



ILUKA
Tax Transparency
Report
2019

**DELIVER
SUSTAINABLE
VALUE**

ABOUT ILUKA RESOURCES

Iluka Resources Limited (Iluka) is an international mineral sands company with more than 60 years' experience in exploration, project development, mining operations, processing, marketing and rehabilitation. The company is listed on the Australian Securities Exchange and headquartered in Perth, Western Australia.

Iluka also has a royalty business, which is underpinned by a cornerstone royalty asset over iron ore sales revenues from tenements of BHP's Mining Area C (MAC) province in the north west of Western Australia.

The company's objective is to deliver sustainable value. Iluka is the largest producer of zircon and rutile globally; and a major producer of synthetic rutile. The company's products are used in an increasing array of applications including home, workplace, medical, lifestyle and industrial uses.

With over 3,000 direct employees, Iluka has operations and projects in Australia and Sierra Leone; and a globally integrated marketing network. Almost all products from the company's operations are sold direct to customers. Iluka's integrated marketing network is based in locations that offer close proximity to customers, enabling real time feedback and high-quality customer service. With the exception of China, the company's marketing offices do not sell products to customers and are not compensated on a commission basis.

Iluka conducts international exploration activities and is actively engaged in the rehabilitation of previous operations in the United States, Australia and Sierra Leone.

As shown in this report, the company's global tax Payment profile is concentrated in the locations where its operations are based.

An aerial photograph of a massive open-pit mine. The landscape is dominated by terraced levels of earth and rock, showing extensive excavation. A prominent, winding road or conveyor system cuts through the center of the site. In the lower-middle section, a large white mining truck is visible, along with other smaller pieces of heavy machinery. The foreground shows deep, reddish-brown soil tracks from heavy vehicles. The overall scene conveys the scale and intensity of industrial mining operations.

**WORLD'S LARGEST
ZIRCON PRODUCER**

ILUKA IS AN INTERNATIONAL MINERAL SANDS COMPANY WITH EXPERTISE IN EXPLORATION, PROJECT DEVELOPMENT, MINING, PROCESSING, MARKETING AND REHABILITATION

SPAIN

Marketing

NETHERLANDS

Marketing

UNITED KINGDOM

Marketing

UNITED STATES

Rehabilitation

Marketing

SIERRA LEONE

Sierra Rutile mining, concentrating and processing operations

Sembahun project

Rehabilitation

Sales

SOUTH AFRICA

Capital project support services

CHINA

Marketing

Sales

INDIA

Marketing

SRI LANKA

Puttalam project

WESTERN AUSTRALIA

Narrngulu processing

Cataby mining and concentrating

Capel synthetic rutile processing

Corporate support centre

Rehabilitation

Eneabba mineral sands recovery project

SOUTH AUSTRALIA

Jacinth-Ambrosia mining and concentrating

Atacama project

Rehabilitation

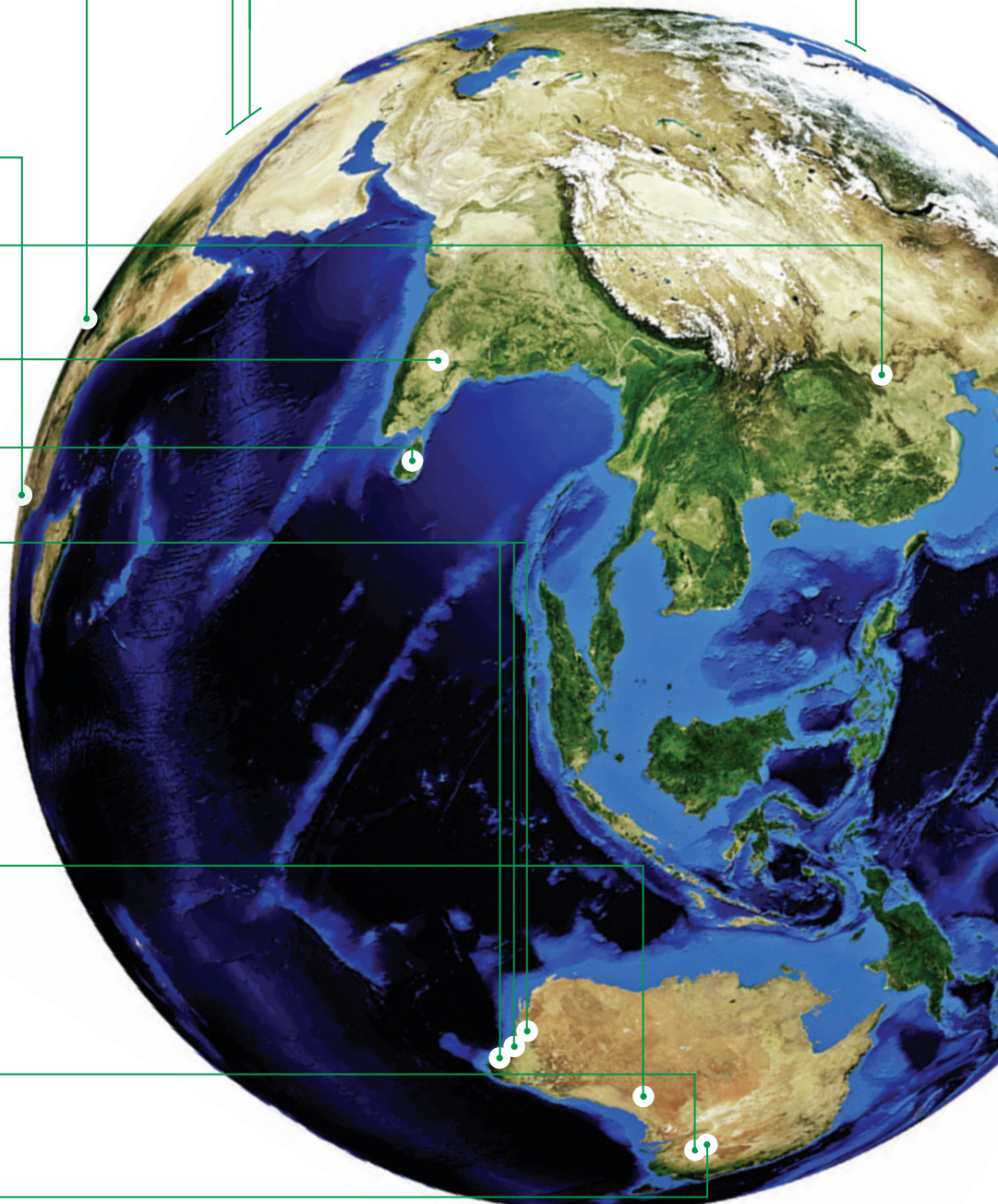
VICTORIA

Wimmera Project

Rehabilitation

NEW SOUTH WALES

Balranald project



ABOUT THIS REPORT

The 2019 Tax Transparency Report provides an overview of the guiding principles of Iluka's tax strategy; our tax governance framework and our tax payments to governments on a country-by-country basis for the 12-month period ended 31 December 2019.

