ILUKA RESOURCES LIMITED

ABN 34 008 675 018

INTERIM REPORT

for the half-year 30 June 2020

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CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4D for the Consolidated Entity comprising Iluka Resources Limited (Iluka) and its controlled entities for the half year ended 30 June 2020 (the current period) compared with the half year ended 30 June 2019 (the previous corresponding period).

This report should be read in conjunction with the Annual Report for the year ended 31 December 2019, and public announcements made by Iluka during the half year ended 30 June 2020 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

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

Revenue from ordinary activities	Down 14.8% to $519.4m
Net profit after tax for the period from ordinary activities	Down 17.5% to $113.2m
Net profit after tax for the period attributable to equity holders of the parent	Down 17.5% to $113.2m

Dividends
2020 interim: nil
2019 final: 8 cents per ordinary share (100% franked), paid in April 2020
2019 interim: 5 cents per ordinary share (100% franked), paid in October 2019

Key ratios	**1st Half 2020**	**1st Half 2019**
Basic profit per share (cents)	26.8	32.5
Diluted profit per share (cents)	26.7	32.3
Free cash flow per share[1] (cents)	10.9	(15.5)
Net tangible assets per share ($)	1.82	2.27

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

Dividend Reinvestment Plan (DRP)

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

Independent auditor's review report

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

REVIEW OF RESULTS AND OPERATIONS

Review of Results

- Net profit after tax of $113.2 million
- Underlying Group EBITDA of $225.1 million
- Free cash flow of $46.2 million, bringing net cash to $62.1 million

Revenue

Mineral sands revenue decreased by 16% to $456.6 million in the first half of 2020, reflecting a 20% reduction in zircon/rutile/synthetic rutile (Z/R/SR) sales volumes to 242 thousand tonnes from the previous corresponding period. Sales volumes in the first half of 2020 reflected the impact of COVID-19 on key markets across the product suite. Sales of high-grade titanium dioxide feedstock (rutile and synthetic rutile) were 163 thousand tonnes compared to production of 196 thousand tonnes, partially impacted by the failure to take or pay for 20 thousand tonnes of synthetic rutile volumes expected to be sold under off-take agreements, while zircon sales volumes lagged production by 27 thousand tonnes at 78 thousand tonnes in H1 2020.

Revenue per tonne Z/R/SR increased 1% to A$1,689. Iluka's weighted average zircon premium and standard price received in the first half of 2020 was 11% lower than the first half of 2019. In contrast, rutile prices, excluding HyTi, rose 13% on average over the same period. Synthetic rutile sales are, in large part, underpinned by commercial off-take arrangements and the terms of these arrangements are commercial in confidence and as such cannot be disclosed.

Sales (kt)	1st Half 2020	1st Half 2019	% change
Zircon	78.4	133.3	(41.2)
Rutile	74.7	82.9	(9.9)
Synthetic rutile	88.5	85.6	3.4
Total Z/R/SR sales	**241.6**	**301.8**	**(19.9)**
Ilmenite – saleable	107.1	121.5	(11.9)
Total sales volumes	**348.7**	**423.3**	**(17.6)**
Z/R/SR revenue ($m)	408.1	507.2	(19.5)
Ilmenite and other revenue ($m)	48.5	38.4	26.3
Total mineral sands revenue[1] ($m)	**456.6**	**545.6**	**(16.3)**
Revenue per tonne of Z/R/SR sold[2] ($/t)	1,689	1,681	0.5

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

Earnings

Iluka recorded a profit after tax for the half-year ended 30 June 2020 of $113.2 million (2019: $137.2 million), with the lower earnings largely a result of lower sales volumes due to the impact of COVID-19 on the broader economy. Profit benefited from the depreciation of the AUD:USD foreign exchange rate, which favourably impacts mainly USD denominated revenue.

Iluka's underlying Group EBITDA decreased relative to 2019, down by 18% to $225.1 million, while cash production costs increased by $41.4 million to $293.2 million, primarily driven by a full six months of mining operations at Cataby as mining commenced in April 2019. Sierra Rutile cash costs increased US$8.1 million, although variability in FX rates resulted in a translated A$15.8 million increase. The half-year results included costs of $15.0 million associated with the underground mining trial at Balranald (2019: $nil).

Iluka's royalty income from MAC increased to $48.0 million (2019: $41.2 million), with iron ore prices up 9%, sales volumes up by 1%, and a $1 million capacity payment in 2020 (2019: $nil).

Earnings per share for the period were 26.8 cents compared to an earnings per share of 32.5 cents in the previous corresponding period. The number of shares on issue at 30 June 2020 of 422.8 million increased from 422.6 million in 2019 due to the activation of the dividend reinvestment plan (DRP) for the 2019 final dividend paid in April 2020.

