ILUKA

ILUKA RESOURCES LIMITED

ABN 34 008 675 018

INTERIM REPORT

for the half-year 30 June 2021

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CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4D for the Consolidated Entity comprising Iluka Resources Limited (Iluka) and its controlled entities for the half year ended 30 June 2021 (the current period) compared with the half year ended 30 June 2020 (the previous corresponding period).

This report should be read in conjunction with the Annual Report for the year ended 31 December 2020, and public announcements made by Iluka during the half year ended 30 June 2021 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

Iluka demerged its royalty business in November 2020 to create Australia's largest ASX-listed royalty company, Deterra Royalties (Deterra). Deterra is described as a discontinued operation in this interim report.

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

Revenue from ordinary activities	Up 62.3% to $765.0m
Net profit after tax for the period from ordinary activities - continuing operations	Up 61.7% to $129.0m
Net profit after tax for the period attributable to equity holders of the parent	Up 14.0% to $129.0m

Dividends
2021 interim: 12 cents per ordinary share (100% franked), to be paid in October 2021
2020 final: 2 cents per ordinary share (100% franked), paid in April 2021
2020 interim: nil
Demerger dividend: $1,808.1 million, distributed in November 2020

Key ratios	**1st Half 2021**	**1st Half 2020**
Basic profit per share (cents) - continuing operations	30.6	18.9
Diluted profit per share (cents) - continuing operations	30.3	18.8
Free cash flow per share[1] (cents)	42.4	10.9
Net tangible assets per share ($)	2.22	1.82

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

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 2021 interim dividend.

The Directors have determined that no discount will apply for the DRP in respect of the 2021 interim dividend. Shares allocated to shareholders under the DRP for the 2021 interim 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 13 September 2021. The last date for receipt of election notices for the DRP is 9 September 2021.

Independent auditor's review report

The Condensed Consolidated Financial Statements upon which this Appendix 4D is based have been reviewed.

REVIEW OF RESULTS AND OPERATIONS

Review of Results

- Net profit after tax of $129.0 million
- Underlying mineral sands EBITDA of $299.2 million
- Free cash flow of $179.3 million, bringing net cash to $220.1 million

Revenue

Mineral sands revenue increased by 61% to $735.6 million in the first half of 2021 as zircon/rutile/synthetic rutile (Z/R/SR) sales volumes increased 89% from the previous corresponding period to 458 thousand tonnes. Zircon sales volumes in the first half of 2021 reflected Chinese tile manufacturers returning to pre-pandemic production levels. Sales of high-grade titanium dioxide feedstock (rutile and synthetic rutile) increased 72% to 280 thousand tonnes on improved market conditions, with synthetic rutile sales of 191 thousand tonnes up 116% as already strong demand was amplified by increased concern around the future supply of high-grade feedstocks and the settlement of the contractual dispute with major synthetic rutile customer, Chemours.

Iluka's weighted average zircon premium and standard price received in the first half of 2021 was US$1,321 per tonne and rutile price was up 2% from the second half of 2020 to US$1,224 per tonne. Synthetic rutile sales are, in large part, underpinned by commercial off-take arrangements and the terms of these arrangements are commercial in confidence and as such cannot be disclosed.

Sales (kt)	1st Half 2021	1st Half 2020	% change
Zircon	177.2	78.4	126.0
Rutile	89.0	74.7	19.1
Synthetic rutile	191.4	88.5	116.3
Total Z/R/SR sales	**457.6**	**241.6**	**89.4**
Ilmenite	130.4	107.1	21.8
Monazite concentrate	20.7	10.0	107.0
Total sales volumes	**608.7**	**358.7**	**74.6**
Z/R/SR revenue ($m)	680.0	408.1	66.6
Ilmenite and other revenue ($m)	55.6	48.5	14.6
Total mineral sands revenue[1] ($m)	**735.6**	**456.6**	**61.1**
Revenue per tonne of Z/R/SR sold[2]($/t)	1,486	1,689	(12.0)

[1] Mineral sands revenue includes revenue derived from other materials not included in production volumes, including monazite concentrate, activated carbon products and iron concentrate.
[2] Calculated as revenue from the sale of zircon, rutile and synthetic rutile (Z/R/SR) products divided by Z/R/SR sales volumes.

Earnings

Iluka recorded a profit after tax for the half-year ended 30 June 2021 of $129.0 million (2020: $113.2 million) as markets recovered from the impacts of COVID-19 pandemic on the broader economy. Prices have returned to pre-pandemic levels and sales volumes rebounded strongly, though profit was impacted by the appreciation of the AUD:USD foreign exchange rate as foreign exchange markets stabilised, which unfavourably impacts mainly USD denominated revenue.

Owing to improved business conditions, Iluka's underlying mineral sands EBITDA increased 69% to $299.2 million. Group underlying EBITDA increased 37% to $308.2 million, with the lower percentage increase the result of a significantly reduced earnings contribution from the Mining Area C royalty. Iluka demerged its royalty business in November 2020 and retains a 20% stake in Deterra Royalties. First half cash production costs decreased by $39.8 million to $253.4 million due to lower production as the Synthetic Rutile Kiln 2 (SR2) was idled for two months to manage synthetic rutile stock levels, Cataby heavy mineral concentrate (HMC) production was impacted by Tropical Cyclone Seroja and lower grades in line with the mine plan sequence, and lower run time and feed rates at Sierra Rutile.

Earnings per share for the period were 30.5 cents compared to an earnings per share of 26.8 cents in the previous corresponding period.

