ILUKA

Annual Report

2021

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 70 years industry experience, Iluka is a leading global producer of the critical minerals zircon and high grade titanium dioxide feedstocks (rutile and synthetic rutile). The company also has an emerging position in rare earth elements (rare earths). Iluka's products are used in an array of applications including technology, construction, medical, lifestyle and industrial uses.

As the world moves towards a smarter, safer and sustainable future, Iluka's high quality products are increasing in demand.

With over 3,000 direct employees, the company has operations and projects in Australia and Sierra Leone; and a globally integrated marketing network. Exploration activities are conducted internationally and Iluka is actively engaged in the rehabilitation of previous operations in the United States, Australia and Sierra Leone.

Headquartered in Perth, the company is listed on the Australian Securities Exchange (ASX). Iluka holds a 20% stake in Deterra Royalties Limited (Deterra), the largest ASX-listed resources focused royalty company.

PRODUCTS

TITANIUM DIOXIDE TiO_2

Iluka is the largest producer of natural rutile and a major producer of synthetic rutile, manufactured by upgrading 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.

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, such as permanent magnets used in electric cars, wind turbines and electronics.

ZIRCON

Iluka is a leading global producer of zircon. The company delivers fit-for-purpose products ranging from premium grade zircon to zircon-in-concentrate (ZIC). Zircon is opaque; and heat, water, chemical and abrasion resistant. Primary uses include ceramics; refractory and foundry applications; and zirconium chemicals.

OTHER PRODUCTS

Iluka recovers and markets products produced during processing activities, including activated carbon, gypsum and iron concentrate.

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 161.

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 31.

OUR LOCATIONS

OPERATIONS, RESOURCE DEVELOPMENT, MARKETING AND REHABILITATION ACTIVITIES

WESTERN AUSTRALIA

- Cataby mining and concentrating
- Narngulu processing
- Eneabba development
- Capel synthetic rutile processing
- South West deposits project
- Corporate support centre
- Rehabilitation

SOUTH AUSTRALIA

- Jacinth-Ambrosia mining and concentrating
- Atacama project
- Rehabilitation

NEW SOUTH WALES

- Balranald project
- Euston project

VICTORIA

- Wimmera project
- Rehabilitation
- Hamilton processing (idle)

UNITED STATES

- Marketing and distribution
- Rehabilitation

EUROPE

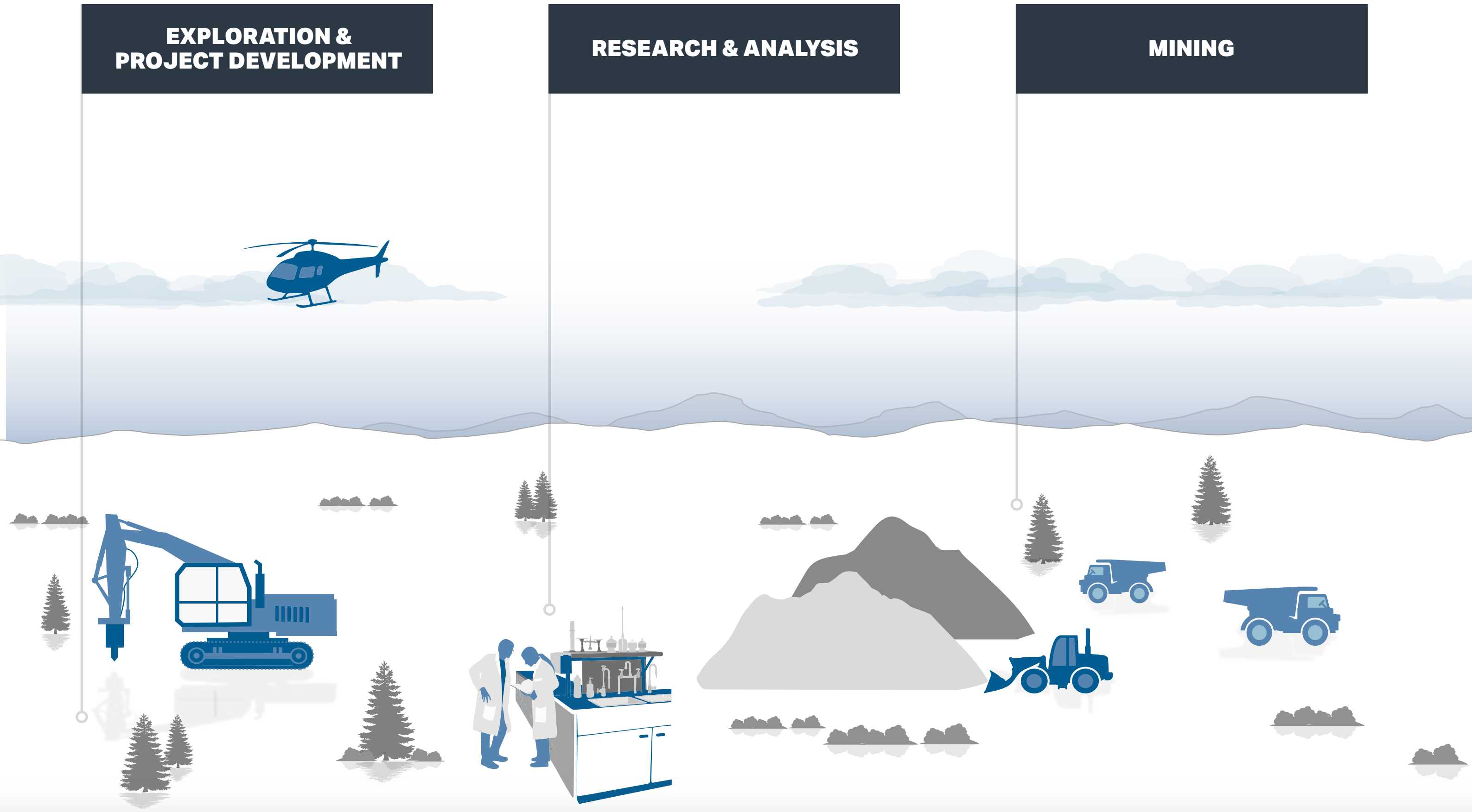
- Marketing and distribution

ASIA

- Marketing and distribution

SIERRA LEONE

- Sierra Rutile mining, concentrating and processing operations
- Sembehun project
- Rehabilitation



Exploration

Iluka prospects globally for high quality mineral deposits as part of the company's strategy to continue to grow and develop its diverse project pipeline. This includes both greenfield and brownfield opportunities.

Throughout all stages of project work Iluka ensures cultural heritage, community and environmental impacts are considered respectfully.

Project Development

Iluka progresses developments through its project pipeline to deliver sustainable value now and into the future. The company takes a gated approach to project evaluation, completing scoping, preliminary and detailed feasibility studies to determine the operational feasibility and commercial returns of prospective investments. Consideration is given to a wide range of factors in proceeding with developments, including industry dynamics, portfolio optimisation and a range of financial metrics.

Technical Development

Iluka identifies, researches and develops solutions that address operational, customer and industry challenges. This is achieved through continued investment into innovative processing, mining and technological opportunities. Iluka has a dedicated Metallurgical Test Facility (MTF), analytical laboratories, and an open innovation approach to collaborating with industry bodies and universities.

Education

Partnerships with researchers across a number of tertiary institutions within Australia and the United States deliver research-led outcomes geared towards improving future rehabilitation outcomes.

Iluka also supports scholarships for students in industry-related fields; and offers work experience, apprenticeships and graduate programmes through a series of education partnerships and initiatives.

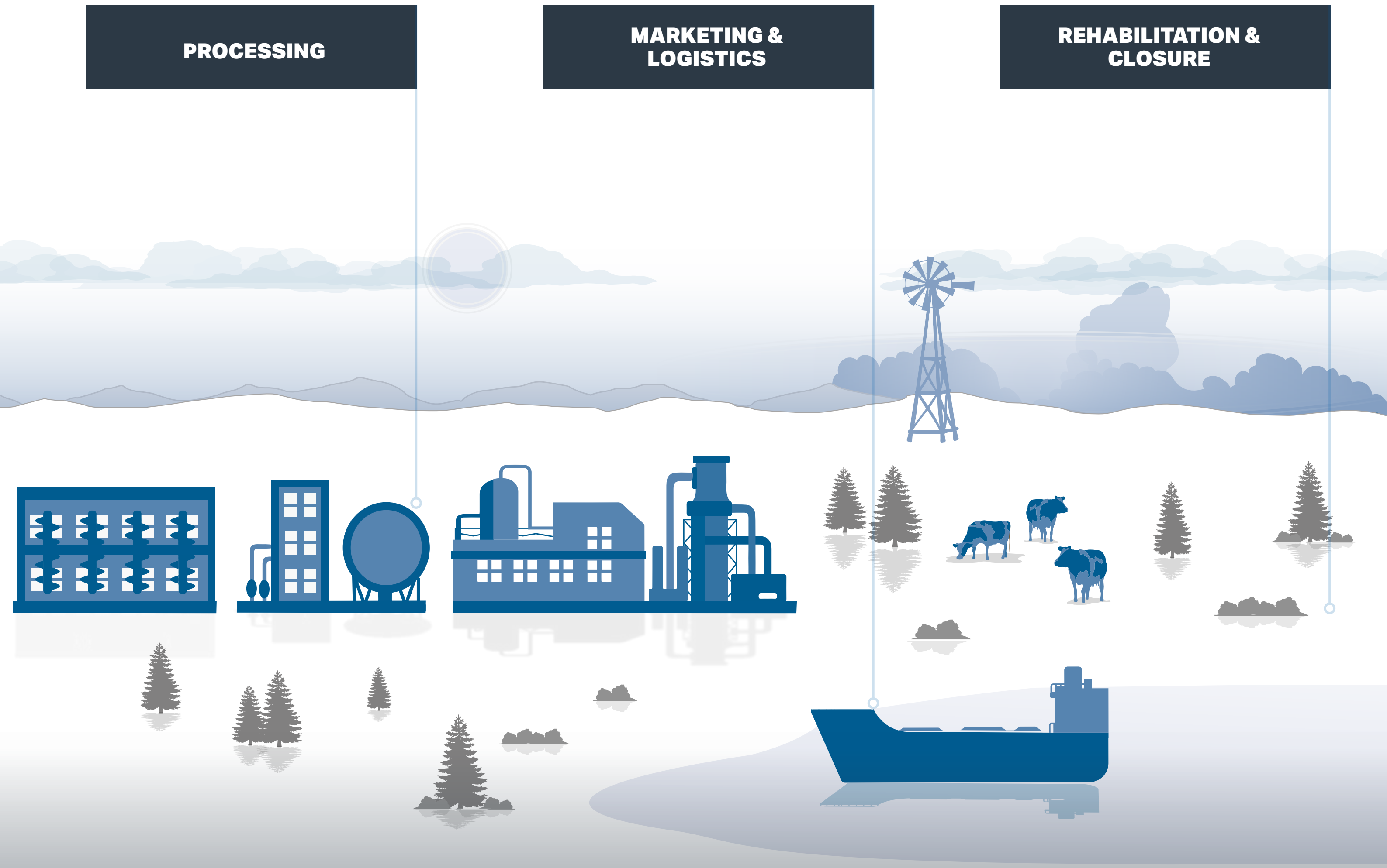
Mining

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

The company pursues operational excellence to optimise production output sustainably. Operational flexibility enables Iluka to preserve margins across the company's core product suite throughout periods of market instability, and to maximise production throughput during periods of high demand.

Economic Contribution

Direct and indirect benefits to local economies are provided by Iluka's operations and activities through the payment of taxes and royalties; employment and procurement opportunities; and through community investment initiatives. The company reports on its economic contributions through the Annual Report and Tax Transparency Report.



Processing

Heavy mineral concentrate is transported from Iluka's mines to its mineral separation plants for final product processing. The plant separates the minerals zircon, rutile, ilmenite, monazite and xenotime in multiple stages using magnetic, electrostatic and gravity separation.

Iluka is constructing facilities in Western Australia to upgrade the rare earth bearing minerals monazite and xenotime, which are produced as a co-products of mineral sands processing activities, to a feedstock suitable for a rare earths refinery. Certain rare earths, including those held by Iluka, are considered essential to the development of an electrified, low carbon economy.

Synthetic Rutile Kiln

Iluka produces synthetic rutile from ilmenite that is upgraded in kilns by high temperature chemical processes. The upgraded, high quality product has a titanium dioxide content of 89-94%.

A Global Network

An extensive marketing and logistics network enables Iluka to supply critical minerals to hundreds of customers in over 40 countries. Iluka's significant experience working across a wide range of supply chains enables marketing and product development teams to create value from delivering market specific products.

The recovery and sale of by-products produced through Iluka's processing activities, including activated carbon and iron concentrate, maximises the value of products and reduces waste at source.

Progressive Rehabilitation

Rehabilitation commences during the operational phase of the mine lifecycle. This minimises Iluka's mining footprint and assists with understanding and evaluating closure risks, including through informing research and development programmes, and refining closure provision estimates. Ongoing environmental monitoring is performed at all rehabilitated mine sites.

Iluka has a demonstrated track record and strong credentials in environmental management of mining, processing, product handling, waste management and rehabilitation.

CONTENTS

ABOUT THIS REPORT

This Annual Report is a summary of Iluka Resources' and its subsidiaries' operations, activities and financial position as at 31 December 2021. Currency is expressed in Australian dollars (AUD) unless otherwise stated.

This Report includes Iluka's Sustainability reporting, with reference to the Global Reporting Initiative (GRI) Standards. Current and previous reports are available on the company's website at 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.

2021 YEAR IN REVIEW

FINANCIALS

$1,486m
MINERAL SANDS REVENUE

$652m
UNDERLYING GROUP EBITDA

43%
MINERAL SANDS EBITDA MARGIN

$295m
NET CASH
(as at 31 December 2021)

MARKETS AND OPERATIONS

OPERATIONS RETURNED TO MAXIMUM CONFIGURATION

868kt
Z/R/SR SOLD

720kt
Z/R/SR PRODUCED

PEOPLE AND ENVIRONMENT

22%
TOTAL WOMEN REPRESENTATION ACROSS AUSTRALIAN OPERATIONS

25%
REDUCTION IN SERIOUS POTENTIAL INJURIES
(46 in 2021; 61 in 2020)

20%
REDUCTION IN LEVEL 3 OR GREATER ENVIRONMENTAL INCIDENTS COMPARED TO 2020

2021 YEAR IN REVIEW

Q1

JAN

- Narngulu mineral separation plant (MSP), one of the largest MSPs globally, returned to full processing capacity in January in response to increasing market demand.
- Sierra Rutile focused on returning to sustainable financial and operational performance.

FEB

- Iluka's Critical Control Management (CCM) programme launched across all Australian operating sites.
- Feasibility Study for Eneabba Phase 3 announced, adopting work completed from the Wimmera project to accelerate the study.

MAR

- All major construction and procurement contracts awarded for Eneabba Phase 2 development.

Q2

APR

- Synthetic rutile kiln 2 (SR2) recommences production early from a planned suspension during February and March; the kiln operated at full capacity for the remainder of the year.
- Tropical Cyclone Seroja shuts down production at Cataby mine and Narngulu mineral separation plant for three days.
- US exploration activities shifted to drill testing of regional targets on the eastern seaboard.

MAY

- Letter of support from the Australian Government for the construction of a fully integrated rare earth refinery at Eneabba (Eneabba Phase 3).
- Both Jacinth-Ambrosia and Cataby record increased production output due to higher ore treatment volumes, ore grade and recovery.
- Iluka provides the Government of Sierra Leone six months notice of its intention to temporarily suspend operations at Sierra Rutile effective 19 November 2021.

JUN

- Addition of Euston project to Iluka's project pipeline, representing a potential significant source of zircon, rutile and ilmenite.
- Hydraulic mining trial at Sembehun completed, demonstrating viability as an ancillary mining method.

Q3

JUL

- Iluka's innovative rehabilitation equipment, Flora Restorer, announced as a finalist in the Department of Mines, Industry Regulation and Safety (DMIRS) Golden Gecko Award for Environmental Excellence.

AUG

- Decision to execute the restart of synthetic rutile kiln 1 (SR1) announced, with refurbishment work commencing and start-up expected by Q4 2022.
- Government of Sierra Leone agrees to reset the fiscal regime for the remaining Area 1 mining operations, effective 1 August 2021.
- Sierra Rutile achieves improved production with higher assemblage, recovery and operational improvements. Potential suspension of operations deferred to January 2022.

SEP

- Sierra Rutile Limited wins the International SOS Foundation Duty of Care Award in the *Remote Resilience* category.
- Definitive Feasibility Study (DFS) for Iluka's Balranald project approved, reflecting confidence in the company's application of new underground mining technology.

Q4

OCT

- Iluka's continuous improvement programme CORE launched.

NOV

- Jacinth-Ambrosia commissions a 3.5MW solar farm with an expected annual reduction of 5,500 tonnes of carbon dioxide and ~$2million per annum of cost savings.
- Mineral resource estimate announced for Iluka's Wimmera project, reflecting confidence in the company's zircon processing solution. Larger scale piloting of the process is commissioned.

DEC

- Monazite sales finalised in line with offtake agreements for Phase 1 of the Eneabba development.
- Jacinth-Ambrosia mine shutdown for 24 hours due to a COVID-19 outbreak.

CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

Dear Shareholders,

For many years now, Iluka has consistently outlined the structural challenges facing the mineral sands industry. These centre on the nearer and longer-term implications of depleting supply from currently producing deposits and regions. In 2021, we saw practical manifestations of these industry challenges magnified by the COVID-19 global pandemic; geopolitical strategic competition; and accelerating progress and commitment towards an electrified, low carbon economy.

Born of a combination of planning and necessity, this has seen a corresponding period of evolution at Iluka.

Proactively, we have progressed a range of opportunities and initiatives to ensure your company is well positioned to lead in response to a changing industry in a changing world. We have strived for continuous improvement across our operations. We have remained committed to a sustainable pricing environment for our products. And we have invested in both a project development pipeline and in workforce capability to sustain, grow and potentially transform our business.

The initial positive outcomes generated from these endeavours were evident in 2021. Demand for Iluka's products, which are regarded by key industries and governments as critical minerals, was particularly robust. This demand, combined with our continued business discipline, resulted in one of the strongest financial performances in the company's history.

NPAT was $366 million and underlying group EBITDA $652 million. We ended the year in a net cash position of $295 million and declared a full year dividend of 12 cents per share. Total dividends for 2021 were 24 cents per share, fully franked.

SUSTAINABILITY

Notwithstanding the myriad changes around us, our first and fundamental priority remains the same – the safety of our people. Reducing serious potential injuries has been a specific safety focus for Iluka. We achieved a 25% decrease in our Serious Potential Injury Frequency Rate in 2021, which is an important step forward in an area that demands constant vigilance. Our Total Recordable Injury Frequency Rate was 2.1.

To date, the operational impact of COVID-19 on our business has been most pronounced in Sierra Leone, with preparation key to ensuring operations continued safely and sustainably throughout the year. Iluka invested $2.7 million on COVID-related measures at Sierra Rutile in 2021, including establishing on-site quarantine and isolation facilities. This investment is modest in comparison to the commitment of our people, especially Sierra Rutile's medical team, in their tireless efforts to help protect their local communities.

In Australia, operations continued uninterrupted by the pandemic for most of the year. Jacinth-Ambrosia in South Australia was the only operation to undergo a temporary shutdown, in December, in response to a COVID-19 outbreak. Quick implementation of the site's COVID Response Plan ensured the outbreak was contained, with operations up and running again within 24 hours.

While this is a very pleasing outcome, we can expect our resilience to be tested further over the coming year, with sustained community transmission of the virus now occurring in Western Australia for the first time.

Iluka rehabilitated 742 hectares of land in 2021, up from 576 hectares in 2020. Environmental stewardship activities also included the conversion of Jacinth-Ambrosia, the largest zircon mine in the world, to a solar-hybrid power operation in November. This is expected to reduce carbon dioxide emissions by 5,500 tonnes per annum and, as part of a broader work programme being developed to reduce Iluka's carbon footprint, is being used as a blueprint for the use of renewable power sources at other company sites.

During the year the Board initiated a dedicated Sustainability Committee in June, reflecting the further integration of sustainable development across Iluka's portfolio.

MARKETS AND OPERATIONS

As we reported to shareholders last year, the early phases of the pandemic in 2020 saw a significant decline in demand for Iluka's products. Our operational flexibility enabled us to reduce costs and maintain margins until markets recovered. By April 2021, we had returned to maximum operational settings to meet the rebounding market. This demand was magnified by both production challenges experienced by other major mineral sands producers; and broader supply chain constraints across the global economy. As a result of these factors, our customers have and continue to prioritise security of supply.

For zircon, we achieved considerable pricing traction over the course of the year, with recovery across all end markets. Demand from major ceramics producers in China, Italy and Spain drove sales in the first half as their production returned to pre-pandemic levels. Strategic sales of zircon-in-concentrate (ZIC) enabled Iluka to respond to nearer term supply side challenges in the industry. By the third quarter, all of Iluka's annual zircon production was committed.

In high grade titanium feedstocks, market demand outpaced supply and, like zircon, all production was fully committed by the third quarter. Pigment customers sought very high grade feedstocks, Iluka's core product offering, to increase plant utilisation. High grade feedstocks were also in strong demand in the welding market, where natural rutile is the preferred feedstock. This was demonstrated by Iluka's record sales into this high value segment in 2021.

Iluka's synthetic rutile kiln 2 (SR2) underwent a two-month shutdown in February to manage stock levels. Resumption of sales and subsequent reduction in inventory facilitated a return to full production in April, earlier than planned. In August, the Board approved the restart of synthetic rutile kiln 1 (SR1). This is a capital efficient, incremental increase in production into a supply-constrained market. Work on the restart is underway and the kiln is expected to be operational by the end of 2022, with feedstock arrangements in place for an initial two year campaign.

The Narngulu mineral separation plant operated at maximum settings throughout the year, processing 623 thousand tonnes of heavy mineral concentrate.

Mining operations focused on maximising production and throughput. At Cataby in Western Australia, operational improvements saw a record performance in November. Jacinth-Ambrosia also recorded strong results despite dealing with lower ore grades.

At Sierra Rutile, further operational improvement initiatives resulted in increased production for the year. These improvements, combined with a series of measures agreed to by the Government of Sierra Leone regarding Sierra Rutile's fiscal regime, have resulted in the withdrawal of the notice of intention to suspend operations in January 2022. The process to identify third parties willing to invest in the next phase of Sierra Rutile's growth continues and has been broadened to include the consideration of a demerger.

INNOVATION AND DIVERSIFICATION

Iluka has invested substantially in developing novel mining and processing technologies to unlock deposits in our asset base previously considered uneconomic or unmarketable. If realised, these investments will enable the company to continue to deliver the secure supply of critical minerals over the long term.

Significant progress has been made at Balranald in New South Wales and Wimmera in Victoria respectively. The definitive feasibility study for Balranald was approved by the Board in August; and a maiden resource was declared for the Wimmera deposits in November. These internally developed technology solutions have the potential to transform Iluka and the mineral sands industry.

Both technologies would likely be applicable to other deposits and could deliver sustainable solutions to known industry challenges.

Alongside technology transformation in mineral sands, our diversification into rare earths is set to significantly enhance the company's core product suite. Eneabba is the cornerstone of Iluka's diversification strategy and the world's highest grade rare earths operation. In 2021, the final shipment of Phase 1 material from the Eneabba development was completed. Phase 2 construction activities were carried out on schedule over the course of the year, with commissioning to occur by mid-2022. Iluka is in discussions with the Australian Government regarding risk sharing arrangements for a potential Phase 3 at Eneabba, consisting of a fully integrated rare earths refinery. These discussions are ongoing, with the finalisation of the feasibility study for Phase 3 scheduled for Q1 2022.

A Phase 3 refinery would see Eneabba and Australia become a key global hub for the secure production of refined rare earths. The fastest growing application for rare earths is for the production of permanent magnets, which are essential inputs for sustainable energy technologies such as electric vehicles and wind turbines. Growing demand for rare earths in 2021 was reflected in rising prices throughout the year. This demand is projected to increase markedly in coming years.

As we work towards a smarter, safer and sustainable future, Iluka is at the forefront of industry evolution. We have demonstrated resilience and operational flexibility to meet lower and high market demand. Furthermore, we are evolving the company to achieve the next phase of growth for our shareholders, customers, communities and people. In doing so we remain committed to delivering sustainable value as a leading global supplier of critical minerals.

Thank you for your continued interest and support.

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, Energy Developments

TOM O'LEARY
LLB, BJuris

Managing Director and Chief Executive Officer
Joined Iluka 2016

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

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

Independent
Non-Executive Director
Joined Iluka 2014

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

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, Landgate

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, Ventia

ANDREA SUTTON
BEng Chemical (Hons), GradDipEcon, GAICD

Independent
Non-Executive Director
Joined Iluka 2021

Rio Tinto, Energy Resources of Australia, ANSTO, National Association of Women in Operations, Red 5, DDH1

COMMITTEES

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

Audit and Risk Committee
Chair - Lynne Saint

People and Performance Committee
Chair - Rob Cole

Nominations and Governance Committee
Chair - Greg Martin

Sustainability Committee
Chair - Greg Martin

EXECUTIVE

TOM O'LEARY
LLB, BJuris

Managing Director and Chief Executive Officer
Joined Iluka 2016

Wesfarmers Chemicals; Energy & Fertilisers, 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

Head of Climate Change Response
Joined Iluka 2008

Richards Bay Minerals, Exxaro

SARAH HODGSON
LLB, GAICD

General Manager People and Sustainability
Joined Iluka 2013

KPMG, Westpac, Mercer

DANIEL MCGRATH
BSc (Math)

Chief Technology Officer and Head of Rare Earths
Joined Iluka 1993

SHANE TILKA
BCom

General Manager, Australian Operations

Joined Iluka 2004

THEUNS DE BRUYN
BEng (Chem), MBA

Chief Operating Officer, Sierra Rutile

Joined Iluka 2019

BHP Billiton, Lonmin Platinum, Metorex

The Executive 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; strategic workforce planning and capability; and leadership of required culture and behaviours.

THE ILUKA PLAN

OUR VALUES

• **INTEGRITY** • **RESPECT** • **COURAGE** • **ACCOUNTABILITY** • **COLLABORATION**

OUR PURPOSE

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

DELIVER TO GROW OUR FUTURE

Iluka commenced 2021 well placed, having successfully navigated the initial impacts on business and operating conditions from COVID-19. Over the course of 2021 Iluka has built on this foundation to take advantage of substantially improved markets, delivering strong results and progressing key projects. Through the company's marketing approach, product suite, world-class operations and development pipeline, Iluka has established a strong foundation to lead in the response to market and industry conditions.

EXECUTE OUR PROJECTS

Iluka progressed a number of developments in its project pipeline over 2021 that provide options to sustain and grow the business into the future. Several of these projects were executed and under construction in 2021, including:

- The SR1 kiln restart - a capital efficient, incremental increase in synthetic rutile production, delivering high grade titanium feedstocks into a supply constrained market
- Debottlenecking of Cataby's mining units - increasing mining unit production rates and reducing mining costs by effectively managing higher clay and oversize material
- Phase 2 of the Eneabba development - under construction with commissioning planned in first half of 2022 to upgrade the monazite-zircon material from Eneabba to a higher value product.

Iluka initiates, develops and progresses projects towards execution subject to building confidence and becoming satisfied with their risk and return; strategic alignment; and the timing of potential market opportunities.

+ Read more on Iluka's business risk and mitigation work on pages 52-54.

EXCEL IN OUR CORE

Central to Iluka's business is the company's unyielding focus on safety and commitment to responsible operations. The COVID-19 pandemic continued to affect regions in which Iluka operates, with ongoing challenges from border restrictions within Australia impacting project and exploration work. In Sierra Leone, Iluka continued to provide vaccination and health services to employees and their families, investing over $2.7 million on COVID-related measures.

+ Read more on Iluka's sustainability efforts on pages 40-51.

Reflecting the favourable market conditions and operational settings of the company, Iluka delivered an excellent financial result in 2021. Net profit after tax was $366 million, free cash flow was $300 million. The company maintained a strong balance sheet position, ending 2021 with net cash of $295 million. This result demonstrates Iluka's commitment to delivering sustainable value.

In 2020, Iluka implemented a company-wide efficiency project which has fully delivered its value target. A revitalised continuous improvement programme - CORE - was rolled out across the business from late 2021. This has supported optimisation efforts across operations, including improved product recoveries; enhanced by-product production; and optimised feedstock mix into kiln operations.

+ Read more on Iluka's operations on pages 24-30.

Throughout 2021, customers sought high quality zircon and very high grade titanium feedstocks, Iluka's core product offering, with increasing emphasis on security of supply. Pricing traction was achieved across the company's product suite.

+ Read more on Iluka's marketing and sales on pages 22-23.

MATURE OUR OPTIONS

Iluka matures project options across all levels of development in its project pipeline to ensure both near and longer term options are progressed in line with the company's objective of delivering sustainable value. In 2021, Iluka made significant progress on the company's rare earths diversification:

- Eneabba development - Phase 1 was finalised; Phase 2 construction progressed on schedule; and an expedited feasibility study for Phase 3 progressed with a final investment decision planned for early 2022.
- Wimmera project - work in 2021 focused on testing and validating a processing solution to remove impurities in the zircon.

A number of mineral sands projects were also advanced over the year including the Balranald project (New South Wales) progressing to Definitive Feasibility Study (DFS); and Preliminary Feasibility Studies (PFS) ongoing for the Euston (New South Wales), Atacama (South Australia) and South West deposits (Western Australia) projects.

+ Read more on Iluka's projects on pages 32-35.

GROW WHERE WE CAN ADD VALUE

Iluka is seeking to address depleting supply across the mineral sands industry by pursuing technical development opportunities in Australia. This includes mining and processing solutions that could be transformative for both the company and industry such as:

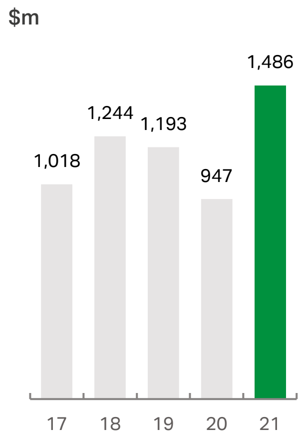
- The innovative underground mining technology under development for the Balranald project to access a below surface ore body as an alternative to an open pit operation.
- The zircon processing solution under development for the Wimmera deposits will potentially deliver zircon suitable for the premium ceramic industry, unlocking a new mineral province.

Rare earths represents an important and logical diversification for Iluka. Eneabba is the world's highest grade rare earths operation and provides world class foundation. The Wimmera development has the potential to serve as a long-life source of both rare earths and zircon. The company is currently studying the feasibility of developing a fully integrated rare earths refinery at Eneabba, which would provide a strategic processing hub for Australia's rare earth resources.

+ Read more on Iluka's innovation work on page 38.

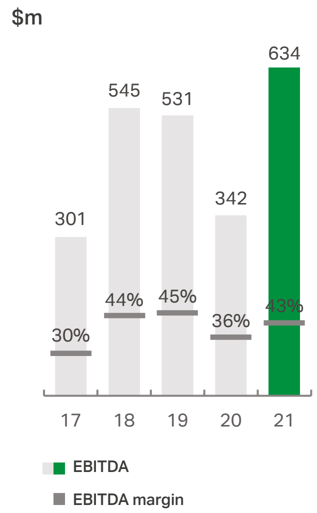
MINERAL SANDS REVENUE

$1,486m



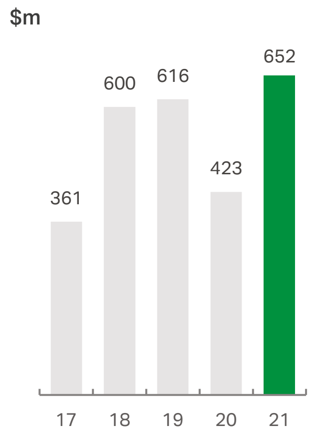
UNDERLYING MINERAL SANDS EBITDA

$634m



UNDERLYING GROUP EBITDA

$652m



MINERAL SANDS REVENUE

Mineral sands revenue was $1,486 million in 2021, up 57% from 2020.

Zircon sales volumes increased 48% to 355 thousand tonnes with ceramics markets rebounding following the COVID-19 shutdowns in 2020. Demand remained strong through the year. Iluka's weighted average zircon sand price increased from US$1,291 per tonne in Q4 2020 to US$1,590 per tonne in Q4 2021.

High grade titanium feedstock markets saw an increase in demand in 2021. Synthetic rutile sales were higher, largely due to the settlement of a contractual dispute with Chemours and resumption of sales under the contract. The increase in rutile sales reflects strong demand, including in welding markets. Iluka's weighted average rutile price (excluding HYTI) increased 4% from 2020.

Ilmenite and other revenue decreased 2% to $104 million reflecting lower ilmenite sales as more product was used as feedstock to produce synthetic rutile. Monazite-zircon concentrate sales from Eneabba increased, with 62 thousand tonnes shipped in 2021, in line with the two year offtake agreement, that concluded in December 2021.

UNDERLYING MINERAL SANDS EBITDA

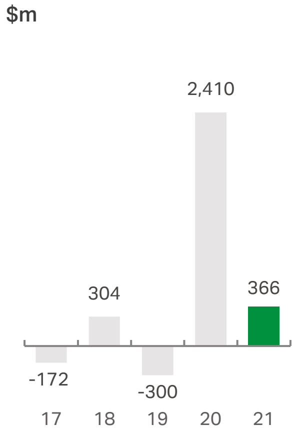
Underlying mineral sands EBITDA was $634 million. This reflects the strong production and sales result following the disruptions of COVID-19 in 2020, despite ongoing logistical challenges globally. Mineral sands continued to generate strong EBITDA margins at 43% (2020: 36%).

UNDERLYING GROUP EBITDA

Underlying group EBITDA was $652 million, including $18 million earnings from Iluka's 20% stake in Deterra.

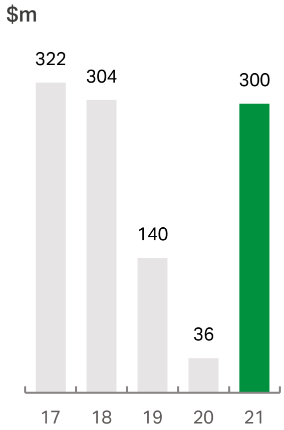
NET PROFIT AFTER TAX

$366m



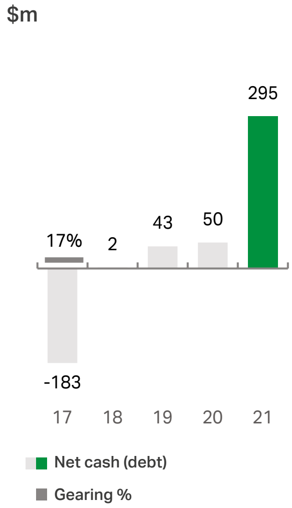
FREE CASH FLOW

$300m



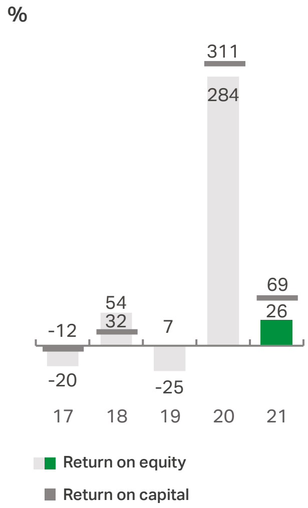
NET CASH (DEBT)

$295m



ROE AND ROC

ROE 26%
ROC 69%



NET PROFIT AFTER TAX

Iluka reported a net profit after tax (NPAT) of $366 million, up from $151 million underlying NPAT in 2020.

FREE CASH FLOW

Free cash flow was $300 million, up from $36 million in 2020.

Operations generated $528 million cash flow, with a draw down in inventory offset by a build in year end receivables. Cash flow contribution from the 20% stake in Deterra Royalties was $15 million.

Capital expenditure was $54 million. This included $29 million spent on Eneabba Phase 2; $14 million on feasibility studies for Balranald, Euston, South West and Atacama deposits; $2 million on the SR1 restart; and the remainder on sustaining capital expenditure. During 2021, $18 million has been spent on advancing critical growth studies, including Eneabba Phase 3, Wimmera and the Balranald trial, that do not qualify as capital expenditure and are captured within operating cashflows and expenses.

Total tax payments of $150 million include a $27 million 2020 final tax payment paid in the first half of 2021.

NET CASH

As at 31 December 2021, Iluka reported a net cash position of $295 million, up from $50 million net cash as at 31 December 2020.

