ILUKA

Annual Report
2020

DELIVER SUSTAINABLE VALUE

ABOUT ILUKA RESOURCES

Iluka Resources Limited (Iluka) is an international mineral sands company with expertise in exploration, project development, mining, processing, marketing and rehabilitation.

The company's objective is to **deliver sustainable value.**

With over 60 years' industry experience, Iluka is a leading global producer of zircon and the high grade titanium dioxide feedstocks rutile and synthetic rutile. In addition, the company has an emerging position in rare earth elements (rare earths). Iluka's products are used in an increasing array of applications including home, workplace, medical, lifestyle and industrial uses.

With over 3,000 direct employees, the company has operations and projects in Australia and Sierra Leone; and a globally integrated marketing network.

Iluka conducts international exploration activities and is actively engaged in the rehabilitation of previous operations in the United States, Australia and Sierra Leone.

Listed on the Australian Securities Exchange (ASX) and headquartered in Perth. Iluka holds a 20% stake in Deterra Royalties Limited (Deterra), the largest ASX-listed resources focussed royalty company.

PRODUCTS

TITANIUM DIOXIDE

Iluka is the largest producer of natural rutile and a major producer of synthetic rutile, which is an upgraded, value added form of ilmenite. Collectively, these products are referred to as high-grade titanium dioxide feedstocks, owing to their high titanium content. Primary uses include pigment (paints), titanium metal and welding.

ZIRCON

Iluka is a leading global producer of zircon. Zircon is opaque; and heat, water, chemical and abrasion resistant. Primary uses include ceramics; refractory and foundry applications; and zirconium chemicals.

RARE EARTHS

Iluka has an emerging position in rare earths, which are contained in the mineral sands monazite and xenotime. Certain rare earths are considered a critical input across a number of rapidly evolving markets, including permanent magnets used in electric cars, wind turbines and electronics.

OTHER PRODUCTS

Iluka recovers and markets activated carbon and iron concentrate, which are produced as a part of the synthetic rutile process.

FORWARD LOOKING STATEMENT

This document contains certain statements which constitute "forward-looking statements". While these forward-looking statements reflect Iluka's expectations at the date of this report, they are not guarantees or predictions of future performance or statements of fact and readers are cautioned against relying on them. Further information regarding forward-looking statements in this Annual Report is provided on page 167.

This document contains non-IFRS financial measures including cash production costs, non-production costs, mineral sands EBITDA, Underlying Group EBITDA, EBIT, free cash flow, and net debt amongst others. These non-IFRS measures are not subject to audit or review, however, a reconciliation of the measures to Iluka's statutory accounts is provided on page 33.

MINERAL SANDS PROCESS

1. GEOLOGICAL SETTING

Mineral sands are heavy minerals found in sediments on, or near to, the surface of ancient beach, dune or river systems. Mineral sands include minerals such as rutile, ilmenite, zircon and the rare earth bearing minerals monazite and xenotime.

2. MINING APPROACH

Mineral sands mining involves both dry mining and wet (dredge or hydraulic) operations. All of Iluka's current mining operations use a dry mining approach. Mining units and wet concentrator plants separate ore from waste material and concentrate the heavy mineral sands.

3. MINERAL SEPARATION

The heavy mineral concentrate is transported from the mine to a mineral separation plant for final product processing.

The plant separates the heavy minerals zircon, rutile, ilmenite, monazite and xenotime from one another in multiple stages by magnetic, electrostatic and gravity separation.

4. SYNTHETIC RUTILE

Iluka also produces synthetic rutile from ilmenite that is upgraded by high temperature chemical processes.

5. MARKETING

Iluka transports the final products of zircon, rutile, synthetic rutile, monazite and ilmenite to customers around the world.

6. REHABILITATION

As mining progresses, mining pits are backfilled and covered with stockpiled soils that were removed at the start of the mining process. Rehabilitation is undertaken progressively to return land to a form similar to its pre-mining state and suitable for various uses including agricultural, pastoral and native vegetation.

MINERAL SANDS & RARE EARTHS
PART OF EVERYDAY LIFE

FABRICATION

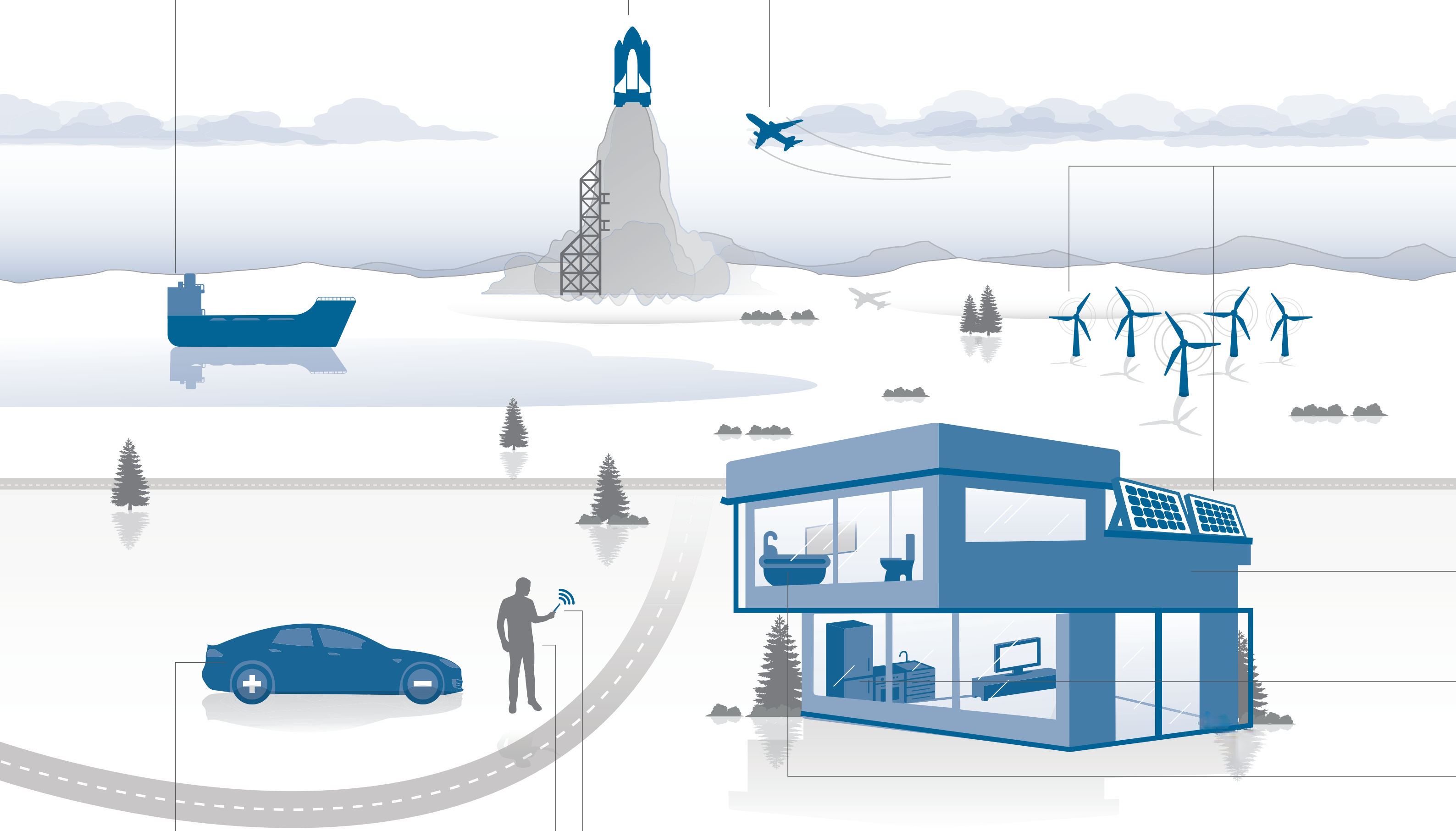
Ship building | Welding

Titanium minerals are used to make welding electrodes for important end uses such as ship building and construction, as these electrodes produce high quality welds in an outdoor, windy environment.

AEROSPACE

Aircraft engines and frames | Spacecrafts

Rare earths in alloying agents create high-strength metals in aircraft engines. Zircon has a strong thermal stability and titanium metal has the highest strength to weight ratio of all metals.



AUTOMOTIVE

Engines | Paint | Electronics

Titanium, zircon and rare earths are required for vehicles in the brake linings/ pads, parking sensors, oxygen sensors, engine management systems, paint, catalytic converters, electrics and rubber products. Rare earths are used in catalytic converters and electric vehicles, enabling lighter and more efficient motors.

HEALTHCARE

Medical equipment

The anti-corrosive nature and biocompatibility of titanium makes it ideal for prosthetics, orthopaedic implants and medical instruments. Zirconia materials are highly desired for medical implants, and zirconium chemicals provide filtering function to home dialysis systems.

TECHNOLOGY

Electronics I Batteries

Rare earths are used in a range of modern technologies including smartphones, televisions, lasers, rechargeable batteries and computer hard drives. Zirconia materials are applied in various electronics, such as piezoelectric components which make smart phones "smart" through sensors, ultra-tough structural casings for mobile phones and watches, and new-generation of higher-capacity and safer solid-state batteries.

ILUKA'S PRODUCTS ARE CRITICAL INPUTS TO THE MODERN ECONOMY. FROM PAINT AND TILES TO MEDICAL, LIFESTYLE, INDUSTRIAL AND RENEWABLE ENERGY TECHNOLOGIES, THE UNIQUE PROPERTIES OF TITANIUM DIOXIDE, ZIRCON AND RARE EARTHS ARE ESSENTIAL TO A WIDE VARIETY OF APPLICATIONS, PART OF EVERYDAY LIFE.

SUSTAINABLE DEVELOPMENT TECHNOLOGIES

Wind turbines | Electric vehicles | Solar

Rare earths, particularly the high value elements neodymium and praseodymium, are essential for creating extremely strong permanent magnets used in motors for electric vehicles and wind turbines. Emerging solar cell technologies typically use titanium dioxide as the semiconductor doped with zirconium to increase its efficiency.

PHOTOCATALYTICS

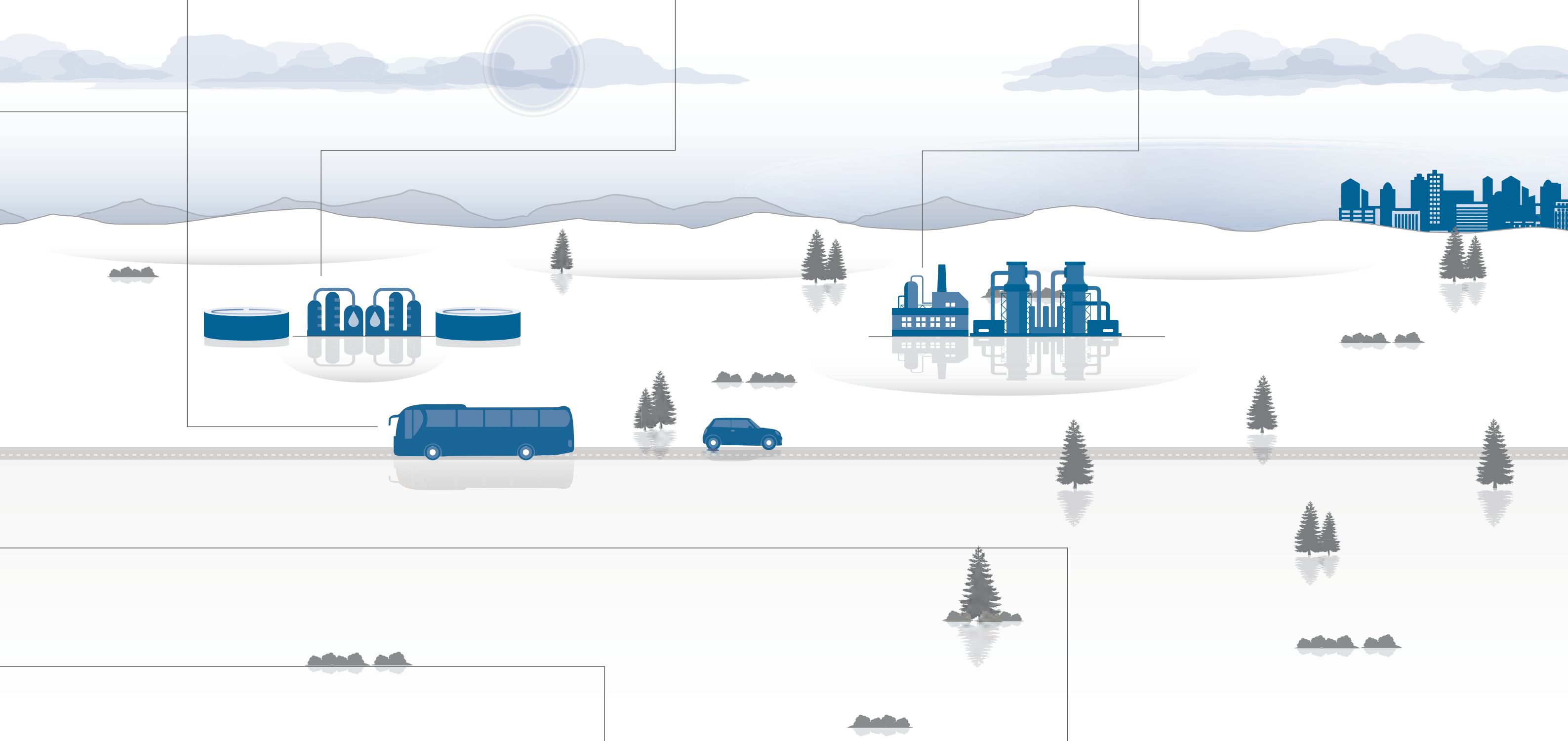
Desalination | Water and air purification

The photocatalytic properties of TiO_2 are used in self-cleaning windows, air and water purification systems, light emitting diodes and solar cells. Zirconium chemicals are used in water purification systems to remove pollutants, such as heavy metals.

INDUSTRIAL

Steel and glass production | Casting of parts and engines

Refractory linings and foundry castings utilise zircon in their manufacturing to provide chemical, thermal shock and corrosion resistance.



CERAMICS

Tiles | Sanitary ware

Zircon is hard wearing and water, heat, chemical and wear resistant making it ideal for use in ceramics and sanitary ware.

HOME APPLICATIONS

Cosmetics | Pharmaceuticals | Home appliances

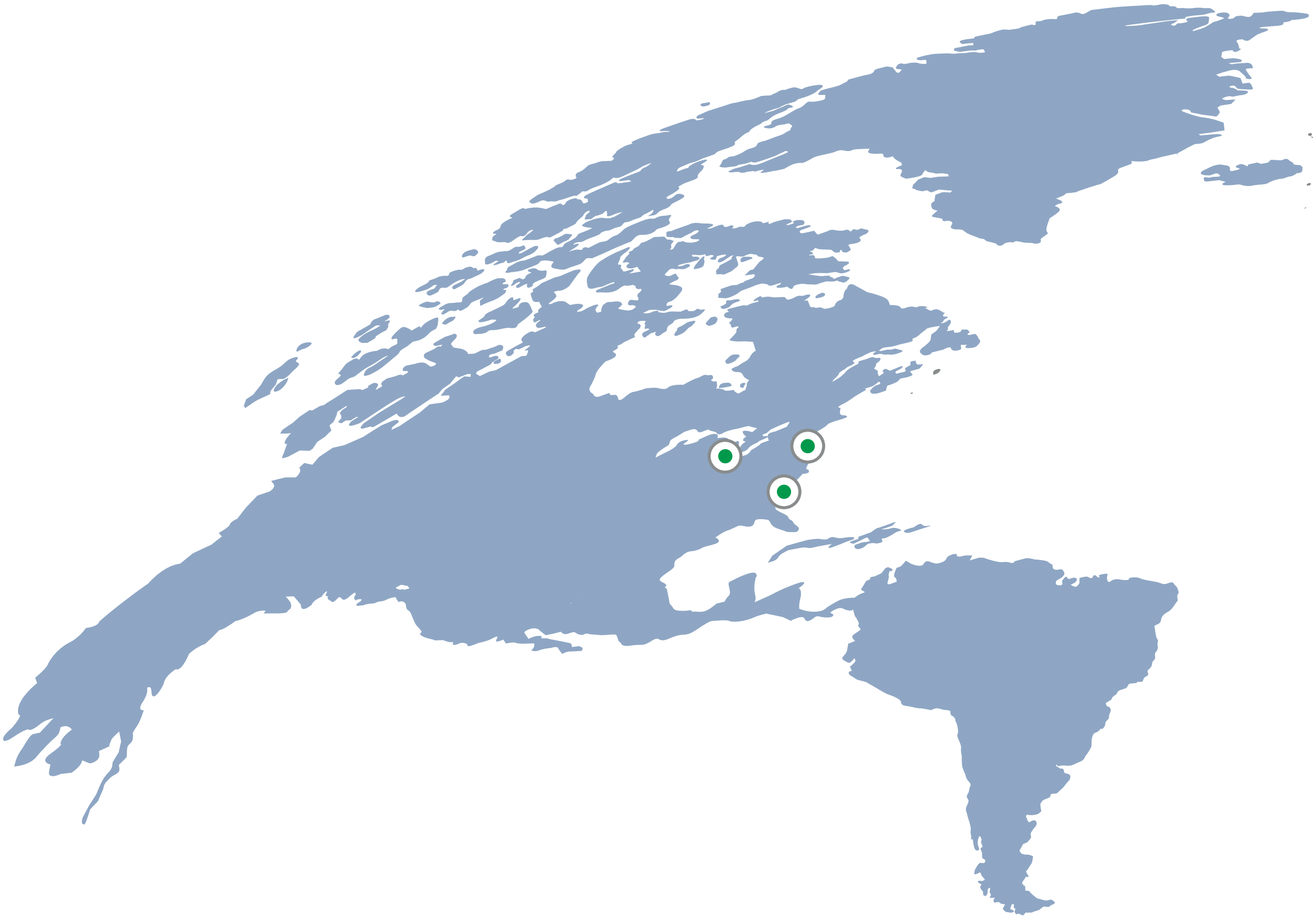
Iluka products are used in light bulbs, dishes, glasses, clock parts, food colouring, ceramic knives, pans, toothpaste, antiperspirants and sunscreens, glass and faucets for taps.

PIGMENTS & CONSTRUCTION

Paint | Plastic | Ceramics

Titanium dioxide provides UV and chemical resistance, preventing fading, peeling and cracking when used in paint coatings, inks and plastics. Zircon provides corrosion resistance to glassfibres applied to high-performance concrete for building construction, including 3D-printed concrete structures.

WHERE WE OPERATE



OPERATIONS, RESOURCE DEVELOPMENT AND REHABILITATION ACTIVITIES

UNITED STATES

Rehabilitation

SIERRA LEONE

Sierra Rutile mining, concentrating and processing operations

Sembehun project

Rehabilitation

WESTERN AUSTRALIA

Narngulu processing

Cataby mining and concentrating

Eneabba monazite processing

Capel synthetic rutile processing

Corporate support centre

Rehabilitation

SOUTH AUSTRALIA

Jacinth-Ambrosia mining and concentrating

Atacama project

Rehabilitation

VICTORIA

Wimmera project

Rehabilitation

Hamilton processing (idle)

NEW SOUTH WALES

Balranald project

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ABOUT THIS REPORT

This Annual Report is a summary of Iluka Resources' and its subsidiaries' operations, activities and financial position as at 31 December 2020. Currency is expressed in Australian dollars (AUD) unless otherwise stated.

Iluka publishes annually a separate Sustainability Report, in accordance with the Global Reporting Initiative Framework. The 2020 Sustainability Report is expected to be published in April 2021 and will cover the company's sustainability performance for the period 1 January to 31 December 2020.

Current and previous sustainability reports are available on the company's website – www.iluka.com.

Iluka is committed to reducing the environmental footprint associated with the production of the Annual Report, and printed copies are only posted to shareholders who have elected to receive a printed copy.

2020 YEAR IN REVIEW

FINANCIALS

$947m
MINERAL SANDS REVENUE

36%
MINERAL SANDS EBITDA MARGIN

$423m
UNDERLYING GROUP EBITDA

$50m
NET CASH (as at 31 December 2020)

DETERRA ROYALTIES DEMERGER

CREATED AUSTRALIA'S LARGEST ASX-LISTED ROYALTY COMPANY

$2,247m
GAIN FROM DEMERGER

20% stake
RETAINED FOR FINANCIAL STRENGTH

SALES AND MARKETS

MAINTAINED PRICE STABILITY

MARKET DISCIPLINE IN CHALLENGING CONDITIONS

517kt
Z/R/SR SOLD

PRODUCTION AND OPERATIONS

OPERATIONAL CONFIGURATION ALIGNED TO MARKET CONDITIONS

585kt
Z/R/SR PRODUCTION

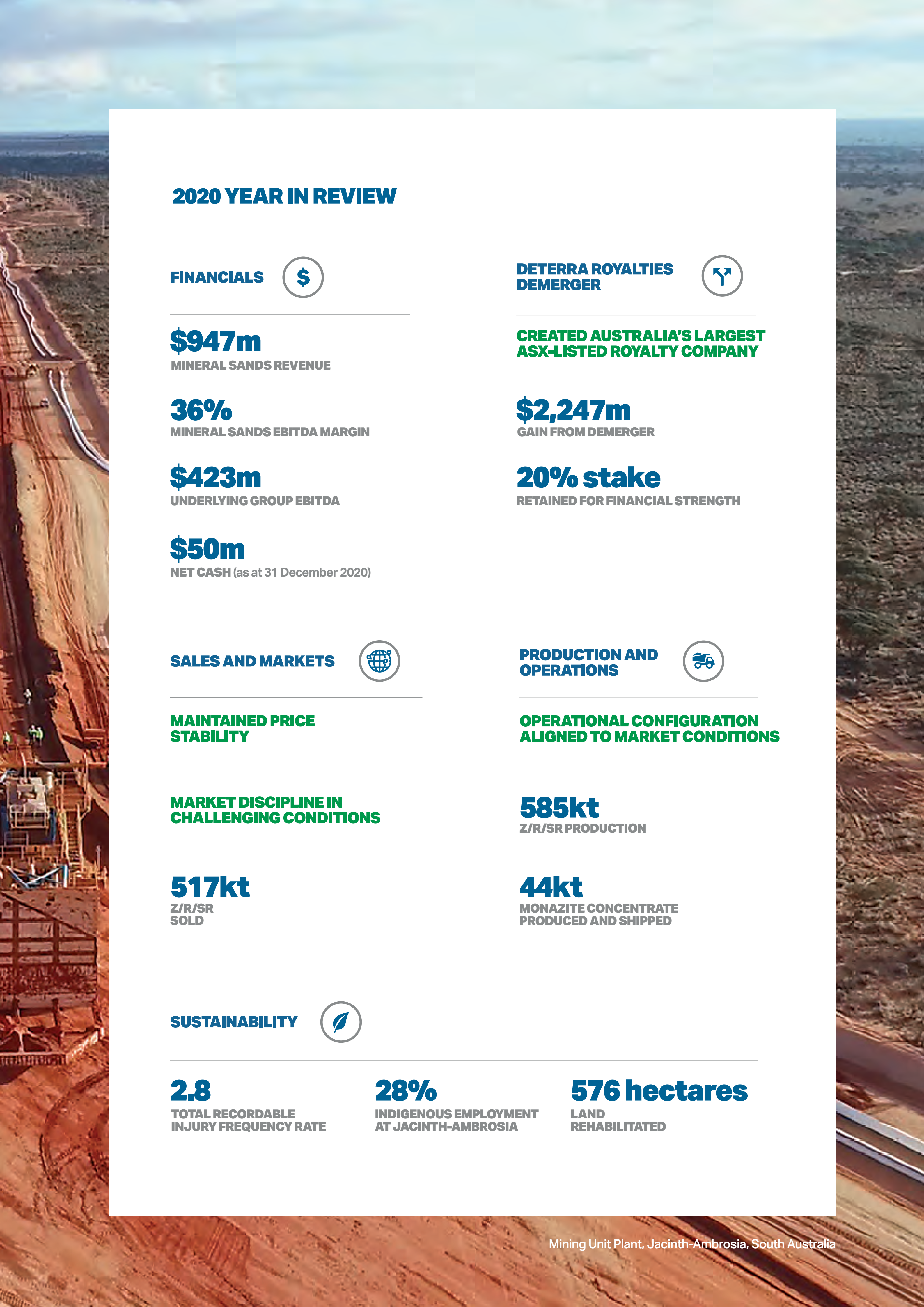
44kt
MONAZITE CONCENTRATE PRODUCED AND SHIPPED

SUSTAINABILITY

2.8
TOTAL RECORDABLE INJURY FREQUENCY RATE

28%
INDIGENOUS EMPLOYMENT AT JACINTH-AMBROSIA

576 hectares
LAND REHABILITATED



Mining Unit Plant, Jacinth-Ambrosia, South Australia

2020 YEAR IN REVIEW

DISCIPLINED FINANCIAL RESULT

- Mineral sands revenue of $947 million, down 21%, as a result of the impact of the COVID-19 pandemic on key markets.
- Underlying mineral sands EBITDA was $342 million, reflecting Iluka's financial, operational and market discipline.
- Mining Area C royalty contributed $81 million.
- Reported net profit after tax was $2,410 million, inclusive of $2,247 million gain from the demerger of Iluka's royalty business. Underlying net profit after tax was $151 million.
- Free cash flow was $36 million, incorporating $71 million in capital expenditure in 2020 and $166 million in tax payments, including a 2019 final tax payment of $98 million made in the second half of 2020.
- Reported net cash as at 31 December 2020 was $50 million.
- Iluka declared a full year dividend of 2 cents per share, fully franked, for 2020.

DETERRA ROYALTIES DEMERGER DELIVERED

- Demerger of royalty business completed in November to create Australia's largest ASX-listed royalty company, Deterra Royalties.
- Iluka's existing shareholders received a 1:1 share distribution in Deterra; and Iluka retained a 20% stake in the new company to provide further financial strength.
- Deterra's cornerstone asset is a revenue based royalty over the BHP operated Mining Area C in Western Australia. Deterra plans to grow and diversify its portfolio.

MARKET CONDITIONS IMPACTED BY COVID-19

- The COVID-19 pandemic significantly affected global mineral sands end markets.
- Ceramic plants in China and Europe shut down early in the year in response to the pandemic, with operating rates down and a decline in end market demand. This market recovered modestly over the remainder of 2020. Other zircon market segments had mixed results, reflecting exposure to consumables, automotive parts manufacturing and other component industries.
- Weighted average zircon price (premium and standard) was US$1,319 per tonne, down 8% from Q4 2019, although stable throughout H2 and indicative of Iluka's efforts to maintain pricing support through disciplined market participation.
- In titanium dioxide markets, pigment utilisation rates dropped in Q2 and planned pigment plant maintenance was brought forward. Demand for high grade feedstocks subsequently rebounded, with the paint market experiencing strong demand from DIY and professional paint segments. End markets for welding and titanium metal were impacted due to exposure to aeronautics and ship building.
- Synthetic rutile contracted sales were affected by a dispute with a major customer, resulting in significantly lower synthetic rutile sales volumes.
- Weighted average rutile[1] price increased 7% to US$1,220 per tonne.

[1] Excluding HYTI

Metallurgical Testing Facility, Capel, Western Australia

Iluka Laboratory, Capel, Western Australia

OPERATIONAL SETTINGS ADJUSTED

- Operational configuration set to balance zircon production in line with market conditions.
- Production settings at the Narngulu mineral separation plant were adjusted, reducing global zircon supply by around 10%.
- In August, mining returned from Ambrosia to the Jacinth deposit, improving cash flow from lower operating costs and delaying future capital spend.
- Record production performance from Synthetic Rutile Kiln 2 (SR2) at Capel. Production from SR2 will be suspended for a period of three to six months from February 2021, to optimise inventory levels and minimise costs.
- Sierra Rutile production hampered by downtime events and disruptions associated with COVID-19. Travel restrictions limited Iluka's ability to maintain specialised skill sets typically provided by expatriate workers.

ENTRY TO RARE EARTHS MARKET

- First production of a 20% monazite-zircon concentrate at Eneabba, now the highest grade rare earths operation globally. Phase 1 involves a simple reclamation and screening of material stored in a former mining void.
- Revenue from other mineral sands increased 65% to $106 million largely as a result of first sales of monazite from Eneabba. Iluka shipped 44 thousand tonnes of mixed monazite-zircon concentrate for the year.
- Phase 2, currently under construction, to produce a dedicated monazite concentrate at 90%, suitable as direct feed to a rare earths refinery.
- Iluka is actively exploring the potential for the downstream processing of rare earths in Australia.

GROWTH PROJECTS PROGRESSED TO DELIVER FUTURE VALUE

- Pleasing progress on key technology projects in Australia – Balranald (mining); Wimmera (processing); and Eneabba (diversification).
- Hydraulic mining method field trial at Sembehun in Sierra Leone delayed due to pandemic. The trial is now planned for completion in 2021.

SUSTAINABILITY PERFORMANCE

- Total recordable injury frequency rate decreased from 2.9 to 2.8 with three less injuries than 2019.
- Serious incidents or near hits classified as having the potential for a serious complex permanent disabling injury or fatality decreased from 76 to 61. This remains a key area of focus for continual safety improvement.
- Implementation of COVID-19 site controls and the support of local initiatives maintained operational continuity across all Iluka sites. The company reported zero cases of infection at its Australian operations; and Sierra Rutile received approval for on-site COVID-19 quarantine and isolation facilities for staff as part of extensive safety measures.
- No major environmental incidents.
- 576 hectares of land topsoiled and vegetated; and significant rehabilitation earthworks at various sites completed, contributing to future rehabilitation and mitigating Iluka's closure liability.
- Ongoing activity to demolish redundant assets and clear former sites.
- Inclusion in 2020 Australian Dow Jones Sustainability Index and FTSE4Good Index for leading sustainability performance.

Iluka Laboratory, Jacinth-Ambrosia, South Australia

Laboratory, Narngulu, Western Australia

CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

Dear Shareholders,

2020 was a year like no other in Iluka's history.

The COVID-19 pandemic, which was only in its very early stages when we last wrote to you, evolved to become the source of several unprecedented challenges for our business, as it did for many others. These challenges spanned substantial threats to operational and supply chain continuity, market demand, timetables for the development of major projects and the planned demerger of our royalty business.

Against this backdrop, Iluka delivered a disciplined performance, prioritising the safety of our people and communities; prudent management of the company's financial position; execution of the demerger; and adjusting production settings in line with market conditions – preserving margins and, ultimately, the value of the mineral products we mine and process. That discipline is reflected in a number of significant achievements detailed throughout this year's Annual Report.

Our financial result included:

- NPAT of $2.4 billion, inclusive of the non-cash, non-taxable reported profit associated with the demerger;
- underlying group EBITDA of $423 million;
- free cash flow of $36 million; and
- a net cash position of $50 million as at 31 December 2020.

Although the underlying result was modest by historical standards, it is nonetheless notable given the extraordinary circumstances in which it was attained. Iluka declared a full year dividend of 2 cents per share, fully franked.

DISCIPLINE IN DELIVERING SUSTAINABLE VALUE – DEMERGER OF ROYALTY BUSINESS

A major milestone was accomplished in November via the listing of Deterra Royalties on the ASX, with the Mining Area C (MAC) royalty as its foundational asset and Iluka retaining a 20% stake in the new company. This marked the culmination of a substantial programme of work following the announcement of our demerger plans in February.

In liberating two fundamentally different businesses – each with high quality assets and promising futures – the demerger is expected to unlock long term value for shareholders, particularly given the increase in materiality and cash flows from the MAC royalty associated with BHP's South Flank development.

The position of the royalty business within Iluka's portfolio had been subject to ongoing internal consideration for many years. Iluka is first and foremost a mineral sands business, with our objective to deliver sustainable value. We have always been disciplined in pursuing this objective; and the decision to demerge the royalty business is a further expression of that discipline. Post demerger, Iluka and Deterra have been set up for success, each with the financial flexibility to pursue opportunities and deliver on their respective strategies. The external tumult of 2020 aside, both companies can look to the future with confidence.

SUSTAINABILITY DISCIPLINE

Safety is always our first focus at Iluka and we intensified our efforts in this area following a concerning rise in potentially serious incidents during 2019. A number of 'back to basics' initiatives were implemented, with several of these adapted and amplified in response to the additional health and safety challenges posed by the onset of the pandemic. The company achieved a 20% reduction in serious potential injuries which, while pleasing, remains a target for ongoing improvement and vigilance. Iluka's total recordable injury frequency rate was steady at 2.8, compared to 2.9 the previous year. Continuity with respect to rehabilitation activities was maintained, with 576 hectares of land topsoiled and vegetated at current and former mines sites. No major environmental incidents were recorded.

MARKET AND OPERATIONAL DISCIPLINE

2020 saw market conditions for Iluka's products split over sectors and quarters. For zircon, we experienced a significant drop in demand in Q1, initially as a result of COVID-19 related factory shutdowns in the Chinese ceramics industry. Key markets in Italy and Spain were also affected by the pandemic's first wave. A modest recovery ensued over the second half, with increased purchasing most evident in Q4 – a traditionally subdued sales period. This resulted in total sales of 240 thousand tonnes for the year, compared to 274 thousand tonnes in 2019.

Conditions for our high grade titanium dioxide feedstocks lagged zircon to some extent, with a solid first quarter followed by a period of deterioration in the pigment market; and recovery evident by year end. Iluka's sales of synthetic rutile were impacted substantially by a contractual dispute with a major customer. While the dispute remains the subject of litigation, sales to this customer recommenced in accordance with the contract in January 2021.

Confronted with this volatility, Iluka took a number of measures encompassing:

- adjustments to production settings at the Narngulu mineral separation plant and Jacinth Ambrosia mine, reducing global zircon supply by approximately 10%;
- implementation of a company-wide efficiency programme to improve business processes and cost effectiveness, and changes to the Iluka Executive;
- protecting our contractual rights in relation to the supply of synthetic rutile; and
- where possible, progressing planned key investments in the company's future.

The subsequent pricing support we achieved as a result of these actions – maintaining prices across our core product suite – was an excellent outcome given COVID-19's wide-ranging impacts on market sentiment.

Furthermore, that Iluka was able to maintain operational continuity in the face of the pandemic, particularly in Sierra Leone, was in no small part attributable to the dedication and sacrifices made by many of our people. Yet again, our Australian operations demonstrated their flexibility and adaptiveness, with the aforementioned production adjustments executed seamlessly, accompanied by a record production performance at Synthetic Rutile Kiln 2. Iluka's Indigenous employment at Jacinth-Ambrosia approached 30%, a reflection of our strong working relationship with the Far West Coast people of South Australia.

The impact of the pandemic was considerably more severe in Sierra Leone than Australia and this too was reflected at the operational level. Sierra Rutile was hampered by a number of downtime events and reduced throughput, with lockdowns, quarantine and travel restrictions impeding Iluka's ability to sustain specialised skillsets typically provided by expatriate resources. The significance of maintaining operational continuity should not be underestimated, particularly given Sierra Rutile's importance to the national economy and to the local communities in the vicinity of our operations. Iluka invested around $3 million on measures to avoid having to suspend operations, including substantial health contributions to our local communities.

DEVELOPMENT AND DIVERSIFICATION DISCIPLINE

2020 also saw progress on important aspects of Iluka's major project pipeline. A period of evolution in the mineral sands industry has been discernible for some time, with increasing depletion of the traditional deposits that have underpinned global production for many years. The strategic choice that follows is for companies to seek out new deposits in new jurisdictions; and/or pursue innovation at technically challenging deposits in mature jurisdictions. While Iluka's portfolio has both types of projects, more progress was made in Australia than in Sierra Leone over the past year given the various travel and other restrictions in effect.

Of particular note are our key technology projects at Balranald (mining); Wimmera (processing); and Eneabba (diversification). Each of these developments is potentially transformative for Iluka and the industry and, while we still have some ground to cover, we are pleased by what has been achieved to date. Over the course of Q3, Iluka completed the third trial of the company's novel underground mining technology at Balranald, which is aimed initially at commercialising two predominantly rutile deposits distinguished by both their quality and depth. At Wimmera, the focus of our feasibility work is on validating a processing solution that, although challenging, could unlock a multi decade source of zircon and rare earths if realised.

April marked Iluka's entry into the rare earths market, with first production from Eneabba, which is now the world's highest grade rare earths operation. First sales followed in June. Formerly a prodigious and historic mineral sands province, Eneabba's quality from a rare earths perspective is less the result of geology than sound foresight on the part of Iluka's antecedents. Monazite (a mineral containing rare earths) is produced as a by-product of our processing activities at Narngulu. Since the 1990s, this material has been stockpiled directly in a former mine void at Eneabba in anticipation that it would one day be regarded as valuable – that time is now upon us.

As is appropriate for a logical and significant diversification, Iluka is pursuing an incremental approach to Eneabba's development. Phase 1, now in operation, is producing a mixed monazite-zircon concentrate, with the monazite fraction at approximately 20%. Phase 2, currently under construction, will see an upgrade to produce a dedicated monazite concentrate at approximately 90%, suitable as a direct feed to a downstream rare earths refinery. First production from Phase 2 is expected in the first half of 2022. Additionally, Iluka is actively exploring the potential for the downstream processing of rare earths in Australia.

Of their many high value applications, some rare earths are essential for the production of permanent magnets, which are in turn used to produce the motors that power electric vehicles, generate power in wind turbines and in other sustainable development technologies. Demand across this supply chain is expected to grow substantially over coming years. As the world pursues widespread electrification, Iluka's assets at Eneabba and potentially Wimmera provide the company a world class foundation from which to participate. Our emerging position brings with it several options for further development and shareholders can be assured these too will be pursued in a disciplined manner.

If 2020 has taught us anything, it is that nothing can be taken for granted. The external environment remains uncertain on any number of fronts; and 2021 will doubtless bring further challenges for the global economy and for business generally. Regardless, over the past year your company undertook all appropriate steps to guide and shape its future. On behalf of the Board and Executive, we would like to pay tribute in particular to Iluka's people for their steadfast efforts and commitment throughout a most unexpected 12 months. We also gratefully acknowledge the continuing interest and support of our shareholders, for whom we remain focused on our objective of delivering sustainable value.

Greg Martin
Chairman

Tom O'Leary
Managing Director and CEO

BOARD OF DIRECTORS AND COMMITTEES

GREG MARTIN

BEc, LLB, FAIM, MAICD

Chairman
Independent Non-Executive Director
Joined Iluka 2013

Murchison Metals, The Australian Gas Light Company, Santos, Western Power

TOM O'LEARY

LLB, BJuris

Managing Director and Chief Executive Officer
Joined Iluka 2016

Wesfarmers Chemicals; Energy & Fertilsers, Wesfarmers, Nikko, Nomura, Allen & Overy, Clayton Utz

JAMES (HUTCH) RANCK

BSE (Econ), FAICD

Independent Non-Executive Director
Joined Iluka 2013

Elders, CSIRO, DuPont

MARCELO BASTOS

BEng Mechanical (Hons, UFMG), MBA (FDC-MG), MAICD

Independent Non-Executive Director
Joined Iluka 2014

Vale, BHP, MMG, Aurizon Holdings, Golder Associates, Golding Contractors, Anglo American PLC

ROB COLE

LLB (Hons), BSc

Independent Non-Executive Director
Joined Iluka 2018

Perenti, GLX Group, Synergy, Southern Ports, St Bartholomew's House, Woodside Petroleum, King & Wood Mallesons

SUSIE CORLETT

BSc (Geo Hons), GAICD, FAusIMM

Independent Non-Executive Director
Joined Iluka 2019

Aurelia Metals, The Foundation for National Parks & Wildlife, Standard Bank, Macquarie Bank, Pacific Road Capital Management

LYNNE SAINT

BCom, GradDip Ed Studies, FCPA, Cert Business Administration, FAICD

Independent Non-Executive Director
Joined Iluka 2019

Bechtel Group, Fluor Daniel, Placer Dome, NuFarm

COMMITTEES

The Board of Directors comprises six non-executive Directors and one executive Director (the Managing Director).

Audit and Risk Committee

Chairman - Lynne Saint

People and Performance Committee

Chairman - James (Hutch) Ranck

Nominations and Governance Committee

Chairman - Greg Martin

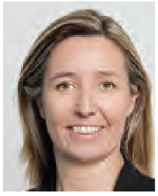
EXECUTIVE

TOM O'LEARY

LLB, BJuris

Managing Director and Chief Executive Officer
Joined Iluka 2016

Wesfarmers Chemicals; Energy & Fertilsers, Wesfarmers, Nikko, Nomura, Allen & Overy, Clayton Utz



ADELE STRATTON

BA (Hons), FCA, GAICD

Chief Financial Officer and Head of Development
Joined Iluka 2011

KPMG, Rio Tinto Iron Ore

MATTHEW BLACKWELL

BEng (Mech), Grad Dip (Tech Mgt), MBA, MAICD, MIEAust

Head of Major Projects and Marketing
Joined Iluka 2004

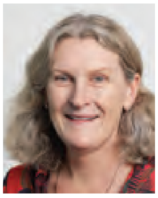
Asia Pacific Resources, WMC Resources, Normandy Poseidon

ROB HATTINGH

MSc (Geochem), GAICD

Chief Development Officer, Sierra Rutile
Joined Iluka 2008

Richards Bay Minerals, Exxaro

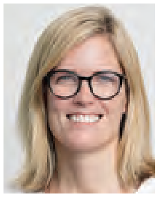


SUE WILSON

B Juris, LLB, FGIA, FCG, FAICD

General Counsel and Company Secretary
Joined Iluka 2016

South32, Bankwest, Herbert Smith Freehills, Western Power



SARAH HODGSON

LLB, GAICD

General Manager People and Sustainability
Joined Iluka 2013

KPMG, Westpac, Mercer

DANIEL MCGRATH

BSc (Math)

Chief Technical Officer and Head of Rare Earths
Joined Iluka 1993

SHANE TILKA

BCom

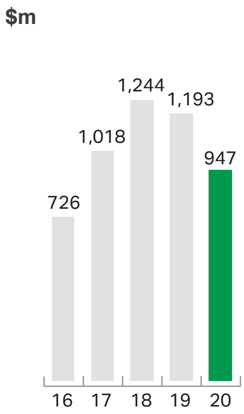
General Manager, Australian Operations
Joined Iluka 2004

The Executive is structured to include eight senior leaders. Its responsibilities include achieving defined business and financial outcomes, capital deployment, business planning, identification and pursuit of appropriate growth opportunities, sustainability performance, promotion of diversity objectives and succession planning.

FINANCIAL SUMMARY

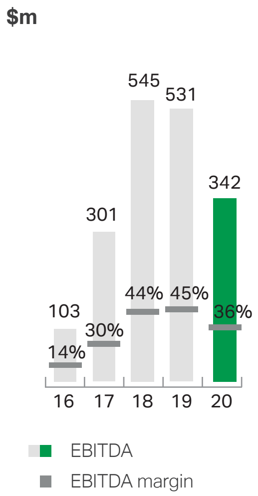
MINERAL SANDS REVENUE

$947m



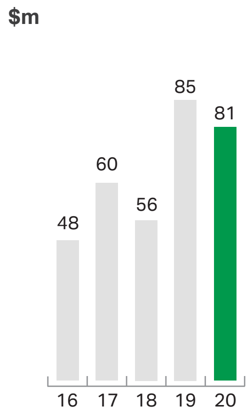
UNDERLYING MINERAL SANDS EBITDA

$342m



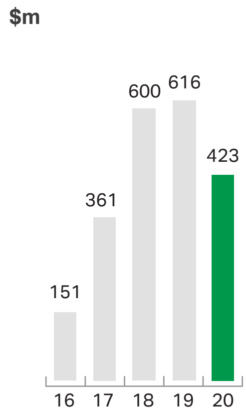
MINING AREA C EBITDA

$81m



UNDERLYING GROUP EBITDA

$423m



Mineral sands revenue was $947 million in 2020, down 21% from 2019. Z/R/SR sales volumes were down 24% and average revenue per tonne declined 2%.

Zircon sales volumes declined 13% to 240 thousand tonnes with markets, particularly ceramics, impacted by COVID-19 shutdowns in the first half. Despite a subsequent, gradual recovery, demand remained down on the previous year. Iluka's weighted average zircon price was down only 8% from Q4 2019 as a result of efforts to ensure pricing stability in uncertain market conditions.