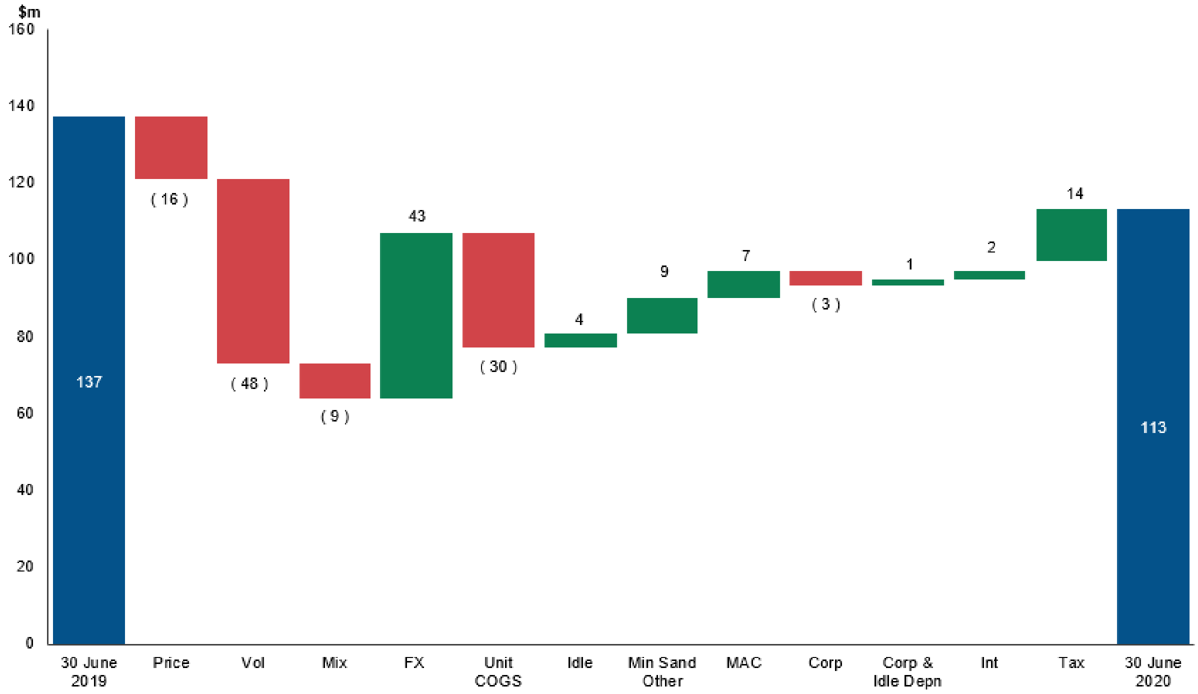
Income statement analysis

$ million	1st Half 2020	1st Half 2019	% change
Z/R/SR revenue	408.1	507.2	(19.5)
Ilmenite and other revenue	48.5	38.4	26.3
Mineral sands revenue	**456.6**	**545.6**	**(16.3)**
Cash costs of production	(283.0)	(244.1)	15.9
Ilmenite and by-product costs	(10.2)	(7.7)	32.5
Inventory movement - cash costs of production	98.1	36.8	166.6
Restructure and idle capacity charges	(8.2)	(11.8)	(30.5)
Government royalties	(9.5)	(21.5)	(55.8)
Marketing and selling costs[1]	(15.7)	(15.2)	3.3
Asset sales and other income	6.5	(3.2)	n/a
Resource development	(31.2)	(19.4)	60.8
Corporate and other costs	(29.3)	(25.9)	13.1
Foreign exchange gain (loss)	3.0	(0.9)	n/a
Underlying mineral sands EBITDA[2]	**177.1**	**232.7**	**(23.9)**
Mining Area C EBITDA	48.0	41.2	16.5
Underlying Group EBITDA	**225.1**	**273.9**	**(17.8)**
Depreciation and amortisation	(74.7)	(64.7)	15.0
Inventory movement - non-cash production costs	24.5	8.0	206.3
Rehabilitation costs for closed sites	(0.4)	(0.3)	33.3
Group EBIT	**174.5**	**216.9**	**(19.5)**
Net interest and bank charges	(4.0)	(6.3)	(36.5)
Rehabilitation unwind and other finance costs	(7.3)	(9.8)	(25.5)
Profit before tax	**163.2**	**200.8**	**(18.7)**
Tax expense	(50.0)	(63.6)	(21.4)
Profit for the period (NPAT)	**113.2**	**137.2**	**(17.5)**
Average AUD/USD rate for the period (cents)	**65.8**	**70.6**	**(6.8)**

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

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

Movement in NPAT



The key drivers for the movement in NPAT from the 2019 half-year were:

- lower zircon sales prices, with average zircon prices down 11%, mitigated by 13% higher rutile prices;
- lower Z/R/SR sales volumes at 242 thousand tonnes (2019: 302 thousand tonnes), with the volume variance calculated using the average margin achieved for Z/R/SR product sales in the current period;
- the average Australian dollar foreign exchange rate was very volatile and ended lower at an average of 66 cents in the first half of 2020 compared to 71 cents achieved on sales in the previous corresponding period;
- higher unit COGS of $961 per tonne in the first half of 2020 (2019: $861 per tonne) due to a combination of factors including higher SR costs with Cataby ilmenite now the feed source for the kiln; change in product mix as a higher proportion of SR was sold in the overall sales volumes; and higher SRL production costs due to maintenance issues that were magnified by unfavourable foreign exchange movements on SRL's US-Dollar denominated cost base;
- royalty income from MAC increased by $7 million from the previous corresponding period to $48.0 million on higher iron ore prices and sales volumes, while higher production resulted in a $1 million capacity payment in H1 2020; and
- lower tax expense on lower profit before tax.

Cash flow and balance sheet

Operating cash flow for the 2020 half-year was $96.7 million (2019: $179.9 million) reflecting lower receipts from customers due to lower revenue combined with higher operating payments and the build of inventory as demand was subdued in the first part of the year.

Capital expenditure was $49.6 million (2019: $145.0 million) as spend was reduced to maintain a strong cash position to manage the uncertainty of the COVID-19 pandemic. Spend in the first half reflected development work for the Cataby southern area expansion, the Eneabba project, and continued work on advancing a mining option for Sembehun along with sustaining capital expenditure.

Inventory holdings increased in the first half as global uncertainty weighed heavily on zircon demand and synthetic rutile shipments were deferred. Rutile inventory levels for the remainder of the finished goods product suite remained steady from the previous corresponding period.

Tax payments represent both income tax payments in Australia and Sierra Leone. Tax instalments in Australia have been based on the instalment rate provided by the Australian Tax Office (ATO). A final 2019 tax instalment of $99 million was deferred to September 2020 resulting in lower tax paid during H1 2020. Sierra Rutile Limited's annual Sierra Leone income tax payments are the greater of 3.5% of revenue or 30% of profit, based on the *Sierra Rutile Act*.

Iluka also accessed the Australian Government JobKeeper payment, recording a grant of $6 million year-to-date.

Drawings under the Multi Option Facility Agreement (MOFA), which comprises a series of five-year committed unsecured bilateral revolving credit facilities, at 30 June 2020 were $89.6 million (31 December 2019: $55.7 million).

Net cash increased to $62.3 million from $43.3 million at 31 December 2019.

Net cash at 31 July 2020 was $47.4 million.

Movement in net debt ($million)	1st Half 2019	2nd Half 2019	1st Half 2020
Opening net cash (debt)	**1.8**	**(141.5)**	**43.3**
Operating cash flow	179.9	228.2	96.7
MAC royalty	30.4	48.1	41.6
Exploration	(5.0)	(6.3)	(5.5)
Interest (net)	(2.9)	(2.8)	(1.0)
Tax	(143.9)	(3.5)	(39.4)
Capital expenditure	(145.0)	(52.5)	(49.6)
Proceeds from changes in ownership interests	28.5	-	-
Government grants	-	-	4.3
Principal element of lease payments AASB 16	(4.0)	(4.1)	(4.8)
Asset sales	1.8	0.2	3.9
Share purchases	(5.0)	(2.4)	-
Free cash flow	**(65.2)**	**204.9**	**46.2**
Dividends	(79.6)	(20.3)	(32.6)
Net cash flow	**(144.8)**	**184.6**	**13.6**
Exchange revaluation of USD net debt	1.8	1.1	5.5
Amortisation of deferred borrowing costs	(0.3)	(0.9)	(0.3)
Increase in net cash/(debt)	**(143.3)**	**184.8**	**18.8**
Closing net cash/(debt)	**(141.5)**	**43.3**	**62.1**

Dividends

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

The Board of Directors have determined no interim dividend is payable in light of the uncertain global economic conditions.