Iluka prioritised maintaining a strong balance sheet in 2021 in the face of continued uncertainty due to the global pandemic.

RETURN ON EQUITY AND RETURN ON CAPITAL

Iluka reported return on equity of 26% and return on capital of 69%. The 2020 metrics include the $2,247 million gain on the demerger of Deterra.

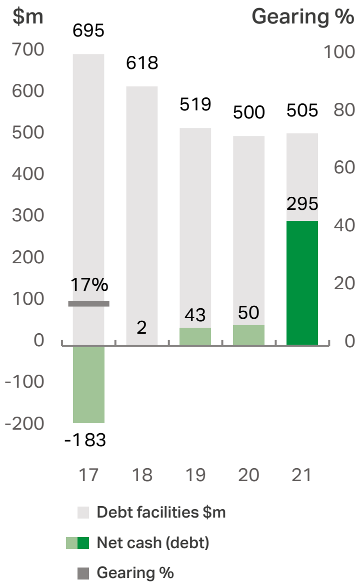
BALANCE SHEET

As at 31 December 2021, Iluka had total debt facilities of $512 million and net cash of $295 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.

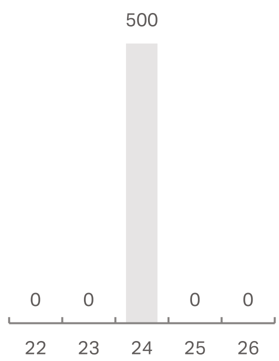
No funds were drawn from the MOFA as at 31 December 2021 (2020: $38 million).

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



DIVIDEND FRAMEWORK

Iluka has revised its dividend framework following the demerger of Deterra to ensure shareholders receive the full return on the company's investment in Deterra.

Iluka's new dividend framework is to pay 100% of dividends received from Deterra Royalties and pay a minimum of 40% of free cash flow from the mineral sands business not required for investing or balance sheet activity. The company also seeks to distribute the maximum franking credits available.

Iluka declared a final dividend of 12 cents per share, fully franked, for 2021, resulting in full year dividends of 24 cents per share, fully franked. This payout reflects the revised dividend framework after allowing for significant capital investment expected in 2022.

HEDGING

Iluka manages a portion of its foreign exchange risk via a foreign exchange hedging programme. The Group entered into the following hedging contracts in 2021:

- US$69.7 million in forward exchange contracts in 2021 with an average rate of 77.2 cents, which matured during the year;
- US$24.6 million in foreign exchange call options with an average rate of 80.0 cents, which also matured during the year; and
- US$109.4 million in foreign exchange collars consisting of US$109.4 million of bought AUD call options with weighted average strike prices of 80.0 cents and US$109.4 million of sold AUD put options with weighted average strike prices of 67.7 cents.

In addition, the following hedging contract matured during the year:

- US$105.5 million in foreign exchange collar contracts consisting of US$105.5 million of bought AUD call options with weighted average strike prices of 78.6 cents and US$105.5 million of sold AUD put options with weighted average strike prices of 70.4 cents.

Iluka has US$102.3 million in foreign exchange collar contracts in relation to expected USD revenue from contracted sales to 31 December 2022 which remain open as at 31 December 2021, which are detailed in Note 21 of Iluka's Financial Report.

In this section

FINANCIAL AND OPERATIONAL REVIEW

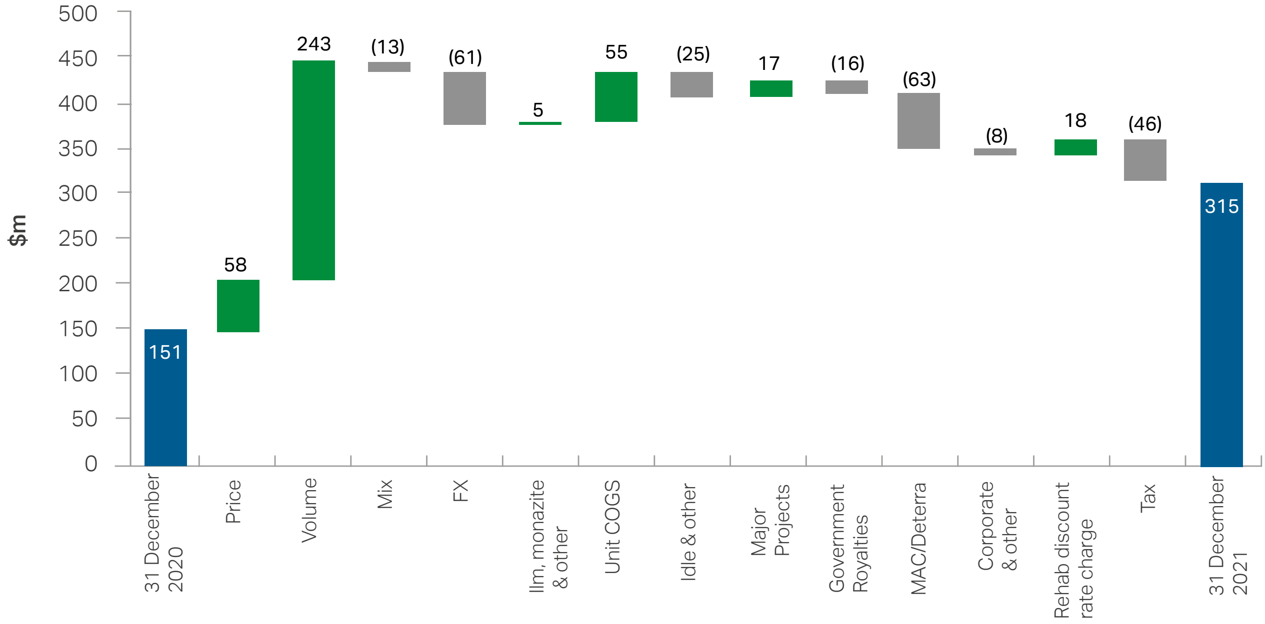
INCOME STATEMENT ANALYSIS

$ million	2021	2020	% change
Z/R/SR revenue	1,381.9	841.0	64.3
Ilmenite and other revenue	103.9	106.0	(2.0)
Mineral sands revenue	**1,485.8**	**947.0**	**56.9**
Cash costs of production	(579.2)	(558.7)	3.7
Inventory movement - cash	(67.0)	142.3	-
Restructure and idle capacity charges	(33.4)	(20.9)	59.8
Government royalties	(38.0)	(22.3)	70.4
Marketing and selling costs	(34.4)	(27.7)	24.2
Asset sales and other income	2.0	(1.5)	-
Major projects, exploration and innovation	(45.2)	(62.3)	(27.4)
Corporate and other costs	(64.3)	(54.6)	17.8
Foreign exchange	7.6	0.7	-
Underlying mineral sands EBITDA	**633.9**	**342.0**	**85.4**
EBITDA from discontinued operations	-	81.0	-
Share of profit in associate	18.4	0.1	-
Underlying Group EBITDA	**652.3**	**423.1**	**54.2**
Depreciation and amortisation	(171.2)	(184.8)	(7.4)
Inventory movement - non-cash	(12.6)	39.9	-
Rehabilitation costs for closed sites	60.8	7.2	-
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	(3.4)	19.4	-
Impairment of exploration assets	(6.3)	(12.4)	(49.2)
Group EBIT	**519.6**	**2,539.2**	**(79.5)**
Net interest and bank charges	(5.7)	(6.4)	(10.9)
Rehabilitation unwind and other finance costs	(8.9)	(27.3)	(67.4)
Profit before tax	**505.0**	**2,505.5**	**(79.8)**
Tax expense	(139.1)	(95.5)	45.7
Profit for the period (NPAT)	**365.9**	**2,410.0**	**(84.8)**
Average AUD/USD rate for the period (cents)	**75.2**	**69.1**	**8.8**

MOVEMENT IN UNDERLYING NPAT

$ million	2021	2020	% change
NPAT	**365.9**	**2,410.0**	**(84.8)**
Non-recurring adjustments:			
Rehabilitation for closed sites - Total	60.8	5.0	-
Impairments	(6.3)	(12.4)	(49.5)
Put Option revaluation	(3.4)	19.4	-
MAC demerger	-	2,246.8	-
Underlying NPAT	**314.8**	**151.2**	**108.2**

Figure 1. Reconciliation of 2020 to 2021 underlying NPAT



Sales commentary is contained on pages 22-23.

The Australian dollar appreciated sharply in 2021 before dropping in the second half of the year, ending 2021 with an average exchange rate of 75.2 cents compared to 69.1 cents in 2020. The Group hedges a portion of its US dollar sales to assist in managing exchange rate exposure, which is detailed on page 18 of this report. Foreign exchange impacts on operating costs, mainly related to Sierra Rutile operations, are included in the overall movement in unit cost of goods sold.

Cash costs of production increased by $21 million as more HMC was transported for processing at the Narngulu mineral separation plant, drawing down on stockpiles that had built through 2020. Mining and concentrating costs were lower with less HMC produced at Jacinth-Ambrosia. Cataby HMC production was consistent with 2020. Transport costs were also higher as the pandemic constrained logistics globally.

Unit cost of goods sold decreased to $916 per tonne compared to $1,032 per tonne in 2020. This reflected a decrease in cost from US$1,455 per tonne at Sierra Rutile in 2020 to US$1,244 per tonne in 2021, as production increased 8% with improved mining performance and favourable grade.

Australian operations unit cost of goods sold increased 6% to $774 per tonne driven by a change in sales mix, as well as mining of lower grade at the Jacinth North deposit commencing in the second quarter.

Idle, restructure, and other non-production costs increased with the major maintenance outage of synthetic rutile kiln 2 (SR2) early in 2021. Sembehun study costs were also expensed during the year.

Costs for ongoing maintenance and land management costs for idle plant and operations at Tutunup South, Murray Basin and the United States decreased 15% from 2020 as rehabilitation continues to progress into late stages.

Corporate cost reflects expenses to operate, govern and grow the business. Increased costs reflect activity associated with growth projects, including rare earths; increased labor costs, including payment of incentives at target metrics which were not achieved in 2020; and higher insurance costs.

Major projects, exploration, and innovation costs decreased with the successful conclusion of the Balranald T3 field trials in 2020, which were expensed as research and development costs. There was an increase in innovation costs as Iluka explores new opportunities in rare earths and mineral sands extraction.

Government royalties increased in line with higher sales revenue as markets improved and customers took more product.

Tax expense had an effective tax rate of 28% in 2021 as Iluka recorded gains in profit or loss related to the unwind of the rehabilitation liabilities in Sierra Leone and the United States, which do not give rise to deferred tax. The equity-accounted profit for the Group's investment in Deterra Royalties is not assessable and the dividends received were fully franked, resulting in an effective tax rate lower than the corporate tax rate. The tax rate applicable in Australia remained at at 30%.

FINANCIAL AND OPERATIONAL REVIEW

SALES AND MARKETS

Zircon

The recovery in demand for zircon witnessed late in 2020 gained momentum in 2021 with strong demand for Iluka's products evident across multiple market sectors in many geographies. The ceramics market, which accounted for 57% of Iluka's annual sales, experienced sustained growth despite supply chain challenges impacting shipments and increasing costs of raw materials. Chinese tile production rates returned to pre-pandemic levels in the first half despite a decline in exports. European (Spain and Italy) and Indian producers increased exports to markets more recently serviced by Chinese producers. Growth in ceramic manufacturing is expected to continue into 2022, particularly in emerging markets, such as India, with several new production facilities established.

Strong growth in the photovoltaic industry drove demand for refractories utilised in specialised glass production in China in turn leading to demand for fused zirconia. Fused zirconia producers in China and the United States operated at high rates through 2021 creating strong demand for Iluka's premium grade zircon products.

In other sectors, zirconium chemical production was consistent with 2020, however over the course of the year exports increased suggesting an improvement in downstream market conditions. China has led a recovery in demand from the foundry markets with car manufacturing plants returning to pre-pandemic production levels.

Market conditions ensured that Iluka's total annual zircon sales were fully committed by the third quarter. Through the course of 2021, Iluka ramped up production, and sales, of zircon-in-concentrate (ZIC) in response to increased demand.

Zircon, characterised by many countries as a critical mineral, remains in demand as a key input to the manufacture of modern materials; either directly in the case of sanitaryware desperately needed to improve the standards of living in many developing nations, or as an enabler to the efficient production of critical items such as photovoltaic cells or near final shape castings. Yet the supply side is characterised by declining grades from existing operations, unreliable supply from some jurisdictions, and limited new projects with meaningful zircon supply of an acceptable quality.

With continued focus on maintaining a sustainable pricing environment, Iluka achieved considerable pricing traction over the course of 2021. Iluka's weighted average price (FOB basis) for zircon premium and standard in Q4 2021 was US$1,590 per tonne, increasing from US$1,291 per tonne in Q4 2020, despite significant increases in supply chain costs.

High-Grade Titanium Feedstocks

High grade titanium feedstocks were in high demand throughout 2021 as a result of continued growth in underlying demand in the majority of end markets.

Emerging strongly from 2020, pigment market demand was consistently strong over 2021 and is expected to remain strong into 2022. Sales to this market segment accounted for 84% of Iluka's 2021 sales volumes of High Grade Ore.

In the growing Chinese market, despite pigment producers experiencing energy shortages and logistical challenges, demand remained high throughout the year. Producers in the United States also experienced production challenges with continued shortages of chlorine, an essential input to chloride pigment production, driving demand for Iluka's high grade feedstocks that help to reduce reliance on chlorine and maximise throughput. High energy costs and growth in raw material prices was also a challenge for European producers who struggled to keep up with demand.

On the supply side, ongoing production challenges impacting feedstock supply from producers in South Africa and Iluka's announcement of the potential suspension of operations at Sierra Rutile created some uncertainty in the market, all at time when demand for feedstocks across all regions was outpacing supply.

Throughout the year welding markets remained very strong driven in part by spending on infrastructure in both developing and mature economies. These buoyant conditions saw demand for natural rutile outpace supply; a trend that seems likely to continue. There was evidence of a recovery in the titanium metal and sponge markets as airlines recommenced ordering aircrafts, however this sector is yet to return to pre-pandemic levels.

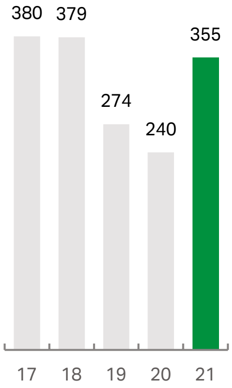
Similar to zircon, by the third quarter, all of Iluka's synthetic rutile and natural rutile were under contract. Iluka's weighted average price for rutile (excluding HYTI and TIC) in 2021 was US$1,264 per tonne, up 3.6% from 2020.

Monazite

Iluka sold 62 thousand tonnes of a 20% monazite-zircon concentrate in 2021 completing contractual obligations from Phase 1 of the Eneabba development. No further sales of this product will occur, with the existing stockpile reserved for further concentrating under Phase 2 of the Eneabba development.

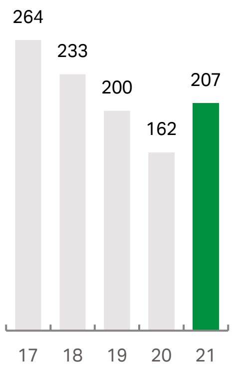
ZIRCON

Sales volumes (kt)



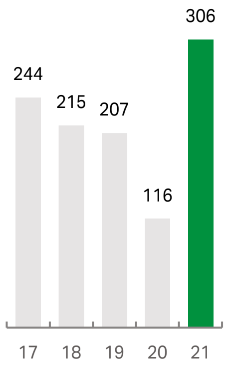
RUTILE[1]

Sales volumes (kt)



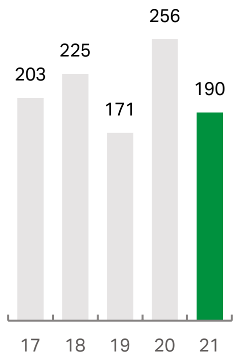
SYNTHETIC RUTILE

Sales volumes (kt)



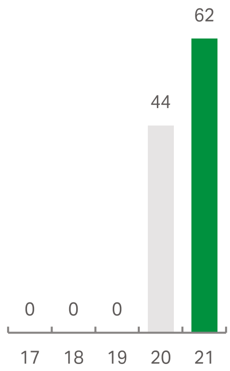
ILMENITE

Sales volumes (kt)



MONAZITE

Sales volumes (kt)



Notes:

(1) Rutile sales and production volumes include HYTI.

Weighted Average Received Prices US$/t FOB

	2017	2018	2019	2020	2021
Zircon (premium and standard)	958	1,351	1,487	1,319	1,414
Zircon (all products)[2]	940	1,321	1,380	1,217	1,330
Rutile (excluding HYTI)[3]	790	952	1,142	1,220	1,264
Synthetic rutile[4]	-	-	-	-	-

Notes:

(2) 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 year to date 2021 the split of zircon sand and concentrate by zircon sand-equivalent was approximately: 76%:24% (2020 full year: 78%:22%).

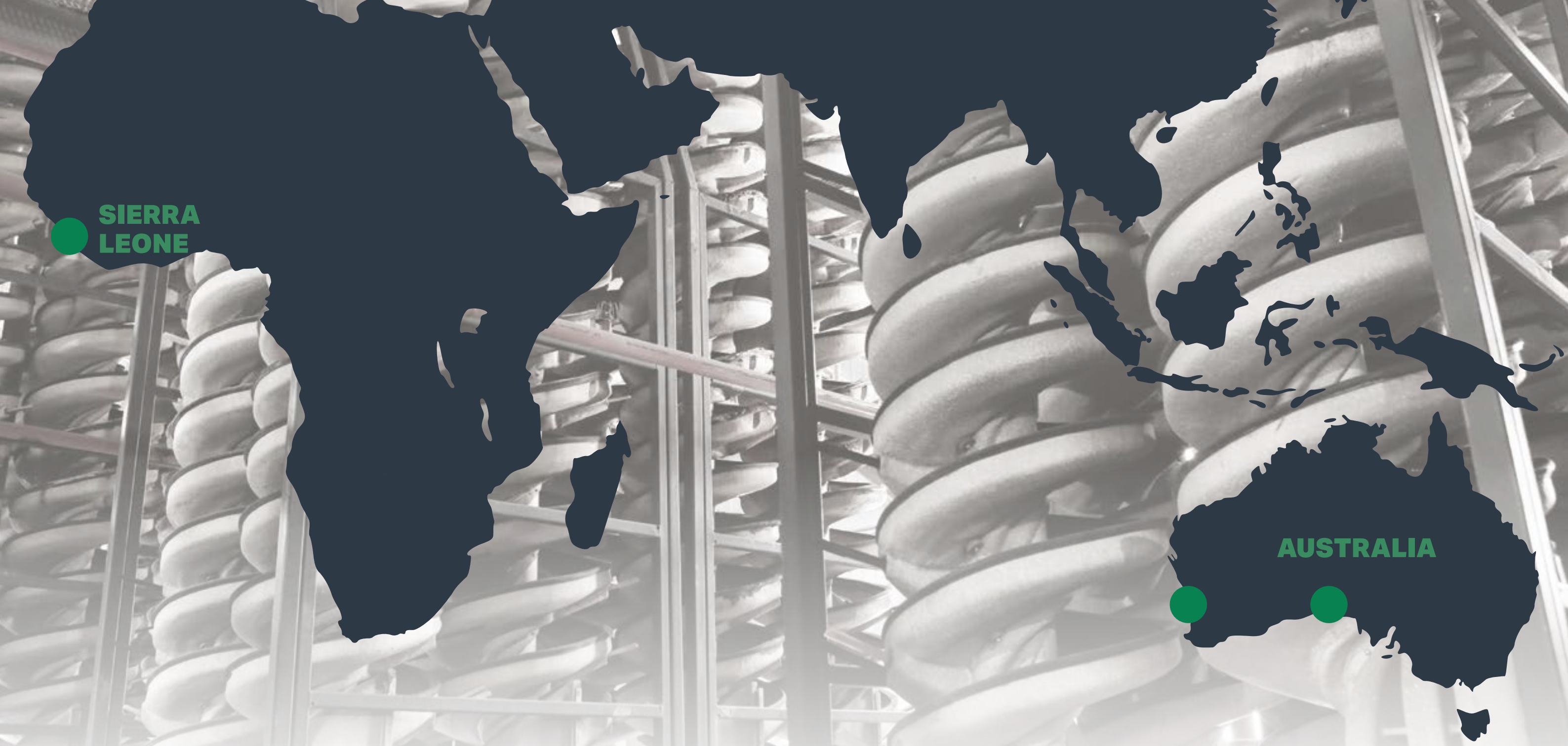
(3) Excluded from rutile sales prices is a lower value titanium dioxide product, HYTI, that typically has a titanium dioxide content of 70 to 90%. This product sells at a lower price than rutile, which typically has a titanium dioxide content of 95%.

(4) 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.

Zircon - Iluka is a leading global producer of zircon. Providing fit-for-purpose products to a wide range of customers around the world, Iluka's products range from premium grade zircon to ZIC. Zircon is valued for its opacifying and resistance properties; and is used primarily in the manufacture of ceramics, including tiles and sanitary-ware, as well as in casting and foundry applications. It is also used in the manufacture of zirconium chemicals, which have a diverse range of applications, from catalytic converters to fuel cells and water purification.

High-Grade Titanium Feedstocks - Iluka is the world's largest producer of natural rutile and a major producer of synthetic rutile, an upgraded, value added form of ilmenite. Owing to their high titanium content, these products are referred to as high-grade titanium dioxide feedstocks. Titanium dioxide is a white pigment largely used to in the production of paints, coatings, plastics and more, providing a UV protective and non-toxic opacifier that delivers long lasting performance results. It is also used in titanium metal and welding due to its high-strength and anti-corrosive properties.

Monazite - The rare earths baring minerals monazite and xenotime are routinely produced as by-products of Iluka's mineral sands processing activities. Rare earths have unique catalytic, metallurgical, nuclear, electrical, magnetic and luminescent properties. The rare earths in Iluka's monazite are essential for the production of ultra-strong permanent magnets used in the motors that power electric vehicles and in the generators used in wind turbines, as well as other sustainable development technologies.



PRODUCTION & OPERATIONS

AUSTRALIA

Iluka's mineral sands mining operations are focused on sustainably and safely optimising production throughput to meet increasing market demand and deliver reduced operational costs. The company's Australian sites returned to maximum operational settings early in the year with levels maintained throughout 2021.

The Narngulu mineral separation plant (MSP) in Western Australia, returned to full processing capacity in January, having operated under adjusted settings in 2020 to reduce zircon stock in line with markets that were impacted by the COVID-19 pandemic. Narngulu processed 623 thousand tonnes of material to produce 320 thousand tonnes of zircon, including ZIC, and 67 thousand tonnes of rutile.

In April impacts of the tropical Cyclone Seroja resulted in a three day shutdown at both Narngulu MSP and Cataby mine site in Western Australia.

The annual total heavy mineral concentrate (HMC) produced at Cataby was 541 thousand tonnes; higher HMC production in the second half of the year was a result of increased ore treatment volumes, ore grade and recovery. Cataby commenced a project to debottleneck its mining unit, increasing mining unit production rates and reduce mining costs from these operations by more effectively managing higher clay and oversize material. This project will be delivered in late 2022.

Iluka's synthetic rutile kiln 2 (SR2) in Capel, Western Australia, underwent a planned production suspension in February and March to manage synthetic rutile stock levels; and refurbish and reline the kiln. The initial suspension was planned for a period of three to six months, however returned to full production by 1 April in response to market conditions. The kiln operated at full capacity for the remainder of the year, with 199 thousand tonnes of synthetic rutile produced in 2021.

At Jacinth-Ambrosia in South Australia, mining of lower grade ore at the Jacinth North deposit commenced in the second quarter and will continue for a period of approximately 12 months. Higher HMC production levels seen over the second half were a result of increased ore treatment volumes, ore grade and recovery. A total of 264 thousand tonnes of HMC was produced in 2021. In late December an outbreak of COVID-19 on site resulted in a 24 hour plant shutdown. Following advice from South Australian health authorities, Iluka enacted a 'circuit breaker' mine closure to reduce the likelihood of further transmission; operations were able to restart with limited impact on production.

SIERRA LEONE

Sierra Rutile continued to be impacted by the COVID-19 pandemic despite the implementation of a series of safety, isolation and testing measures. Acute operational challenges impacted efforts to achieve operational efficiency in the first half, amplified by lower HMC grade affecting rutile production.

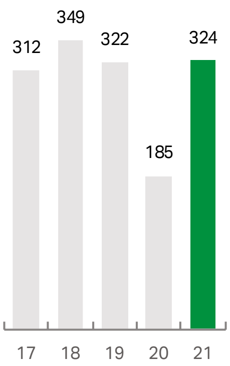
Total HMC production was 301 thousand tonnes, with 129 thousand tonnes of rutile produced.

In May, Iluka provided six months notice of its intention to temporarily suspend operations at SRL, effective 19 November 2021. Iluka withdrew its notice to suspend operations in January 2022 following operational improvements and ratification by the Parliament of Sierra Leone to a number of adjustments to Sierra Rutile's fiscal regime (for Area 1).

1,106k	1,235k
TONNES OF HMC PRODUCED	TONNES OF HMC PROCESSED

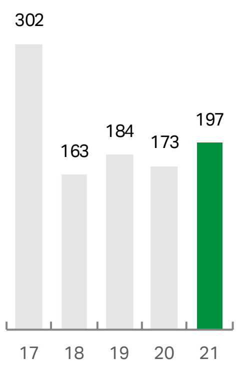
ZIRCON

Production volumes (kt)



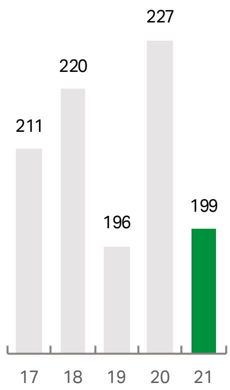
RUTILE[1]

Production volumes (kt)



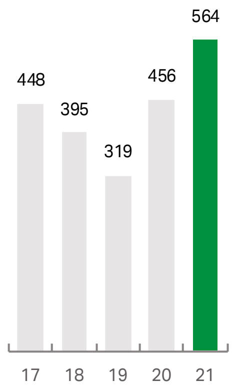
SYNTHETIC RUTILE

Production volumes (kt)



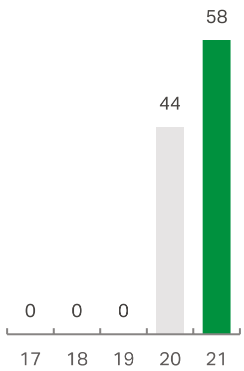
ILMENITE

Production volumes (kt)



MONAZITE

Production volumes (kt)



Notes:

(1) Rutile sales and production volumes include HYTI.

Cash costs

		2021	2020	% change
Cash costs of production	$m	579.2	558.7	(3.7)
Unit cash production cost per tonne Z/R/SR produced[2]	$/t	777	918	15.3
Unit cost of goods sold per tonne Z/R/SR sold	$/t			
Jacinth-Ambrosia / Mid West		631	592	(6.5)
Cataby / South West		909	915	0.1
Australia Total		774	730	(6.0)
Sierra Rutile		1,659	2,015	17.7
Total		**916**	**1,032**	**11.5**

Notes:

(2) Cash cost of production excluding by-products, divided by Z/R/SR production.

Mineral sands operations results

	Revenue		Underlying EBITDA		EBIT	
$ million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Jacinth-Ambrosia / Mid West	599.6	389.0	383.1	270.2	335.0	245.5
Cataby / South West	639.1	300.4	339.7	163.1	241.1	120.1
SRL	232.7	223.1	20.9	26.4	17.1	(40.8)
Idle Ops	14.4	34.5	3.2	10.1	33.7	11.0
Support and corporate	-	-	(113.0)	(127.8)	(107.3)	2,203.4
Elimination - interco sales	-	-	-	-	-	-
Total	**1,485.8**	**947.0**	**633.9**	**342.0**	**519.6**	**2,539.2**

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONS

JACINTH-AMBROSIA/MID WEST

		2021	2020	% change
Production volumes				
Zircon	kt	271.2	114.9	136.0
Rutile	kt	30.3	24.5	23.7
Total Z/R production	**kt**	**301.5**	**139.4**	**116.3**
Ilmenite	kt	127.7	67.7	88.6
Monazite concentrate	kt	57.7	44.4	30.0
Total saleable production	**kt**	**486.9**	**251.5**	**93.6**
HMC produced	kt	264	357	(26.0)
HMC processed	kt	453	232	95.4
Unit cash cost of production - Z/R/SR	$/t	563	940	(40.1)
Mineral Sands revenue	**$m**	**599.6**	**389.0**	**54.1**
Cash costs of production	$m	(169.6)	(131.0)	29.5
Inventory movement - cash	$m	(7.1)	26.7	-
Restructure, idle capacity and other non-production costs	$m	(2.9)	(3.2)	(9.4)
Government royalties	$m	(21.6)	(6.4)	-
Marketing and selling costs	$m	(15.2)	(4.9)	-
Asset sales and other income / (expenses)	$m	(0.1)	-	-
EBITDA	**$m**	**383.1**	**270.2**	**41.8**
Depreciation and amortisation	$m	(43.8)	(36.2)	21.0
Inventory movement - non-cash	$m	5.4	9.8	(44.9)
Rehabilitation costs for closed sites	$m	(9.7)	1.7	-
EBIT	**$m**	**335.0**	**245.5**	**36.5**

Jacinth-Ambrosia operated at full capacity throughout the year in the Jacinth North deposit, with 10.3 mt of ore mined producing 264 kt HMC. COVID-19 interruptions impacted Jacinth-Ambrosia in late December and the mine was shut down temporarily, with the disruption having a limited impact on production before returning to full operational settings by the end of December. Mining will return to the Ambrosia deposit in H2 2022.

Steady demand from China and growing demand from Europe resulted in a drawdown of customer inventories from 2020 and a 54% increase in **mineral sands revenue**.

Cash costs of production rose with the increase in production and higher transportation costs as stockpiled HMC at Jacinth-Ambrosia was shipped to the Narngulu mineral separation plant to be processed into finished goods to meet customer demand.

Marketing and selling costs grew as global shipping prices reached record highs in 2021, impacting sea freight expenses.

Government royalties for Jacinth-Ambrosia are predominantly calculated on a mine gate departure, with the higher volumes of stockpiled HMC that was transported to Narngulu in the year increasing the royalty payable.

CATABY/SOUTH WEST

		2021	2020	% change
Production volumes				
Zircon	kt	48.9	58.8	(16.8)
Rutile	kt	37.0	27.9	32.6
Synthetic rutile	kt	198.7	227.4	(12.6)
Total Z/R/SR production	**kt**	**284.6**	**314.1**	**(9.4)**
Ilmenite - saleable and upgradeable	kt	383.9	342.4	12.1
Total saleable production	**kt**	**668.5**	**656.5**	**1.8**
HMC produced	kt	541	520	4.1
HMC processed	kt	470	483	(2.7)
Unit cash cost of production - Z/R/SR	$/t	749	739	1.4
Mineral sands revenue	**$m**	**639.1**	**300.4**	**112.7**
Cash costs of production	$m	(212.5)	(232.2)	(8.5)
Inventory movement - cash	$m	(59.5)	112.6	-
Restructure, idle capacity and other non-production costs	$m	(7.7)	(3.3)	133.3
Government royalties	$m	(11.2)	(6.8)	64.7
Marketing and selling costs	$m	(8.9)	(7.7)	15.6
Asset sales and other income	$m	0.4	0.1	-
EBITDA	**$m**	**339.7**	**163.1**	**108.3**
Depreciation and amortisation	$m	(81.0)	(72.3)	12.0
Inventory movement - non-cash	$m	(16.6)	29.1	-
Rehabilitation costs for closed sites	$m	(1.0)	0.2	-
EBIT	**$m**	**241.1**	**120.1**	**100.7**

Cataby mine operated at full capacity throughout the year producing 541 kt HMC. In Q1, SR2 was suspended to manage synthetic rutile stock levels and refurbish and reline the kiln. The kiln has subsequently operated at full capacity since 1 April.

Mineral sands revenue increased as synthetic rutile sales recovered, with 306 kt sold in 2021 (2020: 116 kt), in part due to resumption of purchases by Chemours in line with contracts.

The significant drawdown of inventory that built through 2020 resulted in increased **inventory movement** as inventory balances decreased.

Cash costs of production decreased by 9% on lower mining costs and synthetic rutile production. Mining volumes were lower at the Cataby mine due to lower runtime from the impact of lower ore grades in line with the mining sequence and the impact of Tropical Cyclone Seroja earlier in the year, while synthetic rutile production costs were lower due to SR2 planned suspension, also increasing idle costs relative to 2020.

Marketing and selling costs were higher with increased sea freight.

Government royalties increased in line with increased sales and royalties on monazite processed out of Eneabba.

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONS

SIERRA RUTILE

		2021	2020	% change
Production volumes				
Zircon	kt	4.1	6.6	(37.9)
Rutile	kt	129.3	120.2	7.6
Total Z/R production	**kt**	**133.4**	**126.8**	**5.2**
Ilmenite	kt	52.1	45.8	13.8
Total production	**kt**	**185.5**	**172.6**	**7.5**
HMC produced	kt	301	306	(1.7)
HMC processed	kt	312	293	6.3
Unit cash cost of production - Z/R	kt	1,402	1,450	(3.3)
Mineral sands revenue	**$/t**	**232.7**	**223.1**	**4.3**
Cash costs of production	$m	(187.0)	(183.8)	1.7
Inventory movement - cash	$m	(4.0)	7.7	-
Restructure, idle capacity and other non-production costs	$m	(15.1)	(5.3)	-
Government royalties	$m	(4.7)	(8.6)	(45.3)
Marketing and selling costs	$m	(1.0)	(3.4)	(70.6)
Asset sales and other income	$m	-	(3.3)	-
EBITDA	**$m**	**20.9**	**26.4**	**(20.8)**
Depreciation and amortisation	$m	(43.2)	(72.2)	(40.2)
Inventory movement - non-cash	$m	(1.0)	1.9	-
Rehabilitation and holding costs for closed sites	$m	40.4	4.0	-
Write-down expense	$m	-	-	0.0
EBIT	**$m**	**17.1**	**(40.8)**	**-**

Sierra Rutile experienced operational challenges in H1, including the ability to maintain specialised skillsets in-country, which impacted on production delivery. Operational performance improved during H2, with operational consistency delivered from July and average rutile production of 12 kt per month since then.

Mineral sands revenue increased by 4% as Sierra Rutile's production increased over 2020 on improved mining performance and runtime in H2 2021.

Cash costs of production are comparable to 2020 despite higher production levels, although they have benefited from a stronger Australian dollar on translation of the US dollar denominated cost base.

Other non-production costs include expenses for ongoing Sembehun studies as well as costs incurred in managing COVID-19.

An accounting gain was recognised in **rehabilitation costs** as updated estimates for future rehabilitation of Area 1 operations decreased the liability, with the adjustment taken directly to profit and loss.

Depreciation costs decreased in 2021 as Area 1 operations near end of life.

IDLE OPERATIONS (UNITED STATES/MURRAY BASIN)

		2021	2020	% change
Production volumes				
Zircon	kt	-	4.9	-
Mineral sands revenue	**$m**	**14.4**	**34.5**	**(58.3)**
Cash costs of production	$m	(10.0)	(11.7)	(14.5)
Inventory movement - cash	$m	3.6	(4.7)	-
Restructure, idle capacity and other non-production costs	$m	(7.7)	(9.1)	(15.4)
Government royalties	$m	(0.5)	(0.5)	-
Marketing and selling costs	$m	1.5	(0.2)	-
Asset sales and other income	$m	1.9	1.8	5.6
EBITDA	**$m**	**3.2**	**10.1**	**(68.3)**
Depreciation and amortisation	$m	(0.2)	(0.4)	(50.0)
Inventory movement - non-cash	$m	(0.4)	(0.9)	(55.6)
Rehabilitation and holding costs for closed sites	$m	31.1	2.2	-
EBIT	**$m**	**33.7**	**11.0**	**206.4**

Discontinued and idle operations reflect rehabilitation obligations in the United States (Florida and Virginia) and certain idle assets in Australia (Murray Basin). Revenue in 2021 represented sale of remnant stockpiles in the Murray Basin. The United States successfully sold its remaining inventory in 2020 and the Murray Basin continues to sell down the last of its inventory.

Cash costs of production were largely driven by activities associated with product transportation and processing costs for Murray Basin inventory.

Rehabilitation costs reflected a significant decrease in the United States rehabilitation provision, with changes for closed sites taken directly to profit and loss. The reduction comes as Virginia operation discussions with the regulator reached a successful conclusion and agreements were reached with landholders.