High grade titanium feedstock markets experienced a decrease in demand in the second quarter of 2020 though rebounded strongly. Synthetic rutile sales were lower largely due to a contractual dispute with major customer, Chemours. The decline in rutile sales reflects production constraints. Iluka's weighted average rutile price increased 7% from 2019 due to ongoing market tightness.

Ilmenite and other revenue increased 65% to $106 million, including the commencement of sales of monazite-zircon concentrate from Eneabba, with 44 thousand tonnes shipped in 2020.

Underlying mineral sands EBITDA was $342 million.

Iluka adjusted zircon operational settings in response to the uncertain market conditions, including changes to settings at the Narngulu mineral separation plant and a return to mining at the Jacinth deposit from Ambrosia.

Despite the challenging market conditions, minerals sands continued to generate strong EBITDA margins at 36% (2019: 45%).

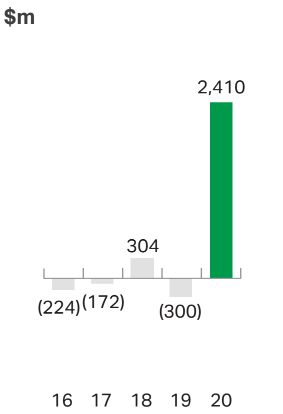
The Mining Area C royalty contributed $81 million EBITDA in 2020, representing 100% of royalty receipts to the September quarter, prior to the demerger of Deterra Royalties and subsequent earnings from Iluka's 20% stake in Deterra Royalties during the December quarter.

Underlying group EBITDA was $423 million, demonstrating Iluka's discipline in the face of unprecedented challenges posed by COVID-19.


Rehabilitation site, Gingin, Western Australia

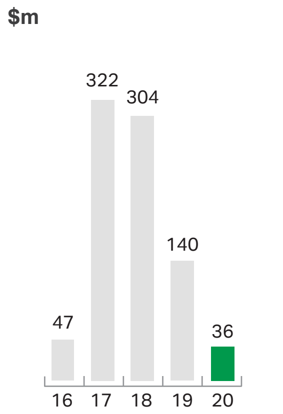
NET PROFIT AFTER TAX

$2,410m



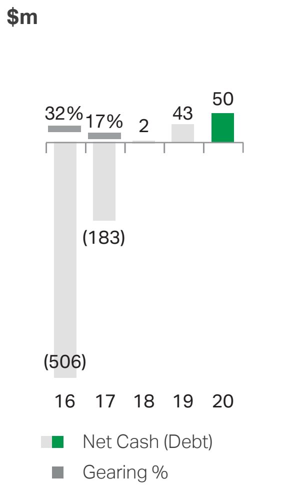
FREE CASH FLOW

$36m



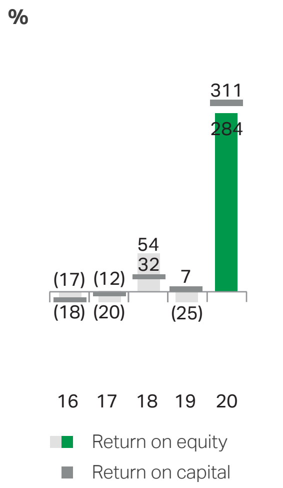
NET CASH (DEBT)

$50m



ROE AND ROC

ROE 284%
ROC 311%



Reported net profit after tax was $2,410 million. This result includes the $2,247 million gain on sale from the demerger of Iluka's royalty business, completed in November.

Underlying net profit after tax was $151 million (2019: $279 million).

Free cash flow was $36 million. Operating cash flow was $184 million reflecting the impact of COVID-19 on mineral sands markets. Iluka also continued to progress the innovative Balranald field trial at a cost of $34 million in 2020.

Cash flow contribution from the Mining Area C royalty was $92 million.

Capital expenditure was $71 million, down from $198 million in 2019. The lower spend reflects both completion of major projects in 2019 and COVID-19 related travel restrictions hampering Iluka's ability to progress some site-based aspects of projects, particularly in Sierra Leone.

Total tax payments of $166 million include a $98 million 2019 final tax payment paid in the second half of 2020.

As at 31 December 2020, Iluka reported a net cash position of $50 million, up from $43 million net cash as at 31 December 2019.

Iluka prioritised maintenance of a strong balance sheet, with a focus on managing operational settings in line with market conditions, minimising costs and reducing discretionary spending, while also maintaining operational continuity and progressing growth projects.

Reported return on equity of 284% and return on capital of 311%, both encompassing the gain from the demerger of Deterra Royalties.

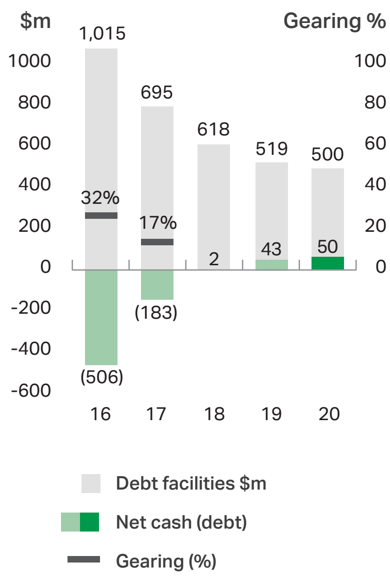
Underlying return on equity of 19.2% and return on capital of 36.0% are excluding the demerger of Deterra Royalties (but including Sri Lanka impairment and IFC Put Option).

BALANCE SHEET

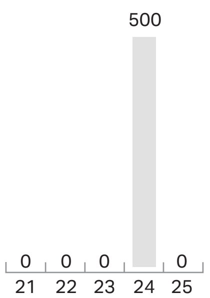
As at 31 December 2020, Iluka had total debt facilities of $500 million and net cash of $50 million. The company has a Multi Optional Facility Agreement (MOFA), which comprises a series of committed five-year unsecured bilateral revolving credit facilities with several domestic and foreign institutions. The facilities are denominated in both AUD and USD, and mature in 2024.

Drawings under the MOFA at 31 December 2020 were $38 million (2019: $56 million). Of the above interest-bearing liabilities, $38 million is subject to an effective weighted average floating interest rate of 1.5% (2019: 3.1%). Note 21 of Iluka's Financial Report provides details of the maturity profile and interest rate exposure.

NET DEBT, GEARING AND DEBT FACILITIES



DEBT FACILITIES MATURITY PROFILE



Synthetic Rutile Kiln 2, North Capel, Western Australia

DIVIDEND FRAMEWORK

Iluka's dividend framework is to pay a minimum of 40% of free cash flow not required for investing or balance sheet activity. The company also seeks to distribute the maximum franking credits available. This framework is unchanged following the demerger of Deterra.

Iluka declared a full year dividend of 2 cents per share, fully franked, for 2020. This is consistent with the company's dividend framework, after adjusting for the voluntary refund of the JobKeeper subsidy which will occur in 2021.

HEDGING

Iluka manages a component of its foreign exchange risk via a foreign exchange hedging program. US$98.4 million in foreign exchange collar contracts in relation to expected USD revenue, predominantly from contracted sales to 31 December 2022, remain open as at 31 December 2020.

The following hedging contracts matured during the year:

- US$63.6 million in foreign exchange forward contracts at a weighted average rate of 70.7 cents; and
- US$94.7 million in foreign exchange collar contracts consisting of US$94.7 million of bought AUD call options with weighted average strike prices of 78.4 cents and US$94.7 million of sold AUD put options with weighted average strike prices of 68.6 cents.

No further hedging was undertaken in 2020.

Note 22 of Iluka's Financial Report provides details of Iluka's open hedge contracts at 31 December 2020.

STRATEGY AND BUSINESS MODEL

OUR PURPOSE

DELIVER SUSTAINABLE VALUE

Iluka's purpose is to deliver sustainable value. The company aims to achieve this by:

- protecting the safety, health and wellbeing of our employees;
- optimising shareholder returns through prudent capital management and allocation;
- developing a robust business that can maintain and grow returns over time;
- providing a competitive offering to our customers;
- managing our impact on the environment;
- supporting the communities in which we operate; and
- building and maintaining an engaged, diverse and capable workforce.

THE ILUKA PLAN

OUR VALUES

INTEGRITY
RESPECT
COURAGE
ACCOUNTABILITY
COLLABORATION

DELIVER TO GROW OUR FUTURE

The COVID-19 pandemic was the source of several unprecedented challenges for Iluka's business in 2020. These challenges spanned substantial threats to operational and supply chain continuity, market demand, timetables for the development of major projects and the planned demerger of the company's royalty business.

In response, Iluka prioritised the safety of its people and communities; prudent management of the company's financial position; adjusting production settings in line with market conditions; and execution of the MAC royalty demerger. Iluka delivered a disciplined performance against these priorities, as reflected in the company's financial result.

SAFETY OF PEOPLE AND COMMUNITIES

Protecting the safety, health and wellbeing of Iluka's employees is the company's enduring and highest priority. The implementation of protective measures in response to COVID-19 enabled Iluka to maintain operational continuity in both Australia and Sierra Leone. Measures included site-specific, risk-based Infectious Disease Management Plans; and extensive mental health programmes and support.

Iluka invested around $3 million to avoid a suspension of operations in Sierra Leone, which included significant health contributions to local communities. This encompassed funding to disseminate COVID-19 safety educational messages; and donations of medical supplies and personal protective equipment. The operation also received approval for on-site COVID-19 quarantine and isolation facilities, in addition to the progression of faster in-house polymerase chain reaction (PCR) testing capabilities.

PRUDENT FINANCIAL MANAGEMENT

Iluka's ongoing focus on maintaining a strong balance sheet saw the company end 2020 in a net cash position of $50 million. Free cash flow was $36 million, incorporating investment of $71 million in capital expenditure and payment of $166 million in tax. Iluka declared a full year dividend of 2 cents per share, fully franked.

The company received $13.6 million in JobKeeper subsidies from the Australian Government following a significant decline in zircon demand and associated revenue in Q1. Given Iluka's subsequent financial performance, the company has decided to return this voluntarily, which will occur in 2021.

Iluka is also implementing an efficiency programme to ensure business improvement and cost effectiveness; and has made changes to the Iluka Executive.

DEMERGER OF BUSINESS – LISTING OF DETERRA ROYALTIES

The demerger of Iluka's royalty business was completed in November and resulted in the creation of Australia's largest ASX-listed royalty company, Deterra Royalties. Deterra has the Mining Area C (MAC) royalty as its foundational asset, with Iluka retaining a 20% stake in the new company. The demerger is expected to unlock significant value and enables the Board and management of each company to focus on their distinct growth strategies.

ADJUSTMENTS TO PRODUCTION SETTINGS

Iluka's operational flexibility enabled the company to preserve margins across its core product suite throughout a period of uncertainty and market instability. Production adjustments at both the Narngulu mineral separation plant in Western Australia and Jacinth-Ambrosia mine in South Australia, reduced global zircon supply by approximately 10%. Mine planning adjustments at Jacinth-Ambrosia also resulted in improved cash flow, lower operating costs, and deferred capital spend. Narngulu has the ability to return to normal production settings quickly, as and when required.

GROW WHERE WE CAN ADD VALUE

Iluka also made important progress on key aspects of its major project pipeline in Australia. The company entered the rare earths market with first sales from the world's highest grade rare earths operation at Eneabba in Western Australia. The third trial (T3) of Iluka's innovative underground mining technology was completed successfully at Balranald in New South Wales. At the Wimmera deposit in Victoria, work focussed on validating a zircon processing solution that could unlock a multi-decade source of zircon and rare earths.

Progress was more challenging in Sierra Leone as a result of travel and other restrictions associated with the pandemic. Centred on one of the largest and highest quality known rutile deposits in the world, all field work at the Sembehun project was suspended. A field trial of an alternative hydraulic mining method is planned for commencement in H1 2021.

FINANCIAL AND OPERATIONAL REVIEW

Cataby, Western Australia

In this section

PROJECT PIPELINE

SALES AND MARKETS

PRODUCTION AND OPERATIONS

PROJECTS

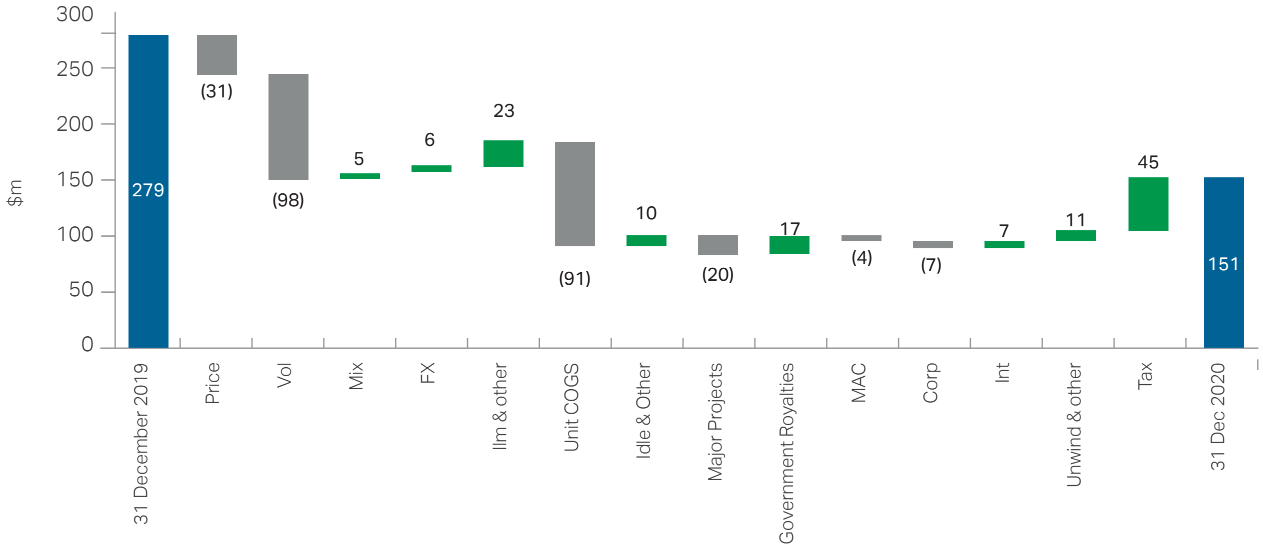
EXPLORATION

INCOME STATEMENT ANALYSIS

$ million	2020	2019	% change
Z/R/SR revenue	841.0	1,128.7	(25.5)
Ilmenite and other revenue	106.0	64.4	64.6
Mineral sands revenue	**947.0**	**1,193.1**	**(20.6)**
Cash costs of production	(558.7)	(539.6)	(3.5)
Inventory movement - cash	142.3	63.4	124.4
Restructure and idle capacity charges	(20.9)	(19.7)	(6.1)
Government royalties	(22.3)	(39.4)	43.4
Marketing and selling costs	(27.7)	(35.0)	20.9
Asset sales and other income	(1.5)	(3.5)	57.1
Major projects, exploration and innovation	(62.3)	(42.2)	(47.6)
Corporate and other costs	(54.6)	(48.0)	(13.8)
Foreign exchange	0.7	1.8	(61.1)
Underlying mineral sands EBITDA	**342.0**	**530.9**	**(35.6)**
EBITDA from discontinued operations	81.0	85.1	(4.8)
Share of profit in associate	0.1	-	-
Underlying Group EBITDA	**423.1**	**616.0**	**(31.3)**
Depreciation and amortisation	(184.8)	(163.2)	(13.2)
Inventory movement - non-cash	39.9	15.5	157.4
Rehabilitation costs for closed sites	7.2	(3.2)	-
Demerger transaction costs	(13.3)	-	-
Gain on demerger of Deterra Royalties	1,808.1	-	-
Gain on change of ownership of Deterra Royalties	452.0	-	-
Gain on remeasurement of IFC Put Option	19.4	-	-
Impairment of Sri Lanka interests	(12.4)	-	-
Write-down of Sierra Rutile Limited	-	(414.3)	-
Group EBIT	**2,539.2**	**50.8**	**-**
Net interest and bank charges	(7.1)	(13.8)	48.6
Rehabilitation unwind and other finance costs	(26.6)	(38.0)	30.0
Profit before tax	**2,505.5**	**(1.0)**	**-**
Tax expense	(95.5)	(298.7)	68.0
Profit for the period (NPAT)	**2,410.0**	**(299.7)**	**-**
Average AUD/USD rate for the period (cents)	**69.1**	**69.5**	**(0.6)**

MOVEMENT IN UNDERLYING NPAT

$ million	2020	2019	% change
NPAT	**2,410.0**	**(299.7)**	**-**
Non-recurring adjustments:			
Rehabilitation for closed sites - Total (post tax)	5.0	(2.2)	-
Sri Lanka exploration impairment	(12.4)	-	-
Derecognition of SRL Tax assets	-	(161.9)	-
Write-down of Sierra Rutile Limited	-	(414.3)	-
Put Option revaluation (post tax)	19.4	-	-
MAC Demerger Gain (net of transactions costs)	2,246.8	-	-
Underlying NPAT	**151.2**	**278.7**	**(45.7)**



Sales commentary is contained on pages 24-25.

The Australian dollar remained steady in 2020, with an average exchange rate of 69.1 cents compared to 69.5 cents in 2019. The Group has hedging contracts to assist in managing exchange rate exposure, which are detailed on page 126 of this report. Foreign exchange impacts on operating costs, mainly those related to Sierra Rutile operations, are included in the overall movement in unit cost of goods sold.

Cash costs of production increased by $19 million despite lower finished goods production volumes. Mining at all operations continued throughout the year, with production settings reduced at the final stage of finished goods production at the Narngulu mineral separation plant.

The Cataby mine operated for a full 12 months (compared with only 8 months in 2019) and the Synthetic Rutile Kiln 2 also operated for a full year, with 16% higher production. This led to $34 million higher costs in the Southwest/Cataby business unit. Shifts in the mine plan at Jacinth-Ambrosia and changes in production settings at the Narngulu mineral separation plant resulted in lower overall production as the Group managed inventory levels, with $31 million lower costs at that operation. Sierra Rutile was operating all 4 mining units throughout the year resulting in marginally higher heavy mineral concentrate (HMC) produced. Sierra Rutile suffered from increased maintenance and unplanned outage events, along with additional costs to manage the COVID-19 pandemic.

Unit cost of goods sold increased to $1,032 per tonne compared to $889 per tonne in 2019. This reflected a cost of US$1,455 per tonne at Sierra Rutile, up from US$1,175 per tonne in 2019, due to higher cash costs of production from unplanned maintenance, higher costs in managing COVID-19 and lower production volumes.

Australian operations increased to $730 per tonne from $650 per tonne due to higher material movements as a result of lower ore grades at Jacinth-Ambrosia (2020: 4% HM ore grade; 2019: 6% HM ore grade) combined with higher cost synthetic rutile production as the ilmenite feed transitioned to Cataby ilmenite.

Idle and restructure costs reflect ongoing maintenance and land management costs for idle plant and operations at Eneabba, Tutunup South, Murray Basin and the United States, as well as restructure costs in Australia.

The International Finance Corporation (IFC) increased its interest in Sierra Rutile in November 2020 to 10% and the Put Option was revalued following the negotiations, resulting in a reduction in the liability of $19 million.

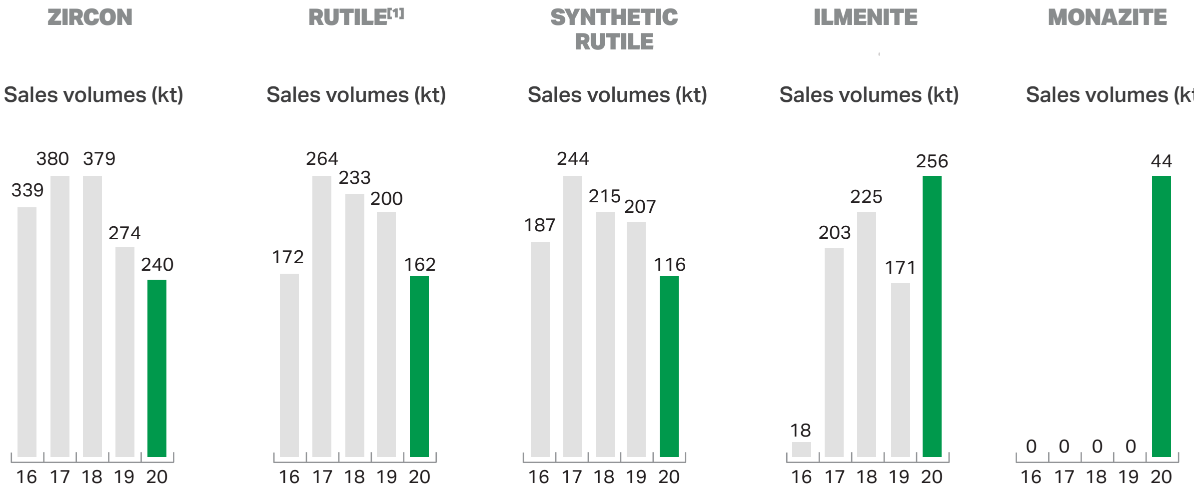
Corporate cost increases arose from restructure and redundancy costs as activities and personnel were streamlined to increase efficiency in Australia.

Major projects, exploration, and innovation included the conclusion of the Balranald T3 field trials which were expensed as research and development as new mining methods were explored to open new areas of extraction. Government royalties decreased on lower assessable sales volumes.

Tax expense had an effective tax rate of 4% as the gain on the demerger of Deterra was a non-taxable event. Adjusting for the gain, the effective tax rate was 39%, driven by Sierra Leone's minimum tax rate of 3.5% of Sierra Rutile's revenue. The corporate tax rate applicable in the main operating jurisdictions of Australia and Sierra Leone remained at 30%.

FINANCIAL AND OPERATIONAL REVIEW

SALES AND MARKETS



Notes:
[1] Includes HYTI

Zircon

Iluka's zircon sales profile in 2020 reflected the challenging and evolving market conditions over the course of the year.

Zircon sales in the first half of 2020 were significantly impacted by lockdowns associated with COVID-19. Ceramics account for over half of zircon use around the world and some of the largest ceramic producing countries, including China, Spain and Italy, all halted production over various periods in H1. However, with easing of restrictions, operating rates at customer plants gradually increased over H2, though total demand remained down on previous years.

Demand for zircon in the foundry market was also considerably less in 2020, with the idling of car manufacturing plants in every region and a marked reduction of consumer goods exports from China. The zircon chemicals market experienced mixed conditions over the year with periods of strong demand for Chinese exports from the United States and Japan, followed by a short period of inventory build and then rundown. The refractory and fused zirconia markets, though not immune from impacts of lower demand globally, were relatively stable.

Overall, consumer inventories remained low throughout the year as businesses preserved cash in the uncertain environment. It is anticipated that consumers will have to increase purchasing to build stock to a safe level and support production.

Mindful of both short-term challenges and the longer-term opportunities, Iluka adjusted its product mix. This resulted in sales of zircon sand remaining at levels similar to 2019 and proportionally lower sales of zircon in concentrate. Iluka sold 187 thousand tonnes of zircon sand, down a very modest 2% from 2019. Overall, 2020 zircon sales of 240 thousand tonnes (including zircon in concentrate) were 12% lower than 2019 sales.

Iluka's weighted average price for zircon premium and standard in 2020 was US$1,319 per tonne, down 8% from Q4 2019. This was considered a solid result given the market conditions and Iluka's efforts to preserve margins.

High-Grade Titanium Feedstocks

High grade titanium feedstocks markets serviced by Iluka, including the pigment, welding and titanium sponge markets, experienced a rapid slowdown in demand associated with the COVID-19 pandemic in Q2. Pigment plants reduced capacity utilisation and many brought forward planned maintenance. Over the remainder of 2020, the pigment industry rebounded strongly, bolstered by strong DIY and professional paint demand. Pigment plant utilisation rates have gradually increased as a result.

The welding market remained strong despite the global pandemic, buoyed by increased government stimulus measures and infrastructure spending in emerging economies, especially in South East Asia and India. Titanium sponge producers outside of China continue to experience the impacts of reduced demand from the aerospace industry.

Iluka's synthetic rutile product is largely sold under multi-year contracts. Iluka announced in June 2020, that it had issued a Notice of Default to a major synthetic rutile customer, Chemours. Following this, Iluka commenced proceedings against Chemours for breach of contract regarding failure to take or pay for scheduled shipments in May and July. Chemours took no further synthetic rutile shipments in 2020.

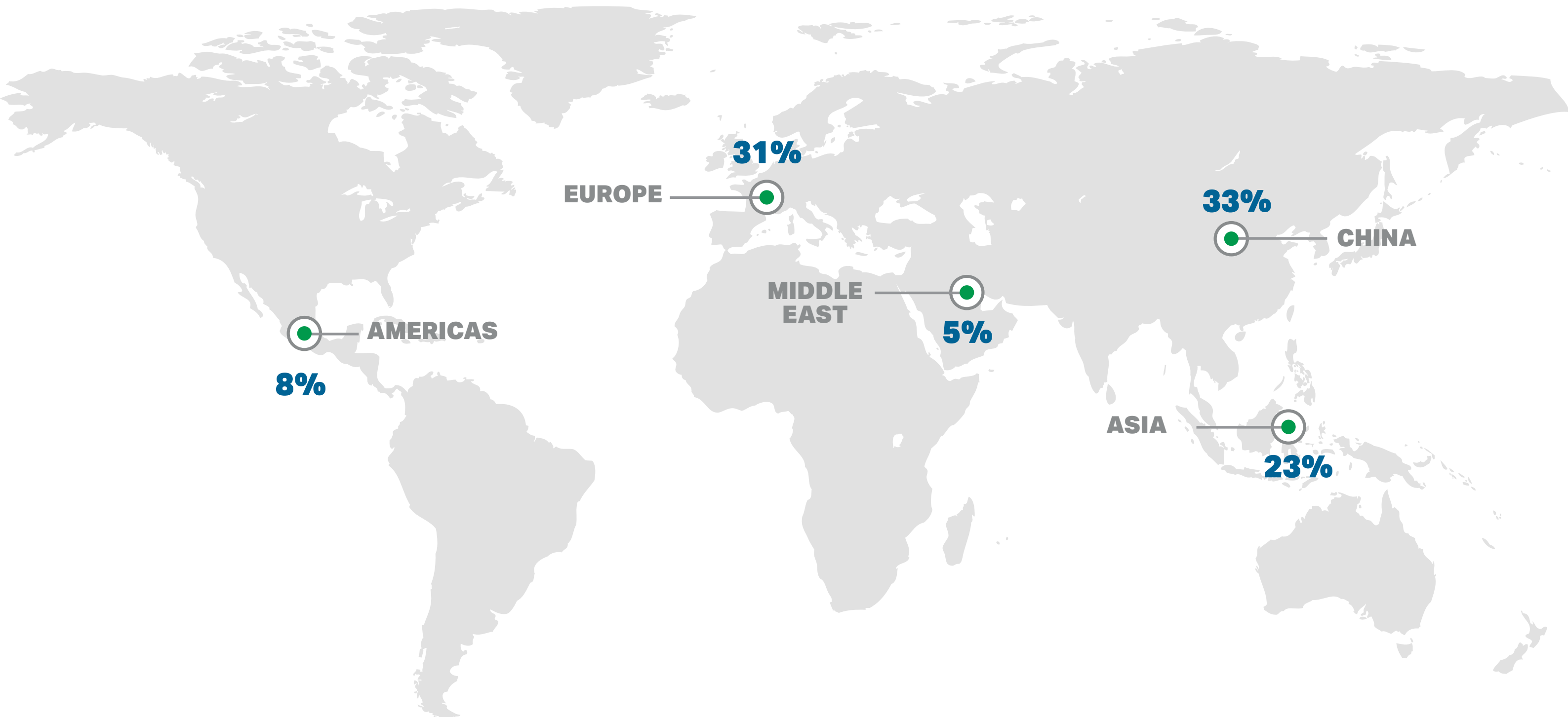
Full year rutile sales of 162 thousand tonnes were also down from 2019 reflecting production constraints at Sierra Rutile. Iluka's weighted average price of rutile (excluding HYTI and TIC) in 2020 was US$1,220 per tonne, up 7% from 2019.

Monazite

Iluka commenced sales of a 20% monazite concentrate in H1 2020, following completion of Eneabba Phase 1. The sales contract includes a fixed price which is commercial in confidence.

The Board approved Eneabba Phase 2 in August 2020, which produces a 90% monazite concentrate. No sales contracts are in place for that offtake.

% OF TOTAL 2020 MINERAL SANDS SALES REVENUE



Weighted Average Received Prices – US$/t FOB

	2020	2019	2018	2017	2016
Zircon (premium and standard)	1,319	1,487	1,351	958	810
Zircon (all products)[1]	1,217	1,380	1,321	940	773
Rutile (excluding HYTI and TIC)[2]	1,220	1,142	952	790	716
Synthetic rutile[3]	-	-	-	-	-

Notes:

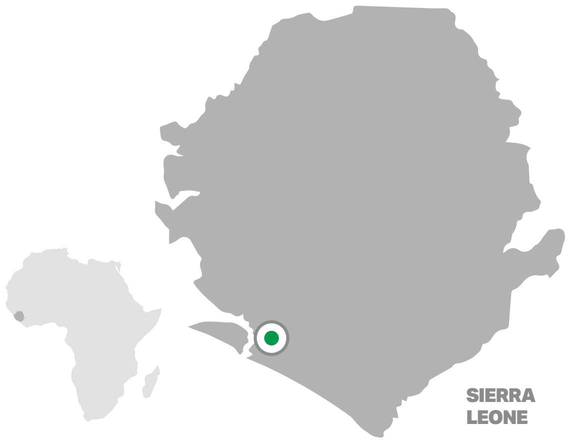
(1) Zircon prices reflect the weighted average price for zircon premium, zircon standard and zircon-in-concentrate. The prices for each product vary considerably, as does the mix of such products sold period to period. In 2020, the split of zircon sand and concentrate by zircon sand-equivalent was approximately: 78%,22% (2019: 70%,30%).

(2) Included in rutile sales volumes reported elsewhere in this Annual Report are lower titanium dioxide products, HYTI and titanium-in-concentrate (TIC). HYTI that typically has a titanium dioxide content of 70 to 91%. This product sells at a lower price than rutile, which typically has a titanium dioxide content of 95%. 2020 full year sales of the lower grade HYTI material were 29% of rutile sales (2019: 23%).

(3) Iluka's synthetic rutile sales are, in large part, underpinned by commercial offtake arrangements. The terms of these arrangements, including the pricing arrangements are commercial in confidence and as such not disclosed by Iluka. Synthetic rutile, due to its lower titanium dioxide content than rutile, is priced lower than natural rutile.

FINANCIAL AND OPERATIONAL REVIEW

PRODUCTION AND OPERATIONS



AUSTRALIA

Iluka's operational configuration in 2020 was based on settings in line with market conditions; minimising costs and improving cash flow.

In April, Iluka announced changes to its Australian operational settings in response to the impact of COVID-19 on mineral sands markets. At the Narngulu mineral separation plant in Western Australia, the amended settings reduced expected zircon production for the year by around 110 thousand tonnes. The plant retained its flexibility to return to full production settings when required. In 2020, Narngulu processed 367 thousand tonnes of material to produce 134 thousand tonnes of zircon and 47 thousand tonnes of rutile.

At Jacinth-Ambrosia in South Australia, the mine plan was adjusted with mining returned to Jacinth from Ambrosia in August. This change improved cash flow with lower operating costs, including a lower strip ratio. Unit costs were also lowered due to less heavy mineral concentrate haulage and pumping distance to the concentrator. The adjustment also deferred capital spend required for future tailings facilities. The operation produced 357 thousand tonnes of heavy mineral concentrate for the year.

Iluka's Cataby mine in Western Australia was fully operational, producing 520 thousand tonnes of heavy mineral concentrate. Of this, 345 thousand tonnes of magnetic material (mainly ilmenite) was trucked to Capel for further processing and upgrading to synthetic rutile, and 164 thousand tonnes of non-magnetic material was transported to the Narngulu mineral separation for processing to final products (zircon and rutile).

Synthetic Rutile Kiln 2 (SR2) at Capel, Western Australia, delivered record annual production of 227 thousand tonnes of synthetic rutile.

The Eneabba operation in Western Australia began production in April. Phase 1 of the operation consists of reclamation and screening of a strategic monazite stockpile, stored from Iluka's historic mineral processing operations. The first shipment of a mixed monazite-zircon concentrate left Geraldton port in June, ahead of schedule. Operations continued on a campaign basis, with 44 thousand tonnes of concentrate being shipped.

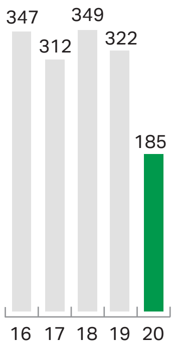
SIERRA LEONE

Sierra Rutile faced a number of challenges in 2020. Iluka focussed on the health and safety of its employees and local communities, providing additional assistance in managing the local impacts of the COVID-19 pandemic where possible. COVID-19 controls were implemented at all locations and operations were able to continue throughout the year, however disruptions and travel restrictions hampered Iluka's ability to maintain specialised skillsets typically provided by expatriate resources.

The operation produced 120 thousand tonnes of rutile (down from 137 thousand tonnes in 2019). Output was affected by a number of downtime events, leading to lower mining and processing throughputs.

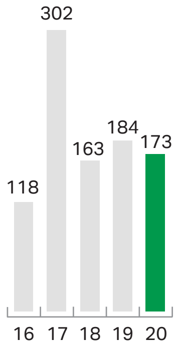
ZIRCON

Production volumes (kt)



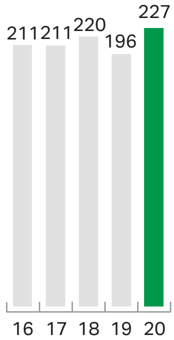
RUTILE[1]

Production volumes (kt)



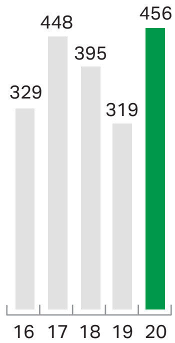
SYNTHETIC RUTILE

Production volumes (kt)



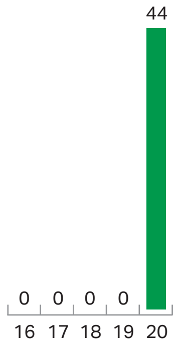
ILMENITE

Production volumes (kt)



MONAZITE

Production volumes (kt)



Notes:
[1] Includes HYTI

Heavy mineral concentrate (HMC) produced and processed

		2020	2019	% change
HMC produced	kt	1,182	1,087	8.7
HMC processed	kt	1,008	961	4.9

Cash costs

		2020	2019	% change
Cash costs of production	$m	558.7	539.6	3.4
Unit cash production cost per tonne Z/R/SR produced[1]	$/t	918	753	21.9
Unit cost of goods sold per tonne Z/R/SR sold	$/t			
Jacinth-Ambrosia / Mid west		592	473	25.1
Cataby / South west		915	816	12.2
Australia Total		730	650	12.2
Sierra Rutile		2,015	1,692	19.1
Total		**1,032**	**889**	**16.1**

Notes:
[1] Cash cost of production excluding by-products, divided by Z/R/SR production

Mineral sands operations results

	Revenue		EBITDA		EBIT	
$ million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Jacinth-Ambrosia /Mid west	389.0	482.7	270.2	343.3	245.5	330.2
Cataby / South west	300.4	414.2	163.1	220.6	120.1	172.7
Idle Ops	34.5	(38.6)	10.1	4.0	11.0	(4.3)
SRL	223.1	257.6	26.4	63.3	(40.8)	(427.6)
Support and corporate	0.0	-	(141.0)	(88.6)	2,203.4	(36.7)
Elimination - interco sales	0.0	(12.3)	0.0	(2.1)	0.0	(2.1)
Total	**947.0**	**1,193.1**	**328.8**	**530.9**	**2,539.2**	**50.8**

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONS

JACINTH-AMBROSIA/MID WEST

		2020	2019	% change
Production volumes				
Zircon	kt	114.9	260.2	(55.8)
Rutile	kt	24.5	31.2	(21.5)
Total Z/R production	**kt**	**139.4**	**291.4**	**(52.2)**
Ilmenite	kt	67.7	107.0	(36.7)
Total saleable production	**kt**	**207.1**	**398.4**	**(48.0)**
HMC produced	kt	357	558	(36.1)
HMC processed	kt	232	455	(49.0)
Unit cash cost of production - Z/R/SR	$/t	940	557	(68.8)
Mineral sands revenue	**$m**	**389.0**	**482.7**	**(19.4)**
Cash costs of production	$m	(131.0)	(162.3)	19.3
Inventory movement - cash	$m	26.7	57.8	(53.8)
Restructure, idle capacity and other non-production costs	$m	(3.2)	(2.4)	33.3
Government royalties	$m	(6.4)	(23.6)	72.9
Marketing and selling costs	$m	(4.9)	(8.9)	44.9
EBITDA	**$m**	**270.2**	**343.3**	**(21.3)**
Depreciation and amortisation	$m	(36.2)	(28.9)	(25.3)
Inventory movement - non-cash	$m	9.8	14.2	31.0
Rehabilitation costs for closed sites	$m	1.7	1.6	6.2
EBIT	**$m**	**245.5**	**330.2**	**(25.7)**

Lower market demand resulted in a 10% increase in inventories held to $260 million at year end and lower **mineral sands revenue.**

Cash costs of production reduced due to changes in the mine plan, with mining returned to Jacinth from Ambrosia in August. This change improved cash flow with lower operating costs, including a lower strip ratio. Costs were also lowered due to less heavy mineral concentrate haulage and pumping distance to the concentrator. The adjustment also deferred capital spend required for future tailings facilities. The operation produced 357 thousand tonnes of heavy mineral concentrate for the year.

Lower demand for zircon also resulted in lower volumes of HMC transported from the mine to the Narngulu mineral separation plant.

Government royalties for Jacinth-Ambrosia are predominantly calculated on a mine gate departure, with lower movements of HMC reducing the royalty payable.

Gross margin remained robust at 66%, down from 75% in 2019.

CATABY/SOUTH WEST

		2020	2019	% change
Production volumes				
Zircon	kt	58.8	53.5	9.9
Rutile	kt	27.9	15.6	78.8
Synthetic rutile	kt	227.4	196.2	15.9
Total Z/R/SR production	**kt**	**314.1**	**265.3**	**18.4**
Ilmenite - saleable and upgradeable	kt	342.4	152.4	124.7
Total saleable production	**kt**	**656.5**	**417.7**	**57.2**
HMC produced	kt	520	240	116.5
HMC processed	kt	483	217	122.5
Unit cash cost of production - Z/R/SR	$/t	739	747	(2.9)
Mineral sands revenue	**$m**	**300.4**	**414.2**	**(27.5)**
Cash costs of production	$m	(232.2)	(198.1)	(17.2)
Inventory movement - cash	$m	112.6	24.9	339.8
Restructure, idle capacity and other non-production costs	$m	(3.3)	(6.8)	51.5
Government royalties	$m	(6.8)	(4.2)	61.9
Marketing and selling costs	$m	(7.7)	(9.4)	18.1
Asset sales and other income	$m	0.1	-	-
EBITDA	**$m**	**163.1**	**220.6**	**(26.1)**
Depreciation and amortisation	$m	(72.3)	(54.0)	(33.9)
Inventory movement - non-cash	$m	29.1	6.2	354.8
Rehabilitation costs for closed sites	$m	0.2	(0.1)	-
EBIT	**$m**	**120.1**	**172.7**	**(30.5)**

Mineral sands revenue of $300 million decreased 28% on lower synthetic rutile sales largely reflecting the contractual dispute with Chemours.

Cash costs of production increased, with a full year of mining at Cataby (mine commenced in April 2019) as well as higher synthetic rutile production, with Synthetic Rutile Kiln 2 achieving record production following the 45 day major maintenance undertaken in 2019 to reset the kiln for its next 4 year campaign.

Inventories increased to $294 million as Cataby recorded a full year of production, coupled with reduced sales, also reflected in the change in **inventory movements** year on year.

Restructure and idle costs related to holding costs for idle and closed operations in the Southwest, along with restructuring activities.

Increased Cataby production resulted in increased charges for **government royalties** on increased kiln feed to produce synthetic rutile.

Depreciation and amortisation increased to reflect a full 12 months charge at the Cataby mine (only 9 months in 2019).

Gross margin remained steady at 46% (2019: 47%).

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONS

SIERRA RUTILE

		2020	2019	% change
Production volumes				
Zircon	kt	6.6	8.5	(22.4)
Rutile	kt	120.2	137.2	(12.4)
Total Z/R production	**kt**	**126.8**	**145.7**	**(13.0)**
Ilmenite	kt	45.8	59.2	(22.6)
Total production	**kt**	**172.6**	**204.9**	**(15.8)**
HMC produced	kt	306	288	6.1
HMC processed	kt	293	290	1.2
Unit cash cost of production - Z/R/SR	$/t	1,450	1,185	22.3
Mineral sands revenue	**$m**	**223.1**	**257.6**	**(13.4)**
Cash costs of production	$m	(183.8)	(172.6)	(6.5)
Inventory movement - cash	$m	7.7	(7.9)	-
Restructure, idle capacity and other non-production costs	$m	(5.3)	1.2	-
Government royalties	$m	(8.6)	(10.7)	19.6
Marketing and selling costs	$m	(3.4)	(3.7)	8.1
Asset sales and other income	$m	(3.3)	(0.6)	-
EBITDA	**$m**	**26.4**	**63.3**	**(58.3)**
Depreciation and amortisation	$m	(72.2)	(74.6)	3.2
Inventory movement - non-cash	$m	1.9	(2.0)	-
Rehabilitation and holding costs for closed sites	$m	3.1	-	-
Write-down expense	$m	-	(414.3)	-
EBIT	**$m**	**(40.8)**	**(427.6)**	**-**

Mineral sands revenue decreased 13% on lower rutile sales as constrained production limited available product for sale.

Sierra Rutile was operating all 4 mining units throughout the year resulting in marginally higher HMC produced. Sierra Rutile suffered from increased maintenance and unplanned outage events, resulting in increased **cash costs of production.**

Other non-production costs reflected additional expenses for managing Sierra Rutile's COVID-19 pandemic response.

IDLE OPERATIONS (UNITED STATES/MURRAY BASIN)

		2020	2019	% change
Production volumes				
Zircon	kt	4.9	-	-
Mineral sands revenue	**$m**	**34.5**	**38.6**	**(10.6)**
Cash costs of production	$m	(11.7)	(6.5)	80.0
Inventory movement - cash	$m	(4.7)	(11.4)	58.8
Restructure, idle capacity and other non-production costs	$m	(9.1)	(11.6)	21.6
Government royalties	$m	(0.5)	(0.9)	44.4
Marketing and selling costs	$m	(0.2)	(1.3)	84.6
Asset sales and other income	$m	1.8	(2.9)	-
EBITDA	**$m**	**10.1**	**4.0**	**170.0**
Depreciation and amortisation	$m	(0.4)	(0.6)	33.3
Inventory movement - non-cash	$m	(0.9)	(3.0)	70.0
Rehabilitation and holding costs for closed sites	$m	2.2	(4.7)	-
EBIT	**$m**	**11.0**	**(4.3)**	**-**

Discontinued and idle operations reflect rehabilitation obligations in the United States (Florida and Virginia) and certain idle assets in Australia (Murray Basin). Production in 2020 represented sale of remnant stockpiles in the United States.

The United States successfully sold its remaining inventory in the year and the Murray Basin continues to hold $2 million of inventory.

Cash costs of production were largely driven by activities associated with product transportation and processing costs for the remnant stockpiles.

Restructure and idle costs reflect regional management and holding costs following closure of operations and care and maintenance of idled assets. These costs decreased by 22% in 2020 but are expected to continue to be broadly consistent until all stockpiles are diminished, and rehabilitation is complete.

Rehabilitation costs reflected a decrease in the United States rehabilitation provision, with changes for closed sites taken directly to profit and loss. While the rehabilitation programme for the Virginia operation continues to be discussed with regulators, positive early indications resulted in a minor reduction of the rehabilitation provision in the year.

