ILUKA RESOURCES LIMITED

ABN 34 008 675 018

INTERIM REPORT

for the half-year 30 June 2022

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4D for the Consolidated Entity comprising Iluka Resources Limited (Iluka) and its controlled entities for the half year ended 30 June 2022 (the current period) compared with the half year ended 30 June 2021 (the previous corresponding period).

This report should be read in conjunction with the Annual Report for the year ended 31 December 2021, and public announcements made by Iluka during the half year ended 30 June 2022 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

Iluka announced its intention to demerge Sierra Rutile Limited (SRL) on 13 April 2022. Shareholder and other approvals and remaining prerequisites for demerger were met on 27 July 2022, consequently, SRL is referred to as a discontinued operation in this interim report.

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

Revenue from ordinary activities - continuing operations		Up 24.3% to $836.6m
Net profit after tax for the period from ordinary activities - continuing operations		Up 89.2% to $286.0m
Net profit after tax for the period attributable to equity holders of the parent		Up 177.2% to $364.5m
Dividends		
2022 interim: 25 cents per ordinary share (100% franked), to be paid in September 2022		
2022 SRL demerger distribution: $145.8 million, distributed in August 2022		
2021 final: 12 cents per ordinary share (100% franked), paid in April 2022		
2021 interim: 12 cents per ordinary share (100% franked), paid in October 2021		
Key ratios	**1st Half 2022**	**1st Half 2021**
Basic profit per share (cents) - continuing operations	67.8	35.8
Diluted profit per share (cents) - continuing operations	67.2	35.6
Free cash flow per share[1] (cents)	82.9	42.4
Net tangible assets per share ($)	3.35	2.22

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

Dividend Reinvestment Plan (DRP)

The current Dividend Reinvestment Plan (DRP) was approved by the Board of Directors, effective for all dividends from the 2017 final dividend onwards. Under the plan, eligible shareholders can reinvest either all or part of their dividend payments into additional fully paid Iluka shares. The DRP remains active for the 2022 interim dividend.

The Directors have determined that no discount will apply for the DRP in respect of the 2022 interim dividend. Shares allocated to shareholders under the DRP for the 2022 interim dividend will be allocated at an amount equal to the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on 9 September 2022. The last date for receipt of election notices for the DRP is 7 September 2022.

Independent auditor's review report

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

REVIEW OF RESULTS AND OPERATIONS

Iluka successfully demerged its West African subsidiary, Sierra Rutile Limited (SRL), on 4 August 2022. The results contained within the Interim Report reflect the consolidated results of the Iluka Group, including Sierra Rutile, for the six months ended 30 June 2022. Sierra Rutile is shown separately in the Financial Report as a discontinued operation held for distribution. Sierra Rutile's results are integrated into the Review of Results and Operations.

Review of Results

- Net profit after tax of $368.5 million
- Underlying mineral sands EBITDA of $505.4 million
- Free cash flow of $349 million, bringing net cash to $600 million
- Interim dividend of 25 cents per share declared

Revenue

Mineral sands revenue increased by 30% to $955 million in the first half of 2022 as zircon/rutile/synthetic rutile (Z/R/SR) sales exceeded production, leaving minimal finished goods inventory remaining at 30 June 2022. Zircon and rutile sales volumes were both 7% higher than the first half of 2021. Synthetic rutile sales continued to exceed production in the half as SR2 in Capel ran at full capacity but were lower than H1 2021 when the settlement of the contract dispute with Chemours led to increased drawdowns of stockpiled finished goods.

Prices continued to strengthen from the prior comparative periods. Iluka's weighted average zircon premium and standard price received in Q2 2022 was US$1,910 per tonne, up 25% from H2 2021. Rutile prices were up 17% from the second half of 2021 to US$1,506 per tonne. Synthetic rutile sales are, in large part, underpinned by commercial off-take arrangements and the terms of these arrangements are commercial in confidence and as such cannot be disclosed.

Sales (kt)	1st Half 2022	1st Half 2021	% change
Zircon	190.5	177.2	7.5
Rutile	95.2	89.0	7.0
Synthetic rutile	135.7	191.4	(29.1)
Total Z/R/SR sales	**421.4**	457.6	**(7.9)**
Ilmenite	137.5	130.4	5.4
Monazite concentrate	-	20.7	n/a
Total sales volumes	**558.9**	608.7	**(8.2)**
Z/R/SR revenue ($m)	875.1	680.0	28.7
Ilmenite and other revenue ($m)	79.8	55.6	43.5
Total mineral sands revenue[1] ($m)	**954.9**	735.6	**29.8**
Revenue per tonne of Z/R/SR sold[2] ($/t)	2,077	1,486	39.7

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

Earnings

Iluka recorded a profit after tax for the half-year ended 30 June 2022 of $369 million (2021: $129 million) as strong demand for Iluka's suite of products combined with tight global supply drove prices higher. Earnings also benefited from a favourable AUD:USD foreign exchange rate as continuing volatility saw a significant strengthening of the USD against other major currencies, with favourable results for USD-denominated sales.

Iluka's underlying mineral sands EBITDA increased 69% to $505 million (2021: $299 million) and Group underlying EBITDA increased 71% to $526 million. First half cash production costs increased by 43% largely due to 23% higher Z/R/SR production, but exacerbated by inflationary cost pressures, predominantly higher fuel, consumable, and labour costs.

Earnings per share for the period were 87.3 cents compared to an earnings per share of 30.3 cents in the previous corresponding period.