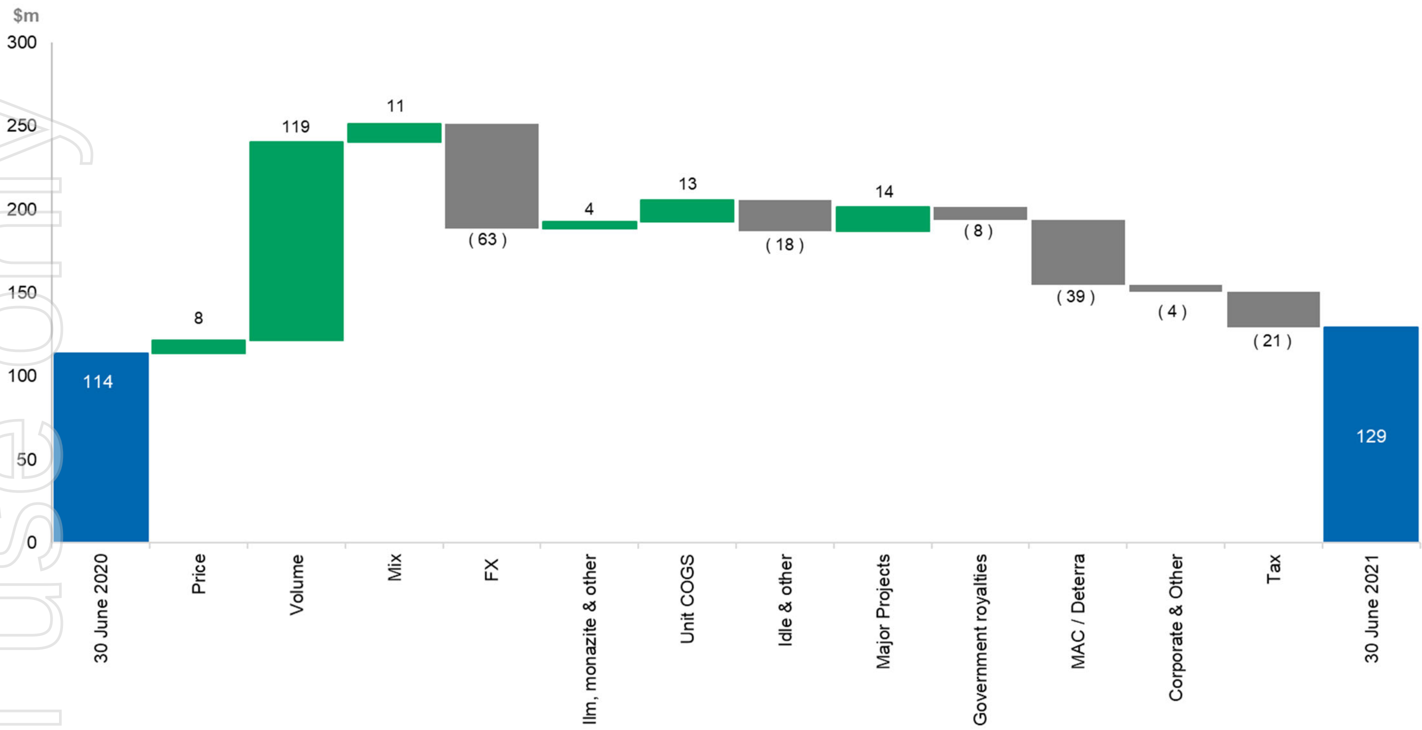
Income statement analysis

$ million	1st Half 2021	1st Half 2020	% change
Z/R/SR revenue	680.0	408.1	66.6
Ilmenite and other revenue	55.6	48.5	14.6
Mineral sands revenue	**735.6**	**456.6**	**61.1**
Cash costs of production	(242.0)	(283.0)	14.5
Ilmenite and by-product costs	(11.4)	(10.2)	(11.8)
Inventory movement - cash costs of production	(89.5)	98.1	n/a
Restructure and idle capacity charges	(17.4)	(8.2)	(112.2)
Government royalties	(17.0)	(9.5)	(78.9)
Marketing and selling costs[1]	(14.9)	(15.7)	5.1
Asset sales and other income	0.3	6.5	(95.4)
Major projects, exploration, and innovation	(17.0)	(31.2)	45.5
Corporate and other costs	(30.8)	(29.3)	(5.5)
Foreign exchange	3.3	3.0	10.0
Underlying mineral sands EBITDA[2]	**299.2**	**177.1**	**68.9**
EBITDA from discontinued operations	-	48.0	n/a
Share of profit of associate - Deterra	9.0	-	n/a
Underlying Group EBITDA	**308.2**	**225.1**	**36.9**
Depreciation and amortisation	(76.7)	(74.7)	(2.7)
Inventory movement - non-cash production costs	(17.0)	24.5	n/a
Rehabilitation costs for closed sites	(0.4)	(0.4)	-
Impairment of exploration assets	(6.2)	-	n/a
Group EBIT	**207.9**	**174.5**	**19.1**
Net interest and bank charges	(2.6)	(4.0)	35.0
Rehabilitation unwind and other finance costs	(5.3)	(7.3)	27.4
Profit before tax	**200.0**	**163.2**	**22.5**
Tax expense	(71.0)	(50.0)	(42.0)
Profit for the period (NPAT)	**129.0**	**113.2**	**14.0**
Average AUD/USD rate for the period (cents)	**77.2**	**65.8**	**17.3**

[1] Freight revenue and expenses are included as a net number in marketing and selling costs.

[2] Underlying Group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites, which are non-cash in nature.

Movement in NPAT



The key drivers for the movement in NPAT from the 2020 half-year were:

- significantly higher Z/R/SR sales volumes at 458 thousand tonnes (2020: 242 thousand tonnes), driven mainly by strong demand for zircon and synthetic rutile;
- the average Australian dollar exchange rate remained volatile from the 2020 half-year as it appreciated against the US dollar following COVID-19 lows, ending at 77 cents achieved on sales, compared to 65 cents in the previous corresponding period;
- lower unit COGS of $915 per tonne in the first half of 2021 (2020: $961 per tonne) due to a combination of factors including change in sales mix as the proportion of zircon sales grew and reduced Sierra Rutile sales dropping the average cost of goods sold in favour of lower-cost Australian product;
- idle costs increased with the idling of SR2 kiln through February and March to manage synthetic rutile stock levels;
- operating spend on major projects decreased due to the exclusion of the Balranald underground mining trials, which concluded in 2020;
- Iluka demerged its royalty business in November 2020 to create the ASX's largest resources royalty company, Deterra Royalties Limited. Iluka retained a 20% stake in Deterra. Iluka's earnings contribution from Deterra no longer reflects the cash generated from that asset, with $3.2 million of depreciation charges in H1 2021;
- increase in tax expense for the half-year 2021 as net profit before tax improved with higher sales volumes and improving business conditions.

Cash flow and balance sheet

Operating cash flow for the 2021 half-year was $306.4 million (2020: $96.7 million) reflecting higher receipts from customers as sales volumes increased dramatically from the prior comparative period and drew down on inventory built up in 2020.

Capital expenditure was $16.7 million (2020: $49.6 million) as spend focused on Eneabba Phase 2. Other spend in the first half reflected development work for the Cataby southern area expansion and sustaining capital spend at Australian operations. Sustaining capital and Sembehun study costs at Sierra Rutile were reduced and formed part of operating cash flows.

Tax payments represent both income tax payments in Australia and Sierra Leone. Tax instalments in Australia have been based on the instalment rate provided by the Australian Tax Office (ATO). A final 2019 tax instalment of $99 million was deferred to September 2020 in the previous half, while strong sales in the second half of 2020 and first half of 2021 resulted in higher tax instalments in the year-to-date. Sierra Rutile Limited's annual Sierra Leone income tax payments are the greater of 3.5% of revenue or 30% of profit, based on the *Sierra Rutile Act*.

Iluka accessed the Australian Government JobKeeper payment in 2020, recording a grant of $13.9 million. Subsequent to improved performance in the second half of 2020, Iluka voluntarily elected to return the JobKeeper grant and repaid the amount in the current period.

Drawings under the Multi Option Facility Agreement (MOFA), which comprises a series of five-year committed unsecured bilateral revolving credit facilities, at 30 June 2021 were $53.2 million (31 December 2020: $38.0 million).

Net cash increased to $220.1 million from $50.2 million at 31 December 2020.