Production

Production (kt)	1st Half 2020	1st Half 2019	% change
Zircon	92.2	159.9	(42.3)
Rutile	84.0	80.8	4.0
Synthetic rutile	111.6	82.8	34.8
Total Z/R/SR production	**287.8**	**323.5**	**(11.0)**
Ilmenite	215.4	125.0	72.3
Total Mineral Sands Production	**503.2**	**448.5**	**12.2**
HMC produced	601	480	25.2
HMC processed	520	456	14.1
Cash costs of production, excluding ilmenite and by-products ($m)	**283.0**	**244.1**	**(16.0)**
Unit cash cost per tonne of Z/R/SR produced excluding by-products[1] ($/t)	983	755	(30.1)
Unit cost of goods sold per tonne of Z/R/SR sold ($/t)	961	861	(11.6)

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

Australian Operations

Mining continued at the Ambrosia deposit at Iluka's Jacinth-Ambrosia mine in South Australia, with 184 thousand tonnes of heavy mineral concentrate (HMC) produced in the first half of the year.

In Western Australia, the Cataby operation produced 263 thousand tonnes of HMC, up from 66 thousand tonnes in the previous corresponding period as Cataby produced for the full six months in 2020. This included 177 thousand tonnes of magnetic material (for use as synthetic rutile feed) and 87 thousand tonnes of non-magnetic material (for zircon and rutile production).

The Narngulu mineral separation plant (MSP) processed 209 thousand tonnes of HMC during the half, including material from both the Cataby and Jacinth-Ambrosia mines. This reflects Iluka's decision to alter production settings to process HMC consecutively at the Narngulu mineral separation plant to reduce zircon production during the uncertainty created by the COVID-19 pandemic. The plant retains full flexibility to return to higher production settings within 24 hours.

The Synthetic Rutile Kiln 2 at Capel continued its consistent performance, producing 112 thousand tonnes of synthetic rutile in H1 2020.

Iluka's Eneabba project in Western Australia began operations in April and the first shipment of 9kt of monazite-zircon concentrate left Geraldton port in June. Operations are continuing on a campaign basis.

Sierra Leone Operations

Rutile production in the first half was below expectations at 62 thousand tonnes, up slightly from 60 thousand tonnes in the previous corresponding period. Production in the month of June was more in line with expectations and materially better than April and May's performance.

In addition to several downtime events occurring during the period leading to lower throughputs at the mining operations, production was further hampered by COVID-19 disruptions, including the inability to maintain specialised skillsets typically provided by expatriate resources.

Sierra Rutile continues to focus on the health and safety of its employees and local communities and is providing additional assistance in managing the local impacts of the COVID-19 pandemic where possible. In addition to measures implemented at all Iluka sites, SRL's on-site clinic facilities were used for the treatment and management of the small number of COVID-19 cases among its employees.

Jacinth-Ambrosia/Mid West

		1st Half 2020	1st Half 2019	% change
Production volumes				
Zircon	kt	68.8	137.2	(49.9)
Rutile	kt	10.4	17.5	(40.6)
Total Z/R production	**kt**	**79.2**	**154.7**	**(48.8)**
Ilmenite	kt	41.1	58.2	(29.4)
Total production volume	**kt**	**120.3**	**212.9**	(43.5)
HMC produced	kt	184	291	(36.7)
HMC processed	kt	148	244	(39.3)
Unit cash cost of production - Z/R/SR [1]	$/t	944	529	78.4
Mineral sands revenue	**$m**	**143.2**	**242.4**	**(40.9)**
Cash cost of production	$m	(74.8)	(81.8)	(8.6)
Inventory movements - cash costs of production	$m	39.0	29.6	31.8
Restructure and idle capacity charges	$m	(1.4)	(1.7)	(17.6)
Government royalties	$m	(2.8)	(13.8)	(79.7)
Marketing and selling costs [2]	$m	(2.8)	(3.1)	(9.7)
EBITDA	**$m**	**100.4**	**171.6**	**(41.5)**
Depreciation and amortisation	$m	(17.5)	(14.1)	24.1
Inventory movement - non-cash production costs	$m	9.7	6.9	40.6
EBIT	**$m**	**92.6**	**164.4**	**(43.7)**

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

Iluka altered production settings at the Narngulu mineral separation plant in April 2020 to reduce zircon production during this period of market uncertainty due to COVID-19. As a result, total Z/R production decreased 49% from the previous corresponding period.

Mineral sands revenue decreased 41% from the previous corresponding period to $143.2 million (2019: $242.4 million) reflecting lower sales volumes and zircon price, offset by higher rutile prices.

Cash costs of production were $7.0 million lower than the previous corresponding period, reflecting lower variable costs on lower production.

The inventory movement predominantly reflects an increase of finished goods stocks, with finished goods inventory increasing by $24.8 million to $121.3 million at 30 June 2020.

Depreciation and amortisation charges have increased 24% from the previous corresponding period due mainly to the completion of Ambrosia capital works that commenced depreciation in the half-year.

Government royalties decreased 80% to $2.8 million, with the royalty being charged when heavy mineral concentrate (HMC) leaves the mine gate, regardless of sale.

Cataby/South West

		1st Half 2020	1st Half 2019	% change
Production volumes				
Zircon	kt	23.4	18.6	25.8
Rutile	kt	11.8	3.6	227.8
Synthetic rutile	kt	111.6	82.8	34.8
Total Z/R/SR production	**kt**	**146.8**	**105.0**	**39.8**
Ilmenite	kt	150.4	40.5	271.4
Total production volume	**kt**	**297.2**	**145.5**	**104.3**
HMC produced	kt	264	66	299.4
HMC processed	kt	219	86	155.0
Unit cash cost of production - Z/R/SR [1]	$/t	817	833	(1.9)
Mineral sands revenue	**$m**	**188.6**	**167.0**	**12.9**
Cash cost of production	$m	(120.0)	(87.5)	37.1
Inventory movements - cash costs of production	$m	43.0	20.5	109.8
Restructure and idle capacity charges	$m	(0.8)	(5.3)	(84.9)
Government royalties	$m	(2.3)	(2.4)	(4.2)
Marketing and selling costs [2]	$m	(6.1)	(3.5)	74.3
Asset sales and other income	$m	0.6	(0.3)	n/a
EBITDA	**$m**	**103.0**	**88.5**	**16.4**
Depreciation and amortisation	$m	(35.8)	(20.2)	77.2
Inventory movement - non-cash production costs	$m	11.0	4.5	144.4
Rehabilitation costs for closed sites	$m	(0.3)	(0.2)	50.0
EBIT	**$m**	**77.9**	**72.6**	**7.3**

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

Total Z/R/SR production increased by 40% from the previous corresponding period as Cataby was in production a full six months in comparison to H1 2019. After the 45-day major maintenance outage of the SR2 kiln in Q1 2019, H1 2020 saw higher synthetic rutile production from a full period of operation and higher throughput due to the upgrades during the outage.