Income statement analysis

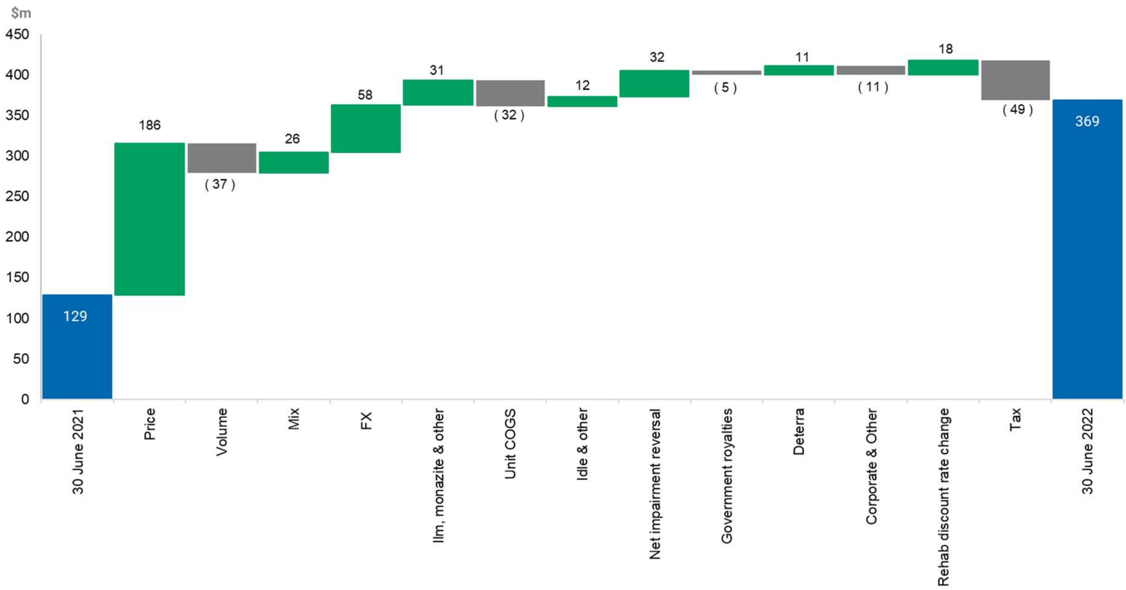
$ million	1st Half 2022	1st Half 2021	% change
Z/R/SR revenue	875.1	680.0	28.7
Ilmenite and other revenue	79.8	55.6	43.5
Mineral sands revenue	**954.9**	**735.6**	**29.8**
Cash costs of production	(345.8)	(242.0)	(42.9)
Ilmenite and by-product costs	(7.9)	(11.4)	30.7
Inventory movement - cash costs of production	(5.4)	(89.5)	94.0
Restructure and idle capacity charges	(8.3)	(17.4)	52.3
Government royalties	(21.9)	(17.0)	(28.8)
Marketing and selling costs[1]	(15.5)	(14.9)	(4.0)
Asset sales and other income	0.3	0.3	-
Major projects, exploration, and innovation	(16.9)	(17.0)	0.6
Corporate and other costs	(41.7)	(30.8)	(35.4)
Foreign exchange	13.6	3.3	312.1
Underlying mineral sands EBITDA[2]	**505.4**	**299.2**	**68.9**
Share of profit of associate - Deterra	20.1	9.0	123.3
Underlying Group EBITDA	**525.5**	**308.2**	**70.5**
Depreciation and amortisation	(73.6)	(76.7)	4.0
Inventory movement - non-cash production costs	1.4	(17.0)	n/a
Rehabilitation costs for closed sites	(0.5)	(0.4)	(25.0)
Net impairment reversal	25.6	(6.2)	n/a
Group EBIT	**478.4**	**207.9**	**130.1**
Net interest and bank charges	(2.9)	(2.6)	(11.5)
Rehabilitation unwind and other finance costs	12.2	(5.3)	n/a
Profit before tax	**487.7**	**200.0**	**143.9**
Tax expense	(119.2)	(71.0)	(67.9)
Profit for the period (NPAT)	**368.5**	**129.0**	**185.7**
Average AUD/USD rate for the period (cents)	**72.0**	**77.2**	**(6.3)**

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

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

Continuing operations	**1st Half 2022**	**1st Half 2021**
Underlying Group EBITDA	471.8	312.7
EBIT	400.2	225.5
Profit before tax	404.3	219.0
Discontinued operations		
Underlying Group EBITDA	53.6	(4.5)
EBIT	78.0	(17.6)
Profit before tax	82.5	(19.1)

Movement in NPAT



The key drivers for the movement in NPAT were:

- significantly higher sales prices as strong demand for zircon and high grade feedstock products continued, with weighted average zircon price up 40% and rutile prices up 23% from H1 2021;
- lower sales volumes of high grade feedstocks in H1 2022 as the comparative period reflected the settlement of the contract dispute with Chemours; zircon sales volumes increased 7% from the comparative period to 191 thousand tonnes;
- beneficial product mix as a higher proportion of higher margin product was sold;
- the average Australian dollar exchange rate was volatile compared to the 2021 half-year as it depreciated rapidly against the US dollar in Q2 2022 in a shifting macroeconomic and geopolitical environment, ending at an average of 72 cents for the half (2021: 77 cents), but closing at 69 cents on 30 June 2022;
- higher unit COGS of $995 per tonne in the first half of 2022 (2021: $915 per tonne) due to product mix as well as higher input costs for fuel, consumables, and labour;
- strong ilmenite sales and prices drove favourable results in the half for by-products, though mitigated by the cessation of monazite concentrate sales as the Group began to reserve feed for the Eneabba Rare Earths Refinery;
- Idle and other costs decreased as H1 2021 reflected the major maintenance outage of the Capel SR2 kiln and higher depreciation at Sierra Rutile, while the Group recognised a net impairment reversal on the write back of non-depreciable Sembehun assets on the expected development of the deposit as part of the Sierra Rutile demerger;
- Iluka's 20% stake in Deterra generated higher returns from the prior comparative period as BHP's South Flank operations in Mining Area C ramped up production;
- corporate costs increased due to transaction costs for the Sierra Rutile demerger, additional labour costs for supporting the project pipeline and governance requirements, and higher employee remuneration;
- rehabilitation discount rate changes were driven by interest rates as central banks adjust to higher inflation, resulting in a decrease in rehabilitation provisions for closed sites, with changes going to the profit or loss;
- increase in tax expense for the half-year 2022 as net profit before tax improved.

Cash flow and balance sheet

Operating cash flow for the 2022 half-year was $481 million (2021: $306 million) reflecting higher receipts from customers as sales prices increased from the prior comparative period and sales exceeded production across the suite of products.

Capital expenditure was $71 million (2021: $17 million) as spend focused on growth projects at Eneabba (Phase 2), Balranald, and the SR1 synthetic rutile kiln in Capel. Other spend in the first half reflected studies and early development works for the Cataby southern area expansion, Atacama, Wimmera and Euston, as well as sustaining capital spend at Australian operations and sustaining and business improvement spend at Sierra Rutile.

Tax payments represent both income tax payments in Australia and Sierra Leone. Tax instalments in Australia have been based on the instalment rate provided by the Australian Tax Office (ATO).

At 30 June 2022, there were nil drawings (31 December 2021: nil) under the Multi Option Facility Agreement (MOFA), a series of five-year committed unsecured bilateral revolving credit facilities expiring in June 2024.

Net cash increased to $600 million from $295 million at 31 December 2021.

The directors declared an interim dividend of 25 cents per share, to be paid in September 2022. The dividend is in line with Iluka's dividend framework to pay 100% of Deterra receipts and 40% of mineral sands free cash flow, excluding the cash of $106 million demerged with Sierra Rutile in August 2022.