FINANCIAL AND OPERATIONAL REVIEW

MOVEMENT IN NET (DEBT) CASH

Movement in net debt ($million)	H1 2021	H2 2021	H1 2020	H2 2020
Opening net cash (debt)	**50.2**	**220.1**	**43.3**	**62.1**
Operating cash flow	306.6	221.1	96.7	86.0
MAC royalty	-	-	41.6	50.6
Exploration	(3.8)	(4.2)	(5.5)	(4.5)
Interest (net)	(0.8)	(0.3)	(1.0)	(1.5)
Tax	(84.7)	(65.2)	(39.4)	(125.3)
Capital expenditure	(16.7)	(36.9)	(49.6)	(21.6)
Dividends received - Deterra	2.6	12.2	-	-
Government grants receieved / (repaid)	(13.9)	-	4.3	9.6
Principal element of lease payments AASB 16	(3.8)	(2.8)	(4.8)	(4.5)
Asset sales	0.1	1.9	3.9	1.2
Share purchases	(6.3)	(5.6)	-	-
Free cash flow	**179.3**	**120.2**	**46.2**	**(10.0)**
Dividends	(7.9)	(47.4)	(32.6)	-
Net cash flow	**171.4**	**72.8**	**13.6**	**(10.0)**
Exchange revaluation of USD net debt	(1.2)	2.3	5.5	(1.6)
Amortisation of deferred borrowing costs	(0.3)	(0.3)	(0.3)	(0.3)
Increase in net cash/(debt)	**169.9**	**74.7**	**18.8**	**(11.9)**
Closing net cash/(debt)	**220.1**	**294.8**	**62.1**	**50.2**

Net cash increased to $295 million as operating cash flows recovered and Iluka sought to maintain a strong balance sheet, with a growing pipeline of potential investment opportunities.

Operating cash flow of $528 million reflects a strong underlying EBITDA, with mineral sands markets recovering to pre-pandemic levels.

There were no cash flows from discontinued operations from the **MAC royalty** due to the demerger of Deterra Royalties in November 2020. The Group received $14.8 million of fully franked **dividends from Deterra** in its inaugural interim and final distributions to shareholders.

Iluka invested $54 million on **capital developments** during 2021, including advancing Eneabba Phase 2; planned mine development at Cataby; commencing the restart of SR1 at Capel; early works and studies on other development options; and sustaining capital at Australian sites.

A **dividend** of 12 cents per share was paid in September and Iluka declared a full year dividend of 12 cents per share, fully franked, to be paid on 7 April 2022.

NON-IFRS FINANCIAL INFORMATION

2021	JA/MW	C/SW	US/MB	SRL	Expl & Other	Corp	Group
Mineral sands revenue	599.6	639.1	14.4	232.7	-	-	1,485.8
AASB 15 freight revenue	39.5	19.5	3.9	10.2	-	-	73.1
Expenses	(256.0)	(318.9)	(15.1)	(222.0)	(55.9)	(0.4)	(868.3)
Share of profit in associate						18.4	18.4
FX						7.6	7.6
Corporate costs						(64.3)	(64.3)
Underlying EBITDA	**383.1**	**339.7**	**3.2**	**20.9**	**(55.9)**	**(38.7)**	**652.3**
Depreciation and amortisation	(43.8)	(81.0)	(0.2)	(43.2)	(0.2)	(2.8)	(171.2)
Inventory movement - non-cash	5.4	(16.6)	(0.4)	(1.0)	-	-	(12.6)
Changes in rehabilitation recognised in profit or loss	(9.7)	(1.0)	31.1	40.4	-	-	60.8
Gain on re-measurement of Put Option	-	-	-	-	-	(3.4)	(3.4)
Impairment	-	-	-	-	(6.3)	-	(6.3)
EBIT	335.0	241.1	33.7	17.1	(62.4)	(44.9)	**519.6**
Net interest costs	(0.3)	(0.5)	-	(0.1)	-	(4.8)	(5.7)
Rehab unwind and other finance costs	(3.1)	(3.3)	(1.6)	(0.9)	-	-	(8.9)
Profit before tax	331.6	237.3	32.0	16.1	(62.4)	(49.7)	**505.0**
Segment result	331.6	237.3	32.0	16.1	n/a	n/a	**617.0**

FINANCIAL AND OPERATIONAL REVIEW

PROJECTS

The company develops and gates projects in a disciplined manner towards execution subject to acceptable progress in the following areas: (i) confidence in satisfactory project risk-return attributes, (ii) high level of strategic alignment, and (iii) sequenced to take advantage of the economic and market outlook.

ENEABBA
WESTERN AUSTRALIA

The world's highest grade rare earths operation.

Iluka routinely produces the rare earth baring minerals monazite and xenotime as by-products of mineral sands processing activities. Since the early 1990s the company has stockpiled these minerals at a former mining void at Eneabba, Western Australia. The Eneabba project involves the reclaiming, processing and sale of this strategic stockpile. Iluka has taken an incremental approach to Eneabba's development comprising three key phases.

Phase 1 of the development commenced operating in 2020. This produced a mixed monazite-zircon concentrate, with the monazite fraction at approximately 20%. A total of 44 thousand tonnes of Phase 1 material was sold in 2020 and a further 62 thousand tonnes in 2021. This concluded Phase 1 and no further sales of this product will occur.

Phase 2 construction commenced in 2021 and is scheduled for commissioning by first half 2022. This will produce two separate concentrates: a zircon-ilmenite concentrate, to be further processed as part of Iluka's traditional mineral sands operations at Narngulu; and a dedicated 90% monazite concentrate suitable as a direct feed to a rare earths refinery. The monazite concentrate could be sold or could form the basis of feedstock for Iluka's own rare earth refinery.

Phase 3 involves the development of a fully integrated rare earths refinery at Eneabba. In 2021 work progressed on the Feasibility Study for Phase 3, with completion planned for Q1 2022[1]. The refinery would have the capability to process feedstocks from within Iluka's portfolio as well as concentrates supplied by third parties, producing separated rare earth oxides.

If it existed today, Eneabba Phase 3 would be the only operational refinery of its type in the Western world. Phase 3 presents an opportunity to establish a strategic processing hub for the further growth of Australia's rare earths industry.

In May 2021, a letter of support from the Australian Government set out the alignment of Iluka's development plans and the Government's policy objectives regarding critical minerals and modern manufacturing. The letter also acknowledged the potential for risk sharing arrangements with Government, including Iluka seeking a non-recourse loan facility from Export Finance Australia.

Notes:

(1) Final Investment Decision remains subject to the feasibility study, the terms of any risk sharing arrangements agreed with the Australian Government and Iluka Board approval.

The Eneabba Stockpile containing the rare earth baring minerals monazite and xenotime.

BALRANALD
NEW SOUTH WALES

Balranald is a rutile-rich deposit in the northern Murray Basin, New South Wales. Owing to its relative depth, Iluka is assessing the potential to develop the deposit via an innovative, internally developed underground mining technology.

The technology has the potential to enable access to the below surface ore body as an alternative to traditional open pit operation; and is potentially applicable to other sub surface deposits. Iluka completed a third trial (T3) of the underground mining method in late 2020 and associated analysis of the data obtained was completed by July 2021. This confirmed the effectiveness of the method and validated key elements of the mining unit design.

In August 2021 the definitive feasibility study for Balranald was approved by Iluka's Board. Work proceeded in accordance with the study execution plan for the remainder of the year. A final investment decision is planned for Q4 of 2022.

The Balranald project is a significant development option that could provide a material source of high quality zircon, rutile and ilmenite, including suitable feedstock for Iluka's synthetic rutile kilns.

WIMMERA
VICTORIA

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 WIM100 deposit is the initial, primary focus of Iluka's Wimmera project, however Iluka also holds tenure over other similar deposits in the Wimmera region.

One characteristic shared by the fine grained mineral sands deposits located in Western Victoria is higher levels of uranium and thorium in their zircon. Absent a processing solution to reduce these impurities, the zircon is ineligible for sale into most end-markets, including the ceramics market which accounts for approximately 50% of zircon's global demand. Iluka is progressing a novel, internally developed processing solution to reduce the impurities contained within the zircon.

Work in 2021 focused on testing and validating the processing solution, and progressing baseline environmental studies. If Iluka's novel technology proves successful it will likely be applicable to other types of challenging zircon beyond Wimmera and Western Victoria including, for example, converting Iluka's stocks of chemical zircon to premium grade. In November, Iluka declared a Mineral Resource at the Wimmera deposits (WIM100, WIM50 and WIM50 North) reflecting the company's confidence in progressing its processing solution. Equipment to pilot test the solution on a larger scale was commissioned in Q4. Test work to determine the ideal process conditions and scale up design criteria, which will ultimately inform economic feasibility, is underway and will continue in the first half of 2022.

The Wimmera project's rare earth bearing minerals are very similar to those stockpiled at Eneabba and could supplement feed to Iluka's potential downstream refining activities at Eneabba in future years.

SEMBEHUN
SIERRA LEONE

Development Stage:
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.

A field trial of hydraulic mining was completed in the second quarter of 2021 and demonstrated viability as an ancillary mining method at Sembehun. Iluka continues to progress work on a feasibility study for Sembehun.

Iluka has remained open to investigating transaction structures that maximise the potential for Sembehun to be developed for the benefit of all stakeholders. The process to identify third parties willing to invest in the Sembehun development continued in 2021 and was broadened to include consideration of a potential demerger.

SR KILN 1 RESTART AND SOUTH WEST DEPOSITS
WESTERN AUSTRALIA

Development Stage:
SR Kiln 1 – Execute
South West deposits – Preliminary Feasibility Study

SR1 is located adjacent to Iluka's operational kiln, SR2. The SR1 restart decision was approved by the Iluka Board in August. This is a capital efficient, incremental increase in synthetic rutile production, delivering high grade titanium feedstocks with speed into a supply constrained market. The kiln has been in care and maintenance since 2009 and is planned to be operational by end of 2022.

The SR1 restart represents a low risk, growth opportunity for Iluka, expanding synthetic rutile production by approximately one third. The initial kiln campaign is planned for 24 months, with feedstock secured from internal and external sources. Options for further extension, subject to feedstock availability and market conditions, will continue to be evaluated.

Work in 2021 focused on the detailed planning, design and commencement of the kiln's refurbishment. All long lead items were ordered, recruitment of staff commenced and site works progressed as planned.

Iluka retains a number of tenements in south west Western Australia containing chloride ilmenite suitable as a feedstock to the synthetic rutile kilns. The preliminary feasibility study to develop these deposits continued in 2021.

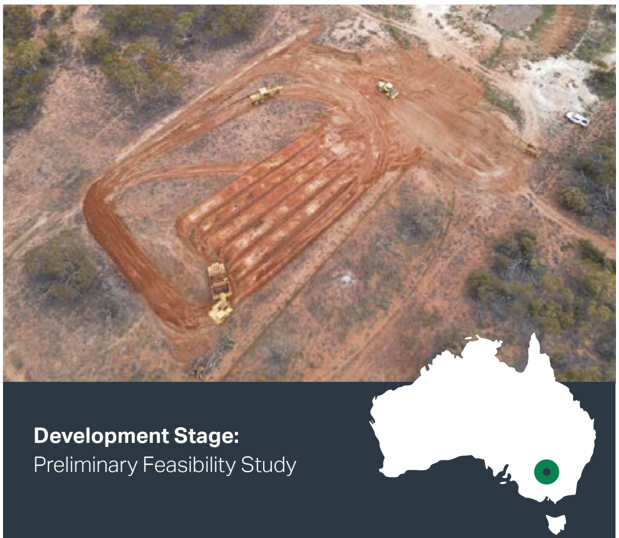
ATACAMA
SOUTH AUSTRALIA

Development Stage:
Preliminary Feasibility Study

Atacama is a satellite deposit located approximately five kilometres from Iluka's existing operation at Jacinth-Ambrosia. The project is a logical extension for the operation with the potential to supplement and extend zircon production, utilising the existing plant and infrastructure.

The deposit would also provide a meaningful supply of ilmenite, subject to a processing solution to address impurities. Work in 2021 focused on determining such a technical solution, with pleasing progress made.

EUSTON
NEW SOUTH WALES



Development Stage:
Preliminary Feasibility Study

The Euston deposit is a traditional mineral sands deposit that has been held by Iluka for some time. Located in western New South Wales, not far from Balranald, the deposit has significant zircon and rutile assemblages, with ilmenite feedstock as a possible supplement for Iluka's synthetic rutile kilns.

The Euston project was added to Iluka's development pipeline in the first half of 2021. The development would be a traditional open cut, dry mine. Work across the year focused on progressing the preliminary feasibility study.

FINANCIAL AND OPERATIONAL REVIEW

EXPLORATION

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 Iluka's 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 151-157.

GENERATION AND EXTERNAL OPPORTUNITIES

Restrictions associated with COVID-19 and equipment shortages heavily impacted upon Iluka's ability to complete field work. The company focused on identifying opportunities within Australian and North American jurisdictions to augment the existing project pipeline.

AUSTRALIA

During 2021, COVID-19 continued to impact the implementation of field programmes. Activity primarily centred around in-mine programmes in Western Australia and project and feasibility programmes in Victoria, South Australia and New South Wales.

At the Cataby operations in Western Australia, a total of 4,832m was drilled in 121 drill holes to expand existing Resources and support mining operations.

Work at Atacama in South Australia and Euston in New South Wales focused on specific geological, geotechnical and metallurgical definition as part of on-going feasibility assessments. Additional geological investigations commenced at Balranald supporting the definitive feasibility study.

Regional exploration was completed on the Alexandrina and Ashville targets located within the Coorong district of South Australia.

Drilling focused on testing two new mine targets, with 1,222 metres of drilling completed. Final decisions are still pending, however it is anticipated that no follow up work is warranted.

Iluka continued to progress the negotiation of a number of Native Title Agreements across Western Australia, South Australia and Victoria, a prerequisite to tenement grant.

Following the generation of new conceptual targets a number of new tenement applications were submitted.

UNITED STATES

Exploration activity within the United States focused on drill testing of new mine opportunities across three main regions located on the west coast, within the central United States and on the eastern seaboard. A total of 107 holes were drilled for a total of 5,199 metres. Subject to sample assay and further geological review, follow up drilling is scheduled for the eastern and central US targets during 2022.

CANADA

Results for the 2020 diamond drilling programme were received during 2021. The massive hemo-ilmenite bodies intersected by the drilling were found to contain low levels of rutile only and were not confirmed as the source for the abundant, rutile rich, massive ilmenite clasts collected down-ice on surface. Whole rock geochemical studies were undertaken to link the clasts to the drilled in-situ bodies. Results remain under review.

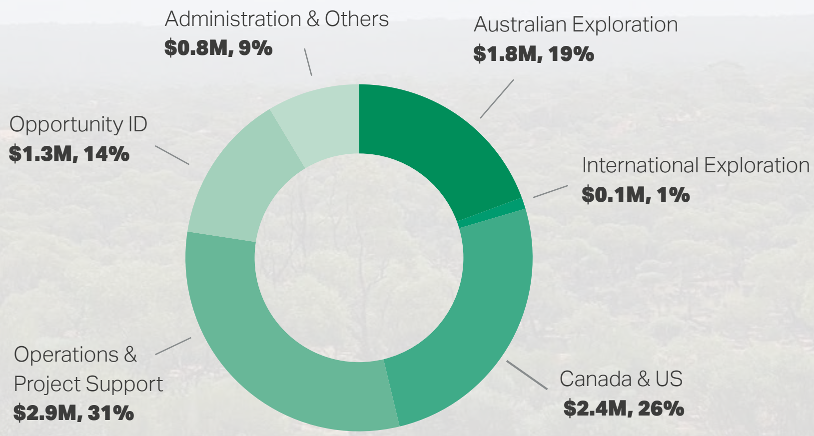
SIERRA LEONE

Infill drilling of existing resources within Area 1 continued throughout the year. A total of 3,338 metres of drilling was completed in 375 drill holes, including a combination of hollow flight auger and aircore drilling. This focused on improving the geological models, collecting metallurgical and geometallurgical data and improving Resource confidence as part of the ongoing Life of Mine programme.

Granted tenement position as at 31 December 2021	
Region	**Approx. square kilometres**
Eucla Basin, (SA)	11,538
Murray Basin (NSW & VIC)	3,039
Perth Basin (WA)	804
Other - Australia (QLD)	1,799
Sierra Leone	559
Sri Lanka	107
Other - International	0
Total	**17,846**

Tenement applications as at 31 December 2021	
Region	**Approx. square kilometres**
Eucla Basin (SA & WA)	3,566
Murray Basin (NSW & VIC)	2,463
Perth Basin (WA)	473
Other - Australia (QLD)	0
Sierra Leone	1,073
Sri Lanka	0
Other - International	0
Total	**7,575**

Exploration and Geology Expenditure 2021 - $9.3M



INNOVATION AT ILUKA

Iluka's investment in innovation is focused on strengthening operational, sustainability, processing and product outcomes. The company also works towards addressing challenges faced by customers and the mineral sands industry. Through a network of site based specialists and a central technology group, Iluka identifies, researches and develops solutions and opportunities. Innovation priorities include:

- improving the company's environmental and social footprint;
- delivering safe, low impact processing and operational outcomes;
- providing solutions to resolve industry-wide challenges;
- identifying and delivering market development opportunities; and
- value co-creation with customers to establish new products and markets.

TECHNICAL EXPERTISE AND COLLABORATION

The company's Metallurgical Test Facility (MTF) and analytical laboratories continuously develop and advance novel technology and processing solutions. The MTF undertakes research and development on end-use products in collaboration with project teams, customers and external institutions. Partnerships with industry bodies and universities across various segments enables continuous improvement and ensures Iluka is well placed to operate as a safe, responsible and sustainable supplier of critical minerals. Iluka's continuous improvement programme, CORE, aims to further improve safety, performance and productivity within the company by building employees skills and providing support to identify, prioritise and execute improvements as part of ongoing work.

TRANSFORMING MINERAL SANDS

The mineral sands industry is facing increasing complexities: supply is depleting; deposits require novel mining and processing techniques to extract a higher quality and value product; and customers have increasingly specific product specifications.

ZIRCON

Across the zircon industry, new supply in particular is contaminated with higher levels of uranium and thorium. These contaminants make the zircon ineligible for key end markets and customers facing increasing constraints with tighter import controls imposed by nations. In 2021 Iluka made pleasing progress on novel processing technology for the Wimmera project, technology that aims to reduce the uranium and thorium contaminants within the deposit's zircon. This technology will likely be applicable to other similar style deposits held by Iluka and other project proponents. If successful, it will increase the supply outlook for high quality, low activity zircon and enable customers to meet their product quality requirements while simultaneously minimising their waste.

+ Read more on the Wimmera project on page 33.

TITANIUM

Within the titanium dioxide industry, the supply outlook for high grade deposits has for some time been a known concern. Iluka is progressing novel, internally developed technology that aims to safely, sustainably and economically extract mineral sands from a high value deposit positioned below the relatively high water table at Balranald. Similar to the technology being developed at Wimmera, commercialisation of this technology could unlock access to other challenging deposits, delivering high grade feedstock essential for Iluka's customers seeking to increase their yield while simultaneously lowering their waste footprint.

+ Read more on the Balranald project on page 33.

RARE EARTHS

Following the development of the Australian Government's Critical Minerals Strategy in 2019, Iluka expanded its development plans surrounding the Eneabba project to include a fully integrated refinery (Eneabba Phase 3). In addition to feedstocks from within Iluka's portfolio, including the Wimmera project, the Phase 3 design has the capability to process concentrates supplied by third parties. The establishment of the refinery, with its flexible processing design, could in turn facilitate investment in new mining and concentrating developments, establishing a strategic processing hub for the further growth of Australia's rare earths industry.

+ Read more on the Eneabba and Wimmera project on pages 32-33.

2021 PROJECT PIPELINE

REGION AND MINERAL RESOURCE[1]	EUCLA BASIN 342Mt @ 4.8% HM for 16Mt In Situ HM	MURRAY BASIN 1,570Mt @ 6.4% HM for 101Mt In Situ HM	PERTH BASIN 967Mt @ 5.5% HM for 54Mt In Situ HM	SIERRA LEONE 752Mt @ 1.1% Rutile for 8.1Mt In Situ Rutile	ESTIMATE ACCURACY RANGE (AT END OF PHASE)
ASSESS Scoping Study *Determine what it could be*					*-30% to +60%*
SELECT Preliminary Feasibility Study *Determine what it should be*	ATACAMA	EUSTON WIMMERA	SOUTH WEST DEPOSITS	SEMBEHUN	*-15% to +30%*
DEVELOP Definitive Feasibility Study *Determine what it will be*		BALRANALD	ENEABBA (PHASE 3)		*-10% to +15%*
EXECUTE Project execution *Deliver the project*			SR1 KILN RESTART ENEABBA (PHASE 2)		*n/a*
PRODUCING Operate and maximise *Grow and improve*	JACINTH AMBROSIA		CATABY ENEABBA (PHASE 1)	LANTI GANGAMA	*n/a*

Resource estimate (blue): ATACAMA, EUSTON, WIMMERA, SOUTH WEST DEPOSITS, BALRANALD. Reserve estimate (green): SEMBEHUN, ENEABBA (PHASE 2), JACINTH AMBROSIA, CATABY, ENEABBA (PHASE 1), LANTI, GANGAMA. Other (grey): ENEABBA (PHASE 3), SR1 KILN RESTART.

Resource estimate   Reserve estimate   Other

(1) 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 161.

SUSTAINABILITY REPORT

SUSTAINABILITY AT ILUKA

Guided by the Iluka Plan, Iluka's approach to sustainability is aligned with recognised voluntary principles and frameworks; and contributes to the advancement of the United Nations Sustainable Development Goals. Iluka has a commitment to the integration of its approach to sustainability into everyday business practices and to the continuous improvement of the company's sustainability performance.

Underpinning the company's approach is Iluka's commitment to transparency, behaving ethically and conducting business in accordance with high standards of corporate governance through comprehensive systems and processes.

During the year Iluka's sustainability programme was reviewed and a Group-wide three year sustainability strategy was established with endorsement from Iluka's Executive and approval by the Board. Aligned to the company purpose and Iluka Plan, the strategy focuses on priorities that enable the company to meet its objective – to deliver sustainable value.

Iluka's goal is to be a safe, responsible and sustainable supplier of critical minerals. To achieve this, the sustainability strategy is structured around three pillars that align to Iluka's approach to delivering on its purpose:

- **Trusted by our people and communities:** To engage and build the capability of Iluka's workforce and to continue embedding a consistent and open approach to relationships with the communities where Iluka operates.
- **Responsible for our environment:** Cognisant of the impact of Iluka's operations on the environment, to focus on maximising efficiency in how the company operates and to build on the reputation established by Iluka's rehabilitation practices.
- **Operating in and providing products for a low carbon world:** Recognising that the manner in which Iluka operates and evolves its business can reduce the company's carbon footprint and that Iluka's products, particularly rare earths through the potential development of a rare earths refinery at Eneabba in Western Australia, provide Iluka with an opportunity to support the transition to a low carbon economy.

In 2021 a Board Sustainability Committee was established to assist the Board in reviewing and approving the company's sustainability strategy, which is designed to manage environmental, social and governance risks and impacts. Responsibilities include oversight of performance and compliance with legislation. The Committee also monitors the effectiveness of company strategies, policies and standards as they relate to sustainability.

Iluka's Sustainability Report has been integrated into the 2021 Annual Report. This Report summarises Iluka's approach and performance for priority topics determined by the 2021 sustainability materiality assessment. Case studies and a separate 2021 Sustainability Data Book outlining key performance information for 2021 and historical reporting periods, are available online at **www.iluka.com**.

Iluka reports with reference to the Global Reporting Initiative (GRI) Standards for Sustainability Reporting and the requirements of other select reporting frameworks and standards.

TRUSTED BY OUR PEOPLE AND COMMUNITIES

2.1	**total TRIFR, representing a 25% decrease in TRIFR from 2020**
0	**material incidents of bribery and corruption**
0	**major social incidents across all Iluka Group locations**
22%	**total women representation across Australian operations**
6%	**Indigenous Australian representation in Australian operations, including 25% at Jacinth-Ambrosia**
$1.2M	**contribution to community development initiatives**

HEALTH, SAFETY AND WELLBEING

Protecting the safety, health and wellbeing of Iluka's people is the company's enduring and highest priority.

APPROACH

Iluka's focus on health, hygiene, safety and wellbeing is centred on creating a culture where all employees are leaders in promoting a safe working environment. Iluka works to identify, assess and control risks, reduce the potential for occurrences of occupational illness and injury, as well as promote healthy lifestyles.

This approach is supported by Iluka's Health, Safety, Environment and Community Management System, comprising Group Standards that define minimum performance requirements across 14 key areas. These include risk and hazard management; contractor management; leadership and training; emergency and crisis preparedness; and audit and assurance.

Group Standards require Iluka's workforce to be proficient in the requirements for a safe and healthy workplace for both employees and contract partners. Employees are empowered to actively make the workplace safe through task risk assessments and participation in safety visits that consider the hidden risks of tasks. Contract partners are selected, engaged and managed to ensure they meet Iluka's performance requirements through prequalification and ongoing management and support during their contract period.

Iluka's health, safety and wellbeing programmes include:

- **The Safe Production Leadership programme** is a back-to-basics initiative, which equips frontline leaders with the skills and knowledge of Iluka systems and requirements through a programme of classroom based education and assessment of competency.
- **The Safety Visit Programme** is a tool for positive leadership interaction, focused on behaviours and risk for specific tasks. It aims to increase visibility of frontline leaders through thematic discussions between the Iluka Leadership Team and those undertaking the task, generating opportunities to engage with all levels of the workforce to identify safety improvements.
- **The Critical Control Management (CCM) programme** engages employees in the identification, elimination, control and mitigation of fatal risk. CCM provides confidence that health and safety material risks are being effectively managed, through a combination of programme assurance, good governance and improved frontline knowledge of critical risks and controls.
- **The Occupational Hygiene Programme** monitors potential workplace exposures which may impact health. In line with Iluka standards and guidelines, monitoring programmes are based on qualitative and quantitative risk assessments. Based on the operational risk profile, programmes typically focus on monitoring exposure to airborne contaminants including respirable dust, respirable crystalline silica, inhalable dust, noise and radiation.

Iluka prioritises the mental health and physical wellbeing of employees through a number of initiatives. A dedicated wellbeing portal on the Iluka intranet provides employees with resources, tools and techniques to maintain good mental health. Iluka provides mental health first aid training for employees and supervisors; and participates in awareness and fund raising initiatives such as the Black Dog Ride and R U OK? Day. Furthermore, Iluka's Employee Assistance Programme is a confidential support service that can help employees and their immediate families address a wide range of work and life challenges.

COMMUNITY HEALTH

The Sierra Rutile operations continue to provide medical support to employees and their families through the Sierra Rutile Clinic. The team of doctors, nurses, intensive care paramedics, laboratory specialists and support staff provide health care for a wide range of medical conditions including the delivery of 63 babies during 2021.

Community education on diseases such as typhoid, malaria, polio, HIV and other sexually transmitted diseases is undertaken by the staff of the Sierra Rutile Clinic to support efforts by the Sierra Leonean Government to reduce communicable diseases across the broader population. Sessions are generally held in public forums such as local markets, community groups or other gatherings, as well as through regular radio talkback sessions, to ensure the broader community has access to the information.

SUSTAINABILITY REPORT

ILUKA'S ONGOING RESPONSE TO COVID-19

Central to Iluka's business is safety and a commitment to responsible operations. Iluka's response to the COVID-19 pandemic has focused on protecting the health and wellbeing of its people and communities while maintaining operational continuity.

Across Iluka's business, the Group Crisis Management team and Site Emergency Management teams actively monitor and coordinate responses to the dynamic environment resulting from the pandemic. Each operation and corporate support office maintains specific COVID-19 management plans, communications, and modified ways of working. The COVID-19 management plans have limitations on non-essential international and domestic travel, identification of at-risk personnel and communities and protocols to minimise infection risk.

The Sierra Rutile operation has spent over $6.1 million on COVID-related measures to-date and runs on-site quarantine and isolation facilities, in addition to the establishment of in-house polymerase chain reaction (PCR) testing capabilities and community educational campaigns. Neighbouring communities are also provided with donations of medical supplies and personal protective equipment.

2021 HIGHLIGHTS

- Iluka's total recordable injury frequency rate (TRIFR) decreased to 2.1 in 2021, compared to 2.8 in 2020.
- Across the Group serious potential injuries (SPIs) decreased to 46 in 2021 compared to 61 in 2020, following targeted safety programmes at operational sites.
- 65 Safe Production Leadership training sessions were conducted during the year, with 569 employees and 144 contractors participating.
- Iluka's CCM programme was launched across all Australian operating sites, with 338 employees and 145 contractors completing CCM training during 2021.
- In response to the 2021 Western Australian Senate enquiry to sexual harassment in the mining and resources sector, Iluka established an internal, cross-functional sexual harassment working group.
- Iluka introduced its COVID-19 Vaccination Policy applying to all Iluka workplaces in Australia.
- The Sierra Rutile operation worked with the Government of Sierra Leone District Health Management Team to rollout COVID-19 vaccinations from late March 2021, first prioritising health care workers, and workers and dependents with pre-existing medical conditions.
- The Sierra Rutile operation was awarded the International SoS Foundation 2021 Duty of Care Award for Remote Resilience.

Read more about safety, health and wellbeing at Iluka on **www.iluka.com/sustainability**

OUR PEOPLE

Iluka is focused on building and maintaining an engaged, diverse and capable workforce.

APPROACH

Over 3,250 people globally are employed by Iluka and its subsidiaries, including 2,406 personnel in Sierra Leone and 797 in Australia.

The Executive and Board recognise the importance of driving positive outcomes through the company's culture, as well as enabling a workplace where employees want to make a difference. Iluka's desired culture is one that aligns with the company's values and reflects openness, integrated working, collective accountability and operating with a sense of urgency.

Iluka's People Policy and Diversity and Inclusion Policy guides the company's approach to recruiting, developing and retaining an engaged, diverse and inclusive workforce. Senior leaders promote awareness of diversity and inclusion; and integrate those principles into company activities, including recruitment, training, talent management and employment policies. This is supported by an internal working group that identifies and drives diversity and inclusion initiatives across the business.

Iluka respects and encourages workplace diversity and aims to create a flexible, diverse and inclusive working environment. Iluka aims to have a workplace that is representative of the wider communities in which the company operates. In Australia, Aboriginal and Torres Strait Islander workforce participation is approximately 6%, which is reflective of strong participation at a number of Iluka's operations. Within Sierra Rutile, 98% of the workforce are Sierra Leonean. Sierra Rutile strives to maximise local employment and is one of the country's largest private sector employers.

This commitment is guided by a number of labour regulations including the Sierra Rutile Local Content Policy. Talent pools of potential employees have been established among the immediate localities within the mining concession from which Sierra Rutile recruits skilled and semi-skilled roles. Local service providers are also engaged to implement coaching and development programmes.

Employee development is a priority at Iluka. Through strategic workforce planning and talent management processes, the company identifies critical skills required, invests in building capabilities and facilitates succession planning throughout the company. There has been significant focus on talent and skills in the mining industry over the past two years, with a shortage of critical skills and restrictions on travel due to the COVID-19 pandemic. In response, Iluka has increased its investment in employee development and pipeline programmes including student scholarships in critical skills disciplines and vacation and graduate programmes.

Senior Leaders and Emerging Leader development programmes are run annually as part of Iluka's leadership framework. The Emerging Leader Programme also provides participants with statements of attainment towards a Certificate IV in Leadership and Management.

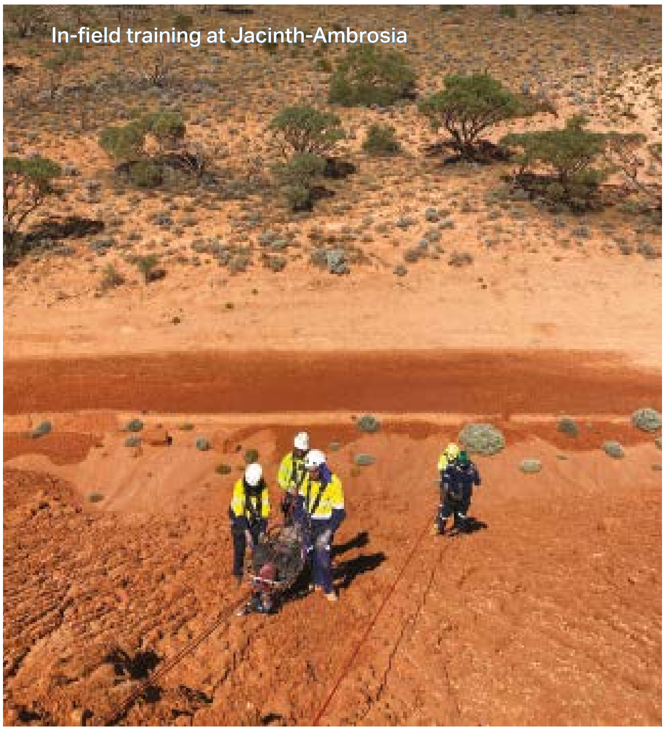
An additional extension programme commenced in 2021 to allow participants to complete the remaining units of the qualification, with 20 employees on track to receive their qualification during 2022.

To facilitate pathway employment opportunities for Aboriginal and Torres Strait Islander employees, Iluka offers traineeship opportunities for students through education partnerships including the Clontarf Foundation and SHINE Academy. Currently there are 48 apprentices and trainees working across Iluka's Australian operations; and in the Mid-West region Iluka has eight Clontarf Foundation and one SHINE Academy alumni permanently employed.

Employee engagement surveys are conducted regularly to gather feedback on employees' experiences, as well as identify areas for focus and business improvement. The 2021 survey was comprehensive with responses sought on matters such as diversity, inclusion and belonging; organisational and job engagement; and was expanded to gather responses on bullying and harassment, physical and psychological safety. A strong overall employee engagement score was achieved this year.

2021 HIGHLIGHTS

- 56 employees are currently enrolled in Iluka's leadership development programmes.
- Across the Australian operations, 32 employees successfully completed their traineeships in resource processing, warehousing and laboratory disciplines.
- Awarded two scholarships in Metallurgy and Chemical Engineering in partnership with the Western Australian Mining Club.


In-field training at Jacinth-Ambrosia

RADIATION MANAGEMENT

Iluka seeks to be recognised and trusted as an industry leader on radiation management.

APPROACH

Mineral sands, as with other mineral ores, contain levels of naturally occurring radioactive material (NORM). This is associated with low level, naturally occurring potassium, uranium and thorium contained within the grains of the minerals monazite, xenotime, zircon and some ilmenites. Any activity in which material containing radiation is extracted from the earth and processed, can potentially concentrate NORM in the final products, co-products and residue materials.

Iluka identifies, assesses and controls risks associated with exposure to radiation from NORM and man-made sealed sources used in Iluka's plants and laboratories instrumentation and through all phases of activities, from exploration, project development, operations, rehabilitation and closure.

Radiation management practices are aligned with international best practice, including the International Commission on Radiological Protection, International Atomic Energy Agency and applicable jurisdiction legislation. Practices include the responsible and safe management of waste, ensuring it is disposed of in accordance with relevant legislation as documented in site-specific radioactive waste management plans.

In line with Iluka's Radiation Management Standard and site-specific radiation management plans, the company ensures exposure to radiation meets prescribed statutory limits and is as low as is reasonably achievable. Globally, all Iluka radiation management plans are reviewed by the relevant national, state or territory government regulator against defined requirements before any approval to operate is granted. Once approved, these become licence conditions and obligatory standards which must be complied with to maintain a regulatory licence to operate.

2021 HIGHLIGHTS

- Established an internal Iluka radiation working group focused on maintaining and enhancing technical expertise and broadening basic literacy in radiation across the workforce.
- A radiation safety development programme was initiated for Iluka's current and future radiation technicians and safety officers. Iluka worked with the Radiation Services division of the Australian Nuclear Science and Technology Organisation to develop and deliver the radiation safety training component.

SUSTAINABILITY REPORT

COMMUNITIES AND INDIGENOUS RELATIONS

Iluka supports the communities in which we operate by establishing and maintaining open relationships for mutual benefit.

APPROACH

Iluka's approach to working with communities associated with the company's operations and activities is described in Iluka's Social Performance Standard and related procedures, which provide a framework for mandatory social performance requirements. Annual assessments and internal reviews are conducted to ensure compliance against this framework and to pursue improvements in Iluka's social performance practices.