FINANCIAL AND OPERATIONAL REVIEW

MOVEMENT IN NET (DEBT) CASH

Movement in net debt ($million)	H1 2019	H2 2019	H1 2020	H2 2020
Opening net cash (debt)	**1.8**	**(141.5)**	**43.3**	**62.1**
Operating cash flow	179.9	228.2	96.7	87.1
MAC royalty	30.4	48.1	41.6	50.6
Exploration	(5.0)	(6.3)	(5.5)	(4.5)
Interest (net)	(2.9)	(2.8)	(1.0)	(1.5)
Tax	(143.9)	(3.5)	(39.4)	(125.3)
Capital expenditure	(145.0)	(52.5)	(49.6)	(21.6)
Proceeds from changes in SRL ownership interests	28.5	-	-	-
Government grants	-	-	4.3	9.6
Principal element of lease payments AASB 16	(4.0)	(4.1)	(4.8)	(4.5)
Asset sales	1.8	0.2	3.9	1.2
Share purchases	(5.0)	(2.4)	-	-
Free cash flow	**(65.2)**	**204.9**	**46.2**	**(9.9)**
Dividends	(79.6)	(20.3)	(32.6)	-
Net cash flow	**(144.8)**	**184.6**	**13.6**	**(9.9)**
Exchange revaluation of USD net debt	1.8	1.1	5.5	(1.6)
Amortisation of deferred borrowing costs	(0.3)	(0.9)	(0.3)	(0.3)
Increase in net cash/(debt)	**(143.3)**	**184.8**	**18.8**	**(11.9)**
Closing net cash/(debt)	**(141.5)**	**43.3**	**62.1**	**50.2**

Net cash increased to $50.2 million as a disciplined approach to cash management was adopted while the COVID-19 crisis unfolded, with reduced capital and other expenditures preserving cash balances.

Operating cash flow of $183.8 million was a 55% decrease from 2019 due to lower underlying EBITDA from weaker market conditions as COVID-19 impacted key industries.

Cash flows from **discontinued operations** from the MAC royalty were lower due to the demerger of Deterra Royalties in November 2020, though royalties collected until the demerger benefitted from rising iron ore prices throughout the year.

Iluka invested $71 million on **capital developments** during 2020, including planned mine development at Cataby; completing Eneabba Phase 1 and commencing Phase 2; progressing Sembehun study options; early works on other development options; and sustaining capital at Australian sites and at Sierra Rutile.

No dividend was paid in September. Iluka declared a full year dividend of 2 cents per share, fully franked, will be paid on 8 April 2021.

Narngulu, Western Australia

NON-IFRS FINANCIAL INFORMATION

This document uses non-IFRS financial information including underlying mineral sands EBITDA, underlying Group EBITDA and Group EBIT which are used to measure both Group and operational performance. Non-IFRS measures are unaudited but derived from audited accounts. All currency shown in the Annual Report is expressed in Australian dollars, unless otherwise indicated.

2020	JA/MW	C/SW	US/MB	SRL	Expl & Oth	Corp	Mineral Sands	MAC	Group
Mineral sands revenue	389.0	300.4	34.5	223.1	(0.0)	-	**947.0**	-	**947.0**
AASB 15 freight revenue	20.6	8.5	6.1	7.8	-	-	**43.0**	-	**43.0**
Expenses	(139.4)	(145.8)	(30.5)	(204.5)	(73.9)	-	**(594.1)**	-	**(594.1)**
Mining Area C	-	-	-	-	-	-	**-**	81.0	**81.0**
Share of profit in associate	-	-	-	-	-	0.1	**0.1**	-	**0.1**
FX	-	-	-	-	-	0.7	**0.7**	-	**0.7**
Corporate costs	-	-	-	-	-	(54.6)	**(54.6)**	-	**(54.6)**
EBITDA	**270.2**	**163.1**	**10.1**	**26.4**	**(73.9)**	**(53.8)**	**342.1**	**81.0**	**423.1**
Depreciation and amortisation	(36.2)	(72.3)	(0.4)	(72.2)	(0.3)	(3.1)	**(184.5)**	(0.3)	**(184.8)**
Inventory movement - non-cash	9.8	29.1	(0.9)	1.9	-	-	**39.9**	-	**39.9**
Rehabilitation for closed sites	1.7	0.2	2.2	3.1	-	-	**7.2**	-	**7.2**
Demerger Gain	-	-	-	-	-	2,246.8	**2,246.8**	-	**2,246.8**
Gain on re-measurement of Put Option	-	-	-	-	-	19.4	**19.4**	-	**19.4**
Impairment	-	-	-	-	(12.4)	-	**(12.4)**	-	**(12.4)**
EBIT	**245.5**	**120.1**	**11.0**	**(40.8)**	**(86.6)**	**2,209.3**	**2,458.5**	**80.7**	**2,539.2**
Net interest costs	(1.0)	(0.5)	(0.1)	(0.2)	-	(5.3)	**(7.1)**	-	**(7.1)**
Rehab unwind and other finance costs	(2.5)	(2.8)	(11.1)	(10.2)	-	-	**(26.6)**	-	**(26.6)**
Profit Before tax	**242.0**	**116.8**	**(0.2)**	**(51.2)**	**(86.6)**	**2,204.0**	**2,424.8**	**80.7**	**2,505.5**
Segment result	**242.0**	**116.8**	**(0.2)**	**(51.2)**	**n/a**	**n/a**	**307.4**	**80.7**	**388.1**

Capel, Western Australia

Cataby, Western Australia

FINANCIAL AND OPERATIONAL REVIEW

PROJECTS

The company develops and progressively gates projects towards execution subject to: (i) improving confidence and satisfaction with the risk-return attributes, (ii) continued strategic alignment, and (iii) sequencing to take advantage of economic and market outlook.

In 2020, travel restrictions associated with COVID-19 hampered access to some sites. Nevertheless, material progress was made on a number of projects, as outlined here.

ENEABBA WESTERN AUSTRALIA

DEVELOPMENT STAGE
Project Execution

The Eneabba project in Western Australia involves the extraction, processing and sale of a strategic stockpile rich in monazite (a mineral containing rare earths) and zircon. This stockpile is stored in a mining void resulting from Iluka's historic mineral sands operations at Eneabba.

Phase 1 of the project, involving a simple reclamation and screening of the stockpile to produce a 20% monazite-zircon concentrate, began production in April 2020. The first shipment of material occurred ahead of schedule in June. Eneabba is now the highest grade rare earths operation globally.

Phase 2, involving the upgrade to a 90% monazite concentrate, was approved by the Board in August and has progressed in line with plans over the remainder of the year. The concentrate produced during Phase 2 will be a direct feed to a rare earths refinery.

Iluka is actively exploring the potential for the downstream processing of rare earths in Australia.

BALRANALD
NEW SOUTH WALES

DEVELOPMENT STAGE
Preliminary Feasibility Study

Balranald and Nepean are two rutile-rich deposits in the northern Murray Basin, New South Wales. Owing to their relative depth, Iluka is assessing the potential to develop these deposits via a novel, internally developed, underground mining technology.

In 2020, Iluka undertook a third technology trial (T3) to determine whether the technology is economically viable. Field activities were delayed in the first half of the year due to COVID-19 related travel restrictions, however the trial was able to commence in Q3 and fieldwork was completed in Q4.

The trial confirmed the effectiveness of the underground mining method and validated key elements of the mining unit design, such as materials of construction that have thwarted previous attempts to mine for extended periods of time. Attempts to undertake continuous backfilling of tailings into the mining void were not successful. This is not considered a fatal flaw, as the more traditional on-surface placement is a low-risk alternative.

Work has commenced to scope the Definitive Feasibility Study (DFS) and the company is targeting a decision on whether to proceed with a DFS in mid-2021.

WIMMERA
VICTORIA

DEVELOPMENT STAGE
Preliminary Feasibility Study

Wimmera is a large-scale, fine-grained heavy mineral sands deposit in the Victorian Murray Basin with the potential to support the long term supply of ceramic-grade zircon and rare earths. The project aims to apply innovative mineral processing to overcome technical challenges associated with impurities in the zircon. If successful, this approach would enable the development of other similar challenging projects in the region.

Project work in 2020 focussed on validating a processing solution to remove impurities and produce a ceramic grade zircon that would be eligible for the ceramics market. Environmental baseline studies were also progressed.

PROJECTS

SEMBEHUN MINE
SIERRA LEONE

DEVELOPMENT STAGE
Scoping Study / Preliminary Feasibility Study

The Sembehun group of deposits are situated 20 to 30 kilometres north-west of the existing Sierra Rutile operations. Sembehun is one of the largest and highest quality known rutile deposits in the world. Iluka is focussed on determining an approach which balances the risk and reward associated with the development of Sembehun and has commenced a process to identify third parties willing to invest in the next phase of Sierra Rutile's growth.

Study work in 2019 identified a potentially suitable alternative mining method, hydraulic mining. A field trial was planned for the first half of 2020, however, in response to COVID-19 restrictions, all field work was suspended. For much of the year project work focussed on progressing critical preliminary feasibility study activities that protected the project schedule but did not require site access or significant third-party interaction.

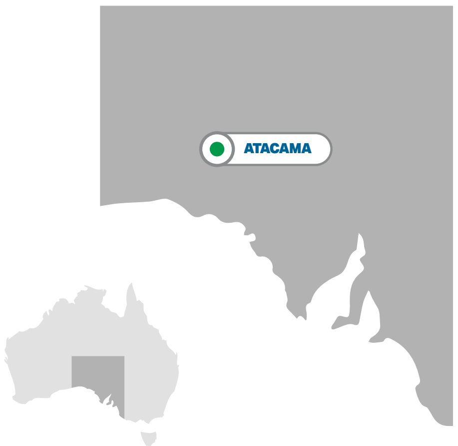
Iluka is progressing plans to undertake a field trial of hydraulic mining at the current mining area in early 2021.

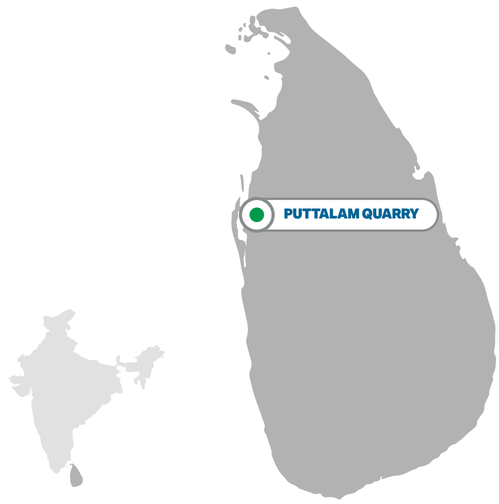
SR KILN 1 RESTART AND SOUTH WEST DEPOSITS,
WESTERN AUSTRALIA

DEVELOPMENT STAGE
Definitive Feasibility Study

The Synthetic Rutile Kiln 1 (SR1) is located adjacent to Iluka's operational SR2 kiln. Refurbishing SR1 represents a low capital expenditure, low risk opportunity to produce up to an additional 110ktpa of high grade synthetic rutile. The project to restart the kiln is execute ready. Initiation is subject to securing satisfactory commercial arrangements, ilmenite feedstock and the market outlook.

Iluka retains a number of tenements in south west Western Australia containing chloride ilmenite suitable as a feedstock to the synthetic rutile kilns. A preliminary feasibility study to develop these sites has begun. Any development, or re-start of SR1, will be subject to market conditions.





ATACAMA
SOUTH AUSTRALIA

DEVELOPMENT STAGE
Preliminary Feasibility Study

Atacama is a satellite deposit located approximately five kilometres from Ambrosia. The deposit has the potential to supplement and extend zircon production at Jacinth-Ambrosia and also provide a meaningful supply of ilmenite (nearly two thirds of valuable mineral assemblage at Atacama relates to ilmenite) by utilising existing infrastructure.

Viability of the project is dependent on a processing solution which enables upgrading or selling of ilmenite; work continues to validate a processing route.

PUTTALAM QUARRY
SRI LANKA

Puttalam Quarry (PQ) is a large, predominantly sulphate ilmenite deposit, located in the Puttalam District of Sri Lanka, approximately 170 kilometres from the capital Colombo.

Iluka's exploration lease covering the PQ Resource (approximately 333Mt) expired in September 2020. At the time, outstanding key approvals prevented Iluka from lodging an application to convert the exploration lease to an Industrial Mining License. The write down of the PQ Resource has been reflected in Iluka's 2020 Ore Reserves and Mineral Resources Statement and Iluka recorded an associated impairment charge of $12 million.

Iluka retains an interest in Sri Lanka, with step-in rights that can be exercised if progress is made on a number of key areas to further the development of deposits in Sri Lanka.

2020 PROJECT PIPELINE

REGION AND MINERAL RESOURCE[1]	ASSESS Scoping Study	SELECT Preliminary Feasibility Study
EUCLA BASIN 345Mt @ 4.8% HM for 16.6 Mt in Situ HM		ATACAMA
MURRAY BASIN 195Mt @ 17.2% HM for 33.4Mt in Situ HM[1]		WIMMERA BALRANALD
MID WEST / SOUTH WEST WA 986Mt @ 5.6% HM for 54.9Mt in Situ HM	SOUTH WEST DEPOSITS	
SIERRA LEONE 715Mt @ 1.1% Rutile for 7.9Mt in Situ Rutile		SEMBEHUN
STAGE DESCRIPTION:	*Determine what it could be*	*Determine what it should be*
ESTIMATE ACCURACY RANGE: (AT END OF PHASE)	*-30% to +60%*	*-15% to +30%*

The Mineral Resource information on this indicative growth pipeline summary is extracted from the company's previously published statements and are available at: ***www.iluka.com.au.*** *Iluka confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Iluka confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement. All Mineral Resource figures are estimates. This table should be read in conjunction with the disclaimers and compliance statement on page 167.*

Cataby, Western Australia

DEVELOP Definitive Feasibility Study	**EXECUTE** Project Execution	**PRODUCE** Operate and Maximise
		JACINTH-AMBROSIA
SR1 KILN RESTART	ENEABBA (PHASE 2)	ENEABBA (PHASE 1) CATABY
		LANTI GANGAMA
Determine what it will be	*Deliver the project*	*Extract value*
-10% to +15%	*n/a*	*n/a*

No Resource estimate | Resource estimate | Reserve estimate | Other

FINANCIAL AND OPERATIONAL REVIEW

EXPLORATION

Growing and improving the quality of Iluka's Mineral Resource and Ore Reserves is integral to the company's ability to deliver sustainable value.

Exploration opportunity assessment is managed through a structured, stage-gated process considering a combination of technical and economic factors, taking a risk-weighted approach.

Near Mine exploration seeks to add value in areas adjacent to existing assets, where synergies can deliver additional value through mine life extension or progressive development. New Mine exploration focusses on identifying new high quality mineralisation that can deliver a new operation and longer term growth.

Please refer to the Ore Reserves and Mineral Resources Statement section for changes and updates to Resources on page 157.

GENERATION AND EXTERNAL OPPORTUNITIES

Travel restrictions impacted activities throughout 2020, limiting Iluka's ability to complete field work and testing on existing and newly identified opportunities. The company focussed on completing a comprehensive review of opportunities within Australia and the United States jurisdictions to augment the existing project pipeline. More than 100 opportunities were reviewed, identifying a number of high priority prospects. Substantial areas of exploration access are being sought, with tenure applications submitted over approximately 4,300km^2. A structured review program is currently ongoing covering other global jurisdictions.

AUSTRALIA

Prior to travel limitations impacting the ability to complete on-ground work, substantial near mine and new mine exploration programs were completed in Western Australia, South Australia, Victoria and New South Wales.

At Cataby, 9,341m were completed in 209 drill holes to improve confidence, expand existing Resources and support mining operations.

At Jacinth, in the northern extension of the main deposit, 1,221m in 58 drill holes were completed to infill existing data and improve Resource confidence ahead of mining.

At Wimmera, 4,429m in 144 drill holes were completed, focussed on specific geological and metallurgical definition as part of the on-going preliminary feasibility study.

Regional exploration was carried out in the Balranald district to test new mineralisation targets, with 1,361m completed in 14 drill holes.

A total of 1,791 km^2 of new tenure was granted during the year providing new access for exploration, with budget and plans developed to progress work.

UNITED STATES

Following the implementation of detailed COVID-19 risk management plans, Iluka was able to progress one of several regional scale new mine opportunities. A total of 2,109m from 46 drill holes were completed.

The exploration review also identified a number of priority opportunities in the United States and work is progressing to secure access and implement exploration processes during 2021.

CANADA

Early in 2020, Iluka, with its Canadian joint venture partner Societe d'Exploration Miniere Vior Inc (now renamed Vior Inc), continued to explore for high-grade rutile bearing ilmenite bodies. A total of 9 diamond holes for 1,515m were drilled based on 7 geophysical targets. Vior made an announcement on the 20 May in respect of this programme. Analysis of the core and results have been extensively delayed due to laboratory closures related to COVID-19, with results expected during Q1 2021.

SIERRA LEONE

Infill drilling of existing resources within both Area 1 and the Sembehun project continued throughout the year. A total of 10,200m of drilling was completed in both Area 1 (current operational area) and Area 5 (Sembehun) in 1,177 drilling holes, including a combination of hollow flight auger and aircore drilling. This focussed on improving the geological models, collecting metallurgical and geometallurgical data and improving Resource confidence as part of the ongoing Life of Mine programme and Sembehun Feasibility process.

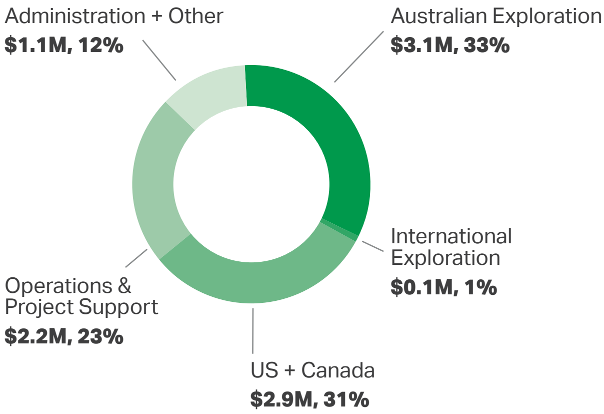
Granted tenement position as at 31 December 2020

Region	Approx. square kilometres
Eucla Basin, (SA)	10,427
Murray Basin (NSW & VIC)	3,650
Perth Basin (WA)	574
Other - Australia (QLD)	1,791
Sierra Leone	559
Sri Lanka	105
Other - International	0
Total	**17,106**

Tenement applications as at 31 December 2020

Region	Approx. square kilometres
Eucla Basin (SA & WA)	4,072
Murray Basin (NSW & VIC)	874
Perth Basin (WA)	268
Other - Australia (QLD)	0
Sierra Leone	858
Sri Lanka	0
Other - International	0
Total	**6,072**

Exploration and Geology Expenditure 2020 – $9.4M



FINANCIAL AND OPERATIONAL REVIEW

SUSTAINABILITY

CLIMATE CHANGE

Iluka recognises that the physical and transitional impacts of climate change may affect its assets, productivity, supply chains and markets. Several opportunities are available and the risks identified are broadly within the company's control, with the overall risk presented by climate manageable. Iluka understands that close monitoring and continued focus on this is important.

Iluka is committed to the Paris Agreement objectives and accepts the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science. During 2020, Iluka progressed the implementation of the recommendations of the Task Force For Climate Related Disclosures (TCFD), building on the analysis of physical risks undertaken in 2019. The company undertook an assessment of the key transition risks which may impact its business. A response is being developed and a group of metrics and targets identified.

In year one of the TCFD work, Iluka had an external review (by KPMG) to ascertain whether climate-related risks could be recorded and addressed under Iluka's risk management approach. The strategic risk register records and describes mitigations and plans in relation to climate related risks that extend out to 10 years. Risks beyond this period will be recorded as emerging risks. Risks related to the physical risk assessment, and which are apparent from year one, are now identified and addressed at the group and site level.

Furthermore, as the world manages and adapts to the impacts of climate change, Iluka produces critical mineral products that both support and facilitate this transition.

- End uses for the company's mineral sands products include sustainable development applications in renewable energy technologies, water and air purification and catalytic converters, among others.
- For its titanium dioxide business, Iluka operates almost exclusively in the very high-grade segment of the market, with the products rutile and synthetic rutile each containing titanium content in excess of 90%. Pigment is the most prominent application for titanium dioxide; and the quality of Iluka's products enables our pigment customers to operate their plants more efficiently, with less impact on the environment.
- Iluka has an emerging position in rare earths. Of their many high value applications, some rare earths (neodymium and praseodymium in particular) are essential for the production of permanent magnets, which are in turn used to produce the motors that power electric vehicles, generate power in wind turbines and in other sustainable development technologies. Demand across this supply chain is expected to grow substantially over coming years as the world pursues widespread electrification. Iluka's assets at Eneabba and Wimmera have the potential to play a significant role in the global supply of rare earths as essential building blocks for a low carbon future.

GOVERNANCE

The Board Charter stipulates that the Board is required to conduct an annual review of climate-related risks and approve climate-related disclosures. Duties also extend to measuring and reviewing Iluka's performance against climate change and sustainability targets.

In 2020 the Board was provided an update on Iluka's roadmap to implementing the recommendations of the TCFD, together with an overview of scenario analysis used to identify climate-related transition risks and opportunities.

RISK MANAGEMENT

Iluka's scenario analysis, aligned to the TCFD, included three climate scenarios: 1.5°C, to reflect rapid decarbonisation; a 2°C-3°C, to reflect delayed action; and >3°C, to reflect minimal action on climate change. Physical risks associated with a >3°C 'business as usual' scenario was detailed in Iluka's 2019 Sustainability Report.

Cross-functional workshops were conducted covering Iluka's entire value chain (including both upstream supply chains and downstream customers). For each risk or opportunity identified, Iluka has selected a series of signposts that will indicate a change in impact on our business. The company will continue to monitor these signposts to guide its climate strategy.

Iluka's Material Transition Risks

Risk Type	Description	Response
Policy and legal	A price on carbon will impact the cost of production and operations, as well as downstream production costs for Iluka's customers.	Iluka will assess the feasibility of implementing an internal price on carbon to monitor the impact of a carbon price on operations and future capital projects.
Reputation	Investor and key stakeholder reputational risk may materialise if Iluka fails to manage key ESG issues such as land assets, emissions strategies, or other climate-related risks.	Iluka continues to respond to queries from investors relating to our climate-related risks and commitments. The company is continually working to improve disclosures and to support increased understanding of the impact of both climate change risks and opportunities on the business.
Technology	Assets may become 'stranded' in a rapid transition to a low-carbon economy.	Iluka completes assessments as part of the project evaluation process to understand the impact of future scenarios on the life of an asset. Where applicable, this will include carbon pricing and other climate-related risks.

Iluka's Material Transition Opportunities

Opportunity Type	Description	Response
Energy Source	Increased use of renewable energy	Iluka has an opportunity to work with renewable energy generators to reduce overall emissions footprint through the utilisation of clean energy. End use applications of Iluka's mineral sands and rare earth products are critical in renewable energy technologies; including permanent magnets essential for the construction of wind turbines; and in emerging solar cell technologies.
Resource Efficiency	Utilisation of by-products	Iluka maintains stockpiles of by-products which may experience an increase in demand in a low-carbon economy. The company continues to support research and development into increased use for these products.
Markets	Improved market position due to lower whole-of-life emissions	Iluka has a continued focus on providing high-quality products to its customers. These products allow our customers to produce a lower whole-of-life emissions footprint for final goods when compared to lower quality products. Demonstrated through Iluka's titanium products, their high quality enables pigment customers to operate their plants with greater efficiency. End use applications of Iluka's products are critical in growing sectors such as electric vehicles, water and air purification, and catalytic converters.

FINANCIAL AND OPERATIONAL REVIEW

SUSTAINABILITY

METRICS AND TARGETS

Iluka has begun a process to identify internal metrics for each of the company's material climate-related risks and opportunities. As the company develops its response, it is expected that targets will be established and published.

Iluka's 2020 Sustainability Report will be released in April 2021.

HUMAN RIGHTS AND MODERN SLAVERY

Iluka progressed its Modern Slavery Work Programme, implementing a governance framework and commencing vendor risk assessments and modern slavery and human rights training. The company has continued to participate in the resource and energy industries' modern slavery group, working collaboratively on the development of measures to support compliance with the Australian modern slavery legislation. Iluka plans to release its first Modern Slavery Statement in 2021.

ABORIGINAL ENGAGEMENT AND CULTURAL HERITAGE

Iluka acknowledges the special connection that Indigenous peoples have with land and seeks to build constructive and authentic relationships. Relationships with Iluka's Aboriginal stakeholders extend from Board level through to day-to-day relationships at our operational sites. Indigenous employment at Iluka's Jacinth-Ambrosia operation in South Australia approached 30% in 2020, a reflection of the strong working relationship between the Far West Coast people and Iluka.

At any location where cultural heritage is identified, engagement is undertaken and a Cultural Heritage Management Plan is implemented to ensure the protection of sites and artefacts.

To develop internal capability to build and maintain strong, effective relationships with Aboriginal groups, Iluka has commenced the development of an Aboriginal cultural awareness and engagement programme, which commenced at the end of January 2021.

ZIRCON AND HIGH GRADE TITANIUM DIOXIDE PRODUCTS (RUTILE AND SYNTHETIC RUTILE) HAVE WIDE RANGING ENVIRONMENTAL BENEFITS; FROM LOWER ENVIRONMENTAL IMPACTS IN PRODUCTION COMPARED TO ALTERNATIVES, TO THE ENHANCEMENT OF VARIOUS END-USE APPLICATIONS AND THEIR SUSTAINABILITY.

LOWER GLOBAL WARMING POTENTIAL [1]

Zircon has approximately a 16% lower Global Warming Potential than alumina, the main alternative product, when used as ceramic whitener and opacifier in porcelain stoneware tile production. Using zircon generates lower overall environmental impacts in production versus alumina, over a range of environmental indicators.

LOWER PRODUCT ENVIRONMENTAL FOOTPRINT [5]

TiO_2 pigment is used in approximately 95% of paints; and is the main end-use of Iluka's rutile and synthetic rutile products. Paints with high TiO_2 pigment content have the highest opacity, meaning fewer coats of paint are needed. The closest potential alternative opacifier is around 35% less effective, requiring a higher raw material demand and producing greater waste generation.

REDUCE AIR POLLUTION [5]

Specialty TiO_2 pigments are helping to reduce air pollution through photocatalysis on the surface of buildings; converting nitrogen oxides into harmless soluble nitrate salts which wash away in rain. Zirconium (derived from zircon) is used as a dopant to further increase the photocatalytic activity of TiO_2 in air quality improvement.

ESSENTIAL IN THE CONSTRUCTION OF WIND TURBINES AND ELECTRIC VEHICLES [6]

High value rare earth elements (rare earths) such as neodymium (Nd) and praseodymium (Pr), are the key inputs required to produce high strength permanent magnets. These ultra-strong, long life magnets are essential in the production of the motors and generators that power electric vehicles and wind turbines. Other rare earths such as Terbium (Tb) and Dysprosium (Dy) can be used to improve the performance in some of these applications.

HIGHER ENGINE EFFICIENCY AND LOWER VEHICLE EMISSIONS [2] [3] [8] [9]

Zirconia oxygen sensors are essential in ensuring top performance outcomes from modern car engines. The oxygen sensors avoid fuel wastage and enhance environmentally-friendly operation. Also, zirconia together with rare earth compounds are used as sub-catalysts and catalyst supports in emissions reduction of carbon monoxide, hydrocarbons, nitrogen oxides and other toxic substances.

Rare earths are also used in automotive catalytic converters for gasoline and diesel powered vehicles to convert harmful pollutants in the vehicle's exhaust stream into less harmful emissions.

GREATER EFFICIENCY FOR NUCLEAR ENERGY AND ZERO GREENHOUSE EMISSIONS [1][4] [10]

Zirconium-containing alloys are widely used across structural components in the nuclear industry. The alloys offer excellent corrosion and irradiation creep resistance, as well as low neutron-absorption, critical for increasing the efficiency of the nuclear reactor. Nuclear power plant operations produce zero greenhouse gas emissions.

REDUCE URBAN HEAT ISLAND EFFECT [7] [5]

Zircon-containing tiles used as a building envelope, could improve a building's thermal comfort as zircon increases the tiles solar reflectance index. Ceramics with zircon-containing glazes are also able to reduce maintenance costs compared to other 'cool materials' thanks to its high chemical and abrasion resistance. TiO_2 pigments in paint applied to the surfaces of buildings and 'cool roofs' can also help to reduce heat build-up. TiO_2 pigment has a very high refractive index, reflecting the heat generated by the rays of the sun

Source:

[1] Zircon Industry Association [zircon-association.org]

[2] CO_2 Meter [CO_2Meter.com]

[3]. ABMARC [fcai.com.au]

[4] World Nuclear Association [world-nuclear.org]

[5] TDMA [tdma.info]

[6] Journal of Cleaner Production [sciencedirect.com]

[7] Institute of Materials, Minerals and Mining [IOM3.org]

[8] US Environmental Protection Agency [epa.gov]

[9] Journal of Physics: Conference Series [iopscience.iop.org]

[10] World Nuclear Association [www.world-nuclear.org]

BUSINESS RISK AND MITIGATION

The identification and management of risk is fundamental to achieving Iluka's objective to deliver sustainable value. The company is committed to managing risk in a proactive and effective manner. Iluka's Risk Management Policy is supported by a risk management framework which is aligned to the International Standard for risk management, ISO 31000. This framework provides a whole of business approach to the management of risks and sets out the process for the identification, assessment, monitoring, review and reporting of risk to facilitate the achievement of our plans and objectives. The Board, through the Board Charter, delegates responsibility for identifying and managing risks and implementing effective controls to management. Management reports to the Board those risks which could have a material impact on the business. The Audit and Risk Committee assists the Board with regard to oversight of the company's risk management practices. Through its risk management framework Iluka seeks to:

- apply a structured and systematic risk management process across the Group;
- embed a culture of risk awareness by integrating risk management into business activities and processes;
- identify, assess and manage risks in a structured and systematic manner;
- enable prudent risk taking in line with business objectives and strategies;
- establish and monitor the effectiveness of controls in line with agreed risk tolerances;
- ensure material risks are effectively identified, communicated and appropriately elevated to Executives and to the Board;
- implement appropriate insurance risk retention and transfer strategies;
- assess regularly the effectiveness of the risk management processes and controls; and
- continue to fulfill risk management governance requirements.

Iluka applies a structured and systematic approach to assess the consequence of risk in areas such as injury, illness, community, environment, compliance, financial, company objectives and reputation. Company risks, and how they are being managed, are reviewed and updated by the Executive regularly and the company's risk profile is provided to the Board for endorsement twice yearly.

Set out below are the key risk areas that could have a material impact on the company. The nature and potential impact of risks changes over time. The risks described below are not the only risks that Iluka faces and, whilst reasonable effort is made to identify and manage material risks, additional risks not currently known or detailed below may adversely affect future performance. Emerging risk is a standing Board agenda item. Risks identified through this process are incorporated into the Iluka Corporate Plan development.

HEALTH AND SAFETY RISKS

Iluka faces risks relating to the health and safety of its workforce and it is the company's top priority to manage the wellbeing of both employees and contractors. Iluka has continued to manage the resultant COVID-19 related risks through the implementation of targeted protective measures. Iluka works actively to protect the health and safety of its people by identifying and taking appropriate action to eliminate workplace fatalities, life-changing injuries, minimise injuries and illnesses through the delivery of effective training, capturing accurate safety statistics, conducting thorough incident investigations and sharing learnings.

SUSTAINING OPERATIONS RISKS

Maintaining a pipeline of Ore Reserves and projects in order to sustain operations is a key focus for Iluka. The success of exploration activity and project delivery is critical to sustain operational production profiles. Tailings dam management is an ongoing Executive and Board focus at Iluka across all of its mines. Iluka has dedicated geotechnical resources and draws on external tailings and dam management experts to continue to improve designs and monitoring activities to reflect best practice. Annual reviews are conducted of the company's resources and reserves, asset integrity, short and long term planning, geotechnical and hydrogeological modelling.

ATTRACTING AND RETAINING KEY PEOPLE RISKS

Attracting and retaining key personnel is a priority and Iluka has plans in place to develop and deliver ongoing training and leadership capability building combined with succession planning and talent management processes.

PROJECT DEVELOPMENT RISKS

Iluka regularly assesses its ability to enhance its production profile or extend the economic life of deposits through the development of new projects within its portfolio. A failure to develop and operate projects in accordance with expectations could negatively impact results of operations and the company's financial position. Risks to major development projects include the ability to acquire and/or obtain appropriate access to property, regulatory approvals, supply chain risks, construction and commissioning risks. There are also technology risks associated with some projects; for example, the new unconventional mineral sands mining approach planned for the Balranald deposit in New South Wales and the Wimmera project in Victoria. A structured capital process and project delivery framework is utilised to facilitate successful project development to manage risks associated with bringing new projects into operation.

PRODUCTION DEMAND AND PRICE RISKS

Iluka is subject to fluctuations in global economic conditions, customer demand and end-use markets. The demand for Iluka's products may be sensitive to a wide range of factors most of which are outside of the company's control such as changes in the global economy, adverse changes in pigment or ceramic markets, or changes that reduce the level of feedstock required by our customers (substitution or thrifting). The prices for products are also subject to these market conditions. The company's approach to these risks is to adopt pricing strategies that promote sustainability (of demand and pricing) and where appropriate to seek offtake agreements that support project capital returns, and to adjust production settings and inventory levels in the context of market demand.

CYBER RISKS

Iluka takes a risk-based approach to manage cyber security with a focus on ensuring good practice across standard processes. Iluka leverages leading frameworks such as National Institute of Standards and Technology (NIST) and guidance from Australian Government's Cyber Security Centre. Iluka has a range of measures to manage cyber security risk including:

- a cybersecurity strategy program as part of Iluka's overall IT strategy;
- clear responsibilities with a centralised IT function and dedicated capability of a cyber team;
- governance reporting and regular assurance including external audits, penetration testing, and assessment against standards and leading guidance such as the Australian Cyber Security Centre Essential Eight;
- a focus on 'good basics' including awareness and training, patching, accurate asset and software registers, authentication controls, management of change, physical access controls to critical centres and servers and cyber risk reviews;
- a range of technical platforms and controls from leading providers; and
- cyber response plan including post incident review processes with root cause analysis.

The Sierra Rutile operation has a stand-alone separate IT environment and team, including locally set and managed cyber controls.

FINANCIAL RISKS

Iluka faces risks relating to the cost of and access to funds, movement in interest rates and foreign exchange rates (refer Note 21 in financial statements). Iluka maintains policies which define appropriate financial controls and governance which seek to ensure financial risks are fully recognised, managed and recorded in a manner consistent with:

- the financial risk appetite and delegations as set by Iluka's Board;
- generally accepted industry practice and corporate governance standards; and
- shareholder expectations of a mineral sands producer.

Where Iluka has entered into long term contracts with fixed or floor prices (i.e. hedged the commodity price), Iluka will consider the management of the risks related to movements in foreign exchange rates by entering into appropriate hedging arrangements. Any hedging is conducted in accordance with Iluka's risk tolerances and policies including appropriate approvals.

GROWTH RISKS

To deliver sustainable value, Iluka attempts to generate growth options through exploration, innovation, project development and appropriate external growth opportunities. Evaluating growth opportunities requires prudent risk taking as part of a disciplined process of project selection and evaluation to maximise the opportunity, achieve the desired outcomes, and manage the associated risks to the company. This includes applying the company's established disciplines and systems to evaluate growth opportunities and assess their potential value and impact considering a range of modifying factors and assumptions.

GLOBAL ECONOMIC UNCERTAINTY RISK

Iluka operates in a context of global economic uncertainty. Contributing factors currently include subdued economic growth, trade tensions and the impact of COVID-19 on resultant product demand. The company maintains a strong business focus to detect and respond to changes in demand which inform changes to the operational settings of Iluka's assets.

BUSINESS RISK AND MITIGATION

GOVERNMENT AND REGULATORY RISK

International activities have increased Iluka's exposure to country risks. New or evolving regulations and international standards are outside the company's control and are often complex and difficult to predict. The potential development of international opportunities can be jeopardised by changes to fiscal or regulatory regimes, adverse changes to tax laws, difficulties in interpreting or complying with local laws, material differences in sustainability standards and practices, or changes to existing political, judicial or administrative policies and changing community expectations. Risks in the locations in which Iluka operates could include terrorism, civil unrest, judicial activism, community challenge or opposition, regulatory investigation, nationalisation, protectionism, renegotiation or nullification of existing contracts, leases, permits or other agreements, imposts, restrictions on repatriation of earnings or capital and changes in laws and policy, as well as other unforeseeable risks. If any of the company's operations are affected by one or more of these risks, it could have a material adverse effect on its assets in those countries, as well as Iluka's overall operating results, financial condition and prospects.

ANTI-BRIBERY AND CORRUPTION RISK

Iluka's business activities and operations are located in jurisdictions with varying degrees of political and judicial stability, including some countries with a relatively high inherent risk with regards to bribery and corruption. This exposes Iluka to the risk of unauthorised payments or offers of payments to or by employees, agents or distributors that could be in violation of applicable anti-corruption laws. Risks also include possible delays or disruptions resulting from a refusal to make so-called facilitation payments or any other form of benefit inconsistent with Iluka policy or applicable laws. Iluka has a clear Anti-bribery and Corruption Policy, and internal controls and procedures to protect against such risks, including training and compliance programmes for its employees, agents and distributors. However, there is no assurance that such controls, policies, procedures or programmes will protect Iluka from potentially improper or criminal acts. Violations of anti-corruption laws or regulations may result in criminal or civil sanctions and adverse publicity.

COMMUNITY/SOCIAL EXPECTATIONS RISK

Iluka operates in different jurisdictions with varying community, heritage and social laws and expectations which are addressed through dedicated internal resources to deal with these issues. Community expectations are continually evolving and Iluka can best manage these through the development of robust strategies, maintaining strong relationships with communities and delivering on its commitments.

ENVIRONMENTAL RISKS

Iluka is committed to leading practice in environmental management as outlined in the Iluka Health, Safety, Environment and Community Policy. Leading practice is based upon current community expectations, applicable legislation and regulatory standards, all of which change over time. With increasing government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent. Iluka could be subject to increasing environmental responsibility and liability, including laws and regulations dealing with air quality, water and noise pollution and other discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of its properties, greenhouse gas emissions, storage, treatment and disposal of wastes and the effects of its business on the water table and groundwater quality. Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits, reputational issues, increased licence conditions and corrective action orders. Historic operations or disposal methods by the company or its predecessor companies, although materially compliant with regulatory requirements at the time, may be subject to increased or new environmental standards which require additional remediation. The company monitors these risks as part of the ongoing remediation of its former operational sites.

BUSINESS INTERRUPTIONS RISK

Circumstances may arise which preclude sites from operating including natural disaster, material disruption to Iluka's logistics chain, critical plant failure or industrial action.

The company undertakes regular reviews for mitigation of property and business continuity risks. Iluka utilised the company's Crisis and Emergency Management Processes to manage the COVID-19 outbreak and to conduct detailed site-based risk assessments, procedures and processes, and minimise the health, safety and business impacts. The Emergency Management Processes and COVID-19 Management Plans are still fully active in Sierra Leone to protect the health and safety of Iluka's employees and the communities in which it operates. Appropriate business plans, policies and training exercises at Iluka sites provide support to mitigate the company's risk. Iluka also maintains a prudent insurance programme that may offset a portion of the financial impact of a major business interruption event.

SUSTAINABILITY RISK

Iluka's safety, health, environmental, people and community performance expectations are clearly articulated in its policies which are overseen by the Board. The company's Sustainability Report contains further information on Iluka's operating conditions, as well as elements of the business strategy. This document (for the 2019 year), as well as other company information, is available on Iluka's website www.iluka.com. The Iluka Sustainability Report in respect to the 2020 year, is planned for release in April 2021.

CLIMATE CHANGE RISK

Iluka is committed to managing its climate change risks and taking advantage of associated business opportunities. The company is committed to the Paris Agreement objectives and accepts the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science. Iluka is taking steps to implement the recommendations made by the Task Force on Climate related Financial Disclosures (TCFD) over a three-year period. This has included the company assessing the potential physical and transition climate risks and opportunities which may impact its operations.

Physical risks may include:

- decreased rainfall and prolonged drought;
- increased number of very hot days and heatwaves;
- less frequent, but more intense rainfall;
- reduced access to consumables; and
- reduced availability of water.

Transition risks may include:

- the implementation of a carbon price;
- investor and key stakeholder reputational risk; and
- stranded asset risk for equipment and machinery.

Transition opportunities may include:

- increased utilisation of renewable energy by sites;
- increased utilisation of by-products; and
- Improved market position due to higher demand for products, due to lower whole-of-life emissions, and due to increased demand for rare earths as a result of global shift toward renewable power generation and electrification.

DELIVER SUSTAINABLE VALUE

FINANCIAL REPORT AND REMUNERATION REPORT

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the year ended 31 December 2020

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4E for the consolidated entity Iluka Resources Limited and its controlled entities for the year ended 31 December 2020 (the 'financial year') compared with the year ended 31 December 2019 (the 'comparative year').

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

Revenue from ordinary activities - continuing operations	Down 19.7% to $990.6m	
Net profit after tax for the period from ordinary activities - continuing operations	Up to $103.5m	
Net profit after tax for the period attributable to equity holders of the parent	Up to $2,411.9m	
Dividends		
2020 final: 2 cents per ordinary share (100% franked) to be paid in April 2021		
2019 final: 8 cents per ordinary share (100% franked) paid in April 2020		
Demerger dividend of $1,808.1 million, distributed in November 2020		
Key ratios	**2020**	**2019**
Basic profit/(loss) per share (cents) - continuing operations	24.5	(71.0)
Diluted profit/(loss) per share (cents) - continuing operations	24.4	(71.0)
Free cash flow per share (cents)[1]	5.2	33.0
Return on Equity[2]	283.7	(26.6)
Net tangible assets per share ($)	3.03	1.63

[1]Free cash flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.

[2]Calculated as Net Profit/(Loss) after Tax (NPAT) for the year as a percentage of average monthly shareholder's equity over the year.

Commentary on the consolidated results and outlook are set out in the Operating and Financial Review section of the Directors' Report.

Dividend Reinvestment Plan (DRP)

The current Dividend Reinvestment Plan (DRP) was approved by the Board of Directors, effective for all dividends from the 2017 final dividend onwards. Under the plan, eligible shareholders can reinvest either all or part of their dividend payments into additional fully paid Iluka shares. The DRP remains active for the 2020 final dividend.

The Directors have determined that no discount will apply for the DRP in respect of the 2020 final dividend. Shares allocated to shareholders under the DRP for the 2020 final dividend will be allocated at an amount equal to the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on 15 March 2021. The last date for receipt of election notices for the DRP is 11 March 2021.

Independent auditor's report

The Consolidated Financial Statements upon which this Appendix 4E is based have been audited.

DIRECTORS' REPORT

For the year ended 31 December 2020

The directors present their report on the Group consisting of Iluka Resources Limited (the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2020.

The information appearing on pages 14 to 49 forms part of the Directors' Report for the financial year ended 31 December 2020 and is to be read in conjunction with the following information:

DIRECTORS

The following individuals were directors of Iluka Resources Limited during the whole of the financial year and up to the date of the report, unless otherwise stated:

G Martin
T O'Leary
M Bastos
R Cole
S Corlett
J Ranck
L Saint
J Seabrook (retired 9 April 2020)

DIRECTORS' PROFILES

Name:	**Greg Martin**
Qualifications:	BEc, LLB, FAIM, MAICD
Age:	61
Role:	Chairman and Non-executive Director
Appointed:	January 2013
Independent:	Yes

Current positions:
- Chairman of the Board
- Nominations and Governance Committee - Chairman
- People and Performance Committee - Member

Relevant skills and experience:
Greg contributes to Iluka 40 years' experience in the utilities, financial services , energy and energy related infrastructure sectors in Australia, New Zealand and internationally.

Greg held the position of Managing Director and Chief Executive Officer of The Australian Gas Light Company for five years. After AGL, Greg joined Challenger Financial Services Group as Chief Executive, Infrastructure, principally engaged in the management of predominantly European and North and South American infrastructure investments.