Movement in net debt ($million)

	1st Half 2021	2nd Half 2021	1st Half 2022
Opening net cash (debt)	**50.2**	**220.1**	**294.8**
Operating cash flow	306.4	221.2	481.1
Exploration	(3.8)	(4.2)	(4.4)
Interest (net)	(0.8)	(0.3)	(0.1)
Tax	(84.7)	(65.2)	(52.4)
Capital expenditure	(16.7)	(36.9)	(71.4)
Dividends received - Deterra	2.6	12.2	12.3
Government grants	(13.9)	-	-
Settlement of IFC put option	-	-	(11.5)
Principal element of lease payments AASB 16	(3.8)	(2.8)	(3.9)
Asset sales	0.1	1.9	-
Share purchases	(6.3)	(5.6)	-
Free cash flow	**179.3**	**120.2**	**349.8**
Dividends	(7.9)	(47.4)	(47.7)
Net cash flow	**171.4**	**72.8**	**302.1**
Exchange revaluation of USD net debt	(1.2)	2.3	3.8
Amortisation of deferred borrowing costs	(0.3)	(0.3)	(0.4)
Increase in net cash/(debt)	**169.9**	**74.7**	**305.5**
Closing net cash/(debt)	**220.1**	**294.8**	**600.3**

Production

Production (kt)	**1st Half 2022**	1st Half 2021	**% change**
Zircon	156.7	141.9	10.4
Rutile	97.7	79.9	22.3
Synthetic rutile	114.4	78.9	45.0
Total Z/R/SR production	**368.8**	300.7	**22.6**
Ilmenite	289.0	235.3	22.8
Monazite concentrate	-	26.2	n/a
Total Mineral Sands Production	**657.8**	562.2	**17.0**
HMC produced	559	501	11.6
HMC processed	637	562	13.3
Cash costs of production, excluding ilmenite and by-products ($m)	**345.8**	242.0	**42.9**
Unit cash cost per tonne of Z/R/SR produced excluding by-products[1] ($/t)	938	805	16.5
Unit cost of goods sold per tonne of Z/R/SR sold ($/t)	995	915	9.2

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

Australian Operations

Mining at Jacinth-Ambrosia in South Australia remained steady, producing 137 thousand tonnes of heavy mineral concentrate (HMC), up from 129 thousand tonnes in the prior comparative period. Mining at Jacinth-Ambrosia continues to operate at full production settings, with mining to continue at the Jacinth North deposit before moving to the Ambrosia deposit in September 2022.

In Western Australia, the Cataby operation produced 248 thousand tonnes of HMC, up from 234 thousand tonnes in H1 2021. The slightly higher HMC production was a result of higher ore grade and recovery.

The Narngulu mineral separation plant (MSP) processed both Cataby and Jacinth-Ambrosia material to produce a total of 153 thousand tonnes of zircon and 24 thousand tonnes of rutile while operating at full capacity and processing 235 thousand tonnes of HMC.

Production of synthetic rutile from SR2 at Capel was 114 thousand tonnes, up from 79 thousand tonnes in the previous comparative period, with SR2 operating at full capacity in 2022.

Sierra Leone Operations

HMC production was 175 thousand tonnes, compared to production of 138 thousand tonnes in the first half of 2021 and rutile production was 74 thousand tonnes, compared to 56 thousand tonnes with higher rutile assemblage within the HMC treated and higher recovery rates.

On 4 August, Iluka successful demerged Sierra Rutile into an independent ASX-listed company following approval by shareholders on 22 July 2022.

Jacinth-Ambrosia/Mid West

		1st Half 2022	1st Half 2021	% change
Production volumes				
Zircon	kt	131.0	131.0	-
Rutile [1]	kt	10.9	16.8	(35.1)
Total Z/R production	**kt**	**141.9**	**147.8**	**(4.0)**
Ilmenite	kt	75.3	65.2	15.5
Monazite concentrate	kt	-	26.2	n/a
Total production volume	**kt**	**217.2**	**239.2**	(9.2)
HMC produced	kt	137	129	5.8
HMC processed	kt	235	232	1.2
Unit cash cost of production - Z/R/SR [2]	$/t	654	516	26.7
Mineral sands revenue	**$m**	**396.7**	**287.8**	**37.8**
Cash cost of production	$m	(92.8)	(76.2)	(21.8)
Inventory movements - cash costs of production	$m	(14.9)	(19.7)	24.0
Restructure and idle capacity charges	$m	(1.5)	(1.2)	(25.0)
Government royalties	$m	(12.6)	(8.9)	(41.6)
Marketing and selling costs [3]	$m	(11.8)	(6.3)	(87.3)
EBITDA	**$m**	**263.1**	**175.5**	**49.8**
Depreciation and amortisation	$m	(25.8)	(22.1)	(16.7)
Inventory movement - non-cash production costs	$m	-	2.5	n/a
EBIT	**$m**	**237.3**	**155.9**	**52.2**

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

Production of zircon was consistent with the previous comparative period as the Narngulu MSP continued to run near capacity, processing both Jacinth-Ambrosia and Cataby HMC. Rutile production was lower than the previous half in order to prioritise zircon production.

Mineral sands revenue increased 38% to $397 million (2021: $288 million) as prices increased in response to tight global supply, especially in the zircon market.

Cash costs of production were 22% higher as increased fuel, consumables and labour costs impacted mining and concentration costs.

The inventory movement reflects continued drawdown of finished goods stocks. Total inventory balances (WIP and finished goods) decreased by $8 million to $230 million at 30 June 2022, reflecting lower inventory levels offset by higher unit costs.

Depreciation and amortisation charges increased 17% from the previous corresponding period due to increased amortisation of rehabilitation assets.

Government royalties rose to $13 million as HMC haulage volumes increased, continuing to draw down inventory at Jacinth-Ambrosia, with the royalty being charged when HMC leaves the mine gate, regardless of timing of sale.

Cataby/South West

		1st Half 2022	1st Half 2021	% change
Production volumes				
Zircon	kt	21.7	10.9	99.1
Rutile	kt	12.7	7.6	67.1
Synthetic rutile	kt	114.4	78.9	45.0
Total Z/R/SR production	**kt**	**148.8**	**97.4**	**52.8**
Ilmenite	kt	183.7	149.9	22.5
Total production volume	**kt**	**332.5**	**247.3**	**34.5**
HMC produced	kt	248	234	5.8
HMC processed	kt	224	182	23.3
Unit cash cost of production - Z/R/SR [1]	$/t	1,001	913	9.6
Mineral sands revenue	**$m**	**391.9**	**347.8**	**12.7**
Cash cost of production	$m	(148.9)	(88.9)	(67.5)
Inventory movements - cash costs of production	$m	7.4	(70.9)	n/a
Restructure and idle capacity charges	$m	(0.9)	(6.2)	85.5
Government royalties	$m	(7.3)	(4.3)	(69.8)
Marketing and selling costs [2]	$m	0.7	(2.4)	n/a
Asset sales and other income	$m	0.1	0.2	50.0
EBITDA	**$m**	**243.0**	**175.3**	**38.6**
Depreciation and amortisation	$m	(45.1)	(39.4)	(14.5)
Inventory movement - non-cash production costs	$m	1.7	(19.4)	n/a
Rehabilitation costs for closed sites	$m	(0.3)	(0.3)	-
EBIT	**$m**	**199.3**	**116.2**	**71.5**

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

Total Z/R/SR production increased 53% predominantly due to higher synthetic rutile production at SR2 kiln in Capel which operated for a full six months at full capacity compared to the prior comparative period which saw a planned major maintenance shutdown. Higher zircon and rutile production was realised as the Narngulu MSP processed both Jacinth-Ambrosia and Cataby HMC at operational capacity.

Mineral sands revenue increased 13% from the previous corresponding period to $392 million (2021: $348 million) reflecting higher prices on products sold, despite lower synthetic rutile sales volumes.

Cash costs of production were 68% higher than the previous corresponding period, reflecting a full six months of operations at SR2 kiln combined with increased input costs from fuel, consumables and labour.