The report complements Iluka's 2019 Annual Report and Iluka's 2019 Sustainability Report, available on the company's website www.iluka.com.

The information provided in this Report complies with the Part A and Part B disclosure requirements under the Australian Voluntary Tax Transparency Code and the tax strategy publication requirements of the UK Finance Act 2016. Iluka seeks to align itself with the requirements of the GRI 207 Tax Standard issued by the Global Sustainability Standards Board, which will take effect from 1 January 2021.

A description of technical terms used in this report and information regarding the approach adopted in compiling the data presented can be found in the Basis of Preparation and the Glossary of Terms. All dollar figures in this report are in Australian dollars (A\$), unless otherwise stated.

In this Report, the collective expressions "we", "us", "our", "ourselves", "the company", "the Group", "Iluka" and "the Iluka Group" are used where reference is made, in general, to Iluka Resources Limited and its respective subsidiaries. The use of those terms is for convenience only and used where no useful purpose is served by identifying any particular company or companies.

Iluka's Executive team and Board of Directors reviews this report.

An independent audit report which provides assurance on the total payments made by country and level of government has been provided (refer to page 20-21).





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**DELIVER
SUSTAINABLE
VALUE**





MESSAGE FROM THE CHIEF FINANCIAL OFFICER

ILUKA'S OBJECTIVE IS TO DELIVER SUSTAINABLE VALUE

The trust of the company's stakeholders is essential to achieving this objective. We recognise that the transparent disclosure of our tax payments (including royalties) and other payments to governments and communities plays an important role in building and maintaining that trust.

Our taxes paid constitute a significant, though not exclusive, part of our economic contribution to the countries in which we operate. In 2019, we paid a total of \$206.8 million in taxes to governments and collected \$47.6 million in taxes on behalf of governments. Our Group underlying effective tax rate was 33.1%.

We regularly review the adequacy of our tax disclosures to ensure that they meet evolving applicable transparency standards and provide relevant information to our stakeholders. Beyond legal compliance, this includes taking into account the tax impact of decisions made by the company in a responsible and sustainable manner. Our Approach to Tax and Principles of Tax risk governance documents reflect this viewpoint.

Last year we published our Approach to Tax Statement, which conveys the underlying principles of our tax strategy. This year, the publication of this our first dedicated Tax Transparency Report

(which consolidates certain tax related disclosures previously included in our Sustainability Report and Annual Report) reaffirms our commitment to providing enhanced levels of transparency, in alignment with our values.

Tax transparency is an important aspect of our sustainability credentials. Tax is also a component of the direct economic contribution we make to the jurisdictions in which we operate. I invite you to read about Iluka's economic contribution in our 2019 Sustainability Report.

This report has been prepared taking into account the Australian Board of Tax recommendations published in its Post-Implementation Review of the Australian Voluntary Tax Transparency Code and the tax strategy publication requirements of the UK Finance Act 2016. We seek to align ourselves with the requirements of the GRI 207: Tax 2019 Standard. Iluka supports the Extractive Industries Transparency Initiative (EITI) and is an active participant in EITI in Sierra Leone via our subsidiary, Sierra Rutile.

Adele Stratton
Chief Financial Officer



2019 OUR CONTRIBUTION

COUNTRIES IN OPERATION

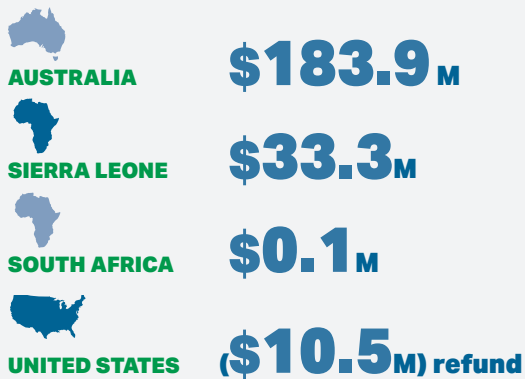


TOTAL WORKFORCE

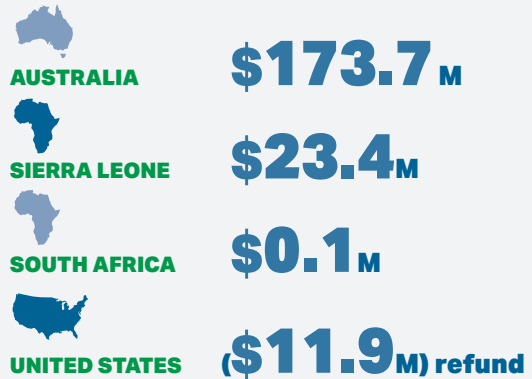


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TOTAL TAXES, ROYALTIES AND OTHER PAYMENTS TO GOVERNMENTS BORNE \$206.8 MILLION:



NET CORPORATE INCOME TAX AND ROYALTIES PAID \$185.3 MILLION



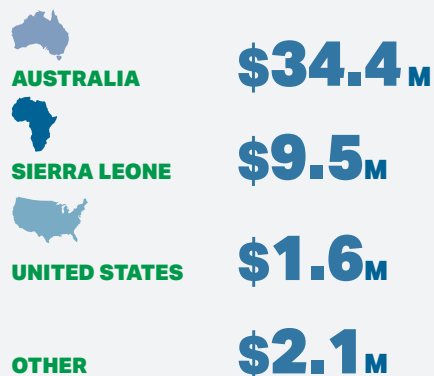
GROUP UNDERLYING EFFECTIVE

TAX RATE
33.1%

AUSTRALIAN UNDERLYING EFFECTIVE

TAX RATE
30.1%

EMPLOYEE PAYROLL TAX COLLECTED \$47.6 MILLION:



RECOGNISED AS A LEADING SUSTAINABILITY PERFORMER ON THE DOW JONES SUSTAINABILITY INDEX (DJSI) AUSTRALIA

TAX GOVERNANCE

Iluka is committed to conducting its business in accordance with high standards of corporate governance through its policies and processes that guide responsible behaviour and business practices. Our tax responsibilities are managed in line with this commitment.

Iluka adopts a prudent risk based approach to our tax affairs aligned to the Group's risk management philosophy, framework, policy and risk assessment standards and procedures. This approach involves identifying tax risks at the earliest opportunity, quantifying and assessing the potential impact of these risks and, where appropriate, implementing risk mitigation strategies. Iluka has a low tax risk appetite.