Greg is a previous Non-Executive Director of Energy Developments Limited and the Australian Energy Market Operator Limited; Chairman of the Royal Botanic Gardens & Domain Trust of New South Wales; and Deputy Chairman of the Australian Gas Association. Greg also previously served as inaugural Chairman of the Energy Supply Association of Australia. He is also a past member of the Business Council of Australia and Committee for the Economic Development of Australia.

Other relevant directorships and offices (current and recent):
- Prostar Investments (Australia) Ply Ltd - Non-executive Chairman (retired December 2017)
- Sydney Desalination Plant Pty Ltd - Non-executive Chairman (retired July 2019)
- Coronado Global Resources Inc. - Non-executive Chairman (retired February 2019)
- Western Power Corporation - Non-executive Deputy Board Chair (appointed April 2015)
- Spark Infrastructure - Non-executive Director (appointed January 2017)
- Santos Limited - Non-executive Director (retired August 2017)
- Cosmos Capital Limited - Non-executive Chairman (appointed July 2020)
- Hunter Water Corporation - Non-executive Chair (appointed January 2021)

Name:	**Tom O'Leary**
Qualifications:	LLB, BJuris
Age:	57
Role:	Managing Director
Appointed:	October 2016
Independent:	No

Relevant skills and experience:
Tom contributes to Iluka more than 30 years' experience in executive management, business development and investment banking in the energy and banking sectors.

Tom was previously Managing Director of Wesfarmers Chemicals, Energy & Fertilisers having been appointed to the role in 2010. Tom joined Wesfarmers in 2000 in a Business Development role and was then appointed Managing Director, Wesfarmers Energy, in 2009. Prior to joining Wesfarmers, Tom worked in London for 10 years in finance law, investment banking and private equity. Tom holds a law degree from The University of Western Australia and has completed the Advanced Management Program at Harvard Business School.

Other relevant directorships and offices (current and recent):
- Clontarf Foundation - Non-executive Director (appointed June 2006)
- Edith Cowan University Council - Non-executive Member (retired June 2017)

Name:	**Marcelo Bastos**
Qualifications:	BEng Mechanical (Hons, UFMG), MBA (FDC-MG), MAICD
Age:	57
Role:	Non-executive Director
Appointed:	February 2014
Independent:	Yes

Current positions:
- Audit and Risk Committee - Member
- Nominations and Governance Committee - Member

Relevant skills and experience:
Marcelo contributes to Iluka more than 35 years' of operational and project experience in the mining industry across numerous commodities and geographies, particularly in Australia, Africa and South America.

Marcelo has extensive experience in major projects development and operation, and company management in the metals and mining industry. Marcelo was formerly the Chief Operating Officer of the global resources company, MMG Limited, with responsibility for its global operations.

Prior to MMG, Marcelo held senior executive positions with BHP and Vale, including CEO BHP Billiton Mitsubishi Alliance (BMA), President of BHP's Nickel West, President of Cerro Matoso and Nickel Americas, and Vale Director of Copper Operations. Marcelo is a former Member of the Western Australia Chamber of Mines and Energy and served as Vice President of the Queensland Resources Council.

Other relevant directorships and offices (current and recent):
- Golder Associates - Non-executive Director (appointed July 2017)
- Aurizon Holdings Limited - Non-executive Director (appointed November 2017)
- OZ Minerals Limited - Non-executive Director (retired April 2019)
- Anglo American PLC - Non-executive Director (appointed April 2019)

Name:	**Rob Cole**
Qualifications:	LLB (Hons), BSc
Age:	58
Role:	Non-executive Director
Appointed:	March 2018
Independent:	Yes

Current positions:
- Nominations and Governance Committee - Member
- People and Performance Committee - Member

Relevant skills and experience:
Rob contributes to Iluka more than 30 years' of commercial, business strategy and planning experience in the energy and resources sectors.

Rob was previously Managing Director of oil and gas production and exploration company, Beach Energy. Rob also spent over eight years at Woodside Petroleum Limited across a number of senior positions in commercial, corporate and legal areas, including Executive Director, Executive Vice President (Corporate and Commercial) and General Counsel. Prior to his time at Woodside, Rob was a Partner at the law firm King & Wood Mallesons. Rob is currently a non-executive director of various public, government-owned and not for profit companies and an external advisor (gas industry) to the Power and Water Corporation of the Northern Territory.

Other relevant directorships and offices (current and recent):
- Southern Ports Authority - Non-executive Chair (resigned February 2020)
- GLX Group - Non-executive Chair (resigned April 2020)
- St Bartholomew's House Inc. - Non-executive Director (appointed November 2016)
- Synergy - Non-executive Chair (appointed November 2017)
- Perenti Global Limited - Non-executive Director (appointed July 2018)
- Power & Water Corporation (Northern Territory) - external member of the Regulation & Market Operations subcommittee (appointed June 2020)
- Landgate - Non-executive Chair (appointed August 2020)

Name: **Susie Corlett**
Qualifications: BSc (Geo, Hons), FAusIMM, GAICD
Age: 50
Role: Non-executive Director
Appointed: June 2019
Independent: Yes

Current positions:
• Audit and Risk Committee - Member
• Nominations and Governance Committee - Member

Relevant skills and experience:
Susie contributes to Iluka more than 25 years' experience in exploration, mining operations, mining finance and investment.

Susie is a professional non-executive director following an executive career spanning mine operations, investment banking and private equity A geologist, Susie's background is in mining operations and exploration for RGC Ltd and Goldfields Ltd. Susie was most recently an Investment Director for Pacific Road Capital Ltd (a global mining private equity fund), following a career in mining project finance and credit risk management for Standard Bank Limited, Deutsche Bank and Macquarie Bank.

Other relevant directorships and offices (current and recent):
• Australian Institute of Mining & Metallurgy (AusIMM) Education Endowment Fund - Trustee (appointed June 2018)
• Foundation for National Parks and Wildlife - Non-executive Director (appointed June 2018)
• Aurelia Metals Ltd - Non-executive Director (appointed October 2018)
• The David Burgess Foundation - Non-executive Director (retired June 2019)
• Mineral Resources Limited - Non-executive Director (appointed January 2021)

Name: **James (Hutch) Ranck**
Qualifications: BSE (Econ), FAICD
Age: 72
Role: Non-executive Director
Appointed: January 2013
Independent: Yes

Current positions:
• People and Performance Committee - Chairman
• Nominations and Governance Committee - Member

Relevant skills and experience:
Hutch contributes to Iluka a combination of over 40 years' experience covering a wide mix of industries, geographies as well as management practices, and extensive experience in mentoring leaders.

Hutch has held senior management positions with DuPont, both in Australia and internationally in finance, chemicals, pharmaceuticals and agriculture for over 30 years. Hutch also served as a director of DuPont's Hong Kong based subsidiary, Titanium Technologies, for seven years.

Hutch retired as Managing Director of DuPont Australia and New Zealand and Group Managing Director of DuPont ASEAN in 2010. Hutch previously served as a director in a variety of companies and organisations including: CSIRO; Business Council of Australia; Australian Government Statutory Authority - APVMA; Chemical and Plastics Association - PACIA; and was a member of the Prime Minister's Science, Engineering and Innovation Council - PMSEIC.

Other relevant directorships and offices (current and recent):
- Elders Limited - Non-executive Chairman (retired December 2018)
- CSIRO - Non-executive Member of the Board (retired May 2018)
- Autopak-Vetlab Group - Non-executive Chairman (appointed April 2019)
- J.L.Lennard - Non-executive Chairman (appointed May 2020)

Name:	**Lynne Saint**
Qualifications:	BCom, GradDip Ed Studies, FCPA, FAICD, Cert Business Administration
Age:	58
Role:	Non-executive Director
Appointed:	October 2019
Independent:	Yes

Current positions:
- Audit and Risk Committee - Chairman
- Nominations and Governance Committee - Member

Relevant skills and experience:
Lynne contributes to Iluka over 30 years' financial, auditing, corporate governance, enterprise risk, supply chain management, project management, and commercial experience both within Australia and internationally.

Lynne joins the Board from Bechtel Group, where she acquired more than 19 years' leadership experience in her executive career. Having most recently served as Chief Audit Executive, Lynne was formerly Chief Financial Officer of Bechtel's Mining and Metals Global Business Unit. Prior to Bechtel, Lynne worked in commercial roles at Fluor Daniel and Placer Dome. Lynne also held consulting and auditing roles with PwC and KPMG. In 2003, Lynne was recognised as the Telstra Queensland Business Woman of the Year.

Other relevant directorships and offices (current and recent):
- NuFarm Ltd (appointed December 2020)

DIRECTORS' REPORT

For the year ended 31 December 2020

MEETINGS OF DIRECTORS

In 2020, the Board met on 13 occasions, of which seven were scheduled meetings. In addition to these formal meetings, the Board spent a day dedicated to strategic planning. Due to the COVID-19 pandemic, site visits were not able to be carried out during 2020. The Chairman chaired all the meetings. In addition, the non-executive directors meet independent of management to discuss relevant issues at each board meeting. Directors' attendance at Board and committee meetings during 2020 is detailed below:

Director	Board		Audit and Risk Committee		Nominations and Governance Commttee		People and Performance Committee	
(1)(2)	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Total meetings	13		4		5		3	
Executive								
T O'Leary	13	13		4		5		3
Non-executive								
G Martin	13	13		4	5	5	3	3
M Bastos	13	13	4	4	5	5		3
R Cole	13	13		4	5	5	3	3
S Corlett	13	13	4	4	5	5		3
J Ranck	13	13		4	5	5	3	3
L Saint (3)	13	13	4	4	5	5		3
J Seabrook (4)	5	5	1	1	2	2		1

Chairman Member Prior Member Prior Chairman

(1) "Held" indicates the number of meetings held during the period of each director's tenure. Where a director is not a member but attended meetings during the period, only the number of meetings attended is shown.

(2) "Attended" indicates the number of meetings attended by each director.

(3) Ms Saint was appointed Chairman of the Audit and Risk Committee on 9 April 2020.

(4) Ms Seabrook retired as a director on 9 April 2020.

DIRECTORS SHAREHOLDING

Directors shareholding is set out in the Remuneration Report, section 7.

EXECUTIVE TEAM PROFILES

Matthew Blackwell, BEng (Mech), Grad Dip (Tech Mgt), MBA, MAICD, MIEAust
Head of Projects and Marketing

Mr Blackwell joined Iluka in 2004 as President of US Operations. He had responsibilities for Land Management and as General Manager, USA, before being appointed Head of Marketing, Mineral Sands in February 2014. In 2019, Mr Blackwell was made Head of Major Projects, Engineering & Innovation. In late 2020, Mr Blackwell reassumed responsibility for Sales and Marketing. Prior to joining Iluka he was Executive Vice President of TSX listed Asia Pacific Resources, based in Thailand. Mr Blackwell's background in the mining industry includes varied roles spanning multiple commodities.

Rob Hattingh, MSc (Geochem), GAICD
Chief Development Officer, Sierra Rutile

Mr Hattingh joined Sierra Rutile in November 2016 from Iluka Resources where he held the position of General Manager Innovation, Sustainability and Technology. Mr Hattingh has more than 28 years' experience in the mineral sands industry in a number of roles. He was Principal Environmental Scientist at Richards Bay Minerals in South Africa and worked in senior roles at Exxaro Resources' mineral sands business (now part of Tronox) where he was responsible for technical disciplines for a number of years. In 2008, Mr Hattingh joined Iluka Resources in Perth where he held management roles in the fields of hydrogeology, metallurgy, sustainability and business development.

Sarah Hodgson, LLB, GAICD
General Manager, People and Sustainability

Ms Hodgson joined the People team at Iluka in 2013 and was appointed to her current role in March 2018. Ms Hodgson has 20 years' HR experience specialising in remuneration and international mobility and started her career at PricewaterhouseCoopers in London before relocating to Australia with KPMG in 2002. Prior to joining Iluka Ms Hodgson held senior remuneration roles both as a consultant and in-house at Mercer, Westpac and KPMG.

Daniel McGrath, B.Sc (Math)
Chief Technology Officer and Head of Rare Earths

Mr McGrath joined Iluka in 1993 and has held technical and operations management roles throughout Iluka for many years. Mr McGrath is now focused on developing Iluka's rare earths business as well as serving as chief technology officer. His most recent appointment was as General Manager - Cataby and Southwest Operations where he oversaw mining and synthetic rutile operations along with the technical development and metallurgy functions. Prior to this Mr McGrath has held senior operational positions at Iluka's Western Australian, Eastern Australian, and USA operations while also having held metallurgy and process engineering roles in Australia, Indonesia and Sierra Leone.

Adele Stratton, BA (Hons), FCA, GAICD
Chief Financial Officer and Head of Development

Ms Stratton joined Iluka in 2011, was appointed Chief Financial Officer in August 2018 and assumed accountabilities for Head of Development in October 2020. She is a qualified chartered accountant with 20 years' experience working in both public practice and public listed companies. Ms Stratton commenced her career with KPMG, spending 7 years in the assurance practice both in the UK, where she qualified as a chartered accountant, and Australia. Prior to joining Iluka, she worked in a number of finance roles at Rio Tinto Iron Ore in Perth.

Shane Tilka, BCom
General Manager, Australian Operations

Mr Tilka joined Iluka in November 2004 and has held operations management roles throughout Iluka. His most recent appointment was General Manager - Jacinth Ambrosia and Midwest. Prior to this Mr Tilka was the Chief Operating Officer for Sierra Rutile Ltd, General Manager for Iluka's US Operations and has held other senior roles at Iluka's Western Australian and South Australian operations.

Sue Wilson, BJuris, LLB, FGIA, FCG, FAICD
General Counsel and Company Secretary

Ms Wilson joined Iluka in December 2016. She was previously the Head of Company Secretariat at South32 following the demerger from BHP Billiton. She was also General Counsel and Company Secretary and a member of the executive team at Bankwest and HBOS Australia. Prior to joining Bankwest, Ms Wilson was a partner of law firm Parker & Parker (now part of Herbert Smith Freehills). She was the Pro Chancellor and a member of the Council at Curtin University until March 2020. She is also a former Chairman of the WA State Council of the Governance Institute of Australia and non-executive director of Western Power. She is currently Deputy Chair and a member of the Board at Amana Living, an aged care provider.

COMPANY SECRETARY

Ms Wilson is the Company Secretary of the Company. Ms Wilson was appointed to the position of Company Secretary in December 2016. Refer to the previous section for Ms Wilson's profile.

Mr Nigel Tinley BBus CPA GAICD FGIA FCG (CS, CGP) also acts as Company Secretary for the Company. Mr Tinley was appointed to the position of Joint Company Secretary in 2013 and prior to that he held senior positions in Finance and Sales and Marketing. Before joining Iluka in 2006, Mr Tinley held a range of accounting, financial and commercial roles over his 18 years with BHP Limited both in Australia and internationally.

DIRECTORS AND OTHER OFFICERS' REMUNERATION

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the remuneration report on pages 63 to 86 of this Annual Report.

PRINCIPAL ACTIVITIES

The principal activities and operations of the Group during the financial year were the exploration, project development, mining operations, processing and marketing of mineral sands, and rehabilitation. Iluka has an emerging position in rare earths elements, which are contained in the mineral sands monazite and xenotime. Iluka holds a 20% stake in Deterra Royalties Limited (Deterra), the largest ASX-listed resources focused royalty company.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND 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 the related body corporate) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving bad faith. The Company also has a policy to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

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

INDEMNIFICATION OF AUDITORS

The Company's auditor is PricewaterhouseCoopers. 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.

NON-AUDIT SERVICES

The Group has, from time to time, employed the external auditor, PricewaterhouseCoopers, on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Fees that were paid or payable during the year for non-audit services provided by the auditor of the parent entity, its network firms and non-related audit firms is set out in note 28 of the financial report.

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* for the following reasons:

- all non-audit services were provided in accordance with Iluka's Non-Audit Services Policy and External Auditor Guidelines; and

- all non-audit services were subject to the corporate governance processes adopted by the company and have been reviewed by the Audit & Risk Committee to ensure that they do not affect the integrity or objectivity of the auditor.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2011* is set out on page 87.

ENVIRONMENTAL REGULATIONS

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

OTHER MATTERS

Shareholder class action
On 24 March 2014 Iluka became aware that a litigation funder proposed to fund claims that current or former shareholders may have against Iluka Resources Limited in respect of alleged breaches of Iluka's continuous disclosure obligations and misleading or deceptive conduct in 2012.

On 23 April 2018, Iluka was served with an originating application and statement of claim in respect of a shareholder class action filed in the Federal Court of Australia. The proceedings have been brought by the Applicant on behalf of Iluka shareholders for alleged breaches of Iluka's continuous disclosure obligations, and misleading or deceptive conduct in relation to disclosures made by Iluka to the market between April and July 2012.

The trial of the class action is scheduled to commence on 8 March 2021 in the New South Wales registry of the Federal Court of Australia.

Iluka denies liability in respect of the allegations and is defending the proceedings.

This contingent liability was first disclosed in Iluka's 2018 Interim Report. The status of the proceedings has still not reached a stage where Iluka is able to reliably estimate the quantum of liability, if any, that Iluka may incur in respect of the class action.

Sierra Leone environmental class action
On 22 January 2019, SRL was served with a writ and statement of claim in respect of an action filed in the High Court of Sierra Leone Commercial And Admiralty Division against both SRL and The Environmental Protection Agency.

The proceedings have been brought by a group of landowner representatives (Representatives) who allege that they suffered loss as a result of SRL's mining operations. The claims primarily relate to environmental matters that arose prior to the Group acquiring its interest in SRL. The Representatives allege, in part, that SRL engaged in improper mining practices resulting in environmental degradation and contamination, did not meet certain rehabilitation obligations and violated local mining laws. SRL denies liability in respect of the allegations and intends to defend the claims. SRL filed its defence in March 2019 and also applied to the Court for an order requiring the Representatives to provide further detail on their claims.

As at 31 December 2020, the status of the proceedings has still not reached a stage where SRL is able to reliably estimate the quantum of liability, if any, that SRL may incur in respect of the class action.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The directors are not aware of any other matter or circumstance not otherwise dealt with in the Financial Report or the Directors' Report that has or may significantly affect the operations of the entity, the results of its operations or the state of affairs of the entity in subsequent financial years.

DIRECTORS' REPORT

For the year ended 31 December 2020

DIVIDEND

The directors have declared a fully franked final dividend of 2 cents per ordinary share payable on 8 April 2021.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the directors, likely developments in and expected results of the operations of the Group have been disclosed in the Operating and Financial Review on pages 20 to 41. Disclosure of any further material relating to those matters could result in unreasonable prejudice to the interests of the Group.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the year ended 31 December 2020 may be accessed from the Company's website at http://www.iluka.com/about-iluka/governance.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in "ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191", issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and accompanying Financial Report. Amounts in the Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar.

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

G Martin
Chairman

T O'Leary
Managing Director

25 February 2021

REMUNERATION REPORT

MESSAGE FROM THE CHAIRMAN OF THE PEOPLE & PERFORMANCE COMMITTEE

Dear Shareholders

I am pleased to present Iluka's 2020 Remuneration Report.

As the Chairman and the Managing Director have reflected, the company delivered a disciplined performance over the past year across a number of areas – operations, marketing, growth opportunities and sustainability – all in the face of unprecedented challenges. This included the demerger of the royalty business, which was an especially important milestone.

IMPACT OF COVID-19

The COVID-19 pandemic presented a particularly unique challenge and whilst the focus for the company was on maintaining business outcomes, the care and welfare of our people has also been at the forefront of our actions and decision making. We are proud of the willingness of our employees to respond to the changing circumstances throughout the year. Their commitment to Iluka has ensured the delivery of a disciplined operational performance.

In light of the exceptional circumstances of 2020, the Board has carefully considered remuneration outcomes. This consideration encompassed company performance and achievements; the experience of shareholders; rewarding executives appropriately; and alignment with stakeholder expectations. The Board also appreciates the feedback provided by shareholders and proxy advisers as part of the consideration process.

For 2020, the Board has determined that all Executive awards under the Executive Incentive Plan (EIP) will be delivered fully in equity, with no cash incentive paid. This is in addition to the change in structure for the Managing Director's award which will be fully delivered in equity from 2020 onwards. Scorecard objectives approved by the Board at the beginning of the year, prior to the onset of the pandemic, remained assessable throughout, with no adjustment for the business impact of COVID-19.

EXECUTIVE REMUNERATION APPROACH

Iluka's approach to executive remuneration is designed to operate through changing circumstances and environments. Executives are rewarded through a single incentive plan (the EIP). Outcomes are determined based on an annual scorecard set by the Board, with the award delivered predominately in equity that vests over 5 years (for 2020, all awards are in equity). A significant proportion of the equity awarded is also subject to a relative total shareholder return hurdle.

A number of changes have been made to the EIP, effective for the 2020 year, following engagement with and feedback from shareholders. These changes were detailed in our 2019 Remuneration Report and received strong support with the report receiving a 97.35% 'for' vote.

2020 changes to Executive Incentive Plan:

- extending performance and vesting periods so the plan operates over a five year period;
- increasing the proportion of the award that is subject to a second performance test at the end of the (extended) five year period;
- reshaping our performance scorecard and increasing the weighting of financial performance to 50%;
- introducing scale vesting for the Relative Total Shareholder Return test on the performance rights portion of the award; and
- a modest increase to target EIP incentive opportunities following detailed benchmarking against Iluka's peers

Further detail is provided in Section 3 of this Report.

2020 PERFORMANCE OUTCOMES

While Iluka's reported financial result was very strong as a consequence of the profit on demerger (of Deterra Royalties) underlying earnings were modest but notable given the circumstances in which they were achieved. Notwithstanding the company's disciplined approach to production settings and markets, the threshold set for financial performance was not met. The Board is, however, pleased with the way in which management has driven the financial performance of the company given the circumstances faced through 2020.

Threshold targets for production performance, which related exclusively to Sierra Rutile, were also not achieved.

Sustainability targets were partially met. On safety, the total recordable injury frequency rate was marginally lower at 2.8 (compared to 2.9 in 2019) and the company's rehabilitation target was met. Disappointingly, threshold performance for environmental incidents was not met.

Strong performance was achieved across a number of strategic objectives. In particular, the demerger of Iluka's royalty business was executed in November, with the listing of Deterra Royalties on the ASX, and is expected to unlock significant value over the longer term. Key growth projects were also progressed, including Iluka's Rare Earth initiative. These are detailed further in Section 4 of this report.

Key 2020 Highlights:

- MD Executive Incentive Plan outcome was 30% of maximum (45% of target).
- Executive Key Management Personnel outcomes were between 23 % and 30% of maximum (34% and 45% of target).

Further detail is provided in Section 4 of this Report.

The Board believes these outcomes fairly recognise the strong, disciplined performance of a management team confronted by truly exceptional circumstances.

HISTORICAL INCENTIVE PLAN OUTCOMES

The performance period relating to the 2017 Long Term Incentive Plan (LTIP), the last grant under the legacy LTIP, ended on 31 December 2020 and 43.57% of this award will vest.

In addition, the performance period for the Managing Director's 2016 LTIP award came to an end in December 2020. 35.72% of this award will vest.

Further detail relating to these awards can be found in Section 4.

IMPACT OF DETERRA ROYALTIES DEMERGER

As part of the demerger, the Board put arrangements in place relating to outstanding equity awards. These arrangements preserve the overall value of the incentives following the demerger; and ensure that Executives and employees are not materially advantaged or disadvantaged by the transaction. They are detailed further in Section 8.

On behalf of the Board, I invite you to review our Remuneration Report. We look forward to your ongoing feedback and continuing discussions with our shareholders and their proxy advisers on our remuneration approach. Thank you for your ongoing support.

Yours sincerely

Hutch Ranck
People and Performance Committee Chair

DIRECTORS' REPORT

For the year ended 31 December 2020

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1. WHO IS COVERED BY THIS REPORT?

This Report details the remuneration arrangements for Iluka's key management personnel (KMP). KMP in 2020 comprised the Managing Director and other key executives (Executive KMP), as well as non-executive directors.

Name	Position	Term as KMP
Managing Director		
T O'Leary	Managing Director and Chief Executive Officer	Full year
Current Executive KMP		
M Blackwell	Head of Projects and Sales & Marketing[1]	Full year
A Stratton	Chief Financial Officer and Head of Development[2]	Full year
S Tilka	General Manager, Australian Operations	Appointed 27 October 2020
Former Executive KMP		
J Andrews	Head of Strategy, Planning and Business Development	Ceased 30 October 2020[3]
C Barbier	Head Of Marketing	Ceased 30 October 2020[4]
Current Non-Executive Directors		
G Martin	Chairman, Independent Non-Executive Director[5]	Full year
M Bastos	Independent Non-Executive Director	Full year
R Cole	Independent Non-Executive Director[6]	Full year
S Corlett	Independent Non-Executive Director	Full year
J Ranck	Independent Non-Executive Director[7]	Full year
L Saint	Independent Non-Executive Director	Full year
Former Non-Executive Directors		
J Seabrook	Independent Non-Executive Director	Ceased 9 April 2020[8]

[1] Prior to 27 October 2020 M Blackwell held the role of Head of Major Projects, Innovation and Engineering.
[2] Prior to 27 October 2020 A Stratton held the role of Chief Financial Officer.
[3] J Andrews was a member of KMP until 30 October when he ceased employment with the company and became Managing Director of Deterra Royalties
[4] C Barbier ceased to be a KMP on 30 October and is expected to cease employment with the company in 1H 2021.
[5] G Martin was appointed to the People and Performance committee (previously Remuneration and Nomination Committee) on 21 February 2014.
[6] R Cole was appointed to the People and Performance Committee on 1 March 2018.
[7] J Ranck was appointed Chair of the People and Performance Committee on 18 May 2016.
[8] J Seabrook was appointed Chair of Deterra Royalties Limited on 15 June 2020.

2. ILUKA'S APPROACH TO EXECUTIVE REMUNERATION

Remuneration Principles
Iluka's Remuneration Principles provide the foundations for how remuneration is structured and awarded to achieve the following: • Remuneration which is comparable and competitive within the relevant market; • Performance based with targets that reflect both prevailing business expectations and minimum time requirements; • Trailing exposure to company performance through deferred equity plans and minimum shareholding requirements; • An appropriate balance between fixed and 'at risk' remuneration; • Alignment to shareholder returns through performance objectives which support improved shareholder returns, and • Fair and transparent remuneration based on performance, compliance with legislated frameworks and clear and concise disclosure.

EXECUTIVE REMUNERATION APPROACH

Our purpose: to deliver sustainable value, is key to Iluka's approach to executive remuneration. Our Executive Incentive Plan (EIP) is designed to ensure remuneration received by Executive KMP is closely linked to the company's performance, aligning it with the returns generated for our shareholders over the long term.

The EIP design, guided by our Remuneration Principles, reflects that we operate in a cyclical industry with volatile results largely influenced by price, volume and foreign exchange. The Board sets an annual scorecard to focus our Executive KMP on financial and strategic imperatives they can influence and are critical to Iluka's long-term sustainability. In 2020 objectives for Executive KMP covered:

- Financial performance;
- Optimisation of production and price settings;
- Sustainability focusing on protecting our people, our environment and our communities; and
- Key strategic projects to deliver sustainable value over the long-term and progression of longer term growth including the strategic review of the royalty business and implementation of the Board's preferred approach.

In setting objectives, the Board aims to ensure that targets are quantifiable and drive the right commercial and strategic outcomes for Iluka. Section 4 provides a detailed explanation of the specific targets set in 2020, how they were measured and our assessment of performance. The EIP award is delivered with a large proportion of 'at risk' remuneration in equity, deferred over several years. This, coupled with requiring our Executive KMP to maintain a personally significant shareholding in Iluka, aligns Executive KMP with and ensures they are exposed to the same financial consequences as shareholders.

3. EXECUTIVE REMUNERATION FRAMEWORK AND DETAILS

Attract and retain highly skilled and engaged executives to Iluka.	Pay for performance and delivering shareholder value Reward for results and ties executives to long-term company performance.
Fixed remuneration	**Executive Incentive Plan (FY20)**
Set after considering: - Trajectory of the company's growth and key strategic objectives - Relevant market, comparators and scarcity of talent - Executive KMP's experience and performance - Executive KMP's role responsibilities	Annual scorecard of financial and strategic measures. Board assesses scorecard performance at the end of the year with resulting award normally split into three components: **Cash** – To be delivered as restricted rights in lieu of cash for 2020[1 2] **Restricted rights** - vest in equally weighted tranches on the first, second, third and fourth anniversary of the grant. **Performance rights** are subject to performance testing at two stages. Initial scorecard performance determines the amount of the grant. A further performance test relating to Iluka's relative TSR is undertaken at the end of five years and the award will vest on a straight line basis if relative TSR meets or exceeds the median TSR performance of the selected peer group over the period.

Governance

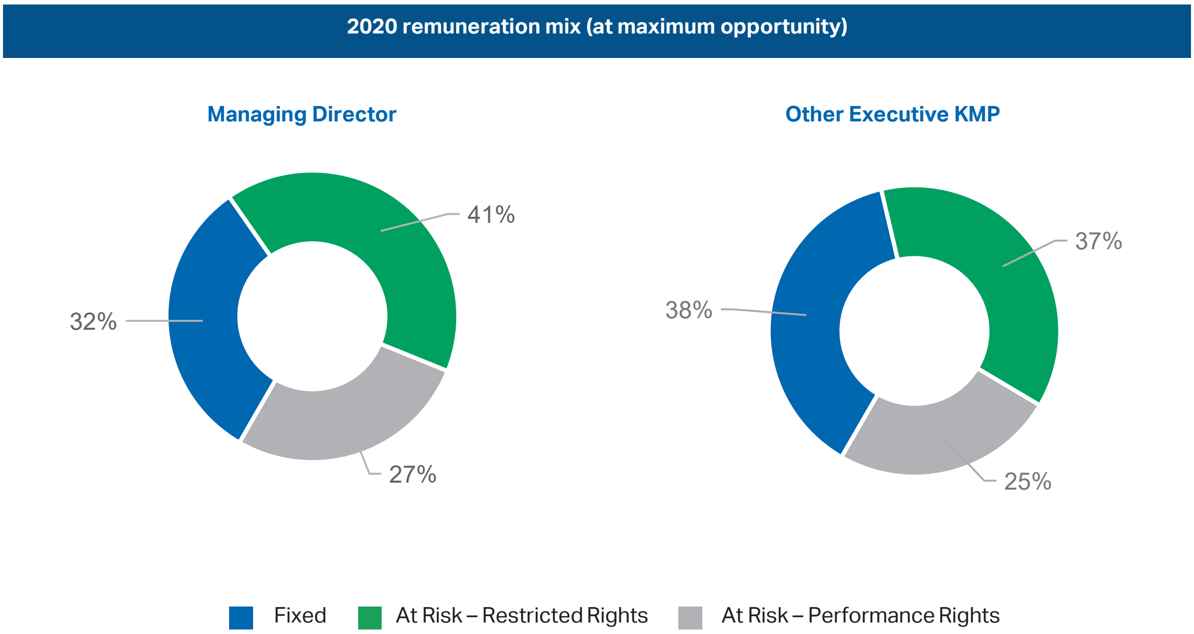
Remuneration principles and structure are supported by policies and mechanisms including security trading and minimum shareholding policies and clawback arrangements.

[1] As noted in last year's report, from 2020 the Managing Director's award will be delivered entirely in equity. In addition, for 2020 only, for other Executive KMP the cash component will be awarded as restricted rights. From 2021 the cash component will be reinstated for Executive KMP.
[2] J Andrews will receive his pro-rated 2020 EIP award in cash as agreed as part of his arrangements on appointment to Deterra Royalties.

EXECUTIVE REMUNERATION MIX

For the Managing Director, all variable remuneration is delivered in equity. For other Executive KMP, the design of the EIP includes a component of variable remuneration delivered in cash. However, in order to better reflect the circumstances of 2020, the Board has determined to award all of the EIP outcomes in equity.

The following diagram sets out the mix for fixed and "at risk" remuneration for Executive KMP during 2020.



FIXED REMUNERATION FOR 2020

The Board regularly reviews executive remuneration levels against the market comparators based on a number of factors including revenue, industry and operational factors including international scope and complexity. Whilst the market capitalisation of the company has reduced following the demerger of Deterra Royalties, and remuneration positioning against the market has increased when measured on a market capitalisation basis, the scope and complexity of Executive roles have not changed materially. The Board also notes that the competition for talent within the resources industry remains extremely tight, particularly in Western Australia.

There has been no increase to the Managing Director's fixed remuneration since his appointment to the role in September 2016. No changes were made to Adele Stratton's or Matthew Blackwell's remuneration on the broadening of their accountabilities to include Development (A Stratton) and Sales and Marketing (M Blackwell) in October 2020.

The Board will continue to monitor remuneration levels and appropriate remuneration arrangements will be put in place for any new appointments.

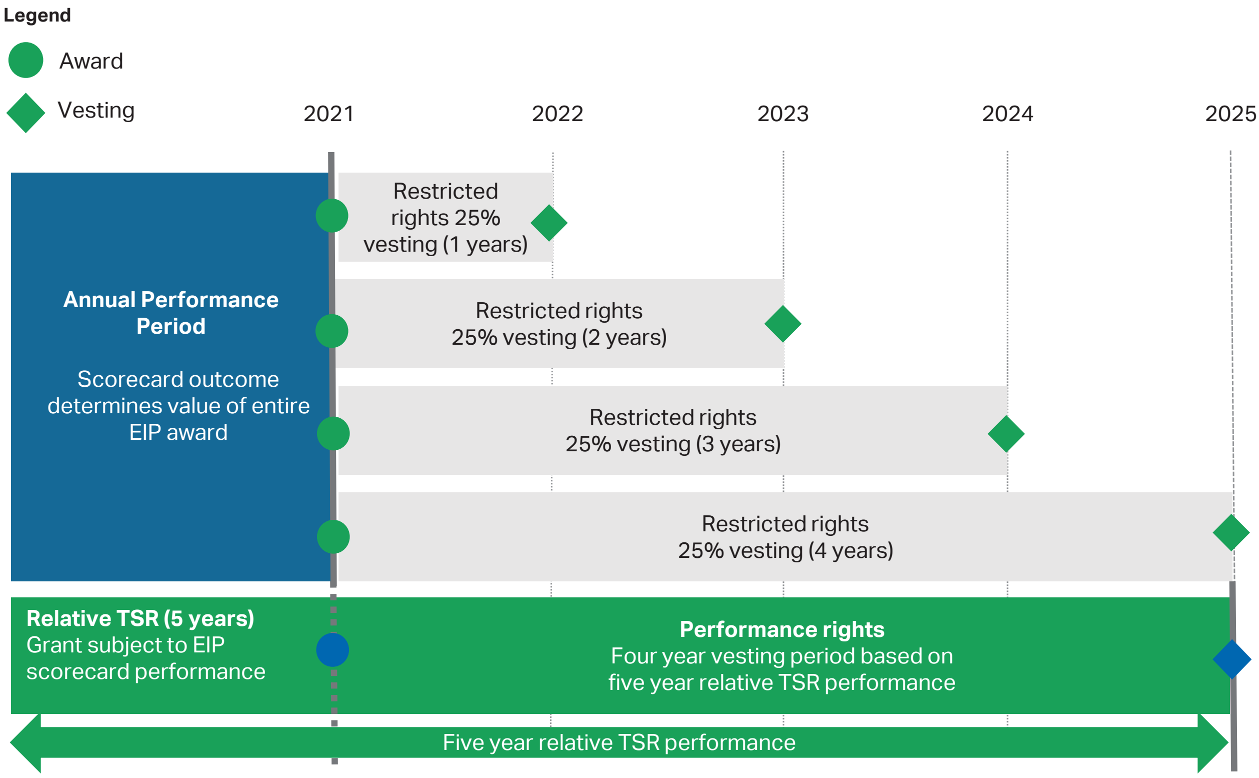
Executive KMP	Fixed Remuneration At 31 December 2019	Fixed Remuneration At 31 December 2020
T O'Leary	$1,400,000	$1,400,000
M Blackwell	$655,000	$655,000
A Stratton	$630,000	$630,000
S Tilka	N/A	$550,000
Former executives		
C Barbier	$575,000	N/A
J Andrews	$580,000	N/A

EXECUTIVE INCENTIVE PLAN FOR 2020

As foreshadowed in the 2019 Remuneration Report, the following changes have been made to the EIP effective for the 2020 financial year:

- Increasing the vesting periods, so that over half of the award vests over a four and five year period;
- The second test on performance rights has been changed so that 50% of the performance rights will vest for median performance (which is also the threshold for any vesting), increasing on a sliding scale to 100% of the award vesting where TSR is at or above the 75th percentile relative to the selected comparator group;
- The scorecard has been simplified by increasing the weighting of the financial metrics to 50% and applying the same set of financial metrics for all participants. Group and individual strategic objective will no longer be measured separately; and,
- A modest increase to target EIP incentive opportunities following detailed benchmarking against Iluka's peers.

For 2020, the EIP will operate as below[1].



[1]In 2021, the EIP structure for other Executive KMP will revert to 3 components, which includes a cash payment, delivered at the end of the annual performance period. The Managing Director award will continue to be delivered fully in equity.

DIRECTORS' REPORT

For the year ended 31 December 2020

KEY DESIGN FEATURES OF 2020 EIP

2020 EIP opportunity

The EIP opportunity is expressed as a percentage of fixed remuneration (FR).

	Target (% of FR)	Maximum (% of FR)
Managing Director	140%	210%
Other Executive KMP	110%	165%

Performance Measures

Scorecard is based on financial (50%), production (10%), sustainability (15%), individual strategic (25%) measures.

Vesting schedule

EIP scorecard outcomes are calculated based on the following schedule, with a sliding scale operating between threshold and target, and between target and stretch:

Performance Level	EIP Outcome (% Target)
Threshold	50%
Target	100%
Stretch (maximum)	150%

Performance assessment

EIP outcomes are determined following assessment of performance measures at the end of the 2020 performance period.

Outcomes are subject to one up assessment and, for the Managing Director and Executive KMP, assessment by the Board.

Award type and timing

For 2020, EIP awards will be delivered in the form of 60% restricted rights and 40% performance rights. (This was a change from 2019 with the proportion of performance rights increasing from 33%). The award will be granted for nil consideration in March 2021.

Allocation Methodology

The number of restricted rights and performance rights awarded to each participant is based on face value. This is determined by dividing the dollar value of the deferred component by the Volume Weighted Average Price (VWAP) of Iluka shares traded on the ASX over the five trading days following the release of the company's full year results.

Restriction and performance periods on EIP equity[1]

EIP equity is subject to restriction or performance conditions:

Restricted Rights	Performance Rights
Restricted rights will be granted following the end of the 2020 performance period and vest in equally weighted tranches on the first, second, third and fourth anniversary of the grant, subject to continued service.	Performance rights will be subject to an additional performance test prior to vesting. TSR performance will be measured over a five-year period commencing on 1 January 2020 against the S&P / ASX 200 Resources Index (excluding companies primarily engaged in the oil and gas sector and non-mining activities). Vesting is subject to sliding scale.

Performance level to be achieved	Percentage vesting
Below 50th percentile	0%
50th percentile	50%
Between 50th and 75th percentile	Sliding scale vesting
75th percentile	100%

Voting rights and dividends

No dividends are paid on restricted rights or performance rights prior to vesting. For any restricted rights or performance rights that ultimately vest, a cash payment equivalent to dividends paid by Iluka during the period between grant of the awards and vesting will be made. No cash payment will be made in respect of dividends on awards which do not vest.

[1]Treatment on termination is detailed in section 5.

4. 2020 PERFORMANCE HIGHLIGHTS AND ALIGNMENT TO EXECUTIVE KMP REMUNERATION OUTCOMES

NPAT (Underlying)
$151m

Deterra Demerger
99.9%
Shareholder Support

EDITDA MARGIN
41%

Maintain Strong Balance Sheet
$50m

Outlined below is the 2020 performance compared to the historic performance of the Group.

HISTORICAL COMPANY PERFORMANCE

	2016[1]	2017[1]	2018	2019[1]	2020[1]
Net profit/(loss) after tax ($m) - Reported	(224.0)	(171.6)	303.9	(299.7)	2,410
Net profit/(loss) after tax ($m) – Underlying[2]	(23.8)	95.6	300.7	278.7	151.2[3]
Underlying EBITDA (Group) ($m)[2]	150.5	360.5	600.1	616.0	423.1
EBITDA (Group) margin (%)	13.9	35.4	48.2	51.6	44.7
Free cash flow ($ million)	47.3	321.9	304.4	139.7	36.3
Earnings per share (cents)	(53.3)	(41.0)	72.2	(71.0)	570.4
Return on equity (%)	(17.1)	(20.1)	31.8	(26.6)	283.7
Closing share price ($)[4]	3.69	5.17	3.87	4.73	6.49
Dividends paid (cents)[5]	3	31	29	13	2
Franking credit level (%)	100	100	100	100	100
Average AUD : USD spot exchange rate (cents)	74.4	76.7	74.8	69.5	69.1
Revenue per tonne Z/R/SR sold ($/t)	999	1,079	1,426	1,654	1,625

[1]Reported earnings in 2016, 2017, 2019 and 2020 were impacted by significant impairments and write-downs; profit on demerger and/or changes to rehabilitation provisions for closed sites.

[2]Underlying Net profit/(loss) after tax and Group EBITDA excludes adjustments including impairments and write-downs; profit on demerger; and changes to rehabilitation provisions for closed sites.

[3]The reconciliation for the 2020 Underlying Net profit/(loss) after tax can be found on pages 22-23 of the Financial Results.

[4]2016, 2017, 2018 and 2019 represent the historical closing share price adjusted for the demerger of Deterra Royalties, sourced from FactSet via Nasdaq Excel Add-in.

[5] Dividends paid in relation to the year.

2020 EIP SCORECARD AND OUTCOMES ACHIEVED

The EIP Scorecard is approved by the Board at the commencement of the financial year and focuses executives on business priorities that support the delivery of Iluka's Corporate five year plan.

Outlined below are the targets that were set in 2020, and the performance achieved. These targets were not adjusted for the impact of COVID-19. The Board did, however, exercise discretion to exclude the impact of the profit on demerger of Deterra Royalties from performance outcomes.

Scorecard measure and target	Weight	Performance and outcome	Threshold – Target - Stretch
FINANCIALS	**50%**	**Outcome – 0% of target; 0% of maximum**	
Group ROC (%)[1] Target 2020 budget	20%	Below threshold Return on capital of 311% was adjusted to exclude the impact of the profit on the demerger of Deterra. The adjusted return on capital of 36% was below threshold. Adjusted returns were lower due to reduced sales volumes resulting from the COVID-19 pandemic, whilst product pricing was maintained throughout this challenging period.	
Group NPAT[1]	15%	Below threshold Similarly, Group NPAT was adjusted to exclude the profit on demerger; adjusted NPAT was below threshold. 2020 saw market demand for zircon and titanium dioxide feedstocks hampered by the ensuing global lockdowns caused by COVID-19. This reduction in demand had a direct impact on the NPAT generated in comparison to what was originally targeted prior to the pandemic and this had the largest impact on financial performance. Pleasingly, sales prices were maintained despite this backdrop due to Iluka's market discipline demonstrated through the adjustment to production settings.	
All in Unit Cash Costs of Production $/t Target $1,129 / t	15%	Below threshold Zircon production settings were reduced, removing ~10% of global supply – preserving price margins and, ultimately, the value of the mineral products mined and processed. The lower production resulted in higher unit costs, despite the cost saving measures introduced throughout the year.	

[1]Disclosure of financial targets

No specific targets are disclosed in relation to the financial earnings measures due to commercial sensitivity. Iluka's approach to the marketing and pricing of its products is key to achievement of the company's objective to deliver sustainable value. We believe maintaining confidentiality on financial earnings targets, even on a retrospective basis, is critical to our competitive advantage and is in the best interests of shareholders.