Potential impacts on communities and social risks to the business are managed using an evidence-based approach to understand community needs and expectations. As part of an integrated project engagement process Iluka completes and reviews social baseline studies, socio-economic and environmental impact assessments and collects community sentiment data.

Iluka approaches community and stakeholder engagement in a consistent manner across the company's operating regions, adapting to the specific circumstances of each region. Rigorous engagement programmes are implemented to support project development and formal government approvals processes. Iluka has an online engagement portal providing readily accessible project information and feedback mechanisms for communities and stakeholders. The portal is available online at www.iluka.com/engage.

All Iluka sites must have a locally-appropriate grievance mechanism, as described in Iluka's Grievance Management Procedure, which aligns to the UN Guiding Principles on Business and Human Rights.

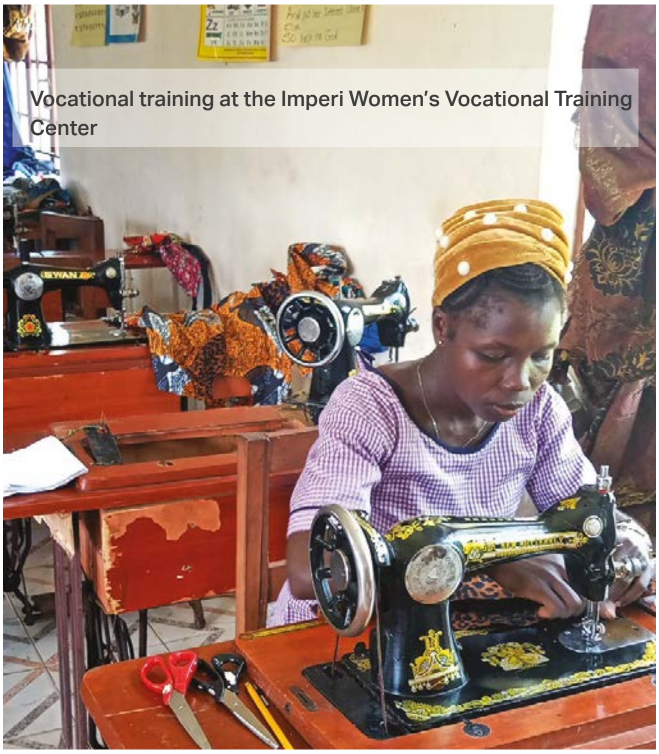
Recognising and respecting people's human rights and cultural heritage are embedded in the company's values, policies and standards. Iluka acknowledges the important connection that Indigenous people have with country and seeks to work together to build constructive and respectful relationships. Relationships with Aboriginal and Torres Strait Islander stakeholders in Australia extends from Board level through to day-to-day relationships at Iluka's operational sites. Cultural Heritage Management Plans are developed in consultation with Traditional Owners where sites of cultural heritage significance are identified.

Iluka has two agreements in place with Traditional Owners. In South Australia, Iluka's Native Title Mining Agreement with the Far West Coast (FWC) Native Title holders has been in place since 2007 at Iluka's Jacinth-Ambrosia operations. In Western Australia, Iluka has a voluntary agreement with the Yued Noongar People for the company's Cataby operations. A Memorandum of Understanding between Iluka and the Yamatji Nation of Western Australia's Mid-West regions is in development.

2021 HIGHLIGHTS

- Implemented an Aboriginal Cultural Awareness programme to develop the capability of employees to build and maintain strong, effective relationships with Indigenous Australian people. This included planning for the implementation of an online cultural awareness training module and a programme to support managers and supervisors in Aboriginal and Torres Strait Islander employment in 2022.
- Launched a stakeholder engagement module in the Isometrix platform to manage Group-wide stakeholder data.
- Co-funded a pilot Youth Social Economic and Empowerment project in five mining communities, with 50 young Sierra Leoneans benefiting from life skills training in masonry, carpentry, tailoring and innovative farming.
- Implemented community infrastructure projects in Sierra Leone, including commissioning five rehabilitated hand-pump water wells to address water availability in the Mogbwemo community, constructing two three-classroom schools at Gbangbaia and Semabu villages, and constructing a new pedestrian bridge for the safe passage of local communities across a significant waterbody.

Read more on Iluka's work with communities and Traditional Owners in the Sustainability Data Book and on **www.iluka.com/sustainability/case-studies-and-insights**



Vocational training at the Imperi Women's Vocational Training Center

CREATING VALUE

Iluka optimises shareholder returns through prudent capital management and allocation; and developing a robust business that can maintain and grow returns over time.

APPROACH

Direct and indirect economic benefits are created in the countries and communities in which Iluka operates. This includes employment and local procurement opportunities; investment in community infrastructure and services; taxes and payments to governments; payments to landowners and community groups; and sponsorships and partnerships.

Contractors and suppliers form an integral part of Iluka's value chain. Australian operations collectively engage over 1,650 suppliers, of which approximately 94% are located within Australia. Based on 2020 data, spending on goods and services in Western Australia and South Australia accounted for 94% of Iluka's total spend in Australia. Sierra Rutile engages over 245 suppliers, of which approximately 55% are based within Sierra Leone.

Guided by the Iluka Procurement Policy and supporting processes, Iluka aims to engage with businesses local to operations where possible, while ensuring the ethical and responsible sourcing of goods and services. Iluka supports the transparent disclosure of taxes, royalties and fees to government, and publicly reports contributions annually in the Iluka Tax Transparency Report available online at **www.iluka.com/investors-media/financial-results**.

2021 HIGHLIGHTS

- Contributed $1.2 million in community investments in agriculture development, education, sponsorships and donations.
- As a result of Iluka's financial performance during 2021, Iluka voluntarily elected to return amounts received in 2020 under the Australian Government's JobKeeper Payment scheme established to assist businesses impacted by the economic effects of COVID-19.
- Developed Iluka's Supplier Code of Conduct that specifies Iluka's procurement and respect for human rights expectations. This will be launched in early 2022.
- Launched Iluka's new vendor portal, providing suppliers with an online platform to register their details for evaluation, as well as screen new vendors during onboarding for modern slavery risks.

Read more on Iluka's economic contributions in the: 2021 Sustainability Data Book available online at **www.iluka.com/investors-media/financial-results**.

HUMAN RIGHTS

Iluka is committed to respecting human rights within its business and supply chain; and treating all people with dignity and respect.

APPROACH

Iluka's approach to respecting human rights is guided by the Code of Conduct and Human Rights Policy. Embedded in the People Policy and Health, Safety, Environment and Community Policy, the company's approach aligns with the United Nations Guiding Principles on Business and Human Rights.

Iluka seeks to identify potential human rights issues associated with the company's activities including instances of modern slavery in Iluka's supply chain. Human rights due diligence is embedded in Iluka's procurement processes, including new supplier selection and screening procedures. A framework for the ongoing management of modern slavery risk is in development.

Stakeholders are consulted on human rights issues to identify and manage risks and provide an easily accessible complaints mechanism to resolve grievances in accordance with Iluka's Grievance Management Procedure. Employees gain awareness of human rights implications for the business by completing Iluka's mandatory Human Rights and Modern Slavery training module. Personnel are engaged by Iluka to provide security services in line with the Voluntary Principles on Security and Human Rights.

Iluka actively participates in the Australia-based Human Rights Resource and Energy Collaborative to develop industry-specific human rights remediation protocols and audit programmes. This group provides a forum for the resources and energy sectors to network and share knowledge on respect for human rights, including implementation of the *Australian Modern Slavery Act* 2018.

Progress on managing modern slavery risks is published in Iluka's annual Modern Slavery Statement available online at **www.iluka.com/about-iluka/governance**.

2021 HIGHLIGHTS

- Developed an Iluka-specific human rights and modern slavery training video to support ongoing awareness and education of Iluka suppliers.
- Completed an internal assessment of modern slavery risks associated with the Sierra Rutile operations.
- Completed a pilot with 150 new high risk Iluka suppliers using Iluka's Modern Slavery Supplier Self-Assessment Questionnaire.

RESPONSIBLE FOR OUR ENVIRONMENT

20%	reduction in Level 3 or greater environmental incidents compared to 2020
742ha	land rehabilitated

BIODIVERSITY

Iluka seeks to protect biodiversity and ecosystem value; and prevent or limit adverse impacts through exploration, development, operational and rehabilitation phases.

APPROACH

Iluka owns, leases, manages and accesses a number of operational, rehabilitation and future project sites that contain areas of high biodiversity value in Australia and Sierra Leone. The company's approach is to avoid or minimise any adverse impacts, with a view to limiting any impact on biodiversity.

Guided by the Iluka Environmental Management Standard, the company's biodiversity management considers regional and local biodiversity needs and regulatory requirements. Iluka works to protect the biodiversity value of sensitive environments and contribute to regional biodiversity research and conservation efforts.

All Iluka sites have biodiversity management plans in place that are incorporated in Iluka's environmental, rehabilitation and closure management plans. In particular, the Sierra Rutile Biodiversity Action Plan for the active mining Area 1, was developed in compliance with the International Finance Corporation (IFC) Performance Standard 6.

Iluka applies the mitigation hierarchy of avoid, minimise, rehabilitate and offset across all projects and operations, in addition to a hierarchy of controls to address specific potential impacts identified during pre-mining biodiversity assessments and baseline studies.

2021 HIGHLIGHTS

- Iluka entered into a three year partnership with Murdoch University's Harry Butler Institute to conduct research on the movement ecology of Carnaby's Cockatoos (*Calyptorhynchus latirostris*) in the Cataby region. The research aims to determine flock movement and habitat use across the region and surrounding areas.
- Progress was made on Sierra Rutile's Biodiversity Action Plan, including detailed chimpanzee presence surveys and a remote camera study to document the health status of individual chimpanzees, as well as record elusive and/or low density species of conservation concern to gain a better understanding of where they occur in the mining lease.

WATER STEWARDSHIP

Water is a valuable and essential resource for Iluka's mining and processing activities. The company's practices balance environmental and social requirements within Iluka's operations catchments.

APPROACH

Water is used in all parts of Iluka's business, including exploration drilling, mining, processing, dust suppression, rehabilitation and for drinking and domestic use in accommodation camps.

All Iluka operations maintain site-specific water management plans to guide responsible water use throughout the mine lifecycle and in the context of the local catchments. The company's water-related activities are regulated by relevant legislation in each jurisdiction and are subject to set quality and quantity thresholds.

Understanding the physical risks of climate change on water availability in the regions in which Iluka operates, the company has put in place adequate management and mitigation measures to ensure both its sustainable use and project longevity.

The water used in Iluka's operations can impact both the surrounding water table and groundwater quality. Water is predominately sourced from nearby groundwater aquifers and, in some instances, long-term use can potentially result in groundwater drawdown. Additionally, due to the reliance of nearby groundwater for processing, water quality can also be altered. To minimise the effects of groundwater use, Iluka seeks to maximise the volume of water recycled within processing operations.

Recognising that water connects an operation to the surrounding landscape and communities, water management at Sierra Rutile is of particular importance. Due to high seasonal rainfall in the region, Sierra Rutile is able to use rainfall and natural inflows in historic ponded areas as its water resource.

2021 HIGHLIGHTS

- New Group-wide water metrics were established to measure water consumption per tonne of product.
- A real-time water balance was successfully implemented at the Jacinth-Ambrosia operation, the first to be implemented across all of Iluka's Australian operations.


Carnaby Cockatoos

TAILINGS MANAGEMENT

Iluka manages tailings storage facilities in a safe and responsible manner in line with best practice.

APPROACH

Iluka utilises engineered tailings storage facilities (TSFs) sited within mine voids or external to the pits to manage processing waste. This waste comprises clay-, silt- and sand-sized tailings. All of Iluka's current TSFs are constructed using downstream methods to final height embankments.

Iluka takes a risk-based approach to tailings management to mitigate potential risks TSFs present to employees, local communities and the environment. Guided by Iluka's Group Tailings Procedure, TSFs are designed in accordance with the industry-recognised Australian National Committee on Large Dams (ANCOLD) guidelines; their management is supported by internal and external risk management protocols. Iluka continues to look at how the Global Industry Standard on Tailings Management may inform our future practices. Iluka uses external, independent geotechnical specialists to support the assessment of the company's compliance with TSF guidelines and inform improvements in their management.

Iluka places importance on ongoing consultation with landholders adjacent to the company's mining operations and transparently discloses TSF information via the **Global Tailings Portal**. This portal is a free, searchable database that contains detailed information on more than 1,900 mine tailings dams worldwide.

2021 HIGHLIGHTS

- For future audits, an internal checklist was prepared to facilitate assessments of compliance with ANCOLD tailings management guidelines.

Read more on Iluka's tailings management approach and register of TSFs in the 2021 Sustainability Data Book.

CLOSURE AND LEGACY MANAGEMENT

Iluka plans, executes and rehabilitates the closure of assets in a manner aligned with leading practice to leave positive rehabilitation and closure outcomes.

APPROACH

How Iluka rehabilitates and closes its mines and facilities is just as important as how the company builds and operates them. Iluka has an integrated approach to planning rehabilitation and closure that commences at the feasibility phase and continues throughout the life of the asset.

Achieving safe and beneficial closure outcomes aligns with Iluka's business, social and environmental objectives.

Guided by the Iluka Closure Standard and Social Performance Standard, Iluka's approach requires every site to have a closure plan detailing the closure objectives and potential rehabilitation research or engineering opportunities. Each plan is appropriate to the project or operational phase and current understanding of site conditions. The plans are updated to reflect changing circumstances, such as transitioning between project phases and changes in operational activities and mining methods.

Iluka focuses on progressive rehabilitation during the operational phase of a mine where areas are no longer required for mining or other activities. Rehabilitation management plans assist with understanding and evaluating closure risks; identifying opportunities to establish research and development programmes; and refining closure provision estimates.

Iluka is proud of the company's strong track record in rehabilitation spanning several decades, leading to successful relinquishment. Continual improvements in the company's processes and techniques, and the application of leading practices and innovation, ensure high rehabilitation success rates.

In addition to the ongoing environmental management of Iluka's operating mines and processing sites, historical land contamination issues are addressed prior to or during closure. Given Iluka's 70 year history, contamination may exist by virtue of the standards of the day, as opposed to any regulatory non-compliance. Any potential risk of harm to communities and the environment is addressed through a programme of identification, assessment and remediation of contaminated land.

2021 HIGHLIGHTS

- 742 hectares was rehabilitated across Iluka sites, while significant earthworks continued at Jacinth-Ambrosia and Cataby operations in preparation for future rehabilitation activities.
- At the Tutunup South mine, Iluka restored a wetland to its original location after being preserved in a nursery during mining of the area. The wetland contains many individuals of the Priority 3 sedge species *Cyathochaeta teretifolia* which have been successfully maintained in Iluka's nursery for over 10 years.
- Iluka was recognised for technological innovation in rehabilitation, with the bespoke Flora Restorer tractor-drawn machine named as a finalist in the Western Australian Department of Mines, Industry and Regulation's Golden Gecko Awards for Environmental Excellence 2021.
- Iluka's South Capel Remediation Project was named as a finalist in the Australasian Land and Groundwater Association Industry Excellence Awards 2021 in the categories of Best Remedial Project (Regional) and Best Remedial Project (greater than $1 million).

Read more about Iluka's rehabilitation projects on **www.iluka.com/sustainability**.

OPERATING IN AND PROVIDING PRODUCTS FOR A LOW CARBON WORLD

6	**group training sessions conducted in its first year of the implementation of Iluka's continuous improvement programme, CORE**
1ST	**Climate Change Position Statement developed**

GROWTH AND INNOVATION

Iluka's ability to innovate and apply new technologies is vital in advancing the company's strategy and overcoming technical challenges. This creates growth opportunities and enables Iluka to deliver long term sustainable value.

APPROACH

To deliver sustainable value, Iluka aims to generate growth options through exploration, innovation, project development and external growth opportunities.

Supported by a comprehensive approach to risk management, growth opportunities are validated as part of a disciplined process of project selection and evaluation to maximise the opportunity, achieve the desired outcomes and manage risk.

Iluka pursues innovation and applies new technologies to advance the company's business strategy and overcome technical challenges. Iluka maintains a strong technical capability in mineral sands development, mining and processing and has testing facilities to continually improve processing efficiencies and advance product development. This has driven the development of non-traditional mineral sands ore bodies and technology projects potentially transformative for Iluka and the industry. This includes projects at Balranald, Wimmera, Atacama and Eneabba; more information on these projects is available on pages 32-35.

Iluka recognises that a mindset of continuous improvement enables the company to improve and generate new opportunities. CORE, Iluka's continuous improvement programme, was launched in 2021 and provides a framework and support for employees to identify, evaluate and implement improvements.

2021 HIGHLIGHTS

- Launched Iluka's CORE continuous improvement programme.
- Integrated climate change-related business improvement opportunities in CORE to enable employees to contribute to Iluka's climate change effort.

Read more on Iluka's innovation and 2021 highlights on page 38.

PRODUCT STEWARDSHIP

Sustainable delivery of Iluka's products and minerals, which are essential to a wide variety of applications that are part of everyday life, requires responsible business practices throughout Iluka's value chain.

APPROACH

Iluka's approach to product stewardship is integrated throughout business decisions and materials management. Guided by Iluka's Code of Conduct, HSEC Policy, Procurement Policy and Human Rights Policy, Iluka seeks to build a thorough understanding of the health, safety, environmental and human rights impacts and benefits of the company's products, and to promote their responsible use.

Iluka is committed to continuously improving the company's approach and response to modern slavery risks in its supply chain. Details on progress on Iluka's Group-wide human rights work programme is in Iluka's annual Modern Slavery Statement available online at **www.iluka.com/about-iluka/governance**.

The focus on responsible production and supply is an opportunity for Iluka to innovate, improve performance and set new standards. Iluka is progressing the development of internally developed technology that aims to remove contaminants contained within zircon minerals at the company's Wimmera project. Removing the contaminants will ensure products continue to meet increasing regulatory requirements of end markets and during transport.

As part of Iluka's mineral sands processing activities, the minerals monazite and xenotime are routinely produced as co-products. Monazite and xenotime contain rare earths – notably the high value elements that are essential for the production of permanent magnets used in electrification technologies, such as the motors that power electric vehicles and wind turbines, and some defence applications. Since the early 1990s, Iluka has stockpiled these by-products at a former mining void at Eneabba. The Eneabba stockpile now comprises approximately 1 million tonnes of material that is rich in rare earths and continues to be replenished on an ongoing basis as part of Iluka's mineral sands processing operations. Iluka plans to upgrade the contained minerals (Eneabba Phase 2) to produce a rare earths feedstock suitable as a direct feed for a rare earths cracking and leaching plant (Eneabba Phase 3), providing a substantial supply of critical minerals to the global market. Read more on Iluka's Eneabba development on page 32.

In collaboration with customers, Iluka promotes the responsible use of products. This includes identifying market opportunities for co-products produced as a necessary part of mineral sands mining and upgrading, as well as product reuse and recycling initiatives. Once viewed as waste products, Iluka has a growing list of co-products that are generating revenue and limiting waste production, handling and storage.

These products include:

- **Activated carbon**, a coal based product resulting from the synthetic rutile upgrade process.
- **Zircon-in-concentrate (ZIC)**, a mixed mineral concentrate, previously considered a tailing from minerals sands dry separation processing, contains small but nonetheless valuable quantities of heavy minerals.
- **Iron concentrate**, iron ore fines produced from the synthetic rutile process.
- **Staurolite**, an aluminosilicate separated at our mineral separation plant for sales to the abrasives industry.
- **Iron man gypsum**, a nutrient retention product produced from the synthetic rutile process.

Iluka actively supports students in industry-related fields, providing scholarships, work experience opportunities and apprenticeships through a series of education partnerships and programmes. The company also actively supports research and participation in industry stewardship initiatives, such as the Zircon Industry Association, to share technical knowledge and deliver research-led outcomes.

2021 HIGHLIGHTS

- Construction for Phase 2 of Iluka's Eneabba development commenced and completion remains on-track for H1 2022.
- The feasibility study for Phase 3 of the Eneabba development, a fully integrated rare earths refinery, progressed and is on track for finalisation in Q1 2022.
- Production of ZIC increased 47% from 2020. The final tailings produced through ZIC processing are classified as barren tailings, or clean fill, that is suitable for capping material used in rehabilitation.

Read more about Iluka's project developments on pages 32-35.

Product quality testing in end-use applications at Iluka's Metallurgical Testing Facility

CLIMATE CHANGE RESPONSE

Iluka recognises that the physical and transitional impacts of climate change may affect its assets, productivity, supply chains and markets. This drives opportunity to reduce the company's carbon footprint and optimise the value of the critical minerals Iluka produces, as the world transitions to a low carbon future.

APPROACH

Iluka accepts the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science and that climate change impacts are widely recognised. Supportive of the Paris Agreement, Iluka is aligning the company's approach to the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations and seeks to make a positive contribution to the global goal of net zero carbon emissions by 2050.

Iluka's approach is centred on three priorities:

Contributing to a low carbon economy through our products

Iluka's primary contribution is underpinned by the company's product suite – producing critical minerals that are among the building blocks of a low carbon economy. The high grade and high quality products produced by Iluka 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.

Iluka's diversification into rare earths will contribute to the delivery of the key inputs for the electrification of the world and the production of renewable energy technologies, including high strength permanent magnets used in the motors and generators that power electric vehicles and wind turbines. Rare earths are also used in automotive catalytic converters for gasoline and diesel powered vehicles, converting pollutants in the exhaust stream into less harmful emissions.

Titanium dioxide's resistance to heat, light and weathering assists in maintaining the quality of products for longer. Pigments containing titanium dioxide are used in approximately 95% of paints and are the main end-use of Iluka's rutile and synthetic rutile products. Titanium dioxide in pigments and plastics enhances the durability of products, reducing the need to replace materials, renovate buildings, and extend plastic product lifetime, helping to reduce waste. The quality of Iluka's products enables the company's pigment customers to operate their plants more efficiently, using less chlorine and with a lower impact on the environment.

Zircon's opacity, thermal stability, resistance to corrosion and non-reactive properties are beneficial in a wide range of applications. Over 50% of Iluka's zircon is supplied to the ceramics industry where it has approximately a 16% lower Global Warming Potential than calcined alumina, the main alternative product, when used as a ceramic whitener and opacifier[1].

(1) Zircon Industry Association **www.zircon-association.org**

SUSTAINABILITY REPORT

Building resilience to climate-related risk

Iluka acknowledges the importance of increasing resilience to a variable and changing climate. The company takes steps to understand, assess and manage the risks and opportunities to the business and stakeholders, incorporating these to business strategy and investment decisions.

Managing our emissions footprint

While Iluka seeks to contribute towards global decarbonisation goals through its products, Iluka's own carbon emissions arise largely from the use of fossil fuels in the production of synthetic rutile and in the use of earthmoving and other mining equipment in Iluka's operations. Synthetic rutile production requires the use of coal as a reductant. Iluka has explored, and continues to explore, alternatives and, while efficiency opportunities have been realised, there is not yet a commercially viable method of producing synthetic rutile without coal.

Guided by the Iluka Carbon and Energy Standard, all Iluka operations monitor their energy use and greenhouse gas (GHG) emissions, and look for ways to reduce emissions and improve efficiency.

Year on year Iluka seeks to improve the company's alignment with the TCFD recommendations and continue to progress efforts on:

- Taking steps to understand, assess and manage the risks and opportunities to the business and stakeholders; and incorporate these in Iluka's business strategy and investment decisions;
- Assessing Scope 3 emissions to complete the understanding of Iluka's carbon footprint;
- Investigating alternative technologies to improve the carbon footprint of the synthetic rutile production process;
- A process for setting and implementing agreed metrics and targets relating to climate change;
- Establishing partnerships aimed at improving performance across the industry, especially around the deployment of more energy efficient and lower carbon mining fleets; and
- Keeping stakeholders informed on the company's climate change-related activities.

2021 HIGHLIGHTS

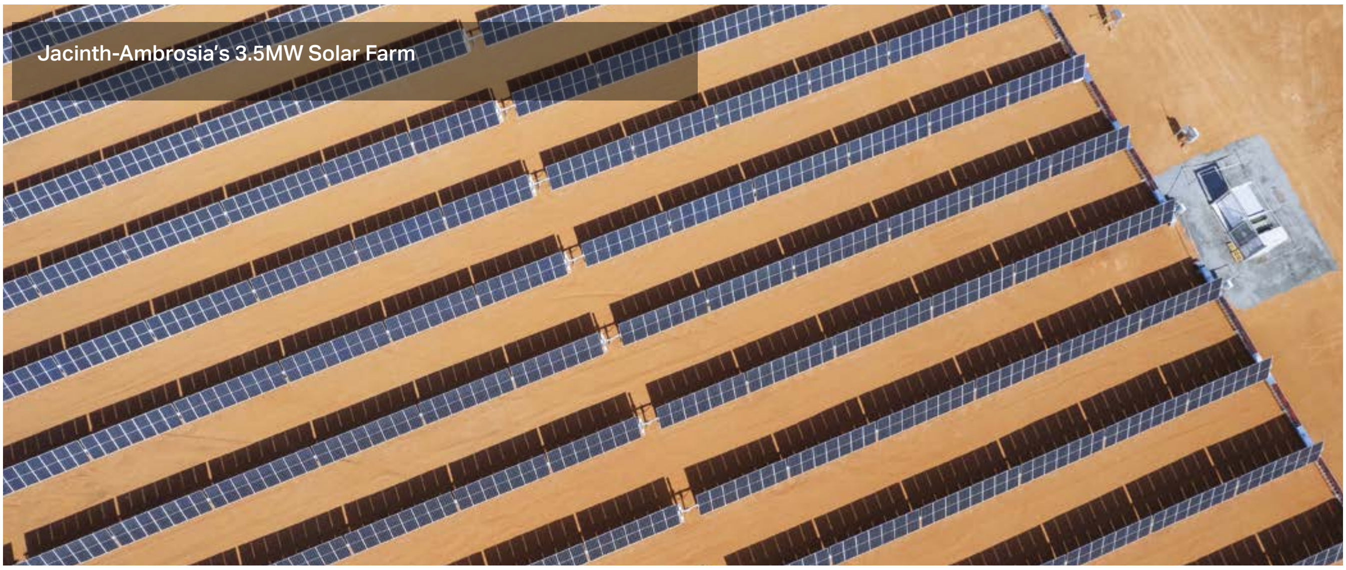
- Developed Iluka's inaugural Climate Change Position Statement.
- Appointment of the Head of Climate Change Response accountable for leading Iluka's climate change response.
- Established an internal climate change working group.
- Work progressed on determining an internal shadow carbon price to be applied in 2022 in the evaluation of the feasibility of future Iluka projects.
- Evaluated options for a solar installation at the Cataby operation including the installation of a 9 megawatt solar farm.
- Introduced a hybrid electricity facility at the Jacinth-Ambrosia operation, reducing the site's Scope 1 emissions by approximately 10% or 5,500 tonnes of carbon dioxide equivalent.
- Commenced a review of potential technical solutions for reductant use in synthetic rutile production.
- Completed assessments for carbon sequestration.
- Integrated climate change-related business improvement opportunities in Iluka's CORE continuous improvement programme to provide all employees the opportunity to contribute to Iluka's climate change effort.

Read more about Iluka's:

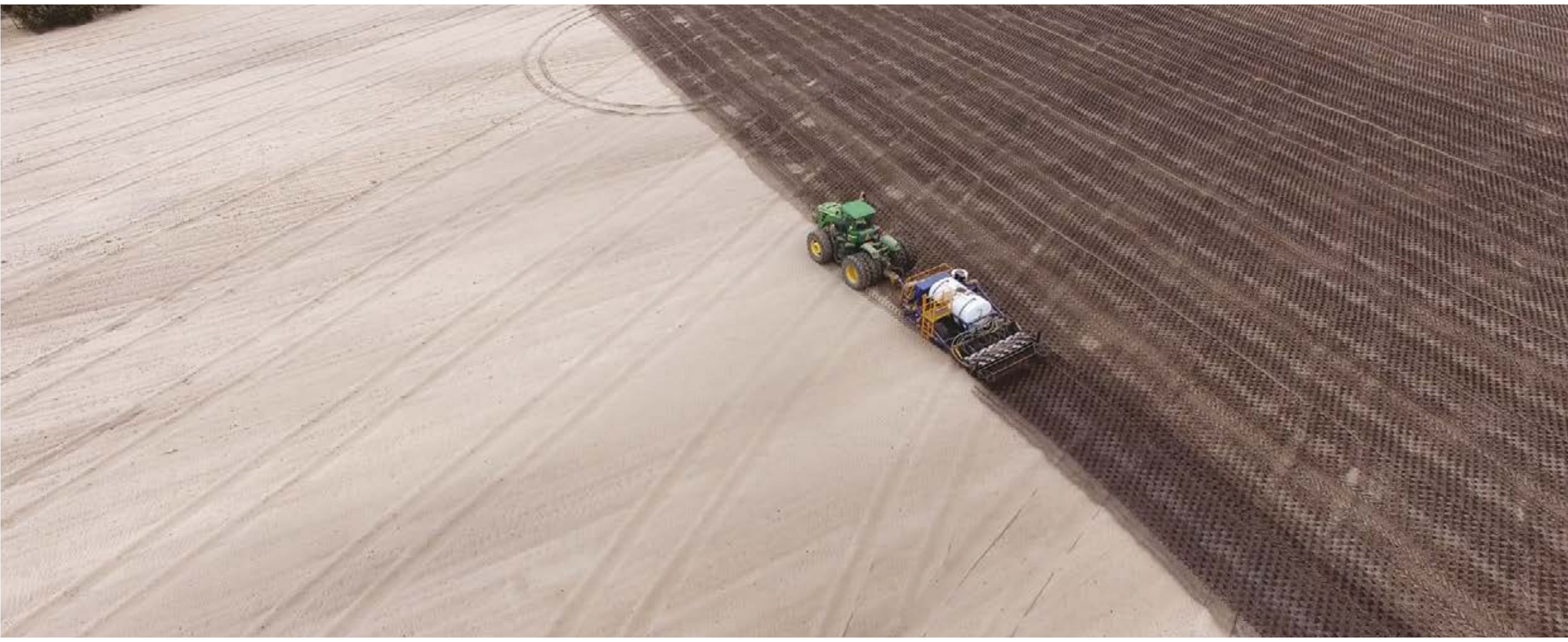
Climate Change Position Statement online at **www.iluka.com/sustainability/transparency-hub**

TCFD response in the 2021 Sustainability Data Book

Hybrid power solution at the Jacinth-Ambrosia operation online at **www.iluka.com/sustainability/case-studies-and-insights.**



Jacinth-Ambrosia's 3.5MW Solar Farm



Iluka's innovative rehabilitation equipment, Flora Restorer
Eneabba, Western Australia

BUSINESS RISK AND MITIGATION

The delivery of Iluka's strategy and purpose of delivering sustainable value requires comprehensive risk management practices. This enables Iluka's Board and management to make strategic choices on where to take risks to realise opportunities while enhancing and preserving enterprise value.

Iluka's Risk Management Policy is operationalised through its Risk Management Framework which is aligned to the International Standard for risk management, ISO 31000. The Framework provides a whole of business approach to the management of risks; and sets out the process for the identification, evaluation, monitoring, review and reporting of risk to facilitate the achievement of the company's plans and objectives. Risks are managed in context of the Board approved Risk Appetite Statement, providing high level risk tolerance guidance across a range of core business and strategic priority areas. Management reports to the Board those risks which could have a material impact on the business and / or could result in a breach of approved risk tolerance thresholds. The Audit and Risk Committee assists the Board with oversight of the company's risk management practices and undertakes an annual review of its Risk Management Framework considering business priorities and industry practices.

Iluka has a dedicated Business Risk function that supports the Audit and Risk Committee and management in facilitating consistent risk management practices, and centralised reporting of risks to management and the Board.

Support for Health and Safety and Sustainability risks is provided by the corporate health and safety and sustainability team, subject to oversight of Iluka's Sustainability Committee, which commenced in 2021.

Set out below are the key risk areas that could have a material impact on Iluka. These risks are not the only risks that the company 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.

All these risks are considered against a backdrop of a myriad of changes in the external environment in which Iluka operates, due to COVID-19, evolving global climate change policy and geopolitical landscape. These present both opportunities and challenges. 2021 saw continued focus on Iluka's risk management practices to enable the company to effectively navigate through this landscape to achieve its purpose of delivering sustainable value.

HEALTH AND SAFETY RISKS

Iluka places significant emphasis on ensuring strong systems, processes and culture to protect the health and safety of its workforce.

COVID-19

Iluka continues to consider the implications of the COVID-19 pandemic on its business. Throughout 2021, Iluka has continued to manage the risk that COVID-19 poses to the health and safety of its workforce across all jurisdictions that it operates in.

COVID-19 also poses implications to other risks highlighted including financial; operational; supply-chain; and employee management, including attracting and retaining talent, to name but a few.

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.

COMMUNITY/SOCIAL RISKS

Iluka operates in different jurisdictions with varying community, heritage and social laws and cultural practices. Community expectations are continually evolving and are managed through the development of robust strategies, maintaining strong relationships with communities and delivering on its commitments.

CLIMATE CHANGE RISK

Iluka is committed to managing its climate change risks and optimising associated business opportunities through the supply of critical minerals to contribute to a low carbon economy. The company is committed to the Paris Agreement objectives and accepts the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science. Iluka continues to take steps to align the company's approach to the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. Further information is contained on page 49 of this Report.

SUSTAINING OPERATIONS RISKS

Maintaining a pipeline of Ore Reserves and projects is a key focus for Iluka. Tailings dam management across all Iluka mines is an ongoing Executive and Board focus. Iluka has dedicated geotechnical resources team that draws on external tailings and dam management experts to continue to improve designs and monitoring activities to reflect best practice. Extensive 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 TALENT

Attracting and retaining key personnel continues to be a high priority and has been increasingly challenged in 2021 as a result of the volatile external environment exacerbated by COVID-19. Despite the challenging external environment, Iluka has continued to successfully attract talent.

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 NIST and guidance from Australian Government's Cyber Security Centre.

Iluka has a heightened focus on managing its cyber risks noting the increasing risk trend in the external environment.

FINANCIAL RISKS

Iluka faces risks relating to the cost and access to funds, movement in interest rates and foreign exchange rates (refer Note 20 in the financial statements). Iluka recognises the importance of maintaining a strong balance sheet that enables flexibility to pursue strategic objectives. Iluka maintains policies which define appropriate financial controls and governance which seek to ensure financial risks are recognized, managed and recorded in a manner consistent with generally accepted industry practice and governance standards.

GROWTH 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. Iluka seeks 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.

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.

REGULATORY AND COMPLIANCE RISK

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.

BUSINESS RISK AND MITIGATION

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.

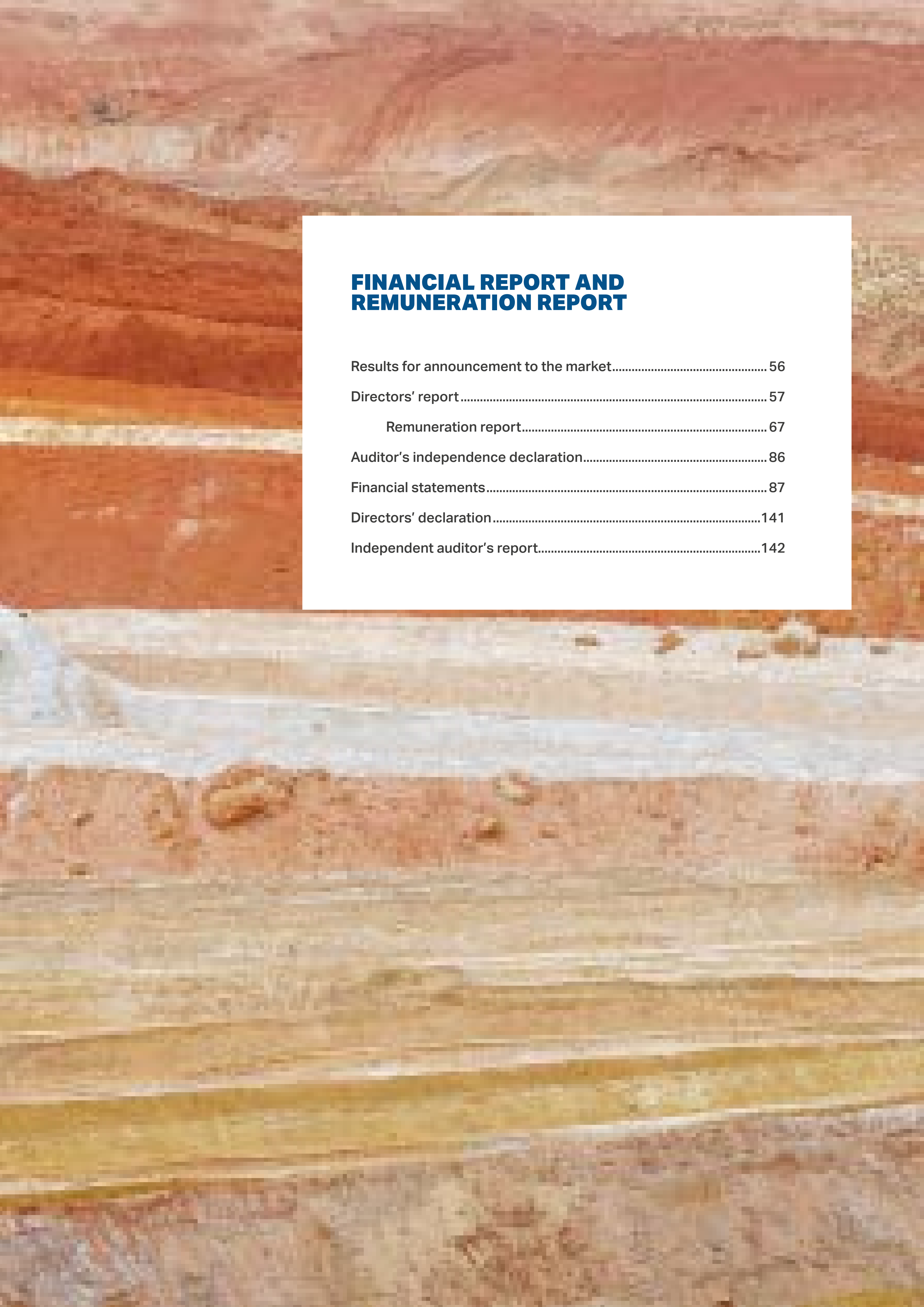
Iluka has a clear Anti-bribery and Corruption Policy, and internal controls and procedures to protect against such risks, including training and compliance programmes for its employees, agents and distributors. However, there is no assurance that such controls, policies, procedures or programmes will protect Iluka from potentially improper or criminal acts.