Iluka's Tax Risk Policy ("the Policy") establishes the accountability, reporting and escalation framework for managing tax risks. The Policy is the primary governance and control framework by which the Group's tax risks are managed. At the apex of this framework is Iluka's Board approved Approach to Tax Statement which provides the strategic direction and tone for how the Group manages its tax affairs. The Approach to Tax is then translated into a set of principles aligned to Iluka's Values and Code of Conduct, setting a minimum "operating standard" for how tax matters are handled.

The Iluka Board retains ultimate responsibility for Iluka's tax governance, with oversight and management of tax risks delegated to the Iluka Audit and Risk Committee. Tax risks are regularly reported to and considered by the Audit and Risk Committee. The Policy is reviewed by the Board on an annual basis to ensure that it remains fit for purpose and aligns to the Group's strategic direction and its values.

In quantifying and assessing the potential consequences of tax related risks, the likelihood and consequences of the risk occurring are considered and documented in the light of various factors, including the degree of technical uncertainty, legal precedent, the possibility of a change in law and reputational risk.

We employ appropriately qualified and experienced tax personnel to manage our tax affairs and utilise external tax advisors to support technical positions, as and when required. Independent external tax advice and, where appropriate, guidance from the tax authorities is sought to assist in clarifying our position when it is necessary to determine the intention of the law where ambiguity, uncertainty or differing interpretations exist.

We have in place a whistleblower policy and procedures for the reporting of concerns about unlawful or unethical behaviour and strongly encourage the reporting by both employees and business partners of instances of actual or suspected misconduct, including any breach of the law or company Code of Conduct. Various channels, including a global STOpline, allow employees and business partners to report violations, including any misconduct in respect of tax matters.





OUR APPROACH TO TAX

Our Approach to Tax – a public statement communicating Iluka’s global tax strategy, is subject to annual review and approval by Iluka’s Board of Directors. This strategy is implemented in accordance with our Principles of Tax Risk Governance and Management, aligned to our Values and Code of Conduct. Iluka’s Approach to Tax Statement is published on our website at www.iluka.com.

ILUKA'S APPROACH TO TAX STATEMENT

- In pursuing our objective of delivering sustainable value, we prioritise the sustainability of our business, our people and our communities, including our commercial customers, suppliers, governments and other external stakeholders.
- Iluka recognises that its economic contribution, of which tax is a part, creates value for our communities.
- Building and maintaining trust is essential to the sustainability of our communities. Iluka does this by delivering on its commitments, including paying tax in accordance with our legal obligations.
- As fiscal policies are a factor that impact long term investment decisions, we consider that tax regimes should promote economic growth by being stable, competitive, administratively efficient and provide long term certainty.
- Iluka has in place a Board approved tax risk governance framework which includes a Tax Risk Policy. This framework makes it clear that we manage our global tax affairs in a responsible, efficient, transparent and sustainable manner, in compliance with relevant laws.
- Iluka seeks to develop and maintain transparent and trusting relationships with tax policy developers and revenue authorities, proactively clarifying interpretations and practices.
- Iluka's international related party payments take place in accordance with the arm's length principles contained in the Organisation for Economic Co-operation and Development ("OECD") guidelines.
- Iluka participates in the Australian Board of Taxation's Voluntary Tax Transparency Code and support the Extractive Industry Transparency Initiative.
- Iluka welcomes transparency on our tax payments and disclosures under global financial reporting standards and other applicable local regulations, including disclosure of material taxes paid and collected in jurisdictions where we operate.

THIS REPORT COVERS OUR OPERATIONS GLOBALLY, COMPRISING EXPLORATION, PROJECT DEVELOPMENT, MINING, PROCESSING AND REHABILITATION ACTIVITIES.

OUR PURPOSE

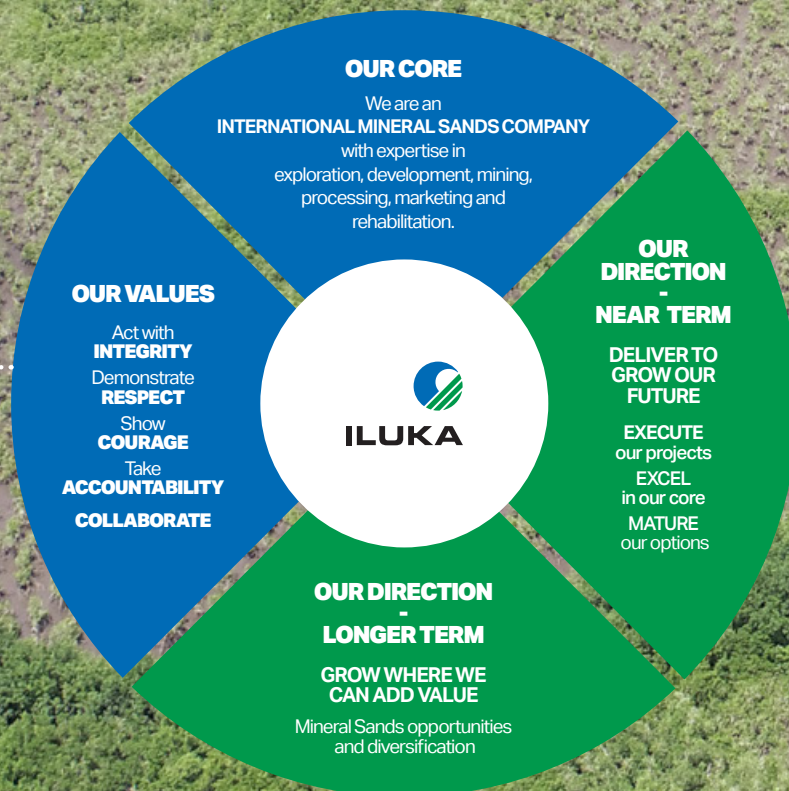
Iluka's purpose is to deliver sustainable value. The company aims to achieve this by:

- 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.

Iluka is an international mineral sands company with expertise in exploration, development, mining, processing, marketing and rehabilitation. Iluka also operates a world-class royalty business.

OUR VALUES

OUR PURPOSE:
DELIVER SUSTAINABLE VALUE



PRINCIPLES OF TAX RISK GOVERNANCE AND MANAGEMENT

The management of Iluka's tax risks takes place in adherence to the following principles adopted by the Group and aligned to the Group's Values and Code of Conduct:



1 Act with **INTEGRITY**

- Iluka will act with integrity and engage with regulatory authorities in an open and respectful manner and seek to build sustainable relationships with such authorities;
- Iluka will assess its tax positions taking into account, inter alia, the potential impact to Iluka's reputation and objective of delivering sustainable value; and
- Iluka will maintain documented policies and procedures, supported by appropriate internal and external controls, with respect to managing its tax risks.



2 Show **COURAGE**

- Iluka will consider availing itself of tax benefits, incentives and concessions as long as they are justified in law and contribute to the creation of business value;
- Iluka will defend itself and avail itself of all remedies available in respect of tax positions that are enshrined in the law recognising, however, that resolution of any disputes by way of litigation is the least preferred option; and
- Iluka will not pay taxes that have no basis in law or that are claimed on an unjustified basis.



