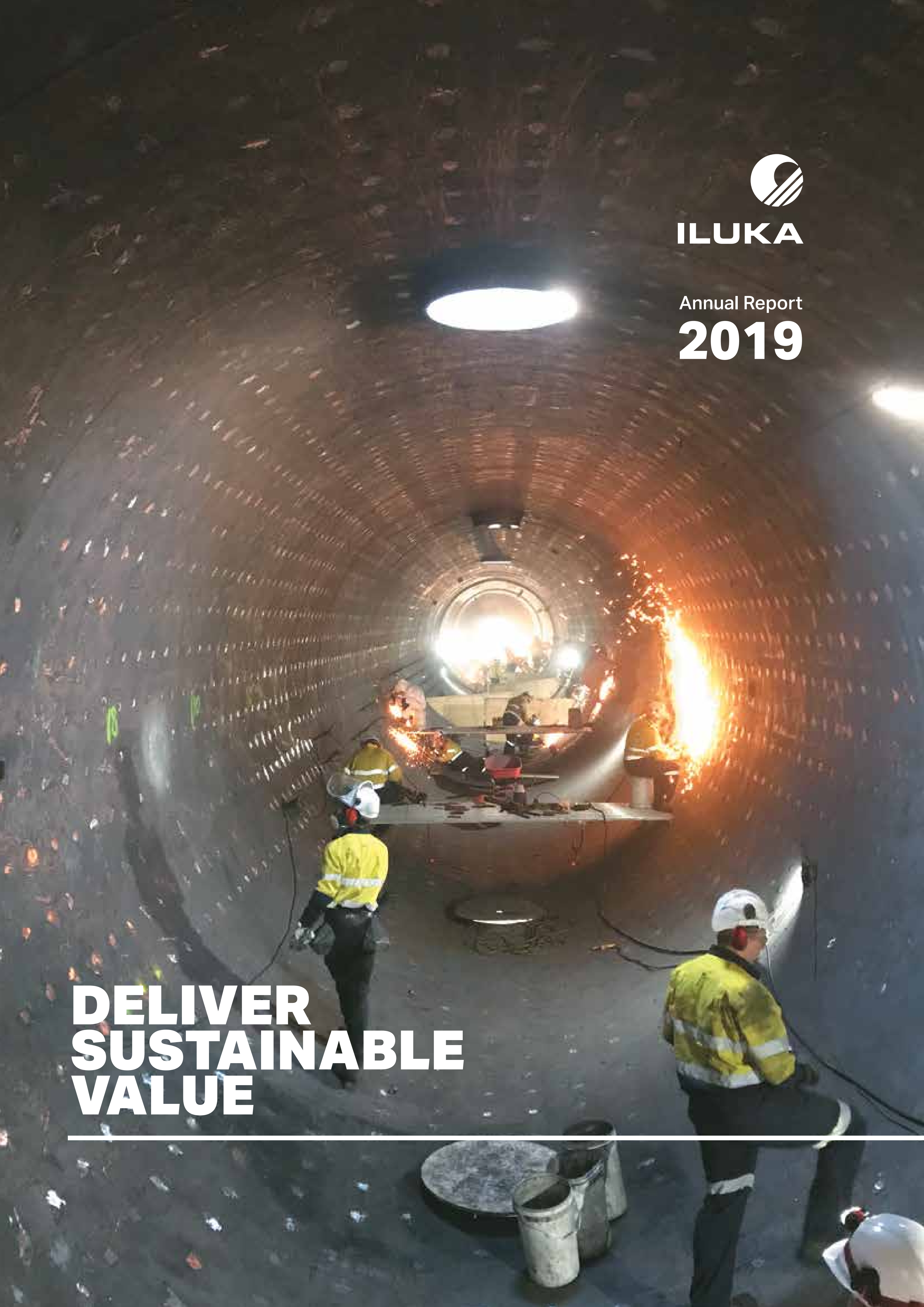
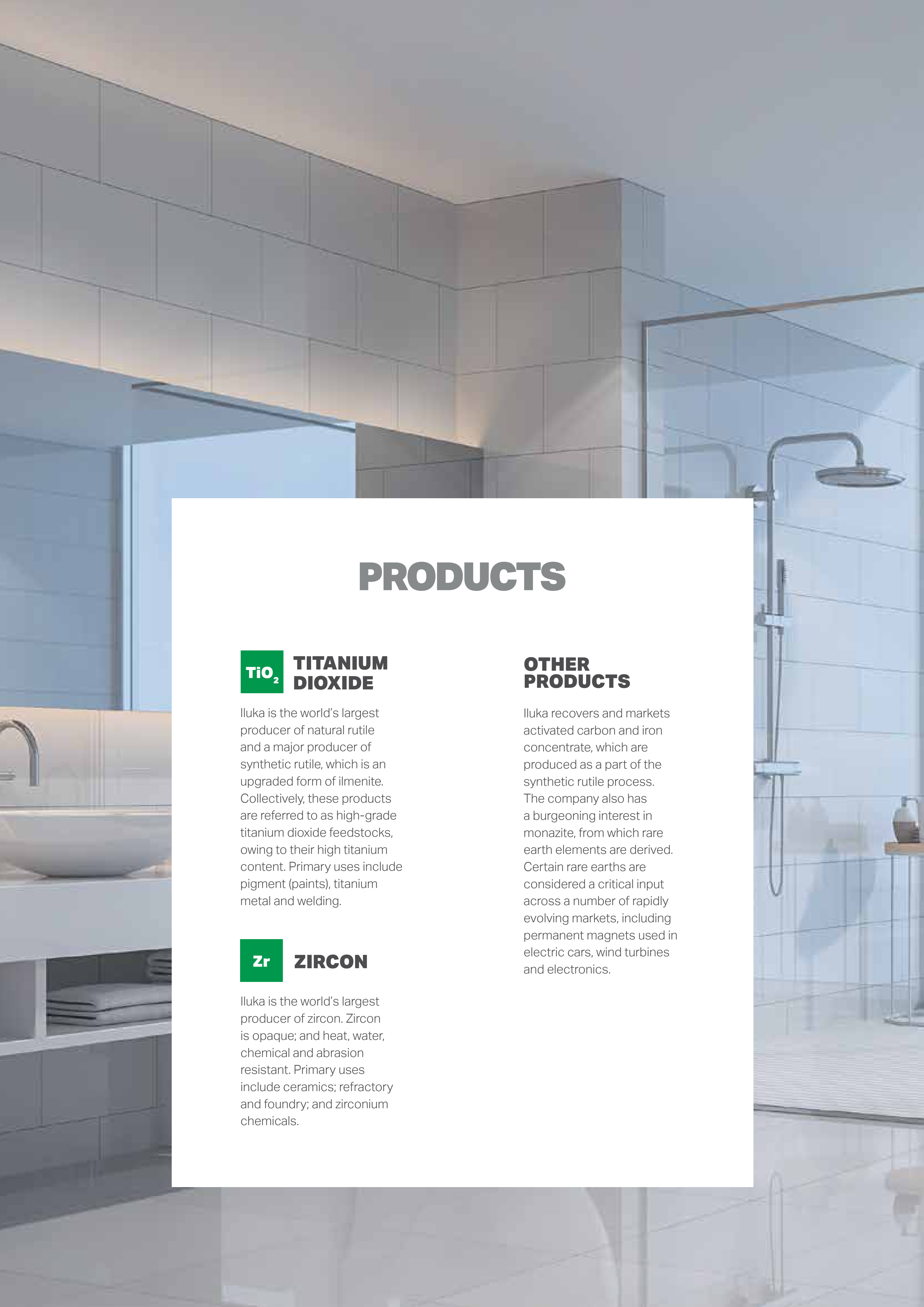


ILUKA

Annual Report
2019

DELIVER SUSTAINABLE VALUE



PRODUCTS

TiO_2 TITANIUM DIOXIDE

Iluka is the world's largest producer of natural rutile and a major producer of synthetic rutile, which is an upgraded form of ilmenite. Collectively, these products are referred to as high-grade titanium dioxide feedstocks, owing to their high titanium content. Primary uses include pigment (paints), titanium metal and welding.

Zr ZIRCON

Iluka is the world's largest producer of zircon. Zircon is opaque; and heat, water, chemical and abrasion resistant. Primary uses include ceramics; refractory and foundry; and zirconium chemicals.

OTHER PRODUCTS

Iluka recovers and markets activated carbon and iron concentrate, which are produced as a part of the synthetic rutile process. The company also has a burgeoning interest in monazite, from which rare earth elements are derived. Certain rare earths are considered a critical input across a number of rapidly evolving markets, including permanent magnets used in electric cars, wind turbines and electronics.

MINERAL SANDS
PART OF EVERYDAY LIFE

FROM EVERYDAY APPLICATIONS IN THE HOME AND WORKPLACE, TO MEDICAL, LIFESTYLE AND INDUSTRIAL APPLICATIONS, THE UNIQUE PROPERTIES OF TITANIUM DIOXIDE AND ZIRCON ARE UTILISED IN A VAST ARRAY OF PRODUCTS. ILUKA'S MATERIALS ARE ALSO USED IN END-USE PRODUCTS WHICH CREATE SUSTAINABLE BENEFITS, INCLUDING RENEWABLE ENERGY TECHNOLOGIES.

PHOTOCATALYTICS

The photocatalytic properties of titanium dioxide (TiO_2) have driven new and innovative applications. Titanium dioxide products are used in self-cleaning windows, air and water purification systems, light emitting diodes and solar cells.

ROOF/BUILDING/CONSTRUCTION

Electrical insulators, bricks/cement, fibre optics, exterior and interior paint, tiles, anti-pollution coatings.

SUSTAINABLE DEVELOPMENT PRODUCTS

Renewable energy technologies (solar panels, wind turbines and electric vehicles), wastewater treatment, potable water filtration, air purification, desalination plants, and energy efficient reflective roof coatings.

HOME/OFFICE

Mobile phones, plastic, printer inks, paper, packaging.

KITCHEN

Light bulbs, dishes, glasses, clock parts, food colouring, ceramic knives, pans.

HEALTHCARE AND MEDICINE

Prosthetics, orthopaedic implants, medical instruments.

CERAMICS

Most types of ceramic tiles used for floor and wall coverings contain zircon. Zircon contributes to whiteness, opacity, and the abrasion and chemical resistance that tiles provide.

PIGMENTS

Paint coatings, inks, plastic and ceramics use titanium dioxide in the form of pigment.

BATHROOM/LIFESTYLE

Ceramics, sanitary and toilet basins, glass, faucets for taps, cosmetics, pharmaceutical products, toothpaste, antiperspirants, sunscreens.

AUTOMOTIVE

Brake linings/pads, car parking sensors, automotive paint, catalytic converters, automotive electrics, rubber products.

SPORTING GOODS AND RECREATION

Golf clubs, tennis racquets, bicycle frames.

AIRCRAFT AND INDUSTRY

Titanium metal, desalination plants, zirconium metal, corrosion resistant coatings.

ABOUT ILUKA RESOURCES

Iluka Resources Limited (Iluka) is primarily an international mineral sands company with expertise in exploration, project development, mining operations, processing, marketing and rehabilitation.

Its core objective is to deliver sustainable value by leveraging the company's expertise and over 60 years of mineral sands industry experience.

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

With over 3,000 direct employees, the company has operations and projects in Australia and Sierra Leone; and a globally integrated marketing network.

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

Listed on the Australian Securities Exchange and headquartered in Perth, the company has a royalty business with a world-class 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 IS THE LARGEST PRODUCER OF ZIRCON AND RUTILE GLOBALLY AND A MAJOR PRODUCER OF SYNTHETIC RUTILE

MINERAL SANDS PROCESS

1 GEOLOGICAL SETTING

Mineral sands are heavy minerals found in sediments on, or near to, the surface of ancient beach, dune or river systems. Mineral sands include minerals such as rutile, ilmenite, zircon and monazite.

2 MINING APPROACH

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

3 MINERAL SEPARATION

The heavy mineral concentrate is transported from the mine to a mineral separation plant for final product processing. The plant separates the heavy minerals zircon, rutile and ilmenite from each other in multiple stages by magnetic, electrostatic and gravity separation.

4 SYNTHETIC RUTILE

Iluka also produces synthetic rutile from ilmenite that is upgraded by high temperature chemical processes.

5 REHABILITATION

As mining progresses, the mining pit is backfilled and covered with stockpiled soils that were removed at the start of the mining process. Rehabilitation is undertaken progressively to return land to a form similar to its pre-mining state and suitable for various uses including agricultural, pastoral and native vegetation.

6 MARKETING

Iluka transports the final products of zircon, rutile, synthetic rutile and ilmenite to customers around the world.

WHERE WE OPERATE

UNITED STATES

Rehabilitation

SIERRA LEONE

Sierra Rutile mining, concentrating and processing operations

Sembehun project

Rehabilitation

SRI LANKA

Puttalam project

WESTERN AUSTRALIA

Narngulu 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

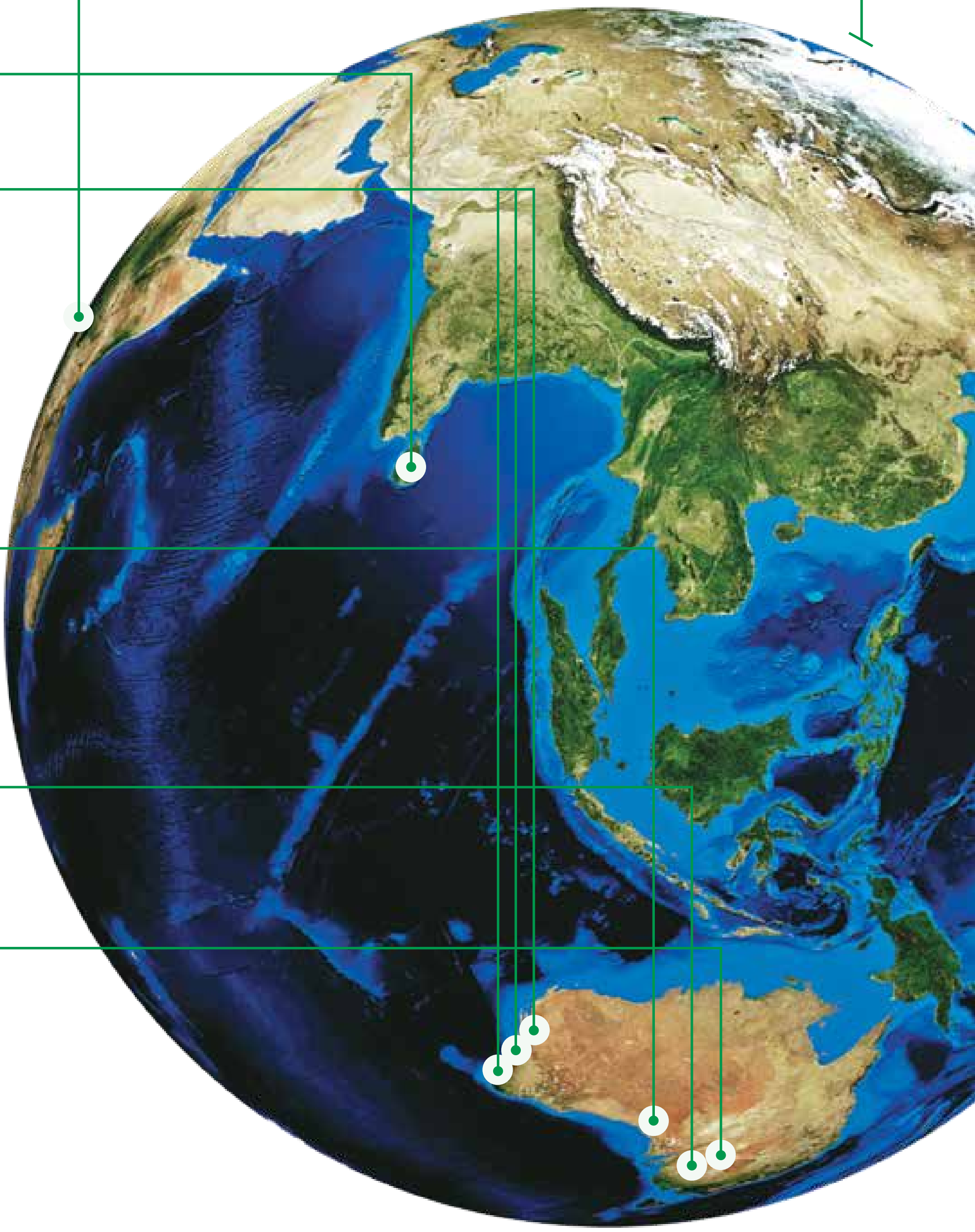
VICTORIA

Wimmera project

Rehabilitation

NEW SOUTH WALES

Balranald project



OPERATIONS, RESOURCE DEVELOPMENT AND REHABILITATION ACTIVITIES

Capel synthetic rutile kiln, Western Australia

ABOUT THIS REPORT

This Annual Report is a summary of Iluka Resources Limited and its subsidiaries' operations, activities and financial position as at 31 December 2019. Currency is expressed in Australian dollars (AUD) unless otherwise stated.

Iluka publishes annually a separate Sustainability Report, in accordance with the Global Reporting Initiative Framework. The company plans to publish its 2019 Sustainability Report in April 2020 and will cover the company's sustainability performance for the period 1 January to 31 December 2019.

Current and previous Sustainability Reports are available on the company's website – **www.iluka.com**. Iluka also plans to publish its Tax and Other Payments to Governments Report in April 2020.

Iluka is committed to reducing the environmental footprint associated with the production of the Annual Report, and printed copies are only posted to shareholders who have elected to receive a printed copy.

OVER 3000 EMPLOYEES GLOBALLY

DELIVER SUSTAINABLE VALUE

BUSINESS REVIEW

FINANCIAL REPORT

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

UNDERLYING EBITDA

$616m

CATABY MINE COMMISSIONED APRIL

$270m

SOLID UNDERLYING FINANCIALS

- $616 million underlying Group EBITDA — third highest on record — building on strong performance of $600 million EBITDA in 2018
- Mineral sands revenue of $1,193 million, down 4% from 2018 reflecting mixed market conditions
- Reported net loss after tax of $300 million impacted by Sierra Rutile write-down of $414 million (US$290 million) combined with the associated removal of $162 million (US$115 million) deferred tax asset
- Solid free cash flow of $140 million, delivered after capital expenditure of $198 million
- $43 million net cash position as at 31 December 2019
- Mining Area C royalty contribution of $85 million
- Total dividend payment of 13 cents per share, fully franked (5 cents per share interim dividend; 8 cents per share final dividend) reflects 40% of free cash flow in line with dividend framework

MIXED MARKET CONDITIONS

- Demand for Iluka's product suite of high-grade titanium feedstocks (rutile and synthetic rutile) was solid throughout the year, with tight supply providing support for price growth
- Zircon demand was affected by US-China trade tensions and other sources of global economic uncertainty, which impacted end market sentiment and customer purchasing
- Pressure on tile producers to remain competitive and reduce costs has shifted some demand to lower grades of zircon and increased instances of thrifting. Iluka maintained a stable Zircon Reference Price, augmented its product offering and introduced new initiatives to support customers

PROJECTS DELIVERED

- New mine commissioned at Cataby, Western Australia in April 2019 for $270 million
- SR2 kiln, Western Australia, major maintenance outage (MMO) ensured the kiln was prepared to receive ilmenite from Cataby to produce synthetic rutile for the next four year campaign. Delivered ahead of schedule and on budget, the MMO has additionally facilitated an increase in SR2's processing capacity from ~205ktpa to 225ktpa
- Gangama, Sierra Leone, doubling of capacity by duplication of existing design
- Lanti, Sierra Leone, doubling of capacity with addition of second mining unit and repurposed concentrator
- Ambrosia, South Australia, mine move to new deposit to provide capacity and flexibility to maintain zircon production at current levels over future years
- All projects delivered on or ahead of schedule and on or under budget

PROPOSED DEMERGER OF ROYALTY BUSINESS

- Follows comprehensive review of corporate and capital structure during 2019
- Determined as best means to deliver value to shareholders from a historically significant evolution in the development of the MAC province - BHP's South Flank project
- Will liberate two distinct business – each with quality assets and promising futures – into two stand-alone ASX-listed companies
- An example of the capital discipline Iluka will continue to practice as the company considers future investment opportunities

SOLID UNDERLYING FINANCIALS

OPERATIONAL TRANSITION

- Expansions and new developments executed across the business as a new operational configuration was established
- Sierra Rutile operations transitioned during the year to accommodate expansions at Lanti and Gangama, with fourth quarter (post expansion) rutile production of 44 thousand tonnes — the strongest consistent production performance since acquisition in late 2016
- Cataby ramped up to near nameplate production as at December 2019
- Jacinth-Ambrosia operated as per plan
- Narngulu mineral separation plant reconfigured with a barite facility in order to process Cataby's zircon and rutile streams
- Synthetic rutile kiln outperformed expectations

PIPELINE OF GROWTH PROJECTS

- Pipeline of projects to sustain and grow production progressed over 2019
- Iluka poised to produce and market monazite – from which rare earths are derived – for the first time in many years - with commencement of Eneabba mineral sands recovery project in 2020, currently under construction
- Sembehun development re-scoping advanced and field trials for alternative mining method planned in 2020
- Balranald third trial (T3) committed for 2020
- Other zircon, high-grade titanium and rare earth focused projects at various stages of evaluation

SR2

KILN OUTPERFORMED EXPECTATIONS

SUSTAINABILITY PERFORMANCE

- Material reduction in the number of injuries classified as having serious potential
- Iluka's total recordable injury frequency rate decreased from 3.5 to 2.9 with four less injuries than 2018
- Sierra Rutile achieved 12 months without a lost time injury
- Increase in 'near hits' classified as having the potential for severe injury or fatality to 76 from 47 in 2018. While this may in part be a reflection of improvements in incident classification and reporting implemented in 2019, it remains a focus for continual improvement in safety
- 35% reduction in reportable environmental incidents
- Proactive measures introduced to manage the impact of communicable diseases including malaria and typhoid
- Demolition of redundant assets, clean-up of sites; and rehabilitation and revegetation of former mined land as part of ongoing closure and land management activities
- Inclusion within 2019 Australian Dow Jones Sustainability Indices and FTSE4Good Index for leading sustainability performance
- Progress on understanding of physical climate risks and opportunities, in line with the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD)

35%

REDUCTION IN REPORTABLE ENVIRONMENTAL INCIDENTS

CHAIRMAN'S REVIEW

DEAR SHAREHOLDERS,

2019 was a year which produced accomplishment and disappointment at Iluka; and yet demonstrated the company's resilience overall.

This mixed performance across the portfolio was reflected in the company's results and attributable to lingering uncertainties in the global economy, uneven mineral sands market conditions and challenges with respect to our investment in Sierra Leone. Key features included:

- a total recordable injury frequency rate of 2.9, down from 3.5 in 2018;
- a reported net loss of $300 million, after write-downs of $414 million for Sierra Rutile and an associated $162 million reduction in the deferred tax asset;
- underlying group EBITDA of $616 million, up 3% on 2018;
- free cash flow of $140 million, after capital expenditure of $198 million; and
- a net cash position of $43 million at 31 December 2019.

The notable disappointment was the $414 million carrying value write-down of Sierra Rutile. Nevertheless, Iluka's underlying performance was the third best in the company's history – achieved against a backdrop of commissioning five key capital projects; and a challenging macroeconomic environment for business generally. The company declared a final dividend of 8 cents per share. Total dividends for the year were 13 cents per share, consistent with our dividend framework to return to shareholders a minimum of 40% of free cash flow not required for investment purposes or balance sheet activity.

Business sentiment softened over the course of the year, for the most part a result of persistent trade and other geopolitical tensions. The subsequent impact across Iluka's markets was varied, with ceramics customers reducing zircon inventories, placing pressure on sales volumes and prices into both China and Europe. Market conditions in the high-grade titanium feedstock market, by contrast, remained steady. Iluka took a number of steps to adapt to these conditions and the company's mineral sands business remains well positioned, with strong fundamentals serving as a foundation from which to continue to meet our objective – to deliver sustainable value.

In a significant development, your Board and Executive have taken the decision to make preparations to put a proposal to shareholders regarding a demerger of the Mining Area C (MAC) royalty business from the mineral sands business via an in specie distribution.

The position of the MAC royalty within Iluka's portfolio has been subject to ongoing consideration by the company over many years. Our primary driver for pursuing a demerger at this time relates to greater clarity, proximity and certainty from BHP regarding the development of its South Flank iron ore project. South Flank is now more than 50% complete and expected to deliver a production increase within the MAC royalty area of approximately 80 million dry metric tonnes per annum from 2023, increasing the potential cash flows generated by Iluka's royalty business substantially. A demerger holds the prospect of liberating two fundamentally distinct and different businesses – each with quality assets and promising futures – into two separate, stand-alone ASX listed companies.

Your Board plans to put a demerger resolution to shareholders at an Extraordinary General Meeting to be held later this year. We expect to be in a position to provide you an update on specific timing at our Annual General Meeting in April. The decision to pursue a demerger follows a comprehensive review undertaken over the past year, which intensified following our announcement to the ASX in October. That review determined a demerger would deliver the most appropriate corporate structure for the future of both businesses; and the best means to deliver value from what is a historically significant evolution in the development of the MAC province. Shareholders will in time receive a demerger booklet setting out the rationale for this proposal in detail.

In Sierra Leone, I would reiterate our disappointment at the write-down of Sierra Rutile. Put plainly, since acquiring the asset in 2016, we have not been able to achieve what we thought we would, including a defined development approach to Sembehun. Notwithstanding our disappointment, Sembehun remains one of the largest, highest quality known rutile deposits in the world and offers the potential to extend the operating life of Sierra Rutile by up to 25 years. We are pursuing a development approach in a disciplined and rigorous manner that ensures an appropriate balance between risk and return. Progress on operational improvements has also been slower than that anticipated in the investment case, though I would note that over the last several months Sierra Rutile has delivered its strongest consistent production performance since acquisition.

Iluka's safety performance also reflected mixed results across the business – at Sierra Rutile we achieved 12 months without a lost time injury, which is a terrific outcome; whereas in Australia, while our headline statistical performance improved, we saw a concerning rise in incidents with the potential to cause serious harm. Iluka simply cannot afford to lose focus on the company's first and enduring priority – the safety and well-being of our people. Renewed efforts in this area are at the forefront of the Board's agenda, including implementation of a number of grass roots, 'back to basics' initiatives.

On sustainability matters more broadly, Iluka recorded 13 reportable environmental incidents in 2019, down from 20 during the previous year. The company rehabilitated 686 hectares of land previously disturbed by mining, compared with 808 hectares in 2018. Steps to implement the recommendations made by the Task Force on Climate related Financial Disclosures (TCFD) continued, with the Board Charter revised to provide for an annual review of climate-related risks. Iluka also participated in the resource and energy industries' modern slavery collaborative group, developing an understanding and capability to support the implementation of Australian modern slavery legislation.

Renewal at Board level continued in 2019, with the appointments of Susie Corlett and Lynne Saint in May and October respectively. Given the prospect of considerable evolution in Iluka's business over the coming period, the Board is mindful of balancing institutional memory with fresh perspectives and Susie and Lynne are already making important contributions in this regard.

While early 2020 has brought some welcome geopolitical developments – including signs of rapprochement between the US and China on trade and resolution with respect to the UK's departure from the EU – the state of the global economy remains finely balanced and it is likely that a degree of external uncertainty will persist for some time to come. In these circumstances, as ever, it is imperative that Iluka continues to capitalise on the opportunities that are available, consistent with the company's objective.

I would like to thank my fellow Directors, Iluka's Executive and wider workforce for their shared dedication to this task. I am also grateful for the enduring interest and support of our shareholders.

Greg Martin
Chairman

MANAGING DIRECTOR'S REVIEW

DEAR SHAREHOLDERS,

Over the past three years Iluka has embarked on an ambitious agenda of delivery designed to put the company on a sustainable footing. In 2019 we realised the first phase of this agenda, with the completion of key projects at Cataby and the associated refresh of synthetic rutile kiln 2 in Western Australia ($305 million); Ambrosia in South Australia ($35 million); and Lanti and Gangama in Sierra Leone ($US78 million) – each on time and budget.

Parallel to these developments, the company has pursued a range of complementary marketing, operational and corporate initiatives as part of an enduring focus on capital discipline, which is inexorably linked to the delivery of sustainable value. The past 12 months has seen this programme tested amid challenging business conditions, with mixed results. The disappointing outcome was at Sierra Rutile, where to this point the acquisition has fallen well short of investment case expectations, both in terms of the operational outcomes that have been achievable in Sierra Leone and the potential cost to develop Sembehun. As we look to the period ahead and the prospect of progressing our next phase of production replacement and growth options, Iluka will pursue capital discipline of the quality demonstrated in the Cataby development and deploy capital only where and when we have sufficient confidence in achieving a satisfactory return.

Markets

Revenue generated from mineral sands was $1,193 million, down 4% on 2018. Lower sales volumes were partially offset by price increases across the portfolio, with revenue per tonne sold up 17%. The company identified short-term softness in the zircon market at mid-year and responded in the second half. Inasmuch as sustainability, transparency and predictability had governed our approach during the market tightness of 2017-18, in 2019 we added flexibility, via enhanced loyalty rewards and an augmented product mix of standard grade zircon and zircon-in-concentrate. This enabled us to achieve sales volumes in line with revised guidance despite cautious purchasing behaviour, some thrifting in downstream industries and an attendant reduction in demand. Destocking on the part of Iluka's customers was evident during the year, though there are indications this may have now run its course. Long-term fundamentals for zircon remain positive, with a projected return to market tightness as demand grows modestly and new supply sources become increasingly challenging.

Conditions for high-grade titanium dioxide provided an altogether different scenario, with Iluka's rutile and synthetic rutile sales constrained by production with limited inventory. Major pigment producers have expressed optimism around improving demand and pricing in 2020; and there is tangible strength in welding and titanium sponge markets. In January, Iluka and Kronos signed a take-or-pay sales offtake agreement for 75% of standard grade rutile produced at Sierra Rutile through to the end of 2022. This agreement provides certainty for one of our key customers and supports value generation at Lanti and Gangama, which is especially important as we progress work on a development approach to the Sembehun project. With the signing of the Kronos contract; the offtake agreements in place to underpin synthetic rutile production from Cataby; and the rutile take-or-pay contracts agreed with Japanese titanium metal customers announced last year, we have achieved an unprecedented level of revenue certainty for our titanium dioxide feedstocks business.

Operations

Iluka's full year production of 702 thousand tonnes was down 4% on 2018, as the company adjusted settings in response to market dynamics. In addition, each of our operations experienced some planned disruption in association with major projects being commissioned. In Australia, synthetic rutile kiln 2 underwent a major maintenance outage in January prior to receiving ilmenite sourced from Cataby, which itself commenced production in April and ramped up over the rest of the year. Similarly, the Narngulu mineral separation plant was reconfigured with a barite facility in order to process Cataby's zircon and rutile streams, in addition to concentrate from Ambrosia following the mine move from Jacinth in August. Overall performance was solid given the scale of change, though I would echo the Chairman's comments regarding safety, which is the essential foundation for whatever else we might achieve as a company and must improve. With assets now largely settled, Iluka's Australian sites are well placed to return to operational excellence over the coming year.

At Sierra Rutile, the year began with the decommissioning of dredge operations and the commencement of Iluka's strategic partnership with the International Finance Corporation – the private sector development arm of the World Bank and one of the country's largest foreign donors. This was followed by the commissioning of the Lanti and Gangama expansions in the fourth quarter, which have doubled the production capacity of each of these mines. Punctuating our year of transition was a 32% increase in fourth quarter production, comprising 44 thousand tonnes of rutile, with the mineral separation plant operating at capacity. Improvement – albeit slower than anticipated and off a poor year in 2018 – is discernible, whether in the area of safety, production or our relationships with local stakeholders. While clearly we still have a long way to go, Iluka will continue to implement measures to maintain and build on these results as part of our ongoing efforts in-country.

Projects

2019 saw progress throughout Iluka's project development pipeline, which includes traditional mineral sands developments (Sembehun, synthetic rutile kiln 1, Atacama), those based on innovation (Wimmera, Balranald) and potential diversification prospects (Eneabba, Wimmera). These projects provide a range of options to drive the next stage of the company's growth. Clearly not all of them will be developed simultaneously; indeed some may not be developed at all for technical or market reasons.

We are at present actively engaged in preparations for the key trial of underground mining technology at Balranald in New South Wales. At Eneabba in Western Australia, site construction has commenced at our strategic stockpile of historical material. Commissioning for Phase 1 at Eneabba, which involves recovering and processing these tailings to produce a mixed zircon and monazite concentrate, is expected in the first half of 2020. Studies into Phase 2, which involves further processing to separate the zircon and monazite product streams, are well underway. This is a low risk, low capital project that delivers strong returns as well as reducing an ongoing rehabilitation obligation. I would add that the production and sale of monazite – from which rare earths are derived – affords Iluka the opportunity to establish some customer and shareholder credibility in a market the company has not participated in for many years. This credibility will be very important as we consider the Wimmera project in particular, which is a potentially long-life zircon and rare earths development currently at pre-feasibility study stage. More information on our project pipeline can be found on pages 34-35.

Iluka commences 2020 with a healthy balance sheet; settled operations; a diverse project pipeline; and a demonstrated ability to adapt flexibly to changes in our key markets, both of which display strong fundamentals over the long term. These are characteristics of a company with a sustainable future, which underpins the Board's decision to move toward demerging the MAC royalty business. The potential demerger is a further example of the capital discipline Iluka will continue to practice as we consider future investment opportunities.

Tom O'Leary
Managing Director and Chief Executive Officer

BOARD OF DIRECTORS
SUMMARY OF EXPERIENCE

GREG MARTIN
BEc, LLB, FAIM, MAICD

Chairman
Independent Non-Executive Director
Joined Iluka 2013
Murchison Metals, The Australian Gas Light Company, Santos, Western Power

ROB COLE
LLB (Hons), BSc

Independent Non-Executive Director
Joined Iluka 2018
Perenti, GLX Group, Synergy, Southern Ports, St Bartholomew's House, Woodside Petroleum, King & Wood Mallesons

SUSIE CORLETT
BSc (Geo Hons), GAICD, FAusIMM

Independent Non-Executive Director
Joined Iluka 2019
Aurelia Metals Ltd, The Foundation for National Parks and Wildlife, Standard Bank Limited, Macquarie Bank

TOM O'LEARY
LLB, BJuris

Managing Director
Chief Executive Officer
Joined Iluka 2016
Wesfarmers Chemicals, Energy & Fertilisers, Wesfarmers; Nikko, Nomura, Allen & Overy, Clayton Utz

JENNIFER SEABROOK
BCom, FCA, FAICD

Independent Non-Executive Director
Joined Iluka 2008
IRESS, BGC Australia, ARTC Corporation, MMG, Gresham, Hartley Poynton, Touche Ross

LYNNE SAINT
BCom, GradDip Ed Studies, Cert Business Administration, FAICD

Independent Non-Executive Director
Joined Iluka 2019
Bechtel Group, Australian Society of Certified Practising Accountants

JAMES (HUTCH) RANCK
BSE (Econ), FAICD

Independent Non-Executive Director
Joined Iluka 2013
Elders, CSIRO, DuPont

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

Independent Non-Executive Director
Joined Iluka 2014
Vale, BHP, MMG, Aurizon Holdings, Golder Associates, Golding Contractors, Anglo American PLC

Image above (L-R):
James (Hutch) Ranck, Susie Corlett, Marcello Bastos, Lynne Saint, Greg Martin, Tom O'Leary, Jennifer Seabrook, Rob Cole

EXECUTIVE

TOM O'LEARY
LLB, BJuris

Managing Director and Chief Executive Officer
Joined Iluka 2016
Wesfarmers Chemicals, Energy & Fertilisers; Wesfarmers; Nikko; Nomura

ADELE STRATTON
BA (Hons), FCA, GAICD

Chief Financial Officer
Joined Iluka 2011
KPMG; Rio Tinto Iron Ore

MATTHEW BLACKWELL
BEng (Mech), Grad Dip (Tech Mgt), MBA, MAICD, MIEAust

Head of Major Projects, Engineering & Innovation
Joined Iluka 2004
Asia Pacific Resources; WMC Resources; Normandy Poseidon

SARAH HODGSON
LLB, GAICD

General Manager People & Sustainability
Joined Iluka 2013
Mercer; Westpac; KPMG

ROB HATTINGH
MSc (Geochem)

Chief Executive Officer Sierra Rutile
Joined Iluka 2008
Richards Bay Minerals; Exxaro

JULIAN ANDREWS
BCom (Hons), PhD, CFA, GAICD

Head of Strategy, Planning and Business Development
Joined Iluka 2017
Wesfarmers Chemicals, Energy & Fertilisers; PwC

SUE WILSON
BJuris, LLB, FGIA, FICSA, FAICD

General Counsel and Company Secretary
Joined Iluka 2016
South32; Bankwest; Herbert Smith Freehills; Western Power

MELISSA ROBERTS
BCom (Hons), MBA

General Manager, Investor Relations and Commercial Mineral Sands Operations
Joined Iluka 2009
CSBP (now part of Wesfarmers); Mayne Health

DANIEL MCGRATH
BSc (Math)

General Manager, Cataby & Southwest
Joined Iluka 1993

CHRISTIAN BARBIER
M.Sc. (Management)

Head of Marketing
Joined Iluka 2016
Sibelco Asia, Alcan International

TIM BARTHOLOMEW
B.Eng. (Hons)

General Manager Strategic Management and Closure
Joined Iluka 2007
Peabody Energy; Mussellbrook Coal Company; Henry Walker Eltin

SHANE TILKA
BCom

General Manager Jacinth-Ambrosia & Midwest
Joined Iluka 2004

Image above (L-R):
Tim Bartholomew, Sue Wilson, Rob Hattingh, Adele Stratton, Daniel McGrath, Tom O'Leary, Julian Andrews, Matthew Blackwell, Melissa Roberts, Shane Tilka, Sarah Hodgson, Christian Barbier

COMMITTEES

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

Audit and Risk Committee
Chairman – Jennifer Seabrook

People and Performance Committee
Chairman – James (Hutch) Ranck

Nominations and Governance Committee
Chairman – Greg Martin

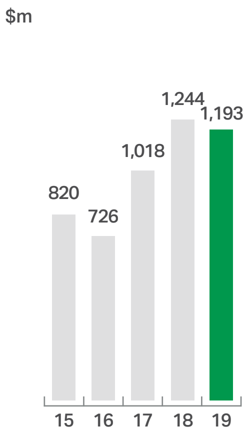
EXECUTIVE

The Executive is structured to include 12 senior leaders. Its responsibilities include achieving defined business and financial outcomes, capital deployment, business planning, identification and pursuit of appropriate growth opportunities, sustainability performance, promotion of diversity objectives and succession planning.

FINANCIAL SUMMARY

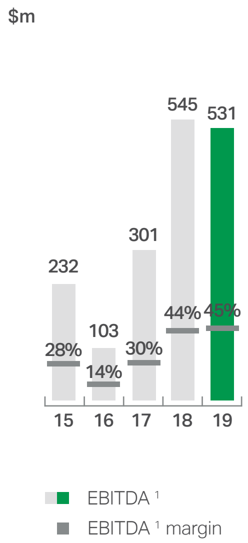
MINERAL SANDS REVENUE

$1,193m



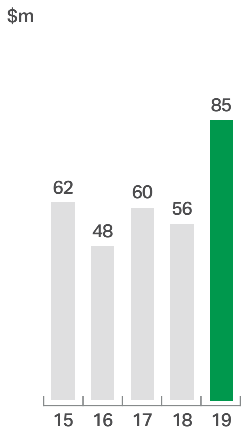
UNDERLYING MINERAL SANDS EBITDA

$531m



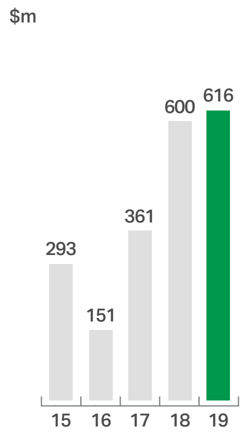
MINING AREA C EBITDA

$85m



UNDERLYING GROUP EBITDA

$616m



Mineral sands revenue was $1,193 million, down 4% from 2018. This reflects an 18% decline in Z/R/SR sales volumes, partially offset by a 17% increase in average revenue per tonne.

Zircon sales volumes declined 28% to 274 thousand tonnes as geopolitical and trade tensions weighed on business sentiment in key markets. Iluka maintained a stable Zircon Reference Price at US$1,580 per tonne over 2019, resulting in the average zircon premium and standard prices up 10% relative to 2018. The company's flexible approach in offering an augmented product mix of standard grade zircon and zircon-in-concentrate enabled Iluka to maintain price stability for premium products.

Market conditions remained solid for high-grade titanium, though sales were production constrained and down 9%. Weighted average rutile prices increased by 20%, reflecting market tightness for high-grade titanium feedstocks.

2019 underlying mineral sands EBITDA was $531 million, down 3% from 2018, driven by lower sales volumes.

The Group reset its operating configuration during the year, with the commencement of mining and concentrating at the new Cataby mine development in Western Australia, the mine move from Jacinth to Ambrosia in South Australia and the doubling of production capacity at both Lanti and Gangama mines in Sierra Leone. This operational reset increased cash production costs as a result of increased mining activities. The mineral sands business continued to generate strong EBITDA margins, up to 45% (2018: 44%).