Movement in net debt ($million)

	1st Half 2020	2nd Half 2020	1st Half 2021
Opening net cash (debt)	**43.3**	**62.1**	**50.2**
Operating cash flow	96.7	86.0	306.4
Discontinued operations	41.6	50.6	-
Exploration	(5.5)	(4.5)	(3.8)
Interest (net)	(1.)	(1.5)	(0.8)
Tax	(39.4)	(125.3)	(84.7)
Capital expenditure	(49.6)	(21.6)	(16.7)
Dividends received - Deterra	-	-	2.6
Government grants	4.3	9.6	(13.9)
Principal element of lease payments AASB 16	(4.8)	(4.5)	(3.8)
Asset sales	3.9	1.2	0.1
Share purchases	-	-	(6.3)
Free cash flow	**46.2**	**(10.0)**	**179.3**
Dividends	(32.6)	-	(7.9)
Net cash flow	**13.6**	**(10.0)**	**171.4**
Exchange revaluation of USD net debt	5.5	(1.6)	(1.2)
Amortisation of deferred borrowing costs	(0.3)	(0.3)	(0.3)
Increase in net cash/(debt)	**18.8**	**(11.9)**	**169.9**
Closing net cash/(debt)	**62.1**	**50.2**	**220.1**

Production

Production (kt)	1st Half 2021	1st Half 2020	% change
Zircon	141.9	92.2	53.9
Rutile	79.9	84.0	(4.9)
Synthetic rutile	78.9	111.6	(29.3)
Total Z/R/SR production	**300.7**	287.8	**4.5**
Ilmenite	235.3	215.4	9.2
Monazite concentrate	26.2	9.7	170.1
Total Mineral Sands Production	**562.2**	512.9	**9.6**
HMC produced	501	601	(16.7)
HMC processed	562	520	8.2
Cash costs of production, excluding ilmenite and by-products ($m)	**242.0**	283.0	**14.5**
Unit cash cost per tonne of Z/R/SR produced excluding by-products[1] ($/t)	805	983	18.1
Unit cost of goods sold per tonne of Z/R/SR sold ($/t)	915	961	4.8

[1] Unit cash cost per tonne of Z/R/SR produced is determined as cash costs of production less the cost of ilmenite and by-products, divided by total Z/R/SR production volumes.

Australian Operations

Mining at Jacinth-Ambrosia in South Australia produced 129 thousand tonnes of heavy mineral concentrate (HMC), down from 184 thousand tonnes in the prior comparative period. The lower HMC production was the result of reduced ore grades as mining at the lower grade part of the Jacinth North deposit continues over the next 12 months.

In Western Australia, the Cataby operation produced 108 thousand tonnes of HMC, down from 234 thousand tonnes in the previous half. Reduced HMC production was a result of lower runtime due to the impact of lower ore grades in line with the mining sequence and the impact of Tropical Cyclone Seroja.

The Narngulu mineral separation plant (MSP) operated at full capacity and processed 232 thousand tonnes of HMC, up from 148 thousand tonnes in the first half of 2020. The plant processed both Cataby and Jacinth-Ambrosia material to produce a total of 142 thousand tonnes of zircon and 24 thousand tonnes of rutile.

Production of synthetic rutile from SR2 at Capel was 79 thousand tonnes, down from 112 thousand tonnes in the previous half, with SR2 returning to full production on 1 April following the planned suspension in February and March.

Eneabba Phase 1 produced 26 thousand tonnes of monazite-zircon concentrate, in line with planned shipment requirements and the offtake agreement in place to underpin this initial phase of rare earths operations.

Sierra Leone Operations

HMC production was 138 thousand tonnes, compared to production of 153 thousand tonnes in the first half of 2020. Lower production was a result of lower run time and feed rates.

Rutile production was 56 thousand tonnes, compared to 62 thousand tonnes as maintenance issues and COVID-19 continued to impact productivity.

In May, Iluka provided the Government of Sierra Leone six months' notice of its intention to temporarily suspend operations at Sierra Rutile towards the end of 2021. The company is currently exploring ways to reset the cost base of these operations and attract new investors to pursue the Sembehun development.

Jacinth-Ambrosia/Mid West

		1st Half 2021	1st Half 2020	% change
Production volumes				
Zircon	kt	131.0	68.8	90.4
Rutile	kt	16.8	10.4	61.5
Total Z/R production	**kt**	**147.8**	**79.2**	**86.6**
Ilmenite	kt	65.2	41.1	58.6
Monazite concentrate	kt	26.2	9.7	170.1
Total production volume	**kt**	**239.2**	**130.0**	84
HMC produced	kt	129	184	(29.9)
HMC processed	kt	232	148	57.0
Unit cash cost of production - Z/R/SR [1]	$/t	516	944	(45.3)
Mineral sands revenue	**$m**	**287.8**	**143.2**	**101.0**
Cash cost of production	$m	(76.2)	(74.8)	(1.9)
Inventory movements - cash costs of production	$m	(19.7)	39.0	n/a
Restructure and idle capacity charges	$m	(1.2)	(1.4)	14.3
Government royalties	$m	(8.9)	(2.8)	(217.9)
Marketing and selling costs [2]	$m	(6.3)	(2.8)	(125.0)
EBITDA	**$m**	**175.5**	**100.4**	**74.8**
Depreciation and amortisation	$m	(22.1)	(17.5)	(26.3)
Inventory movement - non-cash production costs	$m	2.5	9.7	(74.2)
EBIT	**$m**	**155.9**	**92.6**	**68.4**

[1] Calculated as cash costs of production, including by-product costs divided by Z/R/SR production.
[2] Freight revenue and expenses are included as a net number in marketing and selling costs.

Production of zircon and rutile increased 87% from the previous corresponding period as the Narngulu mineral separation plant returned to standard production settings following changes made in April 2020 to reduce zircon production during the market uncertainty of COVID-19 in early 2020.

Mineral sands revenue increased 101% to $287.8 million (2020: $143.2 million) as sales rebounded from 2020 and stockpiled products were sold.

Cash costs of production were 2% higher than the previous corresponding period as the Narngulu plant ramped up, offset slightly by lower mining costs at Jacinth-Ambrosia on lower HMC production.

The inventory movement reflects the drawdown of finished goods stocks, with finished goods inventory decreasing by $53.3 million to $68.0 million at 30 June 2021.

Depreciation and amortisation charges have increased 26% from the previous corresponding period due mainly to the completion of Ambrosia capital works that commenced depreciation part way through half-year 2020.

Government royalties rose to $8.9 million as HMC haulage volumes increased while drawing down inventory at Jacinth-Ambrosia, with the royalty being charged when HMC leaves the mine gate, regardless of sale.

Cataby/South West

		1st Half 2021	1st Half 2020	% change
Production volumes				
Zircon	kt	10.9	23.4	(53.4)
Rutile	kt	7.6	11.8	(35.6)
Synthetic rutile	kt	78.9	111.6	(29.3)
Total Z/R/SR production	**kt**	**97.4**	**146.8**	**(33.7)**
Ilmenite	kt	149.9	150.4	(0.3)
Total production volume	**kt**	**247.3**	**297.2**	**(16.8)**
HMC produced	kt	234	264	(11.4)
HMC processed	kt	182	219	(16.9)
Unit cash cost of production - Z/R/SR [1]	$/t	913	817	11.8
Mineral sands revenue	**$m**	**347.8**	**188.6**	**84.4**
Cash cost of production	$m	(88.9)	(120.0)	25.9
Inventory movements - cash costs of production	$m	(70.9)	43.0	n/a
Restructure and idle capacity charges	$m	(6.2)	(0.8)	(675.0)
Government royalties	$m	(4.3)	(2.3)	(87.0)
Marketing and selling costs [2]	$m	(2.4)	(6.1)	60.7
Asset sales and other income	$m	0.2	0.6	(66.7)
EBITDA	**$m**	**175.3**	**103.0**	**70.2**
Depreciation and amortisation	$m	(39.4)	(35.8)	(10.1)
Inventory movement - non-cash production costs	$m	(19.4)	11.0	n/a
Rehabilitation costs for closed sites	$m	(0.3)	(0.3)	-
EBIT	**$m**	**116.2**	**77.9**	**49.2**

[1] Calculated as cash costs of production, including by-product costs divided by Z/R/SR production.
[2] Freight revenue and expenses are included as a net number in marketing and selling costs.