3 Demonstrate **RESPECT**

- Iluka will comply with prevailing tax law and, where appropriate, seek independent professional advice on interpretation of the law;
- Iluka will meet its tax compliance and payment obligations on time; and
- Iluka will price transactions in its global value chain according to the arm's length principle and in compliance with the OECD guidelines.



4 Take **ACCOUNTABILITY**

- Iluka will only consider transactions that are commercially sound and are supported by economic substance on both a pre and post-tax basis;
- Iluka will not knowingly participate in or facilitate tax evasion;
- Iluka will not enter into artificial transactions without business purpose; and
- Iluka will not adopt tax positions that are not defensible under full disclosure



5 **COLLABORATE**

- Iluka builds mutual trust through transparent, open and honest communications with Tax Authorities and other external stakeholders.

INTERNATIONAL RELATED PARTY DEALINGS

Iluka's principal activities are mineral sands exploration, project development, mining operations, sales and marketing, and rehabilitation. These activities are undertaken in a number of countries across the globe through companies and branches which are considered international related parties in relation to other entities within the Group.

Our operating model results in the provision of intra-group services and transactions, including management and other support services, the sale, purchase and marketing of commodities and financing arrangements. The aggregate value of these intra-group transactions comprises less than 4% of sales revenue for 2019.

All international related party transactions take place in accordance with the arm's length principles contained in the OECD guidelines and local laws. Iluka obtains independent advice from transfer pricing experts to ensure that the transactions are compliant with local legal and tax requirements and are priced on an arm's length basis, with appropriate supporting documentation, as required by the tax laws of each respective jurisdiction.





MARKETING

We conduct marketing activities in the best markets for our products and close to our customers, and for that reason our marketing business is dispersed across the globe in Australia, the United States, United Kingdom, China, Netherlands, Spain and India. Companies and branches in these jurisdictions provide sales and/or marketing support services within their regions to the mining operations in Australia and Sierra Leone. With the exception of China, these offices do not sell our products to customers and there are no intra-group commission arrangements.

Iluka's subsidiary in China sells a limited amount of product acquired from Iluka's Australian operations to domestic Chinese customers. This product represents less than 1% of all product sales by the Group, with the remaining sales occurring under contracts direct from our operations (Australia and Sierra Leone) to Chinese customers. The intra-group transfer price for the product sale is determined in accordance with OECD transfer pricing guidelines and supported by externally reviewed transfer pricing documentation.

Iluka stores product in third party warehouses strategically located around the world in China, United States, Malaysia, Netherlands, Belgium and Spain. These arrangements provide logistics services including storage of products from Iluka Australia and Sierra Rutile. Neither Iluka or any of its subsidiaries own any of these warehouses, nor have a lease and/or control over the warehouse premises or any ownership or other interest in the third party provider. Over 99% of the product stored in the warehouses are sold by Iluka Australia and Sierra Rutile directly to our customers and are not subject to any intra-group transfer pricing arrangements.



SERVICE AND FINANCING ARRANGEMENTS

Iluka entities located in Australia and South Africa provide services to other Iluka subsidiaries and derive service fees for Group management activities and for capital project services support. These arm's length intra-group charges are subject to tax where the service provider is tax resident (i.e. Australia and South Africa).

THIS REPORT COVERS OUR OPERATIONS GLOBALLY, COMPRISING EXPLORATION, PROJECT DEVELOPMENT, MINING, PROCESSING AND REHABILITATION ACTIVITIES.

TAX AGREEMENTS

The Iluka Group has not entered into any tax agreements with tax authorities regulating the amount of tax we should pay, in particular, the pricing of intra-group transactions under Advance Pricing Arrangements.

TAX AUTHORITIES

Iluka interacts with tax authorities on an ongoing basis in the countries in which we operate. Iluka believes that such dealings should be based on full disclosure and mutual trust and respect.

Where Iluka disagrees with a tax authority on the interpretation or application of tax law, Iluka will defend its approach where we believe that we have a strong legal basis to do so, always following the proper processes.

TAX INCENTIVES

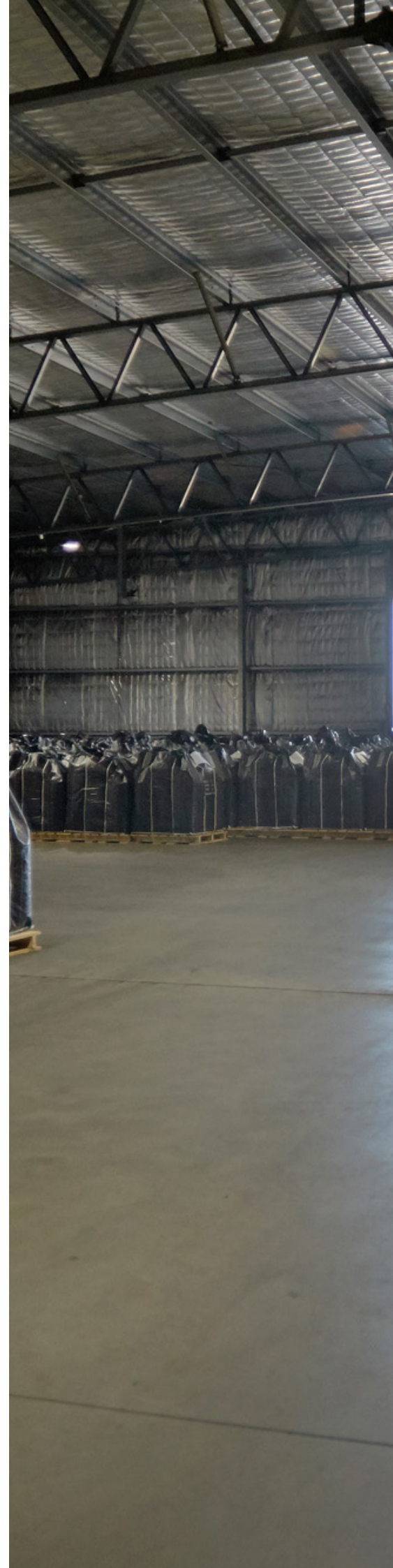
Iluka's mining operations in Sierra Leone are undertaken via its subsidiary Sierra Rutile which was acquired via a statutory merger in December 2016.

Sierra Rutile operations are taxed in accordance with the Sierra Leone income tax law and subject to the fiscal regime as set out in the *Sierra Rutile (Ratification) Act 2002* ("the Act"). The Government of Sierra Leone publishes all mining agreements on the website of the Sierra Leone National Minerals Agency and a copy of the Act can be accessed at www.nma.gov.sl. The Act fixes the rates on a range of taxes and contains clauses to ensure that there is a stable fiscal regime to underpin the economics of Sierra Rutile's operations in Sierra Leone. A stable fiscal regime is a significant contributor to ensuring sustainable operations for the benefit of our employees, the community, government and our shareholders.