Restructure and idle capacity charges were lower in the first half of 2022 as SR2 operated for a full six months compared to first half of 2021. Depreciation and amortisation expense increased from the first half of 2021 as capital additions commenced depreciation and an increase in the amortisation cost of rehabilitation assets.

The inventory movement reflects an increase in feedstock held for processing in SR2 compared to the prior comparative period.

Sierra Rutile Operations

		1st Half 2022	1st Half 2021	% change
Production volumes				
Zircon	kt	4.0	-	n/a
Rutile	kt	74.1	55.5	33.5
Ilmenite	kt	30.0	20.2	48.5
Total production volume	**kt**	**108.1**	**75.7**	**42.8**
HMC produced	kt	175	138	26.9
HMC processed	kt	178	148	20.1
Unit cash cost of production - Z/R	$/t	1,391	1,495	(7.0)
Mineral sands revenue	**$m**	**166.3**	**88.3**	**88.3**
Cash cost of production	$m	(108.6)	(83.0)	(30.8)
Inventory movements - cash costs of production	$m	(1.1)	1.3	n/a
Restructure, idle capacity and other non-production costs	$m	(2.3)	(6.5)	64.6
Government royalties	$m	(0.9)	(3.4)	73.5
Marketing and selling costs [1]	$m	0.2	(1.2)	n/a
EBITDA	**$m**	**53.6**	**(4.5)**	**n/a**
Depreciation & amortisation	$m	(0.8)	(13.4)	94.0
Inventory movement – non-cash costs of production	$m	(0.3)	0.3	n/a
Net impairment reversal	$m	25.6	-	n/a
EBIT	**$m**	**78.1**	**(17.6)**	**n/a**

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

Sierra Rutile's total Z/R production was 41% higher than the first half of 2021 on improved operational performance and higher rutile assemblage. Mineral sands revenue increased 75% (in US dollars) reflecting the improved performance and higher rutile prices.

Sierra Rutile demerged on 4 August 2022 and its shares were distributed to Iluka shareholders.

Marketing

Zircon

Demand for zircon remained strong in H1 2022 with sales of 191 thousand tonnes, including zircon in concentrate (ZIC).

Chinese tile production was impacted by COVID-19 restrictions. A number of tile producers are cautious about working with real estate developers, impacting demand for ceramics. The Chinese Government is responding by implementing measures to stimulate the property sector. Refractory producers have secured H2 orders; and demand for foundry continues to be strong. Despite several headwinds, the supply of premium zircon in China remains tight.

Tile production in Europe remained strong despite rising energy, transportation and raw material costs. Demand for abrasives and refractories is robust, with a backlog of orders until the end of 2022.

In Brazil and Mexico, demand for zircon from the ceramics industry continues to be strong, while in the US, demand for foundry and fused zirconia remains high.

The weighted average prices for zircon sand increased by approximately US$140 per tonne, effective 1 July, and all of Iluka's Q3 2022 zircon sales are fully contracted.

Titanium Dioxide Feedstocks

Demand for titanium dioxide feedstocks remained strong in H1 2022 with sales of 231 thousand tonnes.

Pigment inventories remain below seasonal norms with extended lead times and sporadic unplanned maintenance outages impacting supply. The war in Ukraine continues to restrict supply of ilmenite and rutile, increasing demand for feedstocks from Western producers such as Iluka.

Interest in synthetic rutile remains high for the upcoming restart of the SR1 kiln.

Weighted Average Received Prices (US$/t FOB)	**1st Half 2021**	**2nd Half 2021**	**1st Half 2022**
Zircon Premium and Standard	1,321	1,531	1,855
Zircon (all products including zircon-in-concentrate)[1]	1,254	1,406	1,757
Rutile (excluding HyTi)[2]	1,224	1,291	1,506
Synthetic rutile		Refer Note 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 the first half of 2022 the split of zircon sand and concentrate by zircon sand-equivalent was approximately: 66%:34% (2021 full year: 76%:24%).

[2] Excluded from rutile sales prices is a lower value titanium dioxide product, HyTi, that typically has a titanium dioxide content of 70 to 90%. This product sells at a lower price than rutile, which typically has a titanium dioxide content of 95%.

[3] Iluka's synthetic rutile sales are 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.

Capital and major projects

Eneabba, Western Australia

On 3 April 2022, Iluka announced its final investment decision for Eneabba Phase 3, a fully integrated refinery for the production of separated rare earth oxides at Eneabba, Western Australia.

This decision was taken following the agreement of a risk sharing arrangement with the Australian Government, including a $1.25 billion non-recourse loan under the $2 billion Critical Minerals Facility administered by Export Finance Australia.

On 22 June Iluka announced it had awarded Fluor Australia the contract to provide Engineering, Procurement and Construction Management (EPCM) services to the project. Key Iluka personnel are now embedded in the Fluor team and Front End Engineering Design (FEED) is progressing.

The contract for ground preparation (a precursor to commencement of site civil works) has been awarded. Tendering for construction of the new camp is underway.

Execution of Phase 2 (the production of a 90% monazite concentrate and a zircon-ilmenite concentrate) has progressed through mineral commissioning, with first production of on-specification monazite concentrate, at design recoveries, achieved in June.

Balranald, New South Wales

Balranald is a rutile-rich deposit in the northern Murray Basin, New South Wales. Owing to its relative depth, Iluka is assessing the potential to develop the deposit via a novel, internally developed, underground mining technology. Balranald's Definitive Feasibility Study (DFS) funding was approved by Iluka's Board in August 2021. The DFS continues to advance, with engineering and estimating materially complete. A final investment decision is planned for Q4 2022, subject to satisfactory study outcomes.

Wimmera, Victoria

The Wimmera project involves the mining and beneficiation of a fine grained heavy mineral sands ore body in the Victorian Murray Basin for the potential long term supply of zircon and rare earths. One characteristic shared by the fine grained mineral sands deposits located in Western Victoria (those held by Iluka and other project proponents) is higher levels of impurities in their zircon. Absent a processing solution to remove these impurities, the zircon is ineligible for sale into the ceramics market. Testing is now focussed on defining the engineering parameters for process design criteria. Equipment vendor enquiries and waste management studies are underway. Equipment to pilot this solution on a larger scale was commissioned in Q4 2021, with additional equipment ordered to improve the accuracy of operating and design parameters. Test work to determine the ideal process conditions and scale up design criteria, which will ultimately inform economic feasibility, will continue through 2022, with the aim of completing the PFS in late 2022.

The rare earth bearing minerals within the Wimmera deposits are very similar to Iluka's Eneabba stockpile, though with more xenotime (which contains higher levels of dysprosium and terbium), and are a potential future source of feedstock for the Eneabba Rare Earth Refinery.

Synthetic Rutile Kiln 1 Restart, Western Australia

SR1 is located at Capel, Western Australia, on the same site as SR2. SR1 was placed on care and maintenance in 2009. The restart of SR1 represents a low capital expenditure, low risk opportunity to produce an additional 110ktpa of synthetic rutile, in light of industry supply constraints. Iluka announced the execution of SR1's restart in August 2021. Site refurbishment activities continue to advance in line with the execution plan and start-up remains on track for Q4 2022. The company has received significant interest from both existing and new customers regarding offtake of synthetic rutile from SR1.