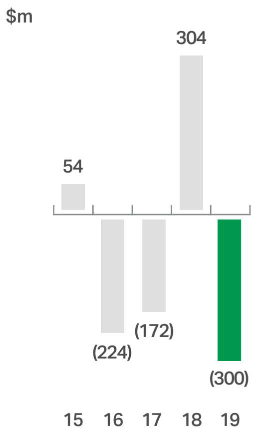
Mining Area C royalty income was $85 million, up 53% from 2018, reflecting strong iron ore prices, 7% higher sales volumes and a stronger US dollar exchange rate.

BHP's South Flank iron ore project is now more than 50% complete and expected to deliver a production increase within the MAC royalty area of approximately 80 million dry metric tonnes per annum from 2023, increasing the potential cash flows generated by Iluka's royalty business substantially.

Iluka's 2019 underlying Group EBITDA of $616 million represents the third best underlying performance in the company's history and is the second consecutive year of strong results. This is a significant achievement in a period of subdued zircon market conditions and operational configuration transition.

NET (LOSS) PROFIT AFTER TAX

$(300)m

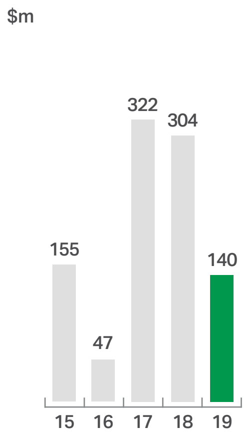


Iluka reported a net loss after tax of $300 million in 2019. This reflects a $414 million (US$290 million) write-down for the carrying value of assets associated with Sierra Rutile combined with the associated removal of $162 million (US$115 million) deferred tax asset. Underlying net profit after tax was $279 million.

The adjustment to the Sierra Rutile carrying value is a function of operational performance achieved to date being below the acquisition investment case; and that Iluka does not currently have a defined development approach for the Sembehun deposit. The company is however continuing to implement various measures to drive production improvement and advance Sembehun development options.

FREE CASH FLOW

$140m



2019 free cash flow was $140 million, down from $304 million in 2018.

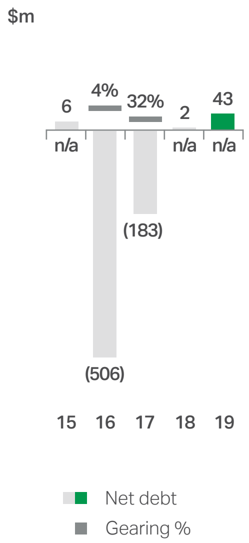
Operating cash flow was $408 million and the Mining Area C royalty contributed $79 million.

Capital expenditure in 2019 was $198 million, with a number of projects completed and commissioned during the year, including the Cataby development and associated kiln refresh at SR2; the Lanti and Gangama mine expansions at Sierra Rutile; and the mine move from Jacinth to Ambrosia in South Australia.

The free cash flow includes tax payments of $147 million (further tax payments of $94 million relating to the 2019 financial year are to be made in 2020).

NET CASH (DEBT)

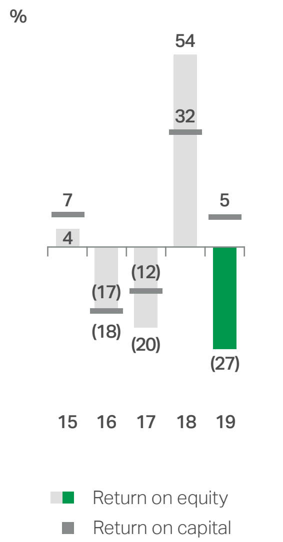
$43m



Iluka reported a net cash position of $43 million as at 31 December 2019, up from net cash of $2 million at 31 December 2018. Over the course of 2019, net debt peaked at $142 million with significant capital expenditure on project completion to sustain future production. Solid cash flows from Iluka's underlying business funded these projects and returned the business to a net cash position over the second half of the year.

ROE AND ROC

ROE (26.6)%
ROC 4.6%



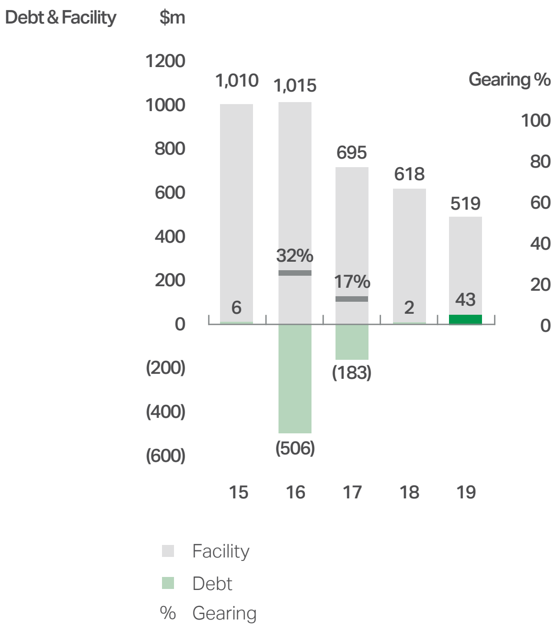
The reported loss as a consequence of the Sierra Rutile write-down is reflected in a return on shareholders equity (ROE) of (26.6%) and return on capital (ROC) of 4.6%.

Nitti Port, Sierra Rutile, Sierra Leone

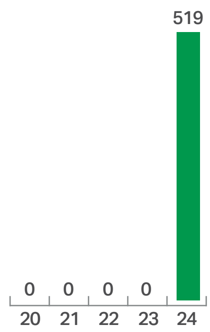
BALANCE SHEET

As at 31 December 2019, Iluka had total debt facilities of $519 million and net cash of $43 million. The company has a Multi Optional Facility Agreement (MOFA), which comprises a series of five-year unsecured bilateral revolving credit facilities with several domestic and foreign institutions. In July 2019, Iluka completed a refinancing of its MOFA resulting in improved (lower) margins and fees and an extension of maturity through to July 2024. Following an assessment of its medium term liquidity requirements, Iluka reduced the size of its facilities to ~$520 million from $620 million. Drawings under the MOFA at 31 December 2019 were $56 million (2018: $50 million). Of the above interest-bearing liabilities, $56 million is subject to an effective weighted average floating interest rate of 3.1% (2018: 4.2%). Note 15 of Iluka's Financial Report provides details of the maturity profile and interest rate exposure.

DEBT, GEARING AND DEBT FACILITIES PROFILE



DEBT FACILITIES MATURITY PROFILE



DIVIDEND FRAMEWORK

Iluka's dividend framework is to pay a minimum of 40% of free cash flow not required for investing or balance sheet activity. The company also seeks to distribute the maximum franking credits available. Iluka's 2019 full year dividend payment of 13 cents per share (8 cents per share final and 5 cents per share interim dividend), fully franked, represents 40% of free cash flow for the year.

Distribution metrics	2019	2018
Payout ratio % free cash flow	40	40

HEDGING

Iluka extended its foreign exchange hedging programme during the year as part of its financial risk management strategy by entering into US$32 million in forward foreign exchange contracts maturing in 2020 at an average AUD:USD rate of 69.3 cents in relation to expected 2020 USD revenue.

US$118 million in foreign exchange collar contracts consisting of US$118 million of bought AUD call options with weighted average strike prices of 80.5 cents and US$118 million of sold AUD put options with weighted average strike prices of 70.0 cents expired during the year.

Note 21 of Iluka's Financial Report provides details of Iluka's open hedge contracts at 31 December 2019.

OUR PURPOSE

DELIVER SUSTAINABLE VALUE

OUR CORE

We are an
INTERNATIONAL MINERAL SANDS COMPANY
with expertise in
exploration, development, mining, processing, marketing and rehabilitation.

OUR VALUES

Act with **INTEGRITY**

Demonstrate **RESPECT**

Show **COURAGE**

Take **ACCOUNTABILITY**

COLLABORATE

ILUKA

OUR DIRECTION - NEAR TERM

DELIVER TO GROW OUR FUTURE

EXECUTE our projects

EXCEL in our core

MATURE our options

OUR DIRECTION - LONGER TERM

GROW WHERE WE CAN ADD VALUE

Mineral sands opportunities and diversification

Cataby, Western Australia

THE ILUKA PLAN

The Iluka Plan outlines Iluka's values, purpose, core and direction. It is the strategic reference point that guides the company's priorities and decision-making.

STRATEGY AND BUSINESS MODEL

OUR VALUES

INTEGRITY
RESPECT
COURAGE
ACCOUNTABILITY
COLLABORATION

OUR PURPOSE

Iluka's purpose is to deliver sustainable value.

The company aims to achieve this by:

- protecting the safety, health and wellbeing of our employees;
- optimising shareholder returns through prudent capital management and allocation;
- developing a robust business that can maintain and grow returns over time;
- providing a competitive offering to our customers;
- managing our impact on the environment;
- supporting the communities in which we operate; and
- building and maintaining an engaged, diverse and capable workforce.

DELIVER TO GROW OUR FUTURE

Iluka delivered five major projects in 2019, establishing a strong base to sustain the company's operations.

- The Cataby mine in Western Australia was commissioned and supports synthetic rutile production for at least the next 8.5 years, with the possibility of further extending mine life. The operation achieved near nameplate production in December.
- Ilmenite mined at Cataby is processed at synthetic rutile kiln 2 (SR2), which underwent a major refresh prior to receiving Cataby material. Delivered ahead of schedule and on budget, the refresh has additionally facilitated an increase in SR2's processing capacity from approximately 205 thousand tonnes per annum to approximately 225 thousand tonnes per annum.
- The mine move from Jacinth to Ambrosia in South Australia was achieved ahead of schedule and significantly under budget. This development enables Iluka to sustain zircon production levels into the medium term. It also provides for enhanced flexibility in Iluka's zircon product suite, which is essential in the context of challenging market conditions in the short term.
- Expansion projects to double production levels at Lanti and Gangama in Sierra Leone have been delivered on schedule and budget. With these expansions commissioned, fourth quarter production at Sierra Rutile was up 32%, comprising 44 thousand tonnes of rutile, with the mineral separation plant operating at capacity.

GROW WHERE WE CAN ADD VALUE

The company is also maturing its portfolio of projects with a view to future production replacement and growth options.

This includes:

- traditional mineral sands developments (Sembehun, synthetic rutile kiln 1, Atacama);
- developments based on innovation (Wimmera, Balranald); and
- diversification prospects (Eneabba, Wimmera).

An overview of Iluka's development pipeline, including the current status of each of these projects is detailed on pages 34-35 of this report.

Insofar as inorganic growth options are concerned, Iluka considers merger and acquisition opportunities that demonstrate both a clear business advantage and value for shareholders on a risk-adjusted basis.

CAPITAL MANAGEMENT

Iluka's approach to capital management seeks to balance the impact of mineral sands pricing and investment factors. Central aspects of the company's methodology in this area include:

- disciplined capital allocation, meaning Iluka will commit funds to new projects only where and when it is sufficiently confident of achieving a satisfactory return; and
- Iluka's dividend framework, which stipulates distributions to shareholders of a minimum of 40% of free cash flow not required for investment purposes or balance sheet activity.

Risks to the achievement of the Iluka Plan, and their associated mitigation measures, are outlined on pages 40-41 of this report.

FINANCIAL AND OPERATIONAL REVIEW

AMBROSIA, SOUTH AUSTRALIA

Operations at Jacinth-Ambrosia in South Australia moved from the Jacinth deposit to the Ambrosia deposit in August.

In this section

FINANCIAL AND OPERATIONAL REVIEW

Sierra Rutile, Sierra Leone

INCOME STATEMENT ANALYSIS

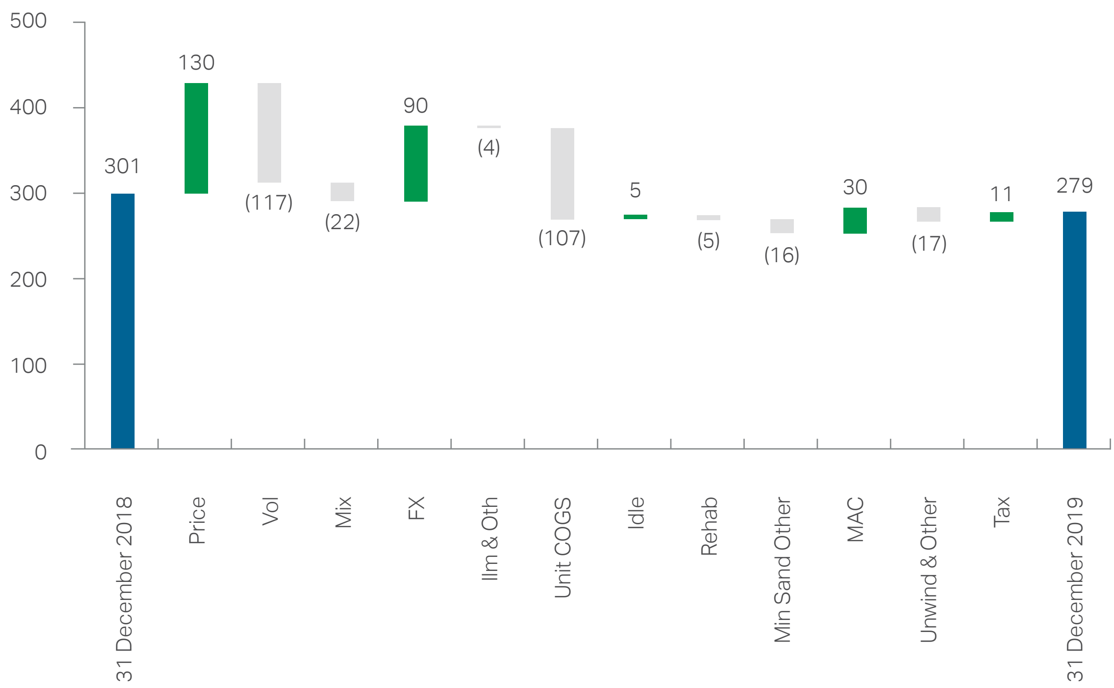
	2019	2018	% change
$ million			
Z/R/SR revenue	1,128.7	1,179.0	(4.3)
Ilmenite and other revenue	64.4	65.1	(1.1)
Mineral sands revenue	**1,193.1**	**1,244.1**	**(4.1)**
Cash costs of production	(539.6)	(455.1)	18.6
Inventory movement - cash	63.4	(68.5)	n/a
Restructure and idle capacity charges	(19.7)	(24.7)	(20.2)
Government royalties	(39.4)	(38.1)	3.4
Marketing and selling costs	(35.0)	(38.1)	(8.1)
Asset sales and other income	(3.5)	1.8	n/a
Exploration and resources development	(42.2)	(30.1)	40.2
Corporate and other costs	(48.0)	(48.1)	(0.2)
Foreign exchange	1.8	1.3	38.5
Mineral sands EBITDA	**530.9**	**544.5**	**(2.5)**
Mining Area C EBITDA	85.1	55.6	53.1
Underlying Group EBITDA	**616.0**	**600.1**	**2.6**
Depreciation and amortisation	(163.2)	(93.6)	74.4
Inventory movement - non-cash	15.5	(28.3)	n/a
Rehabilitation for closed sites	(3.2)	4.6	n/a
Write-down of Sierra Rutile Limited	(414.3)	-	n/a
Group EBIT	**50.8**	**482.8**	**(89.5)**
Net interest costs and bank charges	(13.8)	(14.1)	(2.1)
Rehabilitation unwind and other finance costs	(38.0)	(16.7)	127.5
(Loss) profit before tax	**(1.0)**	**452.0**	**n/a**
Tax expense	(298.7)	(148.1)	101.7
Profit (loss) for the period (NPAT)	**(299.7)**	**303.9**	**n/a**
Average AUD/USD (cents)	**69.5**	**74.8**	**(7.1)**

(1) Underlying Group EBITDA excludes adjustments including write-downs, and changes to rehabilitation provisions for closed sites.

UNDERLYING NPAT

$ million	2019	2018
NPAT	**(299.7)**	**303.9**
Non-recurring adjustments:		
Rehabilitation for closed sites - total (post tax)	(2.2)	3.2
Derecognition of SRL tax assets	(161.9)	-
Write-down of Sierra Rutile Limited	(414.3)	-
Underlying NPAT	**278.7**	**300.7**

MOVEMENT IN UNDERLYING NPAT



Sales commentary is contained on pages 24-25.

The Australian dollar weakened in 2019, with an average exchange rate of 69.5 cents compared to 74.8 cents in 2018. This increased the Australian dollar Z/R/SR revenue received, with the majority of sales denominated in US dollars. The Group has hedging contracts to assist in managing exchange rate exposure, which are detailed on page 17 of this report. Foreign exchange impacts on operating costs, mainly those relating to Sierra Rutile operations, are included in the overall movement in unit cost of goods sold.

Cash costs of production increased by $85 million, despite lower production volumes. Increased costs related to increased mining activity with commencement of mining and concentrating activities at the new Cataby mine in April 2019. Higher costs at Sierra Rutile were due to increased production levels resulting in higher variable costs, along with increased maintenance and power costs. Also, exchange rate depreciation has contributed to higher Australian dollar costs on conversion of the Sierra Rutile US dollar cost base.

Unit cost of goods sold increased to $889 per tonne compared to $750 per tonne in 2018, reflecting a combination of factors including sales mix, with a greater proportion of higher cost Sierra Rutile sales and the change in the operating configuration of the Group, with the introduction of higher cost Cataby mine replacing Tutunup South mine for production of synthetic rutile.

Idle costs reflect ongoing maintenance and land management costs for idle plant and operations at Eneabba, Tutunup South, Murray Basin and the US.

Sierra Rutile was written down by $414 million. The adjustment to the Sierra Rutile carrying value is a function of operational performance achieved to date being below the acquisition investment case; and that Iluka does not currently have a defined development approach for the Sembehun deposit. The company is however continuing to implement various measures to drive production improvement and advance Sembehun development options.

Tax expense increased dramatically due to the de-recognition of US$115 million of deferred tax assets in Sierra Leone following the write-down of Sierra Rutile (although this had no impact on tax paid in the year, and tax losses are still available to be utilised if sufficient profit is generated). The corporate tax rate applicable in the main operating jurisdictions of Australia and Sierra Leone remained at 30%. Corporate tax payments in Sierra Leone are based on the higher of 30% of taxable profit or 3.5% of turnover. The group effective tax rate adjusted for write-down, deferred tax de-recognition and rehabilitation for closed sites was 32.8%.

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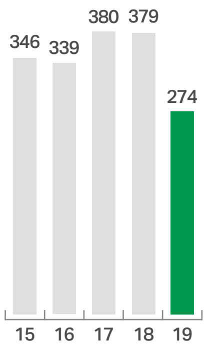
FINANCIAL AND OPERATIONAL REVIEW

SALES AND MARKETS

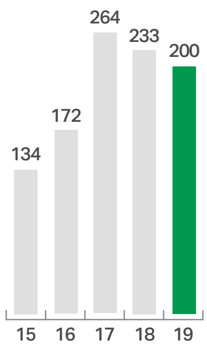
ZIRCON

Sales volumes (kt)



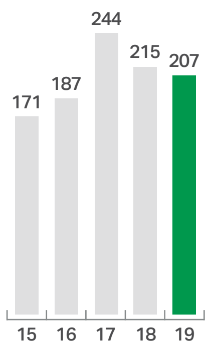
RUTILE(1)

Sales volumes (kt)



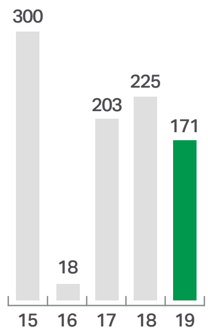
SYNTHETIC RUTILE

Sales volumes (kt)



ILMENITE

Sales volumes (kt)



Zircon

Iluka sold 274 thousand tonnes of zircon in 2019, down 28% compared to 2018.

In 2019, sales were affected by subdued business and consumer confidence, particularly in China, as US-China trade tensions and a softer economic growth outlook weighed on end demand for zircon products and customer buying patterns.

Throughout the course of 2019, Iluka recorded a shift in customer buying patterns to lower grades of zircon in an effort to reduce costs and increase competitiveness. The company responded by managing sales of zircon across the product suite, including more Standard Zircon and zircon-in-concentrate. Iluka also introduced a number of enhanced loyalty rewards to support the company's customer base.

Iluka's Zircon Reference Price remained stable at US$1,580 per tonne during 2019.

High-grade titanium feedstocks

Iluka's 2019 sales of high-grade titanium feedstocks, rutile and synthetic rutile, were 407 thousand tonnes. Full year sales of high-grade titanium dioxide feedstock products (rutile and synthetic rutile) exceeded production reflecting solid demand for Iluka's high-grade products.

The pigment industry, which accounts for around 90% of global titanium feedstock demand, went through a phase of destocking in 2019. However, for high-grade feedstocks, tight supply contributed to solid market conditions. Iluka's feedstocks continue to be sought after for their high-grade titanium dioxide content properties, which increase average pigment plant feed grade for the company's customers.

Iluka's synthetic rutile is predominantly sold under contract. Sales volumes reflect annual production from the kiln and minor inventory movement. As per contractual arrangements, prices are not disclosed, but increased in line with market conditions. Iluka's weighted average rutile price increased by 20% in 2019 to US$1,142 per tonne (excludes lower grade HYTI).

(1) Includes HYTI.

Weighted average received prices – US$/t FOB

	2019	2018	2017	2016	2015
Zircon premium and standard	1,487	1351	958	810	986
Zircon all products (including zircon in concentrate)[1]	1,380	1321	940	773	961
Rutile (excluding HYTI)[2]	1,142	952	790	731	763
Synthetic rutile[3]	-	-	-	-	-

(1) Zircon prices reflect the weighted average price for zircon premium, zircon standard and zircon-in-concentrate. The prices for each product vary considerably, as does the mix of such products sold period to period. In 2019, full year split of premium, standard and concentrate by zircon sand-equivalent was approximately: 42%, 28%, 30% (2018: 50%, 30%, 20%).

(2) Included in rutile sales volumes reported elsewhere in this Annual Report is a lower titanium dioxide product, HYTI that typically has a titanium dioxide content of 70 to 91%. This product sells at a lower price than rutile, which typically has a titanium dioxide content of 95%. 2019 full year sales of the lower grade HYTI material were 23% of rutile sales (2018: 22%).

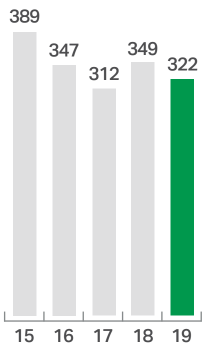
(3) Iluka's synthetic rutile sales are, in large part, underpinned by commercial offtake arrangements. The terms of these arrangements, including the pricing arrangements are commercial in confidence and as such not disclosed by Iluka. Synthetic rutile, due to its lower titanium dioxide content than rutile, is priced lower than natural rutile.

FINANCIAL AND OPERATIONAL REVIEW

PRODUCTION AND OPERATIONS

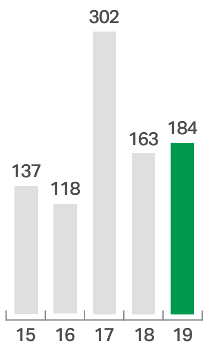
ZIRCON

Production volumes (kt)



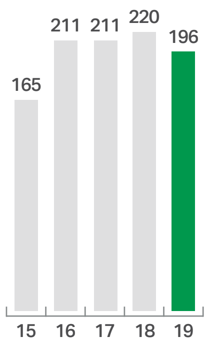
RUTILE [1]

Production volumes (kt)



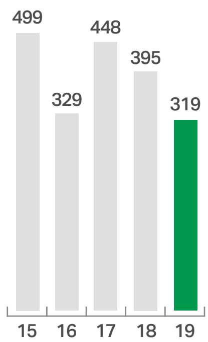
SYNTHETIC RUTILE

Production volumes (kt)



ILMENITE

Production volumes (kt)



Australia

Iluka's operational configuration underwent significant change over 2019. In April, the Cataby mine development began production. Cataby produces magnetic (ilmenite) and non-magnetic (zircon and rutile) product streams. The ilmenite is processed at synthetic rutile kiln 2 (SR2) at Capel to produce synthetic rutile. The non-magnetic fraction is processed at the Narngulu mineral separation plant in Geraldton to produce zircon and rutile. Following a period of commissioning, Cataby ramped up over the course of 2019, operating at near nameplate production by December; and producing 240 thousand tonnes of heavy mineral concentrate for the year.

SR2 produced 196 thousand tonnes of synthetic rutile, down on the previous year due to a planned major maintenance outage undertaken in the first quarter of 2019. Full year production was above expectations, owing to the maintenance being completed ahead of schedule; and higher runtimes resulting from plant improvements implemented during the year.

Mining at Jacinth-Ambrosia in South Australia moved from the Jacinth North to the Ambrosia deposit. This move was expedited from the previously planned move in 2022 to provide capacity and flexibility to maintain zircon production at current levels over future years. The move was completed in August and operations were returned to full capacity. The mine produced 558 thousand tonnes of heavy mineral concentrate in 2019, which resulted from improved grades following the move to Ambrosia and increased mineral recoveries.

The Narngulu mineral separation plant processed 519 thousand tonnes of heavy mineral concentrate during 2019, including material from both the Cataby and Jacinth-Ambrosia mines. Operational settings at the plant were adjusted during the year to respond to market requirements across the zircon product suite, including the processing of heavy mineral concentrate with lower zircon assemblage.

Sierra Leone

2019 was also a year of major operational transition at Sierra Rutile. In February, Iluka decommissioned the dredge operation at the end of its life, as planned. This was followed by two major expansion projects being commissioned at Lanti and Gangama dry mines.

Sierra Rutile produced a total of 137 thousand tonnes of rutile during 2019, up 13% on the previous year (2018: 122 thousand tonnes). The operations experienced lower run time and throughput during 2019. Subsequently, a number of operational improvement initiatives were identified and implemented.

Post commissioning of the expansions, performance improved month-on-month over the December quarter, with rutile production reaching 44 thousand tonnes for the quarter, as the mineral separation plant operated at capacity. This represents Sierra Rutile's strongest consistent production performance for some time.

Work continues on improving run times and throughput across the operation.

(1) Includes HYTI.

HMC produced and processed

	2019	2018	% change
HMC produced	1087	934	16.4
HMC processed	961	1037	(7.3)

Cash cost and unit cost of production $/t

		2019	2018	% change
Cash costs of production	$m	539.6	455.1	18.6
Unit cash production cost per tonne Z/R/SR produced[1]	$/t	753	606	24.2
Unit cost of goods sold per tonne Z/R/SR sold	$/t	889	750	18.5

(1) Calculated as cash costs of production, excluding by-product costs divided by Z/R/SR production.

Mineral sands operations results

	Revenue		Mineral sands EBITDA		EBIT	
$ million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Jacinth-Ambrosia / Midwest	482.7	568.6	343.3	378.8	330.2	364.0
Cataby / Southwest	414.2	297.2	220.6	142.3	172.7	115.6
Idle Ops	38.6	184.9	3.9	83.9	(4.4)	54.4
SRL	257.6	205.7	63.3	30.2	(427.6)	(12.5)
Support, Corporate & other elim	0.9	-	(99.9)	(88.6)	(19.8)	(36.7)
Elimination - Interco Sales	(0.9)	(12.3)	(0.3)	(2.1)	(0.3)	(2.1)
Total	**1,193.1**	**1,244.1**	**530.9**	**544.5**	**50.8**	**482.8**

Testing and analysis

Iluka has advanced testing and analysis facilities at Capel, Western Australia.

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONS

Jacinth-Ambrosia/Mid West

		2019	2018	% change
Production volumes				
Zircon	kt	260.2	311.9	(16.6)
Rutile	kt	31.2	38.0	(17.9)
Total Z/R/SR production	**kt**	**291.4**	**349.9**	**(16.7)**
Ilmenite	kt	107.0	121.7	(12.1)
Total saleable production	**kt**	**398.4**	**471.6**	**(15.5)**
HMC produced	kt	558.3	674	(17.1)
HMC processed	kt	454.8	530	(14.1)
Unit cash cost of production - Z/R/SR (1)	$/t	557	491	13.4
Mineral Sands revenue	**$m**	**482.7**	**568.6**	**(15.1)**
Cash costs of production	$m	(162.3)	(168.4)	(3.6)
Inventory movement - cash costs of production	$m	57.8	16.8	243.7
Restructure and idle capacity charges	$m	(2.4)	(3.4)	(29.9)
Government royalties	$m	(23.6)	(26.2)	(9.9)
Marketing and selling costs	$m	(8.9)	(8.9)	0.1
Asset sales and other income	$m	-	0.4	(n/a)
EBITDA	**$m**	**343.3**	**378.8**	**(9.4)**
Depreciation and amortisation	$m	(28.9)	(25.3)	14.2
Inventory movement - non-cash production costs	$m	14.2	2.0	618.1
Rehabilitation costs for closed sites	$m	1.6	8.6	(81.4)
EBIT	**$m**	**330.2**	**364.0**	**(9.3)**

(1) Calculated as cash costs of production, including by-product costs divided by Z/R/SR production.

Mineral sands revenue of $483 million for the year decreased 15% on lower demand for zircon, despite stronger sales prices.

Lower market demand resulted in a 40% increase in inventories held to $237 million at year end.

Cash costs of production reduced, predominantly reflecting lower production, with lower transport of concentrate to the mineral separation plant and less concentrate treatment in line with zircon demand.

Gross margin remained strong, increasing to 75% from 69% in 2018 mainly driven by improved pricing.

Cataby/South West

		2019	2018	% change
Production volumes				
Zircon	kt	53.5	15.9	236.5
Rutile	kt	15.6	3.7	321.6
Synthetic rutile	kt	196.2	219.9	(10.8)
Total Z/R/SR production	**kt**	**265.3**	**239.5**	**10.8**
Ilmenite	kt	152.4	168.1	(9.3)
Total saleable production	**kt**	**417.7**	**407.6**	**2.5**
HMC produced	kt	240	20	1,075.6
HMC processed	kt	217	265	(18.4)
Unit cash cost of production - Z/R/SR	$/t	747	512	45.9
Mineral sands revenue	**$m**	**414.2**	**297.2**	**39.3**
Cash costs of production	$m	(198.1)	(120.6)	64.2
Inventory movement - cash costs of production	$m	24.9	(16.9)	(246.9)
Restructure and idle capacity charges	$m	(6.8)	(4.6)	46.6
Government royalties	$m	(4.2)	(2.6)	61.9
Marketing and selling costs	$m	(9.4)	(11.0)	(14.9)
Asset sales and other income	$m	-	0.9	(100.0)
EBITDA	**$m**	**220.6**	**142.3**	**55.1**
Depreciation and amortisation	$m	(54.0)	(20.1)	168.8
Inventory movement - non-cash production costs	$m	6.2	(5.1)	(221.6)
Rehabilitation costs for closed sites	$m	(0.1)	(1.4)	(92.9)
EBIT	**$m**	**172.7**	**115.6**	**49.3**

Mineral sands revenue of $414 million increased by 39% with increased sales of Z/R/SR due to higher production following the successful commencement of operations at Cataby, as well as higher sales prices per tonne of Z/R/SR sold. Take-or-pay offtake agreements for at least 175 thousand tonnes of synthetic rutile production provided higher levels of certainty around both offtake and price. The planned major maintenance outage of the SR2 kiln resulted in lower **production volumes** of synthetic rutile in 2019, but was completed ahead of budget and will facilitate increased production.

Inventories increased 24% to $143 million with the new Cataby mine and associated operations stockpiles also reflected in the change in **inventory movements** year on year.

Cash costs of production reflect the mining commencement at Cataby, with unit cash costs of production reflective of ramp up rates and treatment of lower grade ores in 2019.

Gross margin increased to 42% (2018: 39%).

Activated carbon warehouse

Iluka sells and markets activated carbon, a by-product of its synthetic rutile kiln operations.

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONS

Sierra Rutile

		2019	2018	% change
Production volumes				
Zircon	kt	8.5	11.4	(25.4)
Rutile	kt	137.2	121.5	12.9
Total Z/R/SR production	**kt**	**145.7**	**132.9**	**9.6**
Ilmenite	kt	59.2	54.5	8.6
Total saleable production	**kt**	**204.9**	**187.4**	**9.3**
HMC produced	kt	288	240	20.2
HMC processed	kt	289.8	242	19.8
Unit cash cost of production - Z/R/SR	$/t	1,185	1,155	2.6
Mineral sands revenue	**$m**	**257.6**	**205.7**	**25.2**
Cash costs of production	$m	(172.6)	(153.5)	12.4
Inventory movement - cash costs of production	$m	(7.9)	(11.7)	(32.5)
Restructure and idle capacity charges	$m	1.2	(2.5)	(148.0)
Government royalties	$m	(10.7)	(6.9)	55.1
Marketing and selling costs	$m	(3.7)	(0.9)	311.1
Asset sales and other income	$m	(0.6)	-	100.0
EBITDA	**$m**	**63.3**	**30.2**	**109.6**
Depreciation and amortisation	$m	(74.6)	(41.1)	81.5
Inventory movement - non-cash production costs	$m	(2.0)	(2.9)	(31.0)
Rehabilitation costs for closed sites	$m	-	1.3	(100.0)
Write-down expense	$m	(414.3)	-	n/a
EBIT	**$m**	**(427.6)**	**(12.5)**	**3,320.8**

Sierra Rutile was written down by $414 million. The adjustment to the Sierra Rutile carrying value is a function of operational performance achieved to date being below the acquisition investment case; and that Iluka does not currently have a defined development approach for the Sembehun deposit.

The company is however continuing to implement various measures to drive production improvement and advance Sembehun development options.

Mineral sands revenue increased 25% on higher sales prices, with production constraining sales volumes. Sales in 2020 will be supported by the take-or-pay offtake agreement with Kronos Worldwide Inc. for 75% of standard grade rutile produced by Sierra Rutile through to December 2022.

Sierra Rutile

Iluka's safety performance in Sierra Leone was outstanding, with the Sierra Rutile operation exceeding one year without a lost time injury across its workforce and contractors.

Idle operations (United States/Murray Basin)

		2019	2018	% change
Production volumes				
Zircon	kt	-	9.3	-
Total Z/R/SR production	**kt**	**-**	**9.3**	**-**
Ilmenite	kt	-	50.8	-
Total saleable production	**kt**	**-**	**60.1**	**-**
Unit cash cost of production - Z/R/SR	$/t	-	225	-
Mineral sands revenue	**$m**	**38.6**	**184.9**	**(79.1)**
Cash costs of production	$m	(6.5)	(12.5)	(48.1)
Inventory movement - cash costs of production	$m	(11.4)	(68.8)	(83.4)
Restructure and idle capacity charges	$m	(11.6)	(14.1)	(18.0)
Government royalties	$m	(0.9)	(2.4)	(63.0)
Marketing and selling costs	$m	(1.3)	(3.8)	(65.9)
Asset sales and other income	$m	(2.9)	0.8	(462.5)
EBITDA	**$m**	**4.0**	**83.9**	**(95.2)**
Depreciation and amortisation	$m	(0.6)	(3.4)	(82.2)
Inventory movement - non-cash production costs	$m	(3.0)	(22.2)	(86.5)
Rehabilitation costs for closed sites	$m	(4.7)	(3.9)	21.2
EBIT	**$m**	**(4.3)**	**54.4**	**(107.9)**

Discontinued and idle operations reflect rehabilitation obligations in the United States (Florida and Virginia) and certain idle assets in Australia (Murray Basin). Zircon and ilmenite production ceased in the US in December 2015 following the completion of mining at Brink and Concord deposits. The US operations were permanently closed in December 2016. Production in 2018 represented the processing of remnant stockpiles to reduce future rehabilitation obligations.

Mineral sands revenue represents the sale of finished goods that had been stockpiled before cessation of production. The US inventory balance was $2.0 million at 31 December 2019 and the Murray Basin held $6.0 million of inventory.

Cash costs of production were largely driven by activities associated with product transportation, combined with some processing costs for the remnant stockpiles in 2018.

Restructure and idle costs reflect regional management and holding costs following closure of operations and care and maintenance of idled assets. These costs decreased by 18% in 2019 but are expected to continue to be broadly consistent until all stockpiles are diminished and rehabilitation is complete.

Rehabilitation costs remained consistent with the prior year. The cost of rehabilitating the Virginia operation will largely depend on the rehabilitation programme ultimately undertaken by Iluka, which will be determined following engagement with local regulators.

FINANCIAL AND OPERATIONAL REVIEW

Movement in net (debt) cash

	H1 2018	H2 2018	H1 2019	H2 2019
Opening net cash (debt)	**(182.5)**	**(34.4)**	**1.8**	**(141.5)**
Operating cash flow	306.5	287.7	179.9	228.2
MAC royalty	29.6	26.2	30.4	48.1
Exploration	(4.6)	(7.1)	(5.0)	(6.3)
Interest (net)	(4.7)	(1.9)	(2.9)	(2.8)
Tax	(2.4)	(2.8)	(143.9)	(3.5)
Capital expenditure	(93.6)	(217.9)	(145.0)	(52.5)
Proceeds from changes in ownership interests	-	-	28.5	-
Payments for options contracts	-	(0.6)	-	-
Principal element of lease payments AASB 16	-	-	(4.0)	(4.1)
Asset sales	1.1	1.3	1.8	0.2
Share purchases	(6.4)	(6.0)	(5.0)	(2.4)
Free cash flow	**225.5**	**78.9**	**(65.2)**	**204.9**
Dividends	(69.2)	(39.1)	(79.6)	(20.3)
Net cash flow	**156.3**	**39.8**	**(144.8)**	**184.6**
Exchange revaluation of USD net debt	(7.3)	(2.9)	1.8	1.1
Amortisation of deferred borrowing costs	(0.9)	(0.7)	(0.3)	(0.9)
(Decrease)/increase in net cash (debt)	**148.1**	**36.2**	**(143.3)**	**184.8**
Closing net cash (debt)	**(34.4)**	**1.8**	**(141.5)**	**43.3**

Net cash increased to $43 million, reflecting strong free cash flow of $140 million, partially offset by a weaker Australian dollar revaluing US dollar denominated debt.

Operating cash flow of $408 million was a 31% decrease from 2018 due to higher cash costs, reflecting increased mining activities with the commissioning of the new Cataby mine; a build in inventories for both finished goods and run of mine stockpiles at Cataby; and higher receivables from customers at year end.

Cash flows from the **MAC royalty** are received quarterly in arrears and were 40% higher, predominantly due to higher iron ore sales prices.

Iluka invested $198 million on **capital developments** during 2019, predominantly at Cataby and the expansions at Sierra Rutile.

An interim **dividend** of 5 cents per share was paid in September and Iluka has announced a final fully franked dividend of 8 cents per share payable in April 2020.

Non-IFRS financial information

This document uses non-IFRS financial information including underlying mineral sands EBITDA, underlying Group EBITDA and Group EBIT which are used to measure both Group and operational performance. Non-IFRS measures are unaudited but derived from audited accounts. All currency shown in the Annual Report is expressed in Australian dollars, unless otherwise indicated.