The acquisition resulted in Iluka inheriting a carry forward tax loss balance in Sierra Rutile of US\$450.6 million (A\$624.6 million). The Act also requires Sierra Rutile to pay a minimum tax amount of 3.5% of revenue each year which cannot be reduced by the amount of its carry forward tax losses. Since acquisition, these tax losses remain unutilised as Sierra Rutile's taxable profits have been less than 3.5% of revenue and are carried forward in accordance with the terms of the Act.

LOW TAX JURISDICTIONS

The Group is comprised of 69 legal entities. Three of these are located in and resident of the British Virgin Islands ("BVI") which is a jurisdiction described by the OECD as a "no or only nominal tax jurisdiction", which meets the substantial activities standard. Two of these entities were inherited on acquisition of the parent company of Sierra Rutile and the other was incorporated to merge with the existing BVI parent company of Sierra Rutile at acquisition.





PAYMENTS MADE BY COUNTRY AND LEVEL OF GOVERNMENT

This table shows the total of all tax payments by the Group on a country-by-country and level of government basis. This information has been prepared on the basis set out in the Basis of Report preparation section of this Report.

Country and level of government (AU\$ millions) ¹	Corporate income tax	Royalties	Fees	Employer payroll taxes	Other taxes and payments	Total payments to government borne	Employee payroll taxes collected	Net taxes collected/ (refunded)
Australia								
Government of Australia	144.8	-	-	-	0.4	145.2	34.4	(52.0)
State of New South Wales	-	-	0.3	0.0	0.0	0.3	-	-
State of Queensland	-	-	-	-	0.0	0.0	-	-
State of South Australia	-	22.7	0.5	0.9	-	24.1	-	-
State of Tasmania	-	-	-	-	0.0	0.0	-	-
State of Victoria	-	1.2	0.4	0.2	0.1	1.9	-	-
State of Western Australia	-	5.0 ²	1.4	4.9	1.1	12.4	-	-
Australia Total	144.8	28.9	2.6	6.0	1.6	183.9	34.4	(52.0)
Brazil								
Government of Brazil	0.0	-	-	0.0	-	0.0	-	0.0
Brazil Total	0.0	-	-	0.0	-	0.0	-	0.0
British Virgin Islands								
Government of British Virgin Islands	-	-	-	-	-	-	-	-
British Virgin Islands Total	-	-	-	-	-	-	-	-
Canada								
Government of Canada	-	-	-	-	-	-	-	(0.0)
Canada Total	-	-	-	-	-	-	-	(0.0)
China								
Government of China	0.0	-	-	-	0.0	0.0	0.2	-
China Total	0.0	-	-	-	0.0	0.0	0.2	-
Kazakhstan								
Government of Kazakhstan	0.0	-	-	-	0.0	0.0	-	(0.0)
Kazakhstan Total	0.0	-	-	-	0.0	0.0	-	(0.0)
Sierra Leone								
Government of Sierra Leone	14.4 ³	9.0	0.9	0.0	8.0	32.3	9.5	4.6 ⁴
Council of the Bonthe District	-	-	0.4	-	-	0.4	-	-
Council of the Moyamba District	-	-	0.6	-	-	0.6	-	-
Sierra Leone Total	14.4	9.0	1.9	0.0	8.0	33.3	9.5	4.6
Singapore								
Government of Singapore	0.0	-	-	-	-	0.0	-	-
Singapore Total	0.0	-	-	-	-	0.0	-	-
South Africa								
Government of South Africa	0.1	-	-	-	-	0.1	1.5	(0.0)
South Africa Total	0.1	-	-	-	-	0.1	1.5	(0.0)
Sri Lanka								
Government of Sri Lanka	0.0	-	0.0	-	0.0	0.0	0.3	0.0
Sri Lanka Total	0.0	-	0.0	-	0.0	0.0	0.3	0.0
Tanzania								
Government of Tanzania	-	-	-	-	-	-	-	0.0
Tanzania Total	-	-	-	-	-	-	-	0.0
Netherlands								
Government of Netherlands	-	-	-	-	-	-	0.1	(0.0)
Netherlands Total	-	-	-	-	-	-	0.1	(0.0)
United Kingdom								
Government of United Kingdom	0.0	-	-	-	-	0.0	-	(0.0)
United Kingdom Total	0.0	-	-	-	-	0.0	-	(0.0)
United States of America								
Government of United States of America	(11.9)	-	-	0.4	-	(11.5)	1.4	-
State of Florida	-	-	-	-	0.2	0.2	-	-
State of Mississippi	-	-	-	-	0.0	0.0	-	-
State of North Carolina	-	-	-	-	0.0	0.0	0.0	-
State of Tennessee	-	-	-	-	0.0	-	-	-
State of Virginia	-	-	-	-	0.8	0.8	0.2	-
United States Total	(11.9)	-	-	0.4	1.0	(10.5)	1.6	-
Total payments to governments	147.4	37.9	4.5	6.4	10.6	206.8	47.6	(47.4)

¹ Payments to a government body of less than \$0.1 million but greater than 0 are denoted by 0.0.

² A new mine at Catby, Western Australia was commissioned in April 2019 and ramped up production over the year.

³ Includes withholding tax of \$0.7 million withheld and remitted on behalf of Australia in connection with the supply of related-party services.

⁴ Relates to withholding taxes withheld and remitted on behalf of suppliers in Sierra Leone.

RECONCILIATION OF INCOME TAX EXPENSE TO CURRENT TAX TO CORPORATE INCOME TAX PAID¹

Income tax expense represents corporate income tax payable on accounting profits adjusted for non-temporary differences. Non-temporary differences reflect amounts that the tax treatment will always be different to accounting and not just in the timing of when tax should be paid / refunded. For example, the impact to profit and loss from the write-down of Sierra Rutile will never be a tax deductible item. The difference between income tax expense and corporate income tax paid is attributable to a combination of temporary differences and the timing of cash tax payments pursuant to the tax administration laws of the respective jurisdiction. Temporary differences represent amounts that are assessable / deductible for tax purposes but the timing of which is different to what is recognised for accounting purposes. For example, the tax depreciation rate in Australia pursuant to the Australian tax rules is different to accounting.

In 2019, the income tax expense for Australia and Sierra Leone was dramatically impacted by write down of Sierra Rutile and the associated reduction in the deferred tax asset, both which are treated as non-deductible for tax purposes. A more meaningful picture of Iluka's income tax expense is provided at page 16 which details Iluka's underlying income tax expense and effective tax rate.