BUSINESS INTERRUPTION 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 risks associated with COVID-19 to minimise the health, safety and business impacts. A Crisis and Emergency Management expert conducts training and exercises at Iluka's sites on an annual cycle.

Iluka maintains a global insurance programme that may offset a portion of the financial impact of a major business interruption event.



FINANCIAL REPORT AND REMUNERATION REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the year ended 31 December 2021

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 2021 (the 'financial year') compared with the year ended 31 December 2020 (the 'comparative year').

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

Revenue from ordinary activities - continuing operations	Up 57.4% to $1,559.4m
Net profit after tax for the period from ordinary activities - continuing operations	Up 183.6% to $365.9m
Net profit after tax for the period attributable to equity holders of the parent	Down 84.9% to $364.9m

Dividends

2021 final: 12 cents per ordinary share (100% franked), to be paid in April 2022
2021 interim: 12 cents per ordinary share (100% franked), paid in October 2021
2020 final: 2 cents per ordinary share (100% franked), paid in April 2021
Demerger dividend of $1,808.1 million, distributed in November 2020

Key ratios	**2021**	**2020**
Basic profit per share (cents) - continuing operations	86.7	24.5
Diluted profit per share (cents) - continuing operations	86.0	24.4
Free cash flow per share (cents)[1]	71.0	5.2
Return on Equity[2]	25.9	283.7
Net tangible assets per share ($)	2.60	3.03

[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 2021 final dividend.

The Directors have determined that no discount will apply for the DRP in respect of the 2021 final dividend. Shares allocated to shareholders under the DRP for the 2021 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 14 March 2022. The last date for receipt of election notices for the DRP is 10 March 2022.

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 2021

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 2021.

The overview of Iluka's operations, including key aspects of operating and financial performance are contained on pages 16 to 54 which forms part of the Directors' Report for the financial year ended 31 December 2021 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 (Chairman)
T O'Leary (Managing Director and CEO)
M Bastos
R Cole
L Saint
S Corlett
A Sutton (appointed 11 March 2021)
J Ranck (retired 29 April 2021)

DIRECTORS' PROFILES

Name:	**Greg Martin**
Qualifications:	**BEc, LLB, FAIM, MAICD**
Age:	**62**
Appointed:	**1 January 2013**
Role:	**Non-executive Director, Chairman**
Independent:	**Yes**

Committee membership:

- Board (Chairman)
- Nominations & Governance Committee (Chair)
- People & Performance Committee
- Sustainability Committee (Chair)

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 (AGL) 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, and subsequently, Managing Director of Murchison Metals Limited.

Greg is a former Non-Executive Director of Energy Developments Limited, Santos 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 Directorships and Offices (current and recent):

- 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 (retired December 2021)
- Mawson Infrastructure Group Limited (previously 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:	**58**
Appointed:	**13 October 2016**
Role:	**Managing Director**
Independent:	**No**

Committee membership:

- Sustainability Committee

Relevant skills and experience:

Tom contributes to Iluka more than 30 years' commercial, investment banking, business development and executive management experience in a range of sectors including energy, chemicals and mining.

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 Directorships and Offices (current and recent):

- Clontarf Foundation - Non-executive Director (appointed June 2006)

Name:	**Marcelo Bastos**
Qualifications:	**BEng Mechanical (Hons, UFMG), MBA (FDC-MG), MAICD**
Age:	**58**
Appointed:	**20 February 2014**
Role:	**Non-executive Director**
Independent:	**Yes**

Committee membership:

- Audit & Risk Committee
- Nominations & Governance Committee
- Sustainability Committee

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 Non-executive Director of Golder Associates and Oz Minerals Ltd, a former Member of the Western Australia Chamber of Mines and Energy and served as Vice President of the Queensland Resources Council.

Other Directorships and Offices (current and recent):

- OZ Minerals Limited - Non-executive Director (retired April 2019)
- Golder Associates - Non-executive Director (retired in April 2021)
- Aurizon Holdings Limited - Non-executive Director (appointed November 2017)
- Anglo American PLC - Non-executive Director (appointed April 2019)

Name:	**Rob Cole**
Qualifications:	**LLB (Hons), BSc**
Age:	**59**
Appointed:	**1 March 2018**
Role:	**Non-executive Director**
Independent:	**Yes**

Committee membership:

- Nominations & Governance Committee
- People & Performance Committee (Chair)
- Sustainability Committee

Relevant skills and experience

Rob contributes to Iluka more than 35 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 member of the Regulation & Market Operations subcommittee of the Power and Water Corporation of the Northern Territory.

Other 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 Chair (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: **Lynne Saint**
Qualifications: **BCom, GradDip Ed Studies, FCPA, FAICD, Cert Business Administration**
Age: **59**
Appointed: **24 October 2019**
Role: **Non-executive Director**
Independent: **Yes**

Committee membership:

- Audit & Risk Committee (Chair)
- Nominations & Governance Committee
- Sustainability Committee

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's career spans more than 19 years in executive leadership at Bechtel Group, having served as Chief Audit Executive and Chief Financial Officer of Bechtel's Mining and Metals Global Business Unit. In Lynne's early career, she held consulting and auditing roles with KMPG and PwC, financial and commercial roles in financial services and assurance, mining, and the engineering and construction industry in Australia and Papua New Guinea. In 2003, Lynne was recognised as the Telstra Queensland Business Woman of the Year.

Other Directorships and Offices (current and recent):

- NuFarm Ltd – Non-executive Director (appointed December 2020)
- Ventia Services Group Limited – Non-executive Director (appointed October 2021)

Name: **Susie Corlett**
Qualifications: **BSc (Geo, Hons), FAusIMM, GAICD**
Age: **51**
Appointed: **1 June 2019**
Role: **Non-executive Director**
Independent: **Yes**

Committee membership:

- Audit & Risk Committee
- Nominations & Governance Committee
- Sustainability Committee

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 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:	**Andrea Sutton**
Qualifications:	**BEng Chemical (Hons), GradDipEcon, GAICD**
Age:	**50**
Appointed:	**11 March 2021**
Role:	**Non-executive Director**
Independent:	**Yes**

Committee membership:

- People & Performance Committee
- Nominations & Governance Committee
- Sustainability Committee

Relevant skills and experience

Andrea contributes to the Iluka Board over 25 years' of expertise across a range of operational and corporate functions, having held a number of executive roles in health, safety, and environment; human resources; and infrastructure management, within the resources sector.

Andrea's 25 year career with Rio Tinto included: a secondment as CEO and Managing Director of Energy Resources of Australia (ERA) from 2013 to 2017; Head of Health, Safety, Environment and Security; Managing Director Support Strategy Review - Human Resources; General Manager of Operations at the Bengalla Mine; and General Manager of Infrastructure, Iron Ore.

Andrea is a member of Engineers Australia, Australasian Institute of Mining and Metallurgy, Chief Executive Women and the Australian Institute of Company Directors.

Other Directorships and Offices (current and recent):

- Energy Resources Australia Limited - Non-executive Director of (retired May 2020)
- Infrastructure WA - Board member (appointed July 2019)
- Australian Nuclear Science and Technology Organisation (ANSTO) - Board member (appointed April 2020)
- National Association of Women in Operations (NAWO) - Board member (appointed August 2020)
- Red 5 Limited - Non-executive Director (appointed November 2020)
- DDH1 Limited - Non-executive Director (appointed February 2021)

DIRECTORS' REPORT

For the year ended 31 December 2021

MEETINGS OF DIRECTORS

In 2021 the Board formally met on 12 occasions, of which 8 meetings were scheduled. In addition to these meetings, the Board spent a day primarily focused on strategic planning. The chairman chaired all the meetings. The non-executive directors periodically met independent of management to discuss relevant issues. directors' attendance at Board and committee meetings during 2021 is detailed below.

Director	Board		Audit and Risk Committee		Nominations and Governance Commttee		People and Performance Committee		Sustainability Committee (3)	
(1) (2)	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Total meetings	12		4		5		3		1	
Executive										
T O'Leary	12	12		4		5		3	1	1
Non-executive										
G Martin	12	12		4	5	5	3	3	1	1
M Bastos	12	12	4	4	5	5		3	1	1
R Cole	12	12		4	5	5	3	3	1	1
S Corlett	12	12	4	4	5	5		3	1	1
J Ranck (4)	4	4		1	1	1	1	1		
L Saint	12	12	4	4	5	5		3	1	1
A Sutton (5)	8	8		3	4	4	2	2	1	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) The Sustainability Committee was established on 30 June 2021.
(4) Mr Ranck retired from the Board on 29 April 2021.
(5) Ms Sutton was appointed to the Board and the People and Performance Committee on 11 March 2021.

DIRECTORS SHAREHOLDING

Directors' shareholding is set out in the Remuneration Report, section 6.

EXECUTIVE TEAM PROFILES

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

Head of Projects and Sales & 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

Head of Climate Change Response
Mr Hattingh took over responsibility for Climate Change in 2021 after completing his assignment as CEO of Sierra Rutile. Prior to his posting in Africa he held the position of General Manager Innovation, Sustainability and Technology in Iluka Resources. Mr Hattingh has more than 30 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 professional 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.

COMPANY SECRETARY

Mr Ben Martin BMSc LLB MAICD is the Company Secretary of the Company. Mr Martin was appointed to the position of General Counsel and Company Secretary in September 2021 and prior to that, he held positions in Iluka's in-house legal and land management teams. Before joining Iluka in 2014, Mr Martin was a solicitor at global law firm King & Wood Mallesons where he advised resources companies on a range of project development, approvals, land access and regulatory compliance matters.

Mr Nigel Tinley BBus FCPA FGIA FCG (CS, CGP) GAICD 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' REPORT

For the year ended 31 December 2021

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 67 to 85 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 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 86.

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

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 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.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 14 January 2022, Sierra Rutile withdrew its notice to suspend operations following the ratification by the Parliament of Sierra Leone of adjustments to the applicable fiscal regime for Area 1 in December.

On 7 February 2022, the Federal Court of Australia handed down its decision in relation to the shareholder class action, dismissing all of the applicant's and group members' claims against Iluka.

On 19 February 2022, a fire in a warehouse compound at SRL damaged sheds containing stored equipment parts and spares. The fire damage did not extend to operational property, plant, and equipment or product inventory. The group is still assessing the potential impact and therefore no estimates of its financial effect can be made as at the date of this report.

Other than the above matters, as further detailed in note 25 of the financial statements, the directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report that has or may significantly affect the operations of the entity, the results of its operations or the state of affairs of the entity in subsequent financial years.

DIVIDEND

The directors have declared a fully franked final dividend of 12 cents per ordinary share payable on 7 April 2022.

DIRECTORS' REPORT

For the year ended 31 December 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 Financial and Operational review on pages 20 to 39. 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 2021 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

24 February 2022

DIRECTORS' REPORT

For the year ended 31 December 2021

REMUNERATION REPORT

MESSAGE FROM THE CHAIRMAN OF THE PEOPLE & PERFORMANCE COMMITTEE

Dear Shareholders

On behalf of the Board, I am pleased to present Iluka's Remuneration Report for the financial year to 31 December 2021 (2021).

2021 PERFORMANCE HIGHLIGHTS

As outlined by our Chairman and Managing Director, 2021 has seen the markets rebound. Our resilience and operational flexibility has ensured that we were able to meet lower demand in 2020 and respond quickly to return to maximum operational settings in 2021. Throughout this period we have been able to maintain sustainable pricing outcomes across our portfolio of products. These efforts, along with our disciplined production performance have seen the delivery of one of the Company's strongest financial performances in its history. Significant progress has also been delivered in our efforts to diversify our portfolio, as is evidenced in the summary of achievements in the Managing Director's strategic objectives set out in Section 4. Most pleasingly, this has all been accomplished in an environment of improving sustainability performance.

The below provides a brief summary of key business highlights:

- **Financial:** achieved strong NPAT and ROC results above the stretch targets;
- **Operations:** saw robust Australian operational performance and improved performance at Sierra Rutile resulting above stretch target production over the year;
- **Growth opportunities:** successful delivery of key targets in relation to growth projects and studies including the rare earths initiative and material advancement of technical studies; and
- **Sustainability**: strong improvement in the total recordable injury frequency rate, the management of environmental risks across the operations and progression of the company's climate change work programme.

Further details are set out in the Annual Report.

2021 REMUNERATION OUTCOMES

Iluka's approach to executive remuneration is designed to operate through changing circumstances and environments. Executives are rewarded through fixed remuneration and the Executive Incentive Plan (EIP) (a combined incentive plan).

In determining 2021 remuneration outcomes, the Board has carefully considered factors encompassing company performance, individual achievements and alignment with stakeholder expectations. The following summarises the outcomes by component:

- **Fixed remuneration increase:** no fixed remuneration increases were awarded to Executive KMP in 2021.
- **Executive Incentive Plan (EIP):** the Board has determined an EIP outcome of 92% of maximum (138% target) for the Managing Director, based on a total of 138% achievement against target of the annual group scorecard and 140% achieved against individual strategic objectives. The Managing Director's award will be delivered in equity, with no cash incentive paid. Executive Key Management Personnel outcomes were between 90-92% of maximum (depending on individual executive).
- **2018 EIP Performance Rights Award: 2018 Vesting:** for Performance Rights (Rights) granted under the 2018 EIP, the Board determined a vesting of 100% of the Rights based on the Total Shareholder Return (TSR) achievement of 99.8 percent measured against Iluka's peer group over the performance period (See Section 4 for further details).
- **Board fee movement:** No changes to the Non-executive Director fees were made during 2021.

The Board believes these outcomes fairly recognise the strong performance of the business and the disciplined performance of management. Further detail relating to these awards can be found in Section 4.

2022 REMUNERATION APPROACH

Executives will continue to be rewarded through fixed remuneration and the EIP, with no significant change to remuneration structure. Effective for the 2022 year, there will be some adjustments to scorecard performance measures. The sustainability performance measures will incorporate a broader range of measures with a focus on the company's climate change work programme and energy efficiency in our operations and continuous improvement in the diversity and inclusiveness of our workplaces.

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

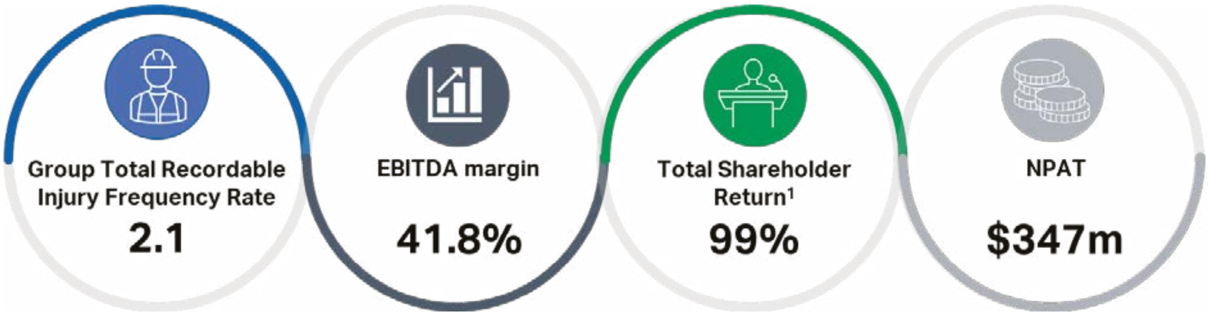
Rob Cole
People and Performance Committee Chair

DIRECTORS' REPORT

For the year ended 31 December 2021

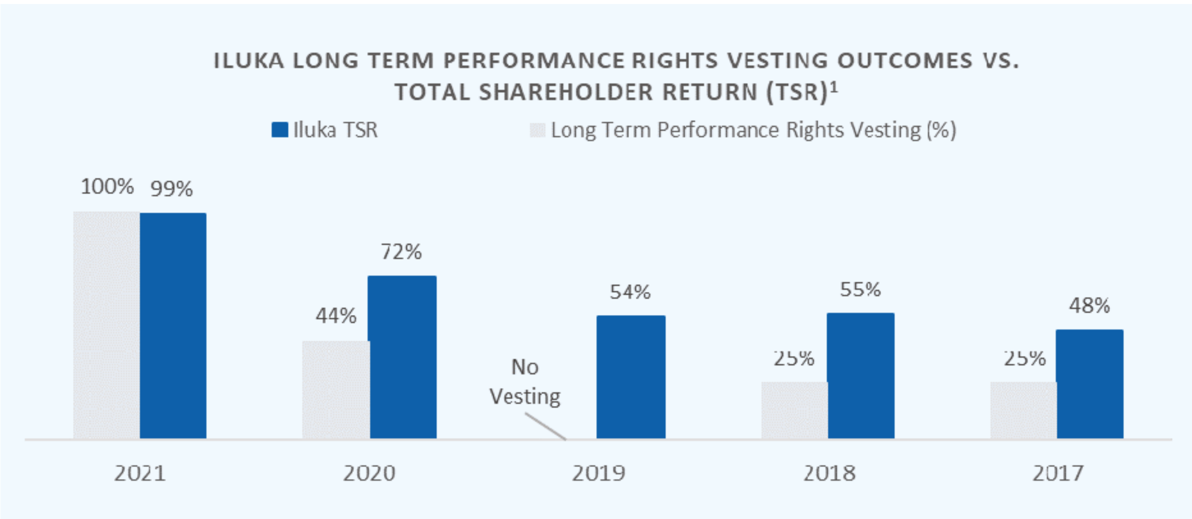
2021 AT A GLANCE

2021 Key Achievements:



[1]Relates to the Iluka's TSR over the 4 year performance period for the 2018 EIP from 1 January 2018 to 31 December 2021.

How executive remuneration outcomes are aligned with company performance:



[1]Reported TSR for each year relates to the TSR calculated for to corresponding EIP performance period.

How this year's performance compares to previous years:

The following table outlines historic business performance outcomes:

KPI	2021	2020[1]	2019[1]	2018	2017[1]
Net profit/(loss) after tax ($m) - Reported	347.4	2,410	(299.7)	303.9	(171.6)
Net profit/(loss) after tax ($m) – Underlying[2,3]	314.8	151.2	278.7	300.7	95.6
Underlying EBITDA (Group) ($m)[2]	621.4	423.1	616.0	600.1	360.5
EBITDA margin (%)	41.8	41.2	51.6	48.2	35.4
Free cash flow ($ million)	299.1	36.3	139.7	304.4	321.9
Earnings per share (cents)	82.3	570.4	(71.0)	72.2	(41.0)
Return on equity (%)	24.6	283.7	(26.6)	31.8	(20.1)
Closing share price ($)[4]	10.10	6.49	4.73	3.87	5.17
Dividends paid (cents)[5]	12	2	13	29	31
Franking credit level (%)	100	100	100	100	100
Average AUD: USD spot exchange rate (cents)	75.1	69.1	69.5	74.8	76.7
Revenue per tonne Z/R/SR sold ($/t)	1,593	1,625	1,654	1,426	1,079

[1]Reported earnings in 2017, 2019 and 2020 were impacted by significant impairments and write-downs; profit on demerger of Deterra Royalties and/or changes to rehabilitation provisions for closed sites.
[2]Underlying Net profit/(loss) after tax and Group EBITDA excludes adjustments relating to impairments and write-downs; profit on demerger; and changes to rehabilitation provisions for closed sites.
[3]The reconciliation for the 2021 Underlying Net profit/(loss) after tax can be found on page 21 of the Financial Results.
[4]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. Starting price on 1 January was $3.76.
[5] Dividends declared in relation to the year.

DIRECTORS' REPORT

For the year ended 31 December 2021

TABLE OF CONTENTS

This Remuneration Report (Report) contains the following sections.

1. WHO IS COVERED BY THIS REPORT?

This Remuneration Report (Report) details the remuneration arrangements for Iluka's Key Management Personnel (KMP). KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing, and controlling activities of the company. The KMP members over the 2021 year comprised the following executives (Executive KMP) and Non-executive Directors.

Name	Position	Term as KMP
Executive KMP		
Current Members		
T O'Leary	Managing Director and Chief Executive Officer	Full year
M Blackwell	Head of Projects and Sales & Marketing	Full year
A Stratton	Chief Financial Officer and Head of Development	Full year
S Tilka	General Manager, Australian Operations	Full year
Non-executive Directors		
Current Members		
G Martin	Chairman, Independent Non-executive Director	Full year
M Bastos	Independent Non-executive Director	Full year
R Cole	Independent Non-executive Director[1]	Full year
S Corlett	Independent Non-executive Director	Full year
L Saint	Independent Non-executive Director	Full year
A Sutton	Independent Non-executive Director[2]	Appointed 11 March 2021
Former Members		
J Ranck	Independent Non-executive Director	Ceased 9 April 2021

[1] R Cole was appointed Chair of the People and Performance Committee on 29 April 2021.
[2] A Sutton was appointed to the Board and People and Performance Committee on 11 March 2021.

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2. REMUNERATION GOVERNANCE AND PHILOSOPHY

KMP remuneration decision making is governed by the Iluka remuneration governance framework. The Iluka People and Performance Committee Charter can be found at www.iluka.com/about-iluka/governance.

2.1 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 the 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
- Workforce planning, capability and engagement strategy and succession planning for key roles
- Performance and remuneration for the Managing Director and Executives, and remuneration of Non executive Directors
- Diversity strategy, policies and practices of the Company

MANAGEMENT

Propose appointments, succession plans, policies, remuneration structures and remuneration outcomes to 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

2.2 REMUNERATION PRINCIPLES

Iluka's Remuneration Principles provide the foundations for how remuneration is structured and awarded to achieve the following:

2.3 ENGAGEMENT OF EXTERNAL REMUNERATION CONSULTANTS

External remuneration consultants were engaged by the PPC in 2021 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 2021 financial year.

DIRECTORS' REPORT

For the year ended 31 December 2021

2.4 MINIMUM SHAREHOLDING REQUIREMENT

KMP are required to acquire and hold a personally significant shareholding in Iluka to align to the interests of shareholders over a reasonable time frame taking into account vesting and taxation obligations.

Executive KMP

The minimum shareholding requirements (MSR) for Executive KMP is as below:

MSR requirement	% of Fixed Remuneration (year-end)
Managing Director	200%
Other Executives	100%

As of 31 December 2021, the Managing Director and two other members of Executive KMP meet the requirement. As a result of vesting outcomes related to the 2021 EIP, all members of the Executive KMP will meet the requirement in 2022.

Non-executive Directors

The Board is committed to Non-executive Directors acquiring and holding a shareholding within three years of appointment. In January 2022, the Board approved a change to the Policy, requiring the Chairman and other Non-executive Directors to hold such a number that the aggregate value is at least equal to 100% of their annual Board fee[1]. As at 31 December 2021, four Non-executive Directors meet this minimum shareholding requirement.

See Section 6 for details of current KMP shareholdings.

[1]Excludes committee fees and superannuation

2.5 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.

3. EXECUTIVE REMUNERATION FRAMEWORK AND ARRANGEMENTS

3.1 EXECUTIVE FRAMEWORK AND COMPONENTS

Executive KMP remuneration at Iluka is comprised of a mix of fixed and at-risk components to attract, retain and motivate executives. The diagram below provides an overview of the different remuneration components within the Iluka framework.

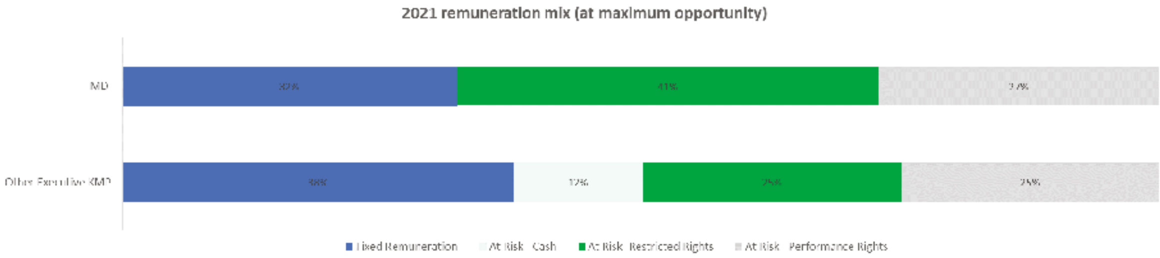
	Fixed Remuneration (FR)	Executive Incentive Plan (EIP)
Purpose	Provide remuneration that is reflective of the knowledge, skills, and experience of executives.	Ensure remuneration received by Executive KMP is closely linked to the company's performance, aligning it with the returns generated for our shareholders over the long term.
2021 Approach	Includes base salary and superannuation and is 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	Reflects the variable remuneration awarded to Executive KMP based on the performance against an annual scorecard of financial and strategic measures. The Board assesses scorecard performance at the end of the year with the resulting award normally split into three components: ▪ Cash - comprises a relatively small portion of the "at risk" component for all Executive KMP other than the Managing Director[1]. ▪ 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. The 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. Performance Rights will only vest if the TSR of Iluka is at, or greater than, the 50th percentile of the selected peer group over the period. Vesting will be on a sliding scale, with 50% of the Performance Rights to vest for median performance, increasing to 100% of the Performance Rights to vest where the Company is at or above the 75th percentile[2].

[1] As noted in last year's report, from 2020 the Managing Director's EIP award is delivered entirely in deferred equity. In addition, a discretionary change was made for 2020 only, where the cash component for other Executive KMP was awarded as Restricted Rights. From 2021 the cash component has been reinstated for Executive KMP, other than the Managing Director, consistent with the EIP design.

[2]The vesting schedule for the Performance Rights component changed in 2020. For the 2018 and 2019 EIP, 100% of Performance Rights vest when the rTSR is at or greater than the 50th percentile of the peer group.

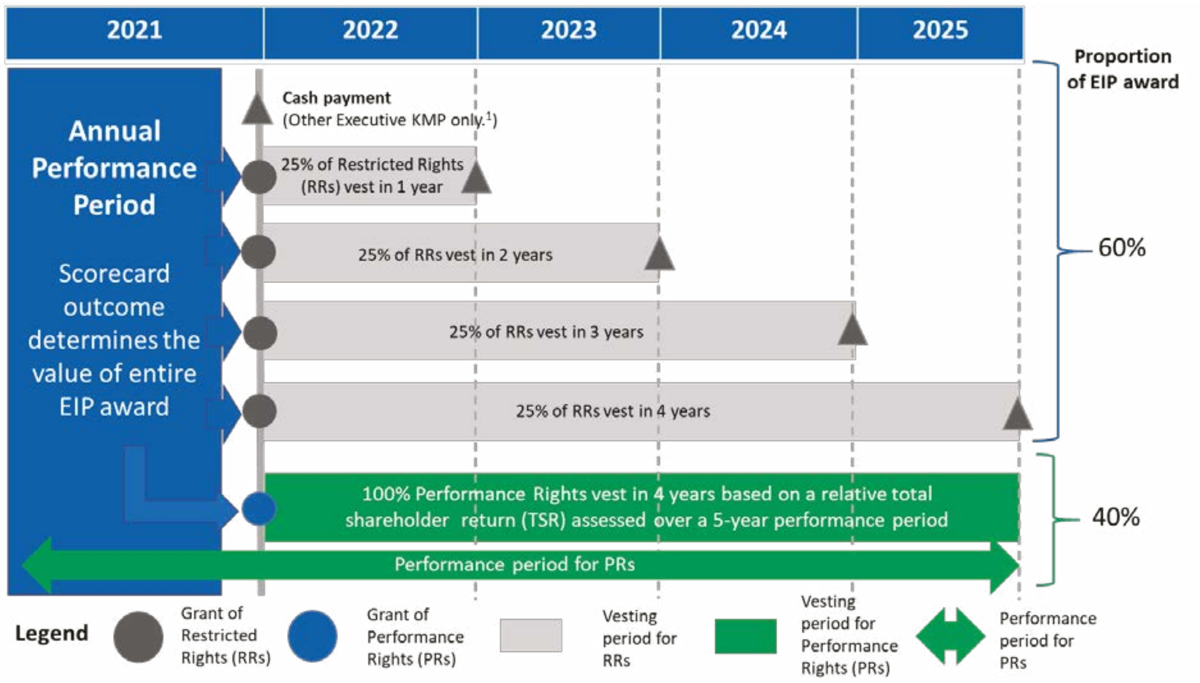
3.2 EXECUTIVE REMUNERATION MIX

The following diagram sets out the mix for fixed and "at risk" remuneration for Executive KMP during 2021.



3.3 EXECUTIVE INCENTIVE PLAN (EIP)

The following diagram outlines the structure of EIP. Further details on the design of the EIP is outlined in the table below.



[1] 20% of the EIP award for other Executive KMP is paid in cash. The Managing Director does not receive cash.

DIRECTORS' REPORT

For the year ended 31 December 2021

3.4 EIP – KEY QUESTIONS AND ANSWERS

Why does the Board consider the EIP is appropriate for Iluka?	The EIP design recognises that Iluka operates in a cyclical and volatile industry with results materially impacted influenced by price, volume and foreign exchange. 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 shareholder interest and ensures they are exposed to the same financial consequences as shareholders.
How is it paid?	For the Managing Director, EIP awards are delivered in 100% in deferred equity consisting of 60% Restricted Rights and 40% Performance Rights. For the Executive KMP, EIP awards are paid 20% cash, 40% Restricted Rights and 40% Performance Rights.
How much can participants earn under EIP?	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%

What performance measures will inform the EIP awards?	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 2021, objectives for Executive KMP covered: ▪ Financial performance (50%) ▪ Production (10%) ▪ Sustainability focusing on protecting our people, our environment and our communities (15%); and ▪ Individual strategic measures (25%). In setting objectives, the Board aims to ensure that targets are quantifiable and drive the right commercial and strategic outcomes for Iluka. Financial targets exclude profit derived from Iluka's investment in Deterra Royalties. Section 4 provides a detailed explanation of the specific targets set in 2021, how they were measured and our assessment of performance.
How EIP awards are determined?	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%

Who assesses the EIP performance?	EIP outcomes are determined by the Board following an assessment of performance measures at the end of the 2021 performance period.
How is the number of rights to be granted to participants determined?	The number of Restricted Rights and Performance Rights awarded to each participant is based on a face value methodology. This is determined by dividing the dollar value of the deferred equity 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.

What vesting or performance condition apply to the equity awards?

Granted EIP equity is subject to vesting conditions including continued service and/or performance:

Restricted Rights	Performance Rights
Restricted Rights will be granted following the end of the relevant performance period and vest in 4 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. Iluka TSR performance will be measured over a five-year period commencing on 1 January 2021 against the S&P / ASX 200 Resources Index constituents (excluding companies primarily engaged in the oil and gas sector and non-mining activities). Vesting is subject to the sliding scale below:

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

Are participants entitled to 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. The grant date fair value incorporates any expected dividends payable at vesting.

What happens if participants leave before the vesting date?

Unless the Board determines otherwise, in the event of an Executive KMP ceasing employment for cause: all restricted shares and unvested equity awards will be forfeited or lapse (as applicable).

Any other circumstances (including death, total and permanent disability, retirement or redundancy): unvested restricted shares and equity awards will remain on foot and be subject to the original terms of the award.

What happens on a change of control?

The Board has discretion to determine that vesting of some or all of the equity awards 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.

Do any clawback or malus provisions apply?

The Board may 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.

What does the Board take into account when considering whether to exercise 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 KPI targets and the proportion of the performance or deferral period that has elapsed.

4. 2021 EXECUTIVE KMP REMUNERATION OUTCOMES

4.1 2021 FIXED REMUNERATION OUTCOMES

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. Competition for talent within the resources industry remains extremely tight, particularly in Western Australia.

There has been no fixed remuneration increase for the Managing Director and Executive KMP over the 2021 year.

The Board will continue to monitor remuneration levels based on the factors set out in the Executive Remuneration Framework (see Section 3.1 for more detail).

Executive KMP	2021 Fixed Remuneration	2020 Fixed Remuneration
T O'Leary	$1,400,000	$1,400,000
M Blackwell	$655,000	$655,000
A Stratton	$630,000	$630,000
S Tilka	$550,000	$550,000

4.2 2021 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 for 2021, and the level of performance achieved. Further detail on the performance conditions can found in Section 3.4.

Iluka 2021 performance

Scorecard measure and target	Weight	Performance and outcome	Threshold – Target – Stretch
FINANCIALS	**50%**	**Outcome – 136% of target; 91% of maximum achieved**	
Group ROC (%)[1] Target 2021 budget	20%	Stretch Return on capital of 68% was adjusted to exclude the impact of the profit on Iluka's Deterra investment. The adjusted return on capital of 64% was above stretch. Adjusted returns were higher due to higher sales volumes and prices following resolution of the Chemours dispute and earlier than expected recovery of the zircon market.	
Group NPAT[1]	15%	Stretch Adjusted NPAT was also above stretch. 2021 saw market demand for zircon returning to pre-pandemic levels, pushing up prices, as well as a resolution of the Chemours dispute. This increase in volumes and prices had a significant and direct impact delivering higher NPAT than expected; this had the largest impact on financial performance. Additional factors contributing to higher NPAT were decreases in rehabilitation provisions due to lower rehabilitation costs in the US and improved accuracy of expected rehabilitation costs based on expenses incurred on actual rehabilitation activities carried out, and planned rehabilitation activities, combined with favourable exchange rate movements due to strengthening of the US dollar since the start of the year.	
All in Unit Cash Costs of Production $/t Target $1,112 / t	15%	Above target Higher production volumes to meet increased demand were matched by a corresponding increase in production costs, resulting in the final unit cost being 1% above target.	

[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. The targets and outcomes are adjusted to exclude the income derived from Iluka's investment in Deterra Royalties.

Scorecard measure and target	Weight	Performance and outcome	Threshold – Target – Stretch
PRODUCTION	**10%**	**Outcome –150% of target; 100% of maximum achieved**	
Group Z/R/SR	10%	Stretch Overall production of 720kt was above stretch performance. Zircon production was 37kt above expectation due to an increase in total HMC feed at Narngulu, achieved by compressing planned outage from 5 weeks to 2 weeks, and increasing Cataby HMC feed volume. Synthetic Rutile production was 23kt favourable due to an earlier restart after the planned major maintenance outage in the first quarter.	