Total Z/R/SR production dropped by 34% from the previous corresponding period predominantly due to reduced synthetic rutile production at SR2 kiln in Capel due to the planned idling for two months in the first half to help reduce inventories following the contractual dispute with a major customer in 2020.

Mineral sands revenue increased 84% from the previous corresponding period to $347.8 million (2020: $188.6 million) reflecting higher synthetic rutile sales volumes and the settlement of the Chemours take-or-pay contract dispute.

Cash costs of production were $31.1 million lower than the previous corresponding period, again reflecting the reduced production at Cataby and the idling of SR2, which is also seen in the increased idle capacity expenses in the first half of 2021.

The inventory drawdown reflects the resumption of customers taking contracted volumes.

Sierra Rutile Operations

		1st Half 2021	1st Half 2020	% change
Production volumes				
Zircon	kt	-	-	n/a
Rutile	kt	55.5	61.8	(10.2)
Ilmenite	kt	20.2	23.9	(15.5)
Total production volume	**kt**	**75.7**	**85.7**	**(11.7)**
HMC produced	kt	138	153	(9.9)
HMC processed	kt	148	153	(3.3)
Unit cash cost of production - Z/R	$/t	1,495	1,511	(1.0)
Mineral sands revenue	**$m**	**88.3**	**107.1**	**(17.6)**
Cash cost of production	$m	(83.0)	(93.4)	11.1
Inventory movements - cash costs of production	$m	1.3	17.8	(92.7)
Restructure, idle capacity and other non-production costs	$m	(6.5)	(1.3)	(400.0)
Government royalties	$m	(3.4)	(4.2)	19
Marketing and selling costs [1]	$m	(1.2)	(1.5)	20
Asset sales, write downs and other income	$m	-	(1.7)	n/a
EBITDA	**$m**	**(4.5)**	**22.8**	**n/a**
Depreciation & amortisation	$m	(13.4)	(19.3)	30.6
Inventory movement – non-cash costs of production	$m	0.3	4.5	(93.3)
EBIT	**$m**	**(17.6)**	**8.0**	**n/a**

[1] Freight revenue and expenses are included as a net number in marketing and selling costs.

Sierra Rutile's total Z/R production was 12% lower than the previous corresponding period due to ongoing operational challenges and the impact of the COVID-19 pandemic.

Mineral sands revenue was $88.3 million, an 18% decrease from the previous corresponding period, due to lower ilmenite sales volumes.

Sierra Rutile's cash production costs increased US$2.6 million due to higher maintenance and consumables costs. As their costs are translated to group currency for reporting, foreign currency exchange volatility since 2020 resulted in a A$10.4 million decrease.

Higher non-production costs reflect costs associated with COVID-19 pandemic medical support and Sembehun project study costs, including the hydro mining trial, which were all expensed.

In May, Iluka provided the Government of Sierra Leone six months' notice of its intention to temporarily suspend operations at Sierra Rutile towards the end of 2021. The company is currently exploring ways to reset the cost base of these operations and attract new investors to pursue the Sembehun development.

Marketing

Zircon

Demand for zircon was strong through the half year. Zircon sales were 177 thousand tonnes, including zircon in concentrate (ZIC).

Chinese tile production returned to pre-pandemic levels, despite significant financial pressure caused by increased raw material costs and challenges associated with increasing tile prices to real estate developers.

India's second wave of COVID-19 cases has stalled plans of ceramic tile makers as they look to commence production at several newly constructed plants. Tile production lines in Spain, Italy, Brazil, and Turkey are reported to be operating at 90% capacity.

Chinese fused zirconia producers continue to report favourable market conditions, with demand for refractory from domestic glass producers responding to strong growth in the photovoltaic industry. Exports of refractory materials with alumina-zirconia-silica remain subdued. In the United States, fused zirconia producers are running at full capacity.

The weighted average zircon price achieved in the first half of 2021 for premium and standard sand was US$1,321 per tonne, following a US$70 per tonne price increase effective 1 April. The company announced a minimum price increase of US$125 per tonne effective 1 July.

Titanium Dioxide Feedstocks

Demand from the titanium dioxide market was robust, with numerous requests received for additional volumes of high-grade feedstock. Sales of rutile and synthetic rutile were 280 thousand tonnes in the first half of 2021, up 72% compared to the prior period.

Chlorine supply in the US was constrained following outages from the winter storm season, along with spring flooding and planned permanent shutdowns of sub-economic capacity by certain producers. As a result, pigment producers have sought ways to boost head grades in order to minimise chlorine consumption and maximise throughput. The pull forward of volume in H1 reduced available inventory.

The announcement of the potential suspension of operations at Sierra Rutile, coupled with violence at a major feedstock producer in South Africa, has created additional concern around future supply of feedstocks heading into the second half and beyond. As a result, pigment producers are seeking additional volumes ahead of any potential disruptions to supply.

The welding market continues to perform well, with demand outstripping supply of feedstocks. Iluka announced a 9% price increase in this market for Q3 and is allocating volumes to welding customers.

With inventory normalised, Iluka's sales of high-grade feedstocks will likely be production constrained in H2 2021.

Iluka and Chemours have settled the previously disclosed contractual dispute. The terms are commercial in confidence but include Chemours taking all of the synthetic rutile not taken in 2020.

Weighted Average Received Prices (US$/t FOB)	**1st Half 2020**	**2nd Half 2020**	**1st Half 2021**
Zircon Premium and Standard	1,354	1,301	1,321
Zircon (all products including zircon-in-concentrate)[1]	1,265	1,194	1,254
Rutile (excluding HyTi)[2]	1,246	1,197	1,224
Synthetic rutile		Refer Note 3	

[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 the first half of 2021 the split of zircon sand and concentrate by zircon sand-equivalent was approximately: 85%:15% (2020 full year: 78%:22%).

[2] Included in rutile sales volumes reported elsewhere in this Report is a lower titanium dioxide product, HyTi that typically has a titanium dioxide content of 70 to 90%. This product sells at a lower price than rutile, which typically has a titanium dioxide content of 95%.

[3] Iluka's synthetic rutile sales are 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.

Capital and major projects

Eneabba, Western Australia

The Eneabba project in Western Australia involves the reclaiming, processing, and sale of a strategic stockpile rich in monazite (a mineral containing rare earth elements) and zircon. Eneabba is currently the highest-grade rare earths operation globally. Phase 1 of operations is producing a mixed monazite-zircon concentrate, with the monazite fraction at approximately 20%. Phase 2 of the project is currently in execute. Once commissioned, this will see the production of two separate concentrates: a dedicated monazite concentrate at approximately 90%, suitable as a direct feed to a downstream rare earths refinery; and a zircon-ilmenite concentrate, which will be processed into finished products (zircon and ilmenite) at Narngulu. Site works have commenced and the upgraded high voltage infrastructure has been commissioned. Fabrication of third-party vendor packages continues off-site. Completion remains on-track for the first half of 2022.

The feasibility study for Phase 3 at Eneabba, a fully integrated rare earths refinery, is progressing. In May, Iluka received a letter of support from the Australian Government setting out the alignment of Iluka's development plans and the Government's policy objectives regarding critical minerals and modern manufacturing (disclosed to market). Engagement with Commonwealth and State governments is ongoing.

Balranald, New South Wales

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. Iluka completed the third trial (T3) of the underground mining method late in 2020. The trial confirmed the effectiveness of the underground mining method and validated key elements of the mining unit design. With confidence growing in the application of the underground mining technology, Iluka has been focused on scoping the development pathway for Balranald.

