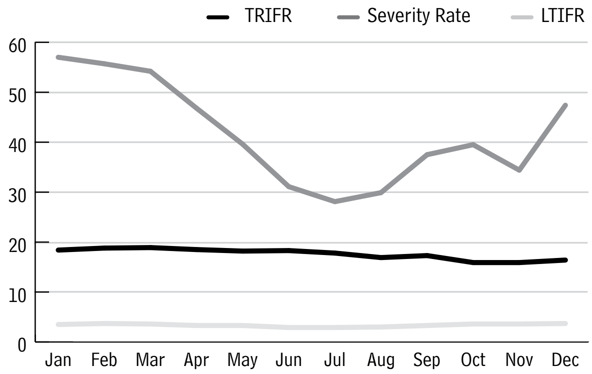
Safety

Table 1 – 2010 Safety Performance by Operation

	Fatality	LTI	MTI	FAI	TRI	Minor
Murray Basin (VIC/NSW)	0	2	12	16	28	60
Eucla Basin (SA/WA)	0	0	4	12	4	30
Perth Basin (WA)	0	6	11	32	21	93
Virginia (US)	0	1	2	3	4	52
Exploration	0	1	1	2	3	9
Corporate	0	0	2	0	2	0
Total	**0**	**10**	**32**	**65**	**62**	**244**

LTI = Loss Time Injury
MTI = Medical Treatment Injury
FAI = First Aid Injury
TRI = Total Recordable Injury

Figure 1 - Iluka Group 2010 Total Recordable Injury Frequency Rate, Severity Rate and Loss Time Injury Frequency Rate



TRIFR refers to Total Recordable Injury Frequency Rate
TRIFR = LTI + MTI + FA + Minor injuries classified as Restricted Work Case
LTIFR refers to Loss Time Injury Frequency Rate
LTIFR (loss time injury frequency rate) = number of days lost per million hours worked

Environmental Performance

Table 2 – 2010 Environmental Incidents by Operation

	Level 1	Level 2	Level 3	Level 4	Level 5
Murray Basin (VIC/NSW)	117	8	0	0	0
Eucla Basin (SA/WA)	79	4	0	0	0
Perth Basin (WA)	244	44	0	0	0
Virginia (US)	43	3	0	0	0
Exploration	11	0	0	0	0
Corporate	0	0	0	0	0
Total	**494**	**59**	**0**	**0**	**0**

Table 3 - Iluka Group Environmental Incidents

	2010	2009	2006-2008 average
Level 1	494	587	860
Level 2	59	96	10
Level 3	0	3	1
Level 4	0	0	0
Level 5	0	0	0
Total	**553**	**686**	**871**

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

Water

Table 4 - Water Use (megalitres – ML) by Operation

	2010	2009	2006-2008 average
Murray Basin (VIC/NSW)	4,522	3,012	2,113
Eucla Basin (SA/WA)	9,636	1,119	13
Perth Basin (WA)	8,610	18,726	21,622
Virginia (US)	1,467	1,422	2,657
CRL, (QLD)[3]	n/a	12,198	24,231
Exploration	< 1	< 1	< 1
Corporate	< 1	< 1	< 1
Total	**24,236**	**36,478**	**50,637**

Table 5 - Water Discharge (megalitres – ML) by Operation

	2010	2009	2006-2008 average
Murray Basin (VIC/NSW)	128	26	19
Eucla Basin (SA/WA)	0	0	2
Perth Basin (WA)	1,559	3,745	5,295
Virginia (US)	290	1,515	982
CRL, (QLD)[3]	n/a	1,735	1,860
Exploration	< 1	< 1	< 1
Corporate	n/a	n/a	n/a
Total	**1,978**	**7,022**	**8,158**

n/a denotes not available
< denotes less than
[3] Includes Consolidated Rutile Limited ("CRL")s operation on a 100% basis until its divestment by the Company in May 2009

Table 6 - Water Recycled (megalitres – ML) by Operation

	2010	2009	2006-2008 average
Murray Basin (VIC/NSW)	0	1	1
Eucla Basin (SA/WA)	3,329	1,008	0
Perth Basin (WA)	< 1	< 1	< 1
Virginia (US)	1,017	1,120	1,521
CRL, (QLD)[3]	n/a	11,584	23,811
Exploration	< 1	< 1	< 1
Corporate	n/a	n/a	n/a
Total	**4,346**	**13,713**	**25,333**

Energy

Table 7 – Energy Use (terajoules - TJ) by Operation

	2010	2009	2006-2008 average
Murray Basin (VIC/NSW)	1,451	740	512
Eucla Basin (SA/WA)	522	251	9
Perth Basin (WA)	7,059	7,941	12,036
Virginia (US)	977	1,368	706
CRL, (QLD)[3]	n/a	352	766
Exploration	62	314	4
Corporate	< 1	< 1	< 1
Total	**10,071**	**10,966**	**14,033**