	Total	British Virgin Islands										United	United	
	Group	Australia	Brazil	Islands	Canada	China	Kazakhstan	Sierra Leone	Singapore	South Africa	Sri Lanka	Netherlands	Kingdom	States
		30%	34%	0%	26.5%	25%	20%	30%	17%	28%	28%	25%	19%	21%
Profit/(loss) before income tax	(1.0)	446.1	(0.1)	5.7²	(0.7)	0.5	(0.6)	(438.1)	-	0.2	(0.4)	0.3	(0.2)	(13.7)
Tax at the Australian tax rate of 30%	(0.3)	133.8	(0.0)	1.7	(0.2)	0.1	(0.2)	(131.4)	0.0	0.0	(0.1)	0.1	(0.0)	(4.1)
Non-temporary differences														
Research and development credit	(1.3)	(1.3)	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of historical alternative minimum tax (AMT) credits	(7.2)	-	-	-	-	-	-	-	-	-	-	-	-	(7.2)
Deferred tax balances derecognised by Sierra Rutile	161.9	-	-	-	-	-	-	161.9	-	-	-	-	-	-
Deferred tax balances not recognised by Sierra Rutile	131.4	-	-	-	-	-	-	131.4	-	-	-	-	-	-
Deferred tax losses not recognised by overseas operations	4.1	-	-	-	-	-	-	-	-	-	-	-	-	4.1
Sierra Rutile minimum tax (3.5% of revenue)	9.2	-	-	-	-	-	-	9.2	-	-	-	-	-	-
Non-deductible expenses	1.6	1.2	-	-	0.2	-	0.2	-	(0.0)	-	0.1	(0.1)	0.0	-
Other Items	(1.3)	1.5	-	(1.7)	-	-	-	(1.1)	-	-	-	-	-	-
Difference in tax rates	2.1	-	-	-	-	-	-	-	-	-	-	-	-	2.1
Total non-temporary differences	300.5	1.4	-	(1.7)	0.2	-	0.2	301.4	-	-	0.1	(0.1)	-	(1.0)
Under provision in prior years	(1.5)	(0.4)	-	-	-	-	-	(1.1)	-	-	-	-	-	-
Income tax expense/(benefit)	298.7	134.8	(0.0)	-	-	0.1	-	168.9	-	(0.0)	-	-	-	(5.1)
Under provision in prior years	1.5	0.4	-	-	-	-	-	1.1	-	-	-	-	-	-
Temporary differences														
Tax Losses	(212.4)	-	-	-	-	-	-	(212.4) ³	-	-	-	-	-	-
Property plant and equipment	61.1	(19.7)	-	-	-	-	-	80.8 ³	-	-	-	-	-	-
Consumables & trading stock	(4.7)	(4.7)	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	(33.6)	(3.3)	-	-	-	-	-	(30.3) ³	-	-	-	-	-	-
- Equity	(2.2)	(2.2)	-	-	-	-	-	-	-	-	-	-	-	-
Other Items	3.2	5.5	-	-	-	-	-	-	-	-	-	-	-	(2.3)
Current tax payable	111.6	110.8	-	-	-	0.1	-	8.1	-	(0.0)	-	-	-	(7.4)
Less: current tax (due)/ refundable in 2020	(92.9)	(94.4)	-	-	-	(0.1)	-	(1.7)	-	0.0	-	-	-	3.3
Current tax paid in 2019	18.7	16.4	-	-	-	(0.0)	-	6.4	-	(0.0)	-	-	-	(4.1)
Add: Tax payments/(refunds) in 2019 relating to prior years	127.6	129.1 ⁴	(0.0)	-	-	-	-	6.1	-	0.1	-	-	-	(7.7)
Add: Other movements ⁵	1.1	-	-	-	-	-	-	1.2	-	-	-	-	-	(0.1)
Corporate income tax paid/(refunded)	147.4	145.5⁶	(0.0)	-	-	(0.0)	-	13.7	-	0.1	-	-	-	(11.9)

¹ Disclosures of less than \$0.1 million but greater than 0 are denoted by 0.0.

² The 2019 profit in the BVI arises from a US\$50 million intra-group interest bearing loan between one of the BVI subsidiaries and Sierra Rutile in Sierra Leone. Whilst the interest income may not be taxed in the BVI, the same income is taxed to Iluka in Australia at a rate of 30% under Australia's controlled foreign company ("CFC") provisions and is subject to 10% interest withholding tax in Sierra Leone. The intra-group financing arrangement is compliant with OECD transfer pricing guidelines and supported by transfer pricing documentation that has been externally reviewed by third party transfer pricing specialists

³ Deferred tax balances derecognised by Sierra Rutile as a result of write-down.

⁴ Refer to page 17 for reconciliation to Australian Tax Office (ATO) tax transparency disclosure.

⁵ Relates to the impact of movements in foreign exchange rates.

⁶ Inclusive of withholding tax withheld and remitted in Sierra Leone and claimed as a foreign income tax offset in Australia.

EFFECTIVE TAX RATE¹

The effective tax rate is calculated as income tax expense/(benefit) divided by profit/(loss) before income tax. Income tax expense/(benefit) captures income tax on profits and excludes all other taxes such as transactional taxes in connection with supplies, taxes on property and taxes borne as an employer. The effective tax rate will differ from the corporate tax rate due to non-temporary differences, explained in previously.

	Total Group	Australia	Brazil	British Virgin Islands	Canada	China	Kazakhstan	Sierra Leone	Singapore	South Africa	Sri Lanka	Netherlands	United Kingdom	United States
Corporate tax rate		30%	34%	0%	26.5%	25%	20%	30%	17%	28%	28%	25%	19%	21%
Profit/(loss) before income tax	(1.0)	446.1	(0.1)	5.7	(0.7)	0.5	(0.6)	(438.1)	0.0	0.2	(0.4)	0.3	(0.2)	(13.7)
Tax at the Australian tax rate of 30%	(0.3)	133.8	(0.0)	1.7	(0.2)	0.1	(0.2)	(131.4)	0.0	0.0	(0.1)	0.1	(0.0)	(4.1)
Total non- temporary differences	300.5	1.4	-	(1.7)	0.2	-	0.2	301.4	-	-	0.1	(0.1)	-	(1.0)
Under provision in prior years	(1.5)	(0.4)	-	-	-	-	-	(1.1)	-	-	-	-	-	-
Income tax expense/ (benefit)	298.7	134.8	(0.0)	-	-	0.1	-	168.9	-	0.0	-	-	-	(5.1)
Effective tax rate	(29,870)%²	30.2%³	34%	-	-	25%	-	(38.5)%⁴	-	28%	-	-	-	36.4%⁵

¹ Disclosures of less than \$0.1 million but greater than 0 are denoted by 0.0.