2019	JA/MW	C/SW	Idle	SRL	Expl & oth	Mineral sands	MAC	Corp	Group
Mineral sands revenue	482.7	414.2	38.6	257.6	(0.0)	**1,193.1**	-	-	**1,193.1**
AASB 15 freight revenue	19.8	7.4	3.3	8.1	-	**38.6**	-	-	**38.6**
Expenses	(159.3)	(201.0)	(37.9)	(202.4)	(37.6)	**(638.1)**	-	(16.5)	**(654.6)**
Mining Area C	-	-	-	-	-	**-**	85.1	-	**85.1**
FX	-	-	-	-	-	**-**	-	1.8	**1.8**
Corporate costs	-	-	-	-	-	**-**	-	(48.0)	**(48.0)**
EBITDA	**343.2**	**220.6**	**4.0**	**63.3**	**(37.5)**	**593.6**	**85.1**	**(62.7)**	**616.0**
Depn & Amort	(28.9)	(54.0)	(0.6)	(74.6)	(4.7)	**(162.8)**	(0.4)	-	**(163.2)**
Inventory movement - non-cash	14.3	6.2	(3.0)	(2.0)	-	**15.5**	-	-	**15.5**
Rehabilitation for closed sites	1.6	(0.1)	(4.7)	-	-	**(3.2)**	-	-	**(3.2)**
Write-down of Sierra Rutile	-	-	-	(414.3)	-	**(414.3)**	-	-	**(414.3)**
EBIT	**330.2**	**172.7**	**(4.3)**	**(427.6)**	**(42.2)**	**28.8**	**84.7**	**(62.7)**	**50.8**
Net interest costs	(0.3)	(0.2)	-	(0.1)	-	**(0.6)**	-	(13.2)	**(13.8)**
Rehab unwind and other finance costs	(13.1)	(12.1)	(10.5)	(2.3)	-	**(38.0)**	-	-	**(38.0)**
Profit before tax	**316.8**	**160.4**	**(14.8)**	**(430.0)**	**(42.2)**	**(9.8)**	**84.7**	**(75.9)**	**(1.0)**
Segment result	**316.8**	**160.4**	**(14.8)**	**(430.0)**	**n/a**	**(9.8)**	**84.7**	**n/a**	**117.1**

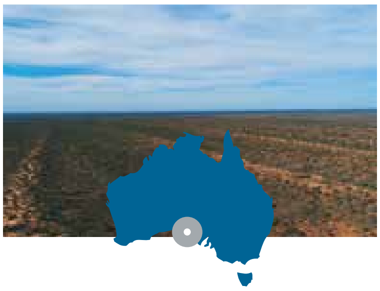
2018	JA/MW	C/SW	Idle	SRL	Expl & oth	Mineral sands	MAC	Corp	Group
Mineral sands revenue	568.6	297.2	184.9	205.7	(12.3)	**1,244.1**	-	-	**1,244.1**
AASB 15 freight revenue	26.2	4.9	12.0	7.0	-	**50.3**	-	-	**50.3**
Expenses	(206.9)	(138.9)	(143.2)	(182.5)	(31.6)	**(703.1)**	-	-	**(703.1)**
Mining Area C	-	-	-	-	-	**-**	55.6	-	**55.6**
FX	-	-	-	-	-	**-**	-	1.3	**1.3**
Corporate costs	-	-	-	-	-	**-**	-	(48.1)	**(48.1)**
EBITDA	**378.8**	**142.3**	**83.9**	**30.2**	**(43.9)**	**591.3**	**55.6**	**(46.8)**	**600.1**
Depn & Amort	(25.3)	(20.1)	(3.4)	(41.1)	(3.3)	**(93.2)**	(0.4)	-	**(93.6)**
Inventory movement - non-cash	2.0	(5.1)	(22.2)	(2.9)	-	**(28.3)**	-	-	**(28.3)**
Rehabilitation for closed sites	8.6	(1.4)	(3.9)	1.3	-	**4.6**	-	-	**4.6**
EBIT	**364.0**	**115.6**	**54.4**	**(12.5)**	**(47.2)**	**474.4**	**55.2**	**(46.8)**	**482.8**
Net interest costs	-	-	-	-	-	**-**	-	(14.1)	**(14.1)**
Rehab unwind and other finance costs	(5.1)	(5.2)	(4.4)	(2.0)	-	**(16.7)**	-	-	**(16.7)**
Profit before tax	**358.9**	**110.5**	**50.0**	**(14.5)**	**(47.2)**	**457.7**	**55.2**	**(60.9)**	**452.0**
Segment result	**358.9**	**110.5**	**50.0**	**(14.5)**	**n/a**	**504.9**	**55.2**	**n/a**	**560.1**

FINANCIAL AND OPERATIONAL REVIEW

PROJECTS

AMBROSIA, SOUTH AUSTRALIA

Operations at Jacinth-Ambrosia in South Australia moved from the Jacinth deposit to the Ambrosia deposit in August. The planned mine move was expedited from 2022 to 2019 to provide capacity and flexibility to maintain zircon production at current levels over future years. Site works included road, earthworks, power and water infrastructure; and pipe and pumping equipment. The mining unit was relocated and production recommenced within three days of outage. The project was delivered ahead of schedule and under budget.



ATACAMA, SOUTH AUSTRALIA

Atacama is a satellite deposit to Iluka's existing operation at Jacinth-Ambrosia. Iluka undertook project work to evaluate the potential for this deposit to add material zircon production when required by utilising existing infrastructure. The pre-feasibility study commenced in late 2018 and progressed over 2019.

BALRANALD, NEW SOUTH WALES

Balranald and Nepean are two rutile-rich deposits in the northern Murray Basin, New South Wales. Work in 2019 focused on planning for a third trial (T3) to take place in 2020. This will determine whether an underground mining and backfilling technology developed by Iluka is economically viable in a continuous mining and processing environment.

CATABY, WESTERN AUSTRALIA

Iluka completed and commissioned the $270 million Cataby development in early 2019, on schedule and on budget.

Cataby is a large, chloride ilmenite-rich deposit 150 kilometres north of Perth. The mine is a conventional mineral sands development, utilising dozer push and truck and excavator mining to feed two in-pit mining units. An onsite Wet High Intensity Magnetic Separation (WHIMS) plant separates the magnetic (ilmenite) and non-magnetic product streams (zircon and rutile). Ilmenite sourced from Cataby is transported to Capel for synthetic rutile production and the non-magnetic stream to Iluka's Narngulu mineral separation plant at Geraldton for final processing of zircon and rutile.

ENEABBA MINERAL SANDS RECOVERY, WESTERN AUSTRALIA

The Eneabba mineral sands recovery project involves the extraction, processing and sale of a strategic stockpile of historical monazite-rich material that is currently stored in a mining void at Eneabba, Western Australia.

The focus of Phase 1 is to monetise monazite concentrates contained in the Mineral Separation Plant By-Product Mineral Resource. This has required the development of a viable processing methodology and the selection of a channel to market, which satisfies product stewardship protocols. The execution budget for Phase 1 is less than $10 million.

An offtake agreement to underpin the project was finalised during the year, with construction and off-site fabrication activities commencing soon after. Approvals have been granted and the project is on track for commissioning in the first half of 2020.

Studies into Phase 2 of the project, which involves further processing, are well underway.

LANTI AND GANGAMA, SIERRA LEONE

During 2019 Iluka completed projects doubling the capacity at both the Lanti and Gangama mining operations in Sierra Leone.

The Gangama project involved the addition of mining fleet and construction of a second concentrator, duplicating the design of existing operations. Commissioning of the Gangama concentrator began in May and was operating at design capacity by June.

At Lanti, a second mining unit was added and the floating concentrator from the decommissioned dredge operation was beached and refurbished. Construction and commissioning activities were completed during August.

Both projects were delivered on schedule and on budget.

PUTTALAM, SRI LANKA

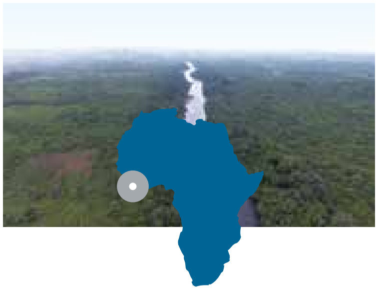
The Puttalam Quarry (PQ) deposit is a large sulphate ilmenite deposit, located approximately 30 kilometres from the town of Puttalam in north western Sri Lanka. A pre-feasibility study on the deposit has been completed.

In April Iluka withdrew its project team from the country following the Colombo terrorist attacks. The company subsequently recommenced limited engagement activities with government on legal and investment terms for the development. As anticipated, little progress was made in the lead up to the November presidential election.

SR1 RESTART, WESTERN AUSTRALIA

A scoping study commenced and was completed on the potential restart of Iluka's synthetic rutile kiln 1 (SR1) at Capel, Western Australia. The kiln is adjacent to the currently operational SR2 kiln and has capacity to produce 110-120 thousand tonnes of synthetic rutile per annum.

Key long-lead items have been manufactured. Approval to commence the bulk of the scope of works for refurbishment of the kiln remained subject to the company securing ilmenite feed source and appropriate commercial arrangements.



SEMBEHUN, SIERRA LEONE

The Sembehun group of deposits are situated 20 to 30 kilometres north west of the existing Sierra Rutile operations. Sembehun is one of the largest and highest quality known rutile deposits in the world.

Detailed engineering and definitive estimates based on original project scope to achieve production capacity of 300 thousand tonnes per annum of rutile were completed in first half of 2019. These estimates were beyond that estimated in mid-2018. In response, the company determined the most prudent approach was to revisit and broaden the value optimisation studies to consider changes to the parameters that had been set at the time of acquisition, as well as mining technique and mine sequencing, with a view to determining a development option which was both fit for purpose and ensured an appropriate balance between risk and return.

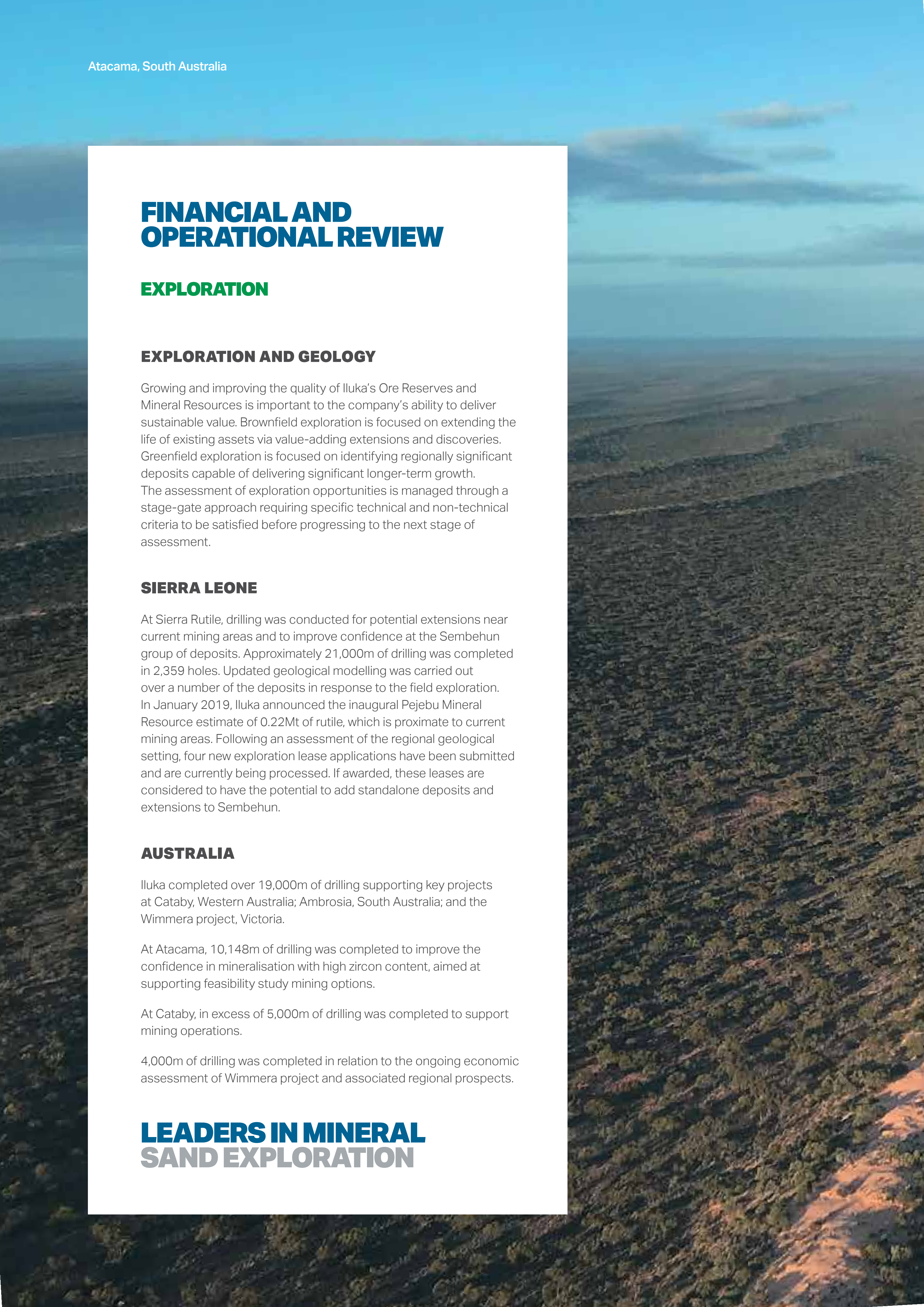
Study work focused on a number of areas including identifying and evaluating infrastructure, logistics and mining methods.

WIMMERA, VICTORIA

The Wimmera project involves the mining and beneficiation of a fine grained heavy mineral sand ore body in the Victorian Murray Basin for the potential long-term supply of zircon and rare earths. Technical challenges relating to purity and recovery of the valuable mineral have, in the past, impeded development of this style of deposit. Iluka has undertaken technical development studies which have yielded pathways to address the challenges with recovery and purity.

Over the course of the year a number of key project milestones were achieved, including the successful production of a rare earth carbonate mixture and pilot plant optimisation of separation and refining processes. Product samples were provided to customers for the purposes of assessing quality, which resulted in changes to the process flow-sheet that will be tested in 2020. Work was also undertaken to understand the implications of recent hydrogeological modelling and geotechnical studies on the range of possible earth moving techniques.

The pre-feasibility study is now scheduled for completion in 2020.



Atacama, South Australia

FINANCIAL AND OPERATIONAL REVIEW

EXPLORATION

EXPLORATION AND GEOLOGY

Growing and improving the quality of Iluka's Ore Reserves and Mineral Resources is important to the company's ability to deliver sustainable value. Brownfield exploration is focused on extending the life of existing assets via value-adding extensions and discoveries. Greenfield exploration is focused on identifying regionally significant deposits capable of delivering significant longer-term growth. The assessment of exploration opportunities is managed through a stage-gate approach requiring specific technical and non-technical criteria to be satisfied before progressing to the next stage of assessment.

SIERRA LEONE

At Sierra Rutile, drilling was conducted for potential extensions near current mining areas and to improve confidence at the Sembehun group of deposits. Approximately 21,000m of drilling was completed in 2,359 holes. Updated geological modelling was carried out over a number of the deposits in response to the field exploration. In January 2019, Iluka announced the inaugural Pejebu Mineral Resource estimate of 0.22Mt of rutile, which is proximate to current mining areas. Following an assessment of the regional geological setting, four new exploration lease applications have been submitted and are currently being processed. If awarded, these leases are considered to have the potential to add standalone deposits and extensions to Sembehun.

AUSTRALIA

Iluka completed over 19,000m of drilling supporting key projects at Cataby, Western Australia; Ambrosia, South Australia; and the Wimmera project, Victoria.

At Atacama, 10,148m of drilling was completed to improve the confidence in mineralisation with high zircon content, aimed at supporting feasibility study mining options.

At Cataby, in excess of 5,000m of drilling was completed to support mining operations.

4,000m of drilling was completed in relation to the ongoing economic assessment of Wimmera project and associated regional prospects.

LEADERS IN MINERAL SAND EXPLORATION

QUEBEC, CANADA

Iluka continued to explore for high-grade rutile bearing ilmenite bodies through its agreement with Canadian junior Societe d'Exploration Miniere Vior Inc. Four diamond drill holes targeting gravity anomalies identified during 2018 were completed, totalling 1,256m. No significant mineralisation was identified. The focus of the activity shifted to the Grand Duc region, with the remaining targets subject to detailed ground gravity surveys to refine the drill hole designs. Drilling of the remaining targets is scheduled to commence in late Q1 2020.

GENERATION AND EXTERNAL OPPORTUNITIES

Over 15,500m of drilling was completed on exploration projects in Australia and the United States, with a significant proportion of this completed in South Australia. Follow up drilling is planned on several targets as part of ongoing exploration activities aimed at providing a sustainable operational pipeline. Additionally, the Group continues to generate both greenfield and brownfield targets through the assessment of standalone, internally generated opportunities and third-party approaches.
During 2019 Iluka applied for and sought access to over 2,600 square kilometres of new exploration leases for greenfield exploration activity.

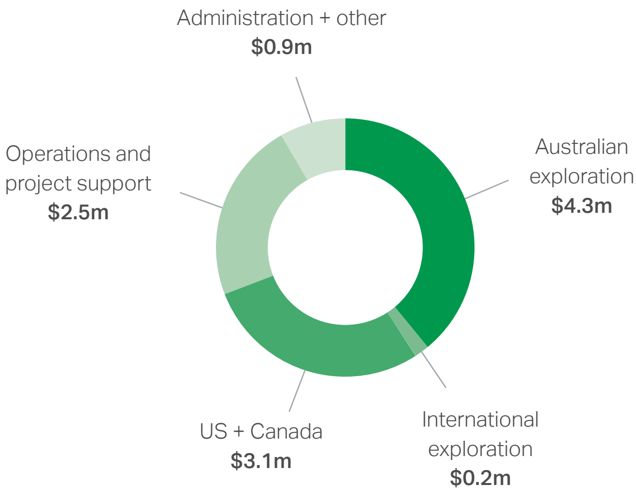
Granted tenement position as at 31 December 2019

Region	Approx. square kilometres
Eucla Basin, South Australia	10,427
Murray Basin (NSW & Vic)	3,669
Perth Basin (WA)	584
Other - Australia	0
Sierra Leone	559
Sri Lanka	147
Other - international	0
Total	**15,386**

Tenement applications as at 31 December 2019

Region	Approx. square kilometres
Eucla Basin, South Australia	0
Murray Basin (NSW & Vic)	874
Perth Basin (WA)	6
Other - Australia (QLD)	1,791
Sierra Leone	858
Sri Lanka	0
Other - international	0
Total	**3,529**

Exploration and geology expenditure 2019 - $11.0 Million



SUSTAINABILITY

SUSTAINABILITY APPROACH

Iluka aspires to achieve high levels of sustainability performance integrating economic, environmental and social considerations into business practice and ensuring safe and responsible conduct underpins everything we do. Iluka's sustainability approach and performance is overseen by the Board and is integrated into all levels of the business. Sustainability is governed through a series of policies and management systems aligned to the company's core values – to act with integrity, demonstrate respect, show courage, take accountability and collaborate.

Governance and integrity

We conduct our business by adhering to the highest standards of corporate governance whilst acting with integrity by being transparent and honouring our commitments.

Economic responsibility

We aim to create sustainable economic outcomes, which allow us to share economic benefits with our host communities and deliver sustainable value.

People

Iluka aims to attract and retain the best people while building and maintaining a diverse, inclusive and high-achieving workforce.

Health and safety

We strive to protect the health and safety of our people through identifying risk and taking appropriate action to avoid workplace fatalities and minimise injuries and illnesses.

Social performance

We respect human rights, engage meaningfully with stakeholders and look to make a positive difference to the communities where we operate whilst minimising and managing potential impacts.

Environment

We seek to manage our impact on the environment, use resources efficiently and leave positive rehabilitation and closure outcomes.

Health and safety performance

The health and safety of Iluka's people is the foundation of our business, and a personal responsibility of all members of our workforce. Iluka continues to strive to avoid fatalities and life-changing injuries from occurring in our workplace and minimising injury and illness potential. Thirty people sustained recordable injures while working for Iluka in 2019; 1 of these was a lost time injury, 23 were medical treatment injuries and 6 were restricted work cases. The Group total recordable injury frequency rate decreased from 3.5 in December 2018 to 2.9 in December 2019. The Group lost time injury frequency rate reduced to 0.1 compared to 1.0 in 2018. The severity of injuries has reduced with the severity rate declining from 18.8 to 2.4. The number of serious incidents or near hits classified as having the potential for severe injury or fatality has increased to 76 from 47 in 2018. While this may in part be a reflection of improvements in incident classification and reporting implemented in 2019, it remains a key area of focus for continual safety improvement across the Iluka Group.

Iluka's safety performance in Sierra Leone was outstanding with the Sierra Rutile operation exceeding one year without a lost time injury across its workforce and contractors.

Environmental and social performance

Iluka continued to improve our environmental performance with 13 recordable environmental incidents compared to 20 during the previous year; and successfully rehabilitated 686 hectares of disturbed area. An improvement in the number of social incidents also occurred during 2019 with a reduction from 14 level 3 and above incidents in 2018 to a total of 7 in 2019. No level 5 environmental or social incidents occurred during 2019.

THE HEALTH AND SAFETY OF ILUKA'S PEOPLE IS THE FOUNDATION OF OUR BUSINESS

SUSTAINABILITY INITIATIVES

Iluka continued to make progress with a number of sustainability initiatives, including the development of a modern slavery work programme and the assessment of potential physical climate risks and opportunities.

Iluka is committed to managing its climate change risks and taking advantage of associated business opportunities. The company is committed to the Paris Agreement objectives and accepts the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science. Iluka is taking steps to implement the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) over a three-year period. During 2019, this included the company assessing the potential physical climate risks and opportunities that may impact our operations. In 2020 Iluka will evaluate the transition risks which may impact the business.

The Board Charter was revised to stipulate the requirement for the Board to conduct an annual review of climate-related risks and approve climate-related disclosures. The Board's duties also extend to measuring and reviewing Iluka's performance against climate change and sustainability targets. Further discussion of Iluka's progress on implementing the recommendations of the TCFD will be provided in the 2019 Sustainability Report, to be released in April 2020.

Iluka retained its position on the Australian DJSI and was included in the FTSE4Good Index in recognition of strong environmental, social and governance practices. These indices track the performance of over 3,500 leading companies worldwide, independently evaluating their long-term sustainability performance.

The company has continued its commitment to building capacity for the understanding and application of revegetation science across the mining industry, both in Australia and overseas. July 2019 marked the launch of the Iluka Chair in Vegetation Science and Biogeography, embedded within the Harry Butler Institute, Murdoch University.

Iluka participated in the resource and energy industries' modern slavery collaborative group, developing an understanding and capability to support measures to comply with the implementation of Australian modern slavery legislation. The company plans to release its first Modern Slavery Statement in 2021.

Tutunup South native plant nursery, Western Australia

BUSINESS RISKS AND MITIGATIONS

The identification and management of risk is fundamental to achieving Iluka's objective to deliver sustainable value. The company is committed to managing risk in a proactive and effective manner. Iluka's Risk Management Policy is supported by a risk management framework which is aligned to the International Standard for risk management, ISO 31000. This framework provides a whole of business approach to the management of risks and sets out the process for the identification, assessment, monitoring, review and reporting of risk to facilitate the achievement of our plans and objectives. The Board, through the Board Charter, delegates responsibility for identifying and managing risks and implementing effective controls to management. Management is required to report to the Board on those risks which could have a material impact on the company's business. The Audit and Risk Committee assists the Board with regard to oversight of the company's risk management practices. Through its risk management framework Iluka seeks to:

- apply a structured and systematic risk management process across the Group;
- embed a culture of risk awareness by integrating risk management into our business activities and processes;
- identify, assess and manage risks in a structured and systematic manner;
- enable prudent risk taking in line with business objectives and strategies;
- establish and monitor the effectiveness of controls in line with agreed risk tolerances;
- ensure material business risks are effectively identified, communicated and appropriately elevated throughout all levels of management and to the Board;
- implement appropriate insurance strategies;
- assess regularly the effectiveness of the risk management process and risk controls; and
- continue to fulfil governance requirements for risk management.

Iluka applies a structured and systematic approach to assess the consequence of risk in areas such as injury; illness; community; environment; compliance; financial; company objectives and reputation. Company risks, and how they are being managed, are reviewed and updated by the Executive regularly and are reported, along with the Executive's assessment of the company's risk profile, for approval by the Board twice yearly.

Set out below are the key risk areas that could have a material impact on the company. The nature and potential impact of risks changes over time. The risks described below are not the only risks that Iluka faces and, whilst reasonable effort is made to identify and manage material risks, additional risks not currently known or detailed below may adversely affect future performance. Emerging risk is a standing Board agenda item. Risks identified through this process are incorporated into the Iluka corporate planning process.

HEALTH & SAFETY RISKS

Iluka faces risks relating to the health and safety of our workforce and it is our top priority to look after the wellbeing of our employees and contractors. Iluka works actively to protect the health and safety of our people by identifying and taking appropriate action aiming to eliminate workplace fatalities, and life-changing injuries and minimise injuries and illnesses through the delivery of effective training, capturing accurate safety statistics, conducting thorough incident investigations and sharing learnings.

SUSTAINING OPERATIONS RISKS

Maintaining a pipeline of Ore Reserves and projects in order to sustain operations is a key focus for Iluka. The success of exploration activity and project delivery is critical to sustain operational production profiles. Tailings dam management is an ongoing management and Board focus at Iluka across all of our mines. Iluka has dedicated geotechnical resources and draws on external tailings and dam management experts to continue to improve our designs and monitoring activities to reflect best practice. Annual reviews are conducted of the company's resources and reserves, asset integrity, short and long term planning, geotechnical and hydrogeological modelling.

ATTRACTING AND RETAINING KEY PEOPLE RISKS

Attracting and retaining key personnel is a priority and Iluka has effective plans in place to develop and deliver ongoing training and leadership development combined with succession planning and talent management processes.

PROJECT DEVELOPMENT RISKS

Iluka regularly assesses its ability to enhance its production profile or extend the economic life of deposits through the development of new deposits within its portfolio. A failure to develop and operate projects in accordance with expectations could negatively impact results of operations and the company's financial position. Risks to major development projects include the ability to acquire and/or obtain appropriate access to property, regulatory approvals, supply chain risks, construction and commissioning risks. There are also technology risks associated with some projects; for example, the new unconventional mineral sands mining approach planned for the Balranald deposit, and in the Wimmera project in Victoria. A structured capital process and project delivery framework is utilised to facilitate successful project development to manage risks associated with bringing new projects into operation.

PRODUCT DEMAND AND PRICE RISKS

Iluka is subject to fluctuations in global economic conditions, customer demand and end-use markets. The demand for Iluka's products may be sensitive to a wide range of factors most of which are outside of the company's control such as changes in the global economy, adverse changes in pigment or ceramic markets, or technology changes that reduce the level of feedstock required (substitution or thrifting). The prices for products are also subject to these market conditions. The company's approach to these risks is to adopt pricing strategies that promote sustainability (of demand and pricing) and where appropriate to seek offtake agreements that support project capital returns, and to adjust production and inventory levels in the context of market demand.

FINANCIAL RISKS

Iluka faces risks relating to the cost of and access to funds, movement in interest rates and foreign exchange rates (refer Note 20 in financial statements). Iluka maintains policies which define appropriate financial controls and governance which seek to ensure financial risks are fully recognised, managed and recorded in a manner consistent with:

- the financial risk appetite and delegations as set by Iluka's Board;
- generally accepted industry practice and corporate governance standards; and
- shareholder expectations of a mineral sands producer.

Where Iluka has entered into long-term contracts with fixed or floor prices (i.e. hedged the commodity price), Iluka will consider the management of the risks related to movements in foreign exchange rates by entering into appropriate hedging arrangements. Any hedging is conducted in accordance with Iluka's risk tolerances and policies including appropriate approvals.

GROWTH RISKS

To deliver sustainable value, Iluka attempts to generate growth options through exploration, innovation, project development and appropriate external growth opportunities. Evaluating growth opportunities requires prudent risk taking as part of a disciplined process of project selection and evaluation to maximise the opportunity, achieve the desired outcomes, and manage the associated risks to the company. This includes applying the company's established disciplines and systems to evaluate growth opportunities and assess their potential value and impact considering a range of modifying factors and assumptions.

GLOBAL ECONOMIC UNCERTAINTY RISK

Iluka operates in a context of global economic uncertainty. Contributing factors currently include subdued economic growth, trade tensions and the impact of COVID-19. The company maintains a strong business focus to detect and respond to changes in demand which inform changes to the operational settings of our assets.

GOVERNMENT AND REGULATORY RISK

Increasing international activities have increased Iluka's exposure to country risks. New or evolving regulations and international standards are outside the company's control and are often complex and difficult to predict. The potential development of international opportunities can be jeopardised by changes to fiscal or regulatory regimes, adverse changes to tax laws, difficulties in interpreting or complying with local laws, material differences in sustainability standards and practices, or changes to existing political, judicial or administrative policies and changing community expectations. Risks in the locations in which Iluka operates could include terrorism, civil unrest, judicial activism, community challenge or opposition, regulatory investigation, nationalisation, protectionism, renegotiation or nullification of existing contracts, leases, permits or other agreements, imposts, restrictions on repatriation of earnings or capital and changes in laws and policy, as well as other unforeseeable risks. If any of the company's operations are affected by one or more of these risks, it could have a material adverse effect on its assets in those countries, as well as Iluka's overall operating results, financial condition and prospects.

ANTI-BRIBERY AND CORRUPTION RISK

Iluka's business activities and operations are located in jurisdictions with varying degrees of political and judicial stability, including some countries with a relatively high inherent risk with regards to bribery and corruption. This exposes Iluka to the risk of unauthorised payments or offers of payments to or by employees, agents or distributors that could be in violation of applicable anti-corruption laws. Risks also include possible delays or disruptions resulting from a refusal to make so-called facilitation payments or any other form of benefit inconsistent with Iluka policy or applicable laws. Iluka has a clear Anti-bribery and Corruption Policy, and internal controls and procedures to protect against such risks, including training and compliance programmes for its employees, agents and distributors. However, there is no assurance that such controls, policies, procedures or programmes will protect Iluka from potentially improper or criminal acts. Violations of anti-corruption laws or regulations may result in criminal or civil sanctions and adverse publicity.

COMMUNITY/ SOCIAL EXPECTATIONS RISK

Iluka operates in different jurisdictions with varying community and social laws and expectations which are addressed through having dedicated internal resources to deal with these issues on a regional basis. Community expectations are continually evolving and can be best managed through the development of robust strategies, maintaining strong relationships and delivering on our commitments.

ENVIRONMENTAL RISK

Iluka is committed to leading practice in environmental management as outlined in the Iluka Health, Safety, Environment and Community Policy. Leading practice is based upon current community expectations, applicable legislation and regulatory standards, all of which change over time. With increasing government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent. Iluka could be subject to increasing environmental responsibility and liability, including laws and regulations dealing with air quality, water and noise pollution and other discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of certain of its properties, greenhouse gas emissions, storage, treatment and disposal of wastes and the effects of its business on the water table and groundwater quality. Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits, reputational issues, increased licence conditions and corrective action orders. Historic operations or disposal methods by the company or its predecessor companies, although materially compliant with regulatory requirements at the time, may be subject to increased or new environmental standards which require additional remediation. The company monitors these risks as part of the ongoing remediation of its former operational sites.

BUSINESS INTERRUPTION RISKS

Circumstances may arise which preclude sites from operating including natural disaster, material disruption to our logistics chain, critical plant failure or industrial action. Iluka experienced illegal industrial action at the Sierra Rutile operation during late 2018. The Board and Executive have developed specific actions in response to the 2018 events which address the risks to the stability of Sierra Rutile's operating environment.

The company undertakes regular reviews for mitigation of property and business continuity risks. Iluka also conducts planning and simulated scenarios to ensure rapid and effective response in the event of an emergency or crisis. Appropriate business plans, policies and training exercises provides support to mitigate Iluka's risk. Iluka also maintains a prudent insurance programme that may offset a portion of the financial impact of a major business interruption event.

SUSTAINABILITY RISK

Iluka's safety, health, environmental, people and community performance expectations are clearly articulated in its policies and are overseen by the Board. The annual Iluka Sustainability Report contains further information on the company's operating conditions, as well as elements of the business strategy. This document (for the 2018 year), as well as other company information, is available on Iluka's website www.iluka.com. Iluka plans to publish a Sustainability Report in respect of the 2019 year, in April 2020.

CLIMATE CHANGE RISK

Iluka is committed to managing its climate change risks and taking advantage of associated business opportunities. The company is committed to the Paris Agreement objectives and accepts the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science. Iluka is taking steps to implement the recommendations made by the Task Force on Climate related Financial Disclosures (TCFD) over a three-year period. During 2019, this included the company assessing the potential physical climate risks and opportunities that may impact its operations. In 2020 Iluka will evaluate the transition risks which may impact the business.

Capel synthetic rutile kiln, Western Australia

FINANCIAL REPORT

SYNTHETIC RUTILE KILNS, CAPEL, WESTERN AUSTRALIA

Iluka's Capel operation includes two synthetic rutile kilns: SR1 and SR2. The SR1 kiln is currently idle, with a project focused on the restarting of the kiln is underway.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the year ended 31 December 2019

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4E for the consolidated entity Iluka Resources Limited and its controlled entities for the year ended 31 December 2019 (the 'financial year') compared with the year ended 31 December 2018 (the 'comparative year').

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

Revenue from ordinary activities		Down 2.4% to $1,318.0m
Net loss after tax for the period from ordinary activities		Down to $299.7m
Net loss after tax for the period attributable to equity holders of the parent		Down to $279.9m
Dividends		
2019 final: 8 cents per ordinary share (100% franked), to be paid in April 2020		
2019 interim: 5 cents per ordinary share (100% franked), paid in October 2019		
2018 final: 19 cents per ordinary share (100% franked), paid in April 2019		
2018 interim: 10 cents per ordinary share (100% franked), paid in September 2018		
Key ratios	**2019**	**2018**
Basic (loss)/profit per share (cents)	(71.0)	72.2
Diluted (loss)/profit per share (cents)	(71.0)	71.8
Free cash flow per share (cents)[1]	33.0	72.1
Return on Equity[2]	(26.6)	31.8
Net tangible assets per share ($)	1.63	2.12

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

[2]Calculated as Net Profit/(Loss) after Tax (NPAT) for the year as a percentage of average monthly shareholder's equity over the year.

Commentary on the consolidated results and outlook are set out in the Operating and Financial Review section of the Directors' Report.

Dividend Reinvestment Plan (DRP)

The current Dividend Reinvestment Plan (DRP) was approved by the Board of Directors, effective for all dividends from the 2017 final dividend onwards. Under the plan, eligible shareholders can reinvest either all or part of their dividend payments into additional fully paid Iluka shares. The DRP remained active for the 2019 interim and final dividends.

The Directors have determined that no discount will apply for the DRP in respect of the 2019 final dividend. Shares allocated to shareholders under the DRP for the 2019 final dividend will be allocated at an amount equal to the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on 11 March 2020. The last date for receipt of election notices for the DRP is 9 March 2020.

Independent auditor's report

The Consolidated Financial Statements upon which this Appendix 4E is based have been audited.

DIRECTOR'S REPORT

For the year ended 31 December 2019

The directors present their report on the Group consisting of Iluka Resources Limited (the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2019.

The information appearing on pages 14 to 41 forms part of the Directors' Report for the financial year ended 31 December 2019 and is to be read in conjunction with the following information:

DIRECTORS

The following individuals were directors of Iluka Resources Limited during the whole of the financial year and up to the date of the report, unless otherwise stated:

G Martin
M Bastos
R Cole
S Corlett (appointed 1 June 2019)
X Liu (retired 16 April 2019)
T O'Leary
J Ranck
L Saint (appointed 24 October 2019)
J Seabrook

DIRECTORS' PROFILES

Name:	**Greg Martin**
Qualifications:	BEc, LLB, FAIM, MAICD
Age:	60
Role:	Chairman and Non-executive Director
Appointed:	January 2013
Independent:	Yes

Current positions:

• Chairman of the Board
• Nominations and Governance Committee - Chairman
• People and Performance Committee - Member

Relevant skills and experience:

Mr Martin has 4 decades of experience in the energy, utility and infrastructure sectors, having spent 25 years with the Australian Gas Light Company Ltd (AGL), including five years as CEO and Managing Director. After leaving AGL, Greg was CEO of the infrastructure division of Challenger Financial Services Group and, subsequently, Managing Director of Murchison Metals Ltd.

Other relevant directorships and offices (current and recent):

• Sydney Desalination Plant Pty Ltd - Chairman (retired July 2019)
• Western Power Corporation - Deputy Board Chair (appointed April 2015)
• Spark Infrastructure - Non-executive Director (appointed January 2017)
• Coronado Global Resources Inc. - Chairman (retired February 2019)
• Prostar Investments (Australia) Pty Ltd - Chairman (retired December 2017)
• Santos Limited - Non-executive Director (retired August 2017)

Name:	**Tom O'Leary**
Qualifications:	LLB, BJuris
Age:	56
Role:	Managing Director
Appointed:	October 2016
Independent:	No

Relevant skills and experience:
Mr O'Leary was previously Managing Director of Wesfarmers Chemicals, Energy & Fertilisers having been appointed to the role in 2010. Tom joined Wesfarmers in 2000 in a Business Development role and was then appointed to Managing Director, Wesfarmers Energy, in 2009. Prior to joining Wesfarmers, Tom worked in London for 10 years in finance law, investment banking and private equity. Tom holds a law degree from The University of Western Australia and has completed the Advanced Management Program at Harvard Business School.

Other relevant directorships and offices (current and recent):
- Clontarf Foundation - Director (current)
- Edith Cowan University Council - Member (retired June 2017)

Name:	**Marcelo Bastos**
Qualifications:	BEng Mechanical (Hons, UFMG), MBA (FDC-MG), MAICD
Age:	56
Role:	Non-executive Director
Appointed:	February 2014
Independent:	Yes

Current positions:
- Audit and Risk Committee - Member
- Nominations and Governance Committee - Member

Relevant skills and experience:
Mr Bastos was formerly the Chief Operating Officer of the global resources company, MMG Limited, with responsibility for operations on three continents. Marcelo has extensive experience in major projects development and operation, and company management in the metals and mining industry (iron ore, gold, copper, nickel and coal sectors). Marcelo also served as the Chief Executive Officer of BHP Billiton Mitsubishi Alliance (BMA), President of Nickel West (BHP Billiton), President and Chief Operating Officer of Cerro Matoso and Nickel Americas (BHP Billiton) and had a 19 year career with Vale (CVRD) in senior management and operational positions, the last of those as Director of Non Ferrous Operations. Marcelo is a former Non-executive Director of OZ Minerals Limited and Golding Contractors Pty Ltd, a former Member of the Western Australia Chamber of Mines and Energy and served as Vice President of the Queensland Resources Council.

Other relevant directorships and offices (current and recent):
- OZ Minerals Limited - Non-executive Director (retired April 2019)
- Aurizon Holdings Limited - Non-executive Director (appointed November 2017)
- Golder Associates - Non-executive Director (appointed July 2017)
- Anglo American PLC - Non-executive Director (appointed April 2019)

DIRECTOR'S REPORT

For the year ended 31 December 2019

Name:	**Rob Cole**
Qualifications:	LLB (Hons), BSc
Age:	57
Role:	Non-executive Director
Appointed:	March 2018
Independent:	Yes

Current positions:
• Nominations and Governance Committee - Member
• People and Performance Committee - Member

Relevant skills and experience:
Mr Cole is an experienced business leader and has worked for over 35 years in the energy and resources industry. Rob has held a diverse range of senior positions in commercial, corporate, marketing and business strategy and planning functions. Rob was previously Managing Director of oil and gas production and exploration company, Beach Energy, where he led a whole of business review and successfully implemented a new strategic direction for the company. Rob also spent over eight years at Woodside Petroleum Limited across a number of senior positions in commercial, corporate and legal areas, including Executive Director, Executive Vice President (Corporate and Commercial) and General Counsel. Prior to his time at Woodside, Rob was a Partner at the law firm King & Wood Mallesons.

Other relevant directorships and offices (current and recent):
• Perenti Global Limited - Non-executive Director (appointed July 2018)
• Synergy - Non-executive Chair (appointed November 2017)
• GLX Group - Chair (appointed November 2016)
• St Bartholomew's House Inc. - Non-executive Director (appointed November 2016)
• Southern Ports Authority - Non-executive Chair (appointed July 2016)

Name:	**Susie Corlett**
Qualifications:	BSc (Geo, Hons), FAusIMM, GAICD
Age:	49
Role:	Non-executive Director
Appointed:	June 2019
Independent:	Yes

Current positions:
• Audit and Risk Committee - Member
• Nominations and Governance Committee - Member

Relevant skills and experience:
Ms Corlett is a professional non-executive director following an executive career spanning mine operations, investment banking and private equity. Susie is currently a non-executive director of Aurelia Metals Ltd, a Trustee of the Australian Institute of Mining and Metallurgy (AusIMM) Education Endowment Fund and a director of The Foundation for National Parks and Wildlife. A geologist, Susie's background is in mining operations and exploration for RGC Ltd and Goldfields Ltd. Susie was most recently an Investment Director for global mining private equity fund, following a career in mining project finance and credit risk management for Standard Bank Limited, Deutsche Bank and Macquarie Bank.

Other relevant directorships and offices (current and recent):
• Aurelia Metals Ltd - non-executive Director (appointed October 2018)
• Australian Institute of Mining & Metallurgy (AusIMM) Education Endowment Fund - Trustee (appointed June 2018)
• Foundation for National Parks and Wildlife - Director and Treasurer (appointed June 2018)
• The David Burgess Foundation - Director (retired June 2019)

DIRECTOR'S REPORT

For the year ended 31 December 2019

Name:	**James (Hutch) Ranck**
Qualifications:	BSE (Econ), FAICD
Age:	71
Role:	Non-executive Director
Appointed:	January 2013
Independent:	Yes

Current positions:
- People and Performance Committee - Chairman
- Nominations and Governance Committee - Member

Relevant skills and experience:
Mr Ranck has held senior management positions with DuPont, both in Australia and internationally in finance, chemicals, pharmaceuticals and agriculture for over 30 years. Hutch also served as a director of DuPont's Hong Kong based subsidiary, Titanium Technologies, for seven years. Hutch retired as Managing Director of DuPont Australia and New Zealand and Group Managing Director of DuPont ASEAN in May 2010. In 2018 Hutch retired as Chairman of Elders Ltd after 6 years as a director and 4 years as Chairman. Also in 2018 Hutch retired as a director of CSIRO after an appointment of 7 years.

Other relevant directorships and offices (current and recent):
- Elders Limited - Chairman (retired December 2018)
- CSIRO - Non-executive Member of the Board (retired May 2018)
- Autopak-Vetlab Group - Chairman (appointed April 2019)

Name:	**Lynne Saint**
Qualifications:	BCom, GradDip Ed Studies, FCPA, AICD, Cert Business Administration
Age:	57
Role:	Non-executive Director
Appointed:	October 2019
Independent:	Yes

Current positions:
- Audit and Risk Committee - Member
- Nominations and Governance Committee - Member

Relevant skills and experience:
Ms Saint joins the Board from Bechtel Group, where she acquired more than 19 years' leadership experience in her executive career. Having most recently served as Chief Audit Executive, Lynne was formerly Chief Financial Officer of Bechtel's Mining and Metals Global Business Unit. Lynne's expertise encompasses corporate governance, enterprise risk and supply chain and project management. In 2003, Lynne was recognised as the Telstra Queensland Business Woman of the Year.