Wimmera, Victoria

The Wimmera project involves the mining and beneficiation of a fine grained heavy mineral sands ore body in the Victorian Murray Basin for the potential long-term supply of zircon and rare earths. One characteristic shared by the fine-grained mineral sands deposits located in Western Victoria (those held by Iluka and other project proponents) is higher levels of impurities in their zircon. Absent a processing solution to remove these impurities, the zircon is ineligible for sale into the ceramics market. The study work for Wimmera is focussed on validating Iluka's zircon processing solution and on progressing baseline environmental studies. The rare-earth bearing minerals within the Wimmera deposit are very similar to the stockpiled minerals at Eneabba; and could supplement feed to Iluka's potential downstream refining activities at Eneabba in future years. Results from Iluka's testing of a novel zircon processing solution continue to be pleasing. Equipment to pilot this solution on a larger scale is expected to be commissioned in the second half of 2021. The processing of Wimmera's rare earth minerals through a potential Eneabba refinery would serve to simplify the Wimmera development.

Sembehun mine, Sierra Leone

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 focused 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. The hydraulic mining trial at site has been completed and assessment of the trial data is now underway.

Reconciliation of non-IFRS financial information

A reconciliation of the statutory results to the segment and commentary presented in this 4D for the half-year ended 30 June 2021 is presented below:

	JA/MW	C/SW	US/MB[1]	SRL	Expl & Oth	Mineral Sands	Corp	Group
Mineral sands revenue	287.8	347.8	11.7	88.3	-	735.6	-	735.6
AASB 15 freight revenue	15.8	7.5	2.5	3.4	-	29.2	-	29.2
Expenses	(128.1)	(180.0)	(11.6)	(96.2)	(22.2)	438.1	-	(438.1)
Share of profits in associate	-	-	-	-	-	-	9.0	9.0
FX	-	-	-	-	-	-	3.3	3.3
Corporate costs	-	-	-	-	-	-	(30.8)	(30.8)
EBITDA	**175.5**	**175.3**	**2.6**	**(4.5)**	**(22.2)**	**326.7**	**(49.5)**	**277.2**
Depn & Amort	(22.1)	(39.4)	(0.2)	(13.4)	(0.1)	(75.2)	(1.5)	(76.7)
Inventory movement - non-cash	2.5	(19.4)	(0.4)	0.3		(17.0)	-	(17.0)
Rehabilitation for closed sites	-	(0.3)	(0.1)	-	-	(0.4)	-	(0.4)
Impairment of exploration assets	-	-	-	-	(6.2)	(6.2)	-	(6.2)
EBIT	**155.9**	**116.2**	**1.9**	**(17.6)**	**(28.5)**	**227.9**	**(20.0)**	**207.9**
Net interest costs	(0.1)	(0.2)	-	(0.1)	-	(0.4)	(2.2)	(2.6)
Rehab unwind and other finance costs	(1.5)	(1.6)	(0.8)	(1.4)	-	(5.3)	-	(5.3)
Profit Before tax	**154.3**	**114.4**	**1.1**	**(19.1)**	**(28.5)**	**222.2**	**(22.2)**	**200.0**
Segment result	**154.3**	**114.4**	**1.1**	**(19.1)**	**n/a**	**250.7**	**n/a**	**250.7**

[1] Includes discontinued operations in the Murray Basin and the United States. Revenue is derived from the depletion of zircon, rutile and ilmenite stockpiles.

GOVERNANCE

The Directors of Iluka Resources Limited present their report together with the financial statements of the Group for the half-year ended 30 June 2021 and the auditor's review report thereon.

Board of Directors

G Martin (Chairman)
T O'Leary (Managing Director and CEO)
M Bastos
R Cole
S Corlett
J Ranck (retired 29 April 2021)
L Saint
A Sutton (appointed 11 March 2021)

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.

Review of results and operations

The Review of Results and Operations is set out on pages 2 to 12, and forms part of the Directors' Report.

Dividends

The Board of Directors have determined a fully franked interim dividend of 12 cents per share, payable on 6 October 2021 with a record date of 8 September 2021.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports). Amounts in the financial statements and Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest million dollars to one decimal place, or in certain cases, to the nearest dollar. All amounts are in Australian dollars, unless otherwise stated.

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

G Martin
Chairman

T O'Leary
Managing Director and CEO

Perth, 25 August 2021

Auditor's Independence Declaration

As lead auditor for the review of Iluka Resources Limited for the half-year ended 30 June 2021, 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 review, and

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

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 August 2021

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ILUKA

ILUKA RESOURCES LIMITED

ABN 34 008 675 018

FINANCIAL INFORMATION

for the half-year ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the half-year ended 30 June 2021

	Notes	**Half-year 2021 $m**	Half-year 2020 $m
CONTINUING OPERATIONS			
Revenue	**3**	**765.0**	**471.4**
Other income		**3.8**	9.7
Expenses	4	**(569.6)**	(354.1)
Equity accounted share of profit - Deterra	11	**9.0**	-
Interest and finance charges		**(2.9)**	(4.3)
Rehabilitation and mine closure provision discount unwind		**(5.3)**	(7.3)
Total finance costs		**(8.2)**	**(11.6)**
Profit before income tax		**200.0**	**115.4**
Income tax expense	5	**(71.0)**	(35.7)
Profit after income tax for the half-year from continuing operations		**129.0**	**79.7**
DISCONTINUED OPERATIONS			
Profit after tax from discontinued operations	11	**-**	33.5
Profit for the half-year, attributable to:		**129.0**	113.2
Equity holders of Iluka Resources Limited		**131.5**	113.2
Non-controlling interest		**(2.5)**	-
		Cents	Cents
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent			
Basic earnings per share		**30.6**	18.9
Diluted earnings per share		**30.3**	18.8
Earnings per share attributable to the ordinary equity holders of the parent			
Basic earnings per share		**30.6**	26.8
Diluted earnings per share		**30.3**	26.7

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 30 June 2021

	Notes	**Half-year 2021 $m**	Half-year 2020 $m
Profit for the half-year		**129.0**	113.2
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Currency translation of foreign operations		**(3.0)**	(2.0)
Hedge of net investment in foreign operation, net of tax	6	**-**	0.4
Movements in foreign exchange cash flow hedges, net of tax	6	**(1.1)**	(2.5)
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans, net of tax		**-**	0.1
Total other comprehensive income (loss) for the half-year, net of tax		**(4.1)**	(4.0)
Total comprehensive income for the half-year attributable to:		**124.9**	109.2
Equity holders of Iluka Resources Limited		**127.4**	109.2
Non-controlling interest		**(2.5)**	-
Total comprehensive income for the half-year attributable to the equity holders of the parent arises from:			
Continuing operations		**127.4**	75.8
Discontinued operations		**-**	33.4