Mineral sands revenue increased 13% from the previous corresponding period to $188.6 million (2019: $167.0 million) reflecting higher prices and marginally higher synthetic rutile sales volumes.

Cash costs of production were $32.5 million higher than the previous corresponding period, again reflecting a full 6 months of operation, with Cataby only commencing operations in April 2019.

The inventory build reflects customer failure to take or pay for synthetic rutile volumes under an off-take agreement, lower zircon sales volumes due to lower demand and no scheduled rutile sales in H1 2020.

Depreciation and amortisation charges increased from the previous corresponding period due to a full six months of operations at Cataby in 2020 compared to the previous corresponding period .

Sierra Rutile Operations

		1st Half 2020	1st Half 2019	% change
Production volumes				
Zircon	kt	-	4.1	n/a
Rutile	kt	61.8	59.7	3.5
Ilmenite	kt	23.9	26.3	(9.1)
Total production volume	**kt**	**85.7**	**90.1**	**(4.9)**
HMC produced	kt	153	123	24.6
HMC processed	kt	153	125	22.2
Unit cash cost of production - Z/R	$/t	1,511	1216	24.3
Mineral sands revenue	**$m**	**107.1**	**111.8**	**(4.2)**
Cash cost of production	$m	(93.4)	(77.6)	20.4
Inventory movements - cash costs of production	$m	17.8	(6.7)	n/a
Restructure, idle capacity and other non-production costs	$m	(1.3)	-	n/a
Government royalties	$m	(4.2)	(4.7)	(10.6)
Marketing and selling costs [1]	$m	(1.5)	0.3	n/a
Asset sales, write downs and other income	$m	(1.7)	-	n/a
EBITDA	**$m**	**22.8**	**23.1**	**(1.3)**
Depreciation & amortisation	$m	(19.3)	(27.5)	(29.8)
Inventory movement – non-cash costs of production	$m	4.5	(1.7)	n/a
EBIT	**$m**	**8.0**	**(6.1)**	**n/a**

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

Sierra Rutile's total Z/R production was 5% lower than the previous corresponding period due to ongoing maintenance challenges, the impact of the COVID-19 pandemic, and higher than typical rainfall hampering production late in H1 2020.

Mineral sands revenue was $107.1 million, a 4% decrease from the previous corresponding period, due to 15 thousand tonnes lower rutile sales volumes due to timing of shipments offset by higher rutile prices.

Sierra Rutile's cash production costs increased US$8.1 million due to higher maintenance and marine fuel oil costs. As their costs are translated to group currency for reporting, foreign currency exchange volatility in H1 2020 resulted in a A$15.8 million increase.

The inventory movement reflects an inventory build of finished goods stocks, increasing to $52.9 million. Depreciation costs were lower following the impairment charge in December 2019 reducing the asset base.

The Sierra Rutile operations generated stronger operating cash inflow in the first half of 2020 of $56.0 million (2019: $33.1 million) and contributed $28.3 million to free cash flow (2019: $9.4 million).

Marketing

Zircon

First half zircon sales of 78 thousand tonnes were significantly lower than the previous corresponding period (133 thousand tonnes) reflecting the impact of COVID-19 on key markets.

Ceramic industry activity in China recovered in April and remained relatively flat throughout the second quarter. Chinese tile makers operating rates were at around 50-60% of operating rates for the same period in 2019, while pressure from property developers for more favourable pricing and payment conditions resulted in margin pressure throughout the entire value chain and the closure of some smaller producers. Chinese tile exports were also affected by reduced demand from key markets, including the US. In Europe, India and the US the ceramic sector has been impacted by COVID-19 lockdowns with a significant reduction in industrial activity. European tile manufacturing operating rates have been at around 60% of 2019 levels.

The foundry market remains subdued due to reduced car manufacturing globally, and export orders recorded by Chinese foundry continued to deteriorate amid weak external demand.

Customer zircon inventories remain low as customers preserve cash and are mindful of ongoing global uncertainties.

The weighted average zircon price achieved in the first half of 2020 for premium and standard sand was US$1,354 per tonne, registering some erosion from the Q4 2019 level of US$1,438 per tonne due to the weakness of demand and competitive pressure. Iluka does not expect that lower prices will stimulate additional global demand for zircon.

High Grade Titanium Feedstocks

High-grade titanium dioxide feedstock (rutile and synthetic rutile) sales for H1 2020 were 163 thousand tonnes, broadly in line with sales volumes in H1 2019 (168 thousand tonnes).

In the first half, markets served by Iluka's high-grade titanium feedstocks, including pigments, welding and sponge, were impacted by COVID-19 and experienced a slowdown in demand. As a result, customers have reduced capacity utilisation rates and pulled forward planned maintenance activities to reduce finished goods inventory build. Reports by end users of pigment, mainly large paint producers, point to a rebound in demand at the end of Q2 as DIY and professional painting activity was picking up and sales of paints and coatings were improving. Welding and sponge markets continue to be impacted by COVID-19 related shutdowns in various regional markets. End use demand for these segments has also been impacted with the reduction of aerospace related demand for titanium metal due to a downturn in aircraft orders. As a result, tightness in the high-grade feedstock segment eased during the quarter and demand for spot shipments reduced.

The achieved weighted average H1 2020 price of rutile was US$1,246 per tonne, up 7% from H2 2019 (US$1,167 per tonne).

On 26 June 2020, Iluka announced that it had issued a Notice of Default to one of its customers. Further to that announcement, on 27 July 2020, Iluka commenced proceedings against Chemours in the Commercial Division of the Supreme Court of the State of New York for breach of contract in respect of Chemours' failure to pay Iluka for scheduled shipments of synthetic rutile in May and July 2020.

Weighted Average Received Prices (US$/t FOB)	**1st Half 2019**	**2nd Half 2019**	**1st Half 2020**
Zircon Premium and Standard	1,522	1,446	1,354
Zircon (all products including zircon-in-concentrate)[1]	1,465	1,299	1,265
Rutile (excluding HyTi)[2]	1,101	1,165	1,246

[1] Zircon prices reflect the weighted average price for zircon premium, zircon standard and zircon-in-concentrate. The prices for each product vary considerably, as does the mix of such products sold period to period. In the first half of 2020 the split of zircon sand and concentrate by zircon sand-equivalent was approximately: 80%:20% (2019 full year: 70%:30%).

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

Capital and major projects

Eneabba, Western Australia

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

Initial production from the now commissioned Eneabba Phase 1 operation was shipped ahead of schedule in June. The feasibility study for Phase 2 (the upgrade of the 20% monazite concentrate to a higher-grade concentrate) is progressing in line with plans. Iluka is also exploring the development of further downstream processing of monazite in Western Australia.