² Group effective tax rate is negative as it represents the Group's income tax expense as a percentage of the Group's loss before tax position. The same reason applies to the effective tax rate for Sierra Leone. The significant variance to the Australian corporate tax rate and other jurisdictions listed is due to the non-temporary difference impact for the write-down of Sierra Rutile.

³ Australian effective tax rate is higher than the country corporate tax rate due to non-deductible expenses and non-assessable income (income assessed under the CFC provisions).

⁴ Deviates from Sierra Leone corporate tax rate due to impact of written down for Sierra Rutile as shown by underlying effective tax rate.

⁵ United States effective tax rate is higher than the country corporate tax rate due to the recognition of historical US alternative minimum tax (AMT) credits giving rise to a tax benefit in 2019.

UNDERLYING EFFECTIVE TAX RATE¹

The effective tax rate was dramatically impacted by the de-recognition of US\$115 million of deferred tax assets in Sierra Leone and the write-down of the Group's investment in Sierra Rutile. The table below adjusts for such one off events to provide a more meaningful breakdown of the make-up our Group and country-by-country effective tax rates. The negative underlying effective tax rate of 29.4% in Sierra Leone represents corporate income tax payable at 3.5% of revenue as a percentage of Sierra Rutile's underlying loss before income tax of \$23.8 million.

	Total Group	Australia	Brazil	British Virgin Islands	Canada	China	Kazakhstan	Sierra Leone	Singapore	South Africa	Sri Lanka	Netherlands	United Kingdom	United States
Profit/(loss) before income tax	(1.0)	446.1	(0.1)	5.7	(0.7)	0.5	(0.6)	(438.1)	0.0	0.2	(0.4)	0.3	(0.2)	(13.7)
Non-recurring adjustments														
Rehabilitation for closed sites	3.2	3.2	-	-	-	-	-	-	-	-	-	-	-	-
Write-down of Sierra Rutile	414.3	-	-	-	-	-	-	414.3	-	-	-	-	-	-
Underlying profit/(loss) before income tax	416.5	449.3	(0.1)	5.7	(0.7)	0.5	(0.6)	(23.8)	-	0.2	(0.4)	0.3	(0.2)	(13.7)
Income tax expense/ (benefit)	298.7	134.8	(0.0)	-	-	0.1	-	168.9	-	0.0	-	-	-	(5.1)
Non-recurring adjustments														
Rehabilitation for closed sites	0.9	0.9	-	-	-	-	-	-	-	-	-	-	-	-
De-recognition of SRL tax assets	(161.9)	-	-	-	-	-	-	(161.9)	-	-	-	-	-	-
Underlying income tax expense/ (benefit)	137.7	135.7	(0.0)	-	-	0.1	-	7.0	-	0.0	-	-	-	(5.1)
Underlying effective tax rate²	33.1%	30.1%	34%	-	-	25%	-	(29.4%)	-	28%	-	-	-	36.4%

¹ Disclosures of less than \$0.1 million but greater than 0 are denoted by 0.0.

² Underlying income tax expense/(benefit) / underlying profit/(loss) before income tax.

AUSTRALIAN CORPORATE TAX TRANSPARENCY DISCLOSURE

The Australian Taxation Office ("ATO") publishes certain tax information of large taxpayers annually. The latest data published by the ATO relates to Iluka's 2017 tax year (being the year ended 31 December 2017). The information disclosed (in bold) is taken from the income tax return lodged by Iluka Resources Limited as head company of the Australian tax consolidated group.

The table below reconciles this latest data published by the ATO to disclosures for loss before income tax and corporate income tax paid/(refunded) in our 2017 and 2018 tax transparency reporting suite¹.

	2017 AU million
Profit/(loss) before income tax – Group	(165.6)
Foreign subsidiaries	169.9
Consolidation eliminations	20.9
Profit/(loss) before income tax – Australia	25.2
Total income	965.8
Total expenses	(940.6)
Profit before income tax – Australia	25.2
Non-temporary adjustments	26.3
Temporary adjustments	54.9
Total Taxable income	106.4
Tax on Taxable income	31.9
Less Tax offsets	24.5
Tax Payable	7.4
Corporate income tax paid in 2017 -	12.4 ²
Corporate income tax refunded in 2018	(5.0) ³

¹ The Group's tax transparency disclosures for 2017 and 2018 was previously published in the Iluka Annual Report and Iluka Sustainability Report.

² Represents Australian corporate income tax instalments paid. Iluka's 2017 Sustainability Report disclosed \$6.7 million in Australian corporate income tax paid. This consisted of corporate income tax instalments paid of \$12.4 million less corporate income tax refunded of \$5.7 million in respect of the 2016 income tax return.

³ Represents Australian corporate income tax refunded following lodgement of the 2017 Australian income tax return. Iluka's 2018 Sustainability Report disclosed Australian corporate income tax paid of \$0.3 million. This consisted of corporate income tax instalments paid of \$6.6 million, less the 2017 income tax return refund of \$5 million and less corporate income tax refunds totalling \$1.3 million in relation to prior income tax year amendments.

Iluka filed its 2018 year Australian income tax return in July 2019. The 2018 year corporate tax transparency disclosure will be released by the ATO late in calendar year 2021. To provide additional context to this Report, we have disclosed the tax information reported under the current ATO corporate tax transparency disclosure and taken from our 2018 Australian income tax return, and reconciled this to our 2018 and 2019 tax transparency reporting suite.

	2018 A\$ million
Loss before income tax – Group	452.0
Foreign subsidiaries	21.0
Consolidation eliminations	(3.7)
Profit before income tax – Australia	1,098.6
Total income	1,098.6
Total expenses	(629.4)
Profit before income tax – Australia	469.2
Non-temporary adjustments	26.7
Temporary adjustments	(28.2)
Total Taxable income	467.7
Tax on Taxable income	140.3
Less Tax offsets	4.6
Tax Payable	135.7
Net Corporate income tax paid in 2018	6.6 ¹
Corporate income tax paid in 2019	129.1

¹ Represents Australian corporate income tax instalments paid and included within the Australian corporate income tax paid disclosed in Iluka's 2018 Sustainability Report of \$0.3 million.

BASIS OF PREPARATION

The payments made by country and level of government information in this Report has been prepared on the following basis:

The report gives its readers an overview of the total payments made by Iluka to governments worldwide.

Iluka includes Iluka Resources Limited and subsidiaries (hereafter and above – “Iluka”, “Iluka Group” or “the Group”) for the period they form part of the Iluka Resources Limited accounting consolidated group.

The scope of reporting is described further below.

The Basis of preparation supports the following data for Iluka included in the Report:

- Total payments to governments borne
- Employee payroll taxes
- Net taxes refunded

All data, unless otherwise stated, is prepared for the year 1 January 2019 to 31 December 2019. The payments made by country and level of government are presented in this Report on a cash paid and cash received basis for the year ended 31 December 2019 for the period they form part of the Iluka Resources Limited accounting consolidated group.

