



**ILUKA**

**ILUKA RESOURCES LIMITED**

ABN 34 008 675 018

**INTERIM REPORT**

**for the half-year 30 June 2023**

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## 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 2023 (the current period) compared with the half year ended 30 June 2022 (the previous corresponding period).

This report should be read in conjunction with the Annual Report for the year ended 31 December 2022, and public announcements made by Iluka during the half year ended 30 June 2023 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 - continuing operations	Down 10.8% to \$745.4m	
Net profit after tax for the period from ordinary activities - continuing operations	Down 44.7% to \$203.8m	
Net profit after tax for the period attributable to equity holders of the parent	Down 44.1% to \$203.8m	
<b>Dividends</b>		
2023 interim: 3 cents per ordinary share (100% franked), to be paid in September 2023		
2022 final: 20 cents per ordinary share (100% franked), paid in March 2023		
2022 interim: 25 cents per ordinary share (100% franked), paid in September 2022		
2022 SRL demerger distribution: \$145.8 million, distributed in August 2022		
<b>Key ratios</b>		
	<b>1st Half 2023</b>	<b>1st Half 2022</b>
Basic profit per share (cents) - continuing operations	48.3	67.8
Diluted profit per share (cents) - continuing operations	47.8	67.2
Free cash flow per share <sup>1</sup> (cents)	(3.7)	79.9
Net tangible assets per share (\$)	3.57	4.50

<sup>1</sup>Free cash flow is determined as cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the period.

### DIVIDEND REINVESTMENT PLAN (DRP)

The current Dividend Reinvestment Plan (DRP) was approved by the Board of Directors, effective for all dividends from the 2017 final dividend onwards. Under the plan, eligible shareholders can reinvest either all or part of their dividend payments into additional fully paid Iluka shares. The DRP remains active for the 2023 interim dividend.

The Directors have determined that no discount will apply for the DRP in respect of the 2023 interim dividend. Shares allocated to shareholders under the DRP for the 2023 interim dividend will be allocated at an amount equal to the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on 7 September 2023. The last date for receipt of election notices for the DRP is 5 September 2023.

### INDEPENDENT AUDITOR'S REVIEW REPORT

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

The Directors of Iluka Resources Limited present their report together with the financial statements of the Group for the half-year ended 30 June 2023 and the auditor's review report thereon.

## REVIEW OF RESULTS AND OPERATIONS

Iluka demerged Sierra Rutile Limited (SRL), a previously controlled subsidiary, on 4 August 2022. The Interim Report reflects the consolidated results of the Iluka Group, excluding SRL in the previous corresponding period, for the six months ended 30 June 2023. Results for SRL are shown separately throughout the Interim Report as a discontinued operation in the previous corresponding period.

### REVIEW OF RESULTS

- Net profit after tax of \$203.8 million
- Underlying mineral sands EBITDA of \$353.4 million
- Underlying mineral sands EBITA margin of 50%
- Free cash outflow of \$55 million, bringing net cash to \$343 million
- Interim dividend of 3 cents per share declared

### REVENUE

Mineral sands revenue decreased by 10% to \$712 million in the first half of 2023. Ongoing global uncertainty is impacting near term demand; as a result, there is some reluctance to hold or build inventory throughout the pigment and ceramics supply chains.

Prices remained stable across the product suite in H1 2023. Iluka's weighted average zircon premium and standard price received in H1 2023 was US\$2,073 per tonne, up 1% from H2 2022, following a 39% increase in 2022. Rutile and synthetic rutile prices remained resilient on strong welding market demand and high chlorine prices supporting selection of high-grade titanium dioxide feedstocks.

Sales (kt)	1st Half	1st Half	% change
	2023	2022	
Zircon	134.3	186.5	(28.0)
Rutile	26.8	25.5	5.1
Synthetic rutile	117.0	135.7	(13.8)
<b>Total Z/R/SR sales</b>	<b>278.1</b>	<b>347.7</b>	<b>(20.0)</b>
Ilmenite	82.1	98.1	(16.3)
<b>Total sales volumes</b>	<b>360.2</b>	<b>445.7</b>	<b>(19.2)</b>
Z/R/SR revenue (\$m)	661.8	725.2	(8.7)
Ilmenite and other revenue (\$m)	50.5	63.4	(20.3)
<b>Total mineral sands revenue<sup>1</sup> (\$m)</b>	<b>712.3</b>	<b>788.6</b>	<b>(9.7)</b>
Revenue per tonne of Z/R/SR sold <sup>2</sup> (\$/t)	2,380	2,086	14.1

<sup>1</sup> Mineral sands revenue includes revenue derived from other materials not included in production volumes, including activated carbon products and iron concentrate. 2022 also included some sales of monazite concentrate.

<sup>2</sup> 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 2023 of \$204 million (2022: \$286 million). Iluka's 2022 sales mix was more heavily weighted to higher margin zircon sales.

Earnings benefited from a favourable AUD:USD foreign exchange rate as economic uncertainty and higher interest rates continued to strengthen the USD and maintain downward pressure on the AUD, with favourable results for USD-denominated sales.

Iluka's underlying mineral sands EBITDA decreased 15% to \$353 million (2022: \$450 million), although the company still generated strong EBITDA margins of 50% (2022: 57%). First half cash production costs increased by 28% largely due to 26% higher Z/R/SR production, but were also impacted by inflationary cost pressures, predominantly higher fuel, consumables, and labour costs.

Earnings per share for the period were 48.3 cents compared to earnings per share of 87.3 cents in the previous corresponding period.

Sierra Rutile contributed EBITDA of \$54 million in the first half of 2022 and was successfully demerged from the Group on 4 August 2022.