PRODUCTION	**10%**	**Outcome – 0% of target; 0% of maximum**	
Sierra Rutile Z/R kt Target 170	10%	Below threshold Overall production of 127kt was below threshold. Operations in Sierra Leone were impacted by a number of downtime events and reduced throughput and COVID-19 quarantine and travel restrictions which limited the ability to maintain specialised expatriate skillsets	

DIRECTORS' REPORT

For the year ended 31 December 2020

Scorecard measure and target	Weight	Performance and outcome	Threshold – Target - Stretch
SUSTAINABILITY	**15%**	**Outcome – 60% of target; 40% of maximum**	
Group Total Recordable Injury Frequency Rate Reduction to 2.6	5%	Threshold The targeted reduction was not met although the TRIFR decreased from 2.9 at the end of 2019 to 2.8 at the end of 2020. Total Recordable Injuries reduced from 30 in 2019 to 27 in 2020.	
Group Closure Index (%) Reduction of rehabilitation liability through closure index target of 103%	5%	Target Target performance was achieved as a result of rehabilitation of 576 hectares during 2020. Despite expansion of our operating sites, this outcome has enabled Iluka's total open area to remain steady at 10,125 hectares.	
Group environmental level 3 and above incidents Target of 13 or less	2.5%	Below Threshold There were 15 level 3 (or above) environmental incidents during 2020 compared to 13 in 2019. The majority (11) were associated with non-toxic slurry, sediment or saline water releases. The remainder comprised land disturbance (2), a single hydrocarbon spill and air emission exceedance.	
Closed actions by due date 95% of actions (excluding SRL) closed out by initial set due date	2.5%	Threshold 91% of actions (identified through incident investigations, planned workplace inspections and safety visits) were closed out by initial due date on a rolling 12 month basis. Performance improved from March 2020 where target performance was generally achieved across the Australian operations.	
GROUP SCORECARD[2]	**Outcome –**	**12% of target; 8% of maximum**	

[2] Financials, Production, Sustainability

MANAGING DIRECTOR INDIVIDUAL OBJECTIVES

Individual strategic objectives were set based on individual KMP accountabilities. Outlined below is assessment of the Managing Director's performance against the Individual Strategy scorecard measure and corresponding EIP outcome.

Given the unprecedented external circumstances presented in 2020, initially as a direct result of the COVID-19 pandemic, the Board considered carefully its assessment of the delivery of strategic objectives. In determining the final outcome, the Board assessed the Managing Director's performance highly, in particular his strong leadership in delivering the demerger of Deterra Royalties, the management of price and volume settings, the phased advancement of Iluka's rare earths initiative, and the focus on costs as evidenced by the efficiency programme commenced in H2 2020, all achieved in the circumstances of the 2020 year.

Scorecard measure (weight)	Performance	Threshold – Target - Stretch
INDIVIDUAL STRATEGY (25%)	**Outcome – 144% of target; 96% of maximum**	
Complete strategic review of royalty business and implement Board's preferred approach	Strategic review resulted in decision to proceed with demerger of Deterra Royalties (Deterra) in February 2020 and successfully implemented in H2 2020, despite the challenges presented by the COVID-19 pandemic. The demerger resolution was supported by 99.92% of shareholders who voted in the October 2020 shareholder extraordinary general meeting.	
Pursue value accretive opportunities to deliver sustainable value over the long term	Field activities associated with the third trial (T3) of Iluka's innovative underground mining method at Balranald were completed during the year. The field activities confirmed the effectiveness of the underground mining method and the company will determine whether to proceed with a Definitive Feasibility Study in 2021. Iluka's rare earths initiative continues to develop. Phase 1 at Eneabba is operational and exporting a 20% monazite-zircon concentrate. Phase 2 was approved in August 2020 and is in execute, with the objective of producing a 90% monazite concentrate. Iluka is also exploring the possibility of implementing Phase 3: the establishment of a rare earths refinery at Eneabba, comprising a cracking and leaching plant, together with separation and finishing facilities, with a view to producing refined rare earth oxides. Other potential developments have been progressed and are continuing in feasibility study phase.	
Progress Sembehun feasibility study and implement Board's preferred approach to further investment in Sierra Rutile	The hydro mining trial scheduled for Q1 2020 to inform the Sembehun development was not possible as a result of COVID-19 related travel restrictions in Sierra Leone. As a result the feasibility study has not been completed and the focus shifted, early in 2020, to maintaining the safety and continuity of operations. While continuity has been maintained and the health and safety of the employees and community members has been prioritised through treatment of impacted people, contact tracing, isolating and quarantining; production and financial performance were impacted and returns continued to disappoint; Iluka continues to consider the most appropriate path to generate value from the investment.	
Optimise price and volume settings	As a consequence of COVID-19 related impacts on global zircon consumption, Iluka adjusted its production settings to withdraw approximately 10% of global supply from the market in 2020. The more balanced supply/demand settings led to relatively stable zircon prices across the year. Iluka's titanium dioxide feedstocks are largely contracted on take or pay terms with the aim of safeguarding shareholder returns on significant capital investments (particularly the Cataby development). Iluka has taken appropriate steps, negotiation followed by the commencement of litigation under Iluka's long term contract with Chemours, to defend those returns.	

OVERALL EIP SCORECARD OUTCOME FOR THE MD

Scorecard measure	Weight	Outcome	Weighted Outcome	Threshold – Target - Stretch
Group Scorecard	75%	12%	9%	
Individual Strategy MD Outcome	25%	144%	36%	
OVERALL MD RESULT			**45%**	

The Individual strategy scorecard area outcomes for other Executive KMP ranged from 100 – 143% of target.

EIP AWARDS FROM 2020 SCORECARD OUTCOMES

The following table presents the outcomes of the EIP award attributed to the 2020 performance year. The face value of restricted rights and performance rights has been presented, as the fair value will not be determined until the grant is made in March 2021.

Executive KMP	Maximum EIP opportunity	% of target EIP earned	% of maximum EIP earned	Cash	Restricted Rights	Performance Rights	Total
T O'Leary	$2,940,000	45	30	$0	$529,200	$352,800	$882,000
A Stratton	$1,039,500	45	30	$0	$186,071	$124,047	$310,118
M Blackwell	$1,080,750	43	29	$0	$185,889	$123,926	$309,815
S Tilka[1]	$677,582	43	29	$0	$118,796	$74,315	$193,111
Former Executives							
C Barbier[2]	$788,033	34	23	$0	$107,173	$71,448	$178,621
J Andrews[2, 3]	$475,885	39	26	$123,730	$0	$0	$123,730

[1]S Tilka's maximum EIP opportunity and outcome reflects the change to a KMP role part way through the year.
[2]Represents the period that C Barbier and J Andrews were members of KMP.
[3]Under the demerger arrangements as set out in the demerger scheme booklet, the Board determined to deliver J Andrews' 2020 pro-rata EIP award in cash.

SUMMARY OF REALISED REMUNERATION PAID TO EXECUTIVE KMP IN 2020

This section uses non-IFRS information to explain the "realised remuneration" received by Executive KMP for 2020. This is a voluntary disclosure intended to demonstrate the link between the remuneration received by Executive KMP and the performance of Iluka over 2020 (in the case of Fixed Remuneration and EIP Restricted Rights) and over the period since the award of the LTIPs (from 2016 & 2017 for Mr O'Leary and from 2017 for other Executive KMP).

Executive KMP	Fixed Remuneration	Other	EIP		LTIP vesting	Total
			Cash	Restricted Rights	Performance Rights[1,2]	
T O'Leary	$1,400,000	$12,463	$0	$529,200	$2,338,990	$4,280,653
A Stratton	$630,000	$12,463	$0	$186,071	$51,388	$879,922
M Blackwell	$655,000	$12,463	$0	$185,889	$296,950	$1,150,302
S Tilka[3]	$100,000	$0	$0	$118,796	$77,082	$295,878
Former Executives						
C Barbier[4]	$479,167	$21,877	$0	$107,173	$84,039	$679,665
J Andrews[5]	$485,719	$59,448	$123,730	$0	$0	$668,897

[1] The estimated value of the 2016 Managing Director LTIP and 2017 LTIP awards (both of which reached the end of their performance periods in 2020; see below under Legacy Arrangements) was calculated using the closing share price of $6.49 at 31 December 2020. The actual value will be calculated using the closing price at the date of vesting (1 March 2021).
[2] The estimated value of the LTIP vesting for Executive KMP other than T O'Leary, relates to the 2017 LTIP award only (which reached the end of its performance period in 2020) and was calculated using the closing share price of $6.49 at 31 December 2020. The actual value will be calculated using the closing price at the date of vesting (1 March 2021).
[3] Represents the period that S Tilka was a member of KMP.
[4] Represents the period that C Barbier was a member of KMP.
[5] Represents the period that J Andrews was a member of KMP.

"**Fixed Remuneration (FR)**" includes base salary and superannuation earned in 2020.

"**Other**" payments include non-monetary benefits received in 2020, including car parking, relocation benefits, and termination entitlements (such as payment in lieu of notice and accrued annual and long service leave).

"**EIP**" reflects the EIP cash amount and restricted right award receivable by executive KMP in respect of performance in 2020 (awarded in March 2021 following the release of the annual results). It does not include the performance rights component of EIP outcomes, as they will only vest in future years if additional performance conditions are met.

"**LTIP**" reflects previous awards of shares as a consequence of rights from prior years which reached the end of their performance period in 2020 and vested in 2021. It does not include awards which may vest in future years subject to performance conditions.

LEGACY ARRANGEMENTS

MANAGING DIRECTOR 2016 LTIP OUTCOME

At the time of appointment the Managing Director received a 2016 Performance Rights LTIP initial grant. The Board determined the performance period would commence on appointment (rather than the start of the 2016 year) and would be tested over an extended period of 4 years and 3 months. Performance was measured against both ROE and relative TSR performance targets as detailed in the table below. For all other Executives the performance period for the 2016 LTIP concluded on 31 December 2019 and was reported in the 2019 Remuneration Report.

Performance Measure/ Weighting	Performance Target	Actual Performance	Vesting outcome
ROE (50%)	50% vesting at Threshold of 10% with full vesting at target of 14% over performance period	Did not reach threshold	0%
Relative TSR (50%) (S&P/ASX 200 Materials Index)	50% vesting at 50th percentile and full vesting for 75th percentile	60.7 percentile rank (58.64% TSR)	71.43%

Based on the results of testing, the Board determined that 35.72% (164,807 Rights) of the award would vest.

2017 LTIP OUTCOME – APPLICABLE TO ALL EXECUTIVE KMP

In making the 2017 Performance Rights LTIP grant, the Board wanted to ensure ongoing alignment of the whole the Executive team and set this award consistently with a 4 year performance period commencing on 1 January 2017, including the Managing Director. The performance period ended on 31 December 2020. Performance was measured against both ROE and relative TSR performance targets as detail in the table below.

Performance Measure/ Weighting	Performance Target	Actual Performance	Vesting outcome
ROE (50%)	50% vesting at Threshold of 10% with full vesting at target of 14% over performance period	Did not reach threshold	0%
Relative TSR (50%) (S&P/ASX 200 Materials Index)	50% vesting at 50th percentile and full vesting for 75th percentile	68.6 percentile rank (71.55% TSR)	87.14%

Based on the results of testing, the Board determined that 43.57%[1] of the award would vest.

[1]In the case of the Managing Director, this gave rise to 195,592 Rights.

5. REMUNERATION GOVERNANCE

We have established a governance framework around remuneration, to ensure that decisions around remuneration of our executive and employees reflects our remuneration principles.

REMUNERATION GOVERNANCE FRAMEWORK

BOARD

Delegation and oversight of remuneration decisions to People and Performance Committee (PPC)

WITH ADVICE FROM:

PPC

Reports on, and recommends people and remuneration strategy, frameworks and outcomes to the Board to support the company's purpose to deliver sustainable value. Operating in accordance with a Charter as approved by the Board, responsibilities include:

- Overall remuneration strategy of the company;
- Incentive plan offers and outcomes including all equity offers to employees;
- Succession planning for key roles;
- Performance and remuneration for the Managing Director and Executives, and remuneration of non-executive; and
- Diversity strategy, policies and practices of the company.

MANAGEMENT

Propose appointments, succession plans, policies, remuneration structures and remuneration outcomes for the PPC for review and recommendation to the Board.

INDEPENDENT EXTERNAL ADVISORS

Engaged by the company to provide information on remuneration related issues including current market practice, remuneration benchmarking and market data.

BASED ON:

REMUNERATION PRINCIPLES

Aligned with Iluka's People Policy and form the basis of Iluka's remuneration framework (See section 2 for detail on principles).

EXTERNAL ADVICE PROVIDED TO PPC

External remuneration consultants were engaged by the PPC in 2020 to provide advice and market insights in relation to executive remuneration arrangements. The remuneration consultants did not provide a 'Remuneration Recommendation' as defined in the *Corporations Act 2011* during the 2020 financial year.

EIP GOVERNANCE FRAMEWORK AND MECHANISMS

The structure of the EIP provides different ways to allow the PPC and the Board the flexibility to ensure remuneration outcomes reflect the performance of Iluka and each individual.

Cessation of employment	Unless the Board determines otherwise, in the event of an Executive KMP ceasing employment for: Resignation or termination for cause: all restricted shares and unvested performance rights and restricted rights will be forfeited or lapse (as applicable). Any other circumstances (including death, total and permanent disability, retirement or redundancy): unvested restricted shares, restricted rights, and performance rights will remain on foot and be subject to the original terms of the award.
Clawback & Malus	The Board has power to clawback incentives that have vested and that have been paid or awarded to participants in certain circumstances. For example, restricted shares, restricted rights and performance rights may be lapsed or forfeited (as appropriate) if a participant acts fraudulently or dishonestly or if there is a material misstatement or omission in the accounts of a Group company.
Change of control	Board discretion to determine that vesting of some or all of the performance rights and restricted rights be accelerated and that dealing restrictions on restricted shares be released, in the event of a takeover or other transaction that in the Board's opinion should be treated as a change of control event.

Board discretion	Where the Board exercises its discretion under the EIP, the Board will consider all relevant factors at the time, which may include the participant's performance against the performance targets and the proportion of the performance or deferral period that has elapsed.

MINIMUM SHAREHOLDING REQUIREMENT

Executive KMP

Executive KMP are required to acquire and hold a personally significant shareholding in Iluka to align executives to the interests of shareholders. Through shareholding, executives are exposed to the experience of shareholders (e.g. share price appreciation and dividends). Executive KMP are required to build the shareholding over a reasonable time frame taking into account vesting and taxation obligations.

As at 31 December 2020, 2 members of Executive KMP have met the minimum shareholding requirement (see below at Section 7). No adjustment has been made to the minimum shareholding requirement as a result of the demerger of Deterra Royalties. It is anticipated that Executive KMP will require additional time to meet the requirements.

MSR requirement	% of FR (year-end)
Managing Director	200%
Other KMP	100%

Non- executive directors

The Board is committed to non-executive directors acquiring and holding a shareholding within three years of appointment.

In December 2020 the Board approved an increase to the number of shares required to be held by the Chairman and other NEDs, reflecting the lower share price following the demerger of Deterra Royalties. As a result of this change as at 31 December 2020 no Board members meet the minimum shareholding requirement.

MSR requirement	No of shares
Chairman	55,000 (increased from 30,000)
Other NEDs	22,000 (increased from 12,000)

See Section 7 for details of current KMP and NED shareholdings

SECURITIES TRADING POLICY

Security Trading Policy

Directors and employees (including Executive KMP) are prohibited from trading in financial products issued or created over the company's securities created by third parties, and from trading in associated products and entering into transactions which operate to limit the economic risk of their security holdings in the company.

The Security Trading Policy is available on the company's website at **www.iluka.com**.

EXECUTIVE EMPLOYMENT AGREEMENTS

Iluka's Executive KMP are employed on terms set out in individual employment agreements which do not contain a fixed term. Key terms of the agreements are as follows:

Executive KMP	Termination Notice Period by Iluka or Employee
T O'Leary Managing Director	6 months
A Stratton Chief Financial Officer and Head of Development	6 months
M Blackwell Head of Projects and Sales and Marketing	3 months
S Tilka General Manager, Australian operations	3 months
Former Executives	
J Andrews Head of Strategy, Planning and Business Development	3 months
C Barbier Head of Marketing	3 months

If the executive's employment is terminated by Iluka (other than for gross misconduct or on other grounds for summary dismissal), the executive may be eligible to receive a termination payment to a maximum of 6 months TFR (inclusive of any payment made in lieu of notice).

Iluka may terminate Executive KMP's employment agreements without notice and without providing payment in lieu of notice where there is gross misconduct or other grounds for summary dismissal.

6. NON-EXECUTIVE DIRECTOR FEES

Non-executive director fees are paid from an aggregate fee pool of $1.8 million as approved by shareholders at Iluka's AGM in May 2015. The total amount paid to non-executive directors in 2020 (including superannuation) was $1,217,559. There were no increases to the non-executive directors' fees in 2020.

2020 NON-EXECUTIVE DIRECTOR FEE POLICY

Board and Committee Fees	Chair		Member	
	2019	2020	2019	2020
Board	$321,400	$321,400	$128,800	$128,800
Audit and Risk Committee	$ 36,100	$36,100	$ 18,100	$18,100
People and Performance Committee	$ 30,600	$30,600	$ 15,350	$15,350
Nomination Committee	Nil	Nil	Nil	Nil

The minimum required employer superannuation contribution up to the statutory maximum is paid into each non-executive director's nominated eligible fund and is in addition to the above fees.

2020 NON-EXECUTIVE DIRECTOR STATUTORY REMUNERATION DISCLOSURES

Outlined below are the fees paid to non-executive directors in 2020, prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and the relevant Australian Accounting Standards.

Name	Year	Board, Committee Fees	Non-Monetary Benefits	Superannuation	Statutory Total
Current Non-Executive Directors					
G Martin	2020	$321,400	$0	$21,348	$342,748
	2019	$321,400	$0	$20,767	$342,167
M Bastos	2020	$146,900	$0	$13,956	$160,856
	2019	$146,900	$0	$13,956	$160,856
R Cole	2020	$144,150	$0	$13,694	$157,844
	2019	$144,150	$0	$13,694	$157,844
S Corlett	2020	$146,900	$0	$13,956	$160,856
	2019	$85,692	$0	$8,141	$93,833
J Ranck	2020	$159,400	$0	$15,143	$174,543
	2019	$172,975	$0	$16,433	$189,408
L Saint	2020	$159,923	$0	$15,193	$175,115
	2019	$27,677	$0	$2,629	$30,306
Former Non-Executive Directors					
J Seabrook[1]	2020	$45,597	$0	$0	$45,597
	2019	$176,412	$0	$16,759	$193,171
Total fees	2020	$1,124,270	$0	$93,289	$1,217,559
	2019	$1,075,206	$0	$92,379	$1,167,585

[1] J Seabrook retired effective 9 April 2020.

7. STATUTORY DISCLOSURES

Details of the remuneration of the KMP, prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and the relevant Australian Accounting Standards, are set out in the following tables.

EXECUTIVE KMP STATUTORY REMUNERATION DISCLOSURES

Name	Year	FR[1]	EIP Cash[2]	Non-Monetary Benefits[3]	Termination Benefits[4]	Share Based Payments[5,6]	Statutory Total
Current Executives							
T O'Leary	2020	$1,400,000	N/A	$12,463	$0	($73,871)	$1,338,592
	2019	$1,400,000	$179,031	$11,499	$0	$1,590,547	$3,181,077
A Stratton	2020	$630,000	$0	$12,463	$0	$249,891	$892,354
	2019	$612,708	$82,164	$11,499	$0	$258,970	$965,341
M Blackwell	2020	$655,000	$0	$12,463	$0	$180,114	$847,577
	2019	$655,000	$83,971	$11,499	$0	$465,032	$1,215,502
S Tilka[7]	2020	$100,000	$0	$0	$0	$180,871	$280,871
	2019	N/A	N/A	N/A	$0	N/A	NA
Former Executives							
C Barbier[8]	2020	$479,167	$0	$21,877	$0	$131,041	$632,085
	2019	$312,569	$39,399	$67,217	$0	$185,194	$604,379
J Andrews[9]	2020	$485,719	$123,730	$10,362	$49,086	($78,418)	$590,479
	2019	$553,125	$74,671	$11,499	$0	$204,440	$843,735
Total[10]	2020	$3,749,886	$123,730	$69,628	$49,086	$589,628	$4,581,958
	2019	$3,533,402	$459,236	$113,213	$0	$2,704,183	$6,810,034

[1] Includes base salary and superannuation.
[2] No cash payments made in relation to 2020, except for J Andrews (See footnote 9).
[3] Represents car parking for KMP and car parking and immigration support for Christian Barbier
[4] Includes cessation entitlements relating to payment in lieu of notice and accrued leave entitlements.
[5] Amounts relate to the fair value of awards made under various incentive plans attributable to the year measured in accordance with AASB 2 Share Based Payments. The 2020 share based payments expense has been impacted as a result of the non-market ROE performance conditions not being met for the 2016 and 2017 grants. Amounts previously recognised in relation to these awards have been reversed in 2020, reducing the expense.
[6] Additional rights were granted in the year in relation to the 2016 & 2017 LTIP and 2018 & 2019 EIP schemes due to the impact on the awards from the demerger of Deterra. The granting of these additional rights to compensate for the demerger, led to the awards having the same or lower fair value as the rights held just before the demerger and therefore no additional expense is recognised.
[7] S Tilka became a KMP on 27 October 2020. Remuneration disclosures reflect the period he was a KMP.
[8] C Barbier ceased to be KMP on 30 October 2020. Remuneration disclosures for 2020 reflect the period he was KMP.
[9] J Andrews ceased to be a KMP on 30 October 2020. Remuneration disclosures for 2020 reflect the period he was a KMP. 2018 Performance Rights were cancelled and 2019 EIP Restricted and Performance Rights grants were not granted to him. The amounts previously recognised have been reversed in 2020, reducing the expense.
[10] The total for 2019 disclosed in this report is different to the total disclosed in 2019 Annual Report. The difference is due to S Hay's and S Wickham's remuneration figures being excluded in this report as they are no longer employees of Iluka.

DIRECTORS' REPORT

For the year ended 31 December 2020

KMP SHARE–BASED COMPENSATION

EIP AND STIP RESTRICTED SHARES AND RESTRICTED SHARE RIGHTS

Name	2017 STIP[1]	2018 EIP[1]	2019 EIP[1]	2020 EIP[2]	2019 EIP Additional Rights[3]	% of maximum opportunity awarded[4]			
	(restricted shares)	(restricted shares)	(restricted rights)	(restricted rights)	(restricted rights)	2017	2018	2019	2020
T O'Leary	36,273	119,991	67,563	81,541	55,484	61	77	43	30
A Stratton	-	33,348	21,018	28,670	17,261	-	77	44	30
M Blackwell	16,635	38,646	21,480	28,642	17,640	60	78	43	29
S Tilka[5]	-	-	-	18,304	6,926	-	-	-	29
Former Executives									
C Barbier[5]	-	-	13,878	16,513	11,397	-	-	41	23
J Andrews[5]	-	28,998	18,868	-	-	-	77	45	Nil

The terms and conditions of previous years' incentive awards are outlined in the relevant year's Remuneration Report, available at **www.iluka.com**.'

[1] The restricted share fair value is determined as the volume weighted average price of ordinary shares over the five trading days following the release of the company's annual results. Restricted shares are awarded in March of the following year (e.g. 2019 EIP awards were made in March 2020).
[2] Represents the estimated number of restricted rights to be awarded under the 2020 EIP additional awards calculated using the closing share price of $6.49 at 31 December 2020.
[3] Relates to additional rights allocations in connection with the demerger of Deterra Royalties. See section 8.
[4] The percentage achieved of the EIP or STIP maximum incentive opportunity awarded for the financial year.
[5] Disclosures reflect period individuals were members of the KMP.

PERFORMANCE RIGHTS

Name	Number of share rights					Value of share rights	
	Balance at 1 January 2020/KMP start date[1]	Granted during 2020[2]	Vested / exercised into shares in 2020	Lapsed during 2020[3]	Balance at 31 December 2020/ KMP end date[4]	Granted in 2020[5] $	Value of rights vested / exercised into shares in 2020[6] $
T O'Leary	739,047	551,118	(46,579)	(116,452)	1,127,134	$243,113	$384,743
A Stratton	40,406	54,301	-	(7,014)	87,693	$83,678	$0
M Blackwell	152,154	97,106	-	(67,358)	181,902	$85,521	$0
S Tilka	32,925	27,040	-	-	59,965	$0	$0
Former Executives							
C Barbier	46,463	10,378	-	(17,953)	38,888	$10,378	$0
J Andrews	20,360	-	-	(20,360)	-	$0	$0

[1]Balance at KMP commencement date of 27 October 2020 for S Tilka.
[2]Share rights granted in respect of the 2019 EIP, which form part of the share based payments for 2019 to 2022 inclusive. Additional share rights were also granted in relation to Performance Rights awarded for the 2016 Managing Director LTIP, 2017 LTIP, 2018 EIP and 2019 EIP as a result of the Demerger. This was to ensure that the value of the holdings were kept 'whole'.
[3]Share rights which lapsed during 2020 relate to the 2016 LTIP award and MD LTDR (Tranche 3) and 2018 share rights lapsed and 2019 EIP entitlements not awarded to Julian Andrews on his departure.
[4]Balance at KMP end date for C Barbier.
[5]Value at point of grant.
[6]Value at point of vest.

FAIR VALUE

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

The maximum value of restricted shares and/or share rights yet to vest is not able to be determined as it is dependent on satisfaction of service and performance conditions and Iluka's future share price. The minimum value of unvested restricted shares and/or share rights is nil.

FAIR VALUE OF EQUITY GRANTS

Incentive Plan	Grant Date	Fair Value per Share or Right at Grant Date[1] $	Vesting Year	Expiry year[2]
2016 LTIP (MD grant)	October 2016	3.71/5.42	2021	2026
2017[3] LTIP	March 2017	7.44/5.66	2021	2027
2017 STIP	March 2018	10.55	2020	2019,2020
2018 EIP[4]	March 2019	5.67/9.35	2020, 2021, 2022	2020,2021,2022
2019 EIP[5]	March 2020	6.83/9.19	2021, 2022, 2023	2021,2022,2023
2020 EIP[6]	March 2021	6.49	2022, 2023, 2024, 2025	2025

[1]The fair value is calculated in accordance with the measurement criteria of Accounting Standard AASB 2 Share Based Payments.
[2]Rights granted under the LTIP are not automatically exercised and must be exercised by the Executive KMP before the expiry date. Rights that are not exercised by the expiry date are automatically exercised by this date. No amounts are payable on exercise of the rights.
[3] Represents the fair value of ROE and TSR tranches of 2017 LTIP.
[4] Represents the 5 day WAP to the date of grant of restricted shares, and fair value of performance rights awarded under the 2018 EIP for which the performance period concluded on 31 December 2018.
[5]Represents the 5 day WAP to the date of grant of restricted shares, and fair value of performance rights to be awarded under the 2019 EIP for which the performance period concluded on 31 December 2019 .
[6]Represents the estimated fair value of restricted rights and performance rights to be awarded under the 2020 EIP for which the performance period concluded on 31 December 2020, calculated using the closing share price of $6.49 at 31 December 2020. The actual value will be calculated as the VWAP of ordinary shares over the five trading days following the release of the company's 2020 annual results.

SHAREHOLDINGS OF EXECUTIVE KMP AND THEIR RELATED PARTIES

Name	Number of shares					Minimum shareholding met?[4]
	Balance held at 1 January 2020/ KMP start date[1,2]	Vesting/ exercise of share rights pursuant to LTDR and LTIP	Awarded as Restricted Shares pursuant to EIP	Other changes[3]	Balance held at 31 December 2020/KMP end date	
T O'Leary	299,459	46,579	123,047	-	469,085	Yes
A Stratton	49,025	-	38,279	(5,765)	81,539	No
M Blackwell	82,437	-	39,120	(35,314)	86,243	No
S Tilka[5]	68,220	-	6,926	-	75,146	Yes
Former Executives						
C Barbier[6]	31,377	-	13,878	-	45,255	N/A
J Andrews	33,738	-	N/A	N/A	33,738	N/A

[1] J Andrews ceased to be a member of KMP on 30 October 2020. The closing balance reflects the period he was a KMP.
[2] Includes shares held directly or through a nominee or agent (e.g. family trust).
[3] Other changes may include changes due to personal trades and forfeited shares.
[4] As at 31 December with share price of $6.49.
[5] S Tilka became a KMP on 27 October 2020. The opening balance reflects the balance on the date he became a KMP and includes 10,893 restricted shares granted to Mr Tilka in March 2018 as his 2018 Restricted Share Plan award (which will be released to him in March 2021) and 12,718 restricted shares granted to Mr Tilka in March 2019 as his 2019 Restricted Share Plan award (which will be released to him in March 2022).
[6] C Barbier ceased to be a member of KMP on 30 October 2020. The closing balance reflects the period he was a KMP.

SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS AND THEIR RELATED PARTIES

Name	Number of shares[1]			Minimum shareholding met?[2]
	Balance held at 1 January 2020	Net movement	Balance held at 31 December 2020	
G Martin[3]	30,000	-	30,000	No
M Bastos[3]	14,379	165	14,544	No
R Cole[3]	12,000	-	12,000	No
S Corlett	5,588	4,405	9,993	No
J Ranck	12,762	147	12,909	No
L Saint	-	3,500	3,500	No
Former Non-Executive Directors				
J Seabrook[4]	20,540	236	20,776	N/A

[1] Non-executive directors do not receive share based compensation and movements in their shareholdings reflect on-market trades.
[2] Minimum shareholding requirements increased in December 2020.
[3] Includes shares held indirectly through a nominee or agent (e.g. family trust).
[4] Reflects final balance as a director.

On-market Share Purchases

There were no Iluka shares acquired on market in 2020 by the company.

Transactions with Key Management Personnel

During the financial year there were no product or services purchases by KMP from the Group (2019: nil) and there are no amounts payable at 31 December 2020 (2019: nil).

There have been no loans to KMP during the financial year (2019: nil).

8. IMPACT OF THE DEMERGER OF DETERRA ROYALTIES ON EXECUTIVE KMP INCENTIVES

As outlined above, during 2020, Iluka undertook a demerger of Deterra Royalties by way of an in specie dividend and capital return to existing Iluka shareholders. This transaction impacted on Iluka incentive awards on foot at the time of demerger, including those held by Executive KMP.

In general, Iluka participants holding restricted share awards under the EIP and legacy Iluka plans were able to participate in the demerger and received Deterra Royalties shares in line with other Iluka shareholders. For members of Iluka's Executive Team (including the Executive KMP), a holding lock was applied to these Deterra Royalties shares to align vesting with vesting of the underlying Iluka restricted share award.

Restricted rights and performance rights under the EIP and legacy Iluka plans were not able to participate in the demerger and, as a result of the transaction, the value of Iluka shares underlying each restricted right or performance right was reduced. To address the reduction in value, the Board determined that additional allocations of rights ('additional rights') would need to be made, in order to preserve the overall value of the incentives following the demerger, and to ensure that participants were no better or worse off as a result of the demerger. A summary of the additional rights granted to Executive KMP during 2020 is outlined below.

Detailed information on the treatment of Iluka incentive awards on demerger of Deterra Royalties is set out in section 4 of the demerger scheme booklet. The demerger scheme booklet and other details relating to the demerger are available in Iluka's demerger suite: https://iluka.com/deterra-royalties/demerger-suite.

Additional rights allocations

The additional rights were granted in December 2020 on substantially the same terms and conditions as the original awards. The terms and conditions of the original awards are set out in the relevant Remuneration Reports[1].

The calculation method used to determine the number of additional rights to be granted, (round down to the nearest whole right) was as follows:

$$\left(\text{No. of Restricted/Performance Rights under the Award held before the Demerger} \times \frac{\text{Iluka 5-day post-Demerger VWAP} + \text{Deterra 5-day post-Demerger VWAP}}{\text{Iluka 5-day post-Demerger VWAP}} \right) - \text{No. of Restricted/Performance Rights under the Award held before the Demerger}$$

[1]The terms and conditions of the relevant plans are set out as follows:

- Managing Director 2016 LTIP: 2016 Remuneration Report;
- 2017 LTIP: 2017 Remuneration report;
- 2018 EIP: 2018 Remuneration report; and
- 2019 EIP: 2019 Remuneration Report.

SUMMARY OF TOP UP ALLOCATIONS

The table below sets out additional top up rights granted to Executive KMP in 2020 in relation to their existing awards.

Name	Plan	Number of original rights		Number of additional rights	
		Restricted Rights	Performance Rights	Restricted Rights[1]	Performance Rights[1]
Current Executives					
T O'Leary	2016 LTIP		253,375		208,074
	2017 LTIP		246,493		202,422
	2018 EIP		76,148		62,534
	2019 EIP	67,563	42,877	55,484	35,211
A Stratton	2017 LTIP		9,978		8,195
	2018 EIP		23,414		19,228
	2019 EIP	21,018	14,758	17,261	12,120
M Blackwell	2017 LTIP		57,662		47,353
	2018 EIP		27,134		22,283
	2019 EIP	21,480	15,083	17,640	12,387
S Tilka	2017 LTIP		14,966		12,291
	2018 EIP		10,898		8,950
	2019 EIP	8,433	7,061	6,926	5,799
Former Executives					
C Barbier	2017 LTIP		16,318		13,401
	2018 EIP		12,192		10,013
	2019 EIP	13,878	10,378	11,397	8,523

The original value of the Share rights immediately prior to the demerger was $9,613,959. Following the allocation of the additional rights, the total value of the Share rights, inclusive of the additional allocations was $9,214,400[2].

[1]It was determined that as the granting of these additional rights to compensate for the demerger led to the awards having the same or lower fair value as the rights held just before the demerger, no additional expense was to be recognised. The maximum value of an additional right is the face value of an Iluka share at the time of vesting and the minimum value is nil.
[2]The value of the share rights prior to demerger was determined by using Iluka's closing share price of $9.90 immediately prior to separation. The value of the share rights inclusive of additional allocation was determined using Iluka 5 day VWAP of $5.21 immediately following separation.

DEPARTING KMP REPLACEMENT AWARDS

Julian Andrews transferred to and was appointed as Managing Director and CEO of the newly demerged Deterra Royalties, effective 2 November 2020. As a result of his appointment, and to create immediate alignment with the new entity, a number of Mr Andrews' existing Iluka awards/entitlements were cancelled or not granted to him. Instead, Deterra Royalties will provide Mr Andrews' with alternative incentive award arrangements following demerger. These awards will be outlined in Deterra Royalties' first Remuneration Report to be released later in 2021.

The table below sets out Mr Andrews' Iluka awards which were impacted as a result of his appointment to Deterra Royalties.

	Plan	Number of Restricted rights	Number of performance rights
J Andrews	2018 EIP award (lapsed)	N/A	20,360
	2019 EIP award (not granted)	19,103	13,413

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 31 December 2020

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2020, 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.

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
25 February 2021

ILUKA RESOURCES LIMITED ABN 34 008 675 018
FINANCIAL REPORT

31 December 2020

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ABOUT THIS REPORT

These financial statements are the consolidated financial statements of the Group consisting of Iluka Resources Limited and its subsidiaries (the Group). The financial statements are presented in Australian dollars.

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 17
240 St Georges Terrace
Perth WA 6000

A description of the nature of the Group's operations and its principal activities is included in the operating and financial review section of the Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 25 February 2021. The directors have 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 ASX releases, financial reports and other relevant information are available at www.iluka.com.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 $m	2019 $m
CONTINUING OPERATIONS			
Revenue	5	**990.6**	1,232.9
Other income	6	**21.2**	2.4
Expenses	7	**(799.3)**	(853.7)
Write-down of Sierra Rutile Limited	8	**-**	(414.3)
Equity accounted share of profit - Deterra	23	**0.1**	-
Interest and finance charges		**(7.7)**	(15.0)
Rehabilitation and mine closure provision discount unwind		**(26.6)**	(38.0)
Total finance costs	16	**(34.3)**	(53.0)
Profit/(loss) before income tax		**178.3**	(85.7)
Income tax expense	12	**(74.8)**	(273.3)
Profit/(loss) after income tax from continuing operations		**103.5**	(359.0)
DISCONTINUED OPERATIONS			
Profit after tax from discontinued operations	23	**2,306.5**	59.3
Profit/(loss) for the period, attributable to:		**2,410.0**	(299.7)
Equity holders of Iluka Resources Limited		**2,411.9**	(279.9)
Non-controlling interest	24	**(1.9)**	(19.8)

	Notes	Cents	Cents
Earnings/(loss) per share from continuing operations attributable to the ordinary equity holders of the parent			
Basic earnings per share	20	**24.5**	(85.0)
Diluted earnings per share	20	**24.4**	(85.0)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic profit/(loss) per share	20	**570.4**	(71.0)
Diluted profit/(loss) per share	20	**568.0**	(71.0)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Profit/(loss) for the period		**2,410.0**	(299.7)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Currency translation of foreign operations	18	**6.2**	2.7
Hedge of net investment in foreign operation, net of tax	18	**-**	(2.6)
Movements in foreign exchange cash flow hedges, net of tax		**5.7**	4.7
Items that will not be reclassified to profit or loss			
Actuarial (losses) gains on defined benefit plans, net of tax	18	**(4.2)**	(3.9)
Total other comprehensive income for the year, net of tax		**7.7**	0.9
Total comprehensive income/(loss) for the year, attributable to:		**2,417.7**	(298.8)
Equity holders of Iluka Resources Limited		**2,419.6**	(279.0)
Non-controlling interest	23	**(1.9)**	(19.8)
Total comprehensive income/(loss) for the year attributable to the equity holders of the parent arises from:			
Continuing operations		**113.1**	(338.3)
Discontinued operations		**2,306.5**	59.3

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Notes	2020 $m	2019 $m
ASSETS			
Current assets			
Cash and cash equivalents	16	**87.1**	97.3
Receivables	14	**95.5**	196.3
Inventories	15	**504.1**	341.1
Derivative financial instruments	22	**1.9**	-
Current tax receivables		**-**	3.3
Total current assets		**688.6**	638.0
Non-current assets			
Investments accounted for using the equity method	23	**452.1**	-
Derivative financial instruments	22	**0.6**	-
Property, plant and equipment	10	**1,066.8**	1,126.2
Deferred tax assets	13	**28.4**	22.1
Intangible asset - MAC Royalty (discontinued operation)	23	**-**	3.5
Inventories	15	**112.0**	84.1
Right of use assets	11	**15.4**	20.5
Total non-current assets		**1,675.3**	1,256.4
Total assets		**2,363.9**	1,894.4
LIABILITIES			
Current liabilities			
Payables		**129.4**	140.8
Derivative financial instruments	22	**-**	3.7
Current tax payable		**29.3**	96.1
Provisions	9	**95.0**	112.6
Lease liabilities	11	**7.5**	9.2
Total current liabilities		**261.2**	362.4
Non-current liabilities			
Interest-bearing liabilities	16	**36.9**	54.0
Derivative financial instruments	22	**-**	1.6
Provisions	9	**750.5**	715.6
Financial liabilities at fair value through profit or loss	24	**7.2**	28.4
Lease liabilities	11	**15.8**	20.8
Total non-current liabilities		**810.4**	820.4
Total liabilities		**1,071.6**	1,182.8
Net assets		**1,292.3**	711.6
EQUITY			
Contributed equity	17	**1,150.5**	1,157.6
Reserves	18	**37.1**	24.0
Retained earnings/(accumulated losses)	18	**104.3**	(472.0)
Non-controlling interests	24	**0.4**	2.0
Total equity		**1,292.3**	711.6

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1] $m	Total equity $m
		Attributable to owners of Iluka Resources Limited					
Balance at 1 January 2019		**1,154.0**	**42.6**	**(86.6)**	**1,110.0**	**-**	**1,110.0**
Profit for the year	18	-	-	(279.9)	(279.9)	(19.8)	(299.7)
Other comprehensive income (loss)	18	-	4.8	(3.9)	0.9	-	0.9
Total comprehensive income		**-**	**4.8**	**(283.8)**	**(279.0)**	**(19.8)**	**(298.8)**
Transfer of asset revaluation reserve		-	0.1	(0.1)	-	-	-
Transactions with owners in their capacity as owners:							
Transfer of shares to employees, net of tax		8.0	(8.0)	-	-	-	-
Purchase of treasury shares, net of tax		(6.0)	-	-	(6.0)	-	(6.0)
Share-based payments, net of tax	18	-	5.9	-	5.9	-	5.9
Dividends paid	18	1.6	-	(101.5)	(99.9)	-	(99.9)
Transactions with non-controlling interests		-	(21.4)	-	(21.4)	21.8	0.4
		3.6	(23.5)	(101.5)	(121.4)	21.8	(99.6)
Balance at 31 December 2019		**1,157.6**	**24.0**	**(472.0)**	**709.6**	**2.0**	**711.6**

	Notes	Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1] $m	Total equity $m
		Attributable to owners of Iluka Resources Limited					
Balance at 1 January 2020		**1,157.6**	**24.0**	**(472.0)**	**709.6**	**2.0**	**711.6**
Profit for the year	18	-	-	2,411.9	2,411.9	(1.9)	2,410.0
Other comprehensive income (loss)	18	-	11.9	(4.2)	7.7	-	7.7
Total comprehensive income		**-**	**11.9**	**2,407.7**	**2,419.6**	**(1.9)**	**2,417.7**
Transfer of asset revaluation reserve		-	(0.5)	0.5	-	-	-
Transactions with owners in their capacity as owners:							
Transfer of shares to employees, net of tax		1.7	(1.7)	-	-	-	-
Share-based payments, net of tax	18	-	3.7	-	3.7	-	3.7
Dividends paid	18	1.2	-	(1,831.9)	(1,830.7)	-	(1,830.7)
Transactions with non-controlling interests	24	-	(0.3)	-	(0.3)	0.3	-
Return of capital	23	(10.0)	-	-	(10.0)	-	(10.0)
		(7.1)	1.7	(1,831.9)	(1,837.3)	0.3	(1,837.0)
Balance at 31 December 2020		**1,150.5**	**37.1**	**104.3**	**1,291.9**	**0.4**	**1,292.3**

[1] Non-controlling interest - refer to note 23.

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 2020

	Notes	2020 $m	2019 $m
Cash flows from operating activities			
Receipts from customers		**1,043.0**	1,189.8
Payments to suppliers and employees		**(846.3)**	(781.7)
Operating cash flow		**196.7**	408.1
Interest received		**0.7**	1.2
Interest paid		**(3.2)**	(6.9)
Income taxes paid		**(164.7)**	(147.4)
Exploration expenditure		**(10.0)**	(11.3)
Mining Area C royalty receipts		**92.2**	78.5
Net cash inflow from operating activities	31	**111.7**	322.2
Cash flows from investing activities			
Payments for property, plant and equipment		**(71.2)**	(197.5)
Sale of property, plant and equipment		**5.1**	2.0
Net cash outflow from investing activities		**(66.1)**	(195.5)
Cash flows from financing activities			
Repayment of borrowings		**(304.5)**	(324.7)
Proceeds from borrowings		**295.1**	332.7
Purchase of treasury shares		**-**	(7.4)
Proceeds from changes in ownership interests		**-**	28.5
Dividends paid	19	**(32.6)**	(99.9)
Principal element of lease payments		**(9.3)**	(8.2)
Debt refinance costs		**-**	(2.0)
Net cash outflow from financing activities		**(51.3)**	(81.0)
Net increase/(decrease) in cash and cash equivalents		**(5.7)**	45.7
Cash and cash equivalents at 1 January		**97.3**	51.3
Effects of exchange rate changes on cash and cash equivalents		**(4.5)**	0.3
Cash and cash equivalents at end of period	16	**87.1**	97.3

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONTENT OF THE NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2020

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Iluka Resources Limited and its subsidiaries together are referred to in this financial report as the Group.

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Iluka Group. Information is considered relevant and material if:

- The amount is significant due to its size or nature;
- The amount is important in understanding the results of the Group;
- It helps to explain the impact of significant changes in the Group's business; or
- It relates to an aspect of the Group's operations that is important to its future performance.

BASIS OF PREPARATION

This section of the financial report sets out the Group's accounting policies that relate to the financial statements as a whole. This section also sets out information related to critical accounting estimates and judgements applied to these financial statements.

1 REPORTING ENTITY

Iluka Resources Limited (Company or parent entity) is domiciled in Australia. The financial statements are for the Group consisting of Iluka Resources Limited and its subsidiaries. A list of the Group's subsidiaries is provided in note 25.