Table 8 – Iluka Group Energy Resources Used (%)

	2010	2009	2006-2008 average
Coal	55	50	58
Electricity	11	14	16
Natural gas	10	10	10
LPG	5	2	< 1
Diesel	19	21	16
Petrol	< 1	3	< 1
Fuel, oil & greases	< 1	< 1	< 1

Carbon Dioxide Emissions

Table 9 – Carbon Dioxide Emissions ($ktCO_2e$) by Operation

	2010	2009	2006-2008 average
Murray Basin (VIC/NSW)	182	112	86
Eucla Basin (SA/WA)	40	19	< 1
Perth Basin (WA)	704	830	1,245
Virginia (US)	69	48	104
CRL, (QLD)[3]	n/a	74	194
Exploration	< 1	< 1	< 1
Corporate	n/a	n/a	n/a
Total	**995**	**1,083**	**1,630**

Land

Table 10 – 2009-2010 Land use by Operation (hectares - Ha)

	2009			2010		
	Disturbed	Rehabilitated	Open	Disturbed	Rehabiltated	Open
Murray Basin (Vic/NSW)	624	58	1,236	666	25	1,877
Eucla Basin (SA/WA)	720	0	988	61	80	969
Perth Basin (WA)	320	273	3,888	59	15	3,932
Virginia (US)	58	170	528	93	97	524
Exploration	512	35	536	654	62	1,128
Total	**2,233**	**535**	**7,177**	**1,533**	**279**	**8,431**

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

n/a denotes not available
< denotes less than
[3] Includes Consolidated Rutile Limited ("CRL")s operation on a 100% basis until its divestment by the Company in May 2009

FIVE YEAR PHYSICAL AND FINANCIAL INFORMATION

Production & Sales	2010	2009	2008	2007	2006
Production volumes (kt)					
- Zircon	**412.9**	263.1	385.1	513.8	445.7
- Rutile	**250.1**	141.4	140.1	216.1	172.8
- Synthetic rutile	**347.5**	405.0	467.3	526.6	506.6
- Ilmenite (saleable)	**469.0**	342.1	586.2	931.7	934.9
- Ilmenite (upgradeable)	**215.9**	496.7	641	702.5	752.5
Average AUD:USD spot exchange rate (cents)	**92.00**	79.34	85.35	83.90	75.35
AUD:USD range (cents)	**81.23/1.02**	62.91/93.68	60.38/98.05	76.98/93.25	70.54/79.08
Summary Financials					
Revenue from operations (excluding hedging)	**874.4**	576.0	988.5	938.6	1,003.2
Earnings before depreciation, net interest and tax (excluding asset impairment/write-downs)	**304.7**	99.6	274.6	287.7	199.2
- Mineral Sands EBITDA	**250.2**	75.6	186.3	230.6	257.3
- Mining Area C EBITDA	**76.3**	50.2	56.8	19.9	19.1
- Other EBITDA	**(21.0)**	(9.5)	(47.0)	18.1	4.5
Depreciation and amortisation	**(219.0)**	(176.6)	(161.7)	(148.0)	(112.7)
Net interest and finance charges	**(46.2)**	(22.7)	(35.6)	(59.2)	(40.8)
Income tax (expense) benefit	**(3.8)**	61.5	7.7	(20.1)	(14.2)
NPAT (excluding asset impairments/write-downs)	**36.1**	(35.1)	73.7	51.1	66.2
NPAT (inclusive of asset impairments/write-downs)	**36.1**	(82.4)	77.5	51.1	21
Operating cash flow	**163.6**	83.9	233.0	95.5	142.2
Capital expenditure	**(117.2)**	(521.6)	(198.4)	(118.2)	(172.7)
Net debt	**(312.6)**	(382.1)	(215.7)	(598.1)	(596.5)
Capital and Dividends					
Ordinary shares on issue (millions)	**418.7**	418.7	380.7	242.2	232.9
Dividends per share (cents)	**8**	n/a	n/a	10	22
Franking level (per cent)	**0**	n/a	n/a	100	100
Opening year share price ($)	**3.58**	4.64	4.11	5.94	7.00
Closing year share price ($)	**9.14**	3.58	4.64	4.11	5.94
Financial Ratios					
EPS, excluding asset impairments/write-downs (cents)	**8.6**	(8.7)	17.8	21.6	50.2
Cash Flow per Share (cents)	**13.3**	(2.2)	19.9	1.5	(0.2)
Return on shareholders' equity (per cent), excluding asset impairments/write-downs	**3.2**	(3.2)	7.9	6.8	3.3
Gearing (net debt/net debt + equity) (per cent)	**21.8**	25.9	17.4	44.3	45.4
Financial Position as at 31 December					
Total assets	**1,939.9**	2,098.4	2,058.1	1,868.0	1,864.5
Total liabilities	**(815.3)**	(1,003.1)	(1,020.1)	(1,116.4)	(1,148.0)
Net assets	**1,124.6**	1,095.3	1038	751.6	716.5
Shareholders' equity attributable to members of Iluka Resources	**1,124.6**	1,095.3	979.8	683.6	647.2
Net tangible asset backing per share (dollars)	**2.54**	2.46	2.69	3.04	3.00