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

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2021

	Notes	30 June 2021 $m	31 December 2020 $m
ASSETS			
Current assets			
Cash and cash equivalents		**272.6**	87.1
Receivables		**180.5**	95.5
Inventories		**476.0**	504.1
Derivative financial instruments	6	**0.1**	1.9
Total current assets		**929.2**	**688.6**
Non-current assets			
Investments accounted for using the equity method	11	**458.5**	452.1
Derivative financial instruments		**0.3**	0.6
Property, plant and equipment		**1,007.7**	1,066.8
Deferred tax assets		**32.6**	28.4
Inventories		**36.0**	112.0
Right of use assets		**11.5**	15.4
Total non-current assets		**1,546.6**	**1,675.3**
Total assets		**2,475.8**	**2,363.9**
LIABILITIES			
Current liabilities			
Payables		**154.5**	129.4
Current tax payable		**18.1**	29.3
Provisions		**98.6**	95.0
Lease liabilities		**5.5**	7.5
Total current liabilities		**276.7**	**261.2**
Non-current liabilities			
Interest-bearing liabilities	7	**52.5**	36.9
Provisions		**717.6**	750.5
Financial liabilities at fair value through profit or loss		**7.3**	7.2
Lease liabilities		**13.6**	15.8
Total non-current liabilities		**791.0**	**810.4**
Total liabilities		**1,067.7**	**1,071.6**
Net assets		**1,408.1**	**1,292.3**
EQUITY			
Contributed equity	8	**1,148.8**	1,150.5
Reserves		**34.1**	37.1
Retained earnings		**227.3**	104.3
Non-controlling interests		**(2.1)**	0.4
Total equity		**1,408.1**	**1,292.3**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2021

	Notes	Attributable to owners of Iluka Resources Limited					
		Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1]	Total equity $m
Balance at 1 January 2020		1,157.6	24.0	(472.0)	709.6	2.0	711.6
Profit for the period		-	-	113.2	113.2	-	113.2
Other comprehensive income		-	(4.0)	-	(4.0)	-	(4.0)
Total comprehensive income for the half-year		**-**	**(4.0)**	**113.2**	**109.2**	**-**	**109.2**
Transfer of asset revaluation reserve		-	(0.7)	0.7	-	-	-
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		-	0.7	-	0.7	-	0.7
Dividends paid	9	1.2	-	(33.8)	(32.6)	-	(32.6)
		2.9	(1.0)	(33.8)	(31.9)	-	(31.9)
Balance at 30 June 2020		**1,160.5**	**18.3**	**(391.9)**	**786.9**	**2.0**	**788.9**

	Notes	Attributable to owners of Iluka Resources Limited					
		Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1] $m	Total equity $m
Balance at 1 January 2021		1,150.5	37.1	104.3	1,291.9	0.4	1,292.3
Profit for the period		-	-	131.5	131.5	(2.5)	129.0
Other comprehensive income		-	(4.1)	-	(4.1)	-	(4.1)
Total comprehensive income for the half-year		**-**	**(4.1)**	**131.5**	**127.4**	**(2.5)**	**124.9**
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		2.8	(2.8)	-	-	-	-
Purchase of treasury shares, net of tax		(5.2)	-	-	(5.2)	-	(5.2)
Share-based payments, net of tax		-	4.0	-	4.0	-	4.0
Dividends paid	9	0.7	-	(8.6)	(7.9)	-	(7.9)
		(1.7)	1.2	(8.6)	(9.1)	-	(9.1)
Balance at 30 June 2021		**1,148.8**	**34.1**	**227.3**	**1,410.2**	**(2.1)**	**1,408.1**

[1]Non-controlling interest

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year 30 June 2021

	Notes	30 June 2021 $m	30 June 2020 $m
Cash flows from operating activities			
Receipts from customers		**676.7**	534.7
Payments to suppliers and employees		**(384.1)**	(433.7)
Operating cash flow		**292.6**	101.0
Interest received		**0.3**	0.5
Interest paid		**(1.1)**	(1.5)
Income taxes paid		**(84.7)**	(39.4)
Exploration expenditure		**(3.8)**	(5.5)
Mining Area C royalty receipts - discontinued operation	11	**-**	41.6
Net cash inflow from operating activities	12	**203.3**	**96.7**
Cash flows from investing activities			
Payments for property, plant and equipment		**(16.7)**	(49.6)
Sale of property, plant and equipment		**0.1**	3.9
Dividends received - Deterra		**2.6**	-
Net cash (outflow) from investing activities		**(14.0)**	**(45.7)**
Cash flows from financing activities			
Repayment of borrowings		**(64.6)**	(158.8)
Proceeds from borrowings		**78.2**	198.9
Purchase of treasury shares		**(6.5)**	-
Principal element of lease payments		**(3.8)**	(4.8)
Dividends paid	9	**(7.9)**	(32.6)
Net cash (outflow) inflow from financing activities		**(4.6)**	**2.7**
Net increase in cash and cash equivalents		**184.7**	53.7
Cash and cash equivalents at 1 January		**87.1**	97.3
Effects of exchange rate changes on cash and cash equivalents		**0.8**	(0.7)
Cash and cash equivalents at end of half-year		**272.6**	**150.3**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

1 BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2020 and any public announcements made by Iluka Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

(a) Accounting policies

The accounting policies adopted and applied by the Group are consistent with those of the previous financial year and corresponding interim reporting period. New and amended standards adopted by the Group in the current reporting period had no material impact.

Where applicable, certain comparatives have been adjusted to conform with current year presentation.

Government grants

The Group received $13.6 million under the Australian Government's Jobkeeper Payment scheme in the prior reporting period ended 31 December 2020. The scheme was a response by the Australian Government to assist businesses impacted by the economic effects of the COVID-19 pandemic. 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 2020 and it accordingly elected to participate in the scheme. Subsequently, Iluka voluntarily decided to return amounts received in light of financial performance for the remainder of 2020. No amount was included in the income statement for the year ended 31 December 2020, and a payable of $13.6 million was reflected in the balance sheet as at that date. The full amount was repaid in the current reporting period.

(b) Critical accounting estimates and judgements

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.

(i) 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. If necessary, an impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

1 BASIS OF PREPARATION (CONTINUED)

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 ongoing COVID-19 pandemic.

Impairment indicators were found to be present in the SRL CGU, largely due to current poor operational performance. Impairment indicators were also found to be present in respect of an exploration asset following a decision by the Group to cease related exploration activities and expiration of applicable exploration licences.

Accordingly, the Group performed impairment tests on the SRL CGU and the exploration asset. The SRL CGU's recoverable amount exceeds its carrying amount and therefore does not require an impairment writedown. The Group also determined an exploration asset exceeded its recoverable amount in the period and recognised a write-down of $6.2 million (see note 4(e)).

The Group did not note any conditions that suggest previously recognised impairments can be reversed.

Key estimate: recoverable amount of SRL

Determining the recoverable amount of SRL involves estimates that require significant judgement 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 may give rise to material adjustments which could lead to recognition of new impairment charges in the future or the reversal of impairment charges already recognised.

SRL's recoverable amount is estimated with reference to the following key considerations, amongst others:

- Indicative fair value observations from market data, or from transactions involving entities with similar characteristics, operations and size to those of the CGU on terms similar to those that would apply to the Group, together with resultant costs to complete a transfer, and
- the estimated future cash flows in the absence of quoted market prices, which incorporate estimates of:
  - 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, sales, cash costs of production, sustaining capital expenditure, and rehabilitation and mine closure; and
  - future product prices based on the Group's assessment of short and long-term prices for each of the key products.

1 BASIS OF PREPARATION (CONTINUED)

(ii) Rehabilitation and mine closure provisions

These provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of the cash flows and the discount rate. Changes to one or more of these assumptions is likely to result in a change to the provision and the related asset (for open sites), or a charge to profit or loss (for closed sites) in accordance with the Group's accounting policy.

Key estimate: discount rate for rehabilitation and mine closure provisions

Australian rehabilitation and mine closure provisions have been calculated by discounting risk adjusted cash flows at a risk-free discount rate, being 1.3% (2020: 1.3%).