DIRECTOR'S REPORT

For the year ended 31 December 2019

Name:	**Jenny Seabrook**
Qualifications:	BCom, FCA, FAICD
Age:	62
Role:	Non-executive Director
Appointed:	May 2008
Independent:	Yes

Current positions:
• Audit and Risk Committee - Chairman
• Nominations and Governance Committee - Member

Relevant skills and experience:
In Ms Seabrook's executive career, she has worked at senior levels in chartered accounting, capital markets and investment banking businesses. Jenny is a Senior Advisor to Gresham Partners Limited. Jenny was formerly a member of the Takeovers Panel (2000 to 2012), and her previous non-executive directorships include: Export Finance and Insurance Corporation, Amcor Limited, Bank of Western Australia Limited, West Australian Newspapers Holdings Limited, Australian Postal Corporation, AlintaGas, Western Power Corporation, Western Australian Treasury Corporation and MMG Limited.

Other relevant directorships and offices (current and recent):
• BGC (Australia) Pty Ltd - Non-executive Director (appointed October 2018)
• Esther Investments Pty Ltd - Non-executive Director (appointed October 2018)
• MMG Limited - Non-executive Director (retired October 2019)
• IRESS Limited - Non-executive Director (appointed August 2008)
• Australian Rail Track Corporation - Non-executive Director (appointed December 2016)

DIRECTOR'S REPORT

For the year ended 31 December 2019

MEETINGS OF DIRECTORS

In 2019, the Board met on 11 occasions, of which 8 meetings were scheduled. In addition to these meetings, the Board spent a day primarily focused on strategic planning. The Non-executive Directors periodically met independent of management to discuss relevant issues. Directors' attendance at Board and committee meetings during 2019 is detailed below:

Director	Board		Audit and Risk Committee		Nominations and Governance Committee		People and Performance Committee	
(1)(2)	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Total meetings	11		4		4		4	
Executive								
T O'Leary	11	11		4		4		4
Non-executive								
G Martin (3)	11	11	3	4	4	4	4	4
M Bastos	11	10	4	4	4	4		4
R Cole	11	11		4	4	4	4	4
S Corlett (4)	8	8	3	3	2	2		3
X Liu (5)	3	3	1	1	2	2		1
J Ranck (3)	11	11	3	4	4	4	4	4
L Saint (6)	4	4	1	1	1	1		1
J Seabrook (7)	11	11	4	4	4	4	3	4

Chairman Member Prior Member

(1) "Held" indicates the number of meetings held during the period of each director's tenure. Where a director is not a member but attended meetings during the period, only the number of meetings attended is shown.

(2) "Attended" indicates the number of meetings attended by each director.

(3) Mr Martin and Mr Ranck retired from the Audit and Risk Committee on 30 September 2019.

(4) Ms Corlett was appointed as a director and member of the Audit and Risk Committee on 1 June 2019.

(5) Dr Liu retired as a director on 16 April 2019.

(6) Ms Saint was appointed as a director and member of the Audit and Risk Committee on 24 October 2019.

(7) Ms Seabrook retired from the People and Performance Committee on 30 September 2019.

DIRECTORS SHAREHOLDING

Directors shareholding is set out in the Remuneration Report, section 7.

EXECUTIVE TEAM PROFILES

Julian Andrews, BCom (Hons), PhD, CFA, GAICD
Head of Strategy, Planning & Business Development

Mr Andrews joined Iluka as Head of Business Development in 2017 and assumed his current role in 2018. Prior to joining Iluka, Mr Andrews held various roles at Wesfarmers, including General Manager, Business Development and Chief Financial Officer of Wesfarmers Chemicals, Energy & Fertilisers. He began his career in strategy consulting with PricewaterhouseCoopers Canada and worked in project finance and corporate advisory in the USA before relocating to Perth in 2004.

DIRECTOR'S REPORT

For the year ended 31 December 2019

Christian Barbier, M.Sc. (Management), GAICD
Head of Marketing

Mr Barbier joined Iluka in January 2016 and prior to appointment as Head of Marketing, was the General Manager Zircon Sales at Iluka. He has over 25 years of experience in leading resources and industrial multinational corporations, holding senior management positions in Europe, Australia and Asia. Prior to Iluka, Mr Barbier was President Markets at Sibelco Asia, overseeing marketing, communication and sales. He arrived in Asia in 2004 as Managing Director of Alcan International SE Asia & Australia, after having worked with Alcan and Pechiney in Europe and Australia, in marketing, sales and finance positions.

Tim Bartholomew, B.Eng Mining (Hons), G.Dip. Energy & Resource Law, GAICD
General Manager, Strategic Development & Closure

Mr Bartholomew joined Iluka in 2007 and has held technical and project roles across the business in Operations, Major Projects and most recently in Rehabilitation and Closure. Mr Bartholomew has over 20 years of experience in the mining industry within Australia, New Zealand and the USA predominantly in the coal and mineral sands sectors.

Matthew Blackwell, BEng (Mech), Grad Dip (Tech Mgt), MBA, MAICD, MIEAust
Head of Major Projects, Engineering & Innovation

Mr Blackwell joined Iluka in 2004 as President of US Operations. He had responsibilities for Land Management and as General Manager, USA, before being appointed Head of Marketing, Mineral Sands in February 2014. In 2019, Mr Blackwell commenced in his current role of Head of Major Projects, Engineering & Innovation. Prior to joining Iluka he was Executive Vice President of TSX listed Asia Pacific Resources, based in Thailand. Mr Blackwell has a background in mining and processing with positions in project management, maintenance, production and business development.

Rob Hattingh, MSc (Geochem), GAICD
Chief Executive Officer, Sierra Rutile

Mr Hattingh joined Sierra Rutile in November 2016 from Iluka Resources where he held the position of General Manager Innovation, Sustainability and Technology. Mr Hattingh has more than 28 years' experience in the mineral sands industry in a number of roles. He was Principal Environmental Scientist at Richards Bay Minerals in South Africa and worked in senior roles at Exxaro Resources' mineral sands business (now part of Tronox) where he was responsible for technical disciplines for a number of years. In 2008, Mr Hattingh joined Iluka Resources in Perth where he held management roles in the fields of hydrogeology, metallurgy, sustainability and business development.

Sarah Hodgson, LLB, GAICD
General Manager, People & Sustainability

Ms Hodgson joined the People team at Iluka in 2013 and was appointed to her current role in March 2018. Ms Hodgson has 20 years' HR experience specialising in remuneration and international mobility and started her career at PricewaterhouseCoopers in London before relocating to Australia with KPMG in 2002. Prior to joining Iluka Ms Hodgson held senior remuneration roles both as a consultant and in-house at Mercer, Westpac and KPMG.

Daniel McGrath, B.Sc (Math)
General Manager, Cataby & Southwest

Mr McGrath joined Iluka in 1993 and has held technical and operations management roles throughout Iluka for many years. His most recent appointment was as Chief Metallurgist where he oversaw the technical development and metallurgy functions. Prior to this Mr McGrath has held senior operational positions at Iluka's Western Australian, Eastern Australian, and USA operations while also having held metallurgy and process engineering roles in Australia, Indonesia and Sierra Leone.

DIRECTOR'S REPORT

For the year ended 31 December 2019

Melissa Roberts, BCom (Hons), MBA
General Manager, Investor Relations and Commercial Mineral Sands Operations

Ms Roberts joined Iluka in 2009 and has held a number of roles across the business in Commercial, Business Development, IT and Investor Relations. Ms Roberts has 19 years' experience within the health, chemicals and oil & gas industries. Prior to joining Iluka, Ms Roberts held various positions consulting to a range of oil and gas operators in the UK, including, Maersk, BP and Talisman Energy. She also held positions in Australia with Wesfarmers Chemicals, Energy & Fertilisers division, and with Mayne Health.

Adele Stratton, BA (Hons), FCA, GAICD
Chief Financial Officer

Ms Stratton joined Iluka in 2011 and was appointed Chief Financial Officer in August 2018. In the intervening period she held numerous senior roles across the company, most recently General Manager Finance, Investor Relations and Corporate Affairs. She is a qualified chartered accountant with 18 years' experience working in both practice and public listed companies. Ms Stratton commenced her career with KPMG, spending 7 years in the assurance practice both in the UK, where she qualified as a chartered accountant, and Australia. Prior to joining Iluka, she worked in a number of finance roles at Rio Tinto Iron Ore in Perth.

Shane Tilka, BCom
General Manager, Jacinth-Ambrosia & Midwest

Mr Tilka joined Iluka in November 2004 and has held operations management roles throughout Iluka. His most recent appointment was as Chief Operating Officer for Sierra Rutile Ltd. Prior to this Mr Tilka was General Manager for Iluka's US Operations and has held other senior roles at Iluka's Western Australian and South Australian operations.

Sue Wilson, BJuris, LLB, FGIA, FCIS, FAICD
General Counsel and Company Secretary

Ms Wilson joined Iluka in December 2016. She was previously the Head of Company Secretariat at South32 following the demerger from BHP Billiton. She was also General Counsel and Company Secretary and a member of the executive team at Bankwest and HBOS Australia. Prior to joining Bankwest, Ms Wilson was a partner of law firm Parker & Parker (now part of Herbert Smith Freehills). She is currently the Pro Chancellor and a member of the Council at Curtin University. She is a former Chairman of the WA State Council of the Governance Institute of Australia and non-executive director of Western Power.

COMPANY SECRETARY

Ms Wilson is the Company Secretary of the Company. Ms Wilson was appointed to the position of Company Secretary in December 2016. Refer to the previous section for Ms Wilson's profile.

Mr Nigel Tinley BBus CPA GAICD FGIA FCIS also acts as Company Secretary for the Company. Mr Tinley was appointed to the position of Joint Company Secretary in 2013 and prior to that he held senior positions in Finance and Sales and Marketing. Before joining Iluka in 2006, Mr Tinley held a range of accounting, financial and commercial roles over his 18 years with BHP Limited both in Australia and internationally.

DIRECTORS AND OTHER OFFICERS' REMUNERATION

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the remuneration report on pages 56 to 80 of this Annual Report.

PRINCIPAL ACTIVITIES

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

DIRECTOR'S REPORT

For the year ended 31 December 2019

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies all directors of the Company named in this report and current and former executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or the related body corporate) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving bad faith. The Company also has a policy to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the year the Company has paid a premium in respect of directors' and executive officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

INDEMNIFICATION OF AUDITORS

The Company's auditor is PricewaterhouseCoopers. The terms of engagement of Iluka's external auditor includes an indemnity in favour of the external auditor. This indemnity is in accordance with PricewaterhouseCoopers' standard Terms of Business and is conditional upon PricewaterhouseCoopers acting as external auditor. Iluka has not otherwise indemnified or agreed to indemnify the external auditors of Iluka at any time during the financial year.

NON-AUDIT SERVICES

The Group has, from time to time, employed the external auditor, PricewaterhouseCoopers, on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Fees that were paid or payable during the year for non-audit services provided by the auditor of the parent entity, its network firms and non-related audit firms is set out in note 27 of the financial report.

The Board of directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services were provided in accordance with Iluka's Non-Audit Services Policy and External Auditor Guidelines; and
- all non-audit services were subject to the corporate governance processes adopted by the company and have been reviewed by the Audit & Risk Committee to ensure that they do not affect the integrity or objectivity of the auditor.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2011* is set out on page 81.

ENVIRONMENTAL REGULATIONS

So far as the directors are aware, there have been no material breaches of the Group's licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

OTHER MATTERS

Shareholder class action

On 24 March 2014, Iluka became aware that a litigation funder proposed to fund claims that current or former shareholders may have against the company in respect of continuous disclosure obligations in 2012. On 23 April 2018, Iluka was served with an originating application and statement of claim in respect of a shareholder class action for alleged breaches of continuous disclosure obligations, and misleading and deceptive conduct.

During the current reporting period, the presiding judge has made orders for the exchange of evidence in the proceedings and a trial date has been set for 1 March 2021. Iluka remains unable to reliably estimate the quantum of liability, if any, that the Group may incur in respect of this class action.

Sierra Leone environmental class action

On 22 January 2019, class action proceedings were brought by a group of landowner representatives in Sierra Leone, who allege they suffered a loss as a result of Sierra Rutile Limited's mining operations. As at the reporting date, it is not practicable for Iluka to estimate the quantum of liability, if any, that Iluka may incur in respect of this class action.

Other than the above matters, which are disclosed in note 24 of the financial statements, the directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report that has or may significantly affect the operations of the entity, the results of its operations or the state of affairs of the entity in subsequent financial years.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Following a comprehensive review of the Group's corporate and capital structure during 2019, the Board and management have decided to make preparations to put a proposal to shareholders regarding a demerger of the Mining Area C (MAC) royalty business from the Group's mineral sands business. This option has been determined as the best means to deliver value to shareholders by separating distinct businesses and creating two stand-alone ASX-listed companies. As the proposal is still in development and will be subject to further Board approval, as well as regulatory, and shareholder approvals, MAC is not classified as held-for-sale as at 31 December 2019.

The directors are not aware of any other matter or circumstance not otherwise dealt with in the Financial Report (refer to note 25) or the Directors' Report that has or may significantly affect the operations of the entity, the results of its operations or the state of affairs of the entity in subsequent financial years.

DIVIDEND

The directors have declared a fully franked final dividend of 8 cents per ordinary share payable on 2 April 2020.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the directors, likely developments in and expected results of the operations of the Group have been disclosed in the Operating and Financial Review on pages 20 to 37. Disclosure of any further material relating to those matters could result in unreasonable prejudice to the interests of the Group.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the year ended 31 December 2019 may be accessed from the Company's website at http://www.iluka.com/about-iluka/governance.

DIRECTOR'S REPORT

For the year ended 31 December 2019

ROUNDING OF AMOUNTS

The Company is of a kind referred to in "ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191", issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and accompanying Financial Report. Amounts in the Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar.

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

G. Martin

G Martin
Chairman

T O'Leary

T O'Leary
Managing Director

20 February 2020

DIRECTOR'S REPORT

For the year ended 31 December 2019

Remuneration Report

Message from the Chairman of the People & Performance Committee

Dear Shareholders

On behalf of the Board I am pleased to present Iluka's 2019 Remuneration Report.

As the Chairman and Managing Director have outlined in their Annual Report letters, 2019 saw accomplishment – exemplified in the delivery of five key projects across Iluka's portfolio; and disappointment – being the write-down of the carrying value of Sierra Rutile. Overall, the company demonstrated resilience in the face of mixed market conditions and global economic uncertainties, delivering EBITDA of $616 million, the third best underlying financial performance in Iluka's history.

Safety performance at Sierra Rutile saw significant improvement, with the operation achieving 12 months without a lost time injury. Across the Group total injuries reduced from 34 in 2018 to 30 in 2019. Environmental incidents also reduced compared to the previous year; and Iluka successfully rehabilitated 686 hectares of land disturbed by mining activities.

2019 Remuneration outcomes

As a Board we apply a disciplined approach to our assessment of performance and determination of remuneration outcomes.

Notwithstanding Iluka's strong underlying performance, scorecard outcomes for 2019 reflect the impact of the write down of Sierra Rutile on the overall financial result and mixed results achieved across various performance measures.

The Board believes the outcomes set out in this report balance the accomplishments and disappointment the business faced, along with the progress achieved in maturing Iluka's project development pipeline.

Key 2019 Highlights:

- MD Executive Incentive Plan outcome was 43% of maximum (64% of target)
- Executive Key Management Personnel outcomes were between 38% and 45% of maximum (58% and 67% of target)

Further detail is provided in Section 3 of this Report.

Response to the 2018 strike

Iluka received a 'first strike' on remuneration as a result of more than 25% of shareholders voting against the 2018 Remuneration Report.

Since the 2019 AGM, the Board has engaged with investors and proxy advisers to understand key concerns and determine an appropriate response.

Based on our consultation with stakeholders, the key concerns which led to the first strike related to the perceived short term nature of the Executive Incentive Plan (EIP), a preference towards longer vesting periods, the nature of the long term performance test and the weighting of financial metrics in the scorecard.

The Board and management value the insights received during the consultation process and we thank you for your willingness to provide feedback. We have spent considerable time reflecting on your concerns and reviewing our executive remuneration arrangements.

2020 executive incentives

The Board continues to believe the fundamental objectives of the EIP remain appropriate for Iluka's business and the cyclical environment in which we operate. Through the EIP we aim to:

- facilitate a personally significant shareholding in Iluka, subject to performance, with the majority of the award being delivered in equity;
- align the performance of executives with the interests of shareholders over the long-term;
- set targets annually that are directly impacted by the performance of executives and feed into Iluka's strategy to deliver sustainable value; and
- address the difficulty in setting appropriate performance measures over a long-term period.

In determining appropriate changes to the EIP for 2020, the Board considered shareholders' feedback and determined an approach that continues to support our objectives and the achievement of our long term corporate plan.

The key changes for 2020 are:

- extending performance and vesting periods so the plan operates over a five year period;
- increasing the proportion of the award that is subject to a second performance test at the end of the (extended) five year period;
- reshaping our performance scorecard and increasing the weighting of financial performance to 50%;
- introducing scale vesting for the Relative Total Shareholder Return test on the performance rights portion of the award; and
- a modest increase to target EIP incentive opportunities following detailed benchmarking against Iluka's peers.

Full details regarding the changes for 2020 are outlined in this report (see Section 2).

We have also updated the disclosure and worked to improve the transparency in this Remuneration Report.

We have attempted to explain clearly how our executive remuneration approach reflects the needs of the business and to provide more clarity around our decision making.

On behalf of the Board, I invite you to review our Remuneration Report. We look forward to your ongoing feedback and discussion with our shareholders and their proxy advisers on our remuneration approach including the EIP structure and this report.

Thank you for your ongoing support

Yours sincerely

Hutch Ranck
People and Performance Committee Chair

DIRECTOR'S REPORT

For the year ended 31 December 2019

Contents

1. Who is covered by this report?

This Report details the remuneration arrangements for Iluka's key management personnel (KMP). KMP in 2019 comprised the Managing Director and other key executives (Executive KMP), as well as non-executive directors.

Name	Position	Term as KMP
Managing Director		
T O'Leary	Managing Director and Chief Executive Officer	Full year
Current Executive KMP		
J Andrews	Head of Strategy, Planning and Business Development	Full year
C Barbier	Head of Marketing	Appointed 10 June 2019
M Blackwell	Head of Major Projects, Engineering and Innovation	Full year
A Stratton	Chief Financial Officer	Full year
Former Executive KMP		
S Hay	Head of Resource Development	Ceased 7 June 2019[1]
S Wickham	Chief Operating Officer, Mineral Sands	Ceased 7 June 2019[2]
Current Non-Executive Directors		
G Martin	Chairman, Independent Non-Executive Director	Full year
M Bastos	Independent Non-Executive Director	Full year
R Cole	Independent Non-Executive Director	Full year
S Corlett	Independent Non-Executive Director	Commenced 1 June 2019
J Ranck	Independent Non-Executive Director	Full year
L Saint	Independent Non-Executive Director	Commenced 24 October 2019
J Seabrook	Independent Non-Executive Director	Full year
Former Non-Executive Directors		
X Liu	Independent Non-Executive Director	Ceased 16 April 2019

[1] S Hay was a member of KMP until ceasing employment on 7 June 2019.
[2] S Wickham ceased to be a member of KMP on 7 June 2019 when he transferred into the role of Operations Transition Advisor. Following the completion of transition projects, Mr Wickham plans to depart from Iluka (expected during 2020.)

2. Iluka's approach to executive remuneration

Remuneration Principles

Iluka's Remuneration Principles provide the foundations for how remuneration is determined and paid. Remuneration arrangements are structured to achieve the following:

- Remuneration which is comparable and competitive within the relevant market;
- Performance based with targets that reflect both prevailing business expectations and minimum time requirements;
- Trailing exposure to company performance through deferred equity plans and minimum shareholding requirements;
- An appropriate balance between fixed and 'at risk' remuneration;
- Alignment to shareholder returns through performance objectives which support improved shareholder returns, and
- Fair and transparent remuneration based on performance, compliance with legislated frameworks and clear and concise disclosure.

Executive Remuneration Approach

Our purpose to deliver sustainable value is key to Iluka's approach to executive remuneration. Our Executive Incentive Plan (EIP) is designed to ensure remuneration received by Executive KMP is closely linked to the Company's performance, aligning it with the returns generated for our shareholders over the long term.

The EIP design, guided by our Remuneration Principles, reflects that we operate in a cyclical industry with volatile results largely influenced by price and foreign exchange. The Board sets an annual scorecard to focus our Executive KMP on financial and strategic imperatives they can influence and are critical to Iluka's long-term sustainability. In 2019 objectives for Executive KMP covered:

- Financial performance;
- Optimisation of production;
- Sustainability focusing on protecting our people, our environment and our communities; and
- Key strategic projects to deliver sustainable value over the long-term and progression of longer term growth.

In setting objectives, the Board aims to ensure that targets are quantifiable and drive the right commercial and strategic outcomes for Iluka. Section 3 provides a detailed explanation of the specific targets set in 2019, how they were measured and our assessment of performance. The EIP award is delivered with a larger proportion of 'at risk' remuneration in equity, deferred over several years. This, coupled with requiring our Executive KMP to maintain a personally significant shareholding in Iluka, aligns Executive KMP with and exposed to the same financial consequences as shareholders.

Executive remuneration framework and approach for 2019

Attract and retain highly skilled and engaged executives to Iluka	Pay for performance and delivering shareholder value Reward for results and tie executives to long-term Company performance
Fixed remuneration	**Executive Incentive Plan (FY19)**
Set after considering: - Market median - Executive KMP's experience and performance - Executive KMP's role responsibilities	Annual scorecard of financial and strategic measures. Board assesses scorecard performance at the end of the year with resulting award split into three components: **Cash** – a small proportion providing modest reward for short-term results **Restricted rights** - vest in equally weighted tranches on the first, second and third anniversary of the grant **Performance rights** are subject to performance testing at two stages. Initial scorecard performance determines the amount of the grant. A further performance test relating to Iluka's relative TSR is undertaken at the end of four years ensures the award will only vest if relative TSR meets or exceeds the median TSR performance of the selected peer group over the period. The award lapses if median performance is not met

Governance

Remuneration principles and structure are supported by policies and mechanisms including security trading and minimum shareholding policies and clawback arrangements

DIRECTOR'S REPORT

For the year ended 31 December 2019

Response to 2018 Remuneration Report Strike

We introduced the EIP in 2018, following significant consultation with investors and proxy advisers over the course of 2017 and incorporating the feedback received in the final design. The EIP was outlined in our 2017 Remuneration Report, which received a 99.4% 'for' vote. Following this initial support, we implemented the new structure in 2018 and shareholders expressed concern with some elements of the plan and we received a first strike on the 2018 Remuneration Report.

Your feedback identified several concerns including:

Structural elements of the EIP	Communicating our approach and decision-making
• Timelines regarded as too short term focussed • Long-term performance test not considered to be challenging enough and applying to an insufficient portion • Weighting on financial performance considered too low	Clarity of communication not regarded as sufficient in relation to: • remuneration structures; • expectations of performance; and • the translation to remuneration outcomes

Having spent considerable time reflecting on the issues raised, we remain committed to the EIP as the right structure for our business and operating environment. We have addressed your feedback in relation to both structure and communication by making several changes, outlined below.

Structural elements of the EIP

Feedback	How it looked in 2019	How the EIP will look in 2020
EIP performance timelines regarded as being too short	Equity makes up the majority of the EIP award, with the remainder in cash. The quantum of cash and equity was awarded following testing of performance against a scorecard over a 12 month period. Restricted rights (two thirds of the equity component) vested in three equal tranches, one, two- and three-years following award. Performance rights (the remaining one third) vest three years after award subject to a further performance test (with a four-year relative TSR performance period).	We have extended vesting periods so over half the award vests over a four and five year period. From 2020, there will be four equal tranches of restricted rights vesting up to four years after award. For performance rights, an additional year has been added so vesting will occur four years after grant subject to a relative TSR performance over the preceding five years. These extended timelines complement our existing requirement for executives to hold personally significant shareholdings.
The longer-term performance test is not regarded as challenging enough and applying to an insufficient portion of the EIP	Vesting of the performance rights was subject to a further performance test of achieving median performance relative TSR over a four year period. One third of the EIP equity award was granted as performance rights subject to the further relative TSR testing.	Performance rights will continue to be subject to performance testing at two stages; once to determine the size of award granted; and a further time at vesting, to ensure that TSR performance above median has been sustained. We have changed the vesting approach on the second test to a "sliding scale"– where 50% of the award will vest for median performance, increasing to 100% of the award vesting where TSR is at or above the 75th percentile relative to the selected comparator group. We have also increased the portion of EIP equity awards delivered in performance rights from 33% to 40%.

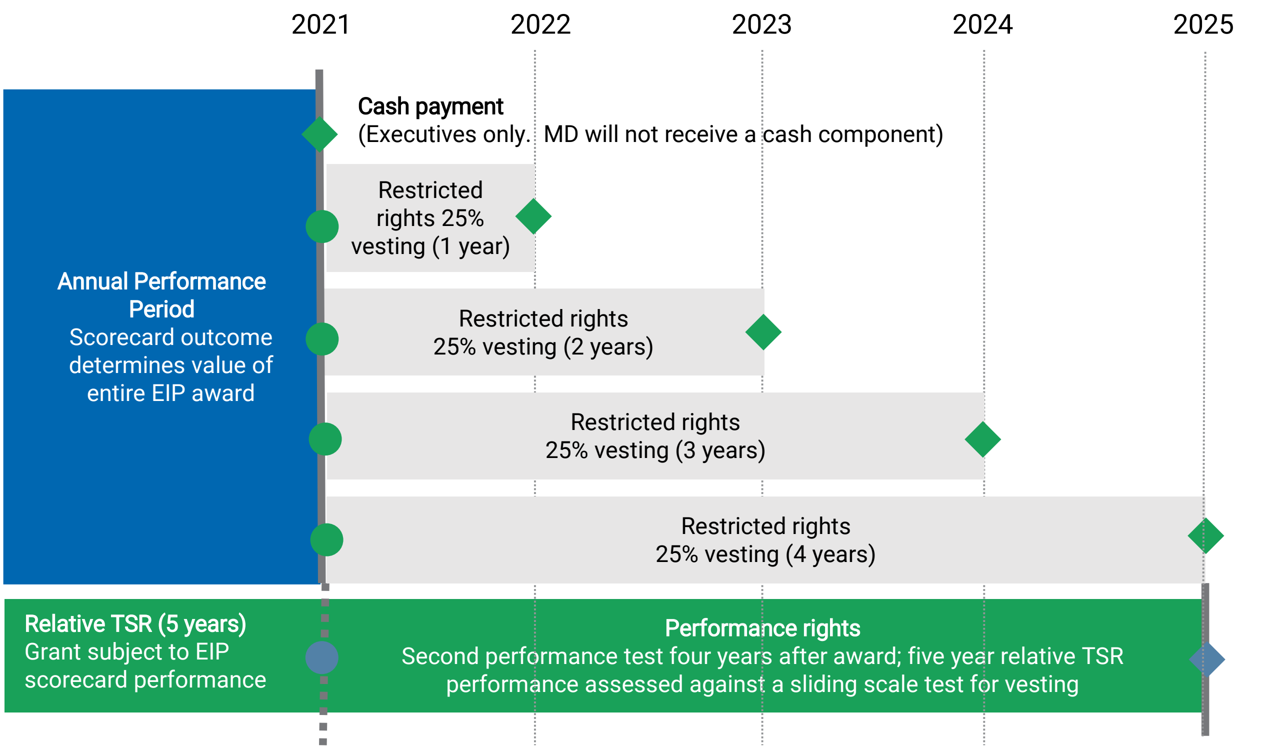
DIRECTOR'S REPORT

For the year ended 31 December 2019

Feedback	How it looked in 2019	How the EIP will look in 2020
The weighting on financial measures is considered to be too low	2019 scorecard performance measures (and weighting) covered the following areas: Financial (35%), Production (15%), Sustainability (15%), Group strategy (10%) and Individual strategy (25%) Two sets of financial metrics were used – one for the MD and CFO and one for other Executive KMP.	We have simplified our scorecard and increased the weighting of financial measures to 50% in addition to introducing one set of financial metrics for all participants. Group and individual strategic priorities will no longer be measured separately.
Payment of dividend equivalents was questioned	Dividend equivalents were to be paid on restricted rights and performance rights at vesting – to the extent awards did not vest, dividend equivalents were not paid.	As equity awarded under the EIP is a result of performance, dividend equivalent payments will be paid on restricted rights and performance rights at the time of vesting only to the extent the rights vest.

2020 Executive Incentive Plan changes

After the changes, the EIP will operate as below.



DIRECTOR'S REPORT

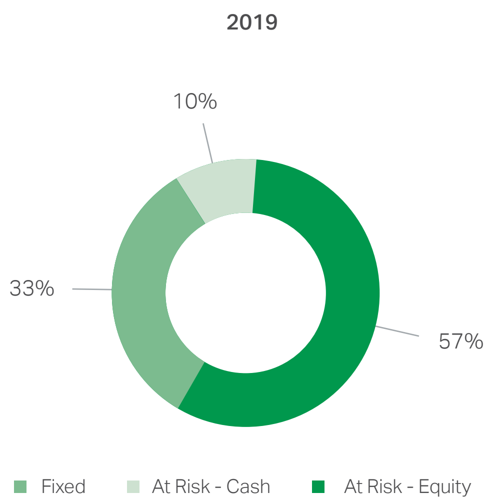
For the year ended 31 December 2019

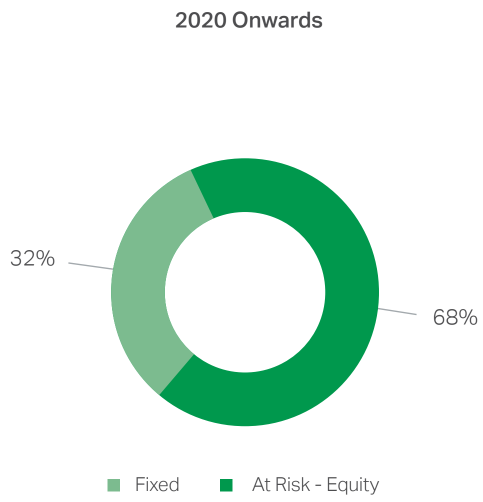
Remuneration mix

A substantial portion of variable remuneration for Executive KMP is delivered in equity.

As disclosed in the 2018 Remuneration Report, from 2020 onwards, the Managing Director will not receive cash. All variable remuneration will be delivered as equity, creating further alignment with shareholders.

Managing Director Remuneration mix (maximum opportunity)





Communicating our approach and decision-making on remuneration

We also received your feedback on several other items relating to remuneration and have made further changes to address this.

Further developments	
Quantum of EIP opportunity was questioned as being too high by some	Existing incentive opportunities have been reviewed against incentives paid elsewhere in the market through a thorough benchmarking exercise and in light of the changes being made to our EIP structure in 2020. Modest increases to the maximum incentive opportunity will be made for 2020 awards. For the MD, the maximum incentive opportunity has increased by 10% to 210% of fixed remuneration and for other executive KMP, there has been an increase of 15% to 165% of fixed remuneration to maximum incentive opportunity from 2020.
Insufficient disclosure of performance targets	We have provided disclosure of our costs, production, sustainability and strategic targets. We have not disclosed certain financial and strategic targets due to commercial sensitivities. See section 3 for further details.
Communication was not sufficiently clear	We have reviewed our disclosure with the aim to provide a clearer and more transparent explanation of our remuneration arrangements and how and why remuneration decisions are made.
Approach to obtaining shareholder approval of the Managing Director EIP award	At the 2018 and 2019 Annual General Meetings (AGM), Iluka sought shareholder approval for the Managing Director's 2018 and 2019 EIP equity grants, with the number of restricted rights and performance rights to be determined following the 12 month scorecard performance assessment using the equity allocation methodology disclosed. Shareholder approval was sought at that time to ensure support before implementing the EIP grants. As shareholder approval for the Managing Director's 2019 EIP equity grant has already been obtained, we will not seek shareholder approval again for the grant at the 2020 AGM. At the 2021 AGM we will seek shareholder approval for the Managing Director 2020 EIP grant. This approach reflects market practice and will allow shareholders the opportunity to approve the actual number of securities to be allocated based on the 2020 EIP outcome.

3. 2019 performance highlights and alignment to Executive KMP remuneration outcomes

Outlined below is the 2019 performance compared to the historic performance of the Group.

Historical Company Performance

	2015	2016[4]	2017[4]	2018	2019[4]
Net profit/(loss) after tax ($m)	53.5	(224.0)	(171.6)	303.9	(299.7)
Underlying EBITDA (Group) ($m)[1]	293.4	150.5	360.5	600.1	616.0
EBITDA margin (%)	31.2	13.9	35.4	48.2	51.6
Free cash flow ($ million)	155.0	47.3	321.9	304.4	139.7
Earnings per share (cents)	12.8	(53.3)	(41.0)	72.2	(71.0)
Return on equity (%)	3.8	(17.1)	(20.1)	31.8	(26.6)
Closing share price ($)[2]	6.13	7.27	10.17	7.62	9.30
Dividends paid (cents)[3]	25	3	31	29	13
Franking credit level (%)	100	100	100	100	100
Average AUD : USD spot exchange rate (cents)	75.2	74.4	76.7	74.8	69.5
Revenue per tonne Z/R/SR sold ($/t)	1,136	999	1,079	1,426	1,654

[1]Underlying Group EBITDA excludes adjustments including impairments, write-downs and changes to rehabilitation provisions for closed sites.

[2]Starting share price on 1 January 2015 was $8.63.

[3] Dividends paid in relation to the year

[4] Reported earnings in 2016, 2017 and 2019 were impacted by impairments, write-downs and changes to rehabilitation provisions for closed sites.

DIRECTOR'S REPORT

For the year ended 31 December 2019

2019 EIP Scorecard and outcomes achieved

The EIP Scorecard is approved by the Board at the commencement of the financial year and focuses executives on business priorities that support the delivery of Iluka's Corporate five year plan. Outlined below are the targets that were set in 2019, and the performance achieved.

Scorecard measure and target	Weight	Performance and outcome	Threshold – Target - Stretch
FINANCIALS (MD and CFO)	**35%**	**Outcome – 27% of target; 18% of maximum**	
Group ROE (%)[1] Target 2019 budget	15%	Below threshold Return of (26.6%) was well below expectations primarily due to the $414 million write-down of Sierra Rutile and the associated write off of the deferred tax asset. The underlying Group earnings were strong, particularly given the mixed mineral sands market conditions, with the Group achieving an underlying EBITDA of $616 million, an improvement on last year's strong performance of $600 million.	
EPS (c/s)[1] Target 2019 budget	10%	Below threshold Earnings per share of (71c) compared to 72c in 2018 was below expectations, predominantly due to the write-down of Sierra Rutile.	
All in Unit Cash Costs of Production $/t Target $1,016 / t	10%	Towards target All in cash costs of $1,032 /t are slightly higher than budget primarily due to lower production volumes at Sierra Rutile. Overall costs were lower than expectations.	

[1]Disclosure of financial targets

No specific targets are disclosed in relation to the financial earnings measures due to commercial sensitivity. Iluka's approach to the marketing and pricing of its products is key to achievement of the company's objective to deliver sustainable value. We believe maintaining confidentiality on financial earnings targets, even on a retrospective basis, is critical to our competitive advantage and is in the best interests of shareholders.

Scorecard measure and target	Weight	Performance and outcome	Threshold – Target - Stretch
PRODUCTION	**15%**	**Outcome – 56% of target; 33% of maximum**	
Australia Z/R/SR Kt Target 565	10%	Below target Australian production of 556.7 Kt was 1 per cent below budget. Zircon production was intentionally constrained in the last quarter to reflect current market conditions. Synthetic Rutile production was above expectations due to an earlier restart after the planned major maintenance outage in the first quarter and consistently higher runtime for the remainder of the year.	
Sierra Rutile Z/R Kt Target 155	5%	Below threshold Overall production of 145.7kt was below threshold. Production lower due to continued mining runtime and throughput issues (noting production performance improved in the fourth quarter).	

Scorecard measure and target	Weight	Performance and outcome	Threshold – Target - Stretch
SUSTAINABILITY	**15%**	**Outcome – 75% of target; 50% of maximum**	
Group Total Recordable Injury Frequency Rate Reduction to 2.6	5%	Below threshold While failing to achieve the targeted reduction, TRIFR has decreased by 0.6 to finish the year at 2.9. Total Recordable Injuries reduced from 34 in 2018 to 30 in 2019. Sierra Rutile operations achieved 12 months without a lost time injury in December 2019.	
Group Closure Index (%) Reduction of rehabilitation liability through closure index target of 101%	5%	Above stretch (maximum) Above stretch performance was achieved as a result of the rehabilitation of 686 hectares during the year and the opening of new land maintained within budgeted mine plans	
Group environmental level 3 and above incidents Target of 20 or less	2.5%	Above stretch (maximum) There was a significant reduction in number of serious environmental incidents (classified as Level 3 or above defined by Iluka's incident classification matrix) with 13 incidents during the year, compared with 20 in 2018.	
Closed actions by due date 95% of actions (excluding SRL) closed out by initial set due date	2.5%	Below threshold Disappointing result with 86% of actions (identified through incident investigations, planned workplace inspections and safety visits) closed out by initial due date on a rolling 12 month basis. The monthly close out of actions over the second half of the year has increased to targeted levels and remains a key focus for the business.	
GROUP STRATEGY/ PROJECTS	**10%**	**Outcome – 100% of target; 66.7% of maximum**	
Measures focused on progressing 5 year strategic plan covering: • Delivery of key projects • Optimisation of marketing approach • Improvement of social performance in Sierra Leone • Progression of growth projects		At target performance has been assessed overall reflecting: • Strong delivery of major projects to sustain production, provide additional flexibility and increase capacity across our operations; • Resilient performance in a subdued zircon market; • Significant improvement in social performance at Sierra Rutile with a reduction in social incidents rated level 3 and above from 14 in 2018 to 7 in 2019 • Progress made on a range of growth project feasibility studies during the year. **Detailed outcomes for the individual strategic objectives set for the Managing Director are covered in the following pages, which provide more information relating to key projects.**	
GROUP SCORECARD MD and CFO[2]		**Outcome – 52% of target; 34.7% of maximum**	

[2] Financials, Production, Sustainability, Group Strategy

The financial measures and outcomes for other Executive KMP were Return on Capital (below threshold performance outcome), Net Profit after tax (below threshold performance outcome) and All in Unit Cash Costs of Production as described above. These outcomes resulted in a Group EIP scorecard result of 52% of target for other Executive KMP.

DIRECTOR'S REPORT

For the year ended 31 December 2019

Managing Director individual objectives

Individual strategic objectives were set based on individual KMP accountabilities. Outlined below is assessment of the MD's performance against the Individual Strategy scorecard measure and corresponding EIP outcome.

Scorecard measure (weight)	Performance	Threshold – Target - Stretch
INDIVIDUAL STRATEGY (25%)	**Outcome – 100% of target; 67% of maximum**	
Deliver, execute and progress growth projects	The Group delivered five major projects in 2019, establishing a strong base to sustain operations. • The Cataby mine was commissioned and will support synthetic rutile production for at least the next 8.5 years. The operation achieved near nameplate production in December. • Ilmenite mined at Cataby is processed at synthetic rutile kiln 2, which underwent a major refresh prior to receiving this material. Delivered ahead of schedule and on budget, the refresh has facilitated an increase in processing capacity from ~205ktpa to 225ktpa. • The mine move from Jacinth to Ambrosia was achieved ahead of schedule and significantly under budget (>25%). This development enables Iluka to sustain zircon production levels into the medium term. It also provides for enhanced flexibility in Iluka's zircon product suite, which is important given challenging market conditions. • Expansion projects to double current production levels at Lanti and Gangama in Sierra Leone have been delivered on schedule and budget. With these expansions commissioned, fourth quarter production at Sierra Rutile was up 32%, comprising 44 Kt of rutile, with the mineral separation plant operating at capacity. The Sembehun development did not progress in line with plan and reverted to scoping stage. The feasibility study for the Eneabba Mineral Sands Recovery project was completed during the year, with several studies progressed including those on the Wimmera, Balranald and Atacama developments also progressed.	
Optimise SRL financial and social performance	Overall financial performance at SRL was disappointing and, with its write-down, the Board has acknowledged that the acquisition has fallen well short of investment case expectations, both in terms of the operational outcomes that have been achievable in Sierra Leone and the potential cost to develop Sembehun. 2019 exhibited improvement in SRL's performance with respect to safety and stakeholder relationships. This included 12 months without a lost time injury; improved production (following the completion of expansion projects); and commencement of a strategic partnership with the IFC – the private sector development arm of the World Bank and one of the country's largest foreign donors and comparatively calm industrial relations notwithstanding the shutdown of the dredge.	
Optimise price and volume settings	Iluka identified short term softness in the zircon market at mid-year and responded in the second half with enhanced loyalty rewards and an augmented product mix of standard grade zircon and zircon-in-concentrate. This enabled the achievement of sales volumes in line with revised guidance despite cautious purchasing behaviour, some thrifting in downstream industries and an attendant reduction in demand.	
Deliver people strategy	Iluka implemented a new leadership framework in 2019, setting out expectations of leaders. This was complemented by the launch of new leadership development programmes. The Executive was restructured to strengthen Iluka's resource development and project execution capability. This saw three new members to the Executive (all internal appointees). The SRL Executive was also strengthened through expatriate and local Sierra Leonean hires, building operational leadership capability.	