2 BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Iluka Resources Limited is a for-profit entity and is primarily involved in mineral sands exploration, project development, mining operations, processing and marketing. The Group previously held a royalty business, with a cornerstone asset over BHP's Mining Area C in Western Australia. Details of the demerger and its impact on the financial statements are contained in note 23.

The consolidated financial statements of Iluka Resources 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 financial assets and liabilities which are required to be measured at fair value.

New and amended standards adopted by the Group, and their related impacts on the financial statements (if any), are detailed in note 35.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Iluka Resources Limited as at 31 December 2020 and the results of all subsidiaries for the year then ended. A list of controlled entities (subsidiaries) at year-end is contained in note 25.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting from the date on which the investee becomes an associate.

During the year, Deterra became an associate of the Group. The accounting implications are detailed in note 23.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 8.

(iii) Employee Share Trust

The Group's Employee Share Schemes are administered through the Iluka Resources Limited Employee Share Plan Trust (the trust). This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares in the Company held by the trust are disclosed as treasury shares in the consolidated financial statements and deducted from contributed equity, net of tax.

(b) Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Where Group companies based in Australia transact in foreign currencies, these transactions are translated into Australian dollars using the exchange rate on that day. Foreign currency monetary assets and liabilities are translated to Australian dollars at each reporting date exchange rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to Australian dollars at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not re-translated.

The financial position of foreign operations is translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at average exchange rates each month. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

To the extent that these borrowings did not exceed the net assets of these operations, foreign currency differences arising on the translation of these borrowings were recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Any remaining differences were recognised in profit or loss. If these operations were to be disposed of (in full or in part), the relevant amount in the foreign currency translation reserve would be transferred to profit or loss as part of the gain or loss on disposal.

(c) Government grants

The Group received $13.6 million in government grant income during the reporting period under the Australian Government's Jobkeeper Payment scheme. The scheme was a response by the Australian Government to assist businesses impacted by the economic effects of COVID-19. It subsidised employee costs of eligible nominated employees, provided the employer met certain eligibility criteria and elected to participate in the scheme.

Iluka was eligible following a significant decline in zircon demand and associated revenue in Q1. Given the company's subsequent financial performance, Iluka has voluntarily decided to return amounts received under the scheme. The income statement reflects no amounts associated with Jobkeeper. The balance sheet reflects cash of $13.6 million, and an associated payable of $13.6 million in respect of Jobkeeper.

(d) Rounding of amounts

The Company is of a kind referred to in Rounding Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the financial statements. In accordance with that Rounding Instrument, amounts in the financial statements have been rounded to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars or nearest dollar.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future in applying its accounting policies. 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 noted below.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and future periods affected.

Estimates and assumptions which are material to the financial report are found in the following notes:

	Note
Impairment of assets	7
Rehabilitation and mine closure provisions	8
Tax balances	11
Net realisable value and classification of product inventory	14
Determining the fair value of Deterra	23

KEY NUMBERS

4 SEGMENT INFORMATION

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision-makers) in assessing performance and in determining the allocation of resources. The operating segments of the Group are:

Jacinth-Ambrosia/Mid West (JA/MW) comprises the mining operations at Jacinth-Ambrosia located in South Australia, and associated processing operations at the Narngulu mineral separation plant in mid-west Western Australia.

Cataby/South West (C/SW) comprises mining activities at Cataby and processing of ilmenite at Synthetic Rutile Kiln 2, both located in Western Australia.

Sierra Rutile (SRL) comprises the integrated mineral sands mining and processing operations in Sierra Leone.

Mining Area C (MAC) comprised a deferred consideration iron ore royalty interest over certain mining tenements in Australia operated by BHP Group, which was demerged from the Group as outlined in note 23. The results of the MAC operating segment have been reclassified in the current and prior reporting period as a discontinued operation (refer to note 23).

United States/Murray Basin (US/MB) comprises rehabilitation obligations in the United States (Florida and Virginia), where mining and processing activities were substantially completed in December 2015, although sale of remnant product remains an activity; and certain idle assets located in Australia (Murray Basin).

Cash, debt and tax balances are managed at a group level, together with exploration and other corporate activities, and are not allocated to segments.

Where finished product capable of sale to a third party is transferred between operating segments, the transfers are made at arm's length prices. Any transfers of intermediate products between operating segments are made at cost. No such transfers took place between segments during the year ended 31 December 2020 (2019: $nil).

(b) Segment information

2020	JA/MW $m	C/SW $m	SRL $m	MAC[2] $m	US/MB $m	Total $m
Total segment sales of mineral sands	389.0	300.4	223.1	-	34.5	947.0
Total segment freight revenue	20.6	8.5	7.8	-	6.1	43.0
Depreciation and amortisation expense	(36.2)	(72.3)	(72.2)	-	(0.4)	(181.1)
Changes in rehabilitation for closed sites	1.7	0.2	4.0	-	2.2	8.1
Total segment result[1]	242.0	116.8	(51.2)	-	(0.2)	307.4
Segment assets	609.6	860.2	138.7	-	135.7	1,744.2
Segment liabilities	270.2	284.8	139.2	-	255.0	949.2
Additions to non-current segment assets	44.6	80.0	20.9	-	0.8	146.3

2019	JA/MW $m	C/SW $m	SRL $m	MAC[2] $m	US/MB $m	Total $m
Total segment sales of mineral sands	482.7	414.2	257.6	-	38.6	1,193.1
Total segment freight revenue	19.8	7.4	8.1	-	3.3	38.6
Write-down of Sierra Rutile Limited	-	-	(414.3)	-	-	(414.3)
Depreciation and amortisation expense	(28.9)	(54.0)	(74.6)	-	(0.6)	(158.1)
Changes in rehabilitation for closed sites	1.6	(0.1)	-	-	(4.7)	(3.2)
Total segment result[1]	316.8	160.4	(430.0)	-	(14.8)	32.4
Segment assets	588.4	717.2	220.2	23.7	154.1	1,703.6
Segment liabilities	248.1	254.7	169.3	-	304.6	976.7
Additions to non-current segment assets	78.0	113.1	79.9	-	2.0	273.0

[1]Total segment result includes impairment charges, depreciation and amortisation expenses, and rehabilitation and holding costs for closed sites that are also separately reported above.

[2]MAC operating segment results have been reclassified as a discontinued operation in the consolidated statement of profit or loss in the current and prior reporting period. Segment assets of $23.7 million comprise MAC royalties receivable of $20.2 million and the carrying amount of the MAC royalty entitlement asset of $3.5 million at 31 December 2019. Refer to notes 14 and 23.

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

	2020 $m	2019 $m
China	**316.7**	403.1
Asia excluding China	**211.4**	218.2
Europe	**341.6**	398.0
Americas	**76.7**	135.6
Other countries	**0.6**	38.2
Sale of goods	**947.0**	1,193.1

The Group changed the classification of certain revenue included above (together with comparative amounts) to more accurately report its geographical grouping.

Revenue of $144.1 million and $90.7 million was derived from two external customers of the mineral sands segments, which individually account for greater than 10% of the total segment revenue (2019: revenues of $187.7 million and $136.9 million from two external customers).

Segment result is reconciled to profit/(loss) before income tax as follows:

	2020 $m	2019 $m
Segment result	**307.4**	32.4
Interest income	**0.6**	-
Asset sales and other income	**(0.2)**	1.8
Marketing and selling	**(11.5)**	(11.9)
Corporate and other costs	**(54.6)**	(47.3)
Major Projects, Engineering and Innovation	**(62.3)**	(42.2)
Depreciation	**(3.4)**	(4.6)
Interest and finance charges	**(6.0)**	(13.9)
Net foreign exchange gains	**1.2**	-
Equity accounted profit - Deterra	**0.1**	-
Gain on remeasurement of Put Option	**19.4**	-
Impairment - Sri Lankan exploration assets	**(12.4)**	-
Profit/(loss) before income tax from continuing operations	**178.3**	(85.7)

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

Segment assets	**1,744.2**	1,703.6
Corporate assets	**50.1**	68.1
Investment in Deterra Resources Limited	**452.1**	-
Cash and cash equivalents	**86.9**	97.3
Current tax receivable	**-**	3.3
Deferred tax assets	**28.4**	22.1
Total assets as per the balance sheet	**2,361.7**	1,894.4

Segment liabilities	**949.2**	976.7
Corporate liabilities	**54.0**	56.0
Current tax payable	**29.3**	96.1
Interest-bearing liabilities	**36.9**	54.0
Total liabilities as per the balance sheet	**1,069.4**	1,182.8

5 REVENUE

	Notes	**2020 $m**	2019 $m
Continuing operations			
Sales revenue			
Sale of goods	5(a)	**947.0**	1,193.1
Freight revenue	5(b)	**43.0**	38.6
Other revenue			
Interest	5(c)	**0.6**	1.2
		990.6	**1,232.9**

(a) Sale of mineral sands

The Group earns revenue by mining, processing, and subsequently selling mineral sands (including zircon, rutile, synthetic rutile and ilmenite) by export to customers based in the Americas, Europe, China, the rest of Asia, and other countries under a range of commercial terms.

Revenue from the sale of product is recognised when control has been transferred to the customer, generally being when the product has been dispatched and is no longer under the physical control of the Group. In cases where control of product is transferred to the customer before dispatch takes place, revenue is recognised when the customer has formally acknowledged their legal ownership of the product, which includes all inherent risks associated with control of the product. In these cases, product is clearly identified and immediately available to the customer.

Sales to customers are generally denominated in US Dollars, which are translated into the functional currency of the Group using the spot exchange rate applicable on the transaction date. The effect of variable consideration arising from rebates, discounts and other similar arrangements with customers is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue recognised when any pricing uncertainty is resolved. Revenue is recognised net of duties and other taxes.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Accordingly, the group does not adjust transaction prices for the time value of money.

(b) Freight revenue

The Group also earns revenue from freighting its products to customers in accordance with the Incoterms in each particular sales contract. Freight revenue is recognised to the extent that the freight service has been delivered, specifically with reference to the proportion of completed freight distance to total freight distance, which is determined by the Group at each reporting date.

Freight revenue is allocated from the overall contract price at its standalone selling price (where observable) or otherwise at its estimated cost plus margin.

Freight revenue includes $1.5 million relating to contracts in place at the end of the prior year (2019: $2.4 million). Freight revenue of $0.7 million has been deferred at the end of the current year in relation to unfulfilled shipping obligations.

(c) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

(d) Mining Area C royalty income and amortisation of royalty asset - discontinued operation

Iluka held a royalty over BHP's Mining Area C (MAC) iron ore mine, which it demerged in the current reporting period. Amounts previously recognised as revenue have been reclassified to discontinued operations - refer to note 23.

6 OTHER INCOME

Other income includes a remeasurement gain of $19.4 million resulting from the revaluation of the put option held by the IFC (refer to note 24), and other sundry income.

7 EXPENSES

	Notes	**2020 $m**	2019 $m
Expenses			
Cash costs of production		**537.1**	528.7
Depreciation and amortisation		**178.9**	155.6
Inventory movement - cash costs of production		**(142.3)**	(63.4)
Inventory movement - non-cash production costs		**(39.9)**	(15.5)
Cost of goods sold		**533.8**	605.4
Ilmenite concentrate and by-product costs		**21.6**	10.9
Depreciation (idle, corporate and other)		**5.9**	7.6
Restructure and idle capacity charges		**20.9**	19.7
Rehabilitation costs for closed sites		**(7.2)**	3.2
Government royalties		**22.3**	39.4
Marketing and selling costs, including freight		**70.7**	73.6
Corporate and other costs		**54.6**	48.0
Resource development costs	7(f)	**62.3**	42.2
Net loss on disposal of property, plant and equipment		**2.0**	4.1
Impairment - Sri Lankan exploration assets	8	**12.4**	-
		799.3	854.1
Write-down of Sierra Rutile Limited			
Impairment recognised against property, plant and equipment		**-**	375.2
Write-down of inventory to net realisable value		**-**	39.1
	8	**-**	414.3

(a) Cash costs of production

Cash costs of production include costs for mining and concentrating, transport of heavy mineral concentrate, mineral separation, synthetic rutile production, externally purchased ilmenite, and production overheads; but exclude Australian state and Sierra Leone government royalties which are reported separately.

(b) Cost of goods sold

Cost of goods sold is the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation, allocated on the basis of relative sales value. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average value per tonne for the stockpile from which the product is sold.

Inventory movement represents the movement in balance sheet inventory of work in progress and finished goods, including the non-cash depreciation and amortisation components and movement in the net realisable value adjustments.

(c) Ilmenite concentrate and by-product costs

Ilmenite and by-product costs include by-product costs such as for iron concentrate processing, activated carbon, monazite treatment, and wet high intensity magnetic separation (WHIMS) ilmenite transport costs.

(d) Restructure and idle capacity charges

Idle capacity charges reflect ongoing costs incurred during periods of no or restricted production.

(e) Rehabilitation costs for closed sites

These costs relate to adjustments to the rehabilitation provision for closed sites arising from the annual review of rehabilitation programmes and estimates. These adjustments are recognised in profit or loss in accordance with the policy described in note 9.

(f) Resource development costs

These costs relate to activities associated with developing our resources, including exploration and mine planning. Included in the costs is $34.3 million (2019: $6.0 million) relating to work on the innovative underground mining technology at Balranald that has been expensed as research and development costs.

(g) Other required disclosures

Expenses also include the following:

	2020 $m	2019 $m
Employee benefits (excluding share-based payments)	**202.6**	194.7
Share-based payments	**4.1**	6.2
Exploration expenditure	**12.8**	11.3
Operating leases	**3.0**	4.8
Inventory NRV write-downs - finished goods and WIP	**13.0**	2.7
Inventory NRV write-downs - Sierra Rutile Limited consumables	**-**	39.1

8 IMPAIRMENT OF ASSETS

Assets are assessed for the presence of impairment indicators whenever events or changes in circumstances suggest that their carrying amounts may not be recoverable. For the purposes of impairment indicator assessments (and, if required, impairment testing) operating assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units - CGUs).

If an impairment indicator is found to be present for a CGU, then the Group estimates its recoverable amount and compares it to its carrying amount. The recoverable amount of each CGU is determined as the higher of value-in-use and fair value less costs of disposal (FVLCD) estimated based on the discounted present value of future cash flows (a level 3 fair value estimation method) and other adjustments. Assets that are not currently in use and not scheduled to be brought back into use (idle assets) are considered on a standalone basis. If necessary, an impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(a) Impairment indicator assessments

The Group assessed all CGUs for the presence of impairment indicators at the reporting date, including those which may have arisen due to the global economic impact of the COVID-19 pandemic.

Impairment indicators were found to be present in the Cataby/South West and SRL CGUs, largely due to the impact on Cataby of the contractual dispute with Chemours; and potential impact of COVID-19 interruptions and current operational performance at Sierra Rutile, respectively. Impairment indicators were also found to be present in respect of certain Sri Lankan exploration assets due to the expiration of certain exploration licences in that country.

Accordingly, the Group performed impairment tests on the Cataby/South West and SRL CGUs, and the Sri Lankan exploration assets - refer to (b), below. The Group did not note any conditions that suggest previously recognised impairments can be reversed.

(b) Impairment testing

Cataby/South West and SRL CGUs

The Cataby/South West CGU has a net asset carrying value of $575.4 million at 31 December 2020 (2019: $462.5 million), including $276.3 million and $251.1 million of working capital and rehabilitation provision liabilities, respectively. The SRL CGU has a net liability carrying value of $0.5 million at 31 December 2020 (2019: net asset carrying value of $50.9 million), including $52.6 million and $99.5 million of working capital and rehabilitation provision liabilities, respectively.

The Group estimated the recoverable amounts of the Cataby/South West and SRL CGUs, and determined that in both instances the carrying amount of the CGU exceeds its recoverable amount. Accordingly, no impairment has been recognised in respect of these CGUs in the current reporting period.

Key estimate: recoverable amount calculations - Cataby/South West and SRL CGUs

In determining the recoverable amount of assets, estimates are made regarding the present value of future cash flows in the absence of quoted market prices. These estimates require significant levels of judgement and are subject to risk and uncertainty that may be beyond the control of the Group, including political risk, climate change risk, and other global uncertainty risks, like the impacts of the COVID-19 pandemic. Given the nature of the Group's mining activities, changes in assumptions upon which these estimates are based may give rise to material adjustments. This could lead to recognition of new impairment charges in the future, or the reversal of impairment charges already recognised.

Where an impairment assessment is needed, the estimates of discounted future cash flows for each CGU used in determining its recoverable amount 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 Group's assessment of short and long-term prices for each of the key products;
- future exchange rates using external forecasts (2020 long term AUD:USD exchange rate of 0.75, unchanged from 2019 assessment);
- successful development and operation of new mines, consistent with latest forecasts;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure; and
- the asset specific discount rate applicable to the CGU (Australian operations: 10%; SRL: 12%, unchanged from 2019 assessment).

Sri Lankan exploration assets

Following the impairment indicator identified in (a) above, the Group estimated the recoverable amount of its Sri Lankan exploration assets. The carrying amount of $21.2 million was found to exceed the recoverable amount of $8.8 million, and accordingly the exploration assets were written down to their recoverable amount. An impairment of $12.4 million is included in expenses, refer to note 7.

(c) Impairment of Sierra Rutile Limited CGU in the prior reporting period

The Group recognised a $414.3 million write-down in respect of its Sierra Rutile CGU in the prior reporting period (comprising impairment of $375.2 million for property, plant and equipment, and write-down of $39.1 million for consumables).

9 PROVISIONS

	Notes	2020 $m	2019 $m
Current			
Rehabilitation and mine closure	9(a)	**77.3**	97.7
Employee benefits - long service leave	9(b)	**13.0**	12.7
Workers compensation and other provisions	9(c)	**4.7**	2.2
		95.0	112.6

	Notes	2020 $m	2019 $m
Non-current			
Rehabilitation and mine closure	9(a)	**720.7**	690.8
Employee benefits - long service leave	9(b)	**3.0**	2.4
Retirement benefit obligations	30	**26.8**	22.4
		750.5	715.6

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that resources will be expended to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(a) Rehabilitation and mine closure

The movements in the rehabilitation and mine closure provision are set out below:

	Notes	$m
Movements in rehabilitation and mine closure provisions		
Balance at 1 January 2020		**788.5**
Amounts spent during the year		**(70.3)**
Rehabilitation and mine closure provision discount unwind	16(d)	**14.4**
Change in provision - additions to property, plant and equipment	10	**86.6**
Change in provision - credit for closed sites	7	**(8.1)**
Rehabilitation discount rate changes - for closed sites		**12.2**
Foreign exchange rate movements		**(25.3)**
Balance at 31 December 2020		**798.0**

The Group has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they sit.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date, discounted to present value using an appropriate pre-tax discount rate.

Where the obligation is related to an item of property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset, and restoring and rehabilitating the site on which it is located. Costs that relate to obligations arising from waste created by the production process are recognised as production costs in the period in which they arise.

The increase in the provision associated with unwinding of the discount rate is recognised as a finance cost - refer to note 16(d).

The total rehabilitation and mine closure provision of $798.0 million (2019: $788.5 million) includes $375.2 million (2019: $450.8 million) for assets no longer in use. Changes to the provisions for assets no longer in use are charged/credited directly to profit or loss. A review of cost estimates resulted in a reduction in the expected rehabilitation liability and an associated credit to profit or loss of $8.1 million (2019: charge of $3.2 million) which is reported within the expense item *Rehabilitation costs for closed sites* in note 7.

Open site rehabilitation liabilities increased by $86.6 million, mainly associated with an increased mining footprint at Cataby ($45.4 million) due to the progression of mining at this new operation, which commenced mining in April 2019. The move to Ambrosia and subsequent return to Jacinth North has resulted in a larger open area, increasing the rehabilitation liability for the site by $37.2 million to $125.3 million.

Key estimate: Rehabilitation and mine closure provisions

The Group's assessment of the present value of the rehabilitation and mine closure provisions requires the use of significant estimates and judgements, including the future cost of performing the work required, timing of the cash flows, discount rates, final remediation strategy, and future land use requirements. The provision can also be impacted prospectively by changes to legislation or regulations.

The provisions are reassessed at least annually. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to 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, such as mines and processing sites that have been closed, any adjustment is reflected directly in profit or loss.

Key estimate: Discount rate for provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability to the extent they are not included in the cash flows.

Rehabilitation and mine closure provisions have been calculated by discounting risk adjusted cash flows at risk-free discount rates, representing government bond rates for the associated currencies. Rehabilitation and mine closure provisions for Australia have been calculated by discounting risk adjusted cash flows at discount rates of 1.3% (2019: 1.3%).

Iluka has re-set the risk free discount rates used in calculating rehabilitation provisions in the US and Sierra Leone to 0.5% and 1.0%, respectively (2019: 2.5% and 2.5%, respectively), due to the continuing decline in applicable US Treasury Bond Rates. The 5- and 10- year US Treasury Bond rates are used as a proxy for risk-free discount rates. This has resulted in an increase of $12.2 million to the provision which is reported within finance costs item 'Rehabilitation discount rate changes' in note 16(d), and relates entirely to closed sites.

(b) Employee benefits

The employee benefits provision relates to long service leave entitlements measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Liabilities for annual leave are included in payables.

The current provision represents amounts for vested long service leave for which the Group does not have an unconditional right to defer settlement, regardless of when the actual settlement is expected to occur. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

(c) Workers compensation and other provisions

The Group commenced an internal efficiency review of its activities during the year, during which it identified a number of changes to employee roles that are required to be made. The Group has recognised a provision for the costs of implementing these changes, including costs that arise from roles being made redundant or being consolidated, which is included in workers compensation and other provisions.

10 PROPERTY, PLANT AND EQUIPMENT

	Land & buildings $m	Plant, machinery & equipment $m	Mine reserves & development $m	Exploration & evaluation $m	Total $m
At 1 January 2019					
Cost	256.4	2,541.4	1,066.5	35.1	3,899.4
Accumulated depreciation[1]	(80.3)	(1,882.7)	(540.4)	(16.9)	(2,520.3)
Opening written down value	176.1	658.7	526.1	18.2	1,379.1
Additions	10.3	109.1	165.0	-	284.4
Disposals	(1.9)	(3.6)	-	-	(5.5)
Depreciation and amortisation	(11.4)	(86.1)	(57.3)	-	(154.8)
Exchange differences	(0.1)	(2.8)	0.8	0.3	(1.8)
Impairment of Sierra Rutile Limited	(57.0)	(154.8)	(154.7)	(8.7)	(375.2)
Transfers/reclassifications	55.6	(61.9)	(1.8)	8.1	-
Closing written down value	171.6	458.6	478.1	17.9	1,126.2
At 31 December 2019					
Cost	320.5	2,536.7	1,265.4	43.6	4,166.2
Accumulated depreciation[1]	(148.9)	(2,078.1)	(787.3)	(25.7)	(3,040.0)
Closing written down value	**171.6**	**458.6**	**478.1**	**17.9**	**1,126.2**
Year ended 31 December 2020					
Additions	1.1	38.1	106.9	-	146.1
Disposals	(3.7)	(0.2)	-	(0.1)	(4.0)
Depreciation and amortisation	(19.9)	(87.4)	(68.9)	-	(176.2)
Exchange differences	(5.7)	(4.9)	(3.1)	0.8	(12.9)
Transfers	1.2	(4.8)	3.6	-	-
Impairment of assets	-	-	(4.4)	(8.0)	(12.4)
Closing written down value	**144.6**	**399.4**	**512.2**	**10.6**	**1,066.8**
At 31 December 2020					
Cost	301.1	2,382.1	1,283.6	42.7	4,009.5
Accumulated depreciation[1]	(156.5)	(1,982.7)	(771.4)	(32.1)	(2,942.7)
Closing written down value	**144.6**	**399.4**	**512.2**	**10.6**	**1,066.8**

[1]Accumulated depreciation includes cumulative impairment charges.

(a) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment charges. Cost includes:

- expenditure that is directly attributable to the acquisition of the items;
- direct costs associated with the commissioning of plant and equipment, including pre-commissioning costs in testing the processing plant;
- if the asset is constructed by the Group, the cost of all materials used in construction, direct labour on the project, project management costs and unavoidable borrowing costs incurred during construction of assets with a construction period greater than 12 months and an appropriate proportion of variable and fixed overheads; and
- the present value of the estimated costs of dismantling and removing the asset, and restoring and rehabilitating the site on which it is located.

As set out in note 9, in the case of rehabilitation 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. Total additions in the year include $86.6 million (2019: $94.9 million) relating to rehabilitation.

(b) Maintenance and repairs

Certain items of plant used in the primary extraction, separation and secondary processing of extracted minerals are subject to a major overhaul on a cyclical basis. Costs incurred during such overhauls are characterised as either capital in nature or 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. General repairs and maintenance which are not characterised as part of a major cyclical overhaul are expensed as incurred.

(c) Depreciation and amortisation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The estimated useful life of buildings is the shorter of applicable mine life or 25 years; plant and equipment is between 2 and 20 years. Land is not depreciated.

Expenditure on mine reserves and development is amortised over the life of mine, based on the rate of depletion of the economically recoverable reserves (units of production methodology). If production has not yet commenced, or the mine is idle, amortisation is not charged.

(d) Assets not being depreciated

Included in plant, machinery and equipment, mine reserves and development, and land and buildings are amounts totalling $26.9 million, $7.9 million and $0.6 million, respectively, relating to assets under construction which are currently not being depreciated as the assets are not ready for use (2019: $33.0 million, $17.7 million and $10.1 million, respectively).

In addition, within property, plant and equipment, excluding exploration and land assets, are amounts totalling $62.3 million which have not been depreciated in the year as mining of the related area of interest has not yet commenced (2019: $61.2 million).

(e) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. 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 Group 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.

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, 2012) and has been included in the life of mine plan.

All of the above expenditure is carried forward up to commencement of operations at which time it is amortised in accordance with the reserves and development depreciation policy noted in (c) above.

(f) Impairment of PPE

Refer to note 8 for details on impairment testing.

11 LEASES

(a) Amounts recognised in the statement of financial position

	2020 $m	2019 $m
Right-of-use assets		
Buildings	**9.2**	9.0
Plant, machinery and equipment	**6.2**	11.5
	15.4	20.5
Lease liabilities		
Current	**(7.5)**	(9.2)
Non-current	**(15.8)**	(20.8)
	(23.3)	(30.0)

Additions to the right-of-use assets during the reporting period were $2.6 million (2019: $2.2 million). Right-of-use assets are reflected net of incentives received. The maturity analysis of lease liabilities is included in note 21(d).

(b) Amounts recognised in the statement of profit or loss

	2020 $m	2019 $m
Amortisation charge of right-of-use assets		
Buildings	**1.3**	1.7
Plant, machinery and equipment	**7.5**	6.7
	8.8	8.4
Borrowing costs	**1.3**	1.5
Expense relating to short term leases, low value leases and leases with variable payments	**1.8**	2.0
Total cash flow for leases	**9.3**	8.2

The group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis by discounting the following lease payments to their present value:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The weighted average borrowing rate used for the year was 4.9% (2019: 4.3%).

Subsequent to initial recognition, lease liabilities are carried at amortised cost. Payments are allocated between repayment of principal and borrowing costs, which are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are initially recognised at cost, comprising:
- The amount of the lease liability
- Any lease payments made at or before the commencement date, less any incentives received
- Initial direct costs, and
- Restoration costs.

Subsequently, right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Where the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Short term leases, leases of low value assets and leases containing variable payments

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

12 INCOME TAX

Income tax expense comprises current and deferred tax and is recognised in profit or loss, as disclosed in (a) below, except to the extent that it relates to items recognised directly in equity or other comprehensive income as disclosed in (c) below.

(a) Income tax expense (benefit)

	Notes	2020 $m	2019 $m
Current tax		**98.4**	111.6
Deferred tax	13	**(3.1)**	188.6
Under (over) provided in prior years		**0.2**	(1.5)
		95.5	298.7
Income tax expense is attributable to:			
Profit from continuing operations	23	**74.8**	(324.1)
Profit from discontinued operation	23	**20.7**	25.4
Aggregate income tax expense		**95.5**	(298.7)

(b) Reconciliation of income tax expense to prima facie tax payable

		2020 $m	2019 $m
Profit/(loss) from continuing operations before income tax expense		**178.3**	(85.7)
Profit from discontinued operations before income tax expense		**2,327.2**	84.7
		2,505.5	**(1.0)**
Tax at the Australian tax rate of 30% (2019: 30%)		**751.7**	(0.3)

Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Demerger gain	**(680.7)**	-
Research and development credit	**(3.2)**	(1.3)
Deferred tax losses not recognised (SRL)	**3.0**	4.1
Recognition of historical alternative minimum tax (AMT) credits	**(4.5)**	(7.2)
Deferred tax balances derecognised by Sierra Rutile Limited	**-**	161.9
Tax benefit not recognised by Sierra Rutile Limited[1]	**-**	131.4
SRL minimum tax (3.5% of revenue)	**27.0**	9.2
Non-assessable income	**(8.0)**	-
Non-deductible expenses	**6.1**	1.7
Other items	**4.1**	(1.3)
	95.5	**298.2**
Difference in overseas tax rates[1]	**(0.2)**	2.0
Under/(over) provision in prior years	**0.2**	(1.5)
Income tax expense	**95.5**	**298.7**

[1]Sierra Rutile Limited did not recognise a tax benefit associated with the write-down of $414.3 million of assets expensed in the prior year.

No tax benefits have been recognised in respect of exploration activities of overseas operations as their recovery is not currently considered probable.

The idling of the US operations at the end of 2015 means that the recovery of US state tax losses are not considered probable. Unrecognised US state tax losses for which no deferred tax asset has been recognised are US$237.1 million at 31 December 2020 (31 December 2019: US$216.3 million).

Unused capital losses for which no deferred tax asset has been recognised are approximately $79.4 million (2019: $90.7 million) (tax at the Australian rate of 30%: $23.8 million (2019: $27.2 million)). The benefit of these unused capital losses will only be obtained if sufficient future capital gains are made and the losses remain available under tax legislation.

The write-down of Sierra Rutile Limited in the prior year means that the recovery of Sierra Leone tax losses are not considered probable. Unrecognised Sierra Leone tax losses for which no deferred tax asset has been recognised are US$502.3 million at 31 December 2020 (31 December 2019: US$500.7 million).

(c) Tax expense relating to items of other comprehensive income

	2020 $m	2019 $m
Hedge of net investments in foreign operations	**-**	(1.1)
Changes in fair value of foreign exchange cash flow hedges	**(2.6)**	(2.0)
Actuarial gains (losses) on retirement benefit obligation	**(1.8)**	(1.7)
	(4.4)	(4.8)

The income tax expense or benefit 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. The current tax charge is calculated using the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Key estimate: Tax balances

Tax balances are based on management's best estimate and interpretation of the tax legislation in a number of jurisdictions. This treatment can be subject to changes due to modification to legislation or differences in interpretation by authorities. Where the amount of tax payable or recoverable includes some uncertainty, the Group recognises amounts based on management's best estimate of the most likely outcome.

13 DEFERRED TAX

	2020 $m	2019 $m
Deferred tax asset:		
The balance comprises temporary differences attributable to:		
Employee provisions	**8.1**	7.4
Provisions	**166.3**	149.3
Cash flow hedge reserve (in equity)	**-**	2.1
Other	**10.2**	8.0
Lease liabilities	**7.0**	8.9
Gross deferred tax assets	**191.6**	175.7
Amount offset to deferred tax liabilities pursuant to set-off provision	**(163.2)**	(153.6)
Net deferred tax assets	**28.4**	22.1
Deferred tax liability:		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**(138.7)**	(119.2)
Inventory	**(17.3)**	(18.1)
Receivables	**(0.2)**	(6.7)
Treasury shares (in equity)	**(0.5)**	(1.2)
Other	**-**	(0.1)
Right-of-use assets	**(6.5)**	(8.3)
Gross deferred tax liabilities	**(163.2)**	(153.6)
Amount offset to deferred tax assets pursuant to set-off provision	**163.2**	153.6
Net deferred tax liabilities	**-**	-
Movements in net deferred tax balance:		
Balance at 1 January	**22.1**	215.6
(Charged)/credited to the income statement	**5.9**	(188.6)
Under provision in prior years	**7.4**	(7.0)
Charged directly to equity	**(2.6)**	2.1
Transfers	**(4.4)**	-
Balance at 31 December	**28.4**	22.1

Deferred tax policy

Deferred income tax is provided on all temporary differences at the balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities.

Deferred income tax liabilities are recognised for all taxable temporary differences, other than for the exemptions permitted under accounting standards.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these deductible temporary differences, other than for the exemptions permitted under accounting standards. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax recognised

As at 31 December 2020, there were no carried forward tax losses recognised by SRL (2019: $nil million).

14 RECEIVABLES

	2020 $m	2019 $m
Trade receivables	**55.0**	130.9
Other receivables	**26.6**	29.3
Prepayments	**13.9**	15.9
Mining Area C royalty receivable (discontinued operation)	**-**	20.2
	95.5	196.3

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amount considered recoverable, translated using the spot exchange rate at balance date with translation differences accounted for in line with the Group's accounting policy (refer note 2). Recognition occurs at the earlier of dispatch or formal acknowledgement of legal ownership by a customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due. Trade receivables are generally due within 43 days of the invoice being issued (2019: 41 days).

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 based on the expected credit loss approach. Expected credit losses for the Group’s trade receivables are reviewed on an ongoing basis based on groups of receivables with shared risk characteristics.

There was $6.6 million overdue at balance date (2019: $9.4 million), of which $0.5 million is less than 28 days overdue (2019: $3.6 million). Subsequent to the reporting date, a receivable paid $2.7 million in respect of an overdue balance included in this amount. Due to the short-term nature of the Group’s receivables, their carrying value is considered to approximate fair value.

(a) Trade receivables purchase facilities

Iluka has a trade receivables purchase facility for the sale of eligible trade receivables. Under the agreement Iluka transfers the majority of the risks and rewards of ownership, including credit risk (subject to a maximum first loss). The trade receivables balance of $55.0 million excludes $39.1 million (31 December 2019: excludes $117.3 million) of receivables sold under the trade receivables purchase facility.

Iluka maintains an insurance policy to assist in managing the credit risk of its customers. The credit insurance policy is a separate instrument to the receivables which reduces the exposure to credit risk. Iluka has assigned a portion of the insurance policy to the supplier of the trade receivables purchase facility but retains credit risk up to a maximum loss specified in the insurance policy.

An asset of $12.0 million is included in other receivables, and a corresponding continuing involvement liability is included in payables, comprising the maximum first loss specified under the trade receivables purchase facility and deductible amounts specified by the insurance policy (2019: $16.7 million).

(b) Credit risk

At 31 December 2020 the trade receivables balance was $55.0 million, with $51.0 million covered by credit risk insurance and a further $4.0 million by letters of credit. As a result, the Group had no uninsured receivables at the reporting date (2019: $nil).

15 INVENTORIES

	2020 $m	2019 $m
Current		
Work in progress	**156.6**	110.5
Finished goods	**312.6**	208.7
Consumable stores	**34.9**	21.9
Total current inventories	**504.1**	341.1
Non-current		
Work in progress	**112.0**	84.1
Total non-current inventories	**112.0**	84.1
Total inventories	**616.1**	**425.2**

Inventories are valued at the lower of weighted average cost and estimated net realisable value. The net realisable value is the estimated selling price in the normal course of business, less any anticipated costs of completion and the estimated costs to sell, including royalties.

There are separate inventory stockpile values for each product, including Heavy Mineral Concentrate (HMC) and other intermediate products, at each inventory location.

Weighted average cost includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation. As a result of mineral sands being co-products from the same mineral separation process, costs are allocated to inventory on the basis of the relative sales value of the finished goods produced. No cost is attributed to by-products, except direct costs.

Finished goods inventory of $34.4 million (2019: $nil million) is carried at net realisable value, with all other product inventory carried at cost.

Consumable stores include ilmenite acquired from third parties, flocculant, coal, diesel and warehouse stores. 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.

Inventories expected to be sold (or consumed in the case of stores) within 12 months after the balance sheet date are classified as current assets; all other inventories are classified as non-current assets.

Key estimate: Net realisable value and classification of product inventory

The Group's assessment of the net realisable value and classification of its inventory holdings requires the use of estimates, including the estimation of the relevant future product price and the likely timing of the sale of the inventory.

During the year, inventory write-downs of $13.0 million occurred for work in progress or finished goods (2019: $41.8 million). If finished goods future selling prices were 5% lower than expected, an inventory write-down of $1.5 million would be required at 31 December 2020 (2019: no write-down).

Inventory of $112.0 million (2019: $84.1 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date.

CAPITAL

16 NET CASH AND FINANCE COSTS

	2020 $m	2019 $m
Cash and cash equivalents		
Cash at bank and in hand	**87.1**	97.3
Total cash and cash equivalents	**87.1**	97.3
Non-current interest-bearing liabilities (unsecured)		
Multi Optional Facility Agreement	**(38.0)**	(55.7)
Deferred borrowing costs	**1.1**	1.7
Total interest-bearing liabilities	**(36.9)**	(54.0)
Net cash	**50.2**	**43.3**

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions with original maturities of three months or less.

Cash and deposits are at floating interest rates between 0.0% and 3.0% (2019: 0.0% and 2.7%) on Australian and foreign currency denominated deposits.

(b) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption amount is recognised in profit or loss over the period of the borrowings on an effective interest basis.

Interest-bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

(i) Multi Optional Facility Agreement

The Multi Optional Facility Agreement (MOFA) comprises a series of unsecured committed five year bilateral revolving credit facilities with several domestic and foreign institutions, totalling A$500.1 million (2019: A$519.3 million). The facilities are denominated in both AUD and USD.

The table below details the facility expiries:

A$million	Total facility	Facility Expiry 2021	2022	2023	2024	2025
At 31 December 2020	**500.1**	**-**	**-**	**-**	**500.1**	**-**
At 31 December 2019	519.3	-	-	-	519.3	-

Undrawn MOFA facilities at 31 December 2020 were A$462.1 million (2019: A$463.6 million).

(c) Interest rate exposure

Of the above interest-bearing liabilities, $38.0 million is subject to an effective weighted average floating interest rate of 1.5% (2019: interest-bearing liabilities of $55.7 million at 3.1%). The contractual repricing date of all of the floating rate interest-bearing liabilities at the balance date is within one year.

(d) Finance costs

	2020 $m	2019 $m
Interest charges on interest-bearing liabilities	**1.9**	7.3
Bank fees and similar charges	**3.9**	5.0
Amortisation of deferred borrowing costs	**0.6**	1.2
Lease borrowing costs	**1.3**	1.5
Rehabilitation and mine closure provision discount unwind	**14.4**	19.7
Rehabilitation provision discount rate changes	**12.2**	18.3
Total finance costs	**34.3**	53.0

(i) Amortisation of deferred borrowing costs

Fees paid on establishment of borrowing facilities are recognised as transaction costs and amortised over the period until the next expected facility extension.

(ii) Rehabilitation and mine closure provision discount unwind

Rehabilitation and mine closure unwind represents the cost associated with the passage of time. Rehabilitation provisions are recognised as the discounted value of the present obligation to restore, dismantle and rehabilitate with the increase in the provision due to passage of time being recognised as a finance cost in accordance with the policy described in note 9(a).

(iii) Rehabilitation provision discount rate changes

Any change in the discount rate for closed sites is recorded as a finance cost. Iluka has re-set the risk free discount rates used in calculating rehabilitation provisions in the US and Sierra Leone to 0.5% and 1.0%, respectively (2019: 2.5% and 2.5%) due to the continuing decline in applicable US Treasury Bond Rates. The 5- and 10-year US Treasury Bond Rates are used as a proxy for risk-free discount rates.

17 CONTRIBUTED EQUITY

	2020 Shares	2019 Shares	2020 $m	2019 $m
Balance on 1 January, comprising				
Ordinary shares - fully paid	**422,584,778**	422,395,677	**1,160.4**	1,158.6
Treasury shares - net of tax	**(470,456)**	(675,521)	**(2.8)**	(4.6)
	422,114,322	421,720,156	**1,157.6**	1,154.0
Movements in ordinary share capital				
2018 Final Dividend - DRP	**-**	103,439	**-**	1.0
2019 Interim Dividend - DRP	**-**	85,662	**-**	0.7
2019 Final Dividend - DRP	**184,903**	-	**1.2**	-
Redemption of capital - Deterra Demerger	**-**	-	**(10.0)**	-
Movements in treasury shares, net of tax				
Acquisition of treasury shares by trust	**-**	(992,972)	**-**	(6.2)
Employee share issues	**270,527**	1,198,037	**1.7**	8.0
Balance on 31 December, comprising	**422,569,752**	**422,114,322**	**1,150.5**	**1,157.5**
Ordinary shares - fully paid	**422,769,681**	422,584,778	**1,151.7**	1,160.4
Treasury shares - net of tax	**(199,929)**	(470,456)	**(1.1)**	(2.8)

(a) Ordinary share capital

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.

The Group issues ordinary shares to shareholders who elect to receive shares instead of cash dividends as part of the Dividend Reinvestment Plan (DRP), the terms of which are detailed in the ASX announcement dated 27 February 2018. During the year, the Group issued the following shares under the DRP:

	Date issued	Price per share	Number of ordinary shares issued
2019 final	2 April 2020	6.97	184,903.0

(b) Treasury shares

Treasury shares are shares in Iluka Resources Limited acquired on market and held for the purpose of issuing shares under the Directors, Executives and Employees Share Acquisition Plan and the Employee Share Plan.

18 RESERVES AND RETAINED EARNINGS

	Notes	2020 $m	2019 $m
Asset revaluation reserve			
Balance at 1 January		**11.3**	11.4
Transfer to retained earnings on disposal		**(0.5)**	(0.1)
Balance at 31 December	18(a)	**10.8**	11.3
Hedge reserve			
Balance at 1 January		**(4.8)**	(10.1)
Deferred costs of hedging		**-**	0.4
Changes in the fair value of hedging instruments recognised in equity		**0.7**	3.6
Reclassified to profit or loss		**7.8**	2.8
Deferred tax		**(2.8)**	(1.5)
Balance 31 December	18(b)	**0.9**	(4.8)
Share-based payments reserve			
Balance at 1 January		**0.2**	2.3
Transfer of shares to employees, net of tax		**(1.7)**	(8.0)
Share-based payments, net of tax		**3.7**	5.9
Balance at 31 December	18(c)	**2.2**	0.2
Foreign currency translation			
Balance at 1 January		**39.1**	39.0
Currency translation of US operation	22(a)	**14.9**	(1.0)
Currency translation of Sierra Rutile		**(0.2)**	4.0
Translation differences on other foreign operations		**(8.5)**	(0.3)
Hedge of net investment in Sierra Rutile		**-**	(3.6)
Deferred tax		**-**	1.0
Balance at 31 December	18(d)	**45.3**	39.1
Other reserves			
Balance at 1 January		**(21.8)**	-
(Loss)/gain on part disposal of investment in subsidiary		**(0.3)**	6.7
Loss on initial recognition of put option		**-**	(28.5)
Balance at 31 December	18(e)	**(22.1)**	(21.8)
Total reserves		**37.1**	24.0
Retained earnings			
Balance at 1 January		**(472.0)**	(86.6)
Net profit/(loss) for the period		**2,411.9**	(279.9)
Dividends paid		**(1,831.9)**	(101.5)
Actuarial gains/(losses) on retirement benefit obligation, net of tax		**(4.2)**	(3.9)
Transfer from asset revaluation reserve		**0.5**	0.1
Balance at 31 December		**104.3**	(472.0)

(a) 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.

(b) Hedge reserve

Iluka uses two types of hedging instruments as part of its foreign currency risk management strategy associated with its US dollar denominated sales, as described in note 22. These include foreign currency forward contracts and foreign currency collars, both of which are designated in cash flow hedge relationships. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the cash flow hedge reserve.

(c) 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. Shares issued to employees are acquired on-market prior to the issue. Shares not yet issued to employees are shown as treasury shares. When shares are issued to employees the cost of the on-market acquisition, net of tax, is transferred from treasury shares (refer note 17) to the share-based payment reserve.

(d) 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 into the foreign currency translation reserve net of applicable income tax, as described in note 2(b). Both US and Sierra Rutile operations had net liabilities at 31 December 2020 and were not designated as a net investment hedge against USD dollar denominated debt. The reserve is recognised in profit or loss when the net investment is disposed of.

