



Australian Securities Exchange Notice

ILUKA

25 February 2021

ASX: ILU

2020 FULL YEAR RESULTS

Iluka Resources Limited (Iluka) announces a net profit after tax (NPAT) of \$2.4 billion for 2020, including a \$2.2 billion gain from the demerger of the company's royalty business in November. Underlying NPAT was \$151 million.

Delivered amid the global economic impact of the COVID-19 pandemic, this result reflects the discipline demonstrated by Iluka throughout the year.

Mineral sands revenue was \$947 million. Zircon sales volumes were affected early in 2020 by COVID-19 related shutdowns, with ceramic plants in some jurisdictions operating at reduced capacity for the remainder of the year. Synthetic rutile sales volumes were down largely due to the contractual dispute with Chemours (a major customer). Zircon prices reduced in the first quarter as the pandemic unfolded but then were largely stable as a result of Iluka's market and operational discipline. Rutile prices increased, reflecting the ongoing tightness in this segment. Mineral sands EBITDA margins remained strong at 36%.

Mining Area C royalty revenue for 2020 was \$81 million, with Iluka receiving royalty payments to September, prior to the separation and listing of Deterra Royalties Limited (Deterra). Iluka retains a 20% interest in Deterra.

Iluka entered the rare earths market in July via first sales from Phase 1 operations at Eneabba. Revenues from non-mineral sands products, including monazite concentrate, were \$106 million, up 65% from 2019.

Underlying group EBITDA was \$423 million.

Free cash flow was \$36 million, with operating cash flow down on the previous year due to lower revenues. Free cash flow includes \$71 million investment in capital expenditure, \$98 million 2019 final tax payment and \$14 million in JobKeeper subsidies, which will be voluntarily returned in 2021. Iluka ended 2020 in a net cash position of \$50 million.

The company declared a dividend of 2 cents per share, fully franked, in line with its dividend framework, adjusted for the repayment of JobKeeper.

Key Financials

| \$ million | 2020 | 2019 | Change (%) |
|--|---------|---------|------------|
| Mineral sands revenue | 947.0 | 1,193.1 | (20.6) |
| Mineral sands EBITDA | 342.0 | 530.9 | (35.6) |
| MAC EBITDA | 81.0 | 85.1 | (4.8) |
| Underlying Group EBITDA ¹ | 423.1 | 616.0 | (31.3) |
| Profit for the period (NPAT) – Underlying | 151.2 | 278.7 | (45.7) |
| Profit (loss) for the period (NPAT) – Reported | 2,410.0 | (299.7) | - |
| Operating Cash Flow | 183.8 | 408.1 | (55.0) |
| Free Cash Flow ² | 36.3 | 139.7 | (74.0) |
| Dividend (cps) | 2 | 13 | (84.6) |

| \$ million | At 31 Dec 2020 | At 31 Dec 2019 | Change (%) |
|------------|----------------|----------------|------------|
| Net cash | 50.2 | 43.3 | 15.9 |

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. (FY20: \$2,261 million; FY19: \$418 million post tax).

² Free Cash Flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year but after capital expenditure.

Managing Director's commentary

COVID-19 was the source of several unprecedented challenges for Iluka in 2020.

The company responded with a disciplined performance, prioritising the safety of our people and communities; prudent management of our financial position; executing the demerger of our royalty business; and adjusting production settings in line with market conditions. Our financial result and other significant achievements over the course of the year are the product of this discipline.

Notwithstanding the pandemic's wide-ranging impacts on market sentiment, Iluka has preserved margins and, ultimately, the value of the minerals we mine and process.

We enter 2021 well placed as the global economy moves toward recovery. Iluka has a strong balance sheet and significant funding capacity. We also have positive indicators in key markets, the operational flexibility to respond to improving demand and a maturing pipeline of significant development options. These options will be pursued with the same discipline we have demonstrated over the past year.

Our emerging position in rare earths presents a particularly important and exciting opportunity for the company. Eneabba is now the world's highest grade rare earths operation. Commissioning for Phase 2 of Eneabba's development is scheduled for the first half of 2022. Additionally, Iluka is actively exploring the potential for the downstream processing of rare earths in Australia (Phase 3) and has commenced a feasibility study for a fully integrated rare earths refinery.

We look to the future with cautious optimism but also with some confidence as a result of the company's performance in 2020 in dealing with and adapting to changes in the external environment.

Outlook

Iluka continues to observe signs of recovery in market conditions for zircon and high grade titanium dioxide feedstocks. The company has advised zircon customers of a US\$70 per tonne price increase effective 1 April.

2020 sales of synthetic rutile were impacted by a contractual dispute with a major customer. However, owing to the take-or-pay contracts Iluka has in place with a range of customers for its rutile and synthetic rutile products, the company retains a degree of revenue certainty in the high grade feedstock market. For 2021, these contracts aggregate to a minimum of approximately 295 thousand tonnes. To date, a further 30 thousand tonnes of high grade feedstocks is contracted in H1.

Iluka's operational settings were adjusted at Jacinth-Ambrosia and Narngulu in 2020 to respond to the market impacts of COVID-19. The company is closely monitoring its production, sales and inventories and has the flexibility to make further adjustments to changing demand. As announced in January, Iluka has temporarily suspended synthetic rutile production for a period of three to six months to reduce stocks.

Mining at Jacinth will continue in 2021 after a return from the Ambrosia deposit in August last year. Production settings at the Narngulu mineral separation plant have been increased as a result of improving zircon markets and the reduction in Iluka's zircon inventories. While production at Sierra Rutile was impacted severely by COVID-19 related downtime issues, delivering operational and cost improvements and building consistency will be a focus over the year ahead.

Current 2021 production estimates are for Iluka to produce 285 thousand tonnes of zircon (including around 60 thousand tonnes of zircon in concentrate); 200 thousand tonnes of rutile; and between 115 and 175 thousand tonnes of synthetic rutile, subject to the length of the temporary production suspension.

Capital expenditure in 2021 is expected to be around \$100 million, including execution of Eneabba Phase 2; commencement of the Balranald DFS (subject to satisfactory final outcomes from the trial and Board approval); maintenance and equipment upgrades at Cataby; the hydraulic trial and development capital related to Sembehun; and progression of studies and sustaining capital spend across sites.

Iluka's full financial and physical parameters outlook are provided at slides 30-32 of the full year results presentation, available at www.iluka.com.

2020 full year results teleconference

Iluka will host a conference call for equity market participants to discuss the 2019 result. The conference call will take place at **10:00am (AEDT) on Thursday, 25 February 2021**. Participants need to register by following the link and instructions below.

Joining the Conference Call:

1. Please register in advance of the conference using the link provided below. Upon registering, you will be provided with participant dial-in numbers, Direct Event passcode and unique registrant ID. The conference ID is **6382196**
2. In the 10 minutes prior to the call start time, you will need to use the conference access information provided in the email received at the point of registering.

Direct Event online registration: <http://apac.directeventreg.com/registration/event/6382196>

This announcement was authorised for release by the Managing Director of Iluka Resources Limited.

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Other Iluka Disclosures:

All references to \$ refer to Australian dollars (AUD) unless otherwise stated.

The full year results briefing pack follows this announcement and will be referred to during the conference call.

The Iluka 2020 Appendix 4E has been released to the Australian Securities Exchange on 25 February 2021 and should be referred to for detailed financial commentary of the results. All information about the full year results is also included on Iluka's website – refer www.iluka.com