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For the year ended 31 December 2021

Scorecard measure and target	Weight	Performance and outcome	Threshold – Target – Stretch
SUSTAINABILITY	**15%**	**Outcome –135% of target; 90% of maximum achieved**	
Group Total Recordable Injury Frequency Rate Reduction to 2.6	5%	Stretch The targeted reduction was met. The TRIFR decreased from 2.8 at the end of 2020 to 2.1 at the end of 2021. There were 20 Total Recordable Injuries in 2021, which was 7 less than the previous year.	
Group Closure Index (%) Reduction of rehabilitation liability through closure index target of 103%	5%	Stretch Stretch performance was achieved as a result of the rehabilitation of 739 hectares during 2021.	
Group environmental level 3 and above incidents Target of 15 or less	2.5%	Stretch Level 3 and above environmental incidents reported were down from 15 in 2020 to 12 in 2021. Seven were associated with non-toxic, sediment-laden water releases or fugitive dust emissions. 4 reported incidents represented recurrent lower level incidents (Level 1 or 2).	
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.	
GROUP SCORECARD[2]	**Outcome – 138% of target; 92% of maximum achieved**		

[2] Financials, Production, Sustainability

4.3 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:

Scorecard measure (weight)	Performance	Threshold – Target - Stretch
INDIVIDUAL STRATEGY (25%)	**Outcome – 140% of target; 92% of maximum**	
Advance staged diversification of portfolio into rare earths in a prudent manner	• Eneabba Phase 2 (EP2) progressed and, while capital costs were higher than planned as a consequence of activity levels in Western Australia, project is on track for commissioning in H1 2022. • Feasibility study for the development of a rare earths refinery at Eneabba (EP3) substantively completed in 2021. • Various approvals have advanced considerably. In particular environmental approvals have been progressed ahead of schedule. • Given rare earths separation technology is new to Iluka and the level of concentration in end markets, Iluka has engaged with the Australian Government in relation to a risk sharing arrangement to facilitate the development of EP3. Over the course of the year that engagement was advanced significantly.	
Pursue value accretive opportunities in mineral sands to deliver sustainable value over the long term with a view to extending reserve life	• Substantial progress made on the Balranald development (progressed from PFS to DFS). DFS is progressing in accordance with the study execution plan, including with respect to positive engagement with various potential technology partners interested in working with Iluka to commercialise the underground mining technology. • Material advancement of zircon purification technology. Following process validation through successful results from small scale test environment, a pilot plant was installed and commissioned in H2 2021. Ongoing pleasing results contributed to techno-economic appraisal which supported the declaration of resource in respect of the Wimmera zircon and rare earths deposit (in PFS). • Several other deposits (in Western Australia, South Australia and New South Wales) are the subject of feasibility studies and were progressed over the course of the year.	
Optimise sustainable value from investment in Sierra Rutile and the Sembehun opportunity	• The hydraulic mining trial was completed; it provides a technically viable alternate mining methodology which could complement mining activities in both Mining Area 1 and Sembehun. • SRL's operational performance in H1 was below expectations, resulting in a notice of intention to suspend operations from end of 2021 issued in May 2021. Following improving operational performance, as well as Sierra Leonean parliamentary ratification of the amendment to the fiscal regime applicable to Sierra Rutile, the company no longer intends to suspend operations. • A process to identify third parties willing to invest in the next phase of Sierra Rutile's growth were pursued with several potential counterparties; to date none have provided compelling outcomes. • In addition to working with third parties, substantial progress was made on examining the feasibility of demerging Sierra Rutile from Iluka.	
Optimise price and volume settings	• Robust demand and constrained industry supply has provided Iluka opportunities to achieve positive product pricing while maintaining focus on sustainable pricing outcomes across the product portfolio. • Iluka and Chemours settled the previously disclosed contractual dispute, with the terms of settlement being commercial in confidence but include Chemours taking all of the synthetic rutile not taken in 2020.	

4.4 OVERALL EIP SCORECARD OUTCOME FOR THE MD

Scorecard measure	Weight	Outcome	Weighted Outcome	Threshold – Target – Stretch
Group Scorecard	75%	138%	103%	
Individual Strategy MD Outcome	25%	140%	35%	
OVERALL MD RESULT			**138%**	

The Individual strategy scorecard area outcomes for other Executive KMP ranged from 126 – 139% of target.

4.5 EIP AWARDS FROM 2021 SCORECARD OUTCOMES

The following table presents the outcomes of the EIP award attributed to the 2021 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 2022.

Executive KMP	Maximum EIP opportunity	% of target EIP earned	% of maximum EIP earned	% of maximum EIP forfeited	EIP Cash	EIP Restricted Rights	EIP Performance Rights	Total
T O'Leary	$2,940,000	138	92	8	N/A	$1,626,996	$1,084,664	$2,711,660
A Stratton	$1,039,500	136	91	9	$188,982	$377,962	$377,962	$944,906
M Blackwell	$1,080,750	135	90	10	$194,319	$388,638	$388,638	$971,595
S Tilka	$907,500	138	92	8	$167,101	$334,202	$334,202	$835,505

4.6 VESTING OF 2018 EIP PERFORMANCE RIGHTS

Following the assessment of 2018 annual performance scorecard, 33% of total EIP awards were granted to the Executive KMP as Performance Rights. These Performance Rights were tested and assessed again by the Board based on the Iluka Total Shareholder Return (TSR) performance in relation to the S&P / ASX 200 Resources Index (excluding companies primarily engaged in the oil and gas sector and non-mining activities) over the 4 years to 31 December 2021. Under the terms of the 2018 EIP all Performance Rights granted will vest if the TSR of Iluka is at, or greater than the 50th percentile of the peer group. From 2020, vesting of Performance Rights under the EIP has changed to a sliding scale. (See Section 3.4 for more detail).

The 2018 EIP Performance Rights were assessed as follows:

Relative TSR	
Weighting:	100%
Actual score:	TSR of (99.08 %) 68th percentile of comparator group.
Calculation:	100% vesting as Iluka Relative TSR is above the 50th percentile of peer group (as per the terms of the 2018 EIP Performance Rights).

The Board determined a vesting of 100% of the performance rights based on the relative TSR achievement of the 68th percentile against Iluka's peer group over the performance period.

4.7 SUMMARY OF REALISED REMUNERATION PAID TO EXECUTIVE KMP IN 2021

This section uses non-IFRS information to show the "realised remuneration" received by Executive KMP for 2021. This is a voluntary disclosure intended to demonstrate the link between the remuneration received by Executive KMP and the performance of Iluka over 2021. Refer to following Section 4.8 for statutory remuneration disclosure.

Executive KMP	Fixed Remuneration	Other[1]	EIP			Total
			Cash[2]	Restricted Rights[2]	2018 EIP Performance Rights vesting[3]	
T O'Leary	$1,400,000	$23,929	N/A	$1,626,996	$1,464,482	$4,515,407
A Stratton	$630,000	$16,105	$188,982	$377,962	$450,300	$1,663,349
M Blackwell	$655,000	$16,166	$194,319	$388,638	$521,844	$1,775,967
S Tilka	$550,000	$7,580	$167,101	$334,202	$209,595	$1,268,478

[1]Represents car parking for T O'Leary, A Stratton and M Blackwell, FBT value of car benefit for S Tilka and dividend equivalent payments in relation to vesting of 2019 EIP Tranche 2 and 2020 EIP Tranche 1 payable in March 2022.
[2]Relates to outcome from 2021 EIP. Restricted rights vest in 4 tranches in March 2023, 2024, 2025 and 2026. This represents the market value of the grant being made.
[3]The estimated value of the 2018 EIP Performance Rights vesting in March 2022 was calculated using the closing share price of $10.10 at 31 December 2021. The actual value will be calculated using the closing price at the date of vesting (1 March 2022). Value also includes a dividend equivalent payment payable in March 2022, with respect to vested rights under the plan.

4.8 EXECUTIVE KMP STATUTORY REMUNERATION 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.

Name	Year	Base Salary	EIP Cash[1]	Non-Monetary Benefits[2]	Superannuation Benefits	Termination Benefits[3]	Accrued Annual and Long Service Leave[4]	Share Based Payments[5]	Statutory Total
T O'Leary	2021	$1,377,369	N/A	$12,426	$22,631	$0	$41,078	$1,428,147	$2,881,651
	2020	$1,378,652	N/A	$12,463	$21,348	$0	($74,612)	($73,871)	$1,263,980
A Stratton	2021	$607,369	$188,982	$12,426	$22,631	$0	$40,552	$388,293	$1,260,253
	2020	$608,652	$0	$12,463	$21,348	$0	$17,626	$249,891	$909,980
M Blackwell	2021	$632,369	$194,319	$12,426	$22,631	$0	$74,636	$410,327	$1,346,708
	2020	$633,652	$0	$12,463	$21,348	$0	$40,543	$180,114	$888,120
S Tilka[6]	2021	$527,369	$167,101	$5,897	$22,631	$0	$93,922	$311,026	$1,127,946
	2020	$96,056	$0	$0	$3,944	$0	$29,812	$180,871	$310,683
Former Executives									
C Barbier[7]	2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2020	$461,434	$0	$21,877	$17,733	$0	$35,922	$131,041	$671,007
J Andrews[8]	2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2020	$465,601	$123,730	$10,362	$20,118	$49,086	($1,927)	($78,418)	$588,552
Total[9]	2021	$3,144,476	$550,402	$43,175	$90,524	$0	$250,188	$2,537,793	$6,616,558
	2020	$3,644,047	123730	$69,628	$105,839	$49,086	$49,291	$589,628	$4,629,322

[1]EIP cash payments and restricted share awards for 2021 will be made in March 2022. No cash payments made to current Executive KMP in relation to 2020, except for J Andrews (See footnote 8).
[2]Represents car parking for Executive KMP based in Perth, FBT value of car benefit for S Tilka and Immigration Support for C Barbier.
[3]Includes cessation entitlements relating to payment in lieu of notice and accrued leave entitlements.
[4]Represents the movement in the annual and long-service leave provisions during the year. Any reduction in accrued annual leave reflects more leave taken that which accrued in the period.
[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.
[6]S Tilka became a KMP on 27 October 2020. Remuneration disclosures for 2020 reflect the period he was a KMP.
[7]C Barbier ceased to be KMP on 30 October 2020. Remuneration disclosures for 2020 reflect the period he was KMP.
[8]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. SBP amounts previously recognised have been reversed in 2020, reducing the expense.
[9]The total for 2020 disclosed in this report is different to the total disclosed in 2020 Annual Report. The difference is due the reporting of Accrued Annual and Long Service leave.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

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 2021 (including superannuation) was $1,202,460.

Non-executive Directors are not entitled to retirement benefits other than statutory superannuation or other statutory required benefits. Non-executive Directors do not participate in share or bonus schemes designed for Executive KMP or employees.

After considering the relevant market data for Non-executive Directors, the Board determined that there were no change to the Non-executive Director fees in 2021.

5.1 2021 NON-EXECUTIVE DIRECTOR FEE POLICY

Board and Committee Fees	Chair		Member	
	2020	2021	2020	2021
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
Sustainability 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. The statutory value for superannuation increased in 2021.

5.2 2021 NON-EXECUTIVE DIRECTOR STATUTORY REMUNERATION DISCLOSURES

Outlined below are the fees paid to Non-executive Directors in 2021, prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and the relevant Australian Accounting Standards.

Name	Year	Board and Committee Fees	Non-Monetary Benefits	Superannuation	Statutory Total
Current Non-executive Directors					
G Martin	2021	$321,400	$0	$22,631	$344,031
	2020	$321,400	$0	$21,348	$342,748
M Bastos	2021	$146,900	$0	$14,323	$161,223
	2020	$146,900	$0	$13,956	$160,856
R Cole	2021	$154,432	$0	$15,070	$169,502
	2020	$144,150	$0	$13,694	$157,844
S Corlett	2021	$146,900	$0	$14,323	$161,223
	2020	$146,900	$0	$13,956	$160,856
L Saint	2021	$164,900	$0	$16,078	$180,978
	2020	$159,923	$0	$15,193	$175,116
A Sutton	2021	$115,947	$0	$11,375	$127,322
Former Non-executive Directors					
J Ranck	2021	$53,133	$0	$5,048	$58,181
	2020	$159,400	$0	$15,143	$174,543
Total fees	2021	$1,103,612	$0	$98,848	$1,202,460
	2020	$1,078,673	$0	$93,290	$1,171,963

[1]A Sutton was appointed on 11 March 2021.

[2]The totals for 2020 disclosed in this report is different to the total disclosed in 2020 Annual Report. The difference is due to J Seabrook's remuneration figures being excluded in this report as she is no longer a director of Iluka.

6. ADDITIONAL REMUNERATION DISCLOSURES

6.1 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	Position	Termination Notice Period by Iluka or Employee	Termination Benefit
T O'Leary	Managing Director	6 months	6 months
A Stratton	Chief Financial Officer and Head of Development	6 months	6 months
M Blackwell	Head of Projects and Sales & Marketing	3 months	6 months
S Tilka	General Manager, Australian Operations	3 months	6 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.

6.2 EXECUTIVE KMP SHARE–BASED REMUNERATION

RESTRICTED RIGHTS/SHARES (RRS)

The table below shows the number of restricted rights/shares (RRs) that were granted, vested and forfeited during the 2021 year. The terms and conditions of previous years' incentive awards are outlined in the relevant year's Remuneration Report, available at www.iluka.com.

Award	Grant date	Number of restricted rights							Value of restricted rights	
		Balance at 1 January 2021 KMP start date	Granted during 2021[1]	Vested / exercised into shares in 2021		Lapsed during 2021		Balance at 31 December 2021	Granted in 2021[2]	Value vested / exercised into shares in 2021[3]
				#	%	#	%	#	$	$
T O'Leary										
2018 EIP RRs (shares)	1 March 2019	79,994	-	(39,997)	33%	-	-	39,997	-	$297,704
2019 EIP RRs[4]	1 March 2020 and Dec 2020	123,047	-	(41,016)	33%	-	-	82,031	-	$305,281
2020 EIP RRs	1 March 2021	-	70,827	-	-	-	-	70,827	$529,200	-
A Stratton										
2018 EIP RRs (shares)	1 March 2019	22,232	-	(11,116)	33%	-	-	11,116	-	$82,738
2019 EIP RRs[4]	1 March 2020 and Dec 2020	38,279	-	(12,760)	33%	-	-	25,519	-	$94,967
2020 EIP RRs	1 March 2021	-	24,904	-	-	-	-	24,904	$186,076	-
M Blackwell										
2018 EIP RRs (shares)	1 March 2019	25,764	-	(12,882)	33%	-	-	12,882	-	$95,883
2019 EIP RRs[4]	1 March 2020 and Dec 2020	39,120	-	(13,040)	33%	-	-	26,080	-	$97,059
2020 EIP RRs	1 March 2021	-	24,879	-	-	-	-	24,879	$185,889	-
S Tilka										
2018 EIP RRs (shares)	1 March 2019	8,366	-	(4,183)	33%	-	-	4,183	-	$31,135
2018 SRL Restricted Share[5]	1 March 2018	10,893	-	(10,893)	100%	-	-	0	-	$81,708
2019 SRL Restricted Share[5]	1 March 2019	12,718	-	-	-	-	-	12,718	-	-
2019 EIP RRs[4]	1 March 2020 and Dec 2020	15,359	-	(5,120)	33%	-	-	10,239	-	$38,101
2020 EIP RRs	1 March 2021	-	15,900	-	-	-	-	15,900	$118,801	-

[1]Share rights granted in respect of the 2020 EIP, which form part of the share based payments for 2020 to 2024 inclusive.
[2]Value at point of grant. 5 day VWAP for allocation was $7.47
[3]Value at point of vest. Share price at 1 March 2021 was $7.44
[4]The initial grant date reflects the original date Restricted Right were allocated in relation to the 2019 EIP award. "Top up" rights were granted in Dec 2020 as a result of the Deterra Royalties demerger, in order to keep participants "whole". Further detail can be found in the 2020 Remuneration Report.
[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 was 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).

PERFORMANCE RIGHTS

The table below shows the number of performance rights (PRs) that were granted, vested and forfeited during the 2021 year:

Award	Grant date	Number of performance rights							Value of performance rights	
		Balance at 1 January 2021 KMP start date	Granted during 2021[1]	Vested / exercised into shares in 2021		Lapsed during 2021		Balance at 31 December 2021[2]	Granted in 2021[3]	Value vested / exercised into shares in 2021[4]
				#	%	#	%	#	$	$
T O'Leary										
2016 LTIP[5]	October 2016 and Dec 2020	461,449		(164,807)	35.72%	(296,642)	64.28%	-		$1,226,683
2017 LTIP[5]	March 2017 and Dec 2020	448,918		(195,592)	43.57%	(253,326)	56.43%			$1,352,502

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Award	Grant date	Balance at 1 January 2021 KMP start date	Number of performance rights						Value of performance rights	
			Granted during 2021[1]	Vested / exercised into shares in 2021		Lapsed during 2021		Balance at 31 December 2021[2]	Granted in 2021[3]	Value vested / exercised into shares in 2021[4]
				#	%	#	%	#	$	$
2018 EIP PRs[5]	1 March 2019 and Dec 2020	138,682	-	-	-	-	-	138,682	-	-
2019 EIP PRs[5]	1 March 2020 and Dec 2020	78,088	-	-	-	-	-	78,088	-	-
2020 EIP PRs	1 March 2021	-	47,218	-	-		-	47,218	$300,306	-
A Stratton										
2017 LTIP[5]	March 2017 and Dec 2020	18,173		(7,919)	43.57%	(10,254)	56.43%	-		$58,942
2018 EIP PRs[5]	1 March 2019 and Dec 2020	42,642	-	-	-	-	-	42,642	-	-
2019 EIP PRs[5]	1 March 2020 and Dec 2020	26,878	-	-	-	-	-	26,878	-	-
2020 EIP PRs	1 March 2021	-	16,603	-	-	-	-	16,603	$102,108	-
M Blackwell										
2017 LTIP[5]	March 2017 and Dec 2020	105,015		(45,756)	43.57%	(59,259)	56.43%	-		$340,569
2018 EIP PRs[5]	1 March 2019 and Dec 2020	49,417		-	-	-	-	49,417		-
2019 EIP PRs[5]	1 March 2020 and Dec 2020	27,470		-	-		-	27,470		-
2020 EIP PRs[5]	1 March 2021	-	16,586	-	-	-	-	16,586	$102,004	-
S Tilka										
2017 LTIP[5]	March 2017 and Dec 2020	27,257		(11,877)	43.57%	(15,380)	56.43%	-		$88,402
2018 EIP PRs[5]	1 March 2019 and Dec 2020	19,848	-	-	-	-	-	19,848	$0	-
2019 EIP PRs[5]	1 March 2020 and Dec 2020	12,860	-	-	-	-	-	12,860	$0	-
2020 EIP PRs	1 March 2021	-	9,947	-	-	-	-	9,947	$61,174	-

[1]Share rights granted in respect of the 2020 EIP, which form part of the share based payments for 2020 to 2024 inclusive.
[2]Totals include vested, and vested and exercisable as at 31 December 2021.
[3]Fair Value of $6.15 at point of grant. FV for MD's grant is $6.36
[4]Value at point of vest. Share price at 1 March 2021 was $7.44
[5]The initial grant date reflects the original date Performance Right were allocated in relation to the 2018 and 2019 EIP awards. "Top up" rights were granted in Dec 2020 as a result of the Deterra Royalties demerger, in order to keep participants "whole". Further detail can be found in the 2020 Remuneration Report.

6.3 FAIR VALUE OF EQUITY GRANTS

The fair value of each restricted right or performance right and the vesting year for each incentive plan is set out below. The maximum value of restricted rights and/or performance 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 rights and/or performance rights is nil.

Incentive Plan	Grant Date	Grant Type	Fair Value per Right at Grant Date $[1]	Vesting Year	Expiry year[2]
2016 LTIP (MD grant)	October 2016	Performance Rights – ROE Tranche	5.42	2021	2026
		Performance Rights – TSR Tranche	3.71		
2017 LTIP[3]	March 2017	Performance Rights – ROE Tranche	7.44	2021	2027
		Performance Rights – TSR Tranche	5.66		
2018 EIP[4]	March 2019	Restricted Rights	9.35	2020, 2021, 2022	2020,2021,2022
		Performance Rights	5.67	2022	2022
2019 EIP[5]	March 2020	Restricted Rights	9.19	2021, 2022, 2023	2021,2022,2023
		Performance Rights	6.83	2023	2023
2020 EIP[6]	March 2021	Restricted Rights	7.47	2022, 2023, 2024, 2025	2022, 2023, 2024, 2025
		Performance Rights	6.15/6.36	2025	2025
2021 EIP[7]	March 2022	Restricted Rights	10.10	2023,2024,2025,2026	2023, 2024, 2025, 2026
		Performance Rights		2026	2026

[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 5 day VWAP to the date of grant of restricted shares, and fair value of $6.15 for performance rights awarded to Executive KMP, other than the MD and fair value of $6.36 for the Managing Director's award under the 2020 EIP for which the performance period concluded on 31 December 2020. Shareholder approval for the grant of Share Rights and Performance Rights to the Managing Director was obtained under ASX Listing Rule 10.14 at the 2020 Annual General Meeting.
[7]Represents the estimated fair value of restricted rights and performance rights to be awarded under the 2021 EIP for which the performance period concluded on 31 December 2021, calculated using the closing share price of $10.10 at 31 December 2021. The actual value will be calculated as the VWAP of ordinary shares over the five trading days following the release of the company's 2021 annual results.

6.4 SHAREHOLDINGS OF EXECUTIVE KMP AND THEIR RELATED PARTIES

Name	Number of shares					Minimum shareholding met?[3]
	Balance held at 1 January 2021[1]	Vesting/ exercise of share rights pursuant to LTIP	Awarded as Restricted Shares pursuant to EIP	Other changes[2]	Balance held at 31 December 2021[1]	
T O'Leary	469,085	360,399	70,827	-	900,311	Yes
A Stratton	81,539	7,919	24,904	(8,142)	106,220	Yes
M Blackwell	86,243	45,756	24,879	(67,113)	89,765	Yes
S Tilka	75,146	11,877	15,900	(59,882)	43,041	No

[1] Includes shares held directly or through a nominee or agent (e.g. family trust).
[2] Other changes may include changes due to personal trades and forfeited shares.
[3] As at 31 December with share price of $10.10.

DIRECTORS' REPORT

For the year ended 31 December 2021

6.5 SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS AND THEIR RELATED PARTIES

Name	Number of shares[1]			Minimum shareholding met?[2]
	Balance held at 1 January 2021	Net movement	Balance held at 31 December 2021	
G Martin[3]	30,000	0	30,000	No
M Bastos[3]	14,544	8,278	22,822	Yes
R Cole[3]	12,000	10,000	22,000	Yes
S Corlett	9,993	0	9,993	No
L Saint	3,500	14,500	18,000	Yes
A Sutton[4]	N/A	22,000	22,000	Yes
Former Non-executive Directors				
J Ranck	12,909	-12,909	0	N/A

[1]Non-Executive directors do not receive share based remuneration and movements in their shareholdings reflect on-market trades.
[2]Minimum shareholding requirements changed in January 2022 and this assessment reflects these changes.
[3] Includes shares held indirectly through a nominee or agent (e.g. family trust).
[4] A Sutton was appointed on 11 March 2021.

On-market share purchases

The total number of Iluka shares acquired on-market to satisfy employee incentive schemes in 2021 was 1,548,404 at an average price of $8.21 per share.

Transactions with key management personnel

During the financial year there were no product or services purchases by Executive KMP from the Group (2020: nil) and there are no amounts payable at 31 December 2021 (2020: nil).

Loans with KMPs

There have been no loans to Executive KMP during the financial year (2020: nil).

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 31 December 2021

Auditor's Independence Declaration

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 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 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
24 February 2022

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
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ILUKA RESOURCES LIMITED FINANCIAL REPORT ABN 34 008 675 018

31 December 2021

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 24 February 2022. 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 2021

	Notes	2021 $m	2020 $m
CONTINUING OPERATIONS			
Revenue	5	**1,559.4**	990.6
Other income		**9.8**	21.2
Expenses	6	**(1,067.5)**	(799.3)
Equity accounted share of profit - Deterra	23	**18.4**	0.1
Interest and finance charges		**(6.2)**	(7.7)
Rehabilitation and mine closure provision discount unwind		**(8.9)**	(26.6)
Total finance costs	15	**(15.1)**	(34.3)
Profit before income tax		**505.0**	178.3
Income tax expense	11	**(139.1)**	(74.8)
Profit after income tax from continuing operations		**365.9**	103.5
DISCONTINUED OPERATIONS			
Profit after tax from discontinued operations	23	**-**	2,306.5
Profit for the period, attributable to:		**365.9**	2,410.0
Equity holders of Iluka Resources Limited		**364.9**	2,411.9
Non-controlling interest		**1.0**	(1.9)

	Cents	Cents
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent		
Basic earnings per share	**86.7**	24.5
Diluted earnings per share	**86.0**	24.4
Earnings per share attributable to ordinary equity holders of the parent		
Basic earnings per share	**86.7**	570.4
Diluted earnings per share	**86.0**	568.0

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	**2021 $m**	2020 $m
Profit for the period		**365.9**	2,410.0
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Currency translation of foreign operations	17	**(9.2)**	6.2
Movements in foreign exchange cash flow hedges, net of tax	17	**(1.9)**	5.7
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	17	**3.8**	(4.2)
Total other comprehensive (loss)/income for the year, net of tax		**(7.3)**	7.7
Total comprehensive income for the year, attributable to:		**358.6**	2,417.7
Equity holders of Iluka Resources Limited		**357.6**	2,419.6
Non-controlling interest	22	**1.0**	(1.9)
Total comprehensive income for the year attributable to the equity holders of the parent arises from:			
Continuing operations		**357.6**	113.1
Discontinued operations		**-**	2,306.5

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Notes	2021 $m	2020 $m
ASSETS			
Current assets			
Cash and cash equivalents	15	**294.8**	87.1
Receivables	13	**253.7**	95.5
Inventories	14	**489.7**	504.1
Derivative financial instruments	21	**-**	1.9
Total current assets		**1,038.2**	688.6
Non-current assets			
Investments accounted for using the equity method	23	**455.7**	452.1
Derivative financial instruments	21	**-**	0.6
Property, plant and equipment	9	**1,009.5**	1,066.8
Deferred tax assets	12	**39.1**	28.4
Inventories	14	**65.0**	112.0
Right of use assets	10	**28.7**	15.4
Total non-current assets		**1,598.0**	1,675.3
Total assets		**2,636.2**	2,363.9
LIABILITIES			
Current liabilities			
Payables		**174.8**	129.4
Derivative financial instruments	21	**0.5**	-
Current tax payable		**28.5**	29.3
Provisions	8	**100.1**	95.0
Lease liabilities	10	**8.7**	7.5
Total current liabilities		**312.6**	261.2
Non-current liabilities			
Interest-bearing liabilities	15	**-**	36.9
Provisions	8	**690.8**	750.5
Financial liabilities at fair value through profit or loss	22	**11.0**	7.2
Lease liabilities	10	**27.2**	15.8
Total non-current liabilities		**729.0**	810.4
Total liabilities		**1,041.6**	1,071.6
Net assets		**1,594.6**	1,292.3
EQUITY			
Contributed equity	16	**1,148.3**	1,150.5
Reserves	17	**31.0**	37.1
Retained earnings	17	**413.9**	104.3
Non-controlling interests	22	**1.4**	0.4
Total equity		**1,594.6**	1,292.3

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 2021

	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	17	-	-	2,411.9	2,411.9	(1.9)	2,410.0
Other comprehensive income (loss)	17	-	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		-	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		-	(0.3)	-	(0.3)	0.3	-
Return of capital		(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**

	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 2021		**1,150.5**	**37.1**	**104.3**	**1,291.9**	**0.4**	**1,292.3**
Profit for the year	17	-	-	364.9	364.9	1.0	365.9
Other comprehensive income (loss)	17	-	(11.1)	3.8	(7.3)	-	(7.3)
Total comprehensive income		**-**	**(11.1)**	**368.7**	**357.6**	**1.0**	**358.6**
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		3.0	(3.0)	-	-	-	-
Share-based payments, net of tax		-	8.1	-	8.1	-	8.1
Purchase of treasury shares, net of tax		(9.0)	-	-	(9.0)	-	(9.0)
Dividends paid	18	3.8	-	(59.2)	(55.4)	-	(55.4)
		(2.2)	5.1	(59.2)	(56.3)	-	(56.3)
Balance at 31 December 2021		**1,148.3**	**31.0**	**413.9**	**1,593.2**	**1.4**	**1,594.6**

[1]Non-controlling interest - refer to note 22(b).

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 2021

	Notes	2021 $m	2020 $m
Cash flows from operating activities			
Receipts from customers		**1,386.1**	1,043.0
Receipts/(repayments) of government assistance - JobKeeper	2	**(13.9)**	13.9
Payments to suppliers and employees		**(858.3)**	(860.2)
Operating cash flow		**513.9**	196.7
Interest received		**0.6**	0.7
Interest paid		**(1.7)**	(3.2)
Income taxes paid		**(149.9)**	(164.7)
Exploration expenditure		**(8.0)**	(10.0)
Mining Area C royalty receipts		**-**	92.2
Net cash inflow from operating activities	30	**354.9**	111.7
Cash flows from investing activities			
Payments for property, plant and equipment		**(53.6)**	(71.2)
Sale of property, plant and equipment		**2.0**	5.1
Payments for options contracts		**(0.1)**	-
Dividends received - Deterra		**14.8**	-
Net cash outflow from investing activities		**(36.9)**	(66.1)
Cash flows from financing activities			
Repayment of borrowings		**(117.2)**	(304.5)
Proceeds from borrowings		**78.2**	295.1
Purchase of treasury shares		**(11.9)**	-
Dividends paid		**(55.4)**	(32.6)
Principal element of lease payments		**(6.6)**	(9.3)
Net cash outflow from financing activities		**(112.9)**	(51.3)
Net increase/(decrease) in cash and cash equivalents		**205.1**	(5.7)
Cash and cash equivalents at 1 January		**87.1**	97.3
Effects of exchange rate changes on cash and cash equivalents		**2.6**	(4.5)
Cash and cash equivalents at end of period	15	**294.8**	87.1

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

CONTENT OF THE NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

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 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 34.

(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 2021 and the results of all subsidiaries for the year then ended. A list of controlled entities (subsidiaries) at year-end is contained in note 22(a).

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. Deterra Royalties Limited is accounted for as an associate.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 7.

(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.

(c) Government grants

The Group received $13.9 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 $13.9 million was reflected in the balance sheet as at that date. The full amount was repaid in the current reporting period.

(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 found in the following notes:

	Note
Rehabilitation and mine closure provisions	8
Net realisable value and classification of product inventory	14

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.

The Group recognises the physical and transitional impacts of climate change may affect its assets, productivity, the markets in which it sells its products, and the jurisdictions in which it operates. The Group continues to develop its assessment of the potential impacts of climate change and the transition to a low carbon economy and, where possible, the potential financial impacts have been considered in the preparation of these financial statements.

The Group's physical and transition risk assessment process is ongoing. Changes in the Group's climate strategy or global decarbonisation initiatives may impact the Group's significant judgements and key estimates and materially impact financial results and the carrying values of certain assets and liabilities in future reporting periods.

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.

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 and certain idle assets located in Australia (Murray Basin).

The Mining Area C (MAC) segment comprised a deferred consideration iron ore royalty interest over certain mining tenements in Australia operated by BHP Group, which was demerged from the Group in the prior reporting period. The results of the previous MAC operating segment are reflected in the comparative reporting period as discontinued operations.

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 2021 (2020: $nil).

(b) Segment information

2021	**JA/MW** $m	**C/SW** $m	**SRL** $m	**US/MB** $m	**Total** $m
Total segment sales of mineral sands	599.6	639.1	232.7	14.4	1,485.8
Total segment freight revenue	39.5	19.5	10.2	3.9	73.1
Depreciation and amortisation expense	(43.8)	(81.0)	(43.2)	(0.2)	(168.2)
Changes in rehabilitation recognised in profit or loss[1]	(9.7)	(1.0)	40.4	31.1	60.8
Total segment result[2]	331.6	237.3	16.1	32.0	617.0
Segment assets	685.5	852.2	113.3	149.1	1,800.1
Segment liabilities	323.5	315.2	121.9	177.5	938.1
Segment capital expenditure	36.7	17.5	-	7.5	61.7
Additions to non-current segment assets	36.7	66.6	-	7.5	110.8

2020	JA/MW $m	C/SW $m	SRL $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 recognised in profit or loss[1]	1.7	0.2	4.0	2.2	8.1
Total segment result[2]	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
Segment capital expenditure	7.7	28.4	20.9	0.8	57.8
Additions to non-current segment assets	44.6	80.0	20.9	0.8	146.3

[1]Changes in rehabilitation provisions charged or credited to profit or loss include those related to closed sites, and SRL. SRL is an open site, but is treated as closed as the carrying amount of SRL's mine development assets is fully impaired.

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

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:

	2021 $m	2020 $m
China	**502.6**	316.7
Asia excluding China	**247.6**	211.4
Europe	**407.9**	341.6
Americas	**265.9**	76.7
Other countries	**61.8**	0.6
Sale of goods	**1,485.8**	947.0

Revenue of $265.3 million and $183.9 million was derived from two external customers of the mineral sands segments, which individually account for greater than 10% of the total segment revenue (2020: revenues of $144.1 million and $90.7 million from two external customers).

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

	2021 $m	2020 $m
Segment result	**617.0**	307.4
Interest income	**0.5**	0.6
Asset sales and other income	**(0.2)**	(0.2)
Marketing and selling	**(10.8)**	(11.5)
Corporate and other costs	**(64.3)**	(54.6)
Major Projects, Engineering and Innovation	**(45.2)**	(62.3)
Depreciation	**(3.0)**	(3.4)
Interest and finance charges	**(5.3)**	(6.0)
Net foreign exchange gains	**7.6**	1.2
Equity accounted profit - Deterra	**18.4**	0.1
Gain on remeasurement of put option	**(3.4)**	19.4
Impairment - exploration assets	**(6.3)**	(12.4)
Profit before income tax from continuing operations	**505.0**	178.3

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

Segment assets	**1,800.1**	1,744.2
Corporate assets	**46.6**	50.1
Cash and cash equivalents	**294.8**	86.9
Deferred tax assets	**39.0**	28.4
Investment in Deterra Resources Limited	**455.7**	452.1
Total assets as per the balance sheet	**2,636.2**	2,361.7

Segment liabilities	**938.1**	949.2
Corporate liabilities	**75.0**	54.0
Current tax payable	**28.5**	29.3
Interest-bearing liabilities	**-**	36.9
Total liabilities as per the balance sheet	**1,041.6**	1,069.4

5 REVENUE

	Notes	2021 $m	2020 $m
Continuing operations			
Sales revenue			
Sale of goods	5(a)	**1,485.8**	947.0
Freight revenue	5(b)	**73.1**	43.0
Other revenue			
Interest	5(c)	**0.5**	0.6
		1,559.4	**990.6**

(a) Sale of mineral sands

The Group earns revenue by mining, processing, and subsequently selling mineral sands (including zircon, rutile, synthetic rutile and 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 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 $0.7 million relating to contracts in place at the end of the prior year (2020: $1.5 million). Freight revenue of $3.8 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.

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For the year ended 31 December 2021

6 EXPENSES

	Notes	2021 $m	2020 $m
Expenses			
Cash costs of production	6(a)	**559.1**	537.1
Depreciation/amortisation		**156.0**	178.9
Inventory movement - cash costs of production		**67.0**	(142.3)
Inventory movement - non-cash production costs		**12.6**	(39.9)
Cost of goods sold	6(b)	**794.7**	533.8
Ilmenite concentrate and by-product costs	6(c)	**20.1**	21.6
Depreciation (idle, corporate and other)		**15.2**	5.9
Restructure and idle capacity charges	6(d)	**33.4**	20.9
Rehabilitation costs for closed sites	6(e)	**(60.8)**	(7.2)
Government royalties		**38.0**	22.3
Marketing and selling costs		**107.5**	70.7
Corporate and other costs	6(f)	**64.3**	54.6
Major projects, exploration and innovation	6(g)	**45.2**	62.3
Put option remeasurement loss[1]		**3.4**	-
Net loss on disposal of property, plant and equipment		**0.2**	2.0
Impairment - exploration asset	7(b)	**6.3**	12.4
		1,067.5	799.3

(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. The costs incurred in 2021 increased due to the SR2 kiln being idled in February and March to reduce inventory levels.

(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 estimate, and are recognised in profit or loss. Details regarding the annual review for the current reporting period, together with the applicable accounting policy details, are outlined in note 8.

(f) Corporate and other costs

Corporate and other costs reflect expenses required to operate, govern, and grow the business and operations, including employee expenses, office costs, and other overheads for finance, legal, human resources, and senior management. Also included are $24.3 million (2020: $20.5 million) of centralised support costs to serve the operations, including resource development and mine planning, procurement and logistics, information technology, human resources support, and insurance premiums.

(g) Major projects, exploration and innovation

These costs relate to activities associated with developing our resources, including exploration and mine planning.