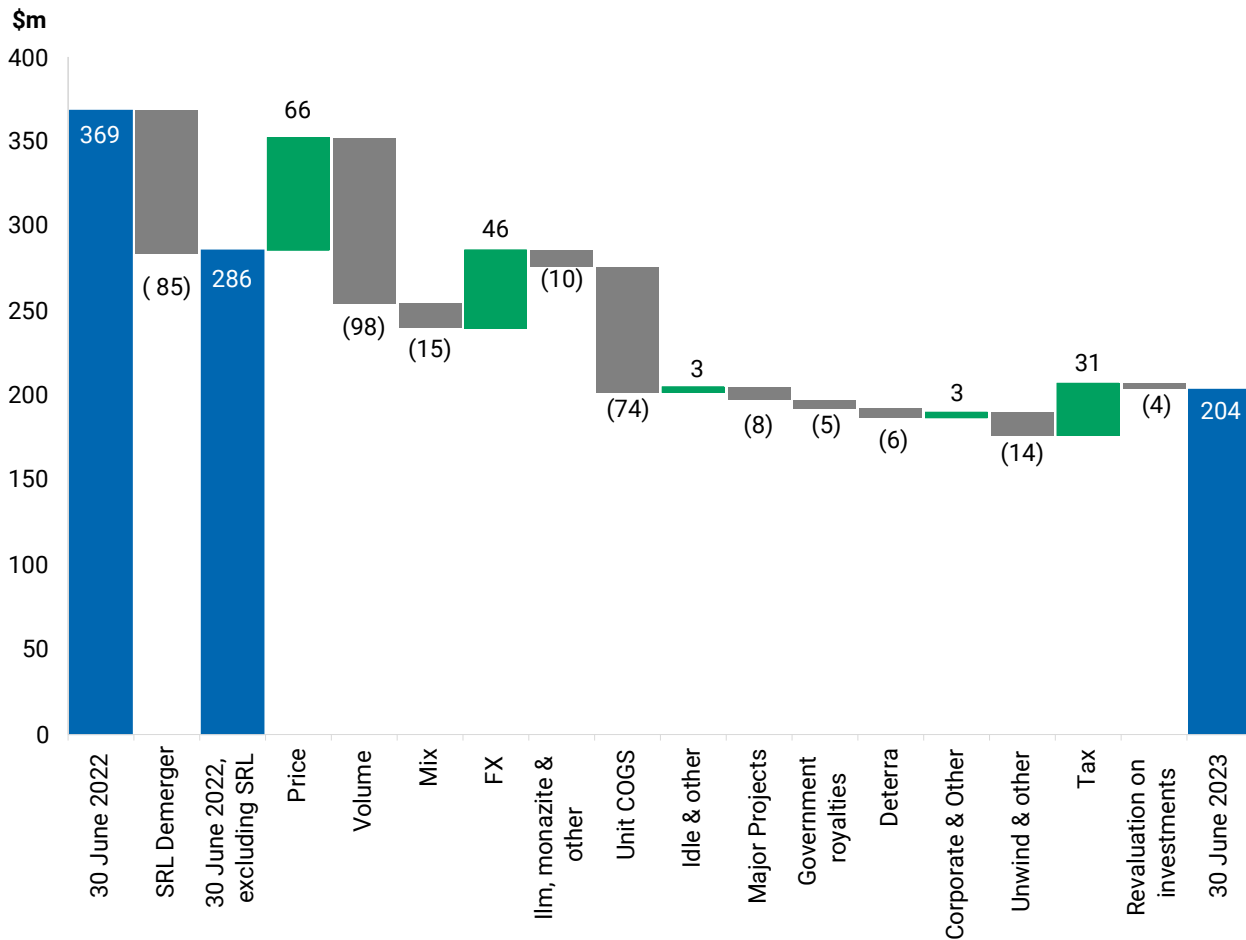
## INCOME STATEMENT ANALYSIS

<b>\$ million</b>	<b>1st Half 2023</b>	<b>1st Half 2022</b>	<b>% change</b>
Z/R/SR revenue	661.8	725.2	(8.7)
Ilmenite and other revenue	50.5	63.4	(20.3)
<b>Mineral sands revenue</b>	<b>712.3</b>	<b>788.6</b>	<b>(9.7)</b>
Cash costs of production	(306.1)	(238.8)	(28.2)
By-product costs	(7.3)	(8.8)	17.5
Inventory movement - cash costs of production	57.0	(4.3)	n/a
Idle capacity charges	(5.8)	(6.0)	3.3
Government royalties	(26.1)	(21.0)	(24.3)
Marketing and selling costs <sup>1</sup>	(12.7)	(15.2)	16.4
Asset sales and other income	0.1	0.3	(66.7)
Major projects, exploration, and innovation	(24.4)	(16.9)	(44.4)
Corporate and other costs	(38.7)	(41.4)	6.5
Foreign exchange	5.1	13.6	(62.5)
<b>Underlying mineral sands EBITDA</b>	<b>353.4</b>	<b>450.1</b>	<b>(21.5)</b>
Share of profit of associate - Deterra	14.7	20.1	(26.9)
<b>Underlying Group EBITDA<sup>2</sup></b>	<b>368.1</b>	<b>470.2</b>	<b>(21.7)</b>
Depreciation and amortisation	(84.4)	(72.8)	(15.9)
Inventory movement - non-cash production costs	21.7	2.6	730.0
Rehabilitation costs for closed sites	(0.7)	(0.5)	(40.0)
Revaluation on investments	(3.5)	-	n/a
<b>Group EBIT</b>	<b>301.2</b>	<b>399.5</b>	<b>(24.6)</b>
Net interest and bank charges	6.7	(0.7)	n/a
Rehabilitation unwind and other finance costs	(16.5)	5.5	n/a
<b>Profit before tax - continuing</b>	<b>291.4</b>	<b>404.3</b>	<b>(27.9)</b>
Tax expense	(87.6)	(118.3)	26.0
<b>Profit after tax - continuing</b>	<b>203.8</b>	<b>286.0</b>	<b>(28.7)</b>
Profit after tax from discontinued operations	-	82.5	n/a
<b>Profit for the period (NPAT)</b>	<b>203.8</b>	<b>368.5</b>	<b>(44.7)</b>
<b>Average AUD/USD rate for the period (cents)</b>	<b>67.6</b>	<b>72.0</b>	<b>(6.1)</b>

<sup>1</sup> Freight revenue and expenses are included as a net number in marketing and selling costs.

<sup>2</sup> 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 were:

- favourable price movements across the product suite compared to H1 2022, with zircon premium and standard prices increasing 12% to US\$2,073 per tonne;
- zircon sales volumes down 28% to 134 thousand tonnes and high grade feedstock sales down 11% to 144 thousand tonnes;
- unfavourable product mix as a higher proportion of lower-priced titanium feedstock was sold;
- the Australian dollar exchange rate weakened as global uncertainty and a resilient US economy kept the US dollar strong as a stable “safe haven” currency;
- lower ilmenite sales and higher production costs in H1 2023 drove lower results in the half for by-products, though this was mitigated by demand for activated carbon;
- higher unit cost of goods sold (COGS) of \$1,062 per tonne in the first half of 2023 (2022: \$842 per tonne). Increasing cash costs of production experienced through 2022 has now flowed through COGS. Unit COGS guided for 2023 was \$1,195 per tonne. Sales mix also impacted this, with synthetic rutile production having a higher unit COGS;
- major projects, exploration and innovation costs increased as the Group spent more on exploration and studies for the pipeline of potential opportunities;
- increased rehabilitation unwind costs relate to adjustments to non-cash risk-free discount rates amended in 2022 (refer Note 4).

## CASH FLOW AND BALANCE SHEET

Operating cash flow for the 2023 half-year was \$228 million, in line with H2 2022.

Cash capital expenditure was \$108 million, with \$53 million of spend on the Eneabba Rare Earths Refinery as the project progresses through FEED, and \$13 million spent on Balranald, with the remainder of capital spent on early development works for the Cataby southern area expansion, Atacama, Wimmera and Euston studies, as well as sustaining capital spend at the Australian operations.

Tax payments represent income tax instalments based on the instalment rate provided by the Australian Tax Office (ATO). The Group also made a \$127 million balancing tax payment for the 2022 financial year in June 2023.