SCOPE AND METHODOLOGY OF REPORTING

REPORTING CURRENCY

All payments to governments have been reported in A\$ in line with the Iluka functional currency for consolidated accounting purposes. Payments denominated in currencies other than A\$ are translated for this Report at the average exchange rate for the year 1 January 2019 to 31 December 2019.

ORGANISATIONAL REPORTING BOUNDARIES

The “Payments made by country and level of government” section of the Report sets out taxes paid by Iluka to governments in the countries in which they operate, organised by country and named level of government. Payments are not reported where taxes paid to a government body are less than \$0.1 million.

TOTAL PAYMENTS TO GOVERNMENTS BORNE

These are the taxes that the Group is obliged to pay to a government on its own behalf, or taxes that the Group is obliged to pay to a third party and that cannot be recovered from a government. The main taxes we have included in this category are:

Corporate income taxes paid/(refunded)

Payments to governments and refunds from governments based on taxable profits under legislated income tax rules. This also includes payments made to revenue authorities in respect of withholding taxes paid on dividends, interest or royalties. Generally, these taxes are reflected in the corporate income tax returns made to government and included as income taxes in the Consolidated Income Statement.

Royalties

Payment to governments in respect of revenue or production related to extraction of minerals or metals. Typically, these taxes tend to become payable, and are paid, in the year to which they relate. These form part of operating costs.

Fees

Payments to governments in the form of fees typically levied on the initial or ongoing right to use a geographical area for exploration, development and/or production. This includes licence fees, rental fees, entry fees and other payments for licences and/or concessions. Typically, these taxes tend to become payable, and are paid, in the year to which they relate. These form part of operating costs.

Employer payroll taxes

Payments to governments in relation to Iluka’s capacity as an employer. These taxes are calculated as a percentage of salary, wages and on-costs and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after the submission of the return. These usually form part of operating costs.

Other taxes and payments

Payments to and refunds from governments under other legislated rules where no specific service is attached, including fringe benefits tax, property tax, stamp duty, customs, import and excise duties and other levies/charges.

EMPLOYEE PAYROLL TAXES COLLECTED

This comprises payroll and employee taxes withheld from employee remuneration, and paid to governments on behalf of employees. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after the submission of the return.

NET TAXES COLLECTED/(REFUNDED)

This comprises:

Goods and Services Tax (GST), Value Added Tax (VAT) and excise duties

These are net amounts refunded from governments that a company has paid to suppliers for in-country purchases of goods, services and eligible fuel and collected in respect of certain sales. For example, Goods and Services Tax (GST), Value Added Tax (VAT) and fuel tax credits. Such a refund does not result in a net cost to governments. Typically these taxes become repayable and are repaid by governments regularly (often quarterly) throughout the year, shortly after the submission of the sales tax returns.

Withholding taxes collected from suppliers

This comprises taxes that are required to be withheld in advance on payments made to suppliers. Typically, these taxes would be reflected in income tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year or shortly after the submission of the return.

GLOSSARY OF TERMS

Corporate income taxes paid /(refunded)	<p>Payments to governments and refunds from governments based on taxable profits under legislated income tax rules. This also includes payments made to revenue authorities in respect of withholding taxes paid on dividends, interest or royalties. Generally, these taxes are reflected in the corporate income tax returns made to government and included as income taxes in the Consolidated Income Statement.</p> <p>For the purposes of allocating Corporate income taxes to particular countries in the 'Payments made by country and level of government' in this Report, withholding taxes are allocated to the country to which the withholding taxes are remitted.</p>
Current tax	The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS 12.
Deferred tax	The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS 12.
Effective Tax Rate	Income tax expense/(benefit) divided by Profit/(loss) before income tax.
Government	Any national, regional or local authority of a country and includes any department, agency or undertaking controlled by such an authority.
IFRS (International Financial Reporting Standards)	Accounting standards as issued by the IASB (International Accounting Standards Board).
Iluka or the Iluka Group or the Group	Iluka Resources Limited and its respective subsidiaries.
Income tax expense/ (benefit)	<p>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.</p> <p>Differences between taxable income or loss and profit/(loss) before income tax.</p>
Non-temporary Differences	These differences arise as a result of particular expenses or revenue which under income tax legislation will never be included in the determination of taxable income or loss although they are recognised in the Profit/(loss) before income tax.
Payment	An amount paid whether in money or in kind.
Profit /(loss) before income tax	Accounting profit for a period before deducting a charge for corporate income taxes.
Report	The Report has been prepared for Iluka's financial year from 1 January 2019 to 31 December 2019.
Sierra Rutile	Sierra Rutile Limited, a subsidiary of Iluka.
Temporary Differences	Differences between pre-tax statutory profit or loss and taxable income or loss for a given reporting period which arise because the reporting period in which some items of revenue and expense are included in the determination of the pre-tax statutory profit or loss does not coincide with the reporting period in which they are included in the determination of taxable income or loss.
Underlying effective tax rate	Income tax expense/(benefit) excluding exceptional items included in income tax expense divided by Profit/(loss) before income tax and exceptional items.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the directors of Iluka Resources Limited

Our opinion

We have audited the totals included in the table entitled "Payments made by country and level of government" (the Selected Information) on page 14 of the Tax Transparency Report (the Report) of Iluka Resources Limited (the Company) and its controlled entities (together the Group) from 1 January 2019 to 31 December 2019.

In our opinion the Selected Information in the Report is prepared, in all material respects, in accordance with the basis of preparation on page 18 of the Report.

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 Selected Information* 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 ethical requirements of the Accounting Professional and 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 table in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of preparation and restriction on distribution and use

We draw attention to the basis of preparation on page 18 of the Report, which describes the basis of preparation of the Selected Information. The Selected Information is prepared by management to provide information to the directors on the taxes paid to governments worldwide. As a result, the Selected Information may not be suitable for another purpose.

Our report is intended solely for the directors of Iluka Resources Limited for the purpose set out above and in accordance with our engagement letter dated 6 March 2020 and for no other purpose. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any other party for any consequences of reliance on this report for any purpose. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's Tax Transparency Report 2019, but does not include the Selected Information and our auditor's report thereon.

Our opinion on the Selected Information does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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INDEPENDENT AUDITOR'S REPORT (continued)



In connection with our audit of the Selected Information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Selected Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 management for the Selected Information

Management of the Company is responsible for the preparation and presentation of the Selected Information in accordance with basis of preparation on page 18 of the report; this includes determining that the basis of preparation is an acceptable basis for the preparation of the Selected Information in the circumstances, and for such internal control as management determine is necessary to enable the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the Selected Information

Our objectives are to obtain reasonable assurance about whether the Selected Information 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 Selected Information.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Selected Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management, and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Selected Information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.



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