Overall EIP scorecard outcome for the MD

Scorecard measure	Weight	Outcome	Weighted Outcome	Threshold – Target - Stretch
Group Scorecard	75%	52%	39%	
Individual Strategy MD Outcome	25%	100%	25%	
OVERALL MD RESULT			**64%**	

For the year ended 31 December 2019

The Individual strategy scorecard area outcomes for other Executive KMP ranged from 74 – 111 % of target.

EIP awards from 2019 scorecard outcomes

The following table presents the outcomes of the EIP award attributed to the 2019 performance year. The face value of restricted rights and performance rights has been presented, as the fair value will not be determined until the grant is made in March 2020.

Executive KMP	Maximum EIP opportunity	% of target EIP earned	% of maximum EIP earned	Cash	Restricted Rights	Performance Rights	Total
T O'Leary	$2,800,000	64	43	$179,031	$ 620,642	$393,869	$1,193,542
J Andrews	$ 837,123	67	45	$ 74,671	$175,478	$123,208	$373,357
C Barbier[1]	$ 484,418	61	41	$39,399	$92,588	$65,009	$196,996
M Blackwell	$ 982,500	64	43	$83,971	$197,332	$138,552	$419,855
A Stratton	$ 925,274	67	44	$82,164	$193,086	$135,571	$410,821
S Wickham[2]	$ 475,948	58	38	$36,552	$85,899	$60,312	$182,763

[1] Represents the period that C Barbier was a member of KMP.
[2] Represents the period that S Wickham was a member of KMP.

Summary of realised remuneration paid to Executive KMP in 2019

This section uses non-IFRS information to explain the "realised remuneration" received by Executive KMP for 2019. This is a voluntary disclosure intended to demonstrate the link between the remuneration received by Executive KMP and the performance of Iluka over this same period.

Executive KMP	Fixed Remuneration	Other	EIP		LTIP/LDTR Performance Rights	Total
			Cash	Restricted Rights		
T O'Leary[1]	$1,400,000	$11,499	$179,031	$ 620,642	$433,185	$2,644,357
J Andrews	$ 553,125	$11,499	$ 74,671	$175,478	-	$814,773
C Barbier[2]	$ 312,569	$ 67,217	$39,399	$92,588	-	$511,773
M Blackwell	$ 655,000	$11,499	$83,971	$197,332	-	$947,802
A Stratton	$ 612,708	$11,499	$82,164	$193,086	-	$899,457
Former Executives						
S Hay	$ 262,500	$280,622	-	-	-	$543,122
S Wickham[3]	$ 320,688	$ 34,010	$36,552	$85,899	-	$477,149

[1] The estimated value of the 2016 LTDR award for T O'Leary was calculated using the opening share price of $9.30 at 1 January 2020. The actual value will be calculated using the closing price at the date of vesting (1 March 2020).
[2] Represents the period that C Barbier was a member of KMP.
[3] Represents the period that S Wickham was a member of KMP.

"**Fixed Remuneration (FR)**" includes base salary and superannuation earned in 2019.

"**Other**" payments include non-monetary benefits received in 2019, including car parking, relocation benefits, and termination entitlements (such as payment in lieu of notice and accrued annual and long service leave).

"**EIP**" reflects the EIP cash amount and restricted right award receivable by executive KMP in respect of performance in 2019 (paid in March 2020 following the release of the annual results). It does not include the performance rights component of EIP outcomes, as they will only vest in future years if additional performance conditions are met.

"**LTIP/LTDR**" reflects previous awards of shares as a consequence of rights from prior years which reached the end of their performance period in 2019 and vested in 2020. It does not include awards which may vest in future years subject to performance conditions.

DIRECTOR'S REPORT

For the year ended 31 December 2019

Legacy Arrangements

2016 LTIP outcome

The four-year 2016 LTIP award which commenced on 1 January 2016 completed its performance period at the end of 2019. Based on the results of testing, the Board determined that the award would not vest as outlined below.

Performance Measure/ Weighting	Performance Target	Actual Performance	Vesting outcome
ROE (50%)	50% vesting at Threshold of 10% with full vesting at target of 14% over performance period	Did not reach threshold	0%
Relative TSR (50%) (S&P/ASX 200 Materials Index)	50% vesting at 50th percentile and full vesting for 75th percentile	39th percentile	0%

Managing Director One-off equity grant

In October 2016, the Managing Director received an award of Long Term Deferred Rights (LTDR) in consideration of joining Iluka and thereby forfeiting benefits that he may have become entitled to at his previous employer.

The LTDR award comprised three tranches of share rights which vest subject to ROE and relative TSR performance targets over staggered performance periods.

Following the end of 2019, the third and final tranche of award was eligible to be tested against the ROE and relative TSR performance targets over the performance period 1 October 2016 to 31 December 2019.

Average ROE performance of the period was below the threshold of 10% (reported earnings in 2016, 2017 and 2019 were impacted by impairments, write-downs and increases to provisions) resulting in no vesting of the ROE component (half of tranche 3) and TSR of 53rd percentile of the S&P/ASX 200 Materials Index comparator group on a relative basis resulted in 57% vesting of the TSR component (the remaining half of Tranche 3).

Award	Performance Period	Award details	Award outcome
Tranche 3	1 October 2016 to 31 December 2019	163,031 share rights granted	46,579 share rights to vest in March 2020 (116,452 share rights to lapse)
Prior year LTDR award outcome			
Tranche 1	1 October 2016 to 31 December 2017	147,814 share rights granted	73,907 share rights vested (March 2018) (75,907 share rights lapsed)
Tranche 2	1 October 2016 to 31 December 2018	194,084 share rights granted	69,288 shares rights vested (March 2019) (124,796 shares rights lapsed)

Long-Term Deferred Rights (LTDR) award – Chief Operating Officer, Mineral Sands

The Board has historically retained flexibility to make one-off equity grants to key executives to recognise change of position and the impact of these will have on delivering Iluka's future strategic plan. In recognition of the ongoing importance of integration and delivery of the investment case for the Sierra Rutile operations, an equity grant was awarded as LTDR to the Chief Operating Officer in 2019. Grants were also made during the 2017 and 2018 financial years.

Following the end of 2019, the 2017 and 2019 LTDR granted to the Chief Operating Officer, Mineral Sands were eligible to be tested. Performance was assessed against Sierra Rutile specific objectives covering financial, operational and safety performance, and effective succession plans for key senior roles.

Award	Details	Award	Details
2017 LTDR – Chief Operating Officer	Share rights vest at the end of three-year performance period	23% of rights to vest 1 March 2020	3,711 rights will vest 12,422 rights will lapse
2019 LTDR – Chief Operating Officer	Share rights vest at the end of one-year performance period	35% of rights to vest 1 March 2020	4,117 rights will vest 7,645 rights will lapse

The following ad-hoc rights award will lapse on Steve Wickham's departure from Iluka in 2020:

Award	Details	Award	Details
2018 LTDR – Chief Operating Officer	Share rights vest at the end of three-year performance period	n/a	Award will lapse in 2020

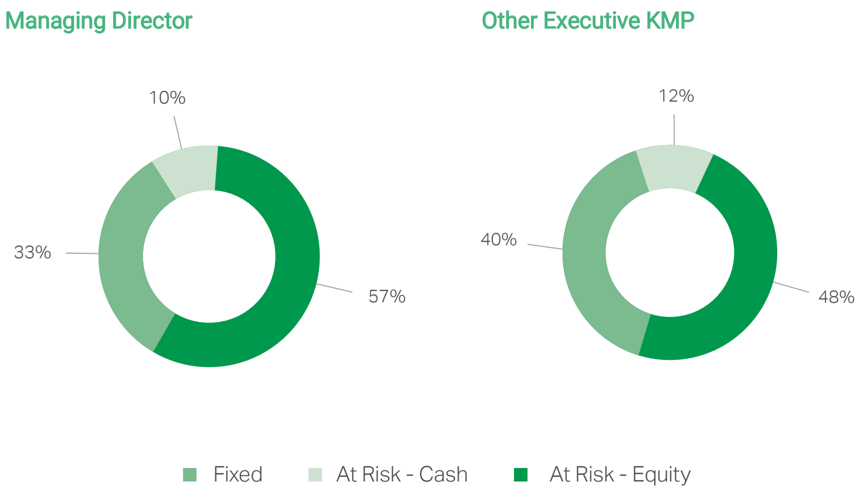
DIRECTOR'S REPORT

For the year ended 31 December 2019

4. Executive remuneration framework and details

Our current executive remuneration framework is described below in further detail.

Executive remuneration framework and remuneration mix

Fixed remuneration	2019 remuneration mix
Base salary, superannuation and salary sacrificed items.	A substantial proportion of variable remuneration is delivered in equity (restricted rights and performance rights) as the below remuneration mix illustrates, based on the achievement of maximum performance.
Iluka undertakes executive remuneration benchmarking to ensure fixed remuneration remains competitive within the relevant markets and against our chosen peer groups. These are based on market capitalisation, industry and matching of similar roles.	
Two peer groups have been used for benchmarking in 2019. The first consisting of twenty ASX 200 companies in the Materials, Energy, Utilities and Industrials Global Industry Classification and a second general industry peer group based on similar market capitalisation to Iluka.	From 2020, EIP awards provided to the MD will be delivered solely in equity.
Iluka's remuneration policy is to position remuneration at the market median.	

Fixed remuneration for 2019

In 2019 there was no increase to the Managing Director's fixed remuneration, which has not changed since his appointment to the role in September 2016. A benchmarking exercise was undertaken during 2019 and some roles received an increase to their fixed remuneration where there was a change in scope and accountabilities.

- Julian Andrews' accountabilities were increased seeing him take charge of the exploration, geology and mine planning functions.
- Adele Stratton's accountabilities were increased seeing her take charge of the procurement function in addition to her CFO role.

Executive KMP	At 31 December 2018 Fixed Remuneration	At 31 December 2019 Fixed Remuneration
T O'Leary	$1,400,000	$1,400,000
J Andrews	$ 500,000	$ 580,000
C Barbier	N/A	$ 575,000
M Blackwell	$ 655,000	$ 655,000
A Stratton	$ 575,000	$ 630,000
S Wickham	$ 733,000	$ 733,000

Key design features of 2019 EIP

2019 EIP opportunity

The EIP opportunity is expressed as a percentage of fixed remuneration (FR).

	Target (% of FR)	Maximum (% of FR)
Managing Director	133%	200%
Other Executive KMP	100%	150%

Change for 2020: The maximum incentive opportunity has been increased by an additional 10% of FR for the MD and by 15% of FR for Other Executive KMP based on the results of external remuneration benchmarking.

Performance Measures

The EIP scorecard includes Financial Performance, Production, Sustainability, Group and Individual Strategy measures. For all scorecard performance measures, a threshold, target and stretch goal was set at the start of 2019.

Change for 2020: Increased weighting on financial measures. Scorecard has been simplified to include the same financial measures for all participants. Additionally, strategy will be measured on an individual basis only (2019 also measured strategic objectives set at the group level).

Vesting schedule

EIP scorecard outcomes are calculated based on the following schedule, with a sliding scale operating between threshold and target, and between target and stretch:

Performance Level	EIP Outcome (% Target)
Threshold	50%
Target	100%
Stretch (maximum)	150%

Performance assessment

EIP outcomes are determined following assessment of performance measures at the end of the 2019 performance period.

Outcomes are subject to one up assessment and, for the Managing Director and Executive KMP, assessment by the Board.

Award type and timing

EIP awards are delivered in the form of cash, restricted rights and performance rights. The award will be granted for nil consideration in March 2020.

DIRECTOR'S REPORT

For the year ended 31 December 2019

<table>
<tr><td>Allocation Methodology</td><td>The number of restricted rights and performance rights awarded to each participant are based on face value. This is determined by dividing the dollar value of the deferred component by the Volume Weighted Average Price (VWAP) of Iluka shares traded on the ASX over the five trading days following the release of the Company's full year results.</td></tr>
<tr><td>Restriction and performance periods on EIP equity</td><td>EIP equity is subject to restriction or performance conditions:
<table>
<tr><th>Restricted Rights</th><th>Performance Rights</th></tr>
<tr><td>Restricted rights will be granted following the end of the 2019 performance period and vest in equally weighted tranches on the first, second and third anniversary of the grant, subject to continued service.</td><td>Performance rights will be subject to an additional performance test prior to vesting.
TSR performance will be measured over a four-year period commencing on 1 January 2019 against the S&P / ASX 200 Resources Index (excluding companies primarily engaged in the oil and gas sector and non-mining activities).</td></tr>
<tr><td>Change for 2020: Restricted rights be released in four tranches over four years.</td><td>Change for 2020: TSR measured over five years and subject to sliding scale vesting. Proportion of equity award subject to the TSR test has been increased from 33% of the equity award to 40%.</td></tr>
</table></td></tr>
<tr><td>Voting rights and dividends</td><td>No dividends are paid on restricted rights or performance rights prior to vesting. For any restricted rights or performance rights that ultimately vest, a cash payment equivalent to dividends paid by Iluka during the period between grant of the awards and vesting will be made. No cash payment will be made in respect of dividends on awards which do not vest.</td></tr>
</table>

5. Remuneration governance

We have established a governance framework around remuneration, to ensure that decisions around remuneration of our executive and employees reflects our remuneration principles.

Remuneration governance framework

BOARD
OVERSIGHT OF DECISIONS DELEGATED TO THE PPC

WITH ADVICE FROM:

PPC

Reports and recommends to the Board to support the Company's purpose to deliver sustainable value. Operating in accordance with a Charter as approved by the Board, responsibilities include:

- Overall remuneration strategy of the Company
- Incentive plan offers and outcomes including all equity offers to employees
- Succession planning for key roles
- Performance and remuneration for the Managing Director and Executives, and remuneration of non-executive directors.
- Diversity strategy, policies and practices of the Company.

MANAGEMENT

Propose appointments, succession plans, policies, remuneration structures and remuneration outcomes for the PPC for review and recommendation to the Board.

INDEPENDENT EXTERNAL ADVISORS

Engaged by the Company to provide information on remuneration related issues including current market practice, remuneration benchmarking and market data.

BASED ON:

REMUNERATION PRINCIPLES

...aligned with Iluka's People Policy and form the basis of Iluka's remuneration framework
(See section 4 for detail on principles)

External advice provided to PPC

External remuneration consultants were engaged by the PPC in 2019 to conduct benchmarking analysis in respect to executive and non-executive directors' remuneration and provide advice in relation to incentive arrangements. The remuneration consultants did not provide a 'Remuneration Recommendation' as defined in the Corporations Act 2011 during the 2019 financial year.

EIP governance framework and mechanisms

The structure of the EIP provides different ways to allow the PPC and the Board the flexibility to ensure remuneration outcomes reflect the performance of Iluka and each individual.

Cessation of employment	In the event of an Executive KMP ceasing employment for: Resignation or termination for cause: all restricted shares and unvested performance rights and restricted rights will be forfeited or lapse (as applicable). Any other circumstances (including death, total and permanent disability, retirement or redundancy): unvested restricted shares, restricted rights, and performance rights will remain on foot and be subject to the original terms of the award.
Clawback & Malus	The Board has power to clawback incentives that have vested and that have been paid or awarded to participants in certain circumstances. For example, restricted shares, restricted rights and performance rights may be lapsed or forfeited (as appropriate) if a participant acts fraudulently or dishonestly or if there is a material misstatement or omission in the accounts of a Group company.

DIRECTOR'S REPORT

For the year ended 31 December 2019

Change of control	Board discretion to determine that vesting of some or all of the performance rights and restricted rights be accelerated and that dealing restrictions on restricted shares be released, in the event of a takeover or other transaction that in the Board's opinion should be treated as a change of control event.
Board discretion	Where the Board exercises its discretion under the EIP, the Board will consider all relevant factors at the time, which may include the participant's performance against the performance targets and the proportion of the performance or deferral period that has elapsed.

Minimum Shareholding Requirement

Executive KMP

Executive KMP are required to acquire and hold a personally significant shareholding in Iluka to align executives to the interests of shareholders. Through shareholding, executives are exposed to the experience of shareholders (e.g., share price appreciation and dividends). Executive KMP are required to build the shareholding over a reasonable time frame taking into account vesting and taxation obligations.

As at 31 December 2019, two members of Executive KMP have met the minimum shareholding requirement.

MSR requirement	% of FR (year-end)
Managing Director	200%
Other KMP	100%

Non- executive directors

The Board is committed to non-executive directors acquiring and holding a shareholding within three years of appointment.

As at 31 December 2019 all Board members, with the exception of the Board members who joined the Board in 2019, have bought and now hold at least the minimum shareholding requirement.

MSR requirement	No of shares
Chairman	30,000
Other NEDs	12,000

See Section 7 for details of current KMP and NED shareholdings

Securities Trading Policy

Security Trading Policy

Directors and employees (including Executive KMP) are prohibited from trading in financial products issued or created over the Company's securities created by third parties, and from trading in associated products and entering into transactions which operate to limit the economic risk of their security holdings in the Company.

The Security Trading Policy is available on the Company's website at www.iluka.com.

DIRECTOR'S REPORT

For the year ended 31 December 2019

Executive employment agreements

Iluka's Executive KMP are employed on terms set out in individual employment agreements which do not contain a fixed term. Key terms of the agreements are as follows:

Executive KMP	Termination Notice Period by Iluka or Employee[1]
T O'Leary Managing Director	6 months
J Andrews Head of Strategy, Planning and Business Development	3 months
C Barbier Head of Marketing	3 months
M Blackwell Head of Major Projects, Engineering and Innovation	3 months
A Stratton Chief Financial Officer	6 months
Former Executives	
S Hay Head of Resource Development	3 months
S Wickham Chief Operating Officer	3 months

[1]If the executive's employment is terminated by Iluka (other than for gross misconduct or on other grounds for summary dismissal). The executive may be eligible to receive a termination payment to a maximum of 6 months TFR (inclusive of any payment made in lieu of notice).

Iluka may terminate Executive KMP's employment agreements without notice and without providing payment in lieu of notice where there is gross misconduct or other grounds for summary dismissal.

6. Non-executive director fees

Non-executive director fees are paid from an aggregate fee pool of $1.8 million as approved by shareholders at Iluka's AGM in May 2015. The total amount paid to non-executive directors in 2019 (including superannuation) was $1, 221,204. There were no increases to the non-executive directors' fees in 2019.

2019 Non-executive director fee policy

	Chair		Member	
Board and Committee Fees	2018	2019	2018	2019
Board	$321,400	$321,400	$128,800	$128,800
Audit and Risk Committee	$ 36,100	$36,100	$ 18,100	$18,100
People and Performance Committee	$ 30,600	$30,600	$ 15,350	$15,350
Nomination Committee	Nil	Nil	Nil	Nil

The minimum required employer superannuation contribution up to the statutory maximum is paid into each non-executive director's nominated eligible fund and is in addition to the above fees.

2019 Non-executive director Statutory Remuneration Disclosures

Outlined below are the fees paid to non-executive directors in 2019, prepared in accordance with the requirements of the Corporations Act 2001 (Cth) and the relevant Australian Accounting Standards.

Name	Year	Board, Committee Fees	Non-Monetary Benefits	Superannuation	Statutory Total
Current Non-Executive Directors					
G Martin	2019	$321,400	-	$20,767	$342,167
	2018	$319,833	-	$20,290	$340,123
M Bastos	2019	$146,900	-	$13,956	$160,856
	2018	$146,167	-	$13,886	$160,053
R Cole[1]	2019	$144,150		$13,694	$157,844
	2018	$132,138	-	$12,553	$144,691
S Corlett[2]	2019	$85,692	-	$8,141	$93,833
J Ranck	2019	$172,975	-	$16,433	$189,408
	2018	$175,833	-	$16,704	$192,537
L Saint[3]	2019	$27,677	-	$2,629	$30,306
J Seabrook	2019	$176,412	-	$16,759	$193,171
	2018	$178,958	-	$17,001	$195,959
Former Non-Executive Directors					
X Liu[4]	2019	$48,967	-	$4,652	$53,619
	2018	$146,167	-	$13,886	$160,053
Total fees	2019	$1,124,173	-	$97,031	$1,221,204
	2018	$1,099,096	-	$94,320	$1,193,416

[1]R Cole was appointed 1 March 2018
[2]S Corlett was appointed 1 June 2019
[3]L Saint was appointed 24 October 2019
[4]X Liu resigned effective 16 April 2019

DIRECTOR'S REPORT

For the year ended 31 December 2019

7. Statutory disclosures

Details of the remuneration of the KMP, prepared in accordance with the requirements of the Corporations Act 2001 (Cth) and the relevant Australian Accounting Standards, are set out in the following tables.

Executive KMP Statutory Remuneration Disclosures

Name	Year	FR[1]	EIP/STIP Cash[2]	Non-Monetary Benefits[3]	Termination Benefits[4]	Other[5]	Share Based Payments[6]	Statutory Total
Current Executives								
T O'Leary	2019	$1,400,000	$179,031	$11,499	-	-	$1,590,547	$3,181,077
	2018	$1,400,000	$323,569	$13,406	-	-	$1,065,428	$2,802,403
J Andrews	2019	$553,125	$74,671	$11,499	-	-	$204,440	$843,735
	2018	$500,000	$115,350	$13,406	-	-	$157,036	$785,792
C Barbier[7,8]	2019	$312,569	$39,399	$ 67,217	-	-	$185,194	$604,379
M Blackwell	2019	$655,000	$83,971	$11,499	-	-	$465,032	$1,215,502
	2018	$655,000	$153,729	$13,406	-	-	$373,502	$1,195,637
A Stratton	2019	$612,708	$82,164	$11,499	-	-	$258,970	$965,341
	2018	$469,783	$132,653	$13,406	-	-	$205,213	$821,055
Former Executives								
S Hay[9]	2019	$262,500	-	$4,932	$275,690	-	$7,707	$550,829
	2018	$600,000	$134,820	$13,406	-	-	$323,472	$1,071,698
S Wickham[10]	2019	$320,688	$36,552	$2,073	-	$31,937	$657,805	$1,049,055
	2018	$733,000	$155,909	$4,434	-	$ 73,000	$481,435	$1,447,778
Total	2019	$4,116,590	$495,788	$120,218	$275,690	$31,937	$3,369,695	$8,409,918
	2018[11]	$4,357,783	$1,016,030	$71,464	-	$73,000	$2,606,086	$8,124,363

[1] Includes base salary and superannuation.
[2] EIP cash payments and restricted share awards for 2019 will be made in March 2020.
[3] Includes car parking, medical insurance and relocation costs for C Barbier. Includes car parking for other KMP.
[4] Includes cessation entitlements relating to payment in lieu of notice and accrued leave entitlements.
[5] Includes Sierra Leone travel allowance for S Wickham.
[6] Amounts relate to the fair value of awards from prior years made under various incentive plans attributable to the year measured in accordance with AASB 2 Share Based Payments.
[7] C Barbier became a KMP on 10 June 2019. Remuneration disclosures reflect the period he was a KMP
[8] C Barbier relocated from Singapore to Australia effective 7 October 2019. The SGD denominated portion of his 2019 earnings have been converted from SGD to AUD for 2019 using the average monthly foreign exchange rate for the duration of his 2019 Singapore employment.
[9] S Hay ceased to be a KMP on 7 June 2019. Remuneration disclosures for 2019 reflect the period he was a KMP.
[10] S Wickham ceased to be a KMP on 7 June 2019. Remuneration disclosures reflect the period he was a KMP
[11] The total for 2018 is different from the total in the 2018 Annual Report as those figures included D Warden, who is no longer an employee of Iluka

DIRECTOR'S REPORT

For the year ended 31 December 2019

KMP Share–based Compensation

EIP and STIP restricted shares and restricted share rights

Name	2016 STIP[1] (restricted shares)	2017 STIP[1] (restricted shares)	2018 EIP[1] (restricted shares)	2019 EIP[2] (restricted rights)	% of maximum opportunity awarded [3] 2016	2017	2018	2019
T O'Leary	-	36,273	119,991	64,132	-	61	77	43
J Andrews	-	-	28,998	18,868	-	-	77	45
C Barbier[4]	-	-	-	9,955	-	-	-	41
M Blackwell	16,177	16,635	38,646	21,218	35	60	78	43
A Stratton	-	-	33,348	20,761	-	-	77	44
Former Executives								
S Hay[5]	13,208	14,215	33,894	-	39	56	75	-
S Wickham[6]	18,391	17,803	39,195	21,337	38	57	71	38

[1] The restricted share fair value is determined as the volume weighted average price of ordinary shares over the five trading days following the release of the Company's annual results. Restricted shares are awarded in March of the following year (e.g. 2018 EIP awards were made in March 2019).
[2] Represents the estimated number of restricted rights to be awarded under the 2019 EIP calculated using the closing share price of $9.30 at 1 January 2020.
[3] The percentage achieved of the EIP or STIP maximum incentive opportunity awarded for the financial year
[4] C Barbier became a KMP on 10 June 2019. Disclosures reflect the period he was a KMP.
[5] S Hay ceased to be a KMP on 7 June 2019. Disclosures for 2019 reflect the period he was a KMP
[6] S Wickham ceased to be a KMP on 7 June 2019. Disclosures for 2019 reflect the full year

Performance Rights

Name	Number of share rights: Balance at 1 January 2019/KMP start date[1]	Granted during 2019[2]	Vested / exercised into shares in 2019	Lapsed during 2019[3]	Balance at 31 December 2019/ KMP end date[4]	Value of share rights: Granted in 2019 $	Value of rights vested / exercised into shares in 2019 $[5]
T O'Leary	856,983	76,148	(69,288)	(124,796)	739,047	711,852	630,867
J Andrews	-	20,360	-	-	20,360	190,328	-
C Barbier	46,463	-	-	-	46,463	-	-
M Blackwell	192,378	27,134	(16,840)	(50,518)	152,154	253,652	156,444
A Stratton	24,006	23,414	(1,754)	(5,260)	40,406	218,877	16,053
S Hay	147,836	23,796	(11,877)	(159,755)	-	-	109,159
S Wickham	223,746	39,281	(16,583)	(49,747)	196,697	367,200	149,910

[1] Balance at date commenced as KMP for C Barbier.
[2] Share rights granted in respect of the 2018 EIP, and 2018 and 2019 LTDR awards for the Chief Operating Officer, which form part of share based payments for 2018 to 2021 inclusive.
[3] Share rights which lapsed during 2019 relate to the 2016 LTIP award and MD LTDR (Tranche 2). Share rights were forfeited upon the departure of S Hay.
[4] Balance at KMP end date for S Wickham.
[5] Value at point of vest.

Fair Value

The fair value of each restricted share or share right and the vesting year for each incentive plan is set out below.

The maximum value of restricted shares and/or share rights yet to vest is not able to be determined as it is dependent on satisfaction of service and performance conditions and Iluka's future share price. The minimum value of unvested restricted shares and/or share rights is nil.

Fair value of equity grants

Incentive Plan	Grant Date	Fair Value per Share or Right at Grant Date[1] $	Vesting Year	Expiry year[2]
2016 LTIP Tranche 2	May 2016	5.07	2020	2026
2016 LTDR[3]	October 2016	4.68	2020	2026
2016 LTIP (MD grant)	October 2016	4.57	2021	2026
2017 LTIP	March 2017	6.55	2021	2027
2017 STIP[4]	March 2018	10.55	2020	2019,2020
2017 LTDR[5]	March 2017	6.82	2021	2027
2018 LTDR[5]	March 2018	10.55	2021	2028
2019 LTDR[5]	March 2019	9.35	2020	2029
2018 EIP[6]	March 2019	9.35	2020, 2021, 2022	2020,2021,2022
2018 STIP[6]	March 2019	9.35	2020, 2021	2020,2021
2019 EIP[7]	March 2020	9.30	2021, 2022, 2023	2021,2022,2023
2019 STIP[7]	March 2020	9.30	2021, 2022	2021,2022

[1] The fair value is calculated in accordance with the measurement criteria of Accounting Standard AASB 2 Share Based Payments.
[2] Rights granted under the LTIP and LTDR are not automatically exercised and must be exercised by the Executive KMP before the expiry date. Rights that are not exercised by the expiry date are automatically exercised by this date. No amounts are payable on exercise of the rights.
[3] 2016 LTDRs awarded to the Managing Director are tested at the end of 2017, 2018 and 2019.
[4] Awards under these plans are restricted shares; all other plans grant share rights.
[5] Represents the face value of the LTDR award for the Chief Operating Officer being the VWAP of Iluka shares traded over the five trading days following the release of the Company's 2017, 2018 and 2019 annual results, respectively.
[6] Represents the estimated fair value of restricted shares and performance rights to be awarded under the 2018 EIP/STIP for which the performance period concluded on 31 December 2018 calculated using VWAP of ordinary shares over the five trading days following the release of the Company's 2018 annual results.
[7] Represents the estimated fair value of restricted rights and performance rights to be awarded under the 2019 EIP/STIP for which the performance period concluded on 31 December 2019 calculated using the closing share price of $9.30 at 1 January 2020. The actual value will be calculated as the VWAP of ordinary shares over the five trading days following the release of the Company's 2019 annual results.

DIRECTOR'S REPORT

For the year ended 31 December 2019

Shareholdings of executive KMP and their related parties

Name	Number of shares					Minimum shareholding met?[6]
	Balance held at 1 January 2019/ KMP start date[1,2]	Vesting/exercise of share rights pursuant to LTDR and LTIP	Awarded as Restricted Shares pursuant to EIP	Other changes[3]	Balance held at 31 December 2019/KMP end date	
T O'Leary	110,180	69,288	119,991	-	299,459	Yes
J Andrews	4,740	-	28,998	-	33,738	No
C Barbier[4]	31,377	-	-	-	31,377	No
M Blackwell	63,555	16,840	38,646	(36,764)	82,277	Yes
A Stratton	13,923	1,754	33,348	-	49,025	No
S Hay[5]	66,669	11,877	33,894	(112,440)	-	N/A
S Wickham[6]	69,878	16,583	39,195	(44,851)	80,805	N/A

[1] S Wickham ceased to be a member of KMP on 7 June 2019. The closing balance reflects the period he was a KMP.
[2] Includes shares held directly or through a nominee or agent (e.g. family trust).
[3] Other changes may include changes due to personal trades and forfeited shares.
[4] C Barbier became a member of KMP on 10 June 2019. The opening balance reflects the period he was a KMP.
[5] S Hay ceased to be a member of KMP on 7 June 2019. The closing balance reflects this date.
[6] As at 31 December with share price of $9.30

Shareholdings of Non-executive directors and their related parties

Name	Number of shares[1]			Minimum shareholding met?
	Balance held at 1 January 2019	Net movement	Balance held at 31 December 2019	
G Martin[2]	30,000	-	30,000	Yes
M Bastos[2]	13,985	394	14,379	Yes
R Cole[2,]	4,000	8,000	12,000	Yes
S Corlett	-	5,588	5,588	No
J Ranck	12,412	350	12,762	Yes
L Saint[3]	-	-	-	No
J Seabrook[2]	19,977	563	20,540	Yes
Former Non-Executive Directors				
X Liu[2]	12,000	-	12,000	N/A

[1] Non-executive directors do not receive share based compensation and movements in their shareholdings reflect on-market trades.
[2] Includes shares held indirectly through a nominee or agent (e.g. family trust).
[3] L Saint was appointed a non-executive director on 24 October 2019. Remuneration disclosures for 2019 reflect the period she was a non-executive director.

On-market Share Purchases

The total number of Iluka shares acquired on-market to satisfy employee incentive schemes in 2019 was 856,601 at an average price of $8.59 per share.

Transactions with Key Management Personnel

During the financial year there were no product or services purchases by KMP from the Group (2018: nil) and there are no amounts payable at 31 December 2019 (2018: nil).

There have been no loans to KMP during the financial year (2018: nil).

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 31 December 2019

Auditor's Independence Declaration

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
20 February 2020

ILUKA RESOURCES LIMITED ABN 34 008 675 018
FINANCIAL REPORT - 31 DECEMBER 2019

CONTENTS

ABOUT THIS REPORT

These financial statements are the consolidated financial statements of the Group consisting of Iluka Resources Limited and its subsidiaries (the Group). The financial statements are presented in Australian dollars.

Iluka Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Iluka Resources Limited
Level 17
240 St Georges Terrace
Perth WA 6000

A description of the nature of the Group's operations and its principal activities is included in the operating and financial review section of the Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 20 February 2020. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All ASX releases, financial reports and other relevant information are available at www.iluka.com.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 $m	2018 $m
Revenue	5	**1,318.0**	1,350.9
Other income		**2.4**	3.1
Expenses	6	**(854.1)**	(870.3)
Write-down of Sierra Rutile Limited	7	**(414.3)**	-
Interest and finance charges		**(15.0)**	(15.0)
Rehabilitation and mine closure provision discount unwind		**(38.0)**	(16.7)
Total finance costs	15	**(53.0)**	(31.7)
Profit/(loss) before income tax		**(1.0)**	452.0
Income tax expense	11	**(298.7)**	(148.1)
Profit/(loss) for the period, attributable to:		**(299.7)**	303.9
Equity holders of Iluka Resources Limited		**(279.9)**	303.9
Non-controlling interest	22	**(19.8)**	-
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation of foreign operations	17	**2.7**	43.2
Hedge of net investment in foreign operation, net of tax	17	**(2.6)**	(2.1)
Movements in foreign exchange cash flow hedges, net of tax		**4.7**	(7.9)
Items that will not be reclassified to profit or loss			
Actuarial (losses) gains on defined benefit plans, net of tax	17	**(3.9)**	0.6
Total other comprehensive income/(loss) for the year, net of tax		**0.9**	33.8
Total comprehensive income/(loss) for the year, attributable to:		**(298.8)**	337.7
Equity holders of Iluka Resources Limited		**(279.0)**	337.7
Non-controlling interest	22	**(19.8)**	-
		Cents	Cents
Profit/(loss) per share attributable to ordinary equity holders of the parent			
Basic profit/(loss) per share	19	**(71.0)**	72.2
Diluted profit/(loss) per share	19	**(71.0)**	71.8

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

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2019

	Notes	2019 $m	2018 $m
ASSETS			
Current assets			
Cash and cash equivalents	15	**97.3**	51.3
Receivables	13	**196.3**	162.6
Inventories	14	**341.1**	387.1
Current tax receivables		**3.3**	7.7
Total current assets		**638.0**	608.7
Non-current assets			
Property, plant and equipment	9	**1,126.2**	1,379.1
Deferred tax assets	12	**22.1**	215.6
Intangible asset - MAC Royalty	5(c)	**3.5**	3.9
Inventories	14	**84.1**	4.6
Right of use assets	10	**20.5**	-
Total non-current assets		**1,256.4**	1,603.2
Total assets		**1,894.4**	2,211.9
LIABILITIES			
Current liabilities			
Payables		**140.8**	153.2
Derivative financial instruments	21	**3.7**	4.4
Current tax payable		**96.1**	143.6
Provisions	8	**112.6**	105.6
Lease liabilities	10	**9.2**	-
Total current liabilities		**362.4**	406.8
Non-current liabilities			
Interest-bearing liabilities	15	**54.0**	49.5
Derivative financial instruments	21	**1.6**	7.3
Provisions	8	**715.6**	638.3
Financial liabilities at fair value through profit or loss	22	**28.4**	-
Lease liabilities	10	**20.8**	-
Total non-current liabilities		**820.4**	695.1
Total liabilities		**1,182.8**	1,101.9
Net assets		**711.6**	1,110.0
EQUITY			
Contributed equity	16	**1,157.6**	1,154.0
Reserves	17	**24.0**	42.6
Accumulated losses	17	**(472.0)**	(86.6)
Non-controlling interests	22	**2.0**	-
Total equity		**711.6**	1,110.0

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Notes	Attributable to owners of Iluka Resources Limited Share capital $m	Other reserves $m	Retained earnings $m	Total equity $m
Balance at 1 January 2018		**1,119.7**	**9.4**	**(244.2)**	**884.9**
Profit for the year	17	-	-	303.9	303.9
Other comprehensive income (loss)	17	-	33.2	0.6	33.8
Total comprehensive income		**-**	**33.2**	**304.5**	**337.7**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax		4.6	(4.6)	-	-
Purchase of treasury shares, net of tax		(8.9)	-	-	(8.9)
Share-based payments, net of tax	17	-	4.6	-	4.6
Dividends paid	17	38.6	-	(146.9)	(108.3)
		34.3	-	(146.9)	(112.6)
Balance at 31 December 2018		**1,154.0**	**42.6**	**(86.6)**	**1,110.0**

	Notes	Attributable to owners of Iluka Resources Limited Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1] $m	Total equity $m
Balance at 1 January 2019		**1,154.0**	**42.6**	**(86.6)**	**1,110.0**	**-**	**1,110.0**
Loss for the year	17	-	-	(279.9)	(279.9)	(19.8)	(299.7)
Other comprehensive income (loss)	17	-	4.8	(3.9)	0.9	-	0.9
Total comprehensive income		**-**	**4.8**	**(283.8)**	**(279.0)**	**(19.8)**	**(298.8)**
Transfer of asset revaluation reserve		-	0.1	(0.1)	-	-	-
Transactions with owners in their capacity as owners:							
Transfer of shares to employees, net of tax		8.0	(8.0)	-	-	-	-
Purchase of treasury shares, net of tax		(6.0)	-	-	(6.0)	-	(6.0)
Share-based payments, net of tax	17	-	5.9	-	5.9	-	5.9
Dividends paid	17	1.6	-	(101.5)	(99.9)	-	(99.9)
Transactions with non-controlling interests	22	-	(21.4)	-	(21.4)	21.8	0.4
		3.6	(23.5)	(101.5)	(121.4)	21.8	(99.6)
Balance at 31 December 2019		**1,157.6**	**24.0**	**(472.0)**	**709.6**	**2.0**	**711.6**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 $m	2018 $m
Cash flows from operating activities			
Receipts from customers		**1,189.8**	1,277.4
Payments to suppliers and employees		**(781.7)**	(683.2)
Operating cash flow		**408.1**	594.2
Interest received		**1.2**	1.0
Interest paid		**(6.9)**	(7.6)
Income taxes paid		**(147.4)**	(5.2)
Exploration expenditure		**(11.3)**	(11.7)
Mining Area C royalty receipts		**78.5**	55.8
Net cash inflow from operating activities	30	**322.2**	626.5
Cash flows from investing activities			
Payments for property, plant and equipment		**(197.5)**	(311.5)
Sale of property, plant and equipment		**2.0**	2.4
Payments for options contracts		**-**	(0.6)
Net cash outflow from investing activities		**(195.5)**	(309.7)
Cash flows from financing activities			
Repayment of borrowings		**(324.7)**	(366.0)
Proceeds from borrowings		**332.7**	166.0
Purchase of treasury shares		**(7.4)**	(12.4)
Proceeds from changes in ownership interests		**28.5**	-
Dividends paid	18	**(99.9)**	(108.3)
Principal element of lease payments		**(8.2)**	-
Debt refinance costs		**(2.0)**	-
Net cash outflow from financing activities		**(81.0)**	(320.7)
Net increase/(decrease) in cash and cash equivalents		**45.7**	(3.9)
Cash and cash equivalents at 1 January		**51.3**	53.6
Effects of exchange rate changes on cash and cash equivalents		**0.3**	1.6
Cash and cash equivalents at end of period	15	**97.3**	51.3

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

Iluka Resources Limited and its subsidiaries together are referred to in this financial report as the Group.

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Iluka Group. Information is considered relevant and material if:

- The amount is significant due to its size or nature;
- The amount is important in understanding the results of the Group;
- It helps to explain the impact of significant changes in the Group's business; or
- It relates to an aspect of the Group's operations that is important to its future performance.

BASIS OF PREPARATION

This section of the financial report sets out the Group’s accounting policies that relate to the financial statements as a whole. This section also sets out information related to critical accounting estimates and judgements applied to these financial statements.

1 REPORTING ENTITY

Iluka Resources Limited (Company or parent entity) is domiciled in Australia. The financial statements are for the Group consisting of Iluka Resources Limited and its subsidiaries. A list of the Group's subsidiaries is provided in note 23.

2 BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Iluka Resources Limited is a for-profit entity and is primarily involved in mineral sands exploration, project development, mining operations, processing and marketing. The Group also has a royalty business, with the cornerstone asset being a royalty over BHP's Mining Area C in Western Australia.

The consolidated financial statements of Iluka Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are required to be measured at fair value.

New and amended standards adopted by the Group, and the related impacts on the financial statements, are detailed in note 34.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Iluka Resources Limited as at 31 December 2019 and the results of all subsidiaries for the year then ended. A list of controlled entities (subsidiaries) at year-end is contained in note 23.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Employee Share Trust

The Group's Employee Share Schemes are administered through the Iluka Resources Limited Employee Share Plan Trust (the trust). This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares in the Company held by the trust are disclosed as treasury shares in the consolidated financial statements and deducted from contributed equity, net of tax.

(b) Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Where Group companies based in Australia transact in foreign currencies, these transactions are translated into Australian dollars using the exchange rate on that day. Foreign currency monetary assets and liabilities are translated to Australian dollars at each reporting date exchange rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to Australian dollars at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not re-translated.

The financial position of foreign operations is translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at average exchange rates each month. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

The Group had US dollar denominated borrowings that were used to hedge against translation differences arising from assets held by the Group's Sierra Rutile Limited operations (see note 21 for more information).