Reconciliation of non-IFRS financial information

A reconciliation of the statutory results to the segment and commentary presented in this 4D for the half-year ended 30 June 2022 is presented below:

	JA/MW	C/SW	US/MB[1]	Expl & Oth	Mineral Sands	Corp	SRL (Discontinued Operations[2])	Group
Mineral sands revenue	396.7	391.9			788.6		166.3	954.9
AASB 15 freight revenue	32.6	14.6			47.2		9.2	56.4
Expenses	(166.2)	(163.5)	(4.7)	(21.9)	(356.3)		(129.7)	(486.0)
Share of profits in associate					-	20.1		20.1
FX					-	13.6		13.6
Corporate costs					-	(41.4)		(41.4)
EBITDA	**263.1**	**243.0**	**(4.7)**	**(21.9)**	**479.5**	**(7.7)**	**45.8**	**517.6**
Depn & Amort	(25.8)	(45.1)	(0.4)	(0.1)	(71.4)	(1.4)	(0.8)	(73.6)
Inventory movement - non-cash		1.7			1.7		(0.3)	1.4
Rehabilitation for closed sites		(0.3)	(0.2)		(0.5)			(0.5)
Impairment reversal							33.3	33.3
EBIT	**237.3**	**199.3**	**(5.3)**	**(22.0)**	**409.3**	**(9.1)**	**78.0**	**478.2**
Net interest costs	(0.2)	(0.5)			(0.7)	(1.7)	(0.4)	(2.8)
Rehab unwind and other finance costs	2.2	1.8	2.5		6.5		4.9	11.4
Profit Before tax	**239.3**	**200.6**	**(2.8)**	**(22.0)**	**415.1**	**(10.8)**	**82.5**	**486.8**
Segment result	**239.3**	**200.6**	**(2.8)**	**n/a**	**437.1**	**n/a**	**82.5**	**519.6**

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

[2] As SRL was classified as Held for Distribution at 30 June 2022, its results are presented as a single line in the Statement of Profit or Loss.

GOVERNANCE

The Directors of Iluka Resources Limited present their report together with the financial statements of the Group for the half-year ended 30 June 2022 and the auditor's review report thereon.

Board of Directors

R Cole (Chairman, appointed 13 April 2022)
T O'Leary (Managing Director and CEO)
M Bastos
S Corlett
G Martin (retired 13 April 2022)
L Saint
A Sutton

Principal activities

The principal activities of the Group during the financial year were the exploration, development, mining, processing and marketing of critical minerals (mineral sands and rare earths); and associated rehabilitation operations. In April, Iluka announced the final investment decision to develop Australia's first fully integrated rare earths refinery at Eneabba in Western Australia. This decision was taken following the agreement of a risk sharing partnership with the Australian Government. Iluka also holds a 20% stake in Deterra Royalties Limited (Deterra), the largest ASX-listed resources focused royalty company.

Review of results and operations

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

Dividends

The Board of Directors have determined a fully franked interim dividend of 25 cents per share, payable on 30 September with a record date of 6 September 2022.

Auditor's independence declaration

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

Rounding of amounts

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

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

R Cole
Chairman

T O'Leary
Managing Director and CEO

Perth, 24 August 2022

Auditor's Independence Declaration

As lead auditor for the review of Iluka Resources Limited for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
24 August 2022

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ILUKA RESOURCES LIMITED

ABN 34 008 675 018

FINANCIAL STATEMENTS

for the half-year ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the half-year ended 30 June 2022

	Notes	Half-year 2022 $m	Half-year 2021 $m
CONTINUING OPERATIONS			
Revenue	**3**	**836.6**	**673.3**
Other income		**13.2**	3.3
Expenses	4	**(469.6)**	(460.2)
Equity accounted share of profit - Deterra		**20.1**	9.0
Interest and finance charges		**(2.4)**	(2.5)
Rehabilitation and mine closure provision discount unwind		**(4.2)**	(3.9)
Rehabilitation and mine closure provision discount rate changes (closed sites)		**10.6**	-
Total finance costs		**4.0**	**(6.3)**
Profit before income tax		**404.3**	**219.0**
Income tax expense	5	**(118.3)**	(67.8)
Profit after income tax for the half-year from continuing operations		**286.0**	**151.2**
DISCONTINUED OPERATIONS			
Profit/(loss) after tax from discontinued operations	7	**82.5**	(22.2)
Profit for the half-year, attributable to:		**368.5**	129.0
Equity holders of Iluka Resources Limited		**364.5**	131.5
Non-controlling interest	7	**4.0**	(2.5)
		Cents	Cents
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent			
Basic earnings per share		**67.8**	35.8
Diluted earnings per share		**67.2**	35.6
Earnings per share attributable to the ordinary equity holders of the parent			
Basic earnings per share		**87.3**	30.6
Diluted earnings per share		**86.6**	30.3

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 30 June 2022

	Half-year 2022 $m	Half-year 2021 $m
Profit for the half-year	**368.5**	129.0
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Currency translation of foreign operations	**0.3**	(3.0)
Movements in foreign exchange cash flow hedges, net of tax	**(4.0)**	(1.1)
Total other comprehensive income (loss) for the half-year, net of tax	**(3.7)**	(4.1)
Total comprehensive income for the half-year attributable to:	**364.8**	124.9
Equity holders of Iluka Resources Limited	**360.8**	127.4
Non-controlling interest	**4.0**	(2.5)
Total comprehensive income for the half-year attributable to the equity holders of the parent arises from:		
Continuing operations	**278.3**	149.6
Discontinued operations	**82.5**	(22.2)

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Notes	30 June 2022 $m	31 December 2021 $m
ASSETS			
Current assets			
Cash and cash equivalents		**450.2**	294.8
Receivables		**285.9**	253.7
Inventories		**491.2**	489.7
Assets classified as held for distribution	7	**291.8**	-
Total current assets		**1,519.1**	**1,038.2**
Non-current assets			
Property, plant and equipment		**970.7**	1,009.5
Right of use assets		**24.8**	28.7
Inventories		**3.2**	65.0
Investments accounted for using the equity method		**463.3**	455.7
Deferred tax assets		**41.2**	39.1
Total non-current assets		**1,503.2**	**1,598.0**
Total assets		**3,022.3**	**2,636.2**
LIABILITIES			
Current liabilities			
Payables		**194.1**	174.8
Current tax payable		**96.2**	28.5
Derivative financial instruments	11	**2.6**	0.5
Provisions		**76.6**	100.1
Lease liabilities		**7.3**	8.7
Liabilities directly associated with assets classified as held for distribution	7	**127.4**	-
Total current liabilities		**504.2**	**312.6**
Non-current liabilities			
Derivative financial instruments	11	**4.1**	-
Provisions		**571.4**	690.8
Lease liabilities		**24.4**	27.2
Financial liabilities at fair value through profit or loss	7	**-**	11.0
Total non-current liabilities		**599.9**	**729.0**
Total liabilities		**1,104.1**	**1,041.6**
Net assets		**1,918.2**	**1,594.6**
EQUITY			
Contributed equity	12	**1,159.9**	1,148.3
Reserves		**47.4**	31.0
Retained earnings		**710.9**	413.9
Non-controlling interests		**-**	1.4
Total equity		**1,918.2**	**1,594.6**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2022