At 30 June 2023, there were nil debt drawings (31 December 2022: nil) under the Multi Option Facility Agreement (MOFA), a series of five-year committed unsecured bilateral revolving credit facilities expiring in December 2027. There was \$91 million drawn under the debt facility with Export Finance Australia.

Net cash decreased to \$343 million from \$489 million at 31 December 2022.

The directors declared an interim dividend of 3 cents per share, to be paid in September 2023. The dividend is in line with Iluka's dividend framework to pay 100% of Deterra receipts and 40% of mineral sands free cash flow.

	1st Half 2022	2nd Half 2022	1st Half 2023
<b>Opening net cash</b>	<b>295.0</b>	<b>600.3</b>	<b>488.7</b>
Operating cash flow	481.0	230.2	227.6
Exploration	(4.4)	(5.9)	(9.8)
Interest (net)	(0.1)	4.8	9.0
Tax	(52.4)	(51.7)	(183.2)
Capital expenditure	(71.4)	(68.1)	(55.4)
Settlement of IFC put option	(11.5)	-	-
Investment in Northern Minerals	-	(20.0)	-
Principal element of lease payments AASB 16	(3.9)	(4.9)	(4.3)
Asset sales	-	-	0.6
<b>Free cash flow - Mineral sands</b>	<b>337.3</b>	<b>84.4</b>	<b>(15.5)</b>
Dividends received - Deterra	12.3	23.3	12.7
Eneabba Rare Earths - Capital expenditure	-	(13.1)	(52.6)
<b>Free cash flow - Group</b>	<b>349.6</b>	<b>94.6</b>	<b>(55.4)</b>
Dividends	(47.7)	(99.1)	(84.4)
<b>Net cash flow</b>	<b>301.9</b>	<b>(4.5)</b>	<b>(139.8)</b>
SRL cash demerged	-	(105.6)	-
Exchange revaluation of USD net debt	3.8	(1.5)	0.2
EFA facility costs capitalised to refinery	-	-	(4.0)
EFA interest capitalised to refinery	-	-	(1.8)
Amortisation of deferred borrowing costs	(0.4)	-	(0.4)
<b>Increase (decrease) in net cash (debt)</b>	<b>305.3</b>	<b>(111.6)</b>	<b>(145.8)</b>
<b>Closing net cash</b>	<b>600.3</b>	<b>488.7</b>	<b>342.9</b>

## PRODUCTION

Production (kt)	1st Half 2023	1st Half 2022	% change
Zircon	166.6	152.7	9.1
Rutile	30.8	23.6	30.5
Synthetic rutile	170.2	114.4	48.8
<b>Total Z/R/SR production</b>	<b>367.6</b>	<b>290.7</b>	<b>26.5</b>
Ilmenite	302.3	259.0	16.7
Monazite concentrate	-	-	n/a
<b>Total Mineral Sands Production</b>	<b>669.9</b>	<b>549.7</b>	<b>21.9</b>
HMC produced	448	384	16.6
HMC processed	530	459	15.4
<b>Cash costs of production, excluding ilmenite and by-products (\$m)</b>	<b>306.1</b>	<b>236.5</b>	<b>29.4</b>
Unit cash cost per tonne of Z/R/SR produced excluding by-products <sup>1</sup> (\$/t)	833	825	1.0
Unit cost of goods sold per tonne of Z/R/SR sold (\$/t)	1,062	842	26.1

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

### Australian Operations

Mining at Jacinth-Ambrosia in South Australia produced 154 thousand tonnes of heavy mineral concentrate (HMC), up from 137 thousand tonnes in H1 2022. Higher HMC production was the result of mining higher grade ore and higher treatment volumes.

In Western Australia the Cataby operation produced 294 thousand tonnes of HMC, up from 248 thousand tonnes in H1 2022. Higher HMC production was due to improved ore treatment volumes, stemming from higher ore treatment rates and runtime, complemented by the treatment of higher grade ore.

The Nargulu mineral separation plant (MSP) processed both Cataby and Jacinth-Ambrosia HMC, producing 167 thousand tonnes of zircon (including zircon in concentrate) and 31 thousand tonnes of rutile. Higher zircon production was due to better assemblage in the HMC than prior year as well as the greater volumes processed.

Total synthetic rutile production from Capel was 170 thousand tonnes with both SR1 and SR2 operating at full capacity. SR1 was offline for 2 weeks in July for a planned maintenance event and SR2 will be offline for about 2 months in H2 2023 due to a planned major maintenance outage (MMO), currently planned to commence in November.



## JACINTH-AMBROSIA/MID WEST

		1st Half 2023	1st Half 2022	% change
<b>Production volumes</b>				
Zircon	kt	139.5	131.0	6.5
Rutile <sup>1</sup>	kt	13.6	10.9	24.8
<b>Total Z/R/SR production</b>	<b>kt</b>	<b>153.1</b>	<b>141.9</b>	<b>7.9</b>
Ilmenite	kt	54.9	75.3	(27.1)
Monazite concentrate	kt	-	-	n/a
<b>Total production volume</b>	<b>kt</b>	<b>208.0</b>	<b>217.2</b>	<b>(4.2)</b>
HMC produced	kt	154	137	13
HMC processed	kt	229	235	(3)
Unit cash cost of production - Z/R/SR <sup>2</sup>	(\$/t)	668	654	2
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>357.5</b>	<b>396.7</b>	<b>(9.9)</b>
Cash costs of production	\$m	(102.3)	(92.8)	(10.2)
By-product costs	\$m	-	-	n/a
Inventory movements - cash costs of production	\$m	0.3	(14.9)	n/a
Restructure and idle capacity charges	\$m	(0.8)	(1.5)	46.7
Government royalties	\$m	(17.2)	(12.6)	(36.5)
Marketing and selling costs <sup>3</sup>	\$m	(0.9)	(11.8)	92.4
<b>EBITDA</b>	<b>\$m</b>	<b>236.6</b>	<b>263.1</b>	<b>(10.1)</b>
Depreciation and amortisation	\$m	(26.0)	(25.8)	(0.8)
Inventory movement - non-cash production costs	\$m	3.5	-	n/a
Rehabilitation costs for closed sites	\$m	(0.2)	-	n/a
<b>EBIT</b>	<b>\$m</b>	<b>213.9</b>	<b>237.3</b>	<b>(9.9)</b>

<sup>1</sup> Includes the lower value titanium dioxide product, HyTi

<sup>2</sup> Calculated as cash costs of production, including by-product costs divided by Z/R/SR production

<sup>3</sup> Freight revenue and expenses are included as a net number in marketing and selling costs.

Production of zircon was 7% higher than the comparative period as the Narngulu Mineral Separation Plant continued to run near capacity, processing both Jacinth-Ambrosia and Cataby HMC, and also benefitted from higher mineral assemblage of Jacinth-Ambrosia HMC.

Mineral sands revenue decreased 10% to \$358 million (2022: \$397 million).