(e) Other reserves

The impact on equity of transactions related to changes in the structure of the Group are accumulated in other reserves. As per note 24, the Group reduced its shareholding in Sierra Rutile from 96.43% to 90%, and recognised a loss on partial disposal of its investment in Sierra Rutile of $0.3 million. In 2019, the Group recognised a gain of $6.7 million on part disposal of its investment in Sierra Rutile, and a loss on initial recognition of the related put option held by the IFC of $28.5 million against other reserves in equity. Refer to note 24.

19 DIVIDENDS

	2020 $m	2019 $m
Final dividend		
for 2019 of 8 cents per share, fully franked	**33.8**	-
for 2018 of 19 cents per share, fully franked	**-**	80.3
Interim dividend		
for 2019 of 5 cents per share, fully franked	**-**	21.1
Distributions		
Demerger dividend	**1,798.1**	-
Total dividends	**1,831.9**	101.5

Of the total $33.8 million final dividend declared for 2019, shareholders respectively took up $1.2 million as ordinary shares as part of the Dividend Reinvestment Plan. Refer to note 17(a).

Since balance date the directors have determined a final dividend for 2020 of 2 cents per share, fully franked. The dividend is payable on 8 April 2021 for shareholders on the register as at 10 March 2021. The aggregate amount of the proposed dividend is $8.5 million, which has not been included in provisions at balance sheet date as it was not declared on or before the end of the financial year.

Franking credits

The balance of franking credits available as at 31 December 2020 is $281.0 million (2019: $129.2 million). This balance is based on a tax rate of 30% (2019: 30%).

20 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share	**2020 Cents**	2019 Cents
From continuing operations	**24.5**	(85.0)
From discontinued operations	**545.9**	14.0
Total basic earnings/(loss) per share	**570.4**	(71.0)

Diluted earnings/(loss) per share		
From continuing operations	**24.4**	(85.0)
From discontinued operations	**543.6**	14.0
Total diluted earnings/(loss) per share	**568.0**	(71.0)

Total earnings/(loss) per share (EPS) is the amount of post-tax earnings or loss attributable to each share. Total basic and diluted EPS comprises EPS from continuing operations and discontinued operations. Discontinued operations represent the earnings associated with the demerger of Deterra - refer to note 23.

Total basic EPS is calculated on the profit for the period attributable to equity holders of the parent of $2,410.0 million (2019: loss of $299.7 million) divided by the weighted average number of shares on issue during the year, excluding treasury shares, being 422,478,404 shares (2019: 422,146,281 shares).

Total diluted EPS takes into account the dilutive effect of all outstanding share rights vesting as ordinary shares. The weighted average share rights outstanding were not dilutive in 2019 as they would reduce the loss per share and therefore were not included in the calculation of diluted EPS in the comparative period.

RISK

21 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.

(a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or value of its holdings of financial instruments.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising predominantly from the US dollar, which is the currency the Group's sales are generally denominated in.

Foreign exchange risk is also managed through entering into forward foreign exchange contracts and collar contracts detailed in note 22.

The treasury function of the Group manages foreign currency risk centrally. The Group hedges foreign exchange exposures for firm commitments relating to a portion of sales, where the hedging instrument must be in the same currency as the hedged item.

The objective of Iluka's policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations.

The Group's exposure to USD foreign currency risk (by entities which have an Australian dollar functional currency) at the end of the reporting period, expressed in Australian dollars, was as follows:

	2020 $m	2019 $m
Cash and cash equivalents	**26.8**	45.0
Receivables	**33.0**	75.4
Payables	**(25.4)**	(21.0)
Interest-bearing liabilities	**(13.0)**	(55.7)
Derivative financial instruments	**(4.7)**	(33.7)
	16.7	10.0

The Group's balance sheet exposure to other foreign currency risk is not significant.

(ii) Group sensitivity

The average US dollar exchange rate during the year was 0.6907 (2019: 0.6950). The US dollar spot rate at 31 December 2020 was 0.7690 (31 December 2019: 0.7000). Based on the Group's net financial assets at 31 December 2020, the following table demonstrates the estimated sensitivity to a -/+ 10% movement in the US dollar spot exchange rate, with all other variables held constant, on the Group's post-tax profit (loss) for the year and equity:

	-10% Strengthen		+10% Weaken	
	Profit (loss) $m	Equity $m	Profit (loss) $m	Equity $m
31 December 2020	**5.2**	**7.7**	**7.0**	**(6.5)**
31 December 2019	0.3	(29.7)	(0.2)	18.1

(iii) Interest rate risk

Interest rate risk arises from the Group's borrowings and cash deposits. During 2020 and 2019, the Group's borrowings at variable rates were denominated in Australian dollars and US dollars. At 31 December 2020, if variable interest rates for the full year were -/+ 1% from the year-end rate with all other variables held constant, pre-tax profit for the year would have moved as per the table below.

	+1% $m	-1% $m
31 December 2020	**0.4**	**(0.4)**
31 December 2019	0.6	(0.6)

The sensitivity is calculated using the average month end debt position for the year ended 31 December 2020. The interest charges in note 16(d) of $1.9 million (2019: $7.3 million) reflect interest-bearing liabilities in 2020 that range between $1.3 million and $159.7 million (2019: $40.1 million and $191.4 million).

(b) Credit risk

Credit risk arises from cash and cash equivalents and hedging instruments held with financial institutions, as well as credit exposure to customers.

The Group has policies in place to ensure that credit sales are only made to customers with an appropriate credit history. The Group also maintains an insurance policy and makes use of letters of credit to assist in managing the credit risk of its customers. Further details are set out in note 14.

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.

The Group's policy is to ensure that cash deposits are held with counterparties with a minimum A-/A3 credit rating. Credit exposure limits are approved by the Board based on credit ratings from external ratings agencies.

(c) Liquidity risk

Liquidity risk is the risk the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management involves maintaining sufficient cash on hand or undrawn credit facilities to meet the operating requirements of the business. This is managed through committed undrawn facilities under the MOFA (refer note 16(b)(i)) of $462.1 million at balance date as well as cash and cash equivalents of $87.1 million and prudent cash flow management.

(d) Maturities of financial liabilities

The tables below analyse the Group's interest-bearing liabilities into maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For the MOFA, the contractual maturity dates and contractual cash flows are until the next contractual re-pricing date in 2024. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All other non-derivative financial liabilities are due within 12 months. Derivative cash flows include the net amounts expected to be paid for foreign exchange forward contracts and net amounts expected to be received for foreign exchange collar contracts.

At 31 December 2020	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 liabilities $m
Non-derivatives							
Payables		129.4	-	-	-	129.4	129.4
Lease liabilities	4.9	7.5	3.9	7.8	9.3	28.5	23.3
Interest-bearing variable rate	1.5	-	-	38.0	-	38.0	38.0
Total non-derivatives		136.9	3.9	45.8	9.3	195.9	190.7
Derivatives							
Foreign exchange collar contracts		(1.9)	(0.6)	-	-	(2.5)	(2.5)
Put option		-	7.7	-	-	7.7	7.2
Total derivatives		(1.9)	7.1	-	-	5.2	4.7

At 31 December 2019	Weighted average rate	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years	Total contractual cash flows $m	Carrying amount liabilities $m
Non-derivatives							
Payables		140.8	-	-	-	140.8	140.8
Lease liabilities	4.3	9.2	8.6	6.0	6.2	30.0	30.0
Interest-bearing variable rate	3.1	-	-	55.7	-	55.7	55.7
Total non-derivatives		150.0	8.6	61.7	6.2	226.5	226.5
Derivatives							
Forward foreign exchange contracts		0.6	-	-	-	0.6	0.6
Foreign exchange collar contracts		3.1	1.6	-	-	4.7	4.7
Put option		-	28.4	-	-	28.4	28.4
Total derivatives		3.7	30.0	-	-	33.7	33.7

Refer to note 22 for detail on derivative instruments.

22 HEDGING

	2020 $m	2019 $m
Current assets/(liabilities)		
Foreign exchange collar hedges	**1.9**	(3.1)
Foreign exchange forward contracts	**-**	(0.6)
	1.9	(3.7)
Non-current assets/(liabilities)		
Foreign exchange collar hedges	**0.6**	(1.6)

The Group is exposed to risk from movements in foreign exchange in relation to its forecast US dollar denominated sales and as part of the risk management strategy has entered into foreign exchange forward contracts and foreign exchange collar contracts.

(a) Recognition

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged and the type of hedge relationship designated.

(b) Fair value of derivatives

Derivative financial instruments are the only assets and liabilities measured and recognised at fair value at 31 December 2020 and 31 December 2019, comprising the above hedging instruments and the put option liability detailed in note 24. The fair value of hedging instruments is determined using valuation techniques with inputs that are observable market data (a level 2 measurement). The valuation of the options making up the collars is determined using forward foreign exchange rates, volatilities and interest rates at the balance date. The only unobservable input used in the calculations is the credit default rate, movements in which would not have a material effect on the valuation.

(c) Hedge accounting

At the start of a hedge relationship, the Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. Hedge accounting is only applied where effective tests are met on a prospective basis.

Iluka will discontinue hedge accounting prospectively only when the hedging relationship, or part of the hedging relationship, no longer qualifies for hedge accounting. This includes where there has been a change to the risk management objective and strategy for undertaking the hedge and instances when the hedging instrument expires or is sold, terminated or exercised. The replacement or rollover of a hedging instrument into another hedging instrument is not treated as an expiration or termination if such a replacement or rollover is consistent with our documented risk management objective.

The foreign exchange collars Iluka holds are classified as cash flow hedges. Hedges are classified as cash flow hedges when they hedge a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions.

Cash flow hedges

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The ineffective portion was immaterial in the current and prior periods. The maturity profile of these hedges is shown in note 21(d). The recognition of the future gain or loss is expected to be consistent with this timing.

Foreign exchange collar contracts in relation to expected USD revenue, predominantly from contracted sales to 31 December 2022, remain open at the reporting date. The foreign exchange collar hedges cover US$98.4 million of expected USD revenue to 31 December 2022 and comprise US$98.4 million worth of purchased AUD call options with a weighted average strike price of 78.5 cents and US$98.4 million of AUD put options at a strike price of 68.6 cents.

The period above corresponds with the long-term sales contracts entered into in 2017 including those in support of the development of the Cataby project. However, the hedged USD revenues do not represent the full value of expected sales under these contracts over this period.

US$94.7 million in foreign exchange collar contracts consisting of US$94.7 million of bought AUD call options with weighted average strike prices of 78.4 cents and US$94.7 million of sold AUD put options with weighted average strike prices of 68.6 cents expired during the year. US$63.6 million in foreign exchange forward contracts expired during the year, at a weighted average rate of 70.7 cents.

Amounts recognised in equity are transferred to the income statement when the hedged sale occurs or when the hedging instrument is exercised.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Net investment hedge

To the extent possible, the Group designates US denominated debt as a hedge against the Group's net investment in Sierra Leone, which has a US dollar functional currency. Sierra Rutile operations had net liabilities at 31 December 2020 and were therefore not designated as a net investment hedge against USD dollar denominated debt. No amounts in respect of the Group's net investment hedge were recognised in the foreign currency translation reserve during the current reporting period (2019: $2.6 million reserve reduction).

GROUP STRUCTURE

23 DEMERGER OF DETERRA

The Group held a royalty over specific mining tenements in the Mining Area C (MAC) province in Western Australia operated by BHP up until demerger of this business on 2 November 2020. The demerger resulted in the formation of an independent ASX-listed company, Deterra Royalties Limited (Deterra), which is the largest resource focused royalty company listed on the ASX. Subsequent to demerger, the Group retains a 20% equity ownership interest in Deterra, which is equity accounted.

(a) Demerger - Deterra

The Group implemented the demerger on 2 November 2020 in accordance with the Demerger Booklet and ASX Announcement released on 10 September 2020.

To effect the demerger, the Group first transferred all assets and liabilities comprising the MAC Royalty segment to Deterra (at the time a wholly owned subsidiary of the Group) at their respective carrying amounts.

The Group recognised two fair value gains on demerger, as follows:

	$m	$m	$m
	Fair value gain on shares		
	Distributed[2] 80%	**Retained[3] 20%**	**Total 100%**
Carrying value of net assets of Deterra	-	-	-
Fair value of Deterra[1]	1,808.1	452.0	2,260.1
Gross fair value gain	**1,808.1**	**452.0**	**2,260.1**
Less: transaction costs	(13.3)	-	(13.3)
Net fair value gain	**1,794.8**	**452.0**	**2,246.8**

[1] Based on the 5-day VWAP for Deterra shares - refer to key estimate below

[2] The Group remeasured distributed Deterra shares to their fair value on the distribution date.

[3] The Group remeasured retained Deterra shares to their fair value on the date control of Deterra was lost.

The Group subsequently distributed 80% of its shares in Deterra to eligible shareholders, which is reflected in the statement of changes in equity. The distribution was effected by a capital redemption of $10 million, with the balance distributed as a dividend in the form of Deterra shares. Refer to note 18.

Key estimate: determining the fair value of Deterra

The fair value of Deterra on demerger, being $2,260.1 million, was calculated using the volume weighted average price (VWAP) of Deterra shares as traded on the ASX over the first five trading days after demerger ($4.277 per share) multiplied by the number of Deterra shares (528,462,101 shares). Determining the fair value of Deterra on this basis was deemed as the most appropriate and practical way of reliably estimating the fair value of Deterra since it maximises the use of observable, externally available information. The fair value of the 20% investment retained by the Group of $452.0 million was determined by applying the same methodology.

(b) Discontinued operation – MAC Royalty income and amortisation of royalty asset

Until demerger, the Group recognised MAC Royalty income on an accrual basis. The intangible MAC Royalty entitlement asset previously held by the Group (of $3.2 million) was amortised on a straight-line basis over its estimated useful life.

The assets and liabilities comprising the MAC Royalty segment were classified as non-current assets held for sale on the date the group announced the demerger, being 10 September 2020, and subsequently derecognised (refer (b) and (c) below).

Related MAC Royalty income has similarly been reclassified as income from discontinued operations and is included in the statement of comprehensive income on a net basis, and comprises:

	2020 $m	2019 $m
MAC Royalty Income	**80.7**	85.1
MAC Royalty entitlement asset amortisation	**(0.3)**	(0.4)
Income tax expense attributable to discontinued operation	**(20.7)**	(25.4)
	59.7	59.3
Net fair value gain (refer to (a), above)	2,246.8	-
Profit after tax from discontinued operations	**2,306.5**	59.3

(c) Equity accounted investment - Deterra

The Group accounts for its retained investment in Deterra as an equity accounted associate. It is able to exert significant influence, but not control, over Deterra through the ability to exercise voting rights attached to its ownership interest, together with its ability to appoint a board member to the Deterra board.

Initial recognition of equity accounted investment

The Group initially recognised its retained investment at its cost to the Group, which was equal to the carrying value of the net assets of Deterra immediately prior to demerger. It then remeasured this retained interest to its fair value (with reference to the fair value of Deterra as shown above). This fair value was allocated to the assets acquired on a notional basis, with the value uplift attributed to the MAC Royalty rights.

It is necessary to notionally depreciate this equity accounted investment in accordance with the underlying assets of Deterra, being the MAC Royalty rights.

Subsequent equity accounting

The Group recognises its share of the profits of Deterra, being 20% of its net profit after tax, as income in each reporting period. The Group adjusts its share of the profit of Deterra by notionally depreciating the value attributed to the MAC Royalty right (materially all of its initial value) over a period of 50 years on a straight-line basis, which is aligned with the estimated life of mine of the mining operations in the MAC Royalty area.

The Group recognised $0.1 million in equity accounted profits (net of $1.3 million of notional depreciation) for the year ended 31 December 2020. No dividends were declared or paid by Deterra from demerger to 31 December 2020.

The following is a summary of the financial information presented in the financial statements of Deterra, amended to include adjustments made by the Group in applying the equity method.

	2020 $'000
Summarised balance sheet of Deterra Resources Limited at 31 December 2020	
Current assets	
Cash and cash equivalents	188
Trade and other receivables	25,092
Income tax receivable	363
Prepayments	1,114
Total current assets	**26,757**
Non-current assets	
Royalties intangible assets	10,029
Property, plant and equipment	29
Right-of-use assets	332
Total non-current assets	**10,390**
Current liabilities	
Trade and other payables	382
Provisions	11
Lease liability	65
Total current liabilities	**458**
Non-current liabilities	
Lease liability	279
Borrowings	16,386
Deferred tax	6,961
Total non-current liabilities	**23,626**
Net assets	**13,063**
Reconciliation to carrying amount	
Opening net assets on 15 June 2020	-
Profit for the period	33,341
Other comprehensive income	-
Movements in other reserves	115
Dividend paid prior to demerger	(20,393)
Closing net assets	**13,063**
Group's share percentage	20%
Group's share of net assets	2,613
Gain on retained interest in Deterra	450,806
Accumulated notional adjustments to share of equity accounted profits	(1,319)
Carrying amount at 31 December 2020	**452,100**

24 CHANGES IN OWNERSHIP INTERESTS HELD IN CONTROLLED ENTITIES

(a) Increase in International Finance Corporation (IFC) interest in Sierra Rutile Limited (SRL)

The Group entered into a strategic partnership with the IFC, a member of the World Bank Group, in 2019 in relation to the Sierra Rutile operation. The IFC acquired 3.57% of Iluka Investments (BVI) Limited for a consideration of US$20 million. The Group also entered into an arrangement whereby the IFC has the right to dispose of their interest back to the Group at its fair value on the date of exercise of the put option.

Acquisition of a second tranche to increase the investment to 10% was to occur upon approval of construction of early works on the Sembehun project. As advised on 17 December 2019, the terms of the second tranche were subject to renegotiations in light of the delay in approval of the Sembehun project (refer to note 23 of the 2019 Annual Report).

Subsequent to these renegotiations during the reporting period, the IFC subscribed for its second tranche investment in Sierra Rutile Limited (SRL) on 2 November 2020 for US$1, increasing its investment to 10%.
The second tranche was effected through the issue of additional shares by Iluka Investments (BVI) Limited. The Group recognised a loss of $0.3 million in relation to this transaction, which is included in other reserves within equity - refer to note 18.

(b) Put option held by the IFC

The put option was revalued to the present value of its expected redemption amount of $7.2 million (US$5.5 million). A remeasurement gain of $19.4 million (US$14.5 million) is included in other income in profit or loss. In addition, unrealised foreign exchange gains of $1.8 million have been recognised in profit or loss in relation to the put option.

25 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE

The consolidated financial statements incorporate the following subsidiaries:

	Controlled entities	Country of incorporation	Equity holding 2020 %	Equity holding 2019 %
*	**Iluka Resources Limited (Parent Company)**	**Australia**		
*	Westlime (WA) Limited	Australia	100	100
*	Ilmenite Proprietary Limited	Australia	100	100
*	Southwest Properties Pty Ltd	Australia	100	100
*	Western Mineral Sands Proprietary Limited	Australia	100	100
*	Yoganup Pty Ltd	Australia	100	100
*	Iluka Corporation Limited	Australia	100	100
*	Associated Minerals Consolidated Ltd	Australia	100	100
#	Deterra Royalties (MAC) Limited	Australia	-	100
*	Iluka Consolidated Pty Limited	Australia	100	100
*	Iluka Exploration Pty Limited	Australia	100	100
*	Iluka (Eucla Basin) Pty Ltd	Australia	100	100
*	Gold Fields Asia Ltd	Australia	100	100
*	Iluka International Limited	Australia	100	100
*	NGG Holdings Ltd	Australia	100	100
*	Iluka Midwest Limited	Australia	100	100
*	Western Titanium Limited	Australia	100	100
*	The Mount Lyell Mining and Railway Company Limited	Australia	100	100
*	Renison Limited	Australia	100	100
*	Iluka Finance Limited	Australia	100	100
*	The Nardell Colliery Pty Ltd	Australia	100	100
*	Glendell Coal Ltd	Australia	100	100
*	Lion Properties Pty Limited	Australia	100	100
*	Basin Minerals Limited	Australia	100	100
*	Basin Minerals Holdings Pty Ltd	Australia	100	100
*	Basin Properties Pty Ltd	Australia	100	100
*	Swansands Pty Ltd	Australia	100	100
*	Iluka International (UAE) Pty Ltd	Australia	100	100
*	Iluka International (Lanka) Pty Ltd	Australia	100	100
*	Iluka International (China) Pty Ltd	Australia	100	100
*	Iluka International (Brazil) Pty Ltd	Australia	100	100
*	Iluka Share Plan Holdings Pty Ltd	Australia	100	100
*	Iluka International (Netherlands) Pty Ltd	Australia	100	100
*	Iluka Royalties (Australia) Pty Ltd	Australia	100	100
*	Iluka International (ERO) Pty Ltd	Australia	100	100
*	Iluka International (West Africa) Pty Ltd	Australia	100	100
	Ashton Coal Interests Pty Limited	Australia	95.8	95.8
	A.C.N. 637 824 027 Limited	Australia	100	100
	A.C.N. 637 858 425 Pty Ltd	Australia	-	100
	A.C.N. 637 858 434 Pty Ltd	Australia	-	100
	A.C.N. 637 858 809 Pty Ltd	Australia	-	100
	Iluka International Coöperatief U.A.	The Netherlands	100	100
	Iluka Investments 1 B.V.	The Netherlands	100	100
	Iluka Trading (Europe) B.V.	The Netherlands	100	100
	Iluka Lanka P Q (Private) Limited	Sri Lanka	100	100
	Iluka Lanka Resources (Private) Limited	Sri Lanka	100	100
^	Puttalam Ilmenite (Private) Limited	Sri Lanka	40	100
	Iluka Trading (Shanghai) Co., Ltd	China	100	100
	Iluka Brasil Mineracao Ltda	Brazil	100	100

Iluka (UK) Ltd	United Kingdom	100	100
Iluka Technology (UK) Ltd	United Kingdom	100	100
Associated Minerals Consolidated Investments	USA	100	100
Iluka (USA) Investments Inc	USA	100	100
Iluka Resources Inc	USA	100	100
Iluka Resources (NC) LLC	USA	100	100
Iluka Resources (TN) LLC	USA	100	100
IR RE Holdings LLC	USA	100	100
Iluka Atlantic LLC	USA	100	100
Iluka International (Eurasia) Pte. Ltd.	Singapore	100	100
Iluka Exploration (Kazakhstan) Limited Liability Partnership	Kazakhstan	100	100
ERO (Tanzania) Limited	Tanzania	100	100
Iluka Exploration (Canada) Limited	Canada	100	100
Iluka Investments (BVI) Limited	British Virgin Islands	90	96.4
SRL Acquisition No. 3 Limited	British Virgin Islands	100	100
Sierra Rutile (UK) Limited	United Kingdom	100	100
Sierra Rutile Holdings Limited	British Virgin Islands	100	100
Sierra Rutile Limited	Sierra Leone	100	100
Iluka International (UK) Limited	United Kingdom	100	100
Iluka South Africa (Pty) Limited	South Africa	100	100

* The above companies are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others.

By entering into the Deed of Cross Guarantee, the wholly-owned entities represent a closed group and have been relieved from the requirements to prepare a Financial Report and Directors' Report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*. The closed group is also the extended closed group.

Deterra Royalties (MAC) Limited is a party to the Deed. A revocation deed was lodged with ASIC on 10 September 2020 to revoke the participation of Deterra Royalties (MAC) Limited in the Deed. The revocation deed will take effect on 11 March 2021 provided that no party to the Deed goes into liquidation during that six month period after lodgement with ASIC.

^ In August 2020, Iluka reduced its 100% interest in Puttalam Ilmenite (Private) Limited (formerly Iluka Lanka Exploration (Private) Limited) to a non-controlling interest of 40%.

(a) Condensed financial statements of the extended closed group

Condensed statement of profit or loss and other comprehensive income	2020 $m	2019 $m
CONTINUING OPERATIONS		
Revenue from ordinary activities	**756.8**	962.1
Expenses from ordinary activities	**(509.3)**	(560.4)
Finance costs	**(13.7)**	(44.0)
Equity accounted share of profit - Deterra	**0.1**	-
Income tax expense	**(68.7)**	(106.3)
Profit for the period	**165.2**	251.4
DISCONTINUED OPERATIONS		
Profit after tax from discontinued operations	**2,306.5**	59.3
Net profit after tax for the period	**2,471.7**	**310.7**
Other comprehensive income		
Changes in the fair value of cash flow hedges	**9.5**	(2.4)
Total comprehensive income for the period	**2,481.2**	308.3

Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**397.0**	187.8
Profit for the period	**2,471.7**	310.7
Dividends paid	**(1,832.0)**	(101.5)
Retained earnings at the end of the financial year	**1,036.7**	397.0

Condensed balance sheet	2020 $m	2019 $m
Current assets		
Cash and cash equivalents	**52.2**	69.3
Receivables	**90.4**	161.9
Inventories	**452.7**	300.4
Derivative financial instruments	**1.9**	-
Total current assets	**597.2**	531.6
Non-current assets		
Property, plant and equipment	**956.2**	933.2
Deferred tax assets	**28.0**	17.5
Intangible assets	**-**	3.5
Inventories	**112.0**	84.1
Other financial assets - investments in non-closed group entities	**902.1**	721.8
Right of use assets	**15.1**	20.0
Investments accounted for using the equity method	**452.1**	-
Derivative financial instruments	**0.6**	-
Total non-current assets	**2,466.1**	1,780.1
Total assets	**3,063.3**	2,311.7

Condensed balance sheet	2020 $m	2019 $m
Current liabilities		
Payables	**222.8**	81.8
Derivative financial instruments	**-**	3.7
Current tax payable	**27.7**	94.4
Provisions	**53.9**	62.9
Lease liabilities	**7.5**	9.2
Total current liabilities	**311.9**	252.0
Non-current liabilities		
Interest-bearing liabilities	**36.9**	54.0
Derivatives	**-**	1.6
Provisions	**504.2**	433.7
Lease liabilities	**15.7**	20.4
Total non-current liabilities	**556.8**	509.7
Total liabilities	**868.7**	761.7
Net assets	**2,194.6**	1,550.0
Equity		
Contributed equity	**1,150.5**	1,157.5
Reserves	**7.5**	(4.5)
Retained earnings	**1,036.6**	397.0
Total equity	**2,194.6**	1,550.0

OTHER NOTES

26 CONTINGENT LIABILITIES

(a) Bank guarantees

The Group has a number of bank guarantees in favour of various government authorities and service providers to meet its obligations under exploration and mining tenements. At 31 December 2020, the total value of performance commitments and guarantees was $120.5 million (2019: $125.3 million).

(b) Native title

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 Group 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 Group.

(c) Shareholder class action

On 24 March 2014 Iluka became aware that a litigation funder proposed to fund claims that current or former shareholders may have against Iluka Resources Limited in respect of alleged breaches of Iluka’s continuous disclosure obligations and misleading or deceptive conduct in 2012.

(c) Shareholder class action (continued)

On 23 April 2018, Iluka was served with an originating application and statement of claim in respect of a shareholder class action filed in the Federal Court of Australia. The proceedings have been brought by the Applicant on behalf of Iluka shareholders for alleged breaches of Iluka's continuous disclosure obligations, and misleading or deceptive conduct in relation to disclosures made by Iluka to the market between April and July 2012.

The trial of the class action is scheduled to commence on 8 March 2021 in the New South Wales registry of the Federal Court of Australia.

Iluka denies liability in respect of the allegations and is defending the proceedings.

This contingent liability was first disclosed in Iluka's 2018 Interim Report. The status of the proceedings has still not reached a stage where Iluka is able to reliably estimate the quantum of liability, if any, that Iluka may incur in respect of the class action.

(d) Sierra Leone environmental class action

On 22 January 2019, SRL was served with a writ and statement of claim in respect of an action filed in the High Court of Sierra Leone Commercial And Admiralty Division against both SRL and The Environmental Protection Agency.

The proceedings have been brought by a group of landowner representatives (Representatives) who allege that they suffered loss as a result of SRL's mining operations. The claims primarily relate to environmental matters that arose prior to the Group acquiring its interest in SRL. The Representatives allege, in part, that SRL engaged in improper mining practices resulting in environmental degradation and contamination, did not meet certain rehabilitation obligations and violated local mining laws. SRL denies liability in respect of the allegations and intends to defend the claims. SRL filed its defence in March 2019 and also applied to the Court for an order requiring the Representatives to provide further detail on their claims.

As at 31 December 2020, the status of the proceedings has still not reached a stage where SRL is able to reliably estimate the quantum of liability, if any, that SRL may incur in respect of the class action.

(e) Other claims

In the course of its normal business, the Group occasionally receives claims arising from its operating or historic 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 Group if settled unfavourably.

27 COMMITMENTS

(a) Exploration and mining lease commitments	**2020 $m**	2019 $m
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable:		
Within one year	**14.8**	14.9
Later than one year but not later than five years	**32.3**	34.7
Later than five years	**43.6**	46.8
	90.7	96.4

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

(b) Lease commitments

From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see notes 11 and 35 for further information.

(c) Capital commitments

Capital expenditure contracted for and payable, but not recognised as liabilities is $35.1 million (2019: $26.5 million). All of the commitments relate to the purchase of property, plant and equipment. Of the total amount, $34.4 million is payable within one year of the reporting date and $0.7 million is payable between one and five years of the reporting date.

28 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the parent entity, Iluka Resources Limited, by PwC's related network firms and by non-related audit firms:

(a) Auditors of the Group - PwC and related network firms	**2020 $000**	2019 $000
Audit and review of financial reports		
Group	**624**	623
Controlled entities	**156**	174
	780	797
Other assurance services		
Investigating Accountants report for Deterra Demerger	**266**	-
Other assurance services	**63**	96
	329	96
Other services		
Tax compliance and advisory services	**34**	34
Other advisory services	**10**	10
	44	44
Total services provided by PwC	**1,153**	937
(b) Other auditors and their related network firms		
Audit and review of financial statements	**101**	96
Other compliance and advisory services	**4**	15
	105	111

Amounts for the remuneration of auditors in the comparative period have been restated to include fees which accrued subsequent to the end of the comparative period.

29 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Equity Incentive Plan (specifically, the Executive Incentive Plan, Long Term Incentive Plan and Short Term Incentive Plan). Information relating to this scheme is set out in the Remuneration Report.

The fair value of shares granted is determined based on market prices at grant date, taking into account the terms and conditions upon which those shares were granted. The fair value is recognised as an expense through profit or loss 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 Monte Carlo simulation 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 the Long Term Incentive Plan (LTIP - TSR tranche) and Executive Incentive Plan also take into account the Company's predicted share prices against the comparator group performance at vesting date.

A credit to the share-based payments expense arises where unvested entitlements lapse on resignation or the non-fulfilment of the vesting conditions that do not relate to market performance. Payroll tax payable on the grant of restricted shares or share rights is recognised as a component of the share-based payments expense when paid.

The share-based payment expense recognised in profit or loss of $4.1 million (2019: $6.2 million) results from several schemes summarised below.

Schemes	Grant date	Vesting date	Fair value $	**Shares / rights at 31 Dec 20**	**Expense 2020 $m**	Shares / rights at 31 Dec 19	Expense 2019 $m
STIP (i)							
2020	Mar-21	Mar-22/23	6.62	**-**	**0.7**	-	-
2019	Mar-20	Mar-21/22/23	9.30	**-**	**1.0**	-	1.2
2018	Mar-19	Mar-20/21	7.62	**-**	**0.6**	-	1.3
2017	Mar-18	Mar-19/20	10.55	**-**	**0.1**	-	0.5
LTIP - TSR (ii)							
2017	May-17	Mar-21	5.66	**610,323**	**0.3**	376,858	0.5
2016 MD Grant	Oct-16	Mar-21	3.71	**126,688**	**0.1**	126,688	0.2
2016	May-16	Mar-20	4.27	**104,037**	**-**	211,502	-
2016	May-16	Mar-19	4.27	**-**	**-**	1,607	-
LTIP - ROE (ii)							
2017	May-17	Mar-21	7.44	**610,312**	**(2.0)**	369,845	0.6
2016 MD Grant	Oct-16	Mar-21	5.42	**126,687**	**(0.5)**	126,687	(0.4)
2016	May-16	Mar-20	5.86	**104,037**	**-**	211,519	(0.9)
2016	May-16	Mar-19	6.01	**-**	**-**	-	(1.0)
EIP (iii)	Mar-18/19/20/21	Mar-23/24/25	7.62	**1,528,301**	**3.4**	366,282	3.1
MD LTDR (iv)	Oct-16	Mar-18/19/20	4.68	**-**	**-**	163,031	0.2
COO LTDR (v)	Mar-17	Mar-20	6.82	**-**	**-**	16,133	0.1
COO LTDR (v)	Mar-18	Mar-21	10.55	**-**	**(0.1)**	10,424	0.1
COO LTDR (v)	Mar-19	Mar-22	9.35	**-**	**-**	11,762	0.1
Restricted Share Plan (vi)			6.82	**-**	**0.5**	-	0.6
					4.1		6.2

(i) Short Term Incentive Plan (STIP)

The fair value of the STIP is determined as the volume weighted average price of ordinary shares over the five trading days following the release of the Company's annual results.

(ii) Long Term Incentive Plan (LTIP)

The fair value at grant date for the LTIP took into account the exercise price of $nil, the share price at grant date, the expected price volatility of the share price (based on historical volatility), the expected dividend yield and the risk free rate of return. The fair value of the total shareholder return tranche also took into account the Company's predicted share prices against the comparator group performance at vesting date.

Prior year expenses related to rights that do not vest for the Return on Equity (ROE) tranche are credited to share-based payments expense.

(iii) Executive Incentive Plan (EIP)

Equity awarded under the Executive Incentive Plan is granted on 1 March each year. The number of restricted shares and performance rights to be awarded is determined based on a volume weighted average market price of Iluka shares for the five days following the release of the full year results.

The fair value at grant date for the Executive Incentive Plan (EIP) with market vesting conditions takes into account the exercise price of $nil (2019: nil), the share price at grant date of $9.34 (2019: $9.14), the expected share price volatility (based on historical volatility) of 33% (2019: 35%), the expected dividend yield of 0% (2019: 0%) the risk free rate of return of 1.7% (2019: 0.5%), and vesting dates for a period of three years commencing one year after the grant date. The fair value of the TSR tranche also takes into account the Company's predicted share prices against the comparator group performance at vesting date. The fair value at grant date for the Executive Incentive Plan (EIP) with non-market vesting conditions is calculated as volume weighted average market price of Iluka shares for the five days following the end of performance year.

(iv) Managing Director's Long Term Deferred Rights (LTDR)

The fair value at grant date for the Managing Director's LTDR takes into account the exercise price of $nil, the share price at grant date of $6.27, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of 3.47% and the risk free rate of return of 1.53%. The fair value of the TSR tranche also takes into account the Company's predicted share prices against the comparator group performance at vesting date.

Full details of the LTDR granted in October 2016 are set out in the 2016 Remuneration Report. The fair value of $4.68 per right is the weighted average for all share rights in the LTDR.

(v) Chief Operating Officer's Long Term Deferred Rights (LTDR)

The fair value at grant date for the Chief Operating Officer's LTDR represents the face value of nil (2019: 38,319) share rights.

(vi) Restricted share plan

No (2019: 51,548) restricted shares were issued to any (2019: five) eligible employees who participated in the plan. Shares issued in the comparative period were issued to participants based on a volume weighted average price of $9.35 calculated over the five trading days following the release of the Company's 2018 annual results.

30 POST-EMPLOYMENT BENEFIT OBLIGATIONS

(a) Superannuation plan

(i) Australia

Iluka previously provided defined lump sum and pension benefits to employees of the Group who did not elect a fund under the Superannuation Fund Choice legislation via the Iluka Resources Superannuation Plan. Iluka has closed this defined benefits plan to new members and there are no remaining members. During the prior reporting period, the remaining net plan surplus was derecognised, as the Group has no further legal or constructive obligation in relation to this plan.

(ii) 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 one defined benefit plan and one defined contribution plan. The 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. The entity's legal or constructive obligation is limited to these contributions.

(iii) SRL

SRL does not operate any retirement benefit plan for its employees. For employees of the Sierra Leone based subsidiary, the Group makes a contribution of 10% of the employees' basic salary to the National Social Security and Insurance Trust ("NASSIT") for payment of pension to staff on retirement. These employees also contribute 5% of their basic salary to NASSIT.

The Sierra Leone based subsidiary also provides for end-of-term benefits based on the provisions contained in the collective bargaining agreements negotiated with trade unions representing employees. On 1 January 2018, this benefit was extended to include senior and management employees, in addition to all other employees, with the obligation to the newly added senior and management employees becoming effective from 1 January 2019. The post-employment benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation in relation to this arrangement.

The following sets out details in respect of the defined benefit sections only for Australia, US and SRL.

(b) Financial position

The net financial position of the Group's defined benefit plans based on information supplied from the plans' actuarial advisors per the table below.

	Net plan position	**2020 $m**	2019 $m
United States	Deficit	**(17.7)**	(15.7)
Sierra Leone	Deficit	**(9.1)**	(6.7)
Total		**(26.8)**	(22.4)

A net deficit of $26.8 million (2019: deficit $22.4 million) is included in non-current provisions in note 9. The table below provides a summary of the net financial position at 31 December for the past five years.

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Defined benefit plan obligation	**(51.8)**	(46.7)	(39.4)	(36.0)	(35.0)
Plan assets	**25.0**	24.3	21.5	21.2	20.3
Deficit	**(26.8)**	(22.4)	(17.9)	(14.8)	(14.7)

(c) Defined benefits superannuation expense

In 2020, $2.3 million (2019: $2.4 million) was recognised in expenses for the year in respect of the defined benefit plans.

Other disclosures in respect of retirement benefit obligations required by AASB 119 are not included in the financial report as the directors do not consider them to be material to an understanding of the financial position and performance of the Group.

31 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2020 $m	2019 $m
Profit (loss) for the year	**2,410.0**	(299.7)
Depreciation and amortisation	**184.8**	163.2
Doubtful debts/(reversed)	**(0.1)**	1.6
Net loss (gain) on disposal of property, plant and equipment	**(2.0)**	4.1
Net exchange differences	**5.6**	0.3
Rehabilitation and mine closure provision discount unwind	**14.4**	19.7
Rehabilitation discount rate change	**12.2**	18.3
Non-cash share-based payments expense	**4.1**	6.2
Amortisation of deferred borrowing costs	**0.6**	1.2
Impairment of Sierra Rutile Limited assets	**-**	375.2
Changes in rehabilitation provisions for closed sites	**(8.1)**	3.2
Inventory NRV write-down	**13.0**	41.8
Demerger gain	**(2,246.8)**	-
Impairment of Sri Lanka	**12.4**	-
Put option revaluation gain	**(19.4)**	-
Change in operating assets and liabilities		
Decrease in receivables	**93.4**	(39.8)
(Increase) in inventories	**(196.2)**	(35.2)
Increase/(decrease) in net current tax liability	**(63.3)**	(43.1)
Decrease in net deferred tax	**(8.1)**	199.0
(Decrease) in payables	**(118.9)**	(111.7)
(Decrease) in provisions	**24.1**	17.9
Net cash inflow from operating activities	**111.7**	322.2

32 KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

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

(i) Key Management Personnel compensation

Detailed information about the remuneration received by each Key Management Person is provided in the Remuneration Report on pages 63 to 86.

The below provides a summary:

	2020 $000	2019 $000
Short-term benefits	**4,962**	6,213
Post-employment benefits	**199**	205
Termination benefits	**49**	276
Share-based payments	**590**	3,362
Total	**5,800**	10,056

(b) Transactions with Key Management Personnel

There were no transactions between the Group and Key Management Personnel that were outside of the nature described below:

(i) 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 Group would have adopted if dealing at arms length with an unrelated individual;

(ii) information about these transactions does not have the potential to adversely affect the 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

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

33 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information for Iluka Resources Limited

	2020 $m	2019 $m
Balance sheet		
Current assets	**197.5**	106.5
Non-current assets	**2,078.0**	1,481.1
Total assets	**2,275.5**	1,587.6
Current liabilities	**69.6**	40.6
Non-current liabilities	**620.7**	439.2
Total liabilities	**690.3**	479.8
Net assets	**1,585.2**	1,107.8
Shareholders' equity		
Contributed equity	**1,151.5**	1,160.3
Other reserves	**15.3**	2.6
Profit reserve[1]	**626.9**	153.4
Accumulated loss	**(208.5)**	(208.5)
	1,585.2	1,107.8
Profit/(loss) for the year	**2,244.9**	(234.3)
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	**(7.8)**	(2.4)
Total comprehensive income	**2,237.1**	231.9

[1]Profits have been appropriated to a profits reserve for future dividend payments.

(b) Contingent liabilities of the parent entity

The parent had contingent liabilities for performance commitments and guarantees of $12.4 million as at 31 December 2020 (2019: $10.6 million). In addition, the parent has a contingent liability related to the shareholder class action, as detailed in note 26.

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

As at 31 December 2020, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $2.3 million (2019: $6.3 million).

(d) Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

(d) Parent entity financial information (continued)

(ii) 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 consolidation group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Iluka Resources Limited.

34 RELATED PARTY TRANSACTIONS

The only related party transactions are with Directors and Key Management Personnel (refer note 32). Details of material controlled entities are set out in note 23. The ultimate Australian controlling entity and the ultimate parent entity is Iluka Resources Limited.

35 NEW AND AMENDED STANDARDS

New standards and amendments adopted

Iluka Resources Limited is required to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2020. The affected policies and standards are:

- *Conceptual Framework for Financial Reporting* and AASB 2019-1 *References to the Conceptual Framework*
- AASB 2018-6 *Definition of a Business*
- AASB 2018-7 *Definition of Material*
- AASB 2019-5 *Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

The adoption of the above standards and amendments did not have a material impact on the current or prior period.

Forthcoming standards and amendments not yet adopted

There are no forthcoming standards and amendments that are expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

DIRECTORS' DECLARATION

For the year ended 31 December 2020

In the directors' opinion:

(a) the financial statements and notes set out on pages 88 to 144 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2020 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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 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 23.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. Martin

G Martin
Chairman

T O'Leary

T O'Leary
Managing Director

25 February 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2020

Independent auditor's report

To the members of Iluka Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Iluka Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended, and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2020

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $13 million, which represents approximately 5% of the Group's profit before tax, adjusted for the net fair value gain arising from the demerger of Deterra Royalties Limited. We adjusted for the net fair value gain arising from the demerger of Deterra Royalties Limited as it is an infrequently occurring item impacting profit and loss.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose adjusted Group profit before tax, because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Component auditors, operating under our instructions, performed audit procedures over the Group's Sierra Leone operations' financial information. These procedures, combined with the work performed by us which included reviewing component auditors' work, as the Group engagement team, provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial report as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Accounting for the demerger of Deterra Royalties Limited *Refer to Note 23 of the financial statements* Deterra Royalties Limited (Deterra) was demerged from the Group on 2 November 2020, with the Group retaining a 20% interest. As disclosed in Note 23, Demerger of Deterra, Iluka has recognised a $1,808 million post-tax gain on the demerger distribution. The Group has also assessed that it asserts significant influence over Deterra. Accordingly, the Group has accounted for the retained ownership as an investment in associate, resulting in an equity accounting carrying value at 31 December 2020 of $452 million. We determine this to be a key audit matter due to the financial impact of the transaction on the Group and the judgement required when determining whether the Group maintains significant influence over Deterra.	Our audit procedures included the following, amongst others: • We obtained and read the key documents associated with the demerger to identify the terms relevant to the calculation of the gain on demerger and the Group's assessment that significant influence existed at 31 December 2020, • We evaluated the key inputs to the post-tax gain on demerger calculation, being the distribution value, the fair value of the retained investment at demerger date, the carrying value of the Deterra net assets at demerger date, and the transaction costs incurred, • We assessed whether the Group accurately determined the value of assets and liabilities derecognised as at the demerger date and whether the operating result to the point of demerger was correctly recorded, • Our tax specialists considered the tax impacts of the demerger, including consideration of external advice and private tax rulings obtained by the Group, • We assessed the calculation of the equity-accounted carrying value of the Deterra investment both at the demerger date and at 31 December 2020, including agreeing the share of Deterra's profit and reserves recognised during the post-demerger period to Deterra's unaudited financial statements,

Key audit matter	*How our audit addressed the key audit matter*
	• We considered Iluka's assessment of whether there were any indicators of impairment of the Deterra investment at 31 December 2020, including a comparison of the market value of the Group's interest in Deterra to its carrying value, and • We assessed the financial report disclosures in accordance with the requirements of Australian Accounting Standards.
Impairment assessment of Sierra Rutile and Cataby/South-West cash generating units (CGUs) *Refer to Note 8 of the financial statements* During the year, the Group identified indicators of impairment in its Sierra Rutile and Cataby/South-West CGUs. When an impairment assessment is performed, there are significant judgements made by the Group in relation to assumptions, such as: • long term mineral sands pricing, • reserve estimates and production and processing volumes, • operating costs, capital costs, rehabilitation and mine closure costs, foreign exchange and inflation rates, and • discount rates. This was a key audit matter due to the significance of the carrying value of the CGUs to the Group's consolidated balance sheet and the judgements and assumptions outlined above in determining whether an impairment charge was required.	We performed the following procedures on the Group's impairment assessments for the Sierra Rutile and Cataby/South-West CGU's, amongst others: • Assessed whether the carrying values of the Sierra Rutile and Cataby/South-West CGUs appropriately included all directly attributable assets and liabilities, • Considered whether the impairment models used to estimate the recoverable amount of the CGUs were consistent with the basis required by Australian Accounting Standards, • Tested whether forecast cash flows used in the impairment models were consistent with the most recent Corporate Plan formally approved by directors, • Tested whether the forecast cash flows used in the impairment models were appropriate and based on supportable assumptions by: o comparing long term mineral sands pricing data used in the impairment models to independent industry forecasts and long term sales contracts, o comparing the forecasted cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting, o assessing the objectivity and competence of internal engineering experts who assisted in developing ore reserve estimates for Sierra Rutile and Cataby/South-West,

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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comparing forecast mineral sands production over the life of mine for Sierra Rutile and Cataby/South-West CGUs to the Group's most recent reserves and resources statement,
comparing foreign exchange rate and inflation rate assumptions in the impairment model to current economic forecasts, and
assessing the Group’s discount rate calculations, including having regard to the inputs utilised in the Group’s weighted average cost of capital such as peer company betas, risk free rate and gearing ratios, assisted by PwC valuation experts

tested the mathematical accuracy, on a sample basis, of the impairment models’ calculations, and
evaluated whether the disclosures made in note 8 including those regarding key assumptions used in the impairment assessment are reasonable in light of the requirements of Australian Accounting Standards.