To the extent that these borrowings did not exceed the net assets of these operations, foreign currency differences arising on the translation of these borrowings were recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Any remaining differences were recognised in profit or loss. If these operations were to be disposed of (in full or in part), the relevant amount in the foreign currency translation reserve would be transferred to profit or loss as part of the gain or loss on disposal.

(c) Rounding of amounts

The Company is of a kind referred to in Rounding Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the financial statements. In accordance with that Rounding Instrument, amounts in the financial statements have been rounded to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars or nearest dollar.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below.

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.

Estimates and assumptions which are material to the financial report are found in the following notes:

	Note
Impairment of assets	7
Rehabilitation and mine closure provisions	8
Tax balances	11
Deferred tax asset recognition	12
Net realisable value and classification of product inventory	14

KEY NUMBERS

4 SEGMENT INFORMATION

(a) Description of segments

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

During the current reporting period, the Group changed the internal reporting basis of its operations to match changes in the operational structure of the business, with the resultant new operating segments of the Group being as follows:

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

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

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

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

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

The previous Australia operating segment has been disaggregated to form the Jacinth-Ambrosia/Mid West and Cataby/South West operating segments. Certain idle assets previously included in the Australia operating segment have been combined with the United States operating segment to form the United States/Murray Basin segment. The Sierra Rutile and Mining Area C segments are unchanged. Comparative information for changed segments has been restated.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

Where finished product capable of sale to a third party is transferred between operating segments, the transfers are made at arm's length prices. Any transfers of intermediate products between operating segments are made at cost. No such transfers took place between segments during the year ended 31 December 2019 (2018: $12.4 million).

(b) Segment information

2019	JA/MW $m	C/SW $m	SRL $m	MAC $m	US/MB $m	Total $m
Total segment sales of mineral sands	482.7	414.2	257.6	-	38.6	1,193.1
Total segment freight revenue	19.8	7.4	8.1	-	3.3	38.6
Write-down of Sierra Rutile Limited	-	-	414.3	-	-	414.3
Depreciation and amortisation expense	28.9	54.0	74.6	0.4	0.6	158.5
Changes in rehabilitation for closed sites	1.6	(0.1)	-	-	(4.7)	(3.2)
Total segment result[1]	316.8	160.4	(430.0)	84.7	(14.8)	117.1
Segment assets	588.4	717.2	220.2	23.7	154.1	1,703.6
Segment liabilities	248.1	254.7	169.3	-	304.6	976.7
Additions to non-current segment assets	78.0	113.1	79.9	-	2.0	273.0

2018	JA/MW $m	C/SW $m	SRL $m	MAC $m	US/MB $m	Total $m
Total segment sales of mineral sands	568.6	297.2	203.9	-	174.4	1,244.1
Total segment freight revenue	26.3	5.0	7.0	-	12.0	50.3
Depreciation and amortisation expense	25.3	20.1	41.1	0.4	3.4	90.3
Changes in rehabilitation for closed sites	(8.6)	1.4	(1.3)	-	3.9	(4.6)
Total segment result[1]	358.9	110.5	(14.5)	55.2	50.0	560.1
Segment assets	465.6	624.8	621.0	17.5	165.9	1,894.8
Segment liabilities	198.9	209.5	137.6	-	319.2	865.2
Additions to non-current segment assets	9.8	263.1	109.9	-	8.2	391.0

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

Mineral sands revenue is derived from sales to external customers domiciled in various geographical regions. Details of segment revenue by location of customers are as follows:

	2019 $m	2018 $m
China	**404.1**	462.3
Asia excluding China	**200.9**	198.4
Europe	**400.1**	304.5
Americas	**135.9**	230.7
Other countries	**52.1**	48.2
Sale of goods	**1,193.1**	1,244.1

Revenue of $187.7 million and $136.9 million was derived from two external customers of the mineral sands segments, which individually account for greater than 10% of the total segment revenue (2018: revenues of $147.3 million and $143.0 million from two external customers).

Segment result is reconciled to profit/(loss) before income tax as follows:

	2019 $m	2018 $m
Segment result	**117.1**	560.1
Interest income	**-**	1.0
Asset sales and other income	**1.8**	0.8
Marketing and selling	**(11.9)**	(13.6)
Corporate and other costs	**(47.3)**	(48.2)
Depreciation	**(4.6)**	(3.3)
Resource development	**(42.2)**	(30.1)
Interest and finance charges	**(13.9)**	(15.1)
Net foreign exchange gains	**-**	0.4
Profit/(loss) before income tax	**(1.0)**	452.0

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

Segment assets	**1,703.6**	1,894.8
Corporate assets	**68.1**	42.5
Cash and cash equivalents	**97.3**	51.3
Current tax receivable	**3.3**	7.7
Deferred tax assets	**22.1**	215.6
Total assets as per the balance sheet	**1,894.4**	2,211.9

Segment liabilities	**976.7**	865.2
Corporate liabilities	**56.0**	43.6
Current tax payable	**96.1**	143.6
Interest-bearing liabilities	**54.0**	49.5
Total liabilities as per the balance sheet	**1,182.8**	1,101.9

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE

	Notes	**2019 $m**	2018 $m
Sales revenue			
Sale of goods	5(a)	**1,193.1**	1,244.1
Freight revenue	5(b)	**38.6**	50.3
Other revenue			
Mining Area C royalty income	5(c)	**85.1**	55.6
Interest	5(d)	**1.2**	0.9
		86.3	56.5
		1,318.0	**1,350.9**

(a) Sale of mineral sands

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

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

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

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

(b) Freight revenue

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

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

Freight revenue includes $2.4 million relating to contracts in place at the end of the prior year (2018: $0.9 million). Deferred freight revenue of $1.5 million has been deferred at the end of the current year in relation to unfulfilled shipping obligations.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

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

(d) Interest income

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

6 EXPENSES

	Notes	2019 $m	2018 $m
Expenses			
Cash costs of production	6(a)	**528.7**	443.6
Depreciation and amortisation		**155.6**	84.1
Inventory movement - cash costs of production		**(63.4)**	68.5
Inventory movement - non-cash production costs		**(15.5)**	28.3
Cost of goods sold	6(b)	**605.4**	624.5
Ilmenite concentrate and by-product costs	6(c)	**10.9**	11.5
Depreciation (idle, corporate and other)		**7.6**	9.4
Restructure and idle capacity charges	6(d)	**19.7**	24.7
Rehabilitation costs for closed sites	6(e)	**3.2**	(4.6)
Government royalties		**39.4**	38.1
Marketing and selling costs, including freight		**73.6**	88.5
Corporate and other costs		**48.0**	48.1
Resource development costs		**42.2**	30.1
Net loss on disposal of property, plant and equipment		**4.1**	-
		854.1	870.3
Write-down of Sierra Rutile Limited			
Impairment recognised against property, plant and equipment		**375.2**	-
Write-down of inventory to net realisable value		**39.1**	-
	7	**414.3**	-

(a) Cash costs of production

Cash costs of production include costs for mining and concentrating, transport of heavy mineral concentrate, mineral separation, synthetic rutile production, externally purchased ilmenite, and production overheads; but exclude Australian state and Sierra Leone government royalties which are reported separately.

(b) Cost of goods sold

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

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

(c) Ilmenite concentrate and by-product costs

Ilmenite and by-product costs include by-product costs such as for iron concentrate processing, activated carbon and wet high intensity magnetic separation (WHIMS) ilmenite transport costs.

(d) Restructure and idle capacity charges

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

(e) Rehabilitation costs for closed sites

These costs relate to adjustments to the rehabilitation provision for closed sites arising from the annual review of rehabilitation programmes and estimates. These adjustments are recognised in profit or loss in accordance with the policy described in note 8.

(f) Other required disclosures

Expenses also include the following:

	2019 $m	2018 $m
Employee benefits (excluding share-based payments)	**194.7**	174.5
Share-based payments	**6.2**	6.2
Exploration expenditure	**11.3**	11.8
Operating leases	**4.8**	1.8
Inventory NRV write-downs - finished goods and WIP	**2.7**	11.4
Inventory NRV write-downs - Sierra Rutile Limited consumables	**39.1**	-

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

7 IMPAIRMENT OF ASSETS

(a) Impairment policy

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, operating assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units - CGUs). The recoverable amount of each CGU is determined as the higher of value-in-use and fair value less costs of disposal (FVLCD) estimated based on the discounted present value of future cash flows (a level 3 fair value estimation method) and other adjustments. Assets that are not currently in use and not scheduled to be brought back into use (idle assets) are considered on a standalone basis.

Indicators of impairment may include significant changes in business performance or future operating plans along with changes in technology.

Key estimate: Recoverable amount calculation

In determining the recoverable amount of assets, estimates are made regarding the present value of future cash flows in the absence of quoted market prices. These estimates require significant levels of judgement and are subject to risk and uncertainty that may be beyond the control of the Group, including political risk, climate change risk, and other global uncertainty risks, like the impacts of COVID-19. Given the nature of the Group's mining activities, changes in assumptions upon which these estimates are based may give rise to material adjustments. This could lead to recognition of new impairment charges in the future, or the reversal of impairment charges already recognised.

Where an impairment assessment is needed, the estimates of discounted future cash flows for each CGU used in determining its FVLCD are based on significant assumptions including:

- estimates of the quantities of mineral reserves and ore resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and ore resources;
- future production levels and the ability to sell that production;
- future product prices based on the Group's assessment of short and long-term prices for each of the key products;
- future exchange rates using external forecasts (2019 long term AUD:USD exchange rate of 0.75, unchanged from 2018 assessment);
- successful development and operation of new mines, consistent with latest forecasts;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure; and
- the asset specific discount rate applicable to the CGU (SRL: 12%; Australian operations: 10%).

(b) Impairment of Sierra Rutile Limited cash generating unit

An impairment indicator was noted in Iluka's Interim Report for 30 June 2019 for SRL due to management's decision to delay the Sembehun Early Works beyond the end of 2019 in order to revisit and broaden optimisation studies following further expected increases to the capital costs to develop Sembehun based on production capacity, over time, in excess of 300 thousand tonnes of rutile production per annum. As noted in that report, no impairment was recognised at that time. The fair value was assessed with reference both to the value implied by the IFC investment in Sierra Rutile, announced on 6 June 2019, and to a range of life of mine discounted cash flow estimates.

The Group has continued to progress the Sembehun optimisation studies and does not currently have a defined development approach, resulting in difficulties in ascribing any meaningful value to the Sembehun deposit in the impairment assessment at this time. SRL operational performance achieved to date has also been below the acquisition investment case. In line with the requirements of accounting standards, the Group's determination of the recoverable amount of SRL assumes limited improvement from current budgeted performance levels and has valued the Sembehun deposit on the current status of development. Iluka is continuing to implement various measures to drive production increases in its current SRL operations, and to advance the Sembehun development options, but has not incorporated these potential increases in value into the determination of fair value.

In accordance with the Group policy, at 31 December 2019, the Group wrote down Sierra Rutile's carrying amount as well as associated deferred tax assets as detailed in the table below:

		Write-down amount	
	Notes	AUD $m	USD $m
Property, plant and equipment	9	**375.2**	**262.6**
Consumables	14	**39.1**	**27.4**
		414.3	**290.0**

The recoverable amount of the SRL cash generating unit (which is now equal to its carrying value) was determined with reference to its fair value less costs of disposal. The fair value estimate is a level 3 measurement, as defined in AASB 13 Fair Value Measurement. In addition to the assumptions noted above, specific assumptions were required for the SRL CGU with regards to:

- The approach to valuing the Sembehun deposit that would be taken by a third party, given it does not currently have a defined development approach;
- Key operational performance metrics in the existing operations and their impact on the costs of production; and
- The timing and approach to mining that would be assumed by a third party in determining its valuation.

The recoverable amount of the SRL CGU is particularly sensitive to changes in rutile prices, production and sales volumes, cash costs, and capital expenditures. Changes in assumptions or real-world developments that impact these inputs, including the establishment of a Sembehun development option, could result in a reversal of impairment or an additional reduction to CGU carrying value.

In addition, deferred tax assets with a carrying value of A$161.9 (US$115.0 million) were derecognised against income tax expense, as detailed in note 11.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

8 PROVISIONS

	Notes	2019 $m	2018 $m
Current			
Rehabilitation and mine closure	8(a)	**97.7**	87.7
Employee benefits - long service leave	8(b)	**12.7**	12.2
Workers compensation and other provisions		**2.2**	5.7
		112.6	105.6
Non-current			
Rehabilitation and mine closure	8(a)	**690.8**	616.1
Employee benefits - long service leave	8(b)	**2.4**	2.0
Retirement benefit obligations	29	**22.4**	17.9
Other provisions		**-**	2.3
		715.6	638.3

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that resources will be expended to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(a) Rehabilitation and mine closure

The movements in the rehabilitation and mine closure provision are set out below:

	Notes	$m
Movements in rehabilitation and mine closure provisions		
Balance at 1 January 2019		**703.8**
Amounts spent during the year		**(53.5)**
Rehabilitation and mine closure provision discount unwind	15(d)	**19.7**
Change in provision - additions to property, plant and equipment	9	**52.0**
Change in provision - expense for closed sites	6	**3.2**
Rehabilitation discount rate changes - for closed sites		**18.3**
Rehabilitation discount rate changes - for open sites	15(d)	**43.0**
Foreign exchange rate movements		**2.0**
Balance at 31 December 2019		**788.5**

The Group has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they sit.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date, discounted to present value using an appropriate pre-tax discount rate.

Where the obligation is related to an item of property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. Costs that relate to obligations arising from waste created by the production process are recognised as production costs in the period in which they arise.

The increase in the provision associated with unwinding of the discount rate is recognised as a finance cost - refer to note 15(d).

The total rehabilitation and mine closure provision of $788.5 million (2018: $703.8 million) includes $450.8 million (2018: $464.0 million) for assets no longer in use. Changes to the provisions for assets no longer in use are charged/credited directly to profit or loss. A review of cost estimates resulted in a charge to profit or loss of $3.2 million (2018: credit of $4.6 million) which is reported within the expense item *Rehabilitation costs for closed sites* in note 6.

Key estimate: Rehabilitation and mine closure provisions

The Group's assessment of the present value of the rehabilitation and mine closure provisions requires the use of significant estimates and judgements, including the future cost of performing the work required, timing of the cash flows, discount rates, final remediation strategy, and future land use requirements. The provision can also be impacted prospectively by changes to legislation or regulations.

The provisions are reassessed at least annually. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use, such as mines and processing sites that have been closed, any adjustment is reflected directly in profit or loss.

Key estimate: Discount rate for provisions

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

Rehabilitation and mine closure provisions have been calculated by discounting risk adjusted cash flows at risk-free discount rates, representing government bond rates for the associated currencies. Iluka has re-set the risk free discount rate used in calculating the Australian rehabilitation provision due to the continuing decline in Australian dollar bond rates. The 15-year Australian Government Bond rate is used as a proxy for the risk-free discount rate and is now calculated at 1.3% (2018: 3%). This has resulted in an increase of $61.3 million to the provision. Of this amount, $18.3 million relates to closed sites, which is reported within finance costs item 'Rehabilitation discount rate changes' in note 15(d).

Rehabilitation and mine closure provisions for the US and Sierra Rutile have been calculated by discounting risk adjusted cash flows at discount rates of 2% (2018: 2%).

(b) Employee benefits

The employee benefits provision relates to long service leave entitlements measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Liabilities for annual leave are included in payables.

The current provision represents amounts for vested long service leave for which the Group does not have an unconditional right to defer settlement, regardless of when the actual settlement is expected to occur. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

9 PROPERTY, PLANT AND EQUIPMENT

	Land & buildings $m	Plant, machinery & equipment $m	Mine reserves & development $m	Exploration & evaluation $m	Total $m
At 1 January 2018					
Cost	230.1	2,252.2	1,049.0	38.9	3,570.2
Accumulated depreciation[1]	(74.1)	(1,789.8)	(659.5)	(17.0)	(2,540.4)
Opening written down value	156.0	462.4	389.5	21.9	1,029.8
Additions	9.5	235.4	152.1	0.2	397.2
Disposals	(1.0)	(0.4)	-	-	(1.4)
Depreciation and amortisation	(2.9)	(68.7)	(20.1)	(1.9)	(93.6)
Exchange differences	7.9	22.2	15.8	1.2	47.1
Transfers/reclassifications	6.6	7.8	(11.2)	(3.2)	-
Closing written down value	176.1	658.7	526.1	18.2	1,379.1
At 31 December 2018					
Cost	256.4	2,541.4	1,066.5	35.1	3,899.4
Accumulated depreciation[1]	(80.3)	(1,882.7)	(540.4)	(16.9)	(2,520.3)
Closing written down value	**176.1**	**658.7**	**526.1**	**18.2**	**1,379.1**
Year ended 31 December 2019					
Additions	10.3	109.1	165.0	-	284.4
Disposals	(1.9)	(3.6)	-	-	(5.5)
Depreciation and amortisation	(11.4)	(86.1)	(57.3)	-	(154.8)
Exchange differences	(0.1)	(2.8)	0.8	0.3	(1.8)
Transfers	55.6	(61.9)	(1.8)	8.1	-
Impairment of Sierra Rutile Limited	(57.0)	(154.8)	(154.7)	(8.7)	(375.2)
Closing written down value	**171.6**	**458.6**	**478.1**	**17.9**	**1,126.2**
At 31 December 2019					
Cost	320.5	2,536.7	1,265.4	43.6	4,166.2
Accumulated depreciation[1]	(148.9)	(2,078.1)	(787.3)	(25.7)	(3,040.0)
Closing written down value	**171.6**	**458.6**	**478.1**	**17.9**	**1,126.2**

[1]Accumulated depreciation includes cumulative impairment charges.

(a) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment charges. Cost includes:

- expenditure that is directly attributable to the acquisition of the items;
- direct costs associated with the commissioning of plant and equipment, including pre-commissioning costs in testing the processing plant;
- if the asset is constructed by the Group, the cost of all materials used in construction, direct labour on the project, project management costs and unavoidable borrowing costs incurred during construction of assets with a construction period greater than 12 months and an appropriate proportion of variable and fixed overheads; and
- the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

As set out in note 8, in the case of rehabilitation provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Total additions in the year include $94.9 million (2018: $47.9 million) relating to rehabilitation, mainly due to changes in the discount rate used in calculating the carrying value of rehabilitation provisions in Australia ($43.0 million) and an increased footprint due to developing the new mine at Cataby.

(b) Maintenance and repairs

Certain items of plant used in the primary extraction, separation and secondary processing of extracted minerals are subject to a major overhaul on a cyclical basis. Costs incurred during such overhauls are characterised as either capital in nature or repairs and maintenance. Work performed may involve:

(i) the replacement of a discrete sub-component asset, in which case an asset addition is recognised and the book value of the replaced item is written off; and
(ii) demonstrably extending the useful life or functionality of an existing asset, in which case the relevant cost is added to the capitalised cost of the asset in question.

Costs incurred during a major cyclical overhaul which do not constitute (i) or (ii) above, are written off as repairs and maintenance as incurred. General repairs and maintenance which are not characterised as part of a major cyclical overhaul are expensed as incurred.

(c) Depreciation and amortisation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The estimated useful life of buildings is the shorter of applicable mine life or 25 years; plant and equipment is between 2 and 20 years. Land is not depreciated.

Expenditure on mine reserves and development is amortised over the life of mine, based on the rate of depletion of the economically recoverable reserves (units of production methodology). If production has not yet commenced, or the mine is idle, amortisation is not charged.

(d) Assets not being depreciated

Included in plant, machinery and equipment, mine reserves and development, and land and buildings are amounts totalling $33.0 million, $17.7 million and $10.1 million, respectively, relating to assets under construction which are currently not being depreciated as the assets are not ready for use (2018 $218.7 million, $86.2 million and $2.3 million, respectively).

In addition, within property, plant and equipment, excluding exploration and land assets, are amounts totalling $61.2 million which have not been depreciated in the year as mining of the related area of interest has not yet commenced (2018: $218.5 million).

(e) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Expenditure is carried forward when incurred in areas for which the Group has rights of tenure and where economic mineralisation is indicated, but activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable ore reserves, and active and significant operations in relation to the area are continuing. Each such project is regularly reviewed. If the project is abandoned or if it is considered unlikely the project will proceed to development, accumulated costs to that point are written off immediately.

Each area of interest is limited to a size related to a known mineral resource capable of supporting a mining operation. Identifiable exploration assets acquired from another mining company are recognised as assets at their cost of acquisition.

Projects are advanced to development status when it is expected that accumulated and future expenditure on development can be recouped through project development or sale. Capitalised exploration is transferred to Mine Reserves once the related ore body achieved JORC reserve status (reported in accordance with JORC, 2012) and has been included in the life of mine plan.

All of the above expenditure is carried forward up to commencement of operations at which time it is amortised in accordance with the reserves and development depreciation policy noted in (c) above.

(f) Impairment of PPE

Refer to note 7 for details on impairment testing.

10 LEASES

(a) Amounts recognised in the statement of financial position

	2019 $m	Adoption date $m
Right-of-use assets		
Buildings	**9.0**	10.9
Plant, machinery and equipment	**11.5**	18.6
	20.5	29.5
Lease liabilities		
Current	**(9.2)**	(9.6)
Non-current	**(20.8)**	(27.6)
	(30.0)	(37.2)

Additions to the right-of-use assets during the reporting period were $2.2 million. Right-of-use assets are reflected net of incentives received.

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

	2019 $m
Amortisation charge of right-of-use assets	
Buildings	**1.7**
Plant, machinery and equipment	**6.7**
	8.4
Borrowing costs	**1.5**
Expense relating to short term leases, low value leases and leases with variable payments	**2.0**
Total cash flow for leases	**8.2**

Until the end of the comparative period, leases were accounted for by applying the principles of AASB 117 *Leases,* which classified arrangements as either finance leases or operating leases. From 1 January 2019, the Group accounting policy was changed so that leases are recognised by applying the principles of AASB16 *Leases*. Under the new standard, leases are recognised as right-of-use assets with corresponding lease liabilities - refer to note 34 for details of the impact on the Group of adopting the new standard.

The group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis by discounting the following lease payments to their present value:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The weighted average borrowing rate used for the year was 4.3%.

Subsequently to initial recognition, lease liabilities are carried at amortised cost. Payments are allocated between repayment of principal and borrowing costs, which are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are initially recognised at cost, comprising:

- The amount of the lease liability
- Any lease payments made at or before the commencement date, less any incentives received
- Initial direct costs, and
- Restoration costs.

Subsequently. right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Where the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Short term leases, leases of low value assets and leases containing variable payments

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO FINANCIAL STATEMENTS

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11 INCOME TAX

Income tax expense comprises current and deferred tax and is recognised in profit or loss, as disclosed in (a) below, except to the extent that it relates to items recognised directly in equity or other comprehensive income as disclosed in (c) below.

(a) Income tax expense (benefit)

	Notes	**2019 $m**	2018 $m
Current tax		**111.6**	157.3
Deferred tax	12	**188.6**	(10.1)
Under (over) provided in prior years		**(1.5)**	0.9
		298.7	148.1

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

	2019 $m	2018 $m
(Loss)/profit before income tax expense	**(1.0)**	452.0
Tax at the Australian tax rate of 30% (2018: 30%)	**(0.3)**	135.6
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**(1.3)**	(0.7)
Deferred tax losses not recognised by other overseas operations	**4.1**	1.3
Recognition of historical alternative minimum tax (AMT) credits	**(7.2)**	-
Deferred tax balances derecognised by Sierra Rutile Limited	**161.9**	-
Tax benefit not recognised by Sierra Rutile Limited[1]	**131.4**	-
SRL minimum tax (3.5% of revenue)	**9.2**	7.4
Non-deductible expenses	**1.7**	2.1
Other items	**(1.3)**	1.5
	298.2	**147.2**
Difference in overseas tax rates	**2.0**	-
Under provision in prior years	**(1.5)**	0.9
Income tax expense (benefit)	**298.7**	**148.1**

[1]Sierra Rutile Limited could not recognise a tax benefit associated with the write-down of $414.3 million of assets expensed in the current year.

No tax benefits have been recognised in respect of exploration activities of overseas operations as their recovery is not currently considered probable.

The idling of the US operations at the end of 2015 means that the recovery of US state tax losses are not considered probable. Unrecognised US state tax losses for which no deferred tax asset has been recognised are US$ 216.3 million at 31 December 2019 (31 December 2018: US$193.4 million).

Unused capital losses for which no deferred tax asset has been recognised are approximately $90.7 million (2018: $92.7 million) (tax at the Australian rate of 30%: $27.2 million (2018: $27.9 million)). The benefit of these unused capital losses will only be obtained if sufficient future capital gains are made and the losses remain available under tax legislation.

The write-down of Sierra Rutile Limited means that the recovery of Sierra Leone tax losses are not considered probable. Unrecognised Sierra Leone tax losses for which no deferred tax asset has been recognised are US$500.7 million at 31 December 2019.

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

	2019 $m	2018 $m
Hedge of net investments in foreign operations	**(1.1)**	(0.9)
Changes in fair value of foreign exchange cash flow hedges	**(2.0)**	(3.4)
Actuarial gains (losses) on retirement benefit obligation	**(1.7)**	0.2
	(4.8)	(4.1)

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.

Key estimate: Tax balances

Tax balances are based on management's best estimate and interpretation of the tax legislation in a number of jurisdictions. This treatment can be subject to changes due to modification to legislation or differences in interpretation by authorities. Where the amount of tax payable or recoverable includes some uncertainty, the Group recognises amounts based on management's best estimate of the most likely outcome.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 DEFERRED TAX

	2019 $m	2018 $m
Deferred tax asset:		
The balance comprises temporary differences attributable to:		
Tax losses	**-**	209.3
Employee provisions	**7.4**	6.9
Provisions	**149.3**	160.2
Cash flow hedge reserve (in equity)	**2.1**	4.3
Other	**8.0**	8.3
Lease liabilities	**8.9**	-
Gross deferred tax assets	**175.7**	389.0
Amount offset to deferred tax liabilities pursuant to set-off provision	**(153.6)**	(173.4)
Net deferred tax assets	**22.1**	215.6
Deferred tax liability:		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**(119.2)**	(153.9)
Inventory	**(18.1)**	(12.9)
Receivables	**(6.7)**	(4.4)
Treasury shares (in equity)	**(1.2)**	(1.9)
Other	**(0.1)**	(0.4)
Right of use assets	**(8.3)**	-
Gross deferred tax liabilities	**(153.6)**	(173.5)
Amount offset to deferred tax assets pursuant to set-off provision	**153.6**	173.5
Net deferred tax liabilities	**-**	-
Movements in net deferred tax balance:		
Balance at 1 January	**215.6**	185.9
(Charged)/credited to the income statement	**(188.6)**	10.1
Under provision in prior years	**(7.0)**	(2.2)
Charged directly to equity	**2.1**	21.8
Balance at 31 December	**22.1**	215.6

Deferred tax policy

Deferred income tax is provided on all temporary differences at the balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities.

Deferred income tax liabilities are recognised for all taxable temporary differences, other than for the exemptions permitted under accounting standards.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these deductible temporary differences, other than for the exemptions permitted under accounting standards. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax recognised

During the reporting period, the carried forward tax losses for Sierra Rutile Limited were derecognised resulting in an income tax expense of $161.9 million. As at 31 December 2019, there were $nil million of carried forward tax losses recognised by SRL (2018: $209.3 million).

Key estimate: Deferred tax asset recognition

Deferred tax assets are based on tax laws (and tax rates) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the availability of sufficient taxable temporary differences relating to the same tax authority and the same taxable entity, the projected future taxable income of these taxable entities and after taking account of specific risk factors that are expected to affect the recovery of these assets.

13 RECEIVABLES

	2019 $m	2018 $m
Trade receivables	**130.9**	114.4
Mining Area C royalty receivable	**20.2**	13.6
Other receivables	**29.3**	26.7
Prepayments	**15.9**	7.9
	196.3	162.6

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amount considered recoverable, translated using the spot exchange rate at balance date with translation differences accounted for in line with the Group's accounting policy (refer note 2). Recognition occurs at the earlier of dispatch or formal acknowledgement of legal ownership by a customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due. Trade receivables are generally due within 41 days of the invoice being issued (2018: 45 days).

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established based on the expected credit loss approach. Expected credit losses for the Group's trade receivables are reviewed on an ongoing basis based on groups of receivables with shared risk characteristics.

There was $9.4 million overdue at balance date (2018: $1.7 million), of which $3.6 million are less than 28 days overdue (2018: $1.4 million). Due to the short-term nature of the Group's receivables, their carrying value is considered to approximate fair value.

(a) Trade receivables purchase facilities

Iluka has a trade receivables purchase facility for the sale of eligible trade receivables. Under the agreement Iluka transfers the majority of the risks and rewards of ownership, including credit risk (subject to a maximum first loss).

Iluka maintains an insurance policy to assist in managing the credit risk of its customers. The credit insurance policy is a separate instrument to the receivables and reduces the exposure to credit risk. The trade receivables balance of $130.9 million excludes $117.3 million (31 December 2018: excludes $70.6 million) of receivables sold under the trade receivables purchase facility. Iluka has assigned a portion of the insurance policy to the supplier of the trade receivables purchase facility but retains credit risk up to a maximum loss of $16.7 million (2018: $11.5 million). An asset for the loss amount has been recognised within other receivables offset by a corresponding continuing involvement liability in payables.

(b) Credit risk

At 31 December 2019 the trade receivables balance was $130.9 million, with $112.3 million covered by credit risk insurance and a further $18.6 million by letters of credit. As a result, the Group had no uninsured receivables at the reporting date (2018: $nil).

14 INVENTORIES

	2019 $m	2018 $m
Current		
Work in progress	**110.5**	139.3
Finished goods	**208.7**	178.9
Consumable stores	**21.9**	68.9
Total current inventories	**341.1**	387.1
Non-current		
Work in progress	**84.1**	4.6
Total non-current inventories	**84.1**	4.6

Inventories are valued at the lower of weighted average cost and estimated net realisable value. The net realisable value is the estimated selling price in the normal course of business, less any anticipated costs of completion and the estimated costs to sell, including royalties.

There are separate inventory stockpile values for each product, including Heavy Mineral Concentrate (HMC) and other intermediate products, at each inventory location.

Weighted average cost includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation. As a result of mineral sands being co-products from the same mineral separation process, costs are allocated to inventory on the basis of the relative sales value of the finished goods produced. No cost is attributed to by-products, except direct costs.

Finished goods inventory of $nil million (2018: $2.0 million) is carried at net realisable value, with all other product inventory carried at cost.

Consumable stores include ilmenite acquired from third parties, flocculant, coal, diesel and warehouse stores. A regular and ongoing review is undertaken to establish the extent of surplus, obsolete or damaged stores, which are then valued at estimated net realisable value.

Inventories expected to be sold (or consumed in the case of stores) within 12 months after the balance sheet date are classified as current assets; all other inventories are classified as non-current assets.

Key estimate: Net realisable value and classification of product inventory

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

During the year, inventory write-downs of $41.8 million occurred for work in progress or finished goods (2018: $11.4 million). Of this amount, $39.1 million is due to the write-down of inventory to its net realisable value due to the write-down of Sierra Rutile Limited. If finished goods future selling prices were 5% lower than expected, no inventory write-down would be required at 31 December 2019 (2018: no write-down).

Inventory of $84.1 million (2018: $4.6 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date.

CAPITAL

15 NET CASH/(DEBT) AND FINANCE COSTS

	2019 $m	2018 $m
Cash and cash equivalents		
Cash at bank and in hand	**97.3**	51.3
Total cash and cash equivalents	**97.3**	51.3
Non-current interest-bearing liabilities (unsecured)		
Multi Optional Facility Agreement	**(55.7)**	(50.4)
Deferred borrowing costs	**1.7**	0.9
Total interest-bearing liabilities	**(54.0)**	(49.5)
Net cash	**43.3**	**1.8**

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions with original maturities of three months or less.

Cash and deposits are at floating interest rates between 0.0% and 2.7% (2018: 0.0% and 2.5%) on Australian and foreign currency denominated deposits.

(b) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption amount is recognised in profit or loss over the period of the borrowings on an effective interest basis.

Interest-bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

(i) Multi Optional Facility Agreement

The Multi Optional Facility Agreement (MOFA) comprises a series of unsecured five year bilateral revolving credit facilities with several domestic and foreign institutions, totalling A$519.3 million (2018: A$618.3 million).

The table below details the facility expiries:

A$million	Total facility	Facility Expiry 2020	2021	2022	2023	2024
At 31 December 2019	**519.3**	**-**	**-**	**-**	**-**	**519.3**
At 31 December 2018	618.3	77.1	-	541.2	-	-

Undrawn MOFA facilities at 31 December 2019 were A$463.6 million (2018: A$567.9 million).

(c) Interest rate exposure

Of the above interest-bearing liabilities, $55.7 million is subject to an effective weighted average floating interest rate of 3.1% (2018: interest-bearing liabilities of $50.4 million at 4.2%). The contractual repricing date of all of the floating rate interest-bearing liabilities at the balance date is within one year.

(d) Finance costs

	2019 $m	2018 $m
Interest charges on interest-bearing liabilities	**7.3**	7.2
Bank fees and similar charges	**5.0**	6.2
Amortisation of deferred borrowing costs	**1.2**	1.6
Lease borrowing costs	**1.5**	-
Rehabilitation and mine closure provision discount unwind	**19.7**	16.7
Rehabilitation provision discount rate changes	**18.3**	-
Total finance costs	**53.0**	31.7

(i) Amortisation of deferred borrowing costs

Fees paid on establishment of borrowing facilities are recognised as transaction costs and amortised over the period until the next expected facility extension. During the current reporting period, $2.0 million in transaction costs associated with the extension of the MOFA were incurred and capitalised (2018: $nil) and $0.6 million of previously capitalised costs were written off (2018: $nil).

(ii) Rehabilitation and mine closure provision discount unwind

Rehabilitation and mine closure unwind represents the cost associated with the passage of time. Rehabilitation provisions are recognised as the discounted value of the present obligation to restore, dismantle and rehabilitate with the increase in the provision due to passage of time being recognised as a finance cost in accordance with the policy described in note 8(a).

Any change in the discount rate for closed sites is recorded as a finance cost. Refer to note 8(a) for further details.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

16 CONTRIBUTED EQUITY

(a) Share capital

	2019 Shares	2018 Shares	2019 $m	2018 $m
Ordinary shares - fully paid	**422,584,778**	422,395,677	**1,160.4**	1,158.6
Treasury shares - net of tax	**(470,456)**	(675,521)	**(2.8)**	(4.6)
	422,114,322	421,720,156	**1,157.6**	1,154.0

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Movements in ordinary share capital

The Group issues ordinary shares to shareholders who elect to receive shares instead of cash dividends as part of the Dividend Reinvestment Plan (DRP), the terms of which are detailed in the ASX announcement dated 27 February 2018. During the year, the Group issued the following shares under the DRP:

	Date issued	Price per share	Number of ordinary shares issued
2018 final	4 April 2019	$8.86	103,439
2019 interim	2 October 2019	$7.57	85,662
			189,101

(b) Treasury shares

Treasury shares are shares in Iluka Resources Limited acquired on market and held for the purpose of issuing shares under the Directors, Executives and Employees Share Acquisition Plan and the Employee Share Plan.

	Number of shares	$m
Opening balance at 1 January 2018	53,218	0.3
Acquisition of shares by the Trust	1,246,312	8.9
Employee share issues, net of tax	(624,009)	(4.6)
Balance at 31 December 2018	**675,521**	**4.6**
Acquisition of shares by the Trust	992,972	6.2
Employee share issues, net of tax	(1,198,037)	(8.0)
Balance at 31 December 2019	**470,456**	**2.8**

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

17 RESERVES AND RETAINED EARNINGS

	Notes	2019 $m	2018 $m
Asset revaluation reserve			
Balance at 1 January		**11.4**	11.8
Transfer to retained earnings on disposal		**(0.1)**	(0.4)
Balance at 31 December	17(a)	**11.3**	11.4
Hedge reserve			
Balance at 1 January		**(10.1)**	(2.2)
Deferred costs of hedging		**0.4**	(14.4)
Changes in the fair value of hedging instruments recognised in equity		**3.6**	(5.4)
Reclassified to profit or loss		**2.8**	8.5
Deferred tax		**(1.5)**	3.4
Balance 31 December	17(b)	**(4.8)**	(10.1)
Share-based payments reserve			
Balance at 1 January		**2.3**	1.9
Transfer of shares to employees, net of tax		**(8.0)**	(4.6)
Share-based payments, net of tax		**5.9**	5.0
Balance at 31 December	17(c)	**0.2**	2.3
Foreign currency translation			
Balance at 1 January		**39.0**	(2.1)
Currency translation of US operation	21(a)	**(1.0)**	(15.7)
Currency translation of Sierra Rutile		**4.0**	59.7
Translation differences on other foreign operations		**(0.3)**	(0.8)
Hedge of net investment in Sierra Rutile		**(3.6)**	(3.0)
Deferred tax		**1.0**	0.9
Balance at 31 December	17(d)	**39.1**	39.0
Other reserves			
Gain on part disposal of investment in subsidiary		**6.7**	-
Loss on initial recognition of put option		**(28.5)**	-
Balance at 31 December	17(e)	**(21.8)**	-
Total reserves		**24.0**	42.6
Retained earnings			
Balance at 1 January		**(86.6)**	(243.6)
Adjustment on adoption of AASB 15 (net of tax)		**-**	(0.6)
Net profit/(loss) for the period		**(279.9)**	303.9
Dividends paid		**(101.5)**	(146.9)
Actuarial gains/(losses) on retirement benefit obligation, net of tax		**(3.9)**	0.6
Balance at 31 December		**(472.0)**	(86.6)

(a) Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets prior to the adoption of AIFRS. Transfers are made to retained earnings on disposal of previously revalued assets.

(b) Hedge reserve

Iluka uses two types of hedging instruments as part of its foreign currency risk management strategy associated with its US denominated sales, as described in note 21. These include foreign currency forward contracts and foreign currency collars, both of which are designated in cash flow hedge relationships. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the cash flow hedge reserve.

(c) Share-based payments reserve

The employee share-based payments reserve is used to recognise the fair value of equity instruments granted but not yet issued to employees under the Group's various equity-based incentive schemes. Shares issued to employees are acquired on-market prior to the issue. Shares not yet issued to employees are shown as treasury shares. When shares are issued to employees the cost of the on-market acquisition, net of tax, is transferred from treasury shares (refer note 16) to the share-based payment reserve.

(d) Foreign currency translation reserve

Exchange differences arising on translation of the net investment in foreign operations, including US dollar denominated debt used as a hedge of the net investment, are taken into the foreign currency translation reserve net of applicable income tax, as described in note 2(b). At 31 December 2019, US$nil was designated as a hedge of the net investment in Sierra Rutile Limited (2018: US$nil million). The reserve is recognised in profit or loss when the net investment is disposed of.

(e) Other reserves

The impact on equity of transactions related to changes in the structure of the Group are accumulated in other reserves. As detailed in note 22, the Group recognised a gain on partial disposal of its investment in SRL of $6.7 million, and a loss on initial recognition of the related put option held by the IFC of $28.5 million against other reserves in equity.

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For the year ended 31 December 2019

18 DIVIDENDS

	2019 $m	2018 $m
Final dividend		
for 2018 of 19 cents per share, fully franked	**80.3**	-
for 2017 of 25 cents per share, fully franked	**-**	104.7
	80.3	104.7
Interim dividend		
for 2019 of 5 cents per share, fully franked	**21.1**	-
for 2018 of 10 cents per share, fully franked	**-**	42.2
Total dividends	**101.5**	146.9

Of the total $21.1 million interim dividend declared for 2019 and the total $80.3 million final dividend declared for 2018, shareholders respectively took up $0.6 million and $0.9 million as ordinary shares as part of the Dividend Reinvestment Plan. Refer to note 16(a).

Since balance date the directors have determined a final dividend for 2019 of 8 cents per share, fully franked. The dividend is payable on 2 April 2020 for shareholders on the register as at 6 March 2020. The aggregate amount of the proposed dividend is $33.8 million, which has not been included in provisions at balance sheet date as it was not declared on or before the end of the financial year.

Franking credits

The balance of franking credits available as at 31 December 2019 is $129.2 million (2018: $27.9 million). This balance is based on a tax rate of 30% (2018: 30%).

19 PROFIT/(LOSS) PER SHARE

	2019 Cents	2018 Cents
Basic (loss)/profit per share (cents)	**(71.0)**	72.2
Diluted (loss)/profit per share (cents)	**(71.0)**	71.8

Earnings/(loss) per share (EPS) is the amount of post-tax earnings or loss attributable to each share.

Basic EPS is calculated on the loss for the period attributable to equity owners of the parent of $299.7 million (2018: profit of of $303.9 million) divided by the weighted average number of shares on issue during the year, excluding treasury shares, being 422,146,281 shares (2018: 420,797,114 shares).

Diluted EPS takes into account the dilutive effect of all outstanding share rights vesting as ordinary shares. The weighted average share rights outstanding were not dilutive in 2019 as they would reduce the loss per share and therefore were not included in the calculation of diluted EPS in the current period.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

RISK

20 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is managed by a central treasury department under policies approved by the Board.

(a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or value of its holdings of financial instruments.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising predominantly from the US dollar, which is the currency the Group's sales are generally denominated in.