Cash costs of production were 10% higher reflecting higher production but also increased fuel, consumables and labour costs as inflation continued to run at elevated levels.

The inventory movement shows a slight build in total inventory as finished goods stocks increased on lower sales, but HMC stocks reduced with higher finished goods production. Total inventory balances (WIP and finished goods) remained flat at \$230 million at 30 June 2023.

Marketing and selling costs decreased significantly due to lower sales volumes as well as higher recoveries of transport costs from customers as global shipping rates normalised following the disruptions from the global pandemic.

Government royalties rose to \$17 million as HMC haulage volumes increased with higher HMC inventory processed than the comparative period (royalty is charged when HMC leaves the mine gate, regardless of timing of sale).

## CATABY/SOUTH WEST

		1st Half 2023	1st Half 2022	% change
<b>Production volumes</b>				
Zircon	kt	27.1	21.7	24.9
Rutile	kt	17.2	12.7	35.4
Synthetic rutile	kt	170.2	114.4	48.8
<b>Total Z/R/SR production</b>	<b>kt</b>	<b>214.5</b>	<b>148.8</b>	<b>44.2</b>
Ilmenite	kt	247.4	183.7	34.7
<b>Total production volume</b>	<b>kt</b>	<b>461.9</b>	<b>332.5</b>	<b>38.9</b>
HMC produced	kt	294	248	18.8
HMC processed	kt	302	224	34.4
Unit cash cost of production - Z/R/SR <sup>1</sup>	(\$/t)	929	968	(4.1)
<b>Mineral sands revenue</b>	<b>\$m</b>	<b>354.8</b>	<b>391.9</b>	<b>(9.5)</b>
Cash costs of production	\$m	(199.3)	(144.1)	(38.3)
By-product costs	\$m	(7.3)	(4.7)	(54.7)
Inventory movements - cash costs of production	\$m	51.1	7.4	590.6
Restructure and idle capacity charges	\$m	(0.2)	(0.9)	77.8
Government royalties	\$m	(8.6)	(7.3)	(17.8)
Marketing and selling costs <sup>2</sup>	\$m	(4.4)	0.7	n/a
Asset sales and other income	\$m	(0.2)	0.1	n/a
<b>EBITDA</b>	<b>\$m</b>	<b>185.9</b>	<b>243.1</b>	<b>(23.5)</b>
Depreciation and amortisation	\$m	(56.5)	(45.1)	(25.3)
Inventory movement - non-cash production costs	\$m	18.2	1.7	968.5
Rehabilitation costs for closed sites	\$m	(0.4)	(0.3)	(33.3)
<b>EBIT</b>	<b>\$m</b>	<b>147.2</b>	<b>199.4</b>	<b>(26.2)</b>

<sup>1</sup> Calculated as cash costs of production, including by-product costs divided by Z/R/SR production.

<sup>2</sup> Freight revenue and expenses are included as a net number in marketing and selling costs.

Total Z/R/SR production increased 44% predominantly due to the restart of Synthetic Rutile kiln 1 in December 2022.

Mineral sands revenue decreased 10% from the previous corresponding period to \$355 million (2022: \$392 million) reflecting lower synthetic rutile sales volumes.

Cash costs of production were 38% higher than the previous corresponding period, reflecting a full six months of operations at the kilns combined with increased input costs from fuel, consumables and labour.

Government royalties increased 18% on higher ilmenite prices and higher volumes fed into the kilns.

The inventory movement reflects an increase in feedstock held for processing in the kilns as well as a build of synthetic rutile compared to the prior comparative period. Total inventory balances (WIP and finished goods) increased to \$372 million at 30 June 2023 (2022: \$238 million).

## MARKETING

### Zircon

Total zircon sales in H1 2023 were 134kt including zircon in concentrate (ZIC).

China's recovery was relatively muted in the first half with the traditional lull in Q1 for Chinese New Year and ongoing softness in the real estate market impacted the ceramic market, while slower industrial activity contributed to uncertainty in other zircon segments. The Chinese government has started to ease some restrictions and has taken other measures that could support the domestic economy, including lowering interest rates.

European demand remained stable after a slow start to the year, however activity is expected to ease during the typically quieter summer quarter.

India's ceramic industry continues to outperform, notwithstanding a production hiatus caused by cyclone Biparjoy, which affected ceramic production in the Morbi area. Factory activity in other Asian economies has started to contract due to China's subdued recovery, which is also expected to weigh on US and European economic growth.

### Titanium Dioxide Feedstocks

Sales of synthetic rutile in H1 2023 were 117kt and sales of rutile (including HyTi) were 27kt.

Demand from the pigment market remains soft as paints and coatings producers experience lower demand from customers, following a two-year period of elevated levels of do-it-yourself (DIY) projects and home building in North America and Europe. Pigment prices have remained resilient with pigment producers demonstrating their ability to reduce operating rates to meet demand.

Higher chlorine prices in North America continued to support selection of high grade feedstocks as this minimises chlorine consumption.

Demand from the welding market continued to be strong, with ongoing investment in infrastructure globally. And demand from the titanium metal segment was also very strong, with producers operating at maximum operating rates to meet growing demand from the aviation industry.

	H1 22	H2 22	FY 22	Q1 23	Q2 23	H1 23
<i>US\$/tonne FOB</i>						
Zircon Premium and Standard	1,855	2,047	1,943	2,053	2,088	2,073
Zircon (all products, including zircon in concentrate) <sup>1</sup>	1,757	1,975	1,850	2,053	1,897	1,946
Rutile (excluding HYTI) <sup>2,3</sup>	1,506	1,662	1,550	1,903	1,871	1,882
Synthetic rutile	Refer Note 4			1,265	1,267	1,266

<sup>1</sup> 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 H1 2023 the split of zircon sand and concentrate by zircon sand-equivalent was approximately: 72%:28% (2022 full year: 70%:30%).

<sup>2</sup> Rutile prices will vary quarter-on-quarter depending on the end market to which the product is supplied (e.g. pigment or welding). Post the demerger of Sierra Rutile Limited in H2 2022, rutile sales are a smaller contributor to Iluka's revenue.

<sup>3</sup> HYTI is a lower value titanium dioxide product 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%.

<sup>4</sup> From 2018-2022, the majority of Iluka's synthetic rutile sales were underpinned by three commercial offtake arrangements. The terms of those arrangements, including the pricing arrangements, were commercial in confidence and as such not disclosed by Iluka. Since the restart of SR1, synthetic rutile sales are made to a broader number of customers and Iluka will prospectively disclose the collective pricing outcome achieved from 1 January 2023; notwithstanding the pricing arrangements remain commercial in confidence. Quarterly pricing outcomes are impacted by many variables including but not limited to the timing of shipments sold under long term contract pricing mechanisms, bonus/penalty adjustments for product quality parameters and the proportion of spot sales. Synthetic rutile, due to its lower titanium dioxide content than rutile, is priced lower than natural rutile.