Rehabilitation and mine closure provisions in the US and Sierra Rutile are similarly calculated by discounting risk adjusted cash flows at risk-free discount rates, being 0.5% and 1.0%, respectively. The risk free discount rate used in calculating the US and Sierra Leone rehabilitation provisions was reduced from 2.5% at the end of 2020.

An increase of 1% to each of the above discount rates (in the absence of any changes to inflation assumptions) would result in a $63.3 million decrease to the provision, of which $23.5 million would be credited to profit or loss for closed sites.

(iii) Net realisable value and classification of 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.

Total inventory at 30 June 2021 was $512.0 million (31 December 2020: $616.1 million). Inventory write-downs of $11.3 million occurred for work in progress or finished goods during the period (30 June 2020: $0.1 million).

Inventory of $36.0 million (31 December 2020: $112.0 million), comprised of work in progress, is classified as non-current as it is not expected to be sold within 12 months of the balance sheet date.

2 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, which was demerged from the Group as outlined in note 23 of the 2020 Annual Report. The results of the MAC operating segment have been reclassified in the prior reporting period as a discontinued operation (refer to note 11).

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 half-year ended 30 June 2021 (2020: $nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

2 SEGMENT INFORMATION (CONTINUED)

(b) Segment information

Half-year 2021	**JA/MW** $m	**C/SW** $m	**SRL** $m	**MAC**[1] $m	**US/MB** $m	**Total** $m
Total segment sales of mineral sands	287.8	347.8	88.3	-	11.7	735.6
Total segment freight revenue	15.8	7.5	3.4	-	2.5	29.2
Total segment result	154.3	114.4	(19.1)	-	1.1	250.7
Segment assets at 30 June 2021	593.2	818.2	128.9	-	135.9	1,676.2
Segment liabilities at 30 June 2021	265.0	297.7	142.7	-	236.1	941.5

Half-year 2020	**JA/MW** $m	**C/SW** $m	**SRL** $m	**MAC**[1] $m	**US/MB** $m	**Total** $m
Total segment sales of mineral sands	143.2	188.6	107.1	-	17.7	456.6
Total segment freight revenue	7.2	3.0	2.5	-	1.7	14.4
Total segment result	90.6	76.2	6.5	-	4.1	177.4
Segment assets at 31 December 2020	606.4	763.1	196.8	-	144.9	1,711.2
Segment liabilities at 31 December 2020	231.3	240.0	171.4	-	297.7	940.4

[1]MAC operating segment results have been reclassified as a discontinued operation in the consolidated statement of profit or loss in the prior reporting period. Refer to note 11.

Segment result is reconciled to profit before income tax as follows:

	Half-year 2021 $m	Half-year 2020 $m
Segment result	**250.7**	177.4
Interest income	**0.2**	0.4
Other income	**-**	5.8
Marketing and selling	**(5.2)**	(5.7)
Corporate and other costs	**(30.9)**	(29.3)
Depreciation	**(1.6)**	(1.7)
Major projects, innovation and exploration	**(17.0)**	(31.2)
Interest and finance charges	**(2.5)**	(3.3)
Net foreign exchange gain/(loss)	**3.5**	3.0
Equity accounted profit - Deterra	**9.0**	-
Impairment - exploration asset	**(6.2)**	-
Profit before income tax from continuing operations	**200.0**	**115.4**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

3 REVENUE

	Half-year 2021 $m	Half-year 2020 $m
CONTINUING OPERATIONS		
Sales revenue		
Sale of goods	**735.6**	456.6
Freight revenue	**29.2**	14.4
Other revenue		
Interest	**0.2**	0.4
	765.0	**471.4**

(a) Sale of mineral sands

The Group earns revenue by mining, processing, and subsequently selling mineral sands (including zircon, rutile, synthetic rutile, ilmenite and monazite) 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 concomitant 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.

A receivable is recognised 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.

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.

3 REVENUE (CONTINUED)

(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.

(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 on 2 November 2020. Amounts previously recognised as revenue have been reclassified to discontinued operations - refer to note 11.

4 EXPENSES

	Notes	Half-year 2021 $m	Half-year 2020 $m
Expenses			
Cash costs of production	4(a)	**242.0**	283.0
Depreciation and amortisation		**70.0**	71.8
Inventory movement - cash costs of production		**89.5**	(98.1)
Inventory movement - non-cash production costs		**17.0**	(24.5)
Cost of goods sold	4(b)	**418.5**	232.2
Ilmenite concentrate and by-product costs	4(c)	**11.4**	10.2
Restructure and idle capacity charges	4(d)	**17.4**	8.2
Rehabilitation costs for closed sites		**0.4**	0.4
Government royalties		**17.0**	9.5
Marketing and selling costs (including freight)		**44.1**	30.2
Corporate and other costs		**30.9**	29.1
Major projects innovation and exploration		**17.0**	31.2
Depreciation (idle, corporate and other)		**6.7**	2.9
Net loss on disposal of property, plant and equipment		**-**	0.2
Impairment - exploration asset	4(e)	**6.2**	-
		569.6	**354.1**

	Notes	Half-year 2021 $m	Half-year 2020 $m
Finance costs			
Interest charges		**0.5**	1.0
Bank fees and similar charges		**1.6**	2.3
Amortisation of deferred borrowing costs		**0.3**	0.3
Lease borrowing costs	4(f)	**0.5**	0.7
Rehabilitation and mine closure provision discount unwind		**5.3**	7.3
		8.2	11.6

(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. This category also includes landowner royalty payments, but excludes Australian State and Sierra Leone Government royalties which are reported separately.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

4 EXPENSES (CONTINUED)

(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.

Inventory movement non-cash represents the depreciation and amortisation component included within inventory drawn down during the half.

(c) Ilmenite concentrate and by-product costs

Ilmenite and by-product costs of $11.4 million (2020: $10.2 million) include by-product costs such as for iron concentrate processing, activated carbon, Eneabba monazite, and wet high intensity magnetic separation (WHIMS) ilmenite transport costs.

(d) Restructure and idle capacity charges

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

Liabilities for employee termination benefits associated with restructuring activities are recognised when the Group is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal and therefore no further service required. Where further service is required to be eligible for benefits, a liability is recognised over the relevant service period.

(e) Impairment - exploration asset

Following an impairment indicator on an exploration asset, the Group estimated the recoverable amount to be $nil and wrote the carrying amount of $6.2 million down, resulting in an impairment loss of $6.2 million included in expenses.