	Attributable to owners of Iluka Resources Limited					
	Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1]	Total equity $m
Balance at 1 January 2021	1,150.5	37.1	104.3	1,291.9	0.4	1,292.3
Profit for the period	-	-	131.5	131.5	(2.5)	129.0
Other comprehensive income (loss)	-	(4.1)	-	(4.1)	-	(4.1)
Total comprehensive income	-	(4.1)	131.5	127.4	(2.5)	124.9
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	2.8	(2.8)	-	-	-	-
Purchase of treasury shares, net of tax	(5.2)	-	-	(5.2)	-	(5.2)
Share-based payments, net of tax	-	4.0	-	4.0	-	4.0
Dividends paid	0.7	-	(8.6)	(7.9)	-	(7.9)
	(1.7)	1.2	(8.6)	(9.1)	-	(9.1)
Balance at 30 June 2021	**1,148.8**	**34.1**	**227.3**	**1,410.2**	**(2.1)**	**1,408.1**

		Attributable to owners of Iluka Resources Limited					
	Notes	Share capital $m	Other reserves $m	Retained earnings $m	Total $m	NCI[1] $m	Total equity $m
Balance at 1 January 2022		1,148.3	31.0	413.9	1,593.2	1.4	1,594.6
Profit for the period		-	-	364.5	364.5	4.0	368.5
Other comprehensive income (loss)		-	(3.7)	-	(3.7)	-	(3.7)
Total comprehensive income		-	(3.7)	364.5	360.8	4.0	364.8
Transactions with owners in their capacity as owners:							
Shares issued	12	8.0	-	-	8.0	-	8.0
Purchase of treasury shares, net of tax	12	(5.7)	-	-	(5.7)	-	(5.7)
Transfer of shares to employees, net of tax	12	6.2	(6.2)	-	-	-	-
Share-based payments, net of tax		-	4.2	-	4.2	-	4.2
Dividends paid	13	3.1	-	(50.8)	(47.7)	-	(47.7)
Transactions with non-controlling interests	7	-	5.4	-	5.4	(5.4)	-
Transfer of loss in ownership changes	7	-	16.7	(16.7)	-	-	-
		11.6	20.1	(67.5)	(35.8)	(5.4)	(41.2)
Balance at 30 June 2022		**1,159.9**	**47.4**	**710.9**	**1,918.2**	**-**	**1,918.2**

[1]Non-controlling interest

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year 30 June 2022

	Notes	30 June 2022 $m	30 June 2021 $m
Cash flows from operating activities			
Receipts from customers		**986.5**	676.7
Payments to suppliers and employees		**(505.4)**	(384.1)
Operating cash flow		**481.1**	292.6
Interest received		**0.8**	0.3
Interest paid		**(0.9)**	(1.1)
Income taxes paid		**(52.4)**	(84.7)
Exploration expenditure		**(4.4)**	(3.8)
Net cash inflow from operating activities		**424.2**	**203.3**
Cash flows from investing activities			
Payments for property, plant and equipment		**(71.4)**	(16.7)
Sale of property, plant and equipment		**-**	0.1
Dividends received - Deterra		**12.3**	2.6
Net cash (outflow) from investing activities		**(59.1)**	**(14.0)**
Cash flows from financing activities			
Repayment of borrowings		**-**	(64.6)
Proceeds from borrowings		**-**	78.2
Purchase of treasury shares		**-**	(6.5)
Dividends paid		**(47.7)**	(7.9)
Principal element of lease payments		**(3.9)**	(3.8)
Settlement of put option		**(11.5)**	-
Net cash (outflow) inflow from financing activities		**(63.1)**	**(4.6)**
Net increase in cash and cash equivalents		**302.0**	184.7
Cash and cash equivalents at 1 January		**294.8**	87.1
Effects of exchange rate changes on cash and cash equivalents		**3.5**	0.8
Cash and cash equivalents at end of half-year		**600.3**	272.6
Associated with:			
Continuing operations		**450.2**	272.6
Discontinued operations	7	**150.1**	-

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2022

1 BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2021 and any public announcements made by Iluka Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

(a) Accounting policies

The accounting policies adopted and applied by the Group are consistent with those of the previous financial year and corresponding interim reporting period.

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

(b) Critical accounting estimates and judgements

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

Rehabilitation and mine closure provisions

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

Key estimate: discount rate for rehabilitation and mine closure provisions

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

Rehabilitation and mine closure provisions have been calculated by discounting risk adjusted cash flows at risk-free discount rates and current inflation rate targets, representing government bond rates and inflation rate targets for the associated currencies in the jurisdictions to which the rehabilitation provisions relate. Risk-free discount rates of 3.7%, 3.0% and 3.0% (2021: 1.3%, 0.5% and 1.0%) were used to calculate rehabilitation and mine closure provision balances in Australia, the United States and and Sierra Leone, respectively. The inflation rate used was 3.8% for Australia, the United States and Sierra Leone (2021: 2.0%, 1.9% and 1.9%, respectively).

Changes in the discount and inflation rates used to calculate rehabilitation and mine closure provisions resulted in their balances decreasing by $46.9 million in the current reporting period, of which $16.1 million relates to closed sites and has been recognised as a credit to finance costs in profit or loss. Amounts recognised in profit or loss comprise $10.6 million related to continuing operations and $5.5 million related to discontinued operations (refer to note 7).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 30 June 2022

2 SEGMENT INFORMATION

(a) Description of segments

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

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 mid-west 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.

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; and certain idle assets located in Australia (Murray Basin).

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

Where finished product capable of sale to a third party is transferred between operating segments, the transfers are made at arm's length prices. Any transfers of intermediate products between operating segments are made at cost. No such transfers took place between segments during the half-year ended 30 June 2022 (2021: $nil).

2 SEGMENT INFORMATION (CONTINUED)

(b) Segment information

Half-year 2022	**JA/MW** $m	**C/SW** $m	**SRL[1]** $m	**US/MB** $m	**Total** $m
Total segment sales of mineral sands	396.7	391.9	-	-	788.6
Total segment freight revenue	32.6	14.6	-	-	47.2
Total segment result	239.3	200.6	-	(2.8)	437.1
Segment assets	718.1	843.6	-	162.9	1,724.6
Segment liabilities	295.1	298.9	-	161.3	755.3

Half-year 2021	**JA/MW** $m	**C/SW** $m	**SRL[1]** $m	**US/MB** $m	**Total** $m
Total segment sales of mineral sands	287.8	347.8	-	11.7	647.3
Total segment freight revenue	15.8	7.5	-	2.5	25.8
Total segment result	154.3	114.4	-	1.1	269.8
Segment assets	593.2	818.2	128.9	135.9	1,676.2
Segment liabilities	265.0	297.7	142.7	236.1	941.5

[1]Sierra Rutile Limited (SRL) comprised the integrated mineral sands mining and processing operations in Sierra Leone, which have been reclassified as a discontinued operation in the current and prior reporting periods. SRL ceased to be an operating segment on reclassification. Refer to note 7.