## **CAPITAL AND MAJOR PROJECTS**

### Eneabba, Western Australia

Iluka is building Australia's first fully integrated refinery for the production of separated rare earth oxides at Eneabba, Western Australia.

This is taking place via a strategic partnership between Iluka and the Australian Government, including a \$1.25 billion non-recourse loan to Iluka under the \$2 billion Critical Minerals Facility administered by Export Finance Australia.

Bulk earth works and ground improvement activities continue to progress, with completion expected in Q4 2023. The accommodation camp upgrade is now complete and the operational camp construction has commenced. Fluor Australia, Eneabba's EPCM contractor, has continued to progress key design elements for the refinery, with FEED to be completed by the end of the year.

### Balranald, New South Wales

Balranald is a rutile-rich critical minerals development located in the Riverina district of south western New South Wales. Owing to its relative depth, Iluka is developing Balranald via a novel, internally developed, remotely operated underground mining technology.

Iluka's Board approved the final investment decision for Balranald in February 2023. Engineering and procurement are progressing in accordance with plans. Iluka has now awarded the fabrication and supply of Balranald's mining units and the EPCM contract, the latter to Worley.

### Wimmera, Victoria

The Wimmera development involves the mining and beneficiation of a fine grained heavy mineral sands ore body in Western Victoria for the potential long term supply of rare earths and zircon.

A preliminary feasibility study was completed in early 2023 and Iluka's Board approved \$30 million funding for a definitive feasibility study (DFS) in February 2023. This was accompanied by the declaration of an Ore Reserve for the WIM 100 deposit, which is the focus of the Wimmera development.

Wimmera's DFS is scheduled for completion at the end of 2025. The Environment Effects Statement (EES) approvals process is progressing, alongside process engineering and mine design. In parallel, Iluka is continuing the process design of the zircon purification process, with the goal of demonstrating commercial viability via a demonstration plant. Zircon economics have not yet been accounted for in Wimmera's Ore Reserve

## 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 2023 is presented below:

\$m	JA/MW	C/SW	RE	US/MB <sup>1</sup>	Expl & Oth	Mineral Sands	Corp	Group
Mineral sands revenue	357.5	354.8	-	-	-	712.3	-	712.3
Freight revenue	19.4	13.7	-	-	-	33.1	-	33.1
Expenses	(140.3)	(182.6)	-	(4.5)	(29.5)	(356.9)	(1.5)	(358.4)
Share of profits in associate	-	-	-	-	-	-	14.7	14.7
FX	-	-	-	-	-	-	5.1	5.1
Corporate costs	-	-	-	-	-	-	(38.7)	(38.7)
<b>EBITDA</b>	<b>236.6</b>	<b>185.9</b>	<b>-</b>	<b>(4.5)</b>	<b>(29.5)</b>	<b>388.5</b>	<b>(20.4)</b>	<b>368.1</b>
Depn & Amort	(26.0)	(56.5)	-	(0.4)	(0.1)	(83.0)	(1.4)	(84.4)
Inventory movement - non-cash	3.5	18.2	-	-	-	21.7	-	21.7
Rehabilitation for closed sites	(0.2)	(0.4)	-	(0.1)	-	(0.7)	-	(0.7)
Impairment reversal	-	-	-	-	-	-	-	-
Revaluation on investments	-	-	-	-	-	-	(3.5)	(3.5)
<b>EBIT</b>	<b>213.9</b>	<b>147.2</b>	<b>-</b>	<b>(5.0)</b>	<b>(29.6)</b>	<b>326.5</b>	<b>(25.3)</b>	<b>301.2</b>
Net interest costs	(0.2)	(0.7)	-	-	-	(0.9)	7.6	6.7
Rehab unwind and other finance costs	(6.2)	(7.1)	-	(2.4)	-	(15.7)	(0.8)	(16.5)
<b>Profit Before tax</b>	<b>207.5</b>	<b>139.4</b>	<b>-</b>	<b>(7.4)</b>	<b>(29.6)</b>	<b>309.9</b>	<b>(18.5)</b>	<b>291.4</b>
<b>Segment result</b>	<b>207.5</b>	<b>139.4</b>	<b>-</b>	<b>(7.4)</b>	<b>n/a</b>	<b>339.5</b>	<b>n/a</b>	<b>339.5</b>

<sup>1</sup> 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 2023 and the auditor's review report thereon.

### BOARD OF DIRECTORS

R Cole  
T O'Leary (Managing Director and CEO)  
M Bastos  
S Corlett  
G Martin  
L Saint  
A Sutton

### 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 and rare earths, and rehabilitation. Iluka holds a 20% stake in Deterra Royalties Limited (Deterra), the largest ASX-listed resources focused royalty company.

### REVIEW OF RESULTS AND OPERATIONS

The Review of Results and Operations is set out on pages 3 to 12, and forms part of the Directors' Report.

### DIVIDENDS

The Board of Directors have determined a fully franked interim dividend of 3 cents per share, payable on 27 September with a record date of 4 September 2023.

### 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.



R Cole  
Chairman



T O'Leary  
Managing Director and CEO

Perth, 23 August 2023



## Auditor's Independence Declaration

As lead auditor for the review of Iluka Resources Limited for the half-year ended 30 June 2023, 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.

A handwritten signature in black ink that reads 'Helen Bathurst'.

Helen Bathurst  
Partner  
PricewaterhouseCoopers

Perth  
23 August 2023



**ILUKA**

**ILUKA RESOURCES LIMITED**

ABN 34 008 675 018

**FINANCIAL STATEMENTS**

**for the half-year 30 June 2023**



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the half-year ended 30 June 2023

	Notes	Half Year 2023 \$m	Half Year 2022 \$m
<b>CONTINUING OPERATIONS</b>			
Revenue	3	745.4	835.8
Other income		14.9	14.0
Expenses	4	(464.0)	(469.6)
Equity accounted share of profit - Deterra		14.6	20.1
Interest and finance charges		(3.8)	(2.4)
Rehabilitation and mine closure provision discount unwind		(15.7)	(4.2)
Rehabilitation and mine closure provision discount rate changes (closed sites)		-	10.6
<b>Total finance costs</b>	4	(19.5)	4.0
<b>Profit before income tax</b>		<b>291.4</b>	<b>404.3</b>
Income tax expense	5	(87.6)	(118.3)
<b>Profit after income tax for the half-year from continuing operations</b>		<b>203.8</b>	<b>286.0</b>
<b>DISCONTINUED OPERATIONS</b>			
Profit/(loss) after tax from discontinued operations	12	-	82.5
<b>Profit for the half-year, attributable to:</b>		<b>203.8</b>	<b>368.5</b>
Equity holders of Iluka Resources Limited		203.8	364.5
Non-controlling interest		-	4.0
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share from continuing operations attributable to the ordinary equity holders of the parent</b>			
Basic earnings per share		48.3	67.8
Diluted earnings per share		47.8	67.2
<b>Earnings per share attributable to the ordinary equity holders of the parent</b>			
Basic earnings per share		48.3	87.3
Diluted earnings per share		47.8	86.6