The Group has operations in Sierra Leone and rehabilitation obligations in the US, which both have a USD functional currency. The balance sheet translation risk is managed by designating, to the extent possible, a portion of the Group's borrowings in US dollars as a hedge against the net US dollar investment in the Sierra Rutile operation (with associated translation differences taken to the foreign currency translation reserve in equity).

Net US dollar-denominated working capital and cash balances act as a 'natural' hedge against movements in US dollar receivables from Australian sales (with associated translation differences taken to profit or loss).

Foreign exchange risk is also managed through entering into forward foreign exchange contracts and collar contracts detailed in note 21.

The treasury function of the Group manages foreign currency risk centrally. The Group hedges foreign exchange exposures for firm commitments relating to a portion of sales, where the hedging instrument must be in the same currency as the hedged item.

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

The Group's exposure to USD foreign currency risk (by entities which have an Australian dollar functional currency) at the end of the reporting period, expressed in Australian dollars, was as follows:

	2019 $m	2018 $m
Cash and cash equivalents	**45.0**	9.0
Receivables	**75.4**	59.4
Payables	**(21.0)**	(16.7)
Interest-bearing liabilities	**(55.7)**	(50.4)
Derivative financial instruments	**(33.7)**	(7.3)
	10.0	(6.0)

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

(ii) Group sensitivity

The average US dollar exchange rate during the year was 0.6950 (2018: 0.7479). The US dollar spot rate at 31 December 2019 was 0.7000 (31 December 2018: 0.7050). Based on the Group's net financial assets at 31 December 2019, the following table demonstrates the estimated sensitivity to a -/+ 10% movement in the US dollar spot exchange rate, with all other variables held constant, on the Group's post-tax profit (loss) for the year and equity:

	-10% Strengthen		+10% Weaken	
	Profit (loss) $m	Equity $m	Profit (loss) $m	Equity $m
31 December 2019	**0.3**	**(29.7)**	**(0.2)**	**18.1**
31 December 2018	0.4	(37.1)	0.2	24.5

(iii) Interest rate risk

Interest rate risk arises from the Group’s borrowings and cash deposits. During 2019 and 2018, the Group's borrowings at variable rates were denominated in Australian dollars and US dollars. At 31 December 2019, if variable interest rates for the full year were -/+ 1% from the year-end rate with all other variables held constant, pre-tax profit for the year would have moved as per the table below.

	+1% $m	-1% $m
31 December 2019	**0.6**	**(0.6)**
31 December 2018	0.5	(0.5)

The sensitivity is calculated using the average debt position for the year ended 31 December 2019. The interest charges in note 15(d) of $7.3 million (2018: $7.2 million) reflect interest-bearing liabilities in 2019 that range between $40.1 million and $191.4 million (2018: $38.4 million and $236.1 million).

(b) Credit risk

Credit risk arises from cash and cash equivalents and hedging instruments held with financial institutions, as well as credit exposure to customers.

The Group has policies in place to ensure that credit sales are only made to customers with an appropriate credit history. The Group also maintains an insurance policy and makes use of letters of credit to assist in managing the credit risk of its customers. Further details are set out in note 13.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions and policies limit the amount of credit exposure to any one financial institution.

The Group's policy is to ensure that cash deposits are held with counterparties with a minimum A-/A3 credit rating. Credit exposure limits are approved by the Board based on credit ratings from external ratings agencies.

(c) Liquidity risk

Liquidity risk is the risk the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management involves maintaining sufficient cash on hand or undrawn credit facilities to meet the operating requirements of the business. This is managed through committed undrawn facilities under the MOFA (refer note 15(b)(i)) of $463.6 million at balance date as well as cash and cash equivalents of $97.3 million and prudent cash flow management.

(d) Maturities of financial liabilities

The tables below analyse the Group's interest-bearing liabilities into maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For the MOFA, the contractual maturity dates and contractual cash flows are until the next contractual re-pricing date in 2024. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All other non-derivative financial liabilities are due within 12 months. Derivative cash flows include the net amounts expected to be paid for foreign exchange forward contracts and net amounts expected to be received for foreign exchange collar contracts.

At 31 December 2019	Weighted average rate	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Total contractual cash flows $m	Carrying amount liabilities $m
	%						
Non-derivatives							
Payables		140.8	-	-	-	140.8	140.8
Lease liabilities	4.3	9.2	8.6	6.0	6.2	30.0	30.0
Interest-bearing variable rate	3.1	-	-	55.7	-	55.7	55.7
Total non-derivatives		150.0	8.6	61.7	6.2	226.5	226.5
Derivatives							
Forward foreign exchange contracts		0.6	-	-	-	0.6	0.6
Foreign exchange collar contracts		3.1	1.6	-	-	4.7	4.7
Put option		-	28.4	-	-	28.4	28.4
Total derivatives		3.7	30.0	-	-	33.7	33.7

At 31 December 2018	Weighted average rate	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Total contractual cash flows $m	Carrying amount liabilities $m
Non-derivatives						
Payables		153.2	-	-	153.2	153.2
Interest-bearing variable rate	4.2	0.3	-	50.4	50.7	50.4
Total non-derivatives		153.5	-	50.4	203.9	203.6
Derivatives						
Forward foreign exchange contracts		-	0.6	-	0.6	0.6
Foreign exchange collar contracts		3.8	3.1	4.2	11.1	11.1
Total derivatives		3.8	3.7	4.2	11.7	11.7

Refer to note 21 for detail on derivative instruments.

21 HEDGING

	2019 $m	2018 $m
Current liabilities		
Foreign exchange collar hedges	**3.1**	3.8
Foreign exchange forward contracts	**0.6**	0.6
	3.7	4.4
Non-current liabilities		
Foreign exchange collar hedges	**1.6**	7.3

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

(a) Recognition

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged and the type of hedge relationship designated.

(b) Fair value of derivatives

Derivative financial instruments are the only assets and liabilities measured and recognised at fair value at 31 December 2019 and 31 December 2018. The fair value of these instruments is determined using valuation techniques with inputs that are observable market data (a level 2 measurement). The valuation of forward contracts is determined using forward exchange rates at the balance date. The valuation of the options making up the collars is determined using forward foreign exchange rates, volatilities and interest rates at the balance date. The only unobservable input used in the calculations is the credit default rate, movements in which would not have a material effect on the valuation.

(c) Hedge accounting

At the start of a hedge relationship, the Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. Hedge accounting is only applied where effective tests are met on a prospective basis.

Iluka will discontinue hedge accounting prospectively only when the hedging relationship, or part of the hedging relationship, no longer qualifies for hedge accounting. This includes where there has been a change to the risk management objective and strategy for undertaking the hedge and instances when the hedging instrument expires or is sold, terminated or exercised. The replacement or rollover of a hedging instrument into another hedging instrument is not treated as an expiration or termination if such a replacement or rollover is consistent with our documented risk management objective.

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

Cash flow hedges

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The ineffective portion was immaterial in the current and prior periods. The maturity profile of these hedges is shown in note 20(d). The recognition of the future gain or loss is expected to be consistent with this timing.

The following contracts in relation expected USD revenue, predominantly from contracted sales to 31 December 2022, remain open at the reporting date:

- foreign exchange forward contracts covering US$63.6 million at a weighted average rate of 70.7 cents, including US$32 million of new foreign exchange forward contracts entered into during the year with a weighted average rate of 69.3 cents (31 December 2018: US$31.6 million at a weighted average rate of 72.1 cents); and
- foreign exchange collar hedges covering US$193.1 million of expected USD revenue to 31 December 2022. The collars comprise US$193.1 million worth of purchased AUD call options with a weighted average strike price of 78.5 cents and US$193.1 million of AUD put options at a strike price of 68.6 cents.

The period above corresponds with the long-term sales contracts entered into in 2017 including those in support of the development of the Cataby project. However, the hedged USD revenues do not represent the full value of expected sales under these contracts over this period.

US$118 million in foreign exchange collar contracts consisting of US$118 million of bought AUD call options with weighted average strike prices of 80.5 cents and US$118 million of sold AUD put options with weighted average strike prices of 70.0 cents expired during the year. No foreign exchange forward contracts expired during the year.

Amounts recognised in equity are transferred to the income statement when the hedged sale occurs or when the hedging instrument is exercised.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Net investment hedge

The Group also designates US denominated debt as a hedge against the Group's net investment in Sierra Leone, which has a US dollar functional currency. During the period the Group's net investment hedge resulted in the foreign currency translation reserve being reduced by $2.6 million (2018: $2.1 million reserve reduction).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

GROUP STRUCTURE

22 CHANGES IN OWNERSHIP INTERESTS HELD IN CONTROLLED ENTITIES

On 21 February 2019, the Group announced the potential for the International Finance Corporation (IFC), a member of the World Bank Group, to acquire a 10% equity interest in Sierra Rutile Limited (SRL), thereby commencing a strategic partnership in relation to the Group's Sierra Rutile operation.

The transaction was subject to the completion of due diligence and necessary approvals being obtained, as disclosed in note 23(a) of the 2018 annual report.

Upon completion of the above prerequisites, agreements to effect the transaction were finalised. The key terms thereof are summarised in the ASX announcement released on 6 June 2019, being:

- IFC will be issued new shares in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited.
- IFC acquires their 10% equity interest in two tranches, with the first being the acquisition of 3.57% for US$20 million on 6 June 2019. Acquisition of the second tranche will occur upon approval of construction of early works on the Sembehun project. If approval is not obtained, then IFC may elect to acquire the second tranche regardless.
- The Group enters into an arrangement whereby IFC has the right to dispose of their interest back to the Group at its fair value on date of exercise of the put. The put becomes exercisable after three years if the Sembehun early works are not approved, alternatively the put is exercisable after seven years.

As advised on 17 December 2019, the terms and timing of the second tranche of this investment will likely be subject to renegotiation given the delay in approval of the Sembehun project.

(i) Non-controlling interest

The first tranche of the transaction was effected on 6 June 2019. The Group recognised a non-controlling interest of $21.8 million on this date, representing IFC's 3.57% share in the net assets of SRL. The Group received $28.5 million (US$20 million) in cash consideration for the equity interest, with the resulting gain of $6.7 million recognised in other reserves in equity.

Subsequently, an amount of $19.8 million has been charged to the non-controlling interest, representing the IFC's share in the after tax losses of the Iluka Investments (BVI) group from the transaction date until the reporting date, predominantly reflecting the impairment of the Sierra Rutile operations.

(ii) Put option held by the IFC

The Group also recognised a financial liability at its fair value on 6 June 2019 of $28.5 million against other reserves in equity.

Subsequently, the Group translated the put option carrying value to Australian dollars at the spot rate applicable on the reporting date, with the resulting foreign exchange translation gain of $0.1 million recognised in profit or loss.

The fair value of the put option was determined based on a significant unobservable input, and accordingly it is classified as level 3 in the fair value hierarchy. The significant unobservable input is the estimated settlement amount, which is based on the issue price of the interest held by the IFC.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

23 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE

The consolidated financial statements incorporate the following subsidiaries:

	Controlled entities	Country of incorporation	Equity holding 2019 %	Equity holding 2018 %
*	**Iluka Resources Limited (Parent Company)**	**Australia**		
*	Westlime (WA) Limited	Australia	100	100
*	Ilmenite Proprietary Limited	Australia	100	100
*	Southwest Properties Pty Ltd	Australia	100	100
*	Western Mineral Sands Proprietary Limited	Australia	100	100
*	Yoganup Pty Ltd	Australia	100	100
*	Iluka Corporation Limited	Australia	100	100
*	Associated Minerals Consolidated Ltd	Australia	100	100
*	Iluka Royalty Holdings Limited	Australia	100	100
*	Iluka Consolidated Pty Limited	Australia	100	100
*	Iluka Exploration Pty Limited	Australia	100	100
*	Iluka (Eucla Basin) Pty Ltd	Australia	100	100
*	Gold Fields Asia Ltd	Australia	100	100
*	Iluka International Limited	Australia	100	100
*	NGG Holdings Ltd	Australia	100	100
*	Iluka Midwest Limited	Australia	100	100
*	Western Titanium Limited	Australia	100	100
*	The Mount Lyell Mining and Railway Company Limited	Australia	100	100
*	Renison Limited	Australia	100	100
*	Iluka Finance Limited	Australia	100	100
*	The Nardell Colliery Pty Ltd	Australia	100	100
*	Glendell Coal Ltd	Australia	100	100
*	Lion Properties Pty Limited	Australia	100	100
*	Basin Minerals Limited	Australia	100	100
*	Basin Minerals Holdings Pty Ltd	Australia	100	100
*	Basin Properties Pty Ltd	Australia	100	100
*	Swansands Pty Ltd	Australia	100	100
*	Iluka International (UAE) Pty Ltd	Australia	100	100
*	Iluka International (Lanka) Pty Ltd	Australia	100	100
*	Iluka International (China) Pty Ltd	Australia	100	100
*	Iluka International (Brazil) Pty Ltd	Australia	100	100
*	Iluka Share Plan Holdings Pty Ltd	Australia	100	100
*	Iluka International (Netherlands) Pty Ltd	Australia	100	100
*	Iluka Royalty (MAC) Pty Limited	Australia	100	100
*	Iluka International (ERO) Pty Ltd	Australia	100	100
*	Iluka International (West Africa) Pty Ltd	Australia	100	100
	Ashton Coal Interests Pty Limited	Australia	95.8	95.8
	A.C.N. 637 824 027 Limited	Australia	100	-
	A.C.N. 637 858 425 Pty Ltd	Australia	100	-
	A.C.N. 637 858 434 Pty Ltd	Australia	100	-
	A.C.N. 637 858 809 Pty Ltd	Australia	100	-
	Iluka International Coöperatief U.A.	The Netherlands	100	100
	Iluka Investments 1 B.V.	The Netherlands	100	100
	Iluka Trading (Europe) B.V.	The Netherlands	100	100
	Iluka Lanka P Q (Private) Limited	Sri Lanka	100	100
	Iluka Lanka Resources (Private) Limited	Sri Lanka	100	100
	Iluka Lanka Exploration (Private) Limited	Sri Lanka	100	100
	Iluka Trading (Shanghai) Co., Ltd	China	100	100
	Iluka Brasil Mineracao Ltda	Brazil	100	100

Iluka (UK) Ltd	United Kingdom	100	100
Iluka Technology (UK) Ltd	United Kingdom	100	100
Associated Minerals Consolidated Investments	USA	100	100
Iluka (USA) Investments Inc	USA	100	100
Iluka Resources Inc	USA	100	100
Iluka Resources (NC) LLC	USA	100	100
Iluka Resources (TN) LLC	USA	100	100
IR RE Holdings LLC	USA	100	100
Iluka Atlantic LLC	USA	100	100
Iluka International (Eurasia) Pte. Ltd.	Singapore	100	100
Iluka Exploration (Kazakhstan) Limited Liability Partnership	Kazakhstan	100	100
ERO (Tanzania) Limited	Tanzania	100	100
Iluka Exploration (Canada) Limited	Canada	100	100
Iluka Investments (BVI) Limited	British Virgin Islands	96.4	100
SRL Acquisition No. 3 Limited	British Virgin Islands	100	100
Sierra Rutile (UK) Limited	United Kingdom	100	100
Sierra Rutile Holdings Limited	British Virgin Islands	100	100
Sierra Rutile Limited	Sierra Leone	100	100
Iluka International (UK) Limited	United Kingdom	100	100
Iluka South Africa (Pty) Limited	South Africa	100	100

* The above companies are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others.

By entering into the Deed of Cross Guarantee, the wholly-owned entities represent a closed group and have been relieved from the requirements to prepare a Financial Report and Directors' Report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*. The closed group is also the extended closed group.

(a) Condensed financial statements of the extended closed group

Condensed statement of profit or loss and other comprehensive income	2019 $m	2018 $m
Revenue from ordinary activities	**1,046.8**	1,118.7
Expenses from ordinary activities	**(560.4)**	(605.1)
Finance costs	**(44.0)**	(24.1)
Income tax expense	**(131.7)**	(143.9)
Profit for the period	**310.7**	345.6
Other comprehensive income		
Changes in the fair value of cash flow hedges	**(2.4)**	(7.9)
Total comprehensive income for the period	**308.3**	337.7

Summary of movements in consolidated retained earnings		
Retained earnings/(accumulated loss) at the beginning of the financial year	**187.8**	(10.9)
Profit for the period	**310.7**	345.6
Dividends paid	**(101.5)**	(146.9)
Retained earnings/(accumulated loss) at the end of the financial year	**397.0**	187.8

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

Condensed balance sheet	2019 $m	2018 $m
Current assets		
Cash and cash equivalents	**69.3**	18.4
Receivables	**161.9**	118.0
Inventories	**300.4**	292.5
Total current assets	**531.6**	428.9
Non-current assets		
Property, plant and equipment	**933.2**	838.3
Deferred tax assets	**17.5**	46.3
Intangible assets	**3.5**	3.9
Inventories	**84.1**	4.6
Other financial assets - investments in non-closed group entities	**721.8**	729.2
Right of use assets	**20.0**	-
Total non-current assets	**1,780.1**	1,622.3
Total assets	**2,311.7**	2,051.2
Current liabilities		
Payables	**81.8**	100.0
Derivative financial instruments	**3.7**	4.4
Current tax payable	**94.4**	137.3
Provisions	**62.9**	82.2
Lease liabilities	**9.2**	-
Total current liabilities	**252.0**	323.9
Non-current liabilities		
Interest-bearing liabilities	**54.0**	49.5
Derivatives	**1.6**	7.3
Provisions	**433.7**	336.0
Lease liabilities	**20.4**	-
Total non-current liabilities	**509.7**	392.8
Total liabilities	**761.7**	716.7
Net assets	**1,550.0**	1,334.5
Equity		
Contributed equity	**1,157.5**	1,154.0
Reserves	**(4.5)**	(7.3)
Retained earnings	**397.0**	187.8
Total equity	**1,550.0**	1,334.5

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

OTHER NOTES

24 CONTINGENT LIABILITIES

(a) Bank guarantees

The Group has a number of bank guarantees in favour of various government authorities and service providers to meet its obligations under exploration and mining tenements. At 31 December 2019, the total value of performance commitments and guarantees was $125.3 million (2018: $123.6 million).

(b) Native title

There is some risk that native title, as established by the High Court of Australia's decision in the Mabo case, exists over some of the land over which the Group holds tenements or over land required for access purposes. It is impossible at this stage to quantify the impact, if any, which these developments may have on the operations of the Group.

(c) Sri Lanka exploration deposits

In October 2013 the Group acquired all of the share capital in PKD Resources (Pvt) Ltd, a Sri Lankan domiciled company which owns an exploration tenement located near the city of Puttalam in the North Western Province of Sri Lanka. The consideration for the acquisition which remains contingent on future events includes:

- payment of US$2 million upon grant of a mining license, US$3 million on the Iluka Board approving a development of mining operations and US$3 million upon commencement of commercial production; and
- the payment of an annual trailing payment calculated at 1% of the gross sale proceeds received from the annual sale of all mineral products and sand clay produced from the tenement, less the US$2.0 million paid on the grant of the mining license over EL 170, which is being treated as an advance on the trailing payment.

(d) Shareholder class action

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

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

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

The presiding judge has made orders for the exchange of evidence in the proceedings and a trial date has been set for 1 March 2021.

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

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

(e) Sierra Leone environmental class action

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

(e) Sierra Leone environmental class action (continued)

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

As at 31 December 2019, the status of the proceedings has still not reached a stage where SRL is able to reliably estimate the quantum of liability, if any, that SRL may incur in respect of the class action.

(f) Other claims

In the course of its normal business, the Group occasionally receives claims arising from its operating activities. In the opinion of the directors, all such matters are covered by insurance or, if not covered, are without merit or are of such a kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the Group if settled unfavourably.

25 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Following a comprehensive review of the Group's corporate and capital structure during 2019, the Board and management have decided to make preparations to put a proposal to shareholders regarding a demerger of the Mining Area C (MAC) royalty business from the Group's mineral sands business. This option has been determined as the best means to deliver value to shareholders by separating distinct businesses and creating two stand-alone ASX-listed companies. As the proposal is still in development and will be subject to further Board approval, as well as regulatory, and shareholder approvals, MAC is not classified as held-for-sale as at 31 December 2019. The carrying values of assets and liabilities as at the reporting date and related profit or loss for the year are disclosed in note 4(b). Any gain on distribution of non-cash assets to owners that may arise would depend on the fair value of those assets at the date of distribution, and can therefore not be estimated as at the reporting date.

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

26 COMMITMENTS

(a) Exploration and mining lease commitments	**2019 $m**	2018 $m
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable:		
Within one year	**14.9**	15.7
Later than one year but not later than five years	**34.7**	32.7
Later than five years	**46.8**	47.0
	96.4	95.4

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

(b) Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	7.2
Later than one year but not later than five years	-	15.8
Later than five years	-	14.3
	-	37.3

From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see notes 10 and 34 for further information.

(c) Capital commitments

Capital expenditure contracted for and payable, but not recognised as liabilities is $26.5 million (2018: $57.8 million). All of the commitments relate to the purchase of property, plant and equipment. Of the total amount, $25.7 million is payable within one year of the reporting date and $0.8 million is payable between one and five years of the reporting date.

27 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 $000	2018 $000
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of Group financial statements	**514**	514
Audit and review of subsidiary financial statements	**131**	-
	645	514
Tax and other services		
Tax compliance and advisory services	**7**	10
Other compliance and advisory services	**10**	-
	17	10
Total remuneration	**662**	524

(b) Network firms of PricewaterhouseCoopers Australia

Audit and review of financial statements	**199**	156
Other compliance and advisory services	**16**	34
	215	190

(c) Non-PricewaterhouseCoopers audit firms

Audit and review of financial statements	**96**	76
Other compliance and advisory services	**15**	142
	111	218

Summary of total fees disclosed above:		
Audit and review of financial statements	**940**	746
Tax compliance and advisory services	**7**	10
Other compliance and advisory services	**41**	176
	988	932

28 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via incentive plans, the Director's, Executives and Employees Share Acquisition Plan, the Equity Incentive Plan and the Employee Share Plan. Information relating to these schemes is set out in the Remuneration Report.

The fair value of shares granted is determined based on market prices at grant date, taking into account the terms and conditions upon which those shares were granted. The fair value is recognised as an expense through profit or loss on a straight-line basis between the grant date and the vesting date for each respective plan.

The fair value of share rights is independently determined using a Monte Carlo simulation that takes into account the exercise price, the term of the share right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate of the term of the share right. The fair value of the Long Term Incentive Plan (LTIP - TSR tranche) and Long Term Deferred Rights (LTDR - TSR tranche) also take into account the Company's predicted share prices against the comparator group performance at vesting date.

A credit to the share-based payments expense arises where unvested entitlements lapse on resignation or the non-fulfilment of the vesting conditions that do not relate to market performance. Payroll tax payable on the grant of restricted shares or share rights is recognised as a component of the share-based payments expense when paid.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

The share-based payment expense recognised in profit or loss of $6.2 million (2018: $6.2 million) results from several schemes summarised below.

Schemes	Grant date	Vesting date	Fair value $	**Shares / rights at 31 Dec 19**	**Expense 2019 $m**	Shares / rights at 31 Dec 18	Expense 2018 $m
STIP (i)							
2019	Mar-20	Mar-21/22/23	9.30	**-**	**1.2**	-	-
2018	Mar-19	Mar-20/21	7.62	**-**	**1.3**	-	1.5
2017	Mar-18	Mar-19/20	10.55	**-**	**0.5**	-	1.4
2016	Mar-17	Mar-18/19	6.82	**-**	**-**	-	0.4
LTIP - TSR (ii)							
2017	May-17	Mar-21	5.66	**376,858**	**0.5**	401,657	0.5
2016 MD Grant	Oct-16	Mar-21	3.71	**126,688**	**0.2**	126,688	(0.3)
2016	May-16	Mar-20	4.27	**211,502**	**-**	237,217	0.2
2016	May-16	Mar-19	4.27	**1,607**	**-**	267,739	0.1
LTIP - ROE (ii)							
2017	May-17	Mar-21	7.44	**369,845**	**0.6**	401,681	0.7
2016 MD Grant	Oct-16	Mar-21	5.42	**126,687**	**(0.4)**	126,687	0.3
2016	May-16	Mar-20	5.86	**211,519**	**(0.9)**	237,234	0.3
2016	May-16	Mar-19	6.01	**-**	**(1.0)**	267,757	(0.9)
2015	Feb-15	Mar-18	6.74	**-**	**-**	-	(1.6)
EIP (iii)	Mar-18	Mar-20/21/22/23	7.62	**-**	**3.1**	-	2.5
MD LTDR (iv)	Oct-16	Mar-18/19/20	4.68	**163,031**	**0.2**	357,115	0.1
COO LTDR (v)	Mar-17	Mar-20	6.82	**16,133**	**0.1**	16,133	0.1
COO LTDR (v)	Mar-18	Mar-21	10.55	**10,424**	**0.1**	10,424	0.1
COO LTDR (v)	Mar-19	Mar-22	9.35	**11,762**	**0.1**		
Employee Share Plan (vi)			9.01	**-**	**-**	-	0.4
Restricted Share Plan (vii)			6.82	**-**	**0.6**	-	0.4
					6.2		6.2

(i) Short Term Incentive Plan (STIP)

The fair value of the STIP is determined as the volume weighted average price of ordinary shares over the five trading days following the release of the Company's annual results.

(ii) Long Term Incentive Plan (LTIP)

The fair value at grant date for the LTIP took into account the exercise price of $nil, the share price at grant date, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of and the risk free rate of return. The fair value of the total shareholder return tranche also took into account the Company's predicted share prices against the comparator group performance at vesting date.

Prior year expenses related to rights that do not vest for the Return on Equity (ROE) tranche are credited to share-based payments expense.

(iii) Executive Incentive Plan (EIP)

Equity awarded under the Executive Incentive Plan is allocated on 1 March each year. The number of restricted shares and performance rights to be awarded are determined based on a volume weighted average market price of Iluka shares for the five days following the release of the full year results. The values disclosed represent the face value.

(iv) Managing Director's Long Term Deferred Rights (LTDR)

The fair value at grant date for the Managing Director's LTDR takes into account the exercise price of $nil, the share price at grant date of $6.27, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of 3.47% and the risk free rate of return of 1.53%. The fair value of the TSR tranche also takes into account the Company's predicted share prices against the comparator group performance at vesting date.

Full details of the LTDR granted in October 2016 are set out in the 2016 Remuneration Report. The fair value of $4.68 per right is the weighted average for all share rights in the LTDR.

(v) Chief Operating Officer's Long Term Deferred Rights (LTDR)

The fair value at grant date for the Chief Operating Officer's LTDR represents the face value of 38,819 (2018: 26,557) share rights.

(vi) Employee share plan

The employee share plan ceased in 2018. In the current reporting period, no shares were issued. In the comparative period 37,400 shares were issued to eligible employees who participated in the plan. Under the plan, each participant was issued with shares worth $1,000 based on a volume weighted average market price for the five days following the close of the offer period (2018: $11.28).

(vii) Restricted share plan

51,548 (2018: 52,029) restricted shares were issued to five (2018: seven) eligible employees who participated in the plan. Shares were issued to participants based on a volume weighted average price of $9.35 (2018: $10.55) calculated over the five trading days following the release of the Company's 2018 annual results.

29 POST-EMPLOYMENT BENEFIT OBLIGATIONS

(a) Superannuation plan

(i) Australia

Iluka previously provided defined lump sum and pension benefits to employees of the Group who did not elect a fund under the Superannuation Fund Choice legislation via the Iluka Resources Superannuation Plan. Iluka has closed this defined benefits plan to new members and there are no remaining members. During the current reporting period, the remaining net plan surplus was derecognised, as the Group has no further legal or constructive obligation in relation to this plan.

(ii) USA

All employees of the United States (US) operations are entitled to benefits from the US operations' pension plans on retirement, disability or death. The US operations have one defined benefit plan and one defined contribution plan. The defined benefit plan provides a monthly benefit based on average salary and years of service. The defined contribution plan receives an employee's elected contribution and an employer's match-up to a fixed percentage. The entity's legal or constructive obligation is limited to these contributions.

(iii) SRL

SRL does not operate any retirement benefit plan for its employees. For employees of the Sierra Leone based subsidiary, the Group makes a contribution of 10% of the employees' basic salary to the National Social Security and Insurance Trust ("NASSIT") for payment of pension to staff on retirement. These employees also contribute 5% of their basic salary to NASSIT.

The Sierra Leone based subsidiary also provides for end-of-term benefits based on the provisions contained in the collective bargaining agreements negotiated with trade unions representing employees. On 1 January 2018, this benefit was extended to include senior and management employees, in addition to all other employees, with the obligation to the newly added senior and management employees becoming effective from 1 January 2019. The post-employment benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation in relation to this arrangement.

The following sets out details in respect of the defined benefit sections only for Australia, US and SRL.

(b) Financial position

The net financial position of the Group’s defined benefit plans based on information supplied from the plans' actuarial advisors per the table below.

	Net plan position	**2019 $m**	2018 $m
Australia	-	**-**	0.4
United States	Deficit	**(15.7)**	(12.1)
Sierra Leone	Deficit	**(6.7)**	(6.2)
Total		**(22.4)**	(17.9)

A net deficit of $22.4 million (2018: deficit $17.9 million) is included in non-current provisions in note 8. The table below provides a summary of the net financial position at 31 December for the past five years.

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Defined benefit plan obligation	**(46.7)**	(39.4)	(36.0)	(35.0)	(31.1)
Plan assets	**24.3**	21.5	21.2	20.3	20.4
Deficit	**(22.4)**	(17.9)	(14.8)	(14.7)	(10.7)

(c) Defined benefits superannuation expense

In 2019, $2.4 million (2018: $2.3 million) was recognised in expenses for the year in respect of the defined benefit plans.

Other disclosures in respect of retirement benefit obligations required by AASB 119 are not included in the financial report as the directors do not consider them to be material to an understanding of the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

30 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2019 $m	2018 $m
Profit (loss) for the year	**(299.7)**	303.9
Depreciation and amortisation	**163.2**	93.6
Doubtful debts/(reversed)	**1.6**	(1.4)
Net loss (gain) on disposal of property, plant and equipment	**4.1**	(1.3)
Net exchange differences	**0.3**	1.6
Rehabilitation and mine closure provision discount unwind	**19.7**	16.7
Rehabilitation discount rate change	**18.3**	-
Non-cash share-based payments expense	**6.2**	6.2
Amortisation of deferred borrowing costs	**1.2**	1.6
Impairment of Sierra Rutile Limited assets	**375.2**	-
Inventory NRV write-down	**41.8**	11.4
Changes in rehabilitation provisions for closed sites	**3.2**	(4.6)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**(39.8)**	7.5
(Increase)/decrease in inventories	**(35.2)**	85.9
Increase/(decrease) in net current tax liability	**(43.1)**	152.1
Decrease/(increase) in net deferred tax	**199.0**	(6.7)
(Decrease) in payables	**(111.7)**	(35.3)
Increase/(decrease) in provisions	**17.9**	(4.7)
Net cash inflow from operating activities	**322.2**	626.5

31 KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

Key Management Personnel of the Group comprise directors of Iluka Resources Limited as well as other specific employees of the Group who met the following criteria: "personnel who have authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly."

(i) Key Management Personnel compensation

Detailed information about the remuneration received by each Key Management Person is provided in the Remuneration Report on pages 56 to 80.

The below provides a summary:

	2019 $000	2018 $000
Short-term benefits	**6,213**	6,997
Post-employment benefits	**205**	232
Termination benefits	**276**	175
Share-based payments	**3,362**	2,312
Total	**10,056**	9,716

(b) Transactions with Key Management Personnel

There were no transactions between the Group and Key Management Personnel that were outside of the nature described below:

(i) occurrence was within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those it is reasonable to expect the Group would have adopted if dealing at arms length with an unrelated individual;
(ii) information about these transactions does not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the Key Management Personnel; and
(iii) the transactions are trivial or domestic in nature.

32 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information for Iluka Resources Limited

	2019 $m	2018 $m
Balance sheet		
Current assets	**106.5**	165.6
Non-current assets	**1,481.1**	1,393.9
Total assets	**1,587.6**	1,559.5
Current liabilities	**40.6**	196.4
Non-current liabilities	**439.2**	390.1
Total liabilities	**479.8**	586.5
Net assets	**1,107.8**	973.0
Shareholders' equity		
Contributed equity	**1,160.3**	1,158.7
Other reserves	**2.6**	0.5
Profit reserve[1]	**153.4**	22.3
Accumulated loss	**(208.5)**	(208.5)
	1,107.8	973.0
Profit/(loss) for the year	**234.3**	86.8
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	**(2.4)**	(7.9)
Total comprehensive loss (income)	**231.9**	78.9

[1]Profits have been appropriated to a profits reserve for future dividend payments.

(b) Contingent liabilities of the parent entity

The parent had contingent liabilities for performance commitments and guarantees of $10.6 million as at 31 December 2019 (2018: $42.8 million). In addition, the parent has a contingent liability related to the shareholder class action, as detailed in note 24.

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

As at 31 December 2019, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $6.3 million (2018: $26.1 million).

(d) Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost.

(ii) Tax consolidation legislation
Iluka Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004. On adoption of the tax consolidation legislation, the entities in the tax consolidation group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Iluka Resources Limited.

33 RELATED PARTY TRANSACTIONS

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

34 NEW AND AMENDED STANDARDS

New standards and amendments adopted

Iluka Resources Limited is required to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2019. The affected policies and standards are:

AASB16 *Leases*

The Group has adopted AASB 16 with effect from 1 January 2019 (the 'adoption date'), but has not restated comparatives for the 2018 reporting period. All relevant contracts, other than short term contracts or those relating to low-value assets, have been assessed to determine whether they are, or contain, leases. For initial adoption purposes, short term contracts include contracts that are for a total period of more than 12 months, but that expire within 12 months or less of the adoption date.

The new accounting policy applicable to leases, including measurement of lease liabilities and right-of-use assets, from 1 January 2019 is detailed in note 10.

The Group recognised lease liabilities and right of use assets in relation to leases which had previously been classified as operating leases under the principles of AASB 117. No adjustments were made to the opening balance on retained earnings. The Group did not have any leases previously classified as finance leases on the adoption date.

Lease liabilities

The weighted average interest rate used to discount the payments due over the remaining term for each lease was 4.3%. The Group estimated remaining lease terms including the effects of any renewal options or termination options expected to be exercised, applying hindsight where appropriate.

Operating lease commitments disclosed at the end of the comparative period are reconciled to the opening lease liability balance as follows:

	$m
Operating lease commitments disclosed as at 31 December 2018	37.3
Discounted using the Group's weighted average incremental borrowing rate on 1 January 2019	**32.7**
Less: short-term and low value leases recognised on a straight-line basis	(1.4)
Add: contracts reassessed as leases	5.9
Lease liabilities recognised on 1 January 2019	**37.2**

Right-of-use assets

Right-of-use assets were measured at amounts equal to the carrying amount of their respective lease liabilities on the adoption date, adjusted for incentives, accruals and prepayments and to exclude initial direct costs. A total of $29.5 million was recognised on the adoption date.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets on the adoption date.

Impact on the current reporting period

Adoption of AASB 16 impacted all segments (except for MAC) and certain non-segment corporate and other items:

	JA/MW $m	C/SW $m	SRL $m	US/MB $m	Corporate and other $m	Total $m
Lease liabilities						
Recognised on adoption	8.2	5.0	0.3	1.1	22.6	37.2
Additional lease liabilities recognised	1.0	0.9	-	0.1	0.2	2.2
Remeasurement adjustments	-	-	-	-	(2.8)	(2.8)
Borrowing costs	0.3	0.2	0.1	0.1	0.9	1.5
Payments	(4.0)	(2.9)	(0.1)	(0.6)	(0.6)	(8.2)
Lease liabilities as at 31 December 2019	**5.5**	**3.2**	**0.3**	**0.7**	**20.3**	**30.0**
Right of use assets						
Recognised on adoption	8.2	5.0	0.3	1.1	14.9	29.5
Additional right of use assets recognised	1.0	0.9	-	0.1	0.2	2.2
Remeasurement adjustments	-	-	-	-	(2.8)	(2.8)
Accumulated amortisation	(3.5)	(2.6)	(0.1)	(0.5)	(1.7)	(8.4)
Right of use assets as at 31 December 2019	**5.7**	**3.3**	**0.2**	**0.7**	**10.6**	**20.5**

The impact on the profit or loss items of the JA/MW, C/SW, SRL and US/MB segments was not material, nor was there a material impact on Group earnings per share. The impact on the profit or loss of the Group was:

	Total $m
Decrease in operating lease expense	8.2
Increase in borrowing costs on lease liabilities	(1.5)
Increase in right of use asset amortisation	(8.4)
Decrease in profit before tax	**(1.7)**
Decrease in income tax expense	0.5
Decrease in profit after tax	**(1.2)**

Forthcoming standards and amendments not yet adopted

There are no other forthcoming standards and amendments that are expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

DIRECTOR'S DECLARATION

For the year ended 31 December 2019

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 82 to 135 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 22.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

G. Martin

G Martin
Chairman

T O'Leary

T O'Leary
Managing Director

20 February 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2019

pwc

Independent auditor's report

To the members of Iluka Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Iluka Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended, and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2019

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $13 million, which represents approximately 1% of the Group's total revenue.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose revenue as the materiality benchmark rather than profit before tax due to the recent volatility in profit before tax. Revenues are reflective of the Group's operating activities, are relatively stable when compared to profit before tax and provide a level of materiality which, in our view, is appropriate for the audit having regard to the expected requirements of users of the Group's financial report.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Component auditors, operating under our instructions, performed audit procedures over the Group's Sierra Leone operations' financial information. These procedures, combined with the work performed by us which included reviewing component auditors' work, as the Group engagement team, provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial report as a whole.

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2019

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of assets in Sierra Rutile *Refer note 3 and note 7 to the financial statements*	

The Group performed an assessment for impairment indicators across its cash generating units (CGUs) given this is required by Australian Accounting Standards. During the year, the Group reviewed its approach to developing the Sembehun deposit in Sierra Leone due to unfavourable changes made to capital expenditure estimates on the previously preferred development option. The Group identified this as an indicator of impairment for the cash generating unit in Sierra Leone (the Sierra Rutile CGU) at year end and undertook an impairment assessment. This assessment resulted in an impairment charge of $375.2 million as the Group concluded the fair value less cost of disposal (FVLCOD) of the Sierra Rutile CGU was below its carrying value at 31 December 2019. When an impairment assessment is performed, there are significant judgements made in relation to assumptions, such as:
• long term mineral sands pricing
• reserve estimates and production and processing volumes
• operating costs, capital costs for future developments, rehabilitation and mine closure costs, foreign exchange rates and inflation rates, and
• discount rates.
 	