All figures in A$ million unless otherwise indicated

2009 restated for change in hedge accounting in accordance with amendments to AASB 2008-8

STATEMENT OF SHAREHOLDINGS

as at 2 March 2011

Number of holders of shares	18,560
Number of shares on issue	418,701,360

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

Distribution of Shareholdings

Shareholding	Number of holders
1 – 1,000	9,576
1,000 – 5,000	7,289
5,001 – 10,000	731
10,001 – 100,000	45
100,001 and over	19
Number of shareholders holding less than a marketable parcel (less than $500):	900

Substantial Shareholders

Name	Number of shares in which a relevant interest is held	% Holding
M&G Investment Management, London	81,830,567	19.54
BlackRock Group	25,280,290	6.02

Top 20 Shareholders (Nominee Company Holdings)

Name	Number of shares	% Holding
J P Morgan Nominees Australia	116,069,588	27.72
HSBC Custody Nominees (Australia) Limited	110,718,520	26.44
National Nominees Limited	68,952,709	16.47
Citicorp Nominees Pty Limited	27,467,606	6.56
Cogent Nominees Pty Limited	6,078,344	1.45
Tasman Asset Management Ltd	4,844,544	1.16
J P Morgan Nominees Australia	4,207,048	1.00
RBC Dexia Investor Services Australia Nominees Pty Limited	3,709,932	0.89
UBS Nominees Pty Ltd	3,138,628	0.75
Iluka Administration Limited	3,099,016	0.74
Queensland Investment Corporation	2,197,196	0.52
CS Fourth Nominees Pty Ltd	2,161,928	0.52
AMP Life Limited	1,826,289	0.44
Australian Foundation Investment Company Limited	1,700,000	0.41
Argo Investments Limited	1,500,000	0.36
Mirrabooka Investments Limited	1,500,000	0.36
HSBC Custody Nominees (Australia) Limited	1,240,929	0.30
R O Henderson (Beehive) Pty Limited	1,105,000	0.26
Australian Reward Investment Alliance	1,061,260	0.25
Share Direct Nominees Pty Ltd	890,958	0.21

ILUKA AND MINERAL SANDS INFORMATION

For more information on Iluka Resources and the mineral sands sector, please refer to the Iluka website and the following publications:

Iluka Review 2010

- provides a summary of Iluka's 2010 financial year, Chairman's and Managing Director's review, as well as an overview of the company's operations, exploration activities, sales and marketing, industry market conditions, product and technical development.

Minerals Sands Technical Information

Briefing Papers

- Mineral Sands Products: Attributes and Applications
- Mining Area C Iron Ore Royalty
- Iluka's Exploration Focus
- Mineral Sands Physical Flow Information
- Titanium Metal

Virtual Mine Site Tours

- Murray Basin, Victoria
- Jacinth-Ambrosia, South Australia

CORPORATE INFORMATION

Company Details

Iluka Resources Limited
ABN: 34 008 675 018

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. The company had 418.7 million shares on issue as at 31 December 2010.

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

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 Australia

Postal Address:
GPO Box D182
PERTH WA 6840 Australia

Telephone: +61 3 9415 4801 or 1300 733 043
Facsimile: +61 8 9323 2033
Website: www.computershare.com

Each inquiry should refer to the shareholder number which is shown on issuer-sponsored holding statements and dividend statements.

Dividends

Iluka recommenced dividend payments with the 2010 full year results. Iluka has suspended its dividend reinvestment plan.

Investor Relations Inquiries

For shareholder, potential investor and media inquiries of the company, please contact:

Dr Robert Porter
General Manager, Investor Relations
robert.porter@iluka.com

2011 Calendar

19 January	December Quarter Production Report
25 February	Announcement of Full Year Financial Results
28 April	March Quarter Production Report
23 May 9:30 am EST	Closure of acceptances of proxies for AGM
25 May 9:30 am EST	Annual General Meeting - Melbourne Convention and Exhibition Centre, Melbourne, Victoria
21 July	June Quarter Production Report
25 August	Announcement of Half Year Financial Results
20 October	September Quarter Production 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.