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 30 June 2023

	Half Year 2023 \$m	Half Year 2022 \$m
Profit for the half-year	203.8	368.5
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation of foreign entities	(0.5)	0.3
Movements in foreign exchange cash flow hedges, net of tax	(1.5)	(4.0)
<b>Total other comprehensive income (loss) for the half-year, net of tax</b>	<b>(2.0)</b>	<b>(3.7)</b>
<b>Total comprehensive income for the half-year attributable to:</b>	<b>201.8</b>	<b>364.8</b>
Equity holders of Iluka Resources Limited	201.8	360.8
Non-controlling interest	-	4.0
<b>Total comprehensive income for the half-year attributable to the equity holders of the parent arises from:</b>		
Continuing operations	201.8	278.3
Discontinued operations	-	82.5

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 2023 \$m	31 December 2022 \$m
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		432.1	521.7
Receivables		310.2	275.1
Inventories		634.6	543.3
<b>Total current assets</b>		<b>1,376.9</b>	<b>1,340.1</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	1,171.1	1,116.0
Right of use assets		19.5	22.9
Inventories		13.5	18.3
Investments accounted for using the equity method - Deterra Royalties		451.5	449.5
Financial assets at fair value through profit or loss - Northern Minerals		16.5	20.0
Deferred tax assets		43.5	35.0
<b>Total non-current assets</b>		<b>1,715.6</b>	<b>1,661.7</b>
<b>Total assets</b>		<b>3,092.5</b>	<b>3,001.8</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		148.1	143.7
Current tax payable		46.7	135.3
Derivative financial instruments	9	3.3	4.4
Provisions		72.5	81.5
Lease liabilities		7.2	8.9
<b>Total current liabilities</b>		<b>277.8</b>	<b>373.8</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	9	3.2	-
Interest bearing liabilities	8	89.2	33.0
Provisions		685.1	679.6
Lease liabilities		18.4	20.6
<b>Total non-current liabilities</b>		<b>795.9</b>	<b>733.2</b>
<b>Total liabilities</b>		<b>1,073.7</b>	<b>1,107.0</b>
<b>Net assets</b>		<b>2,018.8</b>	<b>1,894.8</b>
<b>EQUITY</b>			
Contributed equity	10	1,143.9	1,129.6
Reserves		7.5	16.6
Retained earnings		867.4	748.6
<b>Total equity</b>		<b>2,018.8</b>	<b>1,894.8</b>

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 2023

Notes	Attributable to owners of Iluka Resources Limited				NCI \$m	Total equity \$m
	Share capital \$m	Other reserves \$m	Retained earnings \$m	Total \$m		
<b>Balance at 1 January 2022</b>	1,148.3	31.0	413.9	1,593.2	1.4	1,594.6
Profit for the period	-	-	364.5	364.5	4.0	368.5
Other comprehensive loss	-	(3.7)	-	(3.7)	-	(3.7)
<b>Total comprehensive income</b>	-	(3.7)	364.5	360.8	4.0	364.8
<b>Transactions with owners in their capacity as owners:</b>						
Shares issued	8.0	-	-	8.0	-	8.0
Issue of treasury shares, net of tax	(5.7)	-	-	(5.7)	-	(5.7)
Transfer of shares to employees, net of tax	6.2	(6.2)	-	-	-	-
Share-based payments, net of tax	-	4.2	-	4.2	-	4.2
Dividends paid	3.1	-	(50.8)	(47.7)	-	(47.7)
Transactions with non-controlling interests	-	5.4	-	5.4	(5.4)	-
Transfer of loss in ownership changes	-	16.7	(16.7)	-	-	-
	11.6	20.1	(67.5)	(35.8)	(5.4)	(41.2)
<b>Balance at 30 June 2022</b>	<b>1,159.9</b>	<b>47.4</b>	<b>710.9</b>	<b>1,918.2</b>	<b>-</b>	<b>1,918.2</b>

Notes	Attributable to owners of Iluka Resources Limited				NCI \$m	Total equity \$m
	Share capital \$m	Other reserves \$m	Retained earnings \$m	Total \$m		
<b>Balance at 1 January 2023</b>	1,129.6	16.6	748.6	1,894.8	-	1,894.8
Profit for the period	-	-	203.8	203.8	-	203.8
Other comprehensive loss	-	(2.0)	-	(2.0)	-	(2.0)
<b>Total comprehensive income</b>	-	(2.0)	203.8	201.8	-	201.8
<b>Transactions with owners in their capacity as owners:</b>						
Shares issued	10.6	-	-	10.6	-	10.6
Issue of treasury shares, net of tax	(7.6)	-	-	(7.6)	-	(7.6)
Transfer of shares to employees, net of tax	10.7	(10.7)	-	-	-	-
Share-based payments, net of tax	-	3.6	-	3.6	-	3.6
Dividends paid	0.6	-	(85.0)	(84.4)	-	(84.4)
	14.3	(7.1)	(85.0)	(77.8)	-	(77.8)
<b>Balance at 30 June 2023</b>	<b>1,143.9</b>	<b>7.5</b>	<b>867.4</b>	<b>2,018.8</b>	<b>-</b>	<b>2,018.8</b>

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 ended 30 June 2023

	30 June 2023 \$m	30 June 2022 \$m
Notes		
<b>Cash flows from operating activities</b>		
Receipts from customers	698.7	986.5
Payments to suppliers and employees	(471.1)	(505.4)
<b>Operating cash flow</b>	<u>227.6</u>	<u>481.1</u>
Interest received	9.9	0.8
Interest paid	(0.9)	(0.9)
Income taxes paid	(183.2)	(52.4)
Exploration expenditure	(9.8)	(4.4)
<b>Net cash inflow from operating activities</b>	<u>43.6</u>	<u>424.2</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(108.0)	(71.4)
Sale of property, plant and equipment	0.6	-
Dividends received - Deterra	12.7	12.3
<b>Net cash (outflow) from investing activities</b>	<u>(94.7)</u>	<u>(59.1)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	50.0	-
Dividends paid	(84.4)	(47.7)
Principal element of lease payments	(4.3)	(3.9)
Settlement of put option	-	(11.5)
<b>Net cash (outflow) inflow from financing activities</b>	<u>(38.7)</u>	<u>(63.1)</u>
<b>Net increase in cash and cash equivalents</b>	<b>(89.8)</b>	302.0
Cash and cash equivalents at 1 January	516.2	294.8
Effects of exchange rate changes on cash and cash equivalents	5.7	3.5
<b>Cash and cash equivalents at end of half-year</b>	<u>432.1</u>	<u>600.3</u>
<i>Associated with:</i>		
Continuing operations	432.1	450.2
Discontinued operations	-	150.1

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 2023

## 1 BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 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 2022 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.