</td></tr>
<tr><td>
Closure and rehabilitation provisions
Refer to Note 9 of the financial statements
As a result of its mining and processing operations, the Group is obliged to restore and rehabilitate the environment disturbed by these operations and remove related infrastructure. Rehabilitation activities are governed by a combination of legislative requirements and Group policies.
At 31 December 2020 the balance sheet included provisions for such obligations of $798 million.
This was a key audit matter given the determination of these provisions required judgement by the Group in the assessment of the nature and extent of the work to be performed, the future cost of performing the work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate for future cash outflows associated with rehabilitation activities.
</td><td>
We performed the following procedures over the Group’s rehabilitation provision, amongst others.
We evaluated key assumptions utilised in these models by performing the following procedures:

evaluated the competency and independence of the experts retained by the Group to assist with the assessment of its rehabilitation obligations,
examined the Group’s assessment of significant changes in future cost estimates from the prior year,
compared the estimated future rehabilitation costs to actual costs being incurred at the Group’s sites for similar activities to assess the extent to which rehabilitation estimates take into account current experience, and tested on a sample basis the provision to comparable data from external parties and management’s experts,

</td></tr>
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Key audit matter	*How our audit addressed the key audit matter*
	• assessed the ability of the Group to make reliable estimates of the extent of future rehabilitation expenditure by comparing actual cash outflows in 2020 to those forecast as part of the provision in previous years, • assessed the Group's judgments in relation to the manner in which the rehabilitation of legacy sites in Virginia is likely to occur, and • considered the appropriateness of the discount rates and inflation rates utilised in calculating the provision by comparing them to current market consensus.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2020

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Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 63 to 86 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Iluka Resources Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
25 February 2021

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

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CORPORATE INFORMATION

Eneabba, Western Australia

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

FIVE YEAR PHYSICAL AND FINANCIAL SUMMARY

	2020	2019	2018	2017	2016
Production volumes (kt)					
- Zircon	185.2	322.1	348.6	312.3	347.1
- Rutile	172.6	184.1	163.2	302.1	117.6
- Synthetic rutile	227.4	196.2	219.9	210.8	210.9
Total Z/R/SR	**585.2**	**702.4**	**731.7**	**825.2**	**675.6**
- Ilmenite	455.9	318.6	395.1	448.1	329.4
Sales volumes (kt)					
- Zircon	239.6	274.0	379.3	380.4	338.8
- Rutile	162.1	200.1	233.2	264.3	172.1
- Synthetic rutile	115.8	206.7	214.6	244.4	186.8
Total Z/R/SR	**517.5**	**680.8**	**827.1**	**889.1**	**697.7**
- Ilmenite	256.1	170.8	224.5	202.7	17.7
Weighted average annual prices (US$/t)					
- Zircon (premium and standard)	1,319	1,487	1,351	958	810
- Zircon (all products)	1,217	1,380	1,321	940	773
- Rutile (excluding HYTI and TIC)	1,220	1,142	952	790	716
- Synthetic rutile	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Average AUD:USD spot exchange rate (cents)	**69.1**	**69.5**	**74.8**	**76.7**	**74.4**
Unit revenue and cash cost ($/t)					
Revenue per tonne Z/R/SR sold (A$/t)	1,625	1,654	1,415	1,079	999
Unit cash costs of production per tonne Z/R/SR produced excluding by-products	918	753	606	439	373
Unit cost of goods sold per tonne of Z/R/SR	1,032	889	750	743	700
Summary financials ($m)					
Z/R/SR revenue	841.0	1,128.7	1,179.0	959.1	696.8
Ilmenite and other revenue	106.0	64.4	65.1	58.4	29.5
Revenue from operations	947.0	1,193.1	1,244.1	1,017.5	726.3
Cash costs of production	(558.7)	(539.6)	(455.1)	(372.4)	(260.6)
Inventory movement – cash costs of production	142.3	63.4	(68.5)	(141.5)	(107.6)
Restructure and idle capacity charges	(20.9)	(19.7)	(24.7)	(73.3)	(69.5)
Government royalties	(22.3)	(39.4)	(38.1)	(25.2)	(20.4)
Marketing and selling costs	(27.7)	(35.0)	(38.1)	(33.8)	(36.3)
Asset sales and other income	(1.5)	(3.5)	1.8	0.7	(0.6)
Corporate and other costs	(54.6)	(64.5)	(48.1)	(47.1)	(53.8)
Major projects, exploration and innovation	(62.3)	(25.7)	(30.1)	(24.6)	(79.4)
Mineral sands EBITDA	342.0	530.9	544.5	300.9	103.0
Mining Area C EBITDA	81.1	85.1	55.6	59.6	47.5
Underlying Group EBITDA[1]	423.1	616.0	600.1	360.5	150.5
Rehabilitation and holding costs for closed sites	7.2	(3.2)	4.6	(127.4)	(42.6)
Demerger / SRL transaction costs	(13.3)	-	-	-	(14.1)
Depreciation and amortisation	(184.8)	(163.2)	(93.6)	(111.0)	(79.9)
Inventory movement – non-cash production costs	39.9	15.5	(28.3)	(66.8)	(57.3)
Gain on demerger of Deterra Royalties	2260.1	-	-	-	-
Significant non-cash items	-	(414.3)	-	(185.4)	(201.0)
Net interest and finance charges	(7.1)	(51.8)	(30.8)	(32.2)	(30.0)
Income tax (expense) benefit	(95.5)	(298.7)	(148.1)	(6.0)	53.7
Net profit (loss) after tax for the period (NPAT)	2410.0	(275.8)	303.9	(171.6)	(224.0)
Operating cash flow	183.8	408.1	594.2	391.7	137.3
Capital expenditure (capex)	(71.2)	(197.5)	(311.5)	(93.1)	(82.5)
Free cash (outflow) inflow[2] ($m)	36.3	139.7	304.4	321.9	47.3
Net (debt) cash	50.2	43.3	1.8	(182.5)	(506.3)

Capital and dividends	2020	2019	2018	2017	2016
Ordinary shares on issue (millions)	422.8	422.6	422.4	418.7	418.7
Dividends per share in respect of the year (cents)	2	13	29	31	3
Franking level %	100	100	100	100	100
Opening year share price ($)[3]	4.70	3.80	5.09	3.71	3.12
Closing year share price ($)[3]	6.49	4.73	3.87	5.17	3.69
Financial ratios					
Underlying Group EBITDA/revenue margin %	41.2	51.6	48.2	35.4	20.7
Mineral sands EBITDA/revenue margin %	36.1	44.5	43.8	29.6	14.2
Basic earnings (loss) per share (cents)	570.4	(71.0)	72.2	(41.0)	(53.6)
Free cash flow per share (cents)	8.5	33.1	72.1	76.9	11.3
Return on shareholders' equity[4] %	283.7	(24.5)	31.8	(20.1)	(17.1)
Return on capital[5] %	311.3	6.8	54.0	(11.6)	(18.3)
Gearing (net debt/net debt + equity) %	n/a	n/a	n/a	17.1	31.5
Financial position as at 31 December ($m)					
Total assets	2,361.7	1,894.5	2,211.9	1,947.0	2,442.3
Total liabilities	(1,069.4)	(1,182.8)	(1101.9)	(1061.5)	(1339.3)
Net assets	1,292.3	711.6	1,110.0	885.5	1,103.0
Shareholders' equity	1,292.3	711.6	1,110.0	885.5	1,103.0
Net tangible asset backing per share ($)	3.0	1.6	2.1	1.7	2.2
Employees, as at 31 December					
Full-time equivalent employees[6]	3,354	3,427	3,421	2,543	687
Iluka Ore Reserves and Mineral Resources					
Mineral Resources In Situ HM million tonnes	118.9	165.4	167.8	169.4	170.5
Ore Reserves In Situ HM million tonnes	11.2	13	15.7	16.4	16.7
HM Grade (%) Ore Reserves	5.7	5.6	5.8	5.8	5.9
Assemblage[7] (%)					
Zircon	17	18	17	19	19
Rutile	3	3	4	4	4
Ilmenite	55	56	54	52	52
Sierra Rutile Ore Reserves and Mineral Resources					
Mineral Resources In Situ Rutile million tonnes	7.9	8.2	8	7.3	7.5
Ore Reserves In Situ Rutile million tonnes	3.6	3.7	3.8	3.8	3.9

Notes:

(1) Underlying Group EBITDA excludes non-recurring adjustments including write-downs, Sierra Rutile Limited transaction costs, the gain on the demerger of Deterra Royalties, and changes to rehabilitation provisions for closed sites. Underlying EBITDA also excludes Iluka's share of Metalysis Ltd's losses, which are non-cash in nature.

(2) Free cash flow is determined as cash flow before any debt refinance costs, proceeds/repayment of borrowings and dividends paid in the year. 2016 free cash flow is stated before the acquisition cost of Sierra Rutile Limited of $375.4 million.

(3) Share prices prior to November 2020 have been adjusted by a factor of 0.51 for the capital reduction from the Deterra Royalties demerger.

(4) Calculated as NPAT for the year as a percentage of the average monthly shareholders' equity over the year.

(5) Calculated as EBIT for the year as a percentage of average monthly capital employed for the year.

(6) 2016 data excludes Sierra Rutile Limited.

(7) Mineral assemblage is reported as a percentage of the In situ heavy mineral content.

The Ore Reserves and Mineral Resources for the Sierra Leone rutile deposits are reported separately as there is insufficient information to state the assemblage in terms of a portion of the heavy mineral (HM) content which is traditionally done in reporting heavy minerals. Historical data focused on the in situ rutile content which is honoured in the reporting of Ore Reserves and Mineral Resources for Sierra Leone. Refer pages 159 to 161 or Iluka's website www.iluka.com for Ore Reserves and Mineral Resources Statement.

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

OPERATING MINES PHYSICAL DATA

12 Months to 31 December 2020

	Jacinth-Ambrosia/ Mid west	Cataby / South west	Australia Total	Sierra Leone	Idle Operations	Group Total 2020	Group Total 2019
Mining							
Overburden moved kbcm	3,146	12,164	15,310	254	-	15,564	12,602
Ore mined kt	10,349	13,343	23,692	8,928	-	32,620	29,124
Ore treated grade HM %	4.0%	5.7%	4.9%	3.4%	-	4.4%	3.9%
VHM treated grade %	3.7%	4.8%	4.2%	2.5%	-	3.7%	4.3%
Concentrating							
HMC produced kt	357	520	876	306	-	1,182	1,087
VHM produced kt	318	454	772	200	-	971	911
VHM in HMC assemblage %	89.0%	87.4%	88.1%	65.4%	-	82.2%	83.8%
Zircon	49.7%	11.4%	27.0%	4.2%	-	21.1%	30.9%
Rutile	8.0%	6.8%	7.3%	43.4%	-	16.6%	18.7%
Ilmenite	31.3%	69.3%	53.8%	17.7%	-	44.5%	34.2%
HMC processed kt	232	483	715	293	-	1,008	961
Finished product[1] kt							
Zircon	114.9	58.8	173.7	6.6	4.9	185.2	322.1
Rutile	24.5	27.9	52.4	120.2	-	172.6	184.1
Ilmenite (saleable/upgradeable)	67.7	342.4	410.1	45.8	-	455.9	318.6
Synthetic rutile produced kt	-	227.4	227.4	-	-	227.4	196.2

Notes:

(1) Finished product includes material from heavy mineral concentrate (HMC) initially processed in prior periods

EXPLANATORY COMMENTS ON TERMINOLOGY

Overburden moved (bank cubic metres) refers to material moved to enable mining of an ore body.

Ore mined (thousands of tonnes) refers to material moved containing heavy mineral ore.

Ore treated grade HM % refers to percentage of heavy mineral (HM) in the ore processed through the mining unit.

VHM treated grade % refers to percentage of valuable heavy mineral (VHM) - titanium dioxide (rutile and ilmenite), and zircon in the ore processed through the mining unit.

Concentrating refers to the production of heavy mineral concentrate (HMC) through a wet concentrating process at the mine site, which is then transported for final processing into finished product at a mineral processing plant.

HMC produced refers to HMC, which includes the valuable heavy mineral concentrate (zircon, rutile, ilmenite) as well as other non-valuable heavy minerals (gangue).

VHM produced refers to an estimate of valuable heavy mineral in heavy mineral concentrate expected to be processed.

VHM produced and the VHM assemblage - provided to enable an indication of the valuable heavy mineral component in HMC.

HMC processed provides an indication of material emanating from each mining operation to be processed.

Finished product is provided as an indication of the finished production (zircon, rutile, ilmenite – both saleable and upgradeable) attributable to the VHM in HMC production streams from the various mining operations. Finished product levels are subject to recovery factors which can vary. The difference between the VHM produced and finished product reflects the recovery level by operation, as well as processing of finished material/concentrate in inventory. Ultimate finished product production (rutile, ilmenite, and zircon) is subject to recovery loss at the processing stage – this may be in the order of 10%.

Ilmenite is produced for sale or as a feedstock for synthetic rutile production. Typically, 1 tonne of upgradeable ilmenite will produce between 0.56 to 0.60 tonnes of synthetic rutile. Iluka also purchases external ilmenite for its synthetic rutile production process.

ORE RESERVES/ MINERAL RESOURCES STATEMENT

HM ORE RESERVES

Iluka HM Ore Reserve Breakdown by Country, Region and JORC Category at 31 December 2020

Summary of Ore Reserves for Iluka[1,2,3,6]						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	62	1.9	3.1	27	48	4	
		Probable	3	0.1	2.1	21	54	3	
Total	**Eucla Basin**		**65**	**2.0**	**3.1**	**27**	**48**	**4**	**(0.6)**
	Perth Basin	Proved	87	5.7	6.6	57	11	4	
		Probable	46	3.4	7.5	69	10	2	
Total	**Perth Basin[5]**		**132**	**9.2**	**6.9**	**61**	**10**	**3**	**(1.3)**
Total	**Proved**		**149**	**7.7**	**5.2**	**49**	**20**	**4**	
Total	**Probable**		**48**	**3.5**	**7.2**	**68**	**11**	**2**	
	Grand Total		**197**	**11.2**	**5.7**	**55**	**17**	**3**	**(1.8)**

Notes:

(1) Competent Persons - Ore Reserves: A Walkenhorst (MAusIMM). The Ore Reserves were estimated in accordance with the JORC Code (2012 Edition), other than the Ore Reserves for the South West deposits, which have not materially changed and were estimated in accordance with the JORC Code (2004 Edition). Iluka Resources is undertaking further work in order to report these estimates in accordance with the JORC Code (2012 Edition).

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

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

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

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

(6) The quoted figures are stated as at 31 December 2020 and have been depleted for all production conducted to this date.

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

ORE RESERVES/ MINERAL RESOURCES STATEMENT

RUTILE ORE RESERVES (SIERRA LEONE)

Iluka Rutile Ore Reserve for Sierra Rutile by JORC Category at 31 December 2020

Summary of Ore Reserves for Iluka[1,2,3,6,7]					In Situ Mineral Content[4]			
Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ Rutile Tonnes Millions	Rutile Grade (%)	Ilmenite[5] Grade (%)	Zircon[5] Grade (%)	Change Rutile Tonnes Millions
Sierra Leone	Sierra Leone	Proved	29	0.4	1.5	-	-	
		Probable	239	3.2	1.3	-	-	
Total	**Sierra Leone**		**268**	**3.6**	**1.4**	**-**	**-**	**(0.1)**

Notes:

(1) Competent Persons - Ore Reserves: A Walkenhorst (MAusIMM).

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

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

(4) Mineral content is reported as a percentage of in situ material.

(5) The ilmenite and zircon are only considered to be at an Inferred level of confidence in the Mineral Resource estimates, and while present, currently have a low value ascribed in the reserve optimisation process for Sierra Leone. This is not material to the economic viability.

(6) The quoted figures are stated as at 31 December 2020 and have been depleted for all production conducted to this date.

(7) The total Ore Reserves for Sierra Leone are stated. As of 31 December 2020, International Finance Corporation (IFC) held a 10% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited.

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. Reserve estimates are determined by the consideration of all of the "Modifying Factors", 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.

The Ore Reserves and Mineral Resources for the Sierra Leone rutile deposits are reported separately as there is insufficient information to state the assemblage in terms of a portion of the HM content which is traditionally done in reporting HM deposits. Historical data focussed on the in situ rutile content which is honoured in the reporting of Ore Reserves and Mineral Resources for Sierra Leone. An equivalent comparison of the rutile tonnages contained in Iluka's Ore Reserve inventory for HM can be calculated using the formula:

[Rutile tonnes = HM tonnes * Rutile %] that is [11.2*(3/100)] = 0.336 Mt of rutile.

The total reported Mineral Resources and Ore Reserves have been stated for Sierra Leone. As at 31 December 2020, International Finance Corporation (IFC) held a 10% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited. The Mineral Resources and Ore Reserves for the Sierra Leone rutile deposits attributable to Iluka will be 90% of the stated estimates.

For the year ending 2020, HM Ore Reserves decreased by **1.8Mt** HM associated with mining depletion and adjustments, down from **13.0Mt** HM to **11.2Mt** HM.

The main factors contributing to the movement in Iluka's HM Ore Reserves during 2020 include the following:

- The Eucla Basin Ore Reserves decreased by **0.6Mt** HM associated with mining depletion, pit optimisation and re-design at Jacinth and Ambrosia.
- The Perth Basin Ore Reserves decreased **by 1.3Mt** HM as a result of mine depletion and adjustment at Cataby (**-0.3Mt** HM) and MSP By-Product Stockpile (**-0.1Mt** HM) and write down of the Capel South (**-0.5Mt** HM), Elgin (**-0.2Mt** HM) and Scotts (**-0.2Mt** HM) Deposits.

HM ORE RESERVES MINED AND ADJUSTED

Iluka HM Ore Reserves mined and adjusted by country and region at 31 December 2020

Summary of Ore Reserve Depletion[1]

Country	Region	Category	In Situ HM Tonnes Millions 2019	In Situ HM Grade (%) 2019	In Situ HM Tonnes Millions Mined 2020	In Situ HM Tonnes[2] Millions Adjusted 2020	In Situ HM Tonnes Millions 2020	In Situ HM Grade (%) 2020	In Situ HM Tonnes[3] Millions Net Change
Australia	Eucla Basin	Active Mines	2.6	3.0	(0.4)	(0.2)	2.0	3.1	(0.6)
		Non-Active Sites	-	-	-	-	-	-	-
Total	**Eucla Basin**		**2.6**	**3.0**	**(0.4)**	**(0.2)**	**2.0**	**3.1**	**(0.6)**
	Perth Basin	Active Mines	6.8	5.8	(0.6)	1.1	7.3	6.3	0.5
		Non-Active Sites	3.6	13.5	-	(1.7)	1.9	11.4	(1.7)
Total	**Perth Basin**		**10.4**	**7.2**	**(0.6)**	**(0.7)**	**9.2**	**6.9**	**(1.3)**
Total	**Active Mines**		**9.4**	**4.6**	**(1.0)**	**0.9**	**9.2**	**5.1**	**(0.1)**
Total	**Non-Active Sites**		**3.6**	**13.5**	**-**	**(1.7)**	**1.9**	**11.4**	**(1.7)**
Total	**Ore Reserves**		**13.0**	**5.6**	**(1.0)**	**(0.8)**	**11.2**	**5.7**	**(1.8)**

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.

RUTILE ORE RESERVES MINED AND ADJUSTED

The rutile Ore Reserves for Sierra Leone decreased by **0.1Mt** rutile associated with mining depletion and adjustments at Gangama and Gbeni down from **3.7Mt** rutile to **3.6Mt** rutile.

Iluka Rutile Ore Reserves mined and adjusted for Sierra Rutile at 31 December 2020

Summary of Ore Reserve Depletion[1]

Country	Region	Category	In Situ Rutile Tonnes Millions 2019	In Situ Rutile Grade (%) 2019	In Situ Rutile Tonnes Millions Mined 2020	In Situ Rutile Tonnes[2] Millions Adjusted 2020	In Situ Rutile Tonnes Millions 2020	In Situ Rutile Grade (%) 2020	In Situ Rutile Tonnes[3] Millions Net Change
Sierra Leone	Sierra Leone	Active Mines	0.6	1.3	(0.1)	0.1	0.6	1.4	(0.1)
		Non-Active Sites	3.1	1.3	-	(0.0)	3.1	1.3	(0.0)
Total	**Sierra Leone[4]**		**3.7**	**1.3**	**(0.1)**	**0.1**	**3.6**	**1.3**	**(0.1)**

Notes:

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

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

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

(4) The total Ore Reserves for Sierra Leone are stated. As at 31 December 2020, International Finance Corporation (IFC) held a 10% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited.

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

ORE RESERVES/ MINERAL RESOURCES STATEMENT

HM MINERAL RESOURCES

Iluka Mineral Resource breakdown by country, region and JORC category at 31 December 2020

Summary of Mineral Resources for Iluka[1,2,3,7]

Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ HM Tonnes Millions	In Situ HM Grade (%)	HM Assemblage[4] Ilmenite Grade (%)	HM Assemblage[4] Zircon Grade (%)	HM Assemblage[4] Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Measured	191	5.1	2.7	35	40	4	
		Indicated	89	8.3	9.3	67	18	2	
		Inferred	65	3.2	5.0	59	21	2	
Total	**Eucla Basin**		**345**	**16.6**	**4.8**	**56**	**25**	**3**	**(0.8)**
	Murray Basin	Measured	16	4.4	27.6	62	11	11	
		Indicated	88	18.5	21.0	56	11	14	
		Inferred	91	10.5	11.6	49	10	14	
Total	**Murray Basin**		**195**	**33.4**	**17.2**	**54**	**11**	**13**	**-**
	Perth Basin	Measured	471	28.2	6.0	58	11	5	
		Indicated	312	16.7	5.3	54	10	5	
		Inferred	203	10.0	5.0	56	9	5	
Total	**Perth Basin[5]**		**986**	**54.9**	**5.6**	**56**	**10**	**5**	**(0.7)**
USA	Atlantic Seaboard	Measured	27	1.3	4.9	67	9	-	
		Indicated	47	2.5	5.3	64	11	-	
		Inferred	16	0.5	3.1	60	11	-	
Total	**Atlantic Seaboard[6]**		**91**	**4.4**	**4.8**	**64**	**10**	**-**	**-**
Sri Lanka	Sri Lanka	Inferred	136	9.5	7.0	65	4	5	
Total	**Sri Lanka[7,8]**		**136**	**9.5**	**7.0**	**65**	**4**	**5**	**(45.1)**
Total	**Measured**		**705**	**39.0**	**5.5**	**55**	**14**	**5**	
Total	**Indicated**		**536**	**46.0**	**8.6**	**58**	**12**	**8**	
Total	**Inferred**		**511**	**33.9**	**6.6**	**57**	**9**	**7**	
	Grand Total		**1752**	**118.9**	**6.8**	**57**	**12**	**7**	**(46.5)**

Notes:

(1) Competent Persons - Mineral Resources: B Gibson (MAIG).

(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 the in situ HM component.

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

(6) Rutile is included in Ilmenite for the Atlantic Seaboard region.

(7) As of 31 December 2020, the total Mineral Resource for Coco stands at 340 million tonnes at 7.0% HM for 24 million tonnes of HM and the Iluka Attributable Mineral Resource stands at 136 million tonnes at 7.0% HM for 9.5 million tonnes of HM reflecting Iluka's 40% ownership.

(8) PQ Deposit removed due to inability to secure continuity of tenure.

RUTILE MINERAL RESOURCES (SIERRA LEONE)

Iluka Rutile Mineral Resources for Sierra Rutile by JORC category at 31 December 2020

Summary of Mineral Resources for Iluka(1,2,3,6)					In Situ Mineral Content			
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ Rutile Tonnes Millions	Rutile Grade (%)	Ilmenite(5) Grade (%)	Zircon(5) Grade (%)	Change Rutile Tonnes Millions
Sierra Leone	Sierra Leone	Measured	90	1.2	1.4	0.9	0.1	
		Indicated	463	4.9	1.1	1.0	0.1	
		Inferred	162	1.8	1.1	0.7	0.1	
Total	**Sierra Leone(6)**		**715**	**7.9**	**1.1**	**0.9**	**0.1**	**(0.3)**

Notes:

(1) Competent Persons - Mineral Resources: B Gibson (MAIG)

(2) Mineral Resources are reported inclusive of Ore Reserves.

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

(4) Mineral assemblage is reported as a percentage of in situ material.

(5) Ilmenite and zircon are included for tabulation purposes under the Measured and Indicated Resource categories. The confidence in the Mineral Resource estimates for Ilmenite and zircon are only considered to be at an Inferred level of confidence and should not be used in the estimation of Ore Reserves.

(6) The total Mineral Resources for Sierra Leone are stated. As of 31 December 2020, International Finance Corporation (IFC) held a 10% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited.

Mineral Resources are estimated using all available and relevant geological, drill hole and assay data, including mineralogical sampling and test work on mineral and final product qualities. Resource estimates are determined by consideration of geology, HM cut-off grades, mineralisation thickness vs. overburden ratios and consideration of the potential mining and extraction methodology and are prepared in accordance with the 2012 JORC Code. These factors may vary significantly between deposits.

For the year ending 31 December 2020, Mineral Resources (excluding the Mineral Resources attributable to the Sierra Rutile) decreased by **46.5Mt** HM net of mining depletion and adjustments (exploration discovery, development and write-downs) down from **165.4Mt** HM to **118.9Mt** HM.

The change in Mineral Resources for 2020 was driven by the following:

- Eucla Basin Mineral Resources decreased by **0.80Mt** HM as a result of mining depletion and write-down at Ambrosia (**-0.27Mt** HM) and Jacinth (**-0.24Mt** HM) and updated resource estimation at Atacama (**-0.29Mt** HM).
- The Perth Basin Mineral Resources decreased by **0.66Mt** HM as a result of re-estimation, mining depletion and write-down at Cataby (**-0.62Mt** HM) and of mining depletion of the MSP By-Product Stockpile (**-0.05Mt** HM).
- Sri Lanka Mineral Resources decreased by **45.1Mt** HM resulting from write-off of the PQ Deposit (**-30.7Mt** HM) due to the inability to secure tenement continuity and recognition of Iluka retaining a 40% ownership of the Coco Deposit (**-14.3Mt** HM).

The rutile Mineral Resources for Sierra Leone decreased by **0.26Mt** rutile, associated with mining depletion for Gbeni (**-0.06Mt** of rutile), mining depletion and write down for Gangama (**-0.13Mt** of rutile), write-off of the Mogbwemo Tails (**-0.09Mt** of rutile) and adjustments for Kamatipa (**-0.01Mt** of rutile) and Komende (**0.02Mt** rutile).

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

ORE RESERVES/ MINERAL RESOURCES STATEMENT

HM MINERAL RESOURCES MINED AND ADJUSTED

Iluka Mineral Resources mined and adjusted by country and region at 31 December 2020

Summary of Mineral Resource Depletion[1]

Country	Region	Category	In Situ HM Tonnes Millions 2019	In Situ HM Grade (%) 2019	In Situ HM Tonnes Millions Mined 2020	In Situ HM Tonnes[2] Millions Adjusted 2020	In Situ HM Tonnes[4] Millions 2020	In Situ HM Grade (%) 2020	In Situ HM Tonnes[3] Millions Net Change
Australia	Eucla Basin	Active Mines	4.2	2.3	(0.4)	(0.1)	3.7	2.2	(0.5)
		Non-Active Sites	13.3	7.5	-	(0.3)	13.0	7.3	(0.3)
Total	**Eucla Basin**		**17.4**	**4.8**	**(0.4)**	**(0.4)**	**16.6**	**4.8**	**(0.8)**
	Murray Basin	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	33.4	17.2	-	-	33.4	17.2	-
Total	**Murray Basin**		**33.4**	**17.2**	**-**	**-**	**33.4**	**17.2**	**-**
	Perth Basin	Active Mines	13.7	4.5	(0.6)	0.8	13.9	4.6	0.2
		Non-Active Sites	41.9	6.1	-	(0.8)	41.0	6.0	(0.8)
Total	**Perth Basin**		**55.6**	**5.6**	**(0.6)**	**(0.1)**	**54.9**	**5.6**	**(0.7)**
USA	Atlantic Seaboard	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	4.4	4.8	-	-	4.4	4.8	-
Total	**Atlantic Seaboard**		**4.4**	**4.8**		**-**	**4.4**	**4.8**	**-**
Sri Lanka	Sri Lanka	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	54.6	8.1	-	(45.1)	9.5	7.0	(45.1)
Total	**Sri Lanka[4,5]**		**54.6**	**8.1**	**-**	**(45.1)**	**9.5**	**7.0**	**(45.1)**
Total	**Active Mines**		**17.9**	**3.6**	**(1.0)**	**0.7**	**17.6**	**3.7**	**(0.3)**
Total	**Non-Active Sites**		**147.5**	**8.1**	**-**	**(46.2)**	**101.3**	**7.9**	**(46.2)**
Total	**Mineral Resources**		**165.4**	**7.1**	**(1.0)**	**(45.5)**	**118.9**	**6.8**	**(46.5)**

Notes:

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

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

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

(4) As of 31 December 2020, the total Mineral Resource for Coco stands at 340 million tonnes at 7.0% HM for 24 million tonnes of HM and the Iluka Attributable Mineral Resource stands at 136 million tonnes at 7.0% HM for 9.5 million tonnes of HM reflecting Iluka's 40% ownership.

(5) PQ Deposit removed due to inability to secure continuity of tenure.

RUTILE MINERAL RESOURCES MINED AND ADJUSTED (SIERRA LEONE)

Iluka Rutile Mineral Resources mined and adjusted for Sierra Rutile at 31 December 2020

Summary of Mineral Resource Depletion[1]

Country	Region	Category	In Situ Rutile Tonnes Millions 2019	In Situ Rutile Grade (%) 2019	In Situ Rutile Tonnes Millions Mined 2020	In Situ Rutile Tonnes[2] Millions Adjusted 2020	In Situ Rutile Tonnes Millions 2020	In Situ Rutile Grade (%) 2020	In Situ Rutile Tonnes[3] Millions Net Change
Sierra Leone	Sierra Leone	Active Mines	1.7	1.2	(0.1)	(0.6)	1.0	1.3	(0.7)
		Non-Active Sites	6.5	1.1	-	0.5	7.0	1.1	0.4
Total	**Sierra Leone[4]**		**8.2**	**1.1**	**(0.1)**	**(0.1)**	**7.9**	**1.1**	**(0.3)**

Notes:

[1] Rounding may generate differences in the last decimal place.

[2] Adjusted figure includes write-downs and modifications in mine design.

[3] Net difference includes depletion by mining and adjustments.

[4] The total Mineral Resources for Sierra Leone are stated. As of 31 December 2020, International Finance Corporation (IFC) held a 10% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited.

Sierra Rutile, Sierra Leone

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

ANNUAL STATEMENT OF MINERAL RESOURCES AND ORE RESERVES

The Annual Statement of Mineral Resources and Ore Reserves as at 31 December 2020 presented in this Report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (the JORC Code 2012) and ASX listing Rules and as disclosed in the announcement dated the 20 February 2017. Information prepared and disclosed under the JORC Code 2004 Edition and which has not materially changed since last reported has not been updated. Iluka is not aware of any new information or data that materially affects the information included in this Annual Statement and confirms that the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Mineral Resources is based on information compiled by Mr Brett Gibson who is a Member of the Australian Institute of Geoscientists (MAIG).

The information in this report that relates to Ore Reserves is based on information compiled by Mr Andrew Walkenhorst who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM).

Mr Gibson and Mr Walkenhorst are full time employees of Iluka Resources.

Mr Gibson and Mr Walkenhorst each have sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', the JORC Code 2012 Edition. Mr Gibson and Mr Walkenhorst consent to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to specific Mineral Resources and Ore Reserves is based on and accurately reflects reports compiled by Competent Persons as defined in the JORC Code 2012 for each of the company regional business units. Each of these persons is a full-time employee of Iluka Resources Limited or its relevant subsidiaries, holds equity securities in Iluka Resources Limited and is entitled to participate in Iluka's executive equity long term incentive plan, details of which are included in Iluka's 2020 Remuneration report.

All the Competent Persons named are Members of The Australasian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and/or the relevant jurisdiction ROPO (Recognised Overseas Professional Organisation) and have sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the JORC Code 2012. At the reporting date, each Competent Person listed in this report is a full-time employee of Iluka Resources Limited or one of its subsidiaries. Each Competent Person consents to the inclusion of material in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures reported represent estimates as at 31 December 2020. All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information is inclusive of Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

MINERAL RESOURCES AND ORE RESERVES CORPORATE GOVERNANCE

Iluka has an established governance process supporting the preparation and publication of Mineral Resources and Ore Reserves which includes a series of structures and processes independent of the operational reporting through business units and product groups.

The Audit and Risk Committee has in its remit the governance of resources and reserves. This includes an annual review of Mineral Resources and Ore Reserves at a group level, as well as review of findings and progress from the Group Resources and Reserves internal audit programme within the regular meeting schedule.

Mineral Resources and Ore Reserves are estimated by Iluka Personnel or suitably qualified independent personnel using industry standard techniques and supported by internal guidelines for the estimation and reporting of Mineral Resources and Ore Reserves.

All Mineral Resource and Ore Reserve estimates and supporting documentation is reviewed by Competent Persons employed by Iluka. If there is a material change in the estimate of a Mineral Resource, the Modifying Factors for the preparation of Ore Reserves, or reporting an inaugural Mineral Resource or Ore Reserve and if it is considered prudent to have an external review, then the estimate and supporting documentation in question is reviewed by a suitably qualified independent Competent Person.

The Iluka Mineral Resource and Ore Reserve position is reviewed annually by a suitably qualified independent Competent Person prior to publication and the governance process is also audited by an independent body (PricewaterhouseCoopers).

Iluka has continued the development of internal systems and controls in order to meet JORC (2012) guidelines in all external reporting, including the preparation of all reported data by Competent Persons as members of The Australasian Institute of Mining and Metallurgy (The AusIMM), The Australian Institute of Geoscientists (AIG) or Recognised Overseas Professional Organisations (ROPOs).

The establishment of an enhanced governance process has also been supported by a number of process improvements and training initiatives over recent years, including a Web based group reporting and sign-off database, annual internal Competent Person reports and Competent Person development and training.

SHAREHOLDER AND CORPORATE INFORMATION

As at 31 January 2021

AUSTRALIAN SECURITIES EXCHANGE LISTING

Iluka's shares are listed on the Australian Securities Exchange (ASX) Limited. The company is listed as Iluka Resources Limited with an ASX code of ILU.

SHARES ON ISSUE

The company had 422,769,681 shares on issue as at 31 January 2021. A total of 199,955 ordinary shares are restricted pursuant to the Directors, Executives and employees share acquisition plan, equity incentive plan and employee share plan.

SHAREHOLDINGS

There were 21,247 shareholders. 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

Range	Total holders
1 - 1,000	12,243
1,001 - 5,000	7,146
5,001 - 10,000	1,140
10,001 - 100,000	668
100,001 - 1,000,000	38
1,000,001 and over	12
Unmarketable Parcels	(less than $500) - 1,822

TOP 20 SHAREHOLDERS (NOMINEE COMPANY HOLDINGS)

Name	Number of shares	% units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	168,425,483	39.84
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	99,059,272	23.43
CITICORP NOMINEES PTY LIMITED	42,794,729	10.12
NATIONAL NOMINEES LIMITED	20,180,003	4.77
BNP PARIBAS NOMS PTY LTD (DRP)	11,911,286	2.82
UBS NOMINEES PTY LTD	10,435,936	2.47
BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING DRP A/C)	7,225,969	1.71
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (NT-COMNWLTH SUPER CORP A/C)	2,762,644	0.65
NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	2,055,698	0.49
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,250,195	0.30
CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	1,164,725	0.28
R O HENDERSON (BEEHIVE) PTY LIMITED	1,080,000	0.26
UBS NOMINEES PTY LTD	608,260	0.14
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD (DRP A/C)	581,030	0.14
ONE MANAGED INVT FUNDS LTD (SANDON CAPITAL INV LTD A/C)	558,155	0.13
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	553,635	0.13
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT)	542,679	0.13
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	505,804	0.12
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	501,906	0.12
MR ANGUS MACKAY	481,250	0.11

SUBSTANTIAL SHAREHOLDERS (AS PROVIDED IN DISCLOSED SUBSTANTIAL SHAREHOLDER NOTICES TO THE COMPANY)

Shareholder	Shareholding	% of issued capital
Perpetual Investment Management Limited	52,080,085	12.32%
Sumitomo Mitsui Trust Holdings, Inc.	40,106,390	9.49%
BlackRock Group	33,198,095	7.85%
Vanguard Group	25,373,149	6.00%
Aware Super Pty Ltd	21,589,552	5.11%
Schroder Investment Management Australia Limited	21,142,530	5.00%

CALENDAR OF KEY EVENTS

25 February	Announcement of financial results
9 March 5:30pm (WST)	Close of nominations
23 April	March quarterly review
27 April 9:30am (WST)	Closure of acceptances of proxies for AGM
29 April 9:30am (WST)	Annual General Meeting
22 July	June quarterly review
25 August	Announcement of half year financial results
21 October	September quarterly review
31 December	Financial year end

All dates are indicative and subject to change. Shareholders are advised to check with the company to confirm timings.

SHAREHOLDER AND NEW INVESTOR INFORMATION

Key shareholder information – Iluka website: www.iluka.com

To assist those considering an investment in the company, the investors and media section of the Iluka website contains key shareholder information, which includes the calendar of events. This site contains information on Iluka's products, marketing, operations, ASX releases and financial and quarterly reports. It also contains links to other sites, including the share registry.

INVESTOR RELATIONS ENQUIRIES

Investor Relations
Level 17, 240 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9360 4700
Email: investor.relations@iluka.com

DIVIDENDS

Iluka's Board of Directors typically makes a determination on dividend payments twice each year. Iluka introduced a dividend reinvestment plan (DRP) in 2018.

SHARE REGISTRY SERVICES

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the company's share registry:

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: 1300 733 043 (within Australia) or +61 3 9415 4801 (outside Australia)
Facsimile: +61 3 9473 2500

Postal address
GPO Box 2975
Melbourne VIC 3001
Website: www.investorcentre.com/au

ANNUAL REPORTS AND EMAIL NOTIFICATION OF MAJOR ACCOUNTS

Shareholders can elect to receive a printed copy of the Annual Report and/or receive an email notification related to major company events. Please contact Computershare. Each enquiry should refer to the shareholder number which is shown on holding statements and dividend statements.

CORPORATE INFORMATION

COMPANY DETAILS

Iluka Resources Limited
ABN: 34 008 675 018

COMPANY SECRETARY

Sue Wilson, Company Secretary
Nigel Tinley, Joint Company Secretary

REGISTERED OFFICE

Level 17, 240 St Georges Terrace Perth
Western Australia, 6000

POSTAL ADDRESS

GPO Box U1988 Perth,
Western Australia, 6845 Australia
Telephone: +61 8 9360 4700
Facsimile: +61 8 9360 4777

WEBSITE

www.iluka.com

The site contains information on Iluka's products, marketing, operations, ASX releases and financial and quarterly reports. It also contains links to other sites, including the share registry.

NOTICE OF ANNUAL GENERAL MEETING

Iluka's 66th Annual General Meeting of Shareholders will be held on Thursday, 29 April 2021 commencing at 9:30am (WST).

In line with the Federal Government's proposed legislation to extend relief facilitating virtual meetings, and having regard to the uncertainty and potential health risks associated with large gatherings during the COVID-19 pandemic, there will not be a physical venue for shareholders to attend but shareholders will be able to participate in the meeting online. Shareholders are nevertheless encouraged to lodge proxy votes in advance of the meeting to ensure that their voting instructions will be received and votes cast, and to monitor the Company's website and ASX platform in case any alternative arrangements become necessary.

CLOSE OF NOMINATIONS

All nominations for election as a director at the 66th Annual General Meeting of Shareholders must be received in writing no later than 5:30pm (WST) on Tuesday, 9 March 2021 in order to be valid under Iuka's constitution.

FORWARD-LOOKING STATEMENTS

This document contains certain statements which constitute "forward-looking statements".

Often, but not always, forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "plan", "believes", "estimate", "anticipate", "outlook" and "guidance", or similar expressions, and may include, without limitation, statements regarding plans; strategies and objectives of management; anticipated production and production potential; estimates of future capital expenditure or construction commencement dates; expected costs or production outputs; estimates of future product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves.

While these forward-looking statements reflect Iluka's expectations at the date of this report, they are not guarantees or predictions of future performance or statements of fact. The information is based on Iluka forecasts and as such is subject to variation related to, but not restricted to, economic, market demand/supply and competitive factors.

Forward-looking statements are only predictions and are subject to known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Iluka to differ materially from future results, performances or achievements expressed, projected or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof.

Except as required by applicable laws or regulations, Iluka does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events. Iluka cautions against reliance on any forward-looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with COVID-19.

Information on likely developments in the Group's business strategies, prospects and operations for future financial years and the expected results that could result in unreasonable prejudice to the Group (for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage) has not been included below in this report. The categories of information omitted include forward-looking estimates and projections prepared for internal management purposes, information regarding Iluka's operations and projects, which are developing and susceptible to change, and information relating to commercial contracts.

NON-IFRS FINANCIAL INFORMATION

This document contains non-IFRS financial measures including cash production costs, non-production costs, mineral sands EBITDA, Underlying Group EBITDA, EBIT, free cash flow, and net debt amongst others. Iluka management considers these to be key financial performance indicators of the business and they are defined and/or reconciled in Iluka's annual results materials and/or Annual Report. Non-IFRS measures have not been subject to audit or review. All figures are expressed in Australian dollars unless stated otherwise.


Tutunup South, Western Australia


Jacinth-Ambrosia, South Australia

Cataby, Western Australia


Narngulu, Western Australia


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