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

	Half-year 2022 $m	Half-year 2021 $m
Total segment result	**437.1**	269.8
Interest income	**0.8**	0.2
Marketing and selling	**(5.0)**	(5.2)
Corporate and other costs	**(41.4)**	(30.8)
Depreciation	**(16.9)**	(17.0)
Major projects, innovation and exploration	**(1.5)**	(1.6)
Interest and finance charges	**(2.5)**	(2.5)
Net foreign exchange gain	**13.6**	3.3
Equity accounted profit - Deterra	**20.1**	9.0
Impairment - exploration asset	**-**	(6.2)
Profit before income tax from continuing operations	**404.3**	**219.0**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 30 June 2022

3 REVENUE

	Half-year 2022 $m	Half-year 2021 $m
CONTINUING OPERATIONS		
Sales revenue		
Sale of goods	**788.6**	647.3
Freight revenue	**47.2**	25.8
Other revenue		
Interest	**0.8**	0.2
	836.6	**673.3**

4 EXPENSES

	Half-year 2022 $m	Half-year 2021 $m
CONTINUING OPERATIONS		
Expenses		
Cash costs of production	**238.8**	159.0
Depreciation/amortisation	**70.6**	56.7
Inventory movement - cash costs of production	**4.3**	90.8
Inventory movement - non-cash production costs	**(1.7)**	17.3
Cost of goods sold	**312.0**	323.8
Ilmenite concentrate and by-product costs	**7.9**	11.4
Depreciation (idle, corporate and other)	**2.2**	6.6
Restructure and idle capacity charges	**6.0**	10.9
Rehabilitation costs for closed sites	**0.5**	0.4
Government royalties	**21.0**	13.6
Marketing and selling costs	**61.7**	39.5
Corporate and other costs	**41.4**	30.8
Major projects, exploration and innovation	**16.9**	17.0
Impairment - exploration asset	**-**	6.2
	469.6	**460.2**

4 EXPENSES (CONTINUED)

	Half-year 2022 $m	Half-year 2021 $m
Finance costs		
Interest charges	**0.4**	0.5
Bank fees and similar charges	**1.3**	1.2
Amortisation of deferred borrowing costs	**0.4**	0.3
Lease borrowing costs	**0.3**	0.4
Rehabilitation and mine closure provision discount unwind	**4.2**	3.9
Rehabilitation and mine closure provision discount rate changes (closed sites)	**(10.6)**	-
	(4.0)	6.3

5 INCOME TAX

	Half-year 2022 $m	Half-year 2021 $m
Current tax	**113.5**	72.0
Deferred tax	**5.3**	(0.3)
Under/(over) provided in prior years	**0.4**	(0.7)
	119.2	71.0
Tax on continuing operations	**118.3**	67.9
Tax on discontinued operation	**0.9**	3.1
	119.2	71.0

Income tax expense for the half-year interim reporting period has been recognised based on the Group's estimate of the effective income tax rate expected to apply to the full year. The estimated effective income tax rate used for the Group in the interim reporting period is 24.4% (2021: 35.5%), which is lower in the current reporting period due to the recognition of previously unrecognised carried forward tax losses. The effective income tax rate applicable to continuing operations is 29.3% (2021: 30.1%).

6 INTERNATIONAL FINANCE CORPORATION (IFC) – PUT OPTION SETTLEMENT AND NON-CONTROLLING INTEREST (NCI) DERECOGNITION

The Group entered a strategic partnership with the IFC in 2019. The partnership arrangement resulted in the Group reflecting an NCI (comprising the IFC's 10% interest in SRL), and a put option liability (reflecting the Group's obligation to acquire the IFC's interest under certain circumstances) at 31 December 2021.

The IFC exercised their put option on 13 May 2022 in anticipation of the demerger outlined in note 7, and accordingly the Group paid $11.5 million in cash and derecognised the NCI balance of $5.4 million as a gain against other reserves in equity.

During the current reporting period up until the date the IFC exercised their put option, $4.0 million of SRL's profits were attributed to the NCI and a foreign exchange loss of $0.5 million was recognised in relation to the put option. The carrying amounts of the NCI and put option immediately before settlement were $5.4 million and $11.5 million, respectively.

Related cumulative losses of $16.7 million were reclassified to retained earnings from other equity reserves on the same date.

7 DISCONTINUED OPERATIONS - DEMERGER OF SIERRA RUTILE LIMITED (SRL)

On 13 April 2022, the Group announced its intention to demerge SRL subject to certain prerequisites being met, including shareholder approval. The demerger booklet was released on 20 June 2022 and outlines details of the demerger.

Shareholders approved the demerger on 22 July 2022, subsequent to the end of the reporting period (refer to note 8). Accordingly, SRL is classified as a discontinued operation in the current reporting period.

7 DISCONTINUED OPERATIONS - DEMERGER OF SIERRA RUTILE LIMITED (SRL) (CONTINUED)

(a) Profit or loss

Items of profit or loss in the current and comparative reporting periods are shown as profit after tax from discontinued operations, comprising:

	30 June 2022 $m	30 June 2021 $m
Revenue	**175.5**	91.7
Impairment reversal[1]	**33.3**	-
Expenses	**(129.7)**	(109.0)
Interest and finance charges	**(0.9)**	(0.4)
Rehabilitation and mine closure provision discount unwind	**(0.3)**	(1.4)
Rehabilitation and mine closure provision discount rate changes (closed sites)	**5.5**	-
Total finance costs	**4.3**	(1.8)
Profit/(loss) before tax	**83.4**	**(19.1)**
Income tax expense	**(0.9)**	(3.1)
Profit/(loss) from discontinued operation	**82.5**	**(22.2)**

[1]*Impairment reversal - 2019 write-down of Sierra Rutile Limited (SRL)*

The Group recognises impairment reversals when the conditions that led to previous impairments or write downs have changed to the extent that an impairment reversal may be necessary. Impairment reversals are recognised to the extent that previously impaired assets (or CGUs) are reflected at the lower of their recoverable amount or what their carrying amount would have been had no impairment been recognised.

In 2019, the Group recognised an impairment loss against assets in the SRL CGU due to the operational performance at Area 1 being below expectations and uncertainty surrounding the future of the Sembehun project. During the half year reporting period ended 30 June 2022, management withdrew the notice of intention to suspend Area 1 operations and completed a pre-feasibility study (PFS) for Sembehun indicating an increasing level of confidence in the project.

Therefore, as the conditions that resulted in the 2019 write down of SRL have changed, an impairment reversal may be necessary. The recoverable value of the SRL CGU was estimated based on the valuations prepared as part of the demerger process (refer to note 8). As the recoverable value was greater than the net carrying value of SRL assets, the Group has recognised an impairment reversal of $33.3 million (US$23.4 million) related to previously impaired Sembehun property, plant and equipment that was not subject to depreciation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2022

7 DISCONTINUED OPERATIONS - DEMERGER OF SIERRA RUTILE LIMITED (SRL) (CONTINUED)

(b) Carrying amounts of assets and liabilities held for distribution

Assets and liabilities associated with the discontinued operation are classified as held for distribution at 30 June 2022. Asset and liability balances have not been reclassified in the comparative period.