(f) Lease related amortisation and borrowing costs

Lease related amortisation and borrowing cost expenses of $3.9 million and $0.5 million (2020: $4.3 million and $0.7 million), respectively, have been recognised in the current reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

5 INCOME TAX

(a) Income tax expense

	Half-year 2021 $m	Half-year 2020 $m
Current tax	**72.0**	40.6
Deferred tax	**(0.3)**	9.6
Under provided in prior years	**(0.7)**	(0.2)
	71.0	50.0
Income tax expense is attributable to:		
Profit from continuing operations	**71.0**	35.7
Profit from discontinued operations	**-**	14.3
Aggregate income tax expense	**71.0**	50.0

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

	Half-year 2021 $m	Half-year 2020 $m
Profit from continuing operations	**200.0**	115.4
Profit from discontinued operations	**-**	47.8
	200.0	163.2
Tax at the Australian tax rate of 30% (2020: 30%)	**60.0**	49.0
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**-**	(0.8)
SRL - income tax calculated at 3.5% of revenue[1]	**3.8**	5.6
Recognition of historical alternative minimum tax (AMT) credits[2]	**-**	(4.7)
Non-deductible expenses	**2.0**	0.5
Non-assessable income	**0.6**	-
Other items	**0.8**	(2.1)
Equity accounted share of profit - Deterra	**(2.0)**	-
Tax losses not recognised by overseas operations	**7.1**	1.9
	72.3	**49.4**
Difference in overseas tax rates[1]	**(0.6)**	0.8
Under/(over) provision in prior years	**(0.7)**	(0.2)
Income tax expense	**71.0**	**50.0**

[1] In accordance with the terms of the Sierra Rutile Agreement (Ratification) Act 2002 the amount of income tax payable by SRL shall not be less than an amount equal to 3.5% of revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

5 INCOME TAX (CONTINUED)

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

[2]US federal tax law changes in 2017 repealed the Alternative Minimum Tax (AMT) regime, resulting in any alternative minimum tax paid during the preceding year becoming refundable. Consequentially, the Group recognised an AMT credit of US$2.1 million in the previous corresponding period, being the final entitlement receivable.

6 HEDGING

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 collar contracts.

(a) Fair value of derivatives

Derivative financial instruments are the only assets and liabilities measured and recognised at fair value at 30 June 2021 and 31 December 2020, comprising the hedging instruments in (c) below and the put option liability referred to in note 24(b) of the 2020 Annual Report. 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.

(b) Hedge accounting

Cash flow hedges

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.

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 previous corresponding periods.

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$88.6 million of expected USD revenue to 31 December 2022 and comprise US$88.6 million worth of purchased AUD call options with a weighted average strike price of 79.2 cents and US$88.6 million of AUD put options at a strike price of 70.3 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$50.5 million in foreign exchange collar contracts consisting of US$50.5 million of bought AUD call options with weighted average strike prices of 78.6 cents and US$50.5 million of sold AUD put options with weighted average strike prices of 70.2 cents expired during the year.

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

6 HEDGING (CONTINUED)

(b) Hedge accounting (continued)

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 30 June 2021 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 (2020: $0.3 million reserve increase).

7 INTEREST-BEARING LIABILITIES

	30 June 2021 $m	31 December 2020 $m
Non-current interest-bearing liabilities - unsecured		
Multi Optional Facility Agreement	**53.2**	38.0
Deferred borrowing costs	**(0.7)**	(1.1)
	52.5	36.9

Multi Option Facility Agreement

The Multi Option Facility Agreement (MOFA) comprises a series of committed five-year unsecured bilateral revolving credit facilities with several domestic and foreign institutions. The facilities are denominated in a mix of Australian Dollars and US Dollars. Changes in the US Dollar exchange rate resulted in the facility increasing to $504.7 million during the reporting period (31 December 2020: $500.1 million). All facilities expire in July 2024.

Undrawn MOFA facilities at 30 June 2021 were $451.4 million (31 December 2020: $462.1 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

8 CONTRIBUTED EQUITY

(a) Movements in ordinary share capital

On 8 April 2021, the Group issued 81,407 ordinary shares to shareholders at a price of $6.77 per share as part of the Dividend Reinvestment Plan, the terms of which are detailed in the ASX announcement dated 27 February 2018. As at 30 June 2021, 422,851,088 ordinary shares are on issue.

(b) Movements in treasury shares

During the period 540,196 treasury shares were transferred to employees (2020: 271,057) and 956,324 treasury shares were purchased (2020: no treasury shares were purchased). Following the transfer, the total number of treasury shares on hand at 30 June 2021 was 616,057 (31 December 2020: 199,929).

9 DIVIDENDS

	Half-year 2021 $m	Half-year 2020 $m
Final dividend		
For 2020 of 2 cents per share, fully franked	**8.6**	-
For 2019 of 8 cents per share, fully franked	**-**	33.8
	8.6	33.8

Of the total $8.6 million final dividend declared for 2020, $0.5 million was taken up by shareholders as part of the Dividend Reinvestment Plan as detailed in the announcement to the ASX dated 8 April 2021.

The Directors have determined that an interim dividend of 12 cents per share will be declared for the half-year ended 30 June 2021.

Franking credits

The balance of franking credits available as at 30 June 2021 is $358.3 million (30 June 2020: $147.9 million). This balance is based on a tax rate of 30% (2020: 30%).

10 CONTINGENT LIABILITIES

Shareholder class action - Iluka Resources Limited ("Iluka")

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 proceedings concluded on 12 May 2021, with the decision being reserved.

This contingent liability was first disclosed in Iluka's 2018 Interim Report. Iluka considers that the allegations the subject of the proceedings have no proper basis and continues to deny any liability.

Environmental Class Action - Sierra Rutile Limited ("SRL")

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 30 June 2021, 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.

11 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 retained a 20% equity ownership interest in Deterra, which is equity accounted. The initial recognition of the Group's equity accounted investment in Deterra is outlined in note 23 of the 2020 Annual Report.

(a) 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 on 2 November 2020.

Related MAC Royalty income in the previous corresponding period has been reclassified as income from discontinued operations and is included in the statement of comprehensive income on a net basis, comprising:

	2020 $m
MAC Royalty Income	48.0
MAC Royalty entitlement asset amortisation	(0.2)
Income tax expense attributable to discontinued operation	(14.3)
Profit after tax from discontinued operations	**33.5**

(b) Equity accounted investment - Deterra

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 carrying amount of the equity accounted investment in Deterra is reconciled as follows:

	2021 **$m**
Balance on 1 January 2021	452.1
Share of profit of Deterra	12.2
Notional depreciation attributable to MAC Royalty rights	(3.2)
Dividends received	(2.6)
Balance on 30 June 2021	**458.5**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

12 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Half-year 2021 $m	Half-year 2020 $m
Profit for the half-year	**129.0**	113.2
Depreciation and amortisation	**76.7**	74.7
Net (gain)/loss on disposal of property, plant and equipment	**-**	0.2
Net exchange differences	**(0.5)**	(5.0)
Rehabilitation and mine closure provision discount unwind	**5.3**	7.3
Non-cash share-based payments expense	**4.9**	0.7
Amortisation of deferred borrowing costs	**0.3**	0.3
Equity accounted share of profit	**(9.0)**	-
Impairment - exploration asset	**6.2**	-
Inventory NRV write-down	**11.3**	0.1
Borrowing costs on leases	**-**	0.7
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**(69.5)**	82.9
(Increase)/decrease in inventories	**94.3**	(135.9)
Increase/(decrease) in net current tax liability	**(11.2)**	2.0
(Increase)/decrease in net deferred tax	**(3.3)**	7.5
Increase/(decrease) in payables	**0.5**	(15.1)
Increase/(decrease) in provisions	**(31.7)**	(36.9)
Net cash inflow from operating activities	**203.3**	**96.7**

DIRECTORS' DECLARATION
30 June 2021

In the directors' opinion:

(a) the interim financial statements and notes set out on pages 16 to 36 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that Iluka Resources Limited will be able to pay its debts as and when they become due and payable.

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

G Martin
Chairman

T O'Leary
Managing Director

25 August 2021

Independent auditor's review report to the members of Iluka Resources Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Iluka Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated balance sheet as at 30 June 2021, the Condensed consolidated statement of comprehensive income, Condensed consolidated statement of profit or loss, Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Iluka Resources Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
25 August 2021