This was a key audit matter due to the significant carrying value of the Sierra Rutile CGU's non current assets and the significance of the impairment expense to the profit and loss, which are subject to the judgements and assumptions outlined above in relation to impairment.
	We performed the following procedures on the Group's impairment assessment for the Sierra Rutile CGU:
	
	• assessed whether the Sierra Rutile CGU appropriately included all directly attributable assets and liabilities
	• considered whether the discounted cash flow model used to estimate the 'fair value less costs of disposal' (the impairment model) was consistent with the basis required by Australian Accounting Standards
	• tested whether forecast cash flows used in the impairment model were consistent with the most recent Corporate Plan formally approved by directors
	• considered whether the forecast cash flows used in the impairment model were reasonable and based on supportable assumptions by:
	  ○ comparing long term mineral sands pricing data used in the impairment model to independent industry forecasts and long term sales contracts
	  ○ comparing the forecasted cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting
	  ○ assessing the objectivity and competence of internal engineering experts who assisted in developing ore reserve estimates for the Sierra Rutile CGU's future developments
	  ○ comparing foreign exchange rate and inflation rate assumptions in the impairment model to current economic forecasts, and
	  ○ assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital such as peer company

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2019

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Key audit matter	*How our audit addressed the key audit matter*
	betas, risk free rate and gearing ratios, assisted by PwC valuation experts • tested the mathematical accuracy of the impairment model's calculations, and • evaluated the adequacy of the disclosures made in note 7 including those regarding key assumptions used in the impairment assessment, in light of the requirements of Australian Accounting Standards.
Closure and rehabilitation provisions in Virginia *Refer to Critical accounting estimates and judgements in note 3 and note 8 to the financial statements* As a result of its mining and processing operations, the Group is obliged to restore and rehabilitate the environment disturbed by these operations and remove related infrastructure. Rehabilitation activities are governed by a combination of legislative requirements and Group policies. At 31 December 2019 the balance sheet included provisions for such obligations of $788.5 million. We placed particular focus on the closure and rehabilitation provisions for the Group's legacy operations in Virginia and related disclosure due to the significant estimates made by the Group in determining the likely outcome of these matters. These provisions comprise a substantial portion of the $304.4 million US/MB segment liabilities. This was a key audit matter given the determination of these provisions required judgement in the assessment of the nature and extent of the work to be performed, the future cost of performing the work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate for future cash outflows associated with rehabilitation activities.	We performed tests over the calculation and disclosures relating to the rehabilitation provision for the Group's legacy Virginia operations. We evaluated key assumptions utilised in these models by performing the following procedures: • evaluated the competency and independence of the experts retained by the Group to assist with the assessment of its rehabilitation obligations • examined the Group's assessment of significant changes in future cost estimates from the prior year • compared the estimated future rehabilitation costs to actual costs being incurred at the Group's sites for similar activities and current contracts in place to assess the extent to which rehabilitation estimates take into account current experience • assessed the ability of the Group to make reliable estimates of the extent of future rehabilitation expenditure by comparing actual cash outflows in 2019 to those forecast as part of the provision in previous years • assessed the Group's judgments in relation to the manner in which the rehabilitation of legacy sites in Virginia is likely to occur, and • considered the appropriateness of the discount rates and inflation rates utilised in calculating the provision by comparing them to current market consensus.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2019

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 56 to 80 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Iluka Resources Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justin Carroll
Partner

Perth
20 February 2020

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

In this section

Cataby mine, Western Australia

FIVE YEAR PHYSICAL AND FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
Production volumes (kt)					
- Zircon	322.1	348.6	312.3	347.1	388.6
- Rutile	184.1	163.2	302.1	117.6	136.5
- Synthetic rutile	196.2	219.9	210.8	210.9	164.9
Total Z/R/SR	**702.4**	**731.7**	**825.2**	**675.6**	**690**
- Ilmenite	318.6	395.1	448.1	329.4	466.1
Sales volumes (kt)					
- Zircon	274.0	379.3	380.4	338.8	346.2
- Rutile	200.1	233.2	264.3	172.1	133.6
- Synthetic rutile	206.7	214.6	244.4	186.8	171.2
Total Z/R/SR	**680.8**	**827.1**	**889.1**	**697.7**	**651**
- Ilmenite	170.8	224.5	202.7	17.7	299.8
Weighted average annual prices (US$/t)					
- Zircon (premium and standard)	1,487	1,351	958	810	986
- Zircon (all products)	1,380	1,321	940	773	961
- Rutile	1142	952	790	716	721
- Synthetic rutile	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Average AUD:USD spot exchange rate (cents)	**69.5**	**74.8**	**76.7**	**74.4**	**75.2**
AUD:USD range (cents)	67.0/72.7	70.4/81.2	71.8/80.6	68.6/78.0	69.2/82.3

Unit revenue and cash cost ($/t)					
Revenue per tonne Z/R/SR sold (A$/t)	1,654	1,415	1,079	999	1,136
Unit cash costs of production per tonne Z/R/SR produced excluding by-products	753	606	439	373	558
Unit cost of goods sold per tonne of Z/R/SR	889	750	743	700	780

Summary financials ($m)	2019	2018	2017	2016	2015
Z/R/SR revenue	1,128.7	1,179.0	959.1	696.8	739.7
Ilmenite and other revenue	64.4	65.1	58.4	29.5	80.1
Revenue from operations	1,193.1	1,244.1	1,017.5	726.3	819.8
Cash costs of production	(539.6)	(455.1)	(372.4)	(260.6)	(392.5)
Inventory movement – cash costs of production	63.4	(68.5)	(141.5)	(107.6)	9.6
Restructure and idle capacity charges	(19.7)	(24.7)	(73.3)	(69.5)	(38.3)
Government royalties	(39.4)	(38.1)	(25.2)	(20.4)	(21.0)
Marketing and selling costs	(35.0)	(38.1)	(33.8)	(36.3)	(32.0)
Asset sales and other income	(3.5)	1.8	0.7	(0.6)	1.4
Corporate and other costs	(64.5)	(48.1)	(47.1)	(53.8)	(52.7)
Resources development	(25.7)	(30.1)	(24.6)	(79.4)	(58.4)
Mineral sands EBITDA	530.9	544.5	300.9	103.0	231.8
Mining Area C EBITDA	85.1	55.6	59.6	47.5	61.6
Underlying Group EBITDA[1]	616.0	600.1	360.5	150.5	293.4
Rehabilitation and holding costs for closed sites	(3.2)	4.6	(127.4)	(42.6)	(2.7)
SRL transaction costs	-	-	-	(14.1)	-
Depreciation and amortisation	(163.2)	(93.6)	(111.0)	(79.9)	(132.0)
Inventory movement – non-cash production costs	15.5	(28.3)	(66.8)	(57.3)	(15.3)
Significant non-cash items	(414.3)	-	(185.4)	(201.0)	-
Net interest and finance charges	(51.8)	(30.8)	(32.2)	(30.0)	(56.4)
Income tax (expense) benefit	(298.7)	(148.1)	(6.0)	53.7	(33.1)
Net profit (loss) after tax for the period (NPAT)	(299.7)	303.9	(171.6)	(224.0)	53.5
Operating cash flow	408.0	594.2	391.7	137.3	222.2
Capital expenditure	(197.5)	(311.5)	(93.1)	(82.5)	(66.4)
Free cash (outflow) inflow[2] ($m)	139.7	304.4	321.9	47.3	155.0
Net (debt) cash	43.3	1.8	(182.5)	(506.3)	6.0

Capital and dividends	2019	2018	2017	2016	2015
Ordinary shares on issue (millions)	422.6	422.4	418.7	418.7	418.7
Dividends per share in respect of the year (cents)	13	29	31	3	25
Franking level %	100	100	100	100	100
Opening year share price ($)	7.22	10.01	7.27	6.13	5.95
Closing year share price ($)	9.3	7.62	10.17	7.27	6.13

Financial ratios					
Underlying Group EBITDA/revenue margin %	51.6	48.2	35.4	20.7	35.8
Mineral sands EBITDA/revenue margin %	44.5	43.8	29.6	14.2	28.3
Basic earnings (loss) per share (cents)	(65.3)	72.2	(41.0)	(53.6)	12.8
Free cash flow per share (cents)	33.1	72.1	76.9	11.3	37.0
Return on shareholders' equity[3] %	(24.5)	31.8	(20.1)	(17.1)	3.8
Return on capital[4] %	6.8	54.0	(11.6)	(18.3)	6.8
Gearing (net debt/net debt + equity) %	n/a	n/a	17.1	31.5	n/a

Financial position as at 31 December ($m)					
Total assets	1,894.5	2,211.9	1,947.0	2,442.3	2,103.3
Total liabilities	(1,159.0)	(1101.9)	(1061.5)	(1339.3)	(694.7)
Net assets	735.5	1,110.0	885.5	1,103.0	1,408.6
Shareholders' equity	735.5	1,110.0	885.5	1,103.0	1,408.6
Net tangible asset backing per share ($)	1.6	2.1	1.7	2.2	3.3

Employees as at 31 December					
Full-time equivalent employees[5]	3,427	3421	2543	687	876

Iluka Ore Reserves and Mineral Resources	2019	2018	2017	2016	2015
Mineral Resources In Situ HM tonnes	165.4	167.8	169.4	170.5	172.9
Ore Reserves In Situ HM tonnes	13	15.7	16.4	16.7	23
HM Grade (%) Ore Reserves	5.6	5.8	5.8	5.9	5.7
Assemblage[6] (%)					
Zircon	18	17	19	19	18
Rutile	3	4	4	4	6
Ilmenite	56	54	52	52	53

Sierra Rutile Ore Reserves and Mineral Resources	2019	2018	2017	2016	2015
Mineral Resources In Situ Rutile tonnes	8.2	8	7.3	7.5	-
Ore Reserves In Situ Rutile tonnes	3.7	3.8	3.8	3.9	-

Notes:

(1) Underlying Group EBITDA excludes non-recurring adjustments including write-downs, Sierra Rutile Limited transaction costs, changes to rehabilitation provisions for closed sites. Underlying EBITDA also excludes Iluka's share of Metalysis Ltd's losses, which are non-cash in nature.

(2) Free cash flow is determined as cash flow before any debt refinance costs, proceeds/repayment of borrowings and dividends paid in the year. 2016 free cash flow is stated before the acquisition cost of Sierra Rutile Limited of $375.4 million.

(3) Calculated as NPAT for the year as a percentage of the average monthly shareholders' equity over the year.

(4) Calculated as EBIT for the year as a percentage of average monthly capital employed for the year.

(5) 2016 data excludes Sierra Rutile Limited.

(6) Mineral assemblage is reported as a percentage of the In situ heavy mineral content.

The Ore Reserves and Mineral Resources for the Sierra Leone rutile deposits are reported separately as there is insufficient information to state the assemblage in terms of a portion of the heavy mineral (HM) content which is traditionally done in reporting heavy minerals. Historical data focused on the in situ rutile content which is honoured in the reporting of Ore Reserves and Mineral Resources for Sierra Leone. Refer pages 147 to 153 or Iluka's website www.iluka.com for Ore Reserves and Mineral Resources Statement.

OPERATING MINES PHYSICAL DATA

12 MONTHS TO 31 DECEMBER 2019

	Jacinth-Ambrosia/ Mid west	Cataby/ South west	Australia Total	Sierra Leone	Total Producing Ops	Idle Ops	Group Total 2019	Group Total 2018
Mining								
Overburden moved kbcm	1,465	11,138	12,602	-	12,602	-	12,602	4,467
Ore mined kt	9,845	11,001	20,846	8,278	29,124	-	29,124	20,192
Ore grade HM %	6.3%	4.0%	5.1%	3.3%	4.6%	0.0%	4.6%	5.4%
VHM grade %	5.7%	3.0%	4.3%	2.6%	3.8%	0.0%	3.8%	4.6%
Concentrating								
HMC produced kt	558	240	799	288	1,087	-	1,087	934
VHM produced kt	500	209	709	202	911	-	911	786
VHM in HMC assemblage %	89.6%	86.9%	88.8%	70.0%	83.8%	0.0%	83.8%	84.2%
Zircon	53.6%	10.7%	40.7%	4.0%	30.9%	0.0%	30.9%	46.7%
Rutile	7.9%	9.5%	8.4%	47.1%	18.7%	0.0%	18.7%	16.7%
Ilmenite	28.1%	66.8%	39.7%	18.9%	34.2%	0.0%	34.2%	20.8%
HMC processed kt	455	217	671	290	961	-	961	1,037
Finished product[1] kt								
Zircon	260.2	53.5	313.7	8.5	322.1	-	322.1	348.7
Rutile	31.2	15.6	46.9	137.2	184.1	-	184.1	163.2
Ilmenite (saleable/upgradeable)	107.0	152.4	259.3	59.2	318.6	-	318.6	395.2
Synthetic rutile produced kt	-	196.2	196.2	-	196.2	-	196.2	219.9

Notes:
(1) Finished product includes material from heavy mineral concentrate (HMC initially processed in prior periods).

GLOSSARY

Overburden moved (bank cubic metres) refers to material moved to enable mining of an ore body.

Ore mined (thousands of tonnes) refers to material moved containing heavy mineral ore.

Ore Grade HM % refers to percentage of heavy mineral (HM) found in a deposit.

VHM Grade % refers to percentage of valuable heavy mineral (VHM) — titanium dioxide (rutile and ilmenite), and zircon — found in a deposit.

Concentrating refers to the production of heavy mineral concentrate (HMC) through a wet concentrating process at the mine site, which is then transported for final processing into finished product at a mineral processing plant.

HMC produced refers to HMC, which includes the valuable heavy mineral concentrate (zircon, rutile, ilmenite) as well as other non-valuable heavy minerals (gangue).

VHM produced refers to an estimate of valuable heavy mineral in heavy mineral concentrate expected to be processed.

VHM produced and the VHM assemblage — provided to enable an indication of the valuable heavy mineral component in HMC.

HMC processed provides an indication of material emanating from each mining operation to be processed.

Finished product is provided as an indication of the finished production (zircon, rutile, ilmenite – both saleable and upgradeable) attributable to the VHM in HMC production streams from the various mining operations. Finished product levels are subject to recovery factors which can vary. The difference between the VHM produced and finished product reflects the recovery level by operation, as well as processing of finished material/concentrate in inventory. Ultimate finished product production (rutile, ilmenite, and zircon) is subject to recovery loss at the processing stage – this may be in the order of 10 per cent.

Ilmenite is produced for sale or as a feedstock for synthetic rutile production. Typically, 1 tonne of upgradeable ilmenite will produce between 0.56 to 0.60 tonnes of SR. Iluka also purchases external ilmenite for its synthetic rutile production process.

ORE RESERVES AND MINERAL RESOURCES STATEMENT

HM ORE RESERVES

Iluka HM Ore Reserve breakdown by country, region and JORC Category at 31 December 2019

Summary of Ore Reserves for Iluka [1,2,3,6]						HM Assemblage[4]			
Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ HM Tonnes Millions	HM Grade (%)	Ilmenite Grade (%)	Zircon Grade (%)	Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Proved	82	2.5	3.0	28	47	5	
		Probable	5	0.1	2.0	18	51	4	
Total	**Eucla Basin**		**87**	**2.6**	**2.9**	**28**	**47**	**5**	**(0.6)**
Australia	Perth Basin	Proved	89	6.2	7.0	57	11	4	
		Probable	55	4.2	7.7	72	9	2	
Total	**Perth Basin[5]**		**144**	**10.4**	**7.2**	**63**	**10**	**3**	**(2.1)**
Total	**Proved**		**171**	**8.7**	**5.1**	**49**	**21**	**4**	
Total	**Probable**		**60**	**4.3**	**7.2**	**71**	**10**	**2**	
Grand Total			**231**	**13.0**	**5.6**	**56**	**18**	**3**	**(2.7)**

Notes:

(1) Competent Persons — Ore Reserves: A Walkenhorst (MAusIMM). The Ore Reserves in this table have been estimated in accordance with the JORC Code (2012 Edition), other than the Ore Reserves for the Perth Basin, South West deposits, which have not materially changed and have been estimated in accordance with the JORC Code (2004 Edition). Iluka Resources is undertaking further work in order to report these estimates in accordance with the JORC Code (2012 Edition).

(2) Ore Reserves are a sub-set of Mineral Resources.

(3) Rounding may generate differences in last decimal place.

(4) Mineral assemblage is reported as a percentage of In situ HM content.

(5) Rutile component in Perth Basin South West operations is sold as a leucoxene product.

(6) The quoted figures are stated as at the 31 December 2019 and have been depleted for all production conducted to this date.

ORE RESERVES AND MINERAL RESOURCES STATEMENT

RUTILE ORE RESERVES (SIERRA LEONE)

Iluka Rutile Ore Reserve for Sierra Rutile by JORC Category at 31 December 2019

Summary of Ore Reserves for Iluka [1, 2, 3, 6, 7]					In Situ Mineral Content [4]			
Country	Region	Ore Reserve Category	Ore Tonnes Millions	In Situ Rutile Tonnes Millions	Rutile Grade (%)	Ilmenite [5] Grade (%)	Zircon [5] Grade (%)	Change Rutile Tonnes Millions
Sierra Leone	Sierra Leone	Proved	34	0.5	1.3	-	-	
		Probable	238	3.2	1.3	-	-	
Total	**Sierra Leone**		**272**	**3.7**	**1.3**	**-**	**-**	**(0.3)**

Notes:

(1) Competent Persons — Ore Reserves: A Walkenhorst (MAusIMM).
(2) Ore Reserves are a sub-set of Mineral Resources.
(3) Rounding may generate differences in last decimal place.
(4) Mineral content is reported as a percentage of in situ material.
(5) The ilmenite and zircon are only considered to be at an Inferred level of confidence in the Mineral Resource estimates, and while present, currently have a low value ascribed in the reserve optimisation process for Sierra Leone. This is not material to the economic viability.
(6) The quoted figures are stated as at 31 December 2019 and have been depleted for all production conducted to this date.
(7) In June 2019, International Finance Corporation acquired a 3.57% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited. Refer Iluka ASX announcement dated 6 June 2019 for further information.

In June 2019, International Finance Corporation invested US$20m for a 3.57% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited, detailed in an ASX announcement titled "Iluka to Partner With IFC In Sierra Leone" dated 6 June 2019 and available on the Iluka website at www.iluka.com.

Ore Reserves are estimated using all available geological and relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries and final product qualities. Reserve estimates are determined by the consideration of all of the "Modifying Factors" in accordance with the JORC Code 2004 and 2012, and for example, may include but are not limited to, product prices, mining costs, metallurgical recoveries, environmental consideration, access and approvals. These factors may vary significantly between deposits.

The Ore Reserves and Mineral Resources for the Sierra Leone rutile deposits are reported separately as there is insufficient information to state the assemblage in terms of a portion of the HM content which is traditionally done in reporting HM. Historical data focused on the In situ rutile content which is honoured in the reporting of Ore Reserves and Mineral Resources for Sierra Leone. An equivalent comparison of the rutile tonnages contained in Iluka's Ore Reserve inventory for HM can be calculated using the formula:

[Rutile tonnes = HM tonnes * Rutile %] that is [13.0*(3/100)] = 0.39 Mt of rutile.

For the year ending 2019, HM Ore Reserves decreased by **2.7Mt** HM associated with mining depletion and adjustments, down from **15.7Mt** HM to **13.0Mt** HM.

The main factors contributing to the movement in Iluka's HM Ore Reserves during 2019 include the following:

- The Eucla Basin Ore Reserves decreased by **0.6Mt** HM associated with mining depletion and pit re-design at Jacinth and Ambrosia.
- The Perth Basin Ore Reserves decreased by **2.1Mt** HM as a result of mine depletion and adjustment at Cataby delisting IPL North and reporting of the Mineral Separation Plant (MSP) By-Product Stockpile.

HM ORE RESERVES MINED AND ADJUSTED

Iluka HM Ore Reserves mined and adjusted by country and region at 31 December 2019

Summary of Ore Reserve Depletion (1)

Country	Region	Category	In Situ HM Tonnes Millions 2018	In Situ HM Grade (%) 2018	In Situ HM Tonnes Millions Mined 2019	In Situ HM Tonnes(2) Millions Adjusted 2019	In Situ HM Tonnes Millions 2019	In Situ HM Grade (%) 2019	In Situ HM Tonnes(3) Millions Net Change
Australia	Eucla Basin	Active Mines	1.3	3.5	(0.6)	1.9	2.6	3.0	1.3
		Non-Active Sites	2.0	3.5	-	(2.0)	-	2.9	(2.0)
Total	**Eucla Basin**		**3.2**	**3.5**	**(0.6)**	**(0.0)**	**2.6**	**2.9**	**(0.6)**
	Perth Basin	Active Mines	-	-	(0.3)	7.1	6.8	5.8	6.8
		Non-Active Sites	12.5	6.9	-	(8.9)	3.6	13.5	(8.9)
Total	**Perth Basin**		**12.5**	**6.9**	**(0.3)**	**(1.8)**	**10.4**	**7.2**	**(2.1)**
Total	**Active Mines**		**1.3**	**3.5**	**(0.9)**	**9.0**	**9.4**	**5.2**	**8.1**
Total	**Non-Active Sites**		**14.4**	**6.1**	**-**	**(10.8)**	**3.6**	**6.3**	**(10.8)**
Total	**Ore Reserves**		**15.7**	**5.8**	**(0.9)**	**(1.8)**	**13.0**	**5.6**	**(2.7)**

Notes:
(1) Rounding may generate differences in last decimal place.
(2) Adjusted figure includes write-downs and modifications in mine design.
(3) Net change includes depletion by mining and adjustments.

RUTILE ORE RESERVES MINED AND ADJUSTED

The rutile Ore Reserves for Sierra Leone decreased by **0.3Mt** rutile associated with mining depletion and adjustment at Lanti, Gangama and Gbeni and adjustments at Benduma, Dodo, Kamatipa, Kibi and Komende down from **3.9Mt** rutile to **3.7Mt** rutile.

Iluka Rutile Ore Reserves mined and adjusted for Sierra Rutile at 31 December 2019

Summary of Ore Reserve Depletion (1)

Country	Region	Category	In Situ Rutile Tonnes Millions 2018	In Situ Rutile Grade (%) 2018	In Situ Rutile Tonnes Millions Mined 2019	In Situ Rutile Tonnes(2) Millions Adjusted 2019	In Situ Rutile Tonnes Millions 2019	In Situ Rutile Grade (%) 2019	In Situ Rutile Tonnes(3) Millions Net Change
Sierra Leone	Sierra Leone	Active Mines	0.8	1.4	(0.1)	(0.1)	0.6	1.3	(0.2)
		Non-Active Sites	3.1	1.3	-	(0.0)	3.1	1.3	(0.0)
Total	**Sierra Leone**		**3.9**	**1.4**	**(0.1)**	**(0.1)**	**3.7**	**1.3**	**(0.3)**

Notes:
(1) Rounding may generate differences in last decimal place.
(2) Adjusted figure includes write-downs and modifications in mine design.
(3) Net change includes depletion by mining and adjustments.

ORE RESERVES AND MINERAL RESOURCES STATEMENT

HM MINERAL RESOURCES

Iluka Mineral Resource Breakdown by country, region and JORC category at 31 December 2019

Summary of Mineral Reserves for Iluka [1,2,3]

Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ HM Tonnes Millions	In Situ HM Grade (%)	HM Assemblage[4] Ilmenite Grade (%)	HM Assemblage[4] Zircon Grade (%)	HM Assemblage[4] Rutile Grade (%)	Change HM Tonnes Millions
Australia	Eucla Basin	Measured	204	5.5	2.7	34	40	4	
		Indicated	81	8.0	9.8	68	18	2	
		Inferred	76	3.9	5.1	59	21	2	
Total	**Eucla Basin**		**361**	**17.4**	**4.8**	**55**	**26**	**3**	**(0.8)**
	Murray Basin	Measured	16	4.4	27.6	62	11	11	
		Indicated	88	18.5	21.0	56	11	14	
		Inferred	91	10.5	11.6	49	10	14	
Total	**Murray Basin**		**195**	**33.4**	**17.2**	**54**	**11**	**13**	**0.0**
	Perth Basin	Measured	482	29.0	6.0	58	11	5	
		Indicated	308	16.5	5.4	54	10	5	
		Inferred	204	10.1	4.9	56	9	5	
Total	**Perth Basin[5]**		**994**	**55.6**	**5.6**	**56**	**10**	**5**	**0.0**
USA	Atlantic Seaboard	Measured	27	1.3	4.9	67	9	-	
		Indicated	47	2.5	5.3	64	11	-	
		Inferred	16	0.5	3.1	60	11	-	
Total	**Atlantic Seaboard[6]**		**91**	**4.4**	**4.8**	**64**	**10**	**-**	**-**
Sri Lanka	Sri Lanka	Measured	214	22.2	10.4	70	3	4	
		Indicated	93	6.7	7.2	69	3	3	
		Inferred	366	25.7	7.0	65	4	5	
Total	**Sri Lanka[7]**		**673**	**54.6**	**8.1**	**68**	**4**	**4**	**(1.7)**
Total	Measured		943	62.5	6.6	60	11	5	
Total	Indicated		617	52.2	8.5	59	11	7	
Total	Inferred		753	50.7	6.7	59	7	6	
Grand Total			**2,313**	**165.4**	**7.1**	**60**	**10**	**6**	**(2.4)**

Notes:

(1) Competent Persons — Mineral Resources: B Gibson (MAIG).
(2) Mineral Resources are inclusive of Ore Reserves.
(3) Rounding may generate differences in last decimal place.
(4) Mineral assemblage is reported as a percentage of the In situ HM component.
(5) Rutile component in Perth Basin South West operations is sold as a leucoxene product.
(6) Rutile is included in ilmenite for the Atlantic Seaboard region.
(7) The Sri Lanka resource estimates are based on a 100 per cent ownership basis which applies to the exploration stage. The Sri Lankan Exchange Control Act currently limits the percentage holding of a foreign entity in a Sri Lankan mining company to 40 per cent, although approval for up to 100 per cent may be granted.

RUTILE MINERAL RESOURCES (SIERRA LEONE)

Iluka Rutile Mineral Resources for Sierra Rutile by JORC Category at 31 December 2019

Summary of Mineral Resources for Iluka (1,2,3,6)					In Situ Mineral Content (4)			
Country	Region	Mineral Resource Category	Material Tonnes Millions	In Situ Rutile Tonnes Millions	Rutile Grade (%)	Ilmenite (5) Grade (%)	Zircon (5) Grade (%)	Change Rutile Tonnes Millions
Sierra Leone	Sierra Leone	Measured	56	0.7	1.2	0.5	0.1	
		Indicated	506	5.6	1.1	0.9	0.1	
		Inferred	177	1.9	1.1	0.7	0.1	
Total	**Sierra Leone**		**739**	**8.2**	**1.1**	**0.8**	**0.1**	**0.2**

Notes:
(1) Competent Persons — Mineral Resources: B Gibson (MAIG).
(2) Mineral Resources are reported inclusive of Ore Reserves.
(3) Rounding may generate differences in last decimal place.
(4) Mineral assemblage is reported as a percentage of In situ material.
(5) Ilmenite and zircon are included for tabulation purposes under the Measured and Indicated Resource categories. The confidence in the Mineral Resource estimates for ilmenite and zircon are only considered to be at an Inferred level of confidence and should not be used in the estimation of Ore Reserves.
(6) In June 2019, International Finance Corporation acquired a 3.57% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited. Refer Iluka ASX announcement dated 6 June 2019 for further information.

In June 2019, International Finance Corporation invested US$20m for a 3.57% equity stake in Iluka Investments (BVI) Limited, the holding company of Sierra Rutile Limited, detailed in an ASX announcement titled "Iluka to Partner With IFC In Sierra Leone" dated 6 June 2019 and available on the Iluka website at www.iluka.com.

Mineral Resources are estimated using all available and relevant geological, drill hole and assay data, including mineralogical sampling and test work on mineral and final product qualities. Resource estimates are determined by consideration of geology, HM cut-off grades, mineralisation thickness vs. overburden ratios and consideration of the potential mining and extraction methodology and are prepared in accordance with the 2012 JORC Code. These factors may vary significantly between deposits.

For the year ending 2019, Mineral Resources (excluding the Mineral Resources attributable to Sierra Rutile) decreased by **2.4Mt** HM net of mining depletion and adjustments (exploration discovery, development and write-downs) down from **167.8Mt** HM to **165.4Mt** HM.

The change in Mineral Resources for 2019 was driven by the following:

- Eucla Basin Mineral Resources decreased by **0.8Mt** HM as a result of re-estimation, re-reporting and mining depletion at Ambrosia and mining depletion and write-down at Jacinth.
- The Perth Basin Mineral Resources increased by **0.01Mt** HM principally associated with re-estimation of the MSP By-Product Stockpile, re-estimation, re-reporting and mining depletion at Cataby and write-down of the South Secondary Mids.
- Sri Lanka Mineral Resources decreased by **1.7Mt** HM as a result of re-estimation and re-reporting.

The rutile Mineral Resources for Sierra Leone increased by **0.22Mt** rutile, net of mining and adjustments, associated with mining depletion and write-down for Lanti (**-0.03Mt** of rutile) and Gbeni (**-0.04Mt** of rutile), mining depletion and adjustment for Gangama (**0.07Mt** of rutile) and inaugural estimation and reporting for Pejebu (**0.22Mt** of rutile).

ORE RESERVES AND MINERAL RESOURCES STATEMENT

HM MINERAL RESOURCES MINED AND ADJUSTED

Iluka Mineral Resources mined and adjusted by country and region at 31 December 2019

Summary of Mineral Resource Depletion [1]

Country	Region	Category	In Situ HM Tonnes Millions 2018	In Situ HM Grade (%) 2018	In Situ HM Tonnes Millions Mined 2019	In Situ HM Tonnes [2] Millions Adjusted 2019	In Situ HM Tonnes Millions 2019	In Situ HM Grade (%) 2019	In Situ HM Tonnes [3] Millions Net Change
Australia	Eucla Basin	Active Mines	1.6	3.2	(0.6)	3.2	4.2	2.3	2.6
		Non-Active Sites	16.6	5.1	-	(3.4)	13.3	7.5	(3.4)
Total	**Eucla Basin**		**18.2**	**4.8**	**(0.6)**	**(0.2)**	**17.4**	**4.8**	**(0.8)**
	Murray Basin	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	33.4	17.2	-	0.0	33.4	17.2	0.0
Total	**Murray Basin**		**33.4**	**17.2**	**-**	**0.0**	**33.4**	**17.2**	**0.0**
	Perth Basin	Active Mines	-	-	(0.3)	14.0	13.7	4.5	13.7
		Non-Active Sites	55.6	5.6	-	(13.7)	41.9	6.1	(13.7)
Total	**Perth Basin**		**55.6**	**5.6**	**(0.3)**	**0.3**	**55.6**	**5.6**	**0.0**
USA	Atlantic Seaboard	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	4.4	4.8	-	-	4.4	4.8	-
Total	**Atlantic Seaboard**		**4.4**	**4.8**	**-**	**-**	**4.4**	**4.8**	**-**
Sri Lanka	Sri Lanka	Active Mines	-	-	-	-	-	-	-
		Non-Active Sites	56.3	8.2	-	(1.7)	54.6	8.1	(1.7)
Total	**Sri Lanka**		**56.3**	**8.2**	**-**	**(1.7)**	**54.6**	**8.1**	**(1.7)**
Total	**Active Mines**		**1.6**	**3.2**	**(0.9)**	**17.2**	**17.9**	**3.6**	**16.3**
Total	**Non-Active Sites**		**166.2**	**7.2**	**-**	**(18.7)**	**147.5**	**8.1**	**(18.7)**
Total	**Mineral Resources**		**167.8**	**7.1**	**(0.9)**	**(1.6)**	**165.4**	**7.1**	**(2.4)**

Notes:

(1) Rounding may generate differences in last decimal place.
(2) Adjusted figure includes write-downs and modifications in mine design.
(3) Net difference includes depletion by mining and adjustments.

RUTILE MINERAL RESOURCES MINED AND ADJUSTED (SIERRA LEONE)

Iluka Mineral Resources mined and adjusted for Sierra Rutile at 31 December 2019

Summary of Mineral Resource Depletion [(1)]

Country	Region	Category	In Situ Rutile Tonnes Millions 2018	In Situ Rutile Grade (%) 2018	In Situ Rutile Tonnes Millions Mined 2019	In Situ Rutile Tonnes [(2)] Millions Adjusted 2019	In Situ Rutile Tonnes Millions 2019	In Situ Rutile Grade (%) 2019	In Situ Rutile Tonnes [(3)] Millions Net Change
Sierra Leone	Sierra Leone	Active Mines	1.7	1.2	(0.1)	0.1	1.7	1.2	(0.0)
		Non-Active Sites	6.3	1.1	-	0.2	6.5	1.1	0.2
Total	**Sierra Leone**		**8.0**	**1.1**	**(0.1)**	**0.4**	**8.2**	**1.1**	**0.2**

Notes:

(1) Rounding may generate differences in last decimal place.
(2) Adjusted figure includes write-downs and modifications in mine design.
(3) Net difference includes depletion by mining and adjustments.

ANNUAL STATEMENT OF MINERAL RESOURCES AND ORE RESERVES

The Annual Statement of Mineral Resources and Ore Reserves as at 31 December 2019 presented in this report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (the JORC Code 2012) and ASX Listing Rules and as disclosed in the announcement dated 20/02/2017. Information prepared and disclosed under the JORC Code 2004 Edition which has not materially changed since last reported has not been updated. Iluka is not aware of any new information or data that materially affects the information included in this Annual Statement and confirms that the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Mineral Resources is based on information compiled by Mr Brett Gibson who is a Member of the Australian Institute of Geoscientists (MAIG).

The information in this report that relates to Ore Reserves is based on information compiled by Mr Andrew Walkenhorst who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM).

Mr Gibson and Mr Walkenhorst are full-time employees of Iluka Resources.

Mr Gibson and Mr Walkenhorst each have sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', the JORC Code 2012 Edition. Mr Gibson and Mr Walkenhorst consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to specific Mineral Resources and Ore Reserves is based on and accurately reflects reports compiled by Competent Persons as defined in the JORC Code 2012 for each of the company regional business units. Each of these persons is a full-time employee of Iluka Resources Limited or its relevant subsidiaries, holds equity securities in Iluka Resources Limited and is entitled to participate in Iluka's executive equity long term incentive plan, details of which are included in Iluka's 2019 Remuneration Report.

All the Competent Persons named are Members of The Australasian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and/or the relevant jurisdiction ROPO (Recognised Overseas Professional Organisation) and have sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the JORC Code 2012. At the reporting date, each Competent Person listed in this Report is a full-time employee of Iluka Resources Limited or one of its subsidiaries. Each Competent Person consents to the inclusion of material in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures reported represent estimates as at 31 December 2019. All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information is inclusive of Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

MINERAL RESOURCES AND ORE RESERVES CORPORATE GOVERNANCE

Iluka has an established governance process supporting the preparation and publication of Mineral Resources and Ore Reserves which includes a series of structures and processes independent of the operational reporting through business units and product groups.

The Audit and Risk Committee has in its remit the governance of resources and reserves. This includes an annual review of Mineral Resources and Ore Reserves at a group level, as well as review of findings and progress from the Group Resources and Reserves internal audit programme within the regular meeting schedule.

Mineral Resources and Ore Reserves are estimated by Iluka Personnel or suitably qualified independent personnel using industry standard techniques and supported by internal guidelines for the estimation and reporting of Mineral Resources and Ore Reserves.

All Mineral Resource and Ore Reserve estimates and supporting documentation is reviewed by Competent Persons employed by Iluka. If there is a material change in the estimate of a Mineral Resource, the Modifying Factors for the preparation of Ore Reserves, or reporting an inaugural Mineral Resource or Ore Reserve and if it is considered prudent to have an external review, then the estimate and supporting documentation in question is reviewed by a suitably qualified independent Competent Person.

The Iluka Mineral Resource and Ore Reserve position is reviewed annually by a suitably qualified independent Competent Person prior to publication and the governance process is also audited by an independent body (PricewaterhouseCoopers).

Iluka has continued the development of internal systems and controls in order to meet JORC (2012) guidelines in all external reporting including the preparation of all reported data by Competent Persons as members of The Australasian Institute of Mining and Metallurgy (The AusIMM), The Australian Institute of Geoscientists (AIG) or Recognised Overseas Professional Organisations (ROPOs).

The establishment of an enhanced governance process has also been supported by a number of process improvements and training initiatives over recent years, including a web-based Group reporting and sign-off database, annual internal Competent Person reports and Competent Person development and training.

SHAREHOLDERS AND CORPORATE INFORMATION

as at 31 January 2020

AUSTRALIAN SECURITIES EXCHANGE LISTING

Iluka's shares are listed on the Australian Securities Exchange (ASX) Limited. The company is listed as Iluka Resources Limited with an ASX code of ILU.

SHARES ON ISSUE

The company had 422,584,778 shares on issue as at 31 January 2020. A total of 470,456 ordinary shares are restricted pursuant to the Directors, Executives and employees share acquisition plan, equity incentive plan and employee share plan.

SHAREHOLDINGS

There were 19,953 shareholders. Voting rights, on a show of hands, are one vote for every registered holder and on a poll, are one vote for each share held by registered holders.

DISTRIBUTION OF SHAREHOLDINGS

Range	Total holders
1 - 1,000	11,981
1,001 - 5,000	6,985
5,001 - 10,000	1,157
10,001 - 100,000	672
100,001 - 1,000,000	36
1,000,001 Over	14
Unmarketable Parcels	(less than $500) - 1,274

TOP 20 SHAREHOLDERS (NOMINEE COMPANY HOLDINGS)

Name	Number of shares	% Units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	136,061,433	32.20
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	90,595,400	21.44
CITICORP NOMINEES PTY LIMITED	49,370,210	11.68
NATIONAL NOMINEES LIMITED	37,395,216	8.85
BNP PARIBAS NOMS PTY LTD (DRP)	15,341,144	3.63
BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING DRP A/C)	10,879,458	2.57
UBS NOMINEES PTY LTD	10,276,490	2.43
CS FOURTH NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 11 A/C)	4,552,143	1.08
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (NT-COMNWLTH SUPER CORP A/C)	3,115,390	0.74
UBS NOMINEES PTY LTD	2,711,374	0.64
CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	2,140,673	0.51
ARGO INVESTMENTS LIMITED	1,700,000	0.40
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,233,756	0.29
R O HENDERSON (BEEHIVE) PTY LIMITED	1,080,000	0.26
NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	983,995	0.23
BNP PARIBAS NOMS (NZ) LTD (DRP)	912,916	0.22
UBS NOMINEES PTY LTD	749,218	0.18
WARBONT NOMINEES PTY LTD (UNPAID ENTREPOT A/C)	702,000	0.17
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	671,719	0.16
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	607,976	0.14

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

Shareholder	Shareholding	% of issued capital
Perpetual Limited	52,080,085	12.32%
Schroder Investment Management Australia Limited	37,438,989	8.86%
Sumitomo Mitsui Trust Holdings, Inc. (Nikko Asset Management Australia)	35,063,675	8.30%
BlackRock Group	28,442,428	6.73%
The Vanguard Group, Inc.	21,123,617	5.00%

CALENDAR OF KEY EVENTS

20 February	Announcement of financial results
7 April 9:30am (WST)	Closure of acceptances of proxies for AGM
9 April 9:30am (WST)	Annual General Meeting – Perth
29 April	March quarterly review
22 July	June quarterly review
20 August	Announcement of half year financial results
27 October	September quarterly review
31 December	Financial year end

All dates are indicative and subject to change. Shareholders are advised to check with the company to confirm timings.

SHAREHOLDER AND NEW INVESTOR INFORMATION

Key shareholder information – Iluka website: www.iluka.com

To assist those considering an investment in the company, the investors and media section of the Iluka website contains key shareholder information, which includes the calendar of events. This site contains information on Iluka's products, marketing, operations, ASX releases and financial and quarterly reports. It also contains links to other sites, including the share registry.

INVESTOR RELATIONS ENQUIRIES

Investor Relations
Level 17, 240 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9360 4700
Email: investor.relations@iluka.com

DIVIDENDS

Iluka's Board of Directors typically makes a determination on dividend payments twice each year. Iluka introduced a dividend reinvestment plan (DRP) in 2018.

SHARE REGISTRY SERVICES

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the company's share registry:

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, WA 6000
Telephone: 1300 733 043 (within Australia) or +61 3 9415 4801 (outside Australia)
Facsimile: +61 3 9473 2500

Postal address
GPO Box 2975
Melbourne VIC 3001
Website: www.investorcentre.com/au

ANNUAL REPORTS AND EMAIL NOTIFICATION OF MAJOR ACCOUNTS

Shareholders can elect to receive a printed copy of the Annual Report and/or receive an email notification related to major company events. Please contact Computershare. Each enquiry should refer to the shareholder number which is shown on holding statements and dividend statements.

CORPORATE INFORMATION

COMPANY DETAILS

Iluka Resources Limited
ABN: 34 008 675 018

REGISTERED OFFICE

Level 17, 240 St Georges Terrace Perth
Western Australia, 6000

COMPANY SECRETARY

Sue Wilson, Company Secretary
Nigel Tinley, Joint Company Secretary

POSTAL ADDRESS

GPO Box U1988 Perth
Western Australia, 6845 Australia
Telephone: +61 8 9360 4700
Facsimile: +61 8 9360 4777

WEBSITE

www.iluka.com

The site contains information on Iluka's products, marketing, operations, ASX releases and financial and quarterly reports. It also contains links to other sites, including the share registry.

NOTICE OF ANNUAL GENERAL MEETING

Iluka's 65th Annual General Meeting of Shareholders will be held in Meeting Room 1 at the Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia, on Thursday, 9 April 2020 commencing at 9:30am (WST).

DISCLAIMER: FORWARD-LOOKING STATEMENTS

This document has been prepared by Iluka Resources Limited (Iluka). By viewing this document you acknowledge that you have read and understood the following statement.

Forward-looking statements

This document contains certain statements which constitute "forward-looking statements". Often, but not always, forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "plan", "believes", "estimate", "anticipate", "outlook" and "guidance", or similar expressions, and may include, without limitation, statements regarding plans; strategies and objectives of management; anticipated production and production potential; estimates of future capital expenditure or construction commencement dates; expected costs or production outputs; estimates of future product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves. Where Iluka expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and on a reasonable basis. No representation or warranty, express or implied, is made by Iluka that the matters stated in this document will in fact be achieved or prove to be correct. The information is based on Iluka forecasts and as such is subject to variation related to, but not restricted to, economic, market demand/supply and competitive factors. It is Iluka's approach to modify its production settings based on market demand, and this can have a significant effect on operational parameters and associated physical and financial characteristics of the company. Forward-looking statements are only predictions and are subject to known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Iluka to differ materially from future results, performances or achievements expressed, projected or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof. Such risks and factors include, but are not limited to: changes in exchange rate assumptions; changes in product pricing assumptions; major changes in mine plans and/or resources; changes in equipment life or capability; emergence of previously underestimated technical challenges; increased costs and demand for production inputs; and environmental or social factors which may affect a licence to operate, including political risk.

Capital estimates include contingency and risk allowances commensurate with international estimating classification systems. To the extent permitted by law, Iluka, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this document and exclude all liability whatsoever (including in negligence) for any loss or damage which may be suffered by a person as a consequence of any information in this document or any error or omission therefrom. Iluka does not undertake to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this document, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. No independent third party has reviewed the reasonableness of the forward-looking statements or any underlying assumptions.

NON-IFRS FINANCIAL INFORMATION

This document contains non-IFRS financial measures including cash production costs, non-production costs, mineral sands EBITDA, Underlying Group EBITDA, EBIT, free cash flow, and net debt amongst others. Iluka management considers these to be key financial performance indicators of the business and they are defined and/or reconciled in Iluka's annual results materials and/or Annual Report. Non-IFRS measures have not been subject to audit or review. All figures are expressed in Australian dollars unless stated otherwise.

Front cover image:
Major maintenance outage (MMO) SR2 kiln, Capel, Western Australia

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