(h) Other required disclosures

Expenses also include the following:

	2021 $m	2020 $m
Employee benefits (excluding share-based payments)	**210.5**	202.6
Share-based payments	**10.6**	4.1
Exploration expenditure	**9.3**	12.8
Operating leases	**4.5**	3.0
Inventory NRV write-downs - finished goods and WIP	**11.4**	13.0

[1]A put option remeasurement gain of $19.4 million is included in other income in the comparative period.

7 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 CGUs and assets for the presence of impairment indicators, including those which may have arisen due to the continuing global economic impact of the ongoing COVID-19 pandemic.

No impairment indicators were found to be present in respect of any CGU at 31 December 2021, however, an impairment indicator was present in respect of an exploration asset following a decision by the Group to cease related exploration activities, and expiration of applicable exploration licences. Refer to (b), below.

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

(b) Impairment testing - exploration asset

The Group performed an impairment test on the exploration asset and estimated the recoverable to be $nil. Accordingly the Group wrote the carrying amount of $6.3 million down, resulting in an impairment loss of $6.3 million, included in expenses in note 6.

8 PROVISIONS

	Notes	**2021 $m**	2020 $m
Current			
Rehabilitation and mine closure	8(a)	**81.2**	77.3
Employee benefits - long service leave	8(b)	**12.0**	13.0
Workers compensation and other provisions		**6.9**	4.7
		100.1	95.0
Non-current			
Rehabilitation and mine closure	8(a)	**660.5**	720.7
Employee benefits - long service leave	8(b)	**3.7**	3.0
Retirement benefit obligations	29	**26.6**	26.8
		690.8	750.5

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

(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		**798.0**
Change in provisions - reassessment of provision for closed sites		**(60.8)**
Change in provisions - additions to property, plant and equipment		**49.3**
Rehabilitation and mine closure provision discount unwind	15(d)	**8.9**
Foreign exchange rate movements		**14.1**
Amounts spent during the year		**(67.8)**
Balance at 31 December		**741.7**

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 performing 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 15(d).

Reductions in the expected rehabilitation liability that relate to closed sites are credited to profit or loss. SRL is an open site, however reductions in its expected rehabilitation liability are also credited to profit or loss since the related rehabilitation assets are fully impaired. Credits to profit or loss are reported within the expense item rehabilitation costs for closed sites in note 6.

The total rehabilitation and mine closure provision of $741.7 million (2020: $798.0 million) includes $299.8 million (2020: $375.2 million) for assets no longer in use. A reduction of $60.8 million (2020: reduction of $8.1 million) in the expected rehabilitation liability for closed sites and SRL was recognised in the current reporting period, which has accordingly been credited to profit or loss. SRL is an open site, but is treated as closed as the carrying amount of SRL's rehabilitation assets is fully impaired. The provision reduction in the current reporting period was due to agreements with regulators and landholders in the US being finalised ($39.6 million reduction), and reduced rehabilitation requirements for SRL ($39.8 million reduction), partly offset by increases in the rehabilitation for closed Australian sites ($17.9 million increase).

Open site rehabilitation liabilities increased by $49.3 million (2020: increased by $86.6 million). The increase in the current period is due to higher earthmoving rates and a larger open area (driven by the move to Ambrosia and subsequent return to Jacinth North) at Jacinth-Ambrosia ($29.7 million), and increased mining footprint at Cataby ($19.3 million) due to the progression of mining at that operation. Jacinth-Ambrosia and Cataby comprise $156.6 million and $157.8 million of the rehabilitation provision balance, respectively.

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 for Australia, the US and Sierra Rutile have been calculated by discounting risk adjusted cash flows at discount rates representing the risk-free rates of applicable government bonds for the currencies in which each respective provision is recognised. The discount rates used for Australia, the US and Sierra Rutile are unchanged from the prior reporting period.

A one percent increase in only the discount rate used to calculate rehabilitation and mine closure provisions would result in a decrease to their closing balance of $62.7 million. Of this amount, $46.2 million would be recognised as a decrease in rehabilitation assets for open sites, and $16.6 million would be recognised as a credit in profit or loss for closed or previously impaired 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

9 PROPERTY, PLANT AND EQUIPMENT

	Land & buildings $m	Plant, machinery & equipment³ $m	Mine reserves & development³ $m	Exploration & evaluation $m	Total $m
At 1 January 2020					
Cost	320.5	2,536.7	1,265.4	43.6	4,166.2
Accumulated depreciation¹	(148.9)	(2,078.1)	(787.3)	(25.8)	(3,040.1)
Opening written down value	171.6	458.6	478.1	17.9	1,126.2
Additions	1.1	38.1	106.9	-	146.1
Disposals	(3.7)	(0.2)	-	(0.1)	(4.0)
Depreciation	(19.9)	(87.4)	(68.9)	-	(176.2)
Exchange differences²	(5.7)	(4.9)	(3.1)	0.8	(12.9)
Impairment of assets	-	-	(4.4)	(8.0)	(12.4)
Transfers	1.2	(4.8)	3.6	-	-
Closing written down value	144.6	399.4	512.2	10.6	1,066.8
At 31 December 2020					
Cost	301.1	2,450.0	1,215.8	35.0	4,001.9
Accumulated depreciation	(156.5)	(2,050.6)	(703.6)	(24.4)	(2,935.1)
Closing written down value	**144.6**	**399.4**	**512.2**	**10.6**	**1,066.8**
Year ended 31 December 2021					
Additions	0.1	51.8	58.9	-	110.8
Disposals	-	(0.4)	-	-	(0.4)
Depreciation	(10.8)	(85.5)	(69.1)	-	(165.4)
Exchange differences²	2.9	1.1	(0.1)	0.2	4.0
Impairment	-	-	(6.3)	-	(6.3)
Transfers	(0.2)	0.2	-	-	-
Closing written down value	**136.6**	**366.5**	**495.6**	**10.8**	**1,009.5**
At 31 December 2021					
Cost	311.8	2,482.7	1,288.9	35.5	4,118.9
Accumulated depreciation	(175.2)	(2,116.2)	(793.3)	(24.7)	(3,109.4)
Closing written down value	**136.6**	**366.5**	**495.6**	**10.8**	**1,009.5**

¹Accumulated depreciation includes cumulative impairment charges.

²Exchange differences arising on translation of the gross cost and accumulated depreciation of items of property, plant and equipment held by foreign operations are reflected net.

³Iluka reclassified certain items of property, plant and equipment from mine reserves and development to plant, machinery and equipment. Comparatives have been restated to reflect the reclassification.

(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 8, 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 $49.3 million (2020: $86.6 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 $41.7 million, $10.4 million and $nil, respectively, relating to assets under construction which are currently not being depreciated as the assets are not ready for use (2020: $26.9 million, $7.9 million and $0.6 million, respectively).

In addition, within property, plant and equipment, excluding exploration and land assets, are amounts totalling $63.2 million which have not been depreciated in the year as mining of the related area of interest has not yet commenced (2020: $62.3 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 7 for details on impairment testing.

10 LEASES

(a) Amounts recognised in the statement of financial position

	2021 $m	2020 $m
Right-of-use assets		
Buildings	**8.2**	9.2
Plant, machinery and equipment	**20.5**	6.2
	28.7	15.4
Lease liabilities		
Current	**8.7**	7.5
Non-current	**27.2**	15.8
	35.9	23.3

Additions to the right-of-use assets during the reporting period were $21.1 million (2020: $2.6 million). Right-of-use assets are reflected net of incentives received. The maturity analysis of lease liabilities is included in note 20(d).

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

	2021 $m	2020 $m
Amortisation charge of right-of-use assets		
Buildings	**1.0**	1.3
Plant, machinery and equipment	**5.2**	7.5
	6.2	8.8
Borrowing costs	**0.9**	1.3
Expense relating to short term leases, low value leases and leases with variable payments	**4.5**	3.0

Payments for the principal element of leases of $6.6 million (2020: $9.3 million) are included in the statement of cash flows.

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 3.1% (2020: 4.9%).

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.

11 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

	Notes	**2021 $m**	2020 $m
Current tax		**146.6**	98.4
Deferred tax		**(5.4)**	(3.1)
(Over)/under provided in prior years		**(2.1)**	0.2
		139.1	95.5
Income tax expense is attributable to:			
Profit from continuing operations		**139.1**	74.8
Profit from discontinued operation		**-**	20.7
Aggregate income tax expense		**139.1**	95.5

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

Profit from continuing operations before income tax expense	**505.0**	178.3
Profit from discontinued operations before income tax expense	**-**	2,327.2
	505.0	**2,505.5**
Tax at the Australian tax rate of 30% (2020: 30%)	**151.5**	751.7

Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Equity accounted share of profit - Deterra	**(5.4)**	-
Non-assessable income	**(23.6)**	(8.0)
SRL minimum tax[1]	**5.4**	27.0
Non-deductible expenses	**3.7**	6.1
Other items	**0.5**	4.1
Research and development credit	**-**	(3.2)
Recognition of historical alternative minimum tax (AMT) credits	**-**	(4.5)
Losses not recognised by overseas operations	**10.0**	3.0
Demerger gain	**-**	(680.7)
	142.1	**95.5**
Difference in overseas tax rates	**(0.9)**	(0.2)
(Over)/under provision in prior years	**(2.1)**	0.2
Income tax expense	**139.1**	**95.5**

[1] The SRL minimum tax was 3.5% of revenue until 1 August 2021, when it was reduced to 0.5% of revenue.

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$251.0 million (equivalent to $346.3 million) at 31 December 2021 (2020: US$237.1 million, equivalent to $308.3 million).

Unused capital losses for which no deferred tax asset has been recognised are approximately $80.5 million (2020: $79.4 million) (tax at the Australian rate of 30%: $24.1 million (2020: $23.8 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 2019 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$509.7 million at 31 December 2021 (31 December 2020: US$502.3 million).

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

	2021 $m	2020 $m
Changes in fair value of foreign exchange cash flow hedges	**0.6**	(2.6)
Actuarial gains (losses) on retirement benefit obligation	**(1.1)**	(1.8)
	(0.5)	(4.4)

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.

12 DEFERRED TAX

	2021 $m	2020 $m
Deferred tax asset:		
The balance comprises temporary differences attributable to:		
Employee provisions	**8.2**	8.1
Provisions	**178.4**	166.3
Lease liabilities	**10.7**	7.0
Other	**5.7**	10.2
Gross deferred tax assets	**203.0**	191.6
Amount offset from deferred tax liabilities pursuant to set-off provision	**(163.9)**	(163.2)
Net deferred tax assets	**39.1**	28.4
Deferred tax liability:		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**(134.5)**	(138.7)
Inventory	**(15.3)**	(17.3)
Treasury shares	**(3.1)**	(0.5)
Right-of-use assets	**(10.3)**	(6.5)
Receivables	**(0.3)**	(0.2)
Other	**(0.4)**	-
Gross deferred tax liabilities	**(163.9)**	(163.2)
Amount offset to deferred tax assets pursuant to set-off provision	**163.9**	163.2
Net deferred tax liabilities	**-**	**-**
Movements in net deferred tax balance:		
Balance at 1 January	**28.4**	22.1
Credited to the income statement	**5.4**	5.9
Over provision in prior years	**1.0**	7.4
Charged directly to equity	**4.4**	(2.6)
Transfers	**(0.1)**	(4.4)
Balance at 31 December	**39.1**	28.4

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 2021, there were no carried forward tax losses recognised by SRL (2020: $nil million).

13 RECEIVABLES

	2021 $m	2020 $m
Trade receivables	**213.8**	55.0
Other receivables	**16.5**	26.6
Prepayments	**23.4**	13.9
	253.7	95.5

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 47 days of the invoice being issued (2020: 43 days).

The Group has applied the simplified approach to measuring expected credit losses (ECL), which uses a lifetime expected loss allowance for all trade receivables. Based on the payment profiles of sales over the past three years and historical credit losses experienced within this period, the Group concluded that the lifetime ECL would be negligible and therefore no loss allowance was required at 31 December 2021 (2020: nil). The amount of any impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other expenses.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and subsequent recoveries of amounts previously written off are recognised within other expenses.

There was $3.4 million overdue at balance date (2020: $6.6 million), of which $nil million is less than 28 days overdue (2020: $0.5 million). Due to the short-term nature of the Group’s receivables, their carrying value is considered to approximate fair value.

(a) Trade receivables purchase facility

Iluka has a purchase facility for the sale of eligible trade receivables. Trade receivables sold using the facility were previously covered by an insurance policy, the terms of which (when taken together with the terms applicable to the facility) resulted in them being derecognised by the Group, since the majority of the significant risks and rewards of ownership had transferred to the purchaser, including credit risk. Iluka’s balance sheet included a continuing involvement asset of $12.0 million in other receivables (and a corresponding continuing involvement liability was reflected in payables for the same amount), comprising the maximum first loss specified under the facility and deductible amounts under the insurance policy.

Iluka elected not to renew the insurance policy during the current reporting period, and accordingly does not derecognise trade receivables sold using the facility as the majority of the risks and rewards of ownership, including credit risk, are retained by the Group.

Trade receivables include $18.9 million of sold trade receivables at the reporting date. A corresponding liability is included under payables for the same amount, representing the Group's risk associated with sold trade receivables.

(b) Credit risk

At 31 December 2021 the trade receivables balance was $213.8 million, with $30.3 million by letters of credit. As a result, the Group had $183.5 million of uninsured receivables at the reporting date (2020: $nil). Further details regarding the Group's approach to managing customer credit risk are outlined in note 20(b).

14 INVENTORIES

	2021 $m	2020 $m
Current		
Work in progress	**224.6**	156.6
Finished goods	**220.9**	312.6
Consumable stores	**44.2**	34.9
Total current inventories	**489.7**	504.1
Non-current		
Work in progress	**65.0**	112.0
Total non-current inventories	**65.0**	112.0
Total inventories	**554.7**	**616.1**

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 $36.1 million (2020: $34.4 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 $11.4 million occurred for work in progress or finished goods (2020: $13.0 million). If finished goods future selling prices were 5% lower than expected, an inventory write-down of $1.6 million would be required at 31 December 2021 (2020: $1.5 million).

Inventory of $65.0 million (2020: $112.0 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date.

CAPITAL

15 NET CASH AND FINANCE COSTS

	2021 $m	2020 $m
Cash and cash equivalents		
Cash at bank and in hand	**92.6**	87.1
Deposits at call	**202.2**	-
Total cash and cash equivalents	**294.8**	87.1
Non-current interest-bearing liabilities (unsecured)		
Multi Optional Facility Agreement	**-**	(38.0)
Deferred borrowing costs	**-**	1.1
Total interest-bearing liabilities	**-**	(36.9)
Net cash	**294.8**	**50.2**

(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 0.1% and 3.3% (2020: 0.0% and 3.0%) 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$512.0 million (2020: A$500.1 million). The facilities are denominated in both AUD and USD.

The table below details the facility expiries:

	Total			**Facility Expiry**		
A$million	**facility**	**2022**	**2023**	**2024**	**2025**	**2026**
At 31 December 2021	**512.0**	**-**	**-**	**512.0**	**-**	**-**
At 31 December 2020	500.1	-	-	500.1	-	-

Undrawn MOFA facilities at 31 December 2021 were A$512.0 million (2020: A$462.1 million).

(c) Interest rate exposure

No amount was drawn down on the facility at 31 December 2021 (2020: $38.0 million was subject to an effective weighted average floating interest rate of 1.5%). The contractual repricing date of all floating rate interest-bearing liabilities at the balance date is within one year.

(d) Finance costs

	2021 $m	2020 $m
Interest charges on interest-bearing liabilities	**0.8**	1.9
Bank fees and similar charges	**3.8**	3.9
Amortisation of deferred borrowing costs	**0.7**	0.6
Lease borrowing costs	**0.9**	1.3
Rehabilitation and mine closure provision discount unwind	**8.9**	14.4
Rehabilitation provision discount rate changes	**-**	12.2
Total finance costs	**15.1**	34.3

(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 8(a).

(iii) Rehabilitation provision discount rate changes

Any change in the discount rate for closed sites is recorded as a finance cost. In the prior reporting period, Iluka re-set the risk free discount rates used in calculating rehabilitation provisions in the US and Sierra Leone 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.

16 CONTRIBUTED EQUITY

	2021 Shares	2020 Shares	**2021 $m**	2020 $m
Balance on 1 January, comprising				
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)	**(1.2)**	(2.8)
	422,569,752	422,114,322	**1,150.5**	1,157.6
Movements in ordinary share capital				
2021 Interim Dividend - DRP	**351,254**	-	**3.3**	-
2020 Final Dividend - DRP	**81,407**	-	**0.5**	-
2019 Final Dividend - DRP	**-**	184,903	**-**	1.2
Redemption of capital - Deterra Demerger	**-**	-	**-**	(10.0)
Movements in treasury shares, net of tax				
Employee share issues	**572,970**	270,527	**3.0**	1.7
Treasury share purchases	**(1,584,193)**	-	**(9.0)**	-
Balance on 31 December, comprising	**421,991,190**	**422,569,752**	**1,148.3**	**1,150.5**
Ordinary shares - fully paid	**423,202,342**	422,769,681	**1,155.5**	1,151.7
Treasury shares - net of tax	**(1,211,152)**	(199,929)	**(7.2)**	(1.2)

(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**
2020 final	8 April 2021	6.77	81,407
2021 interim	6 October 2021	9.66	351,254

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

17 RESERVES AND RETAINED EARNINGS

	Notes	2021 $m	2020 $m
Asset revaluation reserve			
Balance at 1 January		**10.8**	11.3
Transfer to retained earnings on disposal		**(0.1)**	(0.5)
Balance at 31 December	17(a)	**10.7**	10.8
Hedge reserve			
Balance at 1 January		**0.9**	(4.8)
Changes in the fair value of hedging instruments recognised in equity		**(5.0)**	0.7
Reclassified to profit or loss		**2.4**	7.8
Deferred tax		**0.7**	(2.8)
Balance 31 December	17(b)	**(1.0)**	0.9
Share-based payments reserve			
Balance at 1 January		**2.2**	0.2
Share-based payments, net of tax		**8.1**	3.7
Transfer of shares to employees, net of tax		**(3.0)**	(1.7)
Balance at 31 December	17(c)	**7.3**	2.2
Foreign currency translation			
Balance at 1 January		**45.3**	39.1
Currency translation of US operation		**(9.2)**	14.9
Currency translation of SRL		**(1.8)**	(0.2)
Translation differences on other foreign operations		**1.9**	(8.5)
Balance at 31 December	17(d)	**36.2**	45.3
Other reserves			
Balance at 1 January		**(22.1)**	(21.8)
(Loss)/gain on part disposal of investment in subsidiary		**-**	(0.3)
Balance at 31 December	17(e)	**(22.1)**	(22.1)
Total reserves		**31.1**	37.1
Retained earnings			
Balance at 1 January		**104.3**	(472.0)
Net profit/(loss) for the period		**364.9**	2,411.9
Dividends paid		**(59.2)**	(1,831.9)
Transfer from asset revaluation reserve		**0.1**	0.5
Actuarial gains (losses) on retirement benefit obligation, net of tax		**3.8**	(4.2)
Balance at 31 December		**413.9**	104.3

(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 foreign currency collars as part of its foreign currency risk management strategy associated with its US dollar denominated sales, as described in note 21. The foreign currency collars are designated to 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 16) 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 2021 and 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. No such changes occurred in the current reporting period (2020: 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).

18 DIVIDENDS

	2021 $m	2020 $m
Final dividend		
for 2019 of 8 cents per share, fully franked	**-**	33.8
for 2020 of 2 cents per share, fully franked	**8.6**	-
Interim dividend		
for 2021 of 12 cents per share, fully franked	**50.6**	-
Distributions		
Demerger dividend	**-**	1,798.1
Total dividends	**59.2**	1,831.9

Of the total $50.6 million interim dividend declared for 2021 and the total $8.6 million final dividend declared for 2020, shareholders respectively took up $3.3 million and $0.5 million as ordinary shares as part of the Dividend Reinvestment Plan. Refer to note 16(a).

Since balance date the directors have determined a final dividend for 2021 of 12 cents per share, fully franked. The dividend is payable on 7 April 2022 for shareholders on the register as at 10 March 2022. The aggregate amount of the proposed dividend is $50.6 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 2021 is $406.6 million (2020: $281.0 million). This balance is based on a tax rate of 30% (2020: 30%).

19 EARNINGS PER SHARE

Basic earnings per share	**2021 Cents**	2020 Cents
From continuing operations	**86.7**	24.5
From discontinued operations	**-**	545.9
Total basic earnings per share	**86.7**	570.4

Diluted earnings per share		
From continuing operations	**86.0**	24.4
From discontinued operations	**-**	543.6
Total diluted earnings per share	**86.0**	568.0

Total earnings per share (EPS) is the amount of post-tax earnings 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 in the prior reporting period.

Total basic EPS is calculated on the profit for the period of $365.9 million (2020: profit of $2,410.0 million) divided by the weighted average number of shares on issue during the year, excluding treasury shares, being 422,267,055 shares (2020: 422,478,404 shares).

Total diluted EPS takes into account the dilutive effect of all outstanding share rights vesting as ordinary shares.

RISK

20 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 21.

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 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:

	2021 $m	2020 $m
Cash and cash equivalents	**6.3**	26.8
Receivables	**189.3**	33.0
Payables	**(51.4)**	(25.4)
Interest-bearing liabilities	**-**	(13.0)
Derivative financial instruments	**(11.6)**	(4.7)
	132.6	16.7

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

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

(ii) Group sensitivity

The average US dollar exchange rate during the year was 0.7515 (2020: 0.6907). The US dollar spot rate at 31 December 2021 was 0.7248 (31 December 2020: 0.7690). Based on the Group's net financial assets at 31 December 2021, 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 for the year and equity:

	-10% Strengthen		+10% Weaken	
	Profit (loss) $m	Equity $m	Profit (loss) $m	Equity $m
31 December 2021	**10.4**	**4.9**	**(8.4)**	**(3.3)**
31 December 2020	5.2	7.7	7.0	(6.5)

(iii) Interest rate risk

Interest rate risk arises from the Group's borrowings and cash deposits. During 2021 and 2020, the Group's borrowings at variable rates were denominated in Australian dollars and US dollars. At 31 December 2021, 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 2021	**0.3**	**(0.3)**
31 December 2020	0.4	(0.4)

The sensitivity is calculated using the average month end debt position for the year ended 31 December 2021. The interest charges in note 15(d) of $0.8 million (2020: $1.9 million) reflect interest-bearing liabilities in 2021 that range between $nil and $60.5 million (2020: $1.3 million and $159.7 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's policy is to ensure that cash deposits are held by financial institutions with a minimum A-/A3 credit rating. Exposure limits are approved by the Board based on credit ratings from external ratings agencies.

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 manages customer credit risk subject to established policies, procedures and controls. Credit limits are established for all customers. The Group trades primarily with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating (if available), financial position, past experience, and industry reputation.

Credit risk management practices include reviews of trade receivables aging by days past due, the timely follow-up of past due amounts, and the use of letters of credit.

The expected credit loss on trade receivables is not significant.

(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 15(b)(i)) of $512.0 million at balance date as well as cash and cash equivalents of $294.8 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 2021	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		174.8	-	-	-	174.8	174.8
Lease liabilities	3.1	8.7	8.1	14.1	5.0	40.8	35.9
Interest-bearing variable rate	1.5	-	-	-	-	-	-
Total non-derivatives		183.5	8.1	14.1	5.0	215.6	210.7
Derivatives							
Foreign exchange collar contracts		0.5	-	-	-	0.5	0.5
Put option		11.0	-	-	-	11.0	11.0
Total derivatives		11.5	-	-	-	11.5	11.5

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	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

Refer to note 21 for detail on derivative instruments.

21 HEDGING

	2021 $m	2020 $m
Current (liabilities)/assets		
Foreign exchange collar hedges	**(0.5)**	1.9
Non-current assets		
Foreign exchange collar hedges	**-**	0.6

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 2021 and 31 December 2020, comprising the above hedging instruments and the put option liability detailed in note 22(b)(ii). 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 20(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$102.3 million of expected USD revenue to 31 December 2022 and comprise US$102.3 million worth of purchased AUD call options with a weighted average strike price of 80.0 cents and US$102.3 million of AUD put options with a weighted average strike price of 65.9 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$105.5 million in foreign exchange collar contracts consisting of US$105.5 million of bought AUD call options with weighted average strike prices of 78.6 cents and US$105.5 million of sold AUD put options with weighted average strike prices of 70.4 cents matured during the year. Additionally, US$24.6 million of bought AUD call options with a weighted average strike price of 80.0 cents and US$69.7 million of foreign exchange forward contracts with a weighted average rate of 77.2 cents matured 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.

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 2021 and 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 or prior reporting period.

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For the year ended 31 December 2021

GROUP STRUCTURE

22 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE

(a) Subsidiaries

The consolidated financial statements incorporate the following subsidiaries:

	Note	Place of business/ country of incorporation	Ownership interest held by the group 2021 %	2020 %
Iluka Resources Limited (Parent Company)	*	**Australia**		
Ashton Coal Interests Pty Limited		Australia	**96**	96
Associated Minerals Consolidated Ltd	*	Australia	**100**	100
Basin Minerals Holdings Pty Ltd	*	Australia	**100**	100
Basin Minerals Limited	*	Australia	**100**	100
Basin Properties Pty Ltd	*	Australia	**100**	100
Glendell Coal Ltd	*	Australia	**100**	100
Gold Fields Asia Ltd	*	Australia	**100**	100
Ilmenite Proprietary Limited	*	Australia	**100**	100
Iluka (Eucla Basin) Pty Ltd	*	Australia	**100**	100
Iluka Consolidated Pty Limited	*	Australia	**100**	100
Iluka Corporation Limited	*	Australia	**100**	100
Iluka Eneabba Pty Ltd	^	Australia	**100**	-
Iluka Exploration Pty Limited	*	Australia	**100**	100
Iluka Finance Limited	*	Australia	**100**	100
Iluka International (Brazil) Pty Ltd	*	Australia	**100**	100
Iluka International (China) Pty Ltd	*	Australia	**100**	100
Iluka International (ERO) Pty Ltd	*	Australia	**100**	100
Iluka International (Lanka) Pty Ltd	*	Australia	**100**	100
Iluka International (Netherlands) Pty Ltd	*	Australia	**100**	100
Iluka International (South Africa) Pty Ltd	*	Australia	**100**	100
Iluka International (West Africa) Pty Ltd	*	Australia	**100**	100
Iluka International Limited	*	Australia	**100**	100
Iluka Midwest Limited	*	Australia	**100**	100
Iluka Rare Earths Pty Ltd	^	Australia	**100**	-
Iluka RE Investments Pty Ltd	^	Australia	**100**	-
Iluka Royalties (Australia) Pty Ltd	*	Australia	**100**	100
Iluka Share Plan Holdings Pty Ltd	*	Australia	**100**	100
Lion Properties Pty Limited	*	Australia	**100**	100
NGG Holdings Ltd	*	Australia	**100**	100
Renison Limited	*	Australia	**100**	100
Southwest Properties Pty Ltd	*	Australia	**100**	100
Swansands Pty Ltd	*	Australia	**100**	100
The Mount Lyell Mining and Railway Company Limited	*	Australia	**100**	100
The Nardell Colliery Pty Ltd	*	Australia	**100**	100
Western Mineral Sands Proprietary Limited	*	Australia	**100**	100
Western Titanium Limited	*	Australia	**100**	100
Westlime (WA) Limited	*	Australia	**100**	100
Yoganup Pty Ltd	*	Australia	**100**	100
A.C.N. 637 824 027 Limited		Australia	**-**	100
Iluka Brasil Mineração Ltda		Brazil	**100**	100
Iluka Investments (BVI) Limited		British Virgin Islands	**90**	90

	Note	Place of business/ country of incorporation	Ownership interest held by the group 2021 %	2020 %
Sierra Rutile Holdings Limited		British Virgin Islands	**90**	90
SRL Acquisition No. 3 Limited		British Virgin Islands	**90**	90
Iluka Exploration (Canada) Limited		Canada	**100**	100
Iluka Trading (Shanghai) Co., Ltd		China	**100**	100
Iluka Exploration (Kazakhstan) LLP		Kazakhstan	**-**	100
Sierra Rutile Limited		Sierra Leone	**90**	90
Iluka International (Eurasia) Pte. Ltd		Singapore	**100**	100
Iluka South Africa (Pty) Limited		South Africa	**100**	100
Iluka Lanka P.Q. (Private) Limited		Sri Lanka	**100**	100
Iluka Lanka Resources (Private) Limited		Sri Lanka	**100**	100
ERO (Tanzania) Limited		Tanzania	**100**	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 (UK) Ltd		United Kingdom	**100**	100
Iluka International (UK) Limited		United Kingdom	**100**	100
Iluka Technology (UK) Ltd		United Kingdom	**100**	100
Sierra Rutile (UK) Limited		United Kingdom	**90**	90
Associated Minerals Consolidated Investments		USA	**100**	100
Iluka (USA) Investments Inc.		USA	**100**	100
Iluka Atlantic LLC		USA	**100**	100
Iluka Resources (NC) LLC		USA	**100**	100
Iluka Resources (TN) LLC		USA	**100**	100
Iluka Resources Inc.		USA	**100**	100
IR RE Holdings LLC		USA	**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, 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.

^ In October 2021, Iluka incorporated three Australian wholly-owned entities in relation to its rare earths project. These companies are not parties to the Deed.

(b) Non-controlling interests (NCI)

(i) 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. Under the partnership, the IFC acquired an interest in SRL from the Group, and the Group entered into a put option arrangement with the IFC (refer to (ii), below).

The IFC holds 10% of Iluka Investments (BVI) Limited at 31 December 2021, which was acquired in two tranches. No changes to the IFC's holding have occurred in the current reporting period.

(ii) Transactions with NCI - put option held by the IFC

The Group also entered into a commercial put option (i.e. at fair market value) with the IFC, exercisable only after 7 years from June 2019 (or 3 years if the Sembehun development was not approved).

The put option was revalued to $11.0 million (2020: $7.2 million), being the equivalent of US$8.0 million (2020: $5.5 million) during the current reporting period. The resultant $3.4 million remeasurement loss is included in expenses in profit or loss (2020: $19.4 million remeasurement gain included in other income). In addition, an unrealised foreign exchange gain of $0.4 million has been recognised in profit or loss in relation to the put option (2020: $1.8 million foreign exchange gain).

(c) Condensed financial statements of the extended closed group

Condensed statement of profit or loss and other comprehensive income	2021 $m	2020 $m
CONTINUING OPERATIONS		
Revenue from ordinary activities	**1,313.1**	756.8
Expenses from ordinary activities	**(863.1)**	(509.3)
Finance costs	**(13.5)**	(13.7)
Equity accounted share of profit - Deterra	**18.1**	0.1
Income tax expense	**(134.8)**	(68.7)
Profit for the period	**319.8**	165.2
DISCONTINUED OPERATIONS		
Profit after tax from discontinued operations	**-**	2,306.5
Net profit after tax for the period	**319.8**	**2,471.7**
Other comprehensive income		
Changes in the fair value of cash flow hedges	**1.9**	9.5
Total comprehensive income for the period	**321.7**	2,481.2

Summary of movements in consolidated retained earnings

Retained earnings at the beginning of the financial year	**1,036.7**	397.0
Total comprehensive income for the year	**319.8**	2,471.7
Dividends provided for or paid	**(59.2)**	(1,832.0)
Retained earnings at the end of the financial year	**1,297.3**	1,036.7

Condensed balance sheet	2021 $m	2020 $m
Current assets		
Cash and cash equivalents	**243.9**	52.2
Receivables	**279.3**	90.4
Inventories	**432.0**	452.7
Derivative financial instruments	**-**	1.9
Total current assets	**955.2**	597.2

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

Condensed balance sheet	2021 $m	2020 $m
Non-current assets		
Property, plant and equipment	**947.7**	956.2
Deferred tax assets	**36.5**	28.0
Inventories	**65.0**	112.0
Derivative financial instruments	**-**	0.6
Other financial assets - investments in non-closed group entities	**850.4**	902.1
Investments accounted for using the equity method	**455.5**	452.1
Right of use assets	**28.6**	15.1
Total non-current assets	**2,383.7**	2,466.1
Total assets	**3,338.9**	3,063.3
Current liabilities		
Payables	**220.4**	222.8
Derivative financial instruments	**0.5**	-
Current tax payable	**27.6**	27.7
Provisions	**50.0**	53.9
Lease liabilities	**7.5**	7.5
Total current liabilities	**306.0**	311.9
Non-current liabilities		
Interest-bearing liabilities	**-**	36.9
Provisions	**549.2**	504.2
Lease liabilities	**28.3**	15.7
Total non-current liabilities	**577.5**	556.8
Total liabilities	**883.5**	868.7
Net assets	**2,455.4**	2,194.6
Equity		
Contributed equity	**1,148.3**	1,150.5
Reserves	**9.8**	7.5
Retained earnings	**1,297.3**	1,036.6
Total equity	**2,455.4**	2,194.6

23 EQUITY ACCOUNTED ASSOCIATE - DETERRA ROYALTIES LIMITED (DETERRA)

Deterra Royalties Limited was formed on 2 November 2020 when it was demerged from the Group. Deterra is the largest resource-focused royalty company listed on the ASX. Since demerger, the Group has held a 20% equity ownership interest in Deterra. Refer to note 23 to the 2020 Annual Report for further details of demerger transactions. The Group accounts for its investment in Deterra as an equity accounted associate.

(a) Investment carrying amount

Movements in the carrying value of the Group's investment in Deterra are as follows:

	2021 $'m	2020 $'m
Balance at the beginning of the year	**452.1**	-
Initial recognition on demerger	**-**	452.0
Gross equity accounted profit	**24.6**	1.4
Depreciation	**(6.2)**	(1.3)
Dividends received	**(14.8)**	-
Balance at the end of the year	**455.7**	452.1

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 depreciating the value attributed to the Mining Area C (MAC) Royalty right (materially all of its initial value) over a period of 50 years on a straight-line basis, which aligns with the estimated life of mine of the mining operations in the MAC Royalty area.

The Group initially recognised its investment at its cost to the Group in the prior reporting period, which was equal to the carrying value of the net assets of Deterra immediately prior to demerger. The retained interest was immediately remeasured to its fair value on the demerger date. This fair value was allocated to the assets acquired on a notional basis, with the value uplift attributed to MAC Royalty rights held by Deterra.

(b) Summarised financial information of Deterra

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:

Summarised balance sheet of Deterra Royalties Limited at 31 December

	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	**29,431**	188
Trade and other receivables	**33,229**	25,092
Income tax receivable	**-**	363
Prepayments	**1,445**	1,114
Total current assets	**64,105**	26,757
Non-current assets		
Royalty and other intangible assets	**8,753**	10,029
Property, plant and equipment	**33**	29
Right of use assets	**261**	332
Prepayments	**33**	-
Total non-current assets	**9,080**	10,390

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

(b) Summarised financial information of Deterra (continued)

	2021 $'000	2020 $'000
Current liabilities		
Trade and other payables	**590**	382
Provisions	**69**	11
Lease liability	**68**	65
Income tax payable	**104**	-
Total current liabilities	**831**	458
Non-current liabilities		
Lease liability	**211**	279
Borrowings	**-**	16,386
Deferred tax	**9,039**	6,961
Total non-current liabilities	**9,250**	23,626
Net assets	**63,104**	13,063

The Group's share of Deterra's net assets is reconciled to its carrying value as follows:

	2021 $'000	2020 $'000
Opening net assets	**13,063**	-
Profit for the period	**122,621**	33,341
Movements in other reserves	**1,251**	115
Dividends	**(73,831)**	-
Dividend paid prior to demerger	**-**	(20,393)
Closing net assets	**63,104**	13,063
Group's share percentage	**20%**	20%
Group's share of net assets	**12,621**	2,613
Iluka's gain on demerger, net of accumulated depreciation	**443,106**	449,487
Carrying value of investment in Deterra	**455,727**	452,100

Deterra is a listed ASX royalty company. The market value of Iluka's interest at 31 December 2021 was $455.5 million.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

OTHER NOTES

24 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 2021, the total value of performance commitments and guarantees was $153.4 million (2020: $120.5 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) 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 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.

(d) 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.

25 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Shareholder class action - Australia

On 24 March 2014, Iluka became aware that a litigation funder proposed to fund claims that current or former shareholders may have against Iluka 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 trial of the proceedings concluded on 12 May 2021.

On 7 February 2022, the Federal Court of Australia handed down its decision, dismissing all of the applicant's and group members' claims against Iluka.

(b) Withdrawal of notice to suspend operations - Sierra Rutile

On 14 January 2022, Sierra Rutile withdrew its notice to suspend operations following the ratification by the Parliament of Sierra Leone of adjustments to the applicable fiscal regime for Area 1 in December.