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

#### *Financial instruments*

In addition to the hedging related financial instruments outlined in note 9, the Group also holds an investment in Northern Minerals Limited. The investment is classified as at fair value through profit or loss. Its fair value is determined based on the closing share price of Northern Minerals on each reporting date (a level 1 input). At 30 June 2023, the investment had a fair value of \$16.5 million (31 December 2022: \$20 million). A revaluation loss of \$3.5 million is included in profit or loss in the current reporting period (refer to note 4).

### (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.

#### *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 rehabilitation and mine closure provisions**

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability to the extent they are not included in the cash flows.

Rehabilitation and mine closure provisions for Australia and the US are remeasured at each reporting date by discounting risk adjusted cash flows at discount rates representing the risk-free rates of applicable government bonds for the currencies in which each respective provision is recognised. Risk-free discount rates of 4.3% and 3.9% were used to calculate rehabilitation and mine closure provision balances in Australia and the United States, respectively (2022: 4.3% and 3.9%, respectively).

A one percent increase in only the discount rate used to calculate rehabilitation and mine closure provisions would result in a decrease to their closing balance of \$63.6 million. Of this amount, \$53.0 million would be recognised as a decrease in rehabilitation assets for open sites, and \$10.6 million would be recognised as a credit in profit or loss for closed or previously impaired sites.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2023

## 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. The operating segments of the Group are:

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

**Cataby/South West (C/SW)** comprises mining activities at Cataby and processing of ilmenite at Synthetic Rutile Kilns 1 and 2, located in Western Australia.

**Rare Earths (RE)** comprises the Eneabba Rare Earths Refinery currently being constructed in Western Australia, associated feasibility studies, and the Group's investment in Northern Minerals Limited.

**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, certain idle assets located in Australia (Murray Basin), and the development of the Balranald underground mining project.

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. Transfers of intermediate products between operating segments are made at cost. During the reporting period ended 30 June 2023, \$5.3 million of intermediate material was transferred from the RE to the C/SW segment at cost (2022: \$nil).

### (b) Segment information

<i>Half-year 2023</i>	<b>JA/MW</b>	<b>C/SW</b>	<b>RE</b>	<b>US/MB</b>	<b>Total</b>
	\$m	\$m	\$m	\$m	\$m
Total segment sales of mineral sands	357.5	354.8	-	-	712.3
Total segment freight revenue	19.4	13.7	-	-	33.1
Total segment result	207.5	139.4	-	(7.4)	339.5
Segment assets	707.6	1,074.7	165.4	191.8	2,139.5
Segment liabilities	347.4	351.5	163.2	129.6	991.7

<i>Half-year 2022</i>	<b>JA/MW</b>	<b>C/SW</b>	<b>RE</b>	<b>US/MB</b>	<b>Total</b>
	\$m	\$m	\$m	\$m	\$m
Total segment sales of mineral sands	396.7	391.9	-	-	788.6
Total segment freight revenue	32.6	14.6	-	-	47.2
Total segment result	239.3	200.6	-	(2.8)	437.1
Segment assets	718.1	843.1	0.5	162.9	1,724.6
Segment liabilities	295.1	297.4	1.5	161.3	755.3

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2023

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

	Half Year 2023 \$m	Half Year 2022 \$m
<b>Total segment result</b>	<b>339.5</b>	437.1
Interest income	9.7	0.8
Marketing and selling	(7.0)	(5.0)
Corporate and other costs	(38.6)	(41.4)
Revaluation on investments	(3.5)	-
Depreciation	(1.4)	(1.5)
Projects, innovation and exploration	(24.4)	(16.9)
Interest and finance charges	(2.6)	(2.5)
Net foreign exchange gain	5.1	13.6
Equity accounted profit - Deterra	14.6	20.1
<b>Profit before income tax from continuing operations</b>	<b>291.4</b>	<b>404.3</b>

## 3 REVENUE

	Half Year 2023 \$m	Half Year 2022 \$m
<b>CONTINUING OPERATIONS</b>		
<i>Sales revenue</i>		
Sale of goods	712.3	788.6
Freight revenue	33.1	47.2
	<b>745.4</b>	<b>835.8</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2023

## 4 EXPENSES

	Half Year 2023 \$m	Half Year 2022 \$m
<b>CONTINUING OPERATIONS</b>		
<b>Expenses</b>		
Cash costs of production	306.1	238.8
Depreciation/amortisation	81.3	70.6
Inventory movement - cash costs of production	(a) (57.0)	4.3
Inventory movement - non-cash production costs	(a) (21.7)	(2.6)
<b>Cost of goods sold</b>	<b>308.7</b>	<b>311.1</b>
By-product costs	7.3	8.8
Depreciation (idle, corporate and other)	3.1	2.2
Idle capacity charges	5.8	6.0
Rehabilitation costs for closed sites	0.7	0.5
Government royalties	26.1	21.0
Marketing and selling costs	45.8	61.7
Corporate and other costs	38.6	41.4
Revaluation on investments	3.5	-
Projects, exploration and innovation	24.4	16.9
	<b>464.0</b>	<b>469.6</b>
<b>Finance costs</b>		
Interest charges	0.5	0.4
Bank fees and similar charges	2.5	1.3
Amortisation of deferred borrowing costs	0.4	0.4
Lease borrowing costs	0.4	0.3
Rehabilitation and mine closure provision discount unwind	(b) 15.7	4.2
Rehabilitation and mine closure discount rate changes (closed sites)	-	(10.6)
	<b>19.5</b>	<b>(4.0)</b>

### (a) Inventory movement

Inventory movement comprises the difference between inventory on hand at the end and beginning of the reporting period. Finished goods inventory of Z/R/SR has increased by 90kt since 31 December 2022. Costs of inventory on hand at the end of the reporting period are deducted from cost of goods sold and recognised in the statement of financial position until sold. A credit to inventory movement in the profit or loss in the period represents an increase in total inventory and a debit represents a net drawdown.

### (b) Rehabilitation and mine closure provision discount unwind

The risk-free discount rates used to calculate the rehabilitation and mine closure provision discount unwind in Australia and the US was 4.3% and 3.9%, respectively (2022: 1.3% and 0.5%, respectively).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2023

## 5 INCOME TAX

	Half Year 2023 \$m	Half Year 2022 \$m
Current tax	91.6	113.5
Deferred tax	(5.3)	5.3
Under/(over) provided in prior years	1.3	0.4
	<b>87.6</b>	<b>119.2</b>
Tax on continuing operations	87.6	118.3
Tax on discontinued operation	-	0.9
	<b>87.6</b>	<b>119.2</b>

Income tax expense for the half-year interim reporting period has been recognised based on the Group's estimate of the effective income tax rate expected to apply to the full year. The estimated effective income tax rate used for the Group in the interim reporting period is 30.2% (2022: 28.9%).

## 6 PROPERTY, PLANT AND EQUIPMENT

The Group recognised \$131.1 million of additions to property, plant and equipment during the half year 30 June 2023, of which \$71.6 million (including capitalised interest and accruals) relates to the Eneabba Rare Earths Refinery, \$15.2 million was for Balranald, and the remainder was for early development works for the Cataby southern area expansion Atacama, Wimmera and Euston studies, as well as sustaining capital spend on Australian Operations (31 December 2022: \$254.5 million additions).