Balranald, New South Wales

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

A third technology trial (T3) to determine whether the technology is economically viable in a continuous mining and processing environment had been delayed due to travel restrictions associated with the COVID-19 pandemic. However, in close collaboration with contractors and technology partners, personnel and resources have now been mobilised to site and trial activities commenced. Absent any further COVID-19 related delays, preliminary results of the trial are expected in Q4 2020.

Wimmera, Victoria

The Wimmera project involves the mining and beneficiation of a fine-grained heavy mineral sands ore body in the Victorian Murray Basin for the potential long-term supply of zircon into the market along with rare earths.

Study work is largely focused on removal of impurities from the zircon; work continued to validate a processing solution.

Sembehun mine, Sierra Leone

The Sembehun group of deposits are situated 20 to 30 kilometres north-west of the existing Sierra Rutile operations. Sembehun is one of the largest and highest quality known rutile deposits in the world, with work to date focused on determining a development approach which ensures optimum value can be created from Sembehun.

With access to site still unavailable in Sierra Leone, and restrictive working conditions in South Africa, progress on the Sembehun project has been limited to preparing the various scopes of work for the Preliminary Feasibility Study (PFS). The focus is currently on progressing critical PFS activities that protect schedule but do not require site access or significant third party interaction.

Reconciliation of non-IFRS financial information

A reconciliation of the statutory results to the segment and commentary presented in this 4D for the half-year ended 30 June 2020 is presented below:

	JA/MW	C/SW	US/MB[1]	SRL	Expl & Oth	Mineral Sands	MAC	Corp	Group
Mineral sands revenue	143.2	188.6	17.7	107.1	(0.0)	456.6			456.6
AASB 15 freight revenue	7.2	3.0	1.7	2.5		14.4			14.4
Expenses	(50.0)	(88.6)	(11.0)	(86.8)	(37.1)	(273.5)		5.9	(267.5)
Mining Area C						-	48.0		48.0
FX						-		3.0	3.0
Corporate costs						-		(29.3)	(29.3)
EBITDA	**100.4**	**103.0**	**8.44**	**22.8**	**(37.1)**	**197.5**	**48.0**	**(20.4)**	**225.1**
Depn & Amort	(17.5)	(35.8)	(0.2)	(19.3)	(1.7)	(74.5)	(0.2)		(74.7)
Inventory movement - non-cash	9.7	11.0	(0.7)	4.5		24.5			24.5
Rehabilitation for closed sites		(0.3)	(0.1)			(0.4)			(0.4)
EBIT	**92.6**	**77.9**	**7.4**	**8.0**	**(38.8)**	**147.1**	**47.8**	**(20.4)**	**174.5**
Net interest costs	(0.7)	(0.3)	(0.1)	(0.1)		(1.22)		(2.8)	(4.0)
Rehab unwind and other finance costs	(1.3)	(1.4)	(3.2)	(1.4)		(7.3)		0.0	(7.3)
Profit Before tax	**90.6**	**76.2**	**4.1**	**6.5**	**(38.8)**	**138.6**	**47.8**	**(23.2)**	**163.2**
Segment result	**90.6**	**76.2**	**4.1**	**6.5**		**138.6**	**47.8**		**225.2**

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

GOVERNANCE

The Directors of Iluka Resources Limited present their report together with the financial statements of the Group for the half-year ended 30 June 2020 and the auditor's review report thereon.

Board of Directors

G Martin (Chairman)
T O'Leary (Managing Director and CEO)
M Bastos
R Cole
S Corlett (appointed 1 June 2019)
J Ranck
L Saint (appointed 24 October 2019)
J Seabrook (retired 9 April 2020)

Principal activities

The principal activities and operations of the Group during the half-year were the exploration, project development, mining operations, processing and marketing of mineral sands. The Company also has a royalty over iron ore sales revenue from BHP's Mining Area C province in Western Australia.

Review of results and operations

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

Dividends

The Board of Directors have determined that no interim dividend will be paid.

Auditor's independence declaration

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

Rounding of amounts

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

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

G Martin
Chairman

T O'Leary
Managing Director and CEO

Perth, 14 August 2020

Auditor's Independence Declaration

As lead auditor for the review of Iluka Resources Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of Iluka Resources Limited and the entities it controlled during the period.

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
14 August 2020

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ILUKA RESOURCES LIMITED

ABN 34 008 675 018

FINANCIAL INFORMATION

for the half-year ended 30 June 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 30 June 2020

	Notes	**Half-year 2020 $m**	Half-year 2019 $m
Revenue	3	**519.4**	609.3
Other income		**9.7**	0.4
Expenses	4	**(354.3)**	(392.0)
Interest and finance charges		**(4.3)**	(7.1)
Rehabilitation and mine closure provision discount unwind		**(7.3)**	(9.8)
Total finance costs		**(11.6)**	**(16.9)**
Profit before income tax		**163.2**	**200.8**
Income tax expense	5	**(50.0)**	(63.6)
Profit for the half-year, attributable to:		**113.2**	137.2
Equity holders of Iluka Resources Limited		**113.2**	137.2
Non-controlling interest		**-**	-
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation of foreign operations		**(2.0)**	2.7
Hedge of net investment in foreign operation, net of tax	6	**0.4**	(0.5)
Movements in foreign exchange cash flow hedges, net of tax	6	**(2.5)**	2.9
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans, net of tax		**0.1**	-
Other comprehensive income (loss) for the half-year, net of tax		**(4.0)**	5.1
Total comprehensive income for the half-year, attributable to:		**109.2**	142.3
Equity holders of Iluka Resources Limited		**109.2**	142.3
Non-controlling interest		**-**	-
		Cents	Cents
Earnings per share attributable to ordinary equity holders of the parent			
Basic earnings per share		**26.8**	32.5
Diluted earnings per share		**26.7**	32.3

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

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2020

	Notes	30 June 2020 $m	31 December 2019 $m
ASSETS			
Current assets			
Cash and cash equivalents		**150.3**	97.3
Receivables		**115.3**	196.3
Inventories		**406.5**	341.1
Current tax receivable		**9.9**	3.3
Total current assets		**682.0**	**638.0**
Non-current assets			
Property, plant and equipment		**1,100.0**	1,126.2
Deferred tax assets		**15.0**	22.1
Intangible asset - MAC Royalty		**3.3**	3.5
Inventories		**153.9**	84.1
Right of use assets		**19.5**	20.5
Total non-current assets		**1,291.7**	**1,256.4**
Total assets		**1,973.7**	**1,894.4**
LIABILITIES			
Current liabilities			
Payables		**126.9**	140.8
Derivative financial instruments		**4.2**	3.7
Current tax payable		**105.1**	96.1
Provisions		**120.3**	112.6
Lease liabilities		**11.3**	9.2
Total current liabilities		**367.8**	**362.4**
Non-current liabilities			
Interest-bearing liabilities	7	**88.2**	54.0
Derivative financial instruments		**5.0**	1.6
Provisions		**677.4**	715.6
Financial liabilities at fair value through profit or loss		**29.1**	28.4
Lease liabilities		**17.3**	20.8
Total non-current liabilities		**817.0**	**820.4**
Total liabilities		**1,184.8**	**1,182.8**
Net assets		**788.9**	**711.6**
EQUITY			
Contributed equity	8	**1,160.5**	1,157.6
Reserves		**18.3**	24.0
Accumulated losses		**(391.9)**	(472.0)
Non-controlling interests		**2.0**	2.0
Total equity		**788.9**	**711.6**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2020