(c) Warehouse compound fire - Sierra Rutile

On 19 February 2022, a fire in a warehouse compound at SRL damaged sheds containing stored equipment parts and spares. The fire damage did not extend to operational property, plant, and equipment or product inventory. The group is still assessing the potential impact and therefore no estimates of its financial effect can be made as at the date of this report.

26 COMMITMENTS

(a) Exploration and mining lease commitments	**2021 $m**	2020 $m
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable:		
Within one year	**11.0**	14.8
Later than one year but not later than five years	**25.9**	32.3
Later than five years	**44.9**	43.6
	81.8	90.7

These costs are discretionary. If the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

(b) Capital commitments

Capital expenditure contracted for and payable, but not recognised as liabilities is $21.4 million (2020: $35.1 million). All of the commitments relate to the purchase of property, plant and equipment. The total amount is expected to be paid within one year of the reporting date.

27 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	**2021 $000**	2020 $000
Audit and review of financial reports		
Group	**587**	624
Controlled entities	**114**	156
	701	780
Other assurance services		
Investigating Accountants report for Deterra Demerger	**-**	266
Other assurance services	**67**	63
	67	329

(a) Auditors of the Group - PwC and related network firms	2021 $000	2020 $000
Other services		
Tax compliance and advisory services	**10**	34
Other advisory services	**30**	10
	40	44
Total services provided by PwC	**808**	1,153

(b) Other auditors and their related network firms		
Audit and review of financial statements	**377**	101
Other compliance and advisory services	**5**	4
	382	105

28 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 over the vesting period 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 $11.1 million (2020: $4.1 million) results from several schemes summarised below.

Schemes	Grant date	Vesting date	Fair value $	**Shares / rights at 31 Dec 21**	**Expense 2021 $m**	Shares / rights at 31 Dec 20	Expense 2020 $m
STIP (i)							
2021	Mar-22	Mar23/24	10.1	**-**	**2.0**	-	-
2020	Mar-21	Mar-22/23	6.62	**-**	**0.7**	-	0.7
2019	Mar-20	Mar-21/22/23	9.30	**-**	**0.4**	-	1.0
2018	Mar-19	Mar-20/21	7.62	**-**	**0.1**	-	0.6
2017	Mar-18	Mar-19/20	10.55	**-**	**-**	-	0.1
LTIP - TSR (ii)							
2017	May-17	Mar-21	5.66	**286,546**	**0.1**	610,323	0.3
2016 MD Grant	Oct-16	Mar-21	3.71	**74,314**	**-**	126,688	0.1
2016	May-16	Mar-20	4.27	**90,493**	**-**	104,037	-
LTIP - ROE (ii)							
2017	May-17	Mar-21	7.44	**-**	**-**	610,312	(2.0)
2016 MD Grant	Oct-16	Mar-21	5.42	**-**	**-**	126,687	(0.5)
2016	May-16	Mar-20	6.01	**-**	**-**	104,037	-
EIP (iii)	Mar-18/19/20/21/22	Mar-23/24/25/26	7.62	**3,212,070**	**5.1**	1,528,301	3.4
Restricted Share Plan (iv)					**2.7**	-	0.5
					11.1		4.1

(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 (2020: nil), the share price at grant date of $7.45 for KMP other than T O'Leary and $7.77 for T O'Leary (2020: $9.34), the expected share price volatility (based on historical volatility) of 38% (2020: 33%), the expected dividend yield of 0% (2020: 0%) the risk free rate of return of 0.49% for KMP other than T O'Leary and 0.60% for T O'Leary (2020: 1.7%), and vesting dates for a period of four 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) Restricted share plan

No restricted shares were issued to eligible employees (2020: no restricted shares issued to eligible employees) who participated in the plan.

29 POST-EMPLOYMENT BENEFIT OBLIGATIONS

(a) Superannuation plans

(i) 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.

(ii) 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. The end-of-term benefits include senior and management employees in addition to all other employees. The post-employment benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation in relation to this arrangement.

(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	**2021 $m**	2020 $m
United States	Deficit	**(13.3)**	(17.7)
Sierra Leone	Deficit	**(13.3)**	(9.1)
Total		**(26.6)**	(26.8)

A net deficit of $26.6 million (2020: deficit $26.8 million) is included in non-current provisions in note 8. The table below provides a summary of the net financial position at 31 December for the past five years.

	2021 $m	2020 $m	2019 $m	2018 $m	2017 $m
Defined benefit plan obligation	**(57.5)**	(51.8)	(46.7)	(39.4)	(36.0)
Plan assets	**30.9**	25.0	24.3	21.5	21.2
Deficit	**(26.6)**	(26.8)	(22.4)	(17.9)	(14.8)

(c) Defined benefits superannuation expense

In 2021, $4.5 million (2020: $2.3 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.

30 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Notes	**2021 $m**	2020 $m
Profit for the year		**365.9**	2,410.0
Depreciation and amortisation	9	**165.4**	176.2
Amortisation of right-of-use-assets	10	**6.2**	8.8
Net loss (gain) on disposal of property, plant and equipment		**(1.6)**	(2.0)
Doubtful debts/(reversed)		**(1.5)**	(0.1)
Net exchange differences and other		**(1.8)**	5.5
Rehabilitation and mine closure provision discount unwind	8	**8.9**	14.4
Rehabilitation discount rate change	8	**-**	12.2
Non-cash share-based payments expense	28	**11.1**	4.1
Amortisation of deferred borrowing costs	15	**0.7**	0.6
Equity accounted share of profit	23	**(18.4)**	(0.1)
Impairment - exploration asset	7	**6.3**	12.4
Inventory NRV write-down	14	**11.4**	13.0
Changes in rehabilitation provisions for closed sites	8	**(60.8)**	(8.1)
Demerger gain		**-**	(2,246.8)
Put option revaluation gain/(loss)	22	**3.9**	(19.4)
Change in operating assets and liabilities			
(Increase)/decrease in receivables		**(153.9)**	93.4
Decrease/(increase) in inventories		**49.3**	(196.2)
(Decrease) in net current tax liability		**(0.8)**	(63.3)
(Increase) in net deferred tax		**(9.9)**	(8.1)
(Decrease) in payables		**(19.7)**	(118.9)
(Decrease)/increase in provisions		**(5.8)**	24.1
Net cash inflow from operating activities		**354.9**	111.7

31 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 67 to 85.

The below provides a summary:

	2021 $000	2020 $000
Short-term benefits	**5,092**	4,962
Post-employment benefits	**189**	199
Termination benefits	**-**	49
Share-based payments	**2,538**	590
Total	**7,819**	5,800

(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.

32 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information for Iluka Resources Limited

	2021 $m	2020 $m
Balance sheet		
Current assets	**461.4**	197.5
Non-current assets	**1,495.0**	2,078.0
Total assets	**1,956.4**	2,275.5
Current liabilities	**-**	69.6
Non-current liabilities	**814.0**	620.7
Total liabilities	**814.0**	690.3
Net assets	**1,142.4**	1,585.2
Shareholders' equity		
Contributed equity	**1,155.5**	1,151.5
Other reserves	**23.4**	15.3
Profit reserve[1]	**626.9**	626.9
Accumulated loss	**(663.4)**	(208.5)
	1,142.4	1,585.2
Profit/(loss) for the year	**(469.2)**	2,244.9
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	**2.4**	(7.8)
Total comprehensive income	**(466.8)**	2,237.1

[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 $12.2 million as at 31 December 2021 (2020: $12.4 million). In addition, the parent has a contingent liability related to the shareholder class action, as detailed in note 24.

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

As at 31 December 2021, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $3.1 million (2020: $2.3 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.

(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.

33 RELATED PARTY TRANSACTIONS

The only related party transactions are with Directors and Key Management Personnel (refer note 31). Details of material controlled entities are set out in note 22, and details of the Group's equity accounted associate are set out in note 23. The ultimate Australian controlling entity and the ultimate parent entity is Iluka Resources Limited.

34 NEW AND AMENDED STANDARDS

New standards and amendments adopted

Iluka Resources Limited applied the following standards and amendments for the first time in the current reporting period:

- AASB 2020-8 *Amendments to AASs - Interest Rate Benchmark Reform - Phase 2*
- IFRIC Agenda Decision - March 2021 - *Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138)*

Application of the above standards and amendments did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect current or future periods.

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 2021

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 87 to 140 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 2021 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
Chairman

T O'Leary
Managing Director

24 February 2022

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 2021 and of its financial performance for the year then ended

(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 2021
- 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
- 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.

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2021

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 $22 million, which represents approximately 5% of the Group's profit before tax.
- 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 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2021

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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
Closure and Rehabilitation Provisions *Refer to note 8 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 2021 the consolidated balance sheet included provisions for such obligations of $742 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.	We performed the following procedures over the Group's rehabilitation provision, amongst others. We evaluated key assumptions utilised in the rehabilitation models by performing the following procedures: • Developed an understanding of how the Group identified the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate for developing the rehabilitation provision in the context of the Australian Accounting Standards. • 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. • Assessed the ability of the Group to make reliable estimates of the extent of future rehabilitation expenditure by comparing actual cash outflows in 2021 to those forecast as part of the provision in previous years. • Tested a sample of agreements with stakeholders supporting the manner in which the rehabilitation of legacy sites in Virginia will occur.

Key audit matter	How our audit addressed the key audit matter
	• 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 2021, 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.

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.

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2021

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 67 to 85 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of Iluka Resources Limited for the year ended 31 December 2021 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
24 February 2022

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

In this section

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

FIVE YEAR PHYSICAL AND FINANCIAL SUMMARY

	2021	2020	2019	2018	2017
Production volumes (kt)					
- Zircon	324.2	185.2	322.1	348.6	312.3
- Rutile	196.6	172.6	184.1	163.2	302.1
- Synthetic rutile	198.7	227.4	196.2	219.9	210.8
Total Z/R/SR	**719.5**	**585.2**	**702.4**	**731.7**	**825.2**
- Ilmenite	563.7	455.9	318.6	395.1	448.1
- Monazite	57.7	44.4	-	-	-
Sales volumes (kt)					
- Zircon	354.7	239.6	274.0	379.3	380.4
- Rutile	207.2	162.1	200.1	233.2	264.3
- Synthetic rutile	305.9	115.8	206.7	214.6	244.4
Total Z/R/SR	**867.8**	**517.5**	**680.8**	**827.1**	**889.1**
- Ilmenite	189.6	256.1	170.8	224.5	202.7
- Monazite	62.4	44.4	-	-	-
Weighted average annual prices (US$/t)					
- Zircon (premium and standard)	1,414.0	1,319.0	1,487.0	1,351.0	958.0
- Zircon (all products)	1,330.0	1,217.0	1,380.0	1,321.0	940.0
- Rutile (excluding HYTI and TIC)	1,264.0	1,220.0	1,142.0	952.0	790.0
- Synthetic rutile	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Average AUD:USD spot exchange rate (cents)	**75.2**	**69.1**	**69.5**	**74.8**	**76.7**

Unit revenue and cash cost ($/t)					
Revenue per tonne Z/R/SR sold (A$/t)	1,593	1,625	1,654	1,415	1,079
Unit cash costs of production per tonne Z/R/SR produced excluding by-products	777	918	753	606	439
Unit cost of goods sold per tonne of Z/R/SR	916	1,032	889	750	743

Summary financials ($m)					
Z/R/SR revenue	1,381.9	841.0	1,128.7	1,179.0	959.1
Ilmenite and other revenue	103.9	106.0	64.4	65.1	58.4
Revenue from operations	1,485.8	947.0	1,193.1	1,244.1	1,017.5
Cash costs of production	(579.2)	(558.7)	(539.6)	(455.1)	(372.4)
Inventory movement – cash costs of production	(67.0)	142.3	63.4	(68.5)	(141.5)
Restructure and idle capacity charges	(33.4)	(20.9)	(19.7)	(24.7)	(73.3)
Government royalties	(38.0)	(22.3)	(39.4)	(38.1)	(25.2)
Marketing and selling costs	(34.4)	(27.7)	(35.0)	(38.1)	(33.8)
Asset sales and other income	2.0	(1.5)	(3.5)	1.8	0.7
Corporate and other costs	(64.3)	(54.6)	(64.5)	(48.1)	(47.1)
Major projects, exploration and innovation	(45.2)	(62.3)	(25.7)	(30.1)	(24.6)
Mineral sands EBITDA	633.9	342.0	530.9	544.5	300.9
Mining Area C EBITDA	-	81.1	85.1	55.6	59.6
Underlying Group EBITDA(1)	652.3	423.1	616.0	600.1	360.5
Rehabilitation and holding costs for closed sites	60.8	7.2	(3.2)	4.6	(127.4)
Demerger / SRL transaction costs	-	(13.3)	-	-	-
Depreciation and amortisation	(171.2)	(184.8)	(163.2)	(93.6)	(111.0)
Inventory movement – non-cash production costs	(12.6)	39.9	15.5	(28.3)	(66.8)
Gain on demerger of Deterra Royalties	-	2,260.1	-	-	-
Significant non-cash items	-	-	(414.3)	-	(185.4)
Net interest and finance charges	(5.7)	(7.1)	(51.8)	(30.8)	(32.2)
Income tax (expense) benefit	(139.1)	(95.5)	(298.7)	(148.1)	(6.0)
Net profit (loss) after tax for the period (NPAT)	365.9	2,410.0	(275.8)	303.9	(171.6)
Operating cash flow	527.6	183.8	408.1	594.2	391.7
Capital expenditure (capex)	(53.6)	(71.2)	(197.5)	(311.5)	(93.1)
Free cash (outflow) inflow(2) ($m)	299.5	36.3	139.7	304.4	321.9
Net (debt) cash	294.8	50.2	43.3	1.8	(182.5)

Capital and dividends	2021	2020	2019	2018	2017
Ordinary shares on issue (millions)	422.0	422.8	422.6	422.4	418.7
Dividends per share in respect of the year (cents)	24.0	2.0	13.0	29.0	31.0
Franking level %	100	100	100	100	100
Opening year share price ($)(3)	6.58	4.70	3.80	5.09	3.71
Closing year share price ($)(3)	10.10	6.49	4.73	3.87	5.17

Financial ratios					
Underlying Group EBITDA/revenue margin %	43.9	41.2	51.6	48.2	35.4
Mineral sands EBITDA/revenue margin %	42.7	36.1	44.5	43.8	29.6
Basic earnings (loss) per share (cents)	86.7	570.4	(71.0)	72.2	(41.0)
Free cash flow per share (cents)	71.0	8.5	33.1	72.1	76.9
Return on shareholders' equity(4) %	25.9	283.7	(24.5)	31.8	(20.1)
Return on capital(5) %	69.1	311.3	6.8	54.0	(11.6)
Gearing (net debt/net debt + equity) %	n/a	n/a	n/a	n/a	17.1

Financial position as at 31 December ($m)					
Total assets	2,636.2	2,361.7	1,894.5	2,211.9	1,947.0
Total liabilities	(1,041.6)	(1,069.4)	(1,182.8)	(1,101.9)	(1,061.5)
Net assets	1,594.6	1,292.3	711.6	1,110.0	885.5
Shareholders' equity	1,292.3	1,292.3	711.6	1,110.0	885.5
Net tangible asset backing per share ($)	2.6	3.0	1.6	2.1	1.7

Employees, as at 31 December					
Full-time equivalent employees	3,252	3,354	3,427	3,421	2,543

Iluka Ore Reserves and Mineral Resources					
Mineral Resources in situ HM million tonnes	185	119	165	168	169
Ore Reserves in situ HM million tonnes	10.6	11.2	13	15.7	16.4
HM Grade (%) Ore Reserves	5.8	5.7	5.6	5.8	5.8
Assemblage(6) (%)					
Zircon	17	17	18	17	19
Rutile	3	3	3	4	4
Ilmenite	55	55	56	54	52
Monazite + xenotime	2	-	-	-	-

Sierra Rutile Ore Reserves and Mineral Resources					
Mineral Resources In Situ Rutile million tonnes	8.1	7.9	8.2	8	7.3
Ore Reserves In Situ Rutile million tonnes	3.1	3.6	3.7	3.8	3.8

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.

(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) Mineral assemblage is reported as a percentage of the in situ heavy mineral content of the Ore Reserve.

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 151 to 158 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 2021

	Jacinth-Ambrosia/ Mid west	Cataby / South west	Australia Total	Sierra Leone	Group Total 2021	Group Total 2020
Mining						
Overburden moved kbcm	3,350	7,432	10,782	321	11,103	15,564
Ore mined kt	10,356	8,187	18,543	9,133	27,676	32,620
Ore treated grade HM %	3.0%	6.2%	4.5%	3.4%	3.8%	4.4%
VHM treated grade %	2.7%	5.4%	4.0%	2.3%	3.4%	3.7%
Concentrating						
HMC produced kt	263.8	541.3	805.1	300.7	1,105.7	1,182
VHM produced kt	233.8	480.0	713.8	206.6	920.4	971
VHM in HMC assemblage %	88.6%	88.7%	88.7%	68.7%	83.2%	82.2%
Zircon	40.8%	10.5%	20.4%	4.0%	16.0%	21.1%
Rutile	8.1%	7.2%	7.5%	44.1%	17.5%	16.6%
Ilmenite	39.8%	70.9%	60.7%	20.6%	49.8%	44.5%
HMC processed kt	453.3	469.9	923.3	311.6	1,234.9	1,008
Finished product[(1)] kt						
Zircon	271.2	48.9	320.1	4.1	324.2	185.2
Rutile	30.3	37	67.3	129.3	196.6	172.6
Ilmenite (saleable/upgradeable)	127.7	383.9	511.6	52.1	563.7	455.9
Synthetic rutile produced kt	-	198.7	198.7	-	198.7	227.4
Monazite concentrate kt	57.7	-	57.7	-	57.7	44.4

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 2021

Summary of Ore Reserves for Iluka[1,2,3,6]

Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	HM Assemblage[4] Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	(M+X)[7] Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Proved	51	1.6	3.2	25	50	5	0.4	
		Probable	3	0.1	2.2	21	54	3	0.6	
Total	**Eucla Basin**		**54**	**1.7**	**3.2**	**24**	**50**	**5**	**0.4**	**(0.3)**
	Perth Basin	Proved	84	5.5	6.5	57	11	4	2.7	
		Probable	44	3.4	7.6	68	11	2	1.5	
Total	**Perth Basin[5]**		**128**	**8.9**	**6.9**	**61**	**11**	**3**	**2.3**	**(0.3)**
Total	**Proved**		**136**	**7.2**	**5.3**	**50**	**20**	**4**	**2.2**	
Total	**Probable**		**46**	**3.4**	**7.3**	**67**	**11**	**2**	**1.5**	
	Grand Total		**182**	**10.6**	**5.8**	**55**	**17**	**3**	**2.0**	**(0.6)**

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 the last decimal place. Further detail is available in Iluka's Resource and Reserve update available online at **iluka.com/operations-resource-development/ore-reserves-mineral-resources.**

(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 2021 and have been depleted for all production conducted to this date.

(7) M+X comprise rare earth element bearing minerals monazite + xenotime.

The Ore Reserve statement for the year ending 31 December 2021 includes the rare earth element bearing minerals monazite and xenotime. This inclusion is relevant as Iluka is now producing concentrate enriched in these minerals from stockpiles at Eneabba in the Perth Basin.

For the year ending 2021, HM Ore Reserves decreased by 0.6Mt HM associated with mining depletion and adjustments, down from 11.2Mt HM to 10.6Mt HM.

The main factors contributing to the movement in Iluka's HM Ore Reserves during 2021 include the following:

- The Eucla Basin Ore Reserves decreased by 0.3Mt HM associated with mining depletion, pit optimisation and re-design at Jacinth and Ambrosia.
- The Perth Basin Ore Reserves decreased by 0.3Mt HM as a result of mine depletion and adjustment at Cataby (-0.3Mt HM) and MSP By-Product Stockpile (-0.01Mt HM).

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 2021

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	134	2.0	1.5	-	-	
		Probable	78	1.1	1.4	-	-	
Total	**Sierra Leone**		**212**	**3.1**	**1.5**	**-**	**-**	**(0.5)**

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. Further detail is available in Iluka's Resource and Reserve update available online at **iluka.com/operations-resource-development/ore-reserves-mineral-resources.**

(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 2021 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 2021, International Finance Corporation (IFC) held a 10% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited.

Ore Reserves are prepared using all available geological and relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries and final product qualities. Ore Reserve estimates are determined by taking into 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 is focused 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 [10.6*(3/100)] = 0.32 Mt of rutile.

The total reported Mineral Resources and Ore Reserves have been stated for Sierra Leone. As at 31 December 2021, 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.

HM ORE RESERVES MINED AND ADJUSTED

Iluka HM Ore Reserves mined and adjusted by country and region at 31 December 2021

Summary of Ore Reserve Depletion[1]

Country	Region	Category	In Situ HM Tonnes Millions 2020	In Situ HM Grade (%) 2020	In Situ HM Tonnes Millions Mined 2021	In Situ HM Tonnes[2] Millions Adjusted 2021	In Situ HM Tonnes Millions 2021	In Situ HM Grade (%) 2021	In Situ HM Tonnes[3] Millions Net Change
Australia	Eucla Basin	Active Mines	2.0	3.1	(0.3)	0.0	1.7	3.2	(0.3)
		Non-Active Sites	-	-	-	-	-	-	-
Total	**Eucla Basin**		**2.0**	**3.1**	**(0.3)**	**0.0**	**1.7**	**3.2**	**(0.3)**
	Perth Basin	Active Mines	7.3	6.3	(0.6)	0.3	7.0	6.3	(0.3)
		Non-Active Sites	1.9	11.4	-	-	1.9	11.4	-
Total	**Perth Basin**		**9.2**	**6.9**	**(0.6)**	**0.3**	**8.9**	**6.9**	**(0.3)**
Total	**Active Mines**		**9.2**	**5.1**	**(0.9)**	**0.3**	**8.7**	**5.2**	**(0.6)**
Total	**Non-Active Sites**		**1.9**	**11.4**	**-**	**-**	**1.9**	**11.4**	**-**
Total	**Ore Reserves**		**11.2**	**5.7**	**(0.9)**	**0.3**	**10.6**	**5.8**	**(0.6)**

Notes:

(1) Rounding may generate differences in the last decimal place. Further detail is available in Iluka's Resource and Reserve update available online at iluka.com/operations-resource-development/ore-reserves-mineral-resources.

(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 0.53Mt rutile associated with mining depletion and adjustments, down from 3.6Mt rutile to 3.1Mt rutile.

The main factors contributing to the movement in Iluka's rutile Ore Reserves during 2021 include the following:

- Mining depletion at Gangama (-0.08Mt rutile) and mining depletion at Gbeni (-0.06Mt rutile).
- Adjustments from optimisation and pit design at Lanti (-0.03Mt rutile), Benduma (-0.36Mt rutile), Dodo (+0.03Mt rutile), Kamatipa (-0.02Mt rutile), Kibi (-0.03Mt rutile), and Komende (-0.02Mt rutile).
- Inclusion of the Ore Reserve for Taninahun (+0.04 Mt rutile)

Iluka Rutile Ore Reserves mined and adjusted for Sierra Rutile at 31 December 2021

Summary of Ore Reserve Depletion[1]

Country	Region	Category	In Situ Rutile Tonnes Millions 2020	In Situ Rutile Grade (%) 2020	In Situ Rutile Tonnes Millions Mined 2021	In Situ Rutile Tonnes[2] Millions Adjusted 2021	In Situ Rutile Tonnes Millions 2021	In Situ Rutile Grade (%) 2021	In Situ Rutile Tonnes[3] Millions Net Change
Sierra Leone	Sierra Leone	Active Mines	0.6	1.4	(0.1)	(0.0)	0.4	1.4	(0.1)
		Non-Active Sites	3.1	1.3	-	(0.4)	2.7	1.5	(0.4)
Total	**Sierra Leone[4]**		**3.6**	**1.3**	**(0.1)**	**(0.4)**	**3.1**	**1.5**	**(0.5)**

Notes:

(1) Rounding may generate differences in the last decimal place. Further detail is available in Iluka's Resource and Reserve update available online at iluka.com/operations-resource-development/ore-reserves-mineral-resources.

(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 2021, 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 2021

Summary of Mineral Resources for Iluka[1,2,3,7]						HM Assemblage[4]				
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ HM Tonnes Millions	In Situ HM Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	(M+X)[8] Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Measured	199	5	2.6	33	41	4	0.3	
		Indicated	91	8	9.1	68	18	2	0.4	
		Inferred	52	3	5.8	62	19	2	0.3	
Total	**Eucla Basin**		**342**	**16**	**4.8**	**56**	**25**	**3**	**0.3**	**(0.2)**
	Murray Basin	Measured	16	4	27.6	62	11	11	1.1	
		Indicated	427	34	8.1	45	14	10	1.7	
		Inferred	1127	62	5.5	35	14	7	2.0	
Total	**Murray Basin**		**1,570**	**101**	**6.4**	**40**	**14**	**8**	**1.8**	**67.2**
	Perth Basin	Measured	474	28	5.9	58	11	5	1.1	
		Indicated	300	16	5.3	53	10	5	0.8	
		Inferred	193	9	4.9	55	9	5	0.8	
Total	**Perth Basin[5]**		**967**	**54**	**5.5**	**56**	**10**	**5**	**1.0**	**(1.3)**
USA	Atlantic Seaboard	Measured	27	1	4.9	67	9	-	-	
		Indicated	47	3	5.3	64	11	-	-	
		Inferred	16	1	3.1	60	11	-	-	
Total	**Atlantic Seaboard[6]**		**91**	**4**	**4.8**	**64**	**10**	**-**	**-**	**-**
Sri Lanka	Sri Lanka	Inferred	136	10	7.0	65	4	5	0.4	
Total	**Sri Lanka[7]**		**136**	**10**	**7.0**	**65**	**4**	**5**	**0.4**	**-**
Total	**Measured**		**716**	**39**	**5.5**	**55**	**15**	**5**	**1.0**	
Total	**Indicated**		**865**	**61**	**7.1**	**51**	**13**	**7**	**1.2**	
Total	**Inferred**		**1,524**	**84**	**5.5**	**42**	**13**	**6**	**1.6**	
	Grand Total		**3,105**	**185**	**5.9**	**48**	**13**	**6**	**1.3**	**65.7**

Notes:

(1) Competent Persons - Mineral Resources: B Gibson (MAIG).

(2) Mineral Resources are inclusive of Ore Reserves.

(3) Rounding may generate differences in the last decimal place. Further detail is available in Iluka's Resource and Reserve update available online at **iluka.com/operations-resource-development/ore-reserves-mineral-resources.**

(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 2021, 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.
M+X comprise the rare earth element bearing minerals monazite + xenotime.

RUTILE MINERAL RESOURCES (SIERRA LEONE)

Iluka Rutile Mineral Resources for Sierra Rutile by JORC category at 31 December 2021

Summary of Mineral Resources for Iluka[1,2,3,6]					In Situ Mineral Content[4]			
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ Rutile Tonnes Millions	Rutile Grade (%)	Ilmenite Grade (%)[5]	Zircon Grade (%)[5]	Change Rutile Tonnes Millions
Sierra Leone	Sierra Leone	Measured	178	2.4	1.4	0.8	0.1	
		Indicated	309	3.1	1.0	0.6	0.1	
		Inferred	265	2.6	1.0	0.5	0.1	
Total	**Sierra Leone[6]**		**752**	**8.1**	**1.1**	**0.6**	**0.1**	**0.2**

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. Further detail is available in Iluka's Resource and Reserve update available online at **iluka.com/operations-resource-development/ore-reserves-mineral-resources.**

(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 2021, 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 or rutile 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.

The Mineral Resource statement for the year ending 31 December 2021 includes the rare earth element bearing minerals monazite and xenotime. This inclusion is relevant as Iluka is now producing concentrate enriched in these minerals from stockpiles at Eneabba in the Perth Basin.

For the year ending 31 December 2021, HM Mineral Resources increased by 66Mt HM net of mining depletion and adjustments (exploration discovery, development and write-down) up from 119Mt HM to 185Mt HM. The change in Mineral Resources for 2021 was driven by the following:

- Eucla Basin Mineral Resources decreased by 0.16Mt HM as a result of updated resource estimation and mining depletion at Ambrosia (+0.16Mt HM) and mining depletion and adjustment at Jacinth (-0.32Mt HM).
- Murray Basin Mineral Resources increased by 67Mt HM as a result of reporting the inaugural resource estimates at WIM100 (+19Mt HM), WIM50 (+15Mt HM) and WIM50 North (+33Mt HM).
- Perth Basin Mineral Resources decreased by 1.3Mt HM as a result of re-estimation, mining depletion and write-down at Cataby (-0.75Mt HM), mining depletion and replenishment of the MSP By-Product Stockpile (+0.02Mt HM) and write down at South Capel Offices (-0.54Mt HM).

The rutile Mineral Resources for Sierra Leone increased by 0.2Mt rutile net of mining depletion and adjustments (exploration discovery, development and write down) up from 7.9Mt rutile to 8.1Mt rutile. The change in rutile Mineral Resources was driven by:

- Mining depletion and write downs at Gbeni (-0.07Mt rutile) and Gangama (-0.10Mt rutile).
- Updated resource estimation at Benduma (+0.09Mt rutile), Dodo (+0.10Mt rutile), Gbap (+0.11Mt rutile), Kibi (+0.09Mt rutile) and Komende (-0.01Mt 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 2021

Summary of Ore Reserve Depletion [1]

Country	Region	Category	In Situ HM Tonnes Millions 2020	In Situ HM Grade (%) 2020	In Situ HM Tonnes Millions Mined 2021	In Situ HM Tonnes[2] Millions Adjusted 2021	In Situ HM Tonnes[4] Millions 2021	In Situ HM Grade (%) 2021	In Situ HM Tonnes[3] Millions Net Change
Australia	Eucla Basin	Active Mines	4	2.2	(0)	0	4	2.1	(0)
		Non-Active Sites	13	7.3	-	-	13	7.3	-
Total	**Eucla Basin**		**17**	**4.8**	**(0)**	**0**	**16**	**4.8**	**(0)**
	Murray Basin	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	33	17.2	-	67	101	6.4	67
Total	**Murray Basin**		**33**	**17.2**	**-**	**67**	**101**	**6.4**	**67**
	Perth Basin	Active Mines	14	4.6	(1)	(0)	13	4.6	(1)
		Non-Active Sites	41	6.0	-	(1)	40	5.9	(1)
Total	**Perth Basin**		**55**	**5.6**	**(1)**	**(1)**	**54**	**5.5**	**(1)**
USA	Atlantic Seaboard	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	4	4.8	-	-	4	4.8	-
Total	**Atlantic Seaboard**		**4**	**4.8**	**-**	**-**	**4**	**4.8**	**-**
Sri Lanka	Sri Lanka	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	10	7.0	-	-	10	7.0	-
Total	**Sri Lanka[4]**		**10**	**7.0**	**-**	**-**	**10**	**7.0**	**-**
Total	**Active Mines**		**18**	**3.7**	**(1)**	**0**	**17**	**3.7**	**(1)**
Total	**Non-Active Sites**		**101**	**7.9**	**-**	**67**	**168**	**6.3**	**67**
Total	**Mineral Resources**		**119**	**6.8**	**(1)**	**67**	**185**	**5.9**	**66**

Notes:

(1) Rounding may generate differences in last decimal place. Further detail is available in Iluka's Resource and Reserve update available online at **iluka.com/operations-resource-development/ore-reserves-mineral-resources.**

(2) Adjusted figure includes exploration discovery, write-downs and modifications in mine design.

(3) Net difference includes depletion by mining and adjustments.

(4) As of 31 December 2021, 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.

RUTILE MINERAL RESOURCES MINED AND ADJUSTED (SIERRA LEONE)

Iluka Rutile Mineral Resources mined and adjusted for Sierra Rutile at 31 December 2021

Summary of Mineral Resource Depletion[1]

Country	Region	Category	In Situ Rutile Tonnes Millions 2020	In Situ Rutile Grade (%) 2020	In Situ Rutile Tonnes Millions Mined 2021	In Situ Rutile Tonnes[2] Millions Adjusted 2021	In Situ Rutile Tonnes Millions 2021	In Situ Rutile Grade (%) 2021	In Situ Rutile Tonnes[3] Millions Net Change
Sierra Leone	Sierra Leone	Active Mines	1.0	1.3	(0.1)	(0.0)	0.8	1.3	(0.2)
		Non-Active Sites	7.0	1.1	-	0.3	7.3	1.1	0.3
Total	**Sierra Leone[4]**		**7.9**	**1.1**	**(0.1)**	**0.3**	**8.1**	**1.1**	**0.2**

Notes:

(1) Rounding may generate differences in the last decimal place. Further detail is available in Iluka's Resource and Reserve update available online at iluka.com/operations-resource-development/ore-reserves-mineral-resources.

(2) Adjusted figure includes exploration discovery, 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 2021, 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

ANNUAL STATEMENT OF MINERAL RESOURCES AND ORE RESERVES

The Annual Statement of Mineral Resources and Ore Reserves as at 31 December 2021 and 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 various public announcements released through the ASX. 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 this 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 incentive plan, details of which are included in Iluka's 2021 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 2021. 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 are 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 2022

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 423,202,342 shares on issue as at 31 January 2022. A total of 431,304 ordinary shares are restricted pursuant to the Directors, Executives and employees share acquisition plan, equity incentive plan and employee share plan.

SHAREHOLDINGS

There were 19,183 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	11,338
1,001 - 5,000	6,247
5,001 - 10,000	943
10,001 - 100,000	606
100,001 - 1,000,000	35
1,000,001 and over	14
Unmarketable Parcels	(less than $500) - 1,224

TOP 20 SHAREHOLDERS (NOMINEE COMPANY HOLDINGS)

Name	Number of shares	% units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	179,328,075	42.37
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	81,347,036	19.22
CITICORP NOMINEES PTY LIMITED	51,063,968	12.07
NATIONAL NOMINEES LIMITED	24,066,628	5.69
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	8,278,911	1.96
UBS NOMINEES PTY LTD	8,233,686	1.95
BNP PARIBAS NOMS PTY LTD <DRP>	7,677,430	1.81
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	5,016,591	1.19
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,987,013	0.71
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,650,900	0.39
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	1,498,798	0.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,483,406	0.35
CPU SHARE PLANS PTY LTD <UNALLOCATED A/C>	1,212,052	0.29
R O HENDERSON (BEEHIVE) PTY LIMITED	1,090,000	0.26
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	796,742	0.19
BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	749,046	0.18
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	584,000	0.14
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	573,179	0.14
ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	565,087	0.13
UBS NOMINEES PTY LTD	497,747	0.12

SUBSTANTIAL SHAREHOLDERS (AS PROVIDED IN DISCLOSED SUBSTANTIAL SHAREHOLDER NOTICES TO THE COMPANY)

Shareholder	Shareholding	% of issued capital
Perpetual Investment Management Limited	35,187,594	8.3%
Tyndall Asset Management	23,676,355	5.6%
Alphinity Investment Management Pty Ltd.	22,699,553	5.4%

CALENDAR OF KEY EVENTS

23 February 5:30pm (WST)	Close of director nominations
24 February	Announcement of financial results
11 April 9:30am (WST)	Closure of acceptances of proxies for AGM
13 April 9:30am (WST)	Annual General Meeting
21 April	March quarterly review
21 July	June quarterly review
24 August	Announcement of half year financial results
20 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

Ben Martin, 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 67th Annual General Meeting of Shareholders (AGM) will be held as a hybrid meeting, online and at the Theatrette on Mezzanine level at 240 St Georges Terrace, Perth, Western Australia on Wednesday, 13 April 2022 commencing at 9:30 am (WST).

The Board considers the health and safety of Iluka shareholders to be paramount, and as such Shareholders and proxyholders who would prefer not to attend in person may choose to participate in a live webcast of the meeting through the Computershare online platform, including the ability to ask questions (written or oral) and vote online during the meeting. Due to the ongoing developments with the COVID-19 situation and public health concerns, Iluka will be closely monitoring the evolving COVID-19 situation in Australia. If it becomes necessary or appropriate to make alternative arrangements for the holding of the AGM, Iluka will ensure that Shareholders are given as much notice as possible via the ASX platform and www.iluka.com.

Shareholders are also 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 67th Annual General Meeting of Shareholders must be received in writing no later than 5:30 pm (WST) on Wednesday, 23 February 2022 in order to be valid under Iluka'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.

Jacinth-Ambrosia, South Australia

Narngulu, Western Australia


Lanti, Sierra Leone


Cataby, Western Australia


ILUKA
www.iluka.com