## 7 CAPITAL COMMITMENTS

Capital expenditure contracted for and payable, but not recognised as a liability at 30 June 2023 is \$170.5 million and relates to the purchase of property, plant and equipment. Of the total amount, \$120.9 million is expected to be paid within one year and the remainder in more than one year but less than five years from the reporting date (31 December 2022: \$174.6 million total capital commitments, of which \$122.2 million was payable within one year and \$52.4 million was payable within more than one year but less than five years).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2023

## 8 INTEREST-BEARING LIABILITIES

		30 June 2023 \$m	31 December 2022 \$m
<b>Non-current interest-bearing liabilities (unsecured)</b>			
Multi Optional Facility Agreement	(a)	-	-
Export Finance Australia (EFA) facility	(b)	92.5	40.7
Deferred borrowing costs		(3.3)	(7.7)
<b>Total interest-bearing liabilities</b>		<b>89.2</b>	<b>33.0</b>

The Group has access to the following facilities at the reporting date:

### (a) Multi Optional Facility Agreement (MOFA)

The Multi Optional Facility Agreement comprises a series of unsecured committed five year bilateral revolving credit facilities with several institutions amounting to a total of \$570.0 million, expiring in 2027 (31 December 2022: \$640.0 million, of which \$570.0 million expires in 2027. The remaining \$70.0 million would have expired in 2024, but was cancelled during the current reporting period). No amount was drawn against this facility at 30 June 2023 (31 December 2022: no amount drawn).

### (b) Export Finance Australia (EFA) facility

In terms of the risk sharing agreement between the Group and the Australian Government the Group has access to a loan facility to fund the construction and commissioning of the Eneabba Rare Earths Refinery. Total available funds under the facility amount to \$1,250 million, is non-recourse to Iluka and has a variable interest rate equal to the BBSY + 3% with a term of up to 16 years expiring in 2038. At 30 June 2023, \$92.5 million was drawn against the facility, leaving \$1,159.3 million undrawn (31 December 2022: \$40.7 million was drawn against the facility, \$1,209.3 million undrawn).

## 9 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 entered into foreign exchange collar contracts.

### (a) Fair value of derivatives

Derivative financial instruments are the only assets and liabilities measured and recognised at fair value at 30 June 2023 and 31 December 2022, comprising the hedging instruments in (b) below. The fair value of hedging instruments is determined using valuation techniques with inputs that are observable market data (a level 2 measurement). The valuation of the options making up the collars is determined using forward foreign exchange rates, volatilities and interest rates at the balance date. The only unobservable input used in the calculations is the credit default rate, movements in which would not have a material effect on the valuation.

### (b) Hedge accounting

#### Cash flow hedges

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

Foreign exchange collar contracts in relation to expected USD revenue, predominantly from contracted sales to 31 December 2024, remain open at the reporting date. The foreign exchange collar hedges cover US\$250.3 million of expected

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 30 JUNE 2023

USD revenue to 31 December 2024 and comprise US\$250.3 million worth of purchased AUD call options with a weighted average strike price of 73.5 cents and US\$250.3 million of AUD put options at a strike price of 64.9 cents.

US\$183.6 million in foreign exchange collar contracts consisting of US\$183.6 million of bought AUD call options with weighted average strike prices of 72.5 cents and US\$183.6 million of sold AUD put options with weighted average strike prices of 64.2 cents were entered into during the half year; and US\$170.9 million in foreign exchange collar contracts consisting of US\$170.9 million of bought AUD call options with weighted average strike prices of 75.1 cents and US\$170.9 million of sold AUD put options with weighted average strike prices of 66.1 cents matured during the half year.

### 10 CONTRIBUTED EQUITY

#### (a) Movements in ordinary share capital

On 24 February 2023, the Group issued 1,000,000 ordinary shares to the Iluka Employee Share Trust trustee at a price of \$10.63 per share. The issued shares became treasury shares held by the trust on the same date and are included with treasury shares in (b), below.

On 24 March 2023, the Group issued 80,655 ordinary shares to shareholders at a price of \$10.09 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 2023, 426,012,806 ordinary shares are on issue.

#### (b) Movements in treasury shares

During the period 1,387,657 treasury shares were transferred to employees (2022: 1,056,491) and 1,000,000 treasury shares were acquired as outlined in (a), above (2022: 730,000 treasury shares were purchased). The total number of treasury shares on hand at 30 June 2023 is 79,878.

### 11 DIVIDENDS

	Half Year 2023 \$m	Half Year 2022 \$m
<i>Final dividend</i>		
For 2022 of 20 cents per share, fully franked	85.0	-
For 2021 of 12 cents per share, fully franked	-	50.8
	<hr/>	<hr/>
	-	50.8

Of the total \$85.0 million final dividend declared for 2022, \$0.6 million was taken up by shareholders as part of the Dividend Reinvestment Plan as detailed in the announcement to the ASX dated 30 March 2023.

The Directors have determined that an interim dividend of 3 cents per share will be declared for the half-year ended 30 June 2023.

#### Franking credits

The balance of franking credits available as at 30 June 2023 is \$611.2 million (30 June 2022: \$441.5 million). This balance is based on a tax rate of 30% (2022: 30%).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 30 JUNE 2023

### 12 DEMERGER OF SIERRA RUTILE LIMITED (SRL)

The Group demerged SRL on 4 August 2022, the results of which are reflected in the Annual Report for the year ended 31 December 2022.

The results of SRL in the previous corresponding period are reflected as profit after tax from discontinued operations, and comprise:

	<b>Half Year 2022</b>
Revenue	175.5
Impairment reversal <sup>1</sup>	33.3
Expenses	(129.7)
Total finance costs	4.3
<b>Profit before tax</b>	<b>83.4</b>
Income tax expense	(0.9)
<b>Profit from discontinued operation</b>	<b>82.5</b>

<sup>1</sup>The recoverable value of the SRL CGU was estimated based on the valuations prepared as part of the demerger. The recoverable value was greater than the net carrying value of SRL assets at the time, therefore the Group recognised an impairment reversal of \$33.3 million related to previously impaired Sembehun property, plant and equipment that was not subject to depreciation.

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 16 to 28 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 2023 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.



R Cole  
Chairman



T O'Leary  
Managing Director



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

## **Report on the half-year financial report**

### ***Conclusion***

We have reviewed the 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 statement of financial position as at 30 June 2023, the Condensed consolidated statement of comprehensive income, Condensed consolidated statement of profit or loss, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 30 June 2023 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*.

### ***Basis for conclusion***

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### ***Responsibilities of the directors 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 responsibilities for the review of the half-year financial report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2023 and of 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*.

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.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Helen Bathurst*

Helen Bathurst  
Partner

Perth  
23 August 2023