	Notes	Attributable to owners of Iluka Resources Limited					
		Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1]	Total equity $m
Balance at 1 January 2019		1,154.0	42.6	(86.6)	1,110.0	-	1,110.0
Profit for the period		-	-	137.2	137.2	-	137.2
Other comprehensive income		-	5.1	-	5.1	-	5.1
Total comprehensive income for the half-year		**-**	**5.1**	**137.2**	**142.3**	**-**	**142.3**
Transactions with owners in their capacity as owners:							
Transfer of shares to employees, net of tax		8.0	(8.0)	-	-	-	-
Purchase of treasury shares, net of tax		(4.3)	-	-	(4.3)	-	(4.3)
Share-based payments, net of tax		-	5.2	-	5.2	-	5.2
Dividends paid	9	0.9	-	(80.5)	(79.6)	-	(79.6)
Transactions with non-controlling interests		-	(21.4)	-	(21.4)	21.8	0.4
		4.6	(24.2)	(80.5)	(100.1)	21.8	(78.3)
Balance at 30 June 2019		**1,158.6**	**23.5**	**(29.9)**	**1,152.2**	**21.8**	**1,174.0**

	Notes	Attributable to owners of Iluka Resources Limited					
		Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1] $m	Total equity $m
Balance at 1 January 2020		1,157.6	24.0	(472.0)	709.6	2.0	711.6
Profit for the period		-	-	113.2	113.2	-	113.2
Other comprehensive income		-	(4.0)	-	(4.0)	-	(4.0)
Total comprehensive income for the half-year		**-**	**(4.0)**	**113.2**	**109.2**	**-**	**109.2**
Transfer of asset revaluation reserve		-	(0.7)	0.7	-	-	-
Transactions with owners in their capacity as owners:							
Transfer of shares to employees, net of tax		1.7	(1.7)	-	-	-	-
Share-based payments, net of tax		-	0.7	-	0.7	-	0.7
Dividends paid	9	1.2	-	(33.8)	(32.6)	-	(32.6)
		2.9	(1.0)	(33.8)	(31.9)	-	(31.9)
Balance at 30 June 2020		**1,160.5**	**18.3**	**(391.9)**	**786.9**	**2.0**	**788.9**

[1]Non-controlling interest

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year 30 June 2020

	Notes	30 June 2020 $m	30 June 2019 $m
Cash flows from operating activities			
Receipts from customers		**534.7**	558.8
Payments to suppliers and employees		**(433.7)**	(378.9)
Operating cash flow		**101.0**	179.9
Interest received		**0.5**	0.7
Interest paid		**(1.5)**	(3.6)
Income taxes paid		**(39.4)**	(143.9)
Exploration expenditure		**(5.5)**	(5.0)
Mining Area C royalty receipts		**41.6**	30.4
Net cash inflow from operating activities	11	**96.7**	**58.5**
Cash flows from investing activities			
Payments for property, plant and equipment		**(49.6)**	(145.0)
Sale of property, plant and equipment		**3.9**	1.8
Net cash outflow from investing activities		**(45.7)**	**(143.2)**
Cash flows from financing activities			
Repayment of borrowings		**(158.8)**	(138.0)
Proceeds from borrowings		**198.9**	281.2
Purchase of treasury shares		**-**	(5.0)
Proceeds from changes in ownership interests		**-**	28.5
Principal element of lease payments		**(4.8)**	(4.0)
Dividends paid	9	**(32.6)**	(79.6)
Net cash (outflow) inflow from financing activities		**2.7**	**83.1**
Net increase (decrease) in cash and cash equivalents		**53.7**	(1.6)
Cash and cash equivalents at 1 January		**97.3**	51.3
Effects of exchange rate changes on cash and cash equivalents		**(0.7)**	0.3
Cash and cash equivalents at end of half-year		**150.3**	**50.0**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

1 BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2019 and any public announcements made by Iluka Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

(a) Accounting policies

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

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

Government grants

The Group received government grant income for the first time during the reporting period under the Australian Government's Jobkeeper Payment scheme. The scheme is a response by the Australian Government to assist businesses impacted by the economic effects of COVID-19. The scheme subsidises employee costs of eligible nominated employees, provided the employer meets certain eligibility criteria and elects to participate in the scheme.

Income received under the scheme is a government grant. The Group recognises income when there is reasonable assurance that it will comply with the conditions applicable to them, and that the grants will be received.

(b) Critical accounting estimates and judgements

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

(i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, operating assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units - CGUs). Assets that are not currently in use and not scheduled to be brought back into use (idle assets) are considered on a standalone basis.

The Group assessed all cash generating units (CGUs) to determine whether any impairment indicators exist at 30 June 2020, including those which may have arisen due to the global economic impact of COVID-19. No such indicators were found to be present, therefore no impairment test was required to be performed. The Group does not note any conditions that suggest previously recognised impairments can be reversed.

1 BASIS OF PREPARATION (CONTINUED)

Key judgement: asset impairment indicator assessment

The Group considers internal and external factors when performing its assessment of assets for impairment indicators. This assessment requires a significant level of judgement and is subject to risk and uncertainty that may be beyond the control of the Group, including political risk, climate change risk, and other global uncertainty risks (like the impacts of COVID-19).

The following external and internal factors were most significant:

- forecast product selling prices and relevant exchange rates
- forecast demand and supply factors
- global economic forecasts (and their impact on demand for the Group's products)
- future production levels and offtake volumes
- significant changes in business performance or future operating plans along with changes in technology
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure
- life-of-mine cash flow modelling using approved forecast cash flows, and discounted using an estimated cost of capital for the relevant asset

Whilst there were observed declines in some of the factors above during the period, the Group is actively managing risks and impacts arising from COVID-19 on its operations and people, and at the reporting date has not noted any circumstances that would indicate the presence of changes likely to significantly affect the recoverability of non-current assets.

(ii) Rehabilitation and mine closure provisions

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

Key estimate: discount rate for provisions

Australian rehabilitation and mine closure provisions have been calculated by discounting risk adjusted cash flows at a risk-free discount rate, being 1.3%. The risk-free discount rate was reduced from 3.0% to 1.3% at the end of 2019.

Rehabilitation and mine closure provisions in the US and Sierra Rutile are similarly calculated by discounting risk adjusted cash flows at risk-free discount rates, being 2.5% (2019: 2.5%).