	30 June 2022 $m
Cash and cash equivalents	**84.7**
Restricted cash - rehabilitation provision trust	**65.4**
Inventories	**58.0**
Receivables	**38.8**
Mine Reserves & Development	**27.0**
Property, plant and equipment	**17.9**
Total assets	**291.8**
Payables	**44.3**
Provisions	**82.3**
Current tax payable	**0.8**
Total liabilities	**127.4**

(c) Cash flows associated with SRL

	30 June 2022 $m	30 June 2021 $m
Net cash inflow from operating activities	**52.5**	(9.3)
Net cash inflow/(outflow) from investing activities	**(6.6)**	-
Net increase/(decrease) in cash and cash equivalents	**45.9**	**(9.3)**
Cash at the beginning of the period	**35.6**	21.5
Effects of exchange rate changes on cash and cash equivalents	**3.2**	(0.4)
Cash and cash equivalents at end of half-year	**84.7**	**11.8**

(d) Cash associated with discontinued operations

Group total cash and cash equivalents of $600.3 million at 30 June 2022 includes $150.1 million associated with discontinued operations, comprising $84.7 million in cash and $65.4 million in restricted cash. Prior to demerger on 5 August 2022 but after the balance sheet date, Iluka contributed the latter amount to a rehabilitation trust for Sierra Rutile.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2022

8 EVENTS OCCURRING AFTER THE REPORTING PERIOD

SRL demerger approval

Consequentially to the shareholder approval on 22 July 2022, Sierra Rutile Holdings Limited (SRX) was admitted to the ASX with shares trading on a deferred settlement basis from 27 July 2022.

Iluka distributed the SRX shares to shareholders on 4 August 2022, simultaneously losing control of SRL. Iluka estimates a loss will be recognised at 31 December 2022 for the difference between the carrying value of SRL's net assets and the fair value of the liability to distribute SRX shares, however it is still determining the final carrying value of SRL's net assets on the date it lost control.

The fair value of the liability to distribute SRX shares is $145.8 million, which is equal to the volume weighted average price (VWAP) of SRX shares traded on the five days commencing 27 July 2022 of 34.36 cents per share multiplied by 424,336,447 shares. The dividend distribution liability is not recognised in the balance sheet at 30 June 2022 because the obligation arose after this date.

The final loss will be reflected in profit from discontinued operations, net of tax, in the annual report for the year ending 31 December 2022.

9 INTEREST BEARING LIABILITIES

The Group announced approval of the Eneabba Rare Earths Refinery (ERER) project on 3 April 2022 (as outlined in the ASX notice released on that date), following completion of the related feasibility studies and finalisation of a risk sharing agreement with the Australian Government.

Amongst other terms, the risk sharing agreement stipulates that Iluka Eneabba Pty Ltd (a newly formed special purpose entity of the Group) has access to a loan facility to fund the construction and commissioning of ERER under the Australian Government's Critical Minerals Facility, administered by Export Finance Australia (EFA).

Total available funds under the facility amount to $1,250 million, is non-recourse to Iluka and has a variable interest rate equal to the BBSY + 3% with a term of up to 16 years expiring in 2037.

At 30 June 2022, no amounts are drawn against the facility.

10 CAPITAL COMMITMENTS

Capital expenditure contracted for and payable, but not recognised as a liability at 30 June 2022 is $120.5 million (31 December 2021: $21.4 million) and relates to the purchase of property, plant and equipment. Of the total amount, $57.5 million is expected to be paid within one year and the remainder in more than one year but less than five years from the reporting date (31 December 2021: all expected to be paid within one year).

11 HEDGING

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

(a) Fair value of derivatives

Derivative financial instruments are the only assets and liabilities measured and recognised at fair value at 30 June 2022 and 31 December 2021, comprising the hedging instruments in (b) below and the put option liability referred to in note 6. The fair value of hedging instruments is determined using valuation techniques with inputs that are observable market data (a level 2 measurement). The valuation of the options making up the collars is determined using forward foreign exchange rates, volatilities and interest rates at the balance date. The only unobservable input used in the calculations is the credit default rate, movements in which would not have a material effect on the valuation.

(b) Hedge accounting

Cash flow hedges

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

Foreign exchange collar contracts in relation to expected USD revenue, predominantly from contracted sales to 31 December 2023, remain open at the reporting date. The foreign exchange collar hedges cover US$203.5 million of expected USD revenue to 31 December 2023 and comprise US$203.5 million worth of purchased AUD call options with a weighted average strike price of 80.0 cents and US$203.5 million of AUD put options at a strike price of 66.2 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$108.6 million in foreign exchange collar contracts consisting of US$108.6 million of bought AUD call options with weighted average strike prices of 80.0 cents and US$108.6 million of sold AUD put options with weighted average strike prices of 68.7 cents expired during the year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 30 June 2022

12 CONTRIBUTED EQUITY

(a) Movements in ordinary share capital

On 25 February 2022, the Group issued 730,000 ordinary shares to the ILU Employee Share Trust trustee at a price of $11.04 per share. The issued shares became treasury shares held by the trust on the same date, and are accordingly included with treasury shares in (b), below.

On 7 April 2022, the Group issued 304,105 ordinary shares to shareholders at a price of $10.49 per share as part of the Dividend Reinvestment Plan, the terms of which are detailed in the ASX announcement dated 27 February 2018.

As at 30 June 2022, 424,236,447 ordinary shares are on issue.

(b) Movements in treasury shares

During the period 1,056,491 treasury shares were transferred to employees (2021: 540,196) and 730,000 treasury shares were acquired as outlined in (a), above (2021: 956,324 treasury shares were purchased). The total number of treasury shares on hand at 30 June 2022 is 884,661.

13 DIVIDENDS

	Half-year 2022 $m	Half-year 2021 $m
Final dividend		
For 2021 of 12 cents per share, fully franked	**50.8**	-
For 2020 of 2 cents per share, fully franked	**-**	8.6
	50.8	8.6

Of the total $50.8 million final dividend declared for 2021, $3.1 million was taken up by shareholders as part of the Dividend Reinvestment Plan as detailed in the announcement to the ASX dated 7 April 2022.

In addition to the demerger distribution outlined in note 8, the Directors have determined that an interim dividend of 25 cents per share will be declared for the half-year ended 30 June 2022.

Franking credits

The balance of franking credits available as at 30 June 2022 is $441.5 million (30 June 2021: $358.3 million). This balance is based on a tax rate of 30% (2021: 30%).

DIRECTORS' DECLARATION
30 June 2022

In the directors' opinion:

(a) the interim financial statements and notes set out on pages 16 to 31 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half-year ended on that date, and

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

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

R Cole
Chairman

T O'Leary
Managing Director

24 August 2022

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Iluka Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated balance sheet as at 30 June 2022, the Condensed consolidated statement of comprehensive income, Condensed consolidated statement of profit or loss, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date

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

Basis for conclusion

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

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

Responsibilities of the directors for the half-year financial report

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

pwc

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst	Perth
Partner	24 August 2022