

25 August 2021

Half Year Results to 30 June 2021

Key features

- Mineral sands revenue up 61%, reflecting a return to pre-pandemic levels of demand from tile manufacturers and limited industry supply of high grade feedstocks
- Mineral Sands EBITDA of \$299 million, up 69%
- Mineral sands EBITDA margin improved to 41% from 39% in H1 2020
- Following the successful demerger of Deterra Royalties in November 2020 Iluka received reduced earnings contribution from the Mining Area C royalty
- NPAT of \$129 million, up 14% due to increased prices and higher sales volumes
- Operating cash flow of \$306 million and free cash flow of \$179 million
- Net cash position of \$220 million at 30 June 2021, up from \$50 million at 31 December 2020
- Return to maximum operational settings, in line with market conditions
- Important progress throughout development pipeline – mineral sands and rare earths projects
- Interim H1 2021 dividend of 12 cps, fully franked declared

Results summary

	Units	H1 2021	H1 2020	% Change	
Mineral sands revenue	\$m	735.6	456.6	61	▲
Mineral sands EBITDA	\$m	299.2	177.1	69	▲
Mineral sands EBITDA margin	%	40.7	38.8	5	▲
MAC EBITDA/share of profit in Associate	\$m	9.0	48.0	<i>n/a</i>	
Underlying Group EBITDA ¹	\$m	308.2	225.1	37	▲
Profit for the period (NPAT)	\$m	129.0	113.2	14	▲
Operating cash flow	\$m	306.4	96.7	217	▲
Free cash flow ²	\$m	179.3	46.2	288	▲
Dividend – fully franked	cps	12.0	-	<i>n/a</i>	▲
		At 30 Jun	At 31 Dec		
Net (debt) cash	\$m	220.1	50.2	338	

¹ Underlying group EBITDA excludes non-recurring adjustments including impairments and changes to rehabilitation provisions for closed sites which are non-cash in nature.

² Free cash flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.

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Managing Director's commentary

Iluka commenced 2021 in a strong position and we have built on that platform to deliver an excellent first half result. The company demonstrated discipline during 2020, including our initial response to the COVID-19 pandemic. That discipline continues to underpin our broader approach, albeit now in different and evolving circumstances.

In the zircon market, we have seen tile manufacturers in many geographies rebound to pre-pandemic levels of production, with associated benefits in terms of demand and pricing. Iluka announced a US\$70 per tonne price increase effective 1 April and a subsequent US\$125 per tonne price increase effective 1 July. Consistent with our efforts over several years, the company remains focused on fostering a sustainable price environment for its products.

In titanium dioxide feedstocks, already robust demand for rutile and synthetic rutile was amplified throughout the half, with concerns regarding future industry supply over both the near and longer terms increasing. That increasing concern stemmed chiefly from the production interruption experienced at Rio Tinto's Richards Bay Minerals operation in South Africa, which was the subject of a restart announcement yesterday; the potential suspension of operations at Sierra Rutile from late 2021; and constrained chlorine supply in the US impacting pigment producers. In response, pigment producers are seeking to boost head grades to maximise throughput and, in the US, also consume less chlorine. The high grade nature of Iluka's titanium dioxide feedstocks facilitates both objectives and is in high demand.

Our Australian sites have returned to maximum operational settings. Both the Narngulu mineral separation plant and Synthetic Rutile Kiln 2 at Capel are at full capacity and sales over the second half are likely to be constrained by production. Iluka's Total Recordable Injury Frequency Rate (TRIFR) was 1.7, a substantial improvement in the company's safety performance relative to H1 2020.

This production response has been matched by important progress across our major projects. From a mineral sands perspective, we have taken decisions to execute the restart of Synthetic Rutile Kiln 1 at Capel; commence a definitive feasibility study for the Balranald development in New South Wales; and move to larger scale piloting in relation to the Wimmera development in Victoria. Each of these decisions is indicative of the range of portfolio options at Iluka's disposal to address industry supply over the nearer and longer terms.

Equally, our emerging position in rare earths continues to mature. Construction has commenced for Phase 2 of the Eneabba development and we remain on track for completion in H1 2022. Iluka's feasibility study for Phase 3 – a fully integrated rare earths refinery – is progressing in parallel, with most work scheduled for completion by the end of 2021, in advance of finalisation of the feasibility study in early 2022. During the half we received a letter of support from the Australian Government outlining the nature of the risk sharing being considered as part of this exciting opportunity. Those discussions are positive and ongoing, as is our extensive work on technical and engineering considerations, environmental studies and customer engagement.

At Sierra Rutile, we have and continue to be focused on returning the operation to sustainable financial performance. This has included engagement with the Government of Sierra Leone on Sierra Rutile's fiscal regime and we are pleased that the Government has agreed a number of positive measures in this regard. As a result of these changes and recent productivity improvements at site, the potential suspension of operations at Sierra Rutile has been deferred until January 2022. Iluka's third party investment process for the Sembehun development remains in progress.

As we look to the second half and beyond, Iluka is positioned to lead in the response to market and industry conditions by deploying its operations, product suite and development pipeline.

2021 Half Year Results teleconference details

Iluka will host a conference call for equity market participants to discuss the H1 2021 result. The call will take place at **11:00am (AEST) on Wednesday, 25 August 2021**. Participants need to pre-register by following the link and instructions below.

Joining the conference call:

1. Please register in advance of the conference using the link provided below. Upon registering, you will be provided with participant dial-in numbers, Direct Event passcode and unique registrant ID. The conference ID is **1275026**
2. In the 10 minutes prior to the call start time, you will need to use the conference access information provided in the email received at the point of registering.

Direct Event online registration: <https://apac.directeventreg.com/registration/event/1275026>

This document was approved and authorised for release to the market by Iluka's Managing Director.

Investor and media enquiries

Luke Woodgate

Group Manager, Investor Relations and Corporate Affairs

Mobile: + 61 (0) 477 749 942

Email: luke.woodgate@iluka.com