A decrease of 1% to each of the above discount rates (in the absence of any changes to inflation assumptions) would result in a $54.1 million increase to the provision, of which $17.1 million would be expensed to profit or loss for closed sites.

1 BASIS OF PREPARATION (CONTINUED)

(iii) Net realisable value and classification of inventory

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

Total inventory at 30 June 2020 was $560.4 million (31 December 2019: $425.2 million). Inventory write-downs of $0.1 million occurred for work in progress or finished goods during the period (31 December 2019: $41.8 million, of which $39.1 million related to the write-down of stores inventory to its net realisable value due to the write-down at Sierra Rutile).

Inventory of $153.9 million (31 December 2019: $84.1 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date.

2 SEGMENT INFORMATION

(a) Description of segments

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

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

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

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

Mining Area C (MAC) comprises the deferred consideration iron ore royalty interest over certain mining tenements in Australia operated by BHP Group.

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

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

Where finished product capable of sale to a third party is transferred between operating segments, the transfers are made at arm's length prices. Any transfers of intermediate products between operating segments are made at cost. No such transfers took place between segments during the half-year ended 30 June 2020 (2019: $nil).

2 SEGMENT INFORMATION (CONTINUED)

(b) Segment information

Half-year 2020	**JA/MW** $m	**C/SW** $m	**SRL** $m	**MAC** $m	**US/MB** $m	**Total** $m
Total segment sales of mineral sands	143.2	188.6	107.1	-	17.7	456.6
Total segment freight revenue	7.2	3.0	2.5	-	1.7	14.4
Total segment result	90.6	76.2	6.5	47.8	4.1	225.2
Segment assets at 30 June 2020	606.4	763.1	196.8	29.9	144.9	1,741.1
Segment liabilities at 30 June 2020	231.3	240.0	171.4	-	297.7	940.4

Half-year 2019	**JA/MW** $m	**C/SW** $m	**SRL** $m	**MAC** $m	**US/MB** $m	**Total** $m
Total segment sales of mineral sands	242.4	167.0	111.8	-	24.4	545.6
Total segment freight revenue	10.9	3.3	6.1	-	1.5	21.8
Total segment result	162.1	70.0	(7.2)	41.0	(3.3)	262.6
Segment assets at 31 December 2019	588.4	717.2	220.2	23.7	154.1	1,703.6
Segment liabilities at 31 December 2019	248.1	254.7	169.3	-	304.6	976.7

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

	Half-year 2020 $m	Half-year 2019 $m
Segment result	**225.2**	262.6
Interest income	**0.4**	0.8
Other income	**5.8**	-
Marketing and selling	**(5.7)**	(6.7)
Corporate and other costs	**(29.3)**	(25.9)
Depreciation	**(1.7)**	(2.5)
Major projects, innovation and exploration	**(31.2)**	(19.5)
Interest and finance charges	**(3.3)**	(7.1)
Net foreign exchange gain/(loss)	**3.0**	(0.9)
Profit before income tax	**163.2**	**200.8**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

3 REVENUE

	Half-year 2020 $m	Half-year 2019 $m
Sales revenue		
Sale of goods	**456.6**	545.6
Freight revenue	**14.4**	21.8
Other revenue		
Mining Area C royalty income	**48.0**	41.2
Interest	**0.4**	0.8
	48.4	42.0
	519.4	**609.4**

(a) Sale of mineral sands

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

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

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

A receivable is recognised at the earlier of dispatch or formal acknowledgement of legal ownership by a customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

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

3 REVENUE (CONTINUED)

(b) Freight revenue

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

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

(c) Mining Area C royalty income and amortisation of royalty asset

Iluka holds a royalty stream over BHP's Mining Area C (MAC) iron ore mine. The royalty stream is paid as 1.232% of Australian denominated revenue from the royalty area and a one-off payment of $1 million per million tonne increase in annual production capacity.

Royalty income is recognised on an accrual basis and is received on a quarterly basis in arrears. The royalty entitlement asset is an intangible asset and is amortised on a straight-line basis over its estimated useful life.

(d) Interest income

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

4 EXPENSES

	Notes	Half-year 2020 $m	Half-year 2019 $m
Expenses			
Cash costs of production	4(a)	**283.0**	244.1
Depreciation and amortisation	4(e)	**71.8**	60.5
Inventory movement - cash costs of production		**(98.1)**	(36.8)
Inventory movement - non-cash production costs		**(24.5)**	(8.0)
Cost of goods sold	4(b)	**232.2**	259.8
Ilmenite concentrate and by-product costs	4(c)	**10.2**	7.7
Restructure and idle capacity charges	4(d)	**8.2**	11.8
Rehabilitation costs for closed sites		**0.4**	0.3
Government royalties		**9.5**	21.5
Marketing and selling costs		**30.2**	36.9
Corporate and other costs		**29.3**	25.9
Major projects innovation and exploration		**31.2**	19.4
Foreign exchange losses (net)		**-**	0.9
Depreciation (idle, corporate and other)		**2.9**	4.2
Net loss on disposal of property, plant and equipment		**0.2**	3.6
		354.3	**392.0**

	Notes	Half-year 2020 $m	Half-year 2019 $m
Finance costs			
Interest charges		**1.0**	3.2
Bank fees and similar charges		**2.3**	2.8
Amortisation of deferred borrowing costs		**0.3**	0.3
Lease borrowing costs	4(e)	**0.7**	0.8
Rehabilitation and mine closure provision discount unwind		**7.3**	9.8
		11.6	16.9

(a) Cash costs of production

Cash costs of production include costs for mining and concentrating; transport of heavy mineral concentrate; mineral separation; synthetic rutile production; externally purchased ilmenite and production overheads. This category also includes landowner royalty payments, but excludes Australian State and Sierra Leone Government royalties which are reported separately.

4 EXPENSES (CONTINUED)

(b) Cost of goods sold

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

Inventory movement represents the balance sheet inventory change in work in progress and finished goods, including movement in net realisable value adjustments and $24.5 million of non-cash depreciation and amortisation.

Inventory movement non-cash of $24.5 million represents the depreciation and amortisation component included within the inventory drawdown during the half.

(c) Ilmenite concentrate and by-product costs

Ilmenite and by-product costs of $10.2 million (2019: $7.7 million) include by-product costs such as for iron concentrate processing, activated carbon, Eneabba monazite, and wet high intensity magnetic separation (WHIMS) ilmenite transport costs.

(d) Restructure and idle capacity charges

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

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

(e) Lease related amortisation and borrowing costs

Amortisation and borrowing cost expenses of $4.3 million and $0.7 million (2019: $3.4 million and $0.8 million), respectively, have been recognised in the current reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

5 INCOME TAX

(a) Income tax expense

	Half-year 2020 $m	Half-year 2019 $m
Current tax	**40.6**	48.8
Deferred tax	**9.6**	15.9
Over provided in prior years	**(0.2)**	(1.1)
	50.0	63.6

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Half-year 2020 $m	Half-year 2019 $m
Profit before income tax expense	**163.2**	200.8
Tax at the Australian tax rate of 30% (2019: 30%)	**49.0**	60.2
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**(0.8)**	(0.7)
Deferred tax losses not recognised by overseas operations	**1.9**	1.8
SRL - income tax calculated at 3.5% of revenue[1]	**3.8**	3.5
Recognition of historical alternative minimum tax (AMT) credits[2]	**(4.7)**	-
Non-deductible expenses	**0.5**	0.8
Other items	**(0.3)**	(0.9)
	49.4	**64.7**
Difference in overseas tax rates[1]	**0.8**	-
Over provision in prior years	**(0.2)**	(1.1)
Income tax expense	**50.0**	**63.6**

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

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

6 HEDGING

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

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.

Fair value of derivatives

Derivative financial instruments are measured and recognised at fair value at 30 June 2020 and 31 December 2019. The fair value of these instruments is determined using valuation techniques with inputs that are observable market data (a level 2 measurement). The valuation of forward contracts is determined using forward foreign exchange rates at the balance date. The valuation of the options making up the collars is determined using the Black-Scholes valuation model, the key inputs of which are the strike price of the options, the exchange rate at measurement date, the time to expiration of the options, the risk-free rate and exchange rate volatilities. 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.

Cash flow hedges

No additional derivative contracts were entered into during the period. Of the derivative contracts previously entered into, the following contracts remain open at the reporting date:

- foreign exchange forward contracts covering US$29.0 million at an average rate of 71.6 cents; and
- foreign exchange collar hedges covering US$185.8 million of expected USD revenue to 31 December 2022. The collars comprise US$185.8 million worth of purchased AUD call options with a weighted average strike price of 78.5 cents and US$185.8 million worth of sold AUD put options at a strike price of 68.6 cents.

The above period 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.

The following hedging contracts matured during the half-year:

- US$47.4 million in foreign exchange collar contracts consisting of US$47.4 million of bought AUD call options with weighted average strike prices of 78.4 cents and US$47.4 million of sold put options with weighted average strike prices of 68.6 cents; and
- US$30.8 million in foreign exchange forward contracts at a weighted average rate of 70.6 cents.

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

Net investment hedge

The Group also designates US-Dollar denominated debt as a hedge against the Group's net investment in Sierra Leone, which has a US Dollar functional currency. During the period the Group's net investment hedge resulted in the foreign currency translation reserve being increased by $0.3 million (2019: $0.5 million reserve reduction).

7 INTEREST-BEARING LIABILITIES

	30 June 2020 $m	31 December 2019 $m
Non-current interest-bearing liabilities - unsecured		
Multi Optional Facility Agreement	**89.6**	55.7
Deferred borrowing costs	**(1.4)**	(1.7)
	88.2	54.0

Multi Option Facility Agreement

The Multi Option Facility Agreement (MOFA) comprises a series of committed five-year unsecured bilateral revolving credit facilities with several domestic and foreign institutions. The facilities are denominated in a mix of Australian Dollars and US Dollars. Changes in the US Dollar exchange rate resulted in the facility increasing to $523.2 million during the reporting period (31 December 2019: $519.3 million). All facilities expire in July 2024.

Undrawn MOFA facilities at 30 June 2020 were $433.5 million (31 December 2019: $463.6 million).

8 CONTRIBUTED EQUITY

(a) Movements in ordinary share capital

On 2 April 2020, the Group issued 184,903 ordinary shares to shareholders at a price of $6.97 per share as part of the Dividend Reinvestment Plan, the terms of which are detailed in the ASX announcement dated 27 February 2018. As at 30 June 2020, 422,769,681 ordinary shares are on issue.

(b) Movements in treasury shares

During the period 271,057 treasury shares were transferred to employees (2019: 1,192,389) and no treasury shares were purchased (2019: 662,051). Following the transfer, the total number of treasury shares on hand at 30 June 2020 was 199,399 (31 December 2019: 470,456).

9 DIVIDENDS

	Half-year 2020 $m	Half-year 2019 $m
Final dividend		
For 2019 of 8 cents per share, fully franked	**33.8**	-
For 2018 of 19 cents per share, fully franked	**-**	80.5
	33.8	80.5

Of the total $33.8 million final dividend declared for 2019, $1.2m was taken up by shareholders as part of the Dividend Reinvestment Plan as detailed in the announcement to the ASX dated 2 April 2020.

The Directors have determined that no interim dividend will be declared for the half-year ended 30 June 2020.

Franking credits

The balance of franking credits available as at 30 June 2020 is $147.9 million (2019: $129.4 million). This balance is based on a tax rate of 30% (2019: 30%).

10 CONTINGENT LIABILITIES

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

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

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

In late January 2019, Iluka was informed that a dispute had arisen between the applicant and its third party litigation funder, Harbour Fund II LP. On 2 August 2019, Iluka was notified that the applicant secured funding from a replacement funder, August Ventures Limited.

The presiding judge has made orders for the exchange of evidence in the proceedings and a revised trial date has been set for 8 March 2021.

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

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

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

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

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

As at 30 June 2020, the status of the proceedings has still not reached a stage where SRL is able to reliably estimate the quantum of liability, if any, that SRL may incur in respect of the class action.

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

	Half-year 2020 $m	Half-year 2019 $m
Profit for the half-year	**113.2**	137.2
Depreciation and amortisation	**74.7**	64.7
Net (gain)/loss on disposal of property, plant and equipment	**0.2**	3.6
Net exchange differences	**(5.0)**	(1.3)
Rehabilitation and mine closure provision discount unwind	**7.3**	9.8
Non-cash share-based payments expense	**0.7**	5.2
Amortisation of deferred borrowing costs	**0.3**	0.3
Inventory NRV write-down	**0.1**	2.7
Borrowing costs on leases	**0.7**	0.8
Change in operating assets and liabilities		
Decrease in receivables	**82.9**	5.1
(Increase) in inventories	**(135.9)**	(45.1)
Increase/(decrease) in net current tax liability	**2.0**	(100.0)
Decrease in net deferred tax	**7.5**	27.6
(Decrease) in payables	**(15.1)**	(23.6)
(Decrease) in provisions	**(36.9)**	(28.5)
Net cash inflow from operating activities	**96.7**	**58.5**

DIRECTORS' DECLARATION
30 June 2020

In the directors' opinion:

(a) the interim financial statements and notes set out on pages 16 to 33 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date, and

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

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

G Martin
Chairman

T O'Leary
Managing Director

14 August 2020

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Iluka Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated balance sheet as at 30 June 2020, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Iluka Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

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1